

Integra Realty Resources

Review of Appraisal of Real Property

Portion of West Coyote Hills Master Planned Community

Approximately 509.1 Gross Acres Neighborhoods 1 and 3
Fullerton, California 92835

Prepared For

Alice Loya

Effective Date of the Review

April 18, 2016

IRR - Orange County & Inland Empire

24411 Ridge Route, Suite 100
Laguna Hills, CA 92653

Reviewed By

Larry D. Webb, MAI
(949) 860-1277
Lwebb@irr.com





April 18, 2016

Alice Loya
Parks and Recreation Manager
City of Fullerton
303 West Commonwealth Avenue
Fullerton, California 92832

SUBJECT: Appraisal Review
Portion of West Coyote Hills Master Planned Community
Approximately 509.1 Gross Acres Neighborhoods 1 and 3
Fullerton, California 92835
IRR - Orange County File No. 178-2016-0109

Dear Ms. Loya,

Integra Realty Resources – Orange County & Inland Empire is pleased to submit the accompanying review of the appraisal of the above referenced property.

The appraisal report was dated April 17, 2016 and prepared by Larry W. Heglar, MAI of Larry W. Heglar & Associates. The report was addressed to Jeffrey M. Oderman, Esq. of Rutan & Tucker, LLP. The client for the assignment was Rutan & Tucker, LLP and report was intended for use by the City of Fullerton to purchase the property that would then be dedicated as permanent open space. The purpose of the appraisal review is to assess the reliability and reasonableness of the final value conclusion and to ensure the appraisal meet the standards of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) and with Uniform Standards of Professional Appraisal Practices (USPAP) Ethics and Scope of Work Rules, and Standard Rule 3 (Review Report).

The valuation scenario(s), effective date(s), property rights appraised, and the concluded value(s) are set forth as follows:

Valuation Scenario	Effective Date	Property Rights	Appraiser's Value Conclusion
West Coyote Hills Specific Plan (Less Neighborhood 2)	November 3, 2015	Unencumbered Fee	\$150,000,000
Neighborhood 1	November 3, 2015	Unencumbered Fee	\$9,400,000
Neighborhood 3	November 3, 2015	Unencumbered Fee	\$9,300,000

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

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Appraisal Review Memo 04/01/16

Respectfully submitted,

Integra Realty Resources - Orange County & Inland Empire



Larry D. Webb, MAI
Certified General Real Estate Appraiser
CA Certificate # AG003076
Telephone: (949) 860-1277
Email: Lwebb@irr.com

REVIEW DATE: April 18, 2016

PROPERTY: Portion of West Coyote Hills Master Planned Community
Approximately 509.1 Gross Acres Neighborhoods 1 and 3
Fullerton, California 92835

APPRAISER: Larry W. Heglar, MAI of Larry W. Heglar & Associates.

DATE OF APPRAISAL: April 17, 2016

PURPOSE OF THE REVIEW:

The purpose of this review is to develop and communicate an opinion about the quality of the work performed as well as the reasonableness of the appraiser's conclusions within the context of the defined scope of work so stated in the appraisal report.

The referenced appraisal was reviewed for conformance with the *Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)* and with *Uniform Standards of Professional Appraisal Practices (USPAP)* Ethics and Scope of Work Rules, and Standard Rule 3 (Review Report). The extent of the review process is further described in the following table:

SCOPE OF THE REVIEW PROCESS

No.	Item	Yes	No	N/A
1.	Entire appraisal report was read thoroughly:	X		
2.	All pertinent mathematical calculations were verified:	X		
3.	Reasonableness and accuracy of DCF analysis, and appropriateness of software were verified:	X		
4.	Appraised property was field reviewed:		X	
5.	Comparable market data reported in the appraisal under review were field reviewed:		X	
6.	Limited confirmation of market data reported in the appraisal under review was attempted:		X	
7.	Full confirmation of market data reported in the appraisal under review was attempted:		X	
8.	Additional comparable market data was researched and analyzed by the review appraiser:		X	
9.	All known pertinent information was included in the reporting of the results of the appraisal review:	X		
10.	The preparation of an Amended Value Analysis (Corrective Review) was required:		X	

SUMMARY OF VALUE CONCLUSIONS

The valuation scenario(s), effective date(s), property rights appraised, and the concluded value(s) are set forth as follows:

Valuation Scenario	Effective Date	Property Rights	Appraiser's Value Conclusion
West Coyote Hills Specific Plan (Less Neighborhood 2)	November 3, 2015	Unencumbered Fee	\$150,000,000
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APPRAISAL CONTINGENCIES

The referenced appraisal and this review are not subject to any appraisal contingencies.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The appraisal was subject to the following extraordinary assumptions:

- A cost estimate was completed on the West Coyote Hills Specific Plan by The Moote Group, dated July 10, 2013 and updated September 15, 2015. Estimates from the updated study were utilized in the analysis of the subject property. The Moote Group estimate did not have improvement plans detailing quantities as improvement plans were not completed as of date of value. Estimates were based on the best available information at the time and industry standards. These estimates seem reasonable based on a review of cost estimates on other land development projects. The Moote Group has a good reputation and extensive experience in estimating land development costs. I am not a cost estimator and it is assumed that the costs provided are reasonable and correct. Should actual costs differ substantially from these costs there would likely be an impact on the value conclusions.
- Entitlements for West Coyote Hills Specific Plan are complete with an Approved Vesting Tentative Tract Map (VTTM No. 17609) along with Approved Specific Plan (Amendment No. 8). It is assumed that development of the property would proceed pursuant to this entitlement upon satisfying the conditions of the map.
- Currently a Biological Opinion survey for the U.S. Fish and Wildlife Service needs to be completed and approved prior to all jurisdictional requirements being satisfied. Once this survey is approved only the satisfaction of map conditions are needed prior to starting development. It is assumed that this survey is completed and approved.

The appraisal was subject to the following hypothetical conditions:

- Subject property historically has been utilized as an oil production field with wells located throughout. It is assumed that the land is free of any hazardous materials as a result of former petroleum operations and that the land is suitable to development to its highest and best use. Subject property is a large parcel with almost 510 acres. Other parcels, smaller than the subject that have been used for petroleum production, have been developed in Southern California after wells were capped and land was mitigated, typically by the owner/seller. It is therefore believed that this condition is reasonable to accept in the analysis of the subject property.
- A Community Facility District (CFD) doesn't currently exist on the subject property. CFD's are commonly utilized mechanisms utilized in the financing of infrastructure improvements and other development costs in large land development projects. Although not currently in place a CFD would likely be utilized in the development and an independent marketing study by The Concord Group estimates product and pricing assuming CFD financing.

SUBJECT PROPERTY DESCRIPTION

The subject property is located in the far northwest corner of the City of Fullerton in Orange County. Overall the property consists of a somewhat linear shaped parcel of land totaling 509.1 gross acres. It is proposed that the subject property or portions will be dedicated as permanent open space. Current entitlements allow development of up to 760 residential units and a 5.2 acre "Village Retail" site.

AREA AND PROPERTY DESCRIPTION/ANALYSIS

	<u>Complies</u>
1. Region/vicinity analysis is adequate considering scope of assignment:	Yes
2. Site Description is adequate:	Yes
3. Improvement description is adequate:	Yes
4. Improvement conformance with zoning is considered:	Yes
5. Highest & best use analysis is adequate:	Yes

Comments: These sections of the report provide the necessary data to be sufficient support for the conclusions presented.

MARKET ANALYSIS

	<u>Complies</u>
1. Competitive market is identified and adequately described:	Yes
2. Historical performance of the market is presented and analyzed:	Yes
3. Estimates of future market supply and demand are provided:	Yes
4. Estimates of future market supply and demand are reasonable:	Yes
5. Position of the subject property within the market is adequately described:	Yes

Comments: This section provides an adequate description and analysis of the market area and type of use.

SITE VALUATION

	<u>Complies</u>
1. Appropriate units of comparison are analyzed:	Yes
2. Market data is current, relevant, and is described in adequate detail:	Yes
3. Analysis of the comparable sale data is sufficiently thorough:	Yes
4. A Quantitative adjustment grid is included:	Yes
5. Data Sheets for each comparable provided:	Yes
6. Value conclusion is adequately supported:	Yes

Comments: Adequate data was available to develop a reliable land value via a Sales Comparison Approach. The primary data set consists of the most recent and similar land sales in the market area having the same highest and best use as the subject. Adjustments were made to the comparables and the adjustments were considered appropriate and reasonable. The land value is considered supported and reasonable based on the data and analysis.

COST APPROACH

	<u>Complies</u>
1. Replacement cost analysis is adequate:	NA
2. Developer profit is reasonable:	NA
3. Depreciation analysis is adequate:	NA

4. Value conclusion is adequately supported:

NA

Comments: The Cost Approach was not completed as an independent approach to value for the subject, however, the Developmental Approach used portions for the Cost Approach to estimate the horizontal and vertical cost of developing the subject.

SALE COMPARISON APPROACH

	<u>Complies</u>
1. Appropriate units of comparison are analyzed:	Yes
2. Market data is current, relevant, and is described in adequate detail:	Yes
3. Analysis of the comparable sale data is sufficiently thorough:	Yes
4. A Quantitative adjustment grid is included:	Yes
5. Data Sheets for each comparable provided:	Yes
6. Value conclusion is consistent with pending or past subject sale:	NA
7. Value conclusion is adequately supported:	Yes

Comments: Adequate data was available to develop reasonable home pricing via a Sales Comparison Approach. The primary data set consists of the SFR data for the most recent and similar developments in the area. Adjustments were made to the SFR comparables and the adjustments were considered appropriate and reasonable. The Unit pricing for the SFRs are considered supported and reasonable based on the data and analysis.

DEVELOPMENTAL APPROACH

	<u>Complies</u>
1. Gross Retail Revenues is supported by the Sales Comparison Approach:	Yes
2. Horizontal and Vertical Costs are supported by data:	Yes
3. All overhead and Sales costs are analyzed:	Yes
4. Income and expense growth/decline factors are reasonable:	Yes
5. Sales Velocity is adequately supported:	Yes
6. Developer Profit is analyzed and support by market data:	Yes
7. Yield (Discount) rate selection is adequately supported:	Yes
8. Conclusion is adequately supported:	Yes

Comments: The appraiser used a developmental (Residual) approach to value the subject as is. The data presented are adequate and support the conclusions presented for gross retail revenue, horizontal and vertical development costs, CFD reimbursements, sales velocity, developer expenses, sales costs and discount rate. The resultant value conclusion is judged to be reasonable and supported by the data and analysis.

UASFLA/USPAP APPRAISAL STANDARDS COMPLIANCE

No.	Item	Yes	No	N/A
1.	The appraisal states the identity of the client and any intended users:	X		
2.	Extraordinary assumptions are clearly disclosed:	X		
3.	Identifies real estate appraised:	X		
4.	Identifies real property interest appraised:	X		
5.	States the intended use of the appraisal:	X		
6.	Analyzes all agreements of sale, options, and listing of the subject property current as of the effective date of appraisal:	X		

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Appraisal Review Memo 04/01/16

7.	Analyzes all sales of the subject property that occurred within the three years prior to the effective date of appraisal:	X		
8.	States purpose of appraisal:	X		
9.	States proper definition of Market Value:	X		
10.	States effective date of appraisal:	X		
11.	States date of report:	X		
12.	Describes scope of appraisal process:	X		
13.	Sets forth assumptions and limiting conditions:	X		
14.	Appraisal values property in its current condition:	X		
15.	Statement that appraisal conforms to USPAP and UASFLA	X		
16.	Appraiser is appropriately state certified or licensed	X		
17.	Appraisal report format and content is appropriate and complete	X		
18.	Summarizes data and appraisal procedures:	X		
19.	Identifies Highest and Best Use:	X		
20.	Exclusion of any approach of value is explained	x		
21.	Data and/or adjustments are adequate	X		
22.	Appraisal describes the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions and conclusions:	X		
23.	Appraisal reconciles the quality and quantity of data available and analyzed within the approaches used, and reconciles the applicability or suitability of the approaches used to arrive at the value conclusion(s):	X		
24.	Includes statement regarding prior services in last 36 Months:	X		
25.	Appraisal signed by a licensed Certified General Appraiser (No Trainee Appraisers)	X		
26.	Data Sheets for Land, Improved Sales and Rent comparables included in report	X		
27.	UASFLA Certification completed and signed by licensed appraiser	X		

SUMMARY OF FINDINGS

The reviewer's opinion on the quality of the work is summarized as follows:

No.	Item	Yes	No	N/A
1.	The completeness of the appraisal report matches the defined Scope of Work:	X		
2.	The apparent adequacy and relevance of the data and the propriety of the adjustments to the data is acceptable:	X		
3.	The appropriateness of the appraisal methods and techniques used is acceptable:	X		
4.	The analyses, opinions and conclusions in the work under review are appropriate and reasonable to an acceptable degree:	X		
5.	Appraisal is not misleading:	X		

REVIEW CONCLUSION

The concluded market value was appropriately supported and considered reasonable. There are no areas of significant concern with this appraisal. The appraisal meets all UASFLA requirements and is approved by the reviewer.

SCOPE OF REVIEW STATEMENT

Larry D. Webb, MAI has prepared an independent and impartial review appraisal of the report submitted. Beyond checking for a general level of completeness and consistency, the review process included the following:

- Read the appraisal to identify the real estate, the real property interests being appraised and the effective date of the opinion.
- Supplemental review work may include but is not limited to searching for: information from public records, multiple listing services, national vendors, real estate professionals, referenced appraiser(s) and/or peers, file information, and cost estimating resources.
- Form an opinion as to the completeness of the report under review in the context of the requirements of USPAP and UASFLA standards.
- Form an opinion as to the apparent adequacy and relevance of the data and the proper application of any adjustments to the data.
- Form an opinion as to the appropriateness of the appraisal methods and techniques.
- Conclude with an opinion of general or limited concurrence or non-concurrence.
- Prepare a brief outline report of findings.

REVIEW APPRAISER'S CERTIFICATION

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

- The facts and data reported by the review appraiser and used in the review process are true and correct;
- the analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved;
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report;
- my analyses, opinions, and conclusions were developed and this review report has been prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions* and *Uniform Standards of Professional Appraisal Practice*;
- I did not personally inspect the property that is the subject of the report under review;
- no one provided significant professional assistance to the person signing this review report;
- the appraisal review process and the reporting of the appraisal review process did not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, disability, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. I have not performed any services that require disclosure under this rule;
- I am competent to perform this appraisal review assignment;
- I am currently licensed by the Bureau of Real Estate Appraisers as a "Certified General Real Estate Appraiser;"
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
- as of the date of this review report, I have completed the requirements of the continuing education program of the Appraisal Institute.



Larry Webb, MAI
CA Certificate No. AG003076
Expires January 1, 2017