

WATTS, COHN and PARTNERS, INC.

COMMERCIAL REAL ESTATE APPRAISAL

APPRAISAL OF:

**LEE AVENUE & NORTH ACCESS ROAD RIGHT-OF-WAY
SAN FRANCISCO, CALIFORNIA**

PREPARED FOR:

**CITY COLLEGE OF SAN FRANCISCO
SAN FRANCISCO, CALIFORNIA**

JUNE 2019

19-WCP-039

WATTS, COHN and PARTNERS, INC.

COMMERCIAL REAL ESTATE APPRAISAL

June 18, 2019

Mr. Garth A. Kwiecien
Dean of Administrative Services
City College of San Francisco
33 Gough Street
San Francisco, California 94103

Re: 19-WCP-039, Appraisal
Lee Avenue & North Access Road
Right-of-Way
San Francisco, California

Dear Mr. Kwiecien:

At your request and authorization, Watts, Cohn and Partners, Inc. has made an appraisal of two strips of vacant land that are proposed for an expansion of Lee Avenue and North Access Road right-of-way. This land is owned by City College of San Francisco, in the City of San Francisco, California. The subject sites are part of a “**larger parcel**” situated on the eastern portion of Balboa Reservoir within the environs of the City College of San Francisco Campus. The larger parcel, from which the right-of-way would be severed, is located to the west of Frida Kahlo Way and adjacent to the east of the proposed development site known as the Balboa Reservoir project owned by the City of San Francisco. The larger parcel is identified by the San Francisco County Assessor as APN Block 3180 Lot 191.

The larger parcel contains 10.49 acres and is generally rectangular in shape. It is improved with a three-story multipurpose building, and a one-story commercial building. The remaining portion of the property is paved with a large parking lot. It does not appear that the acquisition of the subject parcels for expansion of the right-of-way would change the use or functionality of the larger parcel.

The first strip of subject right-of-way land is identified as the ***Proposed Lee Avenue Expansion***. It is located on the east side line of the existing 50-foot wide right-of-way (roadway) which is owned by the City of San Francisco. The subject right-of-way land area is 11 feet wide and 1,298.6 feet long. The total ***Proposed Lee Avenue Expansion*** land area is 14,295 square feet.

The second strip of subject right-of-way land is identified as ***Proposed North Access Road Right-of-Way***. It fronts Frida Kahlo Way on the east side and travels west to Lee Avenue. The subject right-of-way land is 62 feet wide and is 366.02 feet long. The total ***Proposed North Access Road Right-of-Way*** land area is 22,693 square feet.

582 Market Street, Suite 512 | San Francisco, CA 94104 | 415-777-2666

Mark Watts | mark@wattscohn.com | Sara Cohn, MAI | sara@wattscohn.com

The subject properties are currently vacant paved land which are used for parking. The proposed Lee Avenue will run north to south and will connect Ocean Avenue to the proposed Balboa Reservoir development to the north when completed. The proposed North Access Road is planned to provide access from Frida Kahlo Way to Lee Avenue and the proposed Balboa reservoir project.

This appraisal addresses the fee simple interest of the subject properties.

The client for this appraisal is Mr. Garth A. Kwiecien with the City College of San Francisco. The purpose of this appraisal is to estimate the current “as-is” market value of the fee simple interest in the subject property. It is our understanding that the intended use/user of the appraisal is for the exclusive use of City College of San Francisco in negotiations with the City of San Francisco for reimbursement purposes. ***This report should not be used or relied upon by any other parties for any reason.***

A more complete description of the subject property appraised, as well as the research and analyses leading to our opinion of value, is contained in the attached narrative report. Chapter I provides a basic summary of salient facts and conditions upon which this appraisal is based and reviews the value conclusion.

CONCLUSIONS

Proposed Lee Avenue Expansion

Based on the research and analyses contained in the attached report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property (***Proposed Lee Avenue Expansion***), in its present, as-is condition, as of June 12, 2019, is estimated to be:

THREE MILLION FIVE HUNDRED SEVENTY FIFTY THOUSAND DOLLARS

(\$3,575,000)

Proposed North Access Road Right of Way

Based on the research and analyses contained in the attached report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property (***Proposed North Access Road Right of Way***), in its present, as-is condition, as of June 12, 2019, is estimated to be:

FIVE MILLION SIX HUNDRED SEVENTY FIFTY THOUSAND DOLLARS

(\$5,675,000)

This letter must remain attached to the appraisal report, identified on the footer of each page as 19-WCP-039, plus related exhibits, in order for the value opinion set forth to be considered valid.

Watts, Cohn and Partners, Inc.

Commercial Real Estate Appraisal

19-WCP-039

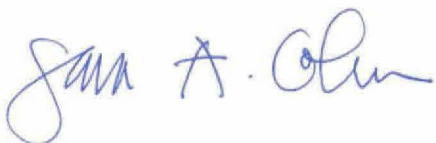
CERTIFICATION

We, the undersigned, hereby certify that, to the best of our knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our 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, our compensation is not contingent upon the 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; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is in compliance with FIRREA; Sara Cohn and Mark Watts have made a personal inspection of the property that is the subject of this report; no one provided significant real property appraisal assistance to the persons signing this report. The use of this report is subject to the requirements of the Appraisal Institute related to review by its duly authorized representatives. As of the date of this report Sara Cohn has completed the requirements under the continuing education program of the Appraisal Institute. In accordance with the Competency Rule in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report. We have not provided services regarding the property that is the subject of this report in the 36 months prior to accepting this assignment.

We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

WATTS, COHN AND PARTNERS, INC.



Sara Cohn, MAI
Certified General Real Estate Appraiser
State of California No. AG014469

Email: sara@wattscohn.com
Phone: 415-777-2666 x 102



Mark Watts
Certified General Real Estate Appraiser
State of California No. AG015362

Email: mark@wattscohn.com
Phone: 415-777-2666 x 101

Watts, Cohn and Partners, Inc.

Commercial Real Estate Appraisal

19-WCP-039

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Qualification and License of Appraisers

I. REPORT SUMMARY AND LIMITING CONDITIONS

A. Property Appraised

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This appraisal addresses the fee simple interest of the subject property.

B. Client, Purpose, Intended Use and Intended User

The client for this appraisal is Mr. Garth A. Kwiecien with the City College of San Francisco. The purpose of this appraisal is to estimate the current “as-is” market value of the fee simple interest in the subject property. It is our understanding that

the intended use/user of the appraisal is for the exclusive use of City College of San Francisco in negotiations with the City of San Francisco for reimbursement purposes. ***This report should not be used or relied upon by any other parties for any reason.***

C. Scope of Appraisal

The scope of work for this appraisal is to utilize the appropriate approaches to value in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) to arrive at a market value conclusion. Specific steps include the inspection of the subject property, research and analysis to arrive at the value indication as put forth in this report. The Sales Comparison Approach is considered the most reliable indicator for estimating the fee simple value of land.

The appraiser completed a physical inspection of the subject property but did not inspect the interior of the adjacent multipurpose building. The scope of work includes a review of various documents including the plats and legal descriptions attached and an analysis of valued definitions and methodology.

D. Appraisal Reporting Format

This appraisal report is presented in a narrative format. This report is intended to be an Appraisal Report prepared in conformance with USPAP Standard 2-2(a)

E. Date of Appraisal and Date of Report

The effective date of valuation is June 12, 2019.

The date of this appraisal is June 18, 2019.

F. Definition of Terms

1. Market Value (OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))

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

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;

- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. Fee Simple Interest (*The Appraisal of Real Estate, 13th Edition, 2013, p.114*)

A fee simple interest in valuation terms is defined as "... absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." It is an inheritable estate.

G. Value Conclusions

Proposed Lee Avenue Expansion

Based on the research and analyses contained in the attached report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property (***Proposed Lee Avenue Expansion***), in its present, as-is condition, as of June 12, 2019, is estimated to be:

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(\$5,675,000)

H. Assumptions and Limiting Conditions

Extraordinary Conditions

1. No preliminary title report was provided for review for the subject property. This appraisal assumes clear and marketable title, and that no adverse easements, restrictions or encumbrances other than as discussed in this report affect the subject property.
2. Information regarding the size and dimensions of the subject properties were provided by the client. This information was deemed as accurate but any changes in size could affect the value of the subject.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

General Limiting Conditions

3. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.
4. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report.
5. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers is assumed by the appraisers.
6. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.
7. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors. It is assumed that no additional soil contamination exists, other than as outlined herein, as a result of chemical drainage or leakage in connection with any production operations on or near the property.
8. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the

site has not been considered. These materials may include (but are not limited to) the existence of formaldehyde foam insulation, asbestos insulation, or toxic wastes. The appraiser is not qualified to detect such substances. The client is advised to retain an expert in this field.

9. Any projections of income and expenses in this report are not predictions of the future. Rather, they are an estimate of current market thinking of what future income and expenses will be. No warranty or representation is made that these projections will materialize.
10. The appraisers are not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use as stated herein.
12. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraiser, or any reference to the Appraisal Institute or the MAI designation.

II. AREA AND NEIGHBORHOOD DESCRIPTION

A. San Francisco and the Bay Area

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fifth largest metropolitan center in the United States with a population exceeding 7,100,000. It has a relatively stable economic base which will likely expand in the future. Principal economic activities include finance, high technology, manufacturing, and transportation. The population within San Francisco proper was approximately 883,869 as of January 1, 2019, according to estimates prepared by the California Department of Finance. This represents an increase of 0.3 percent over the prior year.

The California EDD reports San Francisco's unemployment at 2.1 percent as of April 2019, a small decrease of 0.1 percent from the previous year. The state unemployment rate was 3.9 percent and the national unemployment rate was 4.0 percent in April 2019.

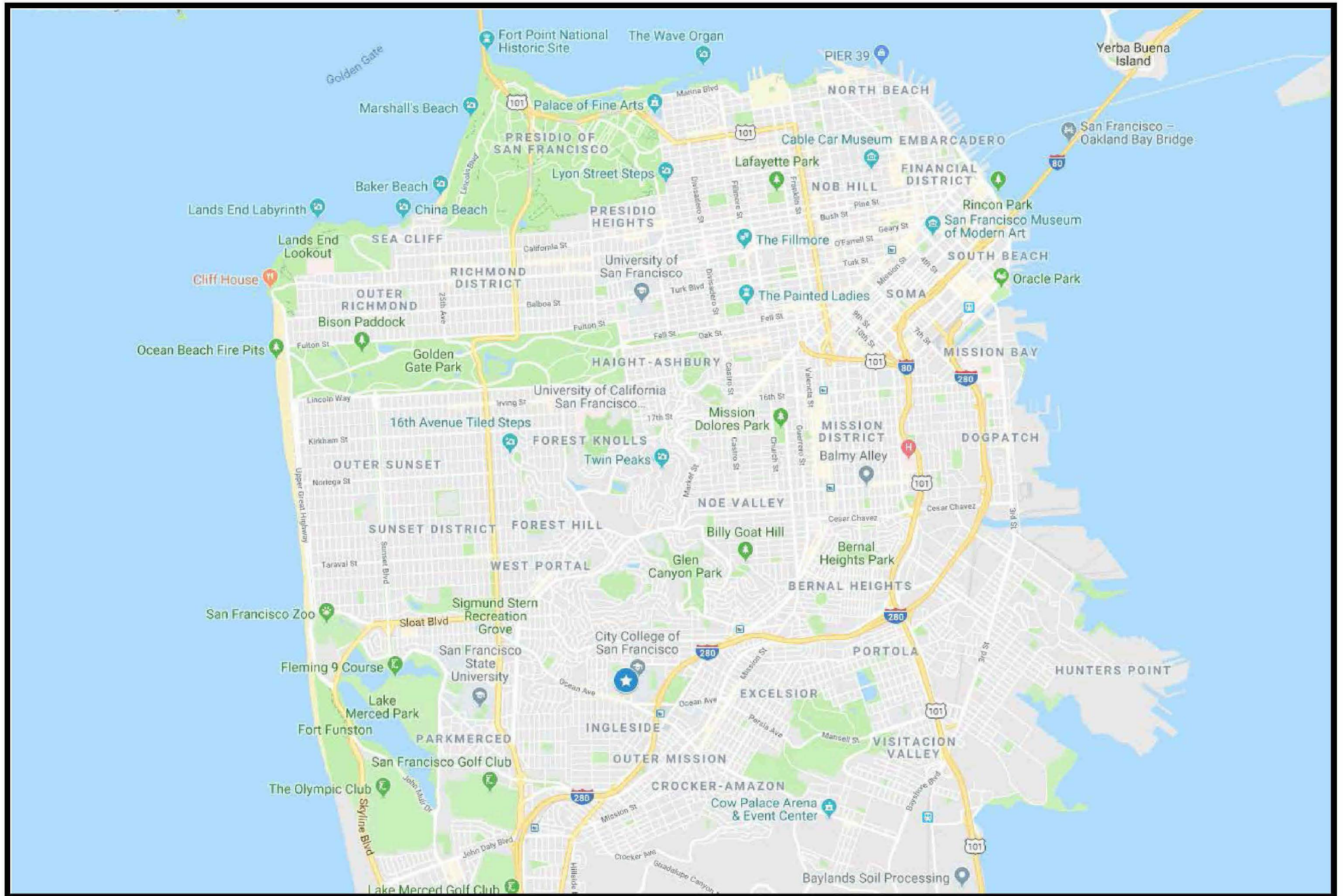
According to the Association of Bay Area Governments (ABAG) Projections 2013, San Francisco will have a total of 617,420 jobs by 2015. ABAG predicts job growth to 671,230 by 2020. The largest employment sectors in 2015 in San Francisco are financial and professional services with 208,620 jobs and health, educational and recreational services with 186,910 jobs. These sectors comprise approximately 64 percent of total jobs in San Francisco. According to the U.S. Census American Community Survey 2012 5-Year Estimates, San Francisco's mean household income was \$107,520.

The economic outlook for San Francisco and the Bay Area is favorable. On a regional basis, the Bay Area has a diversified economic base which helps insulate it from national economic fluctuations. Employment patterns within San Francisco are generally oriented toward office activities. These activities, as opposed to functions such as heavy industry, have traditionally been less vulnerable to changes in the business cycle.

B. Neighborhood Description

The subject property is located to the northwest of the intersection of Frida Kahlo Way and Ocean Avenue in the southwestern area of San Francisco. The subject properties adjoin the San Francisco Community College District's main campus on Frida Kahlo Way. They are generally within the larger Ingleside neighborhood and are located in close proximity to a high concentration of public and private transportation facilities. The subject property is within the jurisdiction of the San Francisco Planning Department's Better Neighborhoods Program and is addressed by the Balboa Park Station Plan. This Plan will have a strong influence on future

REGIONAL MAP

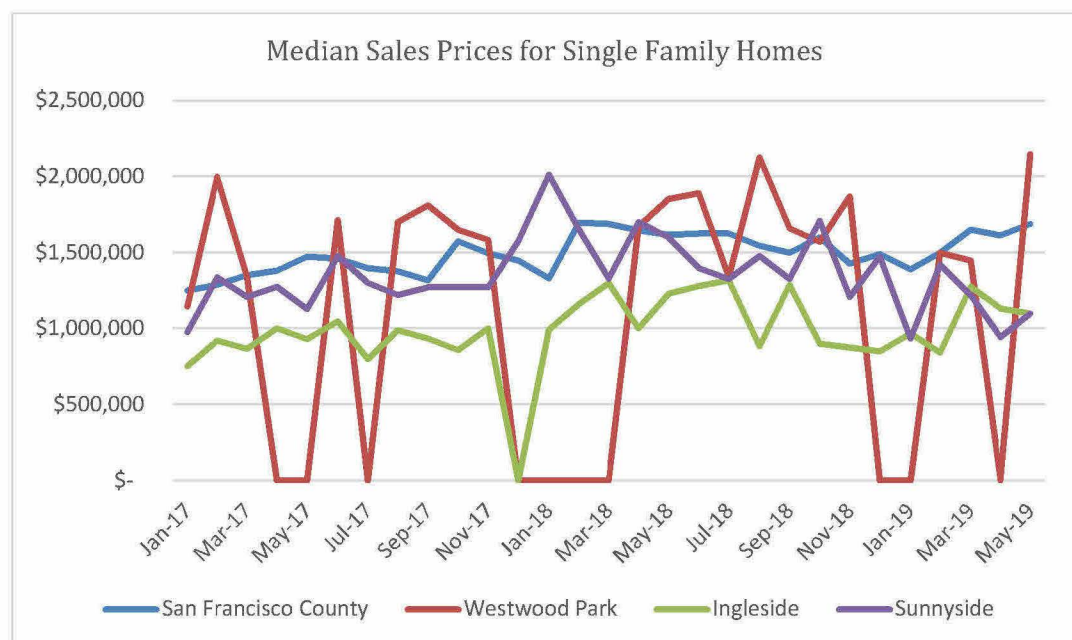


development in the neighborhood and is discussed later in the neighborhood description. The following will discuss the various residential, commercial, and institutional neighborhoods and uses surrounding the subject property.

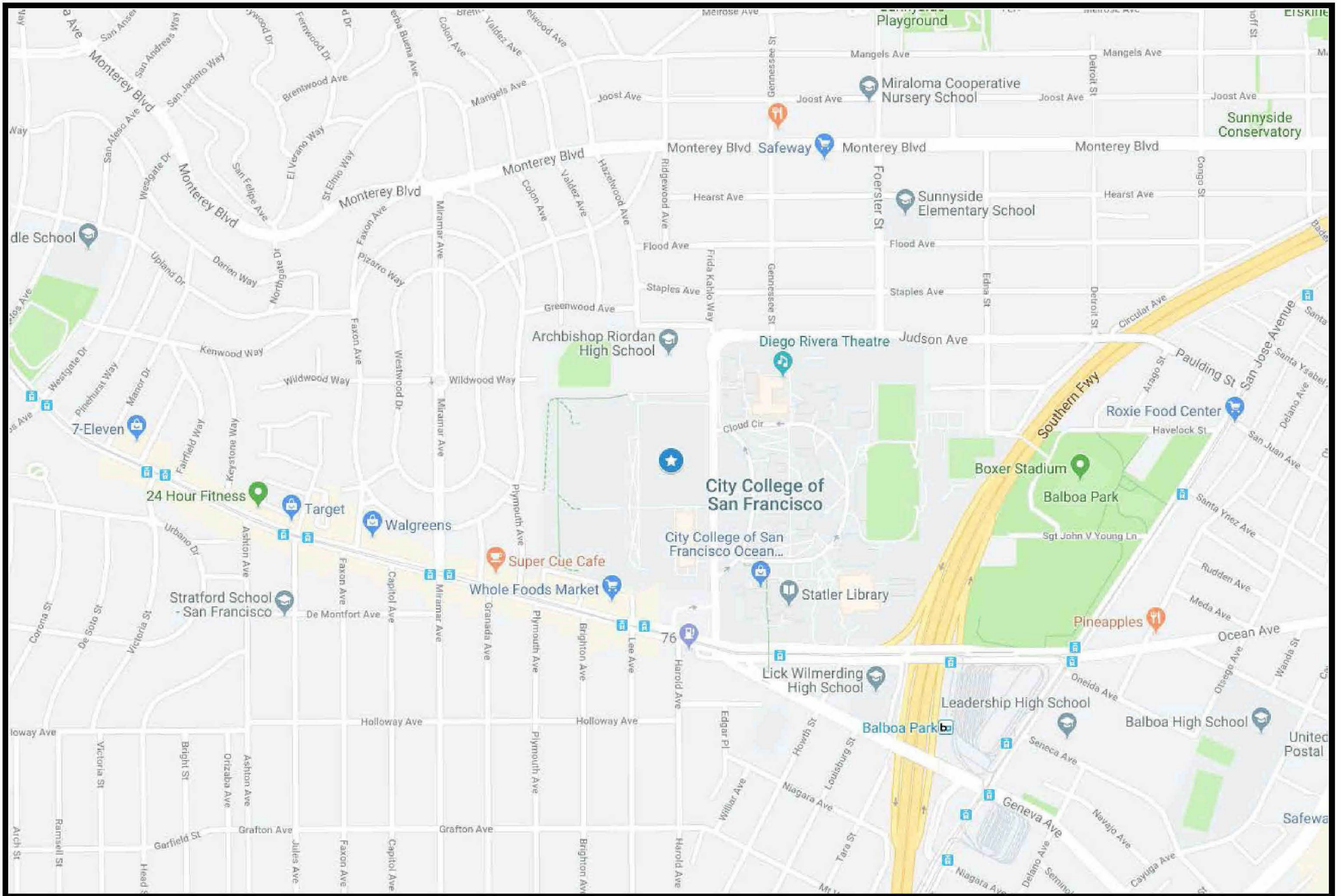
Residential - Westwood Park

Ocean Avenue is the northern border for the residential neighborhood known as the Ingleside District, and the southern border for the Westwood Park neighborhood. Both neighborhoods are characterized by older, single-family homes representing a wide variety of architectural styles and materials. The subject is located within the Westwood Park neighborhood, which is roughly bounded by Monterey Boulevard to the north, Frida Kahlo Way to the east, Ocean Avenue to the south, and Faxon Avenue to the west. The Westwood Park neighborhood was developed in 1916, with most of the homes completed in the 1920s. The development is comprised almost entirely of craftsmen-style bungalow homes designed by Charles F. Strothoff, who also designed several other projects and schools for the Public Works Administration.

The May 2019 median home value within Westwood Park (which is entirely comprised of single-family homes) was \$1,587,300, as reported by Zillow. This is a 1.6 percent increase from the previous year. The SFAR reports that the median sales price for single family homes in San Francisco was \$1,690,000 in May 2019, while the median sales price for a single-family home in Westwood Park was reported to be \$2,150,000. Ingleside neighborhood, located to the south of Ocean Avenue, reported a median sales price of \$1,100,000 for single family homes in May 2019. The chart below illustrates the median sales price for single family homes in the Westwood Park, Ingleside, and Sunnyside neighborhoods, as well as the whole of San Francisco.



NEIGHBORHOOD MAP



In conclusion, the majority of neighborhoods surrounding the subject property are low-density, single family developments constructed in the 1920s. However, as residential demand has increased over the past decade, new, higher-density multifamily developments have been constructed along Ocean Avenue, as discussed in the next section.

Overall, the residential communities surrounding the subject are generally considered stable and are above average in terms of desirability.

Commercial – Ocean Avenue Neighborhood Commercial District

The subject is located directly north of the Ocean Avenue Neighborhood Commercial District. This district extends west along Ocean Avenue from Frida Kahlo Way to Manor Drive. This district is intended to provide local residents with a variety of goods and services. Businesses include restaurants, grocery stores, hardware stores, merchants, and personal service establishments. Architecture in this district varies but is otherwise typical of many commercial sections of San Francisco with a continuous street wall and buildings that are linked together in a tight-knit development pattern. This pattern opens up in the eastern part of the district, closer to the subject, with lower site coverage, more parking lots, and a presence of automotive service establishments.

The Ocean Avenue commercial district has experienced some new construction and rehabilitation within the past two decades. One of the primary objectives of the Balboa Park Station Plan is to encourage mixed-use residential and commercial infill within the commercial district. Recent residential construction includes the Avalon Ocean Avenue Apartments, located immediately adjacent to the southwest of the subject on Ocean Avenue. The Avalon Ocean Avenue Apartments is a two-building, four-story, 173-unit apartment complex that was constructed in 2012. The mixed-use complex includes ground floor retail on both structures, with Whole Foods occupying the ground floor of the eastern building, and Poke Bowl occupying the western retail space. There is also underground parking for the apartment units and the Whole Foods.

Immediately across Ocean Avenue from the Avalon Ocean Apartments is 280 Brighton Street, a 30-unit luxury apartment complex that was built in 2016. At 1100 Ocean Avenue, is a five-story, 71-unit multifamily/mixed use affordable housing complex that was constructed in 2015 and is currently operated by Mercy Housing. Philz, a popular coffee chain, currently occupies one of the ground floor restaurant spaces along with Pakwan, a popular Indian restaurant. Further west down Ocean Avenue, at the northwest intersection of Miramar and Ocean Avenues, is a mixed-use luxury condominium development, located at 1490 Ocean Avenue that was completed in 2018.

Institutional - City College of San Francisco (CCSF)

The main campus of the City College lies immediately east of the subject properties across Frida Kahlo Way. The CCSF Ocean Campus is considered to be the main campus, serving approximately 70,000 students each year. The Ocean Campus is located within the Sunnyside Neighborhood, and is roughly bounded by Frida Kahlo Way to the west, Judson Avenue to the north, Interstate-280 to the east, and Ocean Avenue to the south. The campus includes several libraries, classrooms, halls, and “bungalows”. There is also an indoor swimming pool, outdoor stadium, soccer practice field, and tennis courts. In 2008, CCSF completed construction of its Community Health and Wellness Center. Vehicular access is primarily through two partially concentric one-way traffic circles – the Cloud Circle and the Science Circle – which both connect to Frida Kahlo Way. The one-directional West Road provides vehicle access to the athletic areas. To the east of CCSF, across Frida Kahlo Way, CCSF constructed a multi-use building. Adjacent to the multi-use building is the subject, which CCSF currently uses for student parking.

CCSF has its own Master Plan which was completed in 2004. Currently, as noted in the Balboa Park Station Area Plan, “City College represents an important but underutilized asset for the area. Currently, the campus is disconnected from its commercial district. As the college grows in the future, it should reach out and connect to the Transit Station Neighborhood and to the Ocean Avenue Neighborhood Commercial District, helping to enliven the areas and provide customers for businesses.” Overall the District adds stability to the neighborhood and represents a positive influence.

The subject is also located directly south of Archbishop Riordan High School. The Catholic, all-male high school, and now a boarding school, was founded in 1949 and has a student body of approximately 700 students. The high school campus is located at the intersection of Judson Avenue and Frida Kahlo Way and is comprised of several school buildings and an athletic field. Other educational uses in the area include Lick Wilmerding High School, located below CCSF, between Ocean and Geneva Avenues.

Institutional uses in the area also include the San Francisco Fire Department Station 15 at the intersection of Frida Kahlo Way and Ocean Avenue, and Balboa Park to the east of CCSF and Interstate 280.

The Balboa Park Station Area Plan

The Balboa Park Station Area Plan includes the Ocean Avenue Neighborhood Commercial District and related zoning controls to ensure that new development meets the goals outlined in the Plan.

As per the Plan:

The “plan area” for the Balboa Park Station Area Plan is in south central San Francisco. The area comprises approximately 210 acres and includes the Ocean Avenue Campus of City College of San Francisco (CCSF), the Ocean Avenue Neighborhood Commercial District, Balboa Park, and the Balboa Park BART station. More specifically, the plan area consists primarily of those parcels fronting on Ocean, Geneva and San Jose Avenues. The area provides a diverse range of uses including; institutional, recreational, retail, housing, and transportation. Seven neighborhoods surround the Plan Area: Westwood Park, Ingleside, Ingleside Terraces, Miraloma Heights, Sunnyside, Oceanview, and Balboa Terraces.

The plan area is best characterized by four distinct areas; the Transit Station Neighborhood, City College of San Francisco, the Reservoir, and the Ocean Avenue Commercial District.

- The Transit Station Neighborhood refers to the area immediately surrounding the Balboa Park Station. It is bounded by Interstate 280 to the west and residential neighborhoods on all other sides.
- Ocean Avenue Campus of the City College of San Francisco is on the north side of Ocean Avenue, east of the Ocean Avenue Neighborhood Commercial District. CCSF is bounded by Ocean Avenue to the south, I-280 to the east, residential neighborhoods to the north, and the Balboa Reservoir to the west. The campus occupies 67.4 acres and includes academic and support buildings, commons, open spaces, walkways and roads, and parking facilities. The Ocean Avenue Campus is the historical heart of the CCSF system and continues to serve as its flagship campus, serving the majority of its students.
- Balboa Reservoir is located on the west side of Phelan Avenue. It is bounded by Riordan High School and the Westwood Park residential neighborhoods to the north, and the Ocean Avenue Neighborhood Commercial District to the south. The reservoir is divided into two basins. The San Francisco Public Utilities Commission (SFPUC) owns the north basin, while CCSF owns the south basin.
- The Ocean Avenue Neighborhood Commercial District extends east-west along Ocean Avenue from Phelan Avenue to Manor Drive.

As part of the Balboa Park Station Area Plan, improvements to the public transportation in this area have also been proposed. The Plan includes a proposal to completely redesign Balboa Park BART Station as “a regional transit hub that efficiently accommodates BART, light rail, buses, bicycles, pedestrians, taxis, and automobile drop-off and pick-up.” While the Balboa Park BART Station is located only 0.3 miles from CCSF, its location along/under I-280 on a block bounded by

the traffic-heavy Ocean Avenue, San Jose Avenue and Geneva Avenue, make it generally inconvenient. Currently, access to the Ocean Avenue Neighborhood Commercial District is provided by the K/T light rail train, or a ten-minute walk. The plan intends to reconfigure the “Phelan Bus Loop” to link Balboa Park BART Station with not only CCSF, but also Ocean Avenue Neighborhood Commercial District. The BART Plan is intended to reconstruct the station itself to improve internal circulation and add an Ocean Avenue entrance, reconfiguration of the Interstate 280 freeway ramps at Ocean and Geneva Avenues linked to construction of a deck over the freeway, and development of mixed-use buildings in the area.

The larger parcel is the aforementioned eastern basin of the Balboa Reservoir as described in the Plan. A development application for the western basin has been submitted for a “mixed-income, multifamily residential development containing approximately 1,100 dwelling units of which 550 units would be affordable to low- and moderate-income residents, and 100 units would be for-sale townhomes. There is proposed to be approximately 4.2 acres of public open space, a 10,000 square foot childcare facility, 7,500 square feet of retail, and 650 to 1,300 vehicle parking spaces. Supportive infrastructure would include new streets and utilities, and new vehicle, bicycle and pedestrian connections.

Conclusion

The subject neighborhood is comprised of a mix of single-family homes; new high-density multifamily apartments; a commercial corridor with a good mix of restaurants, neighborhood commercial, and other retail; institutional and educational uses; and is supported by good public transportation.

The subject neighborhood is considered very good in terms of transportation. The Balboa Park BART station is located to the southeast of the subject, across Interstate 280, and is an important transit hub with a 12-minute travel time to downtown San Francisco. The neighborhood is also well-served by MUNI. Both buses and the K-Ingleside MUNI streetcar serve Ocean Avenue. In addition, Interstate 280 provides access to the regional freeways and portions of Ocean, Geneva and San Jose Avenues provide easy access to local destinations.

In conclusion, the subject property is located within a stable neighborhood. Commercial activity is concentrated along Ocean Avenue and is considered average in terms of economic viability. The residential portions of the neighborhood are priced below the city-wide median and considered stable. The outlook for this neighborhood is positive due to its importance as a transit hub and the active rehabilitation of the area encouraged in the Balboa Park Station Area Plan.

C. Immediate Environs

The subject sites are part of a *“larger parcel”* situated on the eastern portion of the Balboa Reservoir. The entire Balboa Reservoir contains approximately 28.09 acres of land and has been split into two parcels. The western parcel, which is owned by the City and County of San Francisco under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC), contains approximately 17.6 acres. The eastern parcel is owned by the City College of San Francisco, contains approximately 10.49 acres.

The larger parcel is generally bounded by City College to the east, Archbishop Riordan High School to the north, the proposed Balboa Reservoir Project to the west and the Ocean Avenue commercial district to the south. The *“larger parcel”* is located within the Westwood Park neighborhood.

The adjacent parcel to the south is occupied by Station 15 of the San Francisco Fire Department. Between the properties fronting Ocean Avenue and the Balboa Park Reservoir sites, there is a walkway and landscaped berm plus an existing PUC easement and water pipeline. The walkway more or less follows an existing PUC easement and water pipeline that bisects the site. There are no immediate plans to redevelop this site although the Balboa Park Station Area Plan suggests development guidelines for the site are to relocate the existing uses.

To the immediate west of the larger parcel is a vacant parcel which is improved with a paved parking lot. This 17.6-acre site is proposed to be developed with the Balboa Reservoir project and which will be a public-private partnership between the City of San Francisco, BRIDGE Housing and Avalon Bay Communities. As discussed earlier in this chapter, the proposed project would develop the site with mixed-income housing, open space, childcare facilities and retail space. The site is currently proposed to be developed with 1,100 residential units in 9 multi-story buildings and would also include 100 for sale townhomes. The development would include a 2-acre central park, 7,500 square feet of retail space and 10,000 square feet of childcare space. The project would also include the extension of north-south Lee Avenue and the North Access Road which pertains to the subject properties. This project is in the preliminary stages and the EIR was completed in late 2018. The first phase of building construction is estimated to begin in mid-2022, the infrastructure and streets is projected to begin construction in mid-2021.

Across Frida Kahlo Way to the east of the subject is San Francisco City College main campus. The campus includes several libraries, classrooms, halls, and “bungalows”. There is also an indoor swimming pool, outdoor stadium, soccer practice field, and tennis courts. Vehicular access is primarily through two partially concentric one-way traffic circles – the Cloud Circle and the Science Circle – which both connect to Frida Kahlo Way.

The larger parcel, which the subject sites are a portion of, occupies a good location adjacent to the District's main campus with good access to public transportation and adjacent to existing and proposed residential uses. The Ocean Avenue commercial district provides some neighborhood serving retail uses and is planned for continued improvement in this area.

In conclusion, the subject properties are located in southwestern San Francisco with good proximity to commercial, recreational, educational and residential uses. Vehicular and public transportation are considered very good. The overall outlook for the subject neighborhood and the immediate environs is positive.

III. PROPERTY DATA AND ANALYSIS

A. Site Description

The subject property of this appraisal are two strips of land located within a “*larger parcel*” identified as the eastern portion of Balboa Reservoir in San Francisco, California. The larger parcel lot boundary lines are generally along the west side of Frida Kahlo Way, north side of North Access Road and Lee Avenue to the west. The legal parcel comprising the real estate at the eastern side of the Balboa Reservoir is identified as APN Block 3180 Lot 191.

The first strip of land is identified as *Proposed Lee Avenue Expansion*. It is located on the east side line of the existing 50-foot wide right-of-way (roadway) which is owned by the City of San Francisco. According to information provided by the client, the subject right-of-way is 11 feet wide and 1,298.6 feet long. The total *Proposed Lee Avenue Expansion* land area is 14,295 square feet.

The second strip of land is identified as *Proposed North Access Road Right-of-Way*. It is located approximately 210 feet south of the north property line. The road will intersect Frida Kahlo Way on the east side and travels west to Lee Avenue. The subject right-of-way is 62 feet wide and is 366.02 feet long. The total *Proposed North Access Road Right-of-Way* land area is 22,693 square feet.

The topography of the subject sites is generally level. The sites are paved but lack concrete curbs, gutters and sidewalks.

The Assessor’s map for the property is shown on the facing page.

B. Utilities

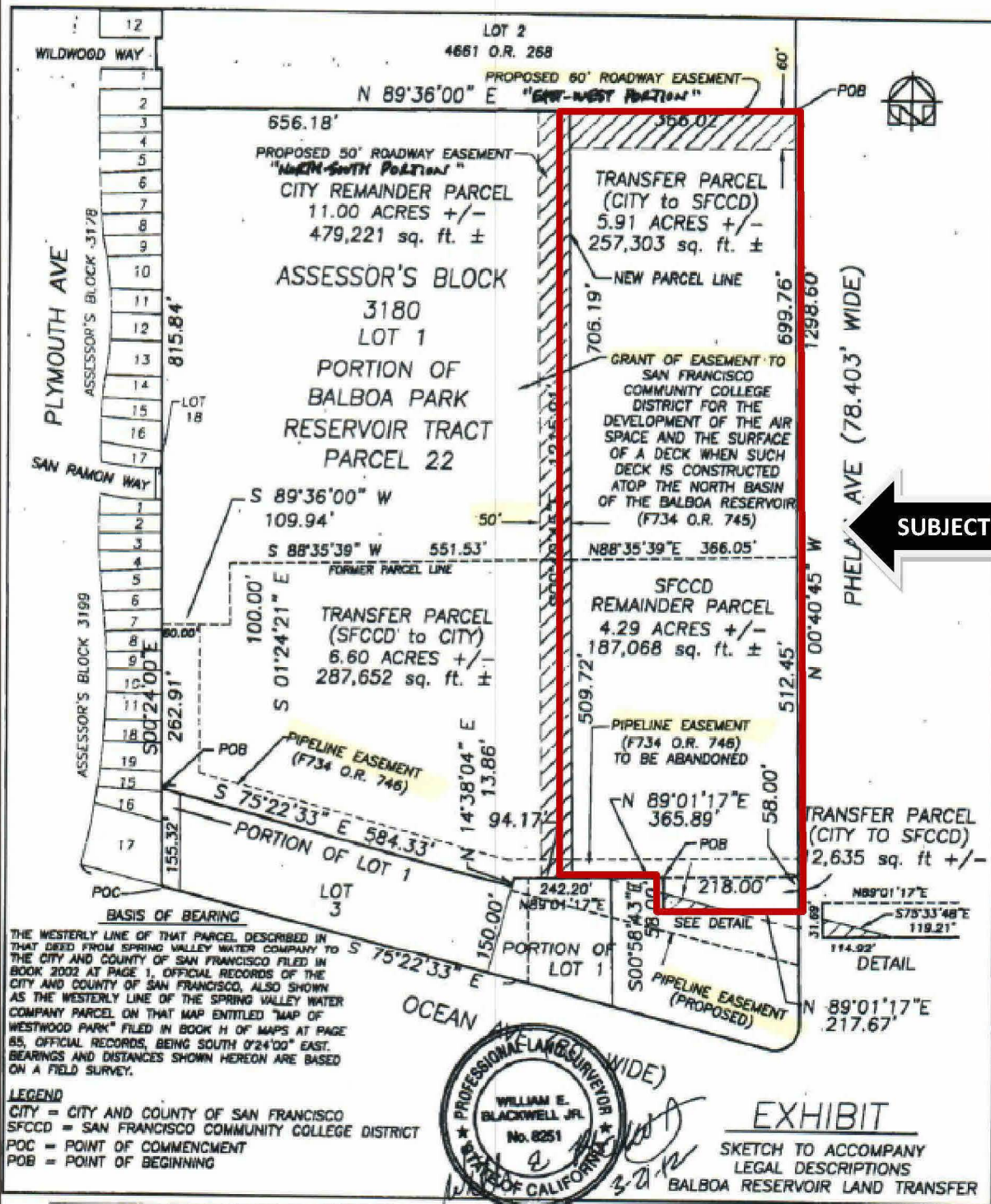
Local companies supply electricity, gas and telephone service, to the surrounding area, but typical urban utilities will most likely need to be extended from either Ocean Avenue or Frida Kahlo Way. Otherwise, all necessary utilities are available to the subject site. These include electricity, water, sewer, telephone and gas. Utilities appear to exist in sufficient quantity to service the existing improvements.

C. Environmental Observations

Based on inspection of the property, no signs of hazardous waste usage or storage were noted. The appraiser is not qualified to detect such substance, and the reader is directed to the limiting condition in Chapter I of this report, which assumes that the site is clean.

No wetlands were observed on the subject property.

SURVEY MAP



BY wb jr CHKD. 01/18/2012 SCALE 1" = 200' SHEET 6 of 6 JOB NO. 2012-03

CITY AND COUNTY OF SAN FRANCISCO
DEPARTMENT OF PUBLIC WORKS
BUREAU OF STREET USE AND MAPPING

875 STEVENSON STREET Rm 410
SAN FRANCISCO, CA 94103
(415) 554-5833

D. Flood Zone and Seismic Information

The city of San Francisco is a participant in the National Flood Insurance Program administered by the Federal Emergency Management Agency (FEMA); however, flood insurance is currently not available. FEMA relies on flood insurance rate maps (FIRMs) to determine flood risk. There are currently no finalized and approved FIRMs for San Francisco. In 2007, FEMA published preliminary flood maps for San Francisco. Once the preliminary flood maps are finalized these FIRMs will be used to determine flood insurance rates and federally sponsored flood insurance will be available. Currently, properties in San Francisco do not have a flood zone designation.

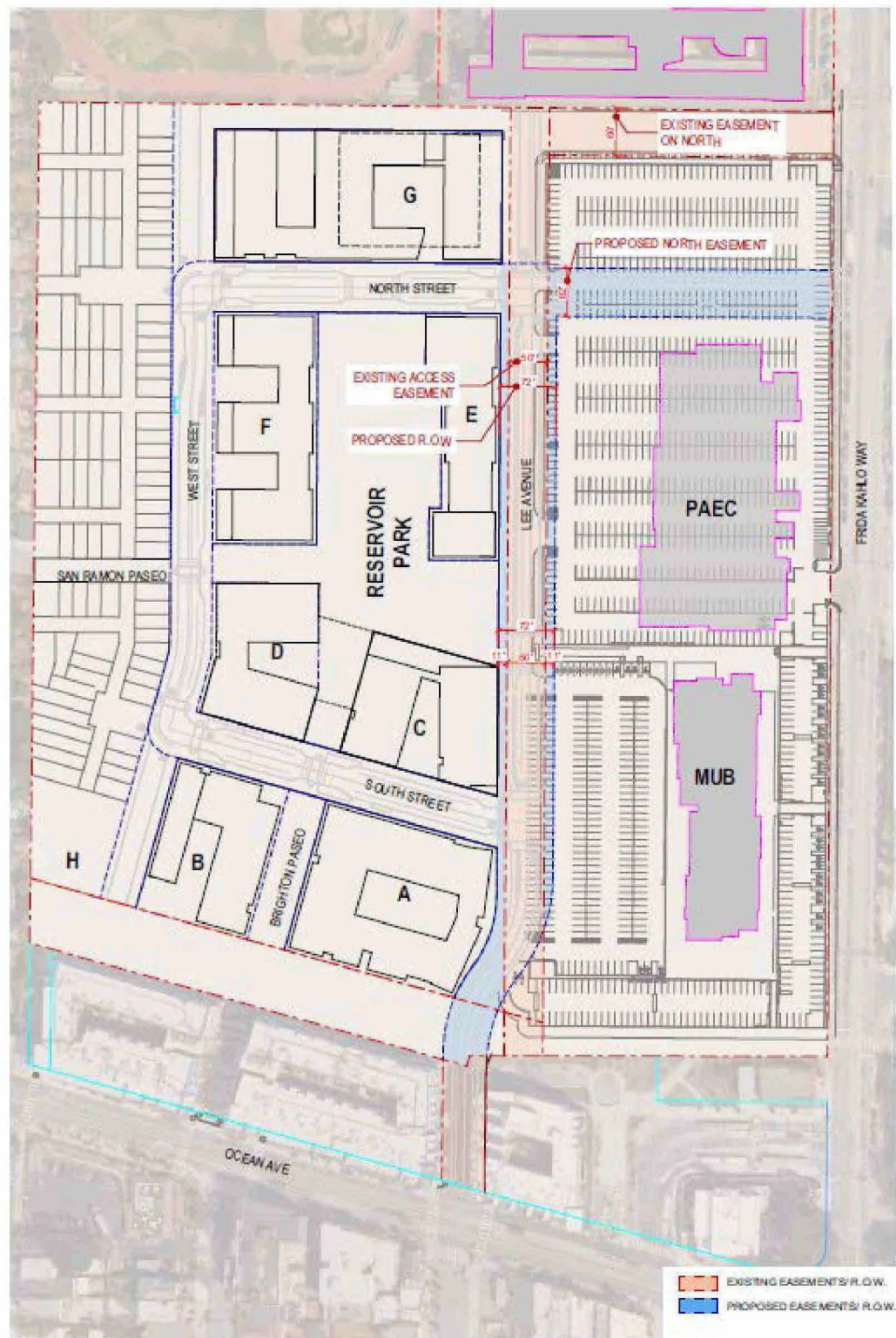
According to governmental geological evaluations, the entire San Francisco Bay Area is located in a seismic zone. No active faults, however, are known to exist on the subject property. Inasmuch as similar seismic conditions generally affect competitive properties, no adverse impact on the subject property is considered. The subject is not located in an Alquist Priolo earthquake zone.

E. Zoning

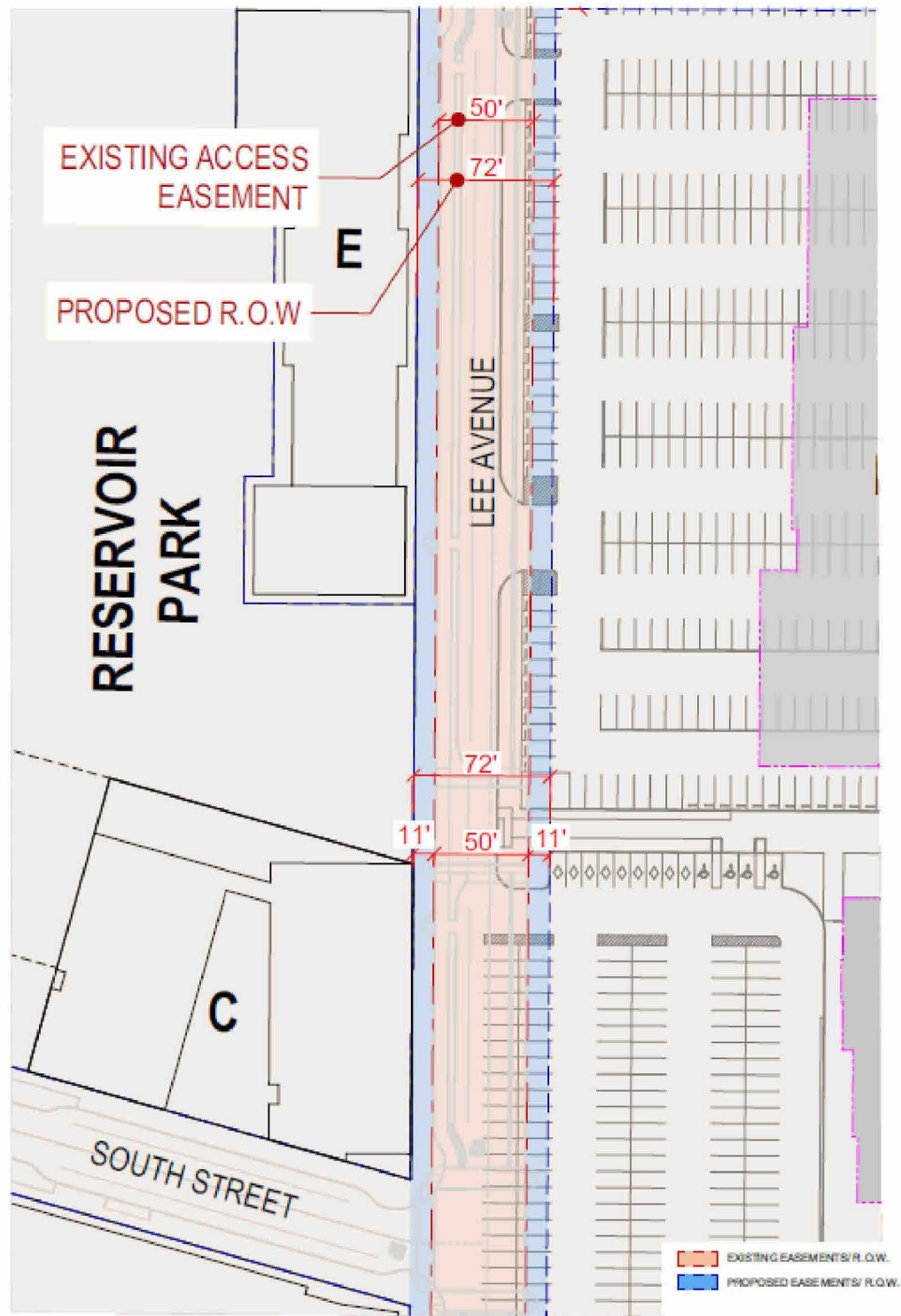
The subject site is within the central portion of the Balboa Park Station Plan Area. The area plan was adopted in 2009. The subject is currently owned by a government entity which gives the subject a zoning designation of P, or Public Use District. This is the designation applied to land that is owned by a government agency and is in some form of public use, including open space. Principally allowed uses in this district include Public structures and use by the City and County of San Francisco, and by other governmental agencies. However, any public use that is compatible with surrounding uses would be legally permissible on the subject site.

Conditionally allowed uses include 1) Social service or philanthropic facility proving assistance of a charitable or public service nature and not on a profit making or commercial nature; 2) Child-care facilities providing less than 24-hour care; 3) Elementary, Secondary and Post-secondary schools, either public or private (can include student dorms or other related housing); 4) Church or other religious institution which has a tax-exempt status; and 5) Community clubhouse, neighborhood center, community cultural center or other community facility not publicly owned but open for public use, in which the chief activity is not carried on as a gainful business and whose chief function is the gathering of persons from the immediate neighborhood in a structure for the purpose of recreation culture, social interaction or education. The subject has a height and bulk district designation of 65 feet and a bulk district of A.

SITE PLAN



SITE PLAN



F. Affordability Requirements

Inclusionary Affordable Housing Program

According to the San Francisco Planning Department, San Francisco has an inclusionary housing program that was implemented in 2002. Any new residential projects with 10 or more units must include on-site or off-site affordable units. Developers also have an option to pay an affordable housing fee, also known as an “in-lieu fee”. Program fees were updated in January 2019 and the in-lieu fee is \$199.50 per square foot of gross floor area of residential use.

The inclusionary housing requirements for small rental/ownership projects between 10 and 24 dwelling units, is 12% for on-site and 20% for off-site housing and or in-lieu payment. For projects over 25 units on-site requirements for rental housing is 18% and 20% for-sale housing. The off-site affordable or fee equivalent is 30% for rental and 33% for-sale housing. The on-site percentages will increase 0.5% on an annual basis until the maximum of 15% is attained for smaller properties. For projects over 25 units the maximum will be 24% for rental housing and 26% for ownership housing. The increase is 1% in 2018 and 2019 and 0.5% annually beginning in 2020 until rental housing reaches 24% and ownership rate reaches 26%.

State Density Bonus- Assembly Bill 2501

The State Assembly Bill 2501 (AB 2501) was approved and signed by the Governor in September 2016. This bill makes it easier for developers to use the state’s density bonus program, which allows developers to build larger market rate projects if they include 5 percent or more affordable units on the site. The bill seeks to prevent local governments from delaying approvals of project that use the density program with the goal of creating low income housing without using public subsidies. It limits the ability of local government to impose additional requirements on developers and increases certainty regarding the number of additional units that developers can build in exchange for providing affordable units.

The City of San Francisco offers two paths for developers to utilize the State Density Bonus Law. Both paths allow developments to achieve a 35% density bonus over the permitted base zoning, although each path has different requirements. The city also requires that additional units entitled through the State Bonus Density law must pay an inclusionary fee.

G. Ownership and Sales History

According to public record, the subject currently owned by the City College of San Francisco. The owners have held the title for many years. No other transfers of the subject are noted. The subject property portions are proposed to be transferred to the City of San Francisco for development purposes.

H. Easements and Encumbrances

A title report was not provided to the appraisers. Based on inspection of the property, the subject does not appear to have any easements or restrictions affecting the subject property.

I. Proposed Use of the Land- Project Description

The two strips of land being valued are needed in order to provide vehicular access to the proposed Balboa Reservoir project located on the western portion of the Balboa Reservoir. The proposed Balboa Reservoir project is planned to include new housing with 1,100 homes, 4.2 acres of total open space, 7,500 square feet of retail and 10,000 square feet for a community/childcare center. The project would include buildings that are between two and seven stories in height as well as new streets and infrastructure.

The proposed project will require new connections to Ocean Avenue via Lee Avenue north-south extension. The street will also provide additional access for parking and buildings on the CCSF campus. Lee Avenue roadway easement currently measures 50 feet wide by 1,215.91 feet long. The proposed expansion would widen the right-of-way by 11 feet on each side, or to a total of 72 feet in width. The expansion would extend 11 feet onto the larger parcel owned by CCSF. According to information provided by the client, the subject property is a strip of land that is 11 feet wide by 1,298.6 feet long. The land area is equal to 14,285 square feet ($11 \times 1,298.6 = 14,285$).

The second strip of subject land is the proposed North Access Road Right-of-Way. The proposed subject North Access Road is proposed to be located approximately 210 feet south of the northern property line and would be aligned with the proposed North Street on the adjacent proposed Balboa Reservoir project. This right of way would provide continuous east/west access to the proposed Balboa Reservoir development from Frida Kahlo Way. The proposed North Access Road is 62 feet in width and 366.02 feet long. The total land area is equal to 22,693 square feet ($62 \times 366.02 = 22,693$).

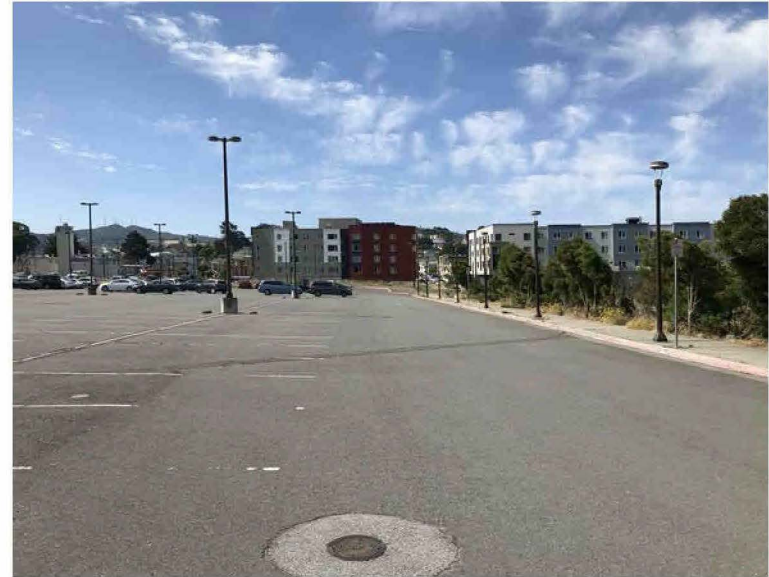
J. Current and Proposed Use of Larger Parcel

The larger parcel is currently improved with a three-story multipurpose building, and a one-story commercial building which is occupied by a bookstore. Both of these buildings are situated at the southern portion of the larger parcel. The buildings are surrounded by a paved parking lot. Currently vehicle circulation is provided by a driveway entrance to the north of the multipurpose building and an existing roadway located at the northern end of the parcel. Lee Avenue is located along the western side of the property. The existing Lee Avenue appears to be a public right of way although it is not shown on the assessor parcel map.

SUBJECT PHOTOGRAPHS



CCSF Multipurpose Building to the East



Parking Lot of Lee Avenue facing South



Lee Avenue facing South



Lee Avenue facing South

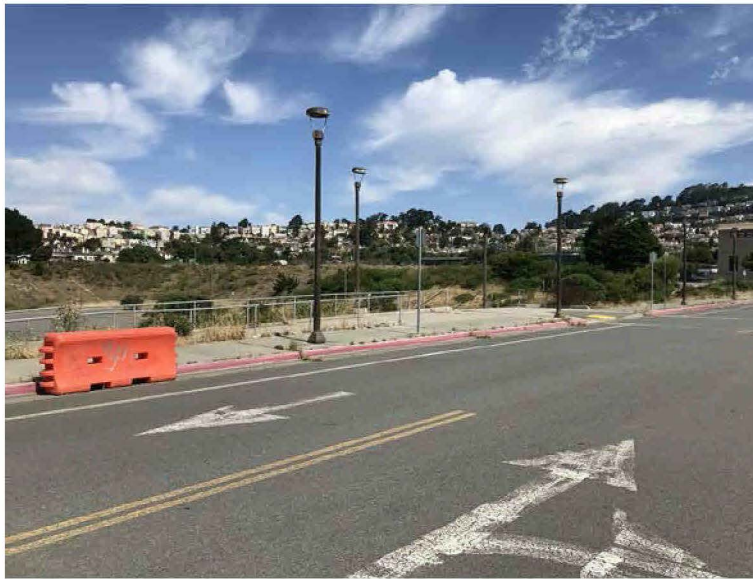
SUBJECT PHOTOGRAPHS



Existing North Access Road facing North East



Lee Avenue facing North



Lee Avenue facing North West

Based on reviewed plans it appears that the remaining portion of the parcel is proposed to be developed with a Performance Arts Education Building by City College with adjoining parking.

It does not appear that acquisition of the subject parcels for expansion of the right-of-way would change the use or functionality of the larger parcel.

IV. HIGHEST AND BEST USE AND METHODOLOGY

A. Highest and Best Use

Highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum profitability.

Highest and best use is first analyzed assuming the property is vacant and available for development, and subsequently as improved with the subject building.

1. *As-If Vacant*

a. *Physically Possible*

The two subject sites are relatively long strips of land. The ***Proposed Lee Avenue Expansion*** consists of a strip of land that is 11 feet wide and over 1,289 feet in length. The second strip of subject right-of-way land is the ***Proposed North Access Road Right-of-Way*** which is 62 feet in width with a length of approximately 366 feet. The width and long length of the sites would appear to offer physical impediments to its development.

Overall, physically possible alternatives for the site most strongly support assemblage with adjacent parcels.

b. *Legally Permissible*

The subject property is currently zoned P, or Public Use, by the City of San Francisco. This zoning designation allows for a variety of public uses such as federal and local government offices, public schools, open space, museums and other institutional uses. Any public use that is compatible with surrounding uses would be legally permissible on the subject site. In addition to public uses, this designation allows for private schools, day care facilities, religious facilities and other non-profit institutions on a Conditional Use basis.

In appraising public use land, the value is typically based on surrounding private sector uses which meet the test of highest and best use. In this case the zoning would be changed from P to one or more of the surrounding zoning designations. The property immediately adjacent to the west of the subject, Balboa Reservoir Project, is a large 17.6-acre site which is currently proposed to be developed with a mixed-use residential project. This project is planned to be a public-private partnership between the City of San Francisco, BRIDGE Housing and Avalon Bay Communities. The

site is currently proposed to be developed by the developer with 1,100 residential units in 9 multi-story buildings and would also include 550 affordable units to low- and moderate-income residents and 100 for-sale townhomes. The development would include a 2-acre central park, 7,500 square feet of retail space and 10,000 square feet of childcare/community space. The project would contain buildings that are between two and seven stories in height as well as new streets and infrastructure. The developer is also proposing a 750-space public parking garage. Based on the total site area of the density of the project is 62.5 dwelling units per acre.

The proposed Balboa Reservoir project will require an amended General Plan, including the Balboa Park Station Area Plan, new zoning and adding a new Balboa Reservoir Special Use District. This proposed project is considered to provide an indication of what would be allowed on the subject property.

Based on the proposed and surrounding uses, a residential development would be likely at the subject property at a density of 62.5 dwelling units per acre. There is strong demand for housing as indicated by proposed adjacent property.

c. Financially Feasible

The demand for residential uses is strong in the subject neighborhood due to its good transit location and proximity to City College. Construction of residential uses is considered financially feasible.

d. Maximally Productive/Highest and Best Use Conclusion

Based on the preceding analysis, the highest and best use of the subject site, as if vacant, would be for the rezoning and development of a medium density multifamily residential uses, at a density in the range of 62.5 units per acre.

B. Valuation Methodology

The valuation of any parcel of real estate is derived principally through three approaches to the market value. From the indications of these analyses, and the weight accorded to each, an opinion of value is reached. Each approach is more particularly described below.

1. Cost Approach

This approach is the summation of the estimated value of the land, as if vacant, and the reproduction of replacement cost of the improvements. From these are

deducted the appraiser's estimate of physical deterioration, functional obsolescence and economic obsolescence, as observed during inspection of the property and its environs. The Cost Approach is based on the premise that, except under most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site.

2. Sales Comparison Approach

This approach is based on the principal of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is essential that the sale prices be reduced to common denominators to relate the degree of comparability to the property under appraisal. The difficulty in this approach is that two properties are never exactly alike.

3. Income Approach

An investment property is typically valued in proportion to its ability to produce income. Hence the Income Approach involves an analysis of the property in terms of its ability to provide a net annual income. This estimated income is then capitalized at a market-oriented rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments.

The subject property appraised consists of two strips of land, with one relatively narrow portion adjacent to an existing right-of-way of Lee Avenue and the other a wider strip of land proposed for a right-of-way off of Frida Kahlo Way in San Francisco.

The Cost and Income are not relevant in this discussion as there is no income from the proposed use of the land. The starting point for a land appraisal is the Sales Comparison approach.

Typically, land being acquired for right-of-way is appraised based on the value of the larger parcel from which it is being severed.

The logical methodology to value the subject is the Sales Comparison approach. This requires the appraiser to identify comparable land sales with a similar use potential. The approach used in this appraisal report is the Sales Comparison Approach to value.

V. SALES COMPARISON APPROACH

In this approach, the value of the subject property is established by a comparison to other similar properties which have sold in the recent past. The unit of comparison is price per square foot. Most of the comparables have older building improvements which were proposed for demolition or renovation. However, in all cases the purchase price was driven primarily by the value of the underlying land.

The subject property is zoned Public. No sales of Public zoned land were disclosed by our research. A site adjacent to the west of the subject is proposed to be developed with a large mixed-use development with a proposed density of 62.5 dwelling units per acre. The property is also currently zoned P in the process of getting approvals. The adjacent site is considered similar to the subject and a similar density is considered achievable at the subject.

The table on the following page summarizes comparable sales of land. The table on the following page summarizes recent land transactions in the subject marketplace considered similar to the subject property. The comparables are further discussed in the following paragraphs.

A. Comparable Land Sales Data

Comparable 1 is the sale of 901 Illinois Street, also identified as Parcel K North. The property is located to the west of the Pier 70 redevelopment project at the intersection of 20th Street and Illinois Street in the Dogpatch neighborhood of San Francisco. The comparable contains 1.56-acres and is comprised of a single parcel that will be developed as a mixed-use residential development. In total, the property is entitled for 13,200 square feet of ground floor commercial space and 261,700 of residential space, which would allow 240 to 270 residential units. Reportedly, they are currently proposing 250 units in a 6-story structure. This equates to approximately 160 dwelling units per acre. The site is zoned Pier 70 – Mixed Use (P70-MU) with a height limit of 65 feet. The site will be part of the greater Pier 70 development and construction is expected to begin in 2020.

The parcel transferred from the City and County of San Francisco to TMG Partners in February 2019 for \$24,350,000, or \$358 per square foot, according to public records and documents signed by the grantor and grantee. The conditions of sale included the construction of the 20th Street Plaza, as well as the street improvements. The buyer is also required to pay an affordable housing fee in lieu based on 28% of the proposed units.

Comparable 2 is located at 3317 San Jose Avenue in Daly City. The property is a single irregular shaped parcel which contains 8,225 square feet. The comparable is currently improved with an office/flex space with a warehouse/printing shop that had previously been occupied by a local newspaper. The property was in fair condition at the time of sale and in shell condition. The underlying zoning is C-1,

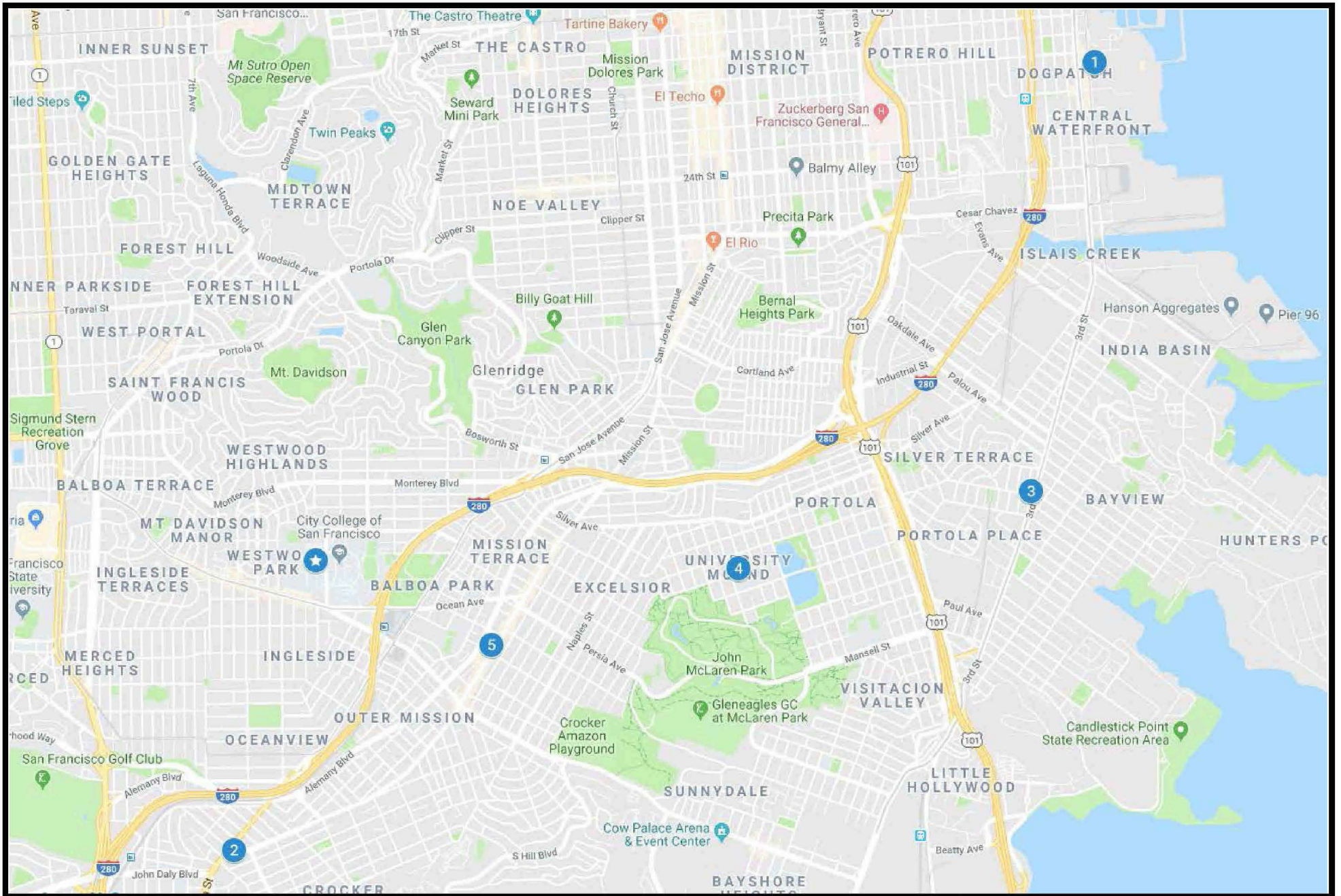
COMPARABLE LAND SALES
Appraisal of Lee Avenue and North Access Road Right-of Way
San Francisco, California

#	Location / APN	Sale Date	Land Area	Sale Price	Price/ Per SF	No of Proposed/ Potential Units Density	Zoning / Height Limit	Grantor / Grantee Document Number	Comments
1	901 Illinois Street San Francisco APN: 4110-012	3/19 <i>Entitled</i>	67,988 SF 1.56 AC	\$24,350,000	\$358	250 Units 160.2 Units/Ac	P70-MU Mixed Use 65'	City and County of San Francisco 64 Pkn Owner LLC 731222	Part of a larger Pier 70 development. Buyer paying in-lieu affordable housing fees. Planned for condominium development.
2	3317 San Jose Avenue Daly City APN: 004-041-060	12/18 <i>Unentitled</i>	8,225 SF 0.19 AC	\$1,423,500 <u>\$54,992</u> (1) \$1,478,492	\$180	16 Units 87.1 Units/Ac	C-1 Light Commercial 36'	Susan Greene/ BNN LLC 095091	L-shaped site. Improved with two interconnected structures and warehouse that was in poor condition. Mixed use multifamily develop. allowed.
3	5190 Third Street San Francisco APN: 5358-026	5/18 <i>Unentitled</i>	13,250 SF 0.30 AC	\$2,500,000 <u>\$11,900</u> (1) \$2,511,900	\$190	22 Units 72.6 Units/Ac	NC-3 Mixed Use 40'	Clay Joe R Trust/ San Francisco Dvrsfd Property LLC 621268	Improved with 1,700 sf retail building at time of sale.
4	495 Cambridge Street San Francisco APN: 5992A-060	4/18 <i>Entitled</i>	85,813 SF 1.97 AC	\$12,000,000 <u>\$196,672</u> (1) \$12,196,672	\$142	54 Units 27.4 Units/Ac	RH-1/PUD Residential 40'	Tore, LLC/ TRI Pointe Homes Inc 601051	Property was improved with vacant school, which contains 28,096 sf. Proposed for 54 townhouse units.
5	4840 Mission Street San Francisco APN: 6959-019, -025, and -026	6/17 <i>Unentitled</i>	64,009 SF 1.47 AC	\$12,000,000 <u>\$171,353</u> (1) \$12,171,353	\$190	107 Units 72.6 Units/Ac <i>Allowed</i>	NCD + RH-1 Mixed Use 40'	Clarence Ferrari Separate Property Trust/ 4840 Mission Housing Associates 460372	Improved with funeral home with 24,479 sq.ft. BRIDGE housing purchased and plans to build 6-story 114 affordable units + 20 market rate townhomes with state density bonus.

(1) Cost of Demolition of Existing Improvements Estimated at \$7 per SF

Source: Watts, Cohn and Partners, Inc., June 2019
19-WCP-039

COMPARABLE LAND SALES MAP



Light Commercial which allows for mixed use residential over ground level commercial development. The height limit is 36 feet.

In December of 2018 this property was purchased for \$1,423,500. Including demolition costs the total cost to the buyer is \$1,478,492, or \$180 per square foot of land area. Based on the zoning a total of 16 units could developed on the property. This is equal to a density of 87 units per acre.

Comparable 3 is located at 5190 Third Street in the Bayview neighborhood of San Francisco. The comparable has frontage on three streets, Thornton Avenue, Latona Street and Third Street with a total site area of 13,250 square feet. The underlying zoning is NC-3, Neighborhood Commercial. The site is regular in shape and slopes up to the east. The site was improved with a 1,700 square foot commercial building at the time of sale.

In May of 201, the property sold for \$2,500,000, including the demolition costs the total purchase price was \$2,511,900, or \$190 per square foot. The buyer intends to lease out the improvements while going through the entitlement process.

Comparable 4 is located at 495 Cambridge Street in the Portola Heights neighborhood of San Francisco. The property is a multifamily development site which contains 85,630 square feet, or 1.97 acres. Existing improvements include 4, two-story elementary school buildings containing a total of approximately 28,096 square feet. The improvements date from 1951 and are in fair to poor condition. The property is approved for 54 townhouse units and is zoned PUD. The density is 27.4 dwelling units per acre.

In April of 2018, TRI Pointe Homes purchased the property for \$12,000,000. Including the demolition costs the total sale price is equal to for \$12,196,672, or \$142 per square foot of site area.

Comparable 5 is located at 4840 Mission Street in Excelsior neighborhood of San Francisco. The property consists of three contiguous parcels totaling 64,099 square feet. The sites have frontage on Mission and Alemany Boulevard with approximately 253 feet of street frontage. The site is improved with a 24,479 square foot funeral home and parking lot. The zoning for the property is NCD and RH-1. The height limit is 40 feet.

In June 2017, BRIDGE Housing purchased this property for \$12,000,000. Adding the demolition costs the total cost to the buyer is \$12,171,353, or \$190 per square foot. Based on the zoning a total of 107 units are potentially allowed at the comparable property. This is equal to a density of 72.6 units per acre. However, the property is proposed for an affordable housing project with 134 units of which 114 are affordable units and 20 market rate townhouse units. It is also seeking a state density bonus.

B. Value Analysis

The subject consists to two pieces of land located on a larger parcel. The highest and best use of the subject is for residential development at a density of 62.5 units per acre. A site adjacent to the west of the subject is proposed to be developed with a large mixed-use development with a proposed density of 62.5 dwelling units per acre. The property is also currently zoned P similar to the subject, and in the process of getting approvals. The adjacent site is considered similar to the subject in terms of location and use potential and a similar density is considered achievable at the subject.

The comparable sales show a price range from \$142 to \$358 per square foot of land area and the sales transferred between June 2017 and March 2019. The sales range in size from 8,225 to 85,813 square feet, or from 0.19 to 1.97 acres. After further analysis, an appropriate unit value can be concluded for the subject.

Comparable 1 is at the high end of the range and is the sale of a parcel within the Pier 70 project. This is a master planned district located along the San Francisco Central Waterfront in the Dogpatch neighborhood. A downward adjustment is warranted for location, given its proximity to the waterfront. The comparable is similar to the subject in terms of height limit and site utility. However, it has a significantly higher density. Based on these factors, a lower unit value is supported for the subject.

Comparable 2 on San Jose Avenue in Daly City sold at a price equating to \$180 per square foot. The comparable property is located in Daly City which is considered inferior to the subject's location in San Francisco. The height limit and utility of the comparable is also inferior. Overall, a higher unit value is indicated for the subject.

Comparable 3 was purchased for \$190 per square foot and is located in the Bayview District in San Francisco. The comparable location is considered much inferior to the subject location. In addition, the property has a lower height limit than allowed at the subject. Overall, a higher unit value is warranted for the subject.

Comparable 4 pertains to the sale of a vacant school property proposed for residential development at 495 Cambridge Street in San Francisco. The property sold for a price equating to \$142 per square foot in April 2018. No adjustment is made for market conditions given that the market has remained relatively stable over the past year. The comparable has an inferior location in the Portola Heights neighborhood of San Francisco. In addition, the lower height limit and lower density of the proposed development is inferior to the subject's development potential. An upward adjustment is also made for the inferior site conditions/utility of the property. Overall, a significantly higher unit value is suggested for the subject.

Comparable 5 was purchased in June 2017 for \$190 per square foot of land area. The property is located on Mission Street in the Excelsior neighborhood. The site contains 1.47 acres and was purchased by an affordable housing developer. The comparable was purchased in June 2017 and market conditions have improved since that time. In addition, the property has a lower height limit. Overall, a higher unit value is indicated for the subject.

C. Conclusion

After adjustment the comparables reflect a range of unit value of approximately \$215 to \$300 per square foot. Less weight is placed on Comparable 4 which is at the low end of the range given that this is a lower density development which required a greater magnitude of adjustments. The remaining comparables indicate a range between approximately \$225 to \$300 per square foot. The subject has a good location in proximity to City College and Ocean Avenue. It is situated close to public transit and neighborhood services. In addition, the property is level and has good site utility.

Based on the above analysis, a unit value of \$250.00 per square foot is supported and concluded for the subject sites. This is applied to the subject site areas as follows:

Proposed Lee Avenue Expansion

14,295 Square Feet	x	\$250.00 =	\$3,573,750
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Rounded			\$3,575,000
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Proposed North Access Road Right-of-Way

22,693 Square Feet	x	\$250.00 =	\$5,673,250
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Rounded			\$5,675,000
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Total			\$9,250,000
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D. Value Conclusions

Proposed Lee Avenue Expansion

Based on the research and analyses contained in the attached report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property (***Proposed Lee Avenue Expansion***), in its present, as-is condition, as of June 12, 2019, is estimated to be:

**THREE MILLION FIVE HUNDRED SEVENTY FIFTY THOUSAND
DOLLARS**

(\$3,575,000)

Proposed North Access Road Right of Way

Based on the research and analyses contained in the attached report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property (***Proposed North Access Road Right of Way***), in its present, as-is condition, as of June 12, 2019, is estimated to be:

**FIVE MILLION SIX HUNDRED SEVENTY FIFTY THOUSAND
DOLLARS**

(\$5,675,000)

ADDENDA

QUALIFICATIONS OF SARA A. COHN, MAI
California Certified General Real Estate Appraiser No. AG014469

EXPERIENCE

Sara A. Cohn is a Partner with Watts, Cohn and Partners, Inc. a new firm providing commercial real estate valuation. From 1988 to 2016, she worked for Carneghi and Partners and was a Senior Project Manager/Partner in their San Francisco office. Carneghi and Partners, and now Watts, Cohn and Partners, provide real estate appraisal and consulting services in the San Francisco Bay Area. Clients include financial institutions, government agencies, law firms, development companies and individuals. Typical assignments include both valuation and evaluations of a broad variety of property types, uses and ownership considerations.

Ms. Cohn has over 30 years of appraisal experience. She has completed a wide variety of valuation and evaluation analyses. Ms. Cohn has extensive knowledge of the San Francisco Bay Area and has appraised many property types including office buildings, industrial properties, retail centers, hotels, residential projects, mixed-use properties and development sites. Recent work has involved the analysis of commercial buildings, residential subdivisions, valuation of affordable housing developments with bond financing and/or Low-Income Housing Tax Credits (LIHTCs), assessment districts, as well as co-housing projects.

EDUCATION

Bachelor of Arts, University of California, Berkeley, 1978

Successful completion of all professional appraisal courses offered by the Appraisal Institute as a requirement of membership.

Continued attendance at professional real estate lectures and seminars.

PROFESSIONAL AFFILIATION AND STATE CERTIFICATION

Appraisal Institute - MAI Designation (Member Appraisal Institute) No. 12017
Continuing Education Requirement Complete

State of California Certified General Real Estate Appraiser No. AG014469
Certified Through March 2021

State of California Licensed Landscape Architect No. 2102

Member, Board of Directors, Northern California Chapter of the Appraisal Institute,
2008-2010

Seminars Co-Chair, Northern California Chapter of the Appraisal Institute, 2005-2007

QUALIFICATIONS OF MARK A. WATTS

Mark A. Watts is a Partner with Watts, Cohn and Partners, Inc.

Following is a brief summary of his background and experience:

EXPERIENCE

Commercial Real Estate Appraisal Experience

Mr. Watts has been a commercial real estate appraiser since 1987, and has over 20 years experience in the analysis of commercial real estate. He has completed valuation assignments on a variety of projects, including industrial facilities, residential subdivisions, apartments, shopping centers, cemeteries and recreational facilities. He has also performed feasibility studies and assisted owners in making asset management decisions.

Mr. Watts has provided litigation support and served as an expert witness in court. He has also served in arbitrations as an expert witness. He has been qualified as an expert in San Francisco and San Mateo County Superior Courts.

He served on the San Francisco County Assessment Appeals Board from 2011 to 2016.

Commercial Real Estate Investment Experience

Simultaneous to his work as a commercial appraiser, Mr. Watts has been an active real estate investor/developer. He is experienced in the acquisition, redevelopment and management of commercial properties. He has witnessed and experienced many real estate cycles and stays abreast of current trends. His personal experience as an investor makes him uniquely qualified to appraise commercial real estate.

Over the last 20 years he has completed more than 30 investment real estate transactions, an average of 1.5 transactions per year. He has negotiated with buyers and sellers directly as a principal. He has completed nearly a dozen 1031 exchanges. Beginning with a small initial capital investment, he has built a large real estate portfolio. Based on his ownership experience, Mr. Watts is keenly aware that the success or failure of an acquisition is closely related to its location. Likewise, he is sensitive to locational differences in the appraisal of real estate.

Mr. Watts has broad experience with the construction, maintenance and repair of real estate. He has demolished and re-built two structures from the ground up. He has completed fire damage repairs and remediated toxic mold. He has remodeled kitchens and baths. He has replaced foundations on structures, made additions, and made other improvements. As the quality and condition of real estate has a strong correlation with its value, his experience enables superior judgement of these attributes in his work as a commercial real estate appraiser.

Community Involvement

Mr. Watts served on the Board of Managers of the Stonestown Family YMCA from 2002 to 2017. This is an approximately 30,000 square foot health club facility. He was active on the Facilities Committee. He served as the Board Chair in 2008. He has been a member of the Olympic Club in San Francisco since 1976. He served the Forest Hill Neighborhood Association as President from 2013 to 2017.

EDUCATION

Bachelor of Arts, University of California, Davis

PROFESSIONAL AFFILIATION

State Accredited Affiliate of the Appraisal Institute
State of California Certified General Real Estate Appraiser No. AG015362