

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADOPTING THE FAIR MARKET VALUE FOR AN ACRE OF LAND OUTSIDE THE TRANSIT AREA SPECIFIC PLAN AND MIDTOWN SPECIFIC PLAN AREAS IN THE CITY OF MILPITAS FOR THE PURPOSE OF CALCULATING THE PARK IN-LIEU FEE**

**WHEREAS**, Milpitas Municipal Code Section XI-1-9.07 (“Amount of Fee In Lieu of Land Dedication”) sets forth the method for the City Council to determine the fair market value for an acre of land in the City of Milpitas (“City”) to be paid in lieu of dedication of park land for certain subdivision projects; and

**WHEREAS**, on July 15, 2013, 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 September 3, 2013, the City Council considered the appraisal report and other 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 one acre of land outside of the Transit Area Specific Plan and Midtown Specific Plan areas in the City of Milpitas for the purpose of determining park in-lieu fee is hereby adopted and determined to be \$51.00 per square foot or \$2,221,560 per acre.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Michael J. Ogaz, City Attorney

**APPRAISAL FOR**  
**In-Lieu Park Fees**  
**Outside Midtown and Transit Area Specific Plans**  
**City of Milpitas, California**

**File Number: T132633**

**PREPARED FOR:**

**Mr. Steven G. McHarris**  
**Planning & Neighborhood Services Director**  
**City of Milpitas**  
**455 E. Calaveras Blvd.**  
**Milpitas, CA 95035**

**PREPARED BY:**

**William O. Hurd, MAI**  
**AG034899**

**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**



July 15, 2013

Mr. Steven G. McHarris  
Planning & Neighborhood Services Director  
City of Milpitas  
455 E. Calaveras Blvd.  
Milpitas, CA 95035

RE: Appraisal for In-Lieu Park Fees, Outside the Midtown and Transit Area Specific Plans  
City of Milpitas, California

Dear Mr. McHarris:

At your request, we have performed an appraisal for In-Lieu Park Fees. The purpose of the appraisal is to provide an opinion of the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas, outside the Midtown and Transit Area Specific Plan areas 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 Milpitas, outside the specific plan areas, with residential zoning. The property rights considered are those of the Fee Simple Estate.

The client is the City of Milpitas. The intended user of this appraisal is the City of Milpitas and the intended use is to assist in setting in-lieu park fees to be charged to developers.

Though we looked at all recent land sales in Milpitas, it is residential use that triggers the need for parks and the desire is to have the parks within or adjacent to new residential development. Therefore, we included only land sales intended for residential use in our final analysis. Though we are not evaluating a specific parcel, our primary purpose is to provide an opinion of value of a hypothetical one-acre site therefore, our conclusions are considered 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, outside the Midtown and Transit Area Specific Plan areas, subject to the attached Extraordinary and General Assumptions and Limiting Conditions, and any Hypothetical Condition, as of July 15, 2013, is:

**\$51.00 per square foot**  
or  
**\$2,221,560 per acre**

Mr. Steven G. McHarris  
City of Milpitas  
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The attached report contains the factual data and reasoning upon which the appraisal has been predicated. This report has been written in accordance with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP), as well as client guidelines.

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



William O. Hurd, MAI  
Certified General Real Estate Appraiser  
State of California #AG034899, exp. date 8-17-2014



Terry S. Larson, MAI  
Certified General Real Estate Appraiser  
State of California #AG007041, exp. date 11-30-2014

WOH, TSL  
Enclosure

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## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Client:	City of Milpitas
Intended User:	City of Milpitas
Property Location:	Milpitas land outside of Midtown & Transit Area Specific Plan Areas
Property Type:	Potential Park Land
Assessor's Parcel Number:	N/A
Land Area:	Hypothetical One-Acre Parcel
Zoning:	Residential
General Plan:	Residential
Flood Hazard Zone:	No
Alquist Priolo Special Study Zone:	No
Present Use:	Residential
Highest and Best Use:	Residential – Suitable for Park Land
Estate Appraised:	Fee Simple
Purpose of the Appraisal:	Determine the Average Price of a Hypothetical one-acre site.
Value Premise:	Vacant and Ready for Development
Appraisal Date:	July 15, 2013
Average Market Value:	<b>\$51.00 per square foot</b> <b>or</b> <b>\$2,221,560 per acre</b>
	Subject to the attached General and Extraordinary Assumptions and Limiting Conditions
Appraisers:	William O. Hurd, MAI Certified General Real Estate Appraiser State of California #AG034899 Exp. date 8-17-2014  Terry S. Larson, MAI Certified General Real Estate Appraiser State of California #AG007041 Exp. date 11-30-2014

## CERTIFICATION

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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. No one provided significant real property appraisal assistance to the persons signing this certification.
10. We are not evaluating a specific parcel, but rather providing a mathematical conclusion to be used in the Milpitas Midtown and Transit Area Specific Plan areas. Because the purpose of this assignment is to provide an opinion of value of a Hypothetical one-acre site, this is considered an appraisal. Mr. Terry S. Larson, MAI, has had personal discussions with the City of Milpitas regarding the scope and structure of this appraisal.
11. As of the date of this report, William O. Hurd, MAI and Terry S. Larson, MAI have completed the requirements under the continuing education program of the Appraisal Institute.
12. While not limited to a specific property, Smith & Associates has done a similar appraisal for the City of Milpitas in-lieu park fees within the three-year period immediately preceding acceptance of this assignment.



William O. Hurd, MAI  
Certified General Real Estate Appraiser  
State of California #AG034899, exp. 8-17-14



Terry S. Larson, MAI  
Certified General Real Estate Appraiser  
State of California #AG007041, exp.11-30-14

## **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**

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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**

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*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**

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

1. This Appraisal is intended to determine the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas outside the Midtown and Transit Area Specific Plan areas 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 of that land.

## **HYPOTHETICAL CONDITIONS**

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*This appraisal has been made with the following Hypothetical Conditions. A Hypothetical Condition is defined as: "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis". The use of the Hypothetical Conditions might have affected the assignment results.*

1. None

## **IDENTIFICATION OF THE PROPERTY**

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This Appraisal is intended to determine the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas, outside the Midtown and Transit Area Specific Plan areas 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 for residential land outside the Milpitas Midtown and Transit Area Specific Plan areas.

## **PURPOSE AND PROPERTY RIGHTS APPRAISED**

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The purpose of the appraisal is to provide an opinion of the Average Market Value of a hypothetical one-acre parcel of land in the City of Milpitas, outside the Midtown and Transit Area Specific Plan areas with the potential of being developed with a park. The property rights are those of the Fee Simple Estate.

## **INTENDED USER AND INTENDED USE**

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The intended user of this appraisal 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 outside the Midtown and Transit Area Specific Plan areas. 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 APPRAISAL**

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The effective date of the appraisal is July 15, 2013.

## **COMPETENCY PROVISION**

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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, Loopnet, Landvision 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**

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### **Fee Simple Estate**

*"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*<sup>1</sup>

### **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."*<sup>2</sup>

### **Average or Central Tendency**

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

### **As Is Market Value**

*"The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."*<sup>3</sup>

### **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."*<sup>4</sup>

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<sup>1</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition 2010, The Appraisal Institute, Page 78

<sup>2</sup> Office of the Comptroller of the Currency (OCC), 12 CFR Part 34, The Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition, Page 123 and FIRREA

<sup>3</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition 2010, The Appraisal Institute, Page 12

<sup>4</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition 2010, The Appraisal Institute, Page 30

## **SCOPE OF THE APPRAISAL**

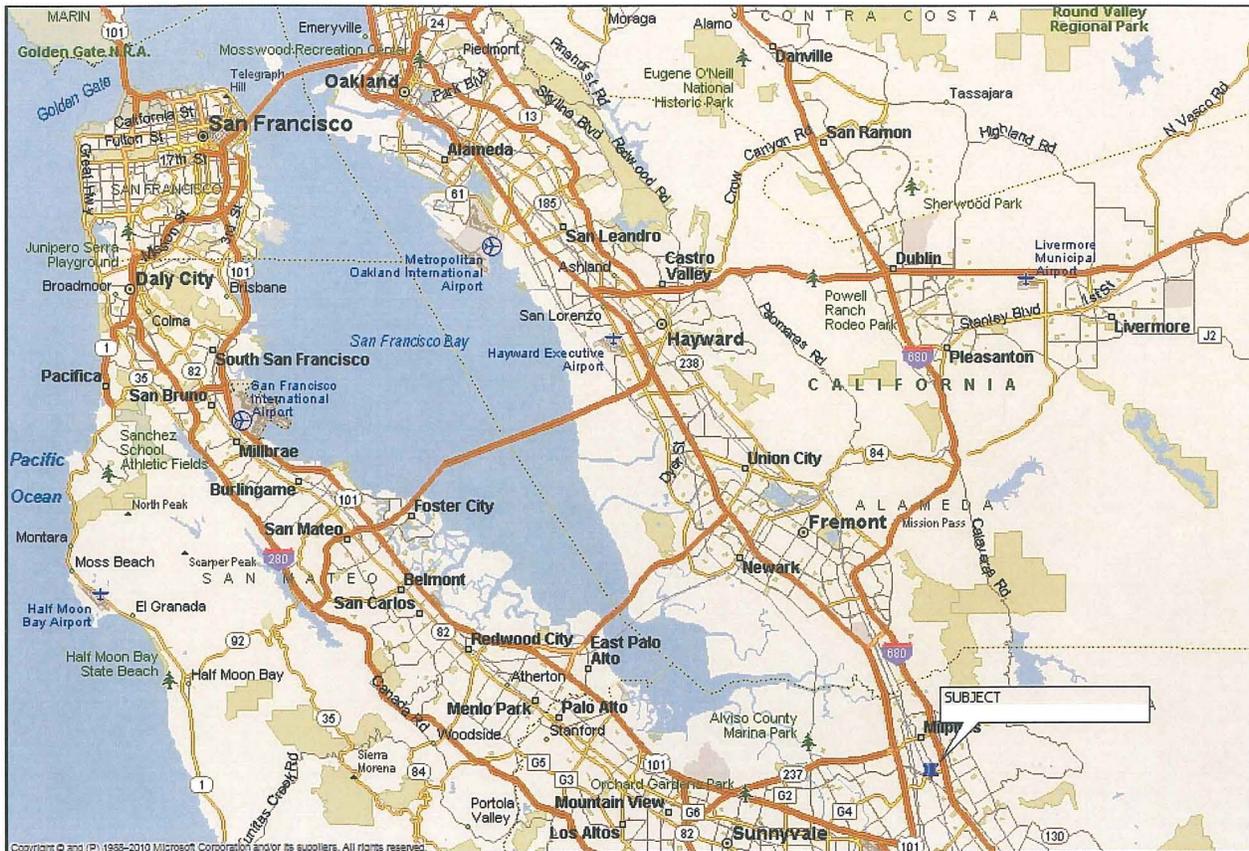
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Per the client's request, we have performed an appraisal and prepared a **Summary Report**. The methodology section of this report outlines the valuation procedures followed.

The specific steps in the appraisal process include the following:

- Research and analyze all of the applicable land sales within the City of Milpitas, or nearby areas with similar characteristics.
- Confirm details of the comparable sales to the greatest extent possible with the participants of the transaction. These include but are not limited to grantor and grantee, sale price, date, terms and conditions, development potential, number of residential units or square feet of commercial development, etc.
- We investigated land sales that reflect residential land uses of low (3-5 DU/AC) to medium (6-15 DU/AC) densities, typical of those outside the two specific plan areas.
- 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.
- Once the sales were adjusted, we then calculated a mathematical average per acre market value.
- Although we are not considering a specific property, this is an appraisal as the main purpose is to provide an opinion of value. Additionally, 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 MAP



## REGIONAL ANALYSIS – SANTA CLARA COUNTY

Santa Clara County encompasses a total land area of approximately 1,034 square miles and most of the commercial and residential development as well as the county's population reside on the floor of the 225 square mile Santa Clara Valley. Topographical features that generally border Santa Clara County include the San Francisco Bay and its associated tidelands to the north, the Mount Hamilton Range to the east, the Santa Cruz Mountains to the south, and the Cupertino Foothills to the west.

Originally Santa Clara County was an agricultural area. Before 1945 the county consisted of mostly fruit and nut orchards mainly because of the ideal climate and topographical features gave the agricultural crops protection from elements. Following World War II returning GIs and their new families relocated to Santa Clara Valley, as it became an ideal place for living. During the 1950s, 1960s and 1970s, Santa Clara County experienced an unprecedented housing boom. New subdivisions were built for miles, creating an area of suburban sprawl.

Similar growth patterns are still occurring, but the lack of vacant land available for development, as well as the geographical constraints, has created a shortage of new housing. The result was increased pricing above levels ever previously seen or achieved in Santa Clara County.

## **Transportation**

Santa Clara County is well served by an extensive freeway system, major commercial expressways, commercial rail and passenger light rail systems, as well as an International Airport. Interstate 680, 880, and 280 connect with the west and east San Francisco Bay Areas and the rest of the state. US Highway 101 and State Highways 17, 85, 87 and 237 also add additional freeway access to most areas of Santa Clara County. The Lawrence, San Tomas, Capitol, Foothill, Montague and Central Expressways provide cross-valley routes that are superior to surface streets, but are slower than freeways. State Route 85 serves the south valley and results in a fairly complete road system. This addition has been of great benefit to South Valley residents as it links them directly to employment centers in Cupertino, Sunnyvale, Mt. View, and the San Francisco Peninsula. Nevertheless the overall system is taxed by heavy traffic congestion during commute hours.

The Norman Y. Mineta San Jose International Airport is located near the intersection of Interstate 880, US Highway 101, and State Highway 87 (the Guadalupe Expressway), in the northern part of the city. National and International flight availability is considered above average and is expanding. Additional Domestic and International flights are also available from Oakland and San Francisco International Airports. The Reid Hillview Municipal Airport is located along Capitol Expressway but this is a small domestic airport that caters to local businesses and recreation flyers.

Union Pacific Railroad provides commercial rail service that serves the industrial developments throughout the City of San Jose and Santa Clara Valley. These corridors are mostly located along Monterey Highway to the west. The Valley Transportation Authority (VTA) provides Light Rail and bus service countywide and the light rail system connects with Caltrain at the Diridon (downtown San Jose), Tamien, Castro (downtown Mountain View), and Evelyn stations. The original light rail system operated primarily from downtown San Jose to points north, where many residents were employed. However, the light rail lines are now expanding in many directions, becoming more of a full service provider every year. All local transportation improvements have been made in an effort to lighten auto traffic, but to date, success has been moderate. Amtrak provides passenger rail service out of San Jose and Santa Clara, and has a commute line to the south valley, Morgan Hill and Gilroy. A future Light Rail Station is planned to be located along Capitol Expressway, but the timing remains unknown due to funding constraints.

## **Population**

Between 1980 and 1990, the County of Santa Clara grew by 202,506 people. This growth represents a 16% increase in population. Similarly, between 1990 and 2000, the County grew by an additional 185,008, which accounts for a 12% change in population.

It is predicted that the County's population will continue to grow, but at a slower rate. Moderate rates of growth in employment and housing development may account for this slow down in population growth. According to the Association of Bay Area Governments, by 2010, the County of Santa Clara's population is projected to increase by 197,115 people to 1,879,700. From 2010 to 2020, the County of Santa Clara's population is predicted to increase an additional 127,800 people to 2,007,500. The accuracy of that projection depends on how the country and California recover from the recession and how soon the unemployment situation improves.

## **Employment**

In their June 21, 2013 report, the California Employment Development Department (EDD) reported that California's unemployment rate decreased to 8.6 percent in May, and nonfarm payroll jobs increased by 10,800 during the month for a total gain of 767,200 jobs since the recovery began in February 2010. The U.S. unemployment rate increased in May to 7.6 percent.

In April, the state's unemployment rate was 9.0 percent, and in May 2012, the unemployment rate was 10.7 percent. The unemployment rate is derived from a federal survey of 5,500 California households.

Nonfarm jobs in California totaled 14,612,500 in May, an increase of 10,800 jobs over the month of April, according to a survey of businesses that is larger and less variable statistically. The survey of 42,000 California businesses measures jobs in the economy. The year-over-year change (May 2012 to May 2013) shows an increase of 252,100 jobs (up 1.8 percent).

## **Regional Conclusion**

Santa Clara County is known as the high-technology center of the San Francisco Bay Area and the world. It has a diverse economic base with several industrial and office regional employment centers as well as having a large residential base. Physical features attract both businesses and residents.

But while more resilient than many areas of the country, Silicon Valley is not immune from the current economic turmoil. ABAG's 25-year projection remains positive for the San Jose and the greater Bay Area as economists agree that growth in the area should be steady and slower for the long-term. While the Valley was one of the areas hit hardest at the start of the recession due to layoffs and a collapse in home values, it is also recovering at a pace faster than the rest of the state and nation, thanks in part to the booming social media companies. This area is still attractive to businesses for its location, transportation options, highly educated population, and access to capital.

## **AREA AND NEIGHBORHOOD ANALYSIS**

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The City of Milpitas is located in the northeastern section of Santa Clara County, and it is bounded to the south by the City of San Jose and to the north by the City of Fremont. It is also part of the eastern portion of Silicon Valley. Land uses within the city are relatively diverse with most of the residential development located in the city's northern and eastern areas, while the industrial, research and development, and commercial uses are located primarily in the southern and western areas.

The City is well served by several transportation systems. 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. Lastly, the City has two Light rail stations that allow residents and employees to connect easily with the high tech and manufacturing companies in located in the City of San Jose, Silicon Valley, and Santa Clara County.

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. From 2000 to 2007 approximately 1,000,000 Sq.Ft. Office/R&D space was built within the McCarthy Ranch Development. This project extends north from Highway 237 to Dixon Landing Road adjacent to the west side of I-880. We spoke with one of the real estate brokers who stated that there remains approximately 250 vacant acres available for future Office/R&D and Retail development within McCarthy Ranch.

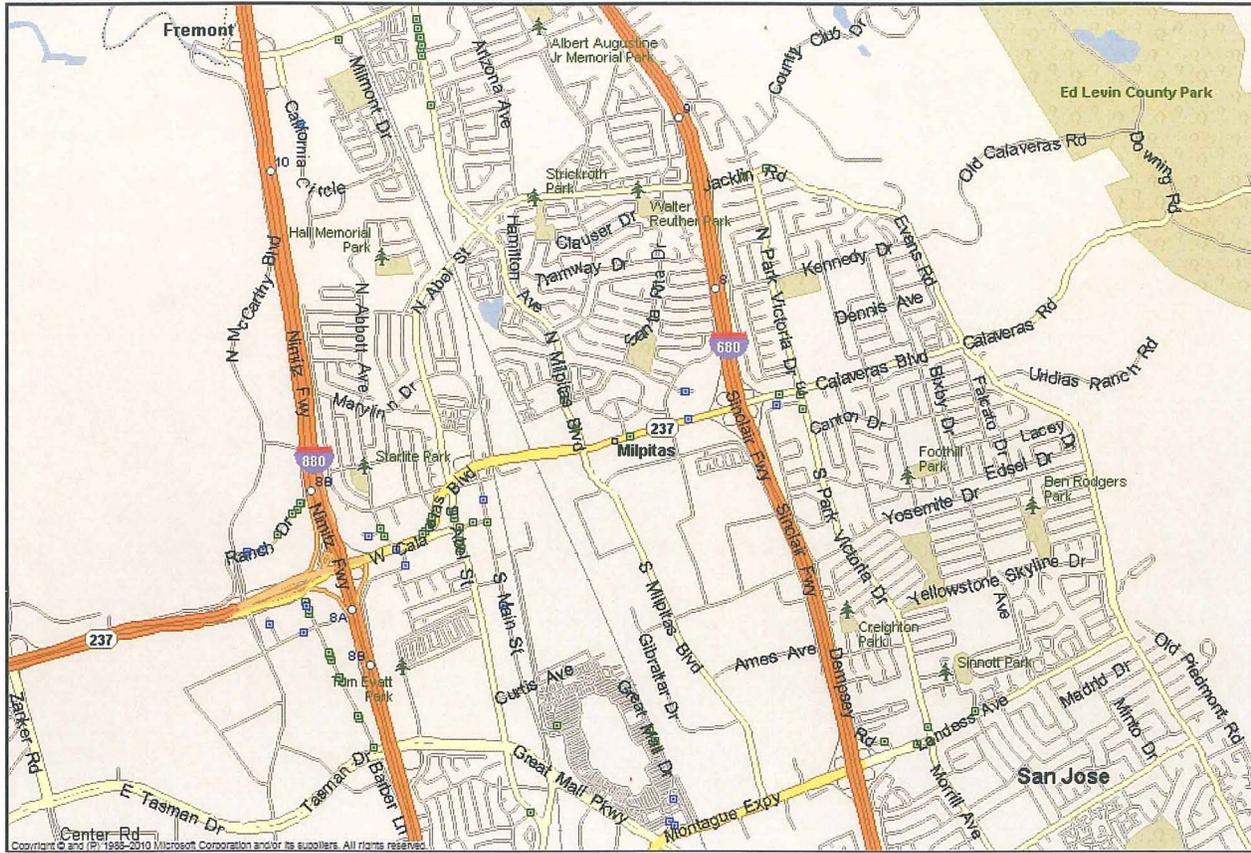
Land uses in Milpitas include commercial, retail, R&D, and industrial to several classifications of residential. These include low density single-family at very low density (less than 1 dwelling unit per acre) to Very High Density Residential with densities that range from 40 dwelling units per acre to as high as 90 dwelling units per acre with a conditional use permit.

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 east and west side of Highway 880 corridor as well as along South Milpitas Blvd. Commercial uses are generally found 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.

### **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



## **NATIONAL AND STATE ECONOMIC CONDITIONS**

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The UCLA Anderson Forecast for California is the most widely followed and oft-cited in the state and was unique in predicting both the seriousness of the early-1990s downturn, and the strength of the state economy's rebound since 1993. Below is their most recent report, published on June 5, 2013.

### **National Economy Falls Short of True Recovery - California Employment Growth Remains Steady**

The UCLA Anderson Forecast outlook for the United States says that despite "improvement in both GDP and key economic sectors, the overall growth falls short of the rates required for the national economy to truly recover from the most recent recession."

In California, the outlook differs little from last quarter, adjusted only to reflect the most current data. The factors driving California employment and income growth to rates higher than the U.S. remain. As the global economy improves with greater investment in the U.S., the state will again benefit from a disproportionate share of the improvement.

### **The National Forecast**

In the June Forecast report, UCLA Anderson Forecast Director Ed Leamer writes that despite the positive growth in GDP and in key economic sectors, the U.S. economy is not in recovery, as the growth falls far short of the levels needed to bring the economy back to trend. "U.S. real GDP is now 15.4% below the normal 3% trend," Leamer writes. "To get back to that 3% trend, we would need 4% growth for 15 years, or 5% growth for eight years, or 6% growth for five years, not the disappointing 2s and 3s we have been racking up recently, which are moving us farther from trend, not closer to it. It's not a recovery. It's not even normal growth. It's bad."

Leamer's essay, titled "Great Recovery: Wherefore Are Thou," delineates a paradox. Growth in GDP is positive, but not exceptional. Jobs numbers are improving, but not rapidly enough, and the jobs being created are not necessarily jobs that will ensure workers a secure future. Meanwhile, Leamer says, the tepid growth continues to obscure the nation's most fundamental problems; too much government spending funded with too much borrowing, too little national savings to cover late-in-life health care issues and too many workers lacking the skills to compete in the modern economy.

Despite the problems, the current forecast is slightly better than those of the recent past and 2015 is expected to be better than 2014. Real GDP edges up to 3% by 2015. The Fed Funds interest rate will remain near zero, as a continuing dose of monetary medicine. The unemployment rate will fall to 6.6% by 2015, due in part to a growing base of discouraged workers. Leamer also writes that the "genuinely good news is that we are in the early stages of a real recovery in housing. Housing starts, which fell to a historic low of 550,000 in 2009, will climb back to the normal 1.5 million by 2015."

In a companion piece, David Shulman, senior economist with UCLA Anderson Forecast and UCLA Ziman Center for Real Estate, takes a closer look at the housing recovery. "Home prices are rising and housing starts have approximately doubled from their depression lows of a few years ago," Shulman writes.

Shulman's forecast says that housing starts will reach a run rate of 1.6 million units by mid-2015 and home prices will continue to rise. Specifically, housing starts are expected to increase from 782,000 units recorded in 2012 to 1.03 million and 1.35 million units in 2013 and 2014 respectively, reaching 1.56 million by 2015. Multi-family housing starts will continue to rise, with an excess of 400,000 units a year being started in both 2014 and 2015.

### **The California Forecast**

The California forecast report, authored by Senior Economist Jerry Nickelsburg, notes that California continues to lead the measured growth seen in the national economy, a trend consistent over the past four years since the end of the recent recession. The difference at this point lies in the construction sector. "As job gains accumulate, household formation rates increase and the demand for housing, finally, is generating new residential construction," Nickelsburg writes.

Nickelsburg says California has been one of the bright spots in the U.S. employment picture. California's employment growth has been consistently in the Top 10 of states. For the twelve months ending in April 2013, only Utah's employment growth rate grew faster. While the increase in California jobs has been widespread, the economy's strength lies in the state's technology and knowledge-laden sectors, which use technology and information more heavily, accounting for more than half the job growth in the state.

The forecast for 2013 is for total employment growth (payroll, farm and self-employed) of 2.6% and 2.1% in 2014 and 2015. Non-farm employment will grow more slowly at 2% in both 2013 and 2014 and 2.2% in 2015. Real personal income growth is forecast to be 2.3% in 2013; followed by 3.5% and 3.3% in '14 and '15. Unemployment will fall through 2013 and will average approximately 9.1% for this year. In 2014, we expect the unemployment rate to drop to 8.1% and then to 7.1%.

## **MARKET OVERVIEW**

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We are developing an estimate of residential land values (the most likely placement of park land) outside the Midtown and Transit Area Specific Plan areas of Milpitas, so we looked at both home re-sale values and new home/apartment development. The densities for residential development tend to be lower outside those plan areas, therefore we see more townhome and single-family home development, compared to higher density condos and apartments within the plan areas. First is information on the overall housing industry from DataQuick, then statistics on new home development in Santa Clara County from The Gregory Group.

## **Housing Market – Excerpts from most recent DataQuick report**

### **Continued Upward Trend for Bay Area Home Prices; Sales Dip Yr/Yr June 13, 2013**

Bay Area home prices continued to rise in May, the result of an improving economy, low mortgage rates, pent-up demand and continued investor interest. Sales remained below average, mainly because the supply of homes for sale remains unusually tight, according to San Diego-based DataQuick.

The median price paid for a home in the nine-county Bay Area last month was \$519,000, up 1.8 percent from \$510,000 in April, and up 29.8 percent from \$400,000 in May 2012. That was the highest median since March 2008, when it was \$536,000.

The Bay Area median peaked at \$665,000 in June and July 2007, and then dropped as low as \$290,000 in March 2009 – a decline of \$375,000, or 56.4 percent. In May the median was still 22.0 percent below the peak but it had made up about 61 percent of its peak-to-trough loss.

Much of the median's ups and downs can be attributed to shifts in the types of homes sold. When adjusting for these shifts, it appears that about three fourths of the 29.8 percent year-over-year rise in the May median sale price reflects an increase in home values, while the rest was market mix.

"In a year or two, we'll probably see in hindsight that a bounce off the bottom was faster and easier than later incremental gains in a more balanced market. As it is, today's market is still re-establishing equilibrium. Among potential buyers there is clearly a sense that favorable factors are lined up right now in a way they may not be in a year, or three or five years," said John Walsh, DataQuick president.

A total of 8,541 new and resale houses and condos were sold in Bay Area in May. That was up 12.1 percent from 7,621 the month before, and down 4.0 percent from 8,899 for May a year ago, DataQuick reported.

Sales increase on average by 7.3 percent from April to May. Since 1988, when DataQuick's statistics begin, May sales have varied from 6,216 in 2008 to 13,567 in 2004. Last month's sales were 11.2 percent below the May average of 9,622.

The number of homes sold in May for less than \$500,000 fell 28.2 percent year-over-year, while the number sold for more rose 17.3 percent.

May's distressed property sales – the combination of foreclosure re-sales and "short sales" – made up about 21 percent of the resale market. That's the lowest since it was about 19 percent in December 2007. Last month's distressed property level was down from about 24 percent in April and about 42 percent a year ago.

Foreclosure re-sales – homes that had been foreclosed on in the prior 12 months – accounted for 7.3 percent of re-sales in May, down from a revised 8.4 percent in April, and down from 21.4 percent a year ago. Last month was the lowest since 6.9 percent in September 2007. Foreclosure re-sales peaked at 52.0 percent in February 2009. The monthly average for foreclosure re-sales over the past 17 years is about 10 percent.

Short sales – transactions where the sale price fell short of what was owed on the property – made up an estimated 13.9 percent of Bay Area re-sales last month. That was down from an estimated 15.0 percent in April and down from 21.2 percent a year earlier.

Jumbo loans, mortgages above the old conforming limit of \$417,000, accounted for 47.7 percent of last month's purchase lending, up from a revised 47.6 percent in April, and up from 37.2 percent a year ago. Last month's jumbo share was the highest since it was 58.6 percent in August 2007, when a credit crunch hit and made jumbo loans harder to get. Jumbo usage dropped to as low as 17.1 percent in January 2009.

Government-insured FHA home purchase loans, a popular choice among first-time buyers, accounted for 12.3 percent of all Bay Area home purchase mortgages in May, up from a revised 12.0 percent in April and down from 17.0 percent a year earlier. In recent months the FHA level has been the lowest since summer 2008, reflecting both tougher qualifying standards and the difficulties first-time buyers have competing with investors and cash buyers.

Buyers who appear to have paid all cash – meaning no sign of a corresponding purchase loan was found in the public record – accounted for 27.6 percent of sales in May. That was down from a revised 28.3 percent the month before and down from the same amount, 28.3 percent, a year earlier. The monthly average going back to 1988 is 13.1 percent.

Indicators of market distress continue to decline. Foreclosure activity remains well below year-ago and peak levels reached several years ago. Financing with multiple mortgages is low and down payment sizes are stable, DataQuick reported.

All homes	Sales Volume			Median Price		
	May-12	May-13	% Chng	May-12	May-13	% Chng
Alameda	1,829	1,637	-10.5%	\$355,000	\$465,000	31.0%
Contra Costa	1,651	1,653	0.1%	\$295,000	\$410,000	39.0%
Marin	322	414	28.6%	\$627,000	\$795,000	26.8%
Napa	149	166	11.4%	\$329,000	\$419,250	27.4%
Santa Clara	2,143	2,064	-3.7%	\$529,000	\$665,000	25.7%
San Francisco	616	530	-14.0%	\$701,000	\$870,000	24.1%
San Mateo	818	764	-6.6%	\$560,000	\$705,000	25.9%
Solano	713	629	-11.8%	\$190,000	\$245,500	29.2%
Sonoma	658	684	4.0%	\$300,250	\$390,000	29.9%
<b>Bay Area</b>	<b>8,899</b>	<b>8,541</b>	<b>-4.0%</b>	<b>\$400,000</b>	<b>\$519,000</b>	<b>29.8%</b>

Source: DataQuick, www.DQNews.com

## New Home Sales

The following chart for the San Jose metro area is from The Gregory Group, which tracks new home development and sales. Home prices and sales are up. It is also interesting to note that the average home size is also creeping up, indicating that interest in single family homes is coming back. This is a positive sign for the areas outside of the Midtown and Transit Area specific plans because the outlying areas generally have lower densities and more single family developments. The decreasing inventory also indicates that competition is likely to remain strong for new developments.

### THE GREGORY GROUP - NEW HOUSING TRENDS SAN JOSE PMSA

	1st Qtr 2011	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2012	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2013	Quarter % Change	Year Ago % Change
Average Price	\$608,585	\$645,378	\$687,573	\$671,626	\$636,511	\$642,523	\$676,179	\$693,195	\$742,666	7.1%	16.7%
Median Price	\$580,000	\$594,498	\$588,998	\$563,245	\$570,000	\$571,740	\$589,990	\$666,940	\$696,445	4.4%	22.2%
Average Home Size	1,606	1,702	2,060	2,090	2,002	2,002	2,093	2,192	2,219	1.2%	10.8%
Average Pr/Sq Ft	\$400.19	\$393.14	\$346.91	\$332.91	\$336.21	\$340.05	\$344.97	\$349.75	\$364.99	4.4%	8.6%
Ttl Wkly Sales Rate	0.53	0.54	0.80	0.71	0.91	0.85	0.86	1.17	1.26	--	--
Quarter Sold	92	124	259	221	327	340	259	222	270	21.6%	-17.4%
Qtrr Wkly Sales Rate	0.35	0.45	0.64	0.55	0.84	0.90	0.91	0.85	0.99	--	--
Unsold Inventory	361	272	383	741	334	217	135	105	107	1.9%	-68.0%
Weeks of Inventory	34	24	15	14	12	9	7	5	4	--	--

## CONCLUSIONS

When we did the appraisal in 2012 for in-lieu park fees within the Midtown and Transit Area Specific Plan areas, the majority of land sales were for very high density projects – primarily apartments and a few townhome developments. The emphasis was around the future BART station and also reflected an economy that was recovering quite slowly. There was a high demand for apartments from people who had lost their homes to foreclosure or short sales, or who could not qualify for a new home due to more stringent credit requirements.

While the national economy is still not creating enough jobs to satisfy some economists, Silicon Valley has been the exception and will likely continue to lead the recovery. Technology is once again king. The success of social media, alternative energy, and high tech companies has created new sources of wealth and demand for housing. So in this appraisal, we saw a few more sales for medium-density, single-home developments. Most of these are still clustered close to the town center and transportation. But it is a positive sign for Milpitas and the local economy.

## **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. We should point out that many of these "land" sales have existing buildings on them that must be torn down. Because we are interested in the base land value we must include these demolition costs, since they are part of the cost to the buyer to get vacant land.

The land sales and listings 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 and listings are adjusted for property rights conveyed, financing, conditions of sale, market conditions (time), and physical factors, where necessary. Adjustments for location were not necessary as all sales are in the City of Milpitas. We did adjust for density, since we included some of the Midtown/Transit Area sales for comparison. 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 appraisal. In the residential market, there have been several sales in the City of Milpitas over the past couple of years.

The appraisal assignment is to render an opinion of the average price for a hypothetical 1-acre parcel of land with the potential of being developed as a park. It is residential use that triggers the need for parks and the desire is to have the parks within or adjacent to new residential development. Therefore, we considered only land sales intended for residential use.

As stated at the beginning of this section, we are estimating the value of vacant land. Therefore, an estimate of demolition costs has been included with each sale that has site improvements, to get the true price paid for the land only.

COMPARABLE RESIDENTIAL LAND SALES							
	ADDRESS APN	BUYER	SALE DATE	LOT SIZE S.F.	PRICE TOTAL	INTENDED USE	COMMENTS
		SELLER	DOC #	ACRES	PER SF	ZONING	
<b>OUTSIDE MIDTOWN / TRANSIT AREA SALES</b>							
1	31 S. Milpitas Blvd. Milpitas 086-28-041 & 086-39-003	DR Horton Limar Realty Corp 2 (041) Topaz RE Investors LLC (003)	Apr-13 22182994 22182993	495,277 11.37	\$37,680,000 \$1,000,000 \$38,680,000 <b>\$78.10</b>	80 SFR 7.08 DU/Ac TC-PUD 19	Approved Tentative Map \$1,000,000 for demo of 2 industrial buildings
2	375 Los Coches St. Milpitas 086-39-002 & 001	San Ramon Land LLC Less Properties LLC Genesis United Methodist Church	May-13 22233879 Dec-12 22006634	115,869 2.66	\$5,650,000 \$125,000 \$5,775,000 <b>\$49.84</b>	33 SFR 12.41 DU/Ac TC-PUD 19	Subject to Entitlements \$125,000 for demo of industrial building
3	245-373 Sinclair Frontage Rd. Milpitas 086-29-061,062,075,076 & 042	Brookfield Homes Mission Peak Homes LLC	Jun-12 21728782	420,791 9.66	\$19,350,000 \$700,000 \$20,050,000 <b>\$47.65</b>	80 SFR 8.2 DU/Ac PD2007-10	Subject to Entitlements \$700,000 for demo of 4 industrial buildings
4	905-980 Los Coches St. Milpitas  086-29-049 & 050	Robson Homes Green Valley Corp.	Aug-11 21280444	230,433 5.29	\$11,900,000 \$300,000 \$12,200,000 <b>\$52.94</b>	83 SFR 16.6 DU/Ac TC-PUD 19	Subject to Entitlements \$300,000 for demo of 2 buildings
5	Murphy Ranch Rd. Milpitas 086-01-046	ORA Murphy Ranch 285 LLC Fairview Murphy Rd. LLC	Jun-11 21196423	567,587 13.03	\$24,811,000 <b>\$43.71</b>	285 TH 22 DU/Ac R-4 PD	Subject to Entitlements 1/2 mile to light rail
<b>MIDTOWN / TRANSIT AREA SALES</b>							
6	1338 S. Main St Milpitas 086-23-004 & 016	Kumar/Sharma WU Cherry & K 1990 Trust	Sep-12 21858173	18,998 0.44	\$775,000 <b>\$40.79</b>	Hold High Density	Potential residential development but more likely commercial/retail
7	1201 S. Main St Milpitas 086-16-100	Shea Properties Matteson Companies	Aug-12 21793603	118,483 2.72	\$7,750,000 <b>\$65.41</b>	204 Apts. R4 w/TOD overlay 75 DU/Ac	Subject to Entitlements
8	1625-1845 McCandless Milpitas 086-41-019,020,021 & 022	DR Horton Mission West Properties	Aug-12 21536587	534,481 12.27	\$22,600,400 \$1,300,000 \$23,900,400 <b>\$44.72</b>	134 Units 16 DU/Ac R-3	Subject to Entitlements \$1,300,000 for demo of three industrial buildings < 1/2 mile to light rail
9	Trade Zone Blvd. & Montague Milpitas 086-36-043	Trumark Companies Mission West Properties	Jul-12 21741832	361,548 8.30	\$18,500,000 \$1,043,000 \$19,543,000 <b>\$54.05</b>	134 Units 16 DU/Ac R-3	Subject to Entitlements \$1,043,000 for demo of three industrial buildings < 1/2 mile to light rail
10	1435-1620 McCandless Dr. Milpitas 086-33-094, 095, 098, 099	Taylor Morrison Mission West Properties LP V	Apr-12 21646463	420,790 9.66	\$19,350,000 \$1,000,000 \$20,350,000 <b>\$48.36</b>	200 Townhomes 20.7 DU/Ac R-3/PD	\$1,000,000 for demo of 4 industrial buildings 1/3 mile to light rail Subject to Entitlements

### 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, the overall adjustments are minor.

### *Market Conditions*

The market conditions indicate new home price and sale increases in 2013, as well as decreasing inventories. While high-density apartments are still in demand, the market for single family homes appears to have strengthened. Therefore, we have made an upward adjustment for market conditions for 2011 and 2012 sales.

### *Location*

As stated earlier, all are Milpitas sales and need no adjustment. We considered land sales in nearby parts of Fremont and San Jose but other factors made them not comparable.

### *Density*

Most new residential development outside the Midtown and Transit Area Specific Plans is in the medium density range of 6-15 DU/Ac. We also used sales from within those plan areas that were close to that density range, except for Sale 7, which is very high density apartments with a TOD overlay. Therefore, that sale warrants a large downward adjustment.

### *Entitlements*

All of the sales except Sale 1 went into escrow "subject to entitlements." This means that during the escrow period, the buyer initiates and pays for all the steps to get an entitled project. If their original expectations cannot be executed, they have the ability to walk away from the deal with only the loss of a deposit in most cases. But this seems to be the typical way that un-entitled land is purchased – it will be entitled by the time escrow closes, but the buyer pays for the entitlement process on top of the price they paid for the un-entitled land. Sale 1 already had an approved tentative map when DR Horton purchased the land (paid for by original developer Braddock & Logan), so that sale warrants a downward adjustment for superior entitlements. The approval process from an industrial use to a mapped residential development can be significant, so this is a larger adjustment.

### **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 table below summarizes these adjustments and then averages the values by various groupings – both outside and inside the specific plan areas, and then Milpitas as a whole. The groupings are quite close because we included only specific plan sales at the low end of the high density range (i.e. near the high end of the medium density range). The exception is Sale 7, a very high density sale we included for bracketing purposes. Sale 1, the highest at \$78.10/s.f. before adjustments, is given less weight because it was entitled at the time of sale. Sale 6, the lowest at \$40.79/s.f. unadjusted, is given less weight because the location makes it more likely that a retail use will be built, rather than residential.

Had they been done at the same time, we might have expected a larger gap between this opinion of value and the one we did in 2012 for the Midtown and Transit Area Specific Plan in-lieu fee. But the market has improved significantly enough in the intervening time that this gap has been reduced.

COMPARABLE LAND SALES - RESIDENTIAL										
ELEMENT OF COMPARISON	OUTSIDE MIDTOWN/TRANSIT AREAS					INSIDE MIDTOWN/TRANSIT AREAS				
	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6	SALE 7	SALE 8	SALE 9	SALE 10
DATE OF SALE	Apr-13	May-13	Jun-12	Aug-11	Jun-11	Sep-12	Aug-12	Aug-12	Jul-12	Apr-12
BASE PRICE PER SF LAND	\$78.10	\$49.84	\$47.65	\$52.94	\$43.71	\$40.79	\$65.41	\$44.72	\$54.05	\$48.36
PROPERTY RIGHTS CONVEYED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	\$78.10	\$49.84	\$47.65	\$52.94	\$43.71	\$40.79	\$65.41	\$44.72	\$54.05	\$48.36
FINANCING TERMS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	\$78.10	\$49.84	\$47.65	\$52.94	\$43.71	\$40.79	\$65.41	\$44.72	\$54.05	\$48.36
CONDITIONS OF SALE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADJ. PRICE	\$78.10	\$49.84	\$47.65	\$52.94	\$43.71	\$40.79	\$65.41	\$44.72	\$54.05	\$48.36
MARKET CONDITIONS (TIME)	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
ADJ. PRICE	\$78.10	\$49.84	\$50.03	\$55.59	\$45.90	\$42.83	\$68.68	\$46.95	\$56.76	\$50.78
LOCATION	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PHYSICAL CHARACTERISTICS										
DENSITY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-20.0%	0.0%	0.0%	0.0%
ENTITLEMENTS	-30.0%	0.0%	0.0%	0.0%	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%	0.0%	0.0%	0.0%	0.0%
TOTAL ADJUSTMENT	-30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-20.0%	0.0%	0.0%	0.0%
INDICATED PRICE PER SF LAND	\$54.67	\$49.84	\$50.03	\$55.59	\$45.90	\$42.83	\$54.94	\$46.95	\$56.76	\$50.78
\$51.21						\$50.45				
\$50.83										

## FINAL VALUE RECONCILIATION

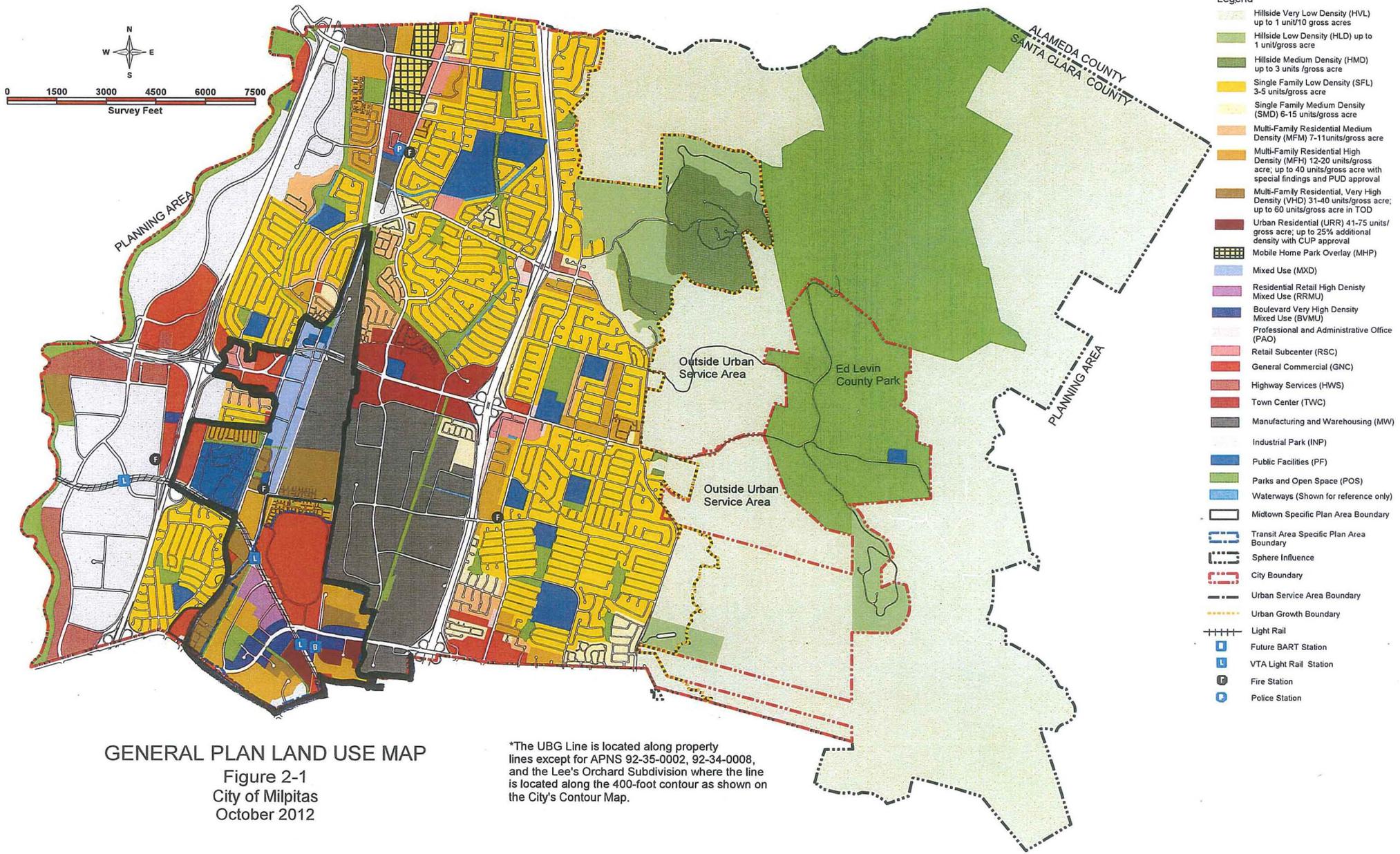
With respect to reconciliation, there is, in this case, only one applicable approach to value, the Sales Comparison Approach. As a result, this is the sole basis for the value conclusion. The Sales Comparison Approach to value is believed to be the most relevant indicator of value, as it is the most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

All sales are fairly close based on location, timing, and density. After only a couple of necessary adjustments, we see a consistent range that makes the average of all sales appropriate given that the in-lieu park fee applies across all of Milpitas outside of the Midtown and Transit Area Specific Plan areas.

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, outside the Midtown and Transit Area Specific Plan areas, subject to the attached General and Extraordinary Assumptions and Limiting Conditions, and any Hypothetical Conditions, as of July 15, 2013, is:

**\$51.00 per square foot**  
or  
**\$2,221,560 per acre**

***ADDENDA***



MIDTOWN SPECIFIC PLAN

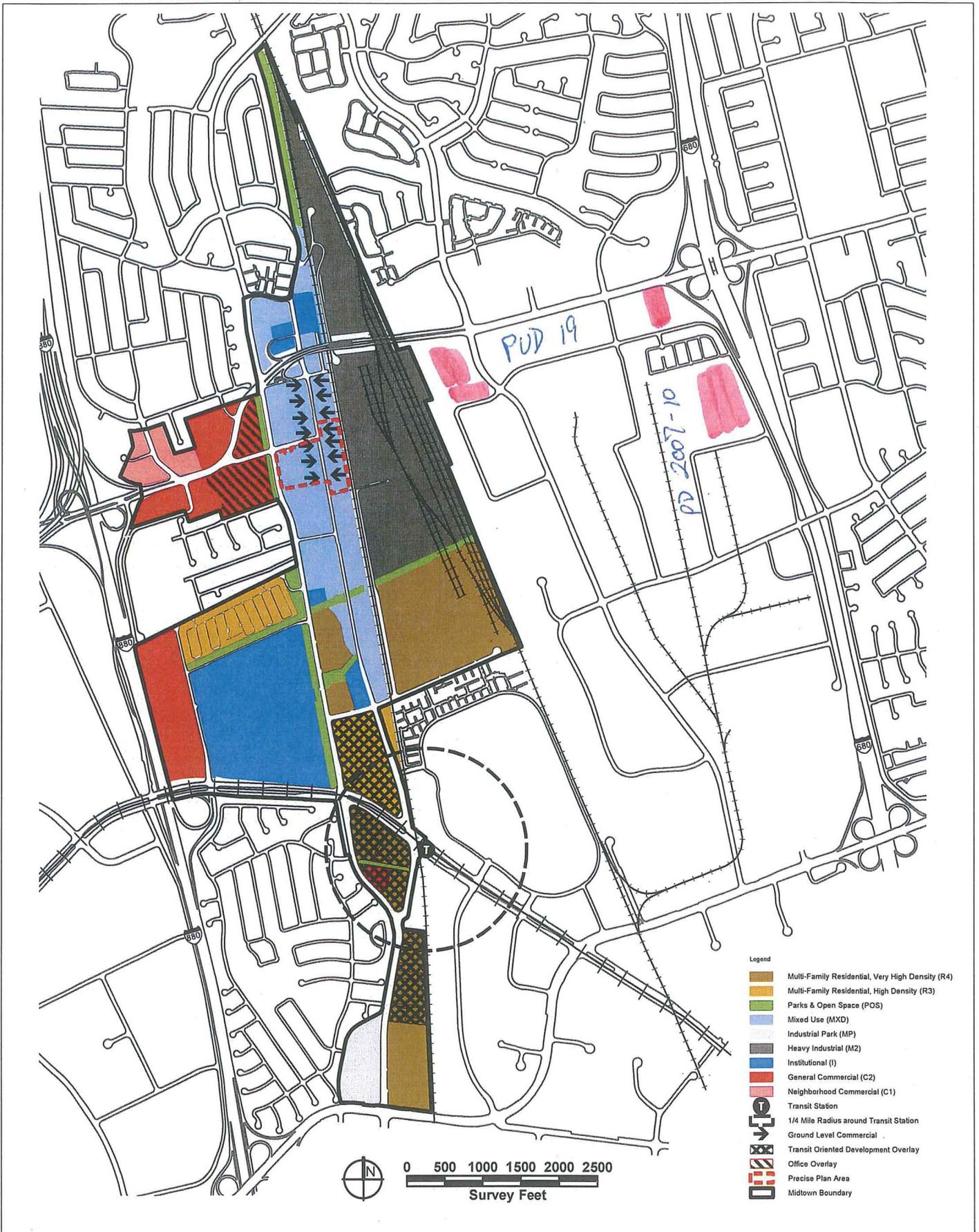


Figure 8.0: Midtown Land Use Map

# MILPITAS TRANSIT AREA SPECIFIC PLAN

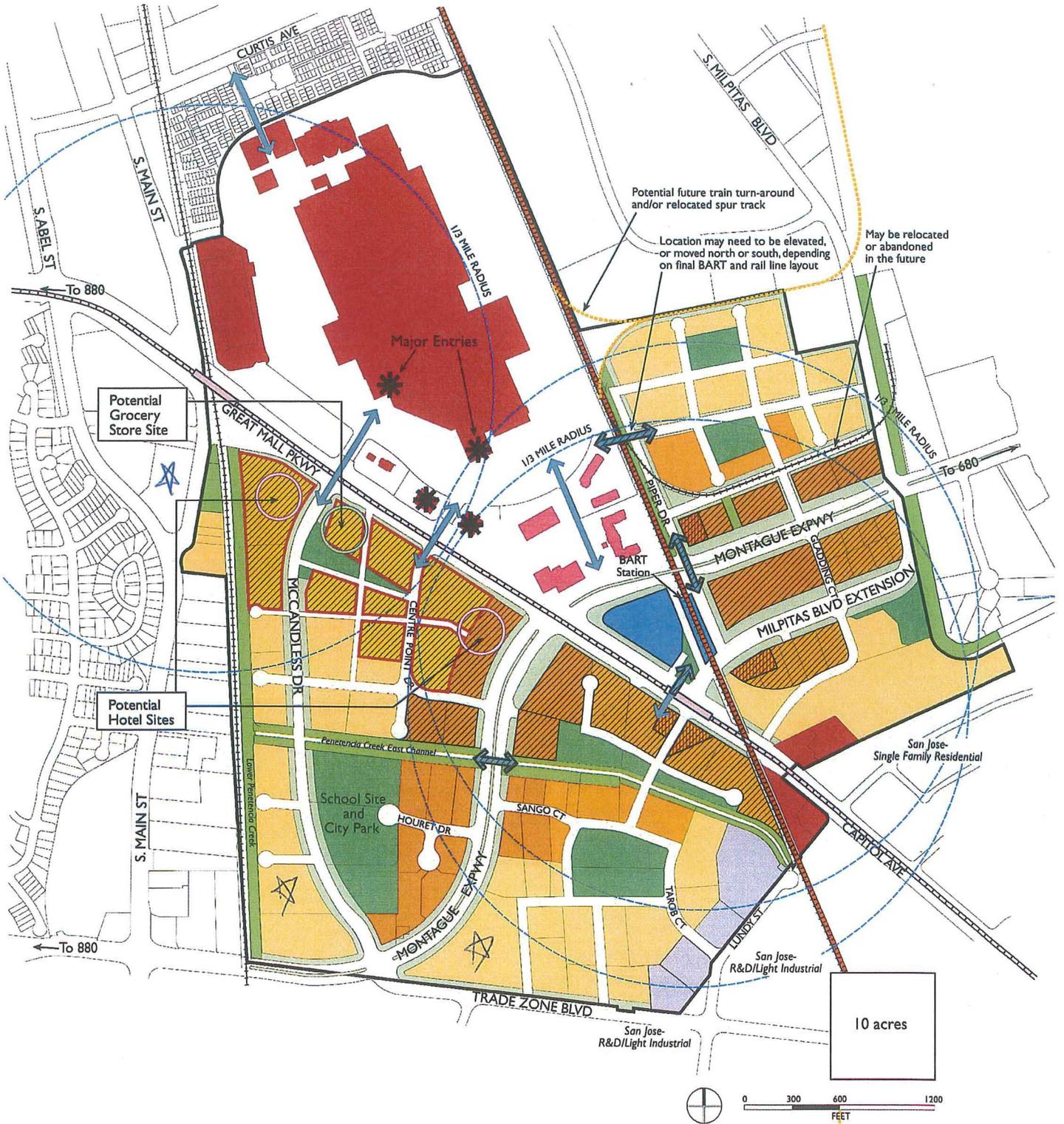


Figure 3-1  
Transit Area Plan

LEGEND

-  General Commercial
-  Retail Transit Oriented  
Community and Regional Retail; Hotels, Office. Maximum FAR of 2.5.
-  Boulevard Very High Density Mixed Use  
Permitted uses include Residential, Office, Commercial and Medical uses up to 1.5 maximum gross FAR, an FAR of 2.5 may be permitted on individual sites. 4-12 stories (20 stories with CUP). Residential use shall have 41 un/ac minimum average gross density; 60 un/ac maximum average gross density.
-  Residential - Retail High Density Mixed Use  
Residential, office, and/or hotel uses above ground floor retail and restaurants, 200 sq. ft of retail or restaurant use required for every residential unit. Residential density: 31 du/ac minimum average gross density; 50 un/ac maximum average gross density. 4-12 stories. (20 stories with CUP) Maximum FAR of 1.5; up to 2.5 FAR may be permitted on individual sites.
-  Very High Density Transit Oriented Residential  
41 un/ac minimum average gross density; 60 un/ac maximum average gross density; 4-6 stories; (12 stories on arterials, 20 stories with CUP) gross densities of individual projects may be <41 or >60, provided that area development complies with average gross density; small local-serving retail, office, and live/work permitted at ground floor.
-  High Density Transit Oriented Residential  
21 un/ac minimum average gross density; 40 un/ac maximum average gross density; 3-5 stories; gross densities of individual projects may be <21 or >40, provided that area development complies with average gross density; residential uses only.
-  Transit Facilities  
Underlying zoning to be Boulevard Very High Density Mixed Use if transit facilities are not built on this site.
-  Industrial Park
-  Parks/Plazas/Community Facilities
-  Linear Park and Trails
-  Landscaped Front Yards and Buffers
-  Neighborhood Retail Locations  
5000 sq. ft. of local serving retail required on the ground floor.
-  Density Bonus  
Increased density permitted on sites closest to BART and light rail. See table for detail about TOD Overlay District and TOD Density Bonus allowed with a CUP.
-  Potential Hotel Sites
-  Potential Grocery Store Site
-  Proposed BART Line
-  VTA Light Rail Transit
-  Union Pacific Railroad and Railroad Spur
-  Potential Future Train Turn-around and/or Relocated Spur Track
-  Study Area
-  Pedestrian Connection
-  Pedestrian Bridge

Figure 3-1  
Transit Area Plan

# William O. Hurd, MAI

California General Certified Real Estate Appraiser No. AG034899

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## SUMMARY

After 20+ years in the technology industry, Mr. Hurd has been a professional real estate appraiser and consultant in Northern California since 2004. He is a designated member of the Appraisal Institute, with appraisal experience in the entire San Francisco Bay Area and Sacramento. Mr. Hurd has lived in the Bay Area for over 30 years.

Property types valued and analyzed include the following:

- \* *Commercial (Office, Medical, Retail, Restaurant)*
- \* *Industrial (Warehouse, Light Industry, Production)*
- \* *Vacant Land (Commercial, Industrial, Mixed-Use)*
- \* *Specialty (Eminent Domain, Right-of-Way, Arbitration)*
- \* *Subdivision (Lots, SFR, Condominiums)*

## WORK HISTORY

2004 - Present	Commercial Appraiser	Smith & Associates, Inc.
2003 - 2004	Owner	Twin Oak Properties
2001 - 2003	V.P. Bus. Development	Imperial Technology
1999 - 2001	Dir. Field Services	Provato
1988 - 1998	Dir. Sales Engineering	Sybase
1980 - 1988	Technical Sales	AT&T

## ASSIGNMENTS OF INTEREST

- Litigation support for both public agencies and private land owners
- Prepared preliminary budgetary valuation studies for several hundred properties for the proposed BART extension from Fremont to San Jose and Santa Clara
- Appraised land for several redevelopment projects for the Sacramento Housing and Redevelopment Agency
- Completed rent surveys and full appraisals for both regional and international airports
- Prepared Public Land Acquisition Value appraisal for City of Elk Grove
- Appraised over 20 properties and provide ongoing support for Capitol Expressway Light Rail Project in San Jose

## EDUCATION

*Bachelor of Science, Psychology*                      *University of Dayton, Dayton, Ohio*

*Anthony Schools Courses: Basic Real Estate Appraisal; Legal Considerations in Appraisal; Math and Regulations for Appraisers; Uniform Standards of Professional Appraisal Practice*

*Appraisal Institute Courses: Advanced Income Capitalization; Subdivision Valuation; Advanced Highest and Best Use; Narrative Report Writing; Advanced Sales Comparison & Cost Approaches; Report Writing & Valuation Analysis; Advanced Applications; Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book); Wetlands, Waterways, and Unusual Land Valuation Issues; Condemnation Appraising: Principals and Applications*

## AFFILIATIONS

State of California Certified General Real Estate Appraiser, No. AG034899  
Member of the Appraisal Institute, MAI No. 13343

**Terry S. Larson, MAI - Partner**  
**California Certified General Real Estate Appraiser No. AG007041**

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**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 Regions, but has also performed national assignments in over twenty states.

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. As manager of the Northern California Real Estate Valuation Group, his staff and territory covered California and assignments across the country.

Upon joining Smith & Associates in 1997, Terry expanded the firm's territory into Santa Clara, San Mateo, San Francisco and Marin Counties and built a group of appraisers that emphasize litigation support, eminent domain, partial interest valuations and special purpose properties, including airport appraisals. With over \$2 billion in annual valuations, Smith & Associates has three offices to serve client needs; Danville in the East Bay, San Mateo in Silicon Valley and Folsom in the Sacramento Region.

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

**CLIENTS**

Banks and other lenders, developers, attorneys, private property owners, 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](http://www.SmithAssociatesInc.com).

**EXPERT WITNESS TESTIMONY**

Testified in dozens of cases including eminent domain representing agencies and private property owners, fire damage, diminution in value, contract fraud, land slide and breach of fiduciary responsibilities in real estate transactions.

Qualified Expert Witness in Superior Court for Santa Clara, Contra Costa, Marin and Sacramento Counties. Testified at San Mateo County Tax Board regarding the Redwood Shores Special Assessment District with an estimated value of \$1 billion. Testified in Santa Clara County Criminal Court as a percipient witness in a real estate fraud case.

**SPEAKING ENGAGEMENTS**

Southwest Chapter of the American Association of Airport Executives  
Appraisals and Lease Negotiations, January 2011

Santa Clara County Brokers Association  
Role of the Real Estate Appraiser, June 2008

Appraisal Institute Spring Litigation Conference  
Subsurface Easements, May 2013

# Terry S. Larson, MAI - Partner

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## PROPERTY TYPES APPRAISED

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

## WORK HISTORY

1997 - Present	Partner	Smith & 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; Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book).

### International Right of Way Association Courses:

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

## PROFESSIONAL AFFILIATIONS

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