



No. 19035

Appraisal Report

for

**City of Milpitas
Park In-Lieu Fee Update**

Milpitas, CA

Prepared by:

Matthew Schock, R/W-AC
Appraiser

April 2019

April 17, 2019

Kan Xu, P.E., QSD/QSP
Principal Civil Engineer
City of Milpitas | Land Development
455 East Calaveras Blvd.
Milpitas, CA 95035

Re: Park In-Lieu Fee Update

Dear Mr. Xu:

In accordance with our contract with the City of Milpitas, an appraisal has been made of the market value of hypothetical one-acre residential parcels of land in various locations in the City of Milpitas as requested for the Park In-Lieu Fee Update. The hypothetical parcels are areas with the potential of being developed with residential uses or a park. The City's Code of Ordinances requires that the fair market value for an acre of land be applied to the calculation of all park in-lieu fees at the time of the tentative subdivision map approval.

Based on our conversations about the scope of the assignment, this appraisal includes estimating market values for residential land within the Transit Area & Midtown Specific Plan Areas, as well as residential land for all other areas outside of these Specific Plan Areas. This appraisal does not value a specific property or parcel of land, but instead considers the value of typical parcels with residential zoning in these categories. Comparisons were not made between the sales utilized and a specific subject property; rather, comparisons were made to a typical one-acre residential site for the land categories noted above. Since residential and mixed-use development requires dedication of land for parks or payment of in-lieu fees, only land sales intended for residential or mixed uses were used. The value conclusions included in the following report, though not specific to a particular subject property, are considered to be appraisals.

This Appraisal Report is prepared in conformance with the Uniform Standards of Professional Appraisal Practice, Standard Rule 2-2(a). I have gathered pertinent information, sales and other data relevant to the assignment and analyzed the data to reach my conclusions. The opinions of market value are shown in the following Valuation Summary, which is made a part of this transmittal letter and appraisal report. The accompanying report is submitted for your review and approval and is subject to the Assumptions and Limiting Conditions included herein.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Matthew Schock'.

Matthew Schock, R/W-AC
State Certified General Appraiser
CA License No. AG043887

Valuation Summary

Market Value: Park Site Located Inside Midtown and Transit Area Specific Plan Areas
\$92.00 per square foot OR \$4,007,520 per acre

Market Value: Park Site Other Areas (Outside Midtown and Transit Area Specific Plan Areas)
\$75.00 per square foot OR \$3,267,000 per acre

Date of Valuation:	April 12, 2019 (date of site visit)
Property Location/Address:	Milpitas, CA
Principal Improvements:	Assumed Vacant
Site Area:	Hypothetical one-acre typical parcels for categories below
Categories of Properties Appraised:	
Inside Midtown and Transit Area Specific Plan Areas	
Other Areas (Outside Midtown and Transit Area Specific Plan Areas)	
Zoning:	Various Residential Zoning Districts
General Plan:	Various Residential General Plan designations
Highest and Best Use:	
Outside Specific Plan Areas:	Residential land suitable for high-density development
Inside Specific Plan Areas:	Residential land suitable for low-to-medium density development
Flood Hazard Information:	Assumed not in a Flood Hazard Zone
Earthquake Information:	Assumed not located in an Earthquake Fault Zone

The intent of this appraisal assignment is to conduct an investigation approximating the thoroughness that a typical buyer would conduct when considering similar property on the open market in the City of Milpitas and competing markets, and in conformance with the necessary policies and techniques used by appraisers in developing an estimate of market value.

Since the assignment is for the valuation of land, only the Sales Comparison Approach has been used. Specific comparisons were not made between the sales utilized and a specific subject property; rather, comparisons were made to a typical one-acre site for residential land within the Transit Area & Midtown Specific Plan Areas, as well as for residential land outside of these Specific Plan Areas. The typical one-acre site for the purpose of this appraisal assignment was determined to be an unentitled, vacant site with access to all utilities and street improvement infrastructure for development. Residential development land in Milpitas is primarily flat, therefore the typical site is assumed to be flat. The prices paid for the comparable sales provide a basis for estimating the per-square-foot value of a typical one-acre site for each property category being valued.

The income and cost approaches are not considered applicable to this assignment since the approaches do not typically apply to the valuation of land.

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Introduction

Purpose of the Appraisal

The purpose of this appraisal is to furnish an opinion of the market value of hypothetical one-acre residential parcels of land in various locations in the City of Milpitas as requested for the Park In-Lieu Fee Update.

According to Title XI Chapter 1 Section 9 of the City of Milpitas' Code of Ordinances: "Where a fee is required to be paid in lieu of land dedication, the amount of such fee shall be based upon the fair market value of the amount of land which would otherwise be required to be dedicated pursuant to Subsection XI-1-9.06 hereof." The fair market value "shall reflect the fair market value for an acre of land in the city. The fair market value shall be in effect throughout the fiscal year and shall be applied to the calculation of all park in-lieu fees at the time of the tentative subdivision map approval."

This appraisal assignment considers the City of Milpitas Code of Ordinance requirements and the intended purpose of the value conclusions.

Scope of Assignment

This assignment is for the market value for an acre of land in the city for the purpose of calculating park fees required to be paid in lieu of land dedication.

Based on conversations with the City of Milpitas about the scope of the assignment, this appraisal includes estimating market values for residential land within the Transit Area & Midtown Specific Plan Areas, as well as residential land for all other areas outside of these Specific Plan Areas. The estimated values are intended to be applicable to general sections of designated land uses and not appraisals of specific parcels. The appraiser has provided value opinions for the following:

- One acre of land for residential properties located within the Transit Area & Midtown Specific Plan areas (generally high density residential or mixed-use)
- One acre of land for residential properties located outside of the Transit Area & Midtown Specific Plan areas (generally low to medium density residential or mixed-use)

Specific comparisons were not made between the sales utilized and a specific subject property; rather, comparisons were made to a typical one-acre residential site for the categories noted above. The typical one-acre site for the purpose of this appraisal assignment was determined to be an unentitled, vacant site with access to all utilities and street improvement infrastructure for development. Residential development land in Milpitas is primarily flat, therefore the typical site is assumed to be flat.

Searches of public records, real estate listings and sales services were employed to obtain data. Analysis of market conditions was completed, both general and specific to the Milpitas market. Market participants were interviewed. Relevant property sales in the City of Milpitas and nearby

competing markets were researched and confirmed to the extent possible. Various neighborhoods in Milpitas were visited, along with each comparable sale used.

The Appraisal Report conforms to Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. The information contained in this report is specific to the needs of the Client and for the intended use stated in this report. The Appraiser is not responsible for unauthorized use of this report. The intent of this report is to provide sufficient data and analysis so as to have no misleading information and a conclusion of value of high reliability.

Intended Use of the Appraisal

The intended use of the appraisal and report is to provide the City of Milpitas with a basis for determining park in-lieu fees to be required to be paid by developers at the time of tentative map subdivision approval. The appraisal report is subject to administrative review by the Client.

Client and Intended User of the Appraisal

The Client and the intended user of this appraisal report is the City of Milpitas.

Date of Valuation

The property in this report has been valued as of April 12, 2019.

Property Interest Appraised

This appraisal addresses the fee simple estate. The fee simple estate is defined as follows:

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

(The Dictionary of Real Estate Appraisal, Sixth Edition, published by the Appraisal Institute)

Market Value Defined

(12 CFR § 34.42(h); The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute)

“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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
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 by anyone associated with the sale.”

Reasonable Exposure Time

Uniform Standards of Professional Appraisal Practice (USPAP 2018/2019 edition: Definitions) defines exposure time as follows:

“EXPOSURE TIME: estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.”

Exposure time is presumed to be a reasonably adequate and sufficient period of time with adequate effort necessary to result in a sale fulfilling the definition of value. It is presumed to be a period immediately preceding the effective date of value. Exposure time for residential land in Milpitas is estimated to be approximately 4 to 6 months based on current market conditions.

Certification of Appraiser

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

The statements of fact contained in the appraisal report are true and correct, and the information upon which the opinions expressed therein are based is correct; subject to the Limiting Conditions therein set forth.

Neither my employment nor my compensation for completing this assignment is in any way contingent upon the values reported herein. My compensation is not contingent upon the developing or reporting of predetermined values or direction in value that favors the cause of the Client, the amounts of the value opinions, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.

I have not revealed the findings and results of such appraisal to anyone other than the Client and I will not do so until so authorized, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

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

I have performed no services as an Appraiser or in any other capacity, regarding the property that is the subject of this report, within a three-year period immediately preceding the acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Conditions, and are my own personal, impartial, unbiased professional analyses, opinions, and conclusions.

The reported analyses, opinions, and conclusions were developed, and this report, to the best of my knowledge and belief, has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice (USPAP).

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, I have completed the Standards and Ethics Education Requirement for Practicing Affiliates of the Appraisal Institute.

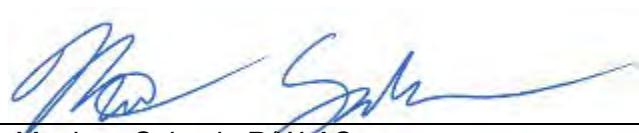
The opinions of market value provided are set forth in the Valuation Summary and are based upon my independent appraisal and the exercise of professional judgment.

John Russell provided assistance with market research, data collection and data confirmations. No one else provided significant real property assistance to the person signing this certification.

I hereby certify that my opinion of the market values of the property appraised as described in this report is included herein and that my opinions and conclusions were made subject to the Assumptions and Limiting Conditions in this report and without collusion, coercion or direction from anyone as to value.

April 17, 2019

Date



Matthew Schock, R/W-AC
State Certified General Appraiser
CA License No. AG043887

Assumptions and Limiting Conditions

The following Assumptions and Limiting Conditions have been relied upon and used in making this appraisal and estimating the respective values required by the purpose of the appraisal and its intended use. The Assumptions and Limiting Conditions apply to the hypothetical one-acre residential parcels of land for which value conclusions within this appraisal are being provided.

- No responsibility is assumed for legal or title considerations. Title is assumed to be good and marketable, unless otherwise stated in this report.
- Property is assumed to be free and clear of any or all liens and encumbrances, unless otherwise stated in this report.
- Responsible ownership and competent property management are assumed, unless otherwise stated in this report.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- Sketches, plat maps, or photographs contained in this report are included to assist the reader in visualizing properties and no survey has been made of any property by the Appraiser.
- Soil and substructure are assumed adequate.
- Unless otherwise stated in this report, it is assumed that there are no hazardous or toxic substances in the soil.
- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- 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 prior consent of the Appraiser, and in any event, only with proper written qualification and only in its entirety.
- The delivery and/or possession of this report does not require the Appraiser to attend or give testimony at any meeting, public hearing, pretrial conference, deposition or court trial unless there is a written agreement between the Appraiser and the party possessing or relying on this report or requesting such services.
- Neither all nor any part of the contents of this report (*especially any conclusions as to value, the identity of the Appraiser, or the firm with which the Appraiser is connected*) shall be disseminated to the public through advertising, public relations, news sales, or other media.

Hypothetical Conditions

Uniform Standards of Professional Appraisal Practice (USPAP 2018/2019 edition: Definitions) defines hypothetical condition as follows:

"HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are 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 about the integrity of data used in an analysis."

The following hypothetical conditions are used for this appraisal and may affect the assignment results:

- According to Title XI Chapter 1 Section 9 of the City of Milpitas' Code of Ordinances: "Where a fee is required to be paid in lieu of land dedication, the amount of such fee shall be based upon the fair market value of the amount of land which would otherwise be required to be dedicated pursuant to Subsection XI-1-9.06 hereof." The fair market value "shall reflect the fair market value for an acre of land in the city. The fair market value shall be in effect throughout the fiscal year and shall be applied to the calculation of all park in-lieu fees at the time of the tentative subdivision map approval."

Based on conversations with the City of Milpitas about the scope of the assignment, this appraisal includes estimating market values for residential land within the Transit Area & Midtown Specific Plan Areas, as well as residential land values outside of these Specific Plan Areas. The estimated values are intended to be applicable to general sections of designated land uses and not appraisals of specific parcels. The land categories valued were a typical one-acre site for residential land within the Transit Area & Midtown Specific Plan Areas, as well as a typical one-acre site for residential land outside of these Specific Plan Areas. The typical one-acre site for the purpose of this appraisal assignment was determined to be an unentitled, vacant site with access to all utilities and street improvement infrastructure for development. Residential development land in Milpitas is primarily flat, therefore the typical site is also assumed to be flat.

Since the City's intended use is to apply a general land value to all residential parcels within the previously identified land categories, it is a hypothetical condition of the assignment that the typical residential one-acre sites being valued are representative of all residential land within those land categories.

Extraordinary Assumptions

Uniform Standards of Professional Appraisal Practice (USPAP 2018/2019 edition: Definitions) defines extraordinary assumptions as follows:

“EXTRAORDINARY ASSUMPTION: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

The following extraordinary assumptions are used for this appraisal and may affect the assignment results:

- This appraisal is intended to provide opinions of the market value of various hypothetical one-acre parcels of land in the City of Milpitas. These hypothetical parcels include residential land within the Transit Area & Midtown Specific Plan Areas as well as residential land for all other areas outside of these Specific Plan Areas. This appraisal does not value a specific property or parcel of land, but instead considers the value of typical parcels with residential zoning in these categories. Comparisons were not made between the sales utilized and a specific subject property; rather, comparisons were made to a typical one-acre residential site for the land categories noted above. The value conclusions included in the following report, though not specific to a particular subject property, are considered to be appraisals. It is an extraordinary assumption that analysis for this assignment is not required on a parcel-specific level.
- As previously stated, according to Title XI Chapter 1 Section 9 of the City of Milpitas' Code of Ordinances: “Where a fee is required to be paid in lieu of land dedication, the amount of such fee shall be based upon the fair market value of the amount of land which would otherwise be required to be dedicated pursuant to Subsection XI-1-9.06 hereof.” The fair market value “shall reflect the fair market value for an acre of land in the city. The fair market value shall be in effect throughout the fiscal year and shall be applied to the calculation of all park in-lieu fees at the time of the tentative subdivision map approval.”

Since Title XI Chapter 1 Section 9 of the City of Milpitas' Code of Ordinances states that the fair market value “shall reflect the fair market value for an acre of land in the city”, the value conclusions provided herein are for hypothetical one-acre parcels of land in the City of Milpitas. It is an extraordinary assumption that the park in-lieu fees are intended to be calculated based on the market value of hypothetical one-acre parcels.

General Information

Region, City and Neighborhood Data



The City of Milpitas is located within the County of Santa Clara, which is included as one of the nine counties that comprise the San Francisco Bay Area. It is located at the southern end of the San Francisco Bay between the Diablo Range to the east and the Santa Cruz Mountains to the west, encompassing 1,312 square miles.

Santa Clara County is the center of an area known as "Silicon Valley," so named because this is the birthplace of the computer chip and the resulting high-tech employment sector. Santa Clara County is a global economic center for high technology and has the third highest GDP per capita in the world (after Zurich, Switzerland and Oslo, Norway), according to the Brookings Institution. The County's concentration of wealth, primarily due to the tech industry, has made it

one of the most affluent places in the United States.

According to the California Department of Finance, as of January 2018, the County had an estimated population of 1,956,598. There are 15 incorporated cities and towns in Santa Clara County. The county seat and largest city is San Jose, the 10th most populous in the nation and the 3rd most populous in the state, with a current population estimate of 1,051,316. Milpitas is home to approximately 74,865 people.

Milpitas is often referred to as a crossroads for the region, with much of the land within the city limits situated between two major freeways (I-880 and I-680). To the west of I-880 is a largely industrial and commercial area. Most of the land within the city limits to the south between the two freeways is improved with industrial uses while residential neighborhoods are prominent in the northern half. Properties to the east of I-680 are primarily residential or undeveloped hillside. Although much of the land within the city limits to the south between I-880 and I-680 is and was improved with industrial, a significant portion of this area has been designated by Milpitas's General Plan and has already transitioned to high density residential development, influenced by the light rail that had been placed in service in 2004 and the Bay Area Rapid Transit (BART) extension.

A 16-mile extension of the BART system, currently being built, proposes to connect the Warm Springs BART Station located in the southern part of the City of Fremont, where it previously had terminated, passing through Milpitas to downtown San Jose. A major multimodal station is under construction near the intersection of Montague Expressway and Capitol Avenue in an area of the City's Transit Area Specific Plan.

The first phase of the BART Silicon Valley Extension is the 10-mile, two station, Berryessa Extension. This extension begins at Fremont's Warm Springs Station, proceeds through Milpitas and terminates in San Jose's Berryessa Area. The extension brings commuters into Silicon Valley with convenient connections to VTA (Valley Transportation Authority) bus, light rail, and bicycle and pedestrian trails that serve employment centers. New developments, including housing, commercial and retail space, are being built near these station areas. The Milpitas and Berryessa/North San Jose stations are intended to be served by two lines providing direct and connecting service to the entire BART system. The Milpitas Station will include a direct connection to VTA's Montague Light Rail Station, and the Berryessa/North San Jose Station will feature direct bus service to and from downtown San Jose, timed to meet BART trains, as well as connect to local bicycle and pedestrian trails.

The Milpitas BART station is currently under construction and has a tentative opening date of November 1, 2019. The station is situated near the intersection of Capitol Avenue, Great Mall Parkway, and Montague Expressway. A pedestrian bridge will connect to the elevated Montague light rail station, which will replace the Great Mall Main Transit Center; the Great Mall is a large indoor outlet shopping mall built in 1994, containing 1.4 million square feet of gross leasable area, 200 stores, and is the second largest mall in Northern California.

The Milpitas Transit Area Specific Plan (TASP), adopted June 2008, covers approximately 437 acres centered on a roughly one-half mile radius around the Milpitas BART Station, bounded by the Great Mall and a railroad spur to the north; Trade Zone Boulevard, Lundy Place, and Trimble Road to the south; the Union Pacific Railroad line and Main Street to the west; and South Milpitas Boulevard and Berryessa Creek to the east (see exhibit displayed on the following page). The TASP envisions the transition of older industrial uses to high-intensity mixed-use development, with housing, office, retail, restaurants, personal services, hotels, parks, and community facilities, much of which has already occurred or is occurring within the plan area.

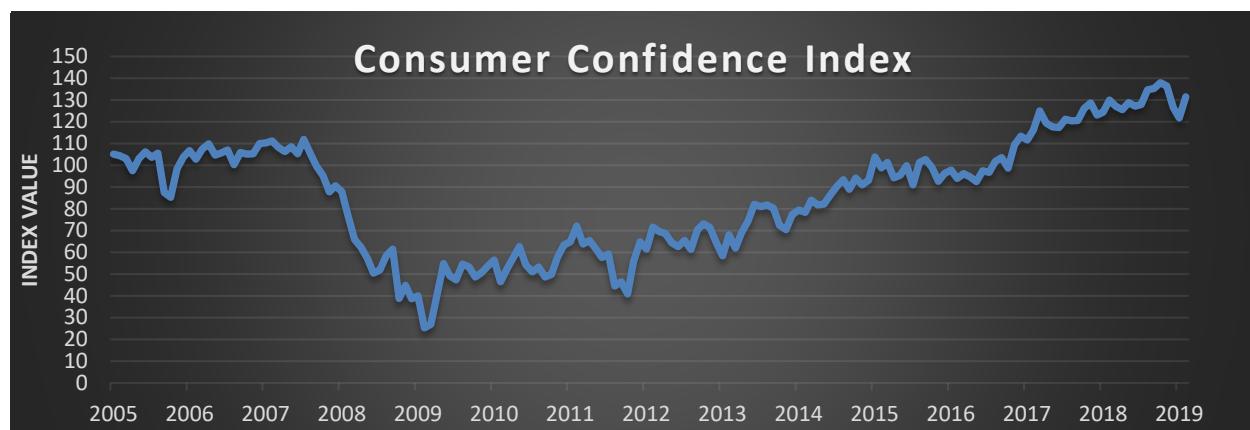
The Midtown Specific Plan covers approximately 1,000 acres and is generally bounded by Interstate 880 to the west, Union Pacific Railroad line to the east, North Abel Street to the north and the Montague Expressway to the south. The Midtown Specific Plan envisions a mixed-use community including high-density, transit-oriented housing and a central community along with industrial, service, and commercial uses. The Plan provides for up to 2,328 new dwelling units and supporting retail development, new office developments, bicycle and pedestrian trails linking the areas together, and new parks to serve residential development. The Plan is a long-term project intended to guide development over the next 20 years.

The TASP and Midtown areas consist of primarily commercial and industrial properties that are intended to be redeveloped with primarily high-intensity residential and commercial uses. There are a number of high-intensity residential mixed-use projects occurring within these areas, especially surrounding the Milpitas BART station.

Market Conditions

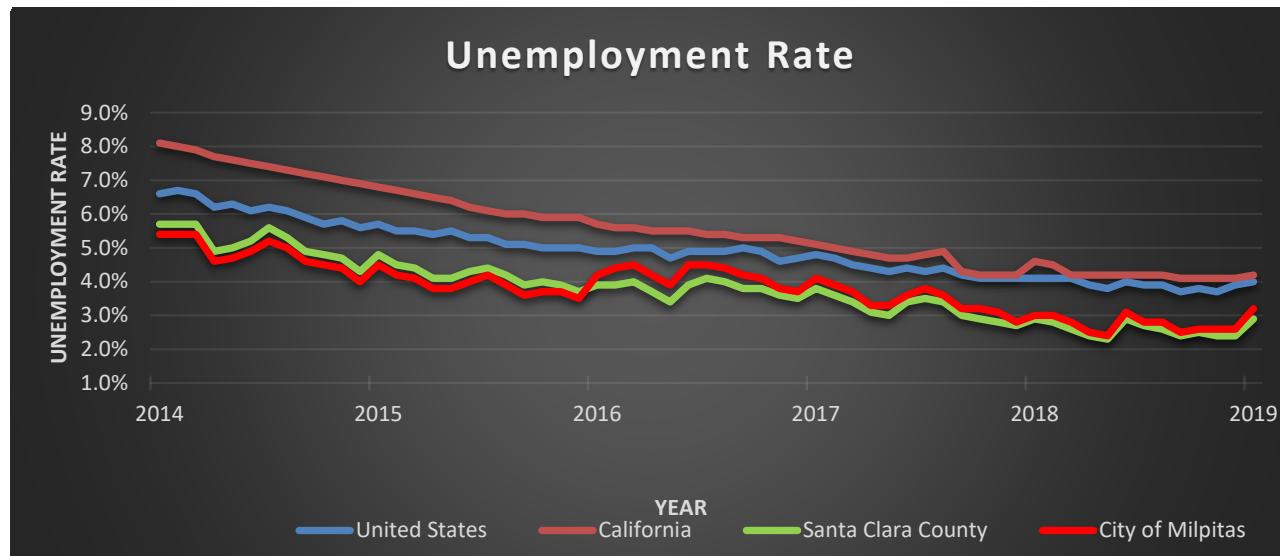
According to the Federal Reserve, “economic activity in the Twelfth District continued to expand at a moderate pace during the reporting period of mid-November through December. Conditions in the labor market remained tight, and wage growth was moderate. Price inflation was flat. Sales of retail goods expanded moderately, while activity in consumer and business services was solid. Conditions in the manufacturing sector strengthened modestly, and conditions in agriculture deteriorated slightly. On balance, contacts reported that residential and commercial real estate market activity expanded at a solid pace. Lending activity ticked down.”

The Conference Board Consumer Confidence Index (CCI) is a barometer of the health of the U.S. economy from the perspective of the consumer. The index is based on consumer's perceptions of current business and employment conditions, as well as their expectations for six months regarding business conditions, employment conditions, and income. On a national level, Americans' assessment of current conditions has been favorable over the past few years following an extended period of instability and a prolonged recession. After falling to a low of 25.3 in February 2009, the CCI increased to 131.4 in February 2019. Comparatively, the index stood at 130.0 in February 2018. Most analysts consider an index of 90 as indicating a stable economy. The following graph shows consumer confidence levels since 2005.



The unemployment rate is defined as the percentage of unemployed workers in the total labor force and is recognized as a key indicator of labor market performance. When workers are unemployed, their families lose wages, and contribution to the economy in terms of the goods or services that could have been produced are lost. Unemployed workers also lose purchasing power, which can lead to unemployment for other workers, creating a ripple effect that impacts the entire economy.

Based on the United States Department of Labor, Bureau of Labor Statistics, the United States had an unemployment rate of 3.8% in February 2019, which is down from 4.1% a year prior. According to the State of California Employment Development Department, California had an unemployment rate of 4.2% in January 2019, which is down from 4.4% a year prior. Santa Clara County had an unemployment rate of 2.9%, as reported for the month of January 2019, no change from January 2018. The City of Milpitas had an unemployment rate of 3.2% in January 2019, up from 3.0% a year prior.

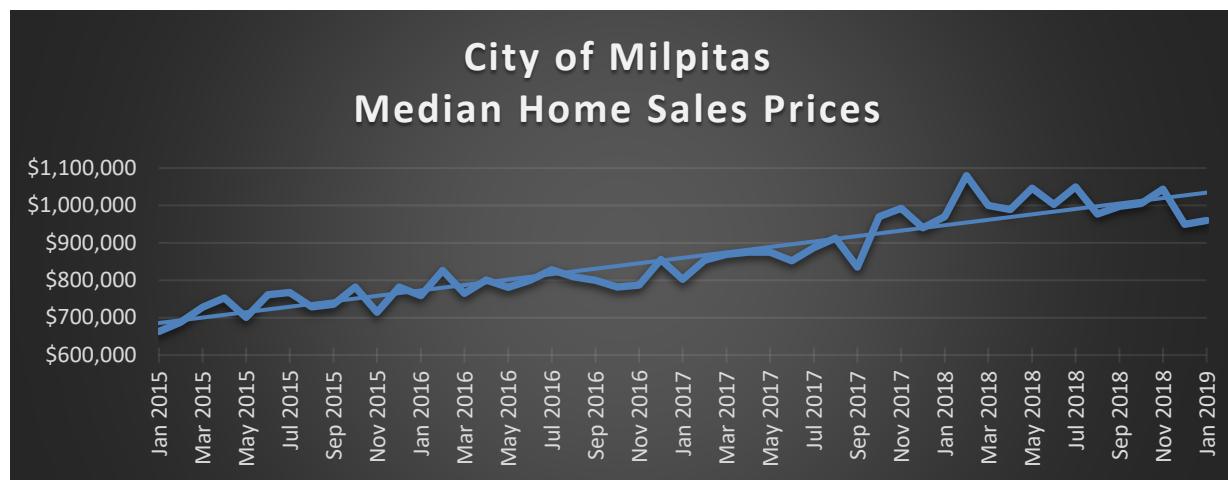


There were an estimated 1,062,800 jobs in Santa Clara County as of January 2019, an increase of 31,500 jobs from a year prior, and the City of Milpitas had an estimated 42,400 jobs, an increase of 1,100 jobs over that same time period.

Residential Market

Generally, housing is seen as one of the sectors to rise or fall as economic conditions improve or degrade. Housing starts and building permits can be indicators of activity in the housing market. New residential housing construction also generally contributes to other types of production in the economy.

The following chart shows the growth of median home sale prices in the City of Milpitas since 2015 based on data from CoreLogic. Although there are some fluctuations in the median home price from month to month, the trend line shows the market consistently moving in a positive direction over the last several years.

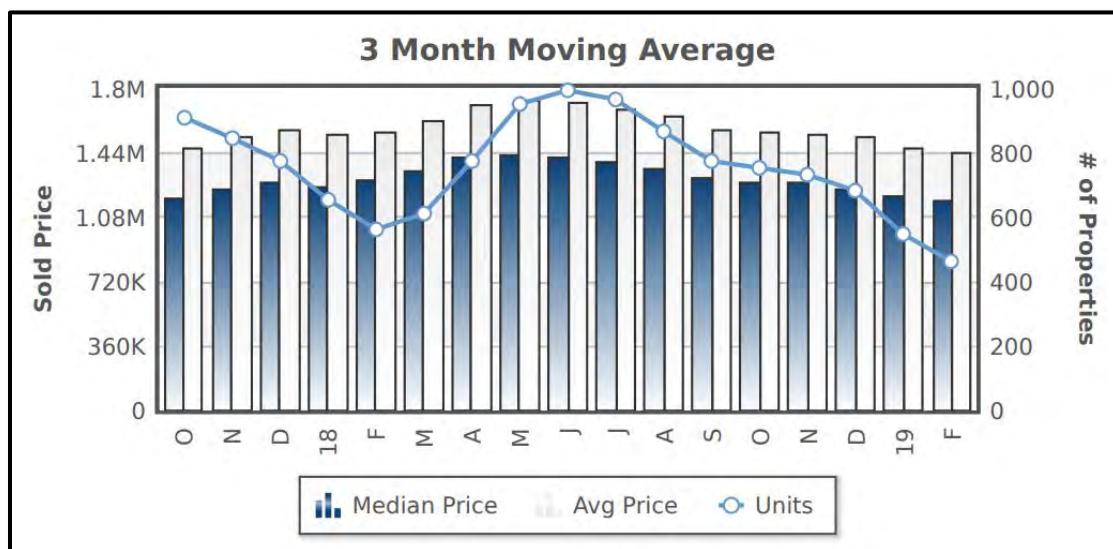


The median home sales price in Santa Clara County in January 2019 was \$980,000, up 1.8% from \$962,500 in January 2018, according to CoreLogic. The median home sales price in Milpitas over the same time period was \$960,000, down 1.0% from \$970,000.

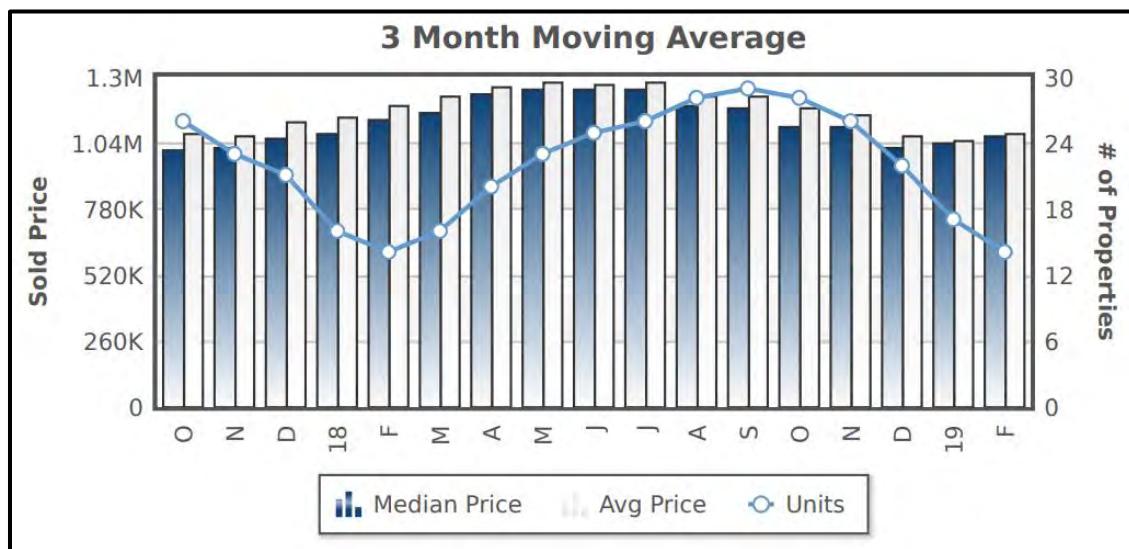
Area	# Sold	Median Price January 2019	Median Price January 2018	% Change Year to Year
Santa Clara County	803	\$980,000	\$962,500	1.8%
Campbell	19	\$1,135,000	\$1,400,000	-18.9%
Cupertino	19	\$2,130,000	\$2,178,000	-2.2%
Gilroy	23	\$799,000	\$780,000	2.4%
Los Altos	14	\$2,747,500	\$3,100,000	-11.4%
Los Gatos	25	\$1,775,000	\$1,525,000	16.4%
Milpitas	60	\$960,000	\$970,000	-1.0%
Morgan Hill	50	\$935,000	\$820,000	14.0%
Mountain View	28	\$1,240,000	\$1,565,000	-20.8%
Palo Alto	30	\$2,580,000	\$3,100,000	-16.8%
San Jose	437	\$876,500	\$850,000	3.1%
San Martin	2	\$780,050	\$1,145,000	-31.9%
Santa Clara	44	\$1,120,000	\$1,212,500	-7.6%
Saratoga	14	\$2,379,750	\$2,280,000	4.4%
Sunnyvale	36	\$1,306,000	\$1,508,000	-13.4%

Source: CoreLogic

The following chart, taken from ReReport.com, displays the median home sales prices, average prices, and number of units for Santa Clara County as of February 2019:



The following chart, taken from ReReport.com, displays the median home sales prices, average prices, and number of units for Milpitas as of February 2019:



Fueled by a strong-performing economy, the Bay Area economy continues to experience upwards growth, according to the Kidder Mathews *Bay Area Multifamily Report*, Q4 - 2018. Demand for housing remains strong, placing pressure on developers to deliver units, especially near major transportation centers and amenities. Average rental rates currently stand at \$2,726 across all nine counties in the Bay Area, up 4.8% from the prior year. San Francisco commands the highest average asking rent at \$3,610, as ongoing strong demand outpaces the City's supply. Rates in San Mateo County grew 6.2% year-over-year, with an average rate of \$3,044 for the 4th Quarter. Alameda County rents rose to an average of \$2,462, experiencing a 3.5% rental growth year-over-year. Oakland is a popular location for many people, as it provides them a cheaper living situation than neighboring areas and allows easy access to San Francisco. By the end of the fourth quarter, average rates stood at \$2,721 in Oakland, a 3.8% increase from last year. Kidder Mathews has forecasted rents to increase in the Bay Area by an average of 4.3% in 2019.

The following table displays county statistics for multifamily residential activity in the 4th quarter of 2018, as reported by Kidder Mathews.

County	Total Units	Units Planned	Units Under Construction	Quarterly Deliveries	Average Asking Rents	Vacancy	Rent Growth (YOY)	Unemployment	Avg Cap Rate
San Francisco	41,235	5,073	3,479	869	\$3,610	3.9%	4.9%	2.3%	0.0%
San Mateo	31,391	1,138	2,230	0	\$3,044	4.5%	6.2%	2.1%	0.0%
Santa Clara	108,190	15,029	9,862	283	\$2,856	4.2%	5.3%	2.5%	4.4%
Alameda	64,854	5,126	9,132	303	\$2,462	4.0%	3.5%	2.9%	4.4%
Contra Costa	28,909	1,837	924	0	\$2,145	3.9%	2.7%	3.0%	0.0%
Marin	6,795	0	0	0	\$2,793	2.8%	4.6%	2.3%	0.0%
Napa	3,063	0	282	0	\$2,084	2.9%	3.5%	2.6%	0.0%
Sonoma	12,464	828	446	0	\$2,016	4.3%	2.7%	2.5%	0.0%
Solano	12,718	0	82	0	\$1,748	3.9%	4.8%	3.6%	5.0%
Total	309,619	29,031	26,437	1,455	\$2,726	4.1%	4.8%	2.6%	4.6%

Source: Kidder Mathews, Q4 2018 Bay Area Multifamily Report

The City of Milpitas has seen a surge in building permits for new housing over the past several years. According to the US Census Bureau, as of December 2018 (the most recent data available), there were 415 new permits for the year-to-date. New permits as of December 2017 totaled 383 over the same time period and permits for December 2016 totaled 104 for the year-to-date. Year-to-date for 2015 realized 92 permits while 2014 had 127. These overall recent escalations express the demand for residential development in the area and exhibit the increasing interest of developers wanting to invest in the area's housing projects and residential growth.

Summary

Overall, the residential market in the Milpitas area has continued to grow at a moderate pace. Recent market price trend reports have indicated that prices have remained mostly neutral year-over-year, but have declined month-over-month compared to prices during the peak of summer in 2018, particularly in the winter months of 2018-2019. However, it should be noted that real estate markets have seasonality trends and tend to be slower during the fall and winter months, influencing lower prices. The City of Milpitas remains active with numerous residential development projects under review, approved or currently under construction.

Property Summary

Property Location/Address:	Milpitas, CA
Principal Improvements:	Assumed Vacant
Site Area:	Hypothetical one-acre typical parcels for categories below
Categories of Properties Appraised:	
Inside Midtown and Transit Area Specific Plan Areas	
Other Areas (Outside Midtown and Transit Area Specific Plan Areas)	
Zoning:	Various Residential Zoning Districts
General Plan:	Various Residential General Plan designations
Highest and Best Use:	
Outside Specific Plan Areas:	Residential land suitable for high-density development
Inside Specific Plan Areas:	Residential land suitable for low-to-medium density development
Flood Hazard Information:	Assumed not in a Flood Hazard Zone
Earthquake Information:	Assumed not located in an Earthquake Fault Zone

Zoning, General Plan and Specific Plan Summary

The City of Milpitas has a wide variety of zoning districts throughout the City. Several of these classifications are intended for residential or mixed-uses, including:

- R1 (Single-Family Residential)
- R2 (One and Two-Family Residential)
- R3 (Multi-Family High Density Residential)
- R4 (Multi-Family Very High Density Residential)
- R5 (Urban Residential)
- MXD (Mixed Use)
- MXD2 (High Density Mixed Use)
- MXD3 (Very High Density Mixed Use)

Generally, the higher density residential zoning districts are located within the Midtown and Transit Area Specific Plan areas. The Specific Plan areas, in addition to the zoning and General Plan designations, have separate land use descriptions within the Specific Plan documents.

The Midtown Specific Plan Area contains land designated as:

- VHD (Multi-Family Residential, Very High Density)
- MFH (Multi-Family Residential, High Density)
- MXD (Mixed Use)

The Transit Area Specific Plan contains land designated as:

- Boulevard Very High Density Mixed Use
- Residential – Retail High Density Mixed Use
- Very High Density Transit Oriented Residential
- High Density Transit Oriented Residential

Additionally, significant portions of both Specific Plan areas located near the Milpitas BART station are located within the Transit Oriented Development (TOD) Overlay District, which provides a density bonus. Minimum densities in the Specific Plan areas generally range between 21-41 dwelling units per acre, and maximum densities generally range between 40-60 dwelling units per acre, with density as high as 75 dwelling units per acre within the TOD Overlay District, and up to 90 dwelling units per acre with a Use Permit.

For areas outside of the Midtown and Transit Area Specific Plans, the predominant residential zoning is R1 (Single-Family Residential) and the predominant General Plan designation is SFL (Single Family Low Density). R2 and R3 zoning classifications are also found outside the Specific Plan areas. The various R1 Districts range from 3-15 units per gross acre; the R2 District ranges from 7-11 units per gross acre; and the R3 District ranges from 12-20 units per gross acre.

Highest and Best Use Analysis

The following definition of the term “Highest and Best Use” provides a reasonable basis for analyzing the subject property:

The reasonable, probable and legal use of vacant land or improved properties which is physically possible, appropriately supported, financially feasible, and results in the highest value.

Inherent in this definition are the following four criteria:

Legally Permissible: What uses are permitted, given existing deed and lease restrictions, zoning, building codes, historic controls, and environmental regulations?

Physically Possible: What uses of the site are possible, given the physical characteristics as revealed in the site analysis?

Financially Feasible: Which possible and permissible uses will produce positive net income from the development of the site after paying operating expenses and other financial obligations?

Maximally Productive: Which financially feasible use will provide the highest value or rate of return on investment?

This appraisal is intended to provide opinions of the market value of various hypothetical one-acre parcels of land in the City of Milpitas. These hypothetical parcels include residential land within the Transit Area & Midtown Specific Plan Areas as well as residential land for all other areas outside of these Specific Plan Areas.

Highest and Best Use – Transit Area & Midtown Specific Plan Areas

As previously discussed, the Midtown and Transit Area Specific Plan areas contain primarily higher density residential and mixed-use land use designations. Minimum densities in the Specific Plan areas generally range between 21-41 dwelling units per acre, and maximum densities generally range between 40-60 dwelling units per acre. Additionally, significant portions of both Specific Plan areas located near the Milpitas BART station are located within the Transit Oriented Development (TOD) Overlay District, which provides a density bonus as high as 75 dwelling units per acre, and up to 90 dwelling units per acre with a Use Permit.

As if vacant, a high-density residential apartment or condominium project at the maximum allowable density supported by the market is concluded to be the highest and best use of a hypothetical, typical one-acre residential parcel of land within the Transit Area & Midtown Specific Plan Areas.

Highest and Best Use – All Other Areas Outside the Transit Area & Midtown Specific Plan

As previously discussed, for areas outside of the Midtown and Transit Area Specific Plans, the predominant residential zoning is R1 (Single-Family Residential) and the predominant General

Plan designation is SFL (Single Family Low Density). R2 and R3 zoning classifications are also found outside the Specific Plan areas. The various R1 Districts range from 3-15 units per gross acre; the R2 District ranges from 7-11 units per gross acre; and the R3 District ranges from 12-20 units per gross acre.

As if vacant, a low-to-medium density single-family residential or townhome project at the maximum allowable density supported by the market is concluded to be the highest and best use of a hypothetical, typical one-acre residential parcel of land located outside of the Transit Area & Midtown Specific Plan Areas.

Valuation

Valuation Methodology

There are three generally recognized approaches considered in the valuation of real property. These are the cost approach, sales comparison approach, and income approach. The type and age of the property and the quantity and quality of the available data affect the applicability of each approach in a specific appraisal situation.

The **Cost Approach** estimates, through support sources, the cost of constructing the subject improvements. Accrued depreciation from all causes is estimated and deducted from the estimates of cost new of the improvements. The market value of the land is added to this depreciated cost estimate to indicate the value of the subject property by the cost approach. The **Land Value Estimate** in the valuation process is usually a separate step, which is generally accomplished through the application of the sales comparison approach. The land value conclusion is then incorporated into the cost approach.

The **Sales Comparison Approach** involves a search for recent sales of properties similar to the subject. The prices paid for these properties provide the basis for estimating the value of the subject by comparison. Adjustments are made for the differences in the properties as they compare to the subject. A correlation of the data provides a value estimate for the subject. This is the most used, and considered the most reliable, approach to estimating the value of land.

The **Income Approach** looks at the relationship between a property's income producing ability and the value buyers and sellers assign to the income. An estimate is made of the market rent to indicate an annual gross income. Estimated fixed and variable operating expenses are deducted from the annual gross income to provide an annual net operating income. An indicated value of the subject is derived through direct capitalization of the indicated net income by a market derived overall rate or through the use of the discounted cash flow technique.

Reconciliation involves consideration of the relevance and influence of each approach in relation to the actions of typical users and investors of properties and particularly the subject property. The three indications of value are discussed and reconciled into a final conclusion of market value.

The City of Milpitas has requested an appraisal of the market values for residential land within the Transit Area & Midtown Specific Plan Areas, as well as residential land values outside of these Specific Plan Areas. The estimated values are intended to be applicable to general sections of designated land uses and not appraisals of specific parcels. The appraiser has provided value opinions for the following:

- One acre of land for residential properties located within the Transit Area & Midtown Specific Plan areas (generally high density residential or mixed-use)
- One acre of land for residential properties located outside of the Transit Area & Midtown Specific Plan areas (generally low to medium density residential or mixed-use)

Since the assignment is for the valuation of land, only the Sales Comparison Approach has been used. As previously stated, specific comparisons were not made between the sales utilized and a specific subject property; rather, comparisons were made to a typical one-acre residential site for the categories noted above. The typical one-acre site for the purpose of this appraisal assignment was determined to be an unentitled, vacant site with access to all utilities and street improvement infrastructure for development. Residential development land in Milpitas is primarily flat, therefore the typical site is assumed to be flat. The prices paid for the comparable sales provide a basis for estimating the per-square-foot value of a typical one-acre site for each property category being valued.

The income and cost approaches are not considered applicable to this assignment since the approaches do not typically apply to the valuation of land.

Sales Comparison Approach

Research was conducted to find comparable land sales in Milpitas for each of the property categories being valued. Many of the sales are of improved properties but intended for redevelopment and reflect residential land value.

Land Within the Transit Area & Midtown Specific Plan Areas

Due to the availability of recent land sales located within the Transit Area & Midtown Specific Plan Areas, only sales from within these areas are included.

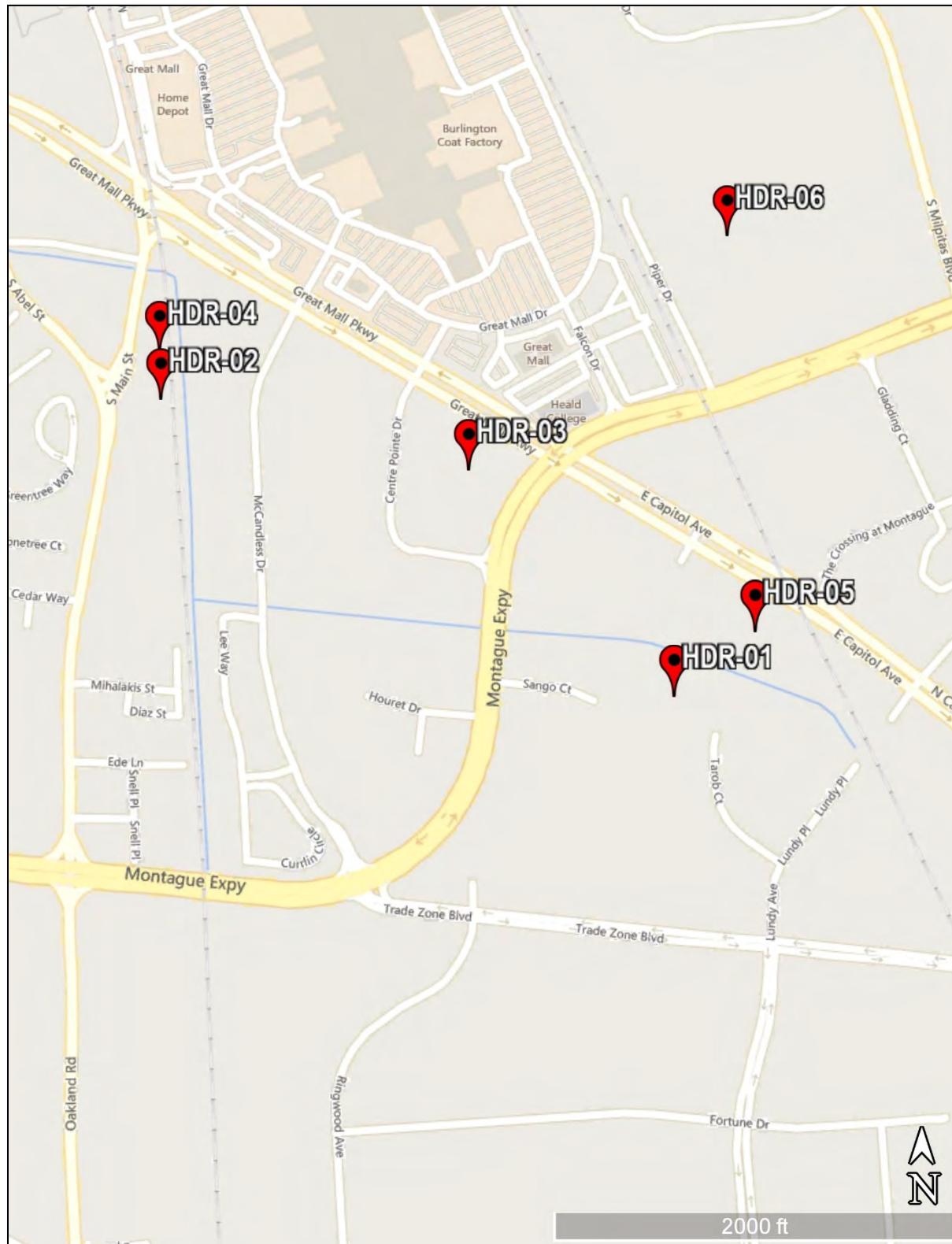
Sales Data Summary

The following tables display a summary of the selected sales for the above property category. A location map and comparable data sheets, including photographs for each comparable sale, are presented on the following pages.

High Density Residential Land Sales Data

No.	Address City, State APN	COE Sales Contract Date	Parcel Size (Acres) Parcel Size (Sq. Ft.)	Zoning General Plan	Density Entitlements	Sales Price \$/Sq. Ft. (Land)
HDR-01	1841 Tarob Court Milpitas, CA 086-36-030	~Late April 2019 12/05/18	2.48 107,985	R4-TOD Multi-Family Residential, Very High Density (VHD); TASp: Very High Density Transit Oriented Residential	41 up to 60-90 units/gross acre in TOD None	\$9,590,000 \$88.81
HDR-02	1380-1400 S Main Street Milpitas, CA 083-36-007, -006	12/20/18 ~3 year escrow	2.16 94,089	R5-TOD URR - Urban Residential	41-75 du/ac; up to 25% density increase with CUP Entitled (see comments)	\$8,425,000 \$89.54
HDR-03	Centre Pointe Drive Milpitas, CA 086-33-102 (portion of)	09/15/17 2015	4.51 196,499	MXD-2 & MXD-3 -TOD TASP: Residential High Density Mixed Use (RRMU) & Boulevard Very High Density Mixed Use (BVMU); Transit Oriented Development (-TOD)	See Comments Fully entitled for 393 multifamily units, 87 du/ac (Phase I)	\$16,295,000 \$82.93
HDR-04	1316 South Main Street Milpitas, CA 086-23-006	12/01/17 Not Discovered	0.39 16,798	R-4-TOD Very High Density Transit Oriented Residential	41-60 units/acre with TOD Overlay Fully entitled for 18 market-rate units, 46 du/ac	\$2,100,000 \$125.01
HDR-05	730 & 750 E. Capitol Ave Milpitas, CA 086-37-015, -026, -027	01/27/2016 & 05/17/2016 See Comments	9.38 408,593	R5/TOD Urban Residential	41-75 du/ac; up to 25% density increase with CUP Contingent on buyer obtaining entitlements for 582 market-rate units, 62	\$29,700,000 \$72.69
HDR-06	SEC of Piper Dr & Garden St Milpitas, CA 086-32-042, portion of -043	01/31/17 See Comments	5.72 249,163	R4/TOD Multi-Family Residential Very- High Density	21-40 du/ac acre, Transit-Oriented Development 60 du/ac max Contingent on buyer obtaining entitlements for 12-story tower with 210 apartments & 2,937 sq. ft. of commercial space, and 98 townhome units (54 du/ac)	\$19,600,000 \$78.66

Comparable Land Sale Location Map



Comparable Land Sale Data Sheet – HDR-01

Property Type	Multi-family - Land	
Type of Transaction	Pending Sale	
COE	~Late April 2019	
Sales Contract Date	12/05/18	
Sales Price	\$9,590,000	
\$/Sq. Ft. (Land)	\$88.81	
Address	1841 Tarob Court	
City, State	Milpitas, CA	
Zip	95035	
APN	086-36-030	
Buyer	City of Milpitas	
Seller	Geomax	
Document #		
DTT		
Terms	All cash	
Parcel Size (Acres)	2.48	
Parcel Size (Sq. Ft.)	107,985	
Zoning	R4-TOD	
General Plan	Multi-Family Residential, Very High Density (VHD); TASP: Very High Density Transit Oriented Residential	
Density	41 up to 60-90 units/gross acre in TOD	
Entitlements	None	
Verified By	City of Milpitas representatives, public records	
Contact Info.		
Comments	This property is located just south of the Milpitas BART station in the Trade Zone/Montague Sub-District of the Transit Area Specific Plan (TASP). This area of the TASP envisions a moderate-to-high density residential area along with a proposed park area (including a portion of this site). The buyer is the City of Milpitas, who proposes to acquire the property for a public park and extension of Tarob Court in an effort to meet the goals of the TASP. The City and seller executed a Letter of Intent (LOI) to enter into a purchase and sale agreement and a development agreement in December 2018. As part of the LOI, the City and seller established a sales price of \$9,590,000 via two independent appraisals and an independent third fair market value appraisal arbitration. On April 2, 2019, the City Council adopted a Resolution authorizing the execution of a Purchase and Sale Agreement for the property. According to the City of Milpitas, the property is in escrow.	

Comparable Land Sale Data Sheet – HDR-02

Property Type	Multi-family - Land
Type of Transaction	Sale
COE	12/20/18
Sales Contract Date	~3 year escrow
Sales Price	\$8,425,000
\$/Sq. Ft. (Land)	\$89.54

Address	1380-1400 S Main Street
City, State	Milpitas, CA
Zip	95035
APN	083-36-007, -006



Buyer	Core Residential LLC
Seller	Johanna Holland
Document #	24085326
DTT	\$9,267.50
Terms	Cash to Seller

Parcel Size (Acres)	2.16
Parcel Size (Sq. Ft.)	94,089

Zoning	R5-TOD
General Plan	URR - Urban Residential
Density	41-75 du/ac; up to 25% density increase with CUP
Entitlements	Entitled (see comments)

Verified By	Yuri Sergunin - Listing and Buyer Broker
Contact Info.	650-391-1764

Comments	The property is comprised of two contiguous parcels totaling 2.13 acres. These parcels are located in south Milpitas, directly south of the Great Mall. The site sold fully entitled and the entitlements were processed by the buyer Core Residential LLC, who plan on developing a 7-story, 85-foot tall, 220 unit apartment complex with 10 of the 220 units dedicated to very low income households. The development will also include some retail. The site had two older commercial structures at the time of sale that will both be demolished. The General Plan was amended and approved in October of 2018. The General Plan designation changed from VHD to URR, the Specific Plan designation changed from R4-TOD to R5-TOD, and the zoning district from R4-TOD to R5-TOD.
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Comparable Land Sale Data Sheet – HDR-03

Property Type	Mixed-Use - Land	
Type of Transaction	Sale	
COE	09/15/17	
Sales Contract Date	2015	
Sales Price	\$16,295,000	
\$/Sq. Ft. (Land)	\$82.93	
Address	Centre Pointe Drive	
City, State	Milpitas, CA	
Zip	95035	
APN	086-33-102 (portion of)	
Buyer	SHAC Centre Pointe Apartments LLC	
Seller	Centre Pointe Associates, L.P.	
Document #	17-23754096	
DTT	\$17,924.50	
Terms	Cash to Seller	
Parcel Size (Acres)	4.51	
Parcel Size (Sq. Ft.)	196,499	
Zoning	MXD-2 & MXD-3 -TOD	
General Plan	TASP: Residential High Density Mixed Use (RRMU) & Boulevard Very High Density Mixed Use (BVMU); Transit Oriented Development (-TOD)	
Density	See Comments	
Entitlements	Fully entitled for 393 multifamily units, 87 du/ac (Phase I)	
Verified By	Michael Anichini - Director, Land Acquisitions	
Contact Info.	415-860-0073	
Comments	This property is within the Montague Corridor Sub-District of the Milpitas Transit Area Specific Plan (TASP). The site is located approximately 600 feet from the Milpitas BART station and south of the Great Mall. For this sub-district, the TASP envisioned high-density residential neighborhoods near transit and shopping. In May 2016, the Milpitas City Council adopted Resolution #8537 to approve a project consisting of 694 condominium units and 36,500 square feet of ground floor commercial space on a 9.84-acre parcel located at 1500-1646 Centre Pointe Drive. The entitlement included a vesting tentative map to allow for condominium spaces and common area. At the time of the May 2016 entitlement, the applicant (seller) informed the City that they would apply for a minor subdivision to separate the 9.84 acres into two parcels; Parcel A (5.282 acres) and Parcel B (4.511 acres). The Resolution (#17-012) was approved April 12, 2017. This sale is comprised of the smaller of the two parcels, fully entitled for the development of 393 multi residential units that are currently under construction as Phase I. It was not determined if any of the units in Phase I were BMR. The 9.84-acre site was improved with six one-story buildings totaling 134,000 square feet with paved parking areas and associated landscape, four of which the seller demolished in the early part of 2017, including those located on this property. The project also includes the construction of a 0.05-acre, 90 degree Centre Pointe Drive alignment as part of Phase I and the buyer will grant an easement to the seller to access Phase 2. BVMU: Permitted uses include Residential, Office, Commercial and Medical uses up to 1.5 maximum gross FAR, an FAR of 2.5 may be permitted on individual sites. 4-12 stories (20 stories with CUP). Residential use shall have 41un/ac minimum average gross density; 60 un/ac maximum average gross density. RRMU: Residential, office, and/or hotel uses above ground floor retail and restaurants, 200 sq. ft of retail or restaurant use required for every residential unit. Residential density: 31du/ac minimum average gross density; 50 un/ac maximum average gross density. 4-12 stories. (20 stories with CUP) Maximum FAR of 1.5; up to 2.5 FAR may be permitted on individual sites.	

Comparable Land Sale Data Sheet – HDR-04

Property Type	Multi-family - Land	
Type of Transaction	Sale	
COE	12/01/17	
Sales Contract Date	Not Discovered	
Sales Price	\$2,100,000	
\$/Sq. Ft. (Land)	\$125.01	
Address	1316 South Main Street	
City, State	Milpitas, CA	
Zip	95035	
APN	086-23-006	
Buyer	SJ Main St LLC	
Seller	HHH Property Group LLC	
Document #	17-23817189	
DTT	\$2,310.00	
Terms	Cash to Seller	
Parcel Size (Acres)	0.39	
Parcel Size (Sq. Ft.)	16,798	
Zoning	R-4-TOD	
General Plan	Very High Density Transit Oriented Residential	
Density	41-60 units/acre with TOD Overlay	
Entitlements	Fully entitled for 18 market-rate units, 46 du/ac	
Verified By	Recorded and city documents	
Contact Info.	n/a	
Comments	This property is within the Milpitas Transit Area Specific Plan (TASP). The site is located approximately 0.50 of a mile from the Milpitas BART station and just south of the Great Mall. On December 6, 2016, the City Council adopted Resolution No. 8612, approving entitlements to allow the development of a four-story, 52 foot tall, 33,310 square foot, 18 unit residential condominium project on the property. According to a Milpitas Planning Commission Staff Report, dated Dec. 12, 2018, the property changed hands to a new owner from George Zhang to SJ Main St., LLC. The new owner hired a consultant (Salvatore Caruso Design Corporation) to develop the civil drawings in order to submit for the required building permits. Due to the ownership and consultant changes, time has lapsed without construction progress made on the development. The approved project entitlements were set to expire in November 2018, but the consultants submitted an application to extend the entitlements 24 months, or until December 5, 2020. Mr. Zhang had submitted the initial development application on November 3, 2014, and the project is therefore not subject to the affordable housing requirement of the TASP. The cost of demolition of two vacant commercial structures that had previously contained the Milpitas Animal Hospital of a little more than 2,000 square feet would be incurred by the buyer.	

Comparable Land Sale Data Sheet – HDR-05

Property Type	Multi-family - Land	
Type of Transaction	Sale	
COE	01/27/2016 & 05/17/2016	
Sales Contract Date	See Comments	
Sales Price	\$29,700,000	
\$/Sq. Ft. (Land)	\$72.69	
Address	730 & 750 E. Capitol Ave	
City, State	Milpitas, CA	
Zip	95035	
APN	086-37-015, -026, -027	
Buyer	Anton Development Company, LLC	
Seller	R.W.L. Investments, Inc. & YRC, Inc.	
Document #	23207221 / 23307508	
DTT	\$16,170.00 & \$16,500.00	
Terms	Conventional loan; 35% down payment	
Parcel Size (Acres)	9.38	
Parcel Size (Sq. Ft.)	408,593	
Zoning	R5/TOD	
General Plan	Urban Residential	
Density	41-75 du/ac; up to 25% density increase with CUP	
Entitlements	Contingent on buyer obtaining entitlements for 582 market-rate units, 62 du/ac & 5,000 sq. ft. of retail space	
Verified By	Recorded documents, news release, published articles, city documents	
Contact Info.	n/a	
Comments	The property is comprised of three contiguous parcels totaling 9.38 acres that sold as an assemblage. The property is across from the VTA light rail Montague station and new Milpitas BART station. The Great Mall is located within walking distance. The buyer proposes two five-story mixed-use apartment buildings with a total of 582 market rate units, at approximately 62 dwelling units per acre, and 5,000 square feet of retail space. Both buildings will have integrated parking structures. The building design will account for the fact that the property is located in a flood plain. Industrial buildings will need to be demolished to accommodate the proposed project. A variety of off/on-site infrastructure improvements will be required, including an extension of Milpitas Boulevard; streetscape and landscape improvements along Capitol Avenue, a new public street connection from the adjacent Lennar project; a 2.1-acre public park with pedestrian and bicycle paths along Penitencia Creek (bordering the property); and stormwater treatment, utility, grading and other associated site improvements. Both properties were being separately marketed at the time the sale was negotiated, which appears to be sometime in the early part of 2015.	

Comparable Land Sale Data Sheet – HDR-06

Property Type	Multi-family - Land
Type of Transaction	Sale
COE	01/31/17
Sales Price	\$19,600,000
Sales Contract Date	See Comments
\$/Sq. Ft. (Land)	\$78.66

Address	SEC of Piper Dr & Garden St
City, State	Milpitas, CA
Zip	95035
APN	086-32-042, portion of -043



Buyer	KB Home South Bay, Inc.
Seller	Green Valley Corporation (et al)
Document #	23572099
DTT	\$21,560.00
Terms	All Cash

Parcel Size (Acres)	5.72
Parcel Size (Sq. Ft.)	249,163

Zoning	R4/TOD
General Plan	Multi-Family Residential Very-High Density
Density	21-40 du/ac acre, Transit-Oriented Development 60 du/ac max
Entitlements	Contingent on buyer obtaining entitlements for 12-story tower with 210 apartments & 2,937 sq. ft. of commercial space, and 98 townhome units (54 du/ac)

Verified By	Recorded documents, news release, published articles, city documents
Contact Info.	n/a

Comments	January 12, 2015, an application was submitted by the buyer to construct a 12-story tower containing 210 apartments, 2,937 square feet of commercial space, and 98 townhomes in 13 separate three-story buildings. The size of the property was obtained from a city document. At the time of sale, the property was developed with two 1980s-vintage concrete tilt-up industrial buildings totaling about 111,978 square feet, which would be demolished to accommodate the proposed project, a cost to be incurred by the buyer. Off-sites will include street improvements on Piper Drive and Garden Street, including landscaping.
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Sales Data Analysis

Adjustments are made to the comparable sale prices for the differences in the properties as they compare to the hypothetical (typical) one-acre lot. The comparable data has been adjusted for inferior and superior characteristics. For Example: where a comparable had an inferior characteristic, a positive (+) adjustment to the comparable was made. Where the comparable had a superior characteristic, a negative (-) adjustment was made to the comparable. Adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale, expenditures incurred by the buyer immediately after the sale, and market conditions at the time of sale. Adjustments for physical characteristics, location, use, entitlements and non-realty components of value are subsequently added and applied.

Property Rights Conveyed: Each comparable sale involved the conveyance of the fee simple interest. Therefore, no adjustments are made for this factor.

Financing Terms: The comparable sales were all-cash or assumed to be all-cash transactions. Therefore, no adjustment has been applied to any of the comparables for this element of comparison.

Conditions of Sale: HDR-05 is comprised of two properties that were being separately marketed that sold as an assemblage and a downward adjustment has been applied for this factor.

Expenditures After Purchase: HDR-01, HDR-03, HDR-04 and HDR-05 require demolition and the cost of clearing the site, although these costs are considered minimal relative to the selling price. A slight upward adjustment is applied to these sales.

Change in Market Conditions: HDR-01 is in contract and anticipated to close in late April 2019. This transaction is determined to be reflective of current market conditions. The remaining comparables sales were recorded between January 2017 and December 2018; however, all were negotiated at a time of inferior market conditions than that on the date of value, warranting an upward adjustment, to varying degrees.

Location: Since the assignment is for the value of a typical residential site in Milpitas and all of the sales are from Milpitas, no adjustments to any sales were made.

Size: The comparables range in size from 0.39 acre to 9.38 acres. Since the assignment is for the market value of “one acre of land”, the size of the comparables is compared to a hypothetical one-acre lot. The law of diminishing returns dictates that smaller parcels of land generally transact at a higher price on a per unit basis and vice versa. Comparables HDR-03, HDR-05 and HDR-06 are significantly larger than one acre, and upward adjustments are applied. The remaining comparables are judged not to warrant an adjustment for size.

Site Utility: Residential development land in Milpitas is primarily flat, therefore the hypothetical, typical site is assumed to be flat. The site is also assumed to have adequate ingress/egress and no contamination. All of the comparable sales are reflective of these conditions and warrant no adjustment for this element of comparison.

Utilities/Off-Sites: The hypothetical, typical site is assumed to have access to all utilities and street improvement infrastructure for development, including street frontages improved with curb, gutter and sidewalk. All of the comparable sales have access to public utilities located at the street. HDR-04 has limited off-site costs associated with its proposed project, warranting a downward adjustment.

Density/Product Mix: The City of Milpitas adopted Resolution No. 8491 in 2015, which states that "affordable housing requirements shall apply to all completely new residential development applications submitted to the City after June 16, 2015." The seller of HDR-04 submitted an application prior to the Resolution, and is, therefore, not subject to the affordable housing requirement, warranting a downward adjustment. The development proposed for HDR-05 does not include any below market rate (BMR) units either, and a downward adjustment has been applied to this comparable for similar reasons. As previously discussed, the land use designations within the Specific Plan areas allow for residential development within the density range of 21 to 60 dwelling units per acre, or up to 90 dwelling units per acre with a Use Permit. The comparables utilized all reflect residential land sales proposed for high density residential uses within this density range, with the exception of HDR-02 which has a density of 110 dwelling units per acre. A downward adjustment is made to HDR-02 for this factor. No adjustments are made to the remaining comparables for this category.

Entitlements: The City's park in-lieu fees are calculated at the time of tentative subdivision map approval. The typical one-acre site for the purpose of this appraisal assignment was determined to be unentitled. Generally, unentitled residential land in Milpitas and competing areas is purchased subject to entitlements. Though some sales include entitlements being processed by the seller, more frequently the buyer obtains entitlements during escrow, and escrow closes after the land receives entitlements.

The sellers involved in HDR-03 and HDR-04 had processed development approvals and the comparables sold with entitlements for multifamily projects. Thus, these comparable sales warranted a downward adjustment for the time and monies expended by the sellers to reach that point of the development process. For the remaining comparables, the buyers in these transactions sought out obtaining entitlements for their respective projects, or they sold as unentitled land, and an adjustment for this factor has therefore not been applied.

The following table summarizes the adjustments made to each comparable. (Bold font and/or a larger font size denotes more significant adjustment).

Comparable	HDR-01	HDR-02	HDR-03	HDR-04	HDR-05	HDR-06
Address	1841 Tarob Court Milpitas, CA	1380-1400 S Main Street Milpitas, CA	Centre Pointe Drive Milpitas, CA	1316 South Main Street Milpitas, CA	730 & 750 E. Capitol Ave Milpitas, CA	SEC of Piper Dr & Garden St Milpitas, CA
Sale Date	~Late April 2019	Dec-18	Sep-17	Dec-17	Jan-16 & May-16	Jan-17
Sales Price	\$9,590,000	\$8,425,000	\$16,295,000	\$2,100,000	\$29,700,000	\$19,600,000
Parcel Size (Acres)	2.48	2.16	4.51	0.39	9.38	5.72
Sales Price / Sq. Ft.	\$88.81	\$89.54	\$82.93	\$125.01	\$72.69	\$78.66
Property Rights Conveyed	Ø	Ø	Ø	Ø	Ø	Ø
Financing Terms	Ø	Ø	Ø	Ø	Ø	Ø
Conditions of Sale	Ø	Ø	Ø	Ø	Negative	Ø
Expenditures After Purchase	Positive	Ø	Positive	Positive	Positive	Ø
Market Conditions (Time)	Ø	Positive	Positive	Positive	Positive	Positive
Location	Ø	Ø	Ø	Ø	Ø	Ø
Size	Ø	Ø	Positive	Ø	Positive	Positive
Site Utility	Ø	Ø	Ø	Ø	Ø	Ø
Utilities/Off-Sites	Ø	Ø	Ø	Negative	Ø	Ø
Density/Product Mix	Ø	Negative	Ø	Negative	Negative	Ø
Entitlements	Ø	Ø	Negative	Negative	Ø	Ø
Net Adjustment	Positive	Similar	Positive	Negative	Positive	Positive

Land Value Conclusion – Land Within the Transit Area & Midtown Specific Plan Areas

The six comparable land sales range from an unadjusted unit price of \$72.69 to \$125.01 per square foot. After adjustments, the comparable sales point to a unit value conclusion similar to, but slightly greater than, both HDR-01 and HDR-02. In addition to the comparables used in the preceding analysis, the Appraiser is aware of a 1.31-acre, R4-TOD zoned parcel located at 1700 Sango Court offered for sale for a list price of \$5,415,000 or \$94.89 per square foot. The agent for this listing indicated that an all-cash offer was recently made for \$5 million or \$87.62 per square foot, but no sale of the property was initiated. There is an existing industrial use currently on this property.

Based on the prior analysis and discussion, the estimated market value of a hypothetical, “typical” one-acre residential site within the Transit Area & Midtown Specific Plan Areas is concluded to be:

\$92.00 per square foot
\$4,007,520 per acre

Sales Comparison Approach

Land Outside of the Transit Area & Midtown Specific Plan Areas

Due to the lack of availability of recent land sales located in Milpitas outside of the Transit Area & Midtown Specific Plan Areas, and intended for low-to-medium density residential development (the primary residential uses outside of the Specific Plan areas in the City of Milpitas), the search timeline was expanded accordingly. Over the past several years, only one relevant land sale in the City of Milpitas was found. The search was therefore expanded in terms of location to include the neighboring cities of Fremont, Newark and San Jose.

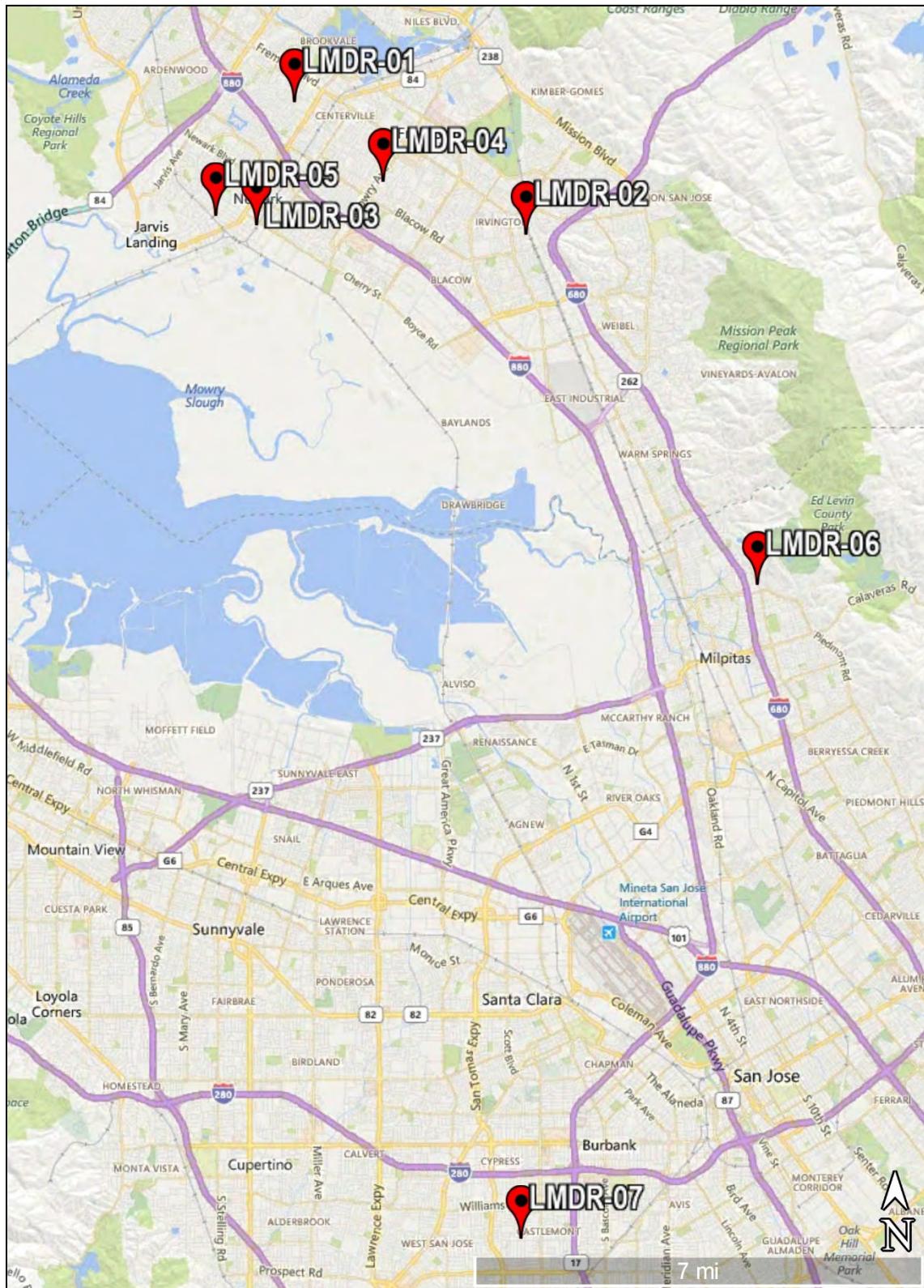
Sales Data Summary

The following tables display a summary of the selected sales for the above property category. A location map and comparable data sheets, including photographs for each comparable sale, are presented on the following pages.

Low-Medium Density Residential Land Sales Data

No.	Address City, State APN	COE Sales Contract Date	Parcel Size (Acres) Parcel Size (Sq. Ft.)	Zoning General Plan	Density Entitlements	Sales Price \$/Sq. Ft. (Land)
LMDR-01	4395 Alder Ave Fremont, CA 501-42-78	Projected April 2019 03/13/19	0.42 18,054	R-1-6 Residential Low	2.3-8.7 du/ac None	\$1,320,000 \$73.11
LMDR-02	41354 Roberts Ave Fremont, CA 525-0605-027	02/01/19 12/03/18	2.00 87,124	R-3-18 Residential Medium	18 du/ac (zoning); 14.6-29.9 du/ac (GP) None	\$8,525,000 \$97.85
LMDR-03	6849 Baine Ave Newark, CA 092-0061-011	07/25/18 01/25/18	0.93 40,498	RM Medium Density Residential	15-22 du/ac (anticipated density) 10.75 du/ac None	\$2,200,000 \$54.32
LMDR-04	4674 Mowry Ave Fremont, CA 501-958-104-7	05/17/18 11/18/17	2.45 106,583	P-2017-243 Residential Low	8.57 du/ac (approved) Tentative map (see comments)	\$8,900,000 \$83.50
LMDR-05	36731 Sycamore St Newark, CA 092-0021-015-03	03/21/18 12/16/17	0.84 36,636	RM Medium Density Residential	15-22 du/ac (tentative map @ 16.66 du/ac) Tentative maps for 14 condo units	\$2,500,000 \$68.24
LMDR-06	1005 N Park Victoria Dr Milpitas, CA 029-04-040	01/17/18	4.85 211,266	SFL Single Family Low Density	7.63 du/ac (proposed) None	\$12,000,000 \$56.80
LMDR-07	3257 Payne Ave San Jose, CA 299-03-117	07/18/17 03/20/17	1.91 83,239	R-1-8 Medium Low Density Residential	8 du/ac None	\$5,000,000 \$60.07

Comparable Land Sale Location Map



Comparable Land Sale Data Sheet – LMDR-01

Property Type	Residential Subdivision
Type of Transaction	Pending
COE	Projected April 2019
Sales Contract Date	03/13/19
Sales Price	\$1,320,000
\$/Sq. Ft. (Land)	\$73.11

Address	4395 Alder Ave
City, State	Fremont, CA
Zip	94536
APN	501-42-78



Buyer	
Seller	
Document #	
DTT	
Terms	All Cash

Parcel Size (Acres)	0.42
Parcel Size (Sq. Ft.)	18,054

Zoning	R-1-6
General Plan	Residential Low
Density	2.3-8.7 du/ac
Entitlements	None

Verified By	Trang Dunlap - Buyer's Agent
Contact Info.	415-606-2967

Comments	According to the buyer's agent, the buyer plans to split the property and build additional single family residence(s). The existing residence is occupied and the agent believes it contributes value, but that the two small sheds and workshop on the property have no value. The listing indicates that the value of the property is in the land. The property was unentitled at the time of sale.
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Comparable Land Sale Data Sheet – LMDR-02

Property Type	Multi-family - Land
Type of Transaction	Sale
COE	02/01/19
Sales Contract Date	12/03/18
Sales Price	\$8,525,000
\$/Sq. Ft. (Land)	\$97.85

Address	41354 Roberts Ave
City, State	Fremont, CA
Zip	94538
APN	525-0605-027



Buyer	Roberts Fremont LP
Seller	Redeemer Church of Silicon Valley
Document #	19-017006
DTT	\$9,377.50

Terms All Cash

Parcel Size (Acres)	2.00
Parcel Size (Sq. Ft.)	87,124

Zoning	R-3-18
General Plan	Residential Medium
Density	18 du/ac (zoning); 14.6-29.9 du/ac (GP)
Entitlements	None

Verified By Michaeline Correa Vierra - Listing Broker
Contact Info. 408-572-4164

Comments This property is located in central Fremont on the east side of Roberts Avenue, in the Irvington District. The listing broker indicated that the buyer is planning to build townhomes, but was unsure of the density. She indicated that ingress/egress issues might ultimately impact the total unit count but did not have an impact on the sale price. The property was improved as a church and the improvements did not contribute any value. The property was on the market for 6 months and received 14 offers, including several offers above the sale price but subject to obtaining entitlements.

Comparable Land Sale Data Sheet – LMDR-03

Property Type	Residential Subdivision
Type of Transaction	Sale
COE	07/25/18
Sales Contract Date	01/25/18
Sales Price	\$2,200,000
\$/Sq. Ft. (Land)	\$54.32

Address	6849 Baine Ave
City, State	Newark, CA
Zip	94560
APN	092-0061-011



Buyer	Goldsilverisland Homes LLC
Seller	Annette L. Perez and Dolores A. Nunes
Document #	18-146049
DTT	\$2,420.00
Terms	All Cash
Parcel Size (Acres)	0.93
Parcel Size (Sq. Ft.)	40,498

Zoning	RM
General Plan	Medium Density Residential
Density	15-22 du/ac (anticipated density 10.75 du/ac)
Entitlements	None

Verified By	Camillo Perez - Listing Agent's Associate
Contact Info.	650-363-2808

Comments	The property was improved with 6 structures at the time of sale. According to the buyer's agent, the improvements contributed no value and were going to be demolished. The property was unentitled at the time of the sale. Though the zoning is for medium density residential with a density range of 15-22 du/ac., the City would like to see single family residences (SFRs) and the buyer plans to build 10 SFRs, representing a lower density of 10.75 du/ac.
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Comparable Land Sale Data Sheet – LMDR-04

Property Type	Residential Subdivision
Type of Transaction	Sale
COE	05/17/18
Sales Contract Date	11/18/17
Sales Price	\$8,900,000
\$/Sq. Ft. (Land)	\$83.50

Address	4674 Mowry Ave
City, State	Fremont, CA
Zip	94538
APN	501-958-104-7



Buyer	Golden Estate Development LLC
Seller	Mowry Avenue LLC
Document #	18-098768
DTT	\$9,790.00
Terms	Assumed All Cash

Parcel Size (Acres)	2.45
Parcel Size (Sq. Ft.)	106,583

Zoning	P-2017-243
General Plan	Residential Low
Density	8.57 du/ac (approved)
Entitlements	Tentative map (see comments)

Verified By	Public records
Contact Info.	N/A

Comments	Based on public records information, the seller, Mowry Avenue LLC, processed entitlements for a 21-home tentative map (PLN 2017-00243) known as Cindy Street Homes in March of 2018, 2 months prior to the sale. This includes 20 new homes and one existing home.
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Comparable Land Sale Data Sheet – LMDR-05

Property Type	Multi-family - Land	
Type of Transaction	Sale	
COE	03/21/18	
Sales Contract Date	12/16/17	
Sales Price	\$2,500,000	
\$/Sq. Ft. (Land)	\$68.24	
Address	36731 Sycamore St	
City, State	Newark, CA	
Zip	94560	
APN	092-0021-015-03	
Buyer	Merida Place LLC	
Seller	BSL Corporation	
Document #	18-057263	
DTT	\$2,750.00	
Terms	All Cash	
Parcel Size (Acres)	0.84	
Parcel Size (Sq. Ft.)	36,636	
Zoning	RM	
General Plan	Medium Density Residential	
Density	15-22 du/ac (tentative map @ 16.66 du/ac)	
Entitlements	Tentative maps for 14 condo units	
Verified By	Helen Chong - Buyer's Agent, Suh Lee - Listing Agent	
Contact Info.	888-406-5788, 650-388-8250	
Comments	Tentative map for 14 condo units was processed by seller prior to sale. The listing agent indicated that the seller getting tentative map approval had an impact on the sale price.	

Comparable Land Sale Data Sheet – LMDR-06

Property Type	Residential Subdivision
Type of Transaction	Sale
COE	01/17/18
Sales Price	\$12,000,000
Sales Contract Date	
\$/Sq. Ft. (Land)	\$56.80



Address	1005 N Park Victoria Dr
City, State	Milpitas, CA
Zip	95035
APN	029-04-040
Buyer	Robson Homes LLC
Seller	Hooshang N. Salem
Document #	23849668
DTT	\$13,200.00
Terms	Assumed All Cash
Parcel Size (Acres)	4.85
Parcel Size (Sq. Ft.)	211,266

Zoning	SFL
General Plan	Single Family Low Density
Density	7.63 du/ac (proposed)
Entitlements	None

Verified By	Public records
Contact Info.	N/A

Comments	Based on public records information, Robson Homes applied for a zoning amendment, General Plan amendment, PUD for 39 homes and tentative tract map in November 2018, several months after the sale of the property. According to Adrienne Smith, a planner with the City of Milpitas, the project is in its early stages and is currently proposing 37 dwelling units with 10 accessory units.
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Comparable Land Sale Data Sheet – LMDR-07

Property Type	Residential Subdivision
Type of Transaction	Sale
COE	07/18/17
Sales Contract Date	03/20/17
Sales Price	\$5,000,000
\$/Sq. Ft. (Land)	\$60.07

Address	3257 Payne Ave
City, State	San Jose, CA
Zip	95117
APN	299-03-117



Buyer	City of San Jose
Seller	Prince of Peace Evangelical Lutheran Church of Saratoga
Document #	23700254
DTT	n/a
Terms	All Cash

Parcel Size (Acres)	1.91
Parcel Size (Sq. Ft.)	83,239

Zoning	R-1-8
General Plan	Medium Low Density Residential
Density	8 du/ac
Entitlements	None

Verified By	Marty Chiechi - Listing Broker, Andres Clauore - Listing Broker
Contact Info.	408-987-4178, 408-982-8460

Comments	The buyer was the City of San Jose, who purchased the property with plans to build a park. The listing broker indicated that there was interest in the property from assisted living developers and residential developers.
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Sales Data Analysis

Adjustments are made to the comparable sale prices for the differences in the properties as they compare to the hypothetical (typical) one-acre lot. The comparable data has been adjusted for inferior and superior characteristics. For Example: where a comparable had an inferior characteristic, a positive (+) adjustment to the comparable was made. Where the comparable had a superior characteristic, a negative (-) adjustment was made to the comparable. Adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale, expenditures incurred by the buyer immediately after the sale, and market conditions at the time of sale. Adjustments for physical characteristics, location, use, entitlements and non-realty components of value are subsequently added and applied.

Property Rights Conveyed: Each comparable sale involved the conveyance of the fee simple interest. Therefore, no adjustments are made for this factor.

Financing Terms: The comparable sales were all-cash or assumed to be all-cash transactions. Therefore, no adjustment has been applied to any of the comparables for this element of comparison.

Conditions of Sale: LMDR-01 and LMDR-05 were both on the market for only one month. The typical marketing period in the Milpitas area appears to be between 3 and 6 months. Upward adjustments are made to these sales for conditions of sale.

Expenditures After Purchase: LMDR-02, LMDR-03, LMDR-04 and LMDR-07 require demolition and the cost of clearing the site, although these costs are considered minimal relative to the selling price for all of these sales except LMDR-03. An upward adjustment is made to LMDR-03, and slight upward adjustments are applied to other aforementioned sales.

Change in Market Conditions: LMDR-01 is in contract and anticipated to close in April 2019. This transaction is determined to be reflective of current market conditions. LMDR-02 and LMDR-03 sold in February 2019 and July 2018, and market conditions from these sales are judged to be similar to current market conditions. The remaining comparables sales were recorded between July 2017 and May 2018; however, all were negotiated at a time of inferior market conditions than that on the date of value, warranting an upward adjustment, to varying degrees.

Location: Location adjustments were considered for sales located outside of the City of Milpitas; however, since the assignment is for the value of a typical residential site in Milpitas, no adjustment was made to the sale located in Milpitas. LMDR-01 and LMDR-04 are located in Fremont neighborhoods considered to be similar to the majority of residential neighborhoods in Milpitas, and no adjustments are made to these sales. LMDR-02 is considered to be located in a superior area of Fremont and a downward adjustment is applied. LMDR-03 and LMDR-05 are considered to be located in inferior Newark locations and LMDR-07 is considered to be located in an inferior San Jose location. Positive adjustments are applied to these comparables.

Size: The comparables range in size from 0.42 acre to 4.85 acres. Since the assignment is for the market value of “one acre of land”, the size of the comparables is compared to a hypothetical one-acre lot. The law of diminishing returns dictates that smaller parcels of land generally transact

at a higher price on a per unit basis and vice versa. Comparable LMDR-06 is significantly larger than one acre, and an upward adjustment is applied. The remaining comparables are judged not to warrant an adjustment for size.

Site Utility: Residential development land in Milpitas is primarily flat, therefore the hypothetical, typical site is assumed to be flat. The site is also assumed to have adequate ingress/egress and no contamination. All of the comparable sales are reflective of these conditions and warrant no adjustment for this element of comparison.

Utilities/Off-Sites: The hypothetical, typical site is assumed to have access to all utilities and street improvement infrastructure for development, including street frontages improved with curb, gutter and sidewalk. All of the comparable sales have access to public utilities located at the street and no adjustments are applied.

Contributory Improvements: The buyer's agent for LMDR-01 indicated that the existing residence on the site is occupied, and opined that it contributes value, but that two small sheds and a workshop on the property do not contribute value. However, the listing indicates that the value of the property is in the land. No adjustment is applied for this factor.

Entitlements: The City's park in-lieu fees are calculated at the time of tentative subdivision map approval. The typical one-acre site for the purpose of this appraisal assignment was determined to be unentitled. Generally, unentitled residential land in Milpitas and competing areas is purchased subject to entitlements. Though some sales include entitlements being processed by the seller, more frequently the buyer obtains entitlements during escrow, and escrow closes after the land receives entitlements.

The sellers involved in LMDR-04 and LMDR-05 had processed development approvals and the comparables sold with entitlements for low-to-medium-density residential projects. Thus, these comparable sales warranted a downward adjustment for the time and monies expended by the sellers to reach that point of the development process. For the remaining comparables, the buyers in these transactions sought out obtaining entitlements for their respective projects, or they sold as unentitled land, and an adjustment for this factor has therefore not been applied.

Land Use/Density: As previously discussed, for areas outside of the Midtown and Transit Area Specific Plans, the predominant residential zoning is R1 (Single-Family Residential) and the predominant General Plan designation is SFL (Single Family Low Density). R2 and R3 zoning classifications are also found outside the Specific Plan areas. The various R1 Districts range from 3-15 units per gross acre; the R2 District ranges from 7-11 units per gross acre; and the R3 District ranges from 12-20 units per gross acre.

The comparables utilized all reflect residential land sales proposed for low-to-medium density uses within the density range above, with the exception of LMDR-02 which has an allowed density ranging from 14.6-29.9 dwelling units per acre. A downward adjustment is made to LMDR-02 for this factor. No adjustments are made to the remaining comparables for this category.

The following table summarizes the adjustments made to each comparable. (Bold font and/or a larger font size denotes more significant adjustment).

Comparable	LMDR-01	LMDR-02	LMDR-03	LMDR-04	LMDR-05	LMDR-06	LMDR-07
Address	4395 Alder Ave Fremont, CA	41354 Roberts Ave Fremont, CA	6849 Baine Ave Newark, CA	4674 Mowry Ave Fremont, CA	36731 Sycamore St Newark, CA	1005 N Park Victoria Dr Milpitas, CA	3257 Payne Ave San Jose, CA
Sale Date	Projected April 2019	Feb-19	Jul-18	May-18	Mar-18	Jan-18	Jul-17
Sales Price	\$1,320,000	\$8,525,000	\$2,200,000	\$8,900,000	\$2,500,000	\$12,000,000	\$5,000,000
Parcel Size (Acres)	0.42	2.00	0.93	2.45	0.84	4.85	1.91
<i>Sales Price / Sq. Ft.</i>	\$73.11	\$97.85	\$54.32	\$83.50	\$68.24	\$56.80	\$60.07
Property Rights Conveyed	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Financing Terms	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Conditions of Sale	Positive	Ø	Ø	Ø	Positive	Ø	Ø
Expenditures After Purchase	Ø	Positive	Positive	Positive	Ø	Ø	Positive
Market Conditions (Time)	Ø	Ø	Ø	Positive	Positive	Positive	Positive
Location	Ø	Negative	Positive	Ø	Positive	Ø	Positive
Size	Ø	Ø	Ø	Ø	Ø	Positive	Ø
Site Utility	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Utilities/Off-Sites	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Contributory Improvements	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Entitlements	Ø	Ø	Ø	Negative	Negative	Ø	Ø
Land Use/Density	Ø	Negative	Ø	Ø	Ø	Ø	Ø
Net Adjustment	Positive	Negative	Positive	Negative	Positive	Positive	Positive

Land Value Conclusion – Land Outside of the Transit Area & Midtown Specific Plan Areas

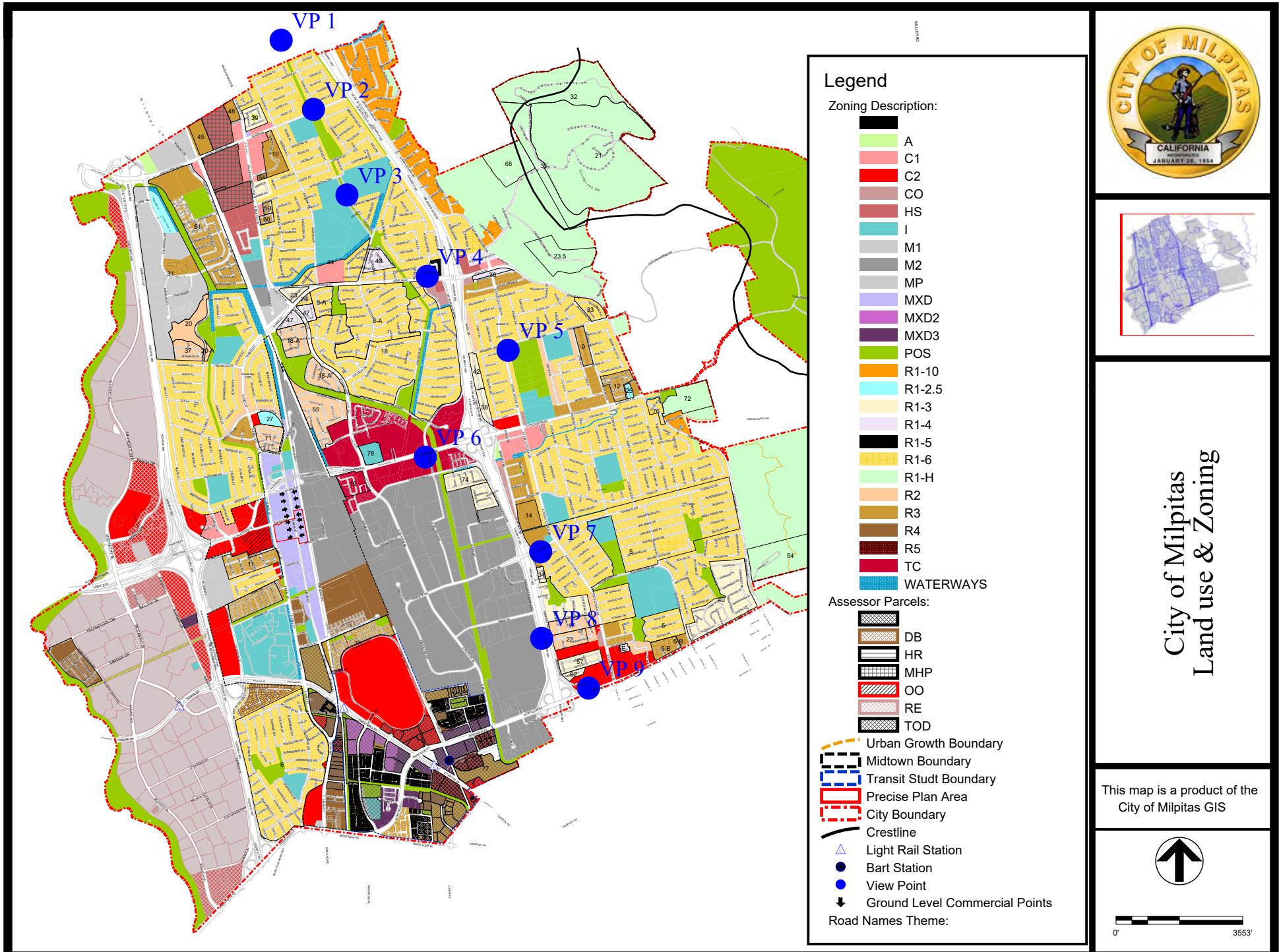
The seven comparable land sales range from an unadjusted unit price of \$54.32 to \$97.85 per square foot. After adjustments, the comparable sales point to a unit value conclusion similar to, but slightly greater than, LMDR-01 at \$73.11 per square foot, and less than LMDR-04 at \$83.50 per square foot.

Based on the prior analysis and discussion, the estimated market value of a hypothetical, “typical” one-acre residential site outside of the Transit Area & Midtown Specific Plan Areas is concluded to be:

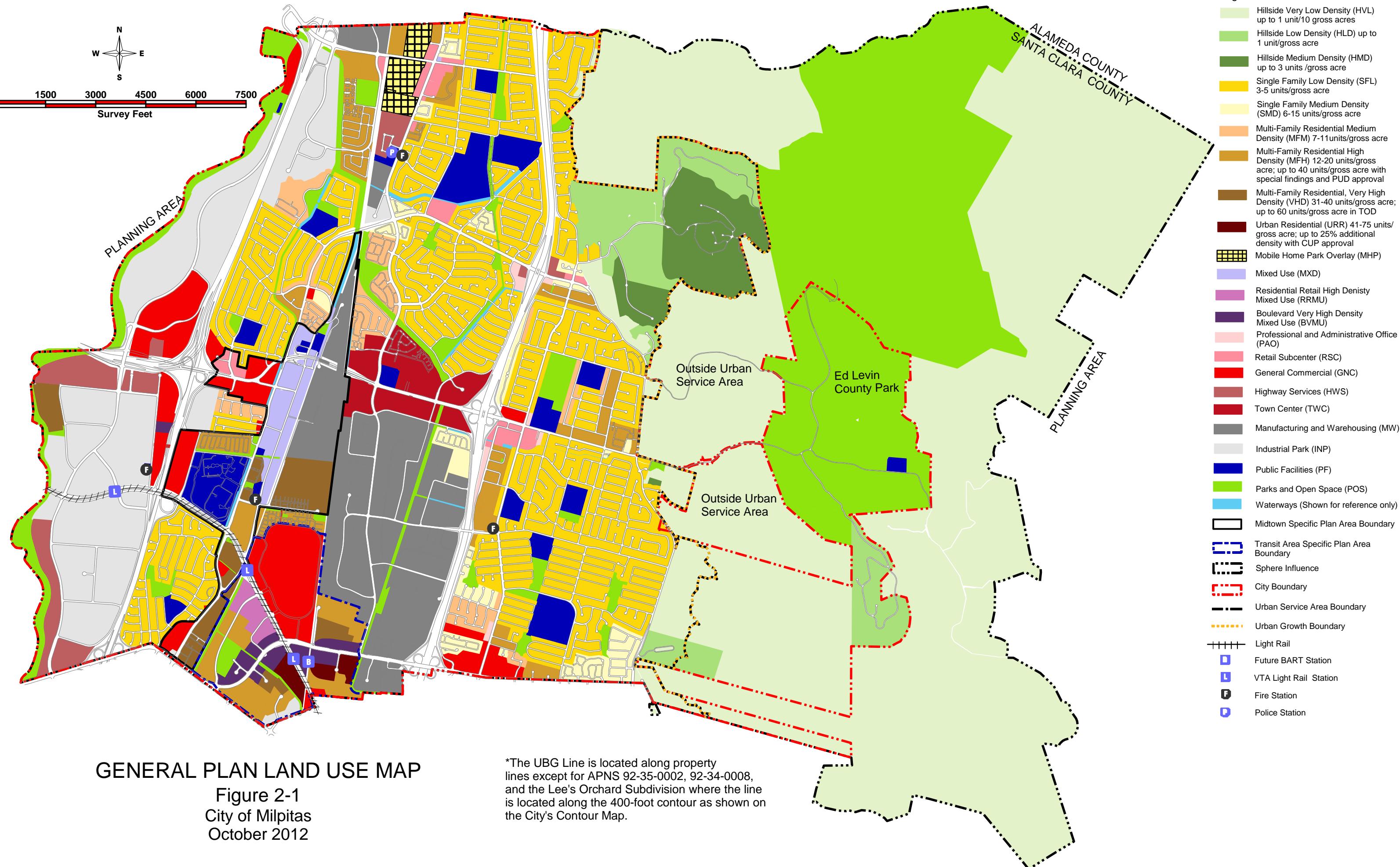
\$75.00 per square foot
\$3,267,000 per acre

ADDENDA

CITY OF MILPITAS LAND USE & ZONING MAP

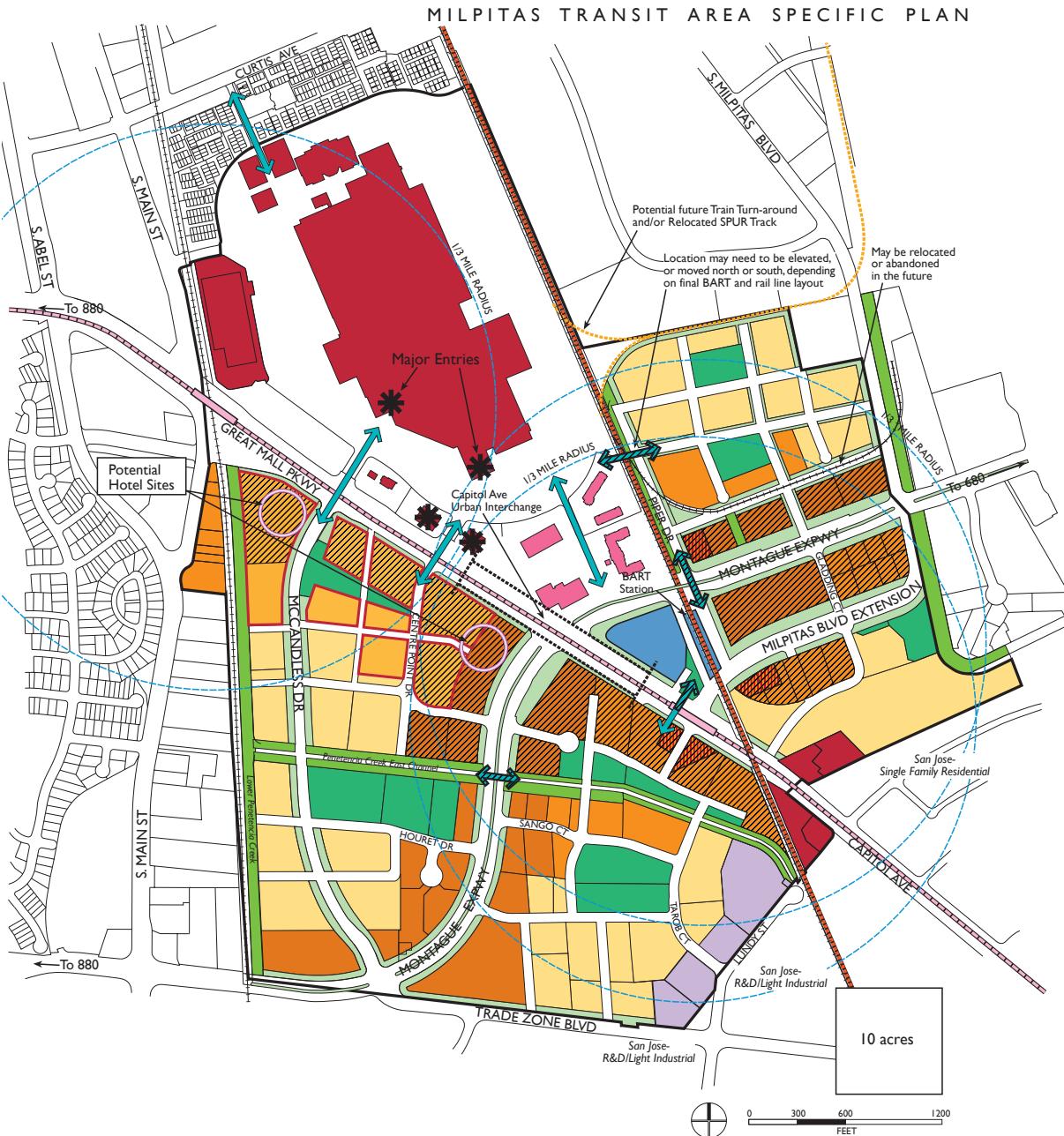


CITY OF MILPITAS GENERAL PLAN LAND USE MAP



MILPITAS TRANSIT AREA SPECIFIC PLAN LAND USE MAP

- General Commercial**
- Retail Transit Oriented**
Community and Regional Retail; Hotels, Office. Maximum FAR of 2.5.
- Boulevard Very High Density Mixed Use**
Permitted uses include Residential, Office, Commercial and Medical uses up to 1.5 maximum gross FAR, an FAR of 2.5 may be permitted on individual sites. 4-12 stories (20 stories with CUP). Residential use shall have 41 un/ac minimum average gross density, 60 un/ac maximum average gross density.
- Residential - Retail High Density Mixed Use**
Residential, office, and/or hotel uses above ground floor retail and restaurants, 200 sq. ft. of retail or restaurant use required for every residential unit. Residential density: 31 du/ac minimum average gross density; 60 un/ac maximum average gross density, 4-12 stories. (20 stories with CUP) Maximum FAR of 1.5; up to 2.5 FAR may be permitted on individual sites.
- Very High Density Transit Oriented Residential**
41 un/ac minimum average gross density; 60 un/ac maximum average gross density; 4-6 stories; (12 stories on arterials, 20 stories with CUP) gross densities of individual projects may be <41 or >60, provided that area development complies with average gross density; small local-serving retail, office, and live/work permitted at ground floor.
- High Density Transit Oriented Residential**
21 un/ac minimum average gross density; 40 un/ac maximum average gross density; 3-5 stories; gross densities of individual projects may be <21 or >40, provided that area development complies with average gross density; residential uses only.
- Transit Facilities**
Underlying zoning to be Boulevard Very High Density Mixed Use if transit facilities are not built on this site.
- Industrial Park**
- Parks/Plazas/Community Facilities**
- Linear Park and Trails**
- Landscaped Front Yards and Buffers**
- Neighborhood Retail Locations**
5000 sq. ft. of local serving retail required on the ground floor.
- Density Bonus**
Increased density permitted on sites closest to BART and light rail. See table for detail about TOD Overlay District and TOD Density Bonus allowed with a CUP.
- Potential Hotel Sites**
- Potential Grocery Store Site**
- Proposed BART Line**
- VTA Light Rail Transit**
- Union Pacific Railroad and Railroad Spur**
- Potential Future Train Turn-around and/or Relocated Spur Track**
- Study Area**
- Pedestrian Connection**
- Pedestrian Bridge**



There are five sub-districts within the Plan Area, due to the expressways that divide the area; each sub-district is a complete neighborhood with parks, retail services, and a network of streets.

MILPITAS MIDTOWN SPECIFIC PLAN LAND USE MAP

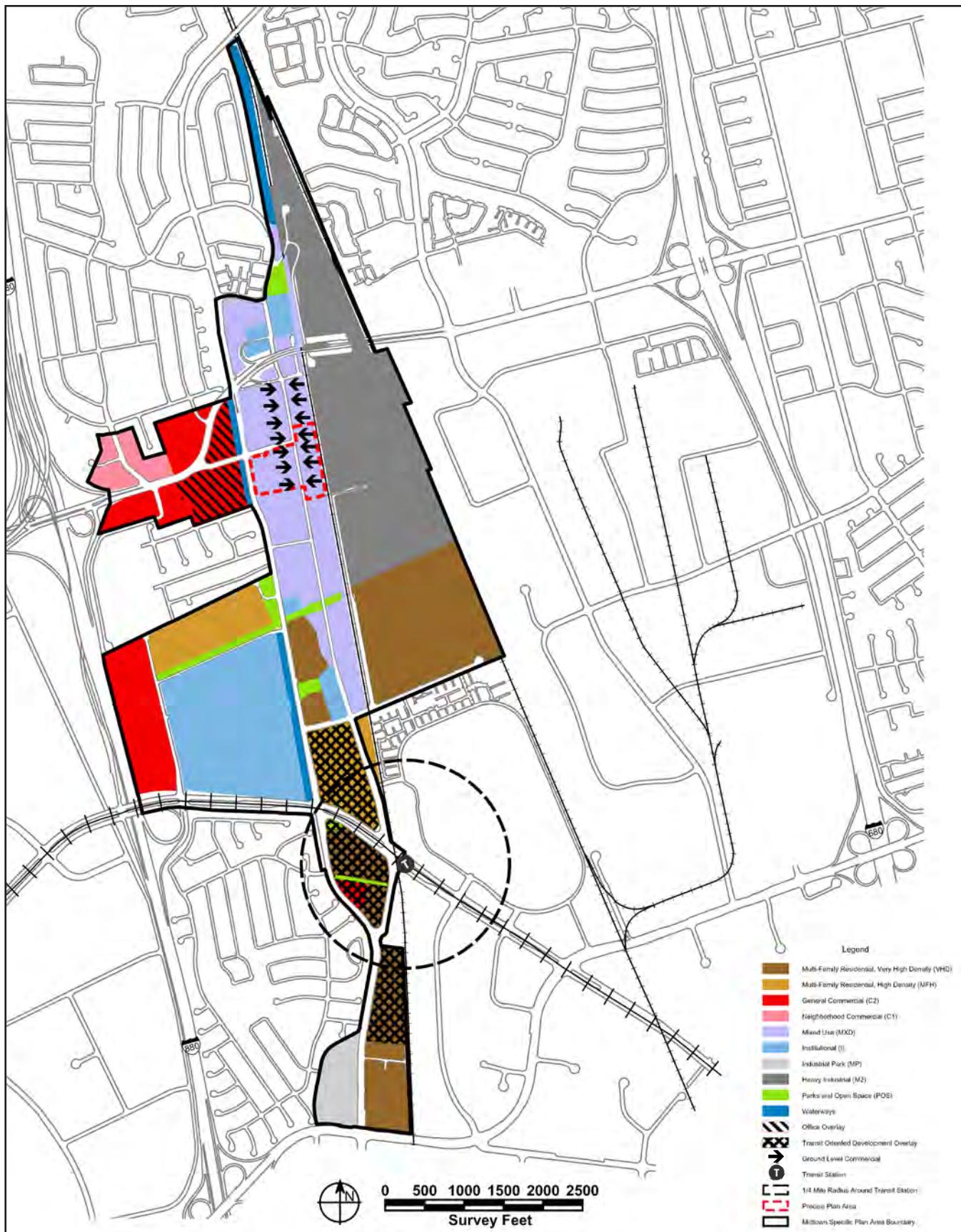


FIGURE 3.1: LAND USE PLAN

**CITY OF MILPITAS CODE OF ORDINANCES TITLE XI CHAPTER 1
SECTION 9**

Section 9 - Improvements: Dedication of Land or Payment of Fee or Both, for Recreational Purposes

XI-1-9.01 - Authority

9.01-1 The Subdivision Map Act enables cities and counties to require either the dedication of land, the payment of fees, or a combination of both, for park or recreational purposes as a condition of approval of a subdivision map; and

9.01-2 Before a city or county may avail itself of said Act, it must have a general plan containing a recreational element with definite principles and standards for the park and recreational facilities to serve the residents of the city or county;

9.01-3 The City Council of the City of Milpitas has adopted a general plan containing such recreational element.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.02 - Subdividers Must Provide Park and Recreational Facilities

Every subdivider who subdivides land shall dedicate a portion of such land, pay a fee, or do both, as set forth in this Section for the purpose of providing park and recreational facilities to serve future residents of such subdivision.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.03 - Application

The provisions of this Section shall apply to all subdivisions except:

- (a) Industrial subdivisions.
- (b) Condominium projects consisting of the subdivision of airspace in an existing apartment building which is more than five (5) years old when no new dwelling units are added.
- (c) Divisions of land for which a parcel map is required unless made by or on behalf of a person engaged in the business of developing and selling real estate as distinguished from a private owner making an occasional sale (a person shall not be deemed to be engaged in the business of developing and selling real estate if he has made no more than four (4) sales in either of the last two (2) preceding years).
- (d) Minor subdivisions which are not used for residential purposes. Provided, however, that the Planning Commission shall be empowered to condition the approval of any parcel map therefor as follows: if a building permit is requested for construction of a residential structure or structures on one (1) or more of the parcels within four (4) years, the fee required by Section XI-1-9.07 may be required to be paid by the owner of each such parcel as a condition to the issuance of the building permit.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.04 - Relation of Land Required to Population Density

It is hereby found and determined:

9.04-1 That the public interest, convenience, health, welfare and safety require that eighteen and one-half (18-½) acres of property, for each one-thousand (1,000) persons residing within this City, be devoted to park and recreational purposes.

9.04-2 That said requirement will be satisfied in part by cooperative arrangements between the City and the local school districts and the County of Santa Clara to make available thirteen and one-half (13-½) acre of property for each one thousand (1,000) persons residing within the City for park and recreational purposes.

9.04-3 That, except for the Midtown Specific Plan area, the remainder of the required eighteen and one-half (18-½) acres shall be supplied by the requirements of this section and the recreation program of the City. Because of the scarcity of vacant land within the Midtown area only three and one-half (3 ½) acres shall be supplied by the requirements of this section and the recreation program of the City.

(Ord. 18.32 (part), 4/2/02: Ord. 18.17 (part), 6/15/76)

XI-1-9.05 - Population Density

Population density for the purpose of this section shall be an estimated average for each of the following housing types: Single Family Attached, Single Family Detached, Multi-Family in buildings with between 2 and 4 units. Multi-Family in buildings with 5 or more units. This estimated average for each unit type ("X") shall be determined based on the formula below:

X	=	<u>(BC)</u>
		A

(X equals B multiplied by C divided by A)

Where,

- X Is the estimated current average population per each housing type.
- A Is the Census year Department of Finance estimated average population for all unit types.
- B Is the Census year count of average population for each unit type.
- C Is the most recent Department of Finance estimate of average population for all unit types.

Additionally, a project's total population density shall be the sum of its population per each housing type.

The basis for determining the total number of dwelling units shall be the number of such units permitted by the City on the property included in the subdivision at the time the tentative subdivision tract map is approved by the City.

9.05-2 If the subdivider objects to the population estimate as determined by the formula set forth hereinabove, the subdivider may submit for City approval a professionally prepared study on the estimated household sizes for the project. The City, in its sole discretion, may either utilize the estimate derived from the formula hereinabove or the estimate identified in the study.

(Ord. 18.31 (part), 11/20/01: Ord. 18.30 (part), 6/23/98; Ord. 18.17 (part), 6/15/76)

XI-1-9.06 - Amount of Land to be Dedicated

9.06-1 The amount of land required to be provided as park land pursuant to this section in the adopted Midtown Specific Plan Area shall be the figure which is the result of multiplying the project's estimated population (as calculated in Section 9.05) and 152.46 square feet (3.5 acres/1,000 people). In the Midtown Specific Plan Area at least, two (2) of every three and a half (3 ½) acres shall be provided as public park land (57.4%).

The amount of land required to be provided as park land pursuant to this section in the rest of the City shall be that figure which is the result of multiplying the project's estimated population (as calculated in Section 9.05) and 217.80 square feet (5 acres/1,000 people). Other than within the Midtown Areas of the

City, at least, sixty percent (60%) of the required parkland requirement must be provided as public park lands.

(Ord. 18.32 (part), 4/2/02: Ord. 19.30 (part), 6/23/98)

XI-1-9.07 - Amount of Fee in Lieu of Land Dedication

Where a fee is required to be paid in lieu of land dedication, the amount of such fee shall be based upon the fair market value of the amount of land which would otherwise be required to be dedicated pursuant to Subsection XI-1-9.06 hereof. "Fair market value" shall be determined as of the time of filing the final map in accordance with the following:

9.07-1 The fair market value as determined by the City Council, on a fiscal year basis, and shall reflect the fair market value for an acre of land in the city. The fair market value shall be in effect throughout the fiscal year and shall be applied to the calculation of all park in-lieu fees at the time of the tentative subdivision map approval. At any time the City Council may adjust the fair market value determination for an acre of land in the city in order to more accurately reflect actual real estate market conditions; or

9.07-2 If the subdivider objects to such evaluation he may, at his expense, obtain an appraisal of the property by a qualified real estate appraiser approved by the City, which appraisal may be accepted by the City Council if found reasonable; or

9.07-3 The City and subdivider may agree as to the fair market value.

(Ord. 18.31 (part), 11/20/01: Ord. 18.24(A) (part), 8/18/87; (Ord. 18.17 (part), 6/15/76)

XI-1-9.08 - Credit for Private Open Space

Where private open space for park and recreational purposes is provided in a proposed subdivision and such space is to be privately owned and maintained by the future residents of the subdivision, such areas shall be credited against the requirement of dedication for park and recreation purposes, (as set forth in Subsection XI-1-9.06 hereof), or the payment of fees in lieu thereof (as set forth in Subsection XI-1-9.07 hereof), provided the City Council finds it is in the public interest to do so, and that the following standards are met:

9.08-1 That yards, court areas, setbacks and other open areas required to be maintained by the zoning and building regulations shall not be included in the computation of such private open space; and

9.08-2 That the private ownership and maintenance of the open space is adequately provided for by written agreement; and

9.08-3 That the use of the private open space is restricted for park and recreational purposes by recorded covenants which run with the land in favor of the future owners of property within the tract and which cannot be defeated or eliminated without the consent of the City Council; and

9.08-4 That the proposed private open space is reasonably adaptable for use for park and recreational purposes, taking into consideration such factors as size, shape, topography, geology, access, and location of the private open space land; and

9.08-5 That facilities proposed for the open space are in substantial accordance with the provisions of the recreational element of the general plan, and are approved by the City Council.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.09 - Choice of Land or Fee

9.09-1 **Procedure.** The procedure for determining whether the subdivider is to dedicate land, pay a fee or both, shall be as follows:

- (a) Subdivider. At the time of filing a tentative tract map for approval, the owner of the property shall, as a part of such filing, indicate whether he prefers to dedicate property for park and recreational purposes, or whether he desires to dedicate land for this purpose (and, if the latter, he shall designate the area thereof on the tentative tract map as submitted).
- (b) Action of City. At the time of the tentative tract map approval, the City Council shall determine as a part of such approval, whether to require a dedication of land within the subdivision, payment of a fee in lieu thereof, or a combination of both.
- (c) Prerequisites for Approval of Final Map. Where dedication is required, it shall be accomplished in accordance with the provisions of the Subdivision Map Act. Where fees are required the same shall be deposited with the City prior to the approval of the final tract map. Open space covenants for private park or recreational facilities shall be submitted to the City prior to approval of the final tract map and shall be recorded contemporaneously with the final tract map.

9.09-2 Determination. Whether the City Council accepts land dedication or elects to require payment of a fee in lieu thereof, or a combination of both, shall be determined by consideration of the following:

- (a) Recreational element of the City's general plan; and
- (b) Topography, geology, access and location of land in the subdivision available for dedication; and
- (c) Size and shape of the subdivision and land available for dedication.

The determination of the City Council as to whether land shall be dedicated, or whether a fee shall be charged, or a combination thereof, shall be final and conclusive. On subdivisions involving fifty (50) lots or less, only the payment of fees shall be required.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.10 - Time of Commencement Must be Designated

At the time the final tract map is approved the City Council shall designate the time when development of the park and recreational facilities shall be commenced.

(Ord. 18.17 (part), 6/15/76)

XI-1-9.11 - Limitation on Use of Land and Fees

The land and fees received under this section shall be used only for the purpose of providing park and recreational facilities to serve the subdivision for which received and the location of the land and amount of fees shall bear a reasonable relationship to the use of the park and recreational facilities by the future inhabitants of the subdivision.

(Ord. 18.17 (part), 6/15/76)

APPRAISER QUALIFICATIONS

MATTHEW SCHOCK, RWA, R/W-AC

Industry experience since 2007

Current Responsibilities

Matthew Schock joined **Associated Right of Way Services, Inc.**, in 2007 and currently serves as a **Real Estate Appraiser** completing appraisal assignments for full and partial acquisition assignments on improved and unimproved properties for public improvement projects. Mr. Schock utilizes his technical skills to organize large scale projects, providing appraisal coordination and quality control. Work is performed in conformance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act, Uniform Standards of Professional Appraisal Practice, Caltrans standards, and state and federal guidelines.

Prior Experience

Prior to joining the AR/WS team, Mr. Schock worked as a Legal Process Clerk for the **Yolo County District Attorney**, where he performed a broad range of support and clerical services. Mr. Schock prepared daily criminal court calendars for deputy district attorneys; discovered police reports to defense attorneys, victims, and external agencies; and updated the computer database with information from criminal files.

Education

University of California, Davis, BA, Economics; BA, Political Science

Mr. Schock continues his education for state licensing, and in matters of real property appraisal, acquisition, relocation, engineering, and law through the Appraisal Institute, the International Right of Way Association, and other professional organizations to broaden his scope of knowledge and provide higher levels of service.

State of California Certified General Real Estate Appraiser No. AG043887

State of California Real Estate Salesperson License No. 01915887

Practicing Affiliate Member, Appraisal Institute

Member, International Right of Way Association

RWA, Right of Way Agent, International Right of Way Association

R/W-AC, Appraisal Certified, International Right of Way Association

MATTHEW SCHOCK, RWA, R/W-AC

Related Course Work:**The Appraisal Institute**

Basic Appraisal Procedures; General Appraiser Sales Comparison Approach; General Appraiser Income Approach I; General Appraiser Income Approach II; Valuation of Partial Interests; General Appraiser Market Analysis and Highest and Best Use; General Appraiser Report Writing and Case Studies; General Appraiser Site Valuation and Cost Approach; Vineyard Valuation: Wines and Vines; Business Practices and Ethics; Spring Litigation Conference

IRWA

Principles of Land Acquisition; Easement Valuation; Ethics and the Right of Way Profession; The Valuation of Partial Acquisitions; Legal Aspects of Easements; Property Descriptions; Appraisal Concepts for the Negotiator; Environmental Due Diligence and Liability; Non-Residential Relocation Assistance

College

Public Microeconomics; Public Finance; Intermediate Microeconomic Theory; Intermediate Macroeconomic Theory; Analysis of Economic Data

McKissock

National USPAP Update Equivalent Continuing Education; California Laws & Regs; The Nuts and Bolts of Green Building for Appraisers; Land and Site Valuation; Construction Details and Trends; Appraising Apartments: The Basics; Appraising and Analyzing Office Buildings for Mortgage Underwriting; Even Odder – More Oddball Appraisals; Supervisor-Trainee Course for California

Other

75-Hour Appraisal Qualifying Course for State Licensure; Uniform Standards of Professional Appraisal Practice; Residential Market Analysis and Highest and Best Use; Residential Report Writing and Case Studies; Residential Site Valuation and Cost Approach; Real Estate Acquisition Under the Uniform Act: An Overview; Real Estate Principles; Real Estate Practice