

# Attachment 3

Appraisal

A NARRATIVE APPRAISAL  
OF A

## VACANT PROPERTY

LOCATED AT

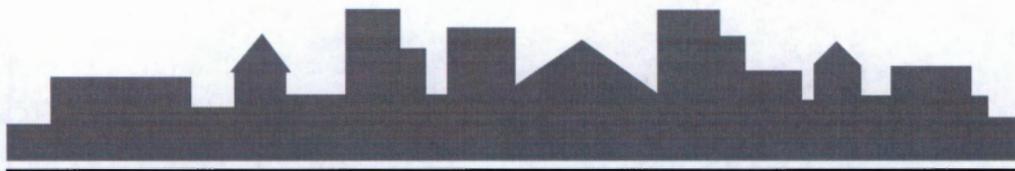
3141 RIVERSIDE AVENUE,  
SOUTH LAKE TAHOE,  
EL DORADO COUNTY, CALIFORNIA

OWNED BY

SOUTH LAKE TAHOE REDEVELOPMENT AGENCY

PREPARED FOR

SOUTH TAHOE REDEVELOPMENT  
SUCCESSOR AGENCY



---

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

---

A Narrative Appraisal  
Of A

## Vacant Property

Located At

3141 Riverside Avenue,  
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  
July 1, 2014

# JOHNSON-PERKINS & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

Main Office: 295 Holcomb Avenue, Suite 1 ■ Reno, Nevada 89502 ■ Telephone (775) 322-1155  
Lake Tahoe Office: P.O. Box 11430 ■ Zephyr Cove, Nevada 89448 ■ Telephone (775) 588-4787  
FAX: Main Office (775) 322-1156 ■ Lake Tahoe Office (775) 588-8295  
E-mail: jpareno@johnsonperkins.com ■ jpatahoe@johnsonperkins.com

Stephen R. Johnson, MAI, SREA  
Reese Perkins, MAI, SRA  
Cynthia Johnson, SRA  
Cindy Lund Fogel, MAI  
Scott Q. Griffin, MAI  
Daniel B. Oaks, MAI  
Benjamin Q. Johnson, MAI

Karen K. Sanders  
Gregory D. Ruzzine  
Chad Gerken

July 21, 2014

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

Re: An Appraisal of the property located at 3141 Riverside Avenue, South Lake Tahoe, El Dorado County, California

Dear South Tahoe Redevelopment Successor Agency:

This is in response to your request for an appraisal of the property located at 3141 Riverside Avenue, South Lake Tahoe, El Dorado County, California. The property may be further identified as El Dorado County Assessor's Parcel Numbers 026-082-13, 14 & 15. 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 and The South Tahoe Redevelopment Successor Agency. 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

Reno ■ Lake Tahoe

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

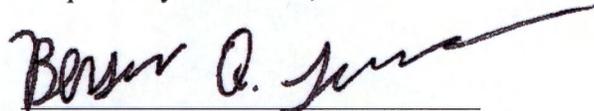
the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein.

We 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.

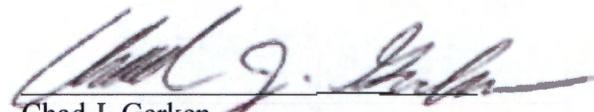
After careful consideration of all data available, and upon thorough personal investigation of the subject property and the comparable properties analyzed, it is our opinion that the "As-Is" Market Value of the subject property, as of July 1, 2014, is:

**TWO HUNDRED TWENTY FIVE THOUSAND DOLLARS**  
**(\$225,000)**

Respectfully Submitted,



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



Chad J. Gerken  
California Certified General Appraiser  
License Number AG3001061

**TABLE OF CONTENTS**

Cover	
Title Page	
Letter of Transmittal	
Table of Contents	
Summary of Salient Facts and Important Conclusions	1
Purpose of Appraisal	2
Regional Map	4
Area Map	5
Neighborhood Maps	6
Area Description	8
Neighborhood Description	36
Subject Exterior Photographs	37
Assessor's Parcel Maps	42
Aerial View	44
Subject Property Identification and Description	45
Highest and Best Use Analysis	53
Introduction to Valuation Analysis	58
Comparable Land Sales Chart	59
Comparable Land Sales Map	60
Comparable Land Sales Profile Sheets	61
Comparable Land Sales Discussion and Comparison	66
Reconciliation and Final Property Value Conclusion	73
Exposure Time Analysis	75
Appraisers' Certification	76
<i>Standard Assumptions and Limiting Conditions</i>	
<i>Appraisers' Qualifications</i>	

**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

<b>Assessor's Parcel Numbers</b>	026-082-13, 14 & 15
<b>Property Address</b>	3141 Riverside Avenue, South Lake Tahoe, El Dorado County, California
<b>Property Location</b>	West side of Riverside Avenue, between San Jose Avenue and Alameda Avenue
<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>	0.34± acres (15,000± square feet)
<b>TRPA Land Coverage</b>	6,951± square feet
<b>Improvements</b>	None
<b>Zoning</b>	
<b>Plan Area Statement</b>	099: Al Tahoe, Special Area 1
<b>Land Use Designation</b>	Residential
<b>Highest and Best Use</b>	Residential Development
<b>Flood Zone</b>	Flood Zone X
<b>Interest Appraised</b>	Fee Simple
<b>Date of Valuation</b>	July 1, 2014
<b>Date of Completion of Report</b>	July 21, 2014

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

**\$225,000**

### **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 and the South Tahoe Redevelopment Successor Agency.

### **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 July 1, 2014, the date of 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 Chad J. Gerken and Benjamin Q. Johnson on various dates in July of 2014. The most recent inspection occurred on July 21, 2014.

**DATE OF COMPLETION OF REPORT**

This report was completed on July 21, 2014.

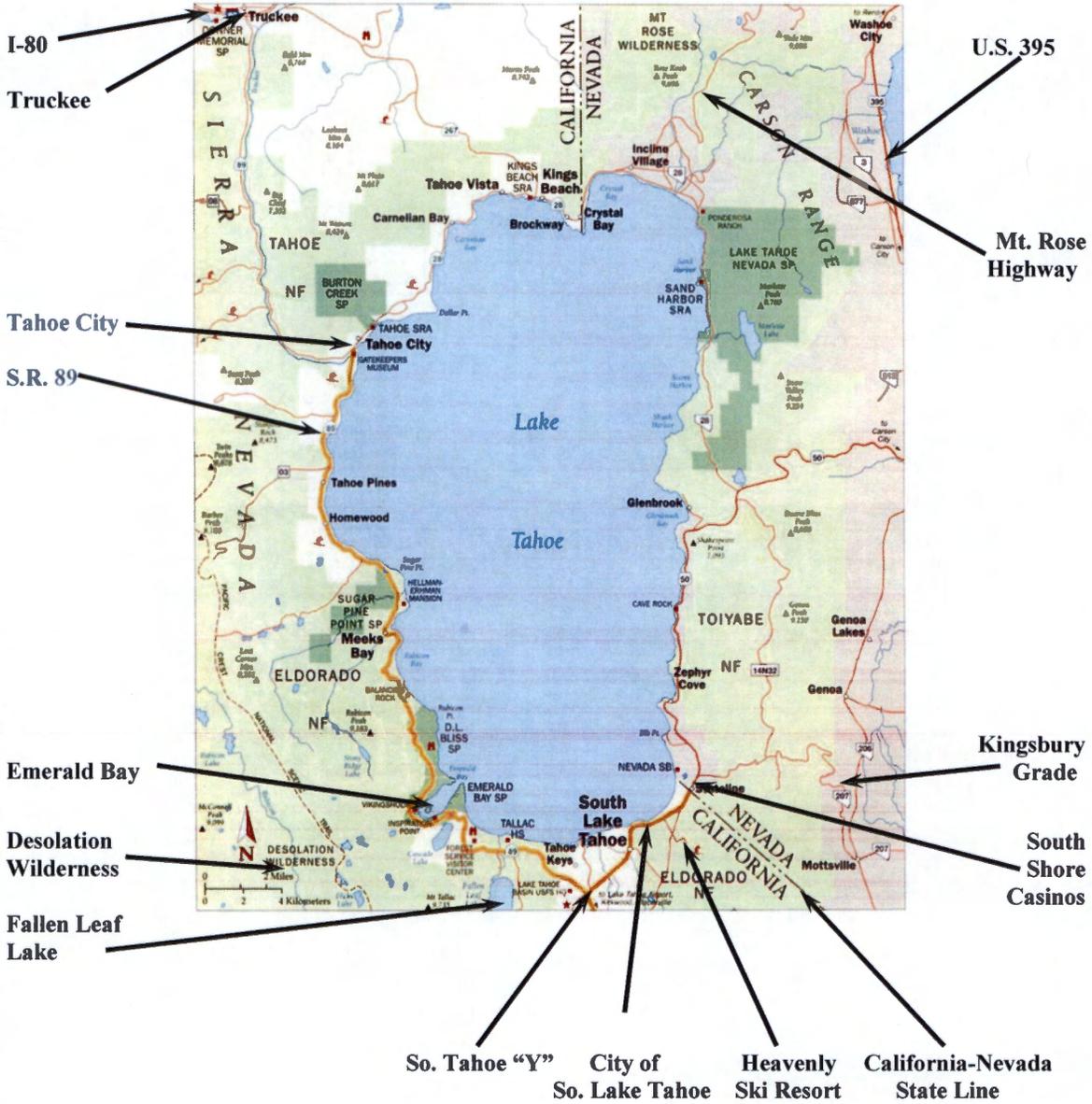
**REGIONAL MAP**



↑  
North

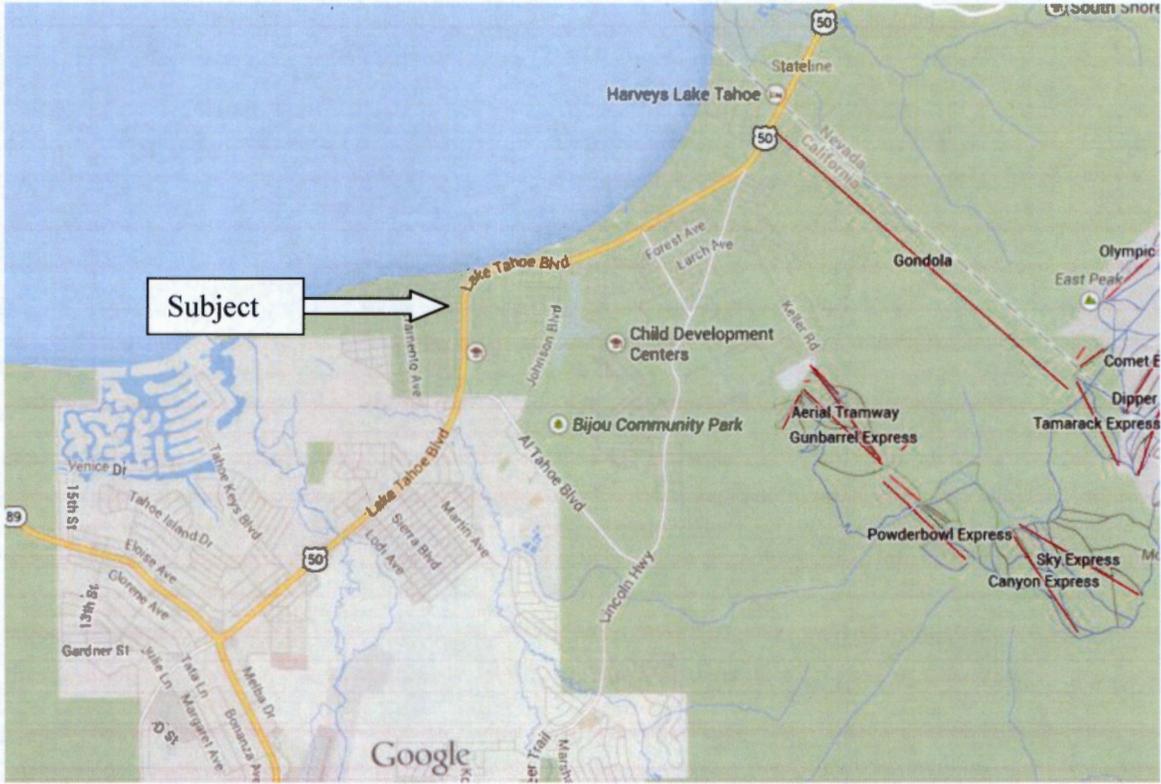
Reno ■ Lake Tahoe

**AREA MAP  
 Lake Tahoe Basin**



Reno ■ Lake Tahoe

**NEIGHBORHOOD MAP**



\*Source: Google Maps

**MAGNIFIED VIEW/AERIAL**



\*Source: Bing Maps

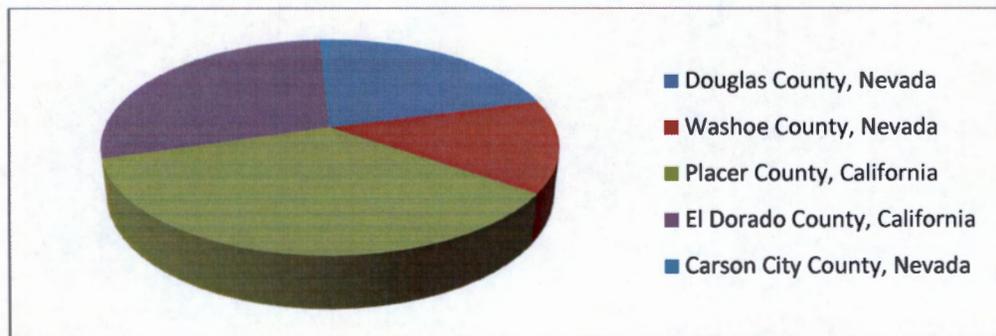
### AREA DESCRIPTION

The Lake Tahoe Basin is situated in the Sierra Nevadas on the Nevada-California border, approximately 200 miles northeast of San Francisco and approximately 40 miles southwest of Reno.

An estimated two-thirds of Lake Tahoe lies within California, and approximately one-third lies within Nevada. The maximum elevation of the lake level is legally regulated at 6,229.10 feet. Many of the surrounding mountain peaks exceed 10,000 feet. Lake Tahoe is 21½ miles long and 12 miles wide. It has a 71± mile shoreline and a maximum depth of 1,645 feet. The surface covers 190 square miles, and the lake contains more than 122 million acre-feet of water. Lake Tahoe is the tenth deepest lake in the world and the second clearest in the United States. The unique recreational amenity provided by the lake itself and the dramatic prospect offered by the surrounding mountains attract hundreds of thousands of tourists each year.

The U. S. Forest Service owns more than 70% of the land area within the Lake Tahoe Basin. Private ownerships are estimated to control less than 20% of the land within the Basin. Most of the remaining land is owned either by state or local governments. Because so much of the land within the Basin is under public ownership, it is available to the general public for a wide variety of recreational utilizations.

There are approximately 1,100 residential lakefront parcels in the Lake Tahoe Basin, which are distributed across the following Nevada and California counties:



### **Climate**

The Lake Tahoe Basin enjoys an average of 244 fair days each year. It has an average annual precipitation of 35.5 inches at lake level and an average annual snowfall of 217 inches. During the winter months, the average temperature is approximately 22 degrees, while the average summer daytime temperature is around 78 degrees. Because of the relatively moderate weather patterns, the Lake Tahoe Basin is a popular year-round destination resort.

### **Access**

Several major highways serve the Lake Tahoe area. U.S. Highway 50 provides direct access to the south shore from Sacramento, entering the Basin at Echo Summit. From the City of South Lake Tahoe, this highway runs north along the east shore of the lake to Spooner Summit, and then descends the eastern slope of the Carson Range of the Sierra Nevada to its intersection with U.S. Highway 395, just south of Carson City, Nevada.

Interstate 80, which connects San Francisco to Reno and other points east, passes approximately 15 miles north of Lake Tahoe. Access to Lake Tahoe from Interstate 80 is by means of two state highways, both heading in a southerly direction from their intersection with Interstate 80 at Truckee, California. California State Route 89 provides direct access to Tahoe City on the west shore of Lake Tahoe. From Tahoe City, State Route 89 continues southerly along the west shore and joins U.S. Highway 50 in South Lake Tahoe. From the South Lake Tahoe/Meyers area, State Route 89 leaves U.S. Highway 50 and crosses Luther Pass to its intersection with California State Route 88 in Hope Valley and its intersection with U. S. Highway 395 near Coleville in Mono County, California. From Interstate 80, California State Route 267 provides direct access to Kings Beach on the north shore of Lake Tahoe near the Nevada state line.

The Mount Rose Highway provides direct access to Incline Village, Nevada and the north shore of Lake Tahoe from U.S. Highway 395, which lies to the east. U.S. Highway 395 runs along the western shelf of the Great Basin directly east of the Sierra Nevada Mountains.

This highway connects the southern California area with the City of Reno, northern California, Oregon, and Washington. From Incline Village, Nevada, State Route 28 runs westerly and then southerly along the shoreline of Lake Tahoe, terminating at Tahoe City, California. Nevada State Route 28 also runs easterly and then southerly along the Eastern Shore of Lake Tahoe, until it connects with U.S. Highway 50 near Spooner Summit.

Finally, access to the south shore area is also available by way of Kingsbury Grade, which is a state-maintained road. It extends westerly from the Carson Valley over Daggett Pass and terminates at its intersection with U.S. Highway 50 in Stateline, Nevada just north of the California state line. In the Carson Valley, Kingsbury Grade is easily accessible from U.S. Highway 395 and from Nevada State Route 88.

All of the highways located within the Basin are two-lane, two-way, asphalt-paved roadways, with the exception of portions of U. S. Highway 50, which expands to a four-lane roadway. The winter maintenance of the roadways in the Lake Tahoe Basin is very good, with most highways remaining open throughout the winter months. The roadways most susceptible to winter closures are State Route 89 through Emerald Bay, the Mount Rose Highway at Mount Rose Summit, and Kingsbury Grade.

In summary, the Lake Tahoe Basin is easily accessible by automobile, particularly from the major metropolitan areas of northern California and northern Nevada.

### **Commercial Transportation**

While transportation into the Lake Tahoe Basin is primarily by private auto, it is also serviced by various bus lines and commercial airlines. The south shore is serviced by the Lake Tahoe Airport, which is located adjacent to U.S. Highway 50 at the south end of the City of South Lake Tahoe. This airport, which is operated by the City, offers an 8,542 foot runway, tie-down facilities, a terminal building and hangar storage. This airport has a modern

instrumentation system to better facilitate landing in adverse weather. It does not currently offer commercial air service.

The west and north shores are served by the Truckee-Tahoe Airport. This airport is located adjacent to State Route 267, just southeast of the town of Truckee, California, and approximately 15 miles north of Kings Beach, California. Scheduled commercial air service is not available at this airport.

The entire Lake Tahoe Basin is also serviced by the Reno-Tahoe International Airport. Regularly scheduled bus and limousine service is available from this airport to various portions of the Lake Tahoe Basin.

#### **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 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

---

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

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 and 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. A lawsuit was subsequently filed by environmental groups that are opposed to the Regional Plan Update. The status of this litigation is uncertain at this time, and the new Regional Plan is moving forward. 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.

**Tourism**

Tourism is the basic industry of the Lake Tahoe Basin, with most visitors drawn to the area by the numerous outdoor recreational opportunities available, the gaming and the natural scenic beauty.

The outdoor recreational opportunities include fishing, water skiing, bicycling, swimming, horseback riding, golfing, river rafting, hiking and backpacking, hunting, boating, snow skiing, snowboarding, ice skating, and sightseeing. The Lake Tahoe area has the largest concentration of ski resorts in the world, including 14 resorts with more than 175 lift facilities.

The following is a table of the ski resorts in the Lake Tahoe region, including ski runs, lifts, base elevation, etc.

**Lake Tahoe Ski Resorts**

<b>Resort</b>	<b>Location</b>	<b>Lifts</b>	<b>Ski Runs</b>	<b>Longest Run (mi.)</b>	<b>Skiable Area (Ac.)</b>
Alpine Meadows	North Shore, Lake Tahoe	13	100	3.4	2,400
Boreal Ski Resort	Just west of Truckee, California	8	41	1	380
Diamond Peak Ski Resort	Incline Village, Nevada	6	30	2.5	655
Donner Ski Ranch	Just west of Truckee, California	6	52	1.5	505
Heavenly Mountain Resort	South Shore, Lake Tahoe	30	97	5.5	4,800
Homewood Mountain Resort	West Shore, Lake Tahoe	7	60	2.0	1,260
Kirkwood Mountain Resort	35 miles S. of South Lake Tahoe	15	65	2.5	2,300
Mt. Rose Ski Tahoe	30 miles west of Reno, Nevada	8	60	2.5	1,200
Northstar At Tahoe	Between Truckee and North Shore Lake Tahoe	19	93	1.4	2,904
Sierra At Tahoe	12 miles south of South Lake Tahoe	11	46	2.5	2,000
Soda Springs	Just west of Truckee, California	4	12	N/A	200
Squaw Valley Ski Resort	North Shore, Lake Tahoe	33	177	3.2	4,000
Sugar Bowl Ski Resort	10+- miles west of Truckee, California	13	94	3	1,500
Tahoe Donner	Truckee, California	5	14	N/A	120
<b>Totals</b>		<b>178</b>	<b>941</b>		<b>24,224</b>

**Lake Tahoe Ski Resorts  
 (Continued)**

<b>Resort</b>	<b>Base Elevation</b>	<b>Top Elevation</b>	<b>Vertical</b>	<b>Average Annual Snowfall (in.)</b>
Alpine Meadows	6,835	8,637	1,802	495
Boreal Ski Resort	7,200	7,700	500	400
Diamond Peak Ski Resort	6,700	8,540	1,840	350
Donner Ski Ranch	7,031	7,781	750	396
Heavenly Mountain Resort	6,255	10,067	3,812	360
Homewood Mountain Resort	6,230	7,880	1,650	400
Kirkwood Mountain Resort	7,800	9,800	2,000	500<
Mt. Rose Ski Tahoe	8,260	9,700	1,440	350
Northstar At Tahoe	6,330	8,610	2,280	350
Sierra At Tahoe	6,640	8,852	2,212	480
Soda Springs	6,700	7,352	652	400
Squaw Valley Ski Resort	6,200	9,050	2,850	450
Sugar Bowl Ski Resort	6,883	8,383	1,500	500
Tahoe Donner	6,750	7,350	600	198

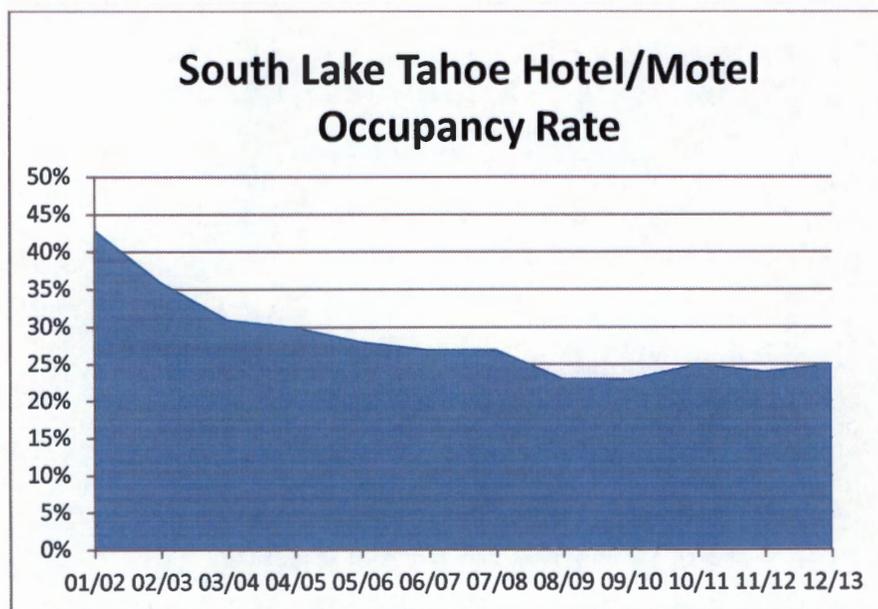
As indicated from the table, the largest ski resorts in the Lake Tahoe region are Heavenly Mountain Resort and Squaw Valley Ski Resort. While Squaw Valley features the largest ski resort in the region in terms of number of runs and lifts, Heavenly Mountain Resort offers the most skiable terrain. Heavenly Mountain Resort, Kirkwood, and Northstar at Tahoe are owned by Vail Resorts. Alpine Meadows, Homewood Ski Resort, and Squaw Valley were recently merged into one ownership. The recent acquisitions of Northstar and Kirkwood by Vail Resorts and the merger of the three resorts on the west and north shores of Lake Tahoe are indicative of the competition to capture the skier demand within the Tahoe region. In addition, all six of these ski resorts have master plans either approved or in the approval process for major enhancements of the existing ski areas, as well as major real estate projects that involve hotels, single family residential, multi-family condominiums, specialty retail, etc.

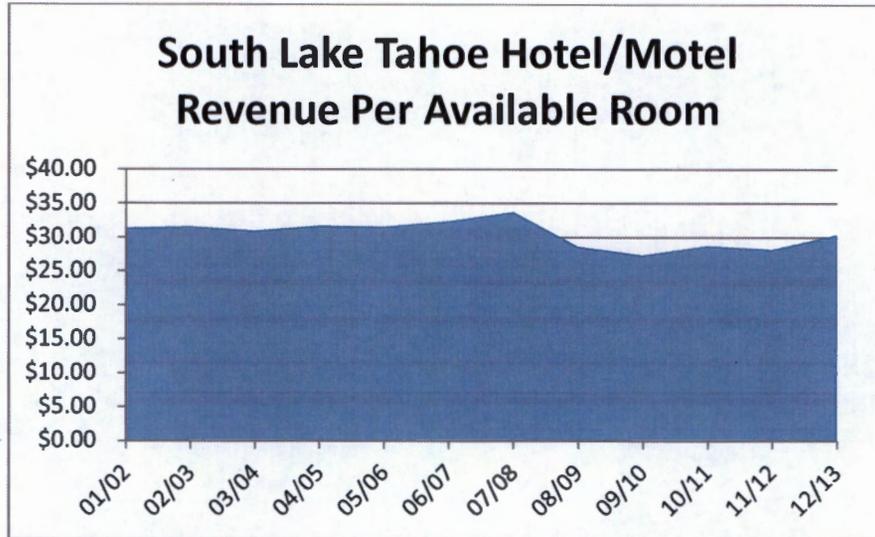
Winter weather patterns are extremely important to the economy of the Lake Tahoe Basin. The resorts are able to mitigate dry winters to some extent with sophisticated snowmaking equipment. However, the equipment essentially is only a hedge against a slow

start for the winter season months of November through mid-December. By January, the resorts typically have ample natural snow to open the majority of ski runs.

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.

In general, older motels in the Basin are most affected by the seasonal demand base. These facilities have been achieving occupancy levels as low as 30% 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 historical utilization levels among seven of the higher quality and/or better performing lodging facilities in South Lake Tahoe.





As indicated from the table, lodging revenues per available room (RevPAR) thus far through September of 2013 is up just slightly over the same period last year.

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. Public golf courses are located at Tahoe City, Kings Beach, Incline Village, and in the South Lake Tahoe area.

There are also numerous marinas along the shores of Lake Tahoe, most of which offer a complete line of power and sailboat rentals, as well as water skis and equipment. Several of these marinas operate regularly scheduled or charter boat cruises around the lake, including dinner, sunset, and cocktail cruises.

Due to strict environmental standards, it is highly unlikely that a new marina would be approved within the Lake Tahoe Basin. Accordingly, the existing marinas operate with low vacancy factors during the summer months. During the winter months, Tahoe marinas either cease or greatly scale back operations.

A list of the Marinas and their services is presented as follows:

**Lake Tahoe Marinas**

Location	Marina	Number of Boat Slips	Buoys	Fuel	Launch Facility(s)	Pump Out Facility	Boat Storage
<b>North Shore</b>							
	North Tahoe Marina	17	Yes	Yes	Yes	Yes	Yes
	Sierra Boat Company	118	Yes	Yes	Yes	Yes	Yes
	Tahoe City Marina	240	Yes	Yes	Yes	Yes	Yes
<b>West Shore</b>							
	Sunnyside Marina	25	Yes	Yes	Yes	Yes	Yes
	Homewood Marina	0	Yes	Yes	Yes	Yes	Yes
	Obexer's Boat Company	40	Yes	Yes	Yes	Yes	Yes
	Meeks Bay Marina	110	No	No	Yes	Yes	No
<b>South Shore</b>							
	Camp Richardson Marina	0	Yes	Yes	Yes	No	No
	Tahoe Keys Marina	239	No	Yes	Yes	Yes	Yes
	Lakeside Marina	60	Yes	Yes	Yes	No	No
	Ski Run Marina	25	Yes	No	No	No	No
<b>East Shore</b>							
	Round Hill Pines	0	Yes	No	No	No	Yes
	Zephyr Cove Resort	0	Yes	Yes	No	No	No
	<b>Total</b>	<b>877</b>					

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.

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	\$20,518	\$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	\$10,719	\$193,668	-3.83%
2014	\$17,248	\$11,878	\$14,344	\$10,058	\$14,882									

**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%
2012-2013	\$211,511,742	2.63%	2013	\$208,740,408	-1.96%
7/2013 to 3/2014	\$165,811,093	-1.67%	1/2014 to 3/2014	\$ 44,370,864	-0.10%

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, revenues in fiscal years 2012 had increased slightly at 1.60%. However, Fiscal Year 2013 showed a decrease at -3.83%.

At the north end of the lake, the Hyatt Lake Tahoe Hotel-Casino is located in Incline Village. There are additional casino facilities located in Crystal Bay, including the Cal-Neva Resort, which is the largest in the Crystal Bay area, the Biltmore, the Crystal Bay Club and Jim Kelly's Nugget. The Cal-Neva was recently purchased, and is currently closed while undergoing extensive renovations.

Additionally at the north state line, there is a proposed development called Boulder Bay. The development would be at the current site of the Tahoe Biltmore, Sierra Park (also known as the former Tahoe Mariner site), and the Crystal Bay Motel. The proposed development is comprised of 50,000 square feet of retail space, 30,000 square feet of gaming area, 225 fractional share and whole ownership condominiums, and an upscale hotel. Though the project has all necessary entitlements, its future is very uncertain at the present time due to current economic conditions and lack of financing.

Gaming revenue since fiscal year July 1, 2003 is presented in the below chart.

**Gaming Revenue - All Nonrestricted Locations**  
 North Shore Portion of Washoe County

Fiscal Year*	Number of Reporting Locations	Total Revenue (000's)	% Change Versus Previous Year
2003	5	\$36,361	-11.32%
2004	5	\$38,902	6.99%
2005	5	\$41,899	7.70%
2006	5	\$42,712	1.94%
2007	5	\$43,460	1.75%
2008	5	\$37,862	-12.88%
2009	5	\$31,503	-16.80%
2010	5	\$27,956	-11.26%
2011	5	\$27,423	-1.91%
2012	5	\$25,862	-5.69%
2013	5	\$26,933	4.14%

Gaming revenue on the north shore of Lake Tahoe has decreased significantly since Fiscal Year 2007. The modest increase in Fiscal Year 2013 was the first since 2007. Nevertheless, gaming revenues are still not close to the levels achieved from 2003-2008.

In summary, gaming revenue in the Tahoe Basin is down considerably over the last few years. This is primarily attributable to three factors: Indian gaming in northern California, the distressed economy, and lack of capital expenditures for remodel or renovation. In discussions with gaming operators and developers, any redevelopment plans in the future will feature gaming as an amenity, but not the main attraction.

Gaming revenue since July 1, 2003 for all of Nevada is presented in the below chart.

**Gaming Revenue - All Nonrestricted Locations**  
 Statewide

Fiscal Year	Number of Reporting Locations	Total Revenue (000's)	% Change Versus Previous Year
2003	352	\$9,563,761	2.83%
2004	358	\$10,109,954	5.71%
2005	351	\$11,005,538	8.86%
2006	354	\$12,193,540	10.79%
2007	346	\$12,739,131	4.47%
2008	337	\$12,500,948	-1.87%
2009	344	\$10,786,660	-13.71%
2010	343	\$10,327,446	-4.30%
2011	336	\$10,634,699	2.98%
2012	336	\$10,705,829	0.67%
2013	336	\$10,905,399	1.86%

Overall, gaming revenue in Nevada has decreased 14.39% between its peak for the fiscal year 2007 of \$12.74 billion to \$10.91 billion for the fiscal year ending June 30, 2013. However, gaming revenue on a fiscal year basis has increased, albeit only slightly, the last three years in a row.

**Population and Employment**

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	7,413,121	
		<u>Median Hshld. Income</u>
<u>Central California</u>	<u>Population</u>	<u>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	3,955,655	
Total Population in Proximity to Tahoe Basin	11,368,776	

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, and within the City of South Lake Tahoe, the median household income is only \$41,685.

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, is 52,903. A breakdown of the population by area is set forth in the following table.

**2010 Tahoe Basin Year-Round Population**

North Shore, CA	8,778
West Shore, Placer County, CA	1,670
South Shore and West Shore, El Dorado County, CA	28,024
South and East Shore, NV	5,344
North Shore, NV	9,087
<b>Total</b>	<b><u>52,903</u></b>

Source: U.S. Census

Population growth within the Tahoe Basin has been relatively flat since 1980. This is due in large part to comparatively rigid controls placed on new development within the Lake Tahoe Basin by the Tahoe Regional Planning Agency (TRPA).

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.

Historically, the overall employment rate has been approximately 50% to 55% of the resident population during the busier seasons. 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.

### **Employment**

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.

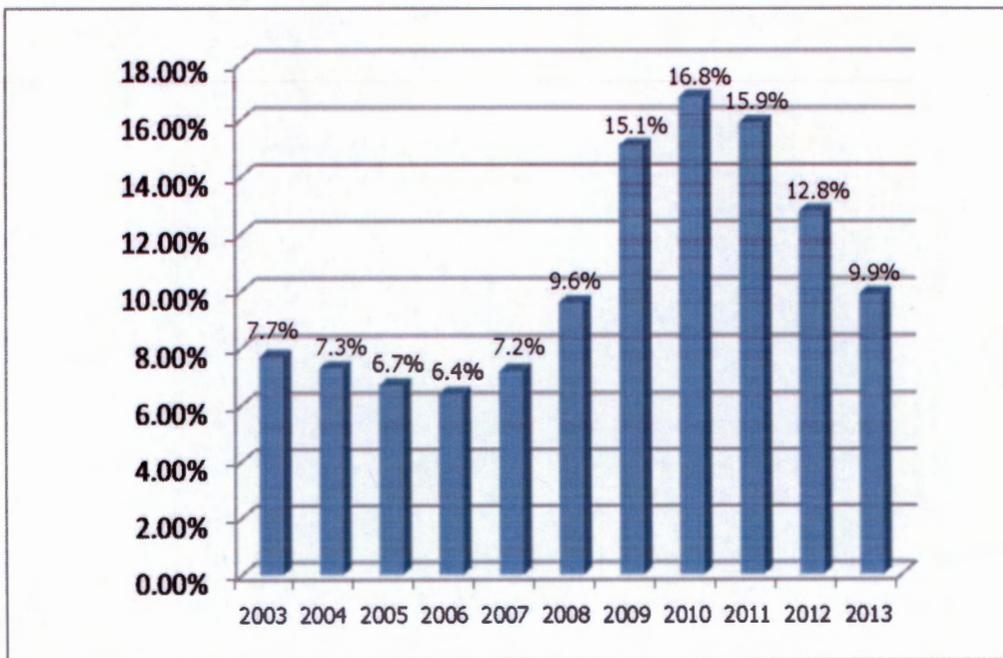
**City of South Lake Tahoe Employment Data**

<b>Year</b>	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment Rate (1)</b>
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 at the end of 2013 was down by 6.9% from its highest unemployment rate in 2010.

**South Lake Tahoe Unemployment Rate  
 2003-2013**



### **Development**

Over the last approximate 20 years, 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:

#### **Embassy Suites 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. The last phase was completed in 2007.

#### **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.

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 Embassy Suites. 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**

There are also several proposed redevelopment projects throughout the Basin, particularly in South Lake Tahoe, Kings Beach, and Crystal Bay.

The Chateau at Heavenly Village is an 11.53± acre site located adjacent to Harvey's Resort Hotel and Casino, on the south shore California side of the lake. The plans call for a convention center, two condominium hotels, specialty retail space, subterranean parking,

nightclub, and a health spa. The project had been vacant (only the foundation installed) and on hold since late 2007 as the developer been unable to obtain financing and filed for Chapter 11 Bankruptcy in October of 2009. The timing of this project is uncertain at this time until financing becomes available. 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 recently obtained approvals to construct 30,000± square feet of specialty retail space, and construction has begun. The balance of the project remains on hold pending market conditions. The retail space is anticipated for completion by the summer of 2014.

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 completed its Environmental Impact Statement and presented it to the TRPA Board of Trustees. One of the last hurdles is the request for a height variance that would enhance the architectural appeal of the project and further enhance the beauty of the surroundings. Assuming final TRPA approvals in 2014 and groundbreaking shortly thereafter, the lodge could be completed by 2015 or 2016.

In Crystal Bay, Nevada, developers were working on a major redevelopment of the Tahoe Biltmore, which would have involved demolition of the casino hotel building and construction of a condominium project with retail and restaurants. The final Environmental

Impact Statement (EIS) was completed, and a final approval was granted by the TRPA in the spring of 2011. Since then, however, the project has been on hold due to financing difficulties. As I understand, the primary lender on the project sold the promissory note secured by a first deed of trust on the property to JMA Ventures in early 2013. JMA Ventures is the owner of Homewood Ski Resort, Alpine Meadows/Squaw Valley.

Within Kings Beach, the downtown area has been proposed for redevelopment for many years. The project proposed consists of a mixed use development of office, retail, and residential land uses. Several years ago, Placer County was considered to be a prospective tenant in this project as it had been researching locations on the north shore for a government center. It is no longer considering this project for a government center, nor is it still considering any other location in the Tahoe Basin at the present time. The redevelopment area is between Coon Street and Fox Street and North Lake Boulevard and Salmon Avenue. Due to financing and market conditions, this project is on an indefinite hold.

Homewood Ski Resort on the west shore is another major proposed redevelopment project. The project is owned by JMA Ventures, the developers of Ghirardelli Square in San Francisco. Plans call for resort hotels, residential condominiums, and specialty retail. The project is in the EIS stages, and in several years will likely elapse before construction of Phase I begins. JMA Ventures also has an ownership interest in the Alpine/Squaw Valley Ski Resort partnership.

### **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 began to appreciate.

Various Boards of Realtors have compiled annual statistics regarding sales of improved single family residential properties in the Lake Tahoe Basin in recent years.

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**

<b>Year</b>	<b>Number of Sales</b>	<b>Median Sale Price</b>	<b>% Increase</b>	<b>Average Sale Price</b>	<b>% Increase</b>	<b>Average Marketing Time</b>
2005	701	\$479,900	<i>N/A</i>	\$573,871	<i>N/A</i>	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
Q2 2014	264	\$339,500	2.9%	\$424,998	6.6%	123 Days

The median and average single family residential sales 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 sales price was up 42.3% and the average sales price was 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.

The Tahoe-Sierra Board of Realtors, Inc. has compiled similar statistics for sales of improved residential properties on the west and north shores of Lake Tahoe in the following table:

**Placer County Portion of Lake Tahoe Basin  
 Single Family Residential Sales**

Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2005	243	\$735,000	<i>N/A</i>	\$1,049,670	<i>N/A</i>	94
2006	262	\$765,000	4.1%	\$1,105,060	5.3%	101
2007	185	\$749,000	-2.1%	\$1,150,232	4.1%	118
2008	152	\$650,000	-13.2%	\$1,098,704	-4.5%	154
2009	211	\$530,000	-18.5%	\$765,912	-30.3%	128
2010	250	\$445,750	-15.9%	\$906,291	18.3%	120
2011	257	\$432,000	-3.1%	\$705,195	-22.2%	116
2012	367	\$430,000	-0.5%	\$878,901	24.6%	127
2013	331	\$510,000	18.6%	\$778,793	-11.4%	94
Q2 2014	125	\$525,000	2.9%	\$983,451	26.3%	100

Though the average sales price in Placer County has fluctuated over the last several years, the median sales price has declined each year since 2006. In 2013, there was an increase in median sales price. On the other hand, average sales price was down in 2013. This is primarily due to a number of high dollar sales that took place in 2012. However, second quarter 2014 indicates that the average sales price is going back up. Overall, this market has shown strong recovery in 2013 and the beginning of 2014.

The Incline Village Board of Realtors and the Washoe County Assessor's office has compiled statistics on improved residential sales in the Washoe County portion of the Lake Tahoe Basin, which are presented on the following table.

**Incline Village / Washoe County Portion of Lake Tahoe Basin  
 Single Family Residential Sales**

Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2004	224	\$865,375	N/A	\$1,293,254	N/A	134
2005	224	\$1,115,000	28.80%	\$1,524,841	17.90%	139
2006	121	\$1,133,000	1.60%	\$1,777,269	16.60%	163
2007	138	\$1,187,500	4.80%	\$1,847,237	3.90%	183
2008	84	\$1,153,600	-2.90%	\$1,383,060	-25.10%	177
2009	89	\$1,000,000	-13.30%	\$1,495,788	8.20%	210
2010	115	\$839,000	-16.10%	\$1,446,733	-3.30%	249
2011	96	\$771,500	-8.00%	\$1,238,514	-14.40%	234
2012	151	\$744,900	-3.40%	\$1,303,260	5.20%	221
2013	205	\$935,000	25.50%	\$1,636,290	25.60%	179
Q2 2014	65	\$1,025,000	9.96%	\$1,673,374	2.26%	177

Average sale prices in the Incline Village residential market in 2013 are near similar levels as during the peak of the market from 2004-2007. Also in 2012 sales activity was strong with 221 sales, which compares to a total of 177 total sales in 2008. Median and average sale prices were also up substantially in 2013.

Finally, statistics for residential sales in the Douglas County portion of the Lake Tahoe Basin are presented below.

**Douglas County Portion of Lake Tahoe Basin  
 Single Family Residential Sales**

Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2005	141	\$849,000	<i>N/A</i>	\$1,402,419	<i>N/A</i>	179
2006	89	\$915,000	7.8%	\$1,737,310	23.9%	194
2007	74	\$1,045,000	14.2%	\$2,179,786	25.5%	239
2008	71	\$625,000	-40.2%	\$1,178,702	-45.9%	238
2009	85	\$545,000	-12.8%	\$1,055,804	-10.4%	203
2010	91	\$570,000	4.6%	\$955,781	-9.5%	242
2011	86	\$575,000	0.9%	\$1,275,274	33.4%	228
2012	110	\$482,500	-16.1%	\$850,795	-33.3%	196
2013	134	\$681,250	41.2%	\$1,316,824	54.8%	127
Q2 2014	50	\$712,500	4.6%	\$1,314,249	-0.2%	164

The median and average sale prices increased substantially during the peak of the market from 2004 to 2007. When the foreclosure crisis hit the market in 2008, prices declined sharply three years in a row, from 2008-2010. In 2013, the market was very strong. There were 134 sales in 2013 which shows a substantial increase from 2012.

In summary, the residential market in 2013 experienced a significant upturn in sales activity and average and median sales prices. Though two quarters are not enough to draw a long term conclusion, it is evident that residential market conditions are currently strong.

**Conclusion**

In summary, the Lake Tahoe Basin is considered to be one of the most diversified year-round recreational resort areas in the western United States. Its dramatic setting, the pristine clarity of its waters, its favorable climate, and its many varied recreational attractions endow it with unique characteristics. The local economy should eventually benefit from the substantial efforts underway to upgrade the "Tahoe Experience," particularly for the more affluent destination resort visitor. These efforts include numerous redevelopment projects. The older motels around the Tahoe Basin continue to struggle with very low occupancy levels.

The residential market in 2013 recovered substantially with increases in median sale prices and sales volume. On the other hand, the overall economy in the Tahoe Basin does not appear to be recovering as quickly as the San Francisco Bay Area or the U.S.

### NEIGHBORHOOD DESCRIPTION

The subject property is located in the Al Tahoe neighborhood within the City of South Lake Tahoe. The neighborhood is bounded on the north by the shores of Lake Tahoe to the north, the Barton Meadow/Truckee Marsh to the west and south and Highway 50 to the east. The neighborhood is generally residential in nature, with a mix residential development including single and multi-family dwellings. The residential development ranges from fair quality summer cabins built in approximately the 1960s to good quality new homes. Along the east side of the neighborhood, along Highway 50 there is commercial development.

The Barton Meadow/Truckee Marsh borders the neighborhood to the west and consists of a low-lying meadow area. Both the Upper Truckee River and Trout Creek flow through the meadow to Lake Tahoe. On the north side of the meadow there is a public beach area. There are two additional beach areas in the neighborhood including Regan Beach and El Dorado Beach. El Dorado Beach is also known as Lakeview Commons and has recently been upgraded offering a number of picnic sites, lake access and a boat launch.

Additional recreational amenities in proximity to the neighborhood include the City of South Lake Tahoe recreation facility, with pool, ice arena, ball fields and general recreation facility located on the east side of Highway 50. Further to the east is Bijou Community Park. South Tahoe Middle School and the Lake Tahoe Community College are located in close proximity to the subject neighborhood.

Electricity is supplied to the subject neighborhood by Liberty Energy. Telephone service is provided by AT&T. Southwest Gas supplies natural gas to the neighborhood. Cable television is provided by Charter Communications. Water and sewer service are provided by the South Tahoe Public Utility District.

All municipal services are available to the subject neighborhood including police and fire protection and year round street maintenance. Public bus transportation services the area.

**SUBJECT PHOTOGRAPHS**



**VIEW OF SUBJECT PROPERTY FROM THE CORNER OF  
RIVERSIDE AVENUE AND ALAMEDA AVENUE**



**VIEW LOOKING SOUTHERLY ACROSS SUBJECT APN 026-082-13**

**SUBJECT PHOTOGRAPHS**

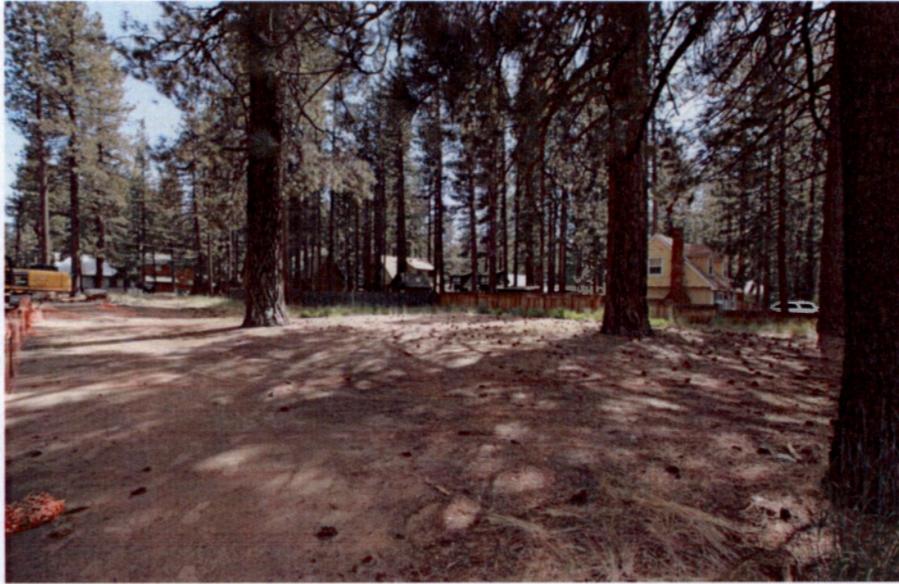


**VIEW LOOKING SOUTHERLY ACROSS THE SUBJECT  
PROPERTY FROM SAN JOSE AVENUE**



**VIEW LOOKING SOUTHERLY ACROSS THE SUBJECT PROPERTY  
FROM THE CORNER OF RIVERSIDE AVENUE AND SAN JOSE AVENUE**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING SOUTHWESTERLY ACROSS THE SUBJECT  
PROPERTY FROM NEAR THE INTERSECTION OF SAN JOSE AVENUE  
AND RIVERSIDE AVENUE**

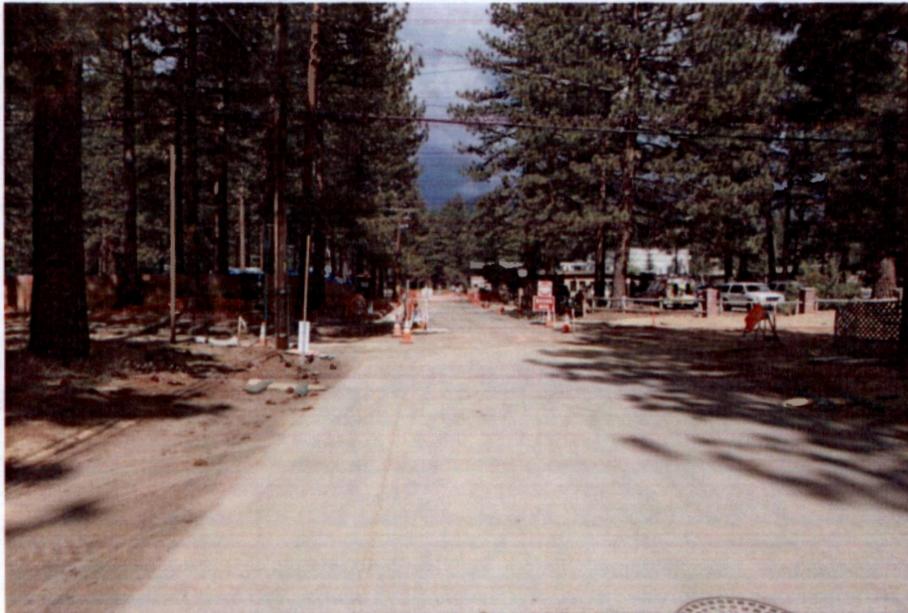


**VIEW LOOKING NORTHWESTERLY ACROSS THE NORTHERLY  
PORTION OF THE SUBJECT PROPERTY**

**SUBJECT PHOTOGRAPHS**



**STREET SCENE LOOKING NORTHERLY ALONG  
RIVERSIDE AVENUE**



**STREET SCENT LOOKING EASTERLY ALONG  
ALAMEDA AVENUE**

**SUBJECT PHOTOGRAPHS**



**STREET SCENE LOOKING WESTERLY  
ALONG SAN JOSE AVENUE**



**STREET SCENT LOOKING NORTHWESTERLY  
ALONG SAN JOSE AVENUE AND RIVERSIDE AVENUE**





**AERIAL VIEW**  
**A.P.N. 026-082-13, 14 & 15**



*\*Source RealQuest*

*\*Property Lines are Approximate*

**SUBJECT PROPERTY IDENTIFICATION AND DESCRIPTION**

<b>Assessor's Parcel Numbers</b>	026-082-013, 014 and 015
<b>Property Address</b>	3141 Riverside Avenue, South Lake Tahoe, El Dorado County, California
<b>Property Location</b>	West side of Riverside Avenue, between San Jose Avenue and Alameda Avenue
<b>Owner of Record</b>	South Lake Tahoe Redevelopment Agency, A municipal agency of the City of South Lake Tahoe, California
<b>Land Area</b>	0.34± acres (15,000± square feet)
<b>TRPA Land Coverage</b>	6,951± square feet
<b>Improvements</b>	None, vacant site
<b>Legal Description</b>	Lot 7, 8 and 9, Block 26 of the Al Tahoe Subdivision, El Dorado County, California.
<b>Property Shape</b>	Irregular
<b>Property Dimensions<sup>2</sup></b>	
Riverside Avenue Frontage	200.00± feet
San Jose Avenue Frontage	100.00± feet
Alameda Avenue Frontage	50.00± feet
Westerly Property Line	200.00± 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

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

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. The following is a summary of the Land Capability Districts and the associated Base Allowable Coverage:

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

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.

Based on a review of publically available TRPA Land Coverage Maps, the subject site is located in Class 8 soils, which will allow for 30% base allowable land coverage. Multiplying the subject's land area of 15,000± square feet by 30% indicated a base allowable land coverage of 4,500± square feet. However, based on a review of TRPA documentation, the subject property has 6,951± square feet of existing land coverage from past uses of the property that has been recognized by TRPA. Dividing the subject's coverage of 6,951±

square feet by the subject's 15,000± square feet of land area results in a land coverage percentage of 46.34%. The land coverage is well in excess of the base allowable land coverage, though is allowed under a grandfather provision.

#### **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. Current prices for CFA are in the range of \$30 per square foot in South Lake Tahoe. The subject property does not have any CFA rights.

**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. There are no TAUs associated with the subject site. However, it should be noted that at one time there were 17 TAU rights associated with the property do to the prior use as a lodging facility. The TAUs were transferred to another property in October of 1998 and are no longer associated with the property.

**Zoning**

<b>Plan Area Statement</b>	099: Al Tahoe, Special Area 1
<b>Land Use Designation</b>	Residential

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 TRPA Plan Area Statement 099: Al Tahoe, Special Area 1. The following is a description of the Plan Area:

**Location:** The Al Tahoe area is roughly a triangular shape bordered by the Trout Creek/Upper Truckee meadow, the Lake, and Highway 50. It is located approximately midway between the south "Y" and Stateline and can be found on TRPA maps G-17 and G-18.

**Existing Uses:** The Al Tahoe area has a mix of residential uses including single family dwellings, duplexes, apartment buildings, condominiums, with various commercial uses, including motels. Densities differ according to the uses described above. The area is currently slightly over 80 percent built out. A portion of the area has significant historical architectural value.

**Allowable Uses:** Within the Plan Area, the following land uses are allowed. Those uses that require a special use permit will be denoted with an (S) next to it:

*Residential*

- Single Family Dwelling;
- Multiple Family Dwellings; and
- Multi-person Dwellings (S).

*Tourist Accommodation*

- Bed & Breakfast Facilities (S); and
- Hotel, Motel, Other Transient Dwelling Units (S).

*Public Service*

- Local Public Health and Safety Facilities (S);
- Transit Stations and Terminals (S);
- Pipelines and Power Transmission(S);
- Transmission and Receiving Facilities(S);
- Transportation Routes(S);
- Public Utility Centers(S);
- Churches(S); and
- Local Post Offices(S).

*Recreation*

- Participant Sports Facilities (S);
- Day Use Areas;
- Riding and Hiking Trails;
- Beach Recreation; and
- Outdoor Recreation Concessions(S).

In addition, Resource Management and Open Space uses are also allowed. The effect of zoning on the subject property will be discussed in the Highest and Best Use section of this report.

**Topography**

The property enjoys basically level topography.

### **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. We 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 property has 200.0± feet of frontage along Riverside Avenue, 100.0± feet of frontage along San Jose Avenue and 50.0± feet of frontage along Alameda Avenue. These three roadways are primarily residential and access onto the property is direct from each roadway. U.S. Highway 50 is located approximately 375± feet to the east of the subject, which is the main thoroughfare in South Lake Tahoe. Overall, the subject's access and exposure is considered to be good.

### **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 El Dorado subdivision. The subdivision is primarily residential in nature, with some commercial development located along Harrison

Avenue and U.S. Highway 50. Immediately surrounding the subject property to the west, south and north area single family residential land uses. To the east, in close proximity to the subject, is a mix of vacant land and commercial utilizations. Also, in close proximity to the subject is Regan Beach and Lakeview Commons, public beach and recreation facilities. A new parking lot is being constructed to the east of the subject on the north side of San Jose Avenue. The Harrison Avenue district to the east of the subject property, along U.S. Highway 50, was recently extensively upgraded with water quality improvements and new streetscape. Harrison Avenue was made into a one-way street, with public parking along the street. Overall, there have been extensive efforts in the recent past to upgrade the Harrison Avenue district and the Lakeview Commons Beach.

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

We have not been provided with a preliminary title report for the subject property. This report assumes that there are no other easements, encumbrances, or restrictions that would prevent development to its highest and best use. This appraisal further assumes that that title is free, clear, and merchantable.

#### **Encroachments**

Based on the physical inspection of the subject property, there does not appear to be any encroachments onto the subject property or from the subject property onto any of the adjacent parcels.

#### **Subject's Sales/Listing History**

There have been no recent transfers of the subject property. The most recent transfer of the subject property was in 1996 when the property was acquired by the City of South Lake Tahoe. The purchase price was reportedly \$160,000. We are unaware of any listings of the subject property subsequent to the acquisition of the property by the City in 1996.

**Property History – Historical Uses**

The subject property is currently a vacant. Previously, the subject property was improved with the Tahoe Shores West lodging facility. The property was purchased by the City and the improvements were demolished and the TAU development rights were transferred off of the property. Since the demolition of the prior improvements the land has remained vacant.

**Tax and Assessment Data (2014-2015)**

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.

**Remarks**

The subject property involves a 0.34± acre (15,000± square foot) parcel located along the west side of Riverside Avenue, between San Jose Avenue and Alameda Avenue in the Al Tahoe subdivision. The property involves three Assessor's parcels and is currently vacant. Topography on the site is basically level. The site was previously improved with a lodging facility and the prior improvements were removed from the site and the TAUs were transferred off of the property. Associated with the prior improvements is 6,951± square feet of land coverage. Zoning of the property is Residential, with some additional land uses allowed under a special use permit. The surrounding development involves a mix of residential land uses and commercial/retail development along the U.S. Highway 50 corridor. The development surrounding the subject ranges from average to good quality construction and condition.

### 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 vacant will be conducted.

#### *Physically Possible*

The subject site involves a 0.34± acre (15,000 square foot) site located on the west side of Riverside Avenue, between San Jose Avenue and Alameda Avenue. The property frontage along each of these roadways which are primarily residential roadways. Topography on the site is basically level and is at street grade. Vegetation on the site includes a light amount of native grasses and medium to mature growth pine trees. Soils on the site are high capability Class 7. All utilities are available to the subject site. Surrounding development is primarily residential with retail/commercial land uses along the U.S. Highway 50 corridor. Overall, the site is physically suitable for development, though would be somewhat limited due to the relatively small size of the parcel.

#### *Legally Permissible*

With respect to legally permissible uses, the subject property is located within TRPA Plan Area 99, Al Tahoe. The land use designation is residential and allows for single family residential development, multiple family dwellings and other public service and recreation land uses. Allowed uses include the following, with (S) denoting land uses that require a special use permit:

**Residential**

- Single Family Dwelling;
- Multiple Family Dwellings; and
- Multi-person Dwellings (S).

**Tourist Accommodation**

- Bed & Breakfast Facilities (S); and
- Hotel, Motel, Other Transient Dwelling Units (S).

**Public Service**

- Local Public Health and Safety Facilities (S);
- Transit Stations and Terminals (S);
- Pipelines and Power Transmission(S);
- Transmission and Receiving Facilities(S);
- Transportation Routes(S);
- Public Utility Centers(S);
- Churches(S); and
- Local Post Offices(S).

**Recreation**

- Participant Sports Facilities (S);
- Day Use Areas;
- Riding and Hiking Trails;
- Beach Recreation; and
- Outdoor Recreation Concessions(S).

In addition, Resource Management and Open Space uses are also allowed.

Overall, based upon the current zoning, it would appear that the property could be developed with single or multiple family dwellings. Additionally, under a special use permit a number of public service and recreation uses are allowed. It should be noted that for development with residential utilizations, both a residential development right and a residential allocation would be need for each residential unit. It is our understanding that each of the three subject parcels has a single residential development right. Prior to development, residential allocations would need to be acquired. Currently there is a wait list for allocations, with 18 permits being issued in 2014. Any development of the property beyond three units would require additional residential development rights. These rights would need to be purchased in the open market and transferred to the subject property.

*Economically Feasible and Maximally Productive*

As set forth above, the subject could be developed with either single or multi-family land uses.

While there is the potential for the subject to be improved with a single family residence on each of the three parcels, consideration must be given to market conditions as of the July 1, 2014, the date of value. Market conditions for both vacant and improved parcels in the subject neighborhood struggled from the peak of the market (2005-2007) until approximately late 2012. During this period it was not economically feasible to develop vacant residential land and little development occurred. However, over the past year market conditions have improved substantially and the market is at or near the level necessary to attract new development. The following chart represents vacant land sales in the City of South Lake Tahoe from 2008 to 2014.

**City of South Lake Tahoe Homesite Sales 2008-YTD 2014**

<b>Year</b>	<b>No. Sales</b>	<b>Avg Sale Price</b>	<b>Median SP</b>	<b>% Change in Median</b>
2008	13	\$ 224,538	\$ 150,000	N/A
2009	14	\$ 115,529	\$ 78,750	-47.50%
2010	15	\$ 60,187	\$ 50,000	-36.51%
2011	11	\$ 101,773	\$ 75,000	50.00%
2012	27	\$ 57,603	\$ 49,000	-34.67%
2013	30	\$ 107,363	\$ 61,750	26.02%
YTD 2014	22	\$ 88,768	\$ 74,063	19.94%
Listings	31	\$ 162,429	\$ 89,000	N/A

As the chart indicates, vacant residential land sales within the City of South Lake Tahoe were relatively limited from 2008 to 2011. As the market began to recover in 2012 the number of sales increases substantially and has remained strong through YTD 2014. While the number of sales increased in 2012, prices remained low. In 2013 and YTD 2014 there has begun to be price increases and the market continues to stabilize.

Additionally, in arriving at the highest and best use of the subject, consideration is given to the market for improved residential properties in the City portion of the South Lake Tahoe market area. The following is a summary of sales since 2008.

**City of South Lake Tahoe Improved Single Family Residential Sales 2008-YTD 2014**

Year	No. Sales	Avg Sale Price	Median SP	% Change in Median
2008	211	\$ 486,636	\$ 388,000	N/A
2009	260	\$ 398,390	\$ 290,000	-25.26%
2010	282	\$ 312,935	\$ 271,715	-6.31%
2011	322	\$ 344,292	\$ 231,250	-14.89%
2012	415	\$ 326,049	\$ 225,000	-2.70%
2013	385	\$ 395,483	\$ 295,000	31.11%
YTD2014	164	\$ 419,837	\$ 305,250	3.47%
Listings	200	\$ 617,808	\$ 379,000	N/A

The improved single family residential market in South Lake Tahoe has been very soft from 2008 to, with decreases seen every year through 2012. However, in mid-to late 2012 it appears the market bottomed out and has since seen substantial recovery.

Based on the above market data, it is our opinion that that there is a significant market for vacant single family residential land. Additionally, given the relatively strong market for both vacant land and improved residential units, the market s likely at or near at point at which it is economical for new development.

Consideration is also given to the multifamily land use on the subject property. With three development rights, the subject could be developed with up to a three-plex. Any additional units would require obtaining additional residential development rights in the open market. Currently there is a limited amount of excess development rights available and obtaining the rights can be costly. Therefore, multi-family use beyond three units may not currently be economically feasible. Additionally, rents for multi-family properties are not

presently at a level that would make it economically feasible to develop the subject property with a multi-family use.

In arriving at the highest and best use of the subject property consideration is given to the physical characteristics of the property, allowable and legally permissible land uses, economic feasibility and maximally productive use. With consideration given to each of these factors, it is our opinion that the highest and best use of the subject property is for single family residential development.

### INTRODUCTION TO VALUATION ANALYSIS

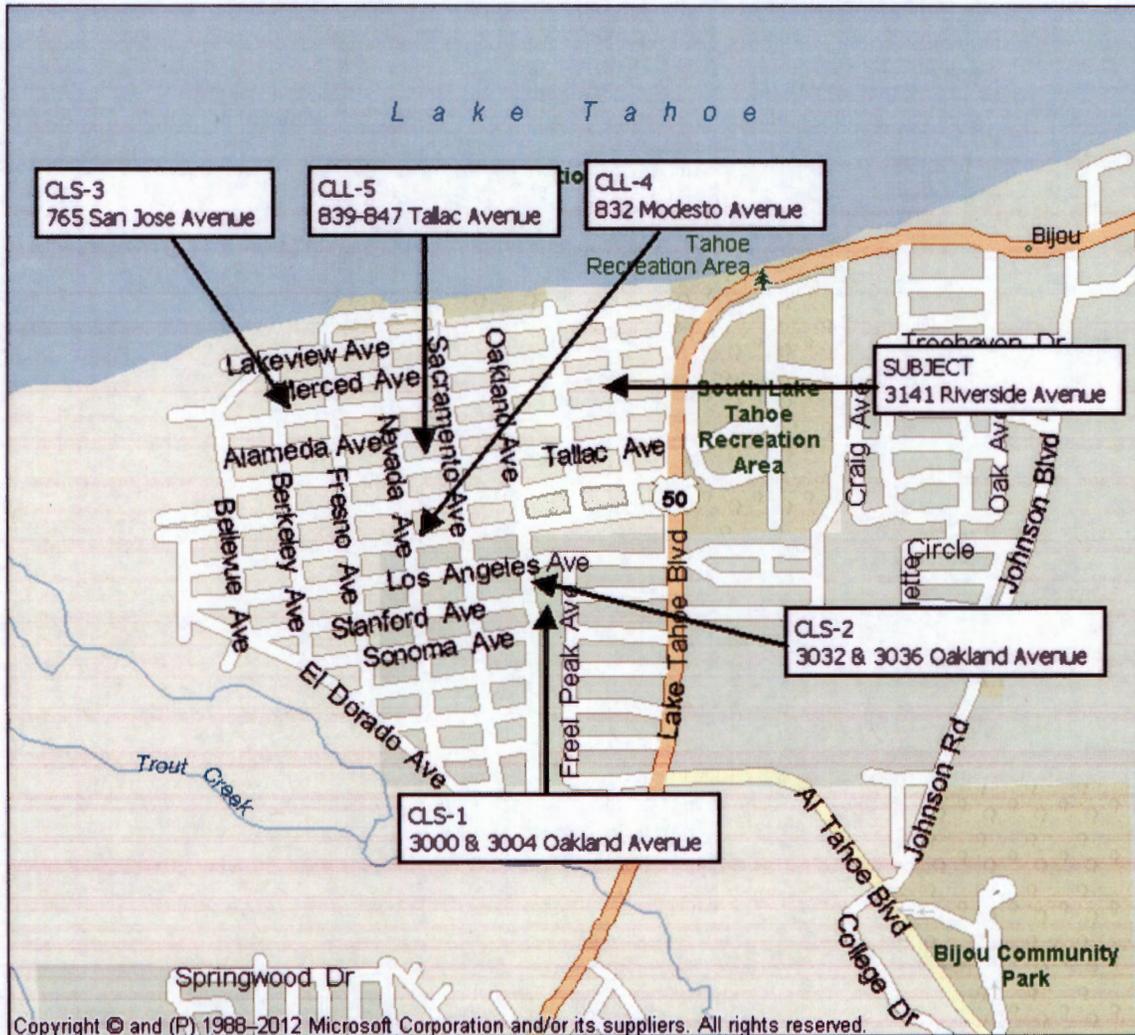
To establish the Market Value of the subject site, we have considered all three approaches to value: the Income Approach, the Cost Approach, and the Sales Comparison Approach. As land is not typically valued based on its income generating potential, the Income Approach will not be used in this analysis. Additionally, as the subject property is 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 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 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, land sales in the South Lake Tahoe area were researched. All comparables that were found were investigated, analyzed and compared to the subject property. In the Sales Comparison Approach, we will analyze the land sales based on the sale price per legal lot. The comparable sales utilized in this analysis are set forth on the following chart and sale profile sheets.

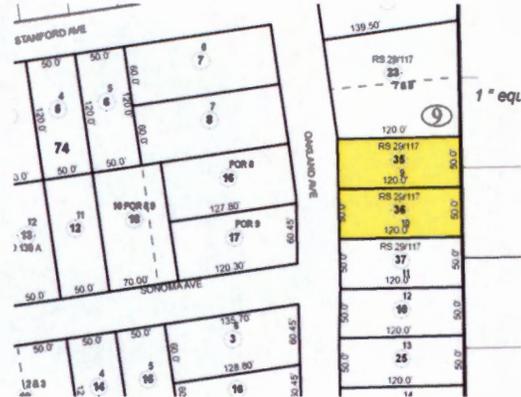
## COMPARABLE SALES CHART

Sale No.	Property Address/ Property APN(s)	Sale Date	Sale Price	Total Land Area/ Land Coverage/ % Land Coverage to Total Land Area	Other Development Rights	Price per Legal Lot
CLS-1	3000 & 3004 Oakland Avenue South Lake Tahoe, California 026-139-35 & 36	05-15-13	\$118,000	12,000± Sq.Ft. 3,600± Sq.Ft. 30%	None	\$59,000
CLS-2	3032 & 3036 Oakland Avenue South Lake Tahoe, California 026-115-04 & 05	05-01-13 06-26-13	\$140,000	16,959± Sq.Ft. 5,088± Sq.Ft. 30%	None	\$70,000
CLS-3	765 San Jose Avenue South Lake Tahoe, California 026-026-13	07-30-13	\$85,000	5,000± Sq.Ft. 1,500± Sq.Ft. 30%	None	\$85,000
CLL-4	832 Modesto Avenue South Lake Tahoe, California 026-105-02	Current Listing	\$82,500	6,000± Sq.Ft. 1,800± Sq.Ft. 30%	None	\$82,500
CLL-5	839-847 Tallac Avenue South Lake Tahoe, California 026-075-19	Current Listing	\$360,000	15,000± Sq.Ft. 12,632± Sq.Ft. 84.2%	4,518± Sq.Ft. of CFA	\$120,000
SUBJECT	3141 Riverside Avenue South Lake Tahoe, California 026-082-13, 14 & 15	07-01-14 (DOV)	---	15,000± Sq.Ft. 6,951± Sq.Ft. 46.34%	None	---

**COMPARABLE SALES MAPS**



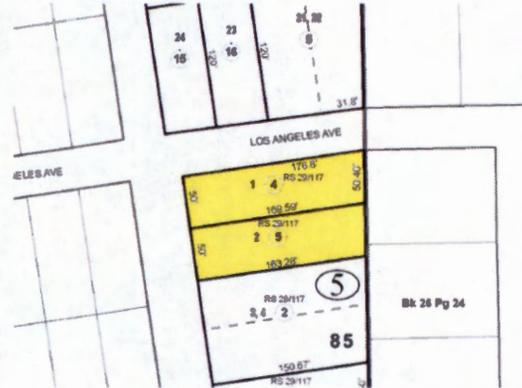
**COMPARABLE LAND SALE PROFILE SHEET**  
 (Sale CLS-1)



<b>Property Location:</b>	East Side of Oakland Avenue, 25 feet north of Sonoma Avenue	<b>Community:</b>	Al Tahoe
<b>Address:</b>	3000 & 3004 Oakland Avenue	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	026-139-35 & 36	<b>State:</b>	California
<b>Topography:</b>	Basically level	<b>Legal Description:</b>	Lots 9 and 10, Block 85 of the Al Tahoe Subdivision, El Dorado County, California
<b>Total Land Area:</b>	12,000± square feet (0.28± ac)	<b>Sale Price:</b>	\$118,000
<b>IPES Score:</b>	903/926	<b>Sale Price/Legal Lot:</b>	\$59,000
<b>Sale Date:</b>	05-15-13	<b>Land Coverage:</b>	30% 3,600± sf
<b>Grantor:</b>	Olsson Family Trust	<b>Document Number:</b>	24205
<b>Grantee:</b>	Bernard W. & Bonnie L. Anderson	<b>Terms Of Sale:</b>	Cash
		<b>Verification:</b>	Lake Tahoe Real Estate, Listing Brokerage, County Records

**Comments:** This comparable is located along the east side of Oakland Avenue in the Al Tahoe subdivision. The comparable includes 12,000± square feet of land area with two Assessor's parcels and two underlying legal lots. The property is basically level and at street grade. Both parcels have 30% land coverage and associated IPES scores of 903 and 926, respectively. Total land coverage for the parcel is 3,600± square feet. Each of the two parcels were marketed under separate listings, but sold together in one transaction. The parcels were originally listed for sale for \$69,000 each in February of 2013. There were no price reductions during the list period and the parcels sold for \$59,000 each, or a total sale price of \$118,000.

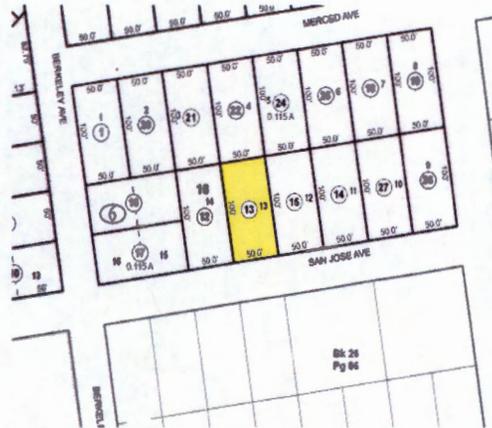
**COMPARABLE LAND SALE PROFILE SHEET**  
 (Sale CLS-2)



<b>Property Location:</b>	Southeast corner of Oakland Avenue and Los Angeles Avenue	<b>Community:</b>	Al Tahoe
<b>Address:</b>	3032 & 3036 Oakland Avenue	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	026-115-04 & 05	<b>State:</b>	California
<b>Topography:</b>	Basically level	<b>Legal Description:</b>	Lots 1 and 2, Block 85 of the Al Tahoe Subdivision, El Dorado County, California
<b>Total Land Area:</b>	16,959± square feet (0.39± ac)	<b>Sale Price:</b>	\$140,000
		<b>Sale Price/Legal Lot:</b>	\$70,000
<b>IPES Score:</b>	973	<b>Land Coverage:</b>	30%
			5,088± sf
<b>Sale Date:</b>	05-01-13 & 06-26-13 (Separate Transactions)	<b>Document Number:</b>	33117 & 22148
<b>Grantor:</b>	Olsson Family Trust	<b>Terms Of Sale:</b>	Cash
<b>Grantee:</b>	Decoop LLC	<b>Verification:</b>	Pike Reardon, Selling Agent, County Recorder

**Comments:** This comparable is located at the southwest corner of Los Angeles Avenue and Oakland Avenue in the Al Tahoe subdivision. The comparable includes 16,959± square feet of land area with two Assessor's parcels and two underlying legal lots. The property is basically level and at street grade. Both parcels have 30% land coverage and with an IPES score of 973 for both parcels. Total land coverage for the parcel is 5,088± square feet. Each of the two parcels were marketed under separate listings, but sold together in one transaction. The parcels were originally listed for sale for \$79,000 each in February of 2013. There were no price reductions during the list period and the parcels sold for \$70,000 each, or a total sale price of \$140,000. The property transferred in two separate transactions to the same buyer on May 1, 2013 and June 26, 2013.

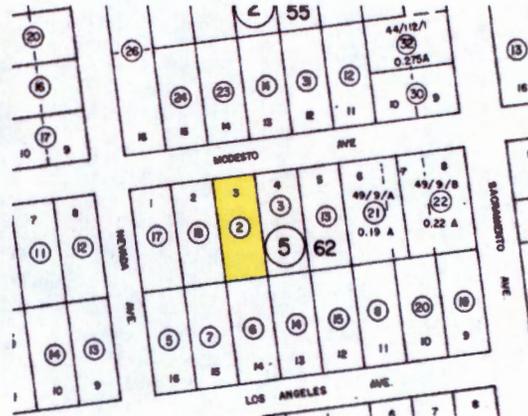
**COMPARABLE LAND SALE PROFILE SHEET**  
 (Sale CLS-3)



<b>Property Location:</b>	North side of San Jose Avenue, 150 feet east of Berkeley Avenue	<b>Community:</b>	Al Tahoe
<b>Address:</b>	765 San Jose Avenue	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	026-026-13	<b>State:</b>	California
<b>Topography:</b>	Basically Level	<b>Legal Description:</b>	Lot 13, Block 18 of the Al Tahoe Subdivision, El Dorado County, California
<b>Total Land Area:</b>	5,000± square feet (0.11± ac)	<b>Sale Price:</b>	\$85,000
<b>IPES Score:</b>	826	<b>Sale Price/Legal Lot:</b>	\$85,000
<b>Sale Date:</b>	07-30-13	<b>Land Coverage:</b>	30% 1,500± sf
<b>Grantor:</b>	Jean C Maeda	<b>Document Number:</b>	39945
<b>Grantee:</b>	Sriro Family Trust	<b>Terms Of Sale:</b>	Cash
		<b>Verification:</b>	Deb Howard & Company Listing Brokerage, County Records

**Comments:** This comparable is located along the north side of San Jose Avenue, 150± feet east of Berkeley Avenue in the Al Tahoe subdivision. The property consists of a single Assessor's parcel with one underlying legal lot. The property is basically level and at street grade, with 50 feet of frontage along San Jose Avenue. Land coverage on the property is 30%, with an associated IPES score of 826. The property was listed for sale on June 28, 2013 and there were no price reductions prior to the sale at \$85,000 on July 30, 2013.

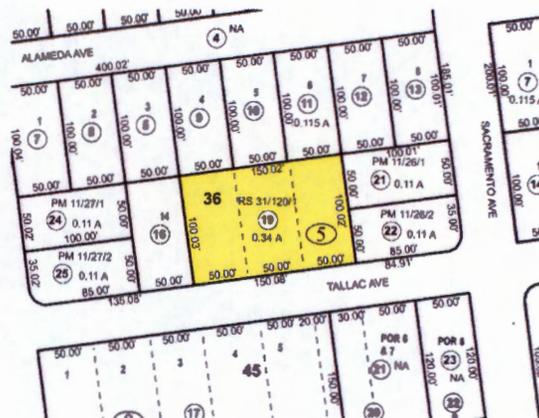
**COMPARABLE LAND SALE PROFILE SHEET**  
 (Listing CLL-4)



<b>Property Location:</b>	South side of Modesto Avenue, 100 feet east of Nevada Avenue	<b>Community:</b>	Al Tahoe
<b>Address:</b>	832 Modesto Avenue	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	026-105-02	<b>State:</b>	California
<b>Topography:</b>	Basically Level	<b>Legal Description:</b>	Lot 3, Block 62 of the Al Tahoe Subdivision, El Dorado County, California
<b>Total Land Area:</b>	6,000± square feet (0.14± ac)	<b>Sale Price:</b>	\$82,500
<b>IPES Score:</b>	909	<b>Sale Price/Legal Lot:</b>	\$82,500
<b>Sale Date:</b>	Pending Sale	<b>Land Coverage:</b>	30% 1,800± sf
<b>Grantor:</b>	Jean C Maeda	<b>Document Number:</b>	N/A
<b>Grantee:</b>	Unknown	<b>Terms Of Sale:</b>	Cash/Conventional
		<b>Verification:</b>	Pinnacle Real Estate, Listing Brokerage, County Records

**Comments:** This comparable is located along the south side of Modesto Avenue, 100± feet east of Nevada Avenue in the Al Tahoe subdivision. The property consists of a single Assessor's parcel with one underlying legal lot. The property is basically level and at street grade, with 50 feet of frontage along Modesto Avenue. Land coverage on the property is 30%, with an associated IPES score of 909. The property is currently pending sale, with a list price of \$82,500. The property was listed for sale on January 31, 2014 at the current list price of \$82,500.

**COMPARABLE LAND SALE PROFILE SHEET  
 (Listing CLL-5)**



<b>Property Location:</b>	North side of Tallac Avenue, 100' west of Sacramento Avenue	<b>Community:</b>	Al Tahoe
<b>Address:</b>	839 & 847 Tallac Avenue	<b>County:</b>	El Dorado
<b>A.P.N.:</b>	026-075-19	<b>State:</b>	California
<b>Topography:</b>	Basically Level	<b>Legal Description:</b>	Lots 11, 12 & 13, Block 36, of the Al Tahoe Subdivision, El Dorado County, California
<b>Total Land Area:</b>	15,000± square feet (0.34± ac)	<b>Sale Price:</b>	\$360,000
		<b>Sale Price/Legal Lot:</b>	\$120,000
<b>IPES Score:</b>	None Assigned, See Comments Below	<b>Land Coverage:</b>	84.2% 12,362± sf
<b>Sale Date:</b>	Current Listing	<b>Listing Number:</b>	STARMLS# 122317
<b>Grantor:</b>	Tahoe Tallac Partners LLC	<b>Terms Of Sale:</b>	Cash/Conventional
<b>Grantee:</b>	N/A	<b>Verification:</b>	Davey Paiva Realty, County Records

**Comments:** This comparable is located along the north side of Tallac Avenue, 100± feet west of Sacramento Avenue in the Al Tahoe Subdivision. The property includes a single Assessor's parcel, with three underlying legal lots. The property has been improved with three storage buildings, with one containing a one bedroom/one bathroom residential unit. Overall, the improvements are in poor condition and the highest and best use of the property is for redevelopment. Development resources on the property include 12,632± square feet of land coverage and 4,518± square feet of commercial land coverage. The property was listed for sale on April 18, 2014 at \$360,000. There have been no price reductions.

**COMPARABLE LAND SALES DISCUSSION AND COMPARISON  
Price Per Legal Lot Analysis**

**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. The following is a summary of adjustment factors that are utilized in this analysis:

***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***

The comparable sales took place from May of 2013 to June of 2014. One of the comparables is currently pending sale and one is an active listing. Overall, over the past 12 to 18 months there has been improvement in the residential real estate market. Therefore, in this analysis, upward adjustments are made to the three sales that took place in 2013. No adjustment for market conditions is made to the current pending sale or listing.

***Location***

The subject and each of the comparables are located in the Al Tahoe subdivision in South Lake Tahoe. Within this subdivision, location differences arise from several factors. These factors include the proximity of the property to Lake Tahoe, with properties in closer proximity to the lake being generally more desirable, and for the proximity to the commercial development along the U.S. Highway 50 corridor. The subject is located in the northwesterly portion of the subdivision and is in relatively close proximity to Lake Tahoe, approximately two blocks from the Lakeview Commons recreation area. The property is also in relatively close proximity to commercial development and other land uses along the U.S. Highway 50 corridor.

In comparison to the subject, Sale CLS-1 and CLS-2 are located a short distance south in the Al Tahoe subdivision. Despite the location further from Lake Tahoe, a downward adjustment is made to these comparables for location, as they are further removed from the commercial development. Overall, Sale CLS-3 and Pending Sale CPS-4 and Listing CLL-5 are similar to the subject and require no adjustment.

***Contributory Value of Existing Improvements***

The subject property consists of vacant residential land. Each of the comparables, with the exception of Listing CLL-5, are also vacant with no adjustment necessary. Listing LL-5 has been improved with three storage buildings, one with living area above. While the improvements are in poor condition they do add some interim value to the comparable. Therefore, a downward adjustment is made to the comparable for the improvements.

***Number of Legal Lots***

All else being equal, a property with more legal lots will sell for less on a Price per Legal Lot basis. The following is a summary of the adjustments for number of legal lots.

**Comparable Sales  
 Adjustments for Number of Legal Lots**

<b>Sale</b>	<b>Legal Lots</b>	<b>Adjustment</b>
CLS-1	2 Lots	-
CLS-2	2 Lots	-
CLS-3	1 Lot	--
CPS-4	1 Lot	--
CLL-5	3 Lots	=
<b>Subject</b>	<b>3 Lots</b>	

**Size**

All else being equal, on a Price per Legal Lot basis, the property with the greater land area per legal lot will sell for more. Based on the average lot size, we have applied the following qualitative adjustments.

**Comparable Sales  
 Adjustments for Size**

<b>Sale</b>	<b>Average Lot Size</b>	<b>Adjustment</b>
CLS-1	6,000± sq. ft.	-
CLS-2	8,480± sq. ft.	-
CLS-3	5,000± sq. ft.	=
CPS-4	6,000± sq. ft.	-
CLL-5	5,000± sq. ft.	=
<b>Subject</b>	<b>5,000± 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**

<b>Sale</b>	<b>Land Coverage</b>	<b>Land Area</b>	<b>Land Coverage Ratio</b>	<b>Adjustment</b>
CLS-1	3,600± sq. ft.	12,000± sq. ft.	30.0%	+
CLS-2	5,088± sq. ft.	16,959± sq. ft.	30.0%	+
CLS-3	1,500± sq. ft.	5,000± sq. ft.	30.0%	+
CPS-4	1,800± sq. ft.	6,000± sq. ft.	30.0%	+
CLL-5	12,632± sq. ft.	15,000± sq. ft.	84.2%	-
<b>Subject</b>	<b>6,951± sq. ft.</b>	<b>15,000± sq. ft.</b>	<b>46.3%</b>	

In addition to the adjustment factors set out above, additional adjustment will be made for any other factors that are unique to the individual comparables. With consideration given to the adjustments set out above, as well as any other adjustments applicable to the sales, we will adjust each of the comparable's to the subject to arrive at a value indication by the Sale Price per Legal Lot. The following is a summary of this analysis.

**SALES ADJUSTMENT CHART**  
**(Price per Legal Lot Analysis)**

Sale Number	Subject	CLS-1	CLS-2	CLS-3	CLE-4	CLL-5
Price/Legal Lot	NA	\$59,000	\$70,000	\$85,000	\$82,500	\$120,000
Property Rights	Fee Simple	Fee Simple Ø	Fee Simple Ø	Fee Simple Ø	Fee Simple Ø	Fee Simple Ø
Number of Legal Lots	3 Lots	2 Lots -	2 Lots -	1 Lot ---	1 Lot ---	3 Lots Ø
Conditions of Sale	Typical	Estate Sale ++	Estate Sale ++	Typical Ø	Typical Ø	Typical Ø
Market Conditions	07/14	05-13 +	05-06/13 +	07-13 +	Pending Sale Ø	Current Listing Ø
Terms of Sale	Cash	Cash Ø	Cash Ø	Cash Ø	Cash/Cntl Ø	Cash/Cntl Ø
Location	Al Tahoe	Superior -	Superior -	Similar Ø	Similar Ø	Similar Ø
Average Lot Size (±sf)	5,000	6,000 -	8,480 -	5,000 Ø	6,000 -	5,000 Ø
Land Coverage to Land Area Ratio	46.34%	30% +	30% +	30% +	30% +	84.2% -
Existing Improvements	None	None Ø	None Ø	None Ø	None Ø	Storage Buildings -
Other	None	None Ø	None Ø	None Ø	Offsite Parking -	4,518± Sq.Ft. CFA --
<b>Total Net Adjustments</b>	<b>N/A</b>	<b>+</b>	<b>+</b>	<b>-</b>	<b>---</b>	<b>----</b>
<b>Indicator of Value</b>	<b>N/A</b>	<b>Low</b>	<b>Low</b>	<b>High</b>	<b>High</b>	<b>Very High</b>

### **Correlation of the Price Per Square Foot Of Land Area Analysis**

Set out above, five comparables were analyzed and compared with the subject based upon the Sale Price per Legal Lot. The price per legal lot of the comparables ranged from \$59,000 to \$120,000. The following is a summary of each sale in comparison to the subject based on the Price per Legal Lot analysis.

**Sale CLS-1**, at \$59,000 per legal lot, is considered to be a low indicator of value for the subject property after all adjustments have been made. This is primarily due to the comparable's inferior land coverage ratio per legal lot, the comparable's terms of sale in which the seller was attempting to sell a high number of similar lots, and the market conditions as of the comparable sale.

**Sale CLS-2**, at \$70,000 per legal lot, is considered to be a somewhat low indicator of value for the subject after all adjustments have been made. This is primarily due to the comparables terms of sale, market conditions and inferior land coverage ratio.

**Sale CLS-3**, at \$85,000 per legal lot, is considered to be a high indicator of value after all adjustments have been made. This is primarily due to the comparable being a single legal lot. All else being equal between two properties, the property with fewer legal lots will sell for less on a price per legal lot basis.

**Pending Sale CPS-4**, at \$82,500 per legal lot, is considered to be a high indicator of value after all adjustments have been made. This is primarily due to the comparable's single legal lot. Additionally, this comparable is a pending sale with the actual sale price not disclosed to these appraisers.

**Listing CLL-5**, at \$120,000 per legal lot, is considered to be a very high indicator of value for the subject. This is primarily due to the comparable's superior CFA development rights, the comparable's existing improvements and the comparable's status as a listing. .

Overall, based on the comparable sales, and with consideration given to current economic conditions, the market evidence supports a value of \$70,000 to \$80,000 per legal lot. The \$70,000 to \$80,000 per legal lot value is multiplied by the subject's three legal lots to arrive at an indicated Market Value Range by the Price per Legal Lot basis of \$210,000 to \$240,000.

**Indicated Value: Price per Legal Lot**

**\$210,000 to \$240,000**

**RECONCILIATION AND FINAL PROPERTY VALUE CONCLUSION**

As presented in the previous sections of this report, we have utilized the Sales Comparison Approach to arrive at the indicated value of the subject property. The Cost Approach and Income Approach were not considered in this analysis. Under the Sales Comparison Approach a single unit of comparison was utilized; the Price per Legal Lot analysis. The following is a summary of the valuation analysis.

Cost Approach:	Not Applicable
Income Approach:	Not Applicable
Sales Comparison Approach	\$210,000 to \$240,000

In arriving at a final value for the subject property, strong consideration is given to the subject's location in the Al Tahoe neighborhood. The property is in relatively close proximity to the shores of Lake Tahoe and the newly developed Lakeview Commons recreation area. On the other hand, the property is also in relatively close proximity to commercial development along the U.S. Highway 50 corridor, which is less desirable for residential development. Further consideration is given to the relatively low number of vacant residential land listings in the Al Tahoe area.

In the sales comparison approach five sales were analyzed and compared to the subject based on the Price per Legal Lot analysis. After all adjustments were made to the comparables, the indicated value ranged from \$210,000 to \$240,000. Overall, it is our opinion that given current market conditions, the subject's three legal lots, (each with an individual assessor's parcel number) and the location of the property along the west side of Riverside Avenue the value of the property would fall near the midpoint of the indicated range.

With consideration given to the positive and negative aspects of the subject property, the comparable sales identified, it is our opinion that the Market Value of the subject property, as of July 1, 2014, is \$225,000.

**FINAL MARKET VALUE CONCLUSION**

**\$225,000**

**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 three to 12 months.

**EXPOSURE TIME**

**Three to 12 Months**

**APPRAISER'S CERTIFICATION**

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

Benjamin Q. Johnson and Chad J. Gerken 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.

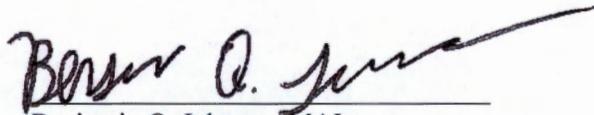
No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.

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.

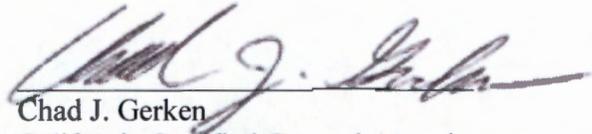
**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

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



Chad J. Gerken  
California Certified General Appraiser  
License Number AG3001061

## 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.

### COPIES, PUBLICATION, DISTRIBUTION AND USE OF REPORT

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.

---

---

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

---

---

**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).

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

**QUALIFICATIONS OF APPRAISER  
CHAD J. GERKEN**

**State Licensing and Certification**

Certified General Appraiser-State of Nevada  
License #A.0206016-CG  
(Certified through July 31, 2014)

Certified General Appraiser-State of California  
License Number AG3001061  
(Certified through June 30, 2015)

**Appraisal Experience**

Johnson-Perkins & Associates, Inc. 2006-Present

**Formal Education**

University of Washington  
Bachelor of Science in Business Administration Concentration in Finance 2006

**Appraisal Education**

Appraisal Institute  
Basic Appraisal Principles 2006  
Basic Appraisal Procedures 2006  
15 Hour National USPAP Course 2006  
General Appraiser Market Analysis and Highest & Best Use 2007  
Valuation of Detrimental Conditions 2008  
Construction Defects and Cost Trends & Feasibility Analysis 2008  
General Appraiser Income Approach (Part 1) 2008  
Residential Site Valuation & Cost Approach 2008  
Residential Market Analysis and Highest & Best Use 2008  
General Appraiser Income Approach (Part 2) 2009  
Residential Sales Comparison and Income Approach 2009  
General Appraiser Sales Comparison Approach 2009  
Residential Report Writing and Case Studies 2009  
General Appraiser Report Writing and Case Studies 2009  
Business Practices and Ethics 2010  
General Appraiser Site Valuation and Cost Approach 2010  
Advanced Income Capitalization 2011  
Advanced Concepts & Case Studies 2011  
7 Hour National USPAP Update 2012

**Kaplan Professional Schools**

Nevada Appraisal Law, Las Vegas, NV 2006  
7 Hour National USPAP Update Course 2008