

# Attachment 4

Johnson-Perkins Appraisal  
for \$800,000

A NARRATIVE APPRAISAL  
OF A

1.51± ACRE VACANT SITE

LOCATED AT

THE SOUTHWEST CORNER  
OF LAKE TAHOE BOULEVARD AND  
SKI RUN BOULEVARD  
SOUTH LAKE TAHOE,  
EL DORADO COUNTY, CALIFORNIA

OWNED BY

SOUTH LAKE TAHOE REDEVELOPMENT AGENCY

PREPARED FOR

SOUTH TAHOE REDEVELOPMENT  
SUCCESSOR AGENCY



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**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

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A Narrative Appraisal  
Of A

**1.51± Acre Vacant Site**

Located At

The Southwest Corner of Lake Tahoe Boulevard and  
Ski Run Boulevard  
South Lake Tahoe,  
El Dorado County, California

Owned By

South Lake Tahoe Redevelopment Agency

Prepared For

South Tahoe Redevelopment Successor Agency

For the Purpose of  
Estimating Market Value  
As of  
June 9, 2014

# JOHNSON-PERKINS & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

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June 11, 2014

South Tahoe Redevelopment Successor Agency  
City of South Lake Tahoe  
1901 Airport Road  
South Lake Tahoe, CA 96150

Re: An Appraisal of the Southwest Corner of Lake Tahoe Boulevard and Ski Run Boulevard

Dear South Tahoe Redevelopment Successor Agency:

This is in response to your request for an appraisal of the property located at The Southwest Corner of Lake Tahoe Boulevard and Ski Run Boulevard in South Lake Tahoe, El Dorado County, California. The property may be further identified as El Dorado County Assessor's Parcel Number 027-690-08 and 09. El Dorado County Records indicate the subject owner as the South Lake Tahoe Redevelopment Agency.

This appraisal is being prepared for the purpose of estimating the "As-Is" Market Value of the subject property, as of a current date of valuation. The intended use of this appraisal is for internal use by the City of South Lake Tahoe. The intended users of the report are representatives of the City of South Lake Tahoe. Any other use of this appraisal report requires the prior written authorization of this appraisal firm. This firm is not responsible for unauthorized use of the appraisal report.

This appraisal is prepared in a narrative report format. A narrative appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* for a narrative appraisal report. As such, it presents only summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in this appraiser's file. The depth of the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein.

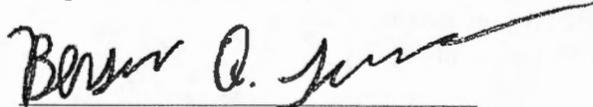
Reno ■ Lake Tahoe

I attest to have the knowledge and experience necessary to complete this appraisal assignment. No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in the accompanying appraisal report.

After careful consideration of all data available, and upon thorough personal investigation of the subject property and the comparable properties analyzed, it is my opinion that the "As-Is" Market Value of the subject property, as of June 9, 2014, is:

**EIGHT HUNDRED THOUSAND DOLLARS**  
**(\$800,000)**

Respectfully Submitted,



Benjamin Q. Johnson, MAI  
California Certified General Appraiser  
License Number AG043925

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**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**



APN: 027-690-09  
Size: 0.78 Acres

APN: 027-690-08  
Size: 0.73 Acres

Aerial with identification of subject parcels  
Source: Realquest

<b>Assessor's Parcel Number</b>	027-690-08 and 09
<b>Property Address</b>	The Southwest Corner of Lake Tahoe Boulevard and Ski Run Boulevard, South Lake Tahoe, El Dorado County, California
<b>Owner of Record</b>	South Lake Tahoe Redevelopment Agency, A Municipal Agency of the City of South Lake Tahoe, California
<b>Total Land Area</b>	1.51± acres (65,776± square feet)
<b>Existing Land Coverage</b>	43,000 square feet of existing grandfathered land coverage
<b>Improvements</b>	Primarily vacant with some rough grading
<b>Zoning</b>	Tourist Core Area Plan TSC-MU (Tourist Center Mixed-Use)
<b>Highest and Best Use</b>	Commercial Development as Demand Warrants
<b>Flood Zone</b>	Flood Zone X
<b>Interest Appraised</b>	Fee Simple

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REAL ESTATE APPRAISERS & CONSULTANTS

**Date of Valuation** June 9, 2014

**Date of Completion of Report** June 11, 2014

**FINAL "AS-IS" MARKET VALUE CONCLUSION** **\$800,000**

### PURPOSE OF APPRAISAL

This appraisal was prepared for the purpose of estimating the "As-Is" Market Value of the fee simple interest in the subject property as of a current date of valuation.

### INTENDED USE OF APPRAISAL

This appraisal report is intended for the internal use of the City of South Lake Tahoe.

### INTENDED USERS OF APPRAISAL

The intended users of this report are representatives of the City of South Lake Tahoe.

### SCOPE OF APPRAISAL

This is a narrative appraisal which has been prepared in conformance with the requirements of the *Uniform Standards of Professional Appraisal Practice* as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Preparation of the following report included:

- Identification and analysis of area and neighborhood data;
- Inspection and analysis of the subject property;
- Completion of a Highest and Best Use Analysis;
- Research, analysis and inspection of comparable commercial development site sales;
- Verification of sales data;
- Completion of a Sales Comparison Approach Analysis;
- Final Market Value Conclusion;
- Preparation of a narrative appraisal report.

### MARKET VALUE DEFINED

"The Fair Market Value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell, but under no particular or

urgent necessity for so doing, nor obligated to sell, and a buyer, being ready, willing, and able to buy, but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.”

(Source: California Code of Civil Procedure Section 1263.320)

**DATE OF VALUATION**

The date of valuation of this report is June 9, 2014, the date of my physical inspection of the subject property.

**PROPERTY RIGHTS APPRAISED**

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

**DATE OF INSPECTION**

The subject property and the neighborhood in which it is situated was inspected by Benjamin Q. Johnson on various dates in June of 2014. The most recent inspection occurred on June 9, 2014.

**DATE OF COMPLETION OF REPORT**

This report was completed on June 11, 2014.

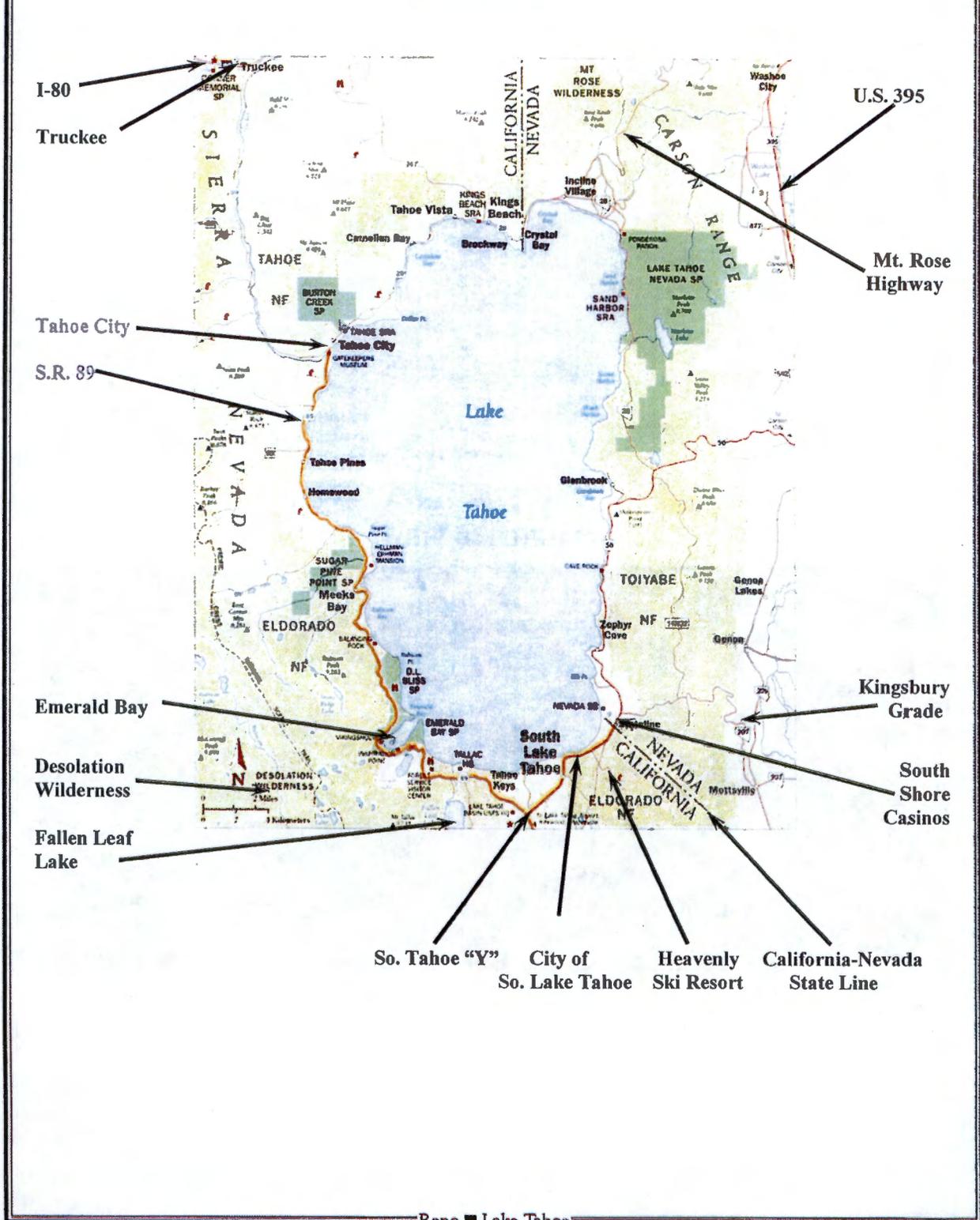
**REGIONAL MAP**



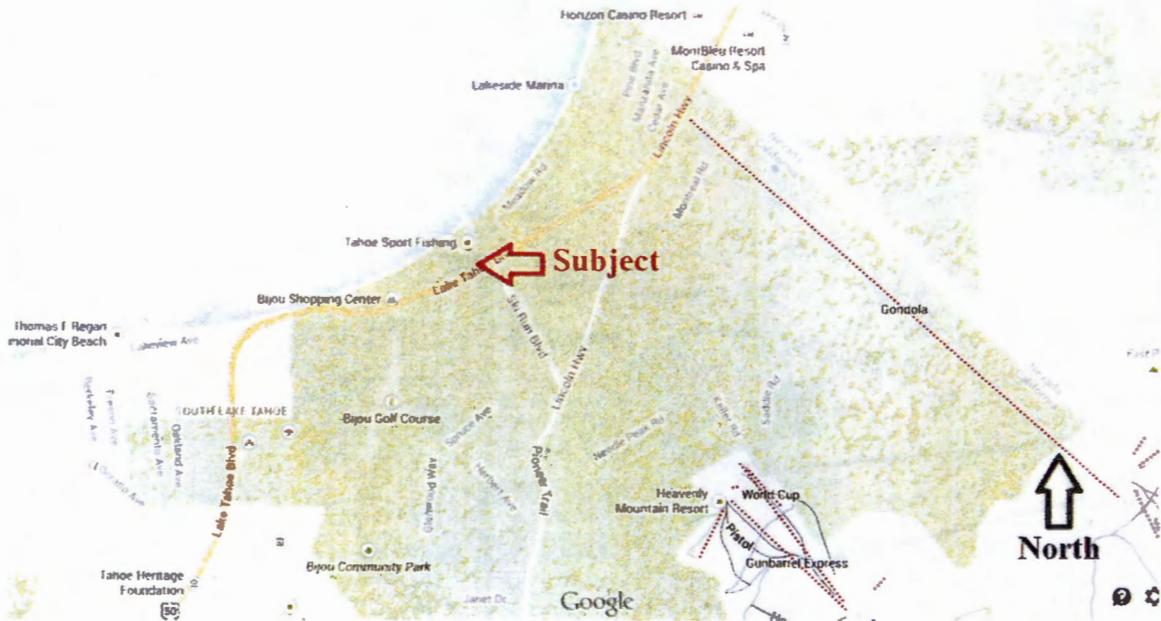
↑  
North

Reno ■ Lake Tahoe

**AREA MAP**  
**Lake Tahoe Basin**



**NEIGHBORHOOD MAP**



**MAGNIFIED VIEW**



### NEIGHBORHOOD DESCRIPTION

The subject neighborhood is the City of South Lake Tahoe and the Stateline Casino Core of Nevada. The focal points of the neighborhood are the casino core area located on the Nevada side of the California-Nevada state line and the Heavenly Gondola area located just south of the casinos and the Highway 50 core as it extends to the west into South Lake Tahoe. The neighborhood incorporates two governmental jurisdictions. The northeasterly portion of the neighborhood is governed by the policies of Douglas County and the State of Nevada. The more southwesterly portion of the neighborhood is governed by the policies of the State of California, El Dorado County and the City of South Lake Tahoe. However, because of the close orientation of this area towards the casino core, the entire neighborhood forms a homogeneous economic unit which distinguishes it from other adjacent areas.

Four major hotel/casinos are situated at the heart of the neighborhood. These include Harrah's, Harvey's, MontBleu and the Horizon. All four facilities are high-rise structures containing hotel rooms or suites and casino gaming area operating on a 24-hour basis throughout the year. These four hotel/casinos also offer a wide variety of dining facilities, including gourmet restaurants and musical and variety entertainment ranging from cabaret shows to star headliner attractions. Additionally, the 400-room Lake Tahoe Resort Hotel (formerly Embassy Suites Hotel), located on the California side of the state line adjacent to Harrah's Hotel/Casino, opened in December of 1991 as part of the City of South Lake Tahoe's first redevelopment project.

The remainder of the subject neighborhood outside of the casino core is developed with facilities oriented toward serving the tourist trade generated by the Nevada casinos, Heavenly Mountain Resort, and Lake Tahoe. The U.S. Highway 50 corridor, on the California side, is developed almost exclusively with motels and commercial facilities catering to the tourist trade. A portion of this section along the U.S. Highway 50 corridor on the California side of the state line is a former redevelopment area that was completed between 2000 and 2005. The redevelopment project involved the Marriott timeshare and

quarter share hotels, the Shops at Heavenly Village, Heavenly Gondola and Cecil's Fountain Plaza. At maximum capacity, the Gondola can carry 3,000 people an hour up the mountain and an equal number down the mountain. The gondola provides direct access to Heavenly Mountain Resort in the winter and to hiking trails in other seasons. In early 2005, the Heavenly Village Cinema in the same Park Avenue project opened to the public. This is a six-screen state-of-the-art cinema building with Dolby Surround Sound. These projects are located at the northeast corner of Lake Tahoe Boulevard and Park Avenue. This area has become one of the focal points of the neighborhood.

Recreational amenities within the subject neighborhood include the Edgewood Golf Course, Ski Run Marina and Lakeside Marina. The Edgewood Golf Course is situated on the shores of Lake Tahoe, adjacent to the casino core area. This 18-hole championship golf course is the site of the annual American Century Celebrity Golf Tournament, featuring well known sports stars and actors. The owners of the golf course are also nearing approvals for a planned luxury resort hotel to be located along one of the fairways.

Ski Run Marina is the home of the Tahoe Queen, a 500 passenger stern-wheeler of river boat design. The Tahoe Queen offers various types of cruises on Lake Tahoe, including cocktail and dinner cruises with dancing on board. Ski Run Marina also offers boat launching, parasailing, fishing charters, boat rentals, retail shops, a café and a restaurant. Lakeside Marina, El Dorado Beach/Campground and Regan Beach are three other recreational areas in the subject neighborhood that offer sandy beaches and picnic facilities.

Heavenly Mountain Resort, reportedly incorporating the largest total acreage of any ski resort in the Western United States, is located at the southeast end of the subject neighborhood. In addition to the Gondola, access to the California side of Heavenly Ski Resort is via Ski Run Boulevard. The skiable terrain within the resort has a vertical drop of 3,600 feet with its longest run being 5.5 miles. Heavenly Mountain Resort was purchased in 2002 by Vail Resorts, the owner of five major ski resorts in Colorado. Since purchasing

Heavenly in 2002, Vail Resorts has invested \$40 million± in capital improvements to Heavenly Mountain Resort. With the TRPA approval of Heavenly's master plan, Vail Resorts intends to incur an additional \$50 million± in capital improvements over the next several years. Some of the capital improvements have already occurred with new restaurants, express chairs, etc. It should also be noted that Vail purchased Northstar Resort in 2010 and Kirkwood Mountain Resort in 2012.

Adjacent to the western perimeter of the Lake Tahoe Basin is Desolation Wilderness. This pristine backcountry encompasses more than 100 square miles and 80 separate lakes, most of which offer excellent seasonal fishing. Desolation Wilderness is one of the most popular wilderness areas in the United States.

In the subject neighborhood, U.S. Highway 50 (Lake Tahoe Boulevard) is a two-way, four-lane asphalt paved roadway, leading into the South Lake Tahoe area from Sacramento, California and points west. Also, U.S. Highway 50 connects South Lake Tahoe to Carson City, Nevada and other areas to the northeast. Portions of U.S. Highway 50 are improved with sidewalks, curbs and gutters. The highway also incorporates a center turn lane and major intersections incorporate traffic signals. Pioneer Trail is the other major thoroughfare serving the subject neighborhood. This is a two-way, two-lane asphalt-paved roadway running to the east of U.S. Highway 50 and connects the Meyers area with the Stateline area. During the peak tourist season, traffic on U.S. Highway 50 in the subject neighborhood can become heavily congested. The Stateline/Ski Run Redevelopment Project includes plans for an improved traffic circulation system within the subject neighborhood to help alleviate this congestion.

#### **Tahoe Regional Planning Agency (TRPA)<sup>1</sup>**

Lake Tahoe and the surrounding land areas that comprise the lake's watershed are generally referred to as the Lake Tahoe Basin. Land use within the Lake Tahoe Basin is

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<sup>1</sup> [www.trpa.org](http://www.trpa.org)

strictly regulated by the Tahoe Regional Planning Agency (TRPA). It is important that the reader have at least a basic understanding of the TRPA.

The popularity of the Lake Tahoe Basin has created an altered watershed. The positive economic effects of popularity are shadowed by conditions that have the potential to harm Lake Tahoe water resources. Planning land use to accommodate economic growth and vitality ensures that protective measures are taken to maintain a healthy watershed.

The TRPA was created initially in 1969 as a bi-state agency via concurrent legislation adopted by California and Nevada and by the Congress and signed by the President. The original legislation was dramatically modified when amended by the states and Congress in 1980. Under the 1980 amended statute, all activities with a potential for an impact on the environment of the Tahoe Region must be reviewed and approved by the TRPA based on a determination that there will be no negative impact or violation of adopted environmental threshold carrying capacities of the Region.

The *Tahoe Regional Planning Compact* calls for the Regional Plan to establish a balance between the natural environment and the human-made environment. The Plan emphasizes an improvement in the quality of development in the Region and in the quality of the natural environment.

*Environmental Thresholds Carrying Capacities* set environmental goals and standards for the Lake Tahoe Basin and indirectly define the capacity of the Region to accommodate additional land development. Land development may negatively affect attainment of an environmental threshold. Special efforts, such as mitigation measures, must be taken to reduce impacts.

*The Regional Plan Goals and Policies* document presents the overall approach to meeting the Thresholds. A key component of the Plan is the land use element. The land use

element of the Plan identifies the fundamental philosophies directing land use and development in the Lake Tahoe Basin. It addresses topics like suitable development locations; maintenance of the environmental, social, physical, and economic well being of the Region; and coordination with local, state, and federal requirements.

*The Land Use Element of the Lake Tahoe Regional Plan* includes the following Sub-elements: land use, housing, noise, natural hazards, air quality, water quality, and community design. The Land Use sub-elements intend to establish land use goals and policies that will ensure the desired equilibrium and attain/maintain the environmental thresholds within a specific time schedule.

A number of regulations are needed to implement and enforce policies identified in the Plan. The TRPA Regulatory Code compiles all of the laws and ordinances needed to implement the Goals and Policies.

Related to the Code are Plan Area Statements and Community Plans. Plan Area Statements provide a description of land use for particular areas in the Basin. The Lake Tahoe Region is divided into more than 175 separate Plan Areas. For each Plan Area, a "statement" is made as to how that particular area should be regulated to achieve environmental and land use objectives. Community Plans are similar to Plan Area Statements, but focus on specific areas where humans dwell.

In implementing its Regional Plan and Ordinances which regulate the nature, types, and amount of land uses which may be permitted on lands within the Tahoe Basin, the TRPA limits the amount of Commercial Floor Area, Tourist Accommodation Units and impervious land coverage which may exist within the Lake Tahoe Basin.

Commercial Floor Area (CFA) is gross building area of any commercial building located within the Lake Tahoe Basin. In order to construct a new commercial building, a

property owner must have the rights to an amount of CFA equal to the gross building area of the building. Chapter 33 Section 3 of the TRPA Code of Ordinances States "No person shall construct a project or commence a use, which creates additional commercial floor area, without first receiving an allocation approved by the TRPA." After this remaining allocation is dispensed, no additional CFA will be allowed under present ordinances.

Much like CFA, the amount of impervious ground coverage, more commonly referred to as land coverage, allowed within the Lake Tahoe Basin is strictly regulated. Land coverage is defined by the TRPA as "a man-made structure, improvement or covering, either created before February 10, 1972 or created after February 10, 1972 pursuant to either TRPA Ordinance No. 4, as amended, or other TRPA approval, that prevents normal precipitation from directly reaching the surface of the land underlying the structure, improvement or covering. Such structures, improvements and coverings include but are not limited to roofs, decks, surfaces that are paved with asphalt, concrete or stone, roads, streets, sidewalks, driveways, parking lots, tennis courts, and patios. A structure, improvement or covering shall not be considered as land coverage if it permits at least 75 percent of normal precipitation directly to reach the ground and permits growth of vegetation on the approved species list."

The maximum amount of land coverage allowed on a parcel is determined by the TRPA. Land coverage is a marketable development right that can be sold within the Lake Tahoe Basin under a complex set of rules and regulations.

Like CFA and land coverage, the number of Tourist Accommodation Units (TAUs) allowed within the Lake Tahoe Basin is strictly regulated. A TAU is defined by Chapter 2 of the TRPA Code of Ordinances as "One bedroom, or a group of two or more rooms with a bedroom, with or without cooking facilities, primarily designed to be rented by the day or week and occupied on a temporary basis." TAUs are a marketable development right and can be sold within the Lake Tahoe Basin.

It should be noted that the Lake Tahoe Regional Plan Update to the 1987 Regional Plan was approved by the TRPA Board on December 12, 2012. The update retains the regulatory framework from the existing 1987 Regional Plan, while making targeted amendments to accelerate threshold attainment and respond to current conditions. One of the many goals in the Regional Plan Update is to streamline the planning and permitting process by implementation of Area Plans. Through the establishment of Area Plans, local government agencies will be more active in the permitting process on a parcel level basis, while the TRPA will focus their efforts on regional priorities.

Overall, TRPA's rules and regulations greatly restrict the development potential of properties located within the Lake Tahoe Basin.

**Population and Employment**

The population of the Lake Tahoe Basin is greater than 65,000 during the peak summer employment periods, but is lower during the winter season. Year-round residents numbered approximately 500 in 1950. The year-round population of the Tahoe Basin, according to the 2010 Census was 55,665. A breakdown of the population of the Lake Tahoe Region and South Lake Tahoe between the 2000 and 2010 census is presented as follows:

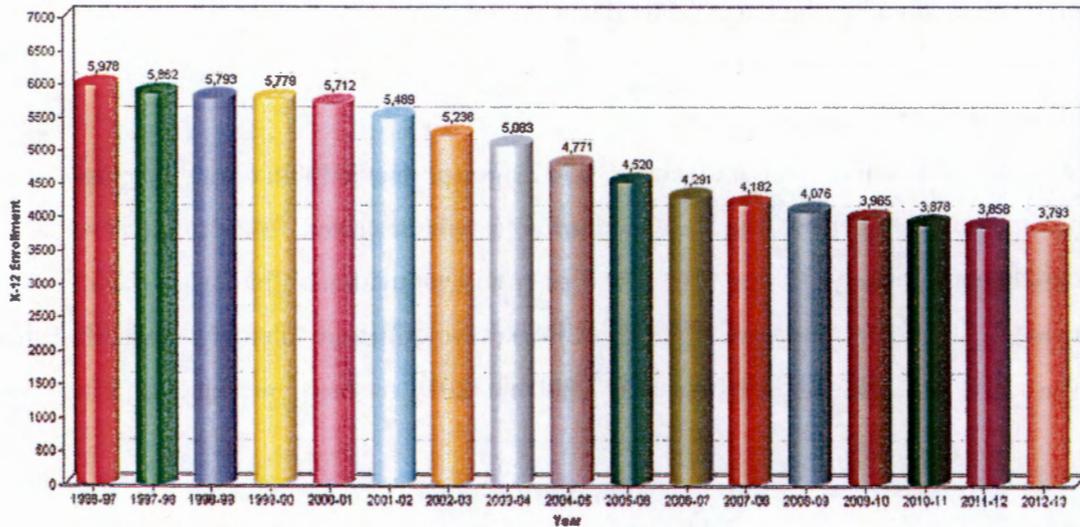
Area	Population		% Change Since 2000
	2000 Census	2010 Census	
Lake Tahoe Region	62,891	55,665	-11.5%
South Lake Tahoe CCD	34,042	30,728	-9.7%

As indicated, the population of the Lake Tahoe Region and South Lake Tahoe have both declined by about ten percent from 2000 to 2010, with the Lake Tahoe Region as a whole having a slightly higher decline in population than South Lake Tahoe. This is due in large part to the decline in gaming revenue which has led to a decrease in direct and indirect employment associated with gaming in the Lake Tahoe area.

The economy of the Lake Tahoe Basin is subject to seasonal fluctuations, with the heaviest tourist trade occurring during the summer and winter months. During the shoulder seasons, in the fall and early spring, there is a substantial decline in the number of visitors entering the Basin.

The Lake Tahoe Unified School District operates eight schools in South Lake Tahoe. These schools consist of four elementary schools, one middle school, one high school, a continuation school and a transitional learning center. Enrollment in the Lake Tahoe Unified School district is summarized as follows:

**Lake Tahoe Unified School District Enrollment**



As indicated, enrollment in the South Lake Tahoe Unified School district has general exhibited a declining pattern over the last ten years.

Income and homeownership information for the City of South Lake Tahoe and the State of California for 2010 is presented as follows:

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Item	City of South Lake Tahoe	State of California
Homeownership Rate	44.60%	57.40%
Median Value of Owner-Occupied Housing Units	\$386,500	\$458,500
Per Capita Income	\$23,448	\$29,188
Median Household Income	\$44,217	\$60,883
Persons Below Poverty Level	17.70%	13.70%

As indicated, the home ownership rate for South Lake Tahoe of 44.6% is less than the average for the State of California at 57.4%. In addition, the per capita income and the median household income for South Lake Tahoe is also much less than the average for the whole State of California.

The following table and graphs contain the historical labor market statistics for the City of South Lake Tahoe, which is the only incorporated town in the Tahoe Basin.

**City of South Lake Tahoe Employment Data**

Year	Labor Force	Employed	Unemployed	Unemployment Rate (1)
2003	14,600	13,500	1,100	7.70%
2004	14,700	13,700	1,100	7.30%
2005	15,100	14,100	1,000	6.70%
2006	15,200	14,200	1,000	6.40%
2007	15,000	13,900	1,100	7.20%
2008	15,100	13,700	1,500	9.60%
2009	15,600	13,200	2,300	15.10%
2010	15,700	13,000	2,600	16.80%
2011	15,500	13,000	2,500	15.90%
2012	15,200	13,300	1,900	12.80%
2013	14,900	13,400	1,500	9.90%

(1) Calculated based on non-rounded figures

Source: California Employment Development Department

As indicated, The City's unemployment rate declined from a high of 16.8% in 2010 to 9.90% in 2013. The 2013 unemployment rate is still above the unemployment rate achieved from 2003 to 2007. The decrease in the unemployment rate over the last three years appears to be a result of both the reduction in the size of the labor force and an increase in total employment.

Tourism has been the chief force in the economy with the gaming industry providing the greatest direct source of employment at approximately 30% of all jobs. The retail trade industry traditionally has employed approximately 17%. Other major employers in the Basin include governmental agencies and tourism services.

There is a very strong base of demand for tourism in Northern California due to the relative affluence of the San Francisco Bay Area and other areas of Northern California. Lake Tahoe's principal recreation market is comprised of those Counties located within the San Francisco Bay Area and central California. Within these 16 Counties, there are nearly 11.4 million residents. The following table contains the population and median household income of the Bay Area and central California, broken down by County as of the 2010 Census.

**Population and Median Household Income  
 Bay Area and Central California Counties**

<u>Bay Area County</u>	<u>Population</u>	<u>Median Hshld. Income</u>
Alameda	1,510,271	\$ 70,821
Contra Costa	1,049,025	\$ 79,135
Marin	252,409	\$ 89,605
Napa	136,484	\$ 68,641
San Mateo	718,451	\$ 87,633
Santa Clara	1,781,642	\$ 89,064
Santa Cruz	262,382	\$ 66,030
San Francisco	805,235	\$ 72,947
Solano	413,344	\$ 69,914
Sonoma	483,878	\$ 64,343
Bay Area Population	<u>7,413,121</u>	
<u>Central California California</u>	<u>Population</u>	<u>Median Hshld. Income</u>
Fresno	930,450	\$ 46,903
Sacramento	1,418,788	\$ 56,553
Madera	150,865	\$ 47,724
Merced	255,793	\$ 43,945
San Joaquin	685,306	\$ 53,764
Stanislaus	514,453	\$ 50,671
Central California Population	<u>3,955,655</u>	
Total Population in Proximity to Tahoe Basin	<u>11,368,776</u>	

Source: U.S. Census

As indicated from the table, the Bay Area is a densely populated market. In addition to its population, there is a high degree of affluence, which is the primary reason why the Bay Area is such a major source of demand in the Tahoe Basin for second home ownership. The median household income in the Bay Area Counties ranges from approximately \$65,000 to \$90,000. In comparison, the median household income for the United States is \$52,762.

A vast majority of the visitors to South Lake Tahoe are from the San Francisco Bay Area and Sacramento markets. Due to the significant demand for housing, lodging and services created by tourists, income data from Northern California areas has been reviewed to

gauge the depth of the market. The following table is a summary of high income families based on 2012 data.

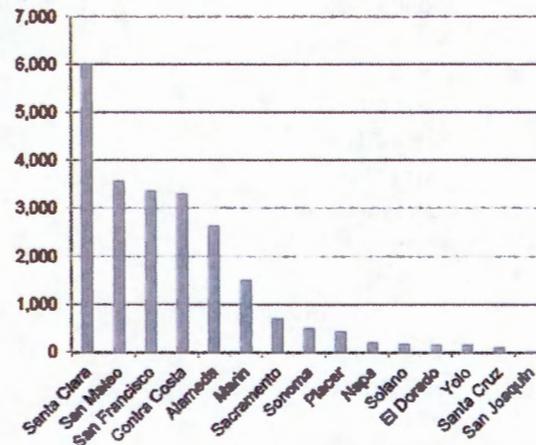
**Households by Income in 2012**  
 Bay Area and Sacramento Area

Income Range	San Francisco		Total
	Bay Area <sup>1</sup>	Sacramento <sup>2</sup>	
<\$250K	2,570,011	1,101,350	3,671,361
\$250K-\$500K	147,811	20,208	168,019
<b>\$500K+</b>	<b>21,431</b>	<b>1,789</b>	<b>23,220</b>

**In the Region:**

- Almost 25,000 households earn over \$500,000 per year.
- The greatest concentrations of high-income\* households occur in Santa Clara County (6,031), with San Mateo, San Francisco, and Contra Costa counties also containing over 3,300 high-income households.
- Of the Sacramento area counties, Sacramento County itself contains the largest amount of high-income households with 733.

**Households by \$500k+ Income in 2012**  
 By County



<sup>1</sup>Bay Area\* includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, and Sonoma counties  
<sup>2</sup>Sacramento Area\* includes El Dorado, Placer, Sacramento, San Joaquin, Solano, and Yolo counties  
 \*High-income Households\* are households earning over \$500,000 per year

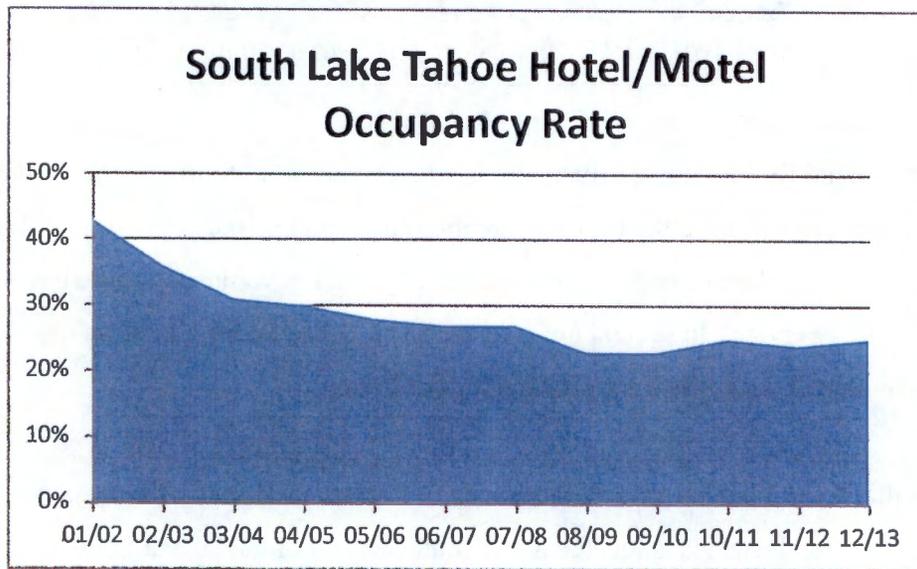
As indicated above, there is significant depth in the San Francisco Bay Area and the Sacramento area of high income families. These high income families represent the primary target market of tourist relative services in the subject neighborhood. The challenge for the South Lake Tahoe Area is capturing the demand for recreation and travel from the affluent residents of Northern California.

**Tourist Accommodations**

The lodging market within the Tahoe Basin is very seasonal. The summer season is the busiest time of year due to the cool summer temperatures, numerous outdoor activities and the casinos. Occupancy levels in the overall market during July and August are approximately 80% to 90%. The winter months are also a busy time of year, with the highest occupancy levels on the weekends and holiday weekends. However, during the shoulder

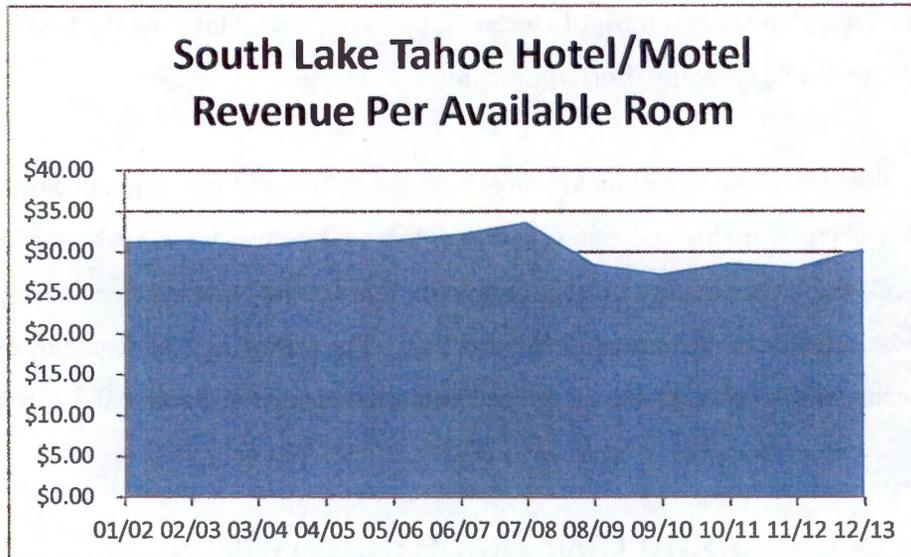
months of October, November, most of December, part of April, May, and the first half of June, occupancy levels typically drop significantly.

The older motels in the Basin are most affected by the seasonal demand base. These facilities have been achieving occupancy levels as low as 25% to 35% annually, or less. On the other hand, the higher quality lodging properties that are well managed apparently are somewhat less affected by the seasonal demand base. The following table contains the historical occupancy level of all the tourist accommodation units in South Lake Tahoe.



As indicated, there was a significant decline in occupancy from 10/02 to 03/05 with a decline from over 40% annual occupancy to under 30% annual occupancy, since that time, average annual occupancy has remained relatively flat at under 30%.

Revenue Per Available Room (RevPAR) for South Lake Tahoe has generally been relatively flat over the last ten years, with a slight decline over the last five years. Historical RevPAR for South Lake Tahoe is summarized as follows:



The demand for lodging is driven almost exclusively from tourism. In addition to ski resorts, there are numerous public beaches, campgrounds, and picnic areas around the perimeter of the lake. These are generally operated by local governments, state governments or the U.S. Forest Service. In several areas of the Lake Tahoe Basin, paved scenic bike paths have been developed, and others are planned for the future.

Legalized gaming also attracts thousands of tourists each year. The major concentration of hotel/casinos is located at the southeast end of the lake at Stateline, Nevada. The four major hotel/casinos at this location include Harrah's, Harvey's, Horizon, and MontBleu. The total number of guestrooms in these four facilities is 2,248. A smaller casino also located at Stateline is the Lakeside Inn with 124 guestrooms. Until 2010, Bill's Casino was owned by Harrah's. It recently closed down and Harrah's sold it to an investor that has since remodeled it for CVS Pharmacy and other smaller tenants. The former casino building is adjacent to Harrah's. Gaming revenue on the south shore of Lake Tahoe was on the decline each year between 2006 and 2011, but a slight increase was finally achieved in 2012. This is evidenced in the following tables.

**JOHNSON~PERKINS & ASSOCIATES, INC.**  
 REAL ESTATE APPRAISERS & CONSULTANTS

**Gaming Revenues-South Lake Tahoe (Dollars In Millions)**  
 (Source: Nevada Gaming Control Board)

Year	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC.	TOTALS	% Δ
1996	\$24,089	\$21,053	\$25,585	\$20,885	\$24,001	\$28,125	\$33,437	\$37,215	\$27,057	\$22,301	\$19,995	\$20,751	\$304,494	-7.90%
1997	\$18,780	\$19,102	\$22,953	\$20,948	\$25,792	\$27,336	\$34,588	\$33,441	\$25,949	\$23,624	\$21,399	\$22,003	\$295,915	-2.80%
1998	\$21,830	\$16,398	\$23,363	\$19,302	\$27,403	\$22,828	\$39,683	\$36,814	\$30,618	\$25,659	\$18,861	\$22,130	\$304,889	3.00%
1999	\$24,092	\$21,037	\$25,575	\$19,562	\$24,827	\$29,948	\$39,839	\$34,605	\$28,037	\$27,692	\$20,694	\$25,335	\$321,243	5.40%
2000	\$24,796	\$20,262	\$27,059	\$24,756	\$26,164	\$32,979	\$41,958	\$44,515	\$32,115	\$24,768	\$25,251	\$28,118	\$352,741	9.80%
2001	\$24,454	\$21,538	\$26,205	\$22,496	\$25,782	\$27,827	\$41,769	\$36,047	\$32,042	\$25,464	\$20,132	\$25,319	\$329,075	-6.70%
2002	\$19,614	\$25,334	\$25,012	\$27,840	\$26,706	\$28,662	\$42,136	\$34,011	\$33,474	\$25,790	\$21,664	\$26,159	\$336,402	2.20%
2003	\$24,204	\$26,165	\$25,429	\$22,191	\$24,500	\$27,603	\$39,868	\$37,062	\$32,088	\$26,765	\$20,570	\$29,052	\$335,497	-0.30%
2004	\$25,368	\$25,620	\$26,690	\$24,882	\$28,986	\$25,260	\$31,168	\$40,878	\$36,101	\$22,361	\$21,617	\$29,136	\$338,067	0.80%
2005	\$15,017	\$22,410	\$34,318	\$23,582	\$27,960	\$25,611	\$42,464	\$37,323	\$31,080	\$28,454	\$24,249	\$23,005	\$335,473	-0.80%
2006	\$28,779	\$25,445	\$26,518	\$28,741	\$25,828	\$27,532	\$39,639	\$32,529	\$27,781	\$29,180	\$22,701	\$22,018	\$330,691	-1.40%
2007	\$31,122	\$24,512	\$19,320	\$21,690	\$32,079	\$26,986	\$36,763	\$30,469	\$29,348	\$27,319	\$22,018	\$24,300	\$325,926	-1.40%
2008	\$26,629	\$22,675	\$29,863	\$24,438	\$24,357	\$20,512	\$40,786	\$30,864	\$24,506	\$20,891	\$21,657	\$17,260	\$304,438	-6.60%
2009	\$20,306	\$16,595	\$19,690	\$15,783	\$18,146	\$17,419	\$27,257	\$21,939	\$21,839	\$15,850	\$15,881	\$15,314	\$226,019	-25.80%
2010	\$18,322	\$14,048	\$21,097	\$12,502	\$15,868	\$19,776	\$23,767	\$23,519	\$20,030	\$15,131	\$15,047	\$12,587	\$211,694	-6.30%
2011	\$16,883	\$13,702	\$14,810	\$14,376	\$18,254	\$14,129	\$29,809	\$27,332	\$17,153	\$15,739	\$14,006	\$13,345	\$209,538	-1.00%
2012	\$17,235	\$15,106	\$12,737	\$13,739	\$13,339	\$16,555	\$29,636	\$22,017	\$18,012	\$15,859	\$17,735	\$20,953	\$212,923	1.60%
2013	\$16,784	\$16,290	\$11,343	\$15,729	\$14,633	\$12,522	\$32,372	\$21,425	\$22,188	\$12,292	\$17,381			

**Gaming Win-South Lake Tahoe (Douglas County)**

Fiscal Year			Calendar Year		
Year	Total Win	% Change	Year	Total Win	% Change
2003-2004	\$342,210,579	2.67%	2004	\$338,066,567	0.77%
2004-2005	\$330,132,476	-3.53%	2005	\$335,446,491	-0.78%
2005-2006	\$343,418,228	4.02%	2006	\$333,725,477	-0.51%
2006-2007	\$332,591,774	-3.15%	2007	\$326,821,671	-2.07%
2007-2008	\$319,587,296	-3.91%	2008	\$304,439,167	-6.85%
2008-2009	\$263,902,827	-17.42%	2009	\$226,017,340	-25.76%
2009-2010	\$219,690,853	-16.75%	2010	\$211,692,543	-6.34%
2010-2011	\$202,234,224	-7.95%	2011	\$209,536,110	-1.02%
2011-2012	\$206,093,440	1.91%	2012	\$212,922,977	1.62%
			12/12 to 11/13		
2012-2013	\$211,511,742	2.63%		\$213,912,000	4.19%

Gaming revenue on the south shore of Lake Tahoe decreased only moderately in 2007 and 2008. From fiscal year-end 2009 through fiscal year-end 2011, gaming revenue declined substantially due to the economy and competition from Indian gaming. However, revenue in Fiscal Year 2012 and 2013 have increased slightly at 1.91% and 2.63%, respectively. On a Calendar year basis, gaming revenue has increased 4.19% for December 2012 to November 2013 versus the same period in the prior year.

### **Development**

Over the last 20 years approximately, government officials and the general public have recognized a need to rehabilitate many of the older commercial corridors within the Tahoe Basin, particularly in South Lake Tahoe. Since the early 1990s, there have been many new buildings constructed, some of which involved assistance from government Redevelopment Agencies. Some of these projects are set out as follows:

#### **Lake Tahoe Resort Hotel at Stateline**

Located on the California/Nevada State Line and adjacent to Harrah's Hotel and Casino, this was the first redevelopment project in South Lake Tahoe. This 400 room upscale hotel was constructed in 1991 and has been maintained in excellent condition over the years. In 2013, this property ceased its association with Embassy Suites and presently operates independently.

#### **Lake Tahoe Vacation Resort (formerly Embassy Vacation Resort)**

This timeshare resort is located at the intersection of Ski Run Boulevard and U.S. Highway 50. The first two phases were completed in 1997 and 1999, respectively. A third phase was completed in 2007 and ongoing work continues today.

#### **Ski Run Marina**

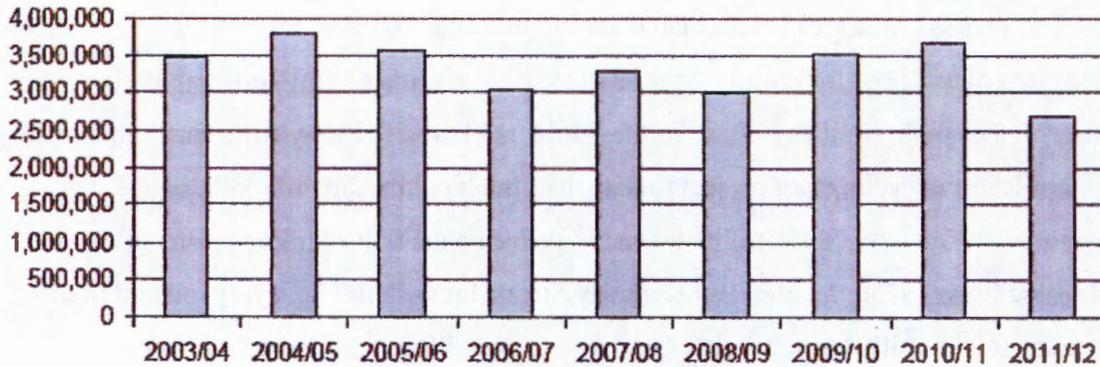
Ski Run Marina has been in existence since at least the early 1960s. However, the marina was redeveloped in 1997 with a 30,000± square foot commercial-retail and restaurant building. In recent years, the owner has refurbished the harbor area with new boat slips, lighting, walkways, fuel tanks and decking on the pier. It has been maintained in good condition. Long range plans call for the expansion of the marina and extension of the existing pier.

### **Park Avenue Redevelopment Project**

The Park Avenue area is less than one mile from the Stateline casinos. It is generally bounded by Lake Tahoe Boulevard on the east, Heavenly Village Way (formerly Park Avenue) on the south, Embassy Suites to the north, and Lake Parkway to the east. This is the most significant redevelopment project to date that involved the City of South Lake Tahoe Redevelopment Agency. Some of the former improvements in this area consisted of an old motel called Lake Tahoe Inn, the Paul Kennedy Steak House building, a very old and tired retail center, and Cecil's Market (relocated to the Cecil's Plaza within the Park Avenue Redevelopment Project). The improvements were demolished in the late 1990s.

The first structure completed in the Park Avenue Redevelopment Area was the Heavenly Gondola in 2000. The Gondola is the main entrance into Heavenly Mountain Resort and it provides direct skier access from the Stateline casino core to the higher elevations of the ski resort. Heavenly Mountain Resort also received TRPA approval of its 10-year master plan in the summer of 2007. The master plan includes \$50 million in capital improvements over the next ten years to Heavenly Mountain. As part of Phase I of the Master Plan, Heavenly has installed the Olympic Express high-speed chairlift, and installation of "easy scan" RF technology that expedites access to the lifts for season pass holders and re-graded Skyline Trail that leads from the California side at the top of Skychair to Nevada. Other new improvements that are presently being contemplated include 152 acres of new ski trails, a skier bridge that will allow skiers and riders to ski from the Gondola top station to Tamarack Express, a 1,000 seat on-mountain restaurant to be called "Powderbowl Lodge" and hiking/cross-country ski trails in the area between the Gondola top station and the Observation Deck. Although not available for individual resorts, below is a summary of total annual skier visits for the Lake Tahoe Area:

**Lake Tahoe Annual Skier Visits**



Sources: Ski Lake Tahoe and Strategic Marketing Group

Adjacent to the Heavenly Gondola building is the 261-unit Marriott's Timber Lodge, a four-star vacation ownership resort hotel and the 199-unit Marriott Grand Residence Club, a quarter-share resort hotel. The Marriott quarter-share hotel contains 68,000± square feet of specialty retail space. Both Marriott projects were completed in the fall of 2002. Marriott's Timber Lodge (the timeshare hotel) expanded with an additional 150± units.

The final component of the Park Avenue Redevelopment area was the completion of Cecil's Plaza in 2004. This specialty retail center is between the Marriott Resorts and Lake Tahoe Resort Hotel. The structure contains 31,132± square feet and is occupied by tenants, such as The North Face, Cecil's Market, Body Essentials Spa, and the Brewery.

In addition to the Gondola, resort hotel projects, and specialty retail space, other components within the Park Avenue Redevelopment area include a six-screen movie theatre, an ice rink, and a four-level, 420-space parking structure.

### **Crescent V Shopping Center**

The Crescent V shopping center completed a substantial renovation and expansion with 42,800± square feet of new retail space in 2004 and was renamed The Village Center. The center is located adjacent to the Gondola and Marriott resorts. Its anchor tenants are Raley's and Sports Ltd.

In addition to these redevelopment projects in South Lake Tahoe, there have been a number of smaller redevelopment projects constructed in Kings Beach, Tahoe Vista, and Tahoe City.

### **Proposed Projects**

The Chateau is a 11.53± acre site located adjacent to Harvey's Resort Hotel and Casino, on the south shore California side of the lake. The approved plans call for a convention center, two condominium hotels, specialty retail space, subterranean parking, nightclub, and a health spa. The foundation for Phase 1 of the project was constructed 2007 and subsequently the project was put on hold as the developer has been unable to obtain financing and filed for Chapter 11 Bankruptcy in October of 2009. As a result of the financial difficulties of the original developer, the two major lenders for the project now own (or otherwise control) this site. Owens Realty Mortgage, who owns most of the Phase A site is in the process of constructing 30,000± square feet of specialty retail space which is scheduled to be completed in the subject of 2014. The remainder of the site is presently sitting idle.

Tahoe Shores Mobile Home Park is located at the terminus of Kahle Drive in Stateline, Nevada. The owners of this property have received entitlements to redevelop the property and construct 143 single family townhome units along the shores of Lake Tahoe. It would also include a luxury clubhouse and fitness center of approximately 50,000 square feet. This project has been unable to obtain suitable financing and there is no anticipated timeframe for development.

Edgewood Tahoe is planning to develop a resort hotel along the ninth hole of the Edgewood Golf Course, which is behind the casinos and extends along the lake shore. This resort would contain 194 luxury lodging units and accessory amenities of a restaurant, lounge, etc. The project has TRPA approvals and the developer is planning to move forward with the project.

There is a proposal by the Tahoe Transportation District to realign U.S. Highway 50 in front of the casinos. Referred to as The U.S. 50/South Shore Community Revitalization Project, the plans call for U.S. Highway 50 between Nevada State Route 207 (aka Kingsbury Grade) in Stateline, Nevada and Pioneer Trail in South Lake Tahoe California to be realigned such that the highway traffic is diverted from the casinos. The highway realignment would be four lanes and would follow Lake Parkway East from its U.S. Highway 50 intersection and extend along the mountain side of the commercial casino core behind Harrah's and Mont Bleu. The intent of the bypass is to ease traffic flow, reduce emissions, and create a more pedestrian-friendly downtown casino corridor. The proposal is controversial with local business owners in South Lake Tahoe generally opposed to it, while the casinos are generally in support of the project. Timing of the project is very uncertain at this time as it is still in the design stages.

#### **Residential Real Estate Market**

From 2002 to mid-2006, the residential real estate market experienced significant appreciation. Between 2006 and 2007, the real estate market began to exhibit signs of softening. In 2008 through 2011, the market experienced a significant downturn, which paralleled trends throughout the country. In 2013, residential prices have started to appreciate.

The South Lake Tahoe Board of Realtors has collected the following data for the south shore area:

**El Dorado County Portion of Lake Tahoe Basin  
 Single Family Residential Sales**

Year	Number of Sales	Median Sale Price	% Increase	Average Sales Price	% Increase	Average Marketing Time
2003	668	\$323,500	N/A	\$379,370	N/A	116 Days
2004	831	\$375,000	15.9%	\$443,774	17.0%	107 Days
2005	701	\$479,900	28.0%	\$573,871	29.3%	93 Days
2006	440	\$476,000	-0.8%	\$566,178	-1.3%	147 Days
2007	337	\$450,000	-5.5%	\$584,287	3.2%	179 Days
2008	356	\$405,000	-10.0%	\$492,988	-15.6%	170 Days
2009	444	\$318,500	-21.4%	\$418,109	-15.2%	176 Days
2010	509	\$319,000	0.2%	\$399,944	-4.3%	165 Days
2011	547	\$265,000	-16.9%	\$352,538	-11.9%	175 Days
2012	695	\$231,950	-12.5%	\$335,389	-4.9%	136 Days
2013	647	\$330,000	42.3%	\$398,791	18.9%	119 Days

As indicated, the median and average single family residential sale price in South Lake Tahoe increased from 2003 through 2005. After 2005, there was a gradual decline through 2007, before a substantial decline each year through 2012.

In 2013, the median sale price is up 42.3% and the average sale price is up 18.9% from 2012. In interviews with a number of local brokers it has been stated that there has been a shortage of properties on the market, and overall high demand.

Utilities installed to the subject neighborhood include electricity, water, sewer, natural gas, telephone and cable television. Water and sewer service on the California side of the state line is provided by the South Tahoe Public Utility District.

Overall, topography within the subject neighborhood is level to gently sloping, with steeper slope up the mountainside to the east of Pioneer Trail. Throughout the neighborhood, there are moderate to heavy stands of coniferous pine forest. The soils in the neighborhood are characteristic of the area and have good carrying capacities for most types of development.

Municipal services available to the subject neighborhood include police and fire protection and year-round street maintenance. Public bus transportation serves the neighborhood. Taxi service is also available. In addition, both the Heavenly Ski Resort and the major casinos offer shuttle bus service.

The subject neighborhood has several advantages in terms of economic stability. The four major hotel/casinos in the Lake Tahoe Basin are located on the Nevada side of the state line, immediately adjacent to the northern boundary of the City of South Lake Tahoe. In addition, the recently completed Park Avenue redevelopment project in the neighborhood has had a positive economic effect. All of these factors result in a broad economic base and economic stability for the neighborhood, however, the declining number of jobs and residents is of significant concern to the economic stability of South Lake Tahoe.

In South Lake Tahoe, the commercial market has softened as evidenced by several vacant buildings. The area that appears to be suffering with the highest vacancy levels is at the commercial intersection of U.S. Highway 50 and State Highway 89 (the Y intersection) in South Tahoe.

The former Mikasa Building at the northwest corner of the Y intersection had been vacant for approximately five to six years prior to the new owners recently remodeled the building and TJ Maxx moved into the space in November of 2012.

The Factory Stores at the Y is approximately 30% vacant. This retail center is located at the northeast corner of the Y intersection. Big Five Sporting Goods recently moved into space that was vacated by Adidas.

The Ski Run Center in the subject's neighborhood was redeveloped in 2008. Rents in this center initially ranged from approximately \$2.80 to \$4.00 per square foot under triple net lease terms. The center is presently 15 to 20% vacant. Current asking rents are at \$2.00 per

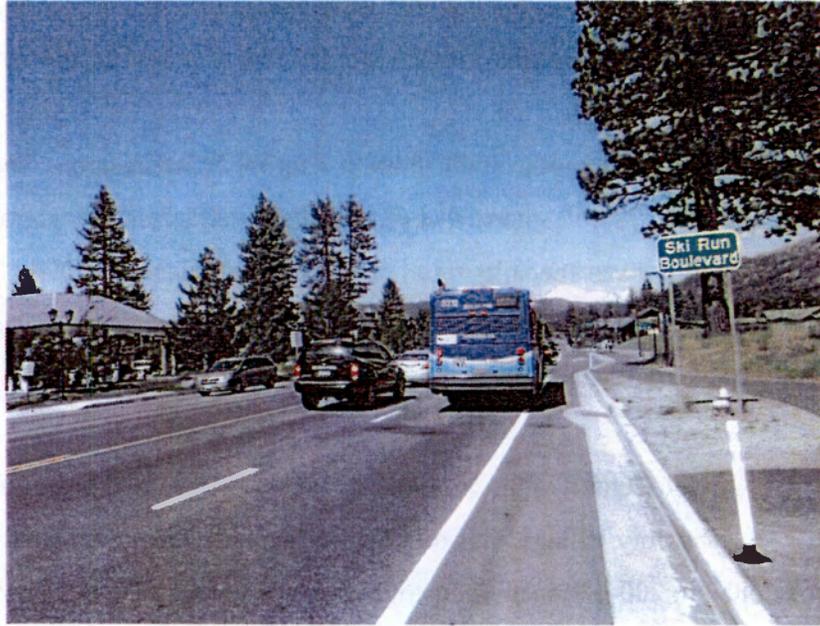
square foot, but are negotiable depending on circumstances with prospective tenants. This center had been well received when it opened, but it has become more difficult to lease up the remaining space in the center. It contains 19,608± square feet of gross leasable area.

The strongest sub-market on the south shore is near the Stateline area. The Shops at Heavenly Village, with over 90,000 square feet of specialty retail space was completed in 2002. The adjacent Cecil's Plaza specialty retail center was completed in 2004. Though rents have declined and commercial market conditions have been soft in recent years, vacancy levels are relatively low in these centers due to their premium locations.

The Raley's Village Center, on the southwest side of Heavenly Village Parkway and across from Shops at Heavenly Village, is nearly fully occupied. This retail center was completely redeveloped in 2004. Recent rents within this center are also down significantly. In order to lease space, the landlord has reportedly rented suites without any base rent, but merely charging the tenants only on a percentage of their sales.

In summary, some of the major improvements within the subject neighborhood include the four major hotel/casinos, the Heavenly Gondola, Marriott's Grand Residence Inn and Timber Lodge, The Shops at Heavenly Village, Cecil's Plaza, the 18-hole championship Edgewood Golf Course, and Ski Run Marina. The subject neighborhood has been revitalized over the last ten years due to redevelopment near the Stateline casinos. The Chateau is proposed to begin construction again with specialty retail space in the near future. Once developed, it should significantly enhance the desirability of the subject neighborhood. Access into the neighborhood is good by means of Lake Tahoe Boulevard (U.S. Highway 50) or Pioneer Trail. All utilities and municipal services are available.

**SUBJECT PHOTOGRAPHS**



**STREET SCENE LOOKING EASTERLY ALONG LAKE TAHOE BOULEVARD IN THE VICINITY OF THE SUBJECT PROPERTY**

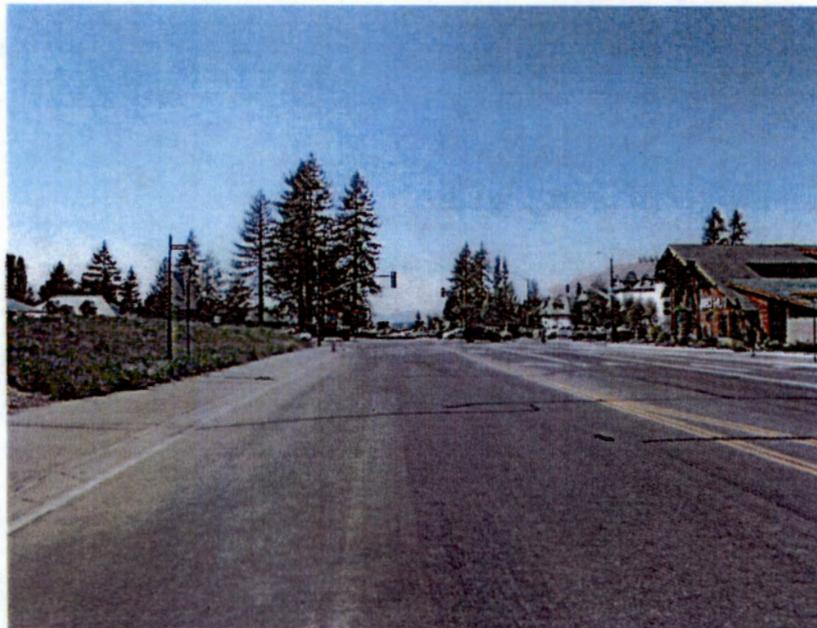


**STREET SCENE LOOKING WESTERLY ALONG LAKE TAHOE BOULEVARD IN THE VICINITY OF THE SUBJECT PROPERTY**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING SOUTHERLY ALONG SKI RUN BOULEVARD IN THE VICINITY OF THE SUBJECT PROPERTY**



**VIEW LOOKING NORTHERLY ALONG SKI RUN BOULEVARD IN THE VICINITY OF THE SUBJECT PROPER**

**SUBJECT PHOTOGRAPHS**

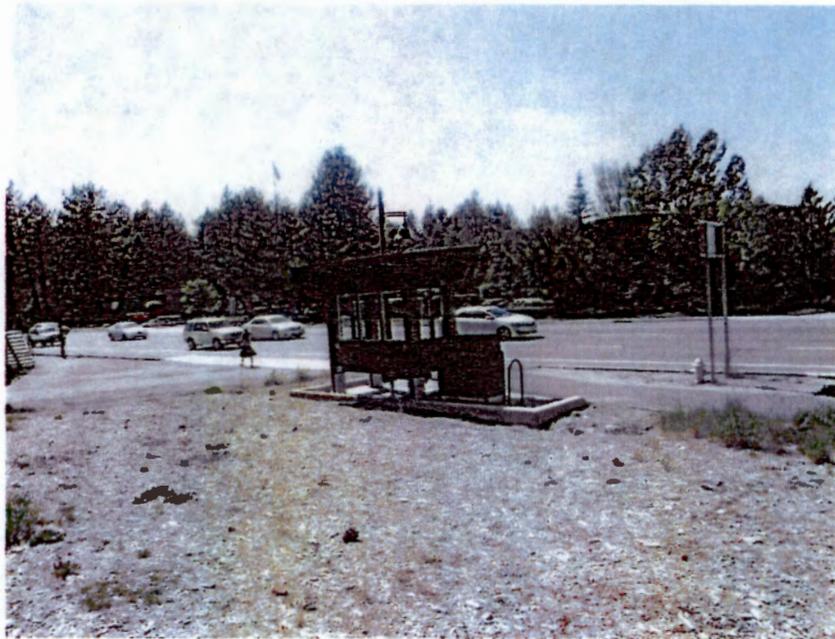


**VIEW LOOKING NORTHERLY ACROSS THE EASTERN PORTION OF THE  
SUBJECT PROPERTY**

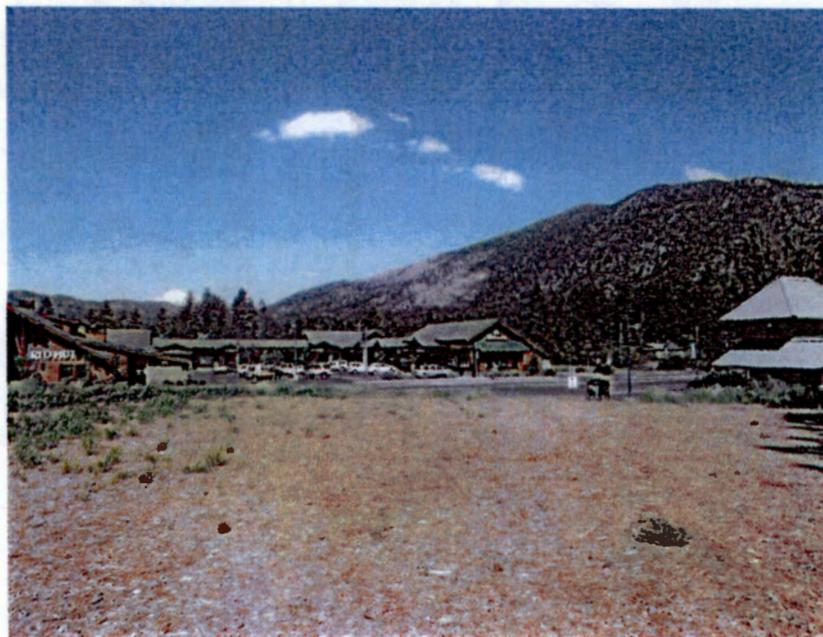


**VIEW LOOKING NORTHERLY ACROSS THE MIDDLE PORTION OF THE  
SUBJECT PROPERTY**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING NORTHERLY AT THE BUS STOP IN THE NORTHWESTERN PORTION OF THE SUBJECT PROPERTY**

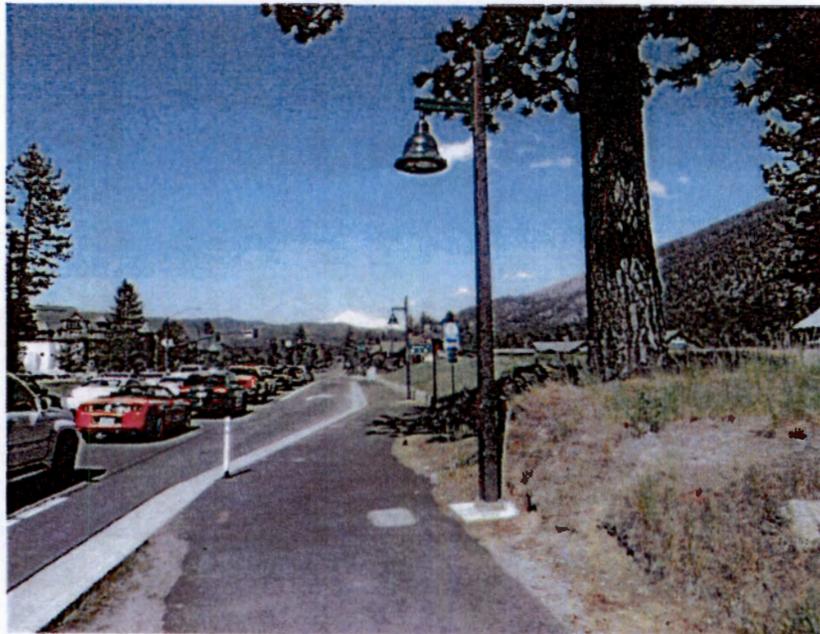


**VIEW LOOKING EASTERLY ACROSS THE EASTERN PORTION OF THE SUBJECT SITE**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING EASTERLY ACROSS THE WESTERN PORTION OF THE SUBJECT SITE**



**VIEW LOOKING EASTERLY ALONG THE BIKE PATH ADJACENT TO THE SUBJECT'S FRONTAGE ON LAKE TAHOE BOULEVARD**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING WESTERLY ACROSS THE WESTERN PORTION OF THE SUBJECT SITE**

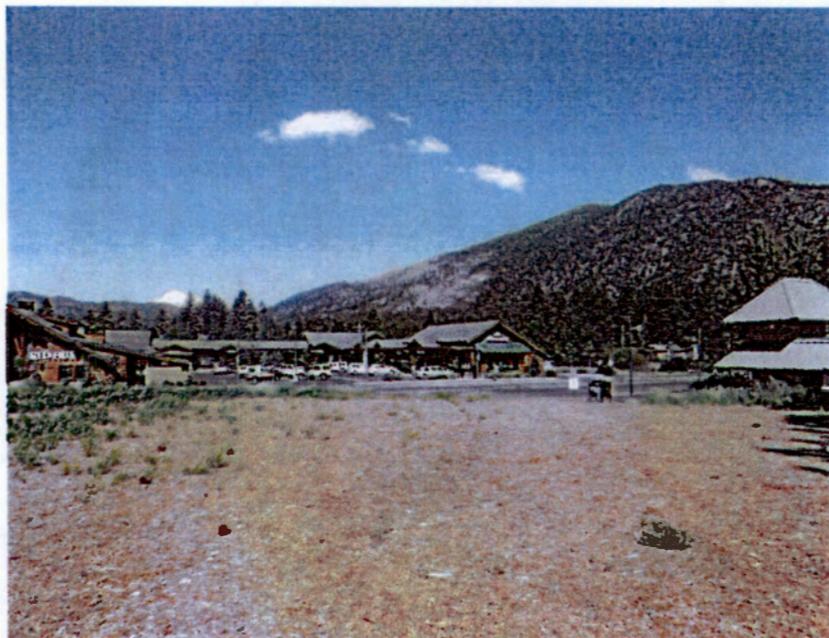


**VIEW LOOKING SOUTHWESTERLY AT THE SUBJECT PROPERTY FROM THE CORNER OF LAKE TAHOE BOULEVARD AND SKI RUN BOULEVARD**

**SUBJECT PHOTOGRAPHS**

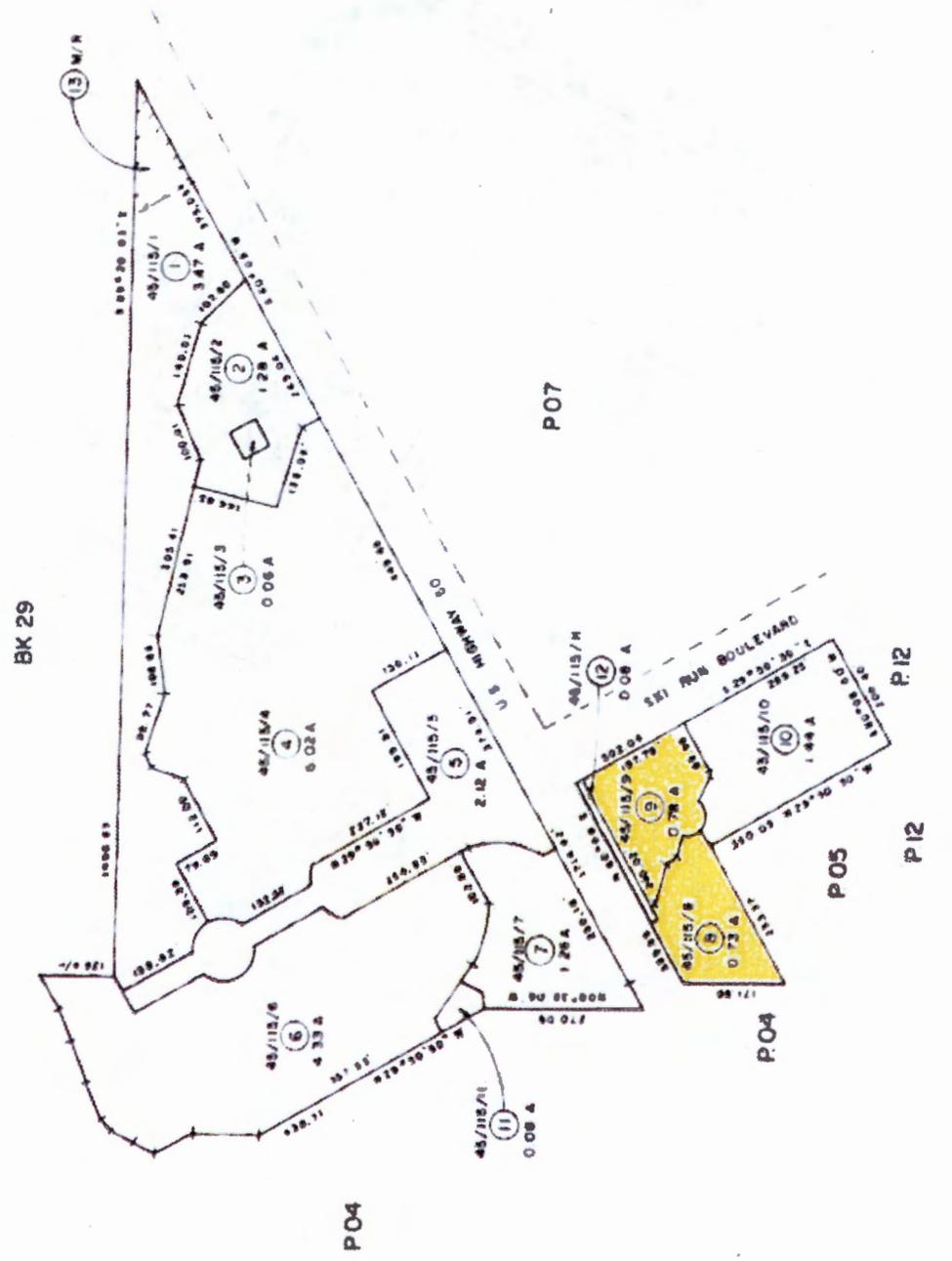


**VIEW LOOKING SOUTHERLY ACROSS  
THE WESTERN PORTION OF THE SUBJECT SITE**

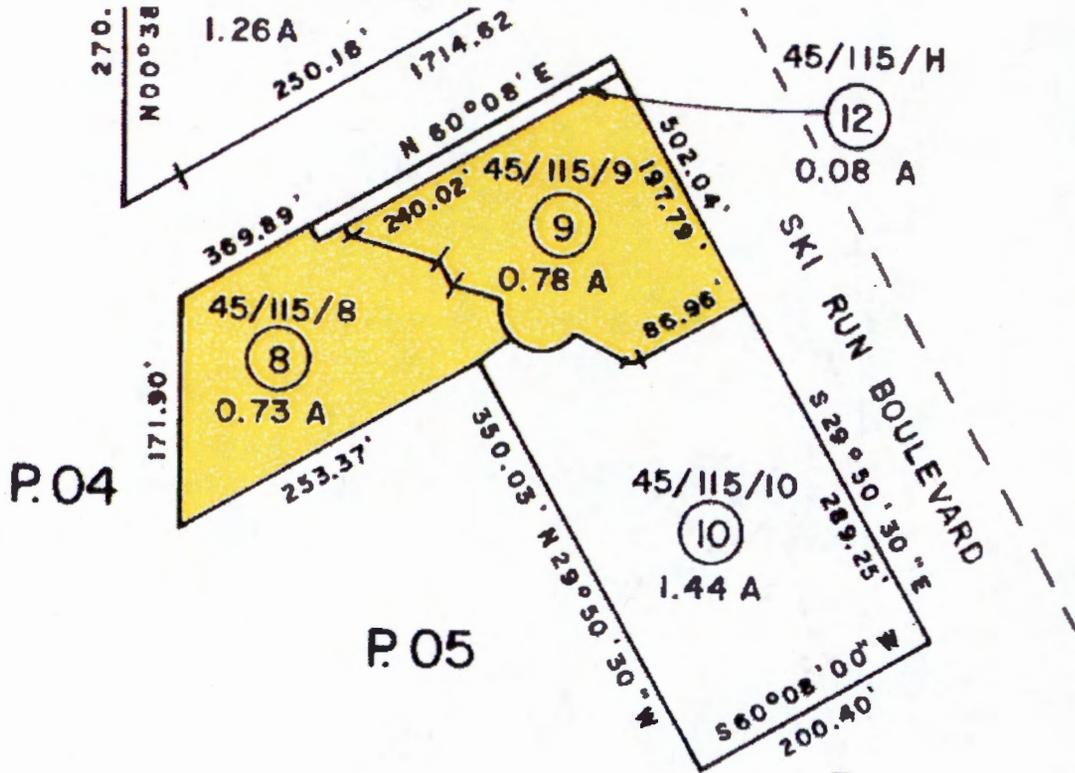


**VIEW LOOKING EASTERLY ACROSS THE  
EASTERN PORTION OF THE SUBJECT SITE**

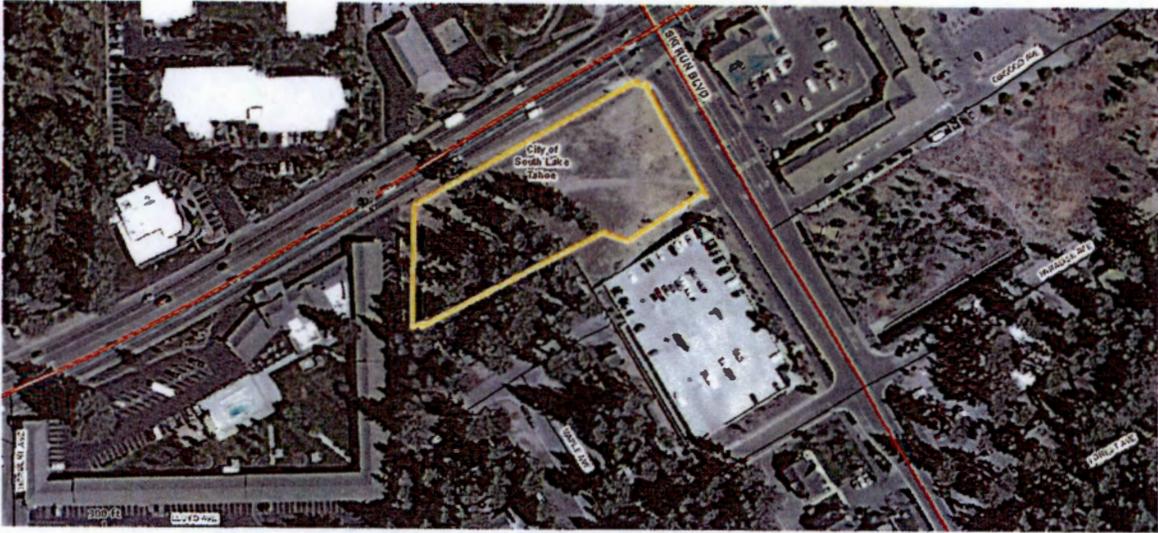
**ASSESSOR'S PARCEL MAP**  
 A.P.N. 027-690-08 and 09



ASSESSOR'S PARCEL MAP MAGNIFIED VIEW



**AERIAL VIEW**



**SUBJECT PROPERTY IDENTIFICATION AND DESCRIPTION**

**Assessor's Parcel Number** 027-690-08 and 09

**Property Address** The Southwest Corner of Lake Tahoe Boulevard and Ski Run Boulevard, South Lake Tahoe, El Dorado County, California

**Owner of Record** South Lake Tahoe Redevelopment Agency, A municipal agency of the City of South Lake Tahoe, California

**Land Area**

APN 027-690-08	0.73± acres (31,799± square feet)
APN 027-690-09	0.78± acres (33,977± square feet)
Total Land Area	1.51± acres (65,776± square feet)

**Existing Land Coverage** 43,000 square feet of existing grandfathered land coverage

**Improvements** Primarily vacant with some rough grading

**Legal Description**

The Land Described Herein Is Situated In The State Of California, County Of Eldorado, City Of South Lake Tahoe, And Is Described As Follows:

Parcels 8 and 9, As Shown On That Certain Parcel Map Filed In The Office of The County Recorder, County of El Dorado, State of California On May 1, 1996 In Book 45 Of Parcel Maps At Page 115.

**Property Shape** Irregular

**Property Dimensions<sup>2</sup>**

Tahoe Boulevard Frontage	369.89± feet <sup>3</sup>
Ski Run Boulevard Frontage	197.79± feet

**Land Coverage**

The Bailey system is applied to all commercial and multi-family properties and all residential properties that were improved prior to July 1, 1987 in the Lake Tahoe Basin. The US Forest Service and TRPA developed the Bailey land capability system in the early 1970s based primarily on the official USDA soils maps for the Tahoe Region. Each soil type was assigned to a land capability class ranging from 1 to 7, with capability 1 being the most environmentally fragile and sensitive to development. Wherever land was found to be influenced by a stream or high groundwater, it was assigned to capability 1b, also known as Stream Environment Zone, or SEZ.

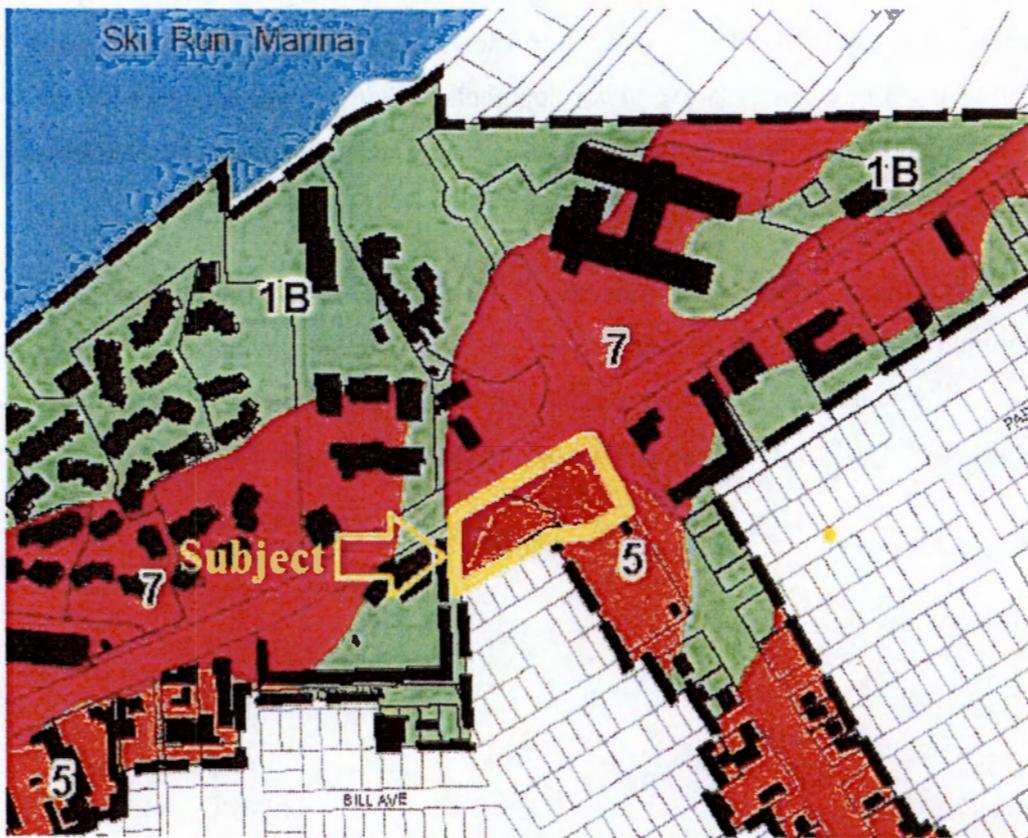
TRPA and the Natural Resource Conservation Service have continued to survey soil types around Lake Tahoe and are updating the original Bailey classifications. Applying for a Land Capability Verification is often the best way to find out how much coverage is allowed on residences built before 1987 and on all commercial and multi-family parcels.

Lands Located in Land Capability District	Base Coverage
1a, 1b, 1c	1%
2	1%
3	5%
4	20%
5	25%
6, 7	30%

<sup>2</sup> The North and East Parcel dimensions are based upon data from the El Dorado County Assessor's Office and are assumed to be correct.

<sup>3</sup> There is a small, narrow 3,485± square feet parcel that is owned by the City of South Lake Tahoe located between Parcel 09 and portions of Parcel 08 and U.S. Highway 50. This small strip parcel is believed to be improved with streetscape and is undevelopable beyond its current streetscape (paved walking path and street lights). Therefore, the entire length of the subject's northern boundary is considered to front on Lake Tahoe Boulevard (U.S. Highway 50) and is reflected in the indicated amount of highway frontage.

As applied by TRPA and other regulatory agencies, the Bailey system prohibits new development on all capability 1 through 3 parcels, and restricts the amount of coverage (i.e., pavement and building footprint) that can be placed on capability 4 through 7 parcels. For parcels with Bailey scores 1 through 3, TRPA created a program for the transfer of development rights to other, less sensitive parcels. In this way, development can be moved away from the most sensitive areas and property owners can still realize value from their land. The subject's most recent TRPA land capability level maps is presented as follows:



Based on a review of publically available TRPA Land Coverage Maps, the subject site is located in Class 5 and 7 soils, which will allow for 25% and 30% base allowable land coverage, respectively. However, it is my understanding that the subject property has 43,000± square feet of existing land coverage banked on the site that results from past uses of the property that has been recognized by TRPA.

Dividing the the subject's land area of 65,776± square feet by 43,000± square feet of land coverage results in a land coverage ratio of 65.37%. It is assumed the subject property's 43,000± square feet of banked land coverage would is recognized by TRPA.

#### **Hazardous Materials**

During the course of my on-site inspection of the subject property, I found no evidence suggesting the existence of hazardous substances. However, it should be noted that the undersigned is not qualified to detect hazardous waste and/or toxic materials. The value estimates derived in this report are based upon the assumption that there is no soil or water contamination or hazardous materials stored on the subject property.

#### **Commercial Floor Area (CFA)**

Commercial Floor Area (CFA) is an entitlement in the Tahoe Basin. CFA is defined by TRPA as the gross square footage of floor area within the outer wall of a commercial building, not including stairwells and airshafts (Ch. 90 Definitions, TRPA Code of Ordinances). The square footage of other facilities related to the commercial building, including but not limited to decks that are designated for commercial use under a permit, shall be considered CFA.

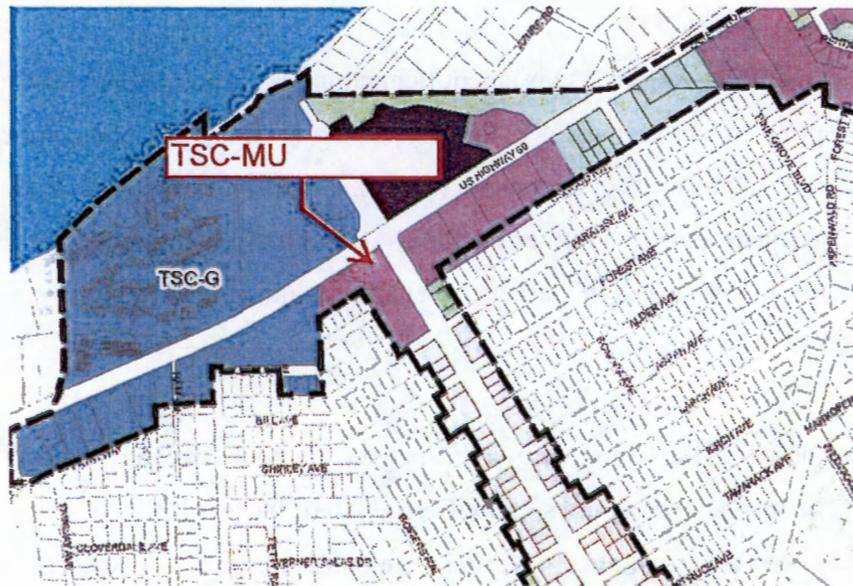
In previous years, the Community Plans had a CFA pool available that was administered by the respective counties in the Basin. All of the available CFA within these pools has already been allocated to commercial development projects. Therefore, any new development that requires CFA must be purchased in the open market from property owners that control a banked supply of CFA that originated from commercial structures that have subsequently been demolished. The subject does not have any CFA rights. In order to develop the subject property with a commercial structure, it would be necessary to bring an adequate amount of CFA to the subject site. Current prices for CFA are in the range of \$30 per square foot in South Lake Tahoe.

### Tourist Accommodation Units (TAUs)

Like CFA and land coverage, the number of Tourist Accommodation Units (TAUs) allowed within the Lake Tahoe Basin is strictly regulated. TAUs refers to the number of units in a hotel, motel, timeshare, bed and breakfast, or inn that can be rented by the day or week and occupied on a temporary basis (Ch. 90 Definitions, TRPA Code of Ordinances). TAUs are a marketable development right and can be sold within the Lake Tahoe Basin. It is my understating that the subject property does not have any TAUs.

### Zoning

TRPA/City of South Lake Tahoe Tourist Core Area Plan  
Land Use District - TSC-MU



Land use in the Lake Tahoe Basin is regulated by both the Tahoe Regional Planning Agency and local city and county authorities. The subject property is located within the Tourist Core Area Plan which was approved by the City of South Lake Tahoe on October 14, 2013 and by the TRPA Governing Board on November 20, 2012. The planning statement for "The Tourist Core Area Plan indicates that it encourages general improvement of the built environment. It provides a framework that will change the existing conditions into

opportunities for redevelopment with a focus on achieving on the ground environmental improvements consistent with the City's General Plan and environmental threshold goals of the 2012 regional plan."

The subject property is located in the Tourist Commercial Mixed Use District. This district is intended to primarily provide for tourist accommodation uses, with supporting retail commercial uses to meet the regional demand for quality accommodation in the Stateline area in a manner compatible with a pedestrian environment. Allowed uses include:

**Residential**

- Multiple Family Dwelling;
- Single Family Dwelling (includes condominiums);
- Employee Housing (requires a special use permit);
- Multi-Person Dwellings (requires a special use permit);
- 

**Tourist Accommodation**

- Bed & Breakfast Facilities;
- Hotel, Motel, Other Transient Dwelling Units; and
- Time Sharing

**Entertainment Commercial**

- Amusement and Recreation (requires a special use permit);
- Privately Owned Assembly and Entertainment (requires a special use permit);
- Outdoor Amusements (requires a special use permit);

**Retail Commercial**

- General Retail and Personal Services;
- Eating & Drinking Places (requires a special use permit);
- Service Stations (requires a special use permit).
- 

**Service Commercial**

- Professional Offices;
- Business Support Services (requires a special use permit);

**Light Industrial Commercial**

- Small Scale Manufacturing (requires a special use permit);

**Wholesale/Storage Commercial**

- Vehicle Storage & Parking (requires a special use permit);

### **General Public Service**

- Daycare Centers/Preschool;
- Local Public Health and Safety Facilities;
- Religious Assembly (requires a special use permit);
- Cultural Facilities (requires a special use permit);
- Local Assembly & Entertainment (requires a special use permit);
- Public Owned Assembly & Entertainment (requires a special use permit);
- Public Utility Centers (requires a special use permit)

In addition, Resource Management and Open Space uses are also allowed. The minimum lot size is 10,000± square feet, with a minimum lot width of 80± feet and a minimum lot depth of 100± feet. The required setback from Lake Tahoe Boulevard is generally 30 feet. The maximum building height is 56 feet with a maximum of four stories. The effect of zoning on the subject property will be discussed in the Highest and Best Use section of this report.

### **Topography**

The majority of the property enjoys basically level to slightly up sloping topography from U.S. Highway 50. Portions of the subject site have been rough graded. The subject site is elevated from street grade.

### **Flood Zone**

According to the Federal Emergency Management Agency's Flood Insurance Map Community Panel Number 06017C0380F effective April 3, 2012, the subject property is located in Flood Zone X. Flood Zone X refers to areas which are determined to be outside of the flood plain. Federal flood insurance is not required for properties located within Flood Zone X.

### **Earthquake Zone**

According to the most recent Edition of the Uniform Building Code, the subject property is located in Seismic Risk Zone 3. This zone encompasses areas which have a number of local faults and where there is a relatively strong probability of moderate to strong

seismic activity. I have not seen any hazard maps relating to the subject ownership specifically and could find no evidence that the property would experience any greater seismic activity than is typical for the area.

#### **Access and Exposure**

The subject parcel has approximately 369.89± feet of frontage along Lake Tahoe Boulevard (U.S. Highway 50). U.S. Highway 50 is the primary arterial through South Lake Tahoe, leading to Sacramento to the west and Carson City to the east. U.S. Highway 50, in the vicinity of the subject, is a four-lane, asphalt paved highway with a center turn lane. The subject property also has 197.79± feet of frontage along Ski Run Boulevard which is an asphalt paved two-lane, two-way street that terminates at the Ski Run Marina to the north of the subject property. The intersection of Lake Tahoe Boulevard and Ski Run Boulevard is fully signalized. Accordingly, the property is considered to have very good access and very good exposure.

#### **Utilities**

All utilities, including electricity, natural gas, water, sewer, telephone, and cable television, are immediately available to the subject property.

#### **Surrounding Development**

The subject property is located in the commercial corridor along U.S. Highway 50 (Lake Tahoe Boulevard) at the western edge of the tourist core. Adjacent to the west of the subject property is the Super 8 Motel. Adjacent to the south of the subject property is concrete parking garage that includes two levels of parking areas. Across Ski-Run Boulevard from the subject property to the east is a redeveloped retail center that is anchored by the Red Hut Café. Across U.S. Highway 50 to the north of the subject is a Chevron Service Station. Adjacent to the west of the service station is the Tahoe Beach and Ski Club which is a 140 unit timeshare/hotel property that is located on a seven acre site with 400± feet of frontage along Lake Tahoe. Adjacent to the north of the Chevron Gas Station is the Ski Run Marina Center, that has specialty retail space on the first floor and office space on the second floor. It

contains 31,901± square feet of gross building area. The marina portion of property is improved with a large main pier, two floating piers, buoy field, a protected harbor area and a small shed for kayak rentals. Lake Tahoe Vacation Resort is located across Ski Run Boulevard to the northeast of the subject property. It is a 186-unit timeshare facility. Overall, the development surrounding the subject property is of good quality construction and is in good condition.

#### **Easements, Encumbrances and Restrictions**

I was provided with a preliminary title report for subject Assessor's Parcel Number 027-690-08 prepared by Placer Title Company as Order Number 203-7116 with an effective date of February 23, 2009. Noted exceptions include

- Rights of the public and of the County of El Dorado, As to that portion of the herein described property lying within Ski Run Boulevard;
- An easement over said land for an access easement (affects the westerly portion of the subject property) and incidental purposes as set forth in Parcel Map filed May 1, 1985 in Book 45, Page 115 of Parcel Maps;
- The terms, Conditions, easements, provisions and covenants as contained in the agreement entitled "Declaration of Parking Covenants and Reciprocal Easement Agreement", Executed by Lake Tahoe Resort Partners.

Based on a review of the aforementioned exceptions to title, the highest and best use of the subject property is not materially affected by any of the stated exceptions to title and such exceptions to title are typical for similar properties in the subject neighborhood.

#### **Parking**

The subject property benefits from a declaration of Parking Covenant and Reciprocal Easement Agreement. This agreement was made on May 1, 1996 and has a 99 year term. The agreement provides for 88 parking spaces deed restricted to the subject property. The 88 spaces are in located in an existing parking garage adjacent to the south of the subject property. (The parking garage is presently operated by Diamond Resorts). The agreement calls for all operating costs, on a pro-rata basis, to be reimbursed to Diamond Resorts for

maintenance and operation of the parking garage. It is my understanding that as the subject property is vacant and presently does not use the 88-parking spaces, that no payments are being made at the present time for the use of these off-site parking spaces.

#### **Encroachments**

Based on my inspection, the subject property does not appear to be affected by any encroachments.

#### **Subject's Sales History**

The subject property has been owned by the City of South Lake Tahoe since 1996. The subject property had been listed for sale from August 1, 2012 through June 3, 2014. The asking price was \$799,000. The subject property was actively marketed in the South Lake Tahoe Multiple Listing Service during this time period and a for sale sign was also visible on the corner of the property at Ski Run Boulevard and Lake Tahoe Boulevard. Based on this listing of the subject property, it is my understanding that two offers were received. The first offer received was reported to be very close to the asking price, however, the prospective buyer requested that substantial Commercial Floor Area (CFA) rights be included in the sale. CFA is a transferable development right and sells in the range of \$30 per square foot in the open market. It is my understanding that seller was unwilling to include CFA in the transaction and the buyer decided to withdraw his offer.

The second offer received was for a purchase price of \$799,000 and is dated November 6, 2012. This offer was accepted by the seller. The terms of the acquisition are cash to the seller at close of escrow. It is my understanding that this contract recently expired. It is my understanding that the buyer intended to construct a 15,063± square foot pharmacy on the subject property and 66 on-site parking spaces. Over the term of the contract, it is my understanding that the buyer conducted extensive due diligence related to the transaction and remains interested in acquiring the property.

The subject property remained as an active/pending listing in the Multiple Listing Service during the term of the escrow, until the listing expired on June 3, 2014. Ms. Deb Howard, the listing agent, indicated that she has received other interest in the property, but no formal offers. Based on verbal discussions, she indicated that the other prospective buyers had also planned to construct a pharmacy on the site and that their pricing level was in the range of the current asking price.

**Property History – Historical Uses**

At the time of acquisition of the subject property by the City of South Lake Tahoe in 1996, the property was improved with four motels that, in aggregate, had 92 hotel rooms and a commercial structure with 794± square feet of building area. The motels and commercial structure were demolished subsequent to the acquisition of the site by South Lake Tahoe and the appurtenant development resources (TAUs and CFA) were transferred off the site.

**Property History – Proposed Development**

The property was, until recently, under contract to a buyer who had planned to construct a Walgreens Pharmacy on the property. Previously, the property had been identified as a potential fifth phase of the Lake Tahoe Vacation Resort (formerly Embassy Vacation Resort), which is a completed project of the former redevelopment agency that is located diagonally across the intersection from the subject property. The potential fifth phase was envisioned to include construction of 13,000 square feet of commercial space and 24 hotel rooms. Prior to that, the former redevelopment agency had identified a concept-level development plan for the property that included a two story commercial building with retail and restaurants encompassing approximately 38,000 square feet.

**Tax and Assessment Data (2013-2014)**

As the subject property is presently owned by a South Lake Tahoe Redevelopment Agency, it is not assessed for real property taxation purposes. Upon sale to a private party, the subject property will be assessed and placed on the tax rolls.

Following the enactment of Proposition 13 in the State of California, the assessed value of a property is equivalent to the Assessor's opinion of its taxable value as of the base year, plus annual increases not to exceed 2%. The Assessor re-appraises property upon sale or major renovations, and the assessed value is adjusted accordingly.

**Summary**

The subject property involves a 65,776± square foot parcel located at the southwest corner of Lake Tahoe Boulevard (U.S. Highway 50) and Ski Run Boulevard in the City of South Lake Tahoe. The property involves basically level to slightly sloping topography and is slightly above street grade of Lake Tahoe Boulevard. Portion of the subject property are rough graded. This site was previously improved with four motels and a commercial structure. The property is located in the Tourist Center Mixed Use District. The surrounding development involves commercial/retail, single family and tourist accommodation utilizations which ranges from average to excellent quality construction and condition.

Overall, the subject property is considered to features a very desirable location in the central portion of town with direct access from both U.S. Highway 50 and Ski Run Boulevard.

### HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined as the most reasonable and probable use that supports the highest present value of the vacant land and/or improved property, as defined, as of the effective date of valuation. Implicit in this definition is that highest and best use must be physically possible, legally permissible, economically feasible and maximally productive. In this analysis the subject site, absent consideration of any improvements, is being addressed. Therefore, the highest and best use analysis as if vacant will be conducted.

The subject site involves a 65,776± square foot site located at the southwest corner of Lake Tahoe Boulevard (U.S. Highway 50) and Ski Run Boulevard. The property has 370± feet of frontage along U.S. Highway 50 and 198± feet of frontage along Ski Run Boulevard. The subject property involves basically level to slightly sloping topography. The subject is located in high capability soils. The property enjoys very good access and exposure. All utilities are reasonably available to the subject site. The property is located along the U.S. Highway 50 commercial corridor with surrounding development including commercial, tourist accommodation, retail and recreation uses. Overall, the site is physically suitable for development.

#### *Legally Permissible*

With respect to legally permissible uses, the subject property is located within the Tourist Core Area Plan. The planning statement for "The Tourist Core Area Plan indicates that it encourages general improvement of the built environment. It provides a framework that will change the existing conditions into opportunities for redevelopment with a focus on achieving on the ground environmental improvements consistent with the City's General Plan and environmental threshold goals of the 2012 regional plan."

The subject is located in a Mixed Use district which is intended to primarily provide for tourist accommodation uses, with supporting retail commercial uses to meet the regional

demand for quality accommodation in the Stateline area in a manner compatible with a pedestrian environment. Allowed uses include:

**Residential**

- Multiple Family Dwelling;
- Single Family Dwelling (includes condominiums);
- Employee Housing (requires a special use permit);
- Multi-Person Dwellings (requires a special use permit);
- 

**Tourist Accommodation**

- Bed & Breakfast Facilities;
- Hotel, Motel, Other Transient Dwelling Units; and
- Time Sharing

**Entertainment Commercial**

- Amusement and Recreation (requires a special use permit);
- Privately Owned Assembly and Entertainment (requires a special use permit);
- Outdoor Amusements (requires a special use permit);

**Retail Commercial**

- General Retail and Personal Services;
- Eating & Drinking Places (requires a special use permit);
- Service Stations (requires a special use permit).

**Service Commercial**

- Professional Offices;
- Business Support Services (requires a special use permit);

**Light Industrial Commercial**

- Small Scale Manufacturing (requires a special use permit);

**Wholesale/Storage Commercial**

- Vehicle Storage & Parking (requires a special use permit);

**General Public Service**

- Daycare Centers/Preschool;
- Local Public Health and Safety Facilities;
- Religious Assembly (requires a special use permit);
- Cultural Facilities (requires a special use permit);
- Local Assembly & Entertainment (requires a special use permit);
- Public Owned Assembly & Entertainment (requires a special use permit);
- Public Utility Centers (requires a special use permit)

In addition, Resource Management and Open Space uses are also allowed. The minimum lot size is 10,000± square feet, with a minimum lot width of 80± feet and a minimum lot depth of 100± feet. The required setback from Lake Tahoe Boulevard is generally 30 feet. The maximum building height is 56 feet with a maximum of four stories.

Overall, based upon the current zoning, it would appear that the property could be developed with a variety of tourist accommodation, residential, retail and professional office utilizations.

*Economically Feasible and Maximally Productive*

In addition to zoning, other considerations are involved in assessing the highest and best use of a vacant sites within the Lake Tahoe Basin. In order to construct a commercial building, one square foot of commercial floor space is required for each square foot of building area constructed. The cost for commercial floor space in the City of South Lake Tahoe is currently estimated to be in the range of \$30.00 per square foot based on the most recent 2014 sales of CFA. Additionally, in order to construct residential units, one residential development right is required for each unit constructed. Equivalent Residential Units are very expensive, with prices ranging from \$30,000 to \$50,000. The cost of bankable Tourist Accommodation Units his presently in the range of \$20,000 to \$30,000 per unit. As the subject property does not presently have any of these intangible development resources, the cost of bringing the appropriate development rights to the property in order for development to occur would be very expensive.

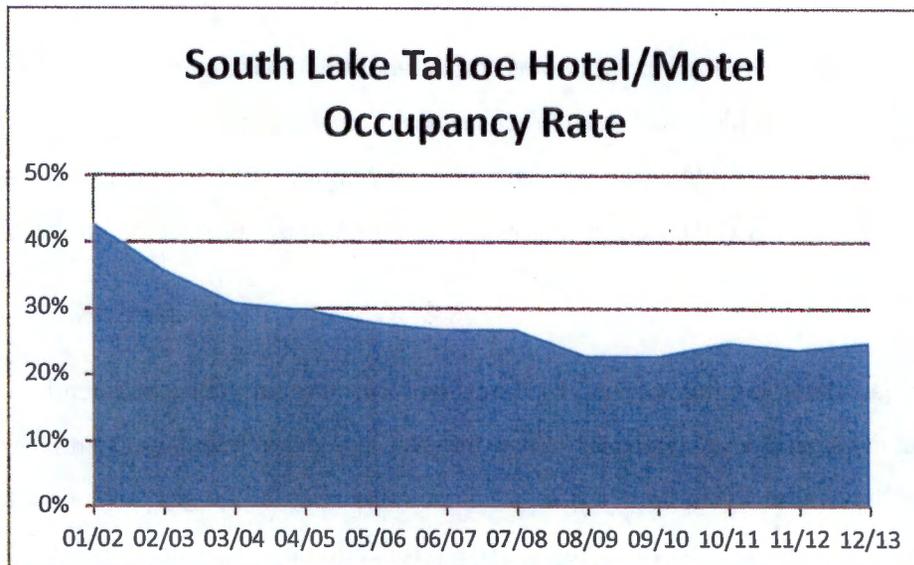
In analyzing the highest and best use for the subject property, consideration is given to the location of the property in a primarily commercial and recreational neighborhood with frontage along U.S. Highway 50 and Ski Run Boulevard.

In this analysis consideration has been given to a wide variety of potential uses. Consideration is given to a time share use, as that was a past proposed use of the subject property, consideration has also been given to retail, lodging and residential utilizations.

### Lodging Market

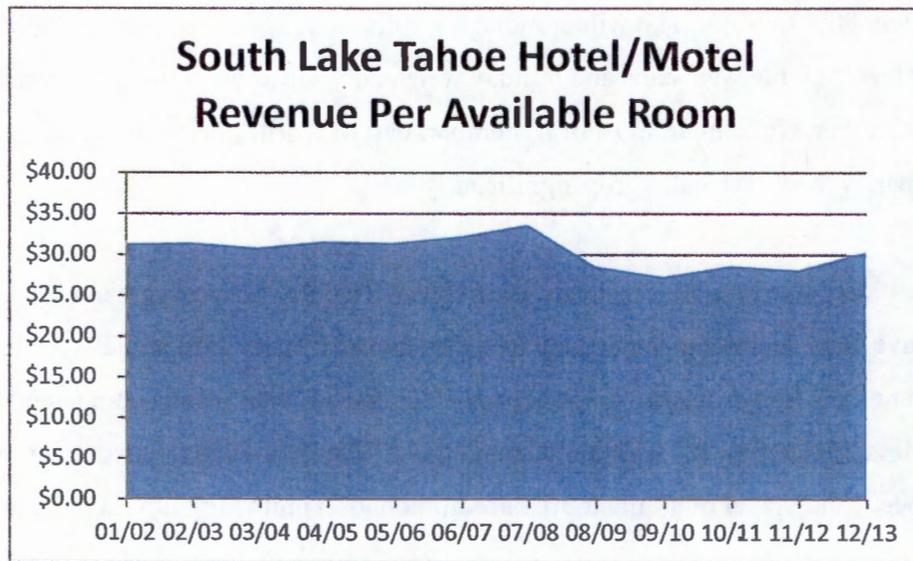
The lodging market within the Tahoe Basin is very seasonal. The summer season is the busiest time of year due to the cool summer temperatures, numerous outdoor activities and the casinos. Occupancy levels in the overall market during July and August are approximately 80% to 90%. The winter months are also a busy time of year, with the highest occupancy levels on the weekends and holiday weekends. However, during the shoulder months of October, November, most of December, part of April, May, and the first half of June, occupancy levels typically drop significantly.

The older motels in the Basin are most affected by the seasonal demand base. These facilities have been achieving occupancy levels as low as 25% to 35% annually, or less. On the other hand, the higher quality lodging properties that are well managed apparently are somewhat less affected by the seasonal demand base. The following table contains the historical occupancy level of all the tourist accommodation units in South Lake Tahoe.



As indicated, there was a significant decline in occupancy from 10/02 to 03/05 with a decline from over 40% annual occupancy to under 30% annual occupancy, since that time, average annual occupancy has remained relatively flat in the range of 30%.

Revenue Per Available Room (RevPAR) for South Lake Tahoe has generally been relatively flat over the last ten years, with a slight decline over the last five years. Historical RevPAR for South Lake Tahoe is summarized as follows:

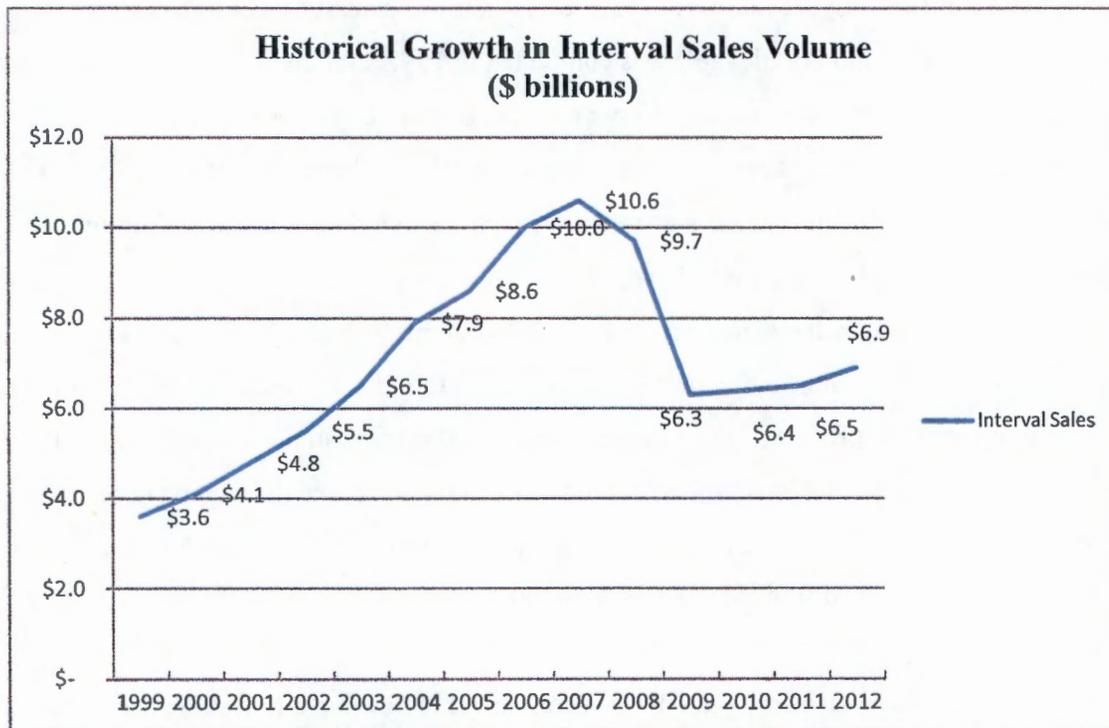


Overall, with revenue per available room at about \$30 per night in South Lake Tahoe at the present time, it is likely not economical to develop a lodging use on the subject property. Additional consideration is given to the very high cost of acquiring Tourist Accommodation Units (TAUs) for each hotel/motel room to be constructed on the site.

#### **Timeshare Market**

Similar to the lodging market, the timeshare industry nationally and locally has been operating at depressed levels recently. Over the past few years there have been far fewer prospective buyers for discretionary purchases in comparison to the peak of the market between 2004 and 2008. According to the 2013 publication by the American Resort Development Association (ARDA), 2012 timeshare sales volume was \$6.9 billion. This is an increase of 6.2% over 2011 sales volume. Sales bottomed out in terms of total dollar volume in 2009. Since 2009 there has been a slow but steady increase through 2012 (latest data available). Overall, it is likely that this trend has continued into 2013 along with

improvements in the residential real estate market, however, the price of timeshares remain significantly below peak levels.



In 2012 there were approximately 366,200 timeshare intervals sold at an average sale price of \$18,700. In 2010, there were approximately 329,200 timeshare intervals sold at an average price of \$19,300. In 2009, there were 307,800 timeshare interval sales at an average price of \$20,468.

It is important to note, however, that the supply of timeshare resorts has declined within the last five years. In 2004, there were approximately 1,700 timeshare resorts in the U.S. As of 2012, there were 1,551 timeshare resorts, a decline of nearly 9%.

The timeshare industry on a national basis is continuing to experience soft, though improving conditions. As the economy recovers and consumer liquidity and financing increases, the timeshare industry should experience higher sales volume. However, it is not

anticipated that the industry will reach the levels achieved during the peak of the economy for several more years.

Phase I of Embassy Vacation Resort (located at the northeast corner of Ski Run Boulevard and Lake Tahoe Boulevard) was completed in 1997, and involves a six-story, good quality wood frame and steel structure. There are now a total of 142 guest suites. The units have two bedrooms and two baths with lock-off units similar to the subject project. Each unit contains 1,140± square feet. The on-site amenities include an indoor/outdoor swimming pool, spas, exercise room and a restaurant. In addition, many of the units enjoy a view of the lake. This project is currently being sold on a points based system. It should be noted, I was not able to obtain sufficient information on the points system to indicate the current pricing of a one-year interval at the property. Prior to the points based system, in the second half of 2011, there were two sales at \$10,500 and \$18,500 for 2-bedroom units, which is an average of \$14,500. Additionally, in 2013 the resort bought back a number of the units from owners. The buyback prices ranged from \$14,000 to \$29,400.

On a standalone basis, it would not be economical to develop a timeshare use of the subject property at the present time due to the weak market for timeshare properties and due to the high cost of installing the necessary amenities for a timeshare use of the property.

#### **Residential Market**

Consideration has also been given to a residential use of the site. In order to gauge the economic feasibility of a residential use of the site, consideration has been given to the nearby Sierra Shores property which was constructed in 2006 and is deeded as quarter shares. This property features a lakefront location (a very desirable amenity that the subject property does not have). The Sierra Shores property has two floor plans, the smaller floor plan is 1,782± square feet with three bedrooms and three bathrooms. The larger floor plan is two stories with 3,201± square feet and contains four bedrooms and four baths. This floor plan includes an elevator to the upper floor. All units sell fully furnished and come with a detached garage.

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Unit sale prices within this complex are set out on the following table the sales are divided between the peak of the market (2006 through early 2008) and current sales (2012-2013).

**Sierra Shores Sales**

	Fractional Interest	Size (±sf)	Bed	Bath	Sale Date	Sale Price	Equivalent Whole Ownership Price Per SF
<i>Peak of Market (2006 to 2008)</i>							
	25.0%	1,782	3	3	4/18/2006	\$ 500,000	\$1,122
	100.0%	1,782	3	3	6/28/2006	\$ 2,350,000	\$1,319
	25.0%	3,201	4	4	7/13/2006	\$ 765,000	\$956
	25.0%	3,201	4	4	7/13/2006	\$ 775,000	\$968
	25.0%	1,782	3	3	7/25/2006	\$ 599,000	\$1,345
	100.0%	1,782	3	3	9/1/2006	\$ 2,600,000	\$1,459
	25.0%	1,782	3	3	9/12/2006	\$ 599,000	\$1,345
	25.0%	3,201	4	4	3/9/2007	\$ 825,000	\$1,031
	100.0%	3,201	4	4	3/15/2007	\$ 3,180,000	\$993
	25.0%	1,782	3	3	7/18/2007	\$ 659,000	\$1,479
	100.0%	3,201	4	4	6/16/2008	\$ 2,550,000	\$797
	25.0%	1,782	3	3	2/29/2008	\$ 599,000	\$1,345
	<b>Averages</b>		<b>2,373</b>				<b>\$1,180</b>
<i>Current Sales (2012/2013)</i>							
	25.0%	3,327	4	4	1/13/2012	\$295,850	\$356
	25.0%	1,787	3	3	2/16/2012	\$225,000	\$504
	25.0%	1,787	3	3	5/15/2012	\$236,000	\$528
	25.0%	1,787	3	3	5/25/2012	\$240,000	\$537
	100.0%	3,327	4	4	9/25/2012	\$1,025,000	\$308
	50.0%	1,787	3	3	9/5/2013	\$585,000	\$655
	100.0%	3,327	4	4	9/24/2013	\$1,699,000	\$511
	<b>Average</b>		<b>2,447</b>				<b>\$485</b>

As evidenced from the table, at the peak of the market in 2006 through early 2008 Sierra Shores sales indicated an average equivalent whole ownership sale price of \$1,180 per square foot. The re-sales in 2012 and 2013 indicate an average equivalent whole ownership sale price of \$485 per square foot. This reflects a decline 59% from the peak of the market to current sale prices. Based on current sales prices and my knowledge of the original construction costs, it would not be economical to build units similar to the Sierra Shores luxury condominiums at the present time.

### **Specialty Retail Centers**

I have also given consideration to a retail use of the subject property. In the following paragraphs, there will be an overview of the nearby newer specialty retail centers. Two of the specialty retail centers are located in very close proximity to the subject property, Ski Run Center and Ski Run Marina. The other three centers are located about one mile to the northeast in the more desirable primary tourist core of South Lake Tahoe, adjacent to the Nevada Casinos. The newer specialty retail centers in the subject neighborhood are summarized as follows:

- The Shops at Heavenly Village
- Cecil's Plaza
- The Chateau (under construction)
- Ski Run Marina
- Ski Run Center

#### ***Shops at Heavenly Village***

The Shops at Heavenly Village in South Lake Tahoe, California is a retail center that contains 90,605± square feet gross leasable area of which about 32,000± square feet fronts along U.S. Highway 50 and the Heavenly Gondola. The specialty retail complex is comprised of eight commercial condominium units located on the first floor of the Marriott Grand Residence Inn quarter share hotel, as well as the two parcels with the cinema and ice rink/miniature golf course. It is part of the completed Park Avenue redevelopment project that includes the Heavenly Gondola and the Marriott Grand Residence Inn. Substantial pedestrian traffic is generated from the Gondola and the many hotel rooms in Marriott's quarter share and time share properties, Embassy Suites, and the four Stateline casinos.

The property enjoys excellent exposure along Lake Tahoe Boulevard and Heavenly Village Way. Rents for the 32,000± square feet of specialty retail space that fronts along U.S. Highway 50 and the Gondola generally range between \$3.00 to \$6.00 per square foot per month based on triple net lease terms. The retail center is presently about 92.5% occupied.

***Cecil's Plaza***

Cecil's Plaza is located between the Lake Tahoe Resort Hotel and Marriott's Timber Lodge, roughly one block from the Stateline casinos. This 24,000± square foot wood frame specialty retail center was constructed in early 2004 and offers good architectural appeal. During construction, this center was 90% pre-leased and now has one vacant suite on the upper floor at an asking rent of \$3.00 per square foot. Some of the tenants within Cecil's Plaza include Alpine Clothing and Leather, Body Essentials, Cecil's Market, The Brewery (steakhouse restaurant), and North Face, and The Boardinghouse. Suite sizes range from 1,517± - 3,486± square feet. As a triple net lease, CAM and other reimbursable expenses are currently at approximately \$0.85 per square foot.

Much of Cecil's shopping demand emanates from casino pedestrian traffic as the Lake Tahoe Resort Hotel (formerly an Embassy Suites) is the only property between the retail center and Harrah's. However, parking is available behind the center, although it is tight.

***Chateau Development***

The Chateau retail component consists of 30,038± square feet of retail space that is presently under construction at the southwest corner of Lake Tahoe Boulevard and Stateline Avenue. The larger Chateau Project is a mixed-use project that is proposed to be developed with tourist accommodation and residential utilizations at a later date. Development of the project commenced in the summer of 2007, with construction stopping in early 2008, and the developer eventually filing for bankruptcy. The project's largest lender took over the site and commenced construction on the specialty retail space in the fall of 2013. The retail space will include 22,304± square feet of retail space at street grade and 7,734± square feet of below street grade space that will be occupied by a bar/night club. It is my understanding, at the present time, that the property is about 80% preleased at rents that average around \$5.00 per square foot per month based on triple net lease terms. The estimated monthly CAM charges are \$0.70 per square foot per month.

This project has a much superior location than the subject due to its location adjacent to the Nevada Casino Core and also benefited from reduced development costs due to the hard and soft construction work which was completed at the peak of the market before the original developers of the Chateau filed for bankruptcy.

***Ski Run Marina***

Ski Run Marina is located on the south shore of Lake Tahoe, approximately one mile west of The Shops at Heavenly Village. The retail component of the marina was constructed in 1997 with 31,901± square feet of retail space. Suite sizes range from 386± square feet to 1,576± square feet. In addition to the retail space, this property features a lakefront restaurant and a marina operation with boat rentals, slips, buoys, tour boat operation, charter fishing, and beach rentals (kayaks, paddleboats, wave runners, etc.). Ski Run Marina also features a public beach. The comparable retail improvements are in good condition. However, the marina facilities were constructed in 1963 and have not been maintained in good condition. Parking at this facility can be very tight. During the summer season, the parking lot is frequently filled to capacity and patrons must use a municipal parking lot approximately 1/4 to 1/2 mile up Ski Run Boulevard. There is a courtesy bus that transports patrons between the municipal parking lot and the marina. The retail space associated with this property has struggled over the last five years and it is my understanding that the most recent contract rents are in the range of \$1.25 per square foot per month based on triple net lease terms.

***Ski Run Center***

The Ski Run Center is a 19,618± square foot retail center located at the northeast corner of U.S. Highway 50 and Ski Run Boulevard. The old center was demolished in approximately 2007 and was re-constructed in 2008. The new center is of good quality and enjoys excellent corner exposure at one of the major intersections on the south shore of Lake Tahoe. It is anchored by Red Hut Café and KFC. The center was initially well-received as it leased up to approximately 70% at opening, but has been slow to lease up its remaining space due to the downturn in the economy. The center is presently about 15% vacant. Recently

executed leases in this center have been at \$1.75 to \$2.00 per square foot based on triple net lease terms.

Overall, at the present time, there would likely not be sufficient demand to justify construction of a specialty retail center on the subject property. There are two retail centers (Ski Run Marina and Ski Run Center) located in very close proximity to the subject property that are operating at rents and occupancy levels that would not make it economically feasible for new construction of a specialty retail center on the subject site at the present time. Additionally, a specialty retail center use of the subject property would likely not induce new demand in the immediate surrounding area and would therefore rely on competing with the two adjacent retail centers for tenants.

#### **Stand-Alone Development**

Consideration has also been given to the proposed use of the subject property as a stand-alone retail or restaurant use. The subject property had been proposed to be developed with a Walgreens by a developer who had the property under contract until recently. This use of the subject property would likely be economically feasible due to the demand which would be generated by a Walgreens or similar type tenant. It is my understanding that the other individual who had also submitted an offer on the subject property had planned to move an existing restaurant to the subject site. This prospective buyer withdrew his offer when he discovered that the seller was not including any Commercial Floor Area rights in the sale of the subject, which greatly increases the costs of development. Based on the interest in the subject property, a stand- alone retail/restaurant use of the subject property may be economically feasible at the present time. It is noted that there is a very limited market of potential end users of the subject site at the present time and most uses are presently not economically feasible at the present time.

In conclusion, based upon a careful review and analysis, it is my opinion that the highest and best use of the subject site is for future commercial development at a time when demand warrants. The only uses which would be economical for development of the site

today are stand-alone uses such as the proposed Walgreens on the site. At a future date, if market conditions continue to improve, it may become economically feasible to construct more intensive development on the site. Therefore, the likely buyer of the site is either a party that plans to construct a stand-alone restaurant/retail use on the site today or a party that plans on holding the property with anticipation that market conditions will improve to a level that supports a more intensive use of the site at a future date.

### INTRODUCTION TO VALUATION ANALYSIS

To establish the Market Value of the subject site, I have considered all three approaches to value: the Income Approach, the Cost Approach, and the Sales Comparison Approach. As land is not typically valued based on its income generating potential, the Income approach will not be used in this analysis. As the subject property as vacant, the Cost Approach is not an applicable method by which to value the subject property. Therefore, the only appropriate method by which to value the subject property, as vacant, is the Sales Comparison Approach. The Sales Comparison Approach is based on the principal of substitution, which holds that the value of the subject property, as vacant, tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability.

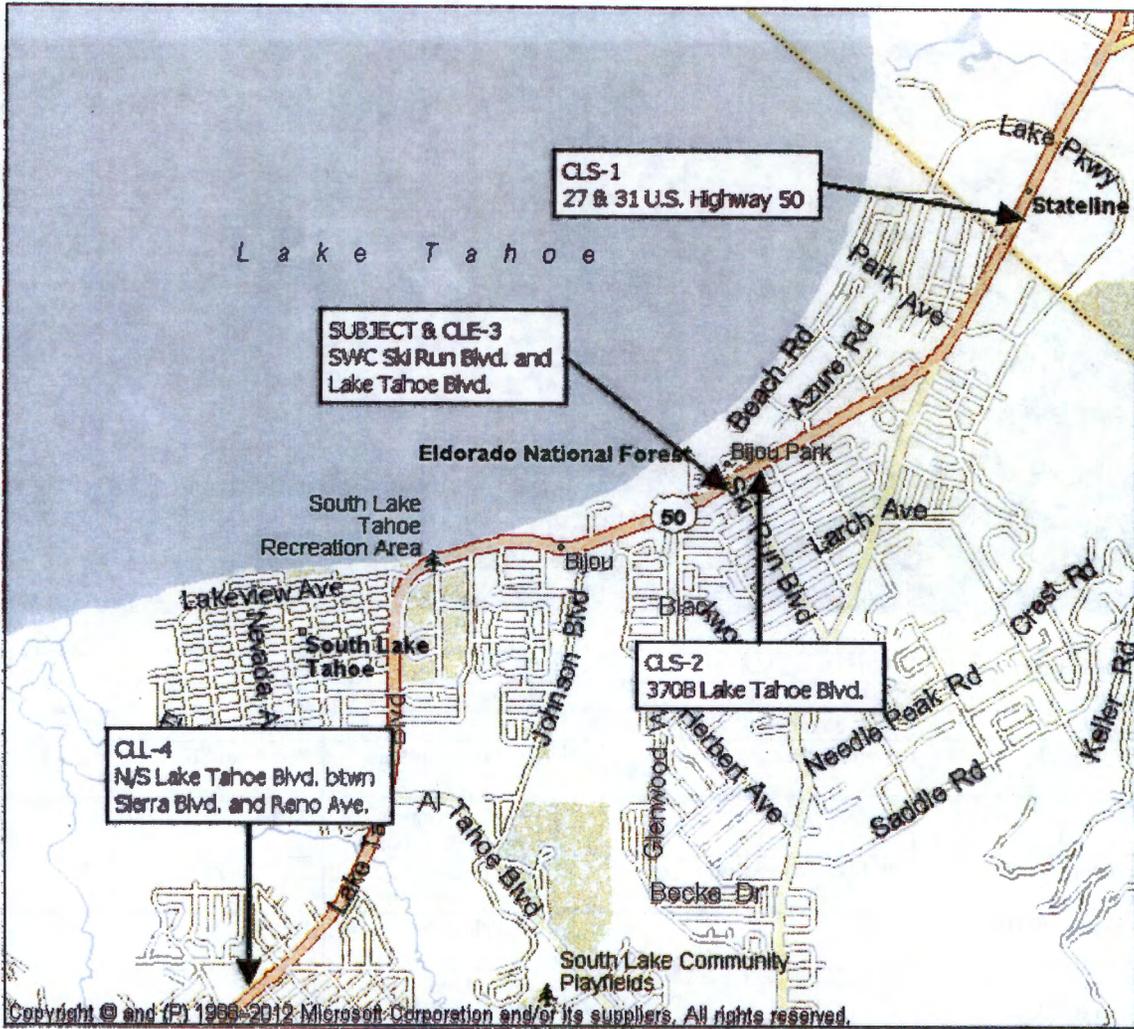
To establish an estimate of the Market Value of the subject property as vacant I researched commercial development land sales in the South Lake Tahoe area. All comparables that were found were investigated, analyzed and compared to the subject property. In the Sales Comparison Approach, I will analyze the land sales based on the sale price per square foot of total land area basis. The sales data is set forth on the following chart and sale profile sheets.

## COMPARABLE SALES CHART

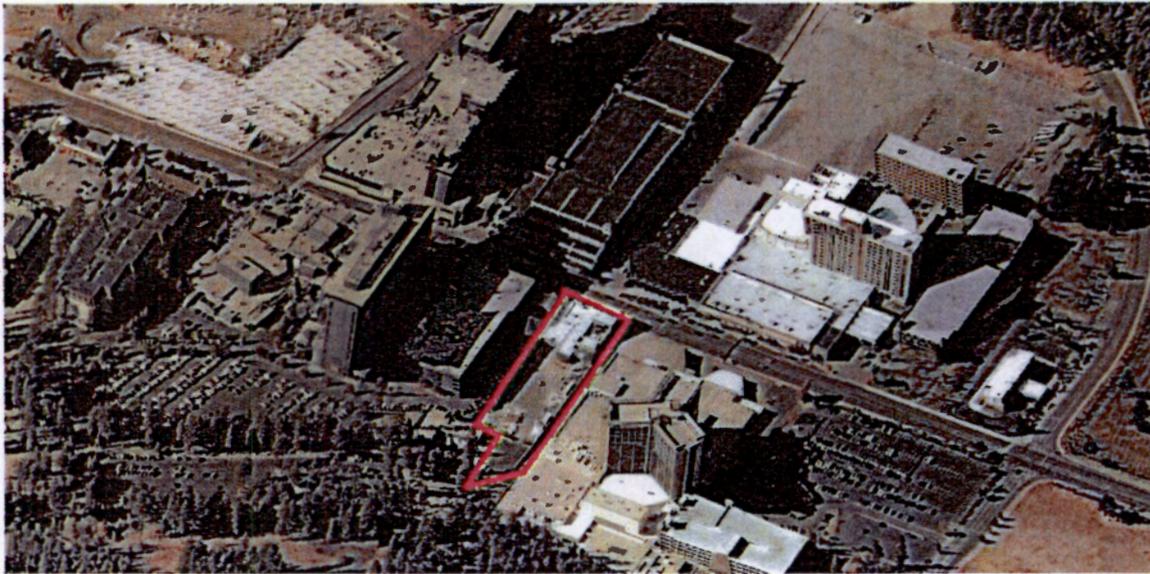
Sale No.	Property Identification/APN	Sale Date	Sale Price	Total Land Area/ Land Coverage/ Percentage Land Coverage to Total Land Area	TRPA Development Resources	Price Per Square Foot of Land Area
CLS-1	Bill's Casino Site 27 & 31 U.S. Highway 50 1318-27-002-003 & 004	2/26/2010	\$5,225,000	92,783± Sq. Ft. 88,144± Sq. Ft. 95.0%	41,306± Sq. Ft. of CFA	\$56.31
CLS-2	3708 Lake Tahoe Blvd. 027-072-32	11/17/2011	\$375,000	22,500± Sq. Ft. 22,448± Sq. Ft. 99.8%	1,158 Sq. Ft. of CFA	\$16.67
CLE-3	SWC Ski Run Blvd. and Lake Tahoe Blvd. 027-690-08 and 09	Cancelled Escrow	\$799,000	65,776± Sq. Ft. 43,000± Sq. Ft. 65.4%	None	\$12.15
CLL-4	North side of Lake Tahoe Blvd., between Sierra Blvd. and Reno Ave.  031-290-01	Current Listing	\$199,000	32,670± Sq. Ft. 9,801± Sq. Ft.  30.0%	None	\$6.09
SUBJECT	SWC Of Lake Tahoe Boulevard and Ski Run Boulevard South Lake Tahoe, CA 027-690-08 and 09	6/9/2014  (DOV)	---	65,776± Sq. Ft.  43,000± Sq. Ft. 65.4%	None	-

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**COMPARABLE SALES MAPS**



**COMPARABLE COMMERCIAL LAND SALE PROFILE SHEET  
 (CLS-1)**



<b>Property Name:</b>	Bill's Casino Site	<b>City:</b>	Stateline
<b>Address:</b>	27 & 31 U.S. Highway 50	<b>County:</b>	Douglas
<b>A.P.N.:</b>	1318-27-002-003 & 004	<b>State:</b>	Nevada
<b>Topography:</b>	Basically Level	<b>Legal Description:</b>	Portion of SE ¼ of Sec. 27, T. 12N, R 18E
<b>Total Land Area:</b>	92,783± Square Feet	<b>Land Coverage to Land Area Ratio:</b>	95%
<b>Existing Land Coverage</b>	88,144± Square Feet	<b>Sale Price</b>	\$5,225,000
<b>Expected TAUs</b>	None	<b>Sale Price/SF of Land Area:</b>	\$56.31
<b>Commercial Floor Area (CFA):</b>	41,306± Square Feet	<b>CFA to Land Area Ratio</b>	44.52%
<b>Sale Date:</b>	2/26/2010	<b>Document No.:</b>	759332
<b>Grantor:</b>	Harvey's Tahoe Management Company, Inc.	<b>Terms Of Sale:</b>	Cash to Seller. Private Party Loan for 50% of the purchase price
<b>Grantee:</b>	SS Management, LLC	<b>Verification:</b>	County Records

**Comments:** This property enjoys excellent exposure along U.S. Highway 50 at the Nevada/California State Line. The property is located on the east side of U.S. Highway 50 between Harrah's Casino and MontBleu Casino. The comparable was purchased for potential renovation and conversion to retail space and adult entertainment. The Grantor made the Grantee sign Restrictive Covenants that restricts the future use of the property as a gaming facility. The Restrictive Covenants limit gaming uses on the comparable property to no greater than 150 slot machines with denominations no greater than \$5, a sports book and any lottery or race book. All other gaming uses of the property are prohibited. Upon sale, the building was extensively renovated and the new owners converted it to a multi-tenant retail center. The property is now leased to CVS, Lucky Beaver Bar and Burgers, and other small retail tenants.

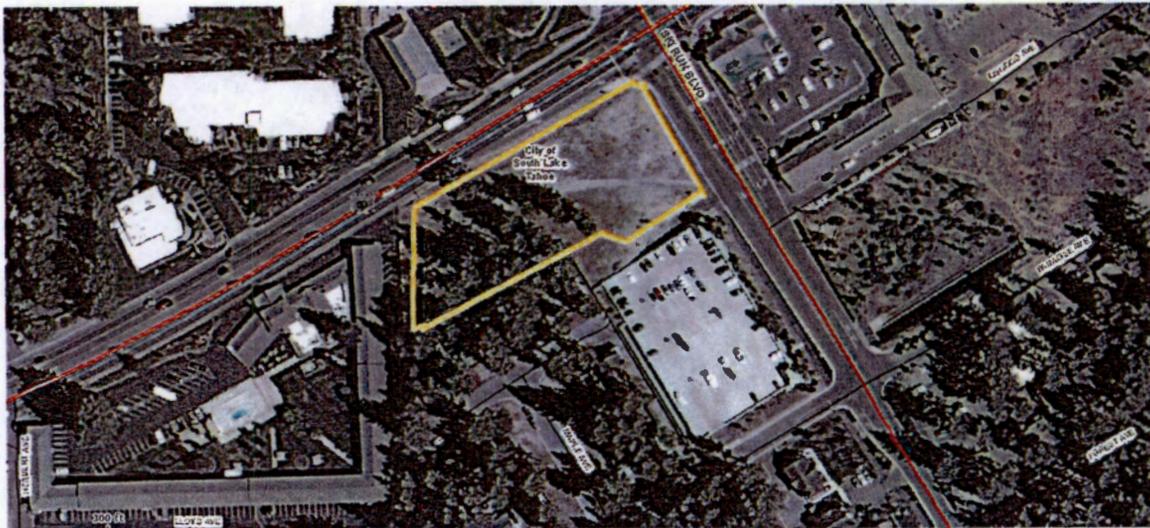
**COMPARABLE COMMERCIAL LAND SALE PROFILE SHEET**  
 (Sale CLS-2)



<b>Property Address:</b>	3708 Lake Tahoe Blvd.	<b>City:</b>	South Lake Tahoe
<b>Property Location:</b>	S/S Lake Tahoe Blvd., on the E/S of the Fantasy Inn	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	027-072-32	<b>State:</b>	California
<b>Topography:</b>	Gentle	<b>Legal Description:</b>	Lots 127, 128 & 129, block 2, Bijou Park, El Dorado County, California
<b>Total Land Area:</b>	22,500± Square Feet	<b>% of Land Coverage to Total Land Area:</b>	99.77%
<b>Existing Land Coverage:</b>	22,448± Square Feet	<b>Sale Price:</b>	\$375,000
<b>TAUs</b>	None	<b>Sale Price/SF of Land Area</b>	\$16.67
<b>Commercial Floor Area:</b>	1,158± Square Feet	<b>CFA to Land Area Ratio</b>	5.15%
<b>Sale Date:</b>	11/17/2011	<b>Document Number:</b>	55124
<b>Grantor:</b>	Mary West Living Trust	<b>Terms Of Sale:</b>	Cash
<b>Grantee:</b>	State of California	<b>Verification:</b>	Joe Olson w/McCall Realty, the listing agent

**Comments:** This property has 150± feet of frontage on Lake Tahoe Boulevard, U.S. Highway 50, just east of Ski Run Boulevard. The site is adjacent to the Fantasy Inn and an IHOP restaurant. Additional surrounding development includes a Chevys Fresh Mex restaurant, the newly redeveloped Ski Run Center, the Ski Run Marina, Lake Tahoe Vacation Resort timeshare development, a McDonald's restaurant, and many other commercial, retail and tourist accommodation uses. The site is also in reasonably close proximity to the casino corridor. Accordingly, the site is considered to have good access and exposure and a favorable location. All utilities are immediately available. This property had been listed for sale for several years, originally at \$1,500,000, then \$950,000. The listing price at the time of sale was 439,000. The property was purchased a short time later, as shown above, by the State of California through the California Tahoe Conservancy.

**COMPARABLE LAND SALE PROFILE SHEET  
 CANCELLED ESCROW CLE-3**



<b>Property Name:</b>	Former Redevelopment Site	<b>City:</b>	South Lake Tahoe
<b>Property Location:</b>	SWC Ski Run Blvd. and Lake Tahoe Blvd.	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	027-690-08 and 09	<b>State:</b>	California
<b>Topography:</b>	Level but several feet above highway grade	<b>Legal Description:</b>	Por. Sec. 33, t13N, R18E, M.D.M.
<b>Total Land Area:</b>	65,776± Square Feet	<b>% of Land Coverage to Total Land Area:</b>	65.37%
<b>Existing Land Coverage:</b>	43,000± Square Feet	<b>Escrow Price:</b>	\$799,000
<b>TAUs</b>	None	<b>Escrow Price/SF of Land Area</b>	\$12.15
<b>Commercial Floor Area:</b>	None	<b>CFA to Land Area Ratio</b>	NA
<b>Sale Date:</b>	Cancelled Escrow	<b>Document Number:</b>	NA
<b>Current Owner:</b>	City of South Lake Tahoe	<b>Terms Of Sale:</b>	Cash to seller
<b>Grantee:</b>	N/A	<b>Verification:</b>	Deb Howard, Deb Howard and Company, listing agent

**Comments:** This cancelled escrow was at full asking price and as an all cash transaction. Reportedly, there was a previous offer at the full asking price immediately after the site was put up for sale. The first offer fell through. The second full offer was received 45 days from the date the property went on the market. It is my understanding that in the second quarter of 2014, this escrow was cancelled. The prospective buyer remains interesting in purchasing the site and has conducted considerable due diligence on the site.

**COMPARABLE LAND SALE PROFILE SHEET**  
**Listing CLL-4**



Property Address:	2575 Lake Tahoe Boulevard	City:	South Lake Tahoe
Property Location:	North side of Lake Tahoe Blvd., between Sierra Blvd. and Reno Ave.	County:	El Dorado
A.P.N.:	031-290-01	State:	California
Topography:	Level	Legal Description:	Por. Section 4, T12N, R18E, MDM
Total Land Area:	32,670± square feet	Zoning:	Commercial in Airport Overlay
Available Land Coverage:	9,801± square feet	% of Land Coverage to Total Land Area:	30.00%
Development Rights:	None	% of CFA to Land Coverage:	N/A
Sale Date:	Current Listing	Asking Price:	\$199,000
Asking Price Per S.F. of Land Area:	\$6.09	Document Number:	N/A
Current Owner:	Ansari, Perry et al	Terms Of Sale:	N/A
Grantee:	N/A	Verification:	Lloyd Arnoff with Remax, listing agent

**Comments:** This is a level commercial parcel along Lake Tahoe Boulevard. It is adjacent to Push Fitness Center. As it is also located in the Airport Overlay Zone, there are height restrictions and CFA can only be brought to the site from sending parcels within the Airport Overlay Zone. This further restricts its development potential. The site last sold in 2007 for \$235,000. It has been on the market with the current agent for over a year, but was listed with other agents for several years. There has been little interest in the site. Given height restrictions and the difficulty finding CFA from properties within the AOZ, the highest and best use may be for a parking lot that serves the Push Fitness property.

**COMPARABLE LAND SALES DISCUSSION AND COMPARISON  
Price Per Square Foot of Land Area Method**

**Qualitative Adjustments**

The following is a discussion of each of the elements of comparison used in the Sales Comparison Approach. Although a percentage or dollar value is not placed on the qualitative adjustment, the magnitude of the adjustment is indicated by the number of plus or minus symbols. Those adjustments with a plus symbol indicate an upward adjustment to the sale price per square foot is necessary.

***Property Rights Conveyed***

In all of the comparables, fee simple interest is being conveyed. Therefore, no adjustment is necessary for property rights conveyed

***Conditions of Sale***

In the definition of Market Value, neither buyer nor seller are under any extraordinary compulsions to buy or sell. All of the comparables appear to be reflective of typically motivated buyers and sellers.

***Market Conditions at Time of Sale***

One of the comparables occurred in 2010, one of the comparable sales occurred in 2011, one of the comparables is a pending escrow and one of the comparables is an active listing. Though the economy and real estate markets appear to have been improving over the last 24 months, there is not enough evidence to conclude that commercial redevelopment property values have increased during this time period. Additionally, appreciation in vacant land is primarily predicated upon it becoming economically feasible to construct allowed uses on similar properties. Therefore, until such a time as it is economically feasible for new development, the appreciation in prices of vacant land will likely be nominal. Accordingly, no adjustment for market conditions is warranted for the comparables.

***Location***

The subject features a location with 370± feet of frontage on Lake Tahoe Boulevard (U.S. Highway 50). All of the comparable's feature locations with frontage directly along Lake Tahoe Boulevard.

Sale CLS-1, is located in the casino core in Stateline, Nevada. CLS-1 features a very good location between Harrah's Resort and MontBleu with frontage along U.S. Highway 50. The Casino Core location is considered to be superior and a downward adjustment will be made for Sale CLS-1's superior location.

Sale CLL-4 is located at an inferior location in South Lake Tahoe, within an inferior zoning district. Therefore, an upward adjustment will be made to this comparable for its inferior location.

***Contributory Value of Existing Improvements***

One of the comparable's involved a site that had existing improvements at the time of sale, all of the other comparable's were vacant at the time of sale. Sale CLS-1 was extensively renovated after its purchase in 2010 and it is my understanding that redevelopment costs were equivalent to new construction costs, therefore now adjustment is required for contributory value of the existing improvements.

***Size***

All else being equal, sites with greater land area typically sell at a lower price per square foot. Based on the amount of land area for each of the comparables, I have applied the following qualitative adjustments.

**Comparable Sales  
Adjustments for Size**

Sale	Land Area	Adjustment
CLS-1	92,783± sq. ft.	+
CLS-2	22,500± sq. ft.	-
CLE-3	65,776± sq. ft.	=
CLL-4	32,670± sq. ft.	-
<b>Subject</b>	<b>65,776± sq. ft.</b>	

***Land Coverage: Land Area Ratio***

Assuming two properties with the same amount of land area, the property with a greater land coverage ratio (hence, greater percentage of developable area) is more desirable as there is greater development potential and design flexibility. The following table presents my qualitative adjustments for Land Coverage to Land Area Ratios.

**Comparable Sales  
Adjustments for  
Land Coverage: Land Area Ratios**

Sale	Land Coverage	Land Area	Land Coverage Ratio	Adjustment
CLS-1	88,144± sq. ft.	92,783± sq. ft.	95.0%	--
CLS-2	22,448± sq. ft.	22,500± sq. ft.	99.8%	--
CLE-3	43,000± sq. ft.	65,776± sq. ft.	65.4%	=
CLL-4	9,801± sq. ft.	32,670± sq. ft.	30.0%	+
<b>Subject</b>	<b>43,000± sq. ft.</b>	<b>65,776± sq. ft.</b>	<b>65.4%</b>	

***Development Resources***

Within the Tahoe Basin, development resources are necessary for nearly every project. Depending on the type of use, different development resources are required.

For office, industrial and retail commercial projects, the developer must have Commercial Floor Area (CFA) appurtenant to their site for each square foot of gross building area. CFA is a transferable development right that can be acquired in the open market. CFA is generally difficult to find in the open market, and is not always readily available from municipalities. Recent CFA sales in South Lake Tahoe have been in the \$30 per square foot range. Therefore, redevelopment properties with higher CFA to Land Area ratios are

typically more desirable. The table below contains the qualitative adjustments to the comparables for their CFA: Land Area Ratios.

**Comparable Sales  
 Adjustments for  
 CFA to Land Area Ratios**

Sale	CFA	Land Area	CFA Ratio	Adjustment
CLS-1	41,306± sq. ft.	92,783± sq. ft.	44.52%	--
CLS-2	1,158± sq. ft.	22,500± sq. ft.	5.15%	-
CLE-3	None	65,776± sq. ft.	NA	=
CLL-4	None	32,670± sq. ft.	NA	=
<b>Subject</b>	<b>None</b>	<b>65,776± sq. ft.</b>	<b>NA</b>	

**Off-Site Parking**

The subject property has an agreement to use 88 off-site parking spaces in an adjacent parking garage. This agreement would require that the owner of the subject pay for the pro-rata costs of operating and maintaining the parking structure. None of the other comparables feature off-site parking. The benefit of this attribute is somewhat mitigated by current market conditions and the recent proposed uses for the subject property. The developer of the proposed Walgreen's on the subject site did not plan on using any of the off-site parking spaces and instead proposed to constructed all necessary parking spaces on-site. If the subject property was to be developed with an intensity of use that required additional off-site parking, the 88 off-site parking spaces could be a very desirable attribute. However, the most likely users of the subject property today would develop all necessary parking on-site. Therefore, there is value associated with the 88 off-site parking spaces in that they provide for future design and site flexibility, but this attribute is mitigated by the relatively nominal contributory value of these off-site parking spaces to the most likely user of the site today.

An upward adjustment will be made to all of the sales to account for the subject's superior off-site parking amenity and the future design flexibility that it does provide for the subject site.

**Corner Influence**

The subject property is located at the corner of Ski Run Boulevard and Lake Tahoe Boulevard at a signalized intersection. Sale CLS-1 is also located at an intersection where a traffic signal has been installed. A corner location at a traffic signalized intersection is a very desirable amenity. Sales CLS-2 and Listing CLL-4 do not feature this amenity and a large upward adjustment will be made to each of these sales to account for the subject's superior corner location at a signalized intersection.

A summary of the qualitative adjustments is presented as follows:

**SALES ADJUSTMENT CHART**

Sale Number	Subject	CLS-1	CLS-2	CLE -3	CLL-4
Price/Unit	NA	\$56.31	\$16.67	\$12.15	\$6.09
Property Rights	Fee Simple	Fee Simple Ø	Fee Simple Ø	Fee Simple Ø	Fee Simple Ø
Conditions of Sale	Typical	Typical Ø	Typical Ø	Typical Ø	Typical Ø
Market Conditions	6/14	2/10 Ø	11/11 Ø	Expired Contract Ø	Listing -
Terms of Sale	Cash	Cash Ø	Cash Ø	Cash Ø	Cash Ø
Location		Superior --	Ø	Ø	Inferior ++
Site Size	65,776	92,783 +	22,500 -	65,776 Ø	32,670 +
Land Coverage to Land Area Ratio	65.4%	95.0% --	99.8% --	65.4% Ø	30.0% +
Existing Development Resources	None	CFA --	CFA -	None Ø	None Ø
Off-Site Parking	88 Spaces	None +	None +	88 Spaces Ø	None +
Corner Influence		Ø	++	Ø	++
<b>Total Net Adjustments</b>	<b>N/A</b>	<b>----</b>	<b>-</b>	<b>=</b>	<b>++++++</b>
<b>Indicator of Value</b>	<b>N/A</b>	<b>Very High</b>	<b>Slightly High</b>	<b>Good</b>	<b>Very Low</b>

### **CORRELATION AND FINAL PROPERTY VALUE CONCLUSION**

In the previous analysis, four comparables were analyzed and compared with the subject based upon the sale price per square foot of land area basis. The price per square foot of land area of the comparables range from \$6.09 to \$56.31 per square foot of land area.

**Sale CLS-1**, at \$56.31 per square foot of land area, is considered to be a very high indication of value for the subject property primarily due to the comparable's superior location in the primary tourist core of South Lake Tahoe/Stateline. Additionally this comparable contains significant commercial floor area rights which are very valuable. These superior aspects of the comparable are slightly mitigated by the larger size of the comparable in comparison with the subject.

**Sale CLS-2**, at \$16.67 per square foot of land area, is considered to be a slightly high indication of value for the subject property due to mitigating adjustments. This comparable is located in relatively close proximity to the subject property. The comparable has existing CFA rights and has a higher land coverage to land area ratio. This is mostly mitigated by the subject's superior corner influence and the subject's superior off-site parking.

**Cancelled Escrow CLE-3**, at \$12.15 per square foot of land area, is considered to be a good indication of value for the subject property. This reflects the recently terminated escrow to purchase the subject property. The subject property has been on the market for about two years and has been actively marketed. It is my understanding that other developers had informal discussions with the listing agent. These other prospective buyers has the intent of developing a stand-alone retail or restaurant use on the subject property. It is my understanding that these other prospective buyers were willing to a pay a price similar to the current contract price.

**Listing CLL-4**, at \$6.09 per square foot of land area, is considered to be a very low indication of value for the subject property primarily due to the inferior location of this

comparable removed for the tourist core and the airport overlay zone the comparable is located in which limits development.

In my final analysis, strong consideration is given to the recently terminated contract price of \$12.15 per square foot and the relatively narrow scope of potential prospective uses which would be economical to develop on the subject property today.

Overall, based on the comparable sales, and with consideration given to current economic conditions, the market evidence supports a value of \$10.00 to \$15.00 per square foot of land area. The \$10.00 to \$15.00 per square foot value is multiplied by the subject's 65,776± square feet of land area to arrive at an indicated Market Value Range of \$657,760 to \$986,640. Therefore, based upon a careful review and analysis of all information available, it is my opinion that the Market Value of the subject property as vacant, as of June 9, 2014, is \$800,000.

**FINAL "AS-IS" VALUE CONCLUSION**

**\$800,000**

### EXPOSURE TIME ANALYSIS

Exposure time is defined in the Uniform Standards of Professional Appraisal Practice as "The length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

In general, properties listed for sale at a price above market value will require an extended exposure time. Conversely, properties listed for sale at a price below market value will usually require a relatively short exposure time. Based upon the opportunity to develop a prime location in South Lake Tahoe, the estimated exposure time for this property could be reasonably short. On the other hand, current market conditions involve considerable uncertainty and there are a very limited number of uses which would be economical to develop on the subject property at the present time.

Based on these considerations, it is my opinion that a reasonable exposure time for this property is one to two years.

EXPOSURE TIME

ONE TO TWO YEARS

**APPRAISER'S CERTIFICATION**

Each of the undersigned does hereby certify that, unless otherwise noted in this appraisal report:

I have made a personal inspection of the property that is the subject of this report.

I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.

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

To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions and conclusions herein are based, are true and correct.

This report sets forth all the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.

This appraisal report has been made in conformity and is subject to the requirements of the Code of Professional Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

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

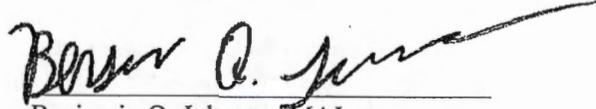
No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.

The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Benjamin Q. Johnson has completed the requirements under the continuing education program of the Appraisal Institute.

**JOHNSON-PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Respectfully Submitted,



Benjamin Q. Johnson, MAI  
California Certified General Appraiser  
License #AG043925

## STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the following assumptions and limiting conditions.

### LIMITS OF LIABILITY

This report was prepared by Johnson-Perkins and Associates, Inc. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Johnson-Perkins and Associates, as employees, not as individuals. The liability of Johnson-Perkins & Associates, Inc. and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraisers nor the appraisal firm is in any way to be responsible for any costs incurred to discover or correct any physical, financial and/or legal deficiencies of any type present in the subject property. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in the event of a lawsuit brought by a lender, a partner or part owner in any form of ownership, a tenant or any other party, the client will hold the appraiser(s) and the appraisal firm completely harmless in such action with respect to any and all awards or settlements of any type in such lawsuits.

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Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for any purpose or any function other than its intended use, as stated in the body of the report. The appraisal fee represents compensation only for the analytical services provided by the appraiser(s). The appraisal report remains the property of the appraisal firm, though it may be used by the client in accord with these assumptions and limiting conditions.

This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless it is indicated that one or more of the appraisers was acting as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser(s). The appraiser(s) and the appraisal firm shall bear no responsibility for any such unauthorized changes.

### CONFIDENTIALITY

Except as provided for subsequently, neither the appraiser(s) nor the appraisal firm may divulge the analyses, opinions or conclusions developed in the appraisal report, nor may they give a copy of the report to anyone other than the client or his designee as specified in writing. However, this condition does not apply to any requests made by the Appraisal Institute for purposes of confidential ethics enforcement. Also, this condition does not apply to any order or request issued by a court of law or any other body with the power of subpoena.

**INFORMATION SUPPLIED BY OTHERS**

Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraiser(s). Neither the appraiser(s) nor the appraisal firm is liable for any information or the work product provided by subcontractors. The client and others utilizing the appraisal report are advised that some of the individuals associated with Johnson-Perkins & Associates, Inc. are independent contractors and may sign the appraisal report in that capacity. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable. To the best of our judgment and knowledge, all such information is considered appropriate for inclusion. In some instances, an impractical and uneconomic expenditure of time would be required in attempting to furnish absolutely unimpeachable verification. The value conclusions set forth in the appraisal report are subject to the accuracy of said data. It is suggested that the client consider independent verification as a prerequisite to any transaction involving a sale, a lease or any other commitment of funds with respect to the subject property.

**TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE**

The contract for each appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraisers(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or in any other hearing as a result of having prepared the appraisal, either in full or in part, except under separate and special arrangements at an additional fee. If testimony or a deposition is required, the client shall be responsible for any additional time, fees and charges, regardless of the issuing party. Neither the appraiser(s) nor those assisting in the preparation of the report is required to engage in post-appraisal consultation with the client or other third parties, except under a separate and special arrangement and at an additional fee.

**EXHIBITS AND PHYSICAL DESCRIPTIONS**

It is assumed that the improvements and the utilization of the land are within the boundaries of the property lines of the property described in the report and that there is no encroachment or trespass unless noted otherwise within the report. No survey of the property has been made by the appraiser(s) and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in the report are there to assist the reader in visualizing the property and are not necessarily drawn to scale. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

**TITLE, LEGAL DESCRIPTIONS, AND OTHER LEGAL MATTERS**

No responsibility is assumed by the appraiser(s) or the appraisal firm for matters legal in character or nature. No opinion is rendered as to the status of title to any property. The title is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in the appraisal report. The legal description, as furnished by the client, his designee or as derived by the appraiser(s), is assumed to be correct as reported. The appraisal is not to be construed as giving advice concerning liens, title status, or legal marketability of the subject property.

**ENGINEERING, STRUCTURAL, MECHANICAL, ARCHITECTURAL CONDITIONS**

This appraisal should not be construed as a report on the physical items that are a part of any property described in the appraisal report. Although the appraisal may contain information about these physical items (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed report on these physical items. The appraiser(s) is not a construction, engineering, or architectural expert, and any opinion given on these matters in this report should be considered tentative in nature and is subject to modification upon receipt of additional information from appropriate experts. The client is advised to seek appropriate expert opinion before committing any funds to the property described in the appraisal report.

Any statement in the appraisal regarding the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, all mechanicals, and all matters relating to construction is based on a casual inspection only. Unless otherwise noted in the appraisal report, no detailed inspection was made. For instance, the appraiser is not an expert on heating systems, and no attempt was made to inspect the interior of the furnace. The structures were not investigated for building code violations, and it is assumed that all buildings meet the applicable building code requirements unless stated otherwise in the report.

Such items as conditions behind walls, above ceilings, behind locked doors, under the floor, or under the ground are not exposed to casual view and, therefore, were not inspected, unless specifically so stated in the appraisal. The existence of insulation, if any is mentioned, was discovered through conversations with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements regarding insulation cannot be guaranteed.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any comments on observed conditions given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is given as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating systems, air conditioning systems, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a mechanical and/or structural inspection be made by a qualified and licensed contractor, a civil or structural engineer, an architect or other experts. This appraisal report is based on the assumption that there are no hidden, unapparent or apparent conditions on the property or improvements which would materially alter the value as reported. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and standard for the properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made in the appraisal as to the adequacy of insulation, the type of insulation, or the energy efficiency of the improvements or equipment which is assumed to be standard for the subject's age, type and condition.

**TOXIC MATERIALS AND HAZARDS**

Unless otherwise stated in the appraisal report, no attempt has been made to identify or report the presence of any potentially toxic materials and/or condition such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyl, pesticides, lead-based paints or soils or ground water contamination on any land or improvements described in the appraisal report. Before committing funds to any property, it is strongly advised that appropriate experts be employed to inspect both land and improvements for the existence of such potentially toxic materials and/or conditions. If any potentially toxic materials and/or conditions are present on the property, the value of the property may be

adversely affected and a re-appraisal at an additional cost may be necessary to estimate the effects of such circumstances.

#### **SOILS, SUB-SOILS, AND POTENTIAL HAZARDS**

It is assumed that there are no hidden or unapparent conditions of the soils or sub-soil which would render the subject property more or less valuable than reported in the appraisal. No engineering or percolation tests were made and no liability is assumed for soil conditions. Unless otherwise noted, the land and the soil in the area being appraised appeared to be firm, but no investigation has been made to determine whether or not any detrimental sub-soil conditions exist. Neither the appraiser(s) nor the appraisal firm is liable for any problems arising from soil conditions. These appraisers strongly advise that, before any funds are committed to a property, the advice of appropriate experts be sought.

If the appraiser(s) has not been supplied with a termite inspection report, survey or occupancy permit, no responsibility is assumed and no representation is made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained.

Neither the appraiser(s) nor the appraisal firm assumes responsibility for any costs or for any consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

#### **ARCHEOLOGICAL SIGNIFICANCE**

No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

#### **LEGALITY OF USE**

This appraisal report assumes that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national government, private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

#### **COMPONENT VALUES**

Any distribution of the total value between the land and improvements, between partial ownership interests or any other partition of total value applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

#### **COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT**

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property is in direct compliance with the various detailed requirements of the ADA.

#### **AUXILIARY AND RELATED STUDIES**

No environmental or impact studies, special market studies or analyses, special highest and best use studies or feasibility studies have been requested or made by the appraiser(s) unless otherwise specified in an agreement for services and so stated in the appraisal report.

#### **DOLLAR VALUES AND PURCHASING POWER**

The estimated market value set forth in the appraisal report and any cost figures utilized are applicable only as of the date of valuation of the appraisal report. All dollar amounts are based on the purchasing power and price of the dollar as of the date of value estimates.

#### **ROUNDING**

Some figures presented in this report were generated using computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

#### **QUANTITATIVE ANALYSIS**

Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

#### **VALUE CHANGE, DYNAMIC MARKET, ALTERATION OF ESTIMATE BY APPRAISER**

All values shown in the appraisal report are projections based on our analysis as of the date of valuation of the appraisal. These values may not be valid in other time periods or as conditions change. Projected mathematical models set forth in the appraisal are based on estimates and assumptions which are inherently subject to uncertainty and variations related to exposure, time, promotional effort, terms, motivation, and other conditions. The appraiser(s) does not represent these models as indicative of results that will actually be achieved. The value estimates consider the productivity and relative attractiveness of a property only as of the date of valuation set forth in the report.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value, investment value or value in use is a reflection of such benefits and of the appraiser's interpretation of income, yields and other factors derived from general and specific client and market information. Such estimates are as of the date of valuation of the report, and are subject to change as market conditions change.

This appraisal is an estimate of value based on analysis of information known to us at the time the appraisal was made. The appraiser(s) does not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice. The appraisal report itself and the value estimates set forth therein are subject to change if either the physical or legal entity or the terms of financing are different from what is set forth in the report.

#### **ECONOMIC AND SOCIAL TRENDS**

The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of value of this appraisal. The appraiser is not obligated to predict future political, economic or social trends.

**EXCLUSIONS**

Furnishings, equipment, other personal property and value associated with a specific business operation are excluded from the value estimate set forth in the report unless otherwise indicated. Only the real estate is included in the value estimates set forth in the report unless otherwise stated.

**SUBSURFACE RIGHTS**

No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

**PROPOSED IMPROVEMENTS, CONDITIONED VALUE**

It is assumed in the appraisal report that all proposed improvements and/or repairs, either on-site or off-site, are completed in an excellent workmanlike manner in accord with plans, specifications or other information supplied to these appraisers and set forth in the appraisal report, unless otherwise explicitly stated in the appraisal. In the case of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. The estimate of market value is as of the date specified in the report. Unless otherwise stated, the assumption is made that all improvements and/or repairs have been completed according to the plans and that the property is operating at levels projected in the report.

**MANAGEMENT OF PROPERTY**

It is assumed that the property which is the subject of the appraisal report will be under typically prudent and competent management which is neither inefficient nor superefficient.

**FEE**

The fee for any appraisal report, consultation, feasibility or other study is for services rendered and, unless otherwise stated in the service agreement, is not solely based upon the time spent on any assignment.

**LEGAL EXPENSES**

Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

**CHANGES AND MODIFICATIONS**

The appraiser(s) reserves the right, at the cost of the client, to alter statements, analyses, conclusions, or any value estimates in the appraisal if any new facts pertinent to the appraisal process are discovered which were unknown on the date of valuation of this report.

**DISSEMINATION OF MATERIAL**

Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the appraiser(s).

**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

The acceptance and/or use of the Appraisal Report by the client or any third party constitutes acceptance of the Assumptions and Limiting Conditions set forth in the preceding paragraphs. The appraiser's liability extends only to the specified client, not to subsequent parties or users. The appraiser's liability is limited to the amount of the fee received for the services rendered.

**QUALIFICATIONS OF APPRAISER  
 BENJAMIN Q. JOHNSON**

**Professional Designations**

MAI – Member Appraisal Institute 2009

**State Licensing and Certification**

Certified General Appraiser – State of California  
 License Number AG043925  
 (Certified through April 29, 2016)

Certified General Appraiser – State of Nevada  
 License Number A.0205542-CG  
 (Certified through November 30, 2014)

**Professional Experience**

Johnson-Perkins & Associates, Inc. 2005-Present

General Electric 2002-2004  
 Finance Intern (Summers Only)

**Formal Education**

Santa Clara University – Santa Clara, CA 2005  
 Bachelor of Science in Commerce; Major in Economics

**Qualified as an Expert Witness**

State District Courts  
 U.S. Bankruptcy Court

**Offices Held And Appointments**

Nevada State Board of Equalization – One of Five Board Members 2012-Present  
 (Appointed by Nevada Governor Brian Sandoval)

Reno-Carson-Tahoe Chapter of the Appraisal Institute

Director	2011
Secretary	2012
Vice-President	2013
President	2014
Chair of Candidate Guidance Committee	2013 to Present

**Association Memberships and Affiliations**

Leadership Development and Advisory Council (LDAC) 2010  
 Executives Association of Reno (EAR) 2009 - 2012