



Interoffice Memo

DATE: November 2, 2018

PHONE: 909-269-1240

FROM: **RYAN T. HARGROVE, MAI, SRA, AI-GRS**, Real Property Agent II
Real Estate Services Department

RTH

TO: **DAWN MARTIN**, Deputy County Counsel
Office of County Counsel

MARILEE RENDULICH, SR/WA, Real Property Manager
Real Estate Services Department

SUBJECT: **APPRAISAL REVIEW: APPRAISAL OF A 6.00-NET-ACRE SITE (AYALA PARK)**
18313 VALLEY BOULEVARD, BLOOMINGTON / APNS 0252-161-09 & 10; W.O. 6500 3911

As requested, I've reviewed Appraisal Report 18-50 prepared by Michael Jay Ader of Ader Appraisals. The subject of the appraisal under review is 18313 Valley Boulevard, Bloomington, California, a 6.00-net-acre site that is currently utilized as a public park known as Ayala Park.

The appraisal report under review provides value conclusions for the appraisal's subject property based on two separate value definitions, market value and fair market value. The amount of the two value conclusions, and their relation to each other, is demonstrated in the table below, which was extracted from the appraisal report under review.

| VALUE CONCLUSION SUMMARY | | | | |
|--------------------------------------|-------------------|------------------|------------------|--------------------------|
| Type of Value | Property Interest | Effective Date | Value Conclusion | Exposure/ Marketing Time |
| Fair Market Value of Underlying Land | Fee Simple | October 10, 2018 | \$3,000,000 | 12-24 months |
| Market Value of Underlying Land | Fee Simple | October 10, 2018 | \$2,870,000 | 12-24 months |

Client and Intended Users of the Review

The client and intender users of the review are the same as the client and intended users of the appraisal report under review; namely, they are the San Bernardino County Board of Supervisors and assigns of the Board to include the following County departments: ACC, CDH, BRPD, RESD, and County Counsel.

Intended Use of the Review

The intended use of the review is for quality-control purposes.

| |
|--------------------------|
| Appraisal Review # 18-51 |
|--------------------------|

Intended Use of the Appraisal Report Under Review

The intended use of the appraisal report under review is to assist in disposition of the existing park property pursuant to Assembly Bill No. 1330 and Section 5405 of the Park Preservation Act of 1971.

Purpose of the Review

The purpose of the review is to reinforce the client's confidence in the credibility and reliability of the appraisal report under review by providing an opinion of the quality of the appraisal report under review.

Ownership Interest of the Subject Property in the Appraisal Report Under Review

The ownership interest of the appraisal's subject property is the fee simple property rights.

Date of the Appraisal Report Under Review

The appraisal report under review is dated November 2, 2018 and represents a revised version of two previously-submitted versions of the report, dated November 1, 2018 and October 25, 2018.

Effective Valuation Date of the Appraisal Report Under Review

The appraisal report under review has an effective valuation date of October 10, 2018.

Date of the Review Report

The date of this review report is November 2, 2018.

Assignment Conditions of the Review

This review is not subject to any extraordinary assumptions, hypothetical conditions, or other assignment conditions.

Assignment Conditions of the Appraisal Report Under Review

The appraisal report under review identifies use of the assignment conditions noted below.

The client has requested:

- Estimates of market value and fair market value for the subject's underlying land only, assuming the two individual subject parcels are combined into a single development site. Any value associated with the subject's existing building and site improvements has not been determined herein. Furthermore, the separate underlying land values of the individual subject parcels as stand-alone development sites have not been determined herein.
- Identification and characterization of the existing building and site improvements for informational purposes only.

Scope of Work for the Review

My scope of work for this review included, but was not necessarily limited to, the following:

- I reviewed the appraisal report for adequacy, relevance, reasonableness, completeness, and credibility of the analysis in light of the appraisal problem.
- I reviewed the appraisal report for compliance with the requirements of the County, the California Department of General Services (DGS), and USPAP.
- I communicated directly with the appraiser and requested revisions to two previously-submitted versions of the appraisal report under review.
- I evaluated the relevance of the comparable sales presented in the appraisal report under review in relation to the appraisal's subject property and within the context of the appraisal problem.
- I evaluated the descriptions and analyses of the region, market area, and local commercial real estate market for consistency with my own understanding of these elements.
- I inspected the exterior of the appraisal's subject property on September 6, 2018.
- In September 2018, I performed independent research to gather relevant comparable sales for the subject of the appraisal under review.
- In September 2018, I inspected some, but not all, of the comparable sales used in the appraisal report under review.
- In September 2018, I independently verified the details of some, but not all, of the comparable sales transactions used in the appraisal report under review.
- I did not review the appraiser's complete work file.

Opinions and Conclusions About the Appraisal Report Under Review

The appraisal was reviewed for adequacy, relevance, reasonableness, completeness, and credibility of the analysis in light of the appraisal problem.

The appraisal problem was properly defined, including intended use, client and intended users, definitions of value, assignment conditions, and relevant characteristics. The appraiser's scope of work as presented in the appraisal report was consistent with what would typically be expected to solve the appraisal problem.

Characterization of the appraisal's subject property appears to be complete and reasonable. The market area characterization, market analysis, and highest and best use analysis are all presented with adequate and relevant information. The conclusions drawn are considered to be credible.

The sales comparison approach included six sales that closed within approximately 20 months of the effective valuation date. The appraiser also considered an active for-sale listing of a 5.59-acre parcel located near the appraisal's subject property along the north side of Valley Boulevard; this listing was ultimately deemed by the appraiser to be an unreliable indicator of value due to contradictions in information received from the listing

broker and the County's Land Use Services Department regarding the parcel's development potential. Additionally, the fact that this parcel has fallen out of escrow twice creates additional uncertainty about its reliability as a value indicator.

The comparable sales data analyzed are in the immediate vicinity of the appraisal's subject property and all had a highest and best use that is similar to that of the appraisal's subject property. According to the appraisal report under review, none of the comparable sales were entitled at the time of sale. The comparable sales data range in price from \$8.70/SF to \$14.70/SF and involve commercial and industrial land sales in Bloomington, Rialto, and Fontana. The sales comparison analysis is primarily qualitative in nature but provides compelling logic and reasoning for the value conclusions.

The appraisal report under review provides value conclusions for the appraisal's subject property based on two separate value definitions, market value and fair market value. The appraisal's subject property is bracketed well by the comparable sales; three sales were given an inferior-to-the-subject rating overall while the remaining three sales were given a superior-to-the-subject rating overall, after adjustments. The appraiser concludes to estimates of \$11.00/SF, or \$2,870,000, and \$11.50/SF, or \$3,000,000, for the market value and fair market value of the appraisal's subject property, respectively. These conclusions are considered reasonable in light of the market data and analyses presented as well as in consideration of the "most probable price" and "highest price" concepts associated with the definitions of market value and fair market value, respectively.

The concluded market value and fair market value of \$2,870,000 and \$3,000,000, respectively, for the appraisal's subject property are found to be reasonable, supported, and credible, in light of the assumptions on which they are based. Only the sales comparison approach was utilized, which is appropriate since the underlying land value is being analyzed in the appraisal. The appraisal under review is considered to be (1) based on relevant information and reasonable analyses; (2) adequate for the intended use; and (3) complete.

Only minor typographical errors or omissions were noted but they did not detract from the credibility of the appraisal report under review.

Overall, the appraisal under review is found to be credible, as it includes adequate and sufficient discussion and analyses for the intended use and users; is based on relevant and reasonable analysis; and is complete per County, DGS, and USPAP requirements. It is my opinion the client can rely on the appraisal under review for disposition of the subject of the appraisal under review.

REVIEWER CERTIFICATION

I certify that, to the best of my 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved, aside from the fact that RESD is my employer.
4. In September 2018, I performed a preliminary analysis of the property that is the subject of the appraisal under review to assist the County's Animal Care and Control Division in budgeting a reasonable pricing range for possible acquisition of the subject of the appraisal under review. Otherwise, I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of the assignment.
5. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. my engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. my compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
10. I have made an exterior-only inspection of the subject of the work under review.
11. no one provided significant assistance to me in development or preparation of this report.
12. 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 Practice of the Appraisal Institute.
13. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
14. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Date: November 2, 2018

Signature: _____
Ryan T. Hargrove, MAI, SRA, AI-GRS, CA #AG030578



Interoffice Memo

DATE: March 13, 2019

PHONE: 909-269-1240

FROM: RYAN T. HARGROVE, MAI, SRA, AI-GRS, R/W-AC, MRED, Real Property Agent II
Real Estate Services Department

TO: DAWN MARTIN, Deputy County Counsel
Office of County Counsel

RTH

SUBJECT: AYALA PARK: 18313 VALLEY BOULEVARD, BLOOMINGTON, CALIFORNIA
ANALYSIS OF DEMOLITION COSTS OF EXISTING IMPROVEMENTS AND FAIR MARKET
VALUE CONCLUSION AFTER CONSIDERATION OF DEMOLITION COSTS
APNS 0252-161-09 & 0252-161-10; W.O. 6500 3911

At the request of the Office of County Counsel, this interoffice memo (IOM) is being issued to provide an analysis of demolition costs associated with the existing improvements at Ayala Park and to amend a previously provided fair market value conclusion for Ayala Park to include consideration of said demolition costs. Two prior reports, Appraisal Report 18-50 and Appraisal Review 18-51, are incorporated into this IOM by way of reference.

Appraisal

Appraisal Report 18-50, with an effective valuation date of October 10, 2018, was prepared by Michael Jay Ader of Ader Appraisals. This appraisal provided a fair market value conclusion for the land underlying Ayala Park in the amount of \$3,000,000, assuming an exposure/marketing time estimate of 12 to 24 months.

The aforementioned appraisal was performed with an assignment condition stating that only the value of the subject's underlying land was estimated, under the assumption that the two individual subject parcels were combined into a single development site. Any contributory value or diminution in value associated with the subject's existing improvements was not determined in the appraisal.

Appraisal Review

Appraisal Review 18-51, dated November 2, 2018, was prepared by me to evaluate Appraisal Report 18-50 for adequacy, relevance, reasonableness, completeness, and credibility of the analysis in light of the appraisal problem. Overall, Appraisal Report 18-50 was concluded to be credible, as it included adequate and sufficient discussion and analyses for the intended use and users; was based on relevant and reasonable analysis; and was complete per County, DGS, and USPAP requirements. It was my opinion that the client (the San Bernardino County Board of Supervisors and assigns of the Board to include the following County departments: ACC, CDH, BRPD, RESD, and County Counsel) could rely on Appraisal Report 18-50 for disposition of Ayala Park.

Discussion Subsequent to Appraisal and Appraisal Review

On February 20, 2019, representatives of San Bernardino County (the County) and the Office of Grants and Local Services had a conference call to discuss the conclusions and assignment conditions associated with

IOM: ANALYSIS OF DEMOLITION COSTS OF EXISTING IMPROVEMENTS AND FAIR MARKET VALUE
CONCLUSION AFTER CONSIDERATION OF DEMOLITION COSTS (AYALA PARK)

March 13, 2019

PAGE 2 of 3

Appraisal Report 18-50. In particular, the conversation focused on the assignment condition that only the value of the subject's underlying land was estimated and any contributory value or diminution in value associated with the subject's existing improvements was not determined in the appraisal.

During the course of this conversation, it was agreed that from an investor perspective, in order to achieve the highest and best use concluded in Appraisal Report 18-50 of future development of an industrial facility, it would be necessary to account for demolition of the existing improvements on the subject property. As a result, it was determined that it would be appropriate to estimate the demolition costs for the existing improvements at Ayala Park and deduct them from the fair market value conclusion contained in Appraisal Report 18-50 in order to derive a true fair market value opinion for the Ayala Park site.

Demolition Cost Analysis

I have undertaken an analysis to estimate the costs associated with demolition of the existing improvements on the Ayala Park site. Existing improvements on the Ayala Park site were identified on Pages 37 through 45 of Appraisal Report 18-50. With the exception of minor site improvements that are considered to have a negligible impact on value, my demolition cost analysis considers the existing improvements as identified in Appraisal Report 18-50.

Demolition costs have been estimated based in part via usage of the Marshall Valuation Service (MVS) cost manual, which is an industry-standard guide for developing cost estimates for appraisal purposes. In several instances where MVS did not contain a cost estimate for particular items, I have obtained cost estimates from a Project Manager III from the Project Management Division (PMD) of the County. In the case of two other items, Construction & Disposal Contingencies and Entrepreneurial Profit, the estimated costs were based on my professional experience and judgement. The demolition cost calculations are detailed on Attachment "1" and amount to \$870,000, rounded.

Fair Market Value Conclusion After Consideration of Demolition Costs

When the estimated demolition costs of \$870,000 are deducted from the fair market value conclusion of \$3,000,000 contained in Appraisal Report 18-50, **the result is a fair market value conclusion, after consideration of demolition costs, in the amount of \$2,130,000.**

Attachment “1”

| DEMOLITION COST ESTIMATE | | | | | | | |
|--|--------|--------------|--------------------|--------------------|------------------|-------------------|--|
| Building/Item | SF | Price per SF | Marshall Reference | Current Multiplier | Local Multiplier | Adj. Price per SF | % of Cost |
| Senior Center Demolition (wood frame - class D) | 2,800 | \$5.62 | Sec. 66, Pg. 11 | 1.07 | 1.16 | \$6.98 | --- |
| Pre-school Building Demolition (wood frame - class D) | 3,925 | \$5.62 | Sec. 66, Pg. 11 | 1.07 | 1.16 | \$6.98 | --- |
| Restroom Building Demolition (block - class C) | 750 | \$6.41 | Sec. 66, Pg. 11 | 1.07 | 1.16 | \$7.96 | --- |
| Maintenance Shed Demolition (metal - class S) | 400 | \$5.44 | Sec. 66, Pg. 11 | 1.07 | 1.15 | \$6.69 | --- |
| Demolition Cost for 2 Picnic Shelters (metal - class S) | 1,730 | \$5.44 | Sec. 66, Pg. 11 | 1.07 | 1.15 | \$6.69 | --- |
| Demolition Cost for Playground Equipment | --- | --- | --- | --- | --- | --- | Not in Marshall; used PMD figure |
| Foundation Demolition (all structures and basketball court) | --- | --- | --- | --- | --- | --- | Marshall in line w/ PMD; used PMD figure |
| Structure Abatement | --- | --- | --- | --- | --- | --- | Marshall in line w/ PMD; used PMD figure |
| Septic Tank Demolition | --- | --- | --- | --- | --- | --- | Need size of tank to use Marshall; used PMD figure |
| Asphalt Removal (doesn't include disposal) | 48,000 | \$3.23 | Sec. 66, Pg. 10 | 1.07 | \$1.15 | \$3.97 | --- |
| Concrete Removal & Disposal | --- | --- | --- | --- | --- | --- | Need linear distances to use Marshall; used PMD figure |
| Utility Removal to tie-in (water, electrical, gas, data/fiber) | --- | --- | --- | --- | --- | --- | Not In Marshall; used PMD figure |
| SUBTOTAL 1 | | | | | | | |
| Construction & Disposal Contingendes | --- | --- | --- | --- | --- | --- | Appraiser Estimate |
| Environmental Testing | --- | --- | --- | --- | --- | --- | used PMD figure |
| SUBTOTAL 2 | | | | | | | |
| Entrepreneurial Profit | --- | --- | --- | --- | --- | --- | Appraiser Estimate |
| TOTAL | | | | | | | |
| | | | | | | | |