

**AN APPRAISAL OF  
0.46 ACRES OF VACANT LAND  
LOCATED AT  
NORTH ASHFORD AVENUE  
RIALTO, CALIFORNIA**

**PREPARED FOR**

**Mr. John Dutrey  
CITY OF RIALTO, DEVELOPMENT SERVICES DEPT.  
150 South Palm Avenue  
Rialto, California 92376**



**NORTH ASHFORD AVENUE  
RIALTO, CALIFORNIA**

**DATE**

**OCTOBER 24, 2017**

**PREPARED BY**

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**LETTER OF TRANSMITTAL**

November 13, 2017

Mr. John Dutrey, Project Manager  
City of Rialto, Development Services Department  
150 South Palm Avenue  
Rialto, California 92376

RE: **0.46 ACRES OF VACANT LAND  
ASSESSOR'S PARCEL NUMBER 0243-151-59  
LOCATED ON NORTH ASHFORD AVENUE  
RIALTO, CALIFORNIA 92376**

Dear Mr. Dutrey:

In accordance with your request and authorization, I have personally inspected and appraised the above referenced real property. This property is more completely described herein, by plats, legal descriptions, and photographs.

The purpose of this appraisal study is to estimate the market value of the FEE SIMPLE INTEREST in the subject property. The subject of this analysis represents the value of the site. In order to form this opinion of value, we have gathered the necessary market data and made the necessary studies in connection with the subject. After analyzing the information obtained, we have formed the opinion that the market value of the subject as of October 24, 2017 is:

**"AS IS" FEE SIMPLE INTEREST**  
**THIRTY THOUSAND DOLLARS**  
**(\$30,000)**

This value estimate is based upon an exposure period of nine months or less. Additionally, this value estimate does not include any tangible or intangible personal property (including furniture, fixtures, and equipment).

Here follows a narrative appraisal report upon which the opinion expressed is predicated. The following narrative appraisal report includes a description of the subject property as well as an analysis of the environs affecting the subject and the market data used to estimate the interest appraised. Your attention is directed to the assumptions and limiting conditions, which are contained in the body of this report, for a more thorough understanding of the conditions upon which the value and conclusions contained herein were based. This appraisal is prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Respectfully submitted,

by:



Aaron Gardner, CA# AG005074  
Certified General Appraiser

## **PURPOSE AND USE OF THE APPRAISAL**

The function or intended use of this appraisal report is to assist the Client in mortgage loan underwriting decisions. Other intended users may include other Federal or State regulated credit unions and banks. To communicate our opinions of value, we prepared an Appraisal Report as defined by the 2016-2017 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). This is an Appraisal Report, which is intended to comply with the reporting requirements set under Standards Rule 2-2(a) of USPAP – 2016-2017 Edition.

This appraisal has been prepared with the intent to conform to the Interagency Appraisal and Evaluation Guidelines (FIL-82-2010 dated December 2, 2010) as published by the Federal Deposit Insurance Corporation (FDIC), the appraisal requirements by 12 CFR Part 34 and 225, dated June 7, 1994 of FIRREA (Financial Institutions Reform, Recovery and Enforcement Act) and in conformity with the 2016-2017 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) as published by the Appraisal Foundation, the federal financial institutions regulating agencies, and the appraisal standards of the client.

This valuation is based upon the attached report and all the assumptions and limiting conditions contained therein, including the understanding that we have no control over the use to which the report may be put by a subsequent reader. This report may not be used for any other reason, nor is it intended for use by any other entity than the party for which it was prepared. Neither all nor part of the contents shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the appraiser.

## **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

**Extraordinary Assumption:** USPAP (Uniform Standards of Professional Appraisal Practice) 2016-2017 defines an Extraordinary Assumptions as: “an assumption, directly related to a specific assignment, as of the effective date of the assignment result, which if found to be false, could alter the appraiser’s opinions or conclusions.”

“Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

**Hypothetical Condition:** USPAP (Uniform Standards of Professional Appraisal Practice) 2016-2017 defines a Hypothetical Condition as: “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

“Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

USPAP SR1-2 (g) states that “a hypothetical condition may be used in an assignment only if the use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purpose of comparison; use of the hypothetical condition results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.”

For purposes of this analysis, no Extraordinary Assumptions or Hypothetical Conditions have been considered.

## **PROPERTY RIGHTS APPRAISED**

There are three primary types of property rights that may be appraised. They are Fee Simple Interest, Leased Fee Interest and Leasehold Interest. They are defined as follows:

**Fee Simple Interest:** Fee simple interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

**Leased Fee Interest:** Leased fee interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires."

**Leasehold Interest:** Leasehold interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "the right held by the lessee to use and occupy real estate for a stated term under the conditions specified in the lease."

## **NATURE OF THE ASSIGNMENT**

The purpose of this report is to estimate the market value of the **Fee Simple Interest** in the subject property.

## **VALUE OPINION**

Opinions of value are typically developed on the basis of one or more of the following dates or situations.

**Market Value "As Is" on the Appraisal Date:** Market Value "As Is" on the appraisal date is an opinion of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

**Prospective Future Value "Upon Completion" of Construction:** Prospective future value "upon completion" of construction is the prospective future value of a property on the date that construction, conversion, or rehabilitation is completed, based upon market conditions forecast to exist as of that completion date. The opinion of value at this stage should be stated in current dollars as of a current date.

**Prospective Future Value "Upon Reaching Stabilized Occupancy":** Prospective future value "upon reaching stabilized occupancy" is the prospective future value of a property when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy at the market rent level. The opinion of value at this stage should be stated in current dollars as of a current date.

The value opinion for the subject property has been reported on the basis of **"As Is" Market Value**.

## **DEFINITION OF MARKET VALUE**

The following definition of “market value” was taken from Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. (*Source: 12 C.F.R. Part 34.42(d); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.*)

Federal agencies publishing this definition include the:

- Office of the Comptroller of the Currency (OCC) 12 CFR 34, subpart C
- Federal Reserve Board (FRB) 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC\_ 12 DFR 323
- Office of Thrift Supervision (OTS) 12 CFR 564
- National Credit Union Administration (NCUA) 12 CFR 722

This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994; and in the “*Interagency Appraisal and Evaluation Guidelines*”, dated October 27, 1994. A very similar definition is also cited in Advisory Opinion 30 of the current version of the Uniform Standards of Professional Appraisal Practice (USPAP).

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

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what they consider is their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition is used by many well-known entities. Fannie Mae, Freddie Mac, the VA, and the FHA, which are governmental agencies or governmentally sponsored agencies, require usage of this definition as well.

## **SCOPE OF WORK**

Scope of work is defined in 2016 USPAP as “the type and extent of research and analyses in an assignment”. The scope of work addresses the application and extent of the development process. It can include, but is not limited to: the extent to which the property is identified, the extent to which tangible property is inspected, the type and extent of data researched and the type and extent of analyses applied to arrive at opinions or conclusions. The items used in defining the scope of work and the proposed solution are discussed in detail below:

### **Proposed Solution:**

This appraisal report is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The preliminary Appraisal Information sections provide an overview of the property and general information. The Description section starts with general regional issues and proceeds to more specific issues directly related to the property. The Highest and Best Use section establishes the premise upon which the property is valued. The goal of the appraiser is to produce a credible value conclusion. Credible is defined in 2016 USPAP as “worthy of belief”.

In order to conclude a credible market value estimate, a meeting of the minds between the client and appraiser determined that the Valuation section focuses on the “as is” market value of the property. It describes the Sales Comparison Approach and includes comparable information, application of market information to the subject, and valuation analysis. Other applicable approaches utilized are reconciled into final value conclusions as applicable. All comparable data has been verified by either a party to the transaction or an agent, unless otherwise identified. Supporting information is retained in our work file.

### **Intended Use:**

The purpose of this appraisal is to estimate market values, in fee simple, under the applicable scenarios, as described in this report. Without prior written approval from the authors, the use of this report is limited to decision making regarding financing by the client. All other uses are expressly prohibited. Reliance on this report by anyone other than the client for a purpose not set forth above is prohibited. The authors' responsibility is limited to the client.

### **Assignment conditions:**

- An inspection of the subject
- Interviewing the subject's property representative.
- Inspecting of the subject property neighborhood.
- Gathering and confirming improved sales, and where applicable, lease comparables and land sales from the immediate and area and competing marketplaces.
- Inspecting the exterior of all comparables utilized in person and or via photographs.
- Highest and Best Use analysis.
- The application of the Sales Comparison Approach to arrive at an indication of value for the subject property.
- A review of the written report.



## **SCOPE OF APPRAISAL**

This report is intended to be a narrative appraisal report which conforms to the definition of an "appraisal assignment", as defined by the "USPAP" of the Appraisal Foundation; i.e., the intention is that the appraisal assignment is performed in such a manner that the results of the analysis, opinions or conclusions be those of a disinterested third party.

The scope of the appraisal included making a physical inspection of the subject site. Photographs were taken of the subject's site from various perspectives to aid the reader of this report in visualizing the site and subject neighborhood.

Following the on-site inspection, public records, Comps Incorporated database, FARES computer service, Multiple Listing Services and First American title records were searched to locate recent sales of similar properties. Additional interviews were conducted with people in the subject's marketplace in reference to some of these sales. Although some of this data is secondary in nature, it is assumed accurate and included in this analysis.

Information relative to flood and earthquake zones was obtained from state published reference maps, and is assumed to be accurate. With regard to the market overview, information was obtained from a variety of sources including, published data such as The Inland Empire Real Estate Forecast, compiled by Marcus & Millichap Commercial Real Estate Division, published data supplied by the Appraisal Institute, review and analysis of existing appraisals prepared by this office and other sources, and review of business and market analysis published in numerous publications such as the Los Angeles Times, Barrons, Moody's Bond Survey, and the Wall Street Journal.

The area of the subject site was used as indicated by assessor's plat map. A reproduction of the plat map is included within this appraisal.

The following steps are taken by the appraiser in an attempt to identify and select appropriate units of comparison to be applied to the subject property.

1. *Seek out similar properties for which pertinent sales, listings, offerings and/or rental data are available.*
2. *Qualify the price as to terms, motivating forces and bona fide nature.*
3. *Compare each of the sales properties' important attributes with the corresponding ones of the property being appraised, under the general divisions of time, location, income and physical characteristics.*
4. *Consider dissimilarities in terms of their probable effect upon the sale price.*
5. *Formulate an opinion of the relative value of the property being appraised as compared with the price of each similar property.*

**NOTE:** *Data contained in this report comes from a multitude of sources, from observations made by the signing appraiser, and from information supplied by third parties. This data is not based on legal or guaranteed searches. The appraisal process is not an exact science, and some subjective judgment is involved. However, it is our belief that this report, and the data used herein, is reliable and accurate. The appraisal fee charged does not include assumptions of liability (by the appraiser) for the accuracy of the data.*

**SCOPE OF APPRAISAL - CONTINUED:****Data Collection:**

The social economic and governmental and environmental data in relation to the region, city, and neighborhood were obtained from the City of Rialto, County of San Bernardino, and sources as compiled by the Chamber of Commerce.

The flood and earthquake zones were obtained from Flood Data Services.

In order to support the marketing time and the discount and capitalization rates (if applicable), information from numerous sources and surveys was collected. In addition, numerous investors in the market have been interviewed.

**Specific Data:**

Land sales, improved sales, and rental comparables were obtained from the following sources: Loopnet Inc., CoStar Comps Inc., Multiple Listing Services, CoreLogic RealQuest Professional, the County Assessor's Office, this appraiser's own files, broker interviews, and marketing time discussed with parties to sales or leases.

Planning, zoning, and building department information was considered. Zoning, permitted uses, specific plan areas, and use restrictions were verified with the appropriate planning department where possible. Status of entitlement, moratoriums, occupancy permits, required retro-fitting, toxic substance abatement, conditional use permits, or other issues requisite to the development, occupancy, or continued use of the property was also discussed with the appropriate planning department. Data relative to any competitive product approved and pending was also verified with the appropriate planning department.

**Site Inspection:**

The subject property was inspected on October 24, 2017. The appraiser has delineated the neighborhood boundaries for the subject and visited the major thoroughfares in order to analyze the land use characteristics of the immediate market area. The appraiser has visited the exterior of all improved, and rental comparables, and noted the overall physical characteristics. The interiors of the improved comparables were not inspected.

**Valuation:**

Based on the market data gathered, the appraiser was able to determine the highest and best use of the subject "as if vacant" and "as improved". The identified land and improved sales comparables in each approach were confirmed with the buyers, sellers, or brokers in the market area. Detailed information regarding each comparable as well as photographs are presented in the data sheets. Adjustment grids contain charted and quantified adjustments that were discussed in the text.

**SPECIAL CONDITIONS, NUISANCES, OR HAZARDS**

Our physical inspection of the site did not disclose any evidence of special conditions, nuisances, or hazards. It should be clearly understood that the appraiser is not an expert in this field, and no guarantees are implied or warranted. It is a condition of this report that the absence of any such hazard is presumed for valuation purposes. While the general statement must be made that the verified existence of any recognized hazardous substance could have a substantial negative effect on the value of the subject improvements as well as on their income-producing potential, any opinion of the impact of such a discovery on the value of the subject is deemed to be beyond the scope of this appraisal analysis.

The results of this appraiser's field inspection contain no express or implied warranties regarding the geological status of the subject or surrounding properties. The subject is located in Southern California, which contains numerous faults, and has a history of seismic activity. It is the contingent assumption of this appraisal that no known faults cross the subject site, and that the subject site is located a sufficient distance from the nearest fault zone, so as to make construction of any future improvements feasible from a soil engineering standpoint. State law prohibits the development of structures for human occupancy within 50 feet (minimum) of an active fault or fault zone.

No geological/hydrological surveys or toxic waste reports were provided for this appraiser's review. Any user of this report should verify by examination of documentation, title and policy search, the current status of the subject property. The subject is not located within a known landfill area.

It is assumed that the subject property is in full compliance with all applicable federal, state, and local environmental regulations and laws in regards to asbestos. The appraiser is not an expert in this field, and accepts no responsibility for such matters. It should be clearly understood that any costs to cure or alleviate asbestos problems could adversely affect the market value conclusions reached within this analysis. We reserve the right to adjust said conclusions if it is determined that asbestos abatement or removal would be necessary to continue to operate or market the existing property.

**COMPETENCY RULE**

Aaron Gardner has prepared numerous appraisals, and retains an active database of information relating to apartments, commercial, retail, industrial, office, and religious facility markets in the Southern California area. He possesses the knowledge and experience to conduct the inspection, analysis, and reasoning necessary to accurately estimate the value of the subject property. In addition to extensive experience in the appraisal industry, he has personally appraised (and attended appraisal courses dealing with) a wide variety of property types and interests.

## **VALUATION METHODOLOGY**

Typically, real estate can be valued by applying three approaches, i.e., Cost, Sales Comparison, and Income. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

### **COST APPROACH**

That approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties on the market. The appraiser then develops the replacement cost of structures and appurtenances from the following sources: the ***Marshall and Swift Cost Handbook***, continual interviews with builders, and direct experience from the building of its own projects.

### **SALES COMPARISON APPROACH**

The sales comparison approach utilizes sales of comparable properties, adjusted for differences to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc. Traditionally, an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and the price of current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) verification of the sales data, (c) the degree of comparability or extent of adjustment necessary for time differences, and (d) the absence of non-typical conditions affecting the sale price.

### **INCOME APPROACH**

The income capitalization approach reflects the subject's income producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

### **METHODOLOGY APPLICABLE TO THE SUBJECT**

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market approaches since the data inputs are presumably market derived. However, the subject property consists essentially of vacant land. Therefore, only the sales comparison approach is applicable and appropriate in this particular assignment. When dealing with land, buyers of such properties are not normally interested in the income that could be produced. Therefore, the income approach is not deemed an applicable approach to value in this analysis.

**CERTIFICATION OF VALUE**

**PROPERTY APPRAISED**

0.46 acres of Vacant Land located on N. Ashford Avenue  
Rialto, California

**DATE OF VALUE**

October 24, 2017

**OPINION OF MARKET VALUE**

**"AS IS" FEE SIMPLE INTEREST**  
**THIRTY THOUSAND DOLLARS**  
**(\$30,000)**

**I HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF,..**

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions, and conclusions. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The appraiser signing this report has not prepared previous appraisal reports or provided any other real estate related services regarding the subject property in the three years immediately preceding the acceptance of this assignment. The appraiser does not have any prospective interest in the subject property or parties involved.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report. I have not performed any services as an appraiser, or in any other capacity on the subject property, nor have I previously appraised this facility.
- No one provided significant professional assistance to the signatory in the preparation of this report.
- The Appraisal Assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

by:



Aaron Gardner, CA# AG005074  
Certified General Appraiser

## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

This Appraisal Report, the Letter of Transmittal, and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and incorporated herein by reference.

1. Liability of Aaron Gardner, Appraiser and his employees is limited to the fee collected for the preparation of the appraisal. There is no accountability or liability to any third party.
2. The information contained in this report is considered to be from reliable sources, but its authenticity and accuracy are not guaranteed. The comparables used in this report have been inspected by the appraiser; and, as mentioned, the data came from sources considered reliable.
3. No opinion as to the title is rendered. Data related to ownership and legal description was obtained from county records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised with the assumption that it is under responsible ownership and competent management.
4. Because a title policy was not made available to the appraiser, we assume no responsibility for such items of record not disclosed by his customary investigation.
5. The property rights appraised herein are considered to be in Fee Simple estate. That is a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. Fee Simple is the largest state of inheritance a person can have.
6. Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance.
7. All existing liens and/or encumbrances have been disregarded and the property has been appraised as though free and clear, and under responsible ownership and competent management. Typical mortgage financing, as customarily secured for the type of property that is the subject of this appraisal, is considered, as is the favorable mortgage position, if any, as shown in the report.
8. The lot sizes as shown herein are considered reasonably accurate, but should not be construed as being exact.
9. Maps, plats, and exhibits included are for illustration only, as an aid in visualizing matters discussed within the report. 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. If further verification is required, a survey by a registered surveyor is advised.
10. 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.
11. The property is appraised with the assumption that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report is based, unless otherwise stated.
12. Information, estimates, and opinions furnished to the appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.
13. The comparable sales data relied upon in the appraisal are believed to be from reliable sources. Though all of the comparables were examined from the exterior, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
14. The report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone.
15. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated.
16. The use of this report is subject to the requirements of the professional organization with which the appraiser may be affiliated.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONTD.)**

17. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected), shall be used for any purpose by anyone but the client specified in the report, the borrower if the appraisal fee is paid by the same, the mortgage company or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any State or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
18. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.
19. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in the appraisal report.
20. No opinion is intended to be expressed for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real property appraisers.
21. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass, unless noted within the report.
22. This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (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 physical report. The appraiser is not an expert in the field of construction, engineering, or legal matters, and any opinion given on these matters in this report should be considered preliminary in nature.
23. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual inspection only. No detailed inspection was made. The structures were not checked for building code violations, and it is assumed that all buildings meet the building codes, unless so stated in the report.
24. Some items such as conditions behind walls, above ceilings, behind locked doors, or under the ground are not exposed to casual view, and therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.
25. Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party were concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.
26. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable, and no encroachment of real property improvements is considered to exist.
27. No detailed soil studies covering the subject property were available to the appraiser. Therefore, any premises as to soil qualities employed in the report are not conclusive, but have been discussed with the client and are considered consistent with information available to the appraiser. No responsibility is assumed for such conditions, or the engineering, which may be required to discover such factors.
28. Since earthquakes are not uncommon in the area, no responsibility is assumed for their possible effect on individual properties, unless detailed geologic reports are made available.



**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONTD.)**

29. The principals of the transaction or entity for whom the report was prepared shall obtain a written statement from the appropriate regional office of the Federal Environmental Protection Agency or any similar Governmental department or agency that can indicate whether the subject property, or any site in the vicinity of the subject property, is, has been, or will be affected by any hazardous material. The materials may include, but are not limited to, asbestos, oil or other petroleum products, hazardous or nuclear waste, toxic substances or other pollutants which may contaminate soils or structures, or that could be detrimental to the subject property or in violation of any local, state, or federal law or regulation, and which would present any actual or potential adverse effect to the subject property. In the absence of a written statement from the appropriate governmental body or bodies having jurisdiction over this matter, the principals or entities in this transaction will provide a toxic or environmental audit from a qualified consultant which will address hazardous materials as heretofore described. In further absence of such, it is assumed 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. The appraiser is not an expert in the field, and accepts no responsibility for such matters.
30. The date of value to which the conclusions and opinions expressed in the report apply, is set forth in the report itself. Further, the dollar amount of any value opinion rendered in this report is based upon the purchasing power of the American dollar existing on that date.
31. The appraiser assumes no responsibility for economic or physical factors, which may affect the opinions in this report that, occur after the date of value. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. The client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party) any and all awards, settlements or cost, regardless of outcome; the client will hold the appraiser harmless.
32. The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
33. No termite inspection report was available. It is assumed that there is no significant termite damage or infestation, unless otherwise stated.
34. Furnishings and equipment or business operations, except as specifically indicated and typically considered as part of real estate, have been disregarded, with only the real property being considered.
35. It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor super efficient. The valuation stated herein assumes professional management and operation of the building(s) throughout the lifetime of the improvements with an adequate maintenance and repair program.
36. Simply because a borrower or third party may receive a copy of the appraisal, does not mean that the borrower or third party is an intended user as that term is defined in USPAP. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
37. The valuation is based on the projection that the complex will maintain a stabilized occupancy level over its economic life, with tenants paying market level rents.
38. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.
39. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.
40. Acceptance of, and/or use of, this appraisal report constitutes acceptance of the above conditions.



**PERTINENT INFORMATION****LEGAL DESCRIPTION:**

The subject property is located in the State of California, County of San Bernardino, within the City of Rialto. Please refer to a current title report for a complete legal description.

**ASSESSOR'S PARCEL NUMBER:**

0243-151-59

**SALES HISTORY:**

Present Owner of Record: Redevelopment Agency - City of Rialto

Mailing Address: 131 South Riverside Avenue, Rialto, California 92376

Public records do not disclose any historical sale information regarding the subject property. The subject property is not currently listed for sale. However, the property owner has been presented with an unsolicited offer to purchase the subject property. The appraiser has been provided with a copy of the proposed offer of \$30,000 that is dated October 23, 2017. The offer is from Rapido Investments 2014 LLC or Assignee. They have made a deposit of \$2,000 and the selling agent is Michael Ramirez. The subject property has not transferred ownership within the past three years according to all available public information.

**EASEMENTS, ENCROACHMENTS, ENCUMBRANCES, AND DEED RESTRICTIONS:**

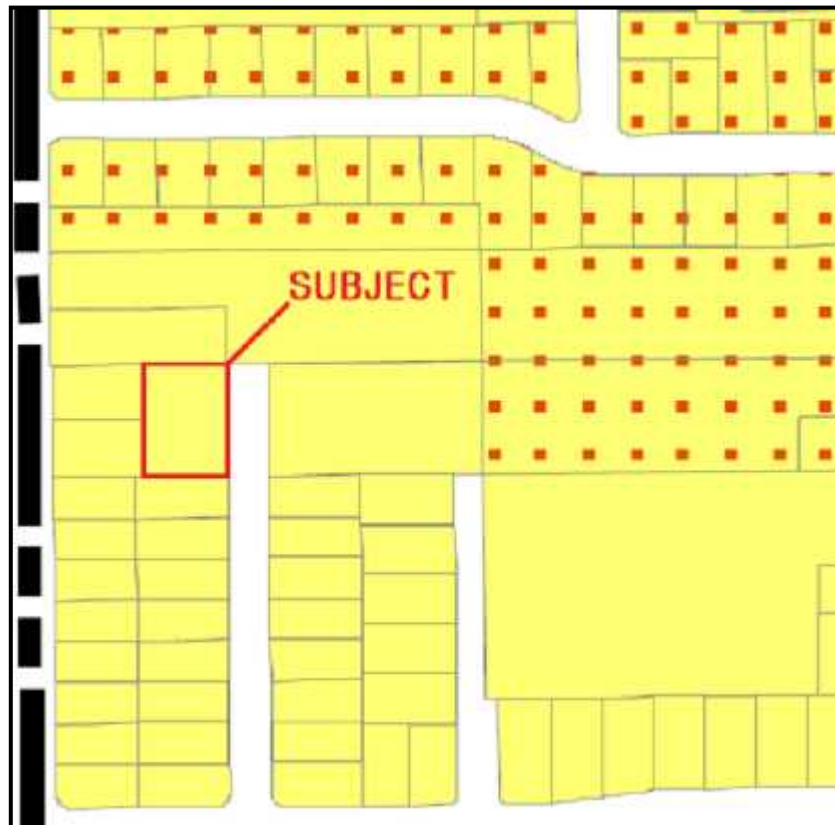
We have assumed the subject property is not affected by any easements, encroachments, or deed restrictions not mentioned above or clearly visible on the date of inspection. Copies of the documents referenced in the preliminary title report were not provided. Therefore, the exact content and purpose of the documents is not known. Unless otherwise stated above, we have assumed these exceptions do not adversely affect the value of the subject property. We have also assumed title to the subject property is readily marketable, which assumes the subject property is free from any encumbrances, litigation, or other items that would affect the marketability of the subject property.

**FLOOD HAZARD AND EARTHQUAKE INFORMATION:**

According to the FEMA Community Panel Number 060280C-8657H, dated August 28, 2008, the property is located in Flood Zone "X", which is not in a Federal Flood Hazard Area. Also, the site is reportedly not located in an Alquist-Priolo Special Studies Zone. However, any property lying in Southern California bears some risk of an earthquake because of seismic activity in the region as a whole. In neither case, however, do lenders generally require insurance on properties in the neighborhood.

**PERTINENT INFORMATION - CONTINUED****ZONING:**

According to the City of Rialto Planning Department, the subject's parcel is zoned R-1A (Single-family Residential). This zone provides for the development of single-family residential dwellings on lots which are a minimum of 8,400 square feet in size. The minimum width of the lot is 80 feet and the minimum lot depth is 100 feet. The maximum building height is 35 feet which allows for two-story structures. Front yard setbacks are 25-feet and rear yard setbacks are 20-feet. Side yard setbacks for interior lots must be at least 3-feet on each side of the main building. Maximum building coverage is 30% of the lot area with a minimum dwelling size of 1,440 square feet, exclusive of garages. The purpose of these standards is to provide the setting for such uses within the framework of the overall General Plan.

**ZONING MAP:**

## **PERTINENT INFORMATION - CONTINUED**

### **ESTIMATED EXPOSURE TIME:**

Exposure is defined as the estimated 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 the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

**Source: Appraisal Standards Board (ASB) Statements 6 (SMT-6), issued on September 16, 1992**

The Market Value estimate is based on the assumption that a reasonable time is allowed for exposure in the open market. A reasonable exposure time was estimated based upon market evidence including actual exposure times for similar properties from within the subject's market area. In addition, brokers active in this specific market were interviewed to determine their input in regards to the time required to sell an unimproved property similar to the subject. The brokers interviewed indicated the marketing time would primarily depend on the asking price and the price a buyer would be willing to accept.

### **Exposure Time:**

The Appraisal Standards Board of the Appraisal Foundation defines exposure time as: "The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

The subject property is not currently offered for sale. An unsolicited offer to purchase the property was recently proposed. The subject's market area is steadily being developed and vacant sites that are suitable for development within the immediate neighborhood still exist. Based on the results of our research, it is anticipated that the estimated exposure time for the subject property is nine months.

### **Marketing Time:**

The Appraisal Standards Board of the Appraisal Foundation defines market time as: "An opinion of the amount of time that it might take to sell a specified real property interest at the concluded market value during the period immediately after the effective date of the appraisal."

The estimate of reasonable marketing time can be based on one or more of the following:

- Statistical information about number of days on the market
- Information gathered through sales verification
- Interviews with market participants and/or
- Anticipated changes in market conditions

The reasonable marketing time is a function of price, time, use and anticipated market conditions such as changes in the cost and availability of funds, not an isolated estimate of time alone. If the current owner decides to sell their interest, it is reasonable to assume that a marketing time equal to the exposure time estimated above would be applicable.

**PERTINENT INFORMATION - CONTINUED****ASSESSMENT AND TAX DATA:**

Real estate taxes for the subject property are assessed and collected by the County of San Bernardino. The property is subject to the property tax rules of the state of California, which control the activities and policies of local assessment jurisdictions. These laws were significantly modified on June 7, 1978, when the state's voters passed Proposition 13, amending Article XIII of the State Constitution.

Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals. Instead, real property is subject to reassessment (i.e., revaluation at full or partial current market value) only when changes in ownership or new construction take place. Otherwise, increases in assessed value are limited to no more than 2% per year. In addition, tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure. Real estate taxes and assessments for the current tax year are shown in the following table.

<b>Assessor's Parcel Numbers:</b>	<b>2017-18 Tax Assessment</b>
0243-151-59	\$0
<b>Tax Rate Area:</b>	6-116

Under Article XIII A and the subsequent enabling and clarifying legislation that was passed by the legislature, there is an additional provision to allow for the assumption of existing bonded indebtedness. The following are some significant aspects of the law:

1. *If a parcel has not been further improved or sold or transferred since lien date of 1975, the Assessor established 1975 value as the base value plus 2% per annum inflation rate.*
2. *If a parcel has sold since March 1, 1975, base value was sale value plus 2% per annum since the time of sale.*
3. *If a new deed has recorded since March 1, 1975, its value at the time of transfer was established as base plus 2% per annum.*
4. *New construction in the form of an addition to existing property does not trigger reappraisal of the property. The cost of the new construction is added to the 1975 base.*
5. *Major remodeling or rehabilitation of said property initiates reappraisal.*

**PERTINENT INFORMATION - CONTINUED****ASSESSMENT AND TAX DATA (continued):**

6. *A change in use of the property will trigger a reappraisal regardless of the amount of money expended to accommodate the new use.*
7. *Partial conveyances in a property will activate a reassessment of only the fractional interest conveyed as long as the interest is in excess of 5% and greater than \$10,000 in value.*
8. *If a property is committed to a lease for 35 years or longer, including option periods, it is considered a change of ownership and will be reappraised; however, properties sold or transferred that are subject to an existing lease with a remaining term of 35 years, including options, will not be subject to reappraisal.*
9. *If annual inflation as indicated by the CPI exceeds 2%, the assessed value will be increased by a maximum of 2% per year.*
10. *Senate Bill 813 (Chapter 438) provides for the reappraisal of real property upon the date of sale or a change of ownership or upon the completion of new construction. The act applies to changes of ownership and new construction completed on or after July 1, 1983. This is a substantial departure from previous practice where real property was assessed according to its full cash value as to the lien date of March 1, preceding the fiscal year for which the taxes are levied with any subsequent changes in ownership or new construction resulting in a new increase in value on the following March 1. Such changes, therefore, were only reflected on the following year's tax bills. Chapter 438 requires a supplemental assessment to be made immediately.*

Based on the present economic and political climate in the state, plus the fact that no substantial changes in assessment practices or new voter approved bond issues are anticipated, it is this appraiser's opinion that this method for determining real estate taxes will continue into the foreseeable future.

<b>REGIONAL ANALYSIS - SAN BERNARDINO COUNTY</b>
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**LOCATION:**

The discussion of the area and the facts that affect the real estate market is divided into three separate sections. The first section is a discussion of the county as a whole, the second is a discussion of the influences on the subject property's neighborhood area, and the third is a discussion of the subject site and the trends in the area immediately surrounding the subject.

The subject is located in the southern half of the state of California, in an area better known as the Inland Empire. The Inland Empire consists of both the San Bernardino and the Riverside Counties which are part of a five county area that contain nearly half of the state's businesses. This area is known as the Los Angeles Metropolitan Area, and is one of the largest regions in the United States. It has experienced continued growth in population, employment, manufacturing, housing, retail sales and investment opportunities.

Nearly half of the economy of the state of California is concentrated in this five county area, although it represents less than five percent of the state's total land area. Approximately half of the state's businesses are located here, as well as over sixty percent of the manufacturers in the state. The following table illustrates the comparative size, in miles, of each county in this five county area:

Los Angeles County	4,058 square miles
Orange County	791 square miles
Riverside County	7,206 square miles
San Bernardino County	20,057 square miles
Ventura County	1,843 square miles
<b>Total Five County Area</b>	<b>33,955 square miles</b>

The subject is located in San Bernardino, the largest county in the United States. About ninety percent of San Bernardino is desert; the remainder consists of the San Bernardino Mountains and Valley. Measuring almost two hundred miles across, its diverse topography ranges from fertile river valleys to rolling plains and foothills, from deserts below sea level to 10,000-foot mountain peaks. The adjacent county is Riverside County which is the fourth largest county in the state of California and is located on the southern border of San Bernardino County.

According to the 2010 Census, the combined population of the incorporated cities within San Bernardino County and Riverside County consists of 4.2 million. The estimated population at the middle of 2015 was 4.49 million residents. The area's population count is larger than the Phoenix-Mesa area. Over the last decade, San Bernardino County's has grown by 19 percent and Riverside County's population has grown by 42 percent.

San Bernardino County was created from portions of Los Angeles, San Diego, and Mariposa counties in 1853. The county takes its name from the San Bernardino Mountains, named by Spanish explorers for their patron saint of mountain passes, Saint Bernard. The name "Bernardino" means "bold as a bear". Riverside was created from parts of San Bernardino and San Diego counties in 1893. The county's name derives from the city of Riverside, so designated when the upper canal of the Santa Ana River reached it in 1871.

## **REGIONAL ANALYSIS - CONTINUED**

### **TRANSPORTATION:**

Southern California has an extensive system of highways, railroads, airports, and deep water ports which offer industry a variety of means for efficient and convenient transport of raw materials and finished products. The transportation network provides easy connections and access to markets within California, as well as throughout the nation and the world. The current freeway system is under constant maintenance, and numerous additional freeway routes have been adopted or are under construction.

Countywide transportation is provided via an extensive freeway network along with rail and air transportation. The private automobile remains the primary and most used source of transportation. Comprising the third largest trucking and warehousing industry in the country, the area has approximately 80 commercial trucking companies in operation. Nearly all truck cargo entering or leaving Southern California passes through the Inland Empire. Several county and local Transit Districts supply bus service to major cities throughout the county and outlying areas.

Rail service is available to most industrial areas in the county. Located in the five county areas are some 15 different railroad companies. Since the completion of the most technologically advance rail terminal in the world, the number of container transfers has almost tripled. Providing links to the continental United States and Canada, these rail companies offer a variety of shipping facilities, transporting approximately 8 billion tons of freight from the area annually.

The Inland Empire is also serviced by several area airports, including Ontario International Airport, Los Angeles International Airport and several smaller area or regional airports which provide passenger and freight service to most major cities in the country as well as the Southern California area. Ontario's International Airport is positioned as one of the busiest and fastest growing airports in the world, experiencing a phenomenal increase in air cargo.

### **INLAND EMPIRE - LOCAL ECONOMY:**

The Inland Empire, consisting of San Bernardino and Riverside Counties, has struggled in recent years to shake off the effects of the Great Recession and the housing crisis. The region added population throughout the recession, but at growth rates well below those of the pre-recession years. In spite of this factor, the Inland Empire has a population larger than that of twenty-four individual states. Riverside County is the fourth highest populated county and San Bernardino County is the fifth most populated county in the state. An essential factor behind this region's economic success has been the expansion into this area by a large number of firms, national and international. Much of the Inland Empire's business growth can be attributed to the vast amounts of available land and plenty of affordable real estate which makes it a prime area for local companies to expand.

According to the LAEDC Economic Forecast, economic growth is finally beginning to improve as gains in the labor market and renewed optimism in housing, construction and manufacturing return to the area. This growth has outpaced the state and the rest of Southern California, even though this region suffered a more severe blow during the Great Recession.



**REGIONAL ANALYSIS - CONTINUED****INLAND EMPIRE - LOCAL ECONOMY (continued):**

Most of the job gains in the Inland Empire last year were added in all of the major industries. The largest private sector gains were in transportation and warehousing employment which added 6,790 jobs in 2016. Health care and social assistance added 6,000 jobs and construction added 4,400. Retail trade added 2,700 jobs over the same period. Public sector payrolls grew the most; local, state and federal government added 9,100 jobs over the year. Two sectors reported no change in employment, natural resources and finance and insurance, which did not add or lose any jobs. Administrative and support and waste services lost 900 jobs over the year, a decline of 0.7 percent. This marks the first year to shrink, after five years of consecutive employment growth from 2011 through 2015. As the rate of job creation slows, the number of jobs added will also slow, with 22,840 jobs expected to be added in 2017.

The Inland Empire is a major logistics hub for Southern California and the local Transportation and Warehousing industry benefits greatly from increases in container activity at the ports. Also, fundamentals; technology, human capital, and infrastructure are still in place. The region's goods movement industry has benefited from increased activity at the Ports of Los Angeles and Long Beach during the last several years resulting from the pickup in U.S. economic growth. The number of containers passing through the twin ports was stuck at roughly 14 million from 2010 through 2012, but jumped by 3.8% to 15.2 million in 2014, and edged up by 1.6% to 15.4 million in 2015, in spite of ongoing labor disputes and port congestion. In 2016, the Port of Los Angeles had a record breaking year while the Port of Long Beach experienced a drop in container traffic due to the bankruptcy of Hanjin Shipping Company. The forecast is expected to improve in the coming year.

Overall, economic conditions in the Inland Empire are expected to level out in the coming year. Over the longer term forecast, the Inland Empire will experience greater growth than the coastal counties, due largely to the availability of land at lower cost. The availability of abundant undeveloped land has been the major economic driver propelling the area's economic growth.

**JOB GROWTH:**

While job growth in 2016 did not match the 4.3% growth rate of the previous year, the 3.8% increase was still among the fastest in the state. As the rate of job creation slows, the number of jobs added will also decline with fewer jobs expected to be added in 2017. Nearly all industries will add jobs, with the largest increases expected in health care and construction (one out of every three jobs), followed by leisure and hospitality, administrative, support and waste services, and retail trade.

As the Inland Empire's industries grow over this year and next, the unemployment rate will fall from 5.9% in 2015 to 5.2% in 2016 and 5.1% in 2017. As the economy moves forward, and population growth accelerates, personal income has been relatively flat. Looking ahead, per capita income is predicted to rise slightly in 2017, and give rise to further gains in taxable sales and continued job growth in population-serving industries.



**REGIONAL ANALYSIS - CONTINUED****UNEMPLOYMENT:**

By December of 2016, the unemployment rate in the Inland Empire region dropped to 5.2 percent from 5.9 percent in 2015. The rate is expected to continue to decline in the coming year. Persistently high unemployment has been really difficult for the Inland Empire to overcome, resulting in suffering retail sales.

**MAJOR INDUSTRIES:**

The major employment industries in the San Bernardino- Riverside County area are as follows:

<b>RANK</b>	<b>INDUSTRY</b>	<b>EMPLOYMENT</b>
1	Trade, Transportation and Utilities	25.63%
2	Government	18.18%
3	Educational and Health Services	15.79%
4	Professional and Business Services	13.62%
5	Leisure and Hospitality	11.91%
6	Manufacturing (Durable and Non-Durable Goods)	7.32%
7	Construction	7.00%
8	Financial Activities	2.08%

According to the California Employment Development Department, the total non-farm employment numbers indicate job growth in the labor market decreased by -3.0 percent in 2016.

**MARKET ANALYSIS:**

The following information was compiled from the Marcus & Millichap Real Estate Investment Brokerage Company Research forecast, the CB Richard Ellis Real Estate Group, Southern California Real Estate Forecast, and the Beacon Economic Forecast. Pertinent information was also obtained from the LAEDC Los Angeles County Economic Development Corporation Report. The area considered here is the Inland Empire which is composed of the following 13 cities or areas: Chino / Montclair / Upland/ Ontario / Rancho Cucamonga / Fontana / Corona / Riverside / Moreno Valley / Colton / Redlands / San Bernardino and Victorville.

## **REGIONAL ANALYSIS - CONTINUED**

### **MARKET ANALYSIS (continued):**

Throughout Southern California's history, there has always been a place with such powerful competitive advantages that its economy has expanded through good times and bad. San Bernardino and Riverside Counties provide direct access to one of the largest markets in the United States. Forty-seven percent of that market is within one hour of the Inland Empire. An excellent transportation system provides rapid movement of goods throughout the Pacific region accessing a market with an ever-increasing effective buying income. Over the next ten years, the area is expected to add another million people to its current population base. This growth is second only to Los Angeles County, which is expected to grow by another 1.3 million people over the same period.

Corporate headquarters, professional firms, manufacturers and logistics firms are minutes from a less congested Ontario International Airport. International trade increased by \$1 billion during the 1990's. UPS has its Western U. S. Headquarters located at Ontario and has been awarded six weekly non-stop flights to the Mainland of China. Entrepreneurs and corporate operations can access high-speed fiber optic and wireless broadband capability in any office building or industrial site in the Inland region. Manufacturers and distributors find that the Inland area has a relatively new and reasonably priced industrial space. Electrical power is reliable due to the three Inland plants that have been built and have secured long term supplies.

The Inland Empire recognizes the importance of attracting jobs to balance its population growth and has instituted policies to ensure that firms prosper locally. The San Bernardino County government works close with citizens, businesses, cities, educational systems and developers in the areas of financing, site selection, permit processing and other assistance. As California faces economic difficulties, there is a full spectrum of services dedicated to enhancing the quality of life and maintaining the region as an attractive place in which to live.

Like so much of the region and the U.S., the housing sector in the Inland Empire turned in a solid performance in 2016. The median price of a home in Riverside County returned to levels not seen since early 2008, with a 2017 median of \$333,900. San Bernardino's median price has also been on the rise, with homebuyers spending an average of \$298,000 during the first quarter of 2017, roughly on par with home prices during the middle of 2008. Overall, the Inland Empire continued to see steady price appreciation for the fourth year in a row. Despite rising prices, home sales have increased by 6.8% in the Inland Empire as the region has become an affordable alternative to the more expensive coastal regions.

On the supply side, low inventories have constrained sales. The unsold inventory (supply) of existing homes in Riverside County was just 4.4 months in December while the figure for San Bernardino was 3.5 months. Both readings are higher than a year ago but continue to be somewhat below long-run average levels. Demand has been hindered by declining affordability and tighter-than-normal underwriting standards.

The Inland Empire housing market will register additional gains in the coming year. The supply of new and existing homes for sale should increase in response to stronger demand as the population grows and as the financial condition of households in the region improves. In turn, both higher home prices and sales are expected.

**REGIONAL ANALYSIS - CONTINUED****MARKET ANALYSIS (continued):**

With pent-up demand expected to speed up the housing market over the next two years, permits for new home construction should advance more quickly, with an increase of 18.8 percent in 2017. Permit levels will remain well below peak levels of the last decade. However, about three out of four homes built in 2016 were single-family homes, a pattern that should continue into 2017.

It should also be noted that forecasts indicate that LAX cannot handle the long term volume anticipated for Southern California. As a result, Los Angeles World Airways has picked a developer for a new one million square foot air cargo cross-dock at the Ontario airport and is working to convince carriers to divert their flights from Los Angeles.

Trade volumes at the combined local ports increased last year. However, cargo volumes are expected to grow over the next two years as the U. S. economy improves and the overall global economy experiences stronger growth. The increase in activity along with substantial growth in ecommerce will positively impact the Inland Empire warehouse and distribution system network. Three key advantages for the Inland Empire will once again be the affordability of housing, population growth and available low cost land for additional warehouse construction. It is just a matter of time and patience, as the region is not expected to see the pre-recession glory days for at least three to four years.

**OTHER KEY CALIFORNIA INDICATORS:**

--Among the nations of the world, the State of California's Gross Product ranking has risen to number 7 behind the United States, China, Japan, Germany, France, and the United Kingdom. The Los Angeles five-county area has a ranking of 16<sup>th</sup> in the world.

--The gross national product gains in the State of California have been consistently higher than the average gains within the United States. However, they were not nearly as high as in the emerging and developing economies like Indonesia, Brazil and China. With the nationwide slowdown, and the decline in the housing market, the percentage of GDP gains have slowed.

--In spite of changes in the employment sector and the slowing in the economy, job growth is improving year over year. Unemployment is declining, yet businesses remain cautious about hiring. Economic conditions are expected to continue to improve in the coming year.

--The strengthening U. S. dollar and the fluctuating gasoline prices may cause the state's tourism industry to slow. Domestic travelers are expected to increase under these circumstances.

--California economy grew at an estimated rate of 2.5 percent in 2016, which is faster than the nation as a whole which grew at 1.6 percent, but a slowdown from two prior years when growth raced at 3.8 percent. Water supply, higher energy costs and environmental regulations continue to raise uncertainty within the current business climate.

**REGIONAL ANALYSIS - CONTINUED****OFFICE MARKET:**

According to the Marcus and Millichap forecast, while the number of Inland Empire industrial jobs continues to rise, professional and technical positions that occupy office buildings are also growing, driving absorption and pushing office vacancy to a low. Transportation projects are expected to improve the commute to the area and to advance the demand for office space. A lower cost of doing business compared with nearby Los Angeles and Orange counties will underpin office demand in Riverside-San Bernardino. Infrastructure projects, including a toll lane addition into Los Angeles County, new bus stops and an extension of the Metrolink, will ease congestion and provide easier commutes into the Inland Empire's employment centers. In particular, areas near the Ontario International Airport are positioned for another year of tightening vacancy as several corporations expand to keep up with the surging demand for e-commerce. The area serves as a large distribution hub for Southern California. Metrowide, healthy office demand will push completions to the highest point since 2010. More than half of these deliveries will be Class B facilities in Corona. Despite a rise in construction, heavy pre-leasing and strong net absorption will slice vacancy for the seventh consecutive year and place modest upward pressure on asking rents.

It is anticipated that as demand intensifies for medical office facilities; yield-seeking buyers will move eastward in the area. Returns will be higher than other Southern California markets, motivating investors to move capital into the Inland Empire's office assets. Properties in the larger cities of Riverside and San Bernardino will be a prime target among buyers. First-year returns in these areas typically fall in the mid-5 to low-6 percent range. Investors demanding higher yields will seek properties farther east, where average yields range from high-7 percent to mid-8 percent. Metrowide, office assets trade with yields in the mid-7 percent range. In addition, medical office facilities will also garner significant attention as health providers including Kaiser Permanente expand in the area. These properties change hands with cap rates in the mid-6 percent range, but initial yields may compress as bidding intensifies.

There was 162,000 square feet of new office product (Loma Linda University Health Project in San Bernardino which is almost all of the new product) delivered the last year. Asking rents within the office market are expected to rise by 1.4 percent over the next four quarters. Combined, leasing and sales activity declined slightly over the last year. The largest sales transactions were to Providence Capital Group who purchased 97,562 square feet of office space. Most of the new leases were for office space under 10,000 square feet. The sector remains positive as cautious optimism prevails within the Inland Empire office market.

Rank	SUBMARKET VACANCY	Vacancy Rate	Y-O-Y Basis Point Change	Asking Rents	Y-O-Y % Change
1	Inland Empire East Overall	14.4%	-20	\$20.77	3.2%
2	Inland Empire West Overall	10.2%	-300	\$21.35	2.0%
3	Inland Empire East Class A	17.3%	350	\$26.68	1.6%
4	Inland Empire West Class A	14.7%	-190	\$26.89	5.2%
5	Inland Empire East Class B/C	13.9%	-90	\$19.67	3.6%
6	Inland Empire West Class B/C	9.4%	-320	\$20.43	1.3%
	Overall Metro	13.1%	-110	\$20.95	2.8%

(Marcus and Millichap Real Estate Research, 2<sup>nd</sup> quarter 2017)

**REGIONAL ANALYSIS - CONTINUED****INDUSTRIAL MARKET:**

According to the Voith Real Estate Services forecast, e-commerce and the trend toward omni-channel fulfillment have spurred companies to lease new, speculatively built, more efficient industrial buildings. Developers have built more than 60 million square feet of speculative product in the last two years, which has primarily been leased to major corporations who plan on operating fulfillment centers and logistics centers to accommodate the growth led by e-commerce and mobile commerce. According to one analyst, 2016 proved to be one of the best years in the Inland Empire's 30-year history as an industrial market in terms of absorption, rental rate growth, and price appreciation. Prices of industrial space have almost doubled from 2010 to the end of 2016 and land prices have tripled.

The cause of this positive momentum has come out of the recession, where corporations consolidated warehouses and became more efficient, e-commerce companies (such as Amazon, Wayfair and Hayneedle) needed more space, traditional retailers (such as Home Depot, Wal-Mart, and Target) incorporated e-commerce into their operation, and older industrial buildings were razed and converted into multi-family housing or mixed use developments.

Overall, sales and leasing was strong in 2016, speculative development was higher, vacancy declined and asking lease rates reached record highs. Demand for warehouse, distribution and e-commerce space should exceed supply in 2017. Developers are projected to deliver a total of 15 million square feet next year, to facilitate an absorption rate average of 5.2 million square feet per quarter. In spite of the new deliveries, vacancy rates should remain at the 4 to 4.5 percent range over the next three quarters.

The average asking triple net lease rate increased last year, and is expected to rise by 6 percent coming year. Sales activity included an 806,322 square foot space in San Bernardino purchased by Copper Creek Capital Partners and 284,676 square feet in Rancho Cucamonga that was purchased by Rexford Industrial. Bobs Discount Furniture signed a lease for 806,322 square feet of space in San Bernardino and U-Line is leasing 750,000 square feet in Ontario. A lack of product available for lease and sale is expected to continue in the coming quarters.

INDUSTRIAL OVERVIEW	3Q2017	2Q2017	3Q2016	% change over last year
Vacancy Rate	4.04%	4.89%	5.10%	(-20.78%)
Availability Rate	5.43%	6.00%	7.58%	(-28.36%)
Average Asking Lease Rate	\$0.53	\$0.52	\$0.40	8.16%
Sale & Lease Transactions	15,682,173	13,821,749	17,800,521	(-11.90%)
Gross Absorption	12,407,291	11,241,388	17,714,518	(-29.96%)
Net Absorption	6,832,822	6,724,504	8,065,210	N/A

(Voith Real Estate Services Research, 3<sup>rd</sup> quarter 2017)

## **REGIONAL ANALYSIS - CONTINUED**

### **RETAIL MARKET:**

According to the Marcus and Millichap forecast, new jobs and escalating retail sales are creating bolstering the San Bernardino-Riverside metro's retail market. As the vacancy rate falls, builders are responding to the demand for quality space. A steady pace of hiring, coupled with lower housing costs compared with other Southern California metros, encourage household formation in Riverside-San Bernardino driving up retail sales. As a result, vacancy has been on a downward trajectory since 2011 as retailers absorb available space. In late 2016, the grocery store Sprouts signed a 35,000-square-foot lease north of the Ontario International Airport. Directly south, DD's Discounts leased up 25,600 square feet. While retailers scour the market for quality space, builders are bumping up construction, which is aligning the number of completions closer to the previous five-year average. The largest project on track for delivery is the 240,000-square-foot addition to Rialto Marketplace, which is anchored by Wal-Mart. Pre-leasing and strong tenant demand will tighten vacancy to a cycle low, despite an increase in construction this year. Additionally, improvements in the vacancy rate will aid a rise in average asking rents.

As investor interest grows; buyers move more inland. Expanding population and entry costs that are lower than nearby markets are luring capital into the Inland Empire's retail assets. In particular, single-tenant properties in the market's major employment centers of Riverside, San Bernardino and Ontario will pique buyers' attention. Net-lease assets in these areas typically trade with average first-year returns in the high-5 to low-6 percent span. Additionally, investors may turn to well-located multi-tenant assets with value-add potential where improvements can push up asking rent. However, limited listings of shopping centers in the metro's largest cities will push some buyers to consider properties in outlying areas, including Temecula and Moreno Valley, where cap rates average between the low-6 and low-7 percent span.

At the end of 2015, over 371,000 square feet of retail space was under construction. More than 11.4 million square feet of new product is proposed for construction, with most planned for the Inland Empire East. Construction continues on the Mountain Grove at Citrus Plaza in Redlands which is scheduled to open in 2016. Another one of these projects, Towngate Promenade, consists of over 400,000 square feet in Moreno Valley that will be anchored by Costco, and other national tenants as Applebee's, Panda Express and Famous Dave's.

Average vacancy rates continue to decline to around 8.1 percent. Asking and effective rents are expected to increase by 4.1 percent in 2017. Leasing activity in is expected to remain steady. Sales activity will also remain stable in the coming year.

Rank	SUBMARKET VACANCY	Vacancy Rate	Y-O-Y Basis Point Change	Asking Rents	Y-O-Y % Change
1	Inland Empire West	7.7%	-80	\$16.76	5.3%
2	Inland Empire East	8.8%	-60	\$16.59	3.6%
	Overall Metro	8.5%	-60	\$16.64	4.1%

(Marcus and Millichap Real Estate Research, 2<sup>nd</sup> quarter 2017)

**REGIONAL ANALYSIS - CONTINUED****APARTMENT MARKET:**

According to the Marcus and Millichap forecast, the employment growth is fueling the multifamily housing demand. The Riverside-San Bernardino metro's economy is experiencing a healthy level of hiring which has encouraged household formation and boosted demand for apartments. Strong job growth in wholesale trade, government and transportation and warehousing positions has driven population growth in the metro. In particular, the population of the 20- to 34-year-old age cohort, which typically favors rentals, has steadily increased year over year as more jobs become available. As a result, vacancy has fallen significantly to a 15-year low in the third quarter. These tight conditions have fueled construction as builders work to keep up with demand. Development will reach a cycle high in 2016 with western locales including Ontario/Chino receiving the majority of the deliveries. Several of these projects will be Class A properties with luxury amenity packages, a type of rental that has been in relatively limited supply in the market. Despite the rise in construction, strong net absorption will further reduce vacancy and place upward pressure on rents for a seventh consecutive year.

The Inland Empire's healthy demographics and strong rental operations attract buyers to the area's apartment assets. Class B/C assets in the \$1 million to \$10 million tranche and in western locales, including Ontario, Rancho Cucamonga and Apple Valley, are popular among buyers. The areas' proximity and access to major thoroughfares to other southern California cities fuel rental demand. Many investors are seeking value-add opportunities where cosmetic improvements and upgraded amenities can increase rents between \$100 and \$200 per month. These assets typically change hands with average first-year returns in the mid-5 to low-6 percent range. Additionally, properties located near California State University-San Bernardino are garnering buyers' attention and elevating property values. Cap rates in this area can start as low as 4 percent and trade upward in the mid-5 percent span. Overall, yields for multifamily housing metrowide averaged in the low-6 percent area in the third quarter.

During the past 12 months, nearly 2,600 apartments were constructed. Most were located in Ontario/Chino and Corona. More than 1,700 apartments are under construction in the Inland Empire; with completions scheduled through 2018. The majority of new units will be leased at market rates. The largest multifamily complex under construction is the Homecoming at the Preserve in Chino. Even though the transaction velocity has slowed over the last four quarters, it is still above the average level over the past five years.

The vacancy rate has dropped to 2.7 percent as more than 4,400 rentals were absorbed. Several areas registered a drop in the vacancy rate as well. Overall, the vacancy rate is at 3.1 percent. The average rent has jumped 8.5 percent over the last year. The largest rent increase during this time was in Corona, rising 13 percent. With the increasing demand, apartment builders have responded to the growing demand and favorable demographic trends by ramping up construction.



## **REGIONAL ANALYSIS - CONTINUED**

### **CONCLUSIONS AND TRENDS:**

According to LAEDC Kyser Center for Economic Research, the Inland Empire economy continues to grow. The housing market will continue to register gains in 2017. The supply of new and existing homes for sale should increase in response to stronger demand as population grows and as the financial condition of households in the region improves. In turn, both higher prices and sales are expected. Also, the county is moving forward with securing foreign investments. Several foreign firms are increasing their presence in the region.

The Inland Empire remains the 12th most populous Metropolitan Statistical Area in the nation. As such, the ups and downs of its economy have substantial ramifications. The region is still struggling with the consequences of the housing glut and subsequent crash with vacancy rates well above the national average. Per capita income is relatively low (due to larger family size) even as household income is above the national average. Pollution levels remain slightly above national levels.

There are still many positives for the area. The population remains relatively young and some of the largest market segments are upwardly mobile young families the "Up and Coming Families" who expect to see their economic prospects increase. The rate of violent crimes is well below the average in California with no sign of an increase. High school graduation rates for Hispanics are above the state average. All of these demographic and social indicators seem to bode well for the future of the Inland Empire. Large numbers of people, especially the young, still migrate to the Inland Empire showing that they still view it as a place of opportunity.

In summary, the office market is seeing a limited amount of new product added to the market. With positive absorption, there is a continued drop in the vacancy rate causing the market to continue to stabilize. Lease rates are expected to increase in 2017.

Overall, the industrial market continues to improve, ending the year with almost twenty million square feet of positive net absorption. It is expected that strong investment activity will continue in the coming quarters. Leasing activity remains strong as many short term deals come up for renewal and as job creation occurs.

In summary, the retail market is experiencing a decline in vacancy rates. Increases in inventory will add supply side pressure, but with the majority of the new projects owner-occupied or preleased, so absorption will exceed additions. Single tenant properties are attracting the most investor attention.

In summary, the Inland Empire apartment market is expected to experience continued demand, lower vacancy rates and a rise in asking rents. Once single family residences become more affordable, the number of individuals leaving the rental market is expected to be offset by former homeowners returning to apartments.



## **REGIONAL ANALYSIS - CONTINUED**

### **2017 U. S. Economic Forecast:**

(Taken from the Chapman University, A. Gary Anderson Center for Economic Research)

- There is no reason to believe in the coming year that the interest rate spread will turn negative. Not only do these findings rule out a recessionary call, but the forecast suggests that the recovery will pick up steam, with real GDP growth increasing from 1.6 percent in 2016 to 2.4 percent in 2017.
- Payroll employment is forecast to increase 1.8 percent in 2017, the same as the growth rate registered in 2016. This sustained job growth, coupled with higher wage gains, will push consumer spending higher.
- In addition, sharp increases in household wealth, fueled by stock market gains and rising home prices, will help spur higher consumer spending.

### **REAL GDP GROWTH**

Real GDP Growth				
	Weight	Annual % Change		Impact on Real GDP
		2016e	2017f	
Real Consumption	0.69	2.7%	3.1%	↑
Real Investment	0.17	-2.1%	1.7%	↑
Real Government Purchases	0.17	0.8%	0.4%	↓
Real Net Exports	-0.03	-1.6%	-6.3%	↓
Real GDP	1.00	1.6%	2.4%	

*Note: This table reflects the GDP third quarter 2016 second estimate announced by the BEA on November 29. It differs from the table on page 3 of the "Review," which went to print prior to that time.*

- Investment in mining exploration and wells dropped sharply from \$123 billion in 2015:1 to \$42 billion in 2016:3. This sector has now bottomed out, and the lifting of its drag on the overall economy has helped real GDP growth gain momentum.
- Higher investment spending will also be fueled by a pickup in housing starts. That increase will lead to 1.2 million housing starts in 2017—the highest since the recovery began but still below the pre-recession high of 2.1 million housing starts in 2005.
- Despite the projected increase in residential construction, home price appreciation is forecasted to slow from 5.5 percent in 2016 to 5.0 percent in 2017.
- Inflation, as measured by the year-to-year change in the personal consumption expenditures price index, less food and energy, is forecasted to be on the rise by mid-2017, increasing from 1.7 to 1.9 percent by year-end.

## **REGIONAL ANALYSIS - CONTINUED**

### **2017 Economic Forecast for the State of California:**

(Taken from the Chapman University, A. Gary Anderson Center for Economic Research)

- Construction has been a major engine of economic growth in the state since the beginning of the recovery. Annual housing construction has increased sharply from 36,000 units in 2009 to 94,000 in 2016—a 14.5 percent average annual rate of increase.
- Housing affordability in California has hovered around an index of 90 for the last few years, suggesting that median family income is 90 percent of what is required to purchase a median priced home. If our forecasts for mortgage rates and housing appreciation in the state are on target, housing affordability will decline from an index of 95 to 84 by the end of next year.
- Another factor that has been and will continue to impact the California economy is migration trends. From 2010 to 2014, California lost 88,000 citizens as compared with Texas and Florida that both gained more than 100,000.
- Looking to 2017, construction will continue to be particularly important in the Inland Empire, not only in terms of job growth but also in helping prop up personal income growth. Inland Empire construction jobs are expected increase by 4 percent in the coming year, well over the 2.4 percent growth forecasted for California.
- In the largest jobs category, services, the 2017 forecast calls for Inland Empire growth of 3.5 percent versus 2.9 percent for California.
- The only affordable way for many lower income families to find housing in the county is through rental housing. Rental units as a percentage of total housing unit permits was up with the majority of homes still of single family construction. Strength continues in the apartment construction market.
- Another concern for the Inland Empire is income growth. Real per capita personal income has been rising since 2013 and real average salaries are forecasted to increase by an average of 1.0 per year, compared to 1.4 percent across the state as a whole.
- The average unemployment rate in the Inland Empire reached 5.2 percent in Dec. 2016.

### **COUNTY UNEMPLOYMENT RATE**

<b>Metropolitan Areas</b>	<b>December 2014</b>	<b>December 2015</b>	<b>December 2016</b>
<b>Inland Empire</b>	<b>8.0</b>	<b>5.9</b>	<b>5.2</b>
Los Angeles	8.0	5.8	5.0
Ventura	6.5	5.4	4.8
San Diego	5.8	4.7	4.2
Orange County	5.0	4.1	3.5

## **REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA**

San Bernardino County is located in southeastern California, with Inyo and Tulare Counties to the north, Kern and Los Angeles Counties to the west and Orange and Riverside Counties to the south. The county is bordered on the east by the states of Nevada and Arizona. The county's diverse geography and extensive natural resources as well as its proximity to major economic and population centers provides unique opportunities for varied industry sectors to thrive, including commerce, education, and tourism and recreation.



San Bernardino County is the largest county in the state and covers over 20,000 square miles of land. There are 24 cities in the county and multiple unincorporated areas. Over 80 percent of the land is owned by federal agencies and is outside the governing control of the County.

The county is commonly divided into three distinct areas, including the Valley Region (sometimes divided into East and West Valley), Mountain Region and Desert Region. The Valley Region contains the majority of the county's incorporated areas and is the most populous region. The Mountain Region is primarily comprised of public lands owned and managed by federal and state agencies. The Desert Region is the largest region (over 93% of the county's land area) and includes the Mojave Desert.

Aside from open or undeveloped land, the largest land use in the county is for military purposes. Almost three-quarters of San Bernardino County is open or undeveloped land. Approximately 14.3 percent of the land is used for military purposes. Residential housing comprises 8.8 percent of the land area. Retail, commercial and industrial uses make up 1.7 percent of the county's land use. Agriculture utilizes 0.4%, transportation and utilities utilize 0.3%, government uses 0.2% and the remaining 0.1% is for other uses.

**REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED****Population:**

Due to the vast land area, San Bernardino County's population density is estimated at 102 persons per square mile, which is substantially lower than California, and three of the nearby counties, including Riverside, Orange and Los Angeles Counties. Within the County, the Valley Region is the most densely populated area with 75 percent of the population residing in that region, which accounts for only 2.5 percent of the county's land. Based on these figures, the estimated population density of the Valley Region is approximately 3,085 persons per square mile, which is similar to the neighboring Los Angeles and Orange Counties.

San Bernardino County is the fifth largest county in the state of California in terms of population. The population exceeded 2.035 million according to the 2010 Census. In 2016, the population was estimated at 2,140,096. Since 2010, the county's population has grown by approximately 5.2 percent. The population is expected to reach about 3.6 million by 2050.

This growth has come from a combination of natural increase and migration. Since 1975 until 2007, the San Bernardino-Riverside metro has had a positive net migration with more people moving into the area than out. While the rate of net migration was 6.4 percent from 1990 to 2000, this rate increased to 23 percent between 2000 and 2005. Likely attributable to economic and housing market retraction between 2007 and 2008, San Bernardino County experienced the first net migration decrease in 20 years.

Approximately 21 percent of the people living in the county are foreign born. The county's median age was 31. The older adult population is projected to increase significantly during the next forty years.

**Housing:**

The majority of homes in San Bernardino are single-family detached homes. There were over 711,660 housing units in 2015 of which 59.7 percent were owner occupied. San Bernardino County has the second highest household size in California, with the average household size consisting of 3.33 persons.

**Employment:**

After several years of steady increase, the number of people employed in San Bernardino County peaked in 2006 before it began to decline. The number of employed individuals increased from 680,100 in 1998 to 826,800 in 2006. By the fourth quarter of 2014, the number of employed persons reached 855,600.

San Bernardino County's unemployment rate rose dramatically in 2009. During the 10-year period from 1999 to 2008, the unemployment rate in the county ranged from a low of 4.8 percent in 2000 to a high of 14.6 percent in 2009. Currently, the unemployment rate has dropped to 5.2 percent in December 2016.

**REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED****A County in Transition:**

Twenty years ago, the leading industries were steel, agriculture and defense. The closures of George and Norton Air Force Base resulted in the loss of 3,000 jobs. Since that time, the region has gone through one metamorphosis and is on the cusp of a second. The first transition was from an economy based in military services, and agriculture to one where construction, logistics, and business and professional services were the dominant industries. The next transformation may emerge out of a combination of up and coming markets, demographic shifts continuing growth in logistics and San Bernardino's unique set of assets including days of sun, established energy infrastructure, large areas of undeveloped land and proximity to population centers and recreational resources.

The first transition witnessed employment growth of 62 percent. Since 1990, there has been 300 percent growth in the business and professional services, 180 percent growth in logistics, and 180 percent growth in wholesale trade. In the last 10 years, the changing nature of the county's economy has become even more pronounced with significant growth in the retail trade and local government sectors while durable goods manufacturing has declined.

The second transition may be fueled by the county's unique position for growth in certain industries not yet reflected in employment statistics. For example, the High Desert area of San Bernardino County is one of the best places in the world for solar energy development because of its high altitude, the number of sunny days each year and existing power infrastructure. Additionally, proximity to the Colorado River, Nevada and Arizona may result in increasing opportunities for new housing and tourism that are currently under utilized.

**Supplying Affordable Housing:**

As the population and employment base of Southern California continued to grow over the past two decades, the number of housing units in Los Angeles and Orange Counties did not keep pace. The relatively lower cost of existing housing in San Bernardino County drew buyers in response to the lower priced housing. Strong demand in the early 2000's led to rising prices, which prompted many first time home buyers to purchase. Speculators and investors also played a role in driving up housing prices. Since the great recession when prices dropped back to 2000 levels, the economy is once again improving. Home values have increased by 7.2 percent with the median single family home priced at \$278,400 in 2016. Housing costs are expected to continue to rise in the coming year.

**Impacts of Growth and Contraction:**

Currently, new and old residents of San Bernardino County are bearing the impacts of regional economic contraction. The economic downturn is reflected in the number of residents living in poverty and the fact that most major public assistance programs in San Bernardino County experienced increases in enrollment. The County has the third highest proportion of residents living in poverty. The number of people receiving food stamps rose last year, and CalWORK's cash assistance enrollment also rose.



## **REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED**

### **Expanding Opportunities:**

The Inland Empire's location between the Ports of Los Angeles and Long Beach and the rest of the country as well as the location on the edge of the massive markets of Los Angeles County and Orange County, primed the growth of the logistics industry. The County has evolved as a logistics and distribution hub. As the international economy recovers amidst tightening land availability for warehousing and transit, San Bernardino County is better positioned than other areas in the region to harness the opportunity to become an even more important logistics hub.

Interestingly, the closure of the George and Norton Air Force bases laid the ground work for the most extensive airport infrastructure in Southern California. In 1998, Ontario International Airport relocated to a new 265,000 square foot terminal and the passenger count climbed to 7.2 million passengers in 2005 before declining to 4.9 million in 2009. Freight tonnage at this airport also declined in 2009 to approximately 400,000 tons. The two military bases have been redeveloped as the Southern California Logistic Airport and San Bernardino International airport.

### **The Future:**

As high housing costs in Southern California prompt younger and moderate income residents to search for a home in the Inland Empire, and large facilities such as warehouses and airports need more available land, San Bernardino County will continue to play a prominent role in the larger region. But its future economy will be shaped by a number of critical assets including military facilities and federal lands.

Overall, the role of the federal government cannot be understated, given that the federal government owns 81.4% of the land and the State of California owns another 2.1%. While national parks and military facilities add to the tourism and service s components of the economy, these outside institutions also wield substantial influence over the future of the county given the sheer amount of land outside of the control of local officials and residents.

**Military Facilities:** The military is once again growing both in terms of jobs and purchasing power. Fort Irwin has increased to a daily population of over 22,000 personnel and Twenty-nine Palms Marine Base has almost 8,000 personnel. Fort Irwin has plans to construct a Wind Turbine Energy project on site and Twenty-nine Palms is in the process of developing a large scale training center that requires more training land and airspace than is now available anywhere in the United States.

**Bureau of Land Management Renewable Energy Projects:** The Bureau (BLM) plays a large role in establishing land use patterns for ranching, mining, renewable energy and recreation. It is gearing up to take advantage of incentive funding under the American Recovery and Reinvestment Act, by committing to full environmental analysis and public review for 31 renewable energy projects planned on BLM lands. The initial project list includes 14 solar, seven wind, three geothermal and seven transmission projects.

**National Recreational Facilities:** The national forests and parks that lie within the county provide recreational and open space amenities as well as educational and volunteer opportunities for San Bernardino County residents. Further, visitors to the San Bernardino National Forest, Joshua Tree National Park, and Mojave National Preserve generate significant revenue for the local economy.



## **ECONOMIC AND NEIGHBORHOOD FORCES - CITY OF RIALTO:**

The subject property is located in the county of San Bernardino within the city of Rialto. The city is located to the south and below the San Bernardino Mountains. It lies in the west portion of the San Bernardino Valley, due west of the County Seat. Rialto is sixty miles to the east of Los Angeles and 105 miles north of San Diego. Rialto is a city of commercial, residential, educational, cultural and industrial growth. The site has frontage to N. Ashford Avenue, west of Riverside Avenue which is within the western edge of the city, adjacent to the city of Fontana.

### **History:** *(provided by the city of Rialto)*

The Rialto area is believed to have been occupied prior to the year 1500. Ancient artifacts and an indication of a village were discovered near the Lytle Creek wash by archaeologists indicating Indians lived in the Rialto area between 1500 and 1800 AD. Where these Indians went, or why, remains a mystery. Later records indicate that in 1769, the King of Spain awarded portions of this area to selected Spanish Dons as part of the Spanish land grants. In 1848 as part of the Treaty of Guadalupe Hidalgo, California was ceded to the United States.

The Mormons settled in the San Bernardino valley in 1851 purchasing the Lugo ranch (now the City of San Bernardino) and claiming portions of the bench. (This claim was later disallowed by the United States Government.) A few pioneers began moving into the Rialto area by the year 1854 and established ranches and farms along the bench area. It was here in Rialto where Muscat Grapes were grown by George Lord and cuttings from his plants were sent to many neighboring counties. An adobe house from this time period is believed to have been built by Michael White and is the oldest structure in Rialto and is now restored in Bud Bender Park "Lilac Park".

In 1887, the Semi Tropic Land and Water Company was formed and purchased 25,000 acres of land that includes what is now Rialto and parts of Fontana and Bloomington. They developed the town site and named the town after the Rialto Bridge in Venice, Italy. This same year a railroad connector line was built between San Bernardino and Pasadena by the Santa Fe Railroad. Along the line, town sites were located every 2,600 yards and by the fall of that year over 25 new towns were built.

Also in this year a group of Methodists arrived from Halsted, Kansas seeking a new college site. Although the college was never built, it was the Methodists who started the town of Rialto. It soon was realized that Rialto was perfect for growing citrus and rapidly many acres were set to citrus trees.

In the fall of 1888, it became evident that schooling was needed so the first school was built and Brooke School District was formed. Records show that up until 1920, the Brooke School District was in continuous operation. A prominent Rialto family bought the first school house in 1921, remodeled the building, and members of the family there for many years, however, the house burned down a number of years ago.

Despite the land boom of the 80's and the crash of 1889, Rialto continued to grow. In 1893, there were half a dozen businesses, including a blacksmith, lumber yard and a cement pipe manufacturing company. Additionally the City had the beautiful three story Hotel Del Rialto and 35 homes with a total population of around 250 residents. The first citrus association was started and the first packing house was built in 1894. Sadly, the Hotel Del Rialto burned down in 1907. But, Rialto's popularity quickly began to grow as it became known as a town of lovely homes and beautiful shaded drives. The Rialto School District was formed in 1891. The staff consisted of two teachers, and a principal, and the school had separate play areas for the boys and girls.



## **ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED**

### **History (continued):**

The Chamber of Commerce, then called an Improvement League, was established in 1907. Within four years the population had grown to over 1,200 with 40 businesses and a local newspaper. A decision to incorporate was made in the spring of 1911. The election results on October 31st of the same year were one hundred-thirty five for the incorporation and 72 against. Rialto thus became a sixth class city. Citrus became an important commodity in Rialto's early growth and at one time seven or more packing Houses, located along the Santa Fe tracks, were in use sorting, packing and shipping citrus to all areas of the country.

Foothill Boulevard (then named San Bernardino Avenue) was repaired in 1913 as part of the State highway program. Later it became part of Route 66 of the transcontinental Highway System. The following year the Pacific Electric completed its line through the City of Rialto. Today the Tracks above First Street are a part of the Southern Pacific Railroad System and are only used for delivery to a couple locations still situated along the tracks.

A fire in the 20's swept through and destroyed many of the buildings in the downtown area. Today this area has matured with new store fronts, updated buildings and rising modernization. Also located in Rialto are seven major retail shopping centers spread throughout the community.

Rialto's population growth increased to 3,156 by 1950. In 1956, the population soared to 15,359. By 1964, it increased to 23,290 and 33,500 in 1978. Rialto is four miles wide and 8 1/2 miles long. Rialto's population grew to over 80,000 by December 1994 and according to 2016 estimates, the population is over 103,314.

### **Economic Development:**

The City of Rialto has a variety of industrial and commercial development opportunities, from small in-fill development sites to large development sites for retail power centers, as well as existing shopping centers that need to be repositioned to take advantage of shifting demographic trends in the region. Rialto also has several vacant in-fill sites along Foothill Boulevard, commercial corners, as well as unique specialty retailing opportunities in the downtown Central Business District ("CBD"). Rialto's downtown is currently undergoing a renaissance following the completion of a \$2.8 million streetscape improvement project and assistance from the Agency's seismic and facade grant program.

The opening of the 210 freeway through north Rialto has provided the City with four miles of freeway frontage and three existing and one proposed freeway on and off ramps. Most of the land along the 210 freeway corridor is currently vacant and will offer developers a wide variety of new retail, commercial and industrial development opportunities. The City is currently updating the land use plan on approximately 1,500 acres of land along I-210 freeway corridor and around the Rialto Municipal Airport.

The City of Rialto has a very pro-active Redevelopment Agency that can assist in site selection, development processing, infrastructure improvements and other financial assistance for desirable retail, commercial or industrial development projects.

**ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED****Location:**

Rialto, incorporated in November 17, 1911, is located approximately 50 miles east of Los Angeles, 465 miles south of San Francisco, and 120 miles north of San Diego. The elevation is 1,546 feet above sea level. The city has an area of 22.4 square miles. It has a Continental Mediterranean climate and an average annual rainfall of 16 inches per year. During winter, Rialto's gets snow, heavily at times as a result of its elevation at the base of the San Bernardino Mountains.

**Demographics:**

Quick Facts	Rialto
Population, 2016 estimate	103,314
Population, 2010 (April 1) estimates base	90,150
Population, percent change - April 1, 2010 to July 1, 2015	4.2%
In civilian labor force, 2011-2015	63.8%
Mean travel time to work (minutes), workers age 16+, 2011-2015	31.8
Housing units, 2010	27,203
Homeownership rate, 2011-2015	62.4%
Median value of owner-occupied housing units, 2011-2015	\$208,100
Median gross rent, 2011-2015	\$1,090
Households, 2011-2015	25,199
Persons per household, 2011-2015	4.02
Per capita money income in past 12 months (2015 dollars), 2011-2015	\$16,451
Median household income, 2011-2015	\$50,971
Persons below poverty level, percent, 2011-2015	19.7%

*According to the United States Census Bureau.*

**Education:**

Rialto is served by the Rialto Unified School District. It has a Christian School called Bloomington Christian School for junior high and high school. It also has preschool thru 8th grade hosted by Calvary Chapel Rialto. Rialto is also home to a private Catholic school (preschool thru 8th grade). St. Catherine of Siena Parish School is located on Sycamore Avenue. The western portion of Rialto is served by Fontana Unified School District while the southern portion of Rialto is served by Colton Joint Unified School District.

In 1994, the Rialto Western Little League hosted the Southern California Championship for the Major Division, in which the winner went on to participate in the Regional Tournament. The winner was Northridge City Little League who went on to play in the Little League World Series in South Williamsport, Pennsylvania. The Tournament was held at Lilac Park, now known as Bud Bender Park.

**ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED****Businesses:**

Rialto is home to four major regional distribution centers: Staples Inc., which serves stores across the entire West Coast of the United States, Toys "R" Us, Under Armour and Target in the northern region of the city, in the Las Colinas community. One of the United States' largest fireworks companies, Pyro Spectaculars, is also headquartered in Rialto.

**Housing Market Trends in Rialto:**

According to Trulia, the median sales price for homes in Rialto for May 24<sup>th</sup> to August 23<sup>rd</sup> was \$323,750 based on 182 home sales. The housing market trends indicate an increase of \$22,750 (8%) in median home sales over the past year. The average price per square foot for this same period rose to \$209, up from \$198. The median rent per month for apartments in Rialto for July 24<sup>th</sup> to August 24<sup>th</sup> was \$1,867.

No. Bedrooms	May 24-Aug 23	y-o-y	3 months prior	1 year prior	5 years prior
1 Bedroom	--	--	--	--	--
2 Bedroom	\$246,000	+7.9%	\$250,000	\$228,000	\$124,000
3 Bedroom	\$312,000	+4.9%	\$313,000	\$297,500	\$160,000
4 Bedroom	\$347,000	+5.2%	\$335,000	\$330,000	\$193,500
<b>All Properties</b>	<b>\$323,750</b>	<b>+7.6%</b>	<b>\$320,000</b>	<b>\$301,000</b>	<b>\$170,000</b>

**Market Snapshot for Rialto (Movoto.com)**

	Today	1 Month Ago	1 Year Ago
Total Inventory	119	121 -1%	164 -27%
Median List Price	\$330,000	\$335,000 -1%	\$135,000 +4%
% Distressed	0%	0%	0%
Median Days on Movoto	50	41 +21%	50
Median House Size	1,527	1,547 -1%	1,574 -2%
Median \$/Sq. Ft.	218	218	196 +11%

## **NEIGHBORHOOD DESCRIPTION - CITY OF RIALTO**

### **Definition:**

A neighborhood is defined in *The Dictionary of Real Estate Appraisal*, Fourth Edition, copyright 1993, 242, by the Appraisal Institute as: “a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.”

A neighborhood can be a portion of a larger community, or an entire community in which there is a homogeneous group of inhabitants, buildings, and business enterprises in which inhabitants have a more than casual community interest and a similarity of economic levels or cultural backgrounds. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well defined such as by distinct change in land uses.

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect that neighborhood also directly includes the individual properties within it. An analysis of the various factors as they affect the value of the subject property is presented in the following discussion.

### **Subject Neighborhood:**

The subject property is located in the county of San Bernardino, within the city of Rialto. The subject property is located at the western edge of the city, bordering Fontana. The subject site is located on the west side of N. Ashford Avenue, just east of North Maple Avenue. The immediate neighborhood surrounding the subject property is partially developed with single-family homes, and partially undeveloped vacant land. In the developed portions of the surrounding area, full off-site improvements are present. The area can best be characterized as a single-family residential neighborhood with some commercial retail uses located on the major arterial streets.

The subject is located on N. Ashford Avenue, approximately three miles north of the San Bernardino (10) Freeway and one and three-quarter miles south of the Foothill (210) Freeway. The Riverside (215) Freeway is approximately six miles to the east. The neighborhood is well located in the community and in reasonable proximity to the freeway system. The subject's specific location within the neighborhood is rated as average. The subject enjoys an average location in terms of ingress/egress. The specific location is nicely suited for a variety of development options.

Primary access to the area is provided by North Cedar Avenue, which accesses the San Bernardino (10) Freeway to the south of the subject and the Foothill (210) Freeway to the north. Secondary access to the area is provided from Foothill Boulevard which accesses the Riverside (215) Freeway to the east. Commercial development is predominately found along these main arterial streets. The neighborhood is bounded by West Baseline Road to the north, Cactus Avenue to the east, Rialto Avenue to the south and Alder Avenue to the west. The subject property is located in the San Bernardino County Thomas Guide on map page 575, grid D7.

**NEIGHBORHOOD DESCRIPTION - CONTINUED:****Surrounding Land Uses**

The parcels immediately bordering the subject property to the west are improved with two single-family residences which have frontage to North Maple Avenue, a secondary arterial street within the neighborhood which runs in a north-south direction. The parcels located immediately to the east and north of the subject site are similar parcels of vacant land. Past the vacant land further north and east are more single-family home neighborhoods. The properties to the south of the subject are improved with single-family homes. There are some vacant undeveloped parcels scattered throughout all of these areas.

**Transportation:**

The neighborhood has an adequate and well-diversified transportation network comprised of major arterial and surface streets. Primary arterial thoroughfares include Locust Avenue, Foothill Boulevard, N Cedar Avenue, Cactus Avenue, Baseline Road and Riverside Avenue.

**Freeways:**

The area is served by a network of freeways. Most important to the subject's immediate area is the San Bernardino (10) Freeway located three miles south, the Foothill (210) Freeway located one and three quarter miles north, and the Riverside (215) Freeway located approximately six miles east of the subject property. These freeways provide access to the county's freeway network.

**Airports:**

The city is located approximately 15 miles northeast of the Ontario International Airport. The area is well served by air transportation, including Los Angeles International Airport, John Wayne Airport, and several smaller area or regional airports like the Riverside Municipal Airport. These airports provide passenger and freight service to most major cities in the country as well as the Southern California area.

**Utilities:**

Water Supply:	Rialto Water Services
Sewer Service:	Rialto Water Services
Natural Gas:	Southern California Gas Company
Electricity:	Southern California Edison

## **NEIGHBORHOOD CONCLUSION**

The neighborhood shows signs of economic stability. The area enjoys an average location in terms of freeway proximity, and an average location in terms of community services and transportation. It is our opinion that the subject property is located in an area that is well suited for residential or commercial uses.

Typically, a neighborhood realizes three stages in its existence. The earliest is growth, and a change in land use patterns occurs, many times from agricultural to commercial or residential. At some point stability occurs, wherein the majority of lands are developed and a certain economic maturity is present. This second period of stability is hopefully the longest lived of the three periods described. The third period is one of decline. This period is typically accompanied by economic decline, the lack of maintenance in property values, and an increase in overall crime levels.

The subject neighborhood is considered to be between the first and second stages of development, wherein the majority of lands are in the early stages of developed and a change in land use patterns from agricultural to residential and support commercial is evident. The future of the subject's neighborhood is dependent upon the economic growth of the state, county, and city but is estimated to be good due to its specific location. These combined factors point to a favorable evaluation of the subject. The property's general location is rated as good, and the area appears to be economically stable.

Residentially, the city of Rialto and this area of San Bernardino County enjoy a reputation of adequate schools, good shopping facilities and good recreational facilities. Historically, the area has been enjoying stable growth and has been considered a viable residential area. The availability of suitably zoned land and its proximity to the freeways within the county have played a key part in the development that has emerged to date. The economic climate is such that continued development of the area is likely to continue over an extended period of time. In general, the subject property is well located in a desirable, established neighborhood.





**THE SITE:**

**Location:**

0.46 acres of vacant land located on North Ashford Avenue  
Rialto, California

**Assessor's Parcel Number:**

0243-151-59

**Site Area:**

20,130 square feet / 0.46 acres

**Topography:**

Level at street grade

**Known Pending Changes:**

None

**Soil Bearing Quality:**

Appears adequate. However, we have not been provided with a soils report  
and have assumed that the site is not adversely affected by soil contamination.

**Street:**

N. Ashford Avenue: 60-foot wide street

**Paving:**

None

**Curb and Gutter:**

None

**Sidewalk:**

None

**Utilities:**

All present at street

**Sewer:**

Public municipal system

**Census Tract:**

0035.09

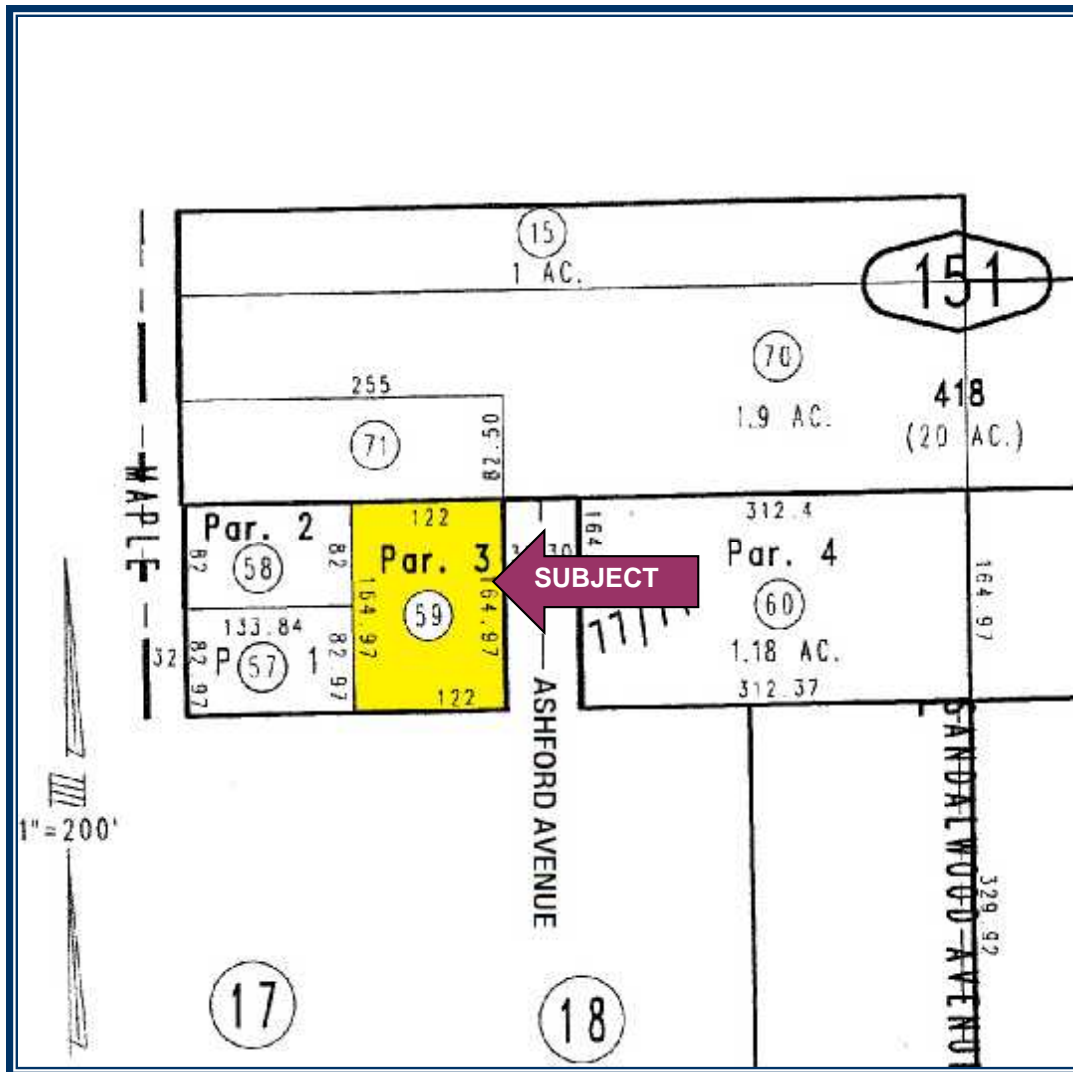
**Zoning:**

R-1A (Single-family Residential), City of Rialto

**Flood Zone:**

Zone "X", Panel # 060280-8657H, Dated August 28, 2008  
The subject is not in a designated flood hazard area.  
Flood insurance is not federally mandated in this zone

PLAT MAP



## **SITE DESCRIPTION**

As previously stated, the subject of this analysis consists of one parcel of vacant land consisting of 20,130 square feet or 0.46 acres according to public records on file with the Assessor's Office. This site is located on the west side of N. Ashford Avenue, just east of North Maple Avenue between Victoria Street and McWethy Street. The parcel is zoned R-1A (Single-family Residential) per the city of Rialto. This is a residential zone that provides for the development of single-family residential dwellings on lots which are a minimum of 8,400 square feet in size. Maximum building coverage is 30% of the lot area with a minimum dwelling size of 1,440 square feet, exclusive of garages.

The basis of this analysis is concerned with the current "as is" fee simple value of the parcel as of the date of our inspection of the site. Per our physical inspection of the site, the subject is described as follows:

The subject site consists of one parcel which is rectangular in shape, identified as Assessor's Parcel Number 0243-151-59. The site is bordered on the west by two single-family residences which have frontage to North Maple Avenue, a secondary arterial street within the neighborhood which runs in a north-south direction. The parcels located immediately to the east and north of the subject site are similar parcels of vacant land. The property located immediately south of the subject is improved with a single-family residence with an address of 598 North Ashford Avenue. The subject's street currently ends at the point where this single-family residence property meets the southern border of the subject's parcel. The subject's street is improved with single-family homes on both sides of the street from this point south to McWethy Street. McWethy Street runs in an east-west direction and provides access between Maple Avenue and Linden Avenue. Direct ingress/egress to the site is possible from N. Ashford Avenue which is unimproved along the entire length of the subject's east side.

The subject site is presently vacant unimproved land that appears to be nearly flat and fully useable. The site appears to have been disked or mowed sometime in the fairly recent past, showing only a small amount of plant growth, a tree, a few small boulders and rocks, a broken concrete manhole cylinder, in addition to random dumped items such as an old tire, wood pallets, railroad ties, and several pieces of concrete rubble. The site is enclosed on three sides with a combination of chain link fencing, wood fencing, and barbed wire fencing. The east side of the site which would be exposed to the street if it were extended was not fenced. The subject's street is unimproved along its entire eastern border. If the site were to be developed it is likely that the street improvements and underground utilities would need to be extended northward approximately 165 feet. There are above ground power and telephone utilities which run in an east-west direction along the southern border of the parcel where the street improvements end.

**SUBJECT SITE DESCRIPTION - CONTINUED****Soils - Ground Stability:**

As no soil or geologic reports were made available for review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. It is assumed that there are no soil conditions which negatively affect the subject site. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements. In the event that a detrimental environmental condition is discovered, then an alternative value may be applicable and this appraisal would no longer be valid. The value of mineral rights, if any, was not considered in this analysis.

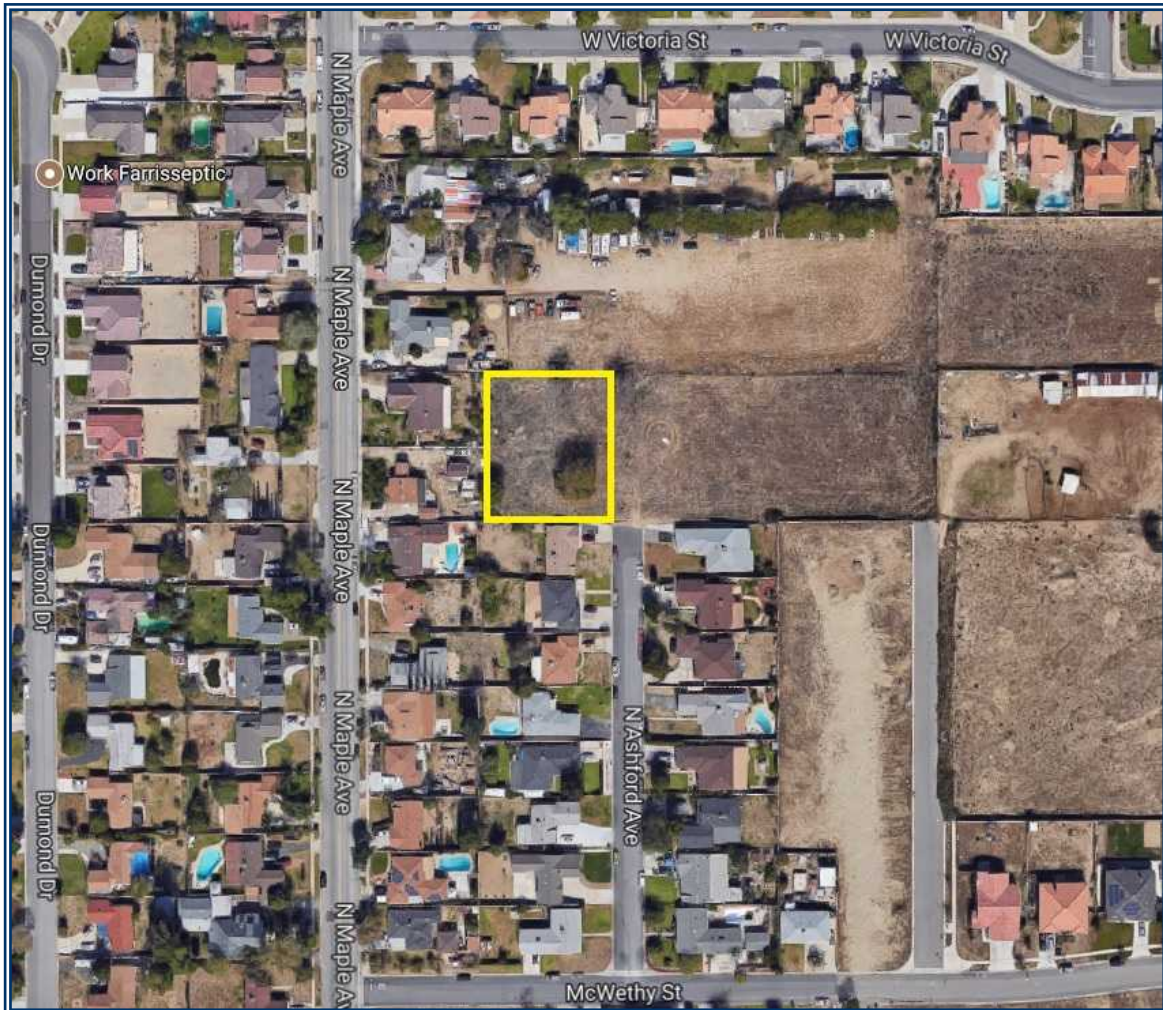
**Hazardous Waste Zone:**

Soil Conditions appear suitable for virtually all types of development. A physical inspection of the site and adjoining land uses did not indicate any adverse conditions. There is no indication from the information available that the subject property is adversely affected by its proximity to any hazardous waste. The appraiser was not provided with any information related to contamination on the subject site and it is an assumption of this report that the value of the property is not impacted by any hazardous waste materials. The appraiser is not an expert in this field and recommends the services of an expert be employed.

**Alquist-Priolo Study Zone:**

According to the information provided to the appraiser by Flood Data Services, the site is not currently noted as being within an Alquist-Priolo Special Studies Zone. According to the State Division of Mines & Geology, this map may not show all faults that have the potential for surface fault or rupture, either within the special studies zones or outside their boundaries. No opinion or warranty, expressed or implied, is made herein as to the potential or possibility of earthquake occurrence or to the existence or non-existence of any known, unknown, or uncertain fault traces of fault zones. It is not uncommon for areas throughout California to be located within these zones as evidenced by previous earthquakes.

**AERIAL PHOTO**





**Photographs of Subject Property**

Front view of subject property from street



Front view of subject property facing northwest



**Photographs of Subject Property**

View of subject property facing west



View of subject property facing west





**Photographs of Subject Property**

View of subject property facing north



View of subject property facing north



**Photographs of Subject Property**

View of subject property facing north



View of subject property facing south





**Photographs of Subject Property**

View of subject property facing south



View of subject property facing southeast



**Photographs of Subject Property**

View of subject property facing east



View of vacant land to the east



**Photographs of Subject Property**

View of North Ashford Avenue facing north



View of North Ashford Avenue facing south





## HIGHEST AND BEST USE ANALYSIS

### General Information

"Market value is estimated in terms of (a property's) highest and best use." The recent edition of "Real Estate Appraisal Terminology" defines highest and best use, in part, as:

The reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

This definition specifically applies to the highest and best use of land yet also provides the premise for ascertaining the highest and best use of improved properties. It should be noted that a highest and best use determination represents an appraiser's opinion based on his or her judgment and the application of several forms of analyses. Like value, it is not a fact, which can be found.

It is also important to note that the highest and best use of a property's land (or site) as if unimproved and available to put to its highest and best use may be different than the highest and best use of the property as improved. This is especially true when the property improvements are not the most appropriate use but still contribute to the property's value more than the value of the site alone. In such cases, the existing improvements will probably remain in use until the value of the land exceeds the total value of the property with the improvements. Appraisal practice therefore dictates that a property's highest and best use be analyzed from two standpoints: (1) the property as if unimproved and available for development, and (2) the property as improved. The subject property is currently vacant and its highest and best use will therefore only be analyzed as vacant and available for development.

Implied within the above definition is that the determination of highest and best use arises as a result of the appraiser's judgment and analytical skill. That is, the highest and best use determination represents an opinion, and is not factual in nature. Accordingly, based upon the preceding considerations, a general discussion will follow analyzing the highest and best use of the subject property as if vacant.

### Application

In forming an opinion as to the highest and best use of the subject property as unimproved, four analyses were applied. They were:

- 1) **Permissible Use Analysis** which considers all of the subject's permitted legal uses as delineated by current zoning and city regulations.
- 2) **Physical Possibility Use Analysis** which considers all the physically possible uses of the site and structure.
- 3) **Feasible Use Analysis** which considers the most feasible uses of the possible and permissible uses.
- 4) **Highest and Best Use Analysis** which considers the most appropriate and most likely use of the property.

## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

### **Application of Highest and Best Use Analysis:**

Essentially, this highest and best use analysis will consider the three options available to an owner or potential purchaser of the subject site. These are to: (1) leave the property vacant, (2) develop the property, and (3) if development is found to be feasible, determine what use is the most profitable.

The subject site is essentially level with the surrounding properties just above street grade and water drainage appears adequate. As of the current date of valuation, all utilities appear to be available to the property, and the subject has adequate frontage, exposure and visibility along adjoining roadways. As described within the Site Description section of this report, according to available information the subject property consists of one parcel of vacant land with an area of 0.46 acres or 20,130 square feet.

### **Legal Use:**

According to the City of Rialto Planning Department, the subject's parcel is zoned R-1A (Single-family Residential). This zone provides for the development of single-family residential dwellings on lots which are a minimum of 8,400 square feet in size. The minimum width of the lot is 80 feet and the minimum lot depth is 100 feet. The maximum building height is 35 feet which allows for two-story structures. Front yard setbacks are 25-feet and rear yard setbacks are 20-feet. Side yard setbacks for interior lots must be at least 3-feet on each side of the main building. Maximum building coverage is 30% of the lot area with a minimum dwelling size of 1,440 square feet, exclusive of garages. The purpose of these standards is to provide the setting for such uses within the framework of the overall General Plan.

Thus, based upon both public and private restrictions, only the following land uses are considered to be legally permissible for the subject site if vacant:

- A) Hold for investment or for future development**
- B) Residential uses as allowed by zoning restrictions**

### **Physically Possible:**

Given the subject property's condition and size, a variety of land uses initially would appear to be physically possible for the property. This analysis will focus upon consideration of these specific alternatives.

#### **A) Hold for investment or for future development**

Simply holding the subject site for investment purposes or future development is obviously a physically possible alternative for the property.



## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

<b>Application of Highest and Best Use Analysis:</b>
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### **Physically Possible Uses - continued:**

#### **B) Residential uses as allowed by zoning**

This zone permits single-family residential dwellings with a minimum lot size of 8,400 square feet.

### **Financially Feasible:**

Based upon the above identified land uses for the subject property, as if vacant, we have focused our feasibility analysis upon the aforementioned legally permissible and physically appropriate alternatives.

#### **A) Hold for investment or future development**

This scenario is predicated upon simply holding the subject property, as vacant, for investment (speculation) or for future development until such time as changing demographic and economic conditions within the surrounding community support the financial feasibility of development alternatives.

#### **B) Residential uses as allowed by zoning**

In considering the potential for the various types of development allowed on the site, a factor that must be considered is the feasibility of such a use. A test of feasibility is profitability, which is usually indicated by comparing the development cost of the project with the value indication of the sales comparison approach to value. This indicates whether the cost of development of the site will create improvements that will generate enough net income from sales to adequately supply a return on and a return of, the required capital to construct the subject's improvements.

In the case of the subject's market area, we are dealing with a relatively static real estate market. We have seen an increase in property values and a decrease in vacancy rates followed by a period of stabilization. The current demand is being met with new projects that have been constructed or that are under development. The potential exists to meet further demand with residential single-family development on the subject's site. However, the timing of this type of development must correspond with the development of the infrastructure required to support such development. Properties that are changing hands in the immediate market area are typically being held for future development when the projects become economically feasible.

## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

### **Application of Highest and Best Use Analysis:**

#### **Conclusion - As If Vacant:**

##### **Maximally Productive:**

After analyzing the subject site, zoning regulations, and the development trends in the neighborhood, we have reached the following conclusions.

The site is presently vacant. Of the financially feasible uses; the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use. However, only one of the potential uses considered above meets the "tests" of financial feasibility. That feasible use is to hold the site for future development. Therefore, this use is also considered to be the subject's maximally productive use.

Thus, considering the four "tests" of highest and best use, we conclude that the highest and best use of the subject property, as vacant and as of the effective date of this valuation, is to hold the site for future development.

## INCOME CAPITALIZATION APPROACH

An income analysis is made from the viewpoint of a typically motivated and investment oriented potential purchaser, who wants to know what sort of income stream the property is potentially capable of producing, balanced against the expenses which may plausibly be expected.

Careful and thorough consideration of the income producing characteristics of any property (subject property or comparable) involves a review of certain basic principles, and an evaluation of contingencies which may affect the quality, volume, and durability of such income. This is primarily because a prudent investor would typically want to know and consider these same principles and characteristics so as to form the basis for comparing the relative desirability of similar or comparable properties.

### Overview

Income-producing real estate is typically purchased as an investment, and from an investor's point of view, earning power is the critical element affecting property value. One basic premise is that the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading present dollars for the right to receive future dollars. The *income capitalization approach* to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. usually the monetary benefits of income and reversion), and convert these benefits into an indication of present value.

The *income capitalization approach* is one of the three traditional approaches that an appraiser may use in the valuation process. However, it is not an independent system of valuation that is unrelated to the other approaches. The valuation process as a whole is composed of integrated, interrelated, and inseparable techniques and procedures designed to produce a convincing and reliable estimate of value, usually market value.

The principle of anticipation is fundamental to the income capitalization approach. As value is created by the expectation of benefits to be derived in the future, value may be defined as the present worth of all rights to these future benefits. All income capitalization methods, techniques, and procedures attempt to consider anticipated future benefits and estimate their present value. The approach is also based on and consistent with the basic value influences and principles of change, supply and demand, substitution, balance, and externalities.

The two most commonly utilized methods of capitalizing net income into value are *direct capitalization* and *yield capitalization*. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between expected earnings and value.

## **INCOME CAPITALIZATION APPROACH - CONTINUED**

*Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step - either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor. The income expectancy considered is frequently the anticipated income for the following year. Direct capitalization is market-oriented; an appraiser analyzes market evidence and values property by inferring the assumptions of typical investors. Direct capitalization does not explicitly differentiate between the return on and return of capital because investor assumptions are not specified. However, it is implied that the selected multiplier or rate will satisfy a typical investor and that the prospects for future monetary benefits, over and above the amount originally invested, are sufficiently attractive.*

*Yield capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. Like direct capitalization, yield capitalization should reflect market behavior. The procedure used to convert periodic income and reversion into present value is called discounting; the required rate of return is called the discount rate. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and a complete recovery of the capital invested. This method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. Yield capitalization is also called discounted cash flow analysis; and as a discount rate is used to calculate the present value of anticipated future cash flows.*

--Paraphrased from *the Tenth Edition of the Appraisal of Real Estate*, pages 409 through 420, published by the Appraisal Institute--

### **Application**

In the case of determining land value such as the subject's, the income approach is not considered an applicable approach to value. Buyers and sellers of land are not typically enacting the transactions based on the income potential of the site. Other factors are more important. These factors are best analyzed through the application of the Sales Comparison Approach to value. Therefore, the Income Approach has not been utilized in this analysis.

## **COST APPROACH**

The Cost Approach reflects buyers' thinking by recognizing that market participants relate value to cost. Buyers tend to determine the value of an existing structure by considering the prices and rents of similar buildings and the cost to create a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices that they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility that they desire. Therefore, in applying the Cost Approach to value, an appraiser attempts to estimate a buyer's opinion of the difference in worth between the property being appraised and a newly constructed building with optimal utility.

The Cost Approach is the result of the addition of two separate estimates. The first involves the estimate of the value of the underlying land, as if vacant and ready to be put to its highest and best use; the second is the estimate of the present value of the improvements. These two value estimates are then combined in order to arrive at a market value indication.

The land value estimate is made by comparing the subject to comparable vacant parcels, which have sold in the area of the subject in the recent past. For this specific study, these sales are summarized and discussed in the Sales Comparison Approach valuation section. The estimate of the present value of the improvements, on the other hand, includes several steps. First, the replacement cost, new, of the improvements is estimated; then the estimated accrued depreciation is subtracted from the replacement cost, new, in order to arrive at the present value indicator of the improvements.

### **Land Value**

In the Cost Approach, the estimated market value of the land, as if vacant and ready for development, is added to the depreciated cost of the improvements.

### **Sales Comparison Approach**

Of the various procedures available for estimating land value, none is more helpful or persuasive than the sales comparison approach. In this approach, sales of similar unimproved sites are analyzed, compared, and adjusted to derive an indication of value for the site being appraised. For this specific study, these sales are summarized and discussed in the market valuation section of this report. The application of the Cost Approach is not applicable in this particular assignment as the basis of this analysis is the land value only.

## **SALES COMPARISON APPROACH**

The Sales Comparison Approach produces an estimate of market value by directly comparing the subject property to similarly vacant sites that have sold in the recent past in the competing market area of the subject. This approach attempts to identify and estimate the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure. This definition assumes that both the buyer and seller are fully informed as to the property and state of the market for that type of property, and that the subject has been exposed in the open market for a reasonable amount of time.

The application of this approach produces an estimate of value for the subject property by comparing it with similar properties. These direct comparisons are made based on measurable inherent differences between properties. These differences vary from location, size, utility, zoning, and financing, to exposure, and other factors that determine value. The following sales were located that were felt to be representative of the subject property. These sales were the most recent and most similar to the subject in terms of location, size, and potential uses.

### **Price Per Square Foot:**

These direct comparisons are generally made based on some commonly used and accepted value indicators. Although there are several of these indicators which can be used within this approach, in the valuation of vacant finished sites, such as the subject, generally the price per square foot is considered most applicable.

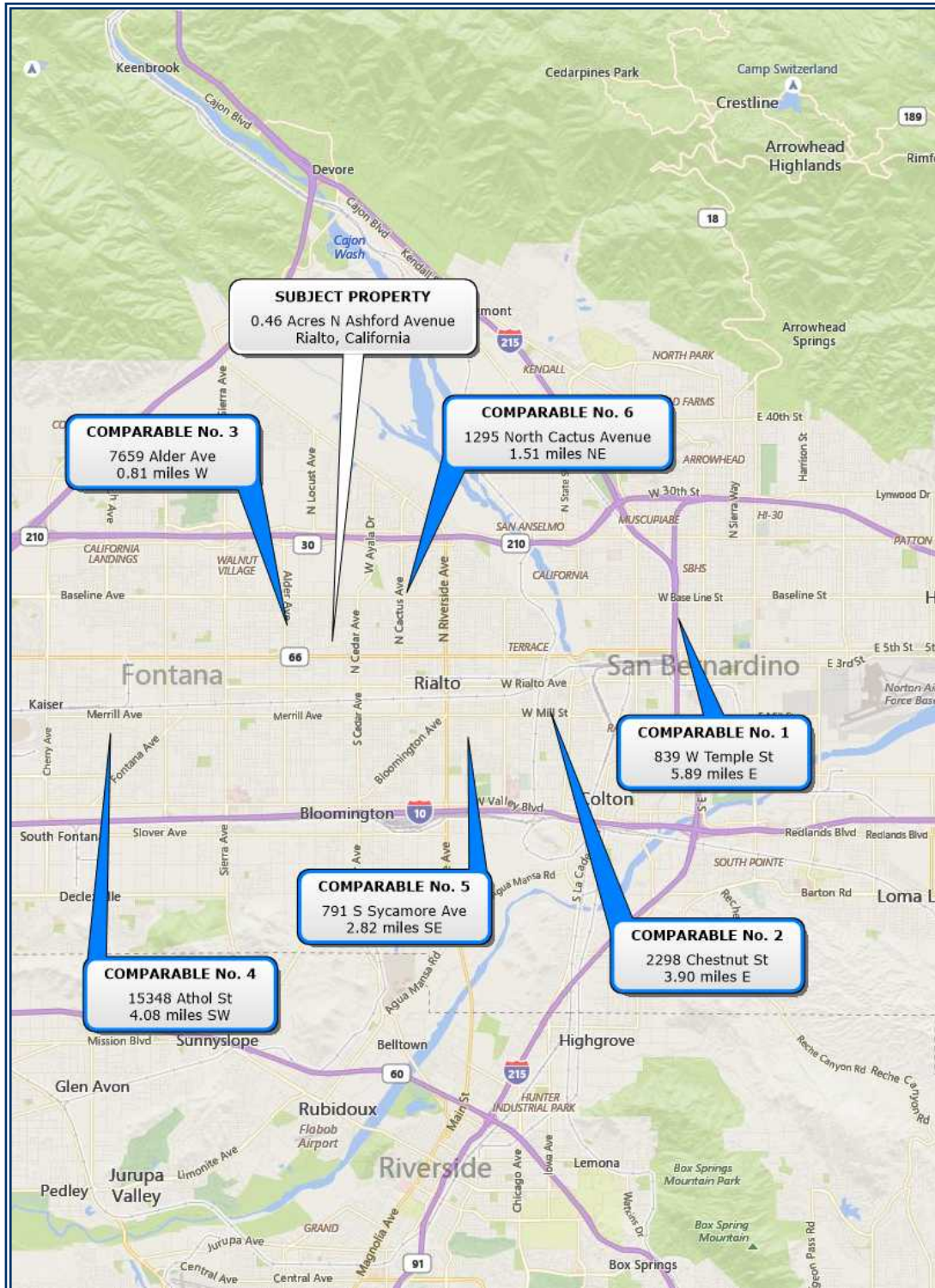
The price per square foot, which is the result of dividing the square foot area of the comparable site being analyzed into the selling price, provides a unit of comparison which is then adjusted to reflect the differences in the subject property versus the comparables selected for comparison.

### **Procedure:**

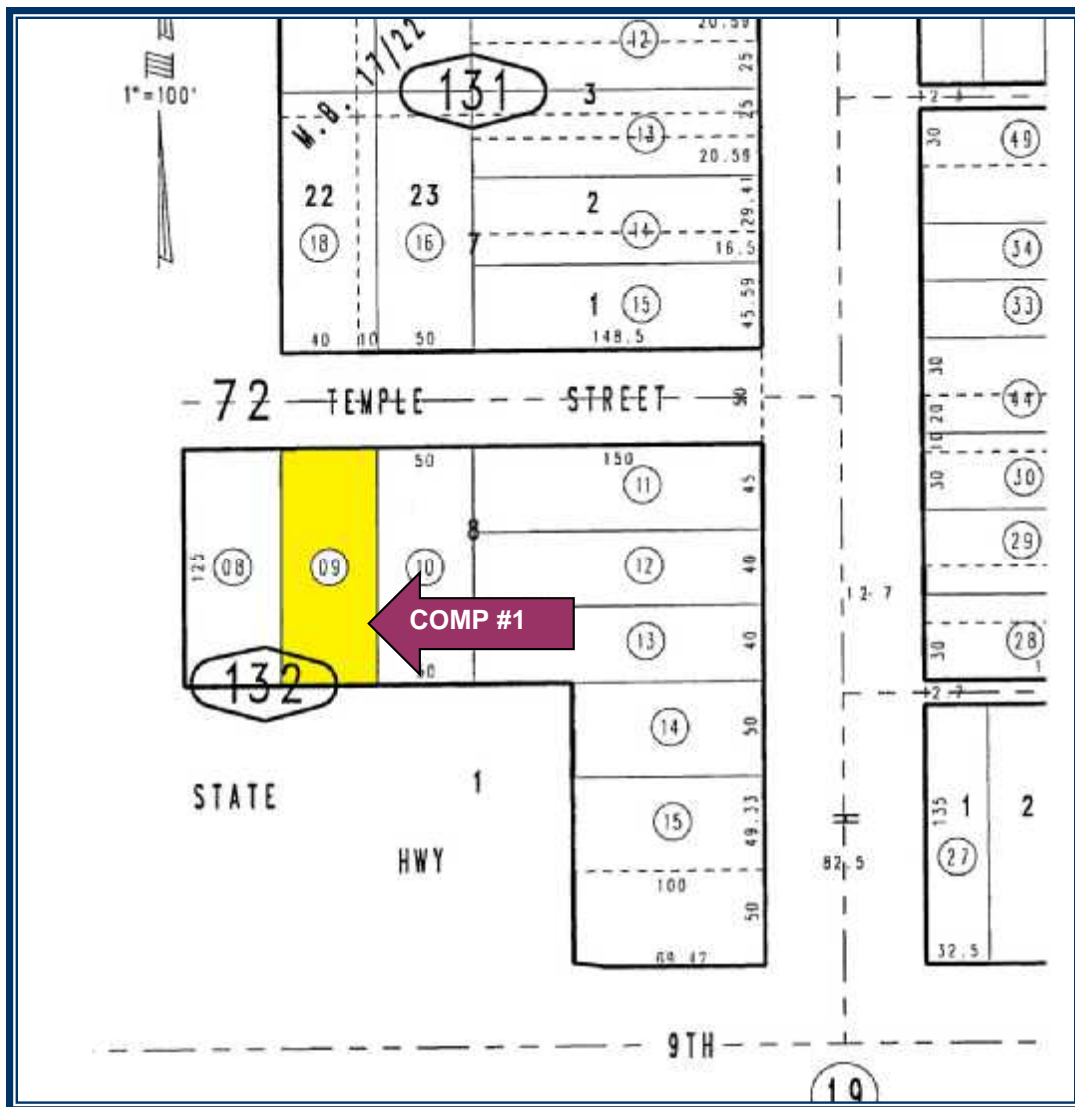
In applying the Sales Comparison Approach, the appraiser must research the market to obtain information on comparable properties, verifying information and determining the amount of comparability between the subject and the comparables selected. The following pages contain a summary of sales. These sales are considered to be the most comparable data available for estimating the market value of the subject property.



## SALES COMPARABLES MAP



**VACANT LAND COMPARABLE NUMBER 1**  
**(plat map)**



**VACANT LAND COMPARABLE NUMBER 1**

Assessor's Parcel Number – 0140-132-09  
839 West Temple Street  
San Bernardino, California 92410

**Pertinent Details:**

**Buyer:** Luis Magdaleno  
9087 Orange Street, Alta Loma, CA 91701

**Seller:** Rosemary Gilbert, (951) 218-3693  
611 W. Redlands Boulevard, Suite C, Redlands, CA 92373

**Sale Date:** October 11, 2017

**Document#:** 420035

**Sale Price:** \$35,000

**Price Per Square Foot:** \$5.60

**Price Per Lot:** \$30,000

**Property Type:** Residential land

**Zoning:** RU, San Bernardino

**Area in Square Feet:** 6,250 square feet

**Area in Acres:** 0.14 acres

**Topography:** Level

**Use:** Single-family development

**Improvements:** None, vacant land

**Utilities:** All to the site

**Location:** Thomas Guide Map Page 576-E6, San Bernardino County

**Financial Details:**

**Cash Down Payment:** \$35,000 / 100%

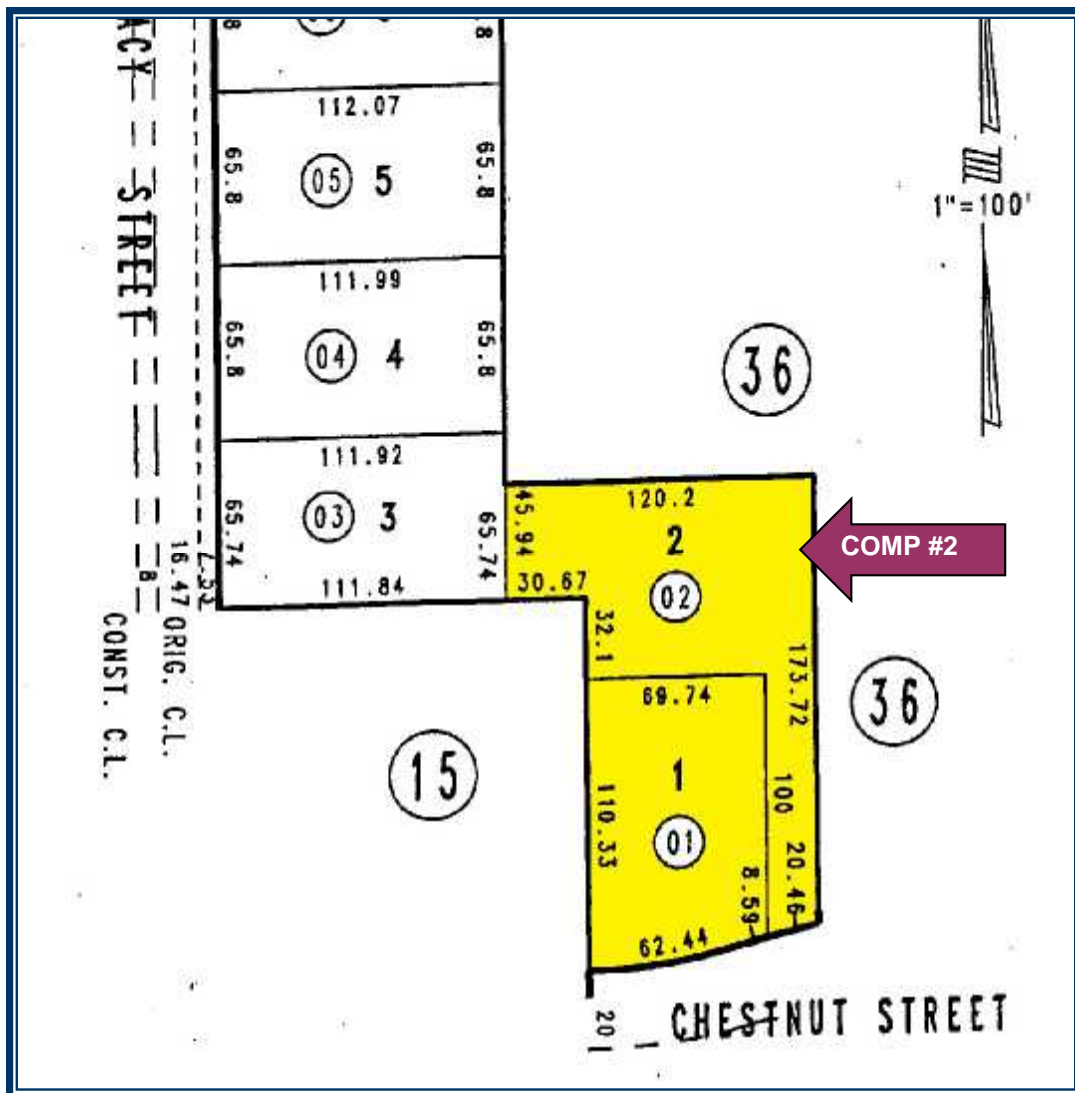
**First Trust Deed:** None - all cash sale

**Remarks:** See reconciliation

**Verification:** Rosemary Gilbert (Broker/Owner), (909) 307-5665

**Source:** MLS / RealQuest

VACANT LAND COMPARABLE NUMBER 2  
(plat map)



**VACANT LAND COMPARABLE NUMBER 2**

Assessor's Parcel Numbers – 0142-621-01 and -02  
2298 Chestnut Street  
San Bernardino, California 92410

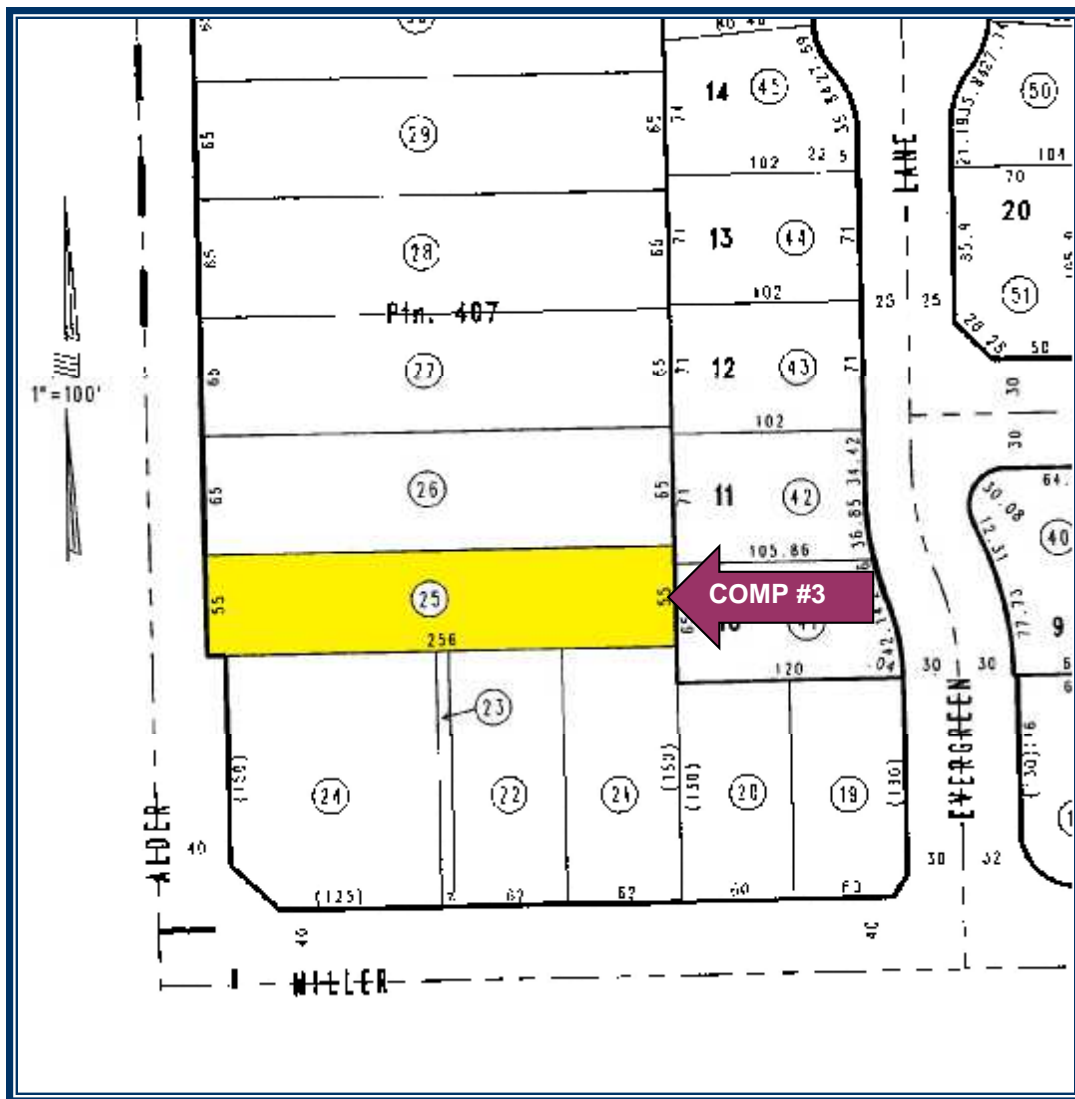
**Pertinent Details:**

<b>Buyer:</b>	Santana Investments, LLC 7320 Firestone Blvd. #208, Downey, CA 90241
<b>Seller:</b>	Lawrence M. Tardie Trust (Address not available)
<b>Sale Date:</b>	May 24, 2017
<b>Document#:</b>	214381
<b>Sale Price:</b>	\$60,000
<b>Price Per Square Foot:</b>	\$3.53
<b>Price Per Lot:</b>	\$30,000
<b>Property Type:</b>	Residential land
<b>Zoning:</b>	RS, San Bernardino
<b>Area in Square Feet:</b>	16,998 square feet
<b>Area in Acres:</b>	0.39 acres
<b>Topography:</b>	Level
<b>Use:</b>	To hold for future residential development
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 605-H3, San Bernardino County

**Financial Details:**

<b>Cash Down Payment:</b>	\$60,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Ronnie Bunse, Broker, (909) 473-9000
<b>Source:</b>	MLS / RealQuest

**VACANT LAND COMPARABLE NUMBER 3**  
**(plat map)**





**VACANT LAND COMPARABLE NUMBER 3**

Assessor's Parcel Number – 0243-012-25  
7659 Alder Avenue  
Fontana, California 92336

**Pertinent Details:**

**Buyer:** Yong Tong Realty Inv, LLC  
1136 S. Vail Avenue, Montebello, CA 90640

**Seller:** LSF9 Master Participant Trust  
(Address not available)

**Sale Date:** April 14, 2017

**Document#:** 155687

**Sale Price:** \$85,000

**Price Per Square Foot:** \$6.04

**Price Per Lot:** \$85,000

**Property Type:** Residential land

**Zoning:** R-1, Fontana

**Area in Square Feet:** 14,080 square feet

**Area in Acres:** 0.32 acres

**Topography:** Level

**Use:** To hold for future development

**Improvements:** None, vacant land

**Utilities:** All to the site

**Location:** Thomas Guide Map Page 575-B7, San Bernardino County

**Financial Details:**

**Cash Down Payment:** \$85,000 / 100%

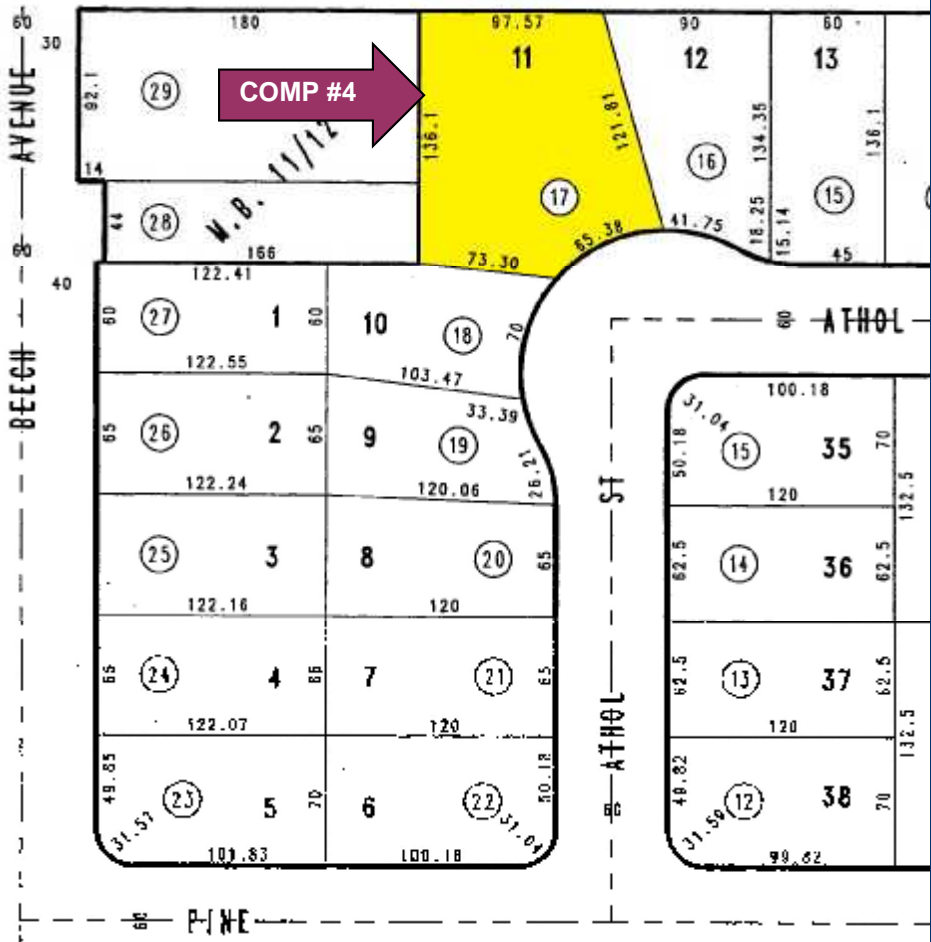
**First Trust Deed:** None - all cash sale

**Remarks:** See reconciliation

**Verification:** See reconciliation

**Source:** MLS / RealQuest

**VACANT LAND COMPARABLE NUMBER 4**  
**(plat map)**



**VACANT LAND COMPARABLE NUMBER 4**

Assessor's Parcel Number – 0233-281-17  
15348 Athol Street  
Fontana, California 92335

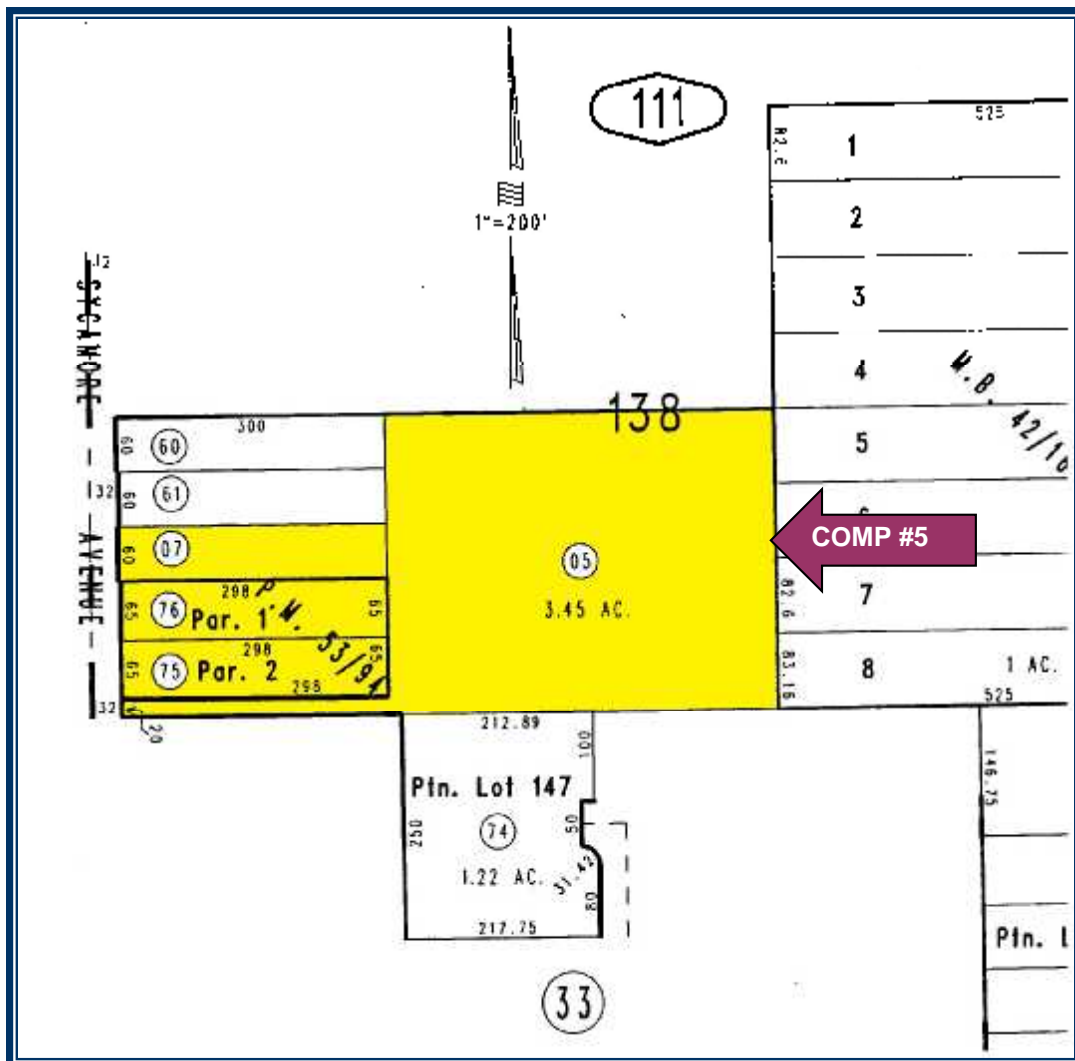
**Pertinent Details:**

<b>Buyer:</b>	Heyam Hadia (Address not available)
<b>Seller:</b>	Seller not disclosed (Address not available)
<b>Sale Date:</b>	March 31, 2017
<b>Document#:</b>	136132
<b>Sale Price:</b>	\$100,000
<b>Price Per Square Foot:</b>	\$5.52
<b>Price Per Lot:</b>	\$100,000
<b>Property Type:</b>	Residential land
<b>Zoning:</b>	R-1, Fontana
<b>Area in Square Feet:</b>	18,125 square feet
<b>Area in Acres:</b>	0.42 acres
<b>Topography:</b>	Level
<b>Use:</b>	Single-family development
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 604-E4, San Bernardino County

**Financial Details:**

<b>Cash Down Payment:</b>	\$100,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Nicholas Jenkins, Broker, (800) 708-9262
<b>Source:</b>	MLS / RealQuest

**VACANT LAND COMPARABLE NUMBER 5**  
(plat map)



**VACANT LAND COMPARABLE NUMBER 5**

Assessor's Parcel Number – 0131-111-05, 07, 75, and 76  
791 South Sycamore Avenue  
Rialto, California 92376

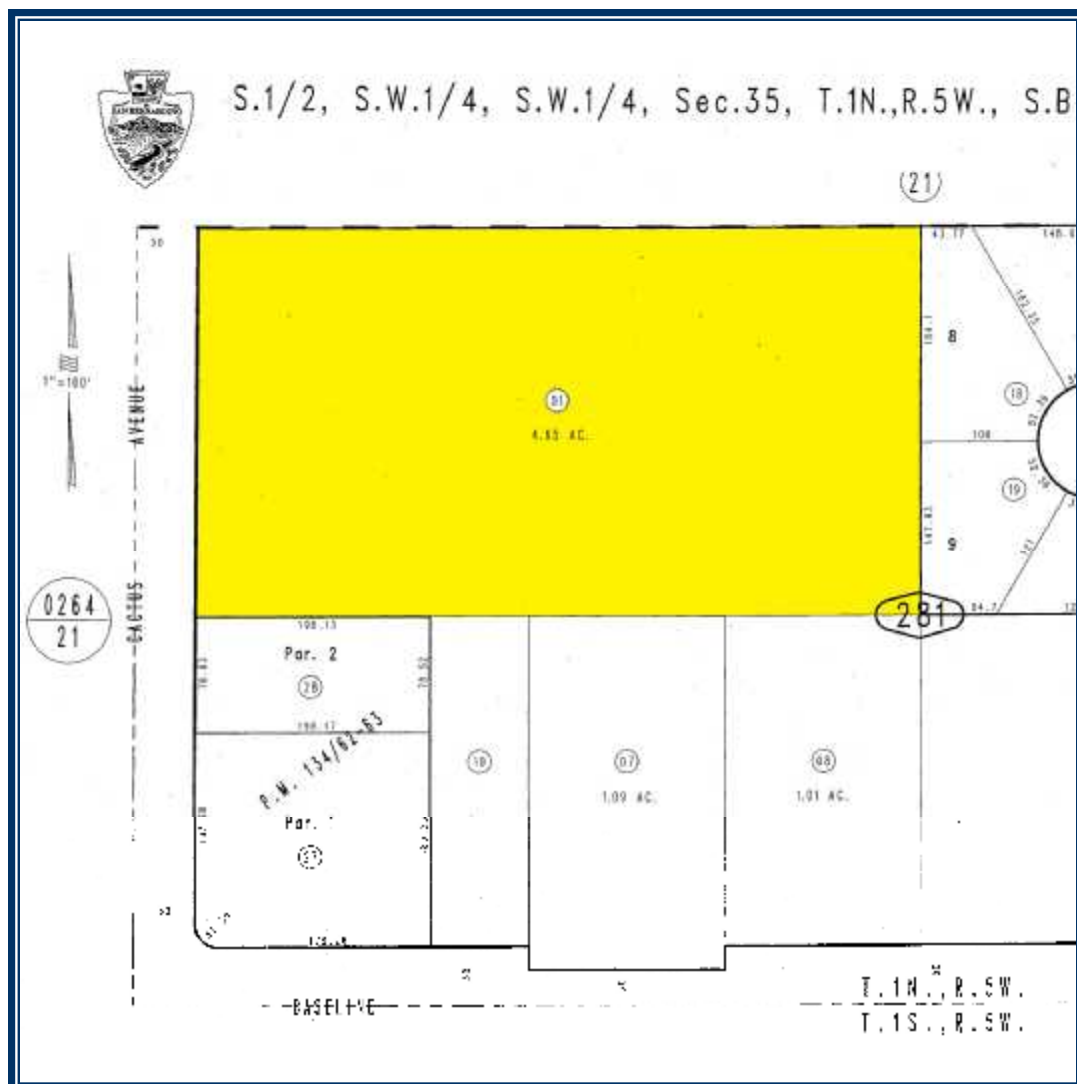
**Pertinent Details:**

<b>Buyer:</b>	Asian Pacific, Inc. 22632 Golden Springs Drive #280, Diamond Bar, CA 91765
<b>Seller:</b>	Yan Wang (Address not available)
<b>Sale Date:</b>	May 5, 2017
<b>Document#:</b>	186934
<b>Sale Price:</b>	\$675,000
<b>Price Per Square Foot:</b>	\$3.26
<b>Property Type:</b>	Residential land
<b>Zoning:</b>	R-1C, Rialto
<b>Area in Square Feet:</b>	207,022 square feet
<b>Area in Acres:</b>	4.75 acres
<b>Topography:</b>	Level
<b>Use:</b>	To hold for future development
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 605-H6, San Bernardino County

**Financial Details:**

<b>Cash Down Payment:</b>	\$675,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Fa Chin Hsu, Broker, (909) 569-3007
<b>Source:</b>	MLS / RealQuest

**VACANT LAND COMPARABLE NUMBER 6**  
**(plat map)**





**VACANT LAND COMPARABLE NUMBER 6**

Assessor's Parcel Number – 0127-281-01  
1295 North Cactus Avenue  
Rialto, California 92376

**Pertinent Details:**

<b>Buyer:</b>	Casmalia Investment and Development, LLC 10965 Carriage Dr., Rancho Cucamonga, CA 91737
<b>Seller:</b>	Tudor Trust (Address not available)
<b>Sale Date:</b>	November 21, 2016
<b>Document#:</b>	501635
<b>Sale Price:</b>	\$650,000
<b>Price Per Square Foot:</b>	\$3.21
<b>Property Type:</b>	Residential land
<b>Zoning:</b>	R-1C, Rialto
<b>Area in Square Feet:</b>	202,772 square feet
<b>Area in Acres:</b>	4.66 acres
<b>Topography:</b>	Level
<b>Use:</b>	To hold for future residential development
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 575-F6, San Bernardino County

**Financial Details:**

<b>Cash Down Payment:</b>	\$650,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	John Newe, Broker, (909) 746-5010
<b>Source:</b>	MLS / RealQuest

**VACANT LAND SALES SUMMARY**

Comparable Number	Zoning	Sales Price	Size/Sq. Ft.	Price/Sq. Ft.	Price/Lot
1	RU	\$35,000	6,250		\$35,000
2	RS	\$75,000	16,998		\$30,000
3	R-1	\$85,000	14,080		\$85,000
4	R-1	\$100,000	18,125		\$100,000
5	R-1C	\$675,000	207,022	\$3.26	
6	R-1C	\$650,000	202,772	\$3.21	

**RECONCILIATION - Land Sales:**

This analysis begins with an examination of land sales in the subject market area. On the preceding pages are the details concerning transactions of six comparable land parcels located in the general vicinity of the subject property.

The most comparable data was compared to the subject site, with adjustments applied for differences in location, size, shape, utilities, corner, zoning and topography. Adjustments were applied based on general comparisons of empirical data and the personal observation and experience of the appraiser. Despite thorough research efforts, no more recent, comparable land sales were found in the subject's immediate area. The current economic conditions and restrictive lending environment have resulted in relatively few vacant land sales within the immediate neighborhood in recent months.

Location is of primary importance, and adjustments were made, where warranted, for this factor. The sizes of the comparables in relation to the subject were also considered. A larger parcel of land will often tend to sell for less on a per square foot basis than a smaller parcel of otherwise equal value. Density, lot utility, zoning, presence of or lack of utilities also plays a key factor in terms of development potential and resulting cost of the various comparables. Various permitted uses are other considerations that have been analyzed.

In analyzing each item of market data, a comparison was made between the market data and the subject site. Consideration was given to the property rights conveyed, financing, motivation, market conditions, improvements, access and exposure, location, parcel size, land use (zoning), topography and utility availability. Only those items requiring specific adjustments are outlined within the adjustment grid.

**Financing Terms:** Each of the comparables is an all cash or cash equivalent financing transactions. Several of the transactions included seller financing which is not atypical in the current market. In each case the cash down represented a significant commitment and adjustments were not necessary for atypical financing.

**RECONCILIATION - Land Sales - continued:**

**Conditions of Sale (Terms):** Adjustments for conditions of sale are required when the buyer or the seller have atypical motivations. Examples of transactions, which might require a condition of sale adjustment, are eminent domain processing transactions and sales that were not arm's length. None of the sales involved transfers that would warrant adjustments for the conditions of sale.

**Date of Sale:** Additionally, changes in market conditions between the respective dates of sale of the comparables analyzed and the effective date of valuation (time of sale category) have been considered. Additionally, changes in market conditions between the respective dates of sale of the comparables analyzed and the effective date of valuation (time of sale category) often have an influence on value. Following a period of significant depreciation a slight recovery is evident in the market, this has translated into a slight increase in the volume of residential land sales. All of the sales are relatively recent and time adjustments were not warranted. The most emphasis has been placed on the most recent transactions.

**Location:** This category is generally the most significant adjustment in that it takes into account items such as desirability of the overall location, proximity to commercial and residential bases, access and exposure of the site, and general perception of desirability. The lack of directly comparable information limits the reliability of a paired sales analysis for this adjustment. Therefore, most of the remaining adjustments are considered more qualitative than quantitative. The overall location is an important adjustment in that it considers numerous items such as general location, proximity to access routes, employment centers, and access and exposure of the site itself.

**Size:** The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate. We have compared the land sales based on their net acreage which is the portion that is useable for building.

**Zoning:** All of the presented sales had zoning designations that allowed for comparable uses. Overall, the zoning designations were considered relatively comparable to the subject site which can be developed with similar density single-family residential uses.

**Site Utility:** This item can be one of the most significant in that the topography of the site, usable area, and the availability of utilities can make or break the feasibility of a project. The sales varied from level to gently sloping terrain. In general, level terrain is considered more desirable than sloping terrain especially for commercial properties. It is also true that level terrain is considered more desirable for residential development; however sloped terrain allows for possible view amenities and possible added privacy. However, each of these items, related costs, and issues is largely site specific. Without a detailed engineering and cost study on each one of the comparables, as well as on the subject, specific adjustments are very difficult to quantify. Our adjustments for this item are largely qualitative in nature and are based on our own observations as well as discussions with parties relevant to the transaction where possible.

**RECONCILIATION - Land Sales - continued:**

**Entitlement status:** Another adjustment considered pertinent to the comparable sales in comparison to the subject property is the status of the entitlements in place. The quantification of entitlements in place, or lack thereof is very difficult. We have relied primarily upon information provided by the County and the various City's Planning Departments, as well as information obtained through the marketplace from reliable sources.

Historically, in strong market conditions, investors were willing to pay a high premium for entitled land in order to avoid any entitlement risk or delays in getting their product to market. However, in slumping conditions, this premium is not as drastic. It is important to understand the entitlement process for the subject market and for the surrounding sub-markets from which the comparables were selected. The political environment is for slow, controlled growth. Several private organizations such as the Sierra Club have formed a strong coalition of support to make sure that development does not go unchecked. Entitlement's such as approved vested tentative tract maps and recorded maps, are valuable because of the lengthy, costly and uncertain process. Entitlements are particularly valuable in planning district's such as the subject's where the process is slowed by planning department processing capacity restraints, concerns over existing infrastructure, a shortage of developable land, housing mix and affordability issues, and political opposition to the resource demand and related costs of a rapidly increasing population.

Based on our research, we have found that the typical investors in today's market will discount the price of land that is not entitled by both the cost of processing the map request including the engineering and administrative fees and the opportunity cost of the time involved in processing the map. A typical processing period is approximately one to two years. Therefore, careful consideration was taken to select sales of parcels that in terms of development potential would be considered comparable to the subject's site.

The included comparables are the most similar available sales from the surrounding market area. While located in different neighborhoods, the locational characteristics and economic climates in these areas are considered relatively similar to the subject's, and subsequently, they should serve reasonably well as indicators of the value that could be obtained or reasonably supported for the subject's site.

Comparable number one is the most recent sale of a vacant residential site located to the east of the subject on Temple Street within the city of San Bernardino. The location is considered to be slightly superior due to its proximity and ease of access to the 215 Freeway, warranting a small downward adjustment when compared to the subject. This site is 6,250 square feet which is slightly smaller than the subject's two potential lots which would be 10,065 square feet. The comparable is zoned for single-family residential development and the permitted uses and zoning potential of this comparable are considered to be similar to the subject's. This comparable was listed for sale on September 11, 2017 at an asking price of \$42,000, then reduced to \$38,000 on September 19, 2017. This comparable sold for \$35,000 on October 11, 2017 in an all cash transaction.

Comparable number two is the second most recent sale of a vacant residential site located to the southeast of the subject on Chestnut Street within the city of San Bernardino. The location is considered to be fairly similar when compared to the subject. This overall site is 16,998 square feet and consists of two lots which are slightly smaller than the subject's two potential lots of 10,065 square feet. The comparable is zoned for single-family residential development and the permitted uses and zoning potential of this comparable are considered to be similar to the

**RECONCILIATION - Land Sales - continued:**

subject's. No adjustments were indicated for this comparable. This comparable was listed for sale on April 25, 2017 at an asking price of \$75,000. This comparable sold for \$60,000 on May 26, 2017 in an all cash transaction. The sale involved two parcels which resulted in a price per lot of \$30,000. No other sales have occurred over the last three years.

Comparable number three consists of the sale of a vacant residential site located to the west of the subject on Alder Avenue within the adjacent city of Fontana. The location is considered to be superior when compared to the subject in terms of the surrounding improvements, economic base and developed nature of the area, warranting a downward adjustment. This site is 14,080 square feet which warranted a downward adjustment for the larger size of the lot. The configuration of the lot is such that the site only supports one lot. The comparable is zoned for single-family residential development and the permitted uses and zoning potential of this comparable are considered to be similar to the subject's. This comparable sold to an investor for \$85,000 on April 14, 2017 in an all cash transaction. No other sales have occurred over the last three years.

Comparable number four is located to the southwest of the subject on Athol Street within the adjacent city of Fontana. The location is considered to be superior when compared to the subject in terms of the surrounding improvements, economic base and developed nature of the area, warranting a downward adjustment. This site is 18,125 square feet which warranted a downward adjustment for the larger site area. The comparable is zoned for single-family residential development and the permitted uses and zoning potential of this comparable are considered to be similar to the subject's. This comparable had previously been developed with a single-family home and a detached workshop or garage. The improvements had reached the end of their economic lives and were demolished and removed from the site towards the end of 2013. This sale transaction represents the sale of vacant land. The property was listed for \$99,900 on February 13, 2017 and sold to an individual on March 31, 2017 for \$100,000 in an all cash transaction. No other sales transactions have occurred over the last three years.

Comparable number five is located to the southeast within the subject's city of Rialto on Sycamore Avenue. This comparable consists of a larger 4.75-acre vacant residential site. The specific location is superior to the subject's in terms of surrounding improvements, economic base and developed nature of the area. A downward location adjustment was indicated for this factor. The larger size of the site warranted an upward adjustment based on the economies of scale. This comparable was listed for sale on January 26, 2016 at an asking price of \$1,000,000. This comparable sold to a developer for \$675,000 on May 6, 2017 in an all cash transaction. No other sales have occurred over the last three years.

Comparable number six is located to the northeast within the subject's city of Rialto on Cactus Avenue. This comparable consists of a larger 4.66-acre vacant residential site. The specific location is superior to the subject's in terms of surrounding improvements, economic base and developed nature of the area. A downward location adjustment was indicated for this factor. The larger size of the site warranted an upward adjustment based on the economies of scale. This comparable was first listed for sale on May 20, 2015 at an asking price of \$795,000. There was a pending sale in July 2015 which ultimately fell through and the property was re-listed on October 5, 2016 for the same price. This comparable sold to a developer for \$650,000 on November 21, 2016 in an all cash transaction. No other sales have occurred over the last three years.

**RECONCILIATION - Land Sales - continued:**

The grid on the following page details the applicable adjustments that were warranted for the included comparables as discussed on the preceding pages. On the grid, a percentage amount is used to represent the relative amount of each adjustment. It should be emphasized, however, that the real adjustments are subjective in nature, and cannot, in reality, be reduced to an exact percentage by any mathematical formula. The percentages represent an attempt to quantify a professional judgment made by the appraiser. All figures are rounded, and are non-specific in nature. Obviously, these percentage adjustments should not be construed as an exact measurement. They are indicative of patterns and of weightings, and they often contain factors other than what the specific title might imply. All of these items were important in this appraiser's judgment, as reflected by the data presented and in file.



**LAND SALES ADJUSTMENT GRID**

<p align="center"><b>Subject Site Area = 20,130 square feet / 0.46 acres</b>  <b>Development potential = Two Lots @ 10,065 square feet</b></p>						
Comparable	#1	#2	#3	#4	#5	#6
<b>Price/Sq. Ft.</b>	<b>\$5.60</b>	<b>\$3.53</b>	<b>\$6.04</b>	<b>\$5.52</b>	<b>\$3.26</b>	<b>\$3.21</b>
<b>Price/Lot</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$85,000</b>	<b>\$100,000</b>	<b>N/A</b>	<b>N/A</b>
Date of Sale	10/17	5/17	4/17	4/17	5/17	11/16
Sales Price	\$35,000	\$60,000	\$85,000	\$100,000	\$675,000	\$650,000
Site Area - SF	6,250	16,998	14,080	18,125	207,022	202,772
Site Area - Acres	0.14	0.39	0.32	0.42	4.75	4.66
Property Rights	--	--	--	--	--	--
<b>Adj. Price/SF</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$3.26</b>	<b>\$3.21</b>
<b>Adj. Price/Lot</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$85,000</b>	<b>\$100,000</b>	<b>--</b>	<b>--</b>
Terms/Financing	--	--	--	--	--	--
<b>Adj. Price/SF</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$3.26</b>	<b>\$3.21</b>
<b>Adj. Price/Lot</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$85,000</b>	<b>\$100,000</b>	<b>--</b>	<b>--</b>
Time of Sale	--	--	--	--	--	--
<b>Adj. Price/SF</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$3.26</b>	<b>\$3.21</b>
<b>Adj. Price/Lot</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$85,000</b>	<b>\$100,000</b>	<b>--</b>	<b>--</b>
Location	-5%	--	-40%	-50%	-10%	-15%
Site Utility	--	--	--	--	--	--
Size	--	--	-10%	-15%	+20%	+20%
Zoning/Potential	--	--	--	--	--	--
Entitlements	--	--	--	-	--	--
Site Improvements	--	--	--	--	--	--
Off-sites	--	--	--	--	--	--
Corner Influence	--	--	--	--	--	--
Exposure	--	--	--	--	--	--
Total Adjustments	-5%	0%	-50%	-65%	+10%	+5%
<b>Ind. Price/SF</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$3.59</b>	<b>\$3.37</b>
<b>Adj. Price/Lot</b>	<b>\$33,250</b>	<b>\$30,000</b>	<b>\$42,500</b>	<b>\$35,000</b>	<b>--</b>	<b>--</b>

**RECONCILIATION - Land Sales - continued:**

Comparables number one through four were considered based on a price lot as these sales involved wither individual lots or two lots. The unadjusted land comparables range from a low of \$30,000 per lot for the most comparable site that required the least adjustments to a high of \$100,000 for a lot in an existing neighborhood that had had the home previously razed. The number of available sales was limited, and the included sales are the most similar that could be found. No specific financing adjustments were required, as these were all cash transactions or involved sales that had significant down payments. The indicated range after these initial adjustments did not change as no adjustments were required for these categories.

Further adjustments for the specific differences between the subject and the comparables was primarily limited to specific locational characteristics and finished lot sizes. The adjustment process tightened the indicated range of values from a low of \$30,000 per lot to a high of \$42,500 per lot. The subject has the potential of being divided into two lots. This is still a wide range and yet is not unreasonably wide considering the product represents vacant land sites in a partially developed area. In our final reconciliation, some consideration was given to each of the included comparables; we have formed the opinion that the applicable value indicator for the subject property is best represented as \$35,000 per lot and the value is calculated as follows:

2 potential lots @ \$35,000 per lot = \$70,000

Say \$70,000

Comparables number five and six were considered based on a price per square foot as these sites were constructed to be subdivided into multiple lots. The unadjusted land comparables range from a low of \$3.21 per square foot for the most dated sale to a high of \$3.26 per square foot for a site in a superior location. The number of available sales was limited, and the included sales are the most similar that could be found. No specific financing adjustments were required, as these were all cash transactions or involved sales that had significant down payments. The indicated range after these initial adjustments did not change as no adjustments were required for these categories.

Further adjustments for the specific differences between the subject and the comparables range from a low of \$3.37 per square foot to a high of \$3.59 per square foot. The adjustment process tightened the indicated range of values. This is still a wide range and yet is not unreasonably wide considering the product represents vacant land sites in a partially developed area. In our final reconciliation, some consideration was given to each of the included comparables; we have formed the opinion that the applicable value indicator for the subject property is best represented as \$3.50 per square foot and the value is calculated as follows:

20,130 square feet @ \$3.50 per square foot = \$70,455

Say \$70,000

The concluded value by both per lot as indicated by comparables number one through four and as considered based on a price per square foot as indicated by comparables number five and six both concluded at an indicated site value of \$70,000.

**SEVENTY THOUSAND DOLLARS**

**(\$70,000)**

**"AS IS" VALUE RECONCILIATION:**

As was previously described, the subject property consists of one vacant parcel of residential land located at the end of a partially developed street. Its street frontage and off-sites are unimproved as of the date of our site inspection. In its current state, a prospective buyer seeking to develop the property would need to consider the costs required to install the necessary street improvements and off-sites when making a decision on what price to pay for the subject property. Because it is unlikely that the city would permit any development of the site with only the subject's half of the street improvements completed, it has been assumed that the cost to complete the entire 40-foot width by 165-foot length street improvements will be the responsibility of the subject property owner. The potential exists for some of the street development costs to be partially reimbursed by the property owner across the street. If the owner of that parcel decides to develop that site. However, it was also noted that the parcel across the street has an additional point of access so they may not ultimately require access from Ashford Avenue. Using the Sales Comparison Approach to estimate the subject's value, it was first necessary to make our adjustments to the comparables without consideration given to the subject's lack of off-sites and street improvements. All of the comparables were improved with streets and off-sites so street development cost are unique to the subject's site in this array of comparables.

In order to provide a market derived "as is" value for the subject, an estimated cost to complete the off-sites will be subtracted from our previous concluded value of \$70,000. The estimated cost to complete the off-sites for purposes of this analysis has been based on a factor of \$223 per linear foot of street frontage. Multiplying this factor by the subject's 165-feet of street frontage comes to \$36,795 say \$37,000. Adding in an additional 10% cost for contingencies brings the total estimate to approximately \$40,000 for required street improvements. This estimate assumes that utilities including water, electricity, gas, and sewer are at or near the existing street termination with no special connection problems or costs.

The estimated cost to complete the street improvements and off-sites is based on our inspection, our experience with other similar projects, and the cost information from the Marshall & Swift Cost Handbook. The appraiser reserves the right to modify the subject's value conclusions within this appraisal analysis should additional relevant information be provided. The total "As-Is" value of the subject under the Sales Comparison Approach is therefore calculated by subtracting the estimated cost estimate to complete the off-sites from the market value as previously determined:

Market Value:	\$70,000
Estimated Costs of required off-sites	<u>(\$40,000)</u>
"As Is" Value:	\$30,000

**"AS IS" VALUE**  
**THIRTY THOUSAND DOLLARS**  
**\$30,000**

## FINAL RECONCILIATION

*The Appraisal of Real Estate*, 13<sup>th</sup> Edition, page 559-560, published by the Appraisal Institute states, "Resolving the differences among various value indications is called **reconciliation**. The final value opinion does not simply represent the average of the different value indications derived. No mechanical formula is used to select one indication over the others, rather, final reconciliation relies on the proper application of appraisal techniques and the appraiser's judgment."

Only one of the three approaches to value generally recognized in the appraisal profession were given consideration in the appraisal as the appraised property is vacant land. The following is a brief discussion of the applicable approach.

The **Sales Comparison Approach** market value is determined by comparing the subject property to similar properties that have been sold recently. This approach reflects the desires and aspirations of buyers and sellers through the market activity of comparable properties. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. The comparative analysis in the sales comparison approach focuses on differences in the characteristics of the sales, in relation to the subject, which can account for variation in prices. Extreme care must be exercised in the selection of the comparable sales as there tends to be an inverse relationship between the degree of adjustment and degree of reliability that exists in the adjusted sale price. In other words, the greater the adjustment the less the reliability. The importance of this requirement is underscored because the Sales Comparison Approach is predicated on the process of correlation and analysis between the cited examples and the property being appraised.

The Sales Comparison Approach is a process of comparing prices paid, prices asked, priced offered, and rentals between the property being appraised and other similar properties. It tends to produce an answer within a bracket rather than a precise figure. One of the benefits of this approach is its ability to support the general trends that are evident in all three approaches, and thereby support the other approaches. Since all of the sales used here are reasonably comparable, this approach is considered a good value indicator for this property and is the only one that is applicable.

The Cost and the Income Approaches are not applicable to the subject because the subject property consists of vacant land.

**FINAL VALUE CONCLUSION****Approach Most Likely Used By Potential Purchasers**

We feel that the Sales Comparison Approach has reliable data, and it is the only approach, which has been given consideration. In determining the fee simple value of land, the emphasis is naturally given to this approach.

Potential investment purchasers will most often utilize the Sales Comparison Approach in evaluating a price to pay for a property of this type. The Sales Comparison Approach has been utilized as there are a reasonable number of sales comparables to bracket the subject's value. Also, these sales all represent fee simple sales on properties that were not encumbered by existing leases, but were sold primarily as vacant land, like the subject or previously developed sites that were purchased to be redeveloped. With the applicable technique now having been applied, our final results under this approach are summarized below.

Sales Comparison Approach	\$30,000
---------------------------	----------

As a result of our investigations, studies and analysis of the sale and cost data, interpreted within the context of all the factors in the marketplace which effect value, the value range indicated for the subject is summarized within the report. The final value is based upon that confirmation of the available market data and analysis which is most appropriate.

This value conclusion was derived through the application of acceptable appraisal principles, concepts, and techniques. The final value conclusion is a blending of factors to which the typical buyer would give the most consideration. I have therefore formed the opinion that the Market Value of the Fee Simple Interest of the subject property (0.46 acres on N. Ashford Avenue, Rialto, California) as of October 24, 2017 is:

**"AS IS" FEE SIMPLE INTEREST**  
**THIRTY THOUSAND DOLLARS**  
**(\$30,000)**

by:



Aaron Gardner, CA# AG005074  
Certified General Appraiser

## ADDENDUM - PURCHASE AGREEMENT



CALIFORNIA  
ASSOCIATION  
OF REACTORS<sup>4</sup>

# VACANT LAND PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

(C.A.R. Form VLP-A, Revised 12/15)

Date Prepared: October 23, 2017

**1. OFFER:**

A. THIS IS AN OFFER FROM RAPIDO INVESTMENTS 2014 LLC OR ASSIGNEE ("Buyer"),  
B. THE REAL PROPERTY to be acquired is VACANT LAND, situated on  
RIALTO (City), SAN BERNARDINO (County), California, 92376 (Zip Code), Assessor's Parcel No: 0242-151-59 ("Property")  
Further Described As APPROXIMATELY 20, 130 SQUARE FEET OF VACANT LAND  
C. THE PURCHASE PRICE offered is Thirty Thousand

D. CLOSE OF ESCROW shall occur on \_\_\_\_\_ (date) or \_\_\_\_\_ Days After Acceptance.

**E. Royce and Guller are referred to herein as the "Parties." Royce is not a Party to this Agreement.**

## 2. AGENCY:

A. DISCLOSURE: The Parties each acknowledge receipt of a "X" "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).

**B. CONFIRMATION:** The following agency relationships are hereby confirmed for this transaction:  
 Listing Agent \_\_\_\_\_ (Print Firm Name) is the agent of (check one)  
☐ the Seller exclusively; or ☐ both the Buyer and Seller  
 Selling Agent **MICHAEL RAMIREZ** (Print Firm Name) is not the same as the

C. POTENTIALLY COMPETING BUYERS AND SELLERS: The Parties each acknowledge receipt of a X Possible Representation of More than One Buyer or Seller - Discourse and Consent" (C.A.R. Form PRBS)

3. **FINANCE TERMS:** Buyer represents that funds will be good when deposited with Escrow to be

A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ 2,000.00

(1) Buyer's Net Deposit. Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer, cashier's check, personal check, other \_\_\_\_\_ within 3 business days after Acceptance or \_\_\_\_\_

OR (2) Buyer Deposit with Agent Buyer has given the deposit by personal check for \_\_\_\_\_ to the agent submitting the offer (or to \_\_\_\_\_), made payable to \_\_\_\_\_.

The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder within 3 business days after Acceptance; (or \_\_\_\_\_) Deposit charges given to agent shall be an original signed check and not a copy.

(Note: Initial and increased deposits of checks received by agent shall be recorded in Broker's trust fund log.)

**B. INCREASED DEPOSIT:** Buyer shall deposit with Escrow Holder an increased deposit in the amount of \_\_\_\_\_ within \_\_\_\_\_ Days After Acceptance for \_\_\_\_\_.

If the Parties agree to liquidate damages in this Agreement, they also agree to incorporate the increased deposit into the liquidated damages amount in a separate liquidated damages clause (C.A.R. Form RD) at the time the increased deposit is delivered to Broker/Holder.

C. ALL CASH OFFER: No loan is needed to purchase the Property. This offer is NOT contingent on Buyer obtaining a loan. Written verification of sufficient funds to close this transaction IS ATTACHED to this offer. Buyer shall, within 3 (or ) Days After Acceptance, Deliver to Seller such verification.

D. LOAN(S):

(1) FIRST LOAN: - the amount of ..... ..

This loan will be conventional financing or ☐ FHA, ☐ VA, ☐ Seller financing (C.A.R. Form SFA), ☐ assumpt financing (C.A.R. Form AFA), ☐ subject to financing ☐ Other \_\_\_\_\_ . The loan shall be at a fixed rate not to exceed \_\_\_\_\_ % or, \_\_\_\_\_ an adjustable rate loan with an initial rate not to exceed \_\_\_\_\_ % . Regardless of the type of loan, Buyer shall pay points not to exceed \_\_\_\_\_ % of the loan amount.

(2) **SECOND LOAN** in the amount of .....

This loan will be conventional financing or ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA) subject to financing. ☐ Other \_\_\_\_\_ (This loan shall be at a fixed rate not to exceed \_\_\_\_\_ % or, ☐ an adjustable rate loan with initial rate not to exceed \_\_\_\_\_ %. Regardless of the type of loan, Buyer shall pay points not to exceed \_\_\_\_\_ % of the loan amount.

(3) **FINANCIAL:** For any F-A or VA loan specified in (3)(1), Buyer has 17 (or \_\_\_\_\_) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender required records or costs that Buyer requests Seller to pay for or otherwise correct. Seller has no obligation to pay or satisfy lender requirements unless agreed in writing. A F-HA amendment clause (C.A.R. Form F-HA) shall be a part of this transaction.

**E. ADDITIONAL FINANCING TERMS:**

Buyers: Initials ( )  
 21994-2015, California Association of REALTORS®  
 VLPB REVISED 12/15 (PAGE 1 OF 11)

Serials initials ( )



VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 1 OF 11)

VERMONT 86745, P.O. BOX 247, MIDDLEBURY, VT 05754 Phone: 860/310-6545  
© Michael Hammer Email: mhammer@comcast.net Web: [www.mhammer.net](http://www.mhammer.net)



## PURCHASE AGREEMENT - CONTINUED

Property Address: VACANT LAND, RIALTO, 92376Date: October 23, 2017

- F. BALANCE OF DOWN PAYMENT OR PURCHASE PRICE** in the amount of \$ 28,000.00 to be deposited with Escrow Holder pursuant to Escrow Holder instructions.
- G. PURCHASE PRICE (TOTAL):** \$ 30,000.00
- H. VERIFICATION OF DOWN PAYMENT AND CLOSING COSTS:** Buyer (or Buyer's lender or loan broker pursuant to paragraph 3D(i)) shall, within 3 (or \_\_\_\_\_) Days After Acceptance, Deliver to Seller written verification of Buyer's down payment and closing costs. (i) [Verification attached.]
- I. APPRAISAL CONTINGENCY AND REMOVAL:** This Agreement is (or is NOT) contingent upon a written appraisal of the Property by a licensed or certified appraiser at no less than the purchase price. Buyer shall, as specified in paragraph 18B(3) in writing, remove the appraisal contingency or cancel this Agreement within 17 (or \_\_\_\_\_) Days After Acceptance.
- J. LOAN TERMS:**
- (1) **LOAN APPLICATIONS:** Within 3 (or \_\_\_\_\_) Days After Acceptance, Buyer shall Deliver to Seller a letter from Buyer's lender or loan broker stating that, based on a review of Buyer's written application and credit report, Buyer is prequalified or preapproved for any NEW loan specified in paragraph 3D. If any loan specified in paragraph 3D is an adjustable rate loan, the prequalification or preapproval letter shall be based on the qualifying rate, not the initial loan rate. (i) [Letter attached.]
- (2) **LOAN CONTINGENCY:** Buyer shall act diligently and in good faith to obtain the designated loan(s). Buyer's satisfaction for the loan(s) specified above is a contingency of this Agreement unless otherwise agreed in writing. If there is no appraisal contingency or the appraisal contingency has been waived or removed, then failure of the Property to appraise at the purchase price does not entitle Buyer to exercise the cancellation right pursuant to the loan contingency if Buyer is otherwise qualified for the specified loan. Buyer's contractual obligations regarding deposit, balance of down payment and closing costs are not contingencies of this Agreement.
- (3) **LOAN CONTINGENCY REMOVAL:** Within 21 (or \_\_\_\_\_) Days After Acceptance, Buyer shall, as specified in paragraph 18, in writing, remove the loan contingency or cancel this Agreement. If there is an appraisal contingency, removal of the loan contingency shall not be deemed removal of the appraisal contingency.
- (4) **NO LOAN CONTINGENCY:** Obtaining any loan specified above is NOT a contingency of this Agreement if Buyer does not obtain the loan and as a result Buyer does not purchase the Property. Seller may be entitled to Buyer's deposit or other legal remedies.
- (5) **LENDER LIMITS ON BUYER CREDITS:** Any credit to Buyer, from any source, for closing or other costs that is agreed to by the Parties ("Contractual Credit") shall be disclosed to Buyer's lender. If the total credit allowed by Buyer's lender ("Lender Allowable Credit") is less than the Contractual Credit, then (i) the Contractual Credit shall be reduced to the Lender Allowable Credit, and (ii) in the absence of a separate written agreement between the Parties, there shall be no automatic adjustment to the purchase price to make up for the difference between the Contractual Credit and the Lender Allowable Credit.
- K. BUYER STATED FINANCING:** Seller is relying on Buyer's representation of the type of financing specified (including but not limited to, as applicable, all cash, amount of down payment, or contingent or non-contingent loan). Seller has agreed to a specific closing date, purchase price and to sell to Buyer in reliance on Buyer's covenant concerning financing. Buyer shall pursue the financing specified in this Agreement. Seller has no obligation to negotiate with Buyer's efforts to obtain any financing other than that specified in the Agreement and the availability of any such alternate financing does not excuse Buyer from the obligation to purchase the Property and close escrow as specified in this Agreement.
- L. SELLER FINANCING:** The following terms for \_\_\_\_\_ the terms specified in the attached Seller Financing Addendum ("SFA") apply ONLY to financing extended by Seller under this Agreement.
- (1) **BUYER'S CREDIT-WORTHINESS:** Buyer authorizes Seller and/or Brokers to obtain, at Buyer's expense, a copy of Buyer's credit report. Within 7 (or \_\_\_\_\_) Days After Acceptance, Buyer shall provide any supporting documentation reasonably requested by Seller.
- (2) **TERMS:** Buyer's promissory note, deed of trust and other documents as appurtenant shall incorporate and implement the following additional terms: (i) the maximum interest rate specified in paragraph 3D shall be the actual fixed interest rate for Seller financing; (ii) deed of trust shall contain a REQUEST FOR NOTICE OF DEFAULT on senior loans; (iii) Buyer shall sign and pay for a REQUEST FOR NOTICE OF DELINQUENCY prior to Close Of Escrow and at any future time if requested by Seller; (iv) note and deed of trust shall contain an acceleration clause making the loan due, when permitted by law and at Seller's option, upon the sale or transfer of the Property or any interest in it; (v) note shall contain a late charge of 8% of the installment due (or \_\_\_\_\_) if the installment is not received within 10 days of the date due; (vi) title insurance coverage in the form of a joint protection policy shall be provided insuring Seller's used of trust interest in the Property (any increased cost over owner's policy shall be paid by Buyer); and (vii) tax service shall be obtained and paid for by Buyer to notify Seller if property taxes have not been paid.
- (3) **ADDED, DELETED OR SUBSTITUTED BUYERS:** The addition, deletion or substitution of any person or entity under this Agreement or to title prior to Close Of Escrow shall require Seller's written consent. Seller may grant or withhold consent in Seller's sole discretion. Any additional or substituted person or entity shall, if requested by Seller, submit to Seller the same documentation as required for the original, named Buyer. Seller and/or Brokers may obtain a credit report, at Buyer's expense, on any such person or entity.
- M. ASSUMED OR "SUBJECT TO" FINANCING:** Seller represents that Seller is not delinquent on any payments due on any loans. Seller shall, within the time specified in paragraph 18, provide Copies of all applicable notes and deeds of trust, loan balances and current interest rates to Buyer. Buyer shall then, as specified in paragraph 18B(3), remove the contingency or cancel this Agreement. Differences between estimated and actual loan balances shall be adjusted at Close Of Escrow by cash down payment, loaned amounts, if any, shall be assigned and charged to Buyer and credited to Seller. Seller is advised that Buyer's assumption of an existing loan may not release Seller from liability on that loan, if this is an assumption of a VA Loan, the sale is contingent upon Seller being provided a release of liability and substitution of eligibility, unless otherwise agreed in writing. If the Property is assumed subject to an existing loan, Buyer and Seller are advised to consult with legal counsel regarding the ability of an existing lender to call the loan due, and the consequences thereof.

Buyer's Initials ( \_\_\_\_\_ )

Seller's Initials ( \_\_\_\_\_ )

VLPA REVISED 12/15 (PAGE 2 OF 11)

VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 2 OF 11)

Revised with input from the 2012 FPMR by Aaron Gardner, Appraiser - www.aarongardner.com

CLOSING -



Property Address: VACANT LAND, RIALTO, 92376 Date: October 23, 2017

OR B. ☐ This Agreement and Buyer's ability to obtain financing are contingent upon the sale of property owned by Buyer as specified in the attached addendum (C.A.R. Form COP)

- A. ADDENDUM: \_\_\_\_\_ Addendum # \_\_\_\_\_ (C.A.R. Form ADM); \_\_\_\_\_  
 Back-Up Order Addendum (C.A.R. Form BUC) \_\_\_\_\_ Court Confirmation Addendum (C.A.R. Form CGA) \_\_\_\_\_  
 Septo, Well and Property Manual Addendum (C.A.R. Form SWP) \_\_\_\_\_  
 Short Sale Addendum (C.A.R. Form SSA) \_\_\_\_\_ Other \_\_\_\_\_

<input type="checkbox"/> Proceeds Advisory (C.A.R. Form PA)	<input type="checkbox"/> Statewide Buyer and Seller Advisory (C.A.R. Form SBSA)
<input type="checkbox"/> Trust Advisory (C.A.R. Form TA)	<input type="checkbox"/> RES Advisory (C.A.R. Form RFO)
<input type="checkbox"/> Short Sale Information and Advisory (C.A.R. Form SSIA)	<input type="checkbox"/> Other _____

A. **INSPECTIONS, REPORTS AND CERTIFICATES:** Unless otherwise agreed, in writing, this paragraph only determines who is to pay for the inspection, test, certificate or service ("Report") mentioned; it does not determine who is to pay for any work recommended or identified in the Report.

- (1) ☐ Buyer ☒ Seller shall pay for a natural hazard information disclosure report, including tax ☐ environmental ☐ Other \_\_\_\_\_ prepared by Click here to select your Service Provider
- (2) ☐ Buyer ☐ Seller shall pay for the following Report \_\_\_\_\_ prepared by \_\_\_\_\_
- (3) ☐ Buyer ☐ Seller shall pay for the following Report \_\_\_\_\_ prepared by \_\_\_\_\_

(1) (a) Buyer ☒ Seller shall pay escrow fee \_\_\_\_\_  
 (b) Escrow Holder shall be SELLER'S CHOICE  
 (c) The Parties shall, within 5 (or) \_\_\_\_\_ Days After receipt, sign and return below Holder's general provisions.  
 (2) (a) Buyer ☒ Seller shall pay for owner's title insurance policy specified in paragraph 1(d) \_\_\_\_\_  
 (b) Owners title policy to be issued by LAWYERS TITLE  
 (Buyer shall pay for any title insurance policy insuring Buyers lender, unless otherwise agreed in writing.)

(1) Buyer ☒ Seller shall pay County transfer tax or fee \_\_\_\_\_  
 (2) Buyer ☒ Seller shall pay City transfer tax or fee \_\_\_\_\_  
 (3) Buyer ☐ Seller shall pay "Homeowners' Association" (HOA) transfer fee \_\_\_\_\_  
 (4) Seller shall pay HOA fees for preparing all documents required to be delivered by Civil Code §4525  
 (5) Buyer to pay for any HOA certification fee \_\_\_\_\_  
 (6) Buyer ☐ Seller shall pay HOA fees for preparing all documents other than those required by Civil Code §4525  
 (7) Buyer ☐ Seller shall pay for any private transfer fee \_\_\_\_\_  
 (8) Buyer ☐ Seller shall pay for \_\_\_\_\_  
 (9) Buyer ☐ Seller shall pay for \_\_\_\_\_

10. **CLOSING AND POSSESSION:** Possession shall be delivered to Buyer (a) at 6 PM on            AM/ PM on the date of Close Of Escrow; (b) no later than            calendar days after Close Of Escrow; or (c) at 1 PM PM on           . The Property shall be unoccupied, unless otherwise agreed in writing. Seller shall provide keys and/or means to operate all Property locks. If Property is located in a common interest subdivision, Buyer may be required to pay a deposit to the Homeowners Association ("HOA") to obtain keys to accessible HOA facilities.

A. NOTE TO BUYER AND SELLER: Items listed as included or excluded in the M.S. Tyers or marketing materials are not included in the purchase price or excluded from the sale unless specified in 11B or C.

Driver's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )      Select's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 3 OF 11)

Postmaster: Call us at 800-677-9777 or 970-536-5100. We're here to help you find the right solution for your business.

#### ACKNOWLEDGMENTS



## PURCHASE AGREEMENT - CONTINUED

Property Address: VACANT LAND, RIALTO, 92376Date: October 23, 2017**B. ITEMS INCLUDED IN SALE:**

- (1) ALL EXISTING fixtures and things that are attached to the Property.  
 (2) The following items:

(3) Seller represents that all items included in the purchase price, unless otherwise specified, are owned by Seller.

- (4) All items included shall be transferred free of liens and without Seller warranty.

**C. ITEMS EXCLUDED FROM SALE:****12. STATUTORY AND OTHER DISCLOSURES AND CANCELLATION RIGHTS:**

- A. NATURAL AND ENVIRONMENTAL HAZARD DISCLOSURES AND OTHER BOOKLETS.** Within the time specified in paragraph 18A, Seller shall, if required by Law: (i) Deliver to Buyer earthquake guide(s) and questionnaire; environmental hazards booklet; (ii) disclose if the Property is located in a Special Flood Hazard Area; Potential Flooding (Inundation) Area; Very High Fire Hazard Zone; Spill Fire Responsibility Area; Earthquake Fault Zone; and Seismic Hazard Zone; and (iii) disclose any other zones as required by Law and provide any other information required for those zones.
- B. WITHHOLDING TAXES:** Within the time specified in paragraph 18A, to avoid required withholding, Seller shall Deliver to Buyer or qualified substitute, an affidavit sufficient to comply with federal (FIRPTA) and California withholding Law (C.A.R. Form AS or QS).
- C. MEGAN'S LAW DATABASE DISCLOSURE:** Notice Pursuant to Section 295.46 of the Penal Code, information about specific registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at [www.meganslaw.ca.gov](http://www.meganslaw.ca.gov). Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Neither Seller nor Brokers are required to check this website. If Buyer wants further information, Broker recommends that Buyer obtain information from the website during Buyer's inspection or contingency period. Brokers do not have expertise in this area.)
- D. NOTICE REGARDING GAS AND HAZARDOUS LIQUID TRANSMISSION PIPELINES:** This notice is being provided simply to inform you that information about the general location of gas and hazardous liquid transmission pipelines is available to the public via the National Pipeline Mapping System (NPMS) Internet Web site maintained by the United States Department of Transportation at <http://www.npms.phmsa.dot.gov/>. To seek further information about possible transmission pipelines near the Property, you may contact your local gas utility or other pipeline operators in the area. Contact information for pipeline operators is searchable by ZIP Code and county on the NPMS Internet Web site.
- E. CONDOMINIUM/PLANNED DEVELOPMENT DISCLOSURES:**  
 (1) SELLER HAS: 7 (or     ) Days After Acceptance to disclose to Buyer whether the Property is a condominium, or is located in a planned development or other common interest subdivision (C.A.R. Form V.D.).  
 (2) If the Property is a condominium or is located in a planned development or other common interest subdivision, Seller has 3 (or     ) Days After Acceptance to request from the HOA (C.A.R. Form HOA1): (i) Copies of any documents required by Law; (ii) disclosure of any pending or anticipated claim or litigation by or against the HOA; (iii) a statement containing the location and number of designated parking and storage spaces; (iv) Copies of the most recent 12 months of HOA minutes for regular and special meetings; and (v) the names and contact information of all HOAs governing the Property collectively ("Disclosures"). Seller shall itemize and Deliver to Buyer all Disclosures received from the HOA and any "Disclosures" in Seller's possession. Buyer's approval of all Disclosures is a contingency of this Agreement as specified in paragraph 16(b). The Party specified in paragraph 3 is directed by review shall disburse funds in escrow or direct to HOA or management company to pay for any of the above.

**13. SELLER DOCUMENTATION AND ADDITIONAL DISCLOSURE:**

- A. Within the time specified in paragraph 18, if Seller has actual knowledge, Seller shall provide to Buyer, in writing, the following information:**  
 (1) **LEGAL PROCEEDINGS:** Any lawsuits by or against Seller, threatening or affecting the Property, including any claims alleging a defect or deficiency in the Property or common areas, or any known notices of abatement or citations filed or issued against the Property.  
 (2) **AGRICULTURAL USE:** Whether the Property is subject to restrictions for agricultural use pursuant to the Williamson Act (Government Code §§ 20301295).  
 (3) **DEED RESTRICTIONS:** Any deed restrictions or obligations.  
 (4) **FARM USE:** Whether the Property is in, or adjacent to, an area with Right to Farm rights (Civil Code §§3422.5 and §3422.6).  
 (5) **ENDANGERED SPECIES:** Presence of endangered, threatened, candidate species, or wetlands on the Property.  
 (6) **ENVIRONMENTAL HAZARDS:** Any substances, materials, or products that may be an environmental hazard, including, but not limited to, asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, and contaminated soil or water on the Property.  
 (7) **COMMON WALLS:** Any features of the Property shared in common with adjoining landowners, such as walls, fences, roads, and driveways, and agriculture and domestic wells whose use or responsibility for maintenance may have an effect on the Property.  
 (8) **LAND OCCUPY:** The absence of legal or physical access to the Property.  
 (9) **EASEMENTS/ENCROACHMENTS:** Any encroachments, easements or other matters that may affect the Property.  
 (10) **SOIL FILL:** Any fill (compacted or otherwise), or abandoned mining operations on the Property.  
 (11) **SOIL PROBLEMS:** Any slippage, siding, flooding, drainage, grading, or other soil problems.  
 (12) **EARTHQUAKE DAMAGE:** Major damage to the Property or any of the structures from fire, earthquake, floods, or landslides.  
 (13) **ZONING ISSUES:** Any zoning violations, non-conforming uses, or violations of setback requirements.  
 (14) **NEIGHBORHOOD PROBLEMS:** Any neighborhood noise problems, or other nuisances.
- B. RENTAL AND SERVICE AGREEMENTS:** Within the time specified in paragraph 18, Seller shall make available to Buyer for inspection and review all current leases, rental agreements, service contracts and other related agreements, licenses and permits pertaining to the operation or use of the Property.
- C. ☐ TENANT ESTOPPEL CERTIFICATES:** Within the time specified in paragraph 19, Seller shall deliver to Buyer tenant estoppel certificates (C.A.R. Form TEC) completed by Seller or Seller's agent, and signed by tenants, acknowledging: (i) that tenants' lease or lease agreements are unmodified and in full force and effect (or if modified, stating all such modifications); (ii) that no known defaults exist; and (iii) stating the amount of any prepaid rent or security deposit.

Buyer's Initials (            ) (            )Seller's Initials (            ) (            )

VLPA REVISED 12/16 (PAGE 4 OF 11)

VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 4 OF 11)

Replaces all other forms and is to be used with the latest form of the VLPAs. [www.cml.ca.gov](http://www.cml.ca.gov)

ASHFORD



## PURCHASE AGREEMENT - CONTINUED

Property Address: VACANT LAND, RIALTO, 92376Date: October 23, 2017

- D. MELO-ROSE TAX; 1915 BOND ACT:** Within the time specified in paragraph 13, Seller shall: (i) make a good faith effort to obtain a notice from any local agencies that levy a special tax or assessment on the Property (or, if allowed, substantially equivalent notice) pursuant to the Melo-Rose Community Facilities Act, and Improvement Bond Act of 1915; and (ii) promptly deliver to Buyer any such notice obtained.
- E. SELLER VACANT LAND QUESTIONNAIRE:** Seller shall, within the time specified in paragraph 13, complete and provide Buyer with a Seller Vacant Land Questionnaire (C.A.R. Form VLO).
- 14. SUBSEQUENT DISCLOSURES:** In the event Seller, prior to Close Of Escrow, becomes aware of adverse conditions materially affecting the Property, or any material inaccuracy in disclosures, information or representations previously provided to Buyer of which Buyer is otherwise unaware, Seller shall promptly provide a subsequent or amended disclosure or notice, in writing, covering those items. However, a subsequent or amended disclosure shall not be required for conditions and material inaccuracies disclosed in reports ordered and paid for by Buyer.
- 15. CHANGES DURING ESCROW:**
- A.** Prior to Close Of Escrow, Seller may engage in the following acts, ("Proposed Changes"), subject to Buyer's rights in paragraph 15B: (i) rent or lease any part of the premises; (ii) alter, modify or extend any existing rents or lease agreement; (iii) enter into, alter, modify or extend any service contract(s); or (iv) change the status of the condition of the Property.
- B.** At least 7 (or \_\_\_\_\_) Days prior to any Proposed Changes, Seller shall give written notice to Buyer of such Proposed Changes. Within 5 (or \_\_\_\_\_) Days After receipt of such notice, Buyer, in writing, may give Seller notice of Buyer's objection to the Proposed Changes. In which case Seller shall not make the Proposed Changes.
- 16. CONDITION OF PROPERTY:** Unless otherwise agreed in writing: (i) the Property is sold "as is" in its PRESENT physical condition as of the date of Acceptance and (ii) as to Buyer's investigation or rights; (ii) the Property, including pool, spa, landscaping and grounds is to be maintained in substantially the same condition as on the date of Acceptance, and (iii) all debris and personal property not included in the sale shall be removed by Close Of Escrow.
- A.** Seller shall, within the time specified in paragraph 18A, DISCLOSE KNOWN MATERIAL FACTS AND DEFECTS affecting the Property, including known insurance claims within the past two years, and make any and all other disclosures required by law.
- B.** Buyer has the right to conduct Buyer Investigations of the property and, as specified in paragraph 18B, based upon information discovered in those investigations, (i) cancel this Agreement, or (ii) request that Seller make repairs or take other action.
- C.** Buyer is strongly advised to conduct investigations of the entire Property in order to determine its present condition. Seller may not be aware of all defects affecting the Property or other factors that Buyer considers important. Property improvements may not be built according to code, in compliance with current law, or have had permits issued.
- 17. BUYER'S INVESTIGATION OF PROPERTY AND MATTERS AFFECTING PROPERTY:**
- A.** Buyer's acceptance of the condition of, and any other matter affecting the Property, is a contingency of this Agreement as set forth in this paragraph and paragraph 19D. Within the time specified in paragraph 18B(1), Buyer shall have the right, at Buyer's expense unless otherwise agreed: to conduct inspections, investigations, tests, surveys and other studies ("Buyer Investigations"), including, but not limited to, the right to: (i) inspect for lead based paint and other lead based paint hazards; (ii) inspect for wood destroying pests and organisms; (iii) review the registered sex offenders database; (iv) confirm the insurability of Buyer and the Property; and (v) satisfy Buyer as to any matter specified in the attached Buyer's Inspection Advisory (C.A.R. Form BIA). Without Seller's prior written consent, Buyer shall neither make nor cause to be made: (i) invasive or pest control Buyer Investigations except for minimally invasive testing; or (ii) inspections by any governmental building or zoning inspector or government employee, unless required by law.
- B.** Seller shall make the Property available for all Buyer Investigations. Buyer shall (i) as specified in paragraph 18B, complete Buyer Investigations and, after removal, the contingency or notice this Agreement; and (ii) give Seller, at no cost, complete copies of all investigation reports obtained by Buyer which obligator shall survive the termination of this Agreement.
- C.** Buyer indemnify and Seller protection for entry upon property: Buyer shall: (i) keep the Property free and clear of liens; (ii) repair all damage arising from Buyer Investigations; and (iii) indemnify and hold Seller harmless from all resulting liability, risks, demands, damages and costs of Buyer Investigations. Buyer shall carry, or Buyer shall require anyone acting on Buyer's behalf to carry, policies of liability workers' compensation and other appropriate insurance, defending and protecting Seller from liability for any injuries to persons or property occurring during any Buyer Investigations or work done on the Property at Buyer's direction prior to Close Of Escrow. Seller is advised that certain protections may be afforded Seller by recording a "Notice of Non-responsibility" (C.A.R. Form NNR) for Buyer Investigations and work done on the Property at Buyer's direction. Buyer's obligations under this paragraph shall survive the termination or cancellation of this Agreement and Close Of Escrow.
- D. BUYER IS STRONGLY ADVISED TO INVESTIGATE THE CONDITION AND SUITABILITY OF ALL ASPECTS OF THE PROPERTY AND ALL MATTERS AFFECTING THE VALUE OR DESIRABILITY OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE ITEMS SPECIFIED BELOW. IF BUYER DOES NOT EXERCISE THESE RIGHTS, BUYER IS ACTING AGAINST THE ADVICE OF BROKERS. BUYER UNDERSTANDS THAT ALTHOUGH CONDITIONS ARE OFTEN DIFFICULT TO LOCATE AND DISCOVER, ALL REAL PROPERTY CONTAINS CONDITIONS THAT ARE NOT READILY APPARENT AND THAT MAY AFFECT THE VALUE OR DESIRABILITY OF THE PROPERTY. BUYER AND SELLER ARE AWARE THAT BROKERS DO NOT GUARANTEE, AND IN NO WAY ASSUME RESPONSIBILITY FOR, THE CONDITION OF THE PROPERTY. BROKERS HAVE NOT AND WILL NOT VERIFY ANY OF THE ITEMS IN THIS PARAGRAPH 17, UNLESS OTHERWISE AGREED IN WRITING.**
- E. SIZE, LINES, ACCESS AND BOUNDARIES:** Lot size, property lines, legal or physical access and boundaries, including features of the Property shared in common with adjoining landowners, such as walls, fences, roads and driveways, whose use or responsibility for maintenance may have an effect on the Property and any encroachments, easements or similar matters that may affect the Property. (Fences, hedges, walls and other natural or constructed barriers or markers do not necessarily identify true Property boundaries. Property lines may be verified by survey.) (Unless otherwise specified in writing, any numerical statements by Brokers regarding lot size are APPROXIMATIONS ONLY which have not been and will not be verified, and should not be relied upon by Buyer.)
- F. ZONING AND LAND USE:** Past, present or proposed laws, ordinances, referendums, initiatives, votes, applications and permits affecting the current use of the Property, future development, zoning, building, size, governmental permits and inspections. Any zoning violations, non-conforming uses, or violations of "setback" requirements. (Buyer should also investigate whether these matters affect Buyer's intended use of the Property.)
- G. UTILITIES AND SERVICES:** Availability, access, restrictions and location of utilities and services, including but not limited to: sewerage, sanitation, septic and each line, water electrically, gas, telephone, cable TV and drainage.

Buyer's initials: \_\_\_\_\_

Seller's initials: \_\_\_\_\_

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 5 OF 11)

Proposed after amendments to page 10/23/17 (see Worksheet) Date: 10/23/17 www.vlpa.com

SIGNED:



## PURCHASE AGREEMENT - CONTINUED

Property Address: VACANT LAND, RIALTO, 92376Date: October 23, 2017

- H. **ENVIRONMENTAL HAZARDS:** Potential environmental hazards including, but not limited to, asbestos, lead based paint and other lead contamination, radon, methane, other gases, fuel, oil or chemical storage tanks, contaminated soil or water, hazardous waste, waste discharge sites, electromagnetic fields, nuclear sources, and other substances including mold (mycotoxins, toxin or otherwise), fungus or similar contaminant materials, products or conditions.
- I. **GEOLOGIC CONDITIONS:** Geologic/seismic conditions, soil and terrain stability, suitability and drainage including any slope, sliding, flooding, drainage, grading, fill (compacted or otherwise) or other soil problems.
- J. **NATURAL HAZARD ZONE:** Special Flood Hazard Areas, Potential Flooding (Inundation) Areas, Very High Fire Hazard Zones, State Fire Responsibility Areas, Earthquake Fault Zones, Seismic Hazard Zones, or any other zone to which disclosure is required by law.
- K. **PROPERTY DAMAGE:** Major damage to the Property or any of the structures or non-structural systems and components and any personal property included in the sale from fire, earthquake, floods, landslides or other causes.
- L. **NEIGHBORHOOD, AREA AND PROPERTY CONDITIONS:** Neighborhood or area conditions including Agricultural Use Restrictions pursuant to the Williamson Act (Government Code §§51200-51295), Right To Farm Laws (Civil Code §§3482.5 and §3482.6) schools, proximity and adequacy of law enforcement, crime statistics, the proximity of registered felons or offenders, the presence of other government services, availability, adequacy and cost of any sewer/water, wireless internet connections or other telecommunications or other technology services and installations, proximity to commercial, industrial or agricultural activities existing and proposed transportation, construction and development that may affect noise, view or traffic, airport noise, noise or odor from any source, abandoned mining operations on the Property, wild and domestic animals, other nuisances, hazards, or circumstances, protected species, wetland properties, botanical diseases, historic or other governmentally protected sites or improvements, cemeteries, facilities and location of common areas of common interest subdivisions, and prescriptive or compliance with any governing documents or Homeowners' Association requirements, conditions and influences of significance to certain cultures, racial or religious, and personal needs, requirements and preferences of Buyer.
- M. **COMMON INTEREST SUBDIVISIONS: OWNER ASSOCIATIONS:** Existence and condition of common areas (facilities such as pools, tennis courts, walkways, or other areas co-owned in the deed interest with others), Owners' Association that has any authority over the subject property, CC&Rs, or other deed restrictions or obligations, and possible lack of compliance with any Owners' Association requirements.
- N. **SPECIAL TAX:** Any local agencies that levy a special tax on the Property pursuant to the Mello-Ross Community Facilities Act or Improvement Bond Act of 1915.
- O. **RENTAL PROPERTY RESTRICTIONS:** Some cities and counties impose restrictions that limit the amount of rent that can be charged, the maximum number of occupants and the right of a landlord to terminate a tenancy.
- P. **MANUFACTURED HOME PLACEMENT:** Conditions that may affect the ability to place and use a manufactured home on the Property.
- 18. TITLE AND VESTING:**
- A. Within the time specified in paragraph 15, Buyer shall be provided a current preliminary title report ("Preliminary Report"). The Preliminary Report is only an offer by the title insurer to issue a policy of title insurance and may not contain every item affecting the Buyer's review of the Preliminary Report and any other matters which may affect title and a contingency of this Agreement as specified in paragraph 13B. The company providing the Preliminary Report shall, prior to issuing a Preliminary Report, conduct a search of the General Index for Sellers except banks or other institutional lenders selling properties they acquired through foreclosure (REOs), corporations, and government entities. Seller shall within 7 Days After Acceptance, give Escrow Holder a completed Statement of Information.
- B. Title is taken in its present condition subject to all encumbrances, easements, covenants, conditions, restrictions, rights and other matters, whether of record or not, as of the date of Acceptance except for: (i) monetary liens of record (which Seller is obligated to pay off) unless Buyer is assuming those obligations or taking the Property subject to those obligations; and (ii) those matters which Seller has agreed to minimize in writing.
- C. Within the time specified in paragraph 19A, Seller has a duty to disclose to Buyer all matters known to Seller affecting title, whether of record or not.
- D. At Close of Escrow, Buyer shall receive a grant deed conveying title for, but stock cooperative or long term lease, an assignment of stock certificate or of Seller's leasehold interest, including oil, mineral and water rights if currently owned by Seller, title shall vest as designated in Buyer's supplemental escrow instructions. THE MANNER OF TAKING TITLE MAY HAVE SIGNIFICANT LEGAL AND TAX CONSEQUENCES. CONSULT AN APPROPRIATE PROFESSIONAL.
- E. Buyer shall receive a "CLIA/ALIA Homeowners Policy of Title Insurance" if applicable to the type of property and buyer. A title company, at Buyer's request, can provide information about the availability, desirability, coverage and cost of various title insurance coverages and endorsements. If Buyer desires the coverage other than that required by this paragraph, Buyer shall instruct Escrow Holder in writing and shall pay any increase in cost.
- 19. TIME PERIODS; REMOVAL OF CONTINGENCIES; CANCELLATION RIGHTS:** The following time periods may only be extended, altered, modified or changed by mutual written agreement. Any removal of contingencies or cancellation under this paragraph by either Buyer or Seller must be exercised in good faith and in writing (C.A.R. Form CR or CC).
- A. **SELLER HAS:** 7 (or \_\_\_\_\_) Days After Acceptance to Deliver to Buyer all Records, disclosures and information for which Seller is responsible under paragraphs 3M, 7A, b, c, 7A, H, and F, 13, 16A and 16A. Buyer after first Delivering to Seller a Notice to Seller to Perform (C.A.R. Form NPSF) may cancel this Agreement if Seller has not Delivered the items within the time specified.
- B. **(1) BUYER HAS:** 17 (or \_\_\_\_\_) Days After Acceptance, unless otherwise agreed in writing, to:
- (i) complete all Buyer Investigations: review all disclosures, records, and other applicable information which Buyer receives from Seller and approve all matters affecting the Property, and (ii) Up to Seller Signed Copies of Statutory Disclosures and other disclosures Delivered by Seller in accordance with paragraph 12A.
  - (2) Within the time specified in paragraph 19A(1), Buyer may request that Seller make repairs or take any other action regarding the Property (C.A.R. Form RR). Seller has no obligation to agree to or respond to (C.A.R. Form RR) Buyer's requests.
  - (3) By the end of the time specified in paragraph 19A(1) (or as otherwise specified in this Agreement), Buyer shall Deliver to Seller a removal of the applicable contingency or notice which (C.A.R. Form CR or CC) of the Agreement. However, if any report, disclosure or information for which Seller is responsible is not Delivered within the time specified in paragraph 19A, then Buyer has 5 (or \_\_\_\_\_) Days After Delivery of any such items, or the time specified in paragraph 19B(1), whichever is later, to Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement.

Buyer's Initials: \_\_\_\_\_

Seller's Initials: \_\_\_\_\_



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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 6 OF 11)

Prepared and issued by Aaron Gardner Appraiser Inc. 24551 Raymond Way, Suite 190, Lake Forest, CA 92630 (949) 462-0088

AARON GARDNER



## PURCHASE AGREEMENT - CONTINUED

Property Address **VACANT LAND, RIALTO. 92375**

Date: October 23, 2017

14. Continuation of Contingency: Even after the end of the time specified in paragraph 13B(1) and before Seller closes, if at all, pursuant to paragraph 14C, Buyer retains the right, in writing, to either: (i) remove remaining contingencies, or (ii) cancel this Agreement based on a remaining contingency. Once Buyer's written removal of all contingencies is delivered to Seller, Seller may not cancel this Agreement pursuant to paragraph 19C(1).
- C. SELLER RIGHT TO CANCEL:
- (1) Seller right to Cancel: Buyer Contingencies: If, by the time specified in this Agreement, Buyer does not Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement then Seller, after first Delivering to Buyer a Notice to Buyer to Perform (C.A.R. Form NDP), may cancel this Agreement. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.
- (2) Seller right to Cancel: Buyer Contract Obligations: Seller, after first delivering to Buyer a NDP, may cancel this Agreement if, by the time specified in this Agreement, Buyer does not take the following action(s): (i) Deposit funds as required by paragraph 3A or 3B or if the funds deposited pursuant to paragraph 3A or 3B are not yours when deposited; (ii) Deliver a notice of -HA or VA contract or terms as required by paragraph 3D(3) (C.A.R. Form FVA); (iii) Deliver a letter as required by paragraph 3J(1); (iv) Deliver verification as required by paragraph 3C or 3H or if Seller reasonably disapproves of the verification provided by paragraph 3C or 3H; (v) Return Statutory Disclosures as required by paragraph 16A, or (vi) Sign or initial a separate allocated damages form for an increased deposit as required by paragraph 3B and 27B or (vii) Provide evidence of authority to sign in a representative capacity as specified in paragraph 15. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.
- D. NOTICE TO BUYER OR SELLER TO PERFORM: The NDP or NBP shall: (i) be in writing, (ii) be signed by the applicable Buyer or Seller, and (iii) give the other Party at least 2 (or \_\_\_\_\_) Days After Delivery (or until the time specified in the applicable paragraph, whichever occurs last) to take the applicable action. A NDP or NBP may not be Delivered any earlier than 2 Days Prior to the expiration of the specified time for the other Party to remove a contingency or cancel this Agreement or meet an obligation specified in paragraph 14.
- E. EFFECT OF BUYER'S REMOVAL OF CONTINGENCIES: If Buyer removes, in writing, any contingency or cancellation right, unless otherwise specified in writing, Buyer shall conclusively be deemed to have: (i) completed all Buyer investigations, and review of reports and other applicable information and disclosures pertaining to that contingency or cancellation right; (ii) elected to proceed with the transaction; and (iii) assumed all liability, responsibility and expense for repairs or corrections pertaining to that contingency or cancellation right, or for the inability to obtain financing.
- F. CLOSE OF ESCROW: Before Buyer or Seller may cancel this Agreement or fail to perform the other Party to close escrow pursuant to the Agreement, Buyer or Seller must first Deliver to the other Party a demand to close escrow (C.A.R. Form CDC). The CDC shall (i) be signed by the applicable Buyer or Seller, and (ii) give the other Party at least 3 (or \_\_\_\_\_) Days After Delivery to close escrow. A CDC may not be Delivered any earlier than 3 Days Prior to the scheduled close of escrow.
- G. EFFECT OF CANCELLATION ON DEPOSITS: If Buyer or Seller gives written notice of cancellation pursuant to rights only exercised under the terms of the Agreement, the Parties agree to Sign mutual instructions to cancel the sale and escrow and release deposits, if any, to the party entitled to the funds, less fees and costs incurred by that party. Fees and costs may be payable to service providers and vendors for services and products provided during escrow. Except as specified below, release of funds will require mutual Signed release instructions from the Parties, judicial decision or arbitration award. If either Party fails to execute mutual instructions to cancel escrow, one Party may make a written demand to escrow Holder to the deposit (C.A.R. Form BDR or SDRP). Escrow Holder, upon receipt, shall promptly deliver notice of the demand to the other Party, if, within 10 Days After Escrow Holder's notice, the other Party does not object to the demand. Escrow Holder shall disburse the deposit to the Party making the demand. If Escrow Holder complies with the proceeding process, each Party shall be deemed to have released Escrow Holder from any and all claims or liability related to the disbursement of the deposit. Escrow Holder, in disbursement, may nonetheless require mutual cancellation instructions. A Party may be subject to a civil penalty of up to \$1,000 for refusal to sign cancellation instructions if no good faith dispute exists as to who is entitled to the deposited funds (Civil Code §1067.3).
20. REPAIRS: Repairs shall be completed prior to final verification of condition unless otherwise agreed in writing. Repairs to be performed at Seller's expense may be performed by Seller or through others provided that the work complies with applicable Law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following a. Repairs may not be possible. Seller shall: (i) obtain invoices and paid receipts for Repairs performed by others, (ii) prepare a written statement detailing the Repairs performed by Seller and the date of such Repairs, and (iii) provide Copies of invoices and paid receipts and statements to Buyer prior to final verification of condition.
21. FINAL VERIFICATION OF CONDITION: Buyer shall have the right to make a final verification of the Property within 5 (or \_\_\_\_\_) Days Prior to Close Of Escrow, NOT AS A CONTINGENCY OF THE SALE, but solely to confirm: (i) the Property is maintained pursuant to paragraph 16, (ii) Repairs have been completed as agreed, and (iii) Seller has complied with Seller's other obligations under this Agreement (C.A.R. Form VP).
22. ENVIRONMENTAL - HAZARD CONSULTATION: Buyer and Seller acknowledge: (i) Federal, state, and local legislation impose liability upon existing and former owners and users of real property in applicable situations, for certain legally defined, environmentally hazardous substances; (ii) Drake (or) has/have made no representation, on concerning the applicability of any such law to this transaction or to Buyer or to Seller except as otherwise indicated in this Agreement; (iii) Broker(s) has/have made no representation concerning the existence, testing, discovery, location and evaluator of, and risk posed by, environmentally hazardous substances, if any, located on or potentially affecting the Property; and (iv) Buyer and Seller are each advised to consult with technical and legal experts concerning the existence, testing, discovery, location and evaluator of, and risk posed by, environmentally hazardous substances, if any, located on or potentially affecting the Property.
23. PRORATIONS OF PROPERTY TAXES AND OTHER ITEMS: Unless otherwise agreed in writing, the following items shall be PAID CURRENT and prorate between Buyer and Seller as Close Of Escrow: real property taxes and assessments, interest, rents, HOA regular, special, and emergency dues and assessments imposed prior to Close Of Escrow, premiums and insurance assumed by Buyer, covenants on bonds and assessments assumed by Buyer, and payments on Mello-Rosses and other Special Assessments.

Flayer's initials: \_\_\_\_\_

Seller's Initials: ( )



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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 7 OF 11)

Bund og alle tilknyttede rettigheter i denne avtalen er overført fra den tidligere eier til den nye eier.

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## PURCHASE AGREEMENT - CONTINUED

Property Address: **VACANT LAND, RIALTO, 92378**Date: **October 23, 2017**

District bonds and assessments that are now a lien. The following items shall be assumed by Buyer WITHOUT CREDIT toward the purchase price, prorated payments on Moto-Hops and other Special Assessment District bonds and assessments and HOA special assessments that are now a lien but not yet due. Property will be reassessed upon change of ownership. Any supplemental tax bills shall be paid as follows: (i) for periods after Close Of Escrow, by Buyer and (ii) for periods prior to Close Of Escrow, by Seller (see C.A.R. Form SPI or SPSA for further information). TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER. Prorations shall be made based on a 30-day month.

**21. BROKERS:**

**A. COMPENSATION:** Seller or Buyer, or both, as applicable, agree to pay compensation to Broker as specified in a separate written agreement between Broker and that Seller or Buyer. Compensation is payable upon Close Of Escrow, or if escrow does not close, as otherwise specified in the agreement between Broker and that Seller or Buyer.

**B. SCOPE OF DUTY:** Buyer and Seller acknowledge and agree that Broker: (i) Does not decide what price Buyer should pay or Seller should accept; (ii) Does not guarantee the condition of the Property; (iii) Does not guarantee the performance, adequacy or completeness of inspections, services, products or repairs provided or made by Seller or others; (iv) Does not have an obligation to conduct an inspection of certain areas or areas off the site of the Property; (v) Shall not be responsible for identifying defects on the Property in common areas or offsite unless such defects are visually observable by an inspection of reasonably accessible areas of the Property or are known to Broker; (vi) Shall not be responsible for insulating audio records or permits concerning the title or use of Property; (vii) Shall not be responsible for identifying the location of boundary lines or other items affecting title; (viii) Shall not be responsible for verifying square footage, representations of others or information contained in investigator reports. Multiple Listing Service, advertisements, flyers or other promotional material; (ix) Shall not be responsible for determining the fair market value of the Property or any personal property included in the sale; (x) Shall not be responsible for providing legal or tax advice regarding any aspect of a transaction entered into by Buyer or Seller; and (xi) Shall not be responsible for providing other advice or information that exceeds the knowledge, education and experience required to perform real estate licensed activity. Buyer and Seller agree to seek legal, tax, insurance, title and other needed assistance from appropriate professionals.

**22. REPRESENTATIVE CAPACITY:** If one or more Parties is signing the Agreement in a representative capacity and not for him/herself as an individual then that Party shall so indicate in paragraph 37 or 38 and attach a Representative Capacity Statement Addendum (C.A.R. Form RCDU). Wherever the signature or initials of the representative identified in the RCDU appear on the Agreement or any related documents, it shall be deemed to be in a representative capacity for the entity described and not in an individual capacity, unless otherwise indicated. The Party acting in a representative capacity (i) represents that the entity for which that party is acting actually exists and (ii) shall deliver to the other Party and Escrow Holder, within 3 Days After Acceptance, evidence of authority to act in that capacity (such as but not limited to: applicable portion of the trust or Declaration Of Trust (Probate Code §18120.5), letters testamentary, court order, power of attorney, corporate resolution or formation documents of the business entity).

**23. JOINT ESCROW INSTRUCTIONS TO ESCROW HOLDER:**

**A.** The following paragraphs, or applicable portions thereof, of this Agreement constitute the joint escrow instructions of Buyer and Seller to Escrow Holder, which Escrow Holder is to use along with any related counter offers and addenda, and any additional mutual instructions to close the escrow: paragraphs 1, 3, 4B, 5, 6, 7A, 8, 9, 12B, 13, 15G, 25, 24A, 26, 28, 32, 35, 36, 37, 38 and paragraph D of the section titled Real Estate Brokers on page 11. If a Copy of the separate compensation agreement(s) provided for in paragraph 24A or paragraph D of the section titled Real Estate Brokers on page 11 is deposited with Escrow Holder by Broker, Escrow Holder shall accept such agreement(s) and pay out from Buyer's or Seller's funds, or both as applicable, the Broker's compensation provided for in such agreement(s). The terms and conditions of this Agreement, not set forth in the specified paragraphs are additional matters for the information of Escrow Holder, but about which Escrow Holder need not be concerned. Buyer and Seller will execute Escrow Holder's general provisions, if any, directly from Escrow Holder and will execute such provisions within the time specified in paragraph 90(c)(i). To the extent the general provisions are inconsistent or conflict with this Agreement, the general provisions will control as to the duties and obligations of Escrow Holder only. Buyer and Seller will execute additional instructions, documents and forms provided by Escrow Holder that are reasonably necessary to close the escrow and, as directed by Escrow Holder, within 3 (or \_\_\_\_\_) Days, shall pay to Escrow Holder or HOA or HOA management company or others any fee required by paragraphs 9, 12 or elsewhere in this Agreement.

**B.** A Copy of this Agreement, including any counter offers and addenda shall be delivered to Escrow Holder within 3 Days After Acceptance (or \_\_\_\_\_). Buyer and Seller authorize Escrow Holder to accept and rely on Copies and Signatures as defined in this Agreement as originals, to open escrow and for other purposes of escrow. The validity of this Agreement as between Buyer and Seller is not affected by whether or when Escrow Holder Signs this Agreement. Escrow Holder shall provide Seller's Statement of Information to Title company when received from Seller. If Seller delivers an affidavit to Escrow Holder to satisfy Seller's HOA obligation under paragraph 12B, Escrow Holder shall deliver to Buyer a Qualified Substitute statement that complies with federal law.

**C.** Brokers are a party to the escrow for the sole purpose of compensation pursuant to paragraph 24A and paragraph D of the section titled Real Estate Brokers on page 11. Buyer and Seller irrevocably assign to Brokers compensation specified in paragraph 24A, and irrevocably instruct Escrow Holder to disburse those funds to Brokers at Close Of Escrow or pursuant to any other mutually executed compensation agreement. Compensation instructions can be amended or revoked only with the written consent of Brokers. Buyer and Seller shall release and hold harmless Escrow Holder from any liability resulting from Escrow Holder's payment to Brokers of compensation pursuant to this Agreement.

**D.** Upon receipt, Escrow Holder shall provide Seller and Seller's Broker verification of Buyer's deposit of funds pursuant to paragraph 3A and 3B. Once Escrow Holder becomes aware of any of the following, Escrow Holder shall immediately notify all Brokers: (i) if Buyer's initial or any additional deposit is not made pursuant to this Agreement, or is not good at time of deposit with Escrow Holder; or (ii) if Buyer and Seller instruct Escrow Holder to cancel escrow.

**E.** A Copy of any amendment that affects any paragraph of this Agreement for which Escrow Holder is responsible shall be delivered to Escrow Holder within 3 Days after mutual execution of the amendment.

Buyer's initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Seller's initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 8 OF 11)

Revised on 12/15/15 to comply with California Civil Code Section 1031.5 and 1031.6. See also 1031.5 and 1031.6.

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Property Address: VACANT LAND, RIALTO. 92376

Date: October 23, 2017

A. Any clause added by the Parties specifying a remedy (such as release or forfeiture of deposit or making a deposit non-refundable) for failure of Buyer to complete the purchase in violation of this Agreement shall be deemed invalid unless the clause independently satisfies the statutory liquidated damages requirements set forth in the Civil Code.

Plants' initial size

### Seller's Trials

**A. MEDIATION:** The Parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction, before resorting to arbitration or court action through the C.A.R. Consumer Mediation Center ([www.consumermediation.org](http://www.consumermediation.org)) or through any other mediation provider or service mutually agreed to by the Parties. The Parties also agree to mediate any disputes or claims with Broker(s), who, in writing, agree to such mediation prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. Mediation fees, if any, shall be divided equally among the Parties involved. If, for any dispute or claim to which this paragraph applies, any Party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that Party shall not be entitled to recover attorney fees, even if they would otherwise be available to that Party in any such action. THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED. Exclusions from this mediation agreement are specified in paragraph 28C.

"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

Bayer's *lit* and

Signature Initials

(1) **EXCLUSIONS:** The following matters are excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; and (iii) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court.

(2) **PRESERVATION OF ACTIONS:** The following shall not constitute a waiver nor violation of the mediation and arbitration provisions: (i) the filing of a court action to preserve a statute of limitations; (ii) the filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies; or (iii) the filing of a mechanic's lien.

(3) **BROKERS:** Brokers shall not be obligated nor compelled to mediate or arbitrate unless they agree to do so in writing. Any Broker(s) participating in mediation or arbitration shall not be deemed a party to the Agreement.

29. **SELECTION OF SERVICE PROVIDERS:** Brokers do not guarantee the performance of any vendors, service or product providers ("Providers"), whether selected by Broker or selected by Buyer. Seller or other person, Buyer and Seller may select ANY Providers of their own choosing.

34. **MULTIPLE LISTING SERVICE ("MLS"):** Brokers are authorized to report to the MLS a pending sale and, upon Close Of Escrow, the sales price and other terms of this transaction shall be provided to the MLS to be published and disseminated to persons and entities authorized to use the information or terms approved by the MLS.

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 3 OF 11)

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## PURCHASE AGREEMENT - CONTINUED

Property Address: VACANT LAND, RIALTO, 92376Date: October 23, 2017

- 31. ATTORNEY FEES:** In any action, proceeding, or arbitration between Buyer and Seller arising out of this Agreement, the prevailing Buyer or Seller shall be entitled to reasonable attorneys fees and costs from the non-prevailing Buyer or Seller, except as provided in paragraph 28A.
- 32. ASSIGNMENT:** Buyer shall not assign all or any part of Buyer's interest in this Agreement, without first having obtained the written consent of Seller. Such consent shall not be unreasonably withheld unless otherwise agreed in writing. Any total or partial assignment shall not relieve Buyer of Buyer's obligations pursuant to this Agreement unless otherwise agreed in writing by Seller (C.A.R. Form AQAA).
- 33. EQUAL HOUSING OPPORTUNITY:** The Property is sold in compliance with federal, state and local anti-discrimination laws.
- 34. TERMS AND CONDITIONS OF OFFER:** This is an offer to purchase the Property on the above terms and conditions. The liquidated damages paragraph or the arbitration or disputes paragraph is incorporated in this Agreement if initialed by all Parties or if incorporated by mutual agreement in a counteroffer or addendum. If at least one but not all Parties initial a counter offer is required until agreement is reached. Seller has the right to continue to offer the Property for sale and to accept any other offer at any time prior to notification of Acceptance. Buyer has read and acknowledges receipt of a Copy of the offer and agrees to the confirmation of agency relationships. If this offer is accepted and Buyer subsequently defaults, Buyer may be responsible for payment of Broker's compensation. This Agreement and any supplement, addendum or modification, including any Copy, may be signed in two or more counterparts, all of which shall constitute one and the same writing.
- 35. TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES:** Time is of the essence. All understandings between the Parties are incorporated in this Agreement. Its terms are intended by the Parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Except as otherwise specified, this Agreement shall be interpreted and disputes shall be resolved in accordance with the Laws of the State of California. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed, except in writing Signed by Buyer and Seller.
- 36. DEFINITIONS:** As used in this Agreement:
- A. "Acceptance" means the time the offer or any counter offer is accepted in writing by a Party and is delivered to and personally received by the other Party or that Party's authorized agent in accordance with the terms of this offer or a final counter offer.
  - B. "Agreement" means this document and any counter offers and any incorporated addenda, collectively forming the binding agreement between the Parties. Addenda are incorporated only when Signed by all Parties.
  - C. "C.A.R. Form" means the most current version of the specific form referenced or another comparable form applied to by the parties.
  - D. "Close Of Escrow" means the date the grant deed, or other evidence of transfer of title, is recorded.
  - E. "Copy" means copy by any means including photocopy, NCR, facsimile and electronic.
  - F. "Days" means calendar days. However, after Acceptance, the last Day for performance of any act required by this Agreement (including Close Of Escrow) shall not include any Saturday, Sunday or legal holiday and shall instead be the next Day.
  - G. "Days After" means the specified number of calendar days after the occurrence of the event specified, not counting the calendar date on which the specified event occurs, and ending at 11:59 PM on the final day.
  - H. "Days Prior" means the specified number of calendar days before the occurrence of the event specified, not counting the calendar date on which the specified event is scheduled to occur.
  - I. "Deliver", "Delivered" or "Delivery", unless otherwise specified in writing, means and shall be effective upon personal receipt by Buyer or Seller or the individual Real Estate Licensee for that principal as specified in the section titled Real Estate Brokers on page 11, regardless of the method used (i.e. messenger, mail, email, fax, other).
  - J. "Electronic Copy" or "Electronic Signature" means, as applicable, an electronic copy or signature complying with California Law. Buyer and Seller agree that electronic means will not be used by either Party to modify or alter the content or integrity of this Agreement without the knowledge and consent of the other Party.
  - K. "Law" means any law, code, statute, ordinance, regulation, rule or order, which is adopted by a governing city, county, state or federal legislative, judicial or executive body or agency.
  - L. "Repairs" means any repairs (including pest control), alterations, replacements, modifications or retrofitting of the Property provided for under this Agreement.
  - M. "Signed" means either a handwritten or electronic signature on an original document, Copy or any counterpart.
- 37. EXPIRATION OF OFFER:** This offer shall be deemed revoked and the deposit, if any, shall be returned to Buyer unless the offer is Signed by Seller and a Copy of the Signed offer is personally received by Buyer, or by \_\_\_\_\_ who is authorized to receive it, by 5:00 PM on the third day after this offer is signed by Buyer (or by \_\_\_\_\_ AM, or \_\_\_\_\_ (date)).

I, One or more Buyers is signing the Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCD-S) for additional terms.

Date 10/23/2017 BUYER \_\_\_\_\_(Print name) RAPIDO INVESTMENTS 2014 LLC OR ASSIGNEE

Date \_\_\_\_\_ BUYER \_\_\_\_\_

(Print name) \_\_\_\_\_

Additional Signature Addendum attached (C.A.R. Form ASA)

Buyer's Initials: \_\_\_\_\_

Seller's Initials: \_\_\_\_\_

VLPB REVISED 12/15 (PAGE 10 OF 11)

VACANT LAND PURCHASE AGREEMENT (VLPB PAGE 10 OF 11)

Revised with input from the 2017 C.A.R. Form Review Panel. Form 10/1/17 45202 01/01/2017 45202

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## PURCHASE AGREEMENT - CONTINUED

Property Address: **VACANT LAND, RIALTO, 92376**Date: **October 23, 2017**

**39. ACCEPTANCE OF OFFER:** Seller warrants that Seller is the owner of the Property, or has the authority to execute this Agreement. Seller accepts the above offer and agrees to sell the Property on the above terms and conditions and agrees to the above confirmation of agency relationships. Seller has read and acknowledges receipt of a Copy of this Agreement and authorizes Broker to Deliver a Signed Copy to Buyer.

(If checked) SELLER'S ACCEPTANCE IS SUBJECT TO ATTACHED COUNTER OFFER (C.A.R. Form SCC or SMCO) DATED:

One or more Sellers is signing the Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCD-S) for additional terms.

Date: **SELLER**(Print name) **REDEVELOPMENT AGENCY CITY OF RIALTO**Date: **SELLER**

(Print name)

Additional Signature Addendum attached (C.A.R. Form ASA).

(Initials) (Do not initial if making a counter offer.) **CONFIRMATION OF ACCEPTANCE:** A Copy of Signed Acceptance was personally received by Buyer or Buyer's authorized agent on (date) at **AM/ PM**. A binding Agreement is created when a Copy of Signed Acceptance is personally received by Buyer or Buyer's authorized agent whether or not confirmed in this document. Completion of this confirmation is not legally required in order to create a binding Agreement. It is solely intended to evidence the date that Confirmation of Acceptance has occurred.

**REAL ESTATE BROKERS:**

**A. Real Estate Brokers are not parties to the Agreement between Buyer and Seller.**

**B. Agency relationships are confirmed as stated in paragraph 2.**

**C. If specified in paragraph 3A(2), Agent who submitted the offer for Buyer acknowledges receipt of deposit.**

**D. COOPERATING BROKER COMPENSATION:** Listing Broker agrees to pay Cooperating Broker (Selling Firm) and Cooperating Broker agrees to accept, out of Listing Broker's proceeds or gross, the amount specified in the M.S., provided Cooperating Broker is a Participant of the MLS in which the Property is offered for sale or a reciprocal M.S. If Listing Broker and Cooperating Broker are not both Participants of the MLS or a reciprocal M.S. in which the Property is offered for sale, their compensation must be specified in a separate written agreement (C.A.R. Form CBC). Declaration of License and Tax (C.A.R. Form DLT) may be used to document that tax reporting will be required or that an exemption exists.

Real Estate Broker (Selling Firm) **MICHAEL RAMIREZ**CalBRE Lic # **#00933815**

By \_\_\_\_\_ CalBRE Lic # \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ CalBRE Lic # \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_

(Real Estate Broker (Listing Firm)) \_\_\_\_\_ CalBRE Lic # \_\_\_\_\_

By \_\_\_\_\_ CalBRE Lic # \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ CalBRE Lic # \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_

**ESCROW HOLDER ACKNOWLEDGMENT:**

Escrow Holder acknowledges receipt of a Copy of this Agreement. (If checked) ☐ a deposit in the amount of \$ \_\_\_\_\_ and counter offer number \_\_\_\_\_ Seller's Statement of Information and \_\_\_\_\_

\_\_\_\_\_ and agrees to act as escrow holder subject to paragraph 26 of this Agreement, any supplemental escrow instructions and the terms of Escrow Holder's general provisions.

Escrow Holder is advised that the date of Confirmation of Acceptance of the Agreement as between Buyer and Seller is \_\_\_\_\_

Escrow Holder \_\_\_\_\_ Escrow # \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_

Phone/Fax/E-mail \_\_\_\_\_

Escrow Holder has the following license number # \_\_\_\_\_

☐ Department of Business Oversight, ☐ Department of Insurance, ☐ Bureau of Real Estate

**PRESENTATION OF OFFER:** ( ) Listing Broker presented this offer to Seller on \_\_\_\_\_ (date)

\_\_\_\_\_ Broker of Designated Firm

**REJECTION OF OFFER:** ( ) No counter offer is being made. This offer was rejected by Seller on \_\_\_\_\_ (date)

\_\_\_\_\_ Seller's Initials

ADDITIONAL TERMS: California Association of REALTORS® has created a new contract form (the "C.A.R. Contract") for use in the purchase and sale of real property, and the reproduction of this form is hereby authorized by the California Association of REALTORS® (C.A.R.) for use in the purchase and sale of real property.

THIS FORM HAS BEEN APPROVED BY THE CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). NO REPRESENTATION IS MADE AS TO THE LEGAL VALIDITY OR ACCURACY OF ANY PROVISION IN ANY SPECIFIC TRANSACTION. A REAL ESTATE BROKER IS THE PERSON QUALIFIED TO ADVISE ON A TRANSACTION. IF YOU DESIRE LEGAL OR TAX ADVICE, CONSULT AN APPROPRIATE PROFESSIONAL.

Initiated and Distributed by \_\_\_\_\_ Buyer's Acknowledgment that page 11 is part of \_\_\_\_\_

\_\_\_\_\_ and Seller's Initials ( ) \_\_\_\_\_

\_\_\_\_\_ Broker of Designated Firm

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\_\_\_\_\_ Broker of Designated Firm

## ENGAGEMENT CONTRACT

### CONTRACT FOR APPRAISAL SERVICES

THIS AGREEMENT made this 23<sup>rd</sup> day of October, 2017, between AARON GARDNER, certified general real estate appraiser, and having a principal place of business at 24551 Raymond Way, Suite 190, Lake Forest, California, 92630, hereinafter referred to as the Appraiser, and the RIALTO HOUSING AUTHORITY, hereinafter referred to as the client.

#### ARTICLE 1. SERVICES TO BE PERFORMED BY APPRAISER

*Section 1.01* Appraiser agrees to complete an appraisal report on behalf of the Client on the fee simple interest in the subject property. Said property consists of a vacant parcel of land, currently referenced as Assessor Parcel Numbers 0243-151-59. The site is located on North Ashford Avenue, east of Maple Avenue within the city of Rialto. Said property is located within the County of San Bernardino, State of California. Appraiser agrees to render an appraisal report on the market value of the fee simple interest in this property.

*Section 1.02* Appraiser agrees to complete the assignment and deliver to the Client the appraisals in an expedient manner. Anticipated completion date is three weeks from access. Appraiser shall not be held responsible for delays beyond his control.

#### ARTICLE 2. COMPENSATION

*Section 2.01* In consideration for the services to be performed by Appraiser, Client agrees to pay a sum of ~~(\$2,000)~~ **Two Thousand Dollars** for said appraisal.

The fee shall be due upon delivery of the final report to the client.

*Section 2.02* Appraiser agrees to provide Client with two original appraisal reports and a PDF version.

#### ARTICLE 3. GENERAL PROVISIONS

*Section 3.01* If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this agreement, the prevailing party will be entitled to reasonable attorney's fees, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

*Section 3.02* This agreement will be governed by and construed in accordance with the laws of the State of California.


Executed at Lake Forest, California, on the date and year first above written.


**APPRAISER**

**CLIENT**

AARON GARDNER

RIALTO HOUSING AUTHORITY

By:   
Aaron Gardner

By:   
John Dufrey

**APPRAISER'S QUALIFICATIONS**

Aaron Gardner is licensed as a Certified General Appraiser in the states of California and Arizona and has been appraising commercial properties as an independent fee appraiser for the past thirty years. During the last thirty years, he has specialized in appraising special purpose properties such as religious facilities, colleges and private schools. His primary activity has been within the Southern California market. He also services the Central and Northern California markets areas, Las Vegas and Phoenix metropolitan areas for religious facilities.

The clients that he has prepared these types of assignments for include, but are not limited to: **First Bank, CASS Commercial Bank, First Citizens Bank, AltaPacific Bank, Silicon Valley Bank, JP Morgan Chase Bank, Pacific Premier Bank, Farmers and Merchants Bank, Evangelical Christian Credit Union, America's Christian Credit Union, Christian Community Credit Union, First Security Business Bank, Ziegler, and Bank Of The West.**

He is a career appraiser with extensive experience appraising properties in Southern California and the above mentioned markets. Related experience includes commercial and residential construction, real estate development, real estate sales and property management. He has performed appraisals on all types of real property.

**EDUCATION**

<b>FORMAL EDUCATION &amp; LICENSES</b>		
<b>NAME OF INSTITUTION</b>	<b>DATES</b>	<b>TYPE OF DEGREE</b>
BRIGHAM YOUNG UNIVERSITY	1976-1980	BACHELOR OF SCIENCE
CERTIFIED GENERAL APPRAISER	1992-2018	CA AG005074 / AZ CGREA31431
<b>PROFESSIONAL AND TECHNICAL COURSES COMPLETED</b>		
SREA COURSE 101		SOCIETY OF REAL ESTATE APPRAISERS
SREA COURSE 201		SOCIETY OF REAL ESTATE APPRAISERS
SREA COURSE 202		SOCIETY OF REAL ESTATE APPRAISERS
STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE A&B		APPRAISAL INSTITUTE
USPAP		CONSTRUCTION DETAILS AND TRENDS
USPAP		USPAP - APPLYING THE STANDARDS
APPRAISING INCOME PROPERTIES		ACADEMY OF REAL ESTATE APPRAISERS
FEDERAL & STATE LAWS & REGULATIONS		CALIFORNIA REAL ESTATE PRINCIPLES
STATISTICS, CAPITALIZATION		MORTGAGE FRAUD
PARTIAL INTERESTS		AD VALOREM TAX CONSULATION
FEDERAL & STATE LAWS & REGULATIONS		THE COST APPROACH
LITIGATION SEMINAR		RESIDENTIAL PROPERTY SEMINAR
VALUING INCOME PROPERTIES		EXPENSE SEMINAR
DISCOUNTED CASH FLOWS		SPREAD SHEET ANALYSIS
CAPITALIZATION TECHNIQUES		PARTIAL INTERESTS
APPRAISAL MATHEMATICS		SITE PLANNING & LAND DEVELOPMENT
ECONOMIC FORECASTS		SOUTHERN CALIFORNIA MARKET TRENDS
VALUATION OF FAST FOOD RESTAURANTS		APPRAISAL OF SELF-STORAGE FACILITIES
LAND AND SITE VALUATIONS		APPRAISING APARTMENTS



## APPRAISER'S LICENSE

	<p>Business, Consumer Services &amp; Housing Agency  <b>BUREAU OF REAL ESTATE APPRAISERS</b>  <b>REAL ESTATE APPRAISER LICENSE</b></p>	<p><b>Aaron D. Gardner</b></p>	<p>has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:</p>	<p>"Certified General Real Estate Appraiser"</p>	<p>This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.</p>	<p>BREA APPRAISER IDENTIFICATION NUMBER: AG 005074</p>	<p>Effective Date: August 16, 2016          Date Expires: August 15, 2018</p>	<p>          Jim Martin, Bureau Chief, BREA</p>	<p>3028121</p>
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THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"