*12

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADOPTING THE FAIR MARKET VALUE FOR AN ACRE OF LAND IN THE CITY OF MILPITAS FOR THE PURPOSE OF CALCULATING THE PARK IN-LIEU FEE

WHEREAS, Section XI-1-9.07 ("Amount of Fee In Lieu of Land Dedication") describes where a fee can be paid in lieu of land dedication for park land based on the fair market value as determined by the City Council for certain subdivision projects; and

WHEREAS, on January 29, 2010, Smith & Associates in accordance with their contract with the City submitted an appraisal report to determine the fair market value of an acre of land in the City of Milpitas for the purpose of developing a park in-lieu fee; and

WHEREAS, on March 16, 2010, the City Council considered the appraisal and considered evidence presented by City staff, and other interested parties.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. The fair market value of an acre of land in the City of Milpitas for the purpose of determining the in-lieu fee for park dedication is hereby adopted and determined to be $46 per square foot or $2,003,760 per acre.

PASSED AND ADOPTED this ____ day of _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Mary Lavelle, City Clerk

APPROVED:

_____
Robert Livengood, Mayor

APPROVED AS T O FORM:

_____
Michael J. Ogaz, City Attorney

CONSULTING SERVICE FOR

In-Lieu Park Fees
City of Milpitas, California

File Number: T099424

PREPARED FOR:

Mr. Sheldon S. Ah Sing
Senior Planner
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035

PREPARED BY:

Terry S. Larson, MAI
AG007041

SMITH & ASSOCIATES, INC.
140 Town and Country Drive, Suite F
Danville, California 94526
Phone (925) 855-4950
Fax (925) 855-4951

Real Estate Appraisal
and Consulting
www.smithassociatesinc.com

SMITH & ASSOCIATES

January 29, 2010

Mr. Sheldon S. Ah Sing
Senior Planner
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035

RE: Consulting Service for In-Lieu Park Fees
City of Milpitas, California

Dear Mr. Ah Sing:

At your request, we have performed a Consulting Service for In-Lieu Park Fees. The purpose of the Consulting Service is to provide an opinion of the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas with the potential of being developed with a park. This report does not consider any individual property, but rather looks at the Average Price per Acre throughout the City. The property rights considered are those of the Fee Simple Estate. The function of the report is for use by the City of Milpitas to assist in setting city-wide in-lieu park fees to be charged to developers.

We have been asked to research land sales in the City of Milpitas, and surrounding cities, that might be considered as park site locations. With the sales identified, we were then asked to determine the Average Market Value of a hypothetical one-acre parcel. While the emphasis is on residential land sales, we also considered commercial and industrial land sales that are considered reasonable locations for a park. Because we are not evaluating a specific parcel, but rather providing a mathematical conclusion to be used throughout the city, this is considered a Consulting Service and not an appraisal.

Based on our investigation and analysis, as described in the attached report, it is our opinion that the Average Market Value of the Fee Simple Estate in a potential park site location in the City of Milpitas, subject to the attached General and Extraordinary Assumptions and Limiting Conditions, as of January 15, 2010, is:

$46.00 per square foot

or

$2,003,760 per acre

East Bay/Corporate Office
140 Town & Country Drive, Suite F
Danville, CA 94526
Phone 925 855-4950
Fax 925 855-4951

South Bay/Peninsula Office
E. Campbell Avenue
Campbell, CA 95008
Phone 408 247-0083

Sacramento/Central Valley Office
111 Woodmere Road, Suite 140
Folsom, CA 95630
Phone 916 357-5860
Fax 916 357-5868

The attached report contains the factual data and reasoning upon which Consulting Service has been predicated. This report has been written in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute standards, as well as the requirements of the City of Milpitas.

Please see the General and Extraordinary Assumptions and Limiting Conditions regarding the values presented in this appraisal report, presented in Section I - Introduction.

Terry S. Larson, MAI
Certified General Real Estate Appraiser
State of California #AG007041, exp. date 11-30-2010

TSL
enclosure

TABLE OF CONTENTS

Section I – Introduction

Section II – Descriptive Information

Section III – Valuation and Reconciliation

Section IV – Addenda

SECTION I – INTRODUCTION

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Client:	City of Milpitas
Property Location:	Throughout the City of Milpitas
Property Type:	Potential Park Land
Assessor's Parcel Number:	N/A
Land Area:	Hypothetical One-Acre Parcel
Zoning:	Residential, Commercial and Industrial
General Plan:	Residential, Commercial and Industrial
Flood Hazard Zone:	No
Alquist Priolo Special Study Zone:	No
Present Use:	Residential, Commercial and Industrial
Highest and Best Use:	Residential, Commercial and Industrial – Suitable for Park Land
Estate Appraised:	Fee Simple
Purpose of the Appraisal:	Determine Average Price
Value Premise:	Vacant and Ready for Development
Appraisal Date:	January 15, 2010
Average Market Value:	**$46.00 per square foot** **or** **$2,003,760 per acre** Subject to the attached General and Extraordinary Assumptions and Limiting Conditions
Appraiser:	Terry S. Larson, MAI Certified General Real Estate Appraiser State of California #AG007041 Exp. date 11-30-2010

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.

4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Our 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.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice.*

8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

9. Doug Hogendorn provided significant professional assistance to the person signing this report. Mr. Hogendorn assisted in market data collection and analysis, and the final value conclusion in this appraisal.

10. We are not evaluating a specific parcel, but rather providing a mathematical conclusion to be used throughout the City. This is considered a Consulting Service and not an appraisal. Terry S. Larson, MAI, has had personal discussions with the City of Milpitas regarding the scope and structure of this consulting service.

11. As of the date of this report, Terry S. Larson, MAI has completed the continuing education program of the Appraisal Institute.

Terry S. Larson, MAI
Certified General Real Estate Appraiser
State of California #AG007041
Exp. date 11-30-2010

GENERAL ASSUMPTIONS

This appraisal has been made with the following General Assumptions. An Assumption is defined as: "that which is taken to be true".

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. 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 obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

GENERAL ASSUMPTIONS - CONTINUED

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

This appraisal has been made with the following General Limiting Conditions. A Limiting Condition is defined as: "a condition that limits the Use of an Appraisal".

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

3. Possession of this report, or a copy thereof, does not carry with it the right of publication.

4. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

5. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.

6. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected) shall be used for any purposes by anyone but the client specified in the report without the previous written consent of the Appraiser; nor shall it be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser. Any other party who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

EXTRAORDINARY ASSUMPTIONS

This appraisal has been made with the following Extraordinary Assumptions. An Extraordinary Assumption is defined as: "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinion or conclusion". The use of the Extraordinary Assumptions might have affected the assignment results.

1. This Consulting Service is intended to determine the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas with the potential of being developed with a park. This report does not consider any individual property, but rather looks at the Average Sales Price per Acre throughout the City.

HYPOTHETICAL CONDITIONS

This appraisal has been made with the following Hypothetical Conditions. A Hypothetical Condition is defined as: "that which is contrary to what exists but is supposed for the purpose of analysis". The use of the Hypothetical Conditions might have affected the assignment results.

None

SECTION II –
DESCRIPTIVE INFORMATION

IDENTIFICATION OF THE PROPERTY

This Consulting Service is intended to determine the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas with the potential of being developed with a park. This report does not consider any individual property, but rather looks at the Average Price per Acre throughout the City.

PURPOSE AND PROPERTY RIGHTS FOR THE CONSULTING ASSIGNMENT

The purpose of the Consulting Service is to provide an opinion of the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas with the potential of being developed with a park. The property rights are those of the Fee Simple Estate.

INTENDED USER AND INTENDED USE

The intended user of this Consulting Assignment is the City of Milpitas and the intended use is to assist in setting city-wide in-lieu park fees to be charged to developers. It is not to be used by any other entity for any purpose without the written consent of the appraisers. The appraisers are not responsible for unauthorized distribution and/or use of this report.

EFFECTIVE DATE OF THE CONSULTING ASSIGNMENT

The effective date of this Consulting Service is January 15, 2010.

COMPETENCY PROVISION

The appraisers possess both the knowledge and required ability to appraise property within the City of Milpitas. It is within the Smith & Associates, Inc. defined service area and the appraisers have the required resources, including zoning information, Assessor's records, Multiple Listing Service, Brokers Property Promotion and Distribution Services, RealQuest and CoStar Comps, Inc. The appraisers affiliated with Smith & Associates, Inc. have appraised numerous properties of a similar type in the area and its competing environment. **Please see a copy of the appraiser's qualifications in the Addenda.**

DEFINITIONS

Fee Simple Estate

"Absolute ownership unencumbered by any other interest of estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Market Value

"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 own best interests;
c. A reasonable time is allowed for exposure in the open market;
d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
e. The price represents the normal consideration for the property sold unaffected by creative financing or sale concessions granted by anyone associated with the sale."

Real Property Consulting

"The act or process or developing and reporting an analysis, recommendation, or opinion concerning real property, where an opinion of value is not a component of the analysis, recommendation, or opinion."

Average or Central Tendency

"The tendency of samples to cluster around a central point, or representative value, in a frequency distribution."

Value As-Is

"The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."

Cash Equivalency

"An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash."

SCOPE OF THE CONSULTING SERVICE

Per the client's request, we have performed a **Consulting Service** and prepared a **Summary Report**. The methodology section of this report outlines the valuation procedures followed.

The specific steps in the consulting process include the following:

- Research and analyze all of the applicable land sales within the City of Milpitas within a reasonable time frame.
- The sales were investigated and confirmed regarding the details of the transaction, including; grantor and grantee, sale price, date, terms and conditions, development potential, number of residential units or square feet of commercial development, etc.
- A complete investigation of all sales was made. The most recent sales are given the most weight. We also considered properties currently in contract and current listings.
- Sales within Milpitas are given primary consideration. Consideration is also given to sales in other communities, including Fremont and San Jose.
- We investigated land sales that reflect all potential residential land uses, including low, medium, and high-density residential projects, as well as commercial and industrial land sales. The attempt is to include land sales that represent possible public park locations. Some sales that would not make good park sites are excluded, such as hillside locations and sites adjacent to railroad tracks.
- Once the complete sample of sales was identified and verified, the sales were adjusted for the following characteristics; property rights conveyed, financing, conditions of sale (listings), market conditions (time) and physical condition. A market conditions adjustment is important as the market can change over time and older sales may need to be adjusted to reflect upward or downward trends to the current date of the consultation service.
- Physical conditions are important as parcels are in different stages of improvement and need to be adjusted to a similar base condition. We considered a base value assuming a vacant, level site with all street improvements including curbs, gutters, sidewalks, utilities, and street lights, but no development entitlements. All of the sales have been adjusted to this standard.
- Other adjustments for location, density, etc. are not made, as the aim is to represent an Average Per Acre Value in Milpitas. These adjustments would be property specific and should not be made in estimating an average market value.
- Once the sales were adjusted, we then calculated a mathematical average per acre market value.
- Because we are not considering a specific property, this is identified as a Consulting Assignment and not an Appraisal. We have prepared a Summary Report that provides all of the necessary information to fully document the comparable sales and adjustments and explain the process leading to the final Average Per Acre Determination of Market Value.

REGIONAL ANALYSIS

Milpitas is located in Santa Clara County, which is located in the northern portion of the State of California, and in the southern section of the San Francisco Bay Area. This county, as well as eight other surrounding counties comprises the San Francisco Bay Area. The other counties are San Francisco, San Mateo, Alameda, Contra Costa, Napa, Solano, Sonoma, and Marin Counties.

Santa Clara County, which is often referred to as Silicon Valley for the area's high tech industries, comprises the area identified as the South Bay region. Santa Clara County, which has a shoreline on the south end of San Francisco Bay extends south, southeast through the Coyote Valley, over 45 miles to the rural areas of Morgan Hill, Gilroy and the San Benito County line.

The west and southwest areas of the county sharply climb into the Santa Cruz Mountains, where elevations reach 3,300 feet. The east-county is dominated by the 4,200 foot high Mt. Hamilton, a part of the Diablo Range.

Economy

The negative economic factors are plenty as layoffs, foreclosures, and rising unemployment together make the short-term economic outlook grim. According to speeches by President Obama, the economic turmoil is likely to get worse before it gets better.

Meanwhile, the Bay Area, which has in the past been more resilient than many areas of the country, is not immune from the current economic turmoil. ABAG's 25-year projection remains positive for the greater Bay Area as economists agree that growth in the area should be steady and slower for the long-term. But 2010 will be a challenge as the slowdown affects spending among U.S. consumers who have suffered declining home values and significant declines in their overall retirement accounts. The drop-off in capital spending will make this recession more serious in some ways than the dot-com bubble's aftermath, when the valley lost 231,400 jobs, or 21 percent of its workforce.

Still, economists say this recession looks more like one of the cyclical events that hits the valley every 10 years or so than an epic collapse. Innovations in biotech, alternative fuels, and green technology could fuel the next technology upswing. And the shakeout of the mortgage industry and housing market should make living here a bit more affordable. Retail is likely in for a year of pain and with unemployment and foreclosures increasing, credit still not flowing, and many industries begging the government for a bailout, everyone is digging in for the worst.

Population

Santa Clara County is the most populous of the nine-county Bay Area Region. The population of the San Francisco Bay Area is estimated to be near 7.3 million residents (2010), according to the Association of Bay Area Governments (ABAG) "Projections 2009", a forecast of the San Francisco Bay Area to the year 2035. It is projected to grow beyond 7.6 million residents by the year 2015 according to ABAG. The following chart depicts both population trends for the entire Bay Area. Per the U.S. Census Bureau, population growth and projections in the nine county areas since 2000 is displayed on the following table.

	2000	2005	2010	2015	2020	2025	2030	2035
ALAMEDA COUNTY	1,443,741	1,505,300	1,549,800	1,626,100	1,705,900	1,787,300	1,874,600	1,966,300
CONTRA COSTA COUNTY	948,816	1,023,400	1,090,300	1,130,700	1,177,400	1,225,500	1,273,700	1,322,900
MARIN COUNTY	247,289	252,600	256,500	260,300	264,000	267,300	270,900	274,300
NAPA COUNTY	124,279	133,700	138,800	142,300	144,600	146,300	147,500	148,800
SAN FRANCISCO COUNTY	776,733	795,800	810,000	837,500	867,100	900,500	934,800	969,000
SAN MATEO COUNTY	707,163	721,900	733,300	766,900	801,300	832,400	862,800	893,000
SANTA CLARA COUNTY	1,682,585	1,763,000	1,822,000	1,945,300	2,063,100	2,185,800	2,310,800	2,431,400
SOLANO COUNTY	394,542	421,600	443,100	458,500	472,100	484,600	495,800	506,500
SONOMA COUNTY	458,614	479,200	497,900	509,900	522,500	535,200	548,400	561,500
REGION	**6,783,762**	**7,096,500**	**7,341,700**	**7,677,500**	**8,018,000**	**8,364,900**	**8,719,300**	**9,073,700**

Source: ABAG Projections 2009

Santa Clara County begins and ends the projection period as the most populous county in the region. The county population was 1,682,585 in 2000, and by 2035, is projected to reach 2,431,400. Within the county and the Bay Area, San Jose is by far the most populous city. In 2000, San Jose's population was 941,998 or approximately 56 percent of the county total. San Jose has about seven times the population of Sunnyvale, the county's second largest city. In 2030, San Jose's share of the county population will remain approximately the same.

Between 1990 and 2000, Santa Clara County added about 45,683 households (nine percent increase). This increase is the largest of any Bay Area county. During the 2000-2030 forecast period ABAG projects that Santa Clara County can expect a population increase of about 591,615 persons and 202,197 households. Over half of the county's household growth will occur in the San Jose area. San Jose is projected to outstrip the entire Bay Area in terms of absolute growth, expanding by 405,302 residents and 130,000 households.

The Bay Area continues to attract people with its employment opportunities, mild climate, recreational activities, top universities and cultural activities. According to ABAG Projections 2005, the population of the Bay Area will exceed 9.1 million people by 2035, an increase of 1.9 million from its current level (2000 Census). Santa Clara's population will top two million residents by 2020. The current population is projected to increase by 11.5 percent over the forecast period (2000-2020) or less than 1 percent per annum. In contrast, the entire region is projected to increase by 19.3 percent over the forecast period, accelerated by population growth in Solano and Napa Counties.

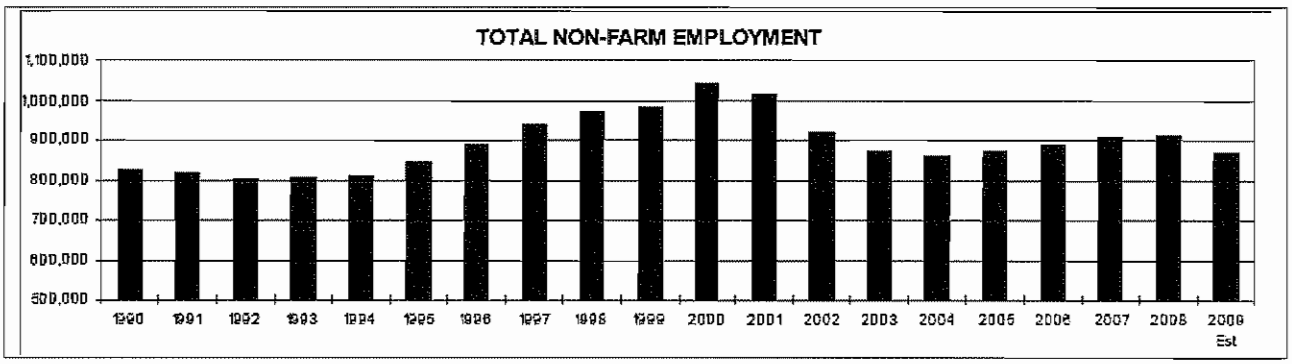
While population growth in the region is expected to be substantial, it will still occur at a rate that is far slower than the growth in Southern California and other portions of the state. The Bay Area has some of the highest housing costs in the nation. People's ability to afford housing has long been cited as a factor that limits the region's ability to grow. The high incomes of many people in this region are clearly intertwined with the high cost of housing. Nevertheless, when the comparison is made between household incomes and housing costs, the Bay Area remains one of the least affordable areas in the nation.

In terms of population growth, the Bay Area is moderately behind California as a whole, as well as other areas in Northern California including the Sacramento region, as well as the San Joaquin Valley. Unlike these areas, there is not an abundant supply of land for future expansion, as growth in the Bay Area is impeded by topographical and geological constraints (mountain ranges, Pacific Ocean, San Francisco Bay, etc), as well as governmental policies. The resultant supply constraints positively impacts demand for residential properties.

Employment

Total non-farm employment decrease -5.4% year-over-year in September of 2009 with 916,500 total non-farm jobs in September of 2008 compared with 867,200 non-farm jobs in September of 2009 (a decrease of 49,300 total non-farm jobs). The continuing decline in employment is a result of the current recession and while there is hope that the economy (and in particular the high technology sector of the economy) is entering a period of overall growth, employment may continue to lag in what is being called a jobless recovery. The unemployment rate in the South Bay Region has increased from 6.4% last September to 11.8% in September of 2009. With the unemployment rate acting as a trailing indicator, it may remain higher than normal for several years.

However, there is cautious optimism that job growth may return to the South Bay Region during the first quarter of 2010. Construction still weighs heavily on overall job loses, down -17.8% from the 44,400 jobs in September of 2008 to the 36,500 jobs in September of 2009. Manufacturing posted an -8.2% decline year-over-year and services posted a -4.4% decline during the same time period. Government is the only sector that has remained largely unscathed, posting a stagnant –0.09% decline in September 2009 as compared to a year earlier.



Job Growth

According to ABAG, Projections 2009 there are 3,475,840 total jobs in the San Francisco Bay Area as of 2010. Projections for the year 2015 indicate 3,734,590 total jobs. The following table summarizes the jobs by industry division for the entire Bay Area.

	2000	2005	2010	2015	2020	2025	2030	2035
Agriculture & Natural Resources	24,470	24,170	24,520	24,870	25,070	25,270	25,470	25,490
Construction	231,380	218,350	213,930	230,970	250,750	278,150	302,180	326,420
Manufacturing & Wholesale	685,480	545,900	550,640	588,110	633,360	670,830	716,270	759,610
Retail	402,670	367,180	347,400	370,880	399,950	453,870	491,310	529,530
Transportation & Utilities	177,940	165,480	166,540	175,570	185,650	190,340	197,690	207,920
Information	177,440	160,380	158,710	170,620	186,710	212,010	233,730	253,640
Financial & Leasing	283,350	277,930	272,580	289,540	310,840	341,980	368,640	398,190
Professional & Managerial Services	568,260	502,330	494,280	534,650	582,710	648,860	707,900	768,070
Health & Educational Services	623,590	597,540	638,110	695,010	757,260	804,250	880,850	956,750
Arts, Recreation & Other Services	432,440	455,970	482,590	521,110	565,390	598,830	649,080	702,990
Government	146,440	134,510	126,540	133,260	143,000	155,510	165,610	178,780
Total Jobs	**3,753,460**	**3,449,740**	**3,475,840**	**3,734,590**	**4,040,690**	**4,379,900**	**4,738,730**	**5,107,390**

Source: ABAG Projections 2009

In 1960 fifty-six (56) percent of all Bay Area jobs were in Alameda or San Francisco County. By the 1970s, early signs of job decentralization began to appear. Almost 34 percent of the job growth occurred in Santa Clara County, due to the early growth in electronics and instruments. The county experienced a 71 percent increase in jobs between 1960 and 1970.

Today, 39 percent of the region's jobs can be described as being part of the service sector. About 19 percent are in manufacturing or wholesale activities; 16 percent are in retail; and 26 percent are in other categories including government, construction, finance and agriculture. While some economic activities are concentrated in particular parts of the Bay Area, the economies in each county have generally become more diverse.

The Bay Area's economy is expected to generate a demand for about 1,353,930 new jobs over the period 2000 to 2035, approximately equal to the number of jobs added during the twenty years between 1980 and 2000. This reduction in growth in the long-term forecast is in part due to the changing demographics of the region. The Bay Area job outlook is transitioning in both the types of jobs, as well as their location. Some production operations have left the region due to labor and associated housing costs. The jobs that tend to stay are the research and development positions. Some of the nation's top universities and research institutions support these industries. The following table illustrates the current allocation and future job growth in the Bay Area counties from 2000 to 2030.

County	2000	2005	2010	2015	2020	2030	% Change 2000-2030
Alameda	750,160	747,500	818,840	884,970	953,310	1,088,870	45.2%
Contra Costa	371,310	373,000	406,010	439,020	472,830	543,860	46.5%
Marin	134,180	135,610	141,770	148,490	156,060	173,580	19.4%
Napa	66,360	72,150	78,000	82,930	86,910	91,920	38.5%
San Francisco	642,500	575,800	624,050	673,870	723,850	829,090	29.0%
San Mateo	386,590	336,460	368,390	400,000	433,860	507,090	31.2%
Santa Clara	1,044,130	903,840	992,420	1,077,050	1,161,930	1,339,970	28.3%
Solano	136,740	148,640	162,390	175,900	189,450	217,910	59.4%
Sonoma	221,490	223,960	244,670	265,020	285,430	328,310	48.2%
Total	**3,753,460**	**3,516,960**	**3,836,540**	**4,147,250**	**4,463,630**	**5,120,600**	**36.4%**

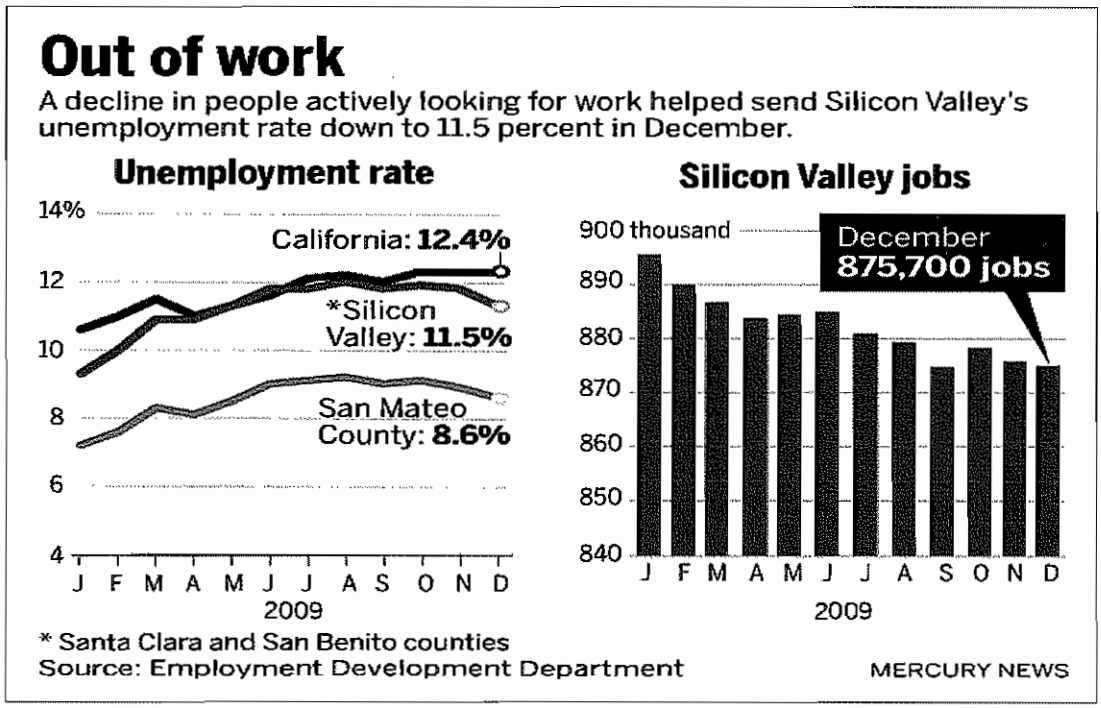
Source: ABAG, Projections 2009

Solano County will see the largest increase in jobs over the ABAG forecast period.

The San Jose Mercury News reported in an article dated 1/23/2010 that the Silicon Valley's job market continued to struggle in December as the number of people working declined and discouraged people apparently abandoned their search for work. But there were indications of better days ahead in a report released 1/22/2010 by the state Employment Development Department. Employers reported monthly gains in manufacturing and professional and business services jobs, which includes computer design. The increase in tech jobs "is really an encouraging sign for our area," said EDD labor market specialist Janice Shriver.

The valley's jobless rate fell to 11.5 percent in December from a revised 11.9 percent in November. That can happen even as the number of people employed fell because the rate is calculated based on the number of people actively looking for work, not the number of people out of work.

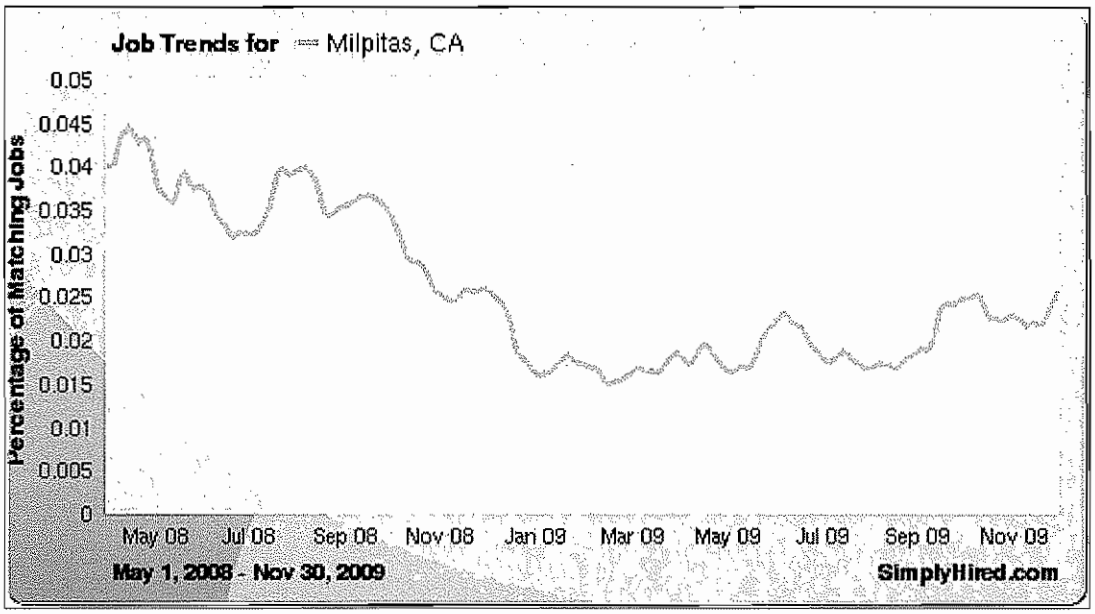
But a full job recovery will take a while. There are 48,200 fewer people working in the valley than there were in December 2008, a 5.7 percent drop, according to the EDD's data. And employers reported 36,200 fewer jobs than there were a year ago, a decline of 4 percent. The U.S. unemployment rate, reported two weeks ago, remained unchanged at 10 percent, a disappointing performance that sparked concerns that the recovery is taking longer than was hoped.



Income Growth

Santa Clara County is in the top one-third of the nine Bay Area counties with respect to mean household income. Between 1990 and 2000, income in Santa Clara County increased 37%, despite a recession during the first half of the decade. The county's economic performance in this category is outstanding, far out stripping the Bay Area's 23% gain during the same period. Projections by ABAG indicate that future county income growth (2000-2010) will be around 7%, a much more modest performance then that of the previous decade.

The median income for a household in the city of Milpitas is $84,429, and the median income for a family is $84,827. Males have a median income of $51,316 versus $36,681 for females. The per capita income for the city is $27,823. 5.0% of the population and 3.3% of families are below the poverty line. Out of the total population, 5.5% of those under the age of 18 and 6.4% of those 65 and older are living below the poverty line.



Within the county, the highest income households reside in Los Altos, Los Altos Hills, Monte Sereno, and Saratoga. These locations have little to do with where jobs are located, but rather where the most prestigious and expensive homes are built. These are areas in the hills, with views, oak trees and custom homes.

Mean Household Income (In Constant 2005 Dollars) Subregional Study Area

	2000	2005	2010	2015	2020	2025	2030	2035
CAMPBELL**	101,000	81,100	85,200	89,400	94,300	99,500	104,800	110,400
CUPERTINO**	151,500	120,600	127,400	134,800	142,500	150,500	159,700	169,500
GILROY**	92,500	72,000	75,200	77,300	81,000	86,100	91,600	97,800
LOS ALTOS**	215,100	171,200	180,100	189,600	200,600	211,700	223,800	237,700
LOS ALTOS HILLS**	322,700	256,800	269,800	283,800	299,000	315,700	333,900	353,200
LOS GATOS**	164,300	130,800	137,800	144,200	154,000	163,300	173,200	183,700
MILPITAS**	120,000	95,300	99,300	101,200	104,500	110,200	116,300	122,600
MONTE SERENO**	268,400	214,000	225,400	235,400	249,600	262,200	276,800	292,500
MORGAN HILL**	125,400	98,700	102,800	106,600	111,800	117,100	124,200	131,600
MOUNTAIN VIEW**	109,300	87,100	90,700	94,300	99,100	104,000	109,900	116,100
PALO ALTO**	160,300	126,900	134,400	141,100	146,200	152,000	159,000	167,800
SAN JOSE**	105,100	85,400	88,400	91,100	95,500	99,800	104,800	110,000
SANTA CLARA**	102,100	81,500	84,000	86,800	91,200	94,600	100,100	106,000
SARATOGA**	229,100	183,500	192,400	201,900	212,900	223,800	236,200	249,300
SUNNYVALE**	111,700	88,500	93,700	97,700	102,500	107,600	113,500	119,600
REMAINDER	107,400	86,400	89,800	94,000	99,500	104,700	111,200	118,100
SANTA CLARA COUNTY	**118,400**	**97,900**	**108,700**	**114,600**	**120,900**	**127,600**	**134,600**	**142,000**

*CITY **CITY SPHERE OF INFLUENCE ***OTHER SUBREGIONAL AREA

CITY ANALYSIS

The City of Milpitas is located in the northeastern section of Santa Clara County, in the eastern portion of Silicon Valley. San Francisco is approximately 50 miles to the north while San Jose borders Milpitas to the south and east, and the City of Fremont is to the north. Land uses within the city are relatively diverse with most of the residential development located in the city's northern and eastern areas, while industrial and research and development uses are located primarily near the southern and western areas. Between I-880 and Highway 680, commercial development is generally oriented along the major thoroughfares of Calaveras Boulevard, North & South Milpitas Drive, Jacklin Road, Montague Expressway, and Main Street. Just west of I-880 are the developing R&D, Office, and older manufacturing facilities north of Montague Expressway and along McCarthy Boulevard and Tasman Drive. There was recently about 1,000,000 sq.ft. of new office/R&D construction within the McCarthy Ranch Development. This project extends north from Highway 237 to Dixon Landing Road adjacent to the west side of I-880.

Highways 680 and 880 run north-south through Milpitas connecting with the East Bay and Oakland to the north, while Highway 237 runs east-west, connecting with Highway 101 and the lower San Francisco Peninsula to the west. Highway 237 connects Highways 680 and 880. Access to and from Milpitas to all parts of the Bay Area, and beyond, is easy and direct by virtue of these three highways passing through the city.

Over the past several years the City of Milpitas has attracted its share of development, due partly to its abundance of land that is readily accessible from the Bay Area highway system. As Santa Clara, Sunnyvale, and San Jose, all located to the west became built-out, Milpitas has received much more attention for development activity for both the Office and R&D sectors. Most of the land in Milpitas is now either developed or spoken for. Milpitas has also been quite fortunate in that the bulk of its office, R&D, and industrial development has occurred since the advent of the controlled environment business park, a concept that became popular in the Bay Area during the early 1970s. Most of the new office and industrial projects that have been built in Milpitas during recent years have been located in master-planned business parks.

Along with R&D development, retail development has also been active in Milpitas. The McCarthy Ranch Marketplace was opened in 1994 and consists of a 550,000 square feet power center including such "big box" retailers as Wal-Mart, Office Max, Borders Books, and Pet-Smart. This center sold in 1999 for $32 million. A number of small retail buildings on individual parcels are adjacent to the Marketplace and include a number of restaurants and fast food facilities. The Great Mall of Milpitas, consisting of mostly discount retailers, totals 1,300,000 square feet in an enclosed Super Regional Mall. It also opened in 1994 and sold in 1999 for $130 million. Again, the central location and ease of access from the Bay Area highways has led to the development of Super Regional and Discount Malls.

Land uses within Milpitas range from Very Low Density Residential (1 dwelling unit per 10 acres) to High Density Residential (40 dwelling units per 1 acre), to commercial, to industrial and public sector (schools, parks, fire stations, etc.).

The lowest density residential developments tend to be located on the hillside in east Milpitas, where single-family homes easily exceed $1,000,000. The maximum density for hillside development is 3 dwelling units per 1 acre. Single-family Low Density (3-5 dwelling units per 1 acre) up to the highest densities are located along the Valley floor, west of the hillside and east of Highway 880.

Commercial land uses include the Town Center at East Calaveras Blvd. and North Milpitas Blvd. where the City Civic Center is located. Other Commercial uses are General Commercial, Retail Sub-Center, Professional/Administrative Offices, and Highway Service. Industrial land uses consist of Manufacturing and Warehousing, and Industrial Parks. Commercial and Industrial uses are located along the Valley floor with industrial uses centered along the west side of Highway 880 and along South Milpitas Blvd. Commercial use are generally centered along major traffic arteries such as Main Street, Abel Street and Calaveras Blvd., with the McCarthy Ranch Marketplace at the northwest quadrant of Highways 880 and 237. The Great Mall of Milpitas is along the Montague Expressway.

All of these diverse land uses provide Milpitas with a mix that is vital to the overall health and future development and growth of a prospering city. The Valley floor, where the majority of low-high density residential, commercial and industrial uses are located, is the primary area where city parks will likely be located. Therefore, this is the location where we have focused our research for comparable land sales for this analysis.

Other important considerations in Milpitas are the Milpitas Midtown Specific Plan and the Milpitas Transit Area Specific Plan. These are the areas where much of the future development and redevelopment activity is planned to take place and it is oriented towards mixed-use, high-density projects. It is likely that new City parks will be needed in this area, and thus, we have focused our research attention in this area of town. Because parks could be constructed in any and all zoning districts, it is important to consider all types of land uses in determining land values.

This ***Milpitas Midtown Specific Plan*** provides a new vision for an area of approximately 1,000 acres of land that is currently undergoing changes as part of its growing role as a housing and employment center in the Silicon Valley. Development activity over the past several years has included approval and/or construction of 1,200 units of housing, reinvestment in the Great Mall, extension of the Santa Clara Valley Transportation Authority (VTA's) Tasman East Light Rail Line, and proposals to extend BART through the area as part of the San Jose extension. Rather than responding to development proposals on a site by site basis, the City of Milpitas undertook a specific plan process in order to look comprehensively at the planning area and provide a cohesive vision for the future. The purpose of the Specific Plan is to:

- Guide the development and further evolution of the Milpitas Midtown Planning Area (Midtown),
- Encourage development that responds to City and regional objectives, such as a compatible mixture of residential, retail, and commercial uses,
- Reflect neighborhood considerations, and
- Encourage private investment in the area.

The overall strategy in the Midtown Area is to create a mixed-use community that includes high-density transit-oriented housing and a central community "gathering place", while maintaining needed industrial, service, and commercial uses.

The plan is long-range in nature, intended to guide development for the next 20 years. Some land in the Midtown Area is undeveloped and readily developable over the short-term, while other parcels may be redeveloped over a longer time frame.

Overall, the Midtown Specific Plan provides for up to 4,860 new dwelling units and supporting retail development, new office developments at key locations, bicycle and pedestrian trails and new parks to serve residential development.

The ***Milpitas Transit Area*** presents a tremendous opportunity to transform an older industrial area into a vibrant high-intensity transit-oriented district. The site is unique in the Bay Area, offering large land acreages; access to two freeways and an expressway; two light rail stations and a future BART station; property owners experienced in real estate development; the Great Mall as a retail anchor; and a City ready to facilitate new private sector development.
The City undertook this Specific Plan in order to bring about an attractive and livable neighborhood that takes advantage of public investment in light rail and BART, and transforms an older light industrial district to meet high demand for housing, offices, and shopping in the Bay Area. The Plan creates a structure for a walkable, transit-oriented area with a mix of land uses, which thereby encourages walking, biking, and transit trips and minimizes vehicle trips. This type of development can accommodate substantial growth, minimize impacts on local roadways, and reduce urban sprawl at the periphery of the region.

Vision
The City has established the following overall vision for the Milpitas Transit Area, balancing its goals for fiscal stability and quality development with regional objectives for housing and transportation.

Vision Statement
Create attractive high density urban neighborhoods with a mix of land uses around the light rail stations and future BART station in Milpitas. Create pedestrian connections so that residents, visitors, and workers will walk, bike, and take transit. Design streets and public spaces to create a lively and attractive street character, and a distinctive identity for each subdistrict.

Goals
The following goals have guided the preparation of the Specific Plan and should be used to evaluate development proposals and any proposed future amendments to the Plan.

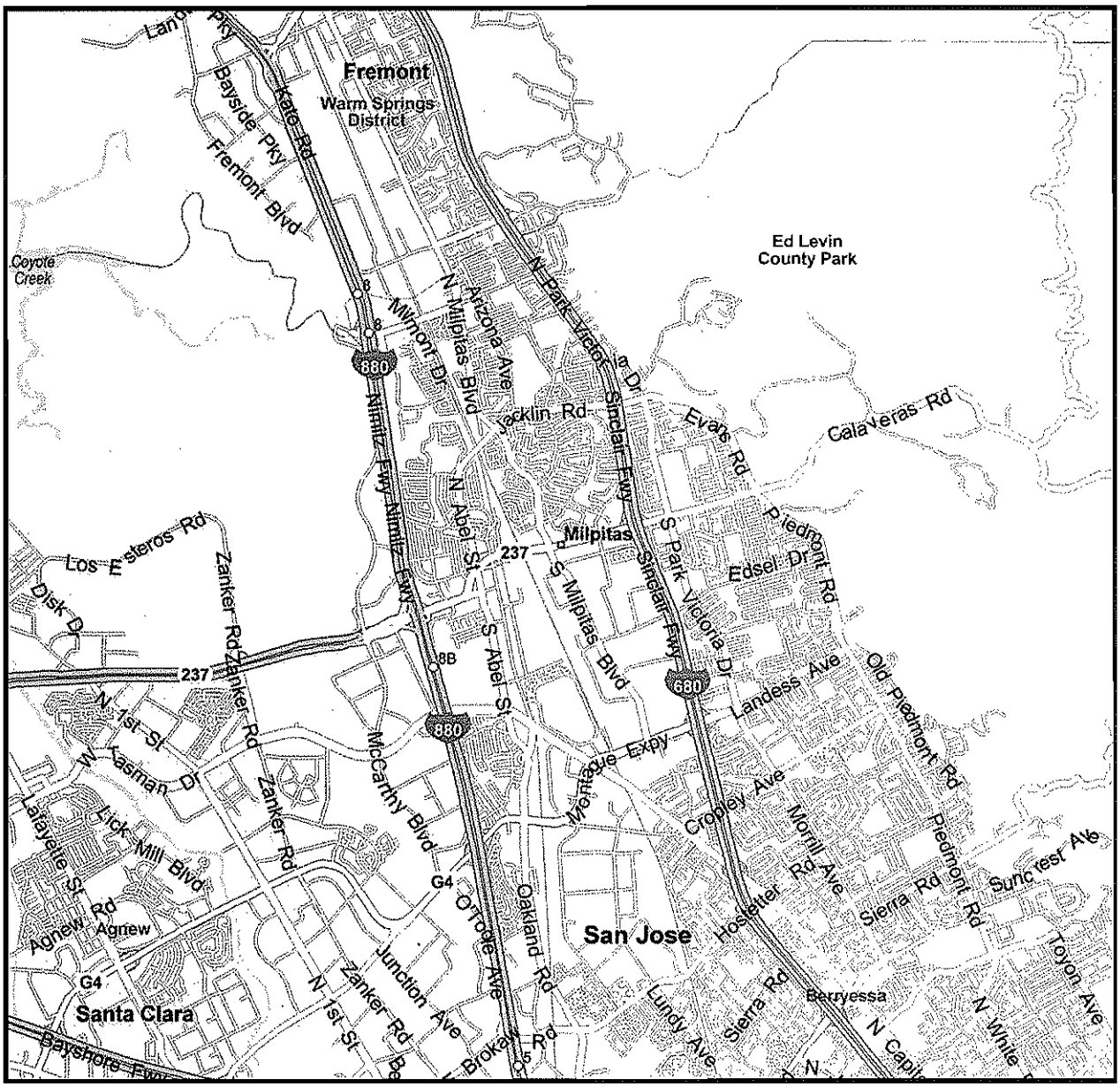
Land Use
- Transition from older industrial uses to a high intensity mixed use area with housing, office, retail, restaurants, personal services, hotels, parks, and community facilities.
- Add a large amount of housing in order to meet regional housing needs. Adding housing improves the jobs/housing balance in the South Bay and can thereby reduce regional traffic congestion.
- Develop land uses and high densities that maximize transit ridership, so that land use planning supports the large public investment in transit facilities. Locate the highest densities closest to the transit stations.
- Provide a mix of land uses that responds to market demand over the next twenty years, and provides opportunities for complementary uses, such as by locating hotels and offices near retail and restaurants.

- Site neighborhood-serving retail uses in each subdistrict of the Transit Area so residents and workers can easily walk to shops, restaurants, and services.
- Develop retail and hotel uses and other revenue-generating uses to help support the cost of capital improvements and ongoing public services for residents and workers in the Transit Area.
- Minimize noise and traffic impacts on residences.

Conclusion

Although located on the east side of Silicon Valley, Milpitas has become an increasingly desirable location for business, as well as a desirable community in which to live. The high cost of housing and commercial property in the West Valley and lack of available developable land has drawn business and residents to the community. Ease of access to the Bay Area freeway system also helps make this a desirable location.

CITY MAP


Fremont
Warm Springs
District
Bayside Pky
Fremont Blvd
Kato Rd
Coyote
Creek
Ed Levin
County Park
880
Nimitz Fwy
N Milpitas Blvd
Arizona Ave
Dixon Landing Rd
N Park Victoria Dr
Sinclair Fwy
Evans Rd
Calaveras Rd
Jacklin Rd
Milpitas
237
N Abel St
S Milpitas Blvd
S Park Victoria Dr
Edsel Dr
Piedmont Rd
Los Esteros Rd
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Landess Ave
Old Piedmont Rd
N 1st St
W Tasman Dr
McCarthy Blvd
Montague Expy
Cropley Ave
Morrill Ave
Lafayette St
Lick Mill Blvd
Agnew Rd
Agnew
G4
O'Toole Ave
Oakland Rd
San Jose
Hostetter Rd
Sierra Rd
Piedmont Rd
Sunol Ave
Santa Clara
Junction Ave
Brokaw Rd
Lundy Ave
Berryessa
Toyon Ave
N White
Bayshore Fwy

MARKET OVERVIEW

Commercial/Industrial Market

BT Commercial Real Estate publishes a quarterly report for Bay Area Cities. The following statistics are for R & D, Office, Manufacturing, and Warehouse space in Milpitas and Silicon Valley.

COMMERCIAL REAL ESTATE MARKET STATISTICS

	R&D	Office	Manufacturing	Warehouse
Milpitas				
Vacancy - 4Q2009	21.6%	15.1%	13.1%	12.3%
Vacancy - 4Q2008	18.3%	11.0%	8.0%	8.3%
Ave. Asking Rent - 2009	$0.76	$1.72	$0.57	$0.41
Ave. Asking Rent - 2008	N/A	N/A	N/A	N/A
Ave. Time on Market - 2009	N/A	N/A	14.6	16.3
Ave. Time on Market - 2008	N/A	N/A	N/A	N/A
Gross Absorption - 2009	474,892	110,979	87,298	998,281
Gross Absorption - 2008	972,595	153,164	318,928	521,036
Net Absorption - 2009	-517,987	-111,709	-122,107	-220,012
Net Absorption - 2008	-321,531	-156,556	64,149	-163,711
Silicon Valley				
Vacancy - 4Q2009	19.3%	19.1%	7.9%	8.1%
Vacancy - 4Q2008	16.1%	16.8%	6.5%	6.2%
Ave. Asking Rent - 4Q2009	$1.03	$2.65	$0.62	$0.43
Ave. Asking Rent - 4Q2008	$1.26	$3.09	$0.78	$0.50
Ave. Time on Market -4Q2009	34.3	N/A	18.6	17.3
Ave. Time on Market -4Q2008	33.0	N/A	15.9	18.6
Gross Absorption -4Q2009	2,775,225	5,516,084	1,277,710	1,335,008
Gross Absorption -4Q2008	2,835,887	6,309,271	678,564	1,263,710
Net Absorption - 4Q2009	-409,155	-1,605,632	280,172	258,078
Net Absorption - 4Q2008	-533,539	-1,746,179	-422,173	-439,814

Milpitas is part of the Silicon Valley. This market fluctuates with the high-tech industry and has a history of sudden and dramatic swings in rental rates and vacancy. This was quite apparent in early-mid 2000, which saw a dramatic increase in commercial rents and decrease in vacancy. Late 2000 and early 2001 saw a sudden shift to lower rents and higher vacancy as a result of the shake out in the dotcom industry.

Today, vacancies are double digit in all market segments as a result of the economic downturn experienced in late 2008 and continuing through 2009 and into 2010. Milpitas shows vacancies ranging from 12.3% 21.6% in the various categories.

In many cases new construction is limited to redevelopment of older buildings because much of the area is almost entirely built-out. The scarcity of available land is one reason real estate values will likely remain strong.

Milpitas is a well-known and established community location in Silicon Valley. Businesses located here include "core businesses" as well as some startups and related companies. Because of the influence of the high-tech market segment the area will likely experience fluctuations in rental rates and vacancies in the future. However, the long-term outlook for the local economy is positive, as Silicon Valley is still viewed as a worldwide center for technology and research.

Retail Market

Imagine 15 Empire State Buildings, all of them sitting empty. That real estate broker's nightmare comes to more than 43 million sq. ft., which is how much commercial space stood vacant in Silicon Valley as of the end of the third quarter, according to CB Richard Ellis Group. And though vacancy rates in the Valley have not reached the levels seen in the wake of the dot-com bust, property owners may be worse off today. That's because many defunct Internet companies back then continued paying rent through the venture capital firms that funded their leases. Now Valley players that have survived the hard times are fighting for—and in many cases winning—sizeable discounts on rents that are already off some 20% from last year's levels.

By some estimates the rate of commercial foreclosures in the Silicon Valley area will at least double in 2010. That works out to about $1.5 billion in foreclosed properties, according to data compiled by New York-based research firm Real Capital Analytics. "Many of these assets have lost half their value," says Real Capital managing director Dan Fasulo. "That's a bloodbath."

California's info tech sector has lost more jobs in the past year than any other except construction and mining, state data show. Unemployment in the San Jose-Sunnyvale-Santa Clara metro area hit a two-decade high of 12.1% in August and has since decreased only slightly, to 11.8% in November.

Commercial Land Market

As would be expected, as rental rates have declined and vacancies increased, demand for land for speculative investment projects should also fall. In fact, there have been relatively few speculative investment land sales in the market. The owner-user market, on the other hand, is still relatively strong and there has been a few of these types of sales. These sales tend to be smaller sites, generally less than 5 acres and many times less than 3 acres.

Another market phenomenon that has occurred is that small, owner-user sites have increased in value well above large investment land sales. This is even true when comparing small heavy industrial sites to larger R&D/business park sites.

In a strong market with good demand the R&D/business park sites would command higher per square foot prices. In the current market with increasing vacancies and declining rents, the reverse is true. Small heavy industrial sites command higher per square foot prices. In addition to the weak office/R&D markets, the lack of available small sites for owner-users tends to keep prices high.

The hypothetical one-acre parcel that we have been asked to consider is small enough in size that it would tend to maximize site value. Larger parcels tend to sell for lower per square foot values than smaller sites.

Housing Market

The Gregory Group a new home project tracking company, publishes a quarterly report for the South Bay region.

We've been hearing a lot of the words "stabilization" and "recovery" lately and hearing much less of "depression", "economic collapse" and even "recession". And thankfully, we are hearing a lot less of "CDO's" and the like. In fact, given the Third Quarter GDP of 3.5%, there is a lot of discussion that the recession is actually over. Many economists believe that the current, most severe recession that the United States has experienced since the Great Depression was over in June, 2009. While many economist do not believe that a 3.5% growth rate is sustainable given some of the systemic issues associated with the economy, programs like "cash-for-clunkers" and the tax incentives for home buyers certainly had a significant impact on the Third Quarter numbers.

There are those, however, that feel the current economic "good news" cannot last and are calling for a "W" recovery, rather than a "V" or "U" or "Square Root" recovery. Which leads us to the type of recovery that we may experience. Using history as a guide, we see that the "W" recession of the early 1980's resulted in a "second" bottoming of building permits in 1982 (85,031 total permits in California) and a significant increase in 1983 (171,889 total permits). Given the economic policies of the Reagan administration (tax cuts, pro business, investment incentives, etc.), the building industry lead the country out of the recession in an aggressive manner. Fast forward to the early 1990's, and in the 1990-1991 recession we see a dramatic decrease in permits in 1991 of 105,956 in California (from 163,175 a year earlier). However, unlike the early 1980's, the end of the first Bush administration and the coming of the Clinton years resulted in a lower emphasis on economic growth and a greater reliability on Government (tax increases, new entitlements, etc.). The result was a period of seven years of modest building activity with permits ranging between 80,000 to 110,000 in California.

It is becoming increasingly clear, given the governmental environment of the current administration, that this recovery will most likely mirror the early 1990's and result in a longer and slower recover. The good news is that we will see a recovery, the bad news is that hopes of a robust recovery bailing out the homebuilder, the land developer and the mortgage industry, appear to be unfounded.

The big cloud over the economy continues to be the employment picture, with the current unemployment rate at 11.2% in the State of California, the numbers will most likely increase before settling and posting increasing employment. It is generally agreed that 2010 will see gains in employment for the first time in several years; however, the gains maybe slower in California than the rest of the nation. Nationally, there is hope that positive numbers will emerge in the first three months of the year, with California following during the first half of the year.

Recent increases in exports, consumer spending and productivity are positive signs that the economic recover is taking hold.

The rush of the public homebuilders to purchase finished lots continues. A recent analysis of public builder inventory suggests that much of their current lot inventory is located in undevelopable areas. Thus, the amount of lots that are available for building on in the near future (as conditions improve), is smaller than originally thought. This has resulted in these builders rushing to purchase finished lots in "safe" communities. i.e. finished lots in master planned communities. The next few years will see the elimination of the private builder from the major master planned communities throughout northern California.

The length of the current housing depression has forced the middle tier of homebuilder out (the leverage required to expand rapidly has resulted in too many defaults, and ultimately, bankruptcy; while the larger public companies were able to find help in the public markets and the smaller builder was often able to retrench.)

It is becoming ever more evident that the future of the industry will rely on providing quality housing in engaging environments at affordable pricing. Housing design will certainly matter, but community design will matter just as much if not more. The long-term emerging buyer is much more interested in living environment (including sustainability, affordability and livability) than profitability.

The generation that grew up in the 60's and 70's and came of age in the 80's, is giving way to the generation that grew up in the 80's and 90's. The Baby Boom generation is aging and will give way to the next generation that will purchase the majority of homes in the future and will ask for different housing than in the past. Just like the move-up buyers in the 80's, 90's and into the 00's bought different housing than the generation before it. This raises several issues; what type of product will the aging population demand? Active Adult communities? Aging in-place communities?

How will the growing ethnic diversity of the nation and California in particular affect the development of housing? Will we see larger homes that can accommodate two or even three generations living in one home? And is the run to the cities for real? Will we continue to see a growing number of older and younger people choose public transportation and urban core living environments?

Only time will tell; but it appears that we are on the cusp of a new generation in the homebuilding industry.

Through it all, there continues to be evidence that people will be back in the market for homes in the future. The home is still a place to raise a family, interact with others in a viable community and send the kids to good schools. Furthermore, there is evidence that the consumer is coming back and that this holiday season will be brighter than the last (how hard is that to do?). But there is a discernable shift in the way that people (and businesses for that matter) are emerging from this current downturn. Bill Gross of PIMCO in his September 2009 Investment Outlook letter may have summarized it best "We are heading into what we call the New Normal, which is a period of time in which economies grow very slowly...in which profits are relatively static; in which the government plays a significant role in terms of deficits and reregulation and control of the economy; (and) in which the consumer stops shopping until he drops and begins...saving to the grave."

Housing/Residential Construction

The following chart from DataQuick shows the recent statistics for all markets including resales homes, new homes and condominiums.

The Bay Area housing market last month continued its step-by-step climb up from the bottom with upticks in sales as well as prices. Many of the underlying trends are shifting slowly, if at all, indicating sluggish change in market fundamentals, a real estate information service reported.

A total of 7,828 new and resale houses and condos were sold in the nine-county region last month. That was up 13.8 percent from 6,878 in November, and up 13.6 percent from 6,889 for December 2008, according to MDA DataQuick of San Diego.

An increase from November to December is normal for the season. Last month's year-over-year increase was the 16th in a row. The sales count was the highest for a December since 8,372 homes were sold in December 2006. Sales for Decembers since 1988 have ranged from 5,065 in 2007 to 12,349 in 2003, while the average is 8,762.

"A couple of years from now, when looking back, there's a good chance we'll refer to the beginning of 2009 as the bottom of the market. But that doesn't mean we're anywhere near normal yet. Sales distribution is still lopsided towards lower-cost homes, driven by tax incentives and distress activity. Whole mortgage categories don't exist for buyers. Putting a deal together is excruciating, like swimming in molasses. We don't expect much genuine improvement until lending institutions re-open their spigots," said John Walsh, MDA DataQuick president.

The median price paid for a Bay Area home was $380,000 in December. That was down 1.8 percent from $387,000 for the month before, and up 15.2 percent from $330,000 for December 2008. Last month was the third in a row with a year-over-year gain, after 22 months of decline. The median hit bottom at $290,000 last March, well off the $665,000 peak reached in June and July of 2007.

Foreclosure resales – homes sold in December that had been foreclosed on in the prior 12 months – made up 32.3 percent of all resale activity. That was up from a revised 31.9 percent in November, and down from 48.3 percent in December 2008. Foreclosure resales peaked at 52 percent of resales in February 2009.

Federally-insured FHA loans, a popular choice among first-time buyers, made up 25.6 percent of all Bay Area purchase loans last month. That was up from 25.1 percent in November, 22.8 percent a year ago and less than 0.5 percent two years ago.

Home loans for more than $417,000, the old "jumbo" limit, used to account for more than 60 percent of the Bay Area's purchase financing. Last month it was 29.8 percent. That percentage rose from 17.1 in January 2009 to 28.7 last June. It has since remained at roughly 30 percent. From the beginning of 2000 until August 2007, 61 percent of the Bay Area's home purchase loans were adjustable-rate mortgages (ARMs). Last month it was 8 percent, up from 7.9 percent the month before, and up from 5.1 percent in December 2008.

The increased availability of jumbo loans and ARMs is considered essential to a continued normalization of the Bay Area housing market.

The most active lenders to Bay Area home buyers last month were Wells Fargo and Bank of America.

San Diego-based MDA DataQuick is a division of MDA Lending Solutions, a subsidiary of Vancouver-based MacDonald Dettwiler and Associates. MDA DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts. Because of late data availability, sales were estimated in Alameda and San Mateo counties.

Last month absentee buyers purchased 17.9 percent of all Bay Area homes sold, while buyers who appeared to have paid all cash – meaning there was no corresponding purchase loan – accounted for 22.7 percent of sales.

The typical monthly mortgage payment that Bay Area buyers committed themselves to paying was $1,619 last month, down from $1,639 the previous month, and up from $1,471 a year ago. Adjusted for inflation, current payments are 38.4 percent below typical payments in the spring of 1989, the peak of the prior real estate cycle. They are 54.5 percent below the current cycle's peak in July 2007.

Indicators of market distress continue to move in different directions. Foreclosure activity is off its recent peak but remains high by historical standards. Financing with multiple mortgages is low, down payment sizes are stable, and non-owner occupied buying is above-average in some markets, MDA DataQuick reported.

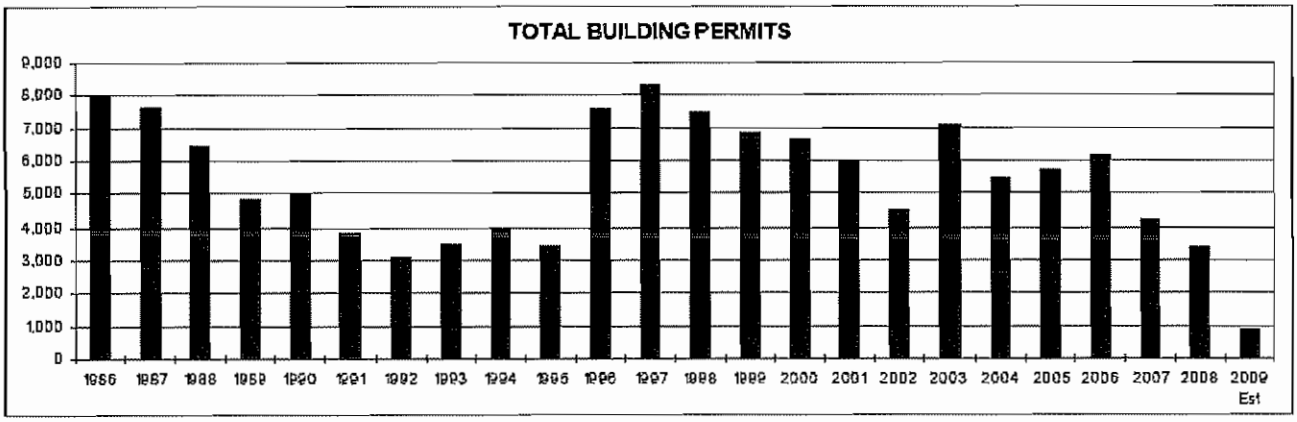
	Sales Volume			Median Price		
All homes	**Dec-08**	**Dec-09**	**%Chng**	**Dec-08**	**Dec-09**	**%Chng**
Alameda	1,492	1,552	4.0%	$338,000	$360,000	6.5%
Contra Costa	1,788	1,634	-8.6%	$252,500	$287,500	13.90%
Marin	165	265	60.6%	$562,500	$635,000	12.90%
Napa	111	128	15.3%	$402,500	$356,000	-11.60%
Santa Clara	1,265	1,915	51.4%	$436,000	$475,000	8.9%
San Francisco	366	499	36.3%	$616,500	$650,000	5.4%
San Mateo	435	642	47.6%	$537,000	$586,500	9.2%
Solano	733	698	-4.8%	$213,500	$217,500	1.9%
Sonoma	534	495	-7.3%	$300,000	$330,000	10.00%
Bay Area	**6,889**	**7,828**	**13.6%**	**$330,000**	**$380,000**	**15.20%**

Source: MDA DataQuick Information Systems, www.DQNews.com

Building Permits

There were a total of 337 total building permits issued for the South Bay Region during the Third Quarter of 2009. This is a 30% decrease as compared to the 479 building permits issued during the Third Quarter of 2008. After a more dramatic decrease in permits during the first two quarters of the year, Third Quarter permits slowed the decent. The quarter over quarter increase (Second Quarter versus Third Quarter) is a result of the State and Federal tax incentives geared toward homebuyers and the continuing stabilization of the high technology sector in Santa Clara County (offering potential homebuyers more security in their employment). However, the overall economy is still weighing on buyers' minds as they struggle with employment concerns, debt issues and an adjustment to the many new realities that many are experiencing due to the slow economy.

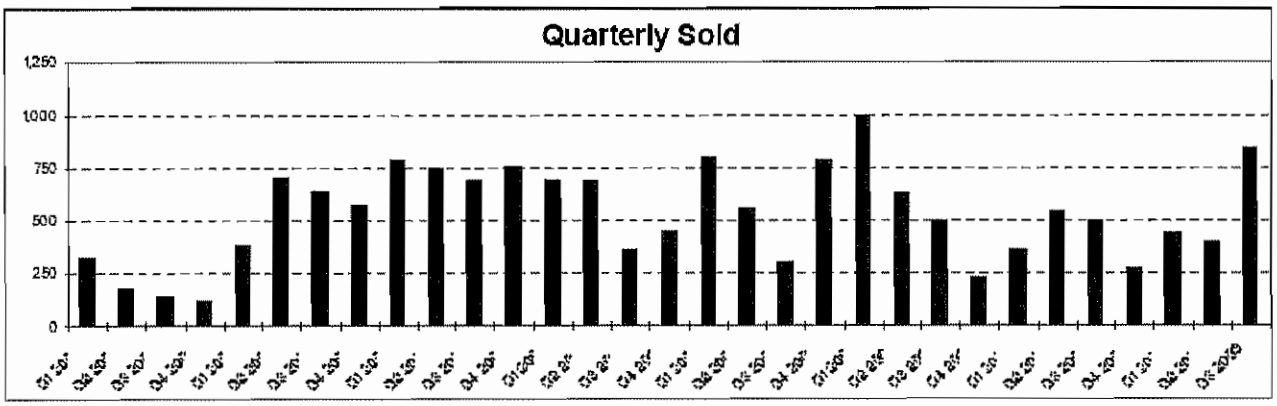
A total of 227 single-family units were permitted during the Third Quarter of 2009 as opposed to 294 permits issued during the Third Quarter of 2008 (a 22.8% decrease). And finally, the number of multi-family permits, decreased from 185 permits issued to 110 permits issued for the Third Quarter of 2009 (a decrease of -40.5%).



New-Home Sales

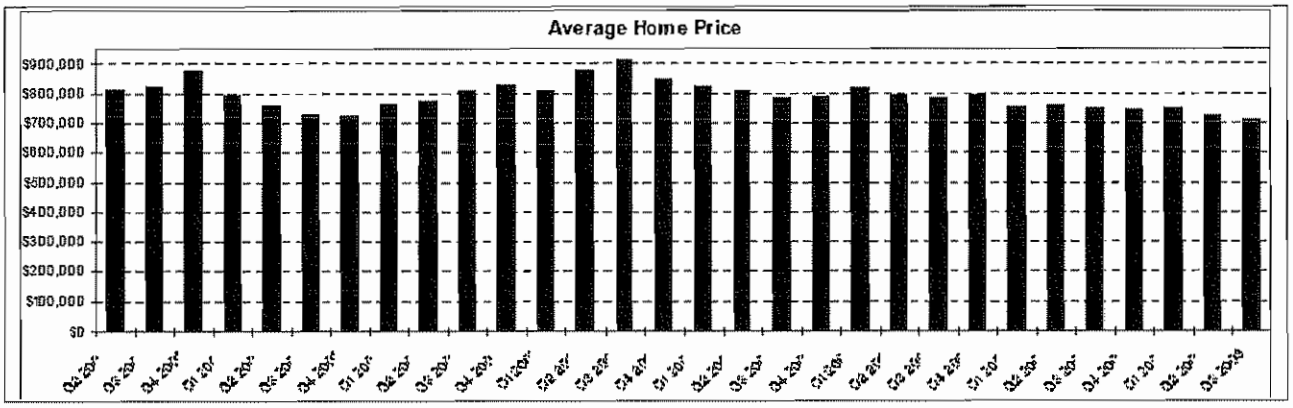
After posting only 837 new-home sales during the first half of the year, the South Bay Region recorded a total of 849 sales during the Third Quarter of 2009. That represents an astounding 113% increase over the Second Quarter and a 71% increase over the Third Quarter of 2008. The increase is attributed to several projects that posted very strong sales numbers coupled with decreasing price points. Previously, the South Bay Region had been slow to post significant price decreases; however, during the past year, the rate of price decrease has become more dramatic. Given the high cost structure associated with building in the South Bay, many builders (and banks) have been reluctant to decrease pricing. As the economic recession and housing depression has continued longer than most anticipated, prices have edged down at a somewhat faster rate. The quarterly weekly sales rate during the Third Quarter is 0.96 homes per week, and the total weekly sales rate is 0.61 units per week. Santa Clara County posted 690 sales (a 48.7% increase from a year earlier) and San Mateo County recorded 159 sales for the quarter (up 396.9%). Finally, 82.5% of all sales are for homes that are priced less than $700,000; providing further evidence that price points and relatively affordable product are the keys to a sustained recovery.

Total unsold inventory continued to decline in the Third Quarter, reaching 1,034 units. This is a -48.0% decrease from the Third Quarter of 2008. The number of projects also continues to decline, reaching 68 projects during the Third Quarter of 2009, off from the 103 projects record during the Third Quarter of 2008. Finally, the weeks of available stands at 25 weeks.



New-Home Pricing

The average price of a new home in the South Bay Region for the Third Quarter, 2009 is $704,293 down -3.0% from Second Quarter, 2009 ($725,878), and down –6.1% from a year-earlier ($750,082). The median price is $590,000, which represents a decrease of –7.5% from the previous year ($637,998). Santa Clara County posts an average price of $657,579 during the quarter (down –7.8% for the year) and San Mateo County reached $912,124 (a decrease of –4.7%). The City of San Jose posted a modest year-over-year decrease of -3.8% and the City of Santa Clara posted a 9.7% price increase. While the signs of a sustainable recovery appear to be in place, the depth of the current recession coupled with the slowly emerging positive growth patterns, suggests that the recovery in housing will be long and slow.



In Conclusion

In conclusion, economic uncertainties have amplified. As a result, companies are even more cautious with their real estate decisions. Commercial real estate activity in Silicon Valley slowed during the 4th quarter of 2009. Vacancies in all market segments are up and rents are down. In the residential market, while we have seen a few bits of good news in the past months, no trend has yet emerged, and the good news is more like "the falling is slowing" as opposed to "things are going up again." It is most likely that we will move sideways for many months and the market will not go up nearly as fast as it came down. While there is still demand, prices are still in flux as buyers are more in charge than they have been in years. Small in-fill sites of all kinds, including residential, are still in demand and the hypothetical one-acre parcel fits this description.

SECTION III –
VALUATION AND RECONCILIATION

APPRAISAL METHODOLOGY – SALES COMPARISON APPROACH

The most common way of estimating land value is the Sales Comparison Approach in which recent sales or offerings of vacant land are gathered and analyzed. Typically, the values indicated by the comparable transactions are reduced to a unit of comparison such as sales price per square foot of land area, price per buildable unit, or price per square foot of developable building area.

The land sales developed for this assignment are displayed on the following **Comparable Land Sales Summary Tables**. Details and comments with respect to each sale are provided in the table, while discussions on adjustments to the unit of comparison are discussed in the following paragraphs. We have also included **Land Sales Adjustment Tables**.

The sales are adjusted for property rights conveyed, financing, conditions of sale, market conditions (time), and physical factors, where necessary. Adjustments for other factors, such as location and density, etc. are not necessary as they would be property specific and should not be made in determining an average market value. The following narrative discussion will explain the adjustments for each comparable.

Land Sales Discussion

The following tables identify several sales that we believe are comparable for this consulting service. There were very few land sales in the City of Milpitas in the last year and we were required to look at additional areas, including Fremont and San Jose.

Criteria for researching and selecting comparable sales as follows:

Time: The last appraisal we prepared to determine the Average Market Value of a hypothetical one-acre parcel of land for the City of Milpitas is dated October 20, 2008. This is about the same time as the national economy began a major correction which affected all regions and market segments. Therefore, we have restricted the comparable sales to late 2008 through January 2010. The date of this appraisal is January 15, 2010. Because land sales are limited, we have included a couple of early to mid- 2008 sales and current listings. While home prices have been dropping, the land market took a major hit in values from late 2008 to about mid-2009 but appears to have stabilized and even improved in recent months for some market segments. We have made no adjustments for time for the late 2008 to 2010 sales.

Location: There are few sales within the City of Milpitas. Sales within Milpitas excluded those located in the eastern hills and next to heavy industrial uses such as railroad tracks, as these are not locations where a park would be built. As we identified only two applicable closed sales within Milpitas, we also considered Fremont and San Jose as secondary markets that are the most similar, as well as a couple of sales from Dublin and Santa Clara.

Land Use: Residential land sales are of primary consideration, as the conclusions will be used to assist in setting park in-lieu fees for residential developers. However, a city park could be placed in a commercial, industrial, or mixed-use area as well and the land would be purchased based on these land use characteristics. Therefore, we also considered commercial and industrial land sales that meet the location requirements discussed above.

COMPARABLE LAND SALES SUMMARY TABLE					
NO.	LOCATION APN	BUYER SELLER SALE DATE	SQ FT ACRES	SALE PRICE PER SQ. FT. PER ACRE	COMMENTS
High Density Residential Land Sales					
1	1362 S. Main Street Milpitas 086-23-004	N/A Asking	18,998 0.44	$1,290,000 **$67.90** **$2,957,806**	Transit Area Specific Plan - Very High Density Transit Oriented Residential, 41-60 units per acre. No written offers to buy. **One verbal offer at $47.37/sf. Broker thinks value is $50-$51/sf.** 2,200 sf restaurant bldg to be demolished. Listed for 3 months.
2	1700 Sango Court Milpitas 086-36-012	N/A Asking	57,064 1.31	$3,750,000 **$65.72** **$2,862,595**	Transit Area Specific Plan - Very High Density Residential with Transit Oriented Development Overlay, 31-40 units per acre. No written offers. **Broker stated buyers won't pay more than $52.50/sf.** 9,600 sf ind bldg to be demolished.
3	808 S Main Street Milpitas 086-25-021	N/A Asking	30,056 0.69	$2,900,000 **$96.49** **$4,202,899**	Midtown Specific Plan - Mixed Use (MXD), Com'l .75 FAR + Res. 21-30 units per acre. No offers, listed for 18 months, **broker thinks value is $58/sf.** Small bldg to be demolished.
4	Centria 1000 Great Mall Pkwy Milpitas 086-012-15, 16, part 20	Wm Lyons Homes DR Horton Sep-08	226,948 5.21	$16,150,000 **$71.16** **$3,099,808**	Midtown Specific Plan - Very High Density Residential with Transit Oriented Development Overlay, 31-40 units per acre. 260 mkt rate units & 67 BMR units, 327 total, 62.7 units per acre. Sold with Tentative Map approved.
5	South Main Project 1504-1620 S Main Street Milpitas 086-022-27,28,33,34,41,42	S. Main Senior Life Styles Bay Stone Dev. Mar-09	258,746 5.94	$12,200,000 **$47.15** **$2,053,872**	Midtown Specific Plan-Very High Density Residential with Transit Oriented Development Overlay, 31-40 units/acre. Planned for 387 apts, 65 units/acre.Entitlements had no value to buyer; Unentitled. **Originally in contract for $73/sf in 10/06.**
6	SWC Golden Gate Dr. & St. Patrick Way Dublin 941-1500-046	Essex Union Bank Nov-09	141,570 3.25	$5,000,000 **$35.32** **$1,538,462**	West Dublin Specific Plan-High Density Residential. 195 units, 60 units/acre, approved up to 95 units/acre but developer will build to the lower density. Sold out of forclosure fully entitled. **Originally sold for $102/sf in 5/06.**
Medium Density Residential Land Sales					
7	Fronting N 9th between Jackson & Taylor San Jose Book & Page 249-35	Warmington San Jose Prop. Inv. Phased Take Down Starting Dec.-08	138,172 3.17	$11,760,000 **$85.11** **$3,707,449**	Planned District - Medium Density Residential 20 finished & 24 entitled/mapped lots, 17 units/acre overall density in project area. 10 blocks from light rail station. No BMR units required. Two phase take down with 20 finished lots first.
8	1331 Lawrence Expwy at El Camino Real Santa Clara 290-01-146, por. 148	Taylor Morrison BRE Properties Jan-09	178,596 4.10	$17,100,000 **$95.75** **$4,170,732**	Planned District - Medium Density Residential 63 finished lots, incl. 6 BMR units, 15 units/acre density.
9	Silvera Ranch Fallon Road, Dublin Book & Page 985-0055	Trumark Devel. Pinn Brothers Feb-10	240,196 5.51	$10,900,000 **$45.38** **$1,976,736**	Planned District - Medium Density Residential 44 finished lots, no BMR units, 8 units/acre density.
10	Positano Project Forino Dr, Dublin Book & Page 985-0077	Western Pacific Braddock & Logan Nov-09	215,000 4.94	$11,395,000 **$53.00** **$2,308,680**	Planned District - Medium Density Residential 43 finished lots, with BMR in-law units, 9 units/acre density.

COMPARABLE LAND SALES SUMMARY TABLE					
NO.	LOCATION APN	BUYER SELLER SALE DATE	SQ FT ACRES	SALE PRICE PER SQ. FT. PER ACRE	COMMENTS
Industrial Land Sales					
11	Holger Way Hwy 237 & N 1st St. San Jose 097-14-094, 095	Target TSA (Hunter Properties) Dec-09	478,550 10.99	$13,000,000 **$27.17** **$1,183,324**	IP - Industrial Park Land Use. Part of Master Planned mixed-use development by Hunter Properties. Seller will complete site work with parking and utilities. Sold fully entitled. Target will build a 138,000 sf store.
12	599 W Hedding St. San Jose 230-40-075	Jason Yeh Albanese Family LP Jun-09	4,792 0.11	$150,000 **$31.30** **$1,363,523**	LI - Industrial Land Use. Redevelopment opportunity in central San Jose. Corner location.
13	4156 Monterey Hwy. San Jose 684-01-007	Odisho Wong Feb-09	21,780 0.50	$747,000 **$34.30** **$1,494,000**	HI - Industrial Land Use. Redevelopment opportunity in south central San Jose. Corner location.
14	47550 & 47560 Kato Dr. Fremont Por. 519-1005-078, 079	NADEV Corp. LDFI, LLC Apr-08	1,040,265 23.88	$20,653,970 **$19.85** **$864,863**	IR - Restricted Industrial Land Use. Bought for construction of solar panel manufacturing plant. Company received grant money from US Government for the project.
15	W side Osgood N of Prune Fremont 519-1351-039, 040	Osgood Rd. Vent. MBDS Company Feb-08	164,657 3.78	$4,500,000 **$27.33** **$1,190,475**	GI - General Industrial Land Use. Bought for 168,000 sf self-storage facility.
16	985 Montague Exprwy Milpitas 086-32-020	N/A Asking	200,376 4.60	$6,600,000 **$32.94** **$1,434,783**	M2 - Industrial Land Use. Across street from Transit Area Specific Plan area. Small 9,760 sf ind bldg.
Commercial Land Sales					
17	2911 Senter Rd. San Jose 497-27-014	Lien Vu Darith Khay Anh Tuan Nguyen Mar-09	9,627 0.22	$403,500 **$41.91** **$1,825,746**	C1H - Commercial Land Use. Long narrow parcel with only 55 feet of frontage and a depth of 175 feet. Similar parcel up the street sold for $76/sf in July 2008, but with 135 feet of frontage.
18	1696 Story Road San Jose 486-10-090, 093	Imwalle Stegner City of San Jose Feb-09	30,492 0.70	$1,600,000 **$52.47** **$2,285,714**	CP - Commercial Use. Redevelopment opportunity. Bought for a 10,000 sf retail pad building. Good corner at Story & King. Pad for the Tropicana Shop Cntr. High traffic corner. Target across st.
19	1165 Kentwood Ave. San Jose 359-36-058, 059	Pearl Gateway Braddock & Logan May-09	27,878 0.50	$1,492,427 **$53.53** **$2,984,854**	CG - Commercial Land Use. Bought for office/ medical/retail pad building.
20	3765 Washington Blvd. Fremont 525-0628-007-02	Shixia Yang Jerry Foster Mar-09	18,295 0.42	$1,050,000 **$57.39** **$2,500,027**	CC-1 - Commercial Industrial Land Use. Bought for construction of commercial day care center. Good corner location with high traffic counts.
21	Farwell Drive Fremont 531-0412-011	Basil Besh John Stevenson Feb-09	60,984 1.40	$1,900,000 **$31.16** **$1,357,143**	CC - Commercial Industrial Land Use. Site is at the rear of the Mowry East Shopping Center but benefits from Luckys' and OSH.
22	Dempsey Road Milpitas 088-04-60, 76, 62	N/A Asking	63,532 1.46	$2,000,000 **$31.48** **$1,371,277**	C1 - Commercial Land Use. Secondary location, no major commercial street frontage. **One written offer at $22/sf** from adjacent church for expansion. **Broker thinks value is $23.60/sf.**

Adjustments to the Comparables

All of the pertinent information for the comparables is presented in the Summary Tables and only adjustments to the sales will be discussed here. Since we are providing an opinion of the Average Market Value of a hypothetical one-acre parcel of land for the City of Milpitas and not a specific property, overall adjustments are minor.

Comparables 1 to 6 - High Density Residential Land

Time/Conditions of Sale
Comparable 1 is listed at $67.90/sf and had one offer at $47.37/sf suggesting a 30% reduction to the listing price as a condition of sale.

Comparable 2 is a similar high density land parcel as #1 and has a similar asking price, thus the same 30% reduction to the list price seems reasonable.

Comparable 3 is the highest of all the available properties at $96.49/sf and the broker believes it is closer to $58/sf suggesting a 40% reduction to the price.

Comparable 5 was originally in contract in Oct. 2006 for $73/sf and then resold for $47.15/sf indicating a 35% reduction in price. Because this is a recent sale no time adjustment is required. However, this 35% time adjustment is applied to Comparable 4 as this sale took place prior to the economic downturn in late 2008. It is similar is size and zoning to Comparable 5 and the sale price is similar to the original contract price of Comparable 5.

Comparable 6 is a recent sale and not time adjustment is needed.

Location
Comparable 6 is located in Dublin and is adjusted upward for the more central Bay Area location of Milpitas.

Physical Characteristics
Upward adjustments are made to those comparables that require demolition, compared to a vacant site that has no demolition costs. Downward adjustments are made to those comparables with entitlements, compared to an unentitled site.

Comparables 7 to 10 - High Density Residential Land

Time/ Conditions of Sale
All of these sales took place between December 2008 and February 2010, after the economic turndown in late 2008. No time adjustments have been made.

Location
Comparable 8 has a superior Santa Clara location and warrants a downward adjustment. Comparables 9 and 10 are located in Dublin and is adjusted upward for the more central Bay Area location of Milpitas.

Physical Characteristics
Downward adjustments are made to those comparables with entitlements, compared to an unentitled site.

Comparables 11 to 16 - Industrial Land

Time/ Conditions of Sale
Comparables 11, 12 and 13 all took place recently in 2009 so no time adjustments are made.

Comparables 14 and 15 are early 2008 sales which need adjusting downward for the economic correction that took place in late 2008. The industrial market does not seem to be hit as hard as the residential and retail markets so the downward adjustment is only 10%.

Comparable 16 is listed at $32.94/sf and is adjusted down by 20% as a condition of sale to reflect the negotiable asking price.

Location
No location adjustments are made.

Physical Characteristics
Upward adjustments are made to those comparables that require demolition, compared to a vacant site that has no demolition costs. Downward adjustments are made to those comparables with entitlements, compared to an unentitled site.

Comparables 17 to 22 - Commercial Land

Time/ Conditions of Sale
Comparables 17 thru 21 all took place recently in 2009 so not time adjustments are made.

Comparable 22 had an offer at $22/sf which is 30% less than the $31.48/sf list price and this is used for the condition of sale adjustment.

Location
No location adjustments are made.

Physical Characteristics
No adjustments are needed for these sales.

COMPARABLE LAND SALES ADJUSTMENT TABLE - HD RESIDENTIAL						
ELEMENT OF COMPARISON	**SALE 1**	**SALE 2**	**SALE 3**	**SALE 4**	**SALE 5**	**SALE 6**
BASE PRICE PER SF LAND	$67.90	$65.72	$96.49	$71.16	$47.15	$35.32
PROPERTY RIGHTS CONVEYED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$67.90	$65.72	$96.49	$71.16	$47.15	$35.32
FINANCING TERMS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$67.90	$65.72	$96.49	$71.16	$47.15	$35.32
CONDITIONS OF SALE	-30.0%	-30.0%	-40.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$47.53	$46.00	$57.89	$71.16	$47.15	$35.32
MARKET CONDITIONS (TIME)	0.0%	0.0%	0.0%	-35.0%	0.0%	0.0%
ADJ. PRICE	$47.53	$46.00	$57.89	$46.26	$47.15	$35.32
LOCATION	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%
PHYSICAL CHARACTERISTICS						
STREET IMPROVEMENTS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DEMO	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%
ENTITLEMENTS	0.0%	0.0%	0.0%	-10.0%	0.0%	0.0%
UTILITY/USE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL ADJUSTMENT	2.0%	2.0%	2.0%	-10.0%	0.0%	10.0%
INDICATED PRICE PER SF LAND	$48.48	$46.92	$59.05	$41.63	$47.15	$38.85

COMPARABLE LAND SALES ADJUSTMENT TABLE - MD RESIDENTIAL						
ELEMENT OF COMPARISON	**SALE 7**	**SALE 8**	**SALE 9**	**SALE 10**		
BASE PRICE PER SF LAND	$85.11	$95.75	$45.38	$53.00		
PROPERTY RIGHTS CONVEYED	0.0%	0.0%	0.0%	0.0%		
ADJ. PRICE	$85.11	$95.75	$45.38	$53.00		
FINANCING TERMS	0.0%	0.0%	0.0%	0.0%		
ADJ. PRICE	$85.11	$95.75	$45.38	$53.00		
CONDITIONS OF SALE	0.0%	0.0%	0.0%	0.0%		
ADJ. PRICE	$85.11	$95.75	$45.38	$53.00		
MARKET CONDITIONS (TIME)	0.0%	0.0%	0.0%	0.0%		
ADJ. PRICE	$85.11	$95.75	$45.38	$53.00		
LOCATION	0.0%	-10.0%	10.0%	10.0%		
PHYSICAL CHARACTERISTICS						
STREET IMPROVEMENTS	0.0%	0.0%	0.0%	0.0%		
DEMO	0.0%	0.0%	0.0%	0.0%		
ENTITLEMENTS	-10.0%	-10.0%	-10.0%	-10.0%		
UTILITY/USE	0.0%	0.0%	0.0%	0.0%		
TOTAL ADJUSTMENT	-10.0%	-20.0%	0.0%	0.0%		
INDICATED PRICE PER SF LAND	$76.60	$76.60	$45.38	$53.00		

COMPARABLE LAND SALES ADJUSTMENT TABLE - INDUSTRIAL						
ELEMENT OF COMPARISON	**SALE 11**	**SALE 12**	**SALE 13**	**SALE 14**	**SALE 15**	**SALE 16**
BASE PRICE PER SF LAND	$27.17	$31.30	$34.30	$19.85	$27.33	$32.94
PROPERTY RIGHTS CONVEYED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$27.17	$31.30	$34.30	$19.85	$27.33	$32.94
FINANCING TERMS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$27.17	$31.30	$34.30	$19.85	$27.33	$32.94
CONDITIONS OF SALE	0.0%	0.0%	0.0%	0.0%	0.0%	-20.0%
ADJ. PRICE	$27.17	$31.30	$34.30	$19.85	$27.33	$26.35
MARKET CONDITIONS (TIME)	0.0%	0.0%	0.0%	-10.0%	-10.0%	0.0%
ADJ. PRICE	$27.17	$31.30	$34.30	$17.87	$24.60	$26.35
LOCATION	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PHYSICAL CHARACTERISTICS						
STREET IMPROVEMENTS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DEMO	0.0%	2.0%	0.0%	0.0%	0.0%	2.0%
ENTITLEMENTS	-10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UTILITY/USE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL ADJUSTMENT	-10.0%	2.0%	0.0%	0.0%	0.0%	2.0%
INDICATED PRICE PER SF LAND	$24.45	$31.93	$34.30	$17.87	$24.60	$26.88

COMPARABLE LAND SALES ADJUSTMENT TABLE - COMMERCIAL						
ELEMENT OF COMPARISON	**SALE 17**	**SALE 18**	**SALE 19**	**SALE 20**	**SALE 21**	**SALE 22**
BASE PRICE PER SF LAND	$41.91	$52.47	$53.53	$57.39	$31.16	$31.48
PROPERTY RIGHTS CONVEYED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$41.91	$52.47	$53.53	$57.39	$31.16	$31.48
FINANCING TERMS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$41.91	$52.47	$53.53	$57.39	$31.16	$31.48
CONDITIONS OF SALE	0.0%	0.0%	0.0%	0.0%	0.0%	-30.0%
ADJ. PRICE	$41.91	$52.47	$53.53	$57.39	$31.16	$22.04
MARKET CONDITIONS (TIME)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	$41.91	$52.47	$53.53	$57.39	$31.16	$22.04
LOCATION	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PHYSICAL CHARACTERISTICS						
STREET IMPROVEMENTS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DEMO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ENTITLEMENTS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UTILITY/USE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL ADJUSTMENT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
INDICATED PRICE PER SF LAND	$41.91	$52.47	$53.53	$57.39	$31.16	$22.04

Conclusion

While we have attempted to adjust the sales to the hypothetical subject property for the differences identified in the adjustment grid, it must be remembered that the adjustment process is not an exact science. It reflects the appraiser's judgment regarding these differences and their magnitude relative to the overall sale price. The various adjustments to the comparable sales are shown on the table below.

Analyzing Each Market Segment Individually
The adjusted comparables for the *High Density Residential* land range from $38.85 to $59.05/sf with an average price of $47.01/sf. The most comparable transactions in this group are #4 and #5 at $41.63 and $47.15/sf. This suggests a value of say $44.00/sf for this land classification.

The adjusted comparables for the *Medium Density Residential* land range from $45.38 to $76.60/sf with an average price of $62.89/sf. The most comparable transaction in this group is #7 at $76.60/sf suggesting $77.00/sf is reasonable.

The adjusted comparables for the *Industrial* land range from $17.87 to $34.30/sf with an average price of $26.67/sf. The most comparable transactions in this group are #11 and #15 at $24.45 and $24.60/sf. This suggests a value of say $25.00/sf for this land classification.

The adjusted comparables for the *Commercial* land range from $22.04 to $57.39/sf with an average sale price of $43.08/sf. The most comparable transactions in this group are #17, #18, #20 and #121 at $41.91, $52.47, $57.39 and $31.16/sf. This suggests a value of say $46.00/sf for this land classification.

Based on the above land classification conclusions ($44.00, $77.00, $25.00 and $46.00/sf) the overall average land value appears to be **$48.00/sf** ($44.00 + $77.00 + $25.00 + $46.00/sf ÷ 4).

Giving Equal Weight to all Adjusted Sales
An alternative way to view the transactions is to consider all of the *adjusted closed sales* and exclude the listings. Out of the 22 comparables there are 17 actual sales and 5 listings. The listings should be given much less weight as it is unknown what they will ultimately sell for. All of the closed sales are given equal weight in forming an average price conclusion. Excluding listings #1, 2, 3, 16 and 22, the 22 actual adjusted sales have an average adjusted price of **$44.00/sf**.

Final Conclusion
Considering the two methods developed above, it appears an average land value is in the range of $44.00 to $48.00/sf. **We have ultimately concluded to a reasonable $46.00/sf.**

FINAL VALUE RECONCILIATION

With respect to reconciliation, there is, in this case, only one applicable approach to value, the Sales Comparison Approach. As a result, this is the sole basis for the value conclusion. The Sales comparison Approach to value is believed to be the most relevant indicator of value, as it is the most likely method of valuation for vacant land.

Based on our investigation and analysis, it is our opinion that the Average Market Value of the Fee Simple Estate in a potential park site location in the City of Milpitas, subject to the attached General and Extraordinary Assumptions and Limiting Conditions, as of January 15, 2010, is:

$46.00 per square foot

or

$2,003,760 per acre

SECTION IV – ADDENDA

Terry S. Larson, MAI

California Certified General Real Estate Appraiser No. AG007041

QUALIFICATIONS

Terry Larson has been a professional real estate appraiser and consultant in Northern California since 1981. He concentrates his work in the San Francisco Bay Area and Sacramento Area, but has also performed national assignments in over twenty states. Terry has been a resident of the Bay Area since starting his career and has a strong knowledge of the local markets.

Terry began his career with American Appraisal Associates, the largest full service valuation firm in the world; providing valuation services for real estate, personal property, and intangible business assets. He advanced to manager of the Northern California Real Estate Valuation Group and managed a staff with a territory that covered California as well as assignments across the country. In 1988 Terry joined Hulberg & Associates as a Senior Real Estate Appraiser in San Jose. Terry then worked as a Commercial Realtor with Cornish & Carey in Santa Clara where he utilized his appraisal knowledge as an Investment Real Estate Specialist.

Upon joining Smith & Associates in 1997, Terry expanded the firm's territory into Santa Clara, San Mateo, and San Francisco Counties and built a group of appraisers that emphasize litigation support, eminent domain and partial interest valuations.

Terry regularly provides litigation support services that include property analysis and valuation, as well as deposition and expert witness testimony. He also provides arbitration & mediation services in disputes regarding real estate values, fair rental rates, and related matters.

Terry has a broad background in real estate appraising that includes the following property types; industrial, R&D, commercial, office, retail, and vacant land. Specialized areas include litigation support, eminent domain, and Fixed Base Operations at airports (FBO's).

CLIENTS

Terry regularly works with banks and other lenders, developers, attorneys, private property owners, local government agencies including cities and counties, the State of California, and the Federal Government. For a client list see our web page at www.SmithAssociatesInc.com.

ASSIGNMENTS OF INTEREST

- Expert Witness for a condemnation case representing a public agency taking land, Superior Court of California, Santa Clara County.
- Expert Witness for a condemnation case representing a private property owner having land taken by a public agency, Superior Court of California, Contra Costa County.
- Appraised 80 properties for condemnation and acquisition of easements to construct the new Los Banos – Gates Transmission Project in Central California (Path 15).
- Prepared preliminary budgetary valuation studies for several hundred properties for the proposed BART extension from Fremont to San Jose and Santa Clara.
- Providing on-going appraisal and expert witness services (over 100 appraisals to date) for the VTA in support of the Light Rail Project being constructed in Santa Clara County.
- Provides appraisal services to the Western Region General Services Administration (GSA) of the US Government. Assignments include large office & industrial projects with federal tenants and historical significance.
- Terry has testified at the San Mateo County Tax Board for tax appraisals for the Redwood Shores Special Assessment District. Responsible for annual tax assessments for this entire district with an assessed value of over $1 Billion. Terry has testified in Santa Clara County as a factual witness and been deposed for several court cases.
- Provider of commercial appraisal services for many local and national lenders, including Wells Fargo Bank, Bank of the West and Bank of America, among many others.

ASSIGNMENTS OF INTEREST

- Appraised several Fixed Base Operations (FBO) and Hangars at Concord, Hayward, Reid-Hillview, San Jose International, Livermore, and Modesto Airports.
- Appraised 75 acres that the City of San Jose bought from a private owner for off-airport use.

PROPERTY TYPES APPRAISED

Commercial	Retail, Office, Apartments, Hotels, & Restaurants.
Industrial	Warehouse, Industrial, R&D Facilities, Mini-Storage, Manufacturing Plants, Truck Facilities, Cross Docks, and Corporate Campuses.
Vacant Land	Industrial, Commercial, Agricultural, and Residential
Specialty	Golf Courses, Mixed-Use Projects, Food Processing, Fixed Base Operations, Hangars, Senior Housing, RV Parks, Right-of-Way, Easements, Detrimental Conditions, Minority Interests, Eminent Domain, Arbitration, and Mediation.

WORK HISTORY

1998 – Present	Partner	Smith & Associates, Inc.
1997 - 1998	Senior Appraiser	Smith Denton Associates, Inc.
1996 - 1997	Commercial Realtor	Cornish & Carey, Investment Services Group
1988 - 1996	Senior Appraiser	Hulberg & Associates, Inc.
1981 - 1988	Appraisal Manager	American Appraisal Associates, Inc.

EDUCATION

Bachelor of Science, School of Business Finance, University of Oregon, 1980

Appraisal Institute Courses:
Real Estate Appraisal Principles; Basic Valuation Procedures; Capitalization Theory and Techniques; Standards of Professional Practice; Case Studies in Real Estate Valuation; Valuation Analysis and Report Writing; Uniform Standards of Professional Appraisal Practice (USPAP); Case Studies in California Eminent Domain; Federal and State Laws and Regulations; The Appraisers Workfile; Appraisals for Estate Tax Purposes; Valuations of Partial Interests; Fractional Interest and Business; California's Condemnation Process; Appraisal of Nursing Facilities; Right of Way Acquisitions.

International Right of Way Association Courses:
Appraisal of Partial Acquisitions; Eminent Domain Law Basics, Basics for Right of Way; Issues in Eminent Domain Valuation; Telecommunications and Rights of Way.

Numerous real estate courses, seminars and continuing education classes.

PROFESSIONAL AFFILIATIONS

State of California Certified General Real Estate Appraiser, No. AG007041
Member of the Appraisal Institute, MAI No. 11046
International Right of Way Association, Member No. 2508
California Department of Real Estate Salesperson, License No. 01213728