

# APPRAISAL REPORT

MARKET VALUE APPRAISAL STUDY  
THREE CITY-OWNED RESIDENTIAL PROPERTIES  
617, 625, AND 637 WEST LA VETA AVENUE  
ORANGE, CALIFORNIA 92868  
APNS 041-141-10, 11, AND 12



R. P. LAURAIN  
& ASSOCIATES  
INCORPORATED

**APPRAISAL REPORT**

MARKET VALUE APPRAISAL STUDY  
THREE CITY-OWNED RESIDENTIAL PROPERTIES  
617, 625, AND 637 WEST LA VETA AVENUE  
ORANGE, CALIFORNIA 92868  
APNS 041-141-10, 11, AND 12

Effective Date  
of  
Appraisal  
September 21, 2020

Prepared for  
CITY OF ORANGE  
300 East Chapman Avenue  
Orange, California 92866

Prepared by  
R. P. LAURAIN & ASSOCIATES, INC.  
3353 Linden Avenue, Suite 200  
Long Beach, California 90807

Date of Report  
October 16, 2020

# R . P . L A U R A I N & A S S O C I A T E S

INCORPORATED



3353 LINDEN AVENUE, SUITE 200  
LONG BEACH, CALIFORNIA 90807  
TELEPHONE (562) 426-0477  
FACSIMILE (562) 988-2927  
RPLA@RPLAURAIN.COM

October 16, 2020

City of Orange  
300 East Chapman Avenue  
Orange, California 92866

Attention: Aaron Schulze  
Senior Administrative Analyst

Subject: Market Value Appraisal Study  
Three City-Owned Residential Properties  
617, 625, and 637 West La Veta Avenue  
Orange, California 92868  
APNs 041-141-10, 11, and 12

In accordance with your request and authorization, I have appraised the above-referenced properties, as of a current date. The purpose of this appraisal is to determine the current market value of the subject properties, in the "as is" fair-poor condition, and as if encumbered with a proposed long-term affordable housing covenant, for the possible sale/disposition thereof. The appraisal included (1) an inspection of the subject properties, (2) a review of market data in the subject market area, and (3) valuation analyses. The date of value utilized in this appraisal is September 21, 2020.

The properties appraised herein (subject properties) represent three adjacent parcels identified as Assessor Parcel Numbers (APNs) 041-141-10, 11, and 12, located at 617, 625, and 637 West La Veta Avenue, Orange. The properties are identified in the accompanying report by the property address, as follows:

- 617 West La Veta Avenue, Orange
- 625 West La Veta Avenue, Orange
- 637 West La Veta Avenue, Orange

The property at 617 West La Veta Avenue, Orange contains 5,400 square feet of land area and is located in the R-1-6 (Single Family Residential) zone of the City of Orange. The subject site is improved with a single family residence containing 1,028 square feet, three bedrooms, and one bathroom; the subject dwelling was built in 1924 and is in overall fair-poor condition. Other site improvements include a detached "oversized" one-car garage, paving, landscaping, fencing, etc.

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Attention: Aaron Schulze  
Senior Administrative Analyst  
October 16, 2020  
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The property at 625 West La Veta Avenue, Orange contains 5,400 square feet of land area and is located in the R-1-6 (Single Family Residential) zone of the City of Orange. The subject site is improved with a single family residence containing 973 square feet, three effective bedrooms (two bedrooms lack a closet), and one bathroom; the subject dwelling was built in 1923 and is in overall fair-poor condition. Other site improvements include a detached one-car garage, paving, landscaping, fencing, etc.

The property at 637 West La Veta Avenue, Orange contains 5,400 square feet of land area and is located in the R-1-6 (Single Family Residential) zone of the City of Orange. The subject site is improved with a single family residence containing 804 square feet, two bedrooms, and one bathroom; the subject dwelling was built in 1923 and is in overall fair-poor condition. Other site improvements include a wood shed, paving, landscaping, fencing, etc.

It is understood that the three subject properties are scheduled to be purchased by HomeAid Orange County, for a total price of \$700,000. Per a Letter of Intent provided for review, the buyer intends to renovate the three subject properties appraised herein, and lease them to tenants having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on each property, which proposed dwelling units will also be leased to affordable housing tenants.

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwellings be leased to tenants having an income based on 50% of the area median income (AMI). The maximum rental rate at each subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for each subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the proposed affordable housing use at the subject properties.

City of Orange  
Attention: Aaron Schulze  
Senior Administrative Analyst

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Further, due to the extensive repairs required at the subject properties, and the lack of an adequate number of comparable sales of "fixer" properties, the properties have been appraised as if the required repairs have been completed, and then said costs (costs to cure) have been deducted from the value of the property.

The purpose of this appraisal report is to express an estimate of the market value of the subject properties. After considering the various factors which influence value, the market value of the fee simple interest in the subject properties, in the present "as is" condition, and as if encumbered with the proposed affordable housing covenants, as of September 21, 2020, is as follows:

617 West La Veta Avenue, Orange	\$222,000
625 West La Veta Avenue, Orange	\$196,000
637 West La Veta Avenue, Orange	<u>\$198,000</u>
Total:	\$616,000

As stated, the subject properties are scheduled to be purchased by HomeAid Orange County, for a total price of \$700,000. While said offer price is 14% higher than the market value (based on subject appraisal study), it is likely that the increased price is due to the proposed buyer's plans to develop an accessory dwelling unit (ADU) on each property, which proposed dwelling units will also be leased to affordable housing tenants (i.e. additional income).

Also note that while the subject properties have been valued individually, as three separate single family residential properties, selling the properties to a single buyer/investor would not reasonably require a discount. While large portfolio properties sometimes sell at discounted rates, said discount wouldn't reasonably apply in the subject case, based on (1) a review of certain single and multiple family residential property portfolio sales, and (2) current demand from large institutional investors, who prefer large portfolio properties, compared with individual single family or multi-family residential properties.

Further, if the subject properties did have a nominally lower value as a larger portfolio, a typical private seller in the market would reasonably sell the properties individually, in order to achieve a higher price.

City of Orange  
Attention: Aaron Schulze  
Senior Administrative Analyst

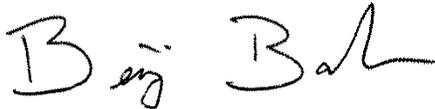
October 16, 2020  
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The foregoing values are subject to (1) the assumptions and limiting conditions set forth in the Preface Section, and (2) the valuation studies set forth in the Valuation Analysis Sections. No portion of this report shall be amended or deleted.

This appraisal complies with the reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. If you have any questions regarding this report, please contact me at your convenience.

Very truly yours,

R. P. LAURAIN & ASSOCIATES, INC.

A handwritten signature in black ink that reads "Ben Balos". The signature is written in a cursive style with a large initial "B" and a stylized "Balos".

Benjamin V. Balos, MAI  
Senior Appraiser  
Certified General Real Estate Appraiser  
California Certification No. AG 040853

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Terms and Definitions

### **PARCEL SECTIONS**

617 West La Veta Avenue, Orange  
625 West La Veta Avenue, Orange  
637 West La Veta Avenue, Orange

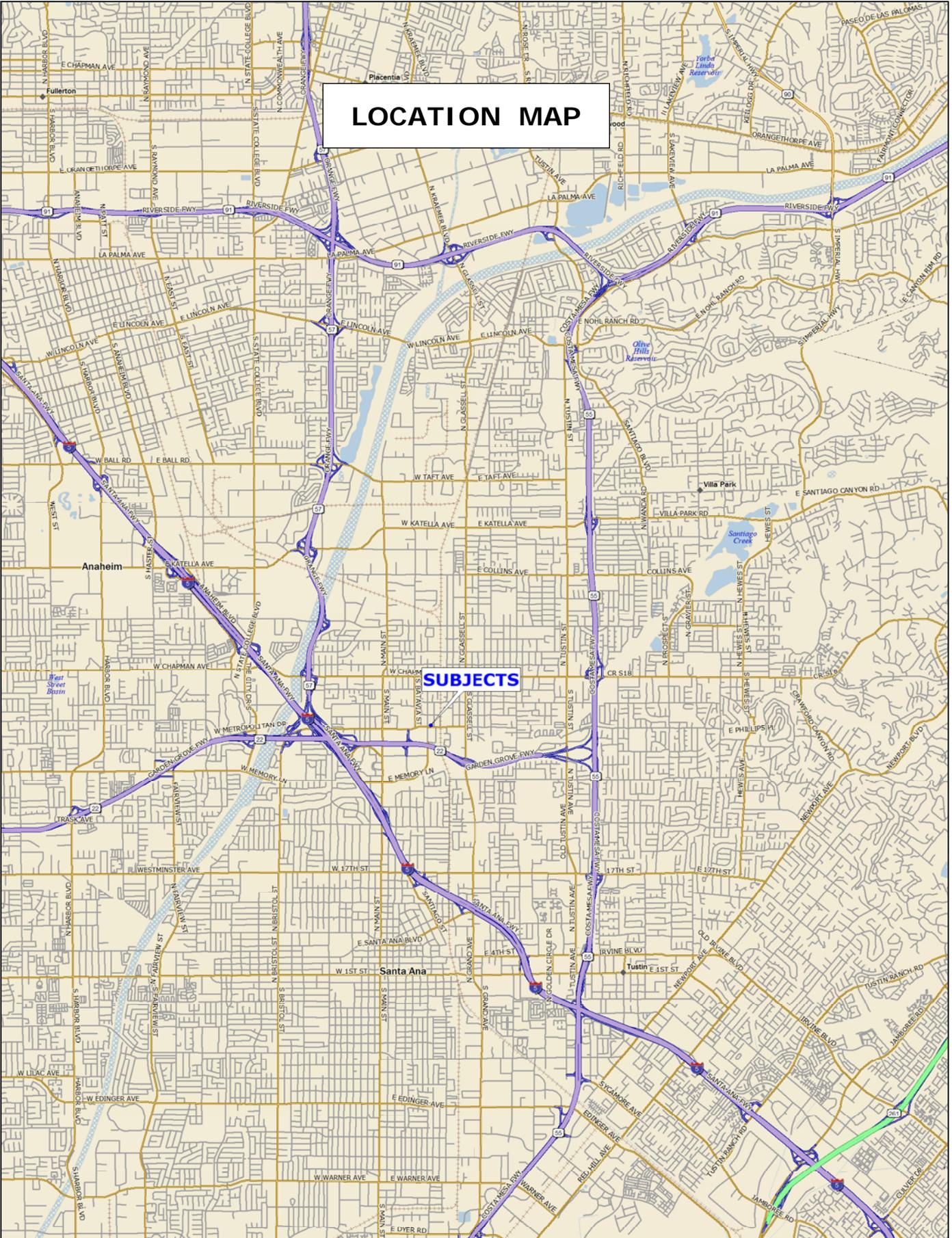
### **MARKET DATA**

Summary of Single Family Residential Sale Properties  
Single Family Residential Sale Data and Photographs  
Market Data Map

### **ADDENDA**

Neighborhood Environment  
Qualifications of Appraiser

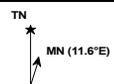
## **PREFACE**



Data use subject to license.

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www.delorme.com



Scale 1 : 81,250



1" = 1.28 mi

Data Zoom 12-0

## **DATE OF VALUE**

The date of value (effective date) employed in this appraisal is September 21, 2020, which date is (1) concurrent with the inspection of the subject properties, and (2) generally concurrent with the valuation analysis process.

## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal report is to express an estimate of the market value of the fee simple interest in the subject properties, as of the date of value set forth above, in the "as is" fair-poor condition, and as if encumbered with the proposed long-term affordable housing covenant. Further, it is the purpose of this appraisal report to describe the subject properties and to render an opinion of the highest and best use based on (1) the character of existing and potential development of the properties appraised, (2) the requirements of local governmental authorities affecting the subject properties, (3) the reasonable demand in the open market for properties similar to the properties appraised, and (4) the location of the subject properties considered with respect to other existing and competitive districts within the immediate and general subject market area. It is also the purpose of this report to provide an outline of factual and inferential information which was compiled and analyzed in the process of completing this appraisal.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised herein are those of the fee simple interest. Fee simple is defined as, "An absolute fee; a fee without limitation to any particular class of heirs, or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate."

## **CLIENT**

The client for the subject appraisal assignment is the City of Orange.

## **INTENDED USER OF APPRAISAL**

The intended user of this appraisal is the City of Orange, including representatives thereof.

## **INTENDED USE OF APPRAISAL**

It is understood that this appraisal will be utilized to establish the current market value of the subject properties, in the "as is" fair-poor condition, and as if encumbered with the proposed long-term affordable housing covenant, for the possible disposition (sale) thereof.

## **CERTIFICATION**

The undersigned hereby certifies that:

I have personally inspected the properties that are the subject of this appraisal report. I have no present or contemplated future interest in the real estate which is the subject of this appraisal report. Also, I have no personal interest or bias with respect to the subject matter of this appraisal or the parties involved in this assignment.

My engagement in this assignment and the amount of compensation are not contingent upon the reporting or development of predetermined values, or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of predetermined or stipulated results, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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

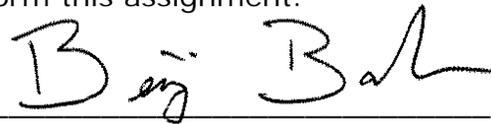
This appraisal report sets forth all the assumptions and limiting conditions (imposed by the terms of this assignment or by the undersigned), affecting my personal, impartial, and unbiased analyses, opinions, and conclusions.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with (1) the Uniform Standards of Professional Appraisal Practice (USPAP), and (2) the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

As of the date of this appraisal report, I have completed the continuing education program for Designated Members of the Appraisal Institute, as well as the State of California. The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. Note that duly authorized representatives of the aforementioned organizations have the right to review this report.

**CERTIFICATION** (Continued)

No one other than the undersigned prepared the analyses, conclusions, and opinions for this appraisal study. No other person provided significant professional assistance. Note that Adrian Filip (1) assisted with conducting the on-site appraisal inspections, and (2) provided the appraiser with detailed information pertaining to the repairs and renovation required at the subject properties, including the applicable costs thereof. Also note that I have not appraised the subject property, or provided any other services, as an appraiser or in any other capacity, regarding the subject property, within the three-year period immediately preceding the agreement to perform this assignment.



---

Benjamin V. Balos, MAI  
Senior Appraiser  
Certified General Real Estate Appraiser  
California Certification No. AG 040853  
Renewal Date: August 3, 2022

## **SCOPE OF THE APPRAISAL**

The appraiser, in connection with the subject appraisal assignment, has:

1. Been retained, and has accepted the assignment, to make an objective analysis and valuation study of the subject properties and to report, without bias, his estimate of the market value of the subject properties, in the "as is" fair-poor condition, and as if encumbered with the proposed long-term affordable housing covenant. The subject properties are described in the respective parcel sections of this report.
2. Toured the general area by automobile to become acquainted with the extent, condition, and quality of nearby developments, sales and offerings in the area, density, and type of development, topographical features, economic conditions, trends toward change, etc.
3. Walked within the neighborhood of the subject properties, to become acquainted with the current particular attributes, or shortcomings, of said neighborhood.
4. Completed an inspection of the subject properties for the purpose of becoming familiar with certain physical characteristics.
5. Made a visual observation concerning public streets, access, drainage, and topography of the subject properties.
6. Obtained information regarding public utilities and sanitary sewer available at the subject sites.
7. Made, or obtained from other qualified sources, calculations on the area of land contained within the subject properties. Has obtained plat maps of the subject properties, and has checked said maps for accuracy and fair representation.
8. Taken photographs of the subject properties, together with photographs of the immediate environs.
9. Made a search of public records for factual information regarding recent sales of the subject properties.

**SCOPE OF THE APPRAISAL** (Continued)

10. Reviewed current maps, zoning ordinances, and other material for additional background information pertaining to the subject properties, as well as the comparable land sale properties.
11. Attempted to visualize the subject properties as they would be viewed by a willing and informed buyer, as well as a willing and informed seller.
12. Interviewed various persons, in both public and private life, for factual and inferential information helpful in this appraisal study.
13. Formed an opinion of the highest and best use applicable to the properties appraised herein.
14. Made a search for recent sales of comparable sale properties. Has viewed and obtained certain other information pertaining to each comparable sale property contained in this report.
15. Formed an estimate of the market value of the subject properties, by application of the Sales Comparison Approach; the Cost Approach and Income Approach were not considered applicable in the subject case.
16. Prepared this appraisal report in accordance with the Uniform Standards of Professional Appraisal Practice, and in summation of all the activities outlined above.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is made with the following understanding as set forth herein:

1. That this narrative Appraisal Report is intended to comply with reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. The information contained in this report is specific to the needs of the client; no responsibility is assumed for the unauthorized use of this report.
2. That title to the subject properties is assumed to be good and merchantable. Liens and encumbrances, if any, have not been deducted from the final estimates of value. The vestings were obtained from Orange County Assessor records, and have been relied upon as being accurate. The subject properties have been appraised as though under responsible ownership. The legal descriptions are assumed to be accurate.
3. That the appraiser assumes that there are no unapparent conditions of the subject properties, subsoil, structures, or other improvements, which would render them more or less valuable, unless otherwise stated. Further, the appraiser assumes no responsibility for such conditions or for the engineering which might be required to discover such conditions. All mechanical and electrical systems and equipment are assumed to be in good working order. The property appraised is assumed to meet all governmental codes, requirements, and restrictions. The properties appraised are assumed to meet all governmental codes, requirements, and restrictions, unless otherwise stated.
4. That the appraiser was not provided any soils, environmental assessment, or biological assessment reports, pertaining to the subject properties; any information provided by other qualified sources pertaining to these matters is believed accurate, but no liability is assumed for such matters. Further, information, estimates and opinions furnished by others and contained in this report pertaining to the subject properties and market data were obtained from sources considered reliable and are believed to be true and correct. No responsibility, however, for the accuracy of such items, can be assumed by the appraiser.

## **ASSUMPTIONS AND LIMITING CONDITIONS** (Continued)

5. Unless stated otherwise, it is assumed there are no encroachments, easements, soil toxics, or other physical conditions adversely affecting the value of the subject sites.
6. That no report(s) pertaining to mold, organic toxins, or chemical substances at the subject properties was provided to the appraiser; therefore, information, if any, provided by other qualified sources pertaining to these matters is believed accurate, but no liability is assumed by the appraiser for such matters. That unless otherwise stated herein, the subject properties have been appraised assuming the absence of mold, organic toxins, the presence of asbestos, or other organic and/or chemical substances which may adversely affect the value of the subject properties.
7. That no opinion is expressed regarding matters which are legal in nature or which require specialized investigation or knowledge ordinarily not employed by real estate appraisers, even though such matters may be mentioned in the report.
8. That no oil or mineral rights have been included in the opinion of value expressed herein. Further, that oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.
9. The distribution of the total valuation in this report between land and improvements, if any, applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
10. That the subject valuation studies are based upon economic and financing conditions prevailing as of the date of value set forth herein. Further, the valuations assume good, competent, and aggressive management of the subject properties.
11. That the appraiser has conducted a visual inspection of the subject properties and the market data properties, from the adjacent public rights of way. Should subsequent information be provided relative to changes or differences in (1) the quality of title, (2) physical condition or characteristics of the properties, and/or (3) governmental restrictions and regulations,

## **ASSUMPTIONS AND LIMITING CONDITIONS** (Continued)

which would increase or decrease the value of the subject properties, the appraiser reserves the right to amend the final estimates of value.

12. That the appraiser, by reason of this appraisal, is not required to give testimony in court, or at any other governmental or quasi-governmental hearing, with reference to the properties appraised, unless contractual arrangements have been previously made.
13. That drawings, maps, and other exhibits in this report are for illustration purposes only and are not necessarily prepared to standard engineering or architectural scale.
14. That this report is effective only when considered in its entire form, as delivered to the client. No portion of this report will be considered binding if taken out of context.
15. That possession of this report, or a copy thereof, does not carry with it the right of publication, nor shall the contents of this report be copied or conveyed to the public through advertising, public relations, sales, news, or other media, without the written consent and approval of the appraiser, particularly with regard to the valuation of the properties appraised and the identity of the appraiser, or the firm with which he is connected, or any reference to the Appraisal Institute, or the American Society of Appraisers, or designations conferred by said organizations.
16. That the form, format, and phraseology utilized in this report, except the Certification and Terms and Definitions, shall not be provided to, copied, or used by, any other real estate appraiser, real estate economist, real estate broker, real estate salesperson, property manager, valuation consultant, investment counselor, or others, without the written consent and approval of John P. Laurain, President, R. P. Laurain and Associates, Inc.
17. That this appraisal is considered completely confidential. The appraiser will not disclose, in whole or in part, the contents of this appraisal, with anyone other than the client or persons designated by the client.

## **TERMS AND DEFINITIONS**

Certain technical terms have been utilized in this report, which are defined herein, for the benefit of those who may not be fully familiar with said terms.

### **MARKET VALUE:**

Market value is defined in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) as follows:

"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 and 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 acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing, or sales concessions granted by anyone associated with the sale."

### **SALES COMPARISON APPROACH:**

The Sales Comparison Approach is one of the three accepted methods of estimating Market Value. This approach consists of the investigation of recent sales of similar properties to determine the price at which said properties sold. The information so gathered is judged and considered by the appraiser as to its comparability to the subject property. Recent comparable sales are the basis for the Sales Comparison Approach.

## **TERMS AND DEFINITIONS** (Continued)

### **COST APPROACH:**

The Cost Approach consists of estimating the new construction cost of the building and yard improvements and making allowances for depreciation. The depreciated reconstruction value of the improvements is then added to the Land Value estimate gained from the Sales Comparison Approach. The sum of these two figures is the value indicated by the Cost Approach.

### **INCOME APPROACH:**

The Income Approach consists of capitalizing the net income of the property under study. The capitalization method studies the income stream, allows for (1) vacancy and credit loss, (2) fixed expenses, and (3) operating expenses, and estimates the amount of money which a prudent investor would pay to obtain the net income. The capitalization rate is commensurate with the risk and may be adjusted for future value appreciation or depreciation.

The gross income multiplier method is a form of the Income Approach. It is based on certain market rates and factors. The gross income multiplier method is usually applied to residential income properties of one to four units. The method is applied with the use of (1) the gross annual income stream (at market rental rates), and (2) a gross income multiplier. The market rental rates are based on rates at other similar rental properties. The gross income multiplier is obtained by a review and analysis of sale properties, similar to the property being appraised, having rental income; the gross income multiplier is the ratio of the sale price to the gross income produced at the time of sale.

### **DEPRECIATION:**

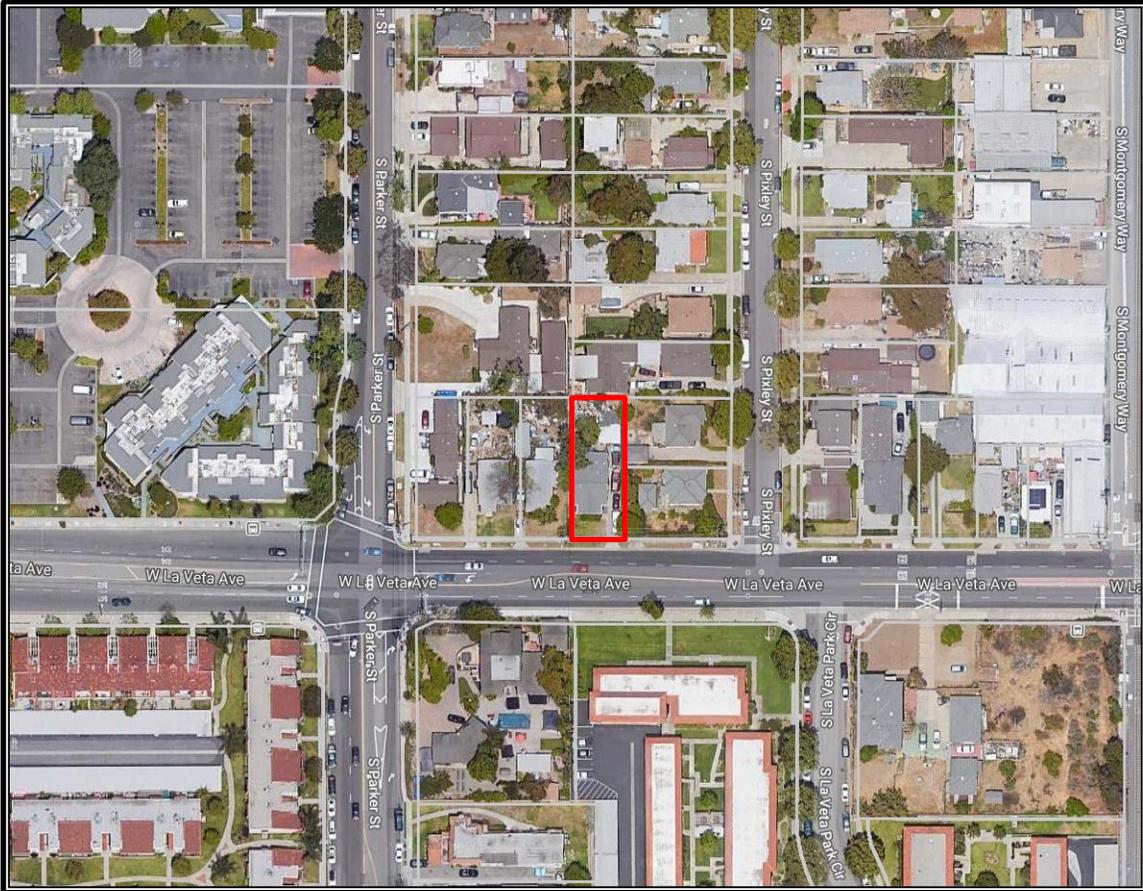
Depreciation refers to a lessening in value from any of several causes. Depreciation is not based on age alone, but can result from a combination of age, condition or repair, functional utility, neighborhood influences, or any outside economic causes. Depreciation applies only to improvements. The amount of depreciation is a matter for the judgment of the appraiser.

### **HIGHEST AND BEST USE:**

The term "highest and best use" describes that private use which will (1) yield the greatest net return on the investment, (2) be permitted (or have reasonable probability of being permitted) under applicable laws, and (3) be appropriate and feasible under a reasonable planning, zoning, and land use concept.

**617 WEST LA VETA AVENUE**

**617 WEST LA VETA AVENUE, ORANGE**



Aerial photograph of subject property (outlined in red).

See additional photographs on pages 12 through 16.

APPARENT VESTEE: City of Orange

PROPERTY ADDRESS: 617 West La Veta Avenue  
Orange, California 92868

LEGAL DESCRIPTION: Lot 4 in Block B of Tract No. 545 La Veta Home Tract, per map recorded in Book 18, Page 11 of Miscellaneous Maps, in the office of the County Recorder, County of Orange, California.

LOCATION: North side of La Veta Avenue, beginning 135 feet east of Parker Street, in the City of Orange, California.

**SITE DESCRIPTION**

617 W. LA VETA AVE.

LOT DIMENSIONS: 45 feet wide and 120 feet deep.

LAND SHAPE: Rectangular land configuration.

LAND AREA: 5,400 square feet of land area (0.124± acres).

TOPOGRAPHY: Effectively level and generally at street grade.

DRAINAGE: Appears to be adequate.

FLOOD HAZARD: Per FEMA Flood Zone Map No. 06059C0163J, effective as of December 3, 2009, the subject site is located in an Area of Minimal Flood Hazard portion of Flood Zone X. Note that flood insurance is not federally required by lenders for loans on properties located in Flood Zone X.

EARTHQUAKE FAULT: Per maps provided by the State of California and the US Geological Survey, the subject site is not located within an active earthquake fault, however, the greater Southern California area is prone to earthquakes.

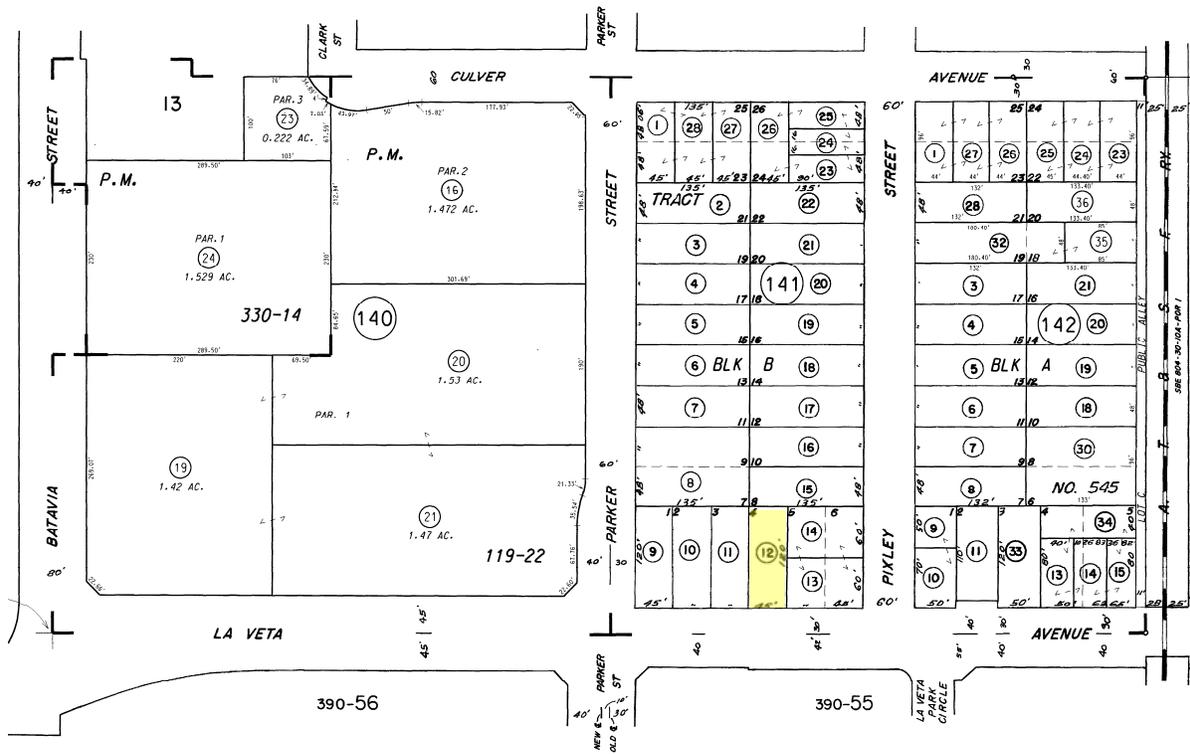
No seismic or geological studies were provided for review. No responsibility is assumed for the possible impact that seismic activity or earthquakes may have on the subject site.

SOIL STABILITY: Appears to be adequate, based upon the subject development. A soils report, however, was not provided for review.

SOIL CONTAMINATION: None known or observed. The subject property has been appraised as though free of soil contaminants requiring remediation.

OIL/MINERAL RIGHTS: The subject appraisal specifically excludes any existing oil or mineral rights. Further, oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.

APN 041-141-12



R. P. LAURAIN  
& ASSOCIATES  
APPRAISERS - ANALYSTS

**SITE DESCRIPTION** (Continued)

617 W. LA VETA AVE.

- BIOLOGICAL ASSESSMENT:** A biological assessment report was not provided for review. The site has been appraised as though free of any protected species or habitat (plants, insects, birds, animals, etc.).
- FRONTAGE/ACCESS:** The subject site has 45 feet of frontage on La Veta Avenue. Vehicular access onto the subject site is via one curb/drive apron on La Veta Avenue.
- RIGHT OF WAY WIDTH:** La Veta Avenue: 70-90 feet
- STREET TYPE:** La Veta Avenue is an asphalt-paved primary street that generally contains four traffic lanes (two in each direction). On-street parking is not permitted along La Veta Avenue, at the subject site frontage. Note that La Veta Avenue transitions to a secondary street, approximately 1/3-mile east of the subject property. Also note that La Veta Avenue "turns" 90 degrees and transitions to Bristol Street, approximately 1 1/2 miles west of the subject property.
- CURB, GUTTER, SIDEWALK:** La Veta Avenue includes concrete curbs, gutters, and sidewalks along both sides of the street.
- STREET LIGHTING:** La Veta Avenue includes streetlights mounted on ornamental standards and/or utility poles.
- PUBLIC UTILITIES:** Domestic water, natural gas, electric power, sanitary sewer, and telephone/internet service are available to the subject site.
- EASEMENTS:** A preliminary title report (PTR) was not provided for review. Easements, if existing, are assumed to (1) be generally located along the site boundaries, (2) not have a measurable impact on the overall utility or value of the site, and (3) not interfere with the existing or future highest and best use development of the subject property.

**SITE DESCRIPTION** (Continued)

617 W. LA VETA AVE.

EASEMENTS: (Continued) It is assumed that the subject site is not encumbered with any unrecorded "cross-lot" or "blanket" easements.

ENCROACHMENTS: None known or observed, however, a survey of the subject site was not provided for review.

ILLEGAL USES: None observed.

PRESENT USE: Single family residential use.

ZONING: The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which district was previously referred to as the "Old Towne" Overlay Zone/District.

The Historic District Zone supplements the existing "base" zoning standards within the City's historic areas. The City of Orange Municipal Code states that, "The City Council has determined that the spirit, character and history of the City, State, and Nation are reflected in the historic structures, improvements, natural features, sites, and areas of significance located within the City, and that in the face of ever-increasing pressures of modernization, cultural historic resources and historic districts located within the City are threatened with alteration, removal or demolition. These structures and districts represent the City's unique historical, social and cultural foundations, and should be preserved as living parts of community life and development in order to build a greater understanding of the City's past and to give future generations the opportunity to appreciate, understand and enjoy the City's rich heritage."

**SITE DESCRIPTION** (Continued)

617 W. LA VETA AVE.

ZONING: (Continued)

The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district. Due to the location in a historic district, the subject dwelling cannot be demolished.

OPPORTUNITY ZONE:

Opportunity Zones were established as part of the Tax Cuts and Jobs Act of 2017, to provide tax incentives for investment in certain designated census tracts (i.e. Opportunity Zones). Investments made on properties located in these zones (through special funds set up for this purpose) allow federal capital gains taxes to be deferred or eliminated.

The subject property is not located within a Qualified Opportunity Zone.

HIGHEST AND BEST USE:

Refer to the first portion of the Valuation Analysis Section for a discussion regarding the highest and best use of the subject property.

**BUILDING IMPROVEMENTS**

COMMENT:

Refer to the site plan drawing on the following page, which drawing was prepared by the appraiser.

TYPE OF STRUCTURE:

Single family residence.

NO. OF STORIES:

One story.

BUILDING SIZE:

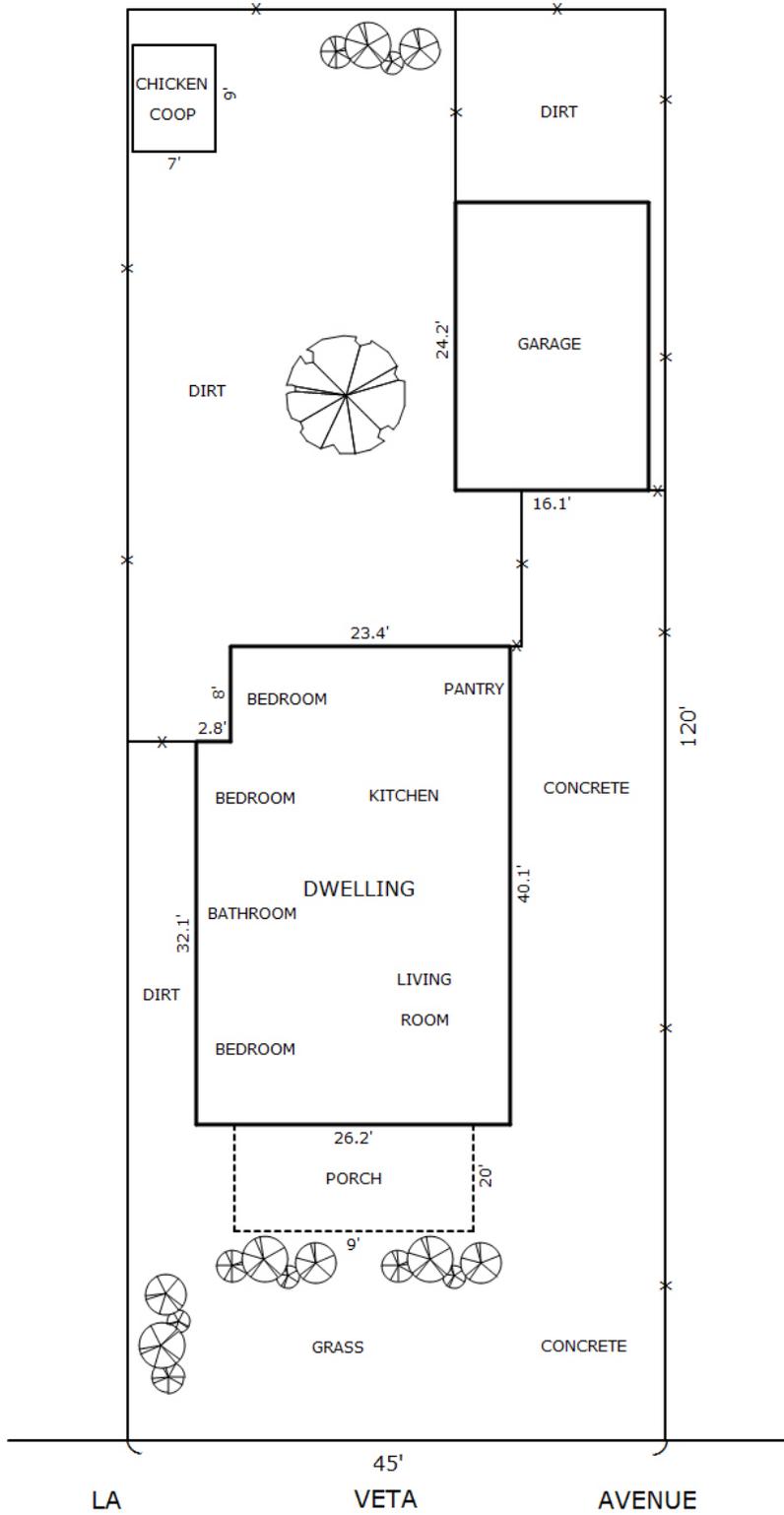
Based on building dimensions obtained during the appraisal inspection, the subject building contains 1,028 square feet of dwelling area.

YEAR BUILT:

Per Orange County Assessor records, the subject building was constructed in 1924.

CONSTRUCTION QUALITY:

Average quality Class D construction.



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& ASSOCIATES  
APPRAISERS - ANALYSTS

**BUILDING IMPROVEMENTS** (Continued)

617 W. LA VETA AVE.

FOUNDATION:	Perimeter concrete foundation.
EXTERIOR WALLS:	Painted wood slats over wood frame exterior walls.
ROOF SURFACING:	Asphalt shingle roof.
FLOORS:	Raised hardwood floor with hardwood, carpet, ceramic tile, and vinyl tile floor coverings.
INTERIOR WALLS:	Painted lath and plaster interior walls.
CEILINGS:	Painted lath and plaster ceilings.
DOORS:	Solid wood frame entry doors; wood frame and panel and double flush hollow core interior doors.
WINDOWS:	Double hung wood frame sliding windows and plate glass set in wood frame windows.
ELECTRICAL:	Conventional electrical system.
PLUMBING:	Conventional plumbing system. The dwelling contains one full bathroom (toilet, sink, bath-tub, and shower).
HEATING AND COOLING:	Gas-fired wall heater; window-mounted air conditioners; ceiling fan in living room.
FLOOR PLAN/LAYOUT:	The dwelling includes a living room, a family room, a kitchen, three bedrooms, and one full bathroom. Kitchen features include wood cabinets, a double sink, and Formica counter-tops and backsplash.
CELLAR:	The subject dwelling includes a concrete cellar under the northeast portion of the building. The cellar is accessed via an external staircase and contains 45 square feet, plus an additional 65 square feet of "built-in" concrete shelf space.
CONDITION:	The subject building is currently in fair-poor condition, and requires renovation and repair.

**OTHER IMPROVEMENTS**

617 W. LA VETA AVE.

GARAGE: Detached "oversized" one-car garage of wood frame construction, containing 390 square feet.

OTHER: Other site improvements include a chicken coop, concrete paving, grass, shrubbery, and tree landscaping, fencing, etc.

**TENANT DATA**

COMMENT: The subject property is currently vacant.

**OWNERSHIP HISTORY**

COMMENT: Per Orange County Assessor records, the subject property has been vested with the current owner (City of Orange) for more than 20 years. It is understood that the City acquired the subject property for a street widening project that was never completed.

Taking into account (1) the acquisition date, and (2) the fact that the owner represents a public agency having the power of condemnation, the last sale of the subject property is not considered relevant to current market value.

It is understood that the subject property is scheduled to be purchased by HomeAid Orange County, along with the other two properties appraised herein, for a total price of \$700,000.

**AFFORDABLE HOUSING USE**

COMMENT: Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on the property, which dwelling unit will also be leased to an affordable housing tenant.

**AFFORDABLE HOUSING USE** (Continued)

617 W. LA VETA AVE.

COMMENT: (Continued)

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. any future buyers must continue the affordable housing use).

**ASSESSMENT DATA**

ASSESSOR'S PARCEL NO.: 041-141-12

ASSESSED VALUATIONS:	Land:	\$211,536
	Improvements:	<u>32,146</u>
	Total:	\$243,682

TAX CODE AREA: 08-001

TAX YEAR: 2020-2021

REAL ESTATE TAXES: \$339.00\*

\*Real estate taxes will be adjusted in the event the subject property is sold to a private party. The adjusted real estate tax burden will be 1.04782% of the sale price, or Assessor's "cash value." In the absence of a sale, transfer, or capital improvements, the maximum allowable increase in the assessed valuations is 2% per year (per the Real Estate Tax Initiative of 1978, known as Proposition 13).

**APPRAISAL INSPECTION**

617 W. LA VETA AVE.

COMMENT: The formal on-site appraisal inspection was conducted on September 21, 2020. The appraiser conducted a complete exterior and interior inspection of the subject property.

**NEIGHBORHOOD ENVIRONMENT**

COMMENT: Refer to the Neighborhood Environment portion of the Addenda Section for comments pertaining to the subject neighborhood.

Refer to subject property photographs beginning on the following page.

617 W. LA VETA AVE.



PHOTO NO. 1: View looking northwest at subject property from La Veta Avenue.



PHOTO NO. 2: View looking southeast across rear yard of subject property (note "oversized one-car garage").

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617 W. LA VETA AVE.



PHOTO NO. 3: View looking at exterior staircase leading to concrete cellar (under northeast portion of building).



PHOTO NO. 4: Interior view of kitchen at subject dwelling.



PHOTO NO. 5: Interior view of living room at subject dwelling (note wall heater and ceiling fan).



PHOTO NO. 6: Interior view of family room at subject dwelling.



PHOTO NO. 7: Interior view of typical bedroom at subject dwelling.



PHOTO NO. 8: Interior view of bathroom at subject dwelling.

617 W. LA VETA AVE.



PHOTO NO. 9: View looking east along La Veta Avenue from intersection of Parker Street.



PHOTO NO. 10: View looking west along La Veta Avenue from intersection of Pixley Street.

## **VALUATION ANALYSIS**

617 W. LA VETA AVE.

The purpose of this appraisal study is to estimate the current market value of the fee simple interest in the subject property, as if the property is encumbered with the proposed 55-year affordable housing covenant.

Prior to the application of the appraisal process, it is necessary to consider and analyze the highest and best use of the subject property.

### ***HIGHEST AND BEST USE ANALYSIS:***

The 14th Edition of The Appraisal of Real Estate, by the Appraisal Institute, defines highest and best use on Page 332, as follows:

"The reasonably probable use of property that results in the highest value."

In the analysis of which uses are reasonably probable, three criteria are applied in the following order to develop adequate support for the determination of highest and best use:

1. Physically possible
2. Legally permissible
3. Financially feasible

While these criteria are generally considered sequentially, the tests of physical possibility and legal permissibility can be applied in either order, but they must both be applied before the test of financial feasibility. Uses that meet all three criteria of being reasonably probable are then tested for economic productivity, to identify the maximally productive use. The reasonably probable use with the highest value (i.e. maximally productive) is the highest and best use.

In the process of forming an opinion of highest and best use, consideration must be given to various environmental and political factors such as zoning restrictions, probability of zone change, private deed restrictions, location, land size and configuration, topography, and the character/quality of land uses in the immediate and general subject market area.

### ***Conclusion, as if Vacant:***

The subject property contains effectively level topography and 5,400 square feet of land area (0.124± acres). The subject site has an inside (mid-block) location on a primary street. Vehicular and pedestrian access to the subject site are rated average. Due to the primary street frontage, noise and traffic pollution are rated below average.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

All public utilities including water, natural gas, electric power, telephone, and sanitary sewer are available to the subject site. The physical characteristics of the subject site are considered adequate to accommodate legally permissible uses.

The subject neighborhood is developed with a mixture of single family residential, low to medium density multiple family residential, and commercial uses. The subject property is located 1½ blocks east of St. Joseph Hospital - Orange.

The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which supplements the existing "base" zoning standards within the City's historic areas. The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district.

Based upon tenant and owner/user demand at other residential developments within the immediate subject market area, and considering the location of the subject property, and the existing R-1-6 zoning designation, single family residential development of the subject site, if vacant, would be financially and economically feasible.

After considering the physical characteristics of the subject property, as well as the legally permissible and financially feasible uses, the maximally productive use, and therefore, the highest and best use of the subject property, if vacant, would be single family residential development, in accordance with current zoning and development standards. Note that the subject site could support development of one single family residence, along with an accessory dwelling unit (ADU).

***Conclusion, as Improved:***

The subject site is improved with a single family residence containing 1,028 square feet, three bedrooms, and one bathroom; the subject dwelling was built in 1924 and is in overall fair-poor condition. Other site improvements include a detached "oversized" one-car garage, paving, landscaping, fencing, etc. Due to the location in a historic district, the subject dwelling cannot be demolished.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

The subject property, as presently improved with the single family residential development, is physically possible. The subject improvements are in overall fair-poor condition. The functional utility of the subject property, as presently improved and utilized as a single family residence, is rated below average. The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The subject property has been appraised assuming the renovation has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The total cost required to repair and renovate the subject property (cost to cure) was then deducted from the market value of the subject property (assuming overall good condition), to estimate the "as is" value of the subject property.

Per a Letter of Intent provided for review, the buyer intends to renovate all three of the subject dwellings appraised herein, and lease them to tenants having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on each property, which proposed dwelling units will also be leased to affordable housing tenants.

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Refer to the latter portion of this section for (1) the estimated costs required to complete the required repairs (cost to cure), and (2) the discount required to account for the proposed affordable housing use.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

Based on an analysis of the comparable sale properties employed herein, and after considering the physical characteristics of the subject property (land and improvements), as well as those uses which are legally permissible and financially and feasible, the maximally productive use of the subject property, and therefore the highest and best use, is continuation of the present use, subsequent to completing the required repairs and renovation, until such time as the existing improvements become physically or functionally obsolete and no alternative uses for the improvements are feasible. The subject property, as presently improved, has been appraised accordingly.

***VALUATION METHODS:***

There are three conventional methods (approaches) which can be used to estimate value. They are the Sales Comparison Approach, Cost Approach, and Income Approach. The reader is referred to the last portion of the Preface Section, following the heading "Terms and Definitions," for a description of each approach to value.

The Sales Comparison Approach is the only approach considered applicable as a reliable indicator of value, and has been utilized herein, to determine the value of the subject property as currently improved. Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the affordable housing use at the subject property.

The Cost Approach is not considered applicable to the subject property, inasmuch as the age of the existing buildings makes difficult an accurate estimate of depreciation. Further, the subject property would likely be acquired by an owner-user that would not typically consider the alternative of acquiring a vacant residential lot and developing a new single family residence. Note that certain aspects of the Cost Approach have been utilized, as indicated in the latter portion of this section, titled "Cost to Cure".

The Income Approach is not considered applicable to the subject property, which would not typically be purchased as an income-producing or investment-type property. Note that an abbreviated version of the Income Approach (utilizing GIM method) has been utilized to determine the appropriate adjustment to apply to the subject property, to account for limited income potential of the subject property, based on the proposed affordable housing use.

***SALES COMPARISON APPROACH:***

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly delay is encountered in making the substitution. Thus, the Sales Comparison Approach attempts to equate the subject property with sales of comparable properties by analyzing and weighing the various elements of comparability.

The Sales Comparison Approach has been applied to the subject property for the purpose of estimating the value of the subject property, as presently improved with the single family residential development. The Sales Comparison Approach has been applied after an investigation and analysis was conducted of comparable single family residential properties that recently sold in the subject market area.

The reader is referred to the summary of Single Family Residential Sale Properties on the following page. The last entry represents the subject property (as if renovated) and is included to help the reader see the various characteristics of the subject property, as compared to the various sale properties; the date and sale price represent the date of value utilized herein and the value conclusion, prior to accounting for (1) the cost associated with the required renovation and repairs (cost to cure), and (2) the affordable housing use.

Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the proposed affordable housing use at the subject property. Further, due to the extensive repairs required at the subject property, and the lack of an adequate number of comparable sales of "fixer" properties, the property has been appraised as if the required repairs have been completed, and then said cost (cost to cure) has been deducted from the value of the property.

The proposed buyer plans to construct an accessory dwelling unit (ADU) at the subject property, which will also be leased to an affordable housing tenant. For appraisal purposes, said proposed construction of an ADU has not been considered herein, as (1) the ADU does not currently exist, (2) the costs to provide the ADU were not provided for review, and (3) all of the comparable sales utilized herein could reasonably support development of an ADU.

**Single Family Residential Sale Properties:**

<u>Data</u>	<u>Sale Date Address</u>	<u>Land Area</u>	<u>Dwelling Size</u>	<u>Year Built</u>	<u>Bedrooms Bathrooms</u>	<u>Garage</u>	<u>Sale Price</u>	<u>\$/SF Land \$/SF Bldg.</u>
4	11-18 257 S. Center St., Orange	4,000 sf	1,052 sf	1921	2 BR 1 BA	1-car det.	\$640,000	\$160.00 \$608.37
5	1-19 664 W. Palmyra Ave., Orange	6,000 sf	1,016 sf	1922	2 BR 1 BA	oversized det. 1-car	\$725,000	\$120.83 \$713.58
7	5-19 335 W. Palmyra Ave., Orange	6,145 sf	1,077 sf	1916	2 BR 1 ½ BA	1-car det.	\$741,500*	\$120.67 \$688.49
8	9-19 293 S. Citrus St., Orange	6,374 sf	1,084 sf	1950	3 BR 1 BA	2-car det.	\$669,000	\$104.96 \$617.16
9	10-19 148 N. Cleveland St., Orange	7,352 sf	1,000 sf	1910	2 BR 1 BA	1-car det.	\$745,000	\$101.33 \$745.00
11	12-19 409 W. Marietta Pl., Orange	4,347 sf	1,003 sf	1923	2 BR 2 BA	1-car det.	\$642,500*	\$147.80 \$640.58
14	4-20 192 N. Lester Dr., Orange	4,554 sf	1,048 sf	1929	3 BR 1 BA	2-car det.	\$610,000*	\$133.95 \$582.06
15	4-20 548 E. Washington Ave., Orange	7,500 sf	1,068 sf	1909	3 BR 2 BA	oversized det. 2-car	\$760,000	\$101.33 \$711.61
17	9-20 167 S. Pepper St., Orange	8,568 sf	1,137 sf	1946	3 BR 1 BA	2-car att.	\$680,000	\$79.37 \$598.07
SP	9-20 617 W. La Veta Ave., Orange	5,400 sf	1,028 sf	1924	3 BR 1 BA	oversized 1-car	\$695,000	\$128.70 \$676.07

\* Effective sale price (net of seller concessions)

***SALES COMPARISON APPROACH:*** (Continued)

The comparable sale properties include dwellings ranging in size from 1,000 to 1,137 square feet, which were built between 1909 and 1950, and are situated on lots ranging from 4,000 to 8,568 square feet; the properties sold at prices ranging from \$610,000 to \$760,000. The various sales are set forth in chronological order and took place between November 2018 and September 2020. Refer to the Market Data Section for additional information pertaining to each comparable sale property, as well as a map which illustrates the location of each property.

The first adjustments applied to the sale properties, when warranted, are known as transactional adjustments. Said transactional adjustments are generally applied to the sale properties in the sequence listed below, and are made cumulatively (i.e. the base changes before applying the next adjustment). Following is the list of transactional adjustments.

- Property rights conveyed
- Financing (cash equivalency)
- Conditions of sale
- Expenditures after sale
- Market conditions

***Property Rights Conveyed:***

The property rights conveyed at each sale transaction were considered in the valuation analysis. An adjustment can be required when a sale transaction conveyed a different set of property rights, compared to the property rights being appraised, such as leased fee vs. fee simple. When a property is leased, the property rights being appraised are generally those of the owner's leased fee interest. In the subject case, the property rights being appraised are those of the fee simple interest.

Certain of the sale properties utilized herein were leased at the time of sale; said sale transactions represent the sale of the owner's leased fee interest in the properties. Note, however, that said leases were generally month-to-month leases or short-term leases of approximately one year. Due to the short duration of residential leases in the subject market, there is no measurable difference in value between vacant single family residential properties and single family residential properties that are leased at or near market rates. Based on the foregoing, an adjustment for property rights conveyed is not warranted for any of the comparable sale properties.

## **VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

### ***SALES COMPARISON APPROACH:*** (Continued)

#### ***Financing and Cash Equivalency:***

Sale properties are adjusted for financing arrangements involved in transactions which are not market-typical. A cash equivalency adjustment is generally made in those cases wherein the financing of a property caused a higher purchase price. Common examples include seller financing or assumption of existing financing at non-market terms.

All of the sale transactions included all cash to seller transactions, generally with conventional or Federal Housing Administration (FHA) financing. Based on the foregoing, a cash equivalency adjustment is not warranted for any of the sales.

#### ***Conditions of Sale:***

An adjustment for conditions of sale is required when a property sold under atypical conditions, such as (1) a seller being under duress (REO transactions or other distressed sales), (2) a property selling as part of a bulk portfolio sale, (3) a developer paying a premium to acquire an adjacent property as part of assembling a larger development site, or (4) other similar situations where the motivation of a buyer or seller affects the price paid for a property.

Another item which can be accounted for in the "conditions of sale" adjustment is seller concessions, which lower the effective price paid by a buyer. It is necessary to consider said seller concessions in order to reflect the effective sale price. Data 7, 11, and 14 included seller concessions of \$7,500, \$7,500, and \$10,000, as part of the sale transactions. Note, however, that said seller concessions were deducted from the respective sale price, and the effective sale price has been utilized herein. Based on the foregoing, none of the sales required an adjustment for conditions of sale.

#### ***Expenditures after Sale:***

An adjustment is required when a buyer anticipates a particular expenditure that he or she will have to expend shortly after purchasing a particular property; the price paid by a knowledgeable buyer considers any required expenditures. Such expenditures can include (1) the cost to remediate known environmental contamination, (2) the cost to cure deferred maintenance at a building, or (3) similar costs that a buyer anticipates making upon purchase of a property, such as the cost to demolish an existing structure when an improved site is purchased for redevelopment. None of the comparable sale properties required an adjustment for expenditures after sale.

***SALES COMPARISON APPROACH:*** (Continued)

***Market Conditions:***

An adjustment for market conditions (date of sale) is appropriate when sales occur during a rising or declining market. The adjustments are based upon observations of the real estate market and value appreciation/declining cycles dating back more than 15 years. The market conditions adjustments utilized herein are based on (1) a residential market trend graph obtained from Zillow.com, (2) discussions with various market participants (agents, brokers, developers, etc.), (3) observations of local real estate market trends (sales activity, listing activity, development activity, etc.), and (4) a review of sale prices and current asking prices at comparable properties in the subject market area.

There was an upward value trend affecting residential properties in the subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized. Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due primarily to the subprime credit and housing crisis, as well as a lack of available financing. In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid to latter portion of 2012.

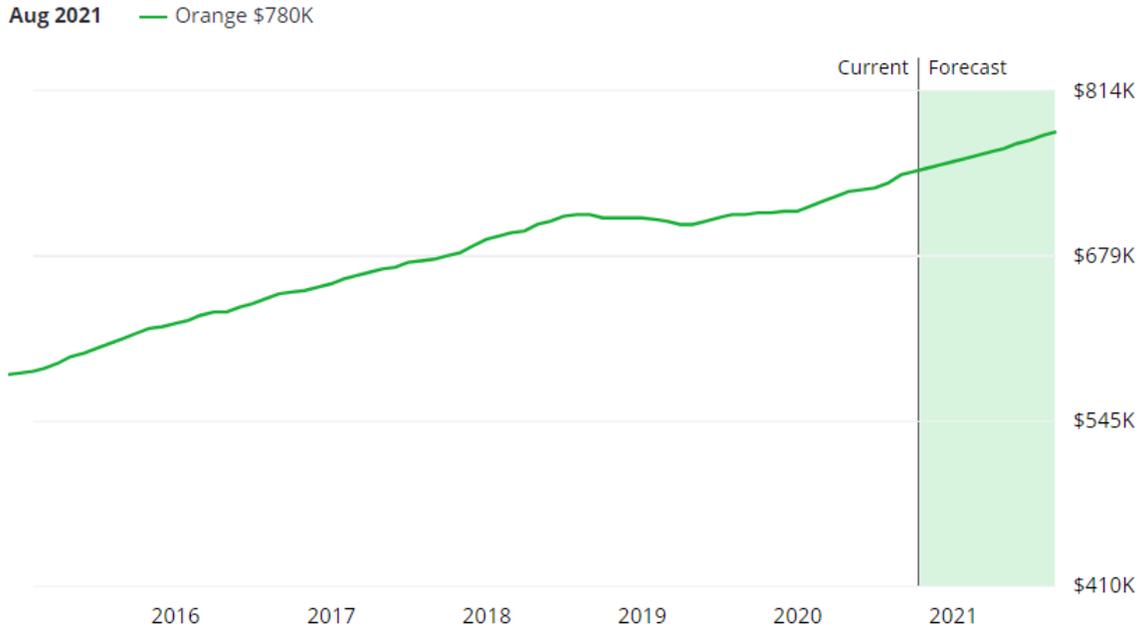
Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the mid portion of 2018, after which property values generally stabilized. Residential property values remained largely stable (level) from the mid portion of 2018 through the latter part of 2019. Residential property values again began to increase in the first part of 2020, and said increase has continued through the present time (October 2020). Note that buying activity has increased significantly over the past several months, due to a significant decline in mortgage interest rates, which led to historically low mortgage interest rates.

Refer to the graph on the following page, which was obtained from Zillow.com. The graph sets forth the median sale price of single family homes and condominiums in the City of Orange, over the past five years. The graph is based on the Zillow Home Value Index (ZHVI), which index is "a smoothed, seasonally adjusted measure of the median estimated home value across a given region and housing type."

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)



This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic. The ongoing pandemic, coupled with local, State, and Federal “Stay-at-home” (lockdown) orders, led to widespread and significant economic impacts, including (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020 (though the stock market has largely recovered over the past several months), and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic (note, however, that the unemployment rate has decreased somewhat over the past several months). While there is limited data to property assess the effects of COVID-19 on the real estate market, it is clear that certain property types have been negatively affected much more severely than others.

Commercial property values (retail, office, restaurant, hotel, etc.) appear to have been negatively affected, though there isn’t yet enough data to measure said decline, as there are very few consummated transactions of commercial properties which were negotiated during the ongoing COVID-19 pandemic. While said decline in commercial real estate values is anticipated in the near future, as of the date of value utilized herein (effective date), the extent and severity of said decline is unknown. Many commercial property owners are simply choosing to not sell, if they can’t achieve the price that they desire. While

***SALES COMPARISON APPROACH:*** (Continued)

a decrease in demand normally leads to price/value reductions, most property owners are under no obligation to sell, and are choosing to “wait out” the pandemic, with the goal of relisting their properties once things have “settled down.”

The multiple family residential market also appears to have remained largely stable, though certain investors have become more hesitant to purchase multi-family properties at the present time. In addition, demand for multi-family properties has weakened somewhat, as investors have become more cautious, due to the uncertainty accompanying the ongoing pandemic and lockdown, and their potential negative effect on multiple family residential property values.

While there have not been adequate sale transactions and data points to demonstrate significant decreases in the multiple family residential markets, multiple economists and brokerage firms are forecasting a decrease in multiple family residential property values, beginning in the latter portion of 2020, and continuing through the mid or latter portion of 2021. Said anticipated decline is based in large part on recently passed moratoriums on rental increases and evictions, which are anticipated to impact multi-family property values, in the short term. Also note that many graphs and indexes fail to account for the drastically lower amount of sale transactions since the start of the pandemic/-lockdown. Certain graphs show multi-family properties continuing to increase through the present time, though the multi-family market has “weakened” somewhat since March 2020 to the present time (October 2020).

Also note that, as a result on ongoing strong demand for residential housing in the greater subject market area, most forecasts anticipate (1) a rather quick recovery, after the anticipated decline, and then (2) a continuation of the upward trend in residential property values, as well as rental rates, starting in the latter portion of 2021 or the first portion of 2022.

Note, however, that single family residential prices appear to be largely unaffected by the ongoing COVID-19 pandemic and resultant lockdown, as can be noted in the Zillow graph. While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that after one or two months of limited activity, residential buying activity surged, with many residential property listings receiving multiple offers, sometimes at “above asking” prices. Said increase in activity is due to historically low mortgage interest rates, as well as a lack of current inventory.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Based on the foregoing, quantitative time adjustments (i.e. market conditions adjustments) have been applied to the various sales utilized herein, based on the following schedule:

January-June 2018:	+	6.0% per year,	or	+	0.5% per month
July-December 2018:		0.0% per year,	or		0.0% per month
January-June 2019:		0.0% per year,	or		0.0% per month
July-December 2019:		0.0% per year,	or		0.0% per month
January-June 2020:	+	6.0% per year,	or	+	0.5% per month
July-October 2020:	+	6.0% per year,	or	+	0.5% per month

Note that the date of value utilized herein is September 21, 2020. As such, an adjustment for October 2020 has not been applied to the various comparable sale properties.

***Elements of Comparability:***

After considering the various transactional adjustments applied to the comparable sale properties, an analysis was made of a number of elements of comparability at the various sale properties, as compared to the subject property. Following are said elements of comparability:

- Location
- Immediate environmental influences
- Traffic/noise pollution
- Access
- Lot size
- Year built
- Construction quality
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements
- Within Orange Historic District
- Mills Act contract
- Street/off-site improvements

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

The above elements of comparability were not assigned equal weight in the analysis of each comparable sale property. The location, traffic/noise pollution, lot size, dwelling size, dwelling condition, number of bedrooms, number of bathrooms, and Mills Act contract were considered the most important factors in the analysis of the various residential sale properties.

Inasmuch as the overall sale price is the primary method utilized by buyers and sellers of single family residences, the analysis herein is based on the sale price of the various comparable sale properties. Note that the price per square foot of building area was also utilized as a secondary check.

The reader is referred to the Market Analysis Comparison Grid on the following page. As can be noted, all of the comparable sales, except Data 17, required a transactional adjustment for market conditions, ranging from 2.5% to 4.5%. None of the sales required adjustments for property rights conveyed, financing, conditions of sale, or expenditures after sale. The comparability adjustments applied to the various sale properties are judgment estimates which are intended to equate the subject property with the respective single family residential sale properties.

All of the comparable sales are considered generally similar to the subject property regarding location. Data 11 is judged inferior to the subject property regarding immediate environmental influences, as the property "backs" to a commercial/industrial development.

Due to the subject property's location on a primary street, all of the comparable sales are considered superior to the subject property regarding noise/traffic pollution, as all of the comparable sales are located on secondary streets (reduced traffic and noise pollution).

As stated, the analysis herein assumes that the required repairs have been completed, and the subject property is in overall good condition. Further note that the proposed renovation includes replacing the existing wall heater with a central heating and air conditioning system. Data 4, 8, 14, and 17 are judged inferior to the subject property regarding condition, as said properties are in average, above average, or average-good condition. Data 5, 7, 9, 11, and 15 are considered generally similar to the subject property regarding condition, as said properties are in good condition.

**MARKET ANALYSIS COMPARISON GRID**

	Data	4	5	7	8	9	11	14	15	17
	<b>Subject</b>									
Sale price:	-----	\$640,000	\$725,000	\$741,500	\$669,000	\$745,000	\$642,500	\$610,000	\$760,000	\$680,000
Rate per sf building:	-----	\$608.37	\$713.58	\$688.49	\$617.16	\$745.00	\$640.58	\$582.06	\$711.61	\$598.07
Transactional adjustments										
Property rights conveyed:	fee simple	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing (cash equivalency):	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Expenditures after sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Date of sale:	9-20	11-18	1-19	5-19	9-19	10-19	12-19	4-20	4-20	9-20
Market conditions:	-----	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	2.5%	2.5%	0.0%
Adjusted sale price:	-----	\$668,800	\$757,625	\$774,868	\$699,105	\$778,525	\$671,413	\$625,250	\$779,000	\$680,000
Adjusted rate per sf building:	-----	\$635.75	\$745.69	\$719.47	\$644.93	\$778.53	\$669.41	\$596.61	\$729.40	\$598.07
Comparability adjustments										
	<b>Subject</b>									
Location:	average	similar								
Immed. environmental influences:	average	similar	similar	similar	similar	similar	inferior	similar	similar	similar
Traffic/noise pollution:	below average	superior								
Access:	average	similar								
Lot size:	5,400 sf	inferior	superior	superior	superior	superior	inferior	inferior	superior	superior
Year built:	1923	similar								
Construction quality:	average	similar								
Dwelling size:	973 sf	superior	inferior	superior	superior	inferior	inferior	superior	superior	similar
Dwelling condition:	as if good condition	inferior	similar	similar	inferior	similar	similar	inferior	similar	inferior
Number of bedrooms:	3 bedrooms	inferior	inferior	inferior	similar	inferior	inferior	similar	similar	similar
Number of bathrooms:	1 bathroom	similar	similar	superior	similar	similar	superior	similar	superior	similar
Type of heating system:	as if central heat/AC	similar	similar	similar	similar	similar	inferior	inferior	similar	inferior
Garage:	1-car	inferior	similar	inferior	superior	inferior	inferior	superior	superior	superior
Other site improvements:	average	similar	similar	similar	similar	similar	superior	similar	similar	similar
Within Orange Historic District:	yes	similar	superior	similar	superior	similar	similar	superior	similar	superior
Mills Act contract:	no	similar	inferior	superior	inferior	superior	similar	inferior	superior	inferior
Street/off-site improvements:	average	similar	similar	similar	similar	similar	inferior	similar	similar	similar
	<b>Data</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>15</b>	<b>17</b>
Overall comparability:		inferior	superior	superior	superior	superior	inferior	inferior	superior	inferior

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Inasmuch as the subject property is located in a historical district, the property is eligible for the Mills Act contract program. Note, however, that the subject property does not currently have an active Mills Act contract. The Mills Act is a state law which allows cities to enter into contracts with the owners of historic structures. Said contracts allow a reduction of property taxes in exchange for the continued preservation of the property. Data 4 and 11 are considered similar to the subject property, as said sale properties, while located in historical zones and being eligible for the Mills Act, do not have active Mills Act contracts. Data 5, 8, 14, and 17 are inferior to the subject property regarding Mills Act contract, as said properties are not eligible for the Mills Act (not within historical districts). Data 7, 9, and 15 are superior to the subject property regarding Mills Act, as said properties have active Mills Act contracts in place, resulting in lower real estate taxes.

Refer to the Market Analysis Comparison Grid on the previous page to see all of the adjustments applied to the various comparable sale properties.

The reader is referred to the following array, which sets forth the various sale properties based on the overall comparability of each sale, as compared to the subject property (as if renovated). As stated, the unit rates have been adjusted for transactional adjustments, which in the subject case is limited to market conditions. The adjusted unit rates range from \$625,250 to \$779,000, as follows:

<u>Data</u>	<u>Overall Comparability</u>	<u>Adjusted Sale Price</u>
15	superior	\$779,000
9	superior	\$778,525
7	superior	\$774,868
5	superior	\$757,625
8	superior	\$699,105
<b>Subject</b>	<b>- - -</b>	<b>\$695,000</b>
17	inferior	\$680,000
11	inferior	\$671,413
4	inferior	\$668,800
14	inferior	\$625,250

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

As stated, the price per square foot of building area was utilized as a secondary check. The comparable sales have unit rates ranging from \$582.06 to \$745.00 per square foot of building area, prior to adjusting for marking conditions.

The indicated value of the subject property, based on the array analysis, is \$695,000, which equates to \$676.07 per square foot of building area. Said rate is toward the mid portion of the indicated range, and is considered appropriate given the various attributes of the subject property (location, lot size, dwelling size, condition, etc.).

Based on the foregoing analysis, the value of the subject property (1) as if renovated, and (2) before accounting for the affordable housing use, is \$695,000.

The foregoing analysis assumes that the required renovation at the subject property has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The following "Cost to Cure" section sets forth the costs required to repair and renovate the subject property (cost to cure). Said costs were then deducted from the above market value conclusion, to estimate the "as is" value of the subject property.

***COST TO CURE:***

The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The construction costs utilized herein are based primarily on information provided by an insurance adjuster familiar with construction and renovation costs, including costs associated with renovating historic properties. Said insurance adjuster inspected the subject property, along with the appraiser, at the time of the appraisal inspection, and provided the appraiser with detailed information pertaining to the repairs and renovation required at the subject property, including the applicable costs thereof. In addition, the appraiser consulted the Marshall & Swift Valuation Service cost manual, which provides building costs and site improvement costs for a wide variety of construction classes and materials.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***COST TO CURE:*** (Continued)

The cost to cure analysis applied herein includes both direct and indirect costs. Direct costs are those expenditures for labor and materials directly employed in the construction of the various improvements.

The indirect costs include (1) a contingency factor of 5%, (2) plan and permit fees of 2%, and (3) contractor's profit allowance of 10%. The indicated "cost to cure" applicable to the subject property, inclusive of direct and indirect costs, is estimated at \$213,000, as follows:

Complete set of architectural plans:	\$ 20,000
Lead abatement:	\$ 10,000
Replace roof:	\$ 11,500
Replace all windows:	\$ 18,000
Replace exterior wood siding:	\$ 23,000
Replace all flooring (hardwood):	\$ 14,500
New electrical throughout (wiring, outlets, etc.):	\$ 15,000
Plaster repair:	\$ 6,000
Replace copper piping:	\$ 5,000
Replace all interior doors:	\$ 9,000
Replace front door & rear door:	\$ 4,000
Finished carpentry:	\$ 9,000
Kitchen remodel:	\$ 10,000
Bath remodel:	\$ 7,500
Paint interior walls:	\$ 4,000
Yard demolition and clearing:	\$ 2,500
Install sprinklers and sod in backyard:	\$ 9,000
Repair/replace fencing and gates:	\$ 2,000
Porch repairs:	\$ 1,000
Subtotal:	\$ 181,000
Contingency (5%):	9,050
Subtotal:	\$ 190,050
Plans/permits (2%):	3,801
Subtotal:	\$ 193,851
Contractor's profit (10%):	19,005
Total:	\$ 212,856
Adjusted:	\$ 213,000

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***COST TO CURE:*** (Continued)

Based on the foregoing, the "as is" value of the subject property, before accounting for the affordable housing use, is \$482,000, as follows:

Value as if renovated:	\$695,000
Cost to cure:	- <u>\$213,000</u>
"As is" value, before accounting for affordable housing use:	\$482,000

***PROPOSED AFFORDABLE HOUSING USE:***

Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Due to the rental guidelines associated with affordable housing developments (maximum rent rates, rent increase intervals, tenant criteria, etc.), residential properties encumbered with affordable housing covenants generally sell for a discount, as compared to typical residential properties wherein the owner is not subject to the additional regulations.

In order to determine the appropriate adjustment to apply to the subject property for the affordable housing use, the appraiser considered the proposed affordable housing rental rate at the subject property, compared to the fair market rental rate.

A rental survey of comparable single family residential properties in the subject market was conducted, in order to determine the fair market rental rate applicable to the subject property. The results of the rental survey are summarized on the following page.

## RENTAL SUMMARY

### *Single Family Residential Rental Properties:*

<u>Data</u>	<u>Lease Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Monthly</u> <u>Rent</u>
R1	6-18 730 E. Almond Ave., Orange	3,400± sf	900 sf	1944	2 BR 1½ BA	none	\$2,290
R2	6-18 330 E. River Ave., Orange	4,000± sf	850 sf	1910	2 BR 1 BA	1-car	\$2,395
R3	6-18 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R4	8-18 633 S. Glassell St., Orange	5,703 sf	900 sf	1904	2 BR 1 BA	none	\$2,295
R5	9-18 365 N. Clark St., Orange	3,906 sf	840 sf	1961	3 BR 1 BA	1-car att.	\$2,395
R6	3-19 352 S. Center St., Orange	6,275 sf	1,000 sf	1909	3 BR 1 BA	2-car	\$2,695
R7	5-19 621 E. Sycamore Ave., Orange	8,040 sf	1,014 sf	1952	3 BR 1½ BA	2-car	\$2,695
R8	7-19 175 S. Cambridge St., Orange	6,744 sf	883 sf	1946	2 BR 1 BA	2-car	\$2,595
R9	7-19 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R10	8-19 118 E. Palm Ave., Orange	1,800± sf	950 sf	1913	2 BR 1 BA	none	\$2,395
R11	9-19 290 N. Jewell Pl., Orange	6,604 sf	886 sf	1930	1 BR+den 1 BA	1-car att.	\$2,500
R12	10-19 545 E. Jefferson Ave., Orange	3,000± sf	1,000 sf	1939	3 BR 2 BA	none	\$2,495
R13	2-20 601 E. Almond Ave., Orange	6,600 sf	916 sf	1930	2 BR 1 BA	1-car	\$2,595
R14	3-20 404 S. Grand St., Orange	3,000± sf	1,044 sf	1906	2 BR 1 BA	none	\$2,395
R15	3-20 1018 E. Palmyra Ave., Orange	6,750 sf	985 sf	1925	2 BR 1 BA	2-car	\$2,500
SP	9-20 617 W. La Veta Ave., Orange	5,400 sf	1,028 sf	1924	3 BR 1 BA	oversized 1-car	\$2,550

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As can be noted, the comparable rental properties represent single family residences containing between 831 and 1,044 square feet, and two or three bedrooms; Data R11 represents an effective two-bedroom unit (one bedroom plus den). The rental properties were constructed between 1904 and 1961 and have land areas ranging from 1,800± to 8,040 square feet. Note that the land areas at Data R1, R2, R10, R12, and R14 represent the approximate land areas, as said rental properties represent "stand alone" single family residences located on (1) "two on a lot" residential properties (Data R1, R12, and R14), (2) a "three on a lot" residential property (Data R2), and (3) a commercial/residential mixed use property (Data R10). The rental rates range from \$2,290 to \$2,695 per month.

Note that the property at the bottom of the Rental Summary represents the subject property; the monthly rental rate represents the fair market rental rate applicable to the subject property, as if renovated, based on the rental survey.

In analyzing the comparable rental properties, it is important to consider the various elements of comparability, as discussed in detail in the Sales Comparison Approach, which include the following criteria (among others):

- Location
- Traffic/noise pollution
- Lot size
- Year built
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements

The above elements of comparability were not assigned equal weight in analyzing each rental property. The location, traffic/noise pollution, lot size, year built, dwelling size, and number of bedrooms were the most important factors in the subject case.

The fair market rental rate applicable to the subject property, based on the Rental Survey, and taking into account the various elements of comparability (and assuming that the required renovation has been completed), is estimated at \$2,550 per month.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As such, the proposed affordable rental rate at the subject property (\$1,441 per month) is far below (43%) the fair market level of \$2,550 per month. If the subject property were listed for sale on the open market (market value assumes a hypothetical sale of the subject property), any potential buyers would determine how much to pay for the subject property based on the income potential of the property (i.e. buyers would consider the actual/proposed rental rate).

In order to determine the appropriate adjustment to apply to the subject property for the limited income potential thereof, due to the proposed affordable housing use, the appraiser compared the value of the subject property based on (1) the actual/proposed rental rate at the subject property (\$1,441 per month or \$17,292 per year), and (2) the fair market rental rate of \$2,550 per month (\$30,600 per year).

The difference in value, based on the two income scenarios, was derived by applying a gross income multiplier (GIM) to the rental income produced by the subject property. Note that the gross income multiplier method is a form of the Income Approach and is usually applied to smaller residential income properties (single family residences, duplexes, triplexes, and fourplexes). The gross income multiplier is obtained by a review and analysis of comparable sale properties which were leased at the time of sale; the gross income multiplier is the ratio of the sale price to the gross annual rental income produced by the property (at time of sale).

The (GIM) applied to the subject property was estimated after reviewing sales of single family residential investment properties which included the gross annual income at the time of sale. Inasmuch as most single family residences in the subject market are bought by owner-users, it was necessary to expand the geographic search area, in order to obtain a representative number of GIM sale properties.

Refer to the table on the following page, which sets forth the GIM survey. As can be noted, the various sales represent investment single family residential properties located in the Cities of Orange, Santa Ana, and Tustin. The various sales have gross income multipliers ranging from 17.9 to 22.4. Taking into account the various attributes of the subject property, as if renovated (location, size, number of bedrooms, etc.), as compared to the various sale properties, the gross income multiplier applicable to the subject property, under both scenarios, is estimated at 19.5.

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

**GROSS INCOME MULTIPLIER SUMMARY**

***Leased Single Family Residential Properties:***

<u>Data</u>	<u>Sale Date Address</u>	<u>Dwelling Size</u>	<u>Year Built</u>	<u>Bedrooms Bathrooms</u>	<u>Sale Price</u>	<u>Gross Income</u>	<u>Indicated Rate</u>
1	1-18 621 E. Sycamore Ave., Orange	1,014 sf	1952	3 BR 1½ BA	\$670,000	\$29,940	22.4
2	7-18 1522 S. Garnsey St., Santa Ana	1,299 sf	1953	3 BR 1½ BA	\$577,500	\$30,000	19.3
3	7-18 271 S. Batavia St., Orange	1,702 sf	1938	3 BR 2 BA	\$734,250*	\$38,400	19.1
4	2-19 202 N. Bewley St., Santa Ana	1,386 sf	1946	3 BR 2 BA	\$430,000	\$24,000	17.9
5	12-19 283 N. Batavia St., Orange	720 sf	1949	2 BR 1 BA	\$495,000	\$25,200	19.6
6	9-20 351 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,600	21.1
7	asking 211 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,684	21.0

The value of the subject property, derived by applying a GIM to the gross income of the market rental rate applicable to the subject property, is as follows:

Value Based on Market Rate

$$\frac{\text{Monthly Rent}}{\$2,550} \times 12 = \frac{\text{Annual Income}}{\$30,600} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$596,700}$$

Adjusted: \$597,000

The value of the subject property, derived by applying a GIM to the gross income of the proposed affordable rental rate at the subject property, is as follows:

Value Based on Affordable Rate

$$\frac{\text{Monthly Rent}}{\$1,441} \times 12 = \frac{\text{Annual Income}}{\$17,292} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$337,194}$$

Adjusted: \$337,000

**VALUATION ANALYSIS** (Continued)

617 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

Based on the foregoing analysis, the appropriate downward (negative) adjustment applicable to the subject property, to account for the proposed affordable housing use, is \$260,000 (\$597,000 - \$337,000 = \$260,000).

***FINAL ESTIMATE OF VALUE:***

Based on the foregoing appraisal, the market value of the fee simple interest in the subject property, in the present "as is" condition, and as if encumbered with the proposed affordable housing covenant, as of September 21, 2020, is \$222,000, as follows:

Value as if renovated:	\$695,000
Cost to cure:	- <u>\$213,000</u>
"As is" value, before accounting for affordable housing use:	\$482,000
Deduction for affordable housing use/covenant:	- <u>\$260,000</u>
Current "as is" market value:	\$222,000

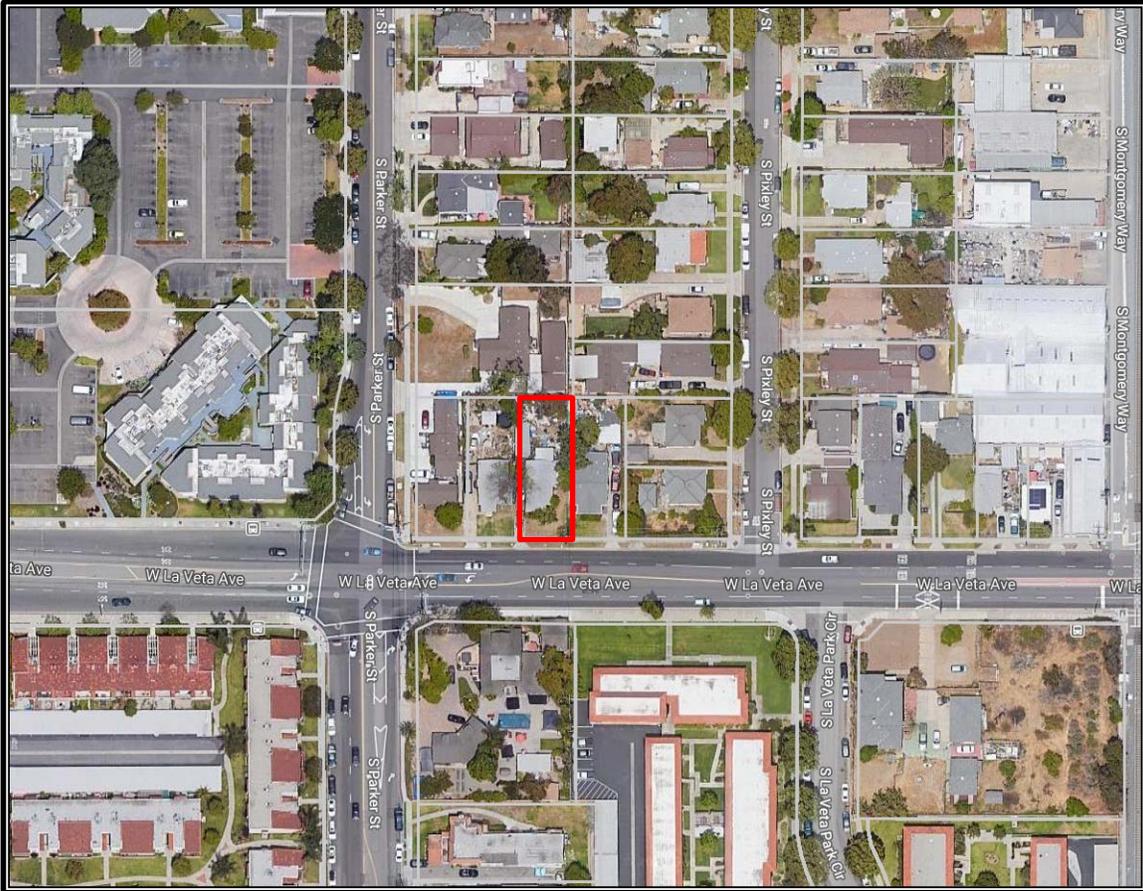
***MARKETING EXPOSURE:***

The marketing exposure of a particular property is a direct function of supply and demand within a particular market segment. Generally, a higher demand results in a shorter marketing period. Note that marketing exposure is assumed to precede the effective date of the appraisal.

Based on the marketing exposure of the sale properties utilized herein (i.e. "days on market"), as well as discussions with real estate brokers in the subject market, the required marketing exposure for the subject property, assuming an aggressive and comprehensive marketing program, and taking into account the proposed affordable housing use, is approximately 6 to 12 months.

**625 WEST LA VETA AVENUE**

**625 WEST LA VETA AVENUE, ORANGE**



Aerial photograph of subject property (outlined in red).

See additional photographs on pages 12 through 16.

APPARENT VESTEE: City of Orange

PROPERTY ADDRESS: 625 West La Veta Avenue  
Orange, California 92868

LEGAL DESCRIPTION: Lot 3 in Block B of Tract No. 545 La Veta Home Tract, per map recorded in Book 18, Page 11 of Miscellaneous Maps, in the office of the County Recorder, County of Orange, California.

LOCATION: North side of La Veta Avenue, beginning 90 feet east of Parker Street, in the City of Orange, California.

**SITE DESCRIPTION**

625 W. LA VETA AVE.

LOT DIMENSIONS: 45 feet wide and 120 feet deep.

LAND SHAPE: Rectangular land configuration.

LAND AREA: 5,400 square feet of land area (0.124± acres).

TOPOGRAPHY: Effectively level and generally at street grade.

DRAINAGE: Appears to be adequate.

FLOOD HAZARD: Per FEMA Flood Zone Map No. 06059C0163J, effective as of December 3, 2009, the subject site is located in an Area of Minimal Flood Hazard portion of Flood Zone X. Note that flood insurance is not federally required by lenders for loans on properties located in Flood Zone X.

EARTHQUAKE FAULT: Per maps provided by the State of California and the US Geological Survey, the subject site is not located within an active earthquake fault, however, the greater Southern California area is prone to earthquakes.

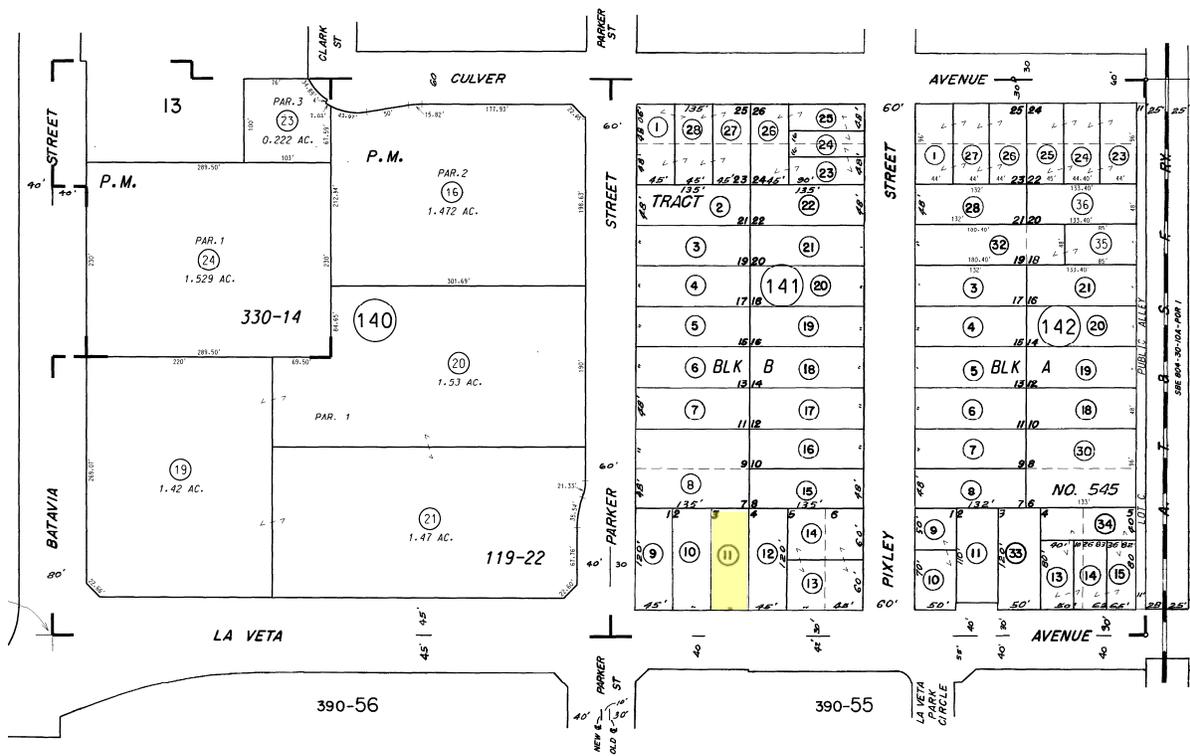
No seismic or geological studies were provided for review. No responsibility is assumed for the possible impact that seismic activity or earthquakes may have on the subject site.

SOIL STABILITY: Appears to be adequate, based upon the subject development. A soils report, however, was not provided for review.

SOIL CONTAMINATION: None known or observed. The subject property has been appraised as though free of soil contaminants requiring remediation.

OIL/MINERAL RIGHTS: The subject appraisal specifically excludes any existing oil or mineral rights. Further, oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.

APN 041-141-11



R. P. LAURAIN  
& ASSOCIATES  
APPRAISERS - ANALYSTS

**SITE DESCRIPTION** (Continued)

625 W. LA VETA AVE.

- BIOLOGICAL ASSESSMENT:** A biological assessment report was not provided for review. The site has been appraised as though free of any protected species or habitat (plants, insects, birds, animals, etc.).
- FRONTAGE/ACCESS:** The subject site has 45 feet of frontage on La Veta Avenue. Vehicular access onto the subject site is via one curb/drive apron on La Veta Avenue.
- RIGHT OF WAY WIDTH:** La Veta Avenue: 70-90 feet
- STREET TYPE:** La Veta Avenue is an asphalt-paved primary street that generally contains four traffic lanes (two in each direction). On-street parking is not permitted along La Veta Avenue, at the subject site frontage. Note that La Veta Avenue transitions to a secondary street, approximately 1/3-mile east of the subject property. Also note that La Veta Avenue "turns" 90 degrees and transitions to Bristol Street, approximately 1 1/2 miles west of the subject property.
- CURB, GUTTER, SIDEWALK:** La Veta Avenue includes concrete curbs, gutters, and sidewalks along both sides of the street.
- STREET LIGHTING:** La Veta Avenue includes streetlights mounted on ornamental standards and/or utility poles.
- PUBLIC UTILITIES:** Domestic water, natural gas, electric power, sanitary sewer, and telephone/internet service are available to the subject site.
- EASEMENTS:** A preliminary title report (PTR) was not provided for review. Easements, if existing, are assumed to (1) be generally located along the site boundaries, (2) not have a measurable impact on the overall utility or value of the site, and (3) not interfere with the existing or future highest and best use development of the subject property.

**SITE DESCRIPTION** (Continued)

625 W. LA VETA AVE.

EASEMENTS: (Continued) It is assumed that the subject site is not encumbered with any unrecorded "cross-lot" or "blanket" easements.

ENCROACHMENTS: None known or observed, however, a survey of the subject site was not provided for review.

ILLEGAL USES: None observed.

PRESENT USE: Single family residential use.

ZONING: The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which district was previously referred to as the "Old Towne" Overlay Zone/District.

The Historic District Zone supplements the existing "base" zoning standards within the City's historic areas. The City of Orange Municipal Code states that, "The City Council has determined that the spirit, character and history of the City, State, and Nation are reflected in the historic structures, improvements, natural features, sites, and areas of significance located within the City, and that in the face of ever-increasing pressures of modernization, cultural historic resources and historic districts located within the City are threatened with alteration, removal or demolition. These structures and districts represent the City's unique historical, social and cultural foundations, and should be preserved as living parts of community life and development in order to build a greater understanding of the City's past and to give future generations the opportunity to appreciate, understand and enjoy the City's rich heritage."

**SITE DESCRIPTION** (Continued)

625 W. LA VETA AVE.

ZONING: (Continued)

The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district. Due to the location in a historic district, the subject dwelling cannot be demolished.

OPPORTUNITY ZONE:

Opportunity Zones were established as part of the Tax Cuts and Jobs Act of 2017, to provide tax incentives for investment in certain designated census tracts (i.e. Opportunity Zones). Investments made on properties located in these zones (through special funds set up for this purpose) allow federal capital gains taxes to be deferred or eliminated.

The subject property is not located within a Qualified Opportunity Zone.

HIGHEST AND BEST USE:

Refer to the first portion of the Valuation Analysis Section for a discussion regarding the highest and best use of the subject property.

**BUILDING IMPROVEMENTS**

COMMENT:

Refer to the site plan drawing on the following page, which drawing was prepared by the appraiser.

TYPE OF STRUCTURE:

Single family residence.

NO. OF STORIES:

One story.

BUILDING SIZE:

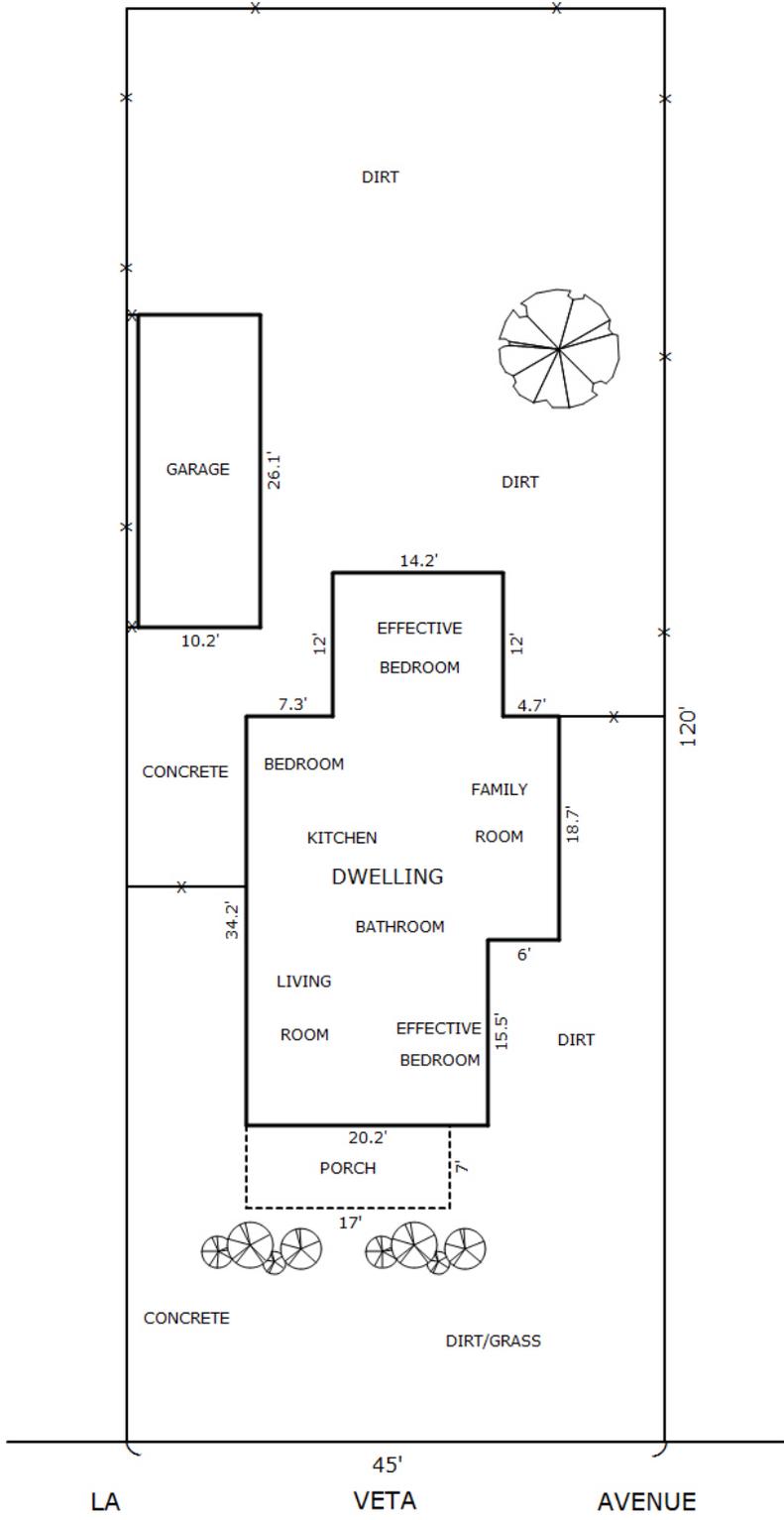
Based on building dimensions obtained during the appraisal inspection, the subject building contains 973 square feet of dwelling area.

YEAR BUILT:

Per Orange County Assessor records, the subject building was constructed in 1923.

CONSTRUCTION QUALITY:

Average quality Class D construction.



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APPRAISERS - ANALYSTS

**BUILDING IMPROVEMENTS** (Continued)

625 W. LA VETA AVE.

FOUNDATION:	Perimeter concrete foundation.
EXTERIOR WALLS:	Painted wood slats over wood frame exterior walls.
ROOF SURFACING:	Asphalt shingle roof.
FLOORS:	Raised hardwood floor with hardwood, carpet, ceramic tile, and vinyl tile floor coverings.
INTERIOR WALLS:	Painted lath and plaster interior walls.
CEILINGS:	Painted lath and plaster ceilings.
DOORS:	Solid wood frame entry doors; wood frame and panel and double flush hollow core interior doors.
WINDOWS:	Double hung wood frame sliding windows and plate glass set in wood frame windows.
ELECTRICAL:	Conventional electrical system.
PLUMBING:	Conventional plumbing system. The dwelling contains one full bathroom (toilet, sink, bath-tub, and shower).
HEATING AND COOLING:	Gas-fired wall heater.
FLOOR PLAN/LAYOUT:	<p>The dwelling includes a living room, a kitchen, three effective bedrooms, and one full bathroom. Note that two of the bedrooms lack a closet (technically "dens"), however, due to the fairly nominal cost of installing a closet, said rooms have been considered effective bedrooms.</p> <p>Kitchen features include wood cabinets, a double sink, and Formica countertops and backsplash.</p>
CONDITION:	The subject building is currently in fair-poor condition, and requires renovation and repair.

**OTHER IMPROVEMENTS**

625 W. LA VETA AVE.

GARAGE: Detached one-car garage of wood frame construction, containing 266 square feet. The garage structure was likely originally a "carriage house" utilized to store a horse-drawn carriage.

OTHER: Other site improvements include concrete paving, grass, shrubbery, and tree landscaping, fencing, etc.

**TENANT DATA**

COMMENT: The subject property is currently vacant.

**OWNERSHIP HISTORY**

COMMENT: Per Orange County Assessor records, the subject property has been vested with the current owner (City of Orange) for more than 25 years. It is understood that the City acquired the subject property for a street widening project that was never completed.

Taking into account (1) the acquisition date, and (2) the fact that the owner represents a public agency having the power of condemnation, the last sale of the subject property is not considered relevant to current market value.

It is understood that the subject property is scheduled to be purchased by HomeAid Orange County, along with the other two properties appraised herein, for a total price of \$700,000.

**AFFORDABLE HOUSING USE**

COMMENT: Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on the property, which dwelling unit will also be leased to an affordable housing tenant.

**AFFORDABLE HOUSING USE** (Continued)

625 W. LA VETA AVE.

COMMENT: (Continued)

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. any future buyers must continue the affordable housing use).

**ASSESSMENT DATA**

ASSESSOR'S PARCEL NO.: 041-141-11

ASSESSED VALUATIONS:	Land:	\$237,771
	Improvements:	<u>23,106</u>
	Total:	\$237,771

TAX CODE AREA: 08-001

TAX YEAR: 2020-2021

REAL ESTATE TAXES: \$339.00\*

\*Real estate taxes will be adjusted in the event the subject property is sold to a private party. The adjusted real estate tax burden will be 1.04782% of the sale price, or Assessor's "cash value." In the absence of a sale, transfer, or capital improvements, the maximum allowable increase in the assessed valuations is 2% per year (per the Real Estate Tax Initiative of 1978, known as Proposition 13).

**APPRAISAL INSPECTION**

625 W. LA VETA AVE.

COMMENT: The formal on-site appraisal inspection was conducted on September 21, 2020. The appraiser conducted a complete exterior and interior inspection of the subject property.

**NEIGHBORHOOD ENVIRONMENT**

COMMENT: Refer to the Neighborhood Environment portion of the Addenda Section for comments pertaining to the subject neighborhood.

Refer to subject property photographs beginning on the following page.

625 W. LA VETA AVE.



PHOTO NO. 1: View looking northeast at subject property from La Veta Avenue.



PHOTO NO. 2: View looking southwest across rear yard of subject property (note detached one-car garage).

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625 W. LA VETA AVE.



PHOTO NO. 3: Interior view of kitchen at subject dwelling.



PHOTO NO. 4: Interior view of living room at subject dwelling.



PHOTO NO. 5: Interior view bedroom at subject dwelling.



PHOTO NO. 6: Interior view of bedroom at subject dwelling.



PHOTO NO. 7: Interior view of bedroom at subject dwelling.



PHOTO NO. 8: Interior view of bathroom at subject dwelling.

625 W. LA VETA AVE.



PHOTO NO. 9: View looking east along La Veta Avenue from intersection of Parker Street.



PHOTO NO. 10: View looking west along La Veta Avenue from intersection of Pixley Street.

## **VALUATION ANALYSIS**

625 W. LA VETA AVE.

The purpose of this appraisal study is to estimate the current market value of the fee simple interest in the subject property, as if the property is encumbered with the proposed 55-year affordable housing covenant.

Prior to the application of the appraisal process, it is necessary to consider and analyze the highest and best use of the subject property.

### ***HIGHEST AND BEST USE ANALYSIS:***

The 14th Edition of The Appraisal of Real Estate, by the Appraisal Institute, defines highest and best use on Page 332, as follows:

"The reasonably probable use of property that results in the highest value."

In the analysis of which uses are reasonably probable, three criteria are applied in the following order to develop adequate support for the determination of highest and best use:

1. Physically possible
2. Legally permissible
3. Financially feasible

While these criteria are generally considered sequentially, the tests of physical possibility and legal permissibility can be applied in either order, but they must both be applied before the test of financial feasibility. Uses that meet all three criteria of being reasonably probable are then tested for economic productivity, to identify the maximally productive use. The reasonably probable use with the highest value (i.e. maximally productive) is the highest and best use.

In the process of forming an opinion of highest and best use, consideration must be given to various environmental and political factors such as zoning restrictions, probability of zone change, private deed restrictions, location, land size and configuration, topography, and the character/quality of land uses in the immediate and general subject market area.

### ***Conclusion, as if Vacant:***

The subject property contains effectively level topography and 5,400 square feet of land area (0.124± acres). The subject site has an inside (mid-block) location on a primary street. Vehicular and pedestrian access to the subject site are rated average. Due to the primary street frontage, noise and traffic pollution are rated below average.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

All public utilities including water, natural gas, electric power, telephone, and sanitary sewer are available to the subject site. The physical characteristics of the subject site are considered adequate to accommodate legally permissible uses.

The subject neighborhood is developed with a mixture of single family residential, low to medium density multiple family residential, and commercial uses. The subject property is located 1½ blocks east of St. Joseph Hospital - Orange.

The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which supplements the existing "base" zoning standards within the City's historic areas. The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district.

Based upon tenant and owner/user demand at other residential developments within the immediate subject market area, and considering the location of the subject property, and the existing R-1-6 zoning designation, single family residential development of the subject site, if vacant, would be financially and economically feasible.

After considering the physical characteristics of the subject property, as well as the legally permissible and financially feasible uses, the maximally productive use, and therefore, the highest and best use of the subject property, if vacant, would be single family residential development, in accordance with current zoning and development standards. Note that the subject site could support development of one single family residence, along with an accessory dwelling unit (ADU).

***Conclusion, as Improved:***

The subject site is improved with a single family residence containing 973 square feet, three effective bedrooms, and one bathroom; the subject dwelling was built in 1923 and is in overall fair-poor condition. Other site improvements include a detached one-car garage, paving, landscaping, fencing, etc. Due to the location in a historic district, the subject dwelling cannot be demolished.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

The subject property, as presently improved with the single family residential development, is physically possible. The subject improvements are in overall fair-poor condition. The functional utility of the subject property, as presently improved and utilized as a single family residence, is rated below average. The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The subject property has been appraised assuming the renovation has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The total cost required to repair and renovate the subject property (cost to cure) was then deducted from the market value of the subject property (assuming overall good condition), to estimate the "as is" value of the subject property.

Per a Letter of Intent provided for review, the buyer intends to renovate all three of the subject dwellings appraised herein, and lease them to tenants having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on each property, which proposed dwelling units will also be leased to affordable housing tenants.

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Refer to the latter portion of this section for (1) the estimated costs required to complete the required repairs (cost to cure), and (2) the discount required to account for the proposed affordable housing use.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

Based on an analysis of the comparable sale properties employed herein, and after considering the physical characteristics of the subject property (land and improvements), as well as those uses which are legally permissible and financially and feasible, the maximally productive use of the subject property, and therefore the highest and best use, is continuation of the present use, subsequent to completing the required repairs and renovation, until such time as the existing improvements become physically or functionally obsolete and no alternative uses for the improvements are feasible. The subject property, as presently improved, has been appraised accordingly.

***VALUATION METHODS:***

There are three conventional methods (approaches) which can be used to estimate value. They are the Sales Comparison Approach, Cost Approach, and Income Approach. The reader is referred to the last portion of the Preface Section, following the heading "Terms and Definitions," for a description of each approach to value.

The Sales Comparison Approach is the only approach considered applicable as a reliable indicator of value, and has been utilized herein, to determine the value of the subject property as currently improved. Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the affordable housing use at the subject property.

The Cost Approach is not considered applicable to the subject property, inasmuch as the age of the existing buildings makes difficult an accurate estimate of depreciation. Further, the subject property would likely be acquired by an owner-user that would not typically consider the alternative of acquiring a vacant residential lot and developing a new single family residence. Note that certain aspects of the Cost Approach have been utilized, as indicated in the latter portion of this section, titled "Cost to Cure".

The Income Approach is not considered applicable to the subject property, which would not typically be purchased as an income-producing or investment-type property. Note that an abbreviated version of the Income Approach (utilizing GIM method) has been utilized to determine the appropriate adjustment to apply to the subject property, to account for limited income potential of the subject property, based on the proposed affordable housing use.

***SALES COMPARISON APPROACH:***

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly delay is encountered in making the substitution. Thus, the Sales Comparison Approach attempts to equate the subject property with sales of comparable properties by analyzing and weighing the various elements of comparability.

The Sales Comparison Approach has been applied to the subject property for the purpose of estimating the value of the subject property, as presently improved with the single family residential development. The Sales Comparison Approach has been applied after an investigation and analysis was conducted of comparable single family residential properties that recently sold in the subject market area.

The reader is referred to the summary of Single Family Residential Sale Properties on the following page. The last entry represents the subject property (as if renovated) and is included to help the reader see the various characteristics of the subject property, as compared to the various sale properties; the date and sale price represent the date of value utilized herein and the value conclusion, prior to accounting for (1) the cost associated with the required renovation and repairs (cost to cure), and (2) the affordable housing use.

Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the proposed affordable housing use at the subject property. Further, due to the extensive repairs required at the subject property, and the lack of an adequate number of comparable sales of "fixer" properties, the property has been appraised as if the required repairs have been completed, and then said cost (cost to cure) has been deducted from the value of the property.

The proposed buyer plans to construct an accessory dwelling unit (ADU) at the subject property, which will also be leased to an affordable housing tenant. For appraisal purposes, said proposed construction of an ADU has not been considered herein, as (1) the ADU does not currently exist, (2) the costs to provide the ADU were not provided for review, and (3) all of the comparable sales utilized herein could reasonably support development of an ADU.

**Single Family Residential Sale Properties:**

<u>Data</u>	<u>Sale Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Sale Price</u>	<u>\$/SF Land</u> <u>\$/SF Bldg.</u>
3	11-18 406 S. Center St., Orange	4,500 sf	936 sf	1909	2 BR 1½ BA	1-car	\$720,900*	\$160.20 \$770.19
4	11-18 257 S. Center St., Orange	4,000 sf	1,052 sf	1921	2 BR 1 BA	1-car	\$640,000	\$160.00 \$608.37
5	1-19 664 W. Palmyra Ave., Orange	6,000 sf	1,016 sf	1922	2 BR 1 BA	oversized 1-car	\$725,000	\$120.83 \$713.58
8	9-19 293 S. Citrus St., Orange	6,374 sf	1,084 sf	1950	3 BR 1 BA	2-car	\$669,000	\$104.96 \$617.16
9	10-19 148 N. Cleveland St., Orange	7,352 sf	1,000 sf	1910	2 BR 1 BA	1-car	\$745,000	\$101.33 \$745.00
10	11-19 122 S. Lime St., Orange	6,360 sf	960 sf	1948	2 BR 2 BA	2-car	\$605,000	\$95.13 \$630.21
11	12-19 409 W. Marietta Pl., Orange	4,347 sf	1,003 sf	1923	2 BR 2 BA	1-car	\$642,500*	\$147.80 \$640.58
14	4-20 192 N. Lester Dr., Orange	4,554 sf	1,048 sf	1929	3 BR 1 BA	2-car	\$610,000*	\$133.95 \$582.06
16	7-20 420 N. Batavia St., Orange	6,400 sf	945 sf	1948	2 BR 1 BA	1-car att.	\$595,000	\$92.97 \$629.63
SP	9-20 625 W. La Veta Ave., Orange	5,400 sf	973 sf	1923	3 BR 1 BA	1-car	\$690,000	\$127.78 \$709.15

\* Effective sale price (net of seller concessions)

***SALES COMPARISON APPROACH:*** (Continued)

The comparable sale properties include dwellings ranging in size from 936 to 1,084 square feet, which were built between 1909 and 1950, and are situated on lots ranging from 4,000 to 7,352 square feet; the properties sold at prices ranging from \$595,000 to \$745,000. The various sales are set forth in chronological order and took place between November 2018 and July 2020. Refer to the Market Data Section for additional information pertaining to each comparable sale property, as well as a map which illustrates the location of each property.

The first adjustments applied to the sale properties, when warranted, are known as transactional adjustments. Said transactional adjustments are generally applied to the sale properties in the sequence listed below, and are made cumulatively (i.e. the base changes before applying the next adjustment). Following is the list of transactional adjustments.

- Property rights conveyed
- Financing (cash equivalency)
- Conditions of sale
- Expenditures after sale
- Market conditions

***Property Rights Conveyed:***

The property rights conveyed at each sale transaction were considered in the valuation analysis. An adjustment can be required when a sale transaction conveyed a different set of property rights, compared to the property rights being appraised, such as leased fee vs. fee simple. When a property is leased, the property rights being appraised are generally those of the owner's leased fee interest. In the subject case, the property rights being appraised are those of the fee simple interest.

Certain of the sale properties utilized herein were leased at the time of sale; said sale transactions represent the sale of the owner's leased fee interest in the properties. Note, however, that said leases were generally month-to-month leases or short-term leases of approximately one year. Due to the short duration of residential leases in the subject market, there is no measurable difference in value between vacant single family residential properties and single family residential properties that are leased at or near market rates. Based on the foregoing, an adjustment for property rights conveyed is not warranted for any of the comparable sale properties.

***SALES COMPARISON APPROACH:*** (Continued)

***Financing and Cash Equivalency:***

Sale properties are adjusted for financing arrangements involved in transactions which are not market-typical. A cash equivalency adjustment is generally made in those cases wherein the financing of a property caused a higher purchase price. Common examples include seller financing or assumption of existing financing at non-market terms.

All of the sale transactions included all cash to seller transactions, generally with conventional or Federal Housing Administration (FHA) financing. Based on the foregoing, a cash equivalency adjustment is not warranted for any of the sales.

***Conditions of Sale:***

An adjustment for conditions of sale is required when a property sold under atypical conditions, such as (1) a seller being under duress (REO transactions or other distressed sales), (2) a property selling as part of a bulk portfolio sale, (3) a developer paying a premium to acquire an adjacent property as part of assembling a larger development site, or (4) other similar situations where the motivation of a buyer or seller affects the price paid for a property.

Another item which can be accounted for in the "conditions of sale" adjustment is seller concessions, which lower the effective price paid by a buyer. It is necessary to consider said seller concessions in order to reflect the effective sale price. Data 3, 11, and 14 included seller concessions of \$4,100, \$7,500, and \$10,000, as part of the sale transactions. Note, however, that said seller concessions were deducted from the respective sale price, and the effective sale price has been utilized herein. Based on the foregoing, none of the sales required an adjustment for conditions of sale.

***Expenditures after Sale:***

An adjustment is required when a buyer anticipates a particular expenditure that he or she will have to expend shortly after purchasing a particular property; the price paid by a knowledgeable buyer considers any required expenditures. Such expenditures can include (1) the cost to remediate known environmental contamination, (2) the cost to cure deferred maintenance at a building, or (3) similar costs that a buyer anticipates making upon purchase of a property, such as the cost to demolish an existing structure when an improved site is purchased for redevelopment. None of the comparable sale properties required an adjustment for expenditures after sale.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

***Market Conditions:***

An adjustment for market conditions (date of sale) is appropriate when sales occur during a rising or declining market. The adjustments are based upon observations of the real estate market and value appreciation/declining cycles dating back more than 15 years. The market conditions adjustments utilized herein are based on (1) a residential market trend graph obtained from Zillow.com, (2) discussions with various market participants (agents, brokers, developers, etc.), (3) observations of local real estate market trends (sales activity, listing activity, development activity, etc.), and (4) a review of sale prices and current asking prices at comparable properties in the subject market area.

There was an upward value trend affecting residential properties in the subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized. Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due primarily to the subprime credit and housing crisis, as well as a lack of available financing. In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid to latter portion of 2012.

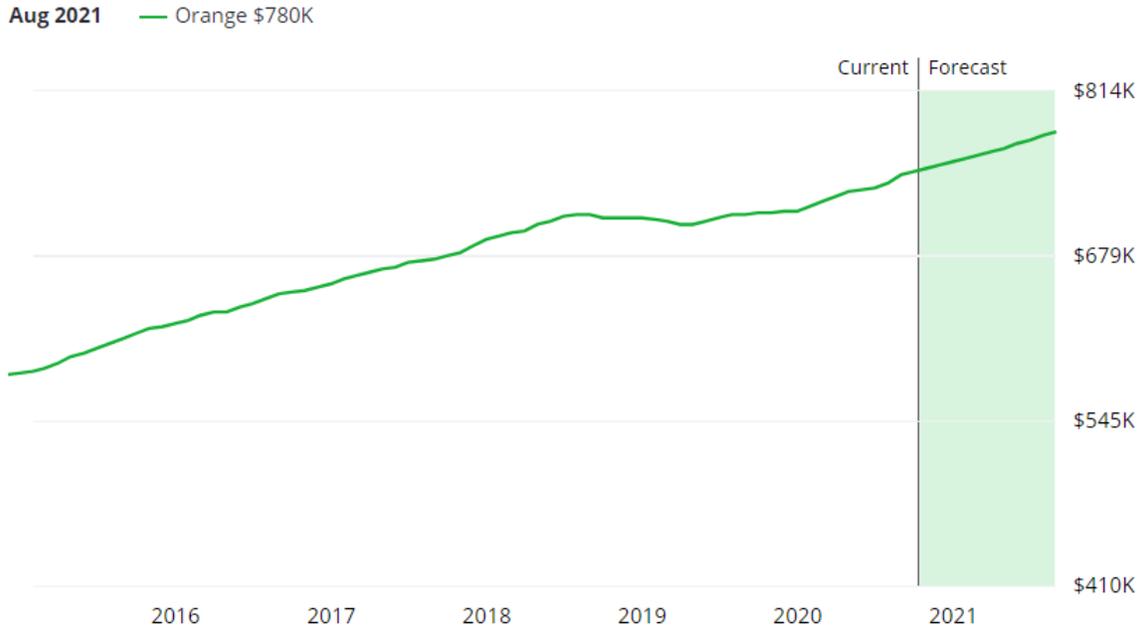
Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the mid portion of 2018, after which property values generally stabilized. Residential property values remained largely stable (level) from the mid portion of 2018 through the latter part of 2019. Residential property values again began to increase in the first part of 2020, and said increase has continued through the present time (October 2020). Note that buying activity has increased significantly over the past several months, due to a significant decline in mortgage interest rates, which led to historically low mortgage interest rates.

Refer to the graph on the following page, which was obtained from Zillow.com. The graph sets forth the median sale price of single family homes and condominiums in the City of Orange, over the past five years. The graph is based on the Zillow Home Value Index (ZHVI), which index is "a smoothed, seasonally adjusted measure of the median estimated home value across a given region and housing type."

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)



This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic. The ongoing pandemic, coupled with local, State, and Federal “Stay-at-home” (lockdown) orders, led to widespread and significant economic impacts, including (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020 (though the stock market has largely recovered over the past several months), and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic (note, however, that the unemployment rate has decreased somewhat over the past several months). While there is limited data to properly assess the effects of COVID-19 on the real estate market, it is clear that certain property types have been negatively affected much more severely than others.

Commercial property values (retail, office, restaurant, hotel, etc.) appear to have been negatively affected, though there isn’t yet enough data to measure said decline, as there are very few consummated transactions of commercial properties which were negotiated during the ongoing COVID-19 pandemic. While said decline in commercial real estate values is anticipated in the near future, as of the date of value utilized herein (effective date), the extent and severity of said decline is unknown. Many commercial property owners are simply choosing to not sell, if they can’t achieve the price that they desire. While

***SALES COMPARISON APPROACH:*** (Continued)

a decrease in demand normally leads to price/value reductions, most property owners are under no obligation to sell, and are choosing to “wait out” the pandemic, with the goal of relisting their properties once things have “settled down.”

The multiple family residential market also appears to have remained largely stable, though certain investors have become more hesitant to purchase multi-family properties at the present time. In addition, demand for multi-family properties has weakened somewhat, as investors have become more cautious, due to the uncertainty accompanying the ongoing pandemic and lockdown, and their potential negative effect on multiple family residential property values.

While there have not been adequate sale transactions and data points to demonstrate significant decreases in the multiple family residential markets, multiple economists and brokerage firms are forecasting a decrease in multiple family residential property values, beginning in the latter portion of 2020, and continuing through the mid or latter portion of 2021. Said anticipated decline is based in large part on recently passed moratoriums on rental increases and evictions, which are anticipated to impact multi-family property values, in the short term. Also note that many graphs and indexes fail to account for the drastically lower amount of sale transactions since the start of the pandemic/-lockdown. Certain graphs show multi-family properties continuing to increase through the present time, though the multi-family market has “weakened” somewhat since March 2020 to the present time (October 2020).

Also note that, as a result on ongoing strong demand for residential housing in the greater subject market area, most forecasts anticipate (1) a rather quick recovery, after the anticipated decline, and then (2) a continuation of the upward trend in residential property values, as well as rental rates, starting in the latter portion of 2021 or the first portion of 2022.

Note, however, that single family residential prices appear to be largely unaffected by the ongoing COVID-19 pandemic and resultant lockdown, as can be noted in the Zillow graph. While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that after one or two months of limited activity, residential buying activity surged, with many residential property listings receiving multiple offers, sometimes at “above asking” prices. Said increase in activity is due to historically low mortgage interest rates, as well as a lack of current inventory.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Based on the foregoing, quantitative time adjustments (i.e. market conditions adjustments) have been applied to the various sales utilized herein, based on the following schedule:

January-June 2018:	+	6.0% per year,	or	+	0.5% per month
July-December 2018:		0.0% per year,	or		0.0% per month
January-June 2019:		0.0% per year,	or		0.0% per month
July-December 2019:		0.0% per year,	or		0.0% per month
January-June 2020:	+	6.0% per year,	or	+	0.5% per month
July-October 2020:	+	6.0% per year,	or	+	0.5% per month

Note that the date of value utilized herein is September 21, 2020. As such, an adjustment for October 2020 has not been applied to the various comparable sale properties.

***Elements of Comparability:***

After considering the various transactional adjustments applied to the comparable sale properties, an analysis was made of a number of elements of comparability at the various sale properties, as compared to the subject property. Following are said elements of comparability:

- Location
- Immediate environmental influences
- Traffic/noise pollution
- Access
- Lot size
- Year built
- Construction quality
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements
- Within Orange Historic District
- Mills Act contract
- Street/off-site improvements

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

The above elements of comparability were not assigned equal weight in the analysis of each comparable sale property. The location, traffic/noise pollution, lot size, dwelling size, dwelling condition, number of bedrooms, number of bathrooms, and Mills Act contract were considered the most important factors in the analysis of the various residential sale properties.

Inasmuch as the overall sale price is the primary method utilized by buyers and sellers of single family residences, the analysis herein is based on the sale price of the various comparable sale properties. Note that the price per square foot of building area was also utilized as a secondary check.

The reader is referred to the Market Analysis Comparison Grid on the following page. As can be noted, all of the comparable sales required a transactional adjustment for market conditions, ranging from 1.0% to 4.5%. None of the sales required adjustments for property rights conveyed, financing, conditions of sale, or expenditures after sale. The comparability adjustments applied to the various sale properties are judgment estimates which are intended to equate the subject property with the respective single family residential sale properties.

All of the comparable sales are considered generally similar to the subject property regarding location. Data 10 and 11 are judged inferior to the subject property regarding immediate environmental influences, as (1) Data 10 is located adjacent to a commercial development, and (2) Data 11 "backs" to a commercial/industrial development.

Due to the subject property's location on a primary street, all of the comparable sales, except Data 16, are considered superior to the subject property regarding noise/traffic pollution, as said sales are located on secondary streets (reduced traffic and noise pollution). Data 16 is considered generally similar to the subject property regarding noise/traffic pollution, as the property has frontage on a primary street.

As stated, the analysis herein assumes that the required repairs have been completed, and the subject property is in overall good condition. Further note that the proposed renovation includes replacing the existing wall heater with a central heating and air conditioning system. Data 4, 8, 10, 14, and 16 are judged inferior to the subject property regarding condition, as said properties are in average, above average, or average-good condition. Data 3, 5, 9, and 11 are considered generally similar to the subject property regarding condition, as said properties are in good condition.

**MARKET ANALYSIS COMPARISON GRID**

	Data	3	4	5	8	9	10	11	14	16
<b>Subject</b>										
Sale price:	-----	\$720,900	\$640,000	\$725,000	\$669,000	\$745,000	\$605,000	\$642,500	\$610,000	\$595,000
Rate per sf building:	-----	\$770.19	\$608.37	\$713.58	\$617.16	\$745.00	\$630.21	\$640.58	\$582.06	\$629.63
Transactional adjustments										
Property rights conveyed:	fee simple	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing (cash equivalency):	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Expenditures after sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Date of sale:	9-20	11-18	11-18	1-19	9-19	10-19	11-19	12-19	4-20	7-20
Market conditions:	-----	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	2.5%	1.0%
Adjusted sale price:	-----	\$753,341	\$668,800	\$757,625	\$699,105	\$778,525	\$632,225	\$671,413	\$625,250	\$600,950
Adjusted rate per sf building:	-----	\$804.85	\$635.75	\$745.69	\$644.93	\$778.53	\$658.57	\$669.41	\$596.61	\$635.93
<b>Subject</b>										
Comparability adjustments										
Location:	average	similar								
Immed. environmental influences:	average	similar	similar	similar	similar	similar	inferior	inferior	similar	similar
Traffic/noise pollution:	below average	superior	similar							
Access:	average	similar								
Lot size:	5,400 sf	inferior	inferior	superior	superior	superior	superior	inferior	inferior	superior
Year built:	1923	similar								
Construction quality:	average	similar								
Dwelling size:	973 sf	inferior	superior	superior	superior	superior	inferior	superior	superior	inferior
Dwelling condition:	as if good condition	similar	inferior	similar	inferior	similar	inferior	similar	inferior	inferior
Number of bedrooms:	3 bedrooms	inferior	inferior	inferior	similar	inferior	inferior	inferior	similar	inferior
Number of bathrooms:	1 bathroom	superior	similar	similar	similar	similar	superior	superior	similar	similar
Type of heating system:	as if central heat/AC	inferior	similar	similar	similar	similar	similar	inferior	inferior	inferior
Garage:	1-car	similar	similar	superior	superior	similar	superior	similar	superior	superior
Other site improvements:	average	similar	similar	similar	similar	similar	similar	superior	similar	similar
Within Orange Historic District:	yes	similar	similar	superior	superior	similar	superior	similar	superior	superior
Mills Act contract:	no	superior	similar	inferior	inferior	superior	inferior	similar	inferior	inferior
Street/off-site improvements:	average	similar	similar	similar	similar	similar	similar	inferior	similar	similar
	Data	3	4	5	8	9	10	11	14	16
Overall comparability:		superior	inferior	superior	superior	superior	inferior	inferior	inferior	inferior

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Inasmuch as the subject property is located in a historical district, the property is eligible for the Mills Act contract program. Note, however, that the subject property does not currently have an active Mills Act contract. The Mills Act is a state law which allows cities to enter into contracts with the owners of historic structures. Said contracts allow a reduction of property taxes in exchange for the continued preservation of the property. Data 4 and 11 are considered similar to the subject property, as said sale properties, while located in historical zones and being eligible for the Mills Act, do not have active Mills Act contracts. Data 5, 8, 10, 14, and 16 are inferior to the subject property regarding Mills Act contract, as said properties are not eligible for the Mills Act (not within historical districts). Data 3 and 9 are superior to the subject property regarding Mills Act, as said properties have active Mills Act contracts in place, resulting in lower real estate taxes.

Refer to the Market Analysis Comparison Grid on the previous page to see all of the adjustments applied to the various comparable sale properties.

The reader is referred to the following array, which sets forth the various sale properties based on the overall comparability of each sale, as compared to the subject property (as if renovated). As stated, the unit rates have been adjusted for transactional adjustments, which in the subject case is limited to market conditions. The adjusted unit rates range from \$600,950 to \$778,525, as follows:

<u>Data</u>	<u>Overall Comparability</u>	<u>Adjusted Sale Price</u>
9	superior	\$778,525
5	superior	\$757,625
3	superior	\$753,341
8	superior	\$699,105
<b>Subject</b>	<b>- - -</b>	<b>\$690,000</b>
11	inferior	\$671,413
4	inferior	\$668,800
10	inferior	\$632,225
14	inferior	\$625,250
16	inferior	\$600,950

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

As stated, the price per square foot of building area was utilized as a secondary check. The comparable sales have unit rates ranging from \$582.06 to \$770.19 per square foot of building area, prior to adjusting for marking conditions.

The indicated value of the subject property, based on the array analysis, is \$690,000, which equates to \$709.15 per square foot of building area. Said rate is toward the mid to upper portion of the indicated range, and is considered appropriate given the various attributes of the subject property (location, lot size, dwelling size, condition, etc.).

Based on the foregoing analysis, the value of the subject property (1) as if renovated, and (2) before accounting for the affordable housing use, is \$690,000.

The foregoing analysis assumes that the required renovation at the subject property has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The following "Cost to Cure" section sets forth the costs required to repair and renovate the subject property (cost to cure). Said costs were then deducted from the above market value conclusion, to estimate the "as is" value of the subject property.

***COST TO CURE:***

The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The construction costs utilized herein are based primarily on information provided by an insurance adjuster familiar with construction and renovation costs, including costs associated with renovating historic properties. Said insurance adjuster inspected the subject property, along with the appraiser, at the time of the appraisal inspection, and provided the appraiser with detailed information pertaining to the repairs and renovation required at the subject property, including the applicable costs thereof. In addition, the appraiser consulted the Marshall & Swift Valuation Service cost manual, which provides building costs and site improvement costs for a wide variety of construction classes and materials.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

**COST TO CURE:** (Continued)

The cost to cure analysis applied herein includes both direct and indirect costs. Direct costs are those expenditures for labor and materials directly employed in the construction of the various improvements.

The indirect costs include (1) a contingency factor of 5%, (2) plan and permit fees of 2%, and (3) contractor's profit allowance of 10%. The indicated "cost to cure" applicable to the subject property, inclusive of direct and indirect costs, is estimated at \$246,000, as follows:

Complete set of architectural plans:	\$ 20,000
Foundation repair (jack up/level):	\$ 10,000
Kitchen framing repair:	\$ 2,000
Lead abatement:	\$ 9,500
Replace roof:	\$ 11,000
Replace all windows:	\$ 17,000
Replace exterior wood siding:	\$ 22,000
Replace all flooring (hardwood):	\$ 14,500
New electrical throughout (wiring, outlets, etc.):	\$ 12,000
Plaster repair:	\$ 6,000
Replace copper piping:	\$ 5,000
Replace all interior doors:	\$ 9,000
Replace front door & rear door:	\$ 4,000
Finished carpentry:	\$ 9,000
Kitchen remodel:	\$ 10,000
Bath remodel:	\$ 7,500
Paint interior walls:	\$ 3,500
Rebuild garage/carriage house:	\$ 25,000
Install sprinklers and sod in backyard:	\$ 7,000
Repair/replace fencing and gates:	\$ 2,000
Porch repairs:	<u>\$ 3,000</u>
Subtotal:	\$ 209,000
Contingency (5):	<u>10,450</u>
Subtotal:	\$ 219,450
Plans/permits (2%):	<u>4,389</u>
Subtotal:	\$ 223,839
Contractor's profit (10%):	<u>21,945</u>
Total:	\$ 245,784
Adjusted:	\$ 246,000

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***COST TO CURE:*** (Continued)

Based on the foregoing, the "as is" value of the subject property, before accounting for the affordable housing use, is \$444,000, as follows:

Value as if renovated:	\$690,000
Cost to cure:	- <u>\$246,000</u>
"As is" value, before accounting for affordable housing use:	\$444,000

***PROPOSED AFFORDABLE HOUSING USE:***

Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Due to the rental guidelines associated with affordable housing developments (maximum rent rates, rent increase intervals, tenant criteria, etc.), residential properties encumbered with affordable housing covenants generally sell for a discount, as compared to typical residential properties wherein the owner is not subject to the additional regulations.

In order to determine the appropriate adjustment to apply to the subject property for the affordable housing use, the appraiser considered the proposed affordable housing rental rate at the subject property, compared to the fair market rental rate.

A rental survey of comparable single family residential properties in the subject market was conducted, in order to determine the fair market rental rate applicable to the subject property. The results of the rental survey are summarized on the following page.

## RENTAL SUMMARY

### *Single Family Residential Rental Properties:*

<u>Data</u>	<u>Lease Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Monthly</u> <u>Rent</u>
R1	6-18 730 E. Almond Ave., Orange	3,400± sf	900 sf	1944	2 BR 1½ BA	none	\$2,290
R2	6-18 330 E. River Ave., Orange	4,000± sf	850 sf	1910	2 BR 1 BA	1-car	\$2,395
R3	6-18 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R4	8-18 633 S. Glassell St., Orange	5,703 sf	900 sf	1904	2 BR 1 BA	none	\$2,295
R5	9-18 365 N. Clark St., Orange	3,906 sf	840 sf	1961	3 BR 1 BA	1-car att.	\$2,395
R6	3-19 352 S. Center St., Orange	6,275 sf	1,000 sf	1909	3 BR 1 BA	2-car	\$2,695
R7	5-19 621 E. Sycamore Ave., Orange	8,040 sf	1,014 sf	1952	3 BR 1½ BA	2-car	\$2,695
R8	7-19 175 S. Cambridge St., Orange	6,744 sf	883 sf	1946	2 BR 1 BA	2-car	\$2,595
R9	7-19 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R10	8-19 118 E. Palm Ave., Orange	1,800± sf	950 sf	1913	2 BR 1 BA	none	\$2,395
R11	9-19 290 N. Jewell Pl., Orange	6,604 sf	886 sf	1930	1 BR+den 1 BA	1-car att.	\$2,500
R12	10-19 545 E. Jefferson Ave., Orange	3,000± sf	1,000 sf	1939	3 BR 2 BA	none	\$2,495
R13	2-20 601 E. Almond Ave., Orange	6,600 sf	916 sf	1930	2 BR 1 BA	1-car	\$2,595
R14	3-20 404 S. Grand St., Orange	3,000± sf	1,044 sf	1906	2 BR 1 BA	none	\$2,395
R15	3-20 1018 E. Palmyra Ave., Orange	6,750 sf	985 sf	1925	2 BR 1 BA	2-car	\$2,500
SP	9-20 625 W. La Veta Ave., Orange	5,400 sf	973 sf	1923	3 BR 1 BA	1-car	\$2,500

R . P . L A U R A I N  
& A S S O C I A T E S  
APPRAISERS - ANALYSTS

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As can be noted, the comparable rental properties represent single family residences containing between 831 and 1,044 square feet, and two or three bedrooms; Data R11 represents an effective two-bedroom unit (one bedroom plus den). The rental properties were constructed between 1904 and 1961 and have land areas ranging from 1,800± to 8,040 square feet. Note that the land areas at Data R1, R2, R10, R12, and R14 represent the approximate land areas, as said rental properties represent "stand alone" single family residences located on (1) "two on a lot" residential properties (Data R1, R12, and R14), (2) a "three on a lot" residential property (Data R2), and (3) a commercial/residential mixed use property (Data R10). The rental rates range from \$2,290 to \$2,695 per month.

Note that the property at the bottom of the Rental Summary represents the subject property; the monthly rental rate represents the fair market rental rate applicable to the subject property, as if renovated, based on the rental survey.

In analyzing the comparable rental properties, it is important to consider the various elements of comparability, as discussed in detail in the Sales Comparison Approach, which include the following criteria (among others):

- Location
- Traffic/noise pollution
- Lot size
- Year built
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements

The above elements of comparability were not assigned equal weight in analyzing each rental property. The location, traffic/noise pollution, lot size, year built, dwelling size, and number of bedrooms were the most important factors in the subject case.

The fair market rental rate applicable to the subject property, based on the Rental Survey, and taking into account the various elements of comparability (and assuming that the required renovation has been completed), is estimated at \$2,500 per month.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As such, the proposed affordable rental rate at the subject property (\$1,441 per month) is far below (42%) the fair market level of \$2,500 per month. If the subject property were listed for sale on the open market (market value assumes a hypothetical sale of the subject property), any potential buyers would determine how much to pay for the subject property based on the income potential of the property (i.e. buyers would consider the actual/proposed rental rate).

In order to determine the appropriate adjustment to apply to the subject property for the limited income potential thereof, due to the proposed affordable housing use, the appraiser compared the value of the subject property based on (1) the actual/proposed rental rate at the subject property (\$1,441 per month or \$17,292 per year), and (2) the fair market rental rate of \$2,500 per month (\$30,000 per year).

The difference in value, based on the two income scenarios, was derived by applying a gross income multiplier (GIM) to the rental income produced by the subject property. Note that the gross income multiplier method is a form of the Income Approach and is usually applied to smaller residential income properties (single family residences, duplexes, triplexes, and fourplexes). The gross income multiplier is obtained by a review and analysis of comparable sale properties which were leased at the time of sale; the gross income multiplier is the ratio of the sale price to the gross annual rental income produced by the property (at time of sale).

The (GIM) applied to the subject property was estimated after reviewing sales of single family residential investment properties which included the gross annual income at the time of sale. Inasmuch as most single family residences in the subject market are bought by owner-users, it was necessary to expand the geographic search area, in order to obtain a representative number of GIM sale properties.

Refer to the table on the following page, which sets forth the GIM survey. As can be noted, the various sales represent investment single family residential properties located in the Cities of Orange, Santa Ana, and Tustin. The various sales have gross income multipliers ranging from 17.9 to 22.4. Taking into account the various attributes of the subject property, as if renovated (location, size, number of bedrooms, etc.), as compared to the various sale properties, the gross income multiplier applicable to the subject property, under both scenarios, is estimated at 19.5.

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

**GROSS INCOME MULTIPLIER SUMMARY**

***Leased Single Family Residential Properties:***

<u>Data</u>	<u>Sale Date Address</u>	<u>Dwelling Size</u>	<u>Year Built</u>	<u>Bedrooms Bathrooms</u>	<u>Sale Price</u>	<u>Gross Income</u>	<u>Indicated Rate</u>
1	1-18 621 E. Sycamore Ave., Orange	1,014 sf	1952	3 BR 1½ BA	\$670,000	\$29,940	22.4
2	7-18 1522 S. Garnsey St., Santa Ana	1,299 sf	1953	3 BR 1½ BA	\$577,500	\$30,000	19.3
3	7-18 271 S. Batavia St., Orange	1,702 sf	1938	3 BR 2 BA	\$734,250*	\$38,400	19.1
4	2-19 202 N. Bewley St., Santa Ana	1,386 sf	1946	3 BR 2 BA	\$430,000	\$24,000	17.9
5	12-19 283 N. Batavia St., Orange	720 sf	1949	2 BR 1 BA	\$495,000	\$25,200	19.6
6	9-20 351 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,600	21.1
7	asking 211 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,684	21.0

The value of the subject property, derived by applying a GIM to the gross income of the market rental rate applicable to the subject property, is as follows:

Value Based on Market Rate

$$\frac{\text{Monthly Rent}}{\$2,500} \times 12 = \frac{\text{Annual Income}}{\$30,000} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$585,000}$$

The value of the subject property, derived by applying a GIM to the gross income of the proposed affordable rental rate at the subject property, is as follows:

Value Based on Affordable Rate

$$\frac{\text{Monthly Rent}}{\$1,441} \times 12 = \frac{\text{Annual Income}}{\$17,292} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$337,194}$$

Adjusted: \$337,000

**VALUATION ANALYSIS** (Continued)

625 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

Based on the foregoing analysis, the appropriate downward (negative) adjustment applicable to the subject property, to account for the proposed affordable housing use, is \$248,000 (\$585,000 - \$337,000 = \$248,000).

***FINAL ESTIMATE OF VALUE:***

Based on the foregoing appraisal, the market value of the fee simple interest in the subject property, in the present "as is" condition, and as if encumbered with the proposed affordable housing covenant, as of September 21, 2020, is \$196,000, as follows:

Value as if renovated:	\$690,000
Cost to cure:	- <u>\$246,000</u>
"As is" value, before accounting for affordable housing use:	\$444,000
Deduction for affordable housing use/covenant:	- <u>\$248,000</u>
Current "as is" market value:	\$196,000

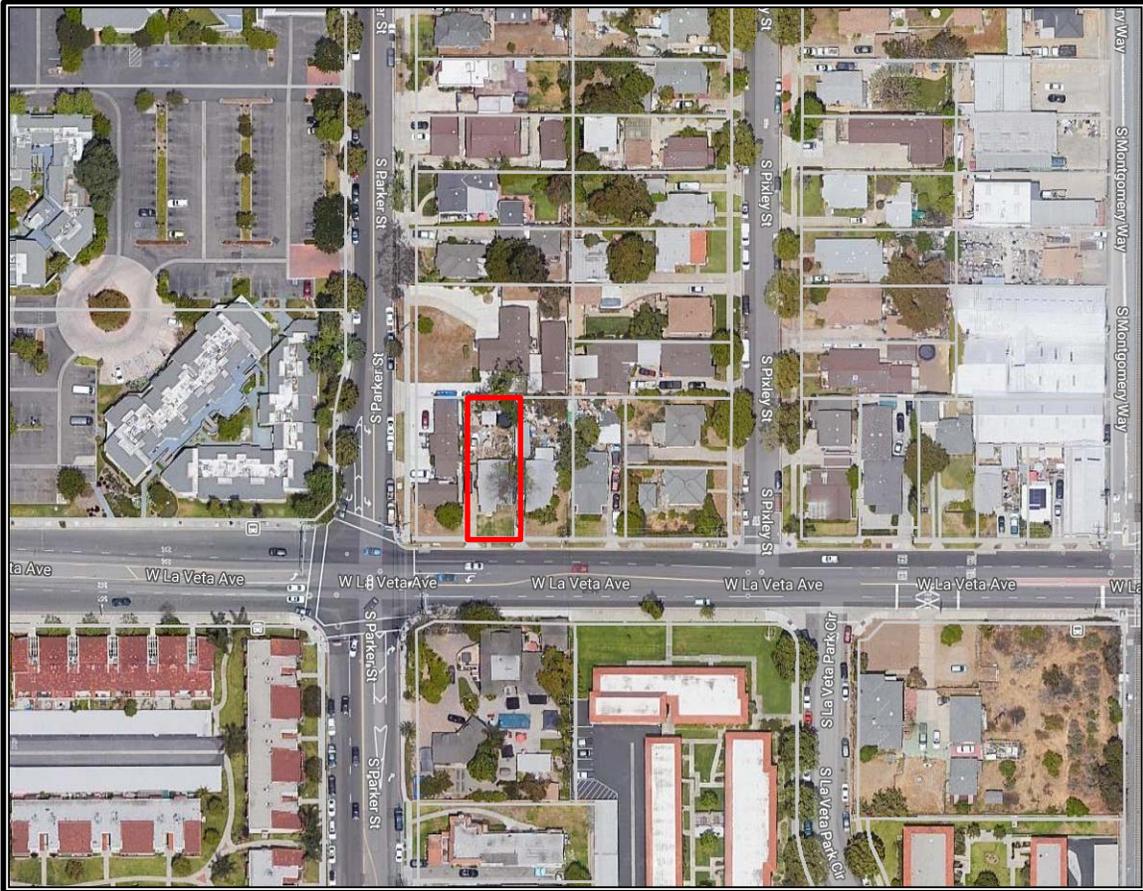
***MARKETING EXPOSURE:***

The marketing exposure of a particular property is a direct function of supply and demand within a particular market segment. Generally, a higher demand results in a shorter marketing period. Note that marketing exposure is assumed to precede the effective date of the appraisal.

Based on the marketing exposure of the sale properties utilized herein (i.e. "days on market"), as well as discussions with real estate brokers in the subject market, the required marketing exposure for the subject property, assuming an aggressive and comprehensive marketing program, and taking into account the proposed affordable housing use, is approximately 6 to 12 months.

**637 WEST LA VETA AVENUE**

**637 WEST LA VETA AVENUE, ORANGE**



Aerial photograph of subject property (outlined in red).

See additional photographs on pages 12 through 16.

APPARENT VESTEE: City of Orange

PROPERTY ADDRESS: 637 West La Veta Avenue  
Orange, California 92868

LEGAL DESCRIPTION: Lot 2 in Block B of Tract No. 545 La Veta Home Tract, per map recorded in Book 18, Page 11 of Miscellaneous Maps, in the office of the County Recorder, County of Orange, California.

LOCATION: North side of La Veta Avenue, beginning 45 feet east of Parker Street, in the City of Orange, California.

**SITE DESCRIPTION**

637 W. LA VETA AVE.

LOT DIMENSIONS: 45 feet wide and 120 feet deep.

LAND SHAPE: Rectangular land configuration.

LAND AREA: 5,400 square feet of land area (0.124± acres).

TOPOGRAPHY: Effectively level and generally at street grade.

DRAINAGE: Appears to be adequate.

FLOOD HAZARD: Per FEMA Flood Zone Map No. 06059C0163J, effective as of December 3, 2009, the subject site is located in an Area of Minimal Flood Hazard portion of Flood Zone X. Note that flood insurance is not federally required by lenders for loans on properties located in Flood Zone X.

EARTHQUAKE FAULT: Per maps provided by the State of California and the US Geological Survey, the subject site is not located within an active earthquake fault, however, the greater Southern California area is prone to earthquakes.

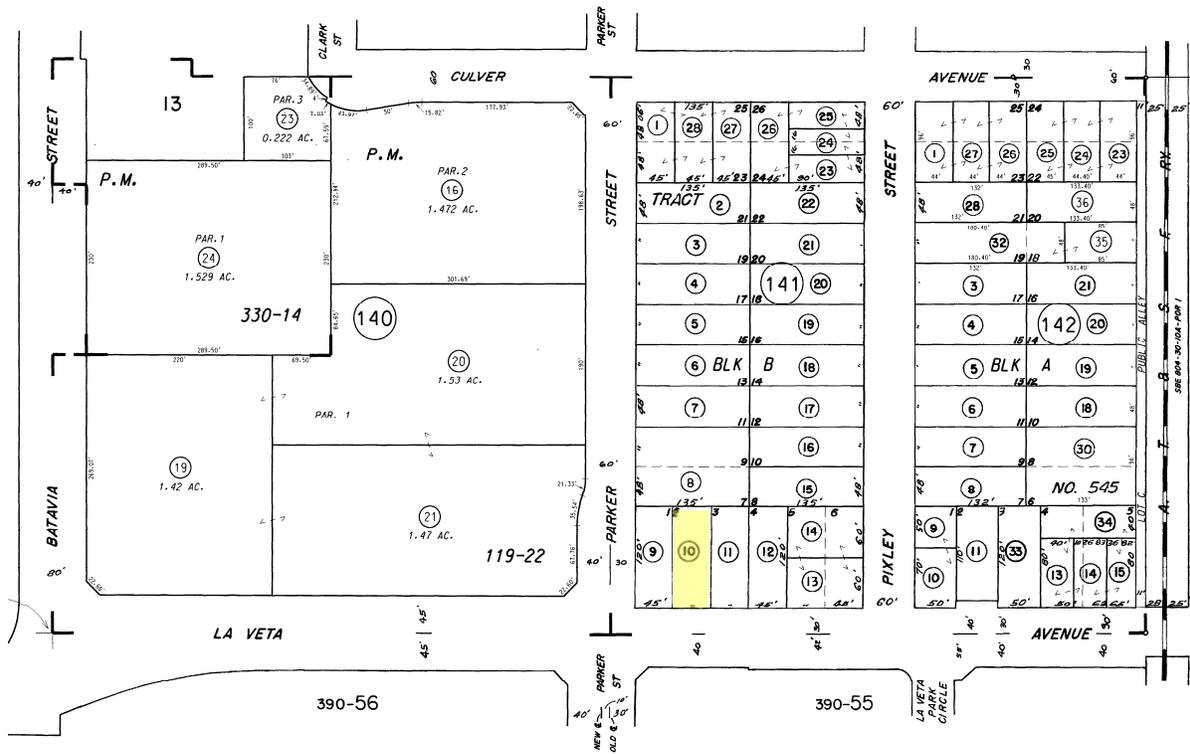
No seismic or geological studies were provided for review. No responsibility is assumed for the possible impact that seismic activity or earthquakes may have on the subject site.

SOIL STABILITY: Appears to be adequate, based upon the subject development. A soils report, however, was not provided for review.

SOIL CONTAMINATION: None known or observed. The subject property has been appraised as though free of soil contaminants requiring remediation.

OIL/MINERAL RIGHTS: The subject appraisal specifically excludes any existing oil or mineral rights. Further, oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.

APN 041-141-10



R. P. LAURAIN  
& ASSOCIATES  
APPRAISERS - ANALYSTS

**SITE DESCRIPTION** (Continued)

637 W. LA VETA AVE.

- BIOLOGICAL ASSESSMENT:** A biological assessment report was not provided for review. The site has been appraised as though free of any protected species or habitat (plants, insects, birds, animals, etc.).
- FRONTAGE/ACCESS:** The subject site has 45 feet of frontage on La Veta Avenue. Vehicular access onto the subject site is via one curb/drive apron on La Veta Avenue.
- RIGHT OF WAY WIDTH:** La Veta Avenue: 70-90 feet
- STREET TYPE:** La Veta Avenue is an asphalt-paved primary street that generally contains four traffic lanes (two in each direction). On-street parking is not permitted along La Veta Avenue, at the subject site frontage. Note that La Veta Avenue transitions to a secondary street, approximately 1/3-mile east of the subject property. Also note that La Veta Avenue "turns" 90 degrees and transitions to Bristol Street, approximately 1 1/2 miles west of the subject property.
- CURB, GUTTER, SIDEWALK:** La Veta Avenue includes concrete curbs, gutters, and sidewalks along both sides of the street.
- STREET LIGHTING:** La Veta Avenue includes streetlights mounted on ornamental standards and/or utility poles.
- PUBLIC UTILITIES:** Domestic water, natural gas, electric power, sanitary sewer, and telephone/internet service are available to the subject site.
- EASEMENTS:** A preliminary title report (PTR) was not provided for review. Easements, if existing, are assumed to (1) be generally located along the site boundaries, (2) not have a measurable impact on the overall utility or value of the site, and (3) not interfere with the existing or future highest and best use development of the subject property.

**SITE DESCRIPTION** (Continued)

637 W. LA VETA AVE.

EASEMENTS: (Continued) It is assumed that the subject site is not encumbered with any unrecorded "cross-lot" or "blanket" easements.

ENCROACHMENTS: None known or observed, however, a survey of the subject site was not provided for review.

ILLEGAL USES: None observed.

PRESENT USE: Single family residential use.

ZONING: The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which district was previously referred to as the "Old Towne" Overlay Zone/District.

The Historic District Zone supplements the existing "base" zoning standards within the City's historic areas. The City of Orange Municipal Code states that, "The City Council has determined that the spirit, character and history of the City, State, and Nation are reflected in the historic structures, improvements, natural features, sites, and areas of significance located within the City, and that in the face of ever-increasing pressures of modernization, cultural historic resources and historic districts located within the City are threatened with alteration, removal or demolition. These structures and districts represent the City's unique historical, social and cultural foundations, and should be preserved as living parts of community life and development in order to build a greater understanding of the City's past and to give future generations the opportunity to appreciate, understand and enjoy the City's rich heritage."

**SITE DESCRIPTION** (Continued)

637 W. LA VETA AVE.

ZONING: (Continued) The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district. Due to the location in a historic district, the subject dwelling cannot be demolished.

OPPORTUNITY ZONE: Opportunity Zones were established as part of the Tax Cuts and Jobs Act of 2017, to provide tax incentives for investment in certain designated census tracts (i.e. Opportunity Zones). Investments made on properties located in these zones (through special funds set up for this purpose) allow federal capital gains taxes to be deferred or eliminated.

The subject property is not located within a Qualified Opportunity Zone.

HIGHEST AND BEST USE: Refer to the first portion of the Valuation Analysis Section for a discussion regarding the highest and best use of the subject property.

**BUILDING IMPROVEMENTS**

COMMENT: Refer to the site plan drawing on the following page, which drawing was prepared by the appraiser.

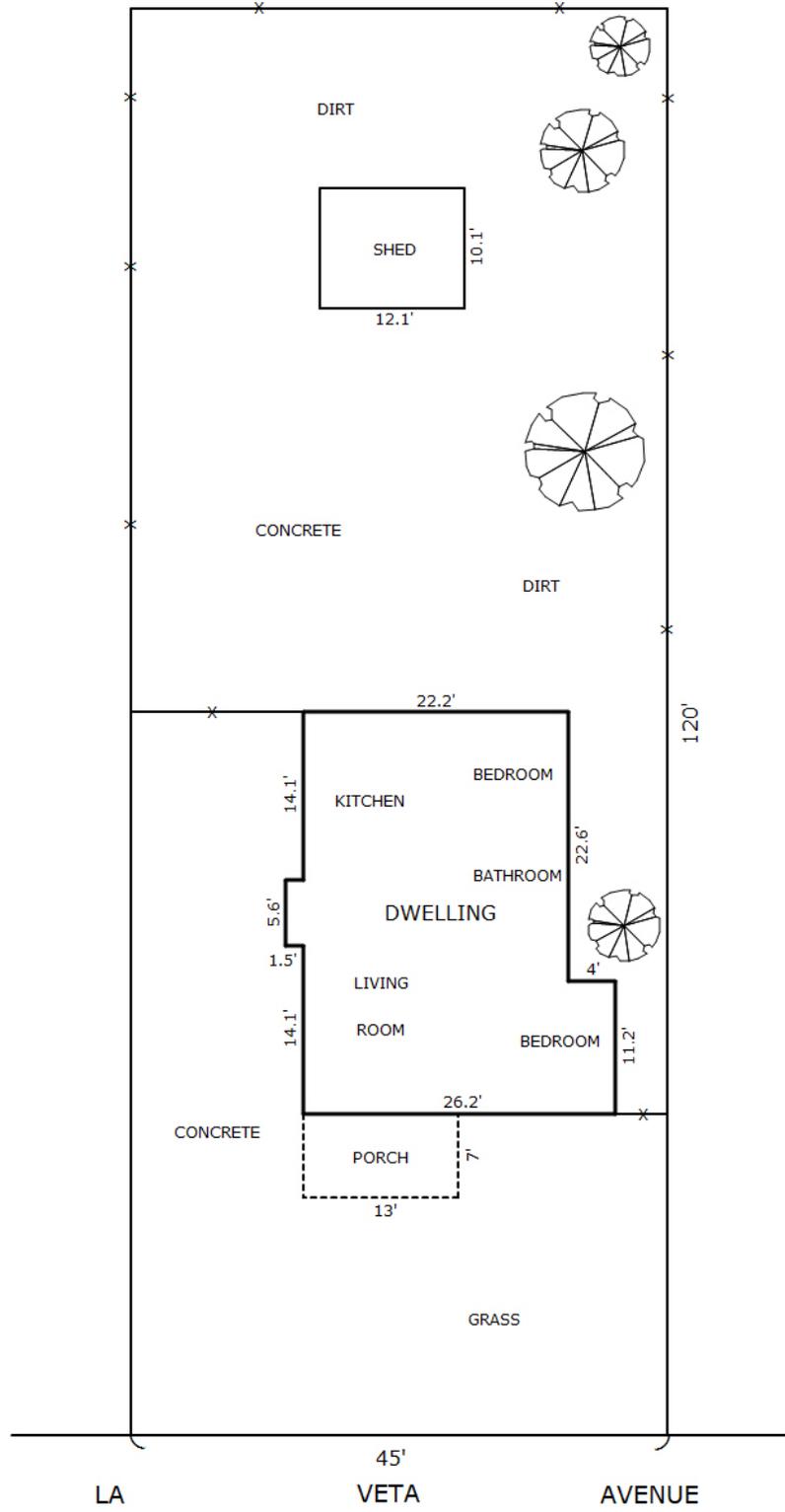
TYPE OF STRUCTURE: Single family residence.

NO. OF STORIES: One story.

BUILDING SIZE: Based on building dimensions obtained during the appraisal inspection, the subject building contains 804 square feet of dwelling area.

YEAR BUILT: Per Orange County Assessor records, the subject building was constructed in 1923.

CONSTRUCTION QUALITY: Average quality Class D construction.



R. P. LAURAIN  
& ASSOCIATES  
APPRAISERS - ANALYSTS

**BUILDING IMPROVEMENTS** (Continued)

637 W. LA VETA AVE.

FOUNDATION:	Perimeter concrete foundation.
EXTERIOR WALLS:	Painted wood slats over wood frame exterior walls.
ROOF SURFACING:	Asphalt shingle roof.
FLOORS:	Raised hardwood floor with hardwood, carpet, ceramic tile, and vinyl tile floor coverings.
INTERIOR WALLS:	Painted lath and plaster interior walls.
CEILINGS:	Painted lath and plaster ceilings.
DOORS:	Solid wood frame entry doors; wood frame and panel and double flush hollow core interior doors.
WINDOWS:	Double hung wood frame sliding windows and plate glass set in wood frame windows.
ELECTRICAL:	Conventional electrical system.
PLUMBING:	Conventional plumbing system. The dwelling contains one full bathroom (toilet, sink, bath-tub, and shower).  Note that the bathroom has been "stripped" down to the wood laths (no fixtures); see Photo No. 8 on Page 18.
HEATING AND COOLING:	Gas-fired wall heater; ceiling fan in living room.
FLOOR PLAN/LAYOUT:	The dwelling includes a living room, a kitchen, two bedrooms, and one full bathroom.  Kitchen features are limited to wood cabinets, as the kitchen was previously undergoing renovation (which was stopped prior to completion); see Photo No. 4 on Page 13.
CONDITION:	The subject building is currently in fair-poor condition, and requires renovation and repair.

**OTHER IMPROVEMENTS**

637 W. LA VETA AVE.

SHED: Detached wood shed containing 122 square feet.

OTHER: Other site improvements include concrete paving, grass, shrubbery, and tree landscaping, fencing, etc.

**TENANT DATA**

COMMENT: The subject property is currently vacant.

**OWNERSHIP HISTORY**

COMMENT: Per Orange County Assessor records, the subject property has been vested with the current owner (City of Orange) for more than 20 years. It is understood that the City acquired the subject property for a street widening project that was never completed.

Taking into account (1) the acquisition date, and (2) the fact that the owner represents a public agency having the power of condemnation, the last sale of the subject property is not considered relevant to current market value.

It is understood that the subject property is scheduled to be purchased by HomeAid Orange County, along with the other two properties appraised herein, for a total price of \$700,000.

**AFFORDABLE HOUSING USE**

COMMENT: Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on the property, which dwelling unit will also be leased to an affordable housing tenant.

**AFFORDABLE HOUSING USE** (Continued)

637 W. LA VETA AVE.

COMMENT: (Continued)

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. any future buyers must continue the affordable housing use).

**ASSESSMENT DATA**

ASSESSOR'S PARCEL NO.: 041-141-10

ASSESSED VALUATIONS:	Land:	\$229,347
	Improvements:	<u>25,741</u>
	Total:	\$229,347

TAX CODE AREA: 08-001

TAX YEAR: 2020-2021

REAL ESTATE TAXES: \$339.00\*

\*Real estate taxes will be adjusted in the event the subject property is sold to a private party. The adjusted real estate tax burden will be 1.04782% of the sale price, or Assessor's "cash value." In the absence of a sale, transfer, or capital improvements, the maximum allowable increase in the assessed valuations is 2% per year (per the Real Estate Tax Initiative of 1978, known as Proposition 13).

**APPRAISAL INSPECTION**

637 W. LA VETA AVE.

COMMENT: The formal on-site appraisal inspection was conducted on September 21, 2020. The appraiser conducted a complete exterior and interior inspection of the subject property.

**NEIGHBORHOOD ENVIRONMENT**

COMMENT: Refer to the Neighborhood Environment portion of the Addenda Section for comments pertaining to the subject neighborhood.

Refer to subject property photographs beginning on the following page.

637 W. LA VETA AVE.



PHOTO NO. 1: View looking northeast at subject property from La Veta Avenue.

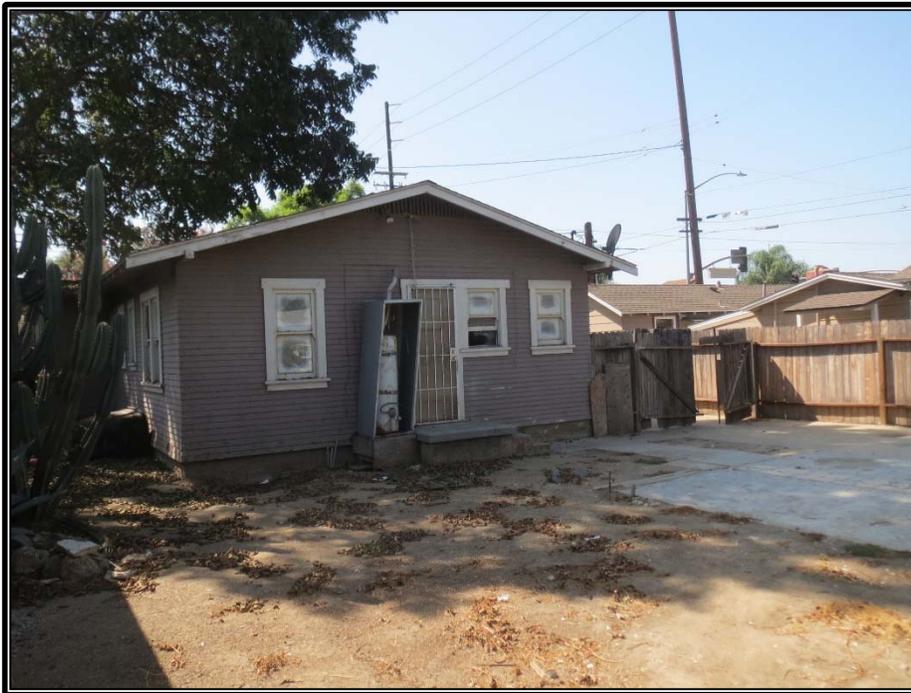


PHOTO NO. 2: View looking southeast across rear yard of subject property, from mid portion thereof.

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APPRAISERS - ANALYSTS

637 W. LA VETA AVE.



PHOTO NO. 3: View looking northeast across rear yard of subject property, from mid portion thereof (note shed).



PHOTO NO. 4: Interior view of kitchen at subject dwelling.



PHOTO NO. 5: Interior view of living room at subject dwelling (note wall heater and ceiling fan).



PHOTO NO. 6: Interior view of bedroom at subject dwelling.



PHOTO NO. 7: Interior view of bedroom at subject dwelling.



PHOTO NO. 8: Interior view of bathroom at subject dwelling.

637 W. LA VETA AVE.



PHOTO NO. 9: View looking east along La Veta Avenue from intersection of Parker Street.



PHOTO NO. 10: View looking west along La Veta Avenue from intersection of Pixley Street.

## **VALUATION ANALYSIS**

637 W. LA VETA AVE.

The purpose of this appraisal study is to estimate the current market value of the fee simple interest in the subject property, as if the property is encumbered with the proposed 55-year affordable housing covenant.

Prior to the application of the appraisal process, it is necessary to consider and analyze the highest and best use of the subject property.

### ***HIGHEST AND BEST USE ANALYSIS:***

The 14th Edition of The Appraisal of Real Estate, by the Appraisal Institute, defines highest and best use on Page 332, as follows:

"The reasonably probable use of property that results in the highest value."

In the analysis of which uses are reasonably probable, three criteria are applied in the following order to develop adequate support for the determination of highest and best use:

1. Physically possible
2. Legally permissible
3. Financially feasible

While these criteria are generally considered sequentially, the tests of physical possibility and legal permissibility can be applied in either order, but they must both be applied before the test of financial feasibility. Uses that meet all three criteria of being reasonably probable are then tested for economic productivity, to identify the maximally productive use. The reasonably probable use with the highest value (i.e. maximally productive) is the highest and best use.

In the process of forming an opinion of highest and best use, consideration must be given to various environmental and political factors such as zoning restrictions, probability of zone change, private deed restrictions, location, land size and configuration, topography, and the character/quality of land uses in the immediate and general subject market area.

### ***Conclusion, as if Vacant:***

The subject property contains effectively level topography and 5,400 square feet of land area (0.124± acres). The subject site has an inside (mid-block) location on a primary street. Vehicular and pedestrian access to the subject site are rated average. Due to the primary street frontage, noise and traffic pollution are rated below average.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

All public utilities including water, natural gas, electric power, telephone, and sanitary sewer are available to the subject site. The physical characteristics of the subject site are considered adequate to accommodate legally permissible uses.

The subject neighborhood is developed with a mixture of single family residential, low to medium density multiple family residential, and commercial uses. The subject property is located 1½ blocks east of St. Joseph Hospital - Orange.

The subject property is located in the R-1-6 (Single Family Residential) zone district of the City of Orange. The R-1-6 zoning district is a single family residential district having a minimum lot size requirement of 6,000 square feet of land area. The property is also within the Historic District Zone of the City of Orange, which supplements the existing "base" zoning standards within the City's historic areas. The historic district includes additional regulations and uses which are meant to encourage historic preservation, to complement new development, and to promote orderly development and preservation, within the historic district.

Based upon tenant and owner/user demand at other residential developments within the immediate subject market area, and considering the location of the subject property, and the existing R-1-6 zoning designation, single family residential development of the subject site, if vacant, would be financially and economically feasible.

After considering the physical characteristics of the subject property, as well as the legally permissible and financially feasible uses, the maximally productive use, and therefore, the highest and best use of the subject property, if vacant, would be single family residential development, in accordance with current zoning and development standards. Note that the subject site could support development of one single family residence, along with an accessory dwelling unit (ADU).

***Conclusion, as Improved:***

The subject site is improved with a single family residence containing 804 square feet, two bedrooms, and one bathroom; the subject dwelling was built in 1923 and is in overall fair-poor condition. Other site improvements include a wood shed, paving, landscaping, fencing, etc. Due to the location in a historic district, the subject dwelling cannot be demolished.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

The subject property, as presently improved with the single family residential development, is physically possible. The subject improvements are in overall fair-poor condition. The functional utility of the subject property, as presently improved and utilized as a single family residence, is rated below average. The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The subject property has been appraised assuming the renovation has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The total cost required to repair and renovate the subject property (cost to cure) was then deducted from the market value of the subject property (assuming overall good condition), to estimate the "as is" value of the subject property.

Per a Letter of Intent provided for review, the buyer intends to renovate all three of the subject dwellings appraised herein, and lease them to tenants having an income based on 50% of the area median income (AMI). Note that the buyer also plans to construct an accessory dwelling unit (ADU) on each property, which proposed dwelling units will also be leased to affordable housing tenants.

It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Refer to the latter portion of this section for (1) the estimated costs required to complete the required repairs (cost to cure), and (2) the discount required to account for the proposed affordable housing use.

***HIGHEST AND BEST USE ANALYSIS:*** (Continued)

Based on an analysis of the comparable sale properties employed herein, and after considering the physical characteristics of the subject property (land and improvements), as well as those uses which are legally permissible and financially and feasible, the maximally productive use of the subject property, and therefore the highest and best use, is continuation of the present use, subsequent to completing the required repairs and renovation, until such time as the existing improvements become physically or functionally obsolete and no alternative uses for the improvements are feasible. The subject property, as presently improved, has been appraised accordingly.

***VALUATION METHODS:***

There are three conventional methods (approaches) which can be used to estimate value. They are the Sales Comparison Approach, Cost Approach, and Income Approach. The reader is referred to the last portion of the Preface Section, following the heading "Terms and Definitions," for a description of each approach to value.

The Sales Comparison Approach is the only approach considered applicable as a reliable indicator of value, and has been utilized herein, to determine the value of the subject property as currently improved. Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the affordable housing use at the subject property.

The Cost Approach is not considered applicable to the subject property, inasmuch as the age of the existing buildings makes difficult an accurate estimate of depreciation. Further, the subject property would likely be acquired by an owner-user that would not typically consider the alternative of acquiring a vacant residential lot and developing a new single family residence. Note that certain aspects of the Cost Approach have been utilized, as indicated in the latter portion of this section, titled "Cost to Cure".

The Income Approach is not considered applicable to the subject property, which would not typically be purchased as an income-producing or investment-type property. Note that an abbreviated version of the Income Approach (utilizing GIM method) has been utilized to determine the appropriate adjustment to apply to the subject property, to account for limited income potential of the subject property, based on the proposed affordable housing use.

***SALES COMPARISON APPROACH:***

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly delay is encountered in making the substitution. Thus, the Sales Comparison Approach attempts to equate the subject property with sales of comparable properties by analyzing and weighing the various elements of comparability.

The Sales Comparison Approach has been applied to the subject property for the purpose of estimating the value of the subject property, as presently improved with the single family residential development. The Sales Comparison Approach has been applied after an investigation and analysis was conducted of comparable single family residential properties that recently sold in the subject market area.

The reader is referred to the summary of Single Family Residential Sale Properties on the following page. The last entry represents the subject property (as if renovated) and is included to help the reader see the various characteristics of the subject property, as compared to the various sale properties; the date and sale price represent the date of value utilized herein and the value conclusion, prior to accounting for (1) the cost associated with the required renovation and repairs (cost to cure), and (2) the affordable housing use.

Note that, due to a lack of sales of single family residences encumbered with affordable housing covenants, the appraiser utilized sales of "typical" single family residential properties which are not subject to affordable housing requirements, and then made an adjustment for the proposed affordable housing use at the subject property. Further, due to the extensive repairs required at the subject property, and the lack of an adequate number of comparable sales of "fixer" properties, the property has been appraised as if the required repairs have been completed, and then said cost (cost to cure) has been deducted from the value of the property.

The proposed buyer plans to construct an accessory dwelling unit (ADU) at the subject property, which will also be leased to an affordable housing tenant. For appraisal purposes, said proposed construction of an ADU has not been considered herein, as (1) the ADU does not currently exist, (2) the costs to provide the ADU were not provided for review, and (3) all of the comparable sales utilized herein could reasonably support development of an ADU.

**Single Family Residential Sale Properties:**

<u>Data</u>	<u>Sale Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Sale Price</u>	<u>\$/SF Land</u> <u>\$/SF Bldg.</u>
1	9-18 447 S. Shaffer St., Orange	5,800 sf	864 sf	1923	2 BR 1½ BA	oversized 1-car	\$629,500*	\$108.53 \$728.59
2	9-18 168 S. Parker St., Orange	6,732 sf	788 sf	1904	3 BR 1 BA	none	\$525,000	\$77.99 \$666.24
3	11-18 406 S. Center St., Orange	4,500 sf	936 sf	1909	2 BR 1½ BA	1-car	\$720,900*	\$160.20 \$770.19
6	2-19 361 S. Parker St., Orange	6,480 sf	887 sf	1946	2 BR 1 BA	2-car	\$592,500*	\$91.44 \$667.98
10	11-19 122 S. Lime St., Orange	6,360 sf	960 sf	1948	2 BR 2 BA	2-car	\$605,000	\$95.13 \$630.21
12	12-19 527 W. Culver Ave., Orange	3,627 sf	719 sf	1924	2 BR 1 BA	2-car	\$565,000	\$155.78 \$785.81
13	12-19 283 N. Batavia St., Orange	4,802 sf	720 sf	1949	2 BR 1 BA	1-car att.	\$495,000	\$103.08 \$687.50
16	7-20 420 N. Batavia St., Orange	6,400 sf	945 sf	1948	2 BR 1 BA	1-car att.	\$595,000	\$92.97 \$629.63
SP	9-20 637 W. La Veta Ave., Orange	5,400 sf	804 sf	1923	2 BR 1 BA	none	\$630,000	\$116.67 \$783.58

\* Effective sale price (net of seller concessions)

***SALES COMPARISON APPROACH:*** (Continued)

The comparable sale properties include dwellings ranging in size from 719 to 960 square feet, which were built between 1904 and 1949, and are situated on lots ranging from 3,627 to 6,732 square feet; the properties sold at prices ranging from \$610,000 to \$760,000. The various sales are set forth in chronological order and took place between September 2018 and July 2020. Refer to the Market Data Section for additional information pertaining to each comparable sale property, as well as a map which illustrates the location of each property.

The first adjustments applied to the sale properties, when warranted, are known as transactional adjustments. Said transactional adjustments are generally applied to the sale properties in the sequence listed below, and are made cumulatively (i.e. the base changes before applying the next adjustment). Following is the list of transactional adjustments.

- Property rights conveyed
- Financing (cash equivalency)
- Conditions of sale
- Expenditures after sale
- Market conditions

***Property Rights Conveyed:***

The property rights conveyed at each sale transaction were considered in the valuation analysis. An adjustment can be required when a sale transaction conveyed a different set of property rights, compared to the property rights being appraised, such as leased fee vs. fee simple. When a property is leased, the property rights being appraised are generally those of the owner's leased fee interest. In the subject case, the property rights being appraised are those of the fee simple interest.

Certain of the sale properties utilized herein were leased at the time of sale; said sale transactions represent the sale of the owner's leased fee interest in the properties. Note, however, that said leases were generally month-to-month leases or short-term leases of approximately one year. Due to the short duration of residential leases in the subject market, there is no measurable difference in value between vacant single family residential properties and single family residential properties that are leased at or near market rates. Based on the foregoing, an adjustment for property rights conveyed is not warranted for any of the comparable sale properties.

***SALES COMPARISON APPROACH:*** (Continued)

***Financing and Cash Equivalency:***

Sale properties are adjusted for financing arrangements involved in transactions which are not market-typical. A cash equivalency adjustment is generally made in those cases wherein the financing of a property caused a higher purchase price. Common examples include seller financing or assumption of existing financing at non-market terms.

All of the sale transactions included all cash to seller transactions, generally with conventional or Federal Housing Administration (FHA) financing. Based on the foregoing, a cash equivalency adjustment is not warranted for any of the sales.

***Conditions of Sale:***

An adjustment for conditions of sale is required when a property sold under atypical conditions, such as (1) a seller being under duress (REO transactions or other distressed sales), (2) a property selling as part of a bulk portfolio sale, (3) a developer paying a premium to acquire an adjacent property as part of assembling a larger development site, or (4) other similar situations where the motivation of a buyer or seller affects the price paid for a property.

Another item which can be accounted for in the "conditions of sale" adjustment is seller concessions, which lower the effective price paid by a buyer. It is necessary to consider said seller concessions in order to reflect the effective sale price. Data 1, 3, and 6 included seller concessions of \$500, \$4,100, and \$2,500, as part of the sale transactions. Note, however, that said seller concessions were deducted from the respective sale price, and the effective sale price has been utilized herein. Based on the foregoing, none of the sales required an adjustment for conditions of sale.

***Expenditures after Sale:***

An adjustment is required when a buyer anticipates a particular expenditure that he or she will have to expend shortly after purchasing a particular property; the price paid by a knowledgeable buyer considers any required expenditures. Such expenditures can include (1) the cost to remediate known environmental contamination, (2) the cost to cure deferred maintenance at a building, or (3) similar costs that a buyer anticipates making upon purchase of a property, such as the cost to demolish an existing structure when an improved site is purchased for redevelopment. None of the comparable sale properties required an adjustment for expenditures after sale.

***SALES COMPARISON APPROACH:*** (Continued)

***Market Conditions:***

An adjustment for market conditions (date of sale) is appropriate when sales occur during a rising or declining market. The adjustments are based upon observations of the real estate market and value appreciation/declining cycles dating back more than 15 years. The market conditions adjustments utilized herein are based on (1) a residential market trend graph obtained from Zillow.com, (2) discussions with various market participants (agents, brokers, developers, etc.), (3) observations of local real estate market trends (sales activity, listing activity, development activity, etc.), and (4) a review of sale prices and current asking prices at comparable properties in the subject market area.

There was an upward value trend affecting residential properties in the subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized. Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due primarily to the subprime credit and housing crisis, as well as a lack of available financing. In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid to latter portion of 2012.

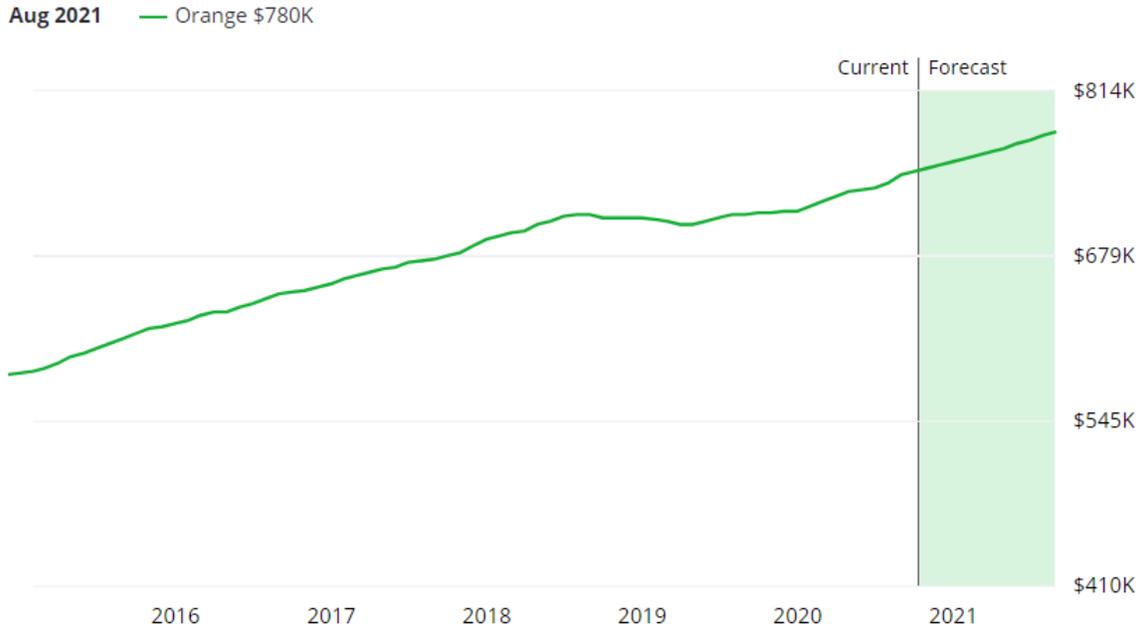
Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the mid portion of 2018, after which property values generally stabilized. Residential property values remained largely stable (level) from the mid portion of 2018 through the latter part of 2019. Residential property values again began to increase in the first part of 2020, and said increase has continued through the present time (October 2020). Note that buying activity has increased significantly over the past several months, due to a significant decline in mortgage interest rates, which led to historically low mortgage interest rates.

Refer to the graph on the following page, which was obtained from Zillow.com. The graph sets forth the median sale price of single family homes and condominiums in the City of Orange, over the past five years. The graph is based on the Zillow Home Value Index (ZHVI), which index is "a smoothed, seasonally adjusted measure of the median estimated home value across a given region and housing type."

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)



This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic. The ongoing pandemic, coupled with local, State, and Federal “Stay-at-home” (lockdown) orders, led to widespread and significant economic impacts, including (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020 (though the stock market has largely recovered over the past several months), and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic (note, however, that the unemployment rate has decreased somewhat over the past several months). While there is limited data to properly assess the effects of COVID-19 on the real estate market, it is clear that certain property types have been negatively affected much more severely than others.

Commercial property values (retail, office, restaurant, hotel, etc.) appear to have been negatively affected, though there isn’t yet enough data to measure said decline, as there are very few consummated transactions of commercial properties which were negotiated during the ongoing COVID-19 pandemic. While said decline in commercial real estate values is anticipated in the near future, as of the date of value utilized herein (effective date), the extent and severity of said decline is unknown. Many commercial property owners are simply choosing to not sell, if they can’t achieve the price that they desire. While

***SALES COMPARISON APPROACH:*** (Continued)

a decrease in demand normally leads to price/value reductions, most property owners are under no obligation to sell, and are choosing to “wait out” the pandemic, with the goal of relisting their properties once things have “settled down.”

The multiple family residential market also appears to have remained largely stable, though certain investors have become more hesitant to purchase multi-family properties at the present time. In addition, demand for multi-family properties has weakened somewhat, as investors have become more cautious, due to the uncertainty accompanying the ongoing pandemic and lockdown, and their potential negative effect on multiple family residential property values.

While there have not been adequate sale transactions and data points to demonstrate significant decreases in the multiple family residential markets, multiple economists and brokerage firms are forecasting a decrease in multiple family residential property values, beginning in the latter portion of 2020, and continuing through the mid or latter portion of 2021. Said anticipated decline is based in large part on recently passed moratoriums on rental increases and evictions, which are anticipated to impact multi-family property values, in the short term. Also note that many graphs and indexes fail to account for the drastically lower amount of sale transactions since the start of the pandemic/-lockdown. Certain graphs show multi-family properties continuing to increase through the present time, though the multi-family market has “weakened” somewhat since March 2020 to the present time (October 2020).

Also note that, as a result on ongoing strong demand for residential housing in the greater subject market area, most forecasts anticipate (1) a rather quick recovery, after the anticipated decline, and then (2) a continuation of the upward trend in residential property values, as well as rental rates, starting in the latter portion of 2021 or the first portion of 2022.

Note, however, that single family residential prices appear to be largely unaffected by the ongoing COVID-19 pandemic and resultant lockdown, as can be noted in the Zillow graph. While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that after one or two months of limited activity, residential buying activity surged, with many residential property listings receiving multiple offers, sometimes at “above asking” prices. Said increase in activity is due to historically low mortgage interest rates, as well as a lack of current inventory.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Based on the foregoing, quantitative time adjustments (i.e. market conditions adjustments) have been applied to the various sales utilized herein, based on the following schedule:

January-June 2018:	+	6.0% per year,	or	+	0.5% per month
July-December 2018:		0.0% per year,	or		0.0% per month
January-June 2019:		0.0% per year,	or		0.0% per month
July-December 2019:		0.0% per year,	or		0.0% per month
January-June 2020:	+	6.0% per year,	or	+	0.5% per month
July-October 2020:	+	6.0% per year,	or	+	0.5% per month

Note that the date of value utilized herein is September 21, 2020. As such, an adjustment for October 2020 has not been applied to the various comparable sale properties.

***Elements of Comparability:***

After considering the various transactional adjustments applied to the comparable sale properties, an analysis was made of a number of elements of comparability at the various sale properties, as compared to the subject property. Following are said elements of comparability:

- Location
- Immediate environmental influences
- Traffic/noise pollution
- Access
- Lot size
- Year built
- Construction quality
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements
- Within Orange Historic District
- Mills Act contract
- Street/off-site improvements

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

The above elements of comparability were not assigned equal weight in the analysis of each comparable sale property. The location, traffic/noise pollution, lot size, dwelling size, dwelling condition, number of bedrooms, number of bathrooms, and Mills Act contract were considered the most important factors in the analysis of the various residential sale properties.

Inasmuch as the overall sale price is the primary method utilized by buyers and sellers of single family residences, the analysis herein is based on the sale price of the various comparable sale properties. Note that the price per square foot of building area was also utilized as a secondary check.

The reader is referred to the Market Analysis Comparison Grid on the following page. As can be noted, all of the comparable sales required a transactional adjustment for market conditions, ranging from 1.0% to 4.5%. None of the sales required adjustments for property rights conveyed, financing, conditions of sale, or expenditures after sale. The comparability adjustments applied to the various sale properties are judgment estimates which are intended to equate the subject property with the respective single family residential sale properties.

All of the comparable sales are considered generally similar to the subject property regarding location. Data 10 is judged inferior to the subject property regarding immediate environmental influences, as the property is located adjacent to a commercial development.

Due to the subject property's location on a primary street, all of the comparable sales, except Data 13 and 16, are considered superior to the subject property regarding noise/traffic pollution, as said sales are located on secondary streets (reduced traffic and noise pollution). Data 13 and 16 are considered generally similar to the subject property regarding noise/traffic pollution, as said properties have frontage on a primary street.

As stated, the analysis herein assumes that the required repairs have been completed, and the subject property is in overall good condition. Further note that the proposed renovation includes replacing the existing wall heater with a central heating and air conditioning system. Data 2, 6, 10, 13, and 16 are judged inferior to the subject property regarding condition, as said properties are in fair-average, average, or average-good condition. Data 1, 3, and 12 are considered generally similar to the subject property regarding condition, as said properties are in good condition.

**MARKET ANALYSIS COMPARISON GRID**

	Data	1	2	3	6	10	12	13	16
	<b>Subject</b>								
Sale price:	-----	\$629,500	\$525,000	\$720,900	\$592,500	\$605,000	\$565,000	\$495,000	\$595,000
Rate per sf building:	-----	\$728.59	\$666.24	\$770.19	\$667.98	\$630.21	\$785.81	\$687.50	\$629.63
Transactional adjustments									
Property rights conveyed:	fee simple	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing (cash equivalency):	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%
Expenditures after sale:	-----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Date of sale:	9-20	9-18	9-18	11-18	2-19	11-19	12-19	12-19	7-20
Market conditions:	-----	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	1.0%
Adjusted sale price:	-----	\$657,828	\$548,625	\$753,341	\$619,163	\$632,225	\$590,425	\$517,275	\$600,950
Adjusted rate per sf building:	-----	\$761.38	\$696.22	\$804.85	\$698.04	\$658.57	\$821.17	\$718.44	\$635.93
Comparability adjustments									
Location:	average	similar							
Immed. environmental influences:	average	similar	similar	similar	similar	inferior	similar	similar	similar
Traffic/noise pollution:	below average	superior	superior	superior	superior	superior	superior	similar	similar
Access:	average	similar							
Lot size:	5,400 sf	superior	superior	inferior	superior	superior	inferior	inferior	superior
Year built:	1923	similar							
Construction quality:	average	similar							
Dwelling size:	804 sf	superior	inferior	superior	superior	superior	inferior	inferior	superior
Dwelling condition:	as if good condition	similar	inferior	similar	inferior	inferior	similar	inferior	inferior
Number of bedrooms:	2 bedrooms	similar	superior	similar	similar	similar	similar	similar	similar
Number of bathrooms:	1 bathroom	superior	similar	superior	similar	superior	similar	similar	similar
Type of heating system:	as if central heat/AC	similar	inferior	inferior	inferior	similar	similar	inferior	inferior
Garage:	none	superior	similar	superior	superior	superior	superior	superior	superior
Other site improvements:	average	similar							
Within Orange Historic District:	yes	similar	similar	similar	superior	superior	superior	superior	superior
Mills Act contract:	no	similar	similar	superior	inferior	inferior	inferior	inferior	inferior
Street/off-site improvements:	average	similar							
	<b>Subject</b>								
	Data	1	2	3	6	10	12	13	16
Overall comparability:		superior	inferior	superior	inferior	superior	inferior	inferior	inferior

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

Inasmuch as the subject property is located in a historical district, the property is eligible for the Mills Act contract program. Note, however, that the subject property does not currently have an active Mills Act contract. The Mills Act is a state law which allows cities to enter into contracts with the owners of historic structures. Said contracts allow a reduction of property taxes in exchange for the continued preservation of the property. Data 1 and 2 are considered similar to the subject property, as said sale properties, while located in historical zones and being eligible for the Mills Act, do not have active Mills Act contracts. Data 6, 10, 12, 13, and 16 are inferior to the subject property regarding Mills Act contract, as said properties are not eligible for the Mills Act (not within historical districts). Data 3 is superior to the subject property regarding Mills Act, as the property has an active Mills Act contracts in place, resulting in lower real estate taxes.

Refer to the Market Analysis Comparison Grid on the previous page to see all of the adjustments applied to the various comparable sale properties.

The reader is referred to the following array, which sets forth the various sale properties based on the overall comparability of each sale, as compared to the subject property (as if renovated). As stated, the unit rates have been adjusted for transactional adjustments, which in the subject case is limited to market conditions. The adjusted unit rates range from \$517,275 to \$753,341, as follows:

<u>Data</u>	<u>Overall Comparability</u>	<u>Adjusted Sale Price</u>
3	superior	\$753,341
1	superior	\$657,828
10	superior	\$632,225
<b>Subject</b>	<b>- - -</b>	<b>\$630,000</b>
6	inferior	\$619,163
16	inferior	\$600,950
12	inferior	\$590,425
2	inferior	\$548,625
13	inferior	\$517,275

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***SALES COMPARISON APPROACH:*** (Continued)

As stated, the price per square foot of building area was utilized as a secondary check. The comparable sales have unit rates ranging from \$629.63 to \$785.81 per square foot of building area, prior to adjusting for marking conditions.

The indicated value of the subject property, based on the array analysis, is \$630,000, which equates to \$783.58 per square foot of building area. Said rate is toward the upper portion of the indicated range, and is considered appropriate given the various attributes of the subject property (location, lot size, dwelling size, condition, etc.).

Based on the foregoing analysis, the value of the subject property (1) as if renovated, and (2) before accounting for the affordable housing use, is \$630,000.

The foregoing analysis assumes that the required renovation at the subject property has been completed and the subject property is in overall good condition, inasmuch as the required repairs will result in the subject dwelling having a fully renovated, effectively new interior, in addition to the new yard improvements. The following "Cost to Cure" section sets forth the costs required to repair and renovate the subject property (cost to cure). Said costs were then deducted from the above market value conclusion, to estimate the "as is" value of the subject property.

***COST TO CURE:***

The subject property is currently in fair-poor condition, and will require renovation and repair, prior to being utilized as a single family residential property. The required repairs include replacement of the roof, windows, doors, flooring, electrical, plumbing (copper piping, fixtures, etc.), painting, bath and kitchen remodel, yard work (install sprinklers, sod, etc.), porch repairs, etc.

The construction costs utilized herein are based primarily on information provided by an insurance adjuster familiar with construction and renovation costs, including costs associated with renovating historic properties. Said insurance adjuster inspected the subject property, along with the appraiser, at the time of the appraisal inspection, and provided the appraiser with detailed information pertaining to the repairs and renovation required at the subject property, including the applicable costs thereof. In addition, the appraiser consulted the Marshall & Swift Valuation Service cost manual, which provides building costs and site improvement costs for a wide variety of construction classes and materials.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

**COST TO CURE:** (Continued)

The cost to cure analysis applied herein includes both direct and indirect costs. Direct costs are those expenditures for labor and materials directly employed in the construction of the various improvements.

The indirect costs include (1) a contingency factor of 5%, (2) plan and permit fees of 2%, and (3) contractor's profit allowance of 10%. The indicated "cost to cure" applicable to the subject property, inclusive of direct and indirect costs, is estimated at \$219,000, as follows:

Complete set of architectural plans:	\$ 18,000
Structural engineering (at bathroom):	\$ 5,000
Asbestos removal:	\$ 2,500
Lead abatement:	\$ 8,000
Replace roof:	\$ 9,500
Replace all windows:	\$ 21,000
Replace exterior wood siding:	\$ 18,000
Replace all flooring (hardwood):	\$ 12,000
New electrical throughout (wiring, outlets, etc.):	\$ 10,000
Plaster repair:	\$ 5,000
Replace copper piping:	\$ 5,000
Replace all interior doors:	\$ 8,000
Replace front door & rear door:	\$ 4,000
Finished carpentry:	\$ 7,500
Kitchen remodel:	\$ 10,000
Bath remodel:	\$ 7,500
Paint interior walls:	\$ 3,000
Driveway repair:	\$ 5,000
Yard demolition and clearing:	\$ 4,000
Tree removal (damaging fence):	\$ 3,000
Install sprinklers and sod in backyard:	\$ 8,000
Repair/replace fencing and gates:	\$ 4,000
Porch repairs:	\$ 8,000
Subtotal:	\$ 186,000
Contingency (5%):	9,300
Subtotal:	\$ 195,300
Plans/permits (2%):	3,906
Subtotal:	\$ 199,206
Contractor's profit (10%):	19,530
Total:	\$ 218,736
Adjusted:	\$ 219,000

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***COST TO CURE:*** (Continued)

Based on the foregoing, the "as is" value of the subject property, before accounting for the affordable housing use, is \$411,000, as follows:

Value as if renovated:	\$630,000
Cost to cure:	- <u>\$219,000</u>
"As is" value, before accounting for affordable housing use:	\$411,000

***PROPOSED AFFORDABLE HOUSING USE:***

Per a Letter of Intent provided for review, the buyer intends to renovate the existing subject dwelling and lease it to a tenant having an income based on 50% of the area median income (AMI). It is understood that the proposed affordable housing covenant will have a term of 55 years and will require that the subject dwelling be leased to a tenant having an income based on 50% of the area median income (AMI). The maximum rental rate at the subject dwelling unit is based on a percentage of the average median income of the subject area; said rates are set by the California Department of Housing and Community Development (HCD) and are adjusted annually. It is understood that the proposed rental rate for the subject dwelling unit will be \$1,441 per month.

The affordable housing covenant will "run with the land." As such, any future sale of the subject property will not affect the affordable housing use, and the subject property must continue to be rented/leased to an affordable housing tenant (i.e. future buyers must continue affordable housing use).

Due to the rental guidelines associated with affordable housing developments (maximum rent rates, rent increase intervals, tenant criteria, etc.), residential properties encumbered with affordable housing covenants generally sell for a discount, as compared to typical residential properties wherein the owner is not subject to the additional regulations.

In order to determine the appropriate adjustment to apply to the subject property for the affordable housing use, the appraiser considered the proposed affordable housing rental rate at the subject property, compared to the fair market rental rate.

A rental survey of comparable single family residential properties in the subject market was conducted, in order to determine the fair market rental rate applicable to the subject property. The results of the rental survey are summarized on the following page.

## RENTAL SUMMARY

### *Single Family Residential Rental Properties:*

<u>Data</u>	<u>Lease Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Monthly</u> <u>Rent</u>
R1	6-18 730 E. Almond Ave., Orange	3,400± sf	900 sf	1944	2 BR 1½ BA	none	\$2,290
R2	6-18 330 E. River Ave., Orange	4,000± sf	850 sf	1910	2 BR 1 BA	1-car	\$2,395
R3	6-18 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R4	8-18 633 S. Glassell St., Orange	5,703 sf	900 sf	1904	2 BR 1 BA	none	\$2,295
R5	9-18 365 N. Clark St., Orange	3,906 sf	840 sf	1961	3 BR 1 BA	1-car att.	\$2,395
R6	3-19 352 S. Center St., Orange	6,275 sf	1,000 sf	1909	3 BR 1 BA	2-car	\$2,695
R7	5-19 621 E. Sycamore Ave., Orange	8,040 sf	1,014 sf	1952	3 BR 1½ BA	2-car	\$2,695
R8	7-19 175 S. Cambridge St., Orange	6,744 sf	883 sf	1946	2 BR 1 BA	2-car	\$2,595
R9	7-19 378 N. Parker St., Orange	3,365 sf	831 sf	1961	2 BR 1 BA	1-car att.	\$2,295
R10	8-19 118 E. Palm Ave., Orange	1,800± sf	950 sf	1913	2 BR 1 BA	none	\$2,395
R11	9-19 290 N. Jewell Pl., Orange	6,604 sf	886 sf	1930	1 BR+den 1 BA	1-car att.	\$2,500
R12	10-19 545 E. Jefferson Ave., Orange	3,000± sf	1,000 sf	1939	3 BR 2 BA	none	\$2,495
R13	2-20 601 E. Almond Ave., Orange	6,600 sf	916 sf	1930	2 BR 1 BA	1-car	\$2,595
R14	3-20 404 S. Grand St., Orange	3,000± sf	1,044 sf	1906	2 BR 1 BA	none	\$2,395
R15	3-20 1018 E. Palmyra Ave., Orange	6,750 sf	985 sf	1925	2 BR 1 BA	2-car	\$2,500
SP	9-20 637 W. La Veta Ave., Orange	5,400 sf	804 sf	1923	2 BR 1 BA	none	\$2,350

R . P . L A U R A I N  
& A S S O C I A T E S  
APPRAISERS - ANALYSTS

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As can be noted, the comparable rental properties represent single family residences containing between 831 and 1,044 square feet, and two or three bedrooms; Data R11 represents an effective two-bedroom unit (one bedroom plus den). The rental properties were constructed between 1904 and 1961 and have land areas ranging from 1,800± to 8,040 square feet. Note that the land areas at Data R1, R2, R10, R12, and R14 represent the approximate land areas, as said rental properties represent "stand alone" single family residences located on (1) "two on a lot" residential properties (Data R1, R12, and R14), (2) a "three on a lot" residential property (Data R2), and (3) a commercial/residential mixed use property (Data R10). The rental rates range from \$2,290 to \$2,695 per month.

Note that the property at the bottom of the Rental Summary represents the subject property; the monthly rental rate represents the fair market rental rate applicable to the subject property, as if renovated, based on the rental survey.

In analyzing the comparable rental properties, it is important to consider the various elements of comparability, as discussed in detail in the Sales Comparison Approach, which include the following criteria (among others):

- Location
- Traffic/noise pollution
- Lot size
- Year built
- Dwelling size
- Dwelling condition
- Number of bedrooms
- Number of bathrooms
- Type of heating system
- Garage
- Other site improvements

The above elements of comparability were not assigned equal weight in analyzing each rental property. The location, traffic/noise pollution, lot size, year built, dwelling size, and number of bedrooms were the most important factors in the subject case.

The fair market rental rate applicable to the subject property, based on the Rental Survey, and taking into account the various elements of comparability (and assuming that the required renovation has been completed), is estimated at \$2,350 per month.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

As such, the proposed affordable rental rate at the subject property (\$1,441 per month) is far below (39%) the fair market level of \$2,350 per month. If the subject property were listed for sale on the open market (market value assumes a hypothetical sale of the subject property), any potential buyers would determine how much to pay for the subject property based on the income potential of the property (i.e. buyers would consider the actual/proposed rental rate).

In order to determine the appropriate adjustment to apply to the subject property for the limited income potential thereof, due to the proposed affordable housing use, the appraiser compared the value of the subject property based on (1) the actual/proposed rental rate at the subject property (\$1,441 per month or \$17,292 per year), and (2) the fair market rental rate of \$2,350 per month (\$28,200 per year).

The difference in value, based on the two income scenarios, was derived by applying a gross income multiplier (GIM) to the rental income produced by the subject property. Note that the gross income multiplier method is a form of the Income Approach and is usually applied to smaller residential income properties (single family residences, duplexes, triplexes, and fourplexes). The gross income multiplier is obtained by a review and analysis of comparable sale properties which were leased at the time of sale; the gross income multiplier is the ratio of the sale price to the gross annual rental income produced by the property (at time of sale).

The (GIM) applied to the subject property was estimated after reviewing sales of single family residential investment properties which included the gross annual income at the time of sale. Inasmuch as most single family residences in the subject market are bought by owner-users, it was necessary to expand the geographic search area, in order to obtain a representative number of GIM sale properties.

Refer to the table on the following page, which sets forth the GIM survey. As can be noted, the various sales represent investment single family residential properties located in the Cities of Orange, Santa Ana, and Tustin. The various sales have gross income multipliers ranging from 17.9 to 22.4. Taking into account the various attributes of the subject property, as if renovated (location, size, number of bedrooms, etc.), as compared to the various sale properties, the gross income multiplier applicable to the subject property, under both scenarios, is estimated at 19.5.

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

**GROSS INCOME MULTIPLIER SUMMARY**

***Leased Single Family Residential Properties:***

<u>Data</u>	<u>Sale Date</u> <u>Address</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Sale Price</u>	<u>Gross</u> <u>Income</u>	<u>Indicated</u> <u>Rate</u>
1	1-18 621 E. Sycamore Ave., Orange	1,014 sf	1952	3 BR 1½ BA	\$670,000	\$29,940	22.4
2	7-18 1522 S. Garnsey St., Santa Ana	1,299 sf	1953	3 BR 1½ BA	\$577,500	\$30,000	19.3
3	7-18 271 S. Batavia St., Orange	1,702 sf	1938	3 BR 2 BA	\$734,250*	\$38,400	19.1
4	2-19 202 N. Bewley St., Santa Ana	1,386 sf	1946	3 BR 2 BA	\$430,000	\$24,000	17.9
5	12-19 283 N. Batavia St., Orange	720 sf	1949	2 BR 1 BA	\$495,000	\$25,200	19.6
6	9-20 351 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,600	21.1
7	asking 211 Prospect Park, Tustin	1,184 sf	1963	2 BR 2 BA	\$455,500	\$21,684	21.0

The value of the subject property, derived by applying a GIM to the gross income of the market rental rate applicable to the subject property, is as follows:

$$\frac{\text{Monthly Rent}}{\$2,350} \times 12 = \frac{\text{Annual Income}}{\$28,200} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$549,900}$$

Adjusted: \$550,000

The value of the subject property, derived by applying a GIM to the gross income of the proposed affordable rental rate at the subject property, is as follows:

Value Based on Affordable Rate

$$\frac{\text{Monthly Rent}}{\$1,441} \times 12 = \frac{\text{Annual Income}}{\$17,292} \times \frac{\text{GIM}}{19.5} = \frac{\text{Indicated Value}}{\$337,194}$$

Adjusted: \$337,000

**VALUATION ANALYSIS** (Continued)

637 W. LA VETA AVE.

***PROPOSED AFFORDABLE HOUSING USE:*** (Continued)

Based on the foregoing analysis, the appropriate downward (negative) adjustment applicable to the subject property, to account for the proposed affordable housing use, is \$213,000 (\$550,000 - \$337,000 = \$213,000).

***FINAL ESTIMATE OF VALUE:***

Based on the foregoing appraisal, the market value of the fee simple interest in the subject property, in the present "as is" condition, and as if encumbered with the proposed affordable housing covenant, as of September 21, 2020, is \$198,000, as follows:

Value as if renovated:	\$630,000
Cost to cure:	- <u>\$219,000</u>
"As is" value, before accounting for affordable housing use:	\$411,000
Deduction for affordable housing use/covenant:	- <u>\$213,000</u>
Current "as is" market value:	\$198,000

***MARKETING EXPOSURE:***

The marketing exposure of a particular property is a direct function of supply and demand within a particular market segment. Generally, a higher demand results in a shorter marketing period. Note that marketing exposure is assumed to precede the effective date of the appraisal.

Based on the marketing exposure of the sale properties utilized herein (i.e. "days on market"), as well as discussions with real estate brokers in the subject market, the required marketing exposure for the subject property, assuming an aggressive and comprehensive marketing program, and taking into account the proposed affordable housing use, is approximately 6 to 12 months.

## **MARKET DATA**

**MARKET DATA SUMMARY**

**Single Family Residential Sale Properties:**

<u>Data</u>	<u>Sale Date</u> <u>Address</u>	<u>Land</u> <u>Area</u>	<u>Dwelling</u> <u>Size</u>	<u>Year</u> <u>Built</u>	<u>Bedrooms</u> <u>Bathrooms</u>	<u>Garage</u>	<u>Sale Price</u>	<u>\$/SF Land</u> <u>\$/SF Bldg.</u>
1	9-18 447 S. Shaffer St., Orange	5,800 sf	864 sf	1923	2 BR 1½ BA	oversized 1-car	\$629,500*	\$108.53 \$728.59
2	9-18 168 S. Parker St., Orange	6,732 sf	788 sf	1904	3 BR 1 BA	none	\$525,000	\$77.99 \$666.24
3	11-18 406 S. Center St., Orange	4,500 sf	936 sf	1909	2 BR 1½ BA	1-car	\$720,900*	\$160.20 \$770.19
4	11-18 257 S. Center St., Orange	4,000 sf	1,052 sf	1921	2 BR 1 BA	1-car	\$640,000	\$160.00 \$608.37
5	1-19 664 W. Palmyra Ave., Orange	6,000 sf	1,016 sf	1922	2 BR 1 BA	oversized 1-car	\$725,000	\$120.83 \$713.58
6	2-19 361 S. Parker St., Orange	6,480 sf	887 sf	1946	2 BR 1 BA	2-car	\$592,500*	\$91.44 \$667.98
7	5-19 335 W. Palmyra Ave., Orange	6,145 sf	1,077 sf	1916	2 BR 1½ BA	1-car	\$741,500*	\$120.67 \$688.49
8	9-19 293 S. Citrus St., Orange	6,374 sf	1,084 sf	1950	3 BR 1 BA	2-car	\$669,000	\$104.96 \$617.16
9	10-19 148 N. Cleveland St., Orange	7,352 sf	1,000 sf	1910	2 BR 1 BA	1-car	\$745,000	\$101.33 \$745.00
10	11-19 122 S. Lime St., Orange	6,360 sf	960 sf	1948	2 BR 2 BA	2-car	\$605,000	\$95.13 \$630.21
11	12-19 409 W. Marietta Pl., Orange	4,347 sf	1,003 sf	1923	2 BR 2 BA	1-car	\$642,500*	\$147.80 \$640.58
12	12-19 527 W. Culver Ave., Orange	3,627 sf	719 sf	1924	2 BR 1 BA	2-car	\$565,000	\$155.78 \$785.81
13	12-19 283 N. Batavia St., Orange	4,802 sf	720 sf	1949	2 BR 1 BA	1-car att.	\$495,000	\$103.08 \$687.50
14	4-20 192 N. Lester Dr., Orange	4,554 sf	1,048 sf	1929	3 BR 1 BA	2-car	\$610,000*	\$133.95 \$582.06
15	4-20 548 E. Washington Ave., Orange	7,500 sf	1,068 sf	1909	3 BR 2 BA	oversized 2-car	\$760,000	\$101.33 \$711.61
16	7-20 420 N. Batavia St., Orange	6,400 sf	945 sf	1948	2 BR 1 BA	1-car att.	\$595,000	\$92.97 \$629.63
17	9-20 167 S. Pepper St., Orange	8,568 sf	1,137 sf	1946	3 BR 1 BA	2-car att.	\$680,000	\$79.37 \$598.07

\* Effective sale price (net of seller concessions)

## MARKET DATA #1

447 South Shaffer Street  
Orange



<b>GRANTOR:</b>	Primevestment Properties, LLC	<b>APN:</b>	390-131-72
<b>GRANTEE:</b>	Krista Marie Hoskins	<b>LAND SIZE:</b>	5,800 sq.ft.
<b>SALE DATE:</b>	September 18, 2018	<b>DWELLING SIZE:</b>	864 sq.ft.
<b>DOC. NO.:</b>	341843	<b>YEAR BUILT:</b>	1923
<b>SALE PRICE:</b>	\$630,000 with \$500 concession; \$629,500 net	<b>CONDITION:</b>	Good
<b>TERMS:</b>	\$504,000 conventional	<b>GARAGE:</b>	Oversized 1-car detached

**VALUE INDICATIONS:** \$108.53 per SF land  
\$728.59 per SF bldg.

## MARKET DATA #2

168 South Parker Street  
Orange



**GRANTOR:** Ralph R. Cortez      **APN:** 390-672-15

**GRANTEE:** Jason Sherman Siddons      **LAND SIZE:** 6,732 sq.ft.

**SALE DATE:** September 21, 2018      **DWELLING SIZE:** 788 sq.ft.

**DOC. NO.:** 647163      **YEAR BUILT:** 1904

**SALE PRICE:** \$525,000      **CONDITION:** Fair-average

**TERMS:** \$355,000 conventional      **GARAGE:** None

**VALUE INDICATIONS:** \$77.99 per SF land  
\$666.24 per SF bldg.

### MARKET DATA #3

406 South Center Street  
Orange



<b>GRANTOR:</b>	Rory E. & Megan Heiman	<b>APN:</b>	390-413-24
<b>GRANTEE:</b>	Mark M. and Karen L. Hedstrom Trust	<b>LAND SIZE:</b>	4,500 sq.ft.
<b>SALE DATE:</b>	November 15, 2018	<b>DWELLING SIZE:</b>	936 sq.ft.
<b>DOC. NO.:</b>	429947	<b>YEAR BUILT:</b>	1909
<b>SALE PRICE:</b>	\$725,000 with \$4,100 concession; \$720,900 net	<b>CONDITION:</b>	Good
<b>TERMS:</b>	All cash	<b>GARAGE:</b>	1-car detached

**VALUE INDICATIONS:** \$160.20 per SF land  
\$770.19 per SF bldg.

**MARKET DATA #4**

257 South Center Street  
Orange



<b>GRANTOR:</b>	Scott R. Pitzer	<b>APN:</b>	390-398-01
<b>GRANTEE:</b>	Tyler J. Stubbs and Brittany R. Wentz	<b>LAND SIZE:</b>	4,000 sq.ft.
<b>SALE DATE:</b>	November 29, 2018	<b>DWELLING SIZE:</b>	1,052 sq.ft.
<b>DOC. NO.:</b>	448137	<b>YEAR BUILT:</b>	1921
<b>SALE PRICE:</b>	\$640,000	<b>CONDITION:</b>	Average
<b>TERMS:</b>	\$608,000 conventional	<b>GARAGE:</b>	1-car detached

**VALUE INDICATIONS:** \$160.00 per SF land  
\$608.37 per SF bldg.

**MARKET DATA #5**

664 West Palmyra Avenue  
Orange



<b>GRANTOR:</b>	Ryan L. & Vanessa L. Holliday	<b>APN:</b>	041-133-02
<b>GRANTEE:</b>	Mark D. Nye Trust	<b>LAND SIZE:</b>	6,000 sq.ft.
<b>SALE DATE:</b>	January 8, 2019	<b>DWELLING SIZE:</b>	1,016 sq.ft.
<b>DOC. NO.:</b>	5581	<b>YEAR BUILT:</b>	1922
<b>SALE PRICE:</b>	\$725,000	<b>CONDITION:</b>	Good
<b>TERMS:</b>	\$580,000 conventional	<b>GARAGE:</b>	Oversized 1-car detached

**VALUE INDICATIONS:** \$120.83 per SF land  
\$713.58 per SF bldg.

**MARKET DATA #6**

361 South Parker Street  
Orange



<b>GRANTOR:</b>	Garrett Family Trust	<b>APN:</b>	041-133-08
<b>GRANTEE:</b>	Richard G. Munoz and Audrey A. Gutierrez	<b>LAND SIZE:</b>	6,480 sq.ft.
<b>SALE DATE:</b>	February 13, 2019	<b>DWELLING SIZE:</b>	887 sq.ft.
<b>DOC. NO.:</b>	44929	<b>YEAR BUILT:</b>	1946
<b>SALE PRICE:</b>	\$595,000 with \$2,500 concession; \$592,500 net	<b>CONDITION:</b>	Average
<b>TERMS:</b>	\$545,000 conventional	<b>GARAGE:</b>	2-car detached

**VALUE INDICATIONS:** \$91.44 per SF land  
\$667.98 per SF bldg.

**MARKET DATA #7**

335 West Palmyra Avenue  
Orange



<b>GRANTOR:</b>	Lajoie Family Trust	<b>APN:</b>	390-652-09
<b>GRANTEE:</b>	Naomi R. Kadinoff and Luis E. Carnero	<b>LAND SIZE:</b>	6,145 sq.ft.
<b>SALE DATE:</b>	May 8, 2019	<b>DWELLING SIZE:</b>	1,077 sq.ft.
<b>DOC. NO.:</b>	153871	<b>YEAR BUILT:</b>	1916
<b>SALE PRICE:</b>	\$749,000 with \$7,500 concession; \$741,500 net	<b>CONDITION:</b>	Good
<b>TERMS:</b>	\$711,550 conventional	<b>GARAGE:</b>	1-car detached

**VALUE INDICATIONS:** \$120.67 per SF land  
\$688.49 per SF bldg.

## MARKET DATA #8

293 South Citrus Street  
Orange



<b>GRANTOR:</b>	Brian & Tara Bennett	<b>APN:</b>	041-064-07
<b>GRANTEE:</b>	Patrick Chapman	<b>LAND SIZE:</b>	6,374 sq.ft.
<b>SALE DATE:</b>	September 3, 2019	<b>DWELLING SIZE:</b>	1,084 sq.ft.
<b>DOC. NO.:</b>	328015	<b>YEAR BUILT:</b>	1950
<b>SALE PRICE:</b>	\$669,000	<b>CONDITION:</b>	Average-good
<b>TERMS:</b>	\$535,200 conventional	<b>GARAGE:</b>	2-car detached

**VALUE INDICATIONS:** \$104.96 per SF land  
\$617.16 per SF bldg.

**MARKET DATA #9**

148 North Cleveland Street  
Orange



<b>GRANTOR:</b>	Teresa K. Spence	<b>APN:</b>	386-071-13
<b>GRANTEE:</b>	Dana Halopoff Exempt Trust	<b>LAND SIZE:</b>	7,352 sq.ft.
<b>SALE DATE:</b>	October 11, 2019	<b>DWELLING SIZE:</b>	1,000 sq.ft.
<b>DOC. NO.:</b>	396601	<b>YEAR BUILT:</b>	1910
<b>SALE PRICE:</b>	\$745,000	<b>CONDITION:</b>	Good
<b>TERMS:</b>	All cash	<b>GARAGE:</b>	1-car detached

**VALUE INDICATIONS:** \$101.33 per SF land  
\$745.00 per SF bldg.

**MARKET DATA #10**

122 South Lime Street  
Orange



<b>GRANTOR:</b>	Horner Family Trust	<b>APN:</b>	041-033-14
<b>GRANTEE:</b>	Christopher Odell and Courtney Weeks	<b>LAND SIZE:</b>	6,360 sq.ft.
<b>SALE DATE:</b>	November 1, 2019	<b>DWELLING SIZE:</b>	960 sq.ft.
<b>DOC. NO.:</b>	433804	<b>YEAR BUILT:</b>	1948
<b>SALE PRICE:</b>	\$605,000	<b>CONDITION:</b>	Average-good
<b>TERMS:</b>	\$574,750 conventional	<b>GARAGE:</b>	2-car detached

**VALUE INDICATIONS:** \$95.13 per SF land  
\$630.21 per SF bldg.

**MARKET DATA #11**

409 West Marietta Place  
Orange



<b>GRANTOR:</b>	Charisse R. Okamoto	<b>APN:</b>	390-651-03
<b>GRANTEE:</b>	Kevin W. Carroll and Regina L. Carroll	<b>LAND SIZE:</b>	4,347 sq.ft.
<b>SALE DATE:</b>	December 6, 2019	<b>DWELLING SIZE:</b>	1,003 sq.ft.
<b>DOC. NO.:</b>	510656	<b>YEAR BUILT:</b>	1923
<b>SALE PRICE:</b>	\$650,000 with \$7,500 concession; \$642,500 net	<b>CONDITION:</b>	Good
<b>TERMS:</b>	\$520,000 conventional	<b>GARAGE:</b>	1-car detached

**VALUE INDICATIONS:** \$147.80 per SF land  
\$640.58 per SF bldg.

## MARKET DATA #12

527 West Culver Avenue  
Orange



<b>GRANTOR:</b>	E & M Property Solutions	<b>APN:</b>	041-134-10
<b>GRANTEE:</b>	Alexandra Vidarti	<b>LAND SIZE:</b>	3,627 sq.ft.
<b>SALE DATE:</b>	December 23, 2019	<b>DWELLING SIZE:</b>	719 sq.ft.
<b>DOC. NO.:</b>	537416	<b>YEAR BUILT:</b>	1924
<b>SALE PRICE:</b>	\$565,000	<b>CONDITION:</b>	Average-good
<b>TERMS:</b>	\$554,766 FHA	<b>GARAGE:</b>	2-car detached

**VALUE INDICATIONS:** \$155.78 per SF land  
\$785.81 per SF bldg.

## MARKET DATA #13

283 North Batavia Street  
Orange



<b>GRANTOR:</b>	R. and N. Davison Trust	<b>APN:</b>	386-451-02
<b>GRANTEE:</b>	Alex S. Castillo and Silvia C. C. Murguia	<b>LAND SIZE:</b>	4,802 sq.ft.
<b>SALE DATE:</b>	December 23, 2019	<b>DWELLING SIZE:</b>	720 sq.ft.
<b>DOC. NO.:</b>	538704	<b>YEAR BUILT:</b>	1949
<b>SALE PRICE:</b>	\$495,000	<b>CONDITION:</b>	Average
<b>TERMS:</b>	\$470,000 conventional	<b>GARAGE:</b>	1-car attached

**VALUE INDICATIONS:** \$103.08 per SF land  
\$687.50 per SF bldg.

## MARKET DATA #14

192 North Lester Drive  
Orange



<b>GRANTOR:</b>	Wallace Preston	<b>APN:</b>	039-042-20
<b>GRANTEE:</b>	Philip A. Christian	<b>LAND SIZE:</b>	4,554 sq.ft.
<b>SALE DATE:</b>	April 3, 2020	<b>DWELLING SIZE:</b>	1,048 sq.ft.
<b>DOC. NO.:</b>	151633	<b>YEAR BUILT:</b>	1929
<b>SALE PRICE:</b>	\$620,000 with \$10,000 concession; \$610,000 net	<b>CONDITION:</b>	Above average
<b>TERMS:</b>	\$496,000 conventional	<b>GARAGE:</b>	2-car detached

**VALUE INDICATIONS:** \$133.95 per SF land  
\$582.06 per SF bldg.

**MARKET DATA #15**

548 East Washington Avenue  
Orange



<b>GRANTOR:</b>	V. A. and H. M. Tardif Trust	<b>APN:</b>	390-433-06
<b>GRANTEE:</b>	Chad A. Walsh and Brook M. Walsh	<b>LAND SIZE:</b>	7,500 sq.ft.
<b>SALE DATE:</b>	April 16, 2020	<b>DWELLING SIZE:</b>	1,068 sq.ft.
<b>DOC. NO.:</b>	172435	<b>YEAR BUILT:</b>	1909
<b>SALE PRICE:</b>	\$760,000	<b>CONDITION:</b>	Good
<b>TERMS:</b>	\$608,000 conventional	<b>GARAGE:</b>	Oversized 2-car detached

**VALUE INDICATIONS:** \$101.33 per SF land  
\$711.61 per SF bldg.

**MARKET DATA #16**

420 North Batavia Street  
Orange



<b>GRANTOR:</b>	Jonathan S. Hersh	<b>APN:</b>	039-012-09
<b>GRANTEE:</b>	420 N. Batavia St Holding, LLC	<b>LAND SIZE:</b>	6,400 sq.ft.
<b>SALE DATE:</b>	July 31, 2020	<b>DWELLING SIZE:</b>	945 sq.ft.
<b>DOC. NO.:</b>	374633	<b>YEAR BUILT:</b>	1948
<b>SALE PRICE:</b>	\$595,000	<b>CONDITION:</b>	Average-good
<b>TERMS:</b>	\$457,106 conventional	<b>GARAGE:</b>	1-car attached

**VALUE INDICATIONS:** \$92.97 per SF land  
\$629.63 per SF bldg.

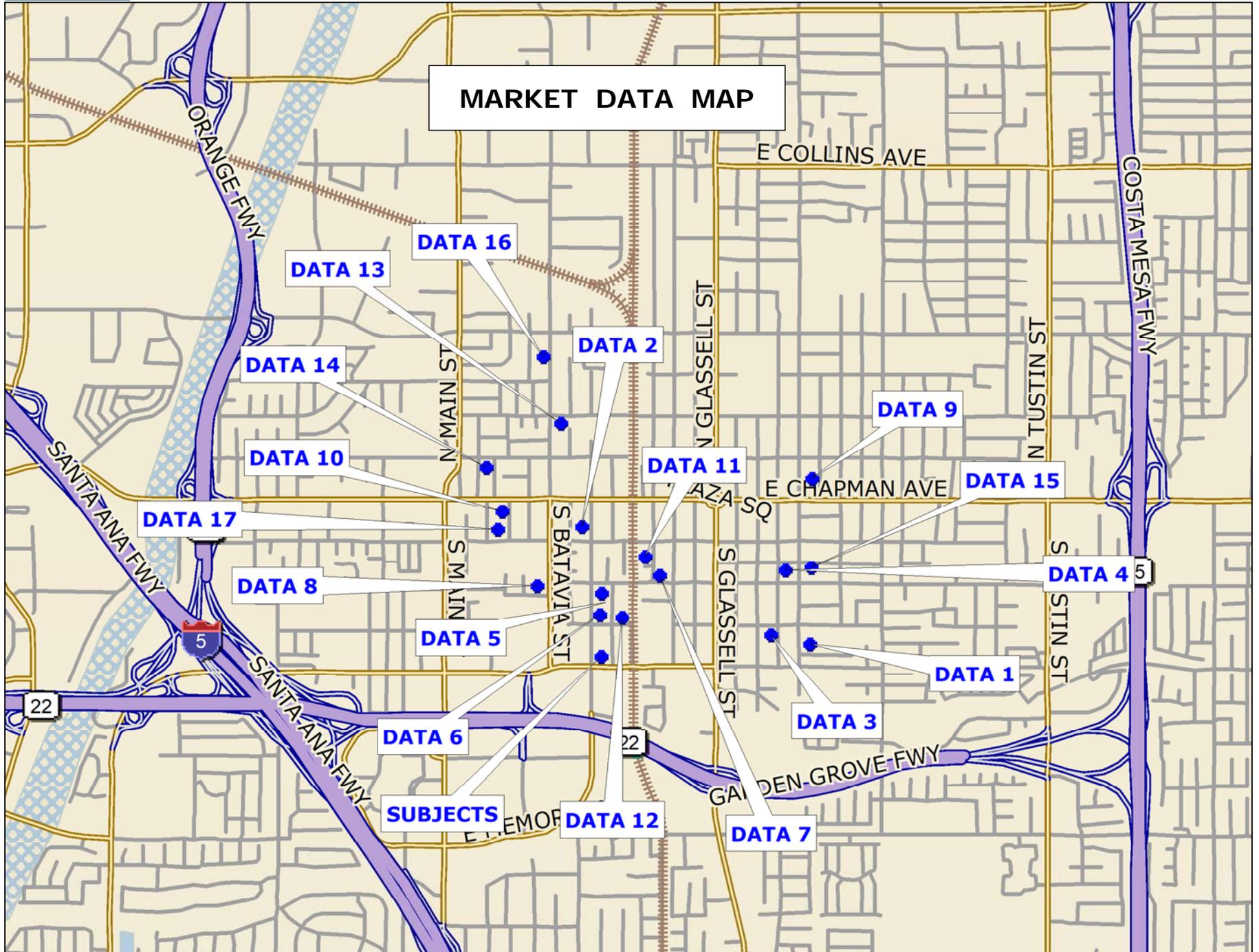
## MARKET DATA #17

167 South Pepper Street  
Orange



<b>GRANTOR:</b>	Restatement of the Walker Living Trust	<b>APN:</b>	041-033-06
<b>GRANTEE:</b>	Aaron B. Botello	<b>LAND SIZE:</b>	8,568 sq.ft.
<b>SALE DATE:</b>	September 18, 2020	<b>DWELLING SIZE:</b>	1,137 sq.ft.
<b>DOC. NO.:</b>	506114	<b>YEAR BUILT:</b>	1946
<b>SALE PRICE:</b>	\$680,000	<b>CONDITION:</b>	Average
<b>TERMS:</b>	\$646,000 conventional	<b>GARAGE:</b>	2-car attached

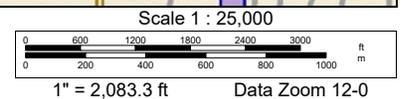
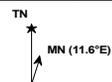
**VALUE INDICATIONS:** \$79.37 per SF land  
\$598.07 per SF bldg.



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## **ADDENDA**

**NEIGHBORHOOD ENVIRONMENT**

***LOCATION:***

The subject properties are located in the southwest portion of the City of Orange, approximately 1/3-mile north of Santa Ana. Cities adjacent to Orange include Anaheim, Villa Park, Tustin, Santa Ana, and Garden Grove, plus various portions of unincorporated Orange County (Orange Park Acres, Cowan Heights, North Tustin, etc.).

***LAND USES:***

The subject neighborhood is developed with a mixture of single family residential, low to medium density multiple family residential, and commercial uses. The subject property is located 1½ blocks east of St. Joseph Hospital - Orange.

***PRIMARY STREETS:***

Primary east-west streets in the subject area include La Veta Avenue, Chapman Avenue, and Fairhaven Avenue; note that La Veta Avenue curves 90 degrees and transitions to Bristol Street (north-south), approximately 1½ miles west of the subject properties. Primary north-south streets in the area include Main Street, Batavia Street, and Glassell Street.

***FREEWAYS:***

The Santa Ana (22) Freeway is located approximately 1/4-mile south of the subject property. The Costa Mesa (55) Freeway is located approximately 1½ miles east of the subject site. The Riverside (91) Freeway is located approximately 4½ miles north of the subject site.

***BUILD-UP:***

The subject neighborhood is approximately 95% built-up, including parking lots, public and quasi-public facilities (parks, schools, roadway, St. Joseph Hospital, etc.).

***OCCUPANCY:***

Single family (SFR):	90±% owners 10±% tenants
Low Density MFR:	30±% owners 70±% tenants

**NEIGHBORHOOD ENVIRONMENT** (Continued)

***OCCUPANCY:*** (Continued)

High Density MFR:	1±% owners 99±% tenants
Commercial:	30±% owners 70±% tenants
Industrial:	40±% owners 60±% tenants

***MEDIAN HOME PRICE:***

Per Zillow's Home Price Index, the median home price in the City of Orange is \$750,450; the median home price in the subject mailing zip code (92868) is \$624,850.

***RESIDENTIAL MARKET:***

There was an upward value trend affecting residential properties in the subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized. Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due primarily to the subprime credit and housing crisis, as well as a lack of available financing. In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid to latter portion of 2012.

Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the mid portion of 2018, after which property values generally stabilized. Residential property values remained largely stable (level) from the mid portion of 2018 through the latter part of 2019. Residential property values again began to increase in the first part of 2020, and said increase has continued through the present time (October 2020). Note that buying activity has increased significantly over the past several months, due to a significant decline in mortgage interest rates, which led to historically low mortgage interest rates.

## **NEIGHBORHOOD ENVIRONMENT** (Continued)

### ***COMMERCIAL/INDUSTRIAL MARKET:***

Real estate trends affecting commercial properties (as well as industrial properties) in the subject market area experienced an upward value trend from 2002 through the first portion of 2007, after which property values generally stabilized. In the first portion of 2008, the commercial and industrial real estate market began to experience a dramatic decrease in price levels and development activity, which decrease continued through the latter portion of 2009.

Commercial and industrial property values in the subject market generally stabilized in the early portion of 2010 and remained generally stable (level) for 18 to 24 months.

In the mid portion of 2012, the number of commercial and industrial property sale transactions began to increase, leading to property price increases, beginning in the first portion of 2013, and generally continuing through the first portion of 2020.

Note that the rate of increase at commercial properties (retail, office, restaurant, etc.) was somewhat lower between the first part of 2018 and the latter part of 2019, compared to industrial properties, which continued to increase at relatively strong rates, due to the strong demand for industrial warehouse space (both for lease and for sale), which demand outpaces existing available supply, in the greater subject market area. Note that the volume of commercial property sales has dropped drastically over the past six months.

### ***COVID-19 PANDEMIC:***

This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic. The ongoing pandemic, coupled with local, State, and Federal "Stay-at-home" (lockdown) orders, led to widespread and significant economic impacts, including (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020 (though the stock market has largely recovered over the past several months), and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic (note, however, that the unemployment rate has decreased somewhat over the past several months). While there is limited data to property assess the effects of COVID-19 on the real estate market, it is clear that certain property types have been negatively affected much more severely than others.

## **NEIGHBORHOOD ENVIRONMENT** (Continued)

### ***COVID-19 PANDEMIC:*** (Continued)

Commercial property values (retail, office, restaurant, hotel, etc.) appear to have been negatively affected, though there isn't yet enough data to measure said decline, as there are very few consummated transactions of commercial properties which were negotiated during the ongoing COVID-19 pandemic. While said decline in commercial real estate values is anticipated in the near future, as of the date of value utilized herein (effective date), the extent and severity of said decline is unknown. Many commercial property owners are simply choosing to not sell, if they can't achieve the price that they desire. While a decrease in demand normally leads to price/value reductions, most property owners are under no obligation to sell, and are choosing to "wait out" the pandemic, with the goal of relisting their properties once things have "settled down."

The multiple family residential market also appears to have remained largely stable, though certain investors have become more hesitant to purchase multi-family properties at the present time. In addition, demand for multi-family properties has weakened somewhat, as investors have become more cautious, due to the uncertainty accompanying the ongoing pandemic and lockdown, and their potential negative effect on multiple family residential property values.

While there have not been adequate sale transactions and data points to demonstrate significant decreases in the multiple family residential markets, multiple economists and brokerage firms are forecasting a decrease in multiple family residential property values, beginning in the latter portion of 2020, and continuing through the mid or latter portion of 2021. Said anticipated decline is based in large part on recently passed moratoriums on rental increases and evictions, which are anticipated to impact multi-family property values, in the short term. Also note that many graphs and indexes fail to account for the drastically lower amount of sale transactions since the start of the pandemic/-lockdown. Certain graphs show multi-family properties continuing to increase through the present time, though the multi-family market has "weakened" somewhat since March 2020 to the present time (October 2020).

Also note that, as a result on ongoing strong demand for residential housing in the greater subject market area, most forecasts anticipate (1) a rather quick recovery, after the anticipated decline, and then (2) a continuation of the upward trend in residential property values, as well as rental rates, starting in the latter portion of 2021 or the first portion of 2022.

**NEIGHBORHOOD ENVIRONMENT** (Continued)

***COVID-19 PANDEMIC:*** (Continued)

Note, however, that single family residential prices appear to be largely unaffected by the ongoing COVID-19 pandemic and resultant lockdown, as can be noted in the Zillow graph. While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that after one or two months of limited activity, residential buying activity surged, with many residential property listings receiving multiple offers, sometimes at "above asking" prices. Said increase in activity is due to historically low mortgage interest rates, as well as a lack of current inventory.

***PUBLIC/PRIVATE FACILITIES:***

The availability and adequacy of public facilities, transportation, schools, residential housing, commercial and industrial facilities, etc., is rated average. Note that police and fire protection are provided by the City of Orange.

**QUALIFICATIONS  
OF  
APPRAISER**

**R . P . LAURAIN  
& ASSOCIATES  
APPRAISERS - ANALYSTS**

## **BACKGROUND AND QUALIFICATIONS**

Benjamin V. Balos, MAI  
Certified General Real Estate Appraiser  
California Certification No. AG 040853

### ***SENIOR APPRAISER:***

R. P. Laurain & Associates, Inc.  
3353 Linden Avenue, Suite 200  
Long Beach, California 90807  
Office: (562) 426-0477 - Fax: (562) 988-2927  
ben@rplaurain.com

### ***PROFESSIONAL ORGANIZATION AFFILIATIONS:***

The Appraisal Institute  
MAI Designated Member

Certified General Real Estate Appraiser by the  
Office of Real Estate Appraisers, State of California  
Certification No. AG 040853

### ***APPRAISAL BACKGROUND:***

Benjamin V. Balos began his real estate appraisal career in March 2005, performing market research at R. P. Laurain & Associates, Inc. He received his California Certified General appraisal license in January 2008. In November 2015, he received his MAI designation from the Appraisal Institute.

Real estate appraisal and valuation consultation services conducted for public purposes include eminent domain studies, street widening and grade separation (bridge) projects, public school and university expansion projects, relocation studies, housing and public loan programs, senior housing, public bond measures, leasing of publicly-owned properties, Quimby Act park fee studies, budgetary studies, and transfers (exchanges) of properties between public agencies. Private real estate appraisal services have been conducted for lending institutions, insurance companies, attorneys, estates for tax and donation purposes, and other private uses.

## **BACKGROUND AND QUALIFICATIONS** (Continued)

### ***APPRAISAL BACKGROUND:*** (Continued)

#### ***Residential Properties:***

Residential properties appraised include single family, condominiums, town-house, low and medium density multiple family, large apartment complexes, waterfront properties, mobile home parks, vacant single-family lot and acreage parcels, and low to high density vacant land parcels.

#### ***Commercial and Industrial Properties:***

Commercial property appraisal studies have included single and multi-tenant retail, strip centers, shopping centers, office buildings, medical offices, restaurants and fast-food developments, convenience stores, automobile repair and service facilities, service stations, truck fueling and washing stations, car wash facilities, automobile sales, mixed-use properties, single resident occupancy (SRO) developments, hotel and motel properties, and vacant land.

Industrial property appraisals have included warehouses, light and heavy manufacturing, distribution and transit facilities, self-storage, food processing, cold storage, recycling centers, open storage, vacant land, remnant and land-locked parcels, properties encumbered with oil and water injection wells, sites with soil contamination, and land fill properties.

#### ***Special Purpose and Special Use Properties:***

Appraisal services and valuation studies of public, quasi-public, special use and non-profit facilities include, among others, utility and railroad rights-of-way, city hall buildings and civic center complexes, courthouses, libraries, fire and police stations, ranger stations, post offices, public parking structures, parks, public and private schools, adult learning centers, daycare facilities, hospitals, skilled nursing facilities, athletic facilities and gyms, golf courses, churches, meeting halls and lodges, and veteran facilities.

#### ***Valuation Methodologies:***

In addition to the three conventional valuation methods (Sales Comparison Approach, Cost Approach, and Income Capitalization Approach), valuation methodologies have included discounted cash flow analyses, leased fee and leasehold analyses, absorption discounts, deferred maintenance, cost-to-cure, bonus value, excess rent, across-the-fence, value-in-use, fractional interests, and reuse studies.

**BACKGROUND AND QUALIFICATIONS** (Continued)

***APPRAISAL BACKGROUND:*** (Continued)

Certain appraisals have included (1) a retrospective date of value (“date of death” or other estate matters), and (2) a prospective date of value for properties not yet developed (“as if complete”), for construction financing, loan underwriting, and other purposes.

Property interests appraised for eminent domain purposes include full and partial takings, as well as complex severance damage studies and project benefit studies. Valuation of a wide array of easements, including street, slope, drainage, access, transmission lines, aerial, subsurface utility (pipelines, sewer, subway tunnel, etc.), as well as temporary construction easements (TCEs).

***Clients:***

Real estate appraisal services performed on projects for the following clients, while associated with R. P. Laurain & Associates, Inc., since 2005:

Cities:

City of Azusa	City of La Palma
City of Baldwin Park	City of Long Beach
City of Bellflower	City of Los Angeles
City of Bell Gardens	City of Monrovia
City of Buena Park	City of Monterey Park
City of Beverly Hills	City of Newport Beach
City of Burbank	City of Norwalk
City of Chino Hills	City of Ontario
City of Compton	City of Paramount
City of Corona	City of Placentia
City of Covina	City of Redondo Beach
City of Cudahy	City of Riverside
City of Cypress	City of Rosemead
City of Diamond Bar	City of Santa Fe Springs
City of Downey	City of Seal Beach
City of Garden Grove	City of Signal Hill
City of Hawaiian Gardens	City of South El Monte
City of Huntington Beach	City of South Gate
City of Huntington Park	City of Temple City
City of Industry	City of Upland
City of Irwindale	City of West Hollywood
City of Lakewood	City of Whittier
City of La Mirada	City of Wildomar

**BACKGROUND AND QUALIFICATIONS** (Continued)

***APPRAISAL BACKGROUND:*** (Continued)

Other Public Agencies:

California Department of Transportation (Caltrans)  
City of Los Angeles Department of General Services  
Long Beach Water Department  
Los Angeles County Chief Administrative Office  
Los Angeles County Public Works Department  
Los Angeles County Metropolitan Transportation Authority (Metro)  
Los Angeles Unified School District (LAUSD)  
Los Angeles World Airports (LAWA)  
Orange County Transportation Authority (OCTA)  
Riverside County Transportation Commission (RCTC)  
San Bernardino County Real Estate Services Department

Right of Way Consulting Firms:

Epic Land Solutions  
Kosmont Companies  
Overland, Pacific & Cutler (OPC)  
Paragon Partners  
Property Specialists, Inc. dba CPSI

Attorneys:

Adams Stirling Professional Law Corporation  
Aleshire & Wynder, LLP  
Best, Best & Krieger, LLP  
Cihigoyenette, Grossberg & Clouse  
Hairapetian & Hairapetian  
Lewis, Brisbois, Bisgaard & Smith, LLP  
Oliver, Sandifer & Murphy  
Richards, Watson & Gershon, LLP  
Robie & Matthai  
Squire, Sanders & Dempsey, LLP  
Tredway, Lumsdaine & Doyle, LLP

Developers:

AMCAL Multi-Housing, Inc.  
City Ventures  
Lewis Operating Corporation  
Prism Realty  
Related California  
West Hollywood Community Housing Corporation

**BACKGROUND AND QUALIFICATIONS** (Continued)

***APPRAISAL BACKGROUND:*** (Continued)

Other:

California Water Service (Cal Water)  
Caruthers Financial Services  
Charles Drew University  
China Airlines  
Equity Office  
Freeport-McMoRan Oil & Gas  
Greka Energy  
LPA, Inc.  
National Republic Bank of Chicago  
Safeco Insurance Company  
Sentinel Peak Resources  
Southern California Edison (SCE)  
South Orange County Community College District (SOCCCD)  
Tarbell, Realtors  
TEAC Corporation  
University of Southern California (USC)

***EXPERT WITNESS:***

Designated as an expert witness in the Los Angeles County Superior Court, Central District.

***ACADEMIC BACKGROUND:***

Numerous courses and continuing education classes have been taken at the following institutions:

The Appraisal Institute  
  
Allied Business School  
Real Estate Appraisal  
  
Kaplan Professional School  
Real Estate Appraisal  
  
McKissock Professional Education  
Real Estate Appraisal  
  
Cypress Community College  
  
Calvary Chapel Bible College