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# **Exhibit G**

**Hammock, Arnold, Smith & Company  
Appraisal of 125 State Street,  
dated September 5, 2012**

REAL PROPERTY  
125 STATE STREET  
SANTA BARBARA, CALIFORNIA

Date of Value:  
August 27, 2012

Prepared For:  
Children's Museum  
c/o Beth Collins-Burgard  
Brownstein, Hyatt, Farber,  
Schreck, LLP  
21 E. Carrillo Street  
Santa Barbara, CA 93101-2706

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Date of Report:  
September 5, 2012

**HAMMOCK, ARNOLD, SMITH & COMPANY**  
*Certified Appraisers & Consultants*

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215 W. FIGUEROA STREET  
SECOND FLOOR  
SANTA BARBARA  
CALIFORNIA 93101

September 5, 2012

Children's Museum  
c/o Beth Collins-Burgard  
Brownstein, Hyatt, Farber Shreck, LLP  
21 E. Carrillo Street  
Santa Barbara, CA 93101-2706

Reference: Real Property  
125 State Street  
Santa Barbara, California

Dear Ms. Collins-Burgard:

In accordance with your request and authorization, the above referenced real property has been appraised for the purpose of reporting to you my opinion of its market value as of August 27, 2012.

As a result of this investigation and analysis of matters pertinent to the property's value, I have concluded the following regarding the Fee Simple Estate, as of the date mentioned:

<b>Market Value:</b>	<b>\$2,100,000</b>
<b>Market Rental Value:</b>	<b>\$136,500</b>

On the following pages can be found a report setting forth some of the information and conclusions which, in part, form the basis for the opinion expressed.

This report is intended to conform to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, the Standards of Professional Appraisal Practice and Code of Professional Ethics of the Appraisal Institute, and the Rules of Conduct and Valuation Standards of the Royal Institution of Chartered Surveyors. This document is intended to be classified as a Summary Report.

Respectfully submitted,

~~HAMMOCK, ARNOLD, SMITH & CO.~~

Michael Neal Arnold, MAI, MRICS  
CA #AG002089

MNA:lz

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### SUMMARY OF SALIENT FACTS

Property Address:	125 State Street Santa Barbara, California
Assessor Parcel Numbers:	033-075-12 & 14 033-010-12 033-042-16
Property Type:	Commercial Property
Record Owner:	City of Santa Barbara (Redevelopment Agency)
Date of Value:	August 27, 2012
Purpose of Appraisal:	Market Value
Property Rights Appraised:	Fee Simple Estate
Intended Use of Appraisal:	Purchase & Rental Consideration
Intended User of Appraisal Report:	Addressee and Assignees
Site Area:	
Gross:	30,313 Sq. Ft.
Usable:	22,343 Sq. Ft.
Zoning:	HRC-2, Hotel & Related Commerce
Improvement Area:	None
Highest and Best Use:	Visitor Related Commercial
Valuation:	
Market Approach:	\$2,100,000
Final Value Conclusion:	\$2,100,000
Market Rental Value:	\$136,500
Exposure Time:	6 to 9 Months
Marketing Time:	6 to 9 Months

## CERTIFICATION

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

- o the statements of fact contained in this report are true and correct.
- o the reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- o I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- o I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- o my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- o my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- o I have not provided professional services for the subject property within the three years prior to this engagement.
- o my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
- o my analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- o my analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Rules of Conduct and Valuation Standards of the Royal Institution of Chartered Surveyors.
- o I have made a personal inspection of the property that is the subject of this report.
- o no one provided significant professional assistance to the person signing this report.
- o the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

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MICHAEL NEAL ARNOLD, MAI, MRICS  
Certified Appraiser #AG002089 (CA)

**PREMISES OF APPRAISAL**

## ASSUMPTIONS AND LIMITING CONDITIONS

This valuation and report have been made with the following general assumptions and limiting conditions:

- 1) This valuation is a result of the scope of work discussed on following pages.
- 2) This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- 3) No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
- 4) The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
- 5) Responsible ownership and competent property management are assumed unless otherwise stated in this report.
- 6) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 7) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 8) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

- 9) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- 10) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
- 11) It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
- 12) Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
- 13) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
- 14) The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the

result of the routine observations made during the appraisal process.

- 15) Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
- 16) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 17) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 18) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with properly written qualification and only in its entirety.
- 19) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

This valuation and report have been made with the following

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**extraordinary assumption:**

- 1) That the usable site area is as reported.

### **PURPOSE AND DATE OF APPRAISAL**

The purpose of this appraisal is to set forth an opinion as to the market value and market rent of the Fee Simple Estate in the real property described herein. Opinions and other matters expressed in this report are stated as of August 27, 2012.

### **SCOPE OF WORK**

The scope of work of this appraisal is discussed in detail in various sections of this report. Generally the scope of work has included:

- Inspection of subject property
- Survey for subject property details
- Review of submitted data
- Survey for market data
- Consideration of highest & best use
- Market comparison analysis
- Estimation of market value

Insofar as is practical, every effort has been made to verify as factual and true all data set forth in this report. However, no responsibility is assumed for the accuracy of any information furnished by others.

### **INTENDED USE OF APPRAISAL REPORT**

The intended use of this appraisal report is to provide valuation information to assist the intended user with purchase consideration.

### **INTENDED USER OF APPRAISAL REPORT**

The intended user of this appraisal report is the addressee and assignees.

### **COMPETENCY PROVISION**

Prior to accepting this assignment the property to be appraised and the nature of the valuation was considered. The appraiser has the knowledge and experience to complete this valuation engagement and have appraised this property type before.

## DEFINITION OF TERMS

### MARKET VALUE

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by federal financial institutions in the United States of America is:

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:

- (a) Buyer and seller are typically motivated;
- (b) Both parties are well informed or well advised, and acting in what they consider their best interest;
- (c) A reasonable time is allowed for exposure in the open market;
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (e) 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.

**Source:** (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

### FEE SIMPLE ESTATE

An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

### HIGHEST AND BEST USE

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

### MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

**THE SUBJECT PROPERTY**

## **PROPERTY IDENTIFICATION**

### INTRODUCTION

The subject property is an irregular shaped unimproved site (buildable area) zoned for visitor related commercial uses.

### STREET ADDRESS

125 State Street  
Santa Barbara, California

### ASSESSOR'S PARCEL NUMBERS

Book 33, Page 075, Parcels 12 & 14

Book 33, Page 010, Parcel 12

Book 33, Page 042, Parcel 16

### OWNERSHIP RECORD

The owner of record of the property has been the City of Santa Barbara in one form or another for well in excess of 3 years.

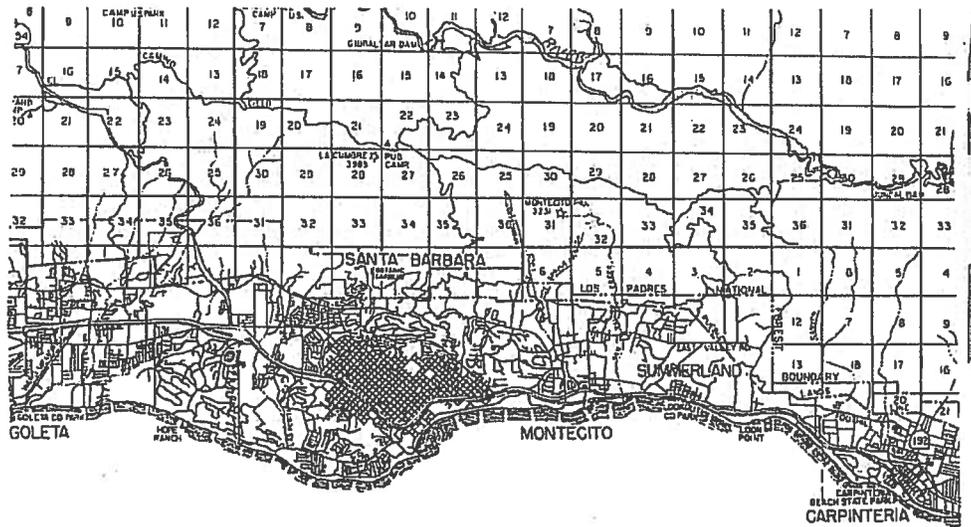
### PERTINENT CONDITIONS OF TITLE

A current title report has not been reviewed. It is an assumption of this appraisal that there are no existing easements or conditions of title that could adversely affect the use or value of the subject property.

## AREA DESCRIPTION

### REGIONAL

The subject property is located in Santa Barbara, a portion of the larger Santa Barbara metropolitan area, which is situated on the south coast of Santa Barbara County. The area reaches thirty miles from the Ventura County line on the east to the west end of the Goleta Valley. It is approximately 100 miles northwest of Los Angeles and approximately 350 miles to the southeast of San Francisco. The area is renowned for its mild climate and picturesque setting.



The economy of the Santa Barbara metropolitan area is based primarily on tourism, agriculture, research and development, and government, including the Santa Barbara campus of the University of California. The population is approximately 200,000. There was substantial population growth in the area between 1940 and 1970. Reduced population growth beginning in the 1970's is reflective of governmental constraints; high real estate prices; and physical constraints, such as limited resources, particularly water. In recent years the population size has been stable.

## COMMUNITY

The City of Santa Barbara is situated near the center of the Santa Barbara metropolitan area. The city limits reach from the Pacific Ocean on the south to the foothills of the Santa Ynez Mountains on the north. The prestigious residential community of Montecito is to the east of the city and the suburban Goleta Valley is to the west. Total land area of the city is 18.4 square miles. Topography varies from level coastal plain to sloping hillsides.

Previous to 1970, the population of the city grew at a rate of 2% to 3% per year. The growth rate slowed through the 70s, 80s, and 90s. The population of the city is currently approximately 90,000 and has been stable since 2000. The population profile of Santa Barbara is unusual in comparison to national figures in that it has a smaller proportion of family units and family units with children. There is a high proportion of renters. Much of the population consists of young adults and older retirees. Income levels vary widely.

The City of Santa Barbara is linked to employment and housing throughout the South Coast. The employment profile of the city is generally similar to that of the metropolitan area as a whole, particularly in terms of the industry groups with the highest percentage of the total employment; retail trade, manufacturing, services and government. The downtown central business district consists of retail establishments, government offices, professional offices and financial institutions. The County of Santa Barbara is the largest employer downtown and financial institutions are the largest employers in the private sector.

The economic base of the city (the sources of income) consists primarily of: property and pensions income, tourism, and research and development. Property and pensions income includes such items as Social Security, retirement benefits, dividends, interest and rent.

A "no growth" attitude of many local citizens and elected officials and resource limitations have prompted growth control actions by local government agencies and water districts throughout the South Coast and in the City of Santa Barbara over the last 40 years. On November 7, 1989 the voters of the city of Santa Barbara passed Measure E. The ordinance limits non-residential development for 20 years to 3,000,000 square feet over the October 1988 levels. Approved and pending development projects accounted for over half of the 3,000,000 square feet. The Paseo Nuevo Mall was 450,000 square feet of that space. Projects proposed under the ordinance must also show that they will not adversely impact the City's water resources, traffic within the city, and the supply of affordable housing. The result of Measure E is that there has been very limited opportunity for additional non-residential construction within the city. Santa Barbara City Council has voted to extend the ordinance.

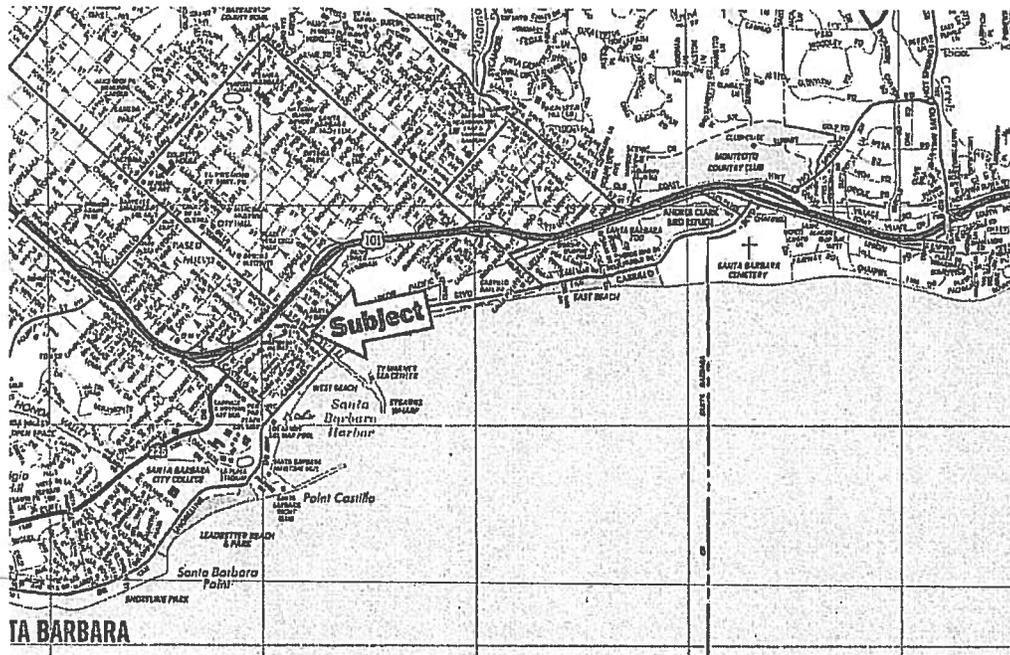
Property markets in the Santa Barbara area have not been immune to recent economic trends. Commercial properties were particularly impacted beginning in autumn of 2008. Sales volume slowed dramatically and prices fell. By the summer of 2010, there was a growing consensus that the situation was stabilizing. Incidence of sales increased throughout 2011 and even more so the first half of 2012. As sales volume began to increase, prices settled at levels 25% to 35% below peaks reached in 2007-2008. Currently, occupancy

levels are well above 90% in both retail and office markets. Rent levels have dropped some in recent years and are now perceived as stabilizing.

In a broader sense, real estate in Santa Barbara is expensive and generally in short supply. A shortage of developable land, governmental constraints and economic factors have limited development in the recent past and will continue as constraints in the future.

### SURROUNDING INFLUENCES

The subject property is in a tourist-oriented commercial district, two blocks from the Santa Barbara Harbor and public beaches, and across the railroad tracks from the train station. It is on State Street, the primary commercial thoroughfare in the City of Santa Barbara.



There is development of a new lodging facility on the east side of State Street, just below the freeway. It is to be a hostel-like property but with private rooms. Most of the properties in the area immediate to the subject are retail, restaurants, and a hotel that cater primarily to tourists. Surrounding properties include ocean-oriented industry to the east and lodging facilities and residential uses to the west.

Overall, the subject district is stable with potential for further development.

## PROPERTY DESCRIPTION

### INTRODUCTION

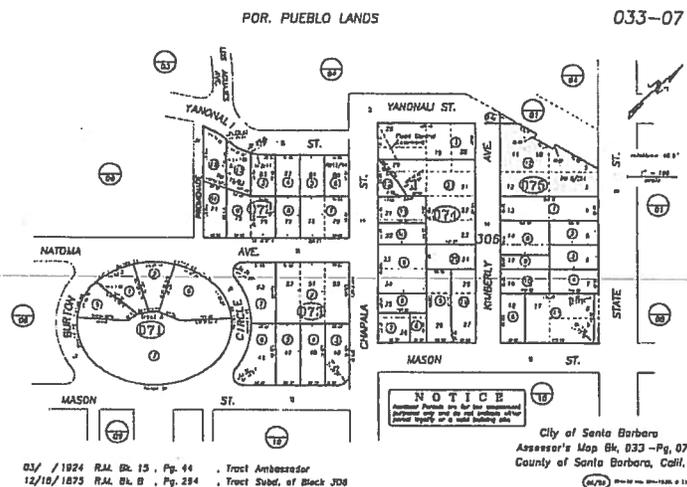
The subject property consists of an almost rectangular site made up of four separate parcels. However, the two northerly parcels (APN's. 33-010-12 & 33-042-16) are completely encumbered by railroad right-of-way easements and, therefore, have no utility. They have a combined area of approximately 7,970 square feet. The remaining parcels (APN's 33-075-12&14) constitute the usable portion of the property.

### LOCATION

The usable area of the subject site is situated on the westerly side of State Street immediately south and adjacent to its intersection with the Union Pacific Railroad right-of-way.

### SHAPE AND DIMENSIONS

The usable area of the subject site is irregular in shape with slightly over 50 feet of frontage on State Street a depth of 200 feet and approximately 150 feet of frontage on Kimberly Avenue at the rear.



### LAND AREA

The gross area of the subject is approximately 30,313 Sq. Ft. Per instruction from the client, it is assumed that the usable area of the subject site contains a total land area of approximately 22,343 square feet. This appears to be a reasonable estimate.

### ZONING

The subject is zoned HRC-2, Hotel & Related Commerce, under the jurisdiction of the City of Santa Barbara. The HRC-2 zoning designation is intended to promote visitor related commercial activity, particularly lodging facilities and restaurants. Other visitor related uses are potentially allowed - some requiring conditional use permit. The subject is also in an overlay district; S-D-3, "Coastal Overlay Zone". The purpose of this zone is to implement the coastal act. The Coastal Act requires coastal development permit for new projects and often includes more stringent development requirements.

### ACCESS AND STREETS

Primary access to the subject is via State Street; a dedicated public street with a right-of-way width of 80 feet at the subject location. Secondary access is via Kimberly Avenue; a dedicated public street with a right-of-way width of 50 feet at the subject location. Street improvements include asphaltic concrete road surface with concrete curbs, gutters, and sidewalks.

### UTILITIES AND SERVICES

All of the usual and customary utilities and services including natural gas, electricity, domestic water, and sanitary sewers are available to the subject site.

### TOPOGRAPHY AND DRAINAGE

The subject site is level at street grade. Drainage is assumed to be along the natural contours of the parcel. There are no drainage conditions apparent which are likely to cause erosive damage to the land or structural damage to the improvements. Such an assumption is made a condition of this report.

### SOILS

A soils report has not been reviewed. It is an assumption of this appraisal that the subject soils are of adequate loadbearing capacity to support existing improvements and standard construction consistent with the highest and best use of the site.

### ARCHEOLOGICAL RESOURCES

No investigation has been made to determine the potential for the existence of any archeological resources at the subject site. It has been assumed the property has no archeological resources that would impact the value of the subject site.

### EARTHQUAKE ZONES

No investigation has been made to determine the existence of earthquake fault-lines on or near the subject property. There is little evidence to support the idea that property values in the area of the subject are affected by proximity to earthquake faults. It has been assumed that is the case.

### HAZARDOUS WASTE AND TOXIC MATERIALS

No investigation has been made to determine the potential for the existence of hazardous waste or toxic materials, either within the improvements or underground. It has been assumed the property is free of any such substances.

### EASEMENTS AND ENCROACHMENTS

It has been assumed that there are no easements or encroachments that would have a material effect on the use of the property. Utility easements are usually located along the perimeter of the land and do not affect its use. Inspection revealed no visual evidence of any encroachments. A survey of property boundaries is usually required to determine extent of encroachments.

### IMPROVEMENTS

The site is essentially unimproved and considered as such for the purpose of this valuation.

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**DATA, ANALYSIS & CONCLUSIONS**

## HIGHEST AND BEST USE

### CONCLUSION

While a full highest and best use study is considered to be beyond the scope for this valuation, consideration has been given to the definition of highest and best use as it applies to the subject site.

Highest and best use is defined as that use that is legally permissible, physically possible, financially feasible, and resultant in a maximally productive use of the site.

The subject zoning is somewhat restrictive and generally limits potential development primarily to hotels, restaurants, and some other visitor related undertaking.

The usable portion of the subject site is irregular in shape which poses some development challenges. It is triangular with a relatively narrow street frontage and widens toward the rear.

Development feasibility is also hampered somewhat by the site location adjacent to a regularly used rail right-of-way. This would limit the appeal of the property - particularly for lodging which is a primary intended use under zoning.

In summary, the subject is a well-located site with somewhat restrictive zoning. It has a site shape that presents some difficulties and proximity to a regularly used rail right-of-way. The highest and best use would likely be a visitor related use that took into consideration the obstacles outlined above.

## VALUATION

### METHOD OF VALUATION

There are three traditional value analyses in the appraisal process. They are the Cost Approach, the Income Approach, and the Market Approach.

The only applicable valuation analysis for unimproved land is market comparison.

### MARKET APPROACH

The Market Approach is an analysis comparing the subject property to recently marketed comparable properties. This valuation concept is based on the theory of substitution in which a basic premise is that a typical buyer would not pay more for a particular property than the cost to acquire an alternative property that would similarly satisfy perceived wants and needs. The analysis is divided into distinct steps, each of which is discussed below:

Comparable Data. Comparable data is gathered by various investigations, surveys, and research.

Units of Comparison. By evaluation of the survey data, the appropriate units of comparison are determined.

Elements of Comparison. The elements of comparison are those factors that have significant impact on sale price and value.

Conclusion. The value conclusion is derived by application of the selected unit of comparison considering the elements of comparison.

Comparable Data

Internal and external databases have been searched, title company and Santa Barbara County Assessor's Office records have been consulted, real estate brokers and property owners surveyed, as well as other market data sources contacted in an effort to obtain evidence of recent sales of properties considered to be generally comparable to the subject property. Set out below is a summary of those data that were most helpful in forming an opinion of value for the subject property.

COMPARABLE SALE SURVEY					
No.	Location	Site Area (SF)	Impvts.	Sale Date	Sale Price
1.	709 E. Haley Street	5,000	SFR	2/11	\$350,000
2.	23 E. Yanonali Street	9,875	Lt. Ind. Bldg.	3/11	970,000
3.	101 W. Figueroa Street	10,075	None	12/10	1,150,000
4.	800 Santa Barbara Street	18,586	Oc. Bldg..	8/12	2,550,000
5.	528 Anacapa Street	16,117	Comm'l. Bldg.	3/12	2,200,000
6.	119 State Street	15,459	Hotel	6/10	3,400,000

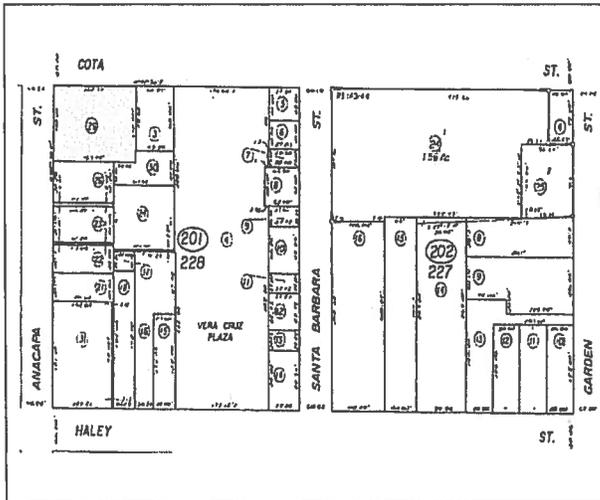


	<p>Data No.: 1          Location: 709 E. Haley Street          City: Santa Barbara          Assessor Parcel No.: 031-232-17          Land Area: 5,000 Sq. Ft.          Topography: Level          Zoning: C-2          Improvements: 504 Sq. Ft. (residence)          Sale Price: \$350,000          Date Recorded: 2/15/2011          Document Number: #9636          Seller: Deutsche Bank          Buyer: Melgoza Trust          Financing: American Riviera Bank          Source: Listing/CORT</p>
<p>Buyer intends to renovate and add to existing structure for commercial use. The property was a REO for the bank.</p>	

	<p>Data No.: 2          Location: 23 E. Yanonali St.          City: Santa Barbara          Assessor Parcel No.: 033-052-018          Land Area: 9,875 Sq. Ft.          Topography: Level          Zoning: O-C, Ocn. Rel. comm.          Improvements: 2,169 Sq. Ft. (Lt. Indust.)          Sale Price: \$970,000          Date Recorded: 3/2/2011          Document Number: #12876          Seller: Headley          Buyer: Muh          Financing: Conventional          Source: Listing agent</p>
<p>Corner property in a commercial and light industrial district near the Santa Barbara Harbor and public beaches. The older light industrial building had been used for seafood processing.</p>	

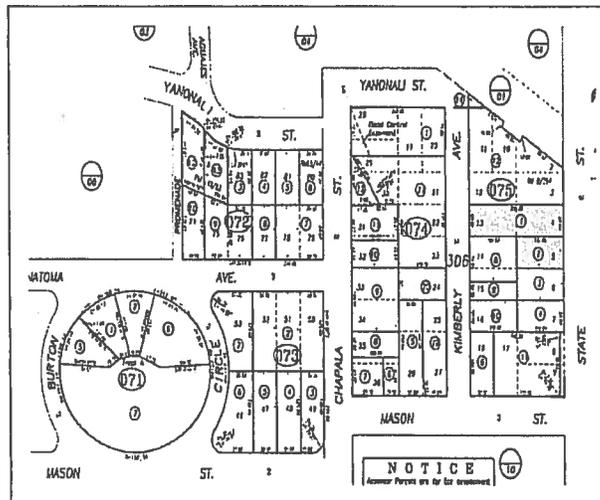
	<p>Data No.: 3  Location: 101 W. Figueroa Street  City: Santa Barbara  Assessor Parcel No.: 039-272-06  Land Area: 10,075 Sq. Ft.  Topography: Level  Zoning: C-2  Improvements: None  Sale Price: \$1,150,000  Date Recorded: 2/10/2010  Document Number: #2192  Seller: Montgomery  Buyer: DeWilde  Financing: Bank of America  Source: CORT</p>
<p>Corner site used as parking lot striped for 47 spaces.</p>	

	<p>Data No. 4: 4  Location: 800 Santa Barbara Street  City: Santa Barbara  Assessor Parcel No.: 031-012-28  Land Area: 18,586 Sq. Ft.  Topography: Level  Zoning: C-2  Improvements: 2,121 Sq. Ft. (office)  Sale Price: \$2,550,000  Date Recorded: 8/7/2012  Document Number: #51386  Seller: SB Street Co.  Buyer: SG Acquisitions  Financing: None  Source: Broke/CORT</p>
<p>Corner parcel that the buyer intends to redevelop. Preliminary approvals had been obtained by seller. Existing building good quality and condition.</p>	



Data No.: 5  
 Location: 528 Anacapa Street  
 City: Santa Barbara  
 Assessor Parcel No.: 031-201-29  
 Land Area: 16,117 Sq. Ft.  
 Topography: Level  
 Zoning: C1  
 Improvements: 3,360 SF Comm'l. Bldg.  
 Sale Price: \$2,200,000  
 Date Recorded: 03-23-2012  
 Document Number: #19065  
 Seller: Ziegler, Thomas  
 Buyer: 528 Anacapa, LLC  
 Financing: Seller  
 Source: Listing/Buyer/CORT

This corner property is within a 80% parking zone of benefit. Buyer leased building to baker and intends to develop additional 2,000 to 3,000 square feet on site.



Data No.: 6  
 Location: 119 State Street  
 City: Santa Barbara  
 Assessor Parcel No.: 033-275-01 & 2  
 Land Area: 15,000 Sq. Ft.  
 Topography: Level  
 Zoning: HRC-2  
 Improvements: 15,459 Sq. Ft. (hotel)  
 Sale Price: \$3,400,000  
 Date Recorded: 6/30/2010  
 Document Number: #34492  
 Seller: First Citizen Bank  
 Buyer: SB Beach House  
 Financing: American Riviera Bank  
 Source: Broker/CORT

Buyer completely renovated and upgraded the property now a boutique hotel.

### Units of Comparison

The most common unit of comparison for properties such as the subject is the price per square foot of land area. This unit is derived by dividing the sale price of a property by the total square footage of the site. Thus the comparable sales summarized above suggest value factors as follows:

No.	Location	Sale Price	÷	Area	=	\$SF
1.	709 E. Haley Street	\$350,000	÷	5,000	=	\$70
2.	23 E. Yanonali Street	970,000	÷	9,875	=	98
3.	101 W. Figueroa Street	1,150,000	÷	10,075	=	114
4.	800 Santa Barbara Street	2,550,000	÷	18,586	=	137
5.	528 Anacapa Street	2,200,000	÷	16,117	=	137
6.	119 State Street	3,400,000	÷	15,459	=	220

As can be seen, without adjustments the data suggest a range of value indicators of from approximately \$70 per square foot to over \$200 per square foot. By considering the various elements of comparison this range can be narrowed significantly.

### Elements of Comparison

The most important elements of comparison in this analysis include date of sale, location, parcel size, parcel utility, and improvements.

The date of sale is reflective of market conditions. After a period of extreme instability, the market has settled considerably in the past year. Therefore, sales occurring particularly prior to the first of the year are considered to be reflective of inferior market conditions to the present.

The comparable data locations, with one exception, are somewhat to definitely inferior to that of the subject.

Real estate, like all economic commodities, is impacted by the economy of scale. All other things being equal, properties with more square feet tend to sell at lower unit (\$/Sq. Ft.) prices than do smaller properties. Therefore, on the basis of size alone, those properties with significantly larger size than the subject are judged inferior while those that are smaller are judged superior.

The utility of the parcel is reflective of a number of things including zoning, shape, situation (corner vs. interior), and entitlements. The subject zoning, shape, and proximity to the rail right-of-way are all significant considerations.

Several of the data have improvements that made some contribution to significant contribution to the value of the property. The contribution could be establishing a square footage for entitlement purposes or a building actually having potential to be used or redeveloped.

Data No. 1 is considered to be overall inferior to the subject. It is in a far inferior location to that of the subject, which more than offsets other positive elements including size and some improvement contribution to value.

Data No. 2 is considered to be overall fairly similar to the subject. It occurred in a market climate that is inferior to the current time but its smaller size is considered to be economically superior to that of the subject and it had an existing light industrial building that contributed to value.

Data No. 3 is considered to be overall slightly superior to the subject. While it occurred in a market climate that was inferior to that of the subject, it enjoys a very good location (albeit not quite so good as the subject), was of superior (smaller) size, and has superior utility due to its shape and zoning.

Data No. 4 is considered to be overall superior to the subject. It is a recent sale occurring under similar market conditions and is in a very good downtown location – though, again, not quite as prominent as that of the subject. The size of the parcel is generally in a similar category to that of the subject, but it has a good quality small office building onsite. Further, preliminary development entitlements had been negotiated with the City prior to the sale.

Data No. 5 is considered to be overall superior to the subject. It occurred in the spring of 2012. Its location is inferior to that of the subject but it is superior in most other elements. It has an existing 3,300 square foot concrete block building, it is a rectangular shape, and C-2 zoning.

Data No. 6 is overall far superior and included primarily because of its close proximity adjacent to the subject. This property was improved with a 15,000 square foot masonry hotel building that was completely renovated subsequent to the sale. However, even allowing for the need for renovation, the improvements, are judged to have contributed as much as the equivalent of \$100 per square foot to the site. In addition to the improvements this property is removed from the rail right-of-way and has superior State Street frontage and shape to that of the subject.

The comparisons made between the surveyed comparable data and the subject property are summarized on the following chart.

COMPARABLE DATA COMPARISON GRID							
No.	Sale Date	Location	Impvt. Size SF	Quality Condition	Site	Overall	\$/SF
1.	Inferior	Inferior	Superior	Superior	Similar	Inferior	\$70
2.	Inferior	Inferior	Superior	Sim./Sup.	Superior	Similar	98
3.	Inferior	Inferior+	Superior	Superior	Similar	Superior	114
4.	Similar	Inf./Sim.	Similar	Superior	Superior	Superior	137
5.	Inf./Sim.	Inferior	Superior	Superior	Superior	Superior	137
6.	Inferior	Similar	Similar	Superior	Superior	Superior	220

Conclusion

Considering the data and analysis set out above the opinion has been formed that the appropriate unit of value factor for the subject property is between \$90 and \$100. Therefore, an indication of value can be calculated as follows:

22,343 Sq. Ft. @ \$90/Sq. Ft. = \$2,010,870

22,343 Sq. Ft. @ \$100/Sq. Ft. = \$2,234,300

VALUE INDICATED BY  
MARKET APPROACH, Say: \$2,100,000

**FINAL CONCLUSION**

Therefore, the opinion has been formed that the market value of the Fee Simple Estate of the subject property, based on assumptions, limiting conditions and certification stated, as of August 27, 2012 was the sum of:

\$2,100,000

TWO MILLION ONE HUNDRED THOUSAND DOLLARS

## RENTAL VALUE

Market rent for properties encumbered by long term "ground leases" are generally based on a calculated percentage annual return on the underlying market value. Generally these lease are for terms that exceed 50 years or more, completely net with the lessee paying all property related expenses, and have periodic cost of living adjustments – usually using consumer price index comparison and professional appraisal on five or ten year anniversaries.

Based on observation, experience with ground leases in the local area, and published reporting of ground lease rates nationally; the opinion has been formed that the appropriate rate of return would be between 6% and 7% assuming a long term lease with terms generally consistent with the above.

Therefore, an indication of market rent can be calculated as follows:

Property Market Value:	\$2,100,000
Market Rental Percentage:	<u>x 6.5%</u>
Indicated Annual Market Rent:	\$136,500

Therefore, the opinion has been formed that the annual market rent for the subject property, subject to terms similar to those discussed above, and based on all assumptions, limiting conditions, as of the date of value was the sum of **\$136,500**.

## EXPOSURE AND MARKETING TIME

Exposure time is defined as follows:

“The estimated length of time the property interest being appraised would have to be offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal”

Marketing time is defined as follows:

“Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal”

Considering the characteristics of the subject property and the dynamics of the local real estate market, it is my opinion that a reasonable *exposure time* for the subject property would have been 6 to 9 months, (assuming a realistic asking price), based on the above historical data. If trends affecting marketing times continue along their recent patterns, a reasonable *marketing time* for the subject would likely be 6 to 9 months as well.