

±10,482-ft² Underground Utility Easement

South Side of 20th Avenue, East of Little Morongo Road, Desert Hot Springs, CA

Appraisal Report

Market Value Estimate

Fee Simple Estate – As-Proposed



Prepared For:

Mr. Steven Ledbetter, P.E.
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Date of Appraisal Report:

December 18, 2023

Date of Value:

December 6, 2023

CRA File #: 23-2490

2669 Oakcrest Lane, Santa Ynez, CA 93460

CIRIA
CAPITAL REALTY ANALYSTS

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December 18, 2023

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RE: A Fair Market Value Estimate of Total Compensation of a ±10,482-ft² Underground Utility Easement Located on the South Side of 20th Avenue and East of Little Morongo Road, Desert Hot Springs, CA. Also Known as a Portion of Riverside County Assessor's Parcel Number 669-110-001.

Mr. Ledbetter:

With client authorization, the following is a prepared Appraisal Report presenting an opinion of the requested fair market value estimate of the total compensation amount for the subject property on the date of value of December 6, 2023. TKE Engineering Consultants, Mission Springs Water District, and the property owner are the intended users of this Appraisal Report. The applied valuation represents the subject property's market value in an as-proposed condition on the date of value. This appraisal analysis utilizes the guidelines established by the 2020/2023 Uniform Standards of Professional Appraisal Practice. The depth and scope of reporting are consistent with the intended use of the Appraisal Report.

The defined subject property is a ±10,482-ft² underground utility easement on a ±51.71-acre Larger Parcel with frontage on the south side of 20th Avenue. The proposed easement acquisition by the Mission Springs Water District is for a groundwater monitoring well site. This Appraisal Report develops a fair market value estimate for the subject property easement acquisition.

The subject property's Larger Parcel is zoned under the Residential Rural Desert (R-RD) zoning designation per the City of Desert Hot Springs. As of July 7, 2023, and December 6, 2023, site inspections, the Larger Parcel is a raw desert parcel. At the request of the client and intended users, the value of the subject property is based on the as-is condition of the subject site.

I have based this Appraisal Report on current economic conditions as of the date of value. The Appraisal Report identifies the subject property and the market area. It explains the market data and analysis, leading to my value estimates. An adequate understanding of the reported value estimates is incomplete without this report's Assumptions and Limiting Conditions section. The intended users of this report should read this section before relying on any information or analysis presented in this Appraisal Report. There are personal property items that appear in the subject photographs of this report. These items are not part of the subject or included in the final value estimates.

The following Appraisal Report was performed in conformance with acceptable principles and techniques in the valuation of real property in accordance with the State of California Code of Civil Procedure, Title 7, Chapter 4, Article 1, Section 1245.010.

December 18, 2023

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This report is also subject to the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP).

One Hypothetical Condition is applied in this Appraisal Report: (1) The easement is acquired and designed as presented on the date of value. The subject property title is assumed to be clear and marketable, and the information provided to us, both private and public, is accurate and reliable.

Based on the available data and applied analysis, it is my opinion that the fair market value estimate of total compensation of the proposed underground utility easement on the subject property on a date of value of December 6, 2023, is as follows:

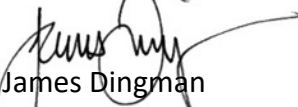
Value Estimates	DOV	Estate	Final Value
Fair Market Value As-Proposed	6-Dec-23	Perpetual Easement	\$2,000

I have no personal interest in the subject property, either past, present, or contemplated, and certify that my employment was not dependent upon producing a particular value or value within a given range. No fee received or receivable in the future for the employment of services is in any way contingent on the opinions reported herein.

If the intended users of this report have any questions concerning the conclusions or analysis presented, please contact me directly, and thank you for the opportunity to be of service.

Respectfully submitted,

Capital Realty Analysts, Inc.



James Dingman
 State Certification No.: AG025869
 Expiration Date: March 2, 2025



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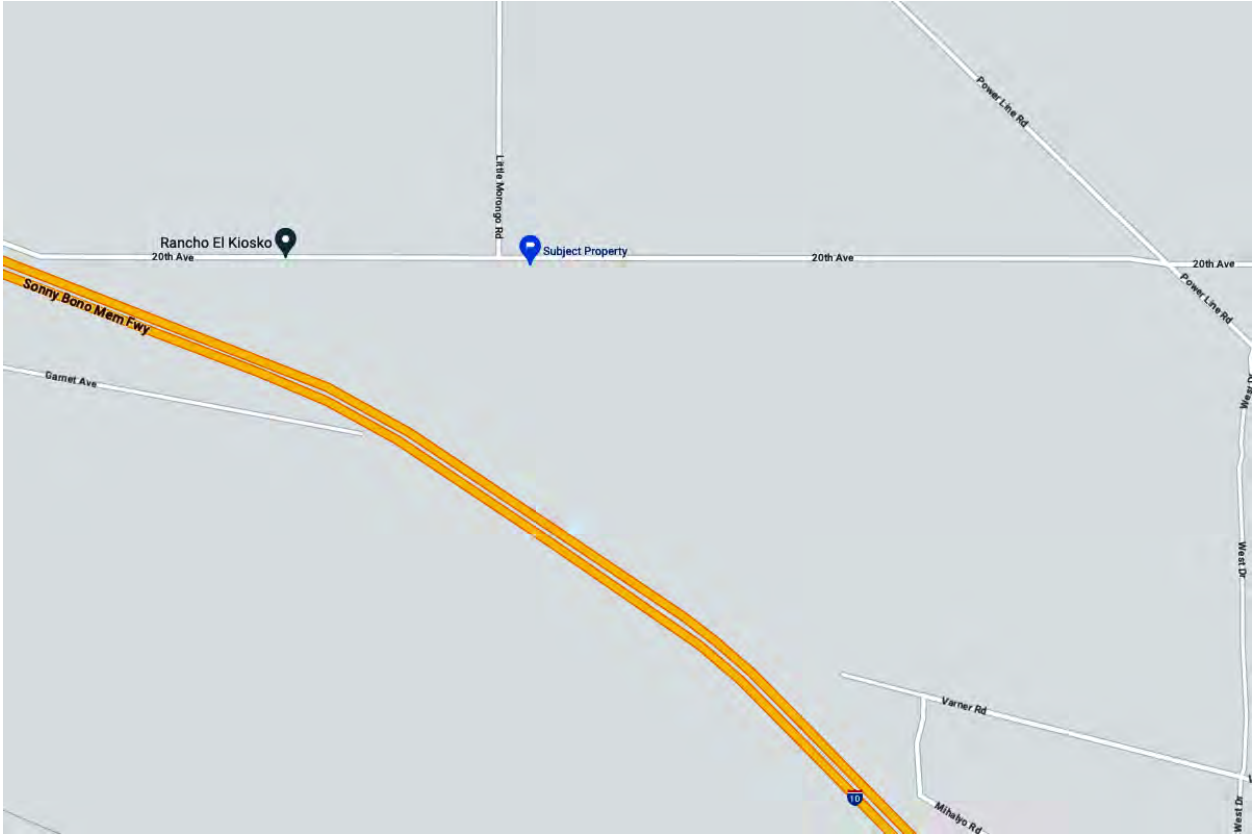
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Summary of Important Facts and Conclusions

Client: TKE Engineering Consultants
Intended Users: Client, landowner, and Mission Springs Water District
Property Type: Vacant Residential Land
Location: Larger Parcel – Southeast corner of 20th Avenue, and Little Morongo Road, Desert Hot Springs, CA
Location Coordinates: 33°54'11.59"N 116°31'37.82"W
Larger Parcel: ±51.71 acres ±2,252,488-ft²
Easement Acquisition: ±0.24 acres ±10,482-ft²
Elevation/Flood Zone: 704' above sea level Zone X (unshaded)
APN: POR APN 669-110-001, Riverside County, CA



Census Tract: 445.24/2154
Type of Report: Appraisal Report
Purpose of the Appraisal: Market Value estimate of a ±10,482-ft² underground utility easement as-proposed
Intended Use: The intended use of this appraisal is to assist the client with an easement acquisition.

Date of Valuation	Dates of Inspection	Date of Report
December 6, 2023	July 7, 2023 / December 6, 2023	December 18, 2023
Owner of Record:	Leslie L Chou	

Summary of Important Facts and Conclusions

Ownership History: The current owner acquired the larger parcel in December 1996 for a recorded \$1,000,000 and has held the property since that time.

Existing Improvements: None – vacant land

Proposed Improvements: ±10,482-ft² underground utility easement

Topography: Undulating, raw desert terrain

Zoning: R-RD, Residential Rural Desert, Desert Hot Springs, CA

Land Use: Residential Rural Desert (1 du/ 5 ac)

Utilities: All available to the site

Easements & Encumbrances: No title report for the subject property was presented for review. This report assumes there are no atypical easements, conditions, title exceptions or encumbrances that would have an adverse impact on the marketability, functional utility, or sale of the subject site. A legal opinion could be obtained from a qualified title expert as to the actual marketability of the subject’s title.

Highest and Best Use: To hold for future development or price appreciation

Final Value Estimate: Based on the available data and applied analysis, it is my opinion that the requested fair market value estimate and total compensation for the underground utility easement as-proposed on December 6, 2023, is as follows:

Value Estimates	DOV	Estate	Final Value
Fair Market Value As-Proposed	6-Dec-23	Perpetual Easement	\$2,000

Scope of the Appraisal

Appraisal Problem

The appraisal assignment presents my analysis and opinion of the fair market value of a planned ±10,482-ft² underground utility easement located on the south side of 20th Avenue, east of Little Morongo Road in Desert Hot Springs, CA, also known as a portion of Riverside County Assessor’s Parcel Number POR 669-110-001.

The subject property is comprised of residentially zoned land positioned in the southern portion of Desert Hot Springs, CA. The Larger Parcel associated with the subject property is determined based on continuity, the unity of ownership and unity of use. As such, the Larger Parcel is best defined as two adjacent parcels currently with a single ownership. Both adjacent properties are owned under a common ownership listed as Leslie L Chou. These include APNs 669-110-001 & 669-120-001. The following table illustrates the sizes of the Larger Parcel, the planned easement acquisition, and the Remainder Parcel.

Well Site Acquisition	Acres	Square Feet
Larger Parcel	±51.71 acres	±2,252,488-ft ²
Easement Acquisition	±0.24 acres	±10,482-ft ²
Remainder Parcel	±51.47 acres	±2,242,006-ft ²

The planned acquisition is ±10,482-ft² in site area and will be acquired as a perpetual easement. The planned acquirer is the Mission Springs Water District.

An underground utility easement is not a common economic unit, and sales of any type are atypical in the market. The valuation process requires a value estimate of the Larger Parcel before and after the site is acquired.

The acquisition does not alter the subject's Larger Parcel's highest and best use as-vacant or as-proposed in the before or after condition. Based on my severance damages and benefits analysis, the proposed acquisition has no material or economic impact on the existing land. The planned easement acquisition by the Mission Springs Water District is for an as-proposed groundwater monitoring well site. In the as-is condition, the easement area is raw land.

I was provided with preliminary site calculations and site engineering for this analysis. No title report was provided, and the analysis assumes there are no atypical easements, conditions, title exceptions, or encumbrances that would have an adverse impact on the marketability, functional utility, or sale of the subject site. A legal opinion could be obtained from a qualified title expert as to the actual marketability of the subject’s title. I conducted a physical site inspection of the subject property on July 7, 2023 and again on December 6, 2023.

I reviewed the site plans supplied by the client and inspected the subject property on the date of value. For the appraisal modeling, I have applied a sales comparison approach of the Larger Parcel in the as-is before-condition and to the Remainder Parcel in an as-is condition after the acquisition. Based on the scope of the appraisal for the Larger Parcel, cost and income valuation models are not applied. These two approaches to value do not provide any additional insight into the requested fair market value estimates or calculations of severance damages and benefits.

Scope of the Appraisal

After estimating the fair market value of the partial acquisition, the analysis considers and calculates severance damages and specific benefits associated with the planned easement acquisition. A benefits and damages calculation is applied to arrive at the net damages to the Remainder Parcel, if any.

The depth and scope of the reporting of the analysis are appropriate in relation to the significance of the appraisal problem. This Appraisal Report identifies the subject property and the market area. It explains the market data and analysis leading to my estimate of value.

It is my objective that the presented appraisal analysis, along with the opinions and conclusion, be those of a disinterested third party. All appropriate data deemed pertinent to the solution of the appraisal problem was collected, confirmed, and reported in compliance with the 2020/2023 Standards of Professional Appraisal Practice and the Code of Professional Ethics of the Appraisal Institute. In addition, this report is intended to comply with the State of California Code of Civil Procedure, Title 7, Chapter 4, Article 1, Section 1245.010.



Picture 1 – Viewing east along 20th Avenue, the Larger Parcel is seen on the right.

Scope of the Appraisal

Scope of Work

Intended Users:	Client, property owner, and Mission Springs Water District
Intended Use:	The intended use of this appraisal is to assist the client with an easement acquisition.
Inspection:	The physical inspections occurred on July 7, 2023 and December 6, 2023.
Information:	I have gathered information on land sales in the competing marketplace. I have supplemented the analysis as necessary with market-based information.
Confirmation:	I have confirmed all comparable data points used in this analysis with at least one of the parties involved in the related transaction.
Analysis:	I have analyzed the data and applied the sales comparison model to arrive at my opinion of market value for the subject property.

Special Assumptions

- 1.** The appraiser was not provided with a soils report for the subject property. A physical inspection of the subject site was made for this analysis. The conclusions assume that no toxic or hazardous materials are present on any section of the subject property. The appraiser is not qualified to decide as to the existence or non-existence of hazardous material on the subject property.
- 2.** A complete environmental site assessment was not made available for this analysis. I am not qualified to detect hazardous waste or toxic material. Any comments that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous wastes for toxic material. Such determination requires investigation by a qualified expert in the field of environmental assessment.
The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may have an impact on the market value of the property. This analysis assumes there are no environmental problems associated with the subject property that could affect its utility, marketability, or market value estimate.
- 3.** Cultural and archaeological reports for the subject property were not made available for review. This analysis assumes there are no cultural and archaeological impacts associated with the subject property that would impact the utility, marketability, or market value estimate of the subject property.

Scope of the Appraisal

4. I reserve the right to amend my analysis based on any additional information that might have an impact on the condition and usefulness of the site.

Hypothetical Conditions: The easement is acquired and designed as presented on the date of value.

Extraordinary Assumptions: None

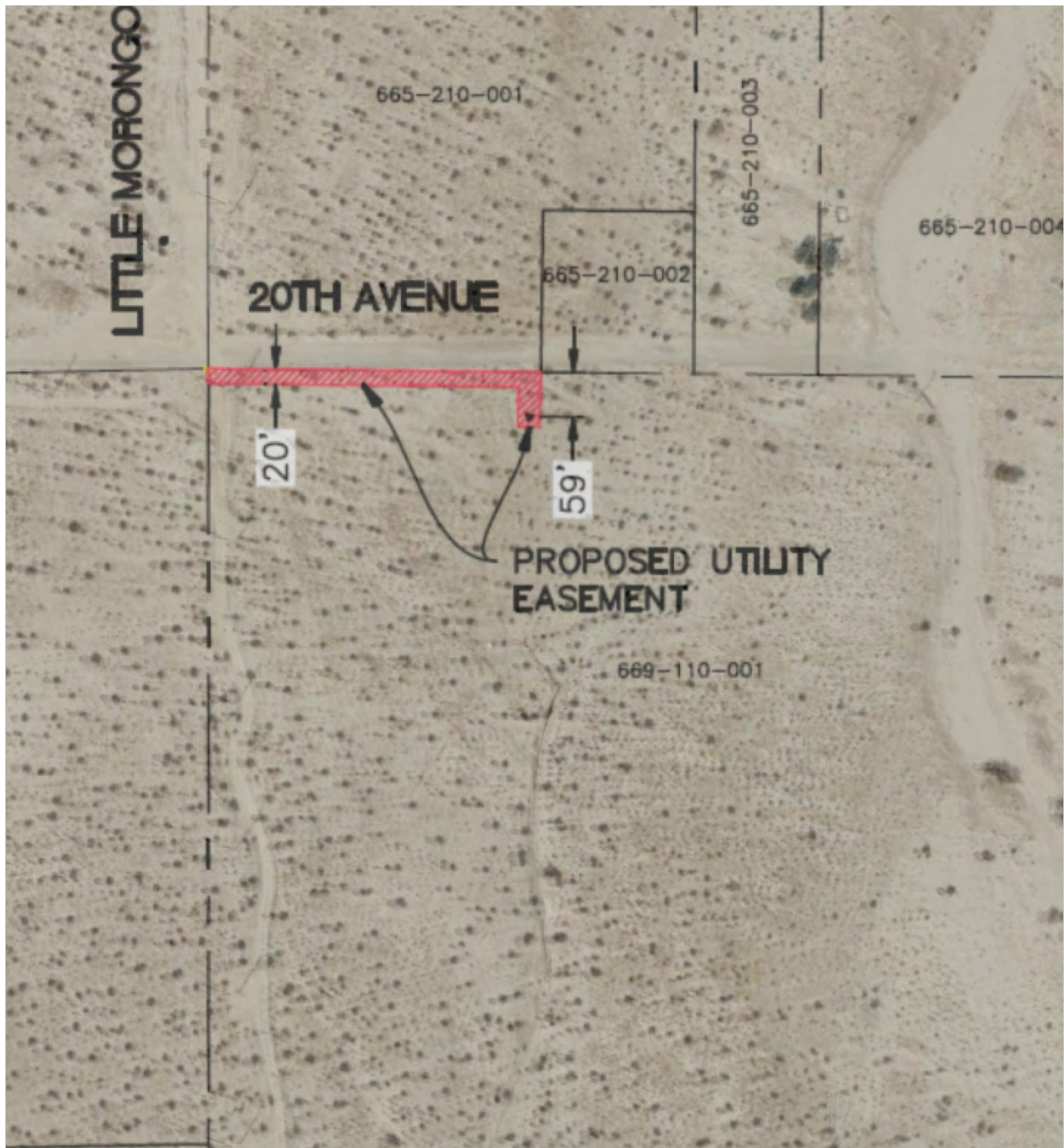


Figure 1 – Easement location

Scope of the Appraisal – Definitions

Fair Market Value

(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.¹

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.”²

Just Compensation

For the purposes of this appraisal, just compensation is computed as the fair market value of the acquired parcel, plus any damages to the remainder parcel as a result of the acquisition and/or the cost to cure said severance damages to the remainder, if any.

Hypothetical Condition

“1. A condition that is presumed to be true when it is known to be false. 2. 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. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”³

Extraordinary Assumption

“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. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”⁴

¹ CA Civ Pro Code § 1263.320 (2016)

² Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

³ Ibid

⁴ Ibid

Introduction – Description of the Subject Property



The defined subject property is a ±0.24-acre portion of a ±51.71-acre Larger Parcel located on the southeast corner of 20th Avenue, and Little Morongo Road in the southern portion of Desert Hot Springs, CA. The Larger Parcel associated with the subject fronts along the south side of 20th Avenue. A dry wash area runs along the eastern portion of the subject's Larger Parcel though does not impact the proposed easement area. The planned easement acquisition by the Mission Springs Water District is for an as-proposed groundwater monitoring well site. The Larger Parcel is raw, vacant residential land.

Based on public record and property owner information, the subject property Larger Parcel has not been sold within the last 3 years. The property has not been marketed for sale in the last 12 months. Based on my inspection, the subject property is considered readily marketable if offered at fair market values.

Introduction – Description of the Subject Property

Legal Description

40.00 Acres M/L In Por Nw ¼ of Sec 24 T3S R4E

Assessor’s Parcel Numbers / Larger Parcel Size

Larger Parcel – APNs 669-110-001 & 669-120-001, ±51.71 acres / ±2,252,488-ft²
Riverside County, CA

Census Tract Number

445.24 / 2154

Statement of Ownership

According to public records, the title to the subject property is vested in Leslie L Chou.

Easements and Encumbrances

No title report for the subject property was presented for review. This report assumes there are no atypical easements, conditions, title exceptions or encumbrances that would have an adverse impact on the marketability, functional utility, or sale of the subject site. A legal opinion could be obtained from a qualified title expert as to the actual marketability of the subject’s title.

Zoning

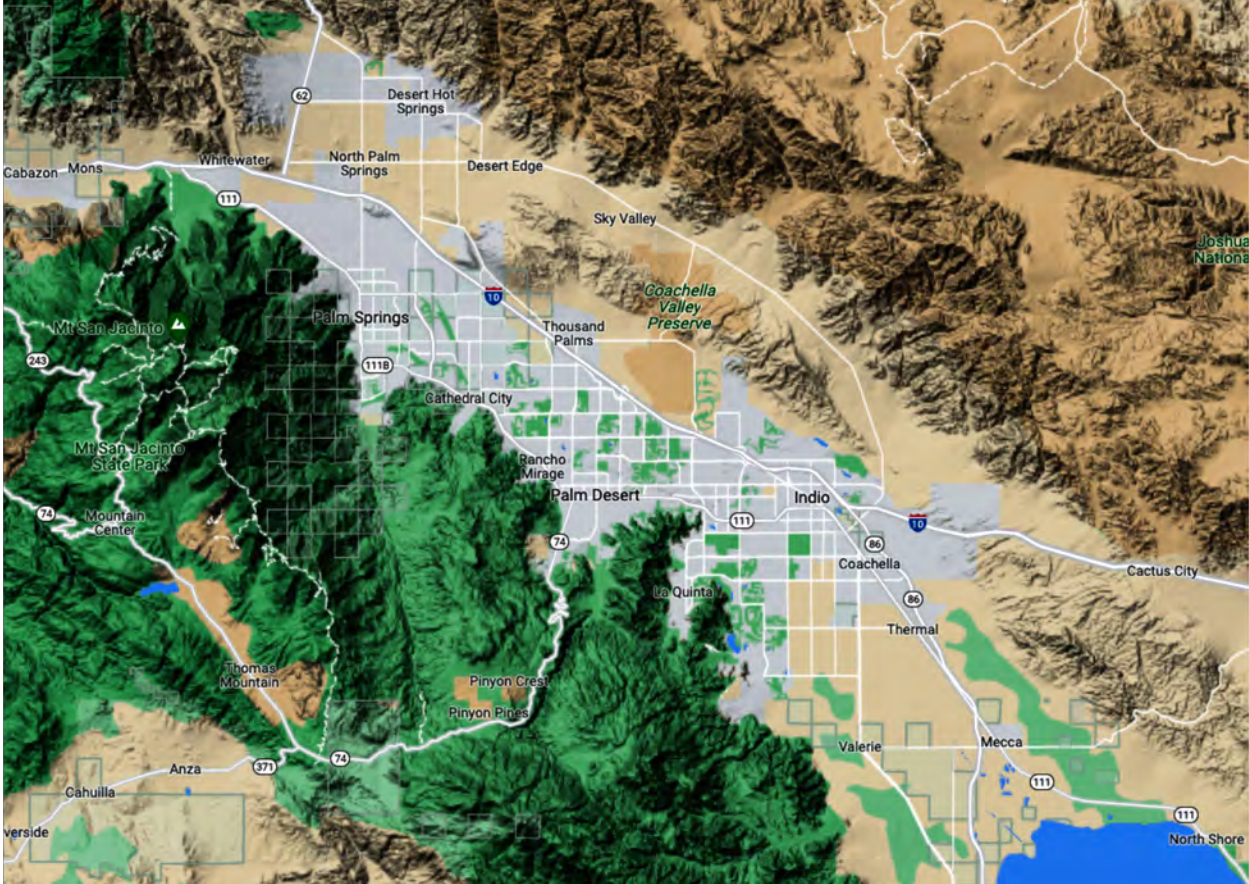
According to City of Desert Hot Springs’ Planning Department, the subject is zoned R-RD, Residential Rural Desert, with a consistent land use designation.

Assessment and Taxation

Parcel Number	Assessed Land	Assessed Improvements	Assessed Personal Property	Assessed Total	2022 Taxes	Effective Tax Rate
669-110-001	\$225,862	\$0	\$0	\$225,862	\$2,941	1.30%
669-120-001	\$114,367	\$0	\$0	\$114,367	\$1,490	1.30%
Total	\$225,862	\$0	\$0	\$340,229	\$4,431	1.30%

Real property taxation in the State of California is governed by Proposition 13, which was passed by the voters in June 1978. The tax rate was limited to 1% of the assessed value plus an additional 1/4% to cover the payment of debts previously approved by voters. For a property purchased after March 1, 1975, the law requires the assessment to be based on the market value at the time of sale. All assessed values can increase no more than 2% per year for inflation. Based on the condition and utility of the subject site, the valuation used in the assessment of the subject property appears below market value, though subject to Proposition 13 rules and reassessment. The tax rate for the site is representative of comparable properties in this portion of Riverside County, CA.

Regional Analysis- Coachella Valley, California



Coachella Valley

The Coachella Valley is located in Riverside County ±110 miles east of Los Angeles, ±270 miles west of Phoenix, and ±75 miles north of the Mexican border. The Little San Bernardino Mountains to the north, the Santa Rosa’s to the south, and the San Jacinto Mountains to the west shelter the Coachella Valley, which covers ±303.9 square miles. Palm Springs is the westernmost city of the region. Other desert cities include Desert Hot Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, and Coachella. The unincorporated areas of North Palm Springs, Thousand Palms, Sun City, Bermuda Dunes, Thermal, and Mecca are also located in the Coachella Valley.

History

For over 1,000 years, Cahuilla tribes occupied canyons on the southwestern edge of the Coachella Valley, where permanent streams flowed from the San Jacinto Mountains. The early Spanish explorers called the hot springs where the city of Palm Springs now stands Agua Caliente, later used to refer to the local Cahuilla band. In 1876, the federal government divided the valley into a checkerboard. Odd-numbered sections were granted to the Southern Pacific Railroad, while the even-numbered sections were given to the Agua Caliente as their reservation. Not until the 1940s did surveys establish the boundaries. By then, much of the Native American land had been built on.

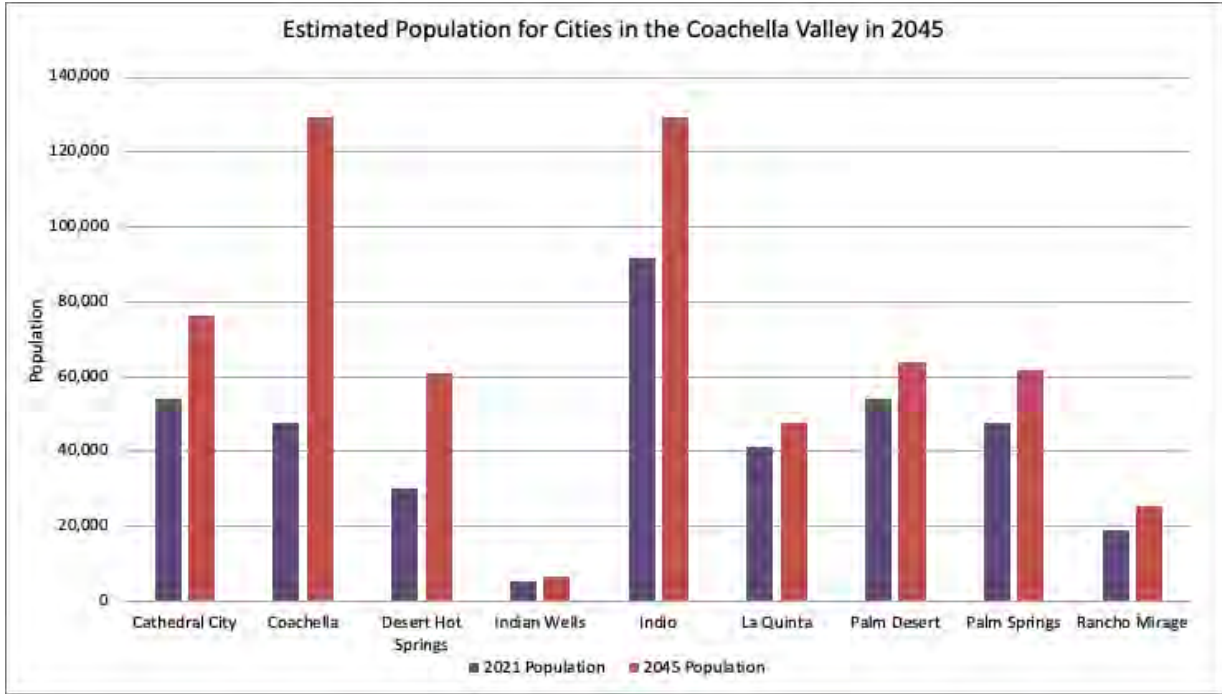
Regional Analysis- Coachella Valley, California

At the southern end of the valley, Indio began as a construction camp for the railway and its artesian water was tapped to irrigate crops. Date palms from Algeria were imported in 1890 and have become the valley’s major crop, along with citrus fruits and table grapes. The entire valley was developed first as farmland, later with health spas, hotels, and resorts. In the 1920s, Palm Springs became a winter playground for the stars in Hollywood’s golden era, many of which built mid-century modern homes in the valley during the 1940s and ‘50s.

Demographics

According to the California Department of Finance, the population of the incorporated cities of the Coachella Valley is estimated at ±371,812, a 4.21% decrease from the 2020 figure. Annual growth patterns in the area are somewhat sporadic. Since the 2010 US Census, the population of the Coachella Valley has increased 7.3%. Over the last decade, the majority of the growth has occurred in Indio, Coachella, Desert Hot Springs, and Palm Desert.

Analysts expect the pattern of growth to continue in the Valley. By 2045, the population is projected to expand to over 600,000 residents. In addition to Coachella Valley’s permanent residents, there are approximately 170,000 additional seasonal residents that call the Valley their home. The figure below illustrates the anticipated population of the cities of the Coachella Valley by 2045.



The median age in the Coachella Valley varies substantially from one city to the next. Indian Wells has the highest median age at ±67.8 years while Coachella has the lowest (±34.5 years). The median age, especially in the eastern end of the Valley, has been dropping and is projected to continue to decline over the next decade. Median household income shows the same pattern, higher in the central cities and lower in the outer cities. The cities in the eastern end of the Valley report the lowest household incomes. The American Community Survey concludes the average household size in Riverside County is ±3.28 people.

Regional Analysis- Coachella Valley, California

Economy

Tourism, retail, healthcare, construction, and agriculture are the main industries in the Coachella Valley. The construction, hotel, and entertainment sectors each account for approximately 20% of the payroll base; retail 15%; healthcare 12%; and agriculture 10%.

As of June 2023, the regional unemployment rate was reported to be 5.7%. Out of all the communities in the region, Mecca had the highest level of unemployment at 12.2%, and Thousand Palms had the lowest level of unemployment at 3.3%. The region’s economy is heavily dependent upon tourism, and business closures resulting from the COVID-19 pandemic significantly increased unemployment. Most areas have reached pre-pandemic unemployment levels. The table below is an overview of Coachella Valley’s labor market for June 2023.

Area Name	Labor Force	Employed	Unemployed	Unemployment Rate
Cathedral City	27,100	25,800	1,300	4.7%
Coachella	20,300	18,400	1,900	9.2%
Desert Hot Springs	12,000	11,300	700	5.6%
Indian Wells	1,700	1,700	100	3.7%
Indio	41,700	39,400	2,200	5.3%
La Quinta	19,700	18,800	1,000	4.9%
Mecca CDP	2,700	2,300	300	12.2%
Palm Desert	25,300	24,100	1,200	4.8%
Palm Springs	23,600	22,500	1,100	4.5%
Rancho Mirage	6,600	6,100	500	7.1%
Thousand Palms CDP	3,300	3,200	100	3.3%
Coachella Valley	184,000	173,600	10,400	5.7%

The adjacent table shows the major employers in Riverside County that operate in the Coachella Valley. The number of total workers in the Coachella Valley is somewhat undefinable as illegal immigrants make up a large portion of the labor market. More than 230,000 illegal workers are estimated to be participating in Riverside County’s work force. In the Coachella Valley, this segment of the workforce is considered vital to the hospitality, construction, agricultural, and landscaping industries.

Business Name	City	Industry
Eisenhower Medical Center	Rancho Mirage	Healthcare
Desert Sands Unified School District	La Quinta	Education
Palm Springs USD	Palm Springs	Education
Coachella Valley Unified School District	Thermal	Education
Agua Caliente Band of Cahuilla Indians	Rancho Mirage	Tribal Govt/Casinos
JW Marriott Desert Springs Resort & Spa	Palm Springs	Hospitality
Desert Regional Medical Center	Palm Springs	Healthcare
La Quinta Resort & Club/PGA West	La Quinta	Hospitality
Universal Protection Systems	Palm Springs	Services
Fantasy Springs Resort Casino	Indio	Hospitality
Morongo Casino Resort & Spa	Cabazon	Hospitality

In 1991, the State of California Department of Commerce approved the establishment of the Coachella Valley Enterprise Zone. The intent was to diversify the Valley’s economy, making it less dependent on agriculture and tourism, leading to a more balanced economy. Businesses were offered incentives such as tax credits and benefits to relocate to the Coachella Valley. The program was unsuccessful in attracting large manufacturing or distribution companies, and in December 2013, the Enterprise Zone Program was eliminated.

Regional Analysis- Coachella Valley, California

The valley's most crucial tourism sector has been the driving force in the local economy. World-class golf and tennis facilities and events, coupled with abundant sunshine attract both domestic and international visitors. Tourism was the region's number one industry in 2022, with \$7.1 billion in visitor spending and an estimated economic impact of \$8.7 billion. Visitor spending reached 120% of 2019 levels with visitor volume nearly even with pre-pandemic levels. The visitor volume represented a year-over-year increase of 10.4%, with an increase of 25.9% in year-over-year spending.

The Greater Palm Springs Convention and Visitor's Bureau (CVB) drafted a 10-year plan in 2016 with the primary goal of creating regional economic resiliency in the tourism industry. The organization works with a variety of stakeholders to increase events and tourists to the region with an aim to increase visitation to 16 million by 2026. With the onset COVID-19, the CVB shifted focus to take a leading role in promoting safety guidelines for the tourism industry. These guidelines and pledges from businesses to adhere to safety practices were used in marketing campaigns in an attempt to help tourism recover more quickly than in the last recession. Additionally, targeted marketing to international visitors helped lead to full occupancy by summer 2021, and Palm Springs International Airport has seen record numbers of travelers.

The one sector of the Coachella Valley economy that has continued growth despite the deep recession and slow recovery has been healthcare. Healthcare is an important economic driver in that much of the funding comes from insurance policies and federal programs like Medicare. In 2018, eastern Coachella Valley voters approved extending the Desert Healthcare District and Foundation boundaries to cover the entire Coachella Valley region. This expansion, coupled with an increase in retirees in the region, will continue to place demands on the healthcare network.

Agriculture, irrigated by the nearby Colorado River, has traditionally been an important component of the Valley's economy; however, farming has pushed eastward as the Valley's population expands. According to the Coachella Valley Water District 2021 Agricultural Production report, annual crop production decreased to \$575 million, down from \$596 million in 2019. Approximately 59,101 acres were planted in 2020, with the primary crop categories being grapes, dates, bell peppers, citrus, turf grass, carrots, and lettuce. According to the Riverside County Agricultural Commissioner's production report, the county ranks as the 14th largest agricultural county in the state with a gross value of \$1.32 billion. Of the four districts within the county, the Coachella Valley accounted for 58% of countywide production in 2020.

Housing

Despite the regional economic damage caused by the COVID-19 pandemic, the housing market has held up fairly well. Median home prices in the Coachella Valley reached new highs during 2021 and 2022 driven by pandemic-induced demand for housing in less populated regions, though prices have begun to come down with many reporting submarkets reporting year-over-year decreases. The median home price within the Valley only increased 0.7% year-over-year in June 2023. Within the Coachella Valley, Thermal saw the largest year-over-year decrease in median home prices in June 2023, though it is a low volume market. Indian Wells had the largest increase in year-over-year median home prices. Indio, Palm Desert, La Quinta, and Palm Springs had the largest unit volumes.

Regional Analysis- Coachella Valley, California

In Desert Hot Springs, the median home sales price in July 2023 was \$375,000, down by 6.6% from the June 2022 value. Only three Coachella Valley submarkets have experienced year-over-year gains in home prices, and several markets showed decreases of more than 5%. The market remains undersupplied, and cities within the Valley have approved 490 permits for single family housing for at the end of the 2nd quarter of 2023.

Coachella Valley Median Home Sale Prices				
Region	No. Sold	Median Price June 2022	Median Price June 2023	▲% Y-O-Y
Coachella Valley	578	\$670,000	\$675,000	0.7
Bermuda Dunes	14	\$763,500	\$739,000	-3.2
Cathedral City	40	\$533,500	\$521,750	-2.2
Coachella	15	\$437,000	\$480,315	9.9
Desert Hot Springs	56	\$401,500	\$375,000	-6.6
Indian Wells	20	\$1,310,000	\$1,450,000	10.7
Indio	116	\$595,000	\$574,950	-3.4
La Quinta	83	\$815,000	\$849,500	4.2
Palm Desert	99	\$679,000	\$635,000	-6.5
Palm Springs	84	\$1,132,500	\$1,110,000	-2.0
Rancho Mirage	42	\$1,150,000	\$1,135,000	-1.3
Thermal	9	\$275,000	\$244,750	-11.0

Conclusion

The Coachella Valley’s economy is traditionally influenced by seasonal trends, tied to the influx of tourists and part-time residents. The region is projected to continue to grow rapidly (in relation to neighboring regions) over the next few decades as the large Baby Boomer demographic is now entering retirement age. The Coachella Valley has historically attracted Baby Boomers and relatively affluent retirees, and the region continues to enhance its appeal with this demographic by configuring shopping, entertainment venues, and planned housing developments ranging from upper middle to high-end geared to this segment. With additional growth in the permanent population, the economy is likely to become less vulnerable to seasonality.

As with other less populated areas, the Coachella Valley experienced a pandemic-induced real estate boom. In the post-pandemic economy, the Coachella Valley is positioned for a modest growth forecast as stabilization of the residential and labor markets continue to take hold.

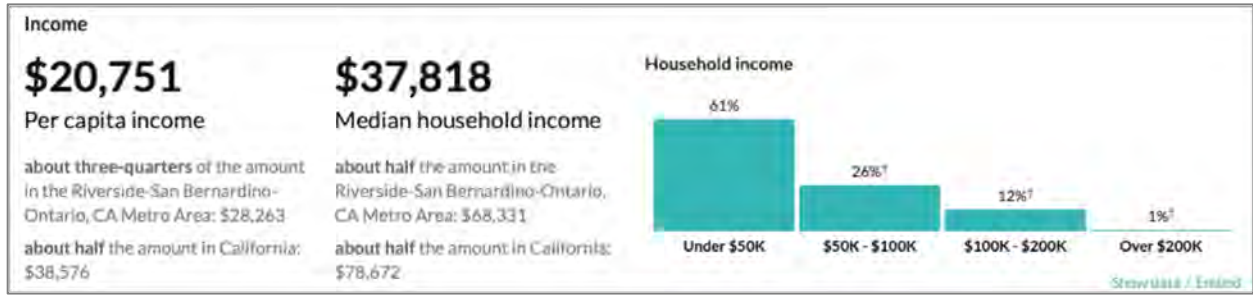
City Analysis- Desert Hot Springs, California



Desert Hot Springs, California, located in central Riverside County at the northwestern end of the Coachella Valley, is ±109 miles east of Los Angeles and ±141 miles northeast of San Diego and covers ±30 square miles. Desert Hot Springs is nestled between the San Jacinto Mountains and the foothills of the San Bernardino Mountains near the Mission Creek Preserve, a part of the



Wildlands Conservancy. Known as California’s Spa City, it is one of several places in the world with naturally occurring hot and cold mineral springs, which, unlike many hot springs with high sulfur content, are odorless.



Desert Hot Springs was the first city in Southern California to legalize marijuana which has led to an economic boom for the city. Already known as a tourism-driven economy, Desert Hot Springs is looking to capitalize on the establishment of a niche market for ‘cannatourism’.

Neighborhood – Market Analysis



Overview

The purpose of a market analysis is to give an overview of the competitive environment within which the subject property is located. The goal is to quantify the marketing and exposure periods for the subject property if offered in the market at a market value price. The first steps in this process are to delineate and describe the subject market area, identify the various components of the subject, and review the history of the submarket.

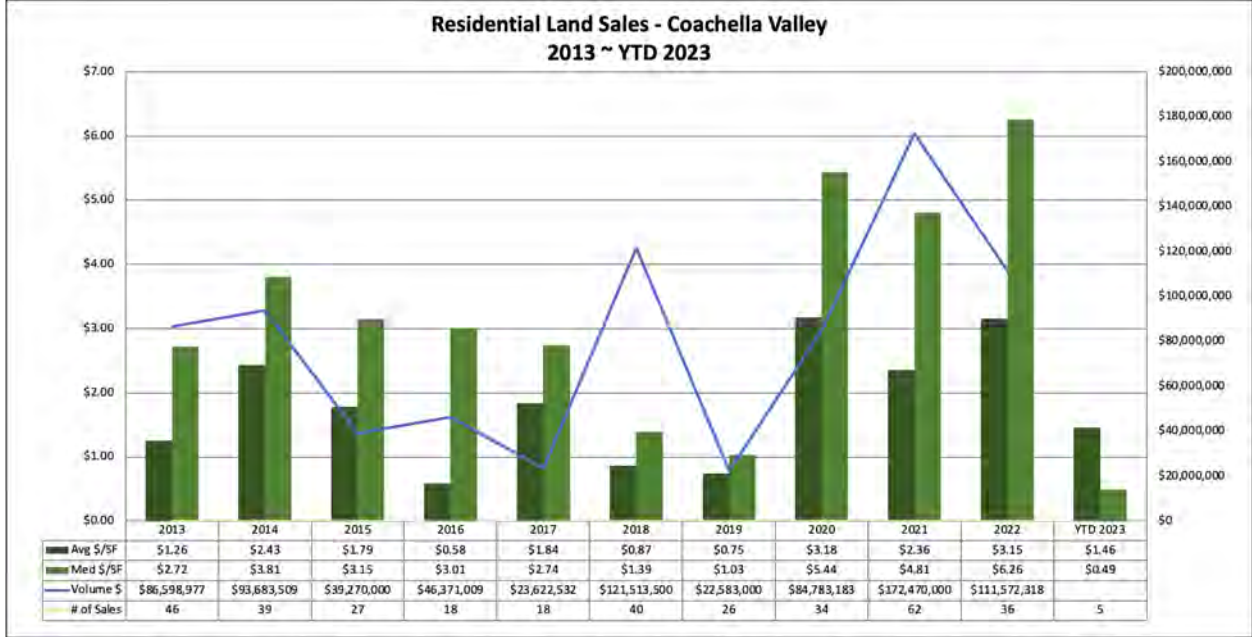
The subject property is located on the south side of 20th Avenue, east of Little Morongo Road inside the city limits of Desert Hot Springs, CA. There is a significant amount of vacant land surrounding the subject property, though development in this area is occurring. The immediately surrounding parcels are residential and open space zoned properties to the north, east, and south, with commercial zoning to the west. Further from the subject are residential neighborhoods and a few commercial uses. From an economic standpoint, the neighborhood is predominately in the growth stage as development within the city progresses further south and east from the central core.

The neighborhoods within the submarket are developed with a combination of neighborhood commercial uses and average quality single-family residential units. For the most part, residential neighborhoods in Desert Hot Springs have numerous infill parcels as demand for this area has historically been lower than other portions of the Coachella Valley. Development in the subject’s area has occurred in a fragmented fashion and dates from the 1950s to the current time. Demand for residential housing has increased post-pandemic as Desert Hot Springs has some of the most affordable homes in the Coachella Valley. One recently approved development near the subject is for Green Day Village, which will include 608 residential units across 92 two-story, 6-unit buildings, mixed-commercial uses in the eastern part of the project, and six farming areas split between the northern and southern portions.

Neighborhood – Market Analysis

Residential Land Sales – Coachella Valley

For the first part of this analysis, I researched land sales from the broader Coachella Valley market area. The data provides a view of market activity since 2013. The research is based on a combination of Costar Information, the Desert Area MLS system, and private brokerage sources. While this data does not include all the market transactions, its primary purpose is to illustrate a trend in the market as it relates to the most comparable submarkets. The following figure illustrates residential land sales in the broader Coachella Valley over the past ten years.



The Coachella Valley submarket gives a broad perspective of the volume of residential land acquisitions over the past ten years. Over the past ten years, there have been 346 sales with a moving average of \$80,246,803. Generally, the data sample illustrates somewhat volatile sales activity. The early part of the sampling period demonstrated upward trending statistics which then reversed for several years. Dollar volume abruptly spiked in 2018 with a year-over-year unit increase of ±128%. Despite the onset of the COVID-19 pandemic in 2020, unit sales and volume were both up over the 2019 values with dollar volume more than triple from the previous year. Year-ending 2021 saw unit and dollar volume highs, with increases of 88% and 127%, respectively. Median per-square-foot prices passed the \$5 mark in 2020, softened a bit in 2021, and increased by 30.2% in 2022 reflecting increased residential demand. YTD 2023 statistics are on trend for the lowest volume year in the past twenty years.

As of the date of value, there are ±57 parcels for sale or under contract with an anticipated volume of ±\$103 million. The indicated average per acre land value is \$98,373, representing a ±24% increase from the moving average. The average parcel size being marketed is ±20 acres, which represents a ±46% decrease from the moving average. These combined metrics would normally be indicative of stable demand for raw residential land acquisitions; however, the drop in volume for YTD 2023 suggests a significant decrease in demand and pull back in residential construction starts.

Neighborhood – Market Analysis

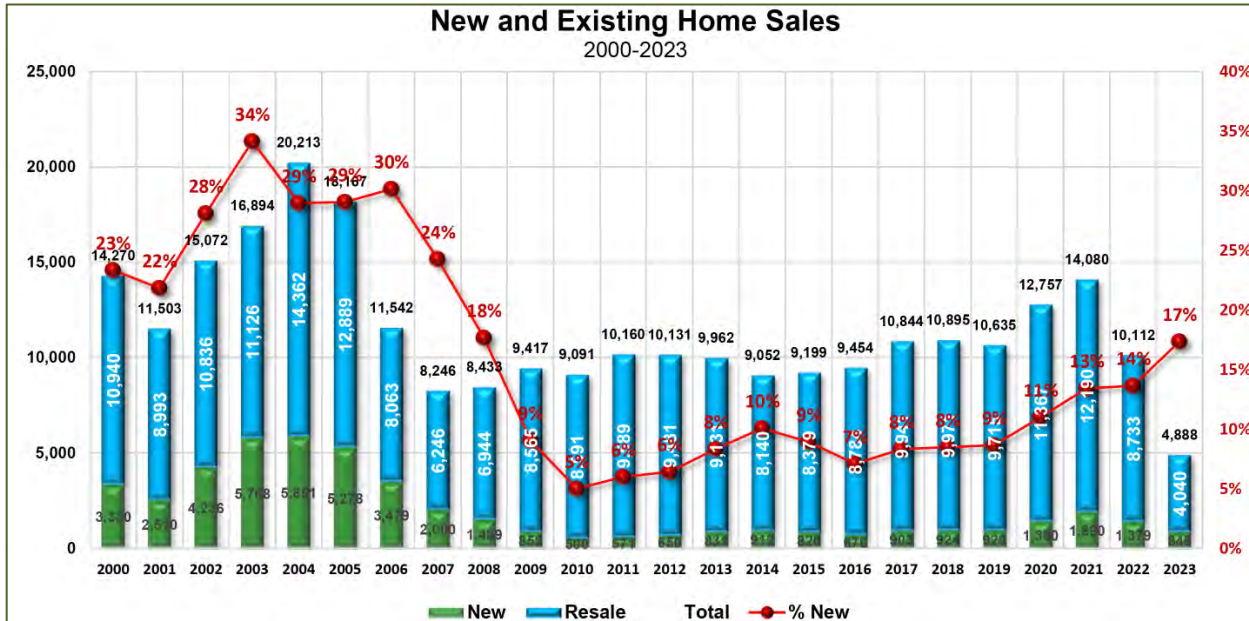
New Home Statistical Summary⁵

There were 438 new homes sold in the 2nd quarter compared to 395 in the 2nd quarter of last year, which is an increase of 11%. Total sales in the quarter were 2,857 units with 2,419 resales compared to total sales of 3,278 a year ago. There's been a large fall off this year in total sales primarily due to a lack of supply in the resale market. The percent of new home sales to total sales for the first two quarters is 17%, which is the highest it's been since 2008 as new homes increase market share.

The 2nd quarter's 438 sales bring trailing twelve-month sales total to 1,319, which is 437 units less than the twelve-month total a year ago due to the lack of supply in the lower price ranges. This is a decline of 24%. The resale market continues to contract, leaving potential buyers with new homes as their only available option.

The available supply of new homes at the end of the quarter was 327 units, which is seven less than last quarter. This shows home builders have a good sense of where the market is and aren't getting ahead of themselves. This will help keep supply and demand in balance helping produce a stable new home price environment during this very difficult period in the resale housing market.

The "months of sales" ratio for new homes is three months compared to one month a year ago. Two years ago, the ratio was 0.8 months. This increase is due primarily to higher inventory and slightly lower sales. The current ratio of three historically represents a balanced market and stable price environment. What's needed is an equal increase in both sales and inventory, which we think might very well occur as the resale market continues to freeze up for lack of inventory.

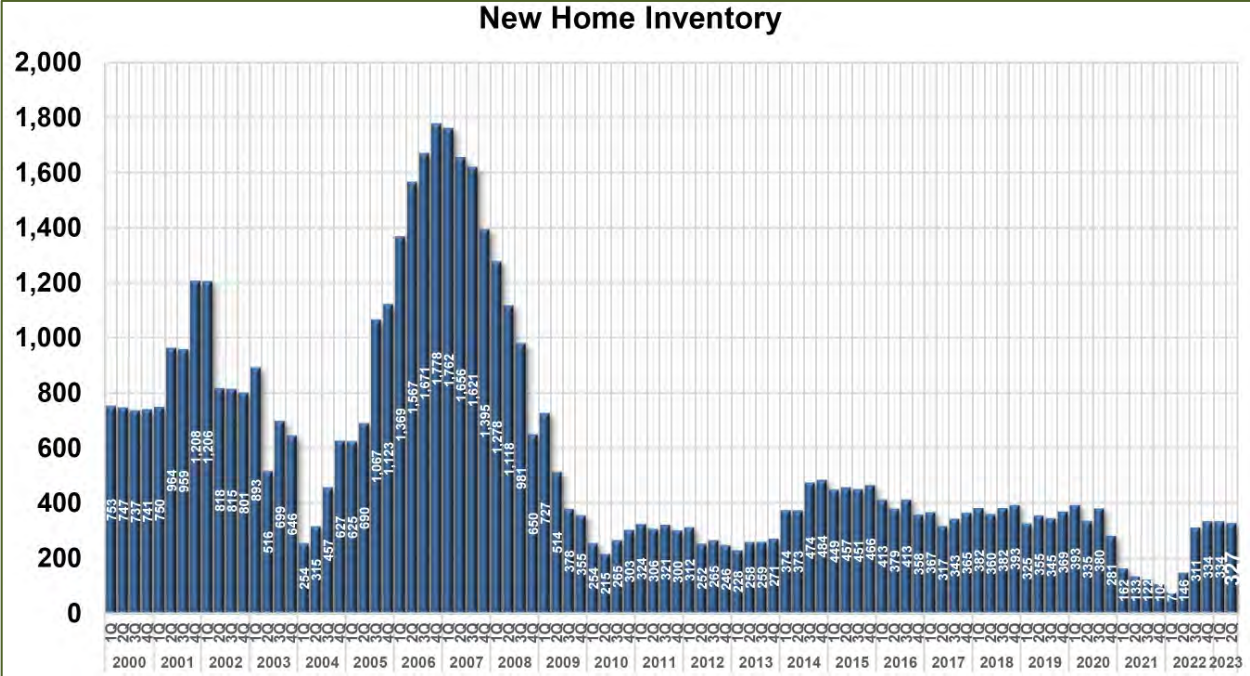


At the end of the 2nd quarter there were 57 active projects compared to 56 at the end of last year. The number of sales per project for the past 6 months was seven units.

⁵ Market Watch – July 2023

Neighborhood – Market Analysis

Building permits for sale in the 2nd quarter totaled 487 detached permits and three attached. Permits by city were: the city of Coachella – 33 permits, Cathedral City – 4 permits, Desert Hot Springs – 19 permits, Indian Wells – 13 permits, Indio – 33 permits, La Quinta – 298 permits, Palm Desert – 33 permits, Palm Springs – 2 permits and Rancho Mirage – 55 permits.



As mentioned on the previous page, there were 438 new homes sold in the 2nd quarter, which brings trailing twelve-month sales total to 1,319, which is 437 units less than the twelve-month total a year ago. This is a decline of 24%. Mortgage buydowns will also continue to give sales of new homes an added boost.

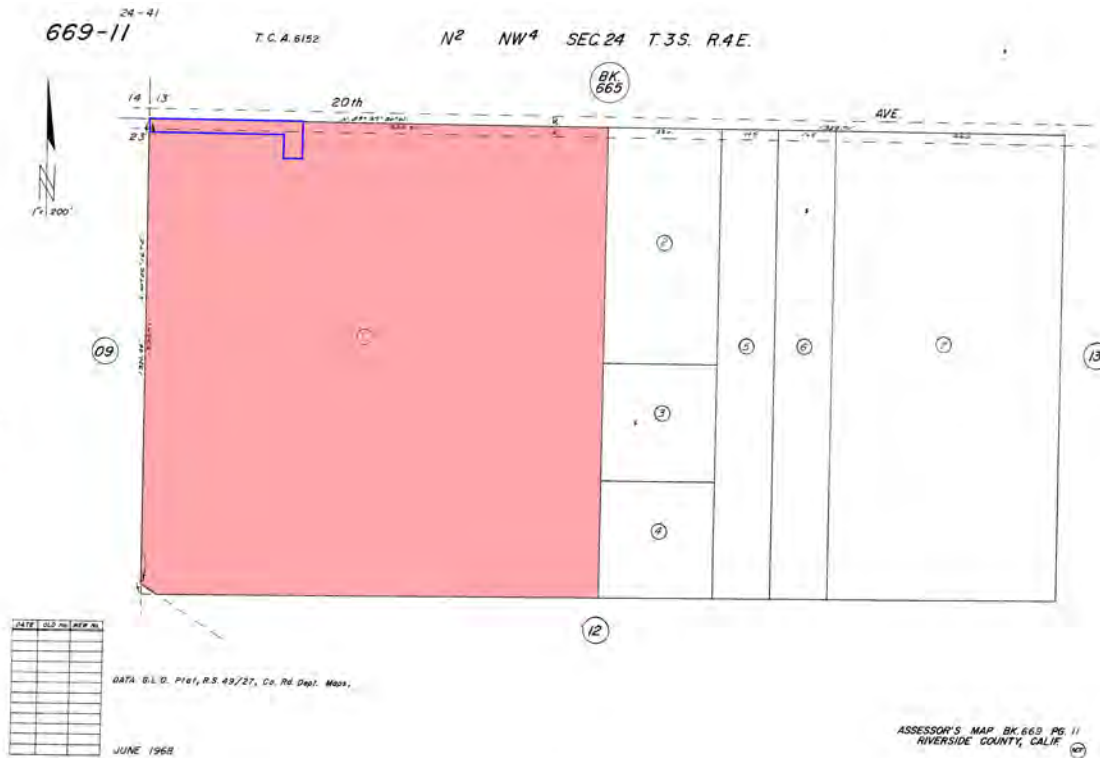
Conclusion

Up until the COVID-19 pandemic, the economic indicators were demonstrating a stabilized pattern. Since 2020, construction activity for new commercial developments has slowed although residential has increased, thus limiting demand for undeveloped commercial land and seeing more conversions of commercial land to residential uses. The residential sales are broadly spread across both detached and attached products. As the residential units continue to be constructed, and older units revitalized, the overall economic drivers of the Coachella Valley will continue to strengthen and stabilize. I expect the current trend to remain in place over the next several years, or until interest rates begin to rise.

Site Analysis

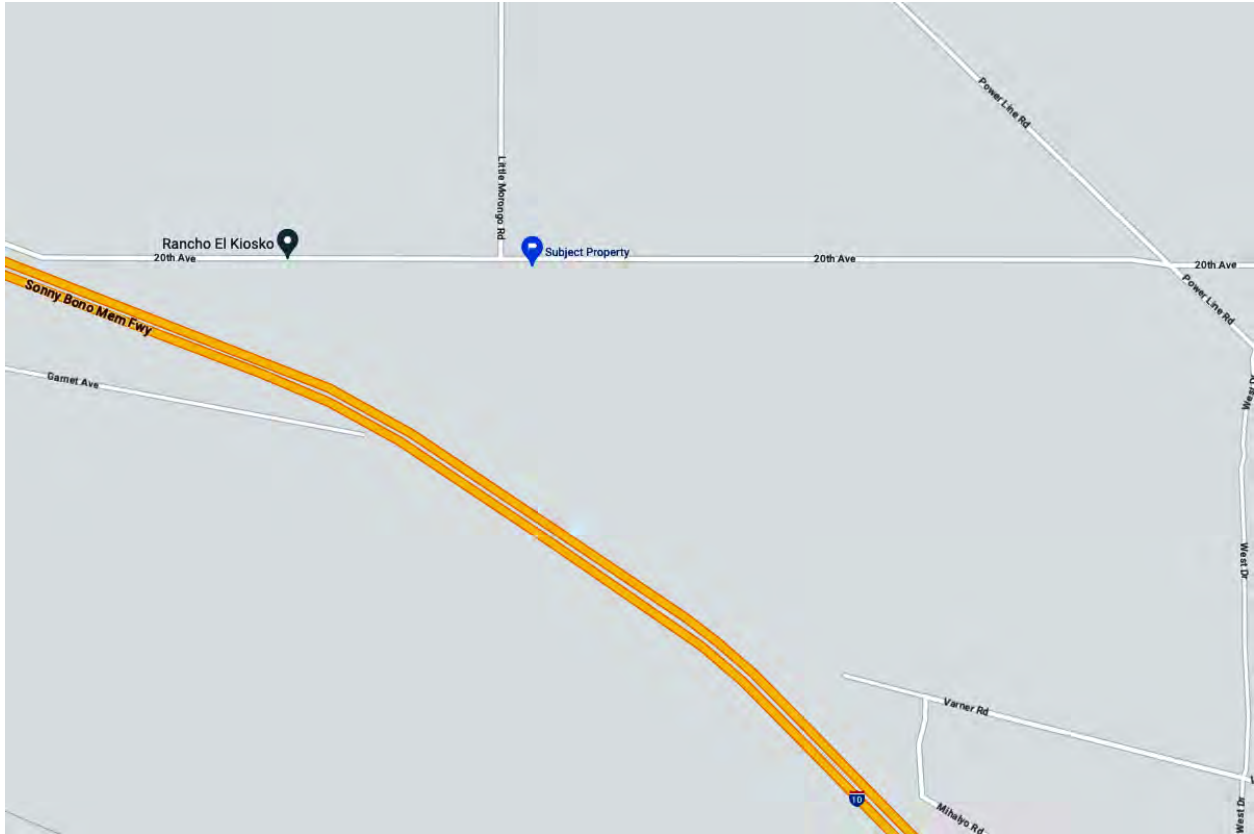


Picture 2 – Satellite view; Larger Parcel is outlined in yellow and subject easement is outlined in blue



Picture 3 – Parcel map 669-11; Larger Parcel is highlighted in red and subject easement is outlined in blue

Site Analysis



Soils: I was not provided with a soils report for the subject property. A physical inspection of the subject site was made for this analysis. This report assumes that no toxic or hazardous materials are present on any section of the subject property. I am not qualified to make a determination as to the existence or non-existence of hazardous material on the subject property and recommend a soils engineer be consulted.

Utilities: All utilities are available at the subject property site. The following public utility companies have jurisdiction over the site:

- Water:** Coachella Valley Water District
- Sewer:** Coachella Valley Water District
- Electricity:** Southern California Edison
- Gas:** Southern California Gas
- Telephone:** Verizon
- Cable Service:** Time Warner Cable
- School District:** Palm Springs Unified School District

Topography: Undulating raw desert terrain

Off-Site Improvements: Two lane roadway, underground and overhead utilities

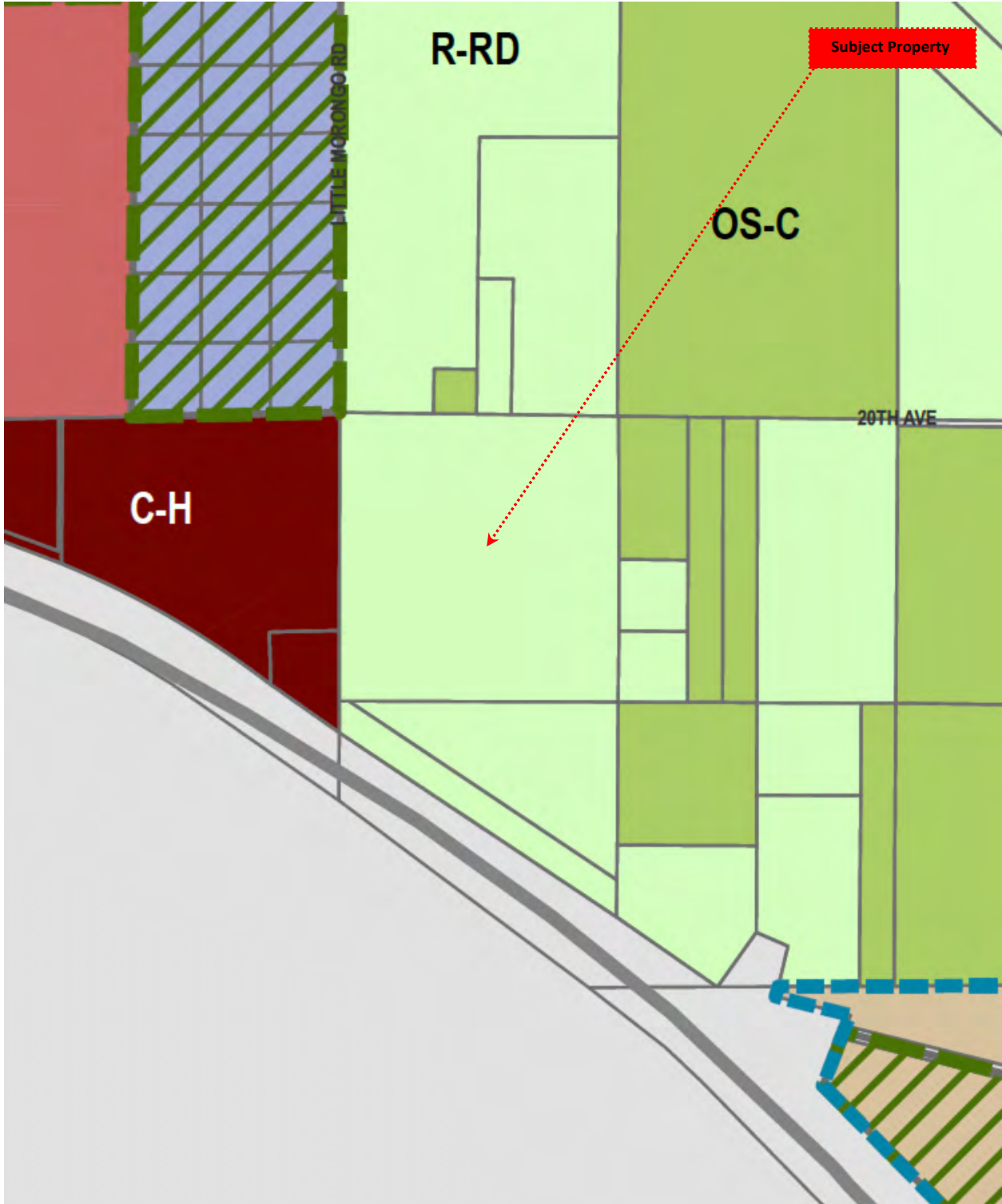
Frontage: 20th Avenue

Maintenance: Public

Site Analysis

Curb and Gutter:	No
Sidewalks:	No
Hazards:	This analysis assumes there are no hidden or unapparent conditions to the soil or subsoil that would render the parcel more or less valuable.
Earthquake Hazard:	The site is not currently noted for being within an Alquist-Priolo Special Studies Zone. According to the State Division of Mines & Geology, this map may not show all faults that have the potential for surface fault or rupture, either within the special studies zones or outside their boundaries.
Improvements:	None
Zoning:	R-RD, Residential Rural Desert, Desert Hot Springs, CA
Land Use:	R-RD, Residential Rural Desert (1 du/5 ac)
Unit of Comparison:	The subject property is valued as unimproved land for residential use. The marketplace typically utilizes a price per square foot when evaluating similar properties. Based on the market preference, the price per square foot is applied in this analysis.
Functional Adequacy:	The shape and size of the site are adequate to support the uses suggested in the Highest and Best Use section of this Appraisal Report.
Adjoining Properties:	
North:	Unimproved Residential/Open Space
South:	Unimproved Residential
East:	Unimproved Residential/Open Space
West:	Unimproved Commercial

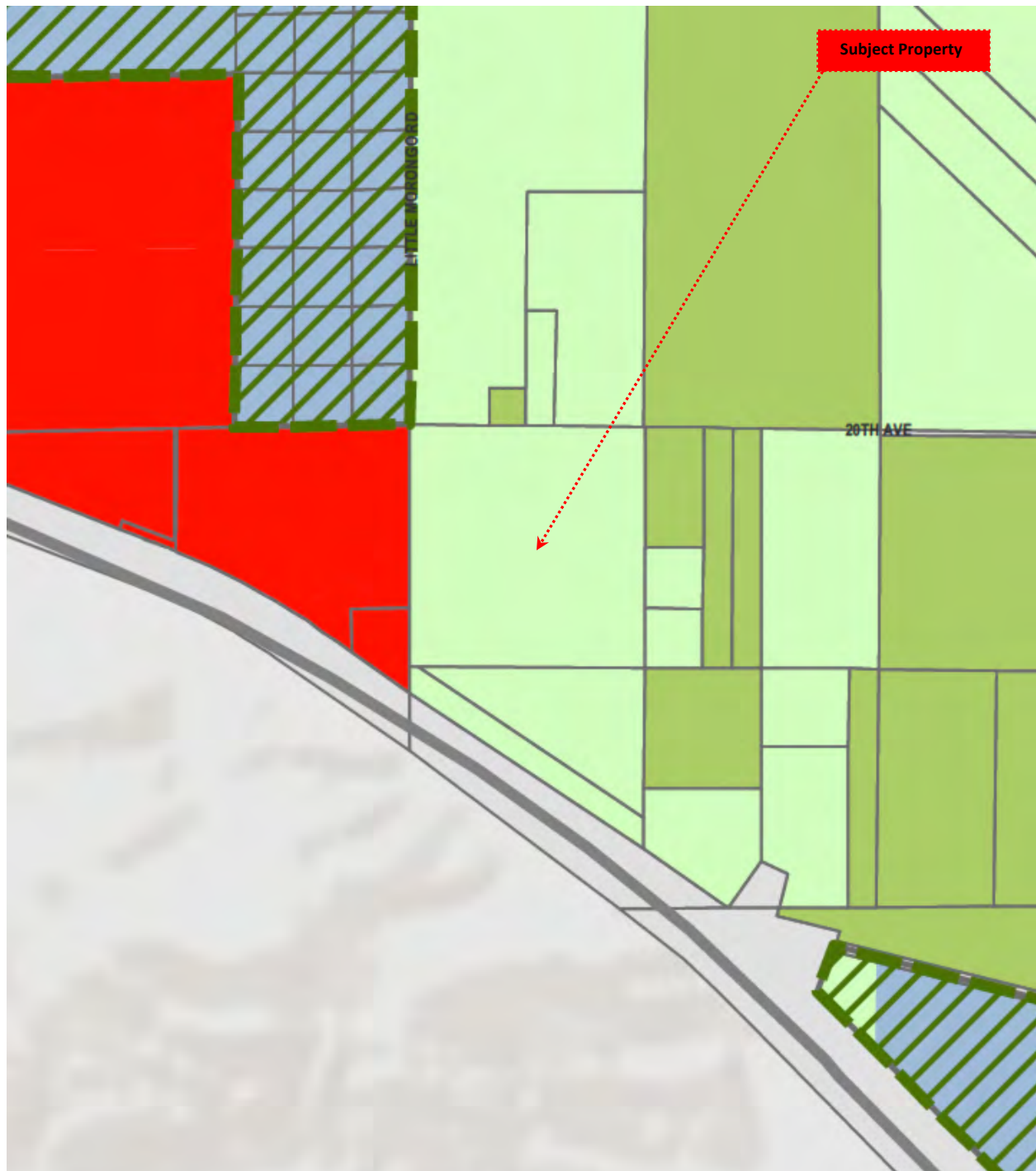
Zoning Map/Ordinance



R-RD (Residential Rural Desert). The district is intended to allow for low-density, rural residential uses at a maximum density of 1 dwelling unit per 5 acres in a manner that will eliminate or minimize impacts on the natural landscape and will encourage conservation.

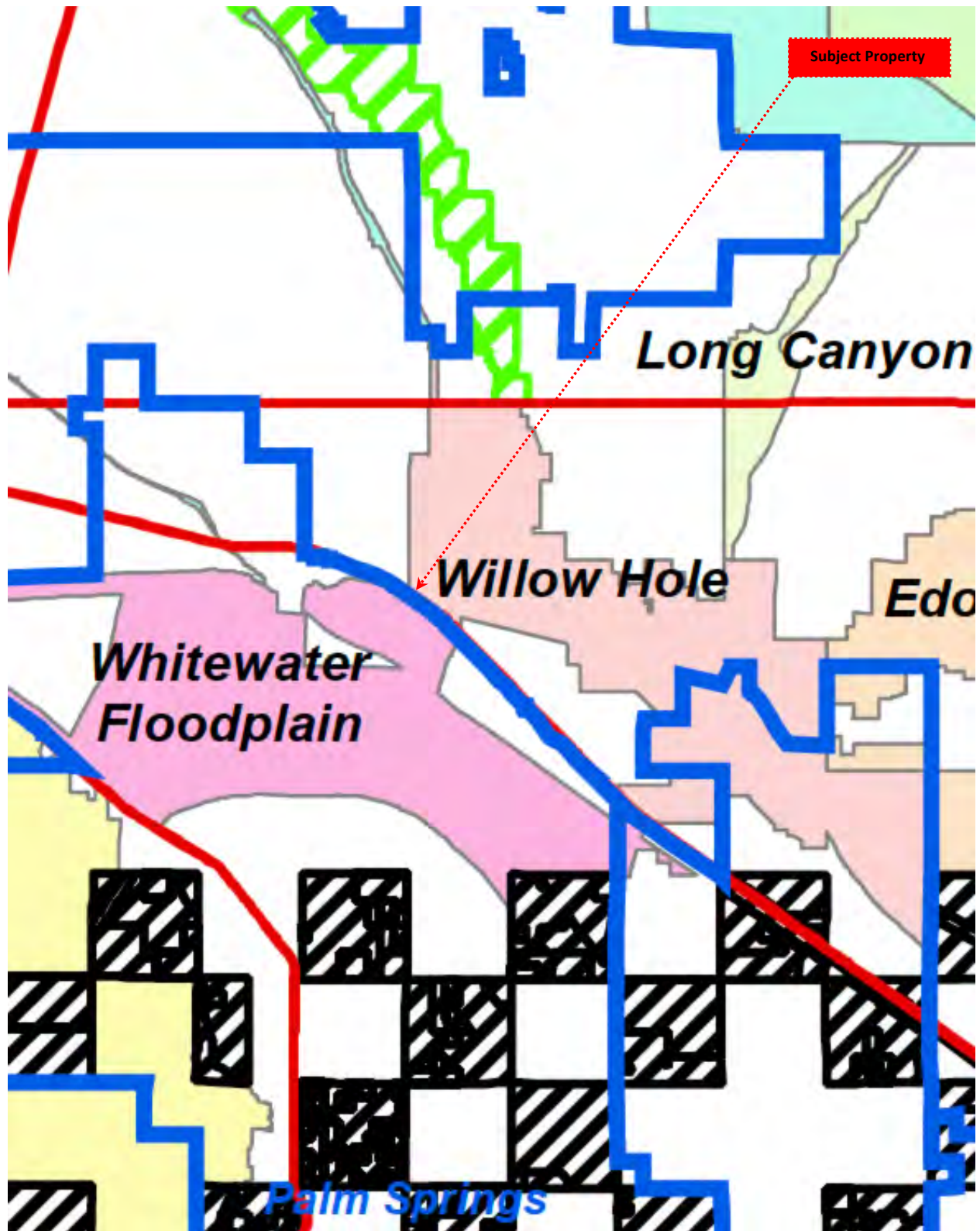
Site Analysis

Land Use Map



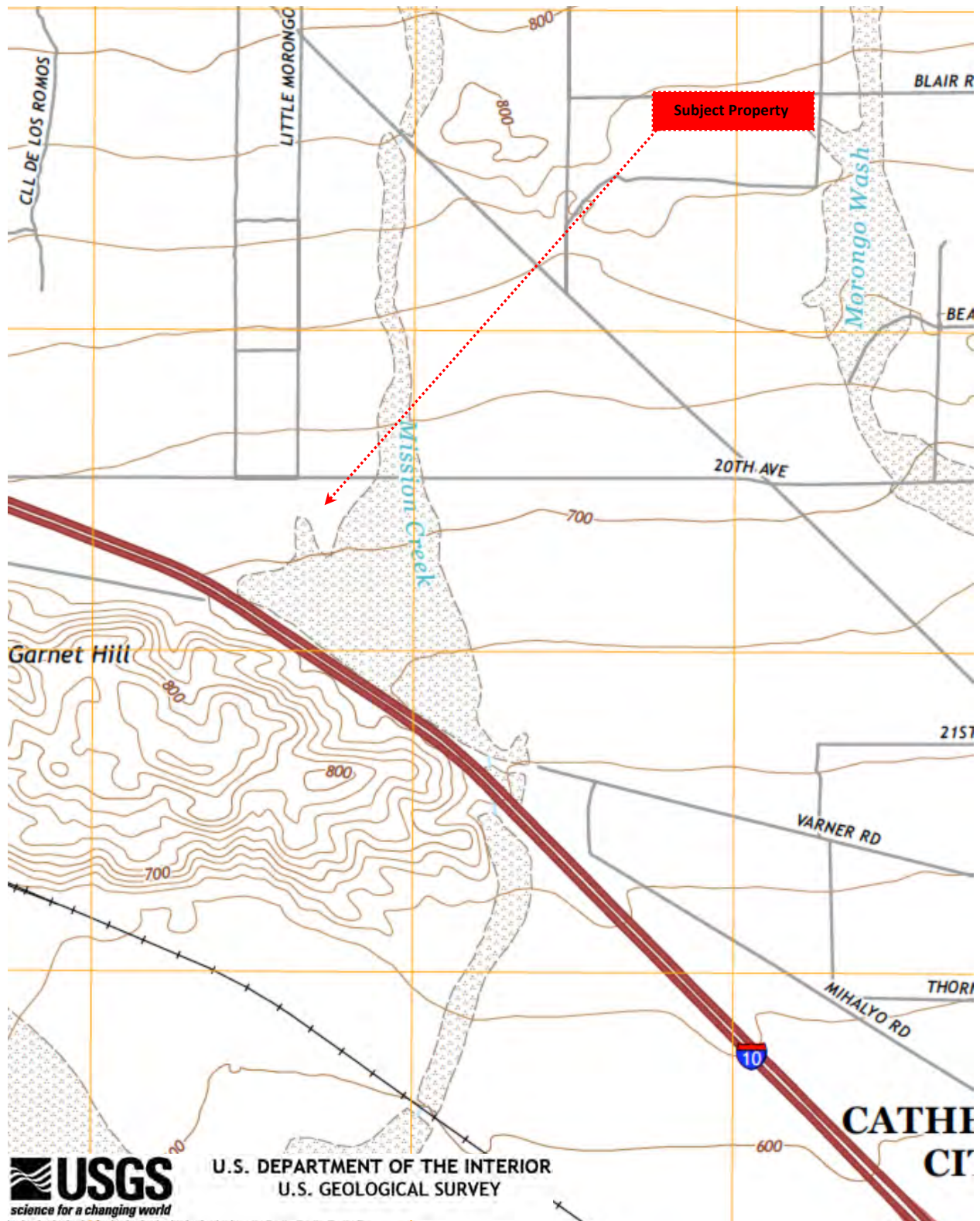
Residential Rural Desert. The Residential Rural Desert (R-RD) designation allows for residential development at up to one dwelling unit per five acres. This designation is primarily located within the CVMSHCP's identified conservation and hillside areas to provide for minimal impacts on the natural landscape and encourage conservation. Septic systems are allowed to serve existing and new developments.

Coachella Valley Multiple Species Habitat Conservation Plan Map



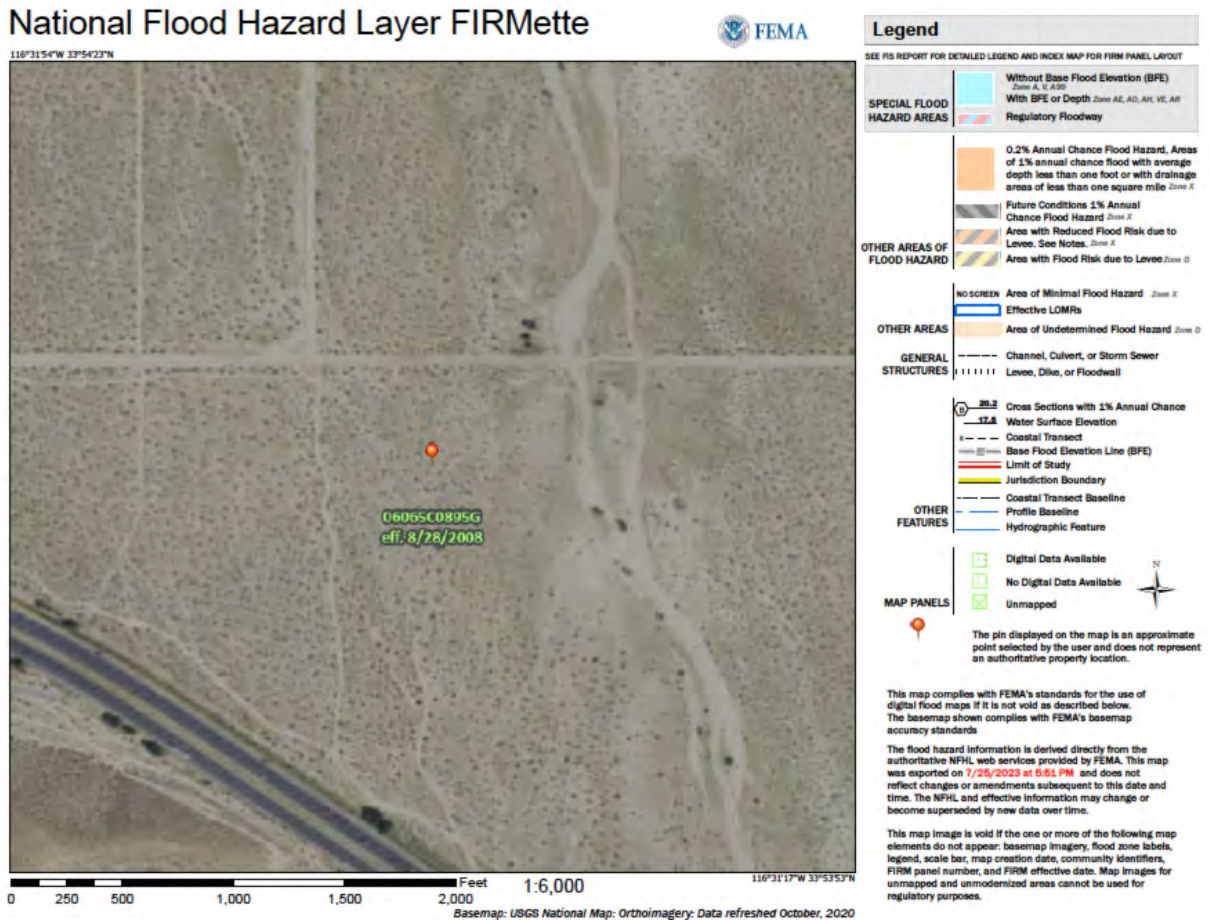
Site Analysis

Topographical Map



Site Analysis

Flood Map



According to the Flood Insurance Rate Map, Community Panel Number 06065C0895G, dated August 28, 2008, the subject property is located in an area determined to be Zone X (unshaded). Flood Zone X is defined as an area of minimal flood hazard that is determined to be outside the 100- and 500-year floodplains.

Site Analysis – Photographs



Picture 5 – Viewing south across the Larger Parcel



Picture 6 – Street scene viewing east along 20th Avenue; proposed easement site is on the right

Site Analysis – Photographs



Picture 7 – Viewing west along the proposed easement site



Picture 8 – Viewing north across the Larger Parcel

Highest and Best Use

Highest and Best Use is defined as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value.”⁶

“The analysis of relevant data to develop a market value opinion requires two important steps in the evaluation process before the applicable approaches to value are applied. Market analysis begins the process of narrowing the focus of the analysis from a broader macroeconomic view to data that is especially pertinent to the subject property. Highest and best use analysis relies on that analysis to then identify the most profitable, competitive use to which the subject property can be put.”⁷

In estimating highest and best use, there are essentially four stages of the analysis:

- Legally Permissible:** What uses are permitted by zoning and deed restrictions for the subject site?
- Physically Possible:** What are the physically possible uses for the subject site?
- Financially Feasible:** What physically possible and legally permissible uses will produce a net return to the owner of the site?
- Maximally Productive:** Among the financially feasible uses, which use will produce the highest net return or the highest present worth?

The concept of highest and best use applies to land as the value of the improvements has a contributory impact on the overall property value. The theoretical emphasis of a highest and best use analysis is on the potential uses of the land as though vacant. In reality, the market reflects the contribution of the existing improvement value and recognizes the impact of any possible alteration of those improvements. Consequently, the highest and best use of a property as improved is equally important in developing an opinion of market value.

Larger Parcel

The existing subject easement is encompassed by a single Larger Parcel. Elements of consideration in deciding the Larger Parcel are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. The Larger Parcel consists of two tracts of land with unity of ownership, an integrated highest and best use, and interrelated economic dependency.

A utility easement is not a common economic unit and sales of any type are atypical in the market. The process of valuation for a utility easement requires a value estimate of the subject's Larger Parcel before and after the easement has been considered. The Highest and Best Use analysis will address the Larger Parcel in the Before and After Conditions of the allocated planned easement area.

⁶ Appraisal Institute, The Appraisal of Real Estate Appraisal, 15th ed., (Chicago: Appraisal Institute, 2020)

⁷ Ibid

Highest and Best Use

As Vacant

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”⁸

As-Vacant – Legally Permissible – Before Condition

The Larger Parcel is zoned R-RD – Residential Rural Desert, with a consistent land use designation by the City of Desert Hot Springs’ Planning Department. The district is intended to allow for low-density, rural residential uses at a maximum density of 1 dwelling unit per 5 acres in a manner that will eliminate or minimize impacts on the natural landscape and will encourage conservation. The Residential Rural Desert (R-RD) land use designation allows for residential development at up to one dwelling unit per five acres. This designation is primarily located within the CVMSHCP’s identified conservation and hillside areas to provide for minimal impacts on the natural landscape and encourage conservation. Septic systems are allowed to serve existing and new developments.

The Larger Parcel meets and exceeds the minimum lot size requirements, and the legal constraints of the subject's Larger Parcel are reasonable, appropriate, and do not impair the highest and best use development potential of the site.

As-Vacant – Physically Possible – Before Condition

The subject’s Larger Parcel is a ±51.71-acre site located on the south side of 20th Avenue, east of Little Morongo Road in Desert Hot Springs, CA. Access is available from the south side of 20th Avenue. The property’s shape, accessibility, availability of utilities and other necessary infrastructure, and the site size are all typical for this area of Desert Hot Springs. The physical characteristics of the site do not impair their ability for potential development and represent the highest and best use as-vacant. Therefore, the highest and best use of the subject is not limited by any physical restraints or conditions.

The Larger Parcel is located in an unshaded Flood Zone X designation. Flood Zone X is defined as an area of minimal flood hazard that is determined to be outside the 100- and 500-year floodplains. A qualified engineer should be consulted concerning any possible flooding hazards that might exist on the subject property.

As Vacant – Financial Feasibility – Before Condition

Typically, financial feasibility for development on vacant land is determined with a simple comparison of costs and benefits. If the present value of the benefits to be derived from a proposed project is equal to or greater than the cost of production, then the project is considered feasible; if the benefits are less than the cost to produce the project, then it is not feasible. For the Larger Parcel, there is adequate demand for development as illustrated by the market analysis. Development is occurring within the broader Desert Hot Springs market, and demand in the housing market is increasing.

⁸ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

Highest and Best Use

The current residential sales available for this portion of Desert Hot Springs are inadequate to support new speculative development. Considering these factors, I conclude that financial feasibility for new development is not achievable as of the date of value.

As Vacant – Maximally Productive – Before Condition

The physically possible and legally permissible uses for the subject's Larger Parcel are present in the subject's immediate region. The current financial feasibility for development appears inadequate as of the date of value, indicating the most maximally productive use of the Larger Parcel as-is, is to hold the property for investment and price appreciation.

As-Improved – Before Condition

“The use that should be made of a property as it exists. An existing property should be renovated or retained as-is so long as it continues to contribute to the total fair market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”⁹

As of the date of this analysis, the subject property Larger Parcel is a raw desert parcel.

Highest and Best Use – After Condition

In both the before and after conditions, the Larger Parcel remains as a vacant site that existed prior to the easement acquisition. The easement acquisition is for underground utilities that will not provide any additional services to the Larger Parcel. The ±10,482-ft² of the physical area allocated to the easement has no economic or physical impact on the Larger Parcel in the after condition. While not considered in this analysis, the physical improvements associated with the easement infrastructure present a general benefit to the community. Therefore, outside of the loss of physical area, the highest and best use of the Larger Parcel in the after condition is considered unchanged.

⁹ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

Appraisal Process

The first step in the appraisal process is to identify the appraisal problem. Every real property is different, allowing many types of value estimates for any one property. For this appraisal assignment, I am developing an opinion of the fair market value of a ±10,482-ft² underground utility easement on the defined Larger Parcel. Based on the scope of work, the subject Larger Parcel and the easement are initially valued. The date of value is December 6, 2023.

The definition of fair market value has been described in this report's Scope of the Appraisal section. The subject's Larger Parcel and the type of value desired have been identified. Through the appraisal process, it is the intent of this analysis to present a properly supported opinion of fair market value and total compensation estimate for the subject property. The market data, analysis, and conclusions presented in the Appraisal Report should cause a reasonable person to reach similar conclusions.

A utility easement is not an economic unit, and the easement area is to establish a groundwater monitoring well site on the subject's Larger Parcel. As vacant land, there is one primary and reliable valuation method, the Sales Comparison Approach. The cost and income analysis models are not applied, as the properties are valued in an as-is vacant condition, and these model conclusions would not provide any additional insight into determining the requested final value estimate.

Using the following procedure as defined by the State of California and USPAP, the appraisal process of this report is as follows:

1. Value Larger Parcel before right-of-way acquisition
2. Value of the acquired right-of-way as part of the whole
3. Value Larger Parcel after right-of-way acquisition (remainder)
4. Value Larger Parcel after right-of-way acquisition and before benefits
5. Severance Damages
6. Benefits

Typically, residential land trades on a per-square-foot or per-acre basis. Based on the subject's size, use, and easement size, the unit of comparison applied in this appraisal model is a price per square foot.

Sales Comparison Approach

"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available."¹⁰

¹⁰ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

Appraisal Process

The sales comparison approach can be a strong indicator when sufficient comparable sales data exists and is generally the best technique available to estimate the fair market value of vacant land. Sufficient sales are available to estimate the value of the subject's Larger Parcel and, subsequently, the utility easement area.

Step three of the outlined analysis calculates the contributory value of the remainder as part of the whole before the taking. It is not a separate value estimate but a mathematical calculation. In step four of the analysis, the remainder property is valued separately from the easement area.

Severance Damages

Severance damages can only result from a partial taking and may be defined as: in condemnation, the loss in value to the remainder in a partial taking of a property. Generally, the difference between the value of the whole property before the taking and the value of the remainder after the taking is the measure of the value of the part taken and the severance damages to the remainder.

In theory, severance damages are usually based on the difference in the value of the property before the taking and the value of the remaining property after the taking has occurred. This test is applied to the subject's Larger Parcel.

Benefits

Unlike severance damages, benefits may be defined as either general or specific. General benefits are those that benefit the community at large and have a beneficial effect on the value of the properties that have not been taken or damaged, as well as on the value of properties which have been directly affected by the taking. General benefits may not be used as an offset against severance damages, or the value of the property taken.

Specific benefits are anything that constitutes a specific benefit directly to the subject property because of the taking. The severance damages and benefits are calculated as separate independent items and are not balanced. Like severance damages, any benefits to the remainder parcel are to be measured by the increase, if any, in the reasonable fair market value of the remainder due to the proposed improvement or taking.

Sales Comparison Approach

In the sales comparison model, the analysis addresses the Larger Parcel in the before and after condition under the defined as-is vacant condition on the date of value. In the after condition, the valuation model will exclude the easement area allocated to the Larger Parcel and any potential impact that the easement has on the remainder valuation. The table below illustrates the Larger Parcel in the before condition and the easement acquisition area:

Larger Parcel:	±51.71 acres	±2,252,489-ft ²
Easement Acquisition:	±0.24 acres	±10,482-ft ²

Based upon the principle of substitution, the sales comparison model demonstrates that the value of a property in the market tends to be set by the cost of acquiring an equally desirable substitute property. When substitute properties are unavailable in the market, the reliability of the sales comparison model may be less than that of other approaches to value.

In the Sales Comparison Approach, I compare the subject Larger Parcel to recently sold similar properties and active listings where offering information is available. I analyze the data for the comparable data points and make comparisons to demonstrate the highest probable price at which the subject property would sell if offered on the market. The Dictionary of Real Estate Appraisal defines the sales comparison approach as follows:

“The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”¹¹

A field investigation and a search of public records were conducted in obtaining the most recent comparable data points. The primary selection criteria applied in the analysis are as follows: current transactions, similar locational attributes, and similar highest and best use. As described in previous sections, the subject’s Larger Parcel is valued as-is with a highest and best use of future development or to be held for price appreciation. Each of the respective data points falls into these general comparison criteria.

The comparable properties utilized are vacant land parcels from within the surrounding market area. A sales comparison model is a dependable valuation method for vacant residential land. While the number of market transactions is limited, it is sufficient to provide a reliable value estimate. To begin an analysis of the comparable data, I summarize and then detail each data point, identifying and qualifying the elements of comparison that influence value into an indicated value adjustment. Typically, the elements of comparison that affect value include the passage of time, size, physical features, and locational differences. To analyze the degree to which the elements of comparison affect value, I reduce the subject and comparable data to a common unit of comparison. As discussed earlier, I will utilize a price per square foot for the analysis of the subject property.

¹¹ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

Sales Comparison Approach

The table below summarizes the data points used for this analysis.

Data #	Location	Sale Date	Sale Price	Size (Ac.)	Sale Price Per Acre	Sale Price Per Sq.Ft.
1	NEC Brunn Lane & McCarger Road Desert Hot Springs, CA	11/17/23	\$530,000	40.00	\$13,250	\$0.30
2	South Side of 14th Avenue, East of Indian Canyon Drive Desert Hot Springs, CA	3/16/23	\$300,000	23.53	\$12,750	\$0.29
3	South of Dillon Road, West of Palm Drive Desert Hot Springs, CA	10/14/22	\$60,000	5.00	\$12,000	\$0.28
4	South Side of 19th Avenue, West of Corkhill Road Desert Hot Springs, CA	3/27/23	\$130,000	10.00	\$13,000	\$0.30
5	East of Worsley Road, South of Estrada Street Desert Hot Springs, CA	1/28/22	\$510,000	41.81	\$12,198	\$0.28
6	E&W Sides of Terry Drive, North of Dillon Road Sky Valley, CA	Active	\$450,000	50.00	\$9,000	\$0.21
Subj.	Southeast Corner of 20th Avenue, and Little Morongo Road Desert Hot Springs, CA	6-Dec-23		51.71		

Data Overview

The selected data points include five closed sales and one active listing from the Desert Hot Springs market area. Each is a similar residential parcel. The model utilizes sales with parcel sizes ranging between ± 5.00 acres to the largest at ± 50.00 acres, which approximately brackets the subject properties ± 51.71 -acre size. As stated, the subject is located north of Interstate 10 on the south side of 20th Avenue in the Coachella Valley Multiple Species Habitat Conservation area. Three of the five data points are in superior locations, and two are considered inferior locations.

The closing dates for the data set are between January 2022 to the more recent sales that occurred in November 2023. The collected data represents the most recent confirmable sales available. While the locational attributes vary, each site offers a similar highest and best use and would attract a similar buyer. The differences in size and utility require the analysis to bracket an unadjusted value, intending to narrow this range into a reliable adjusted value indication on a per-square-foot basis.

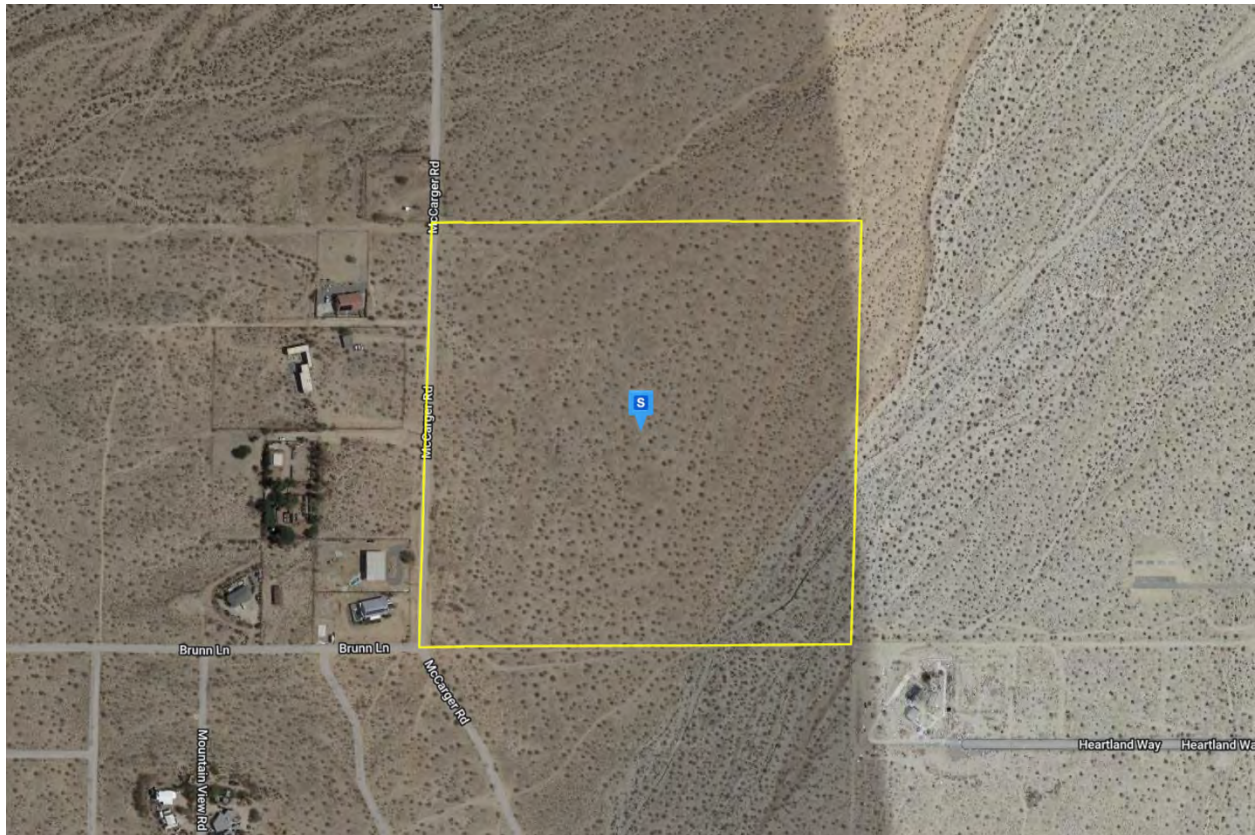
Sales Comparison Approach

Land Data Point Map



Sales Comparison Approach

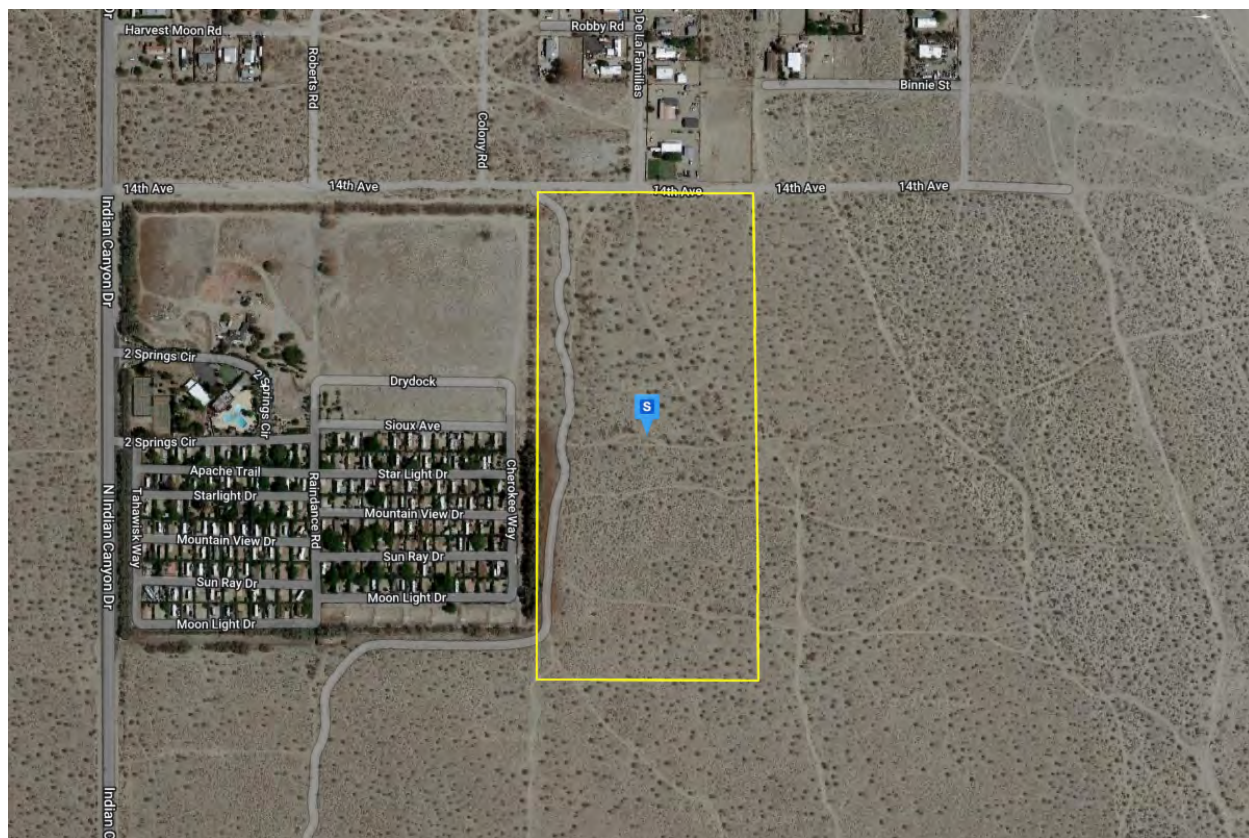
Data Point 1 – Land Sale



Location:	NEC Brunn Lane and McCarger Road, Desert Hot Springs, CA	
Identification:	APN 656-270-035, Riverside County, CA	
Date of Sale:	November 17, 2023	
Documentation:	Grant Deed # 347222, Riverside County, CA	
Grantor:	Dale E Richards / Douglas A Richards / Dean C Richards / Donald F Richards / David P Richards, Jr	
Grantee:	LJM Ventures, LLC	
Sale Price:	\$530,000	
Financing:	None	
Exchange:	No	
Cash Equivalency:	\$530,000	
Zoning:	W-2, Riverside County, CA	
Flood Zone:	Zone AO	
Site Size:	±40.0 acres / ±1,742,400-ft ²	
Utilities:	All available	
Lot Position:	Corner	
Improvements:	None	
Topography:	Mostly level	
Price Per Acre/ PSF:	\$13,250	\$0.30 PSF

Sales Comparison Approach

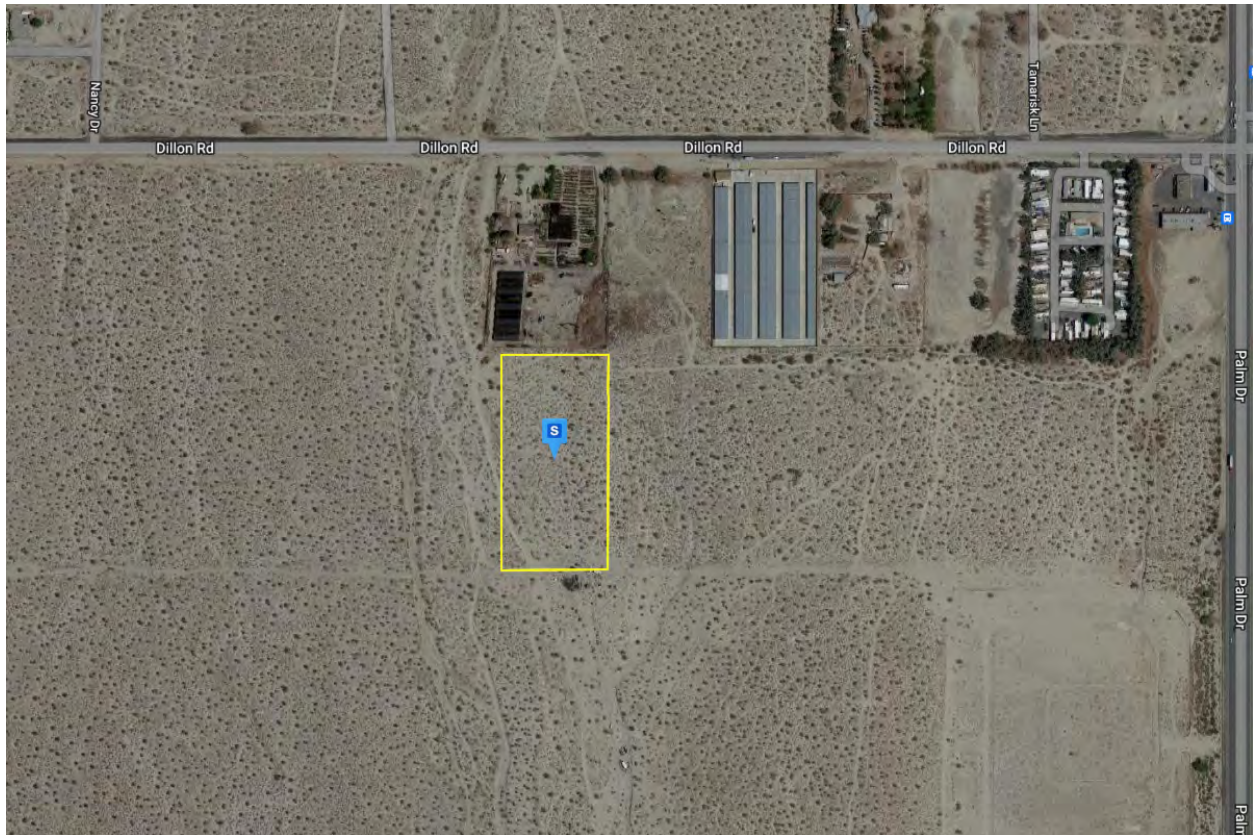
Data Point 2 – Land Sale



Location:	South side of 14 th Avenue, East of Indian Canyon Drive, Desert Hot Springs, CA
Identification:	APN 666-040-004, Riverside County, CA
Date of Sale:	March 16, 2023
Documentation:	Grant deed # 76747, Riverside County, CA
Grantor:	Joseph R Sitko
Grantee:	Blossom Capital QOF, LLC
Sale Price:	\$300,000
Financing:	None
Exchange:	No
Cash Equivalency:	\$300,000
Zoning:	W-2, Riverside County
Flood Zone:	Zone X
Site Size:	±23.53 acres / ±1,024,967-ft ²
Utilities:	All available
Lot Position:	Interior
Improvements:	None
Topography:	Mostly level

Sales Comparison Approach

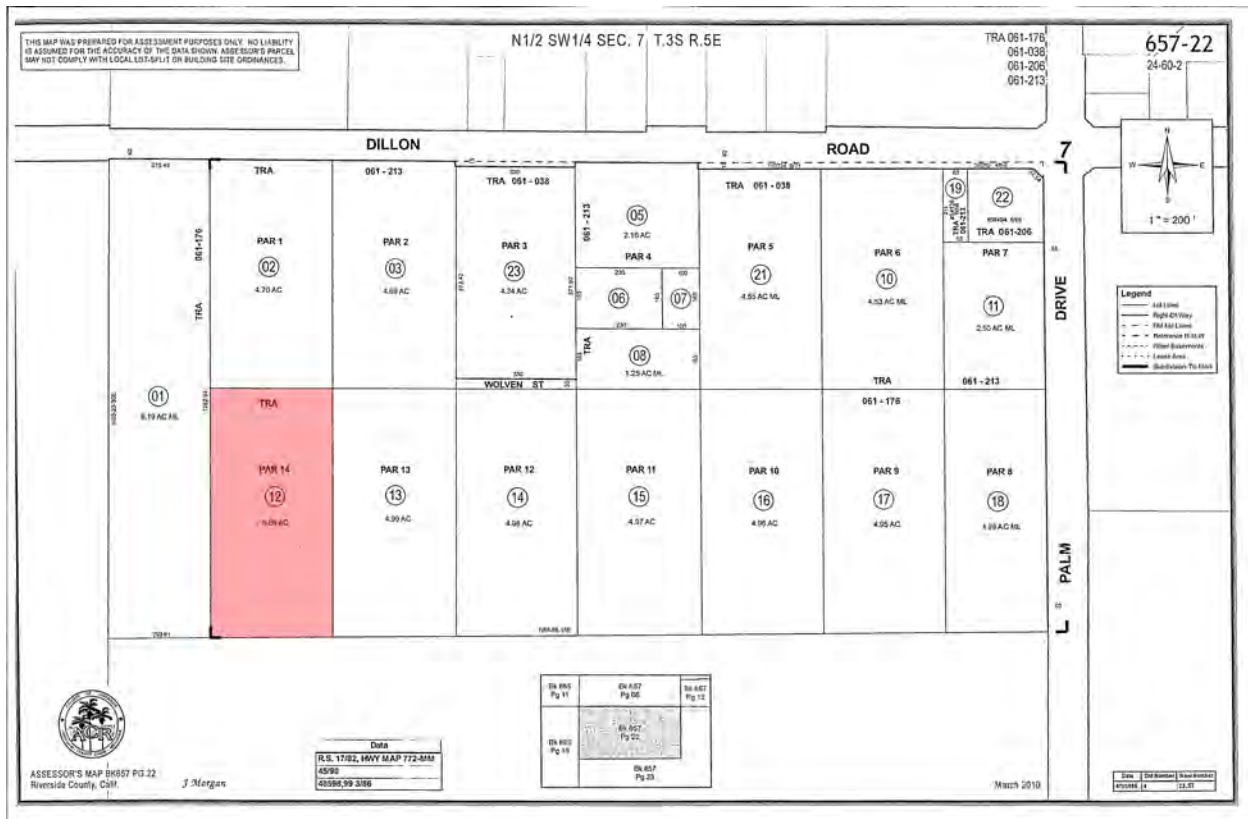
Data Point 3 – Land Sale



Location:	South of Dillon Road, West of Palm Drive, Desert Hot Springs, CA	
Identification:	APN 657-220-012, Riverside County, CA	
Date of Sale:	October 14, 2022	
Documentation:	Grant deed # 429029, Riverside County, CA	
Grantor:	Julia M Payne	
Grantee:	Luis David Morgan Gomez	
Sale Price:	\$60,000	
Financing:	None	
Exchange:	No	
Cash Equivalency:	\$60,000	
Zoning:	R-RD, Desert Hot Springs, CA	
Flood Zone:	Zone AO	
Site Size:	±5.0 acres / ±217,800-ft ²	
Utilities:	All available	
Lot Position:	Interior	
Improvements:	None	
Topography:	Mostly level	
Price Per Acre/ PSF:	\$12,000	\$0.28 PSF

Sales Comparison Approach

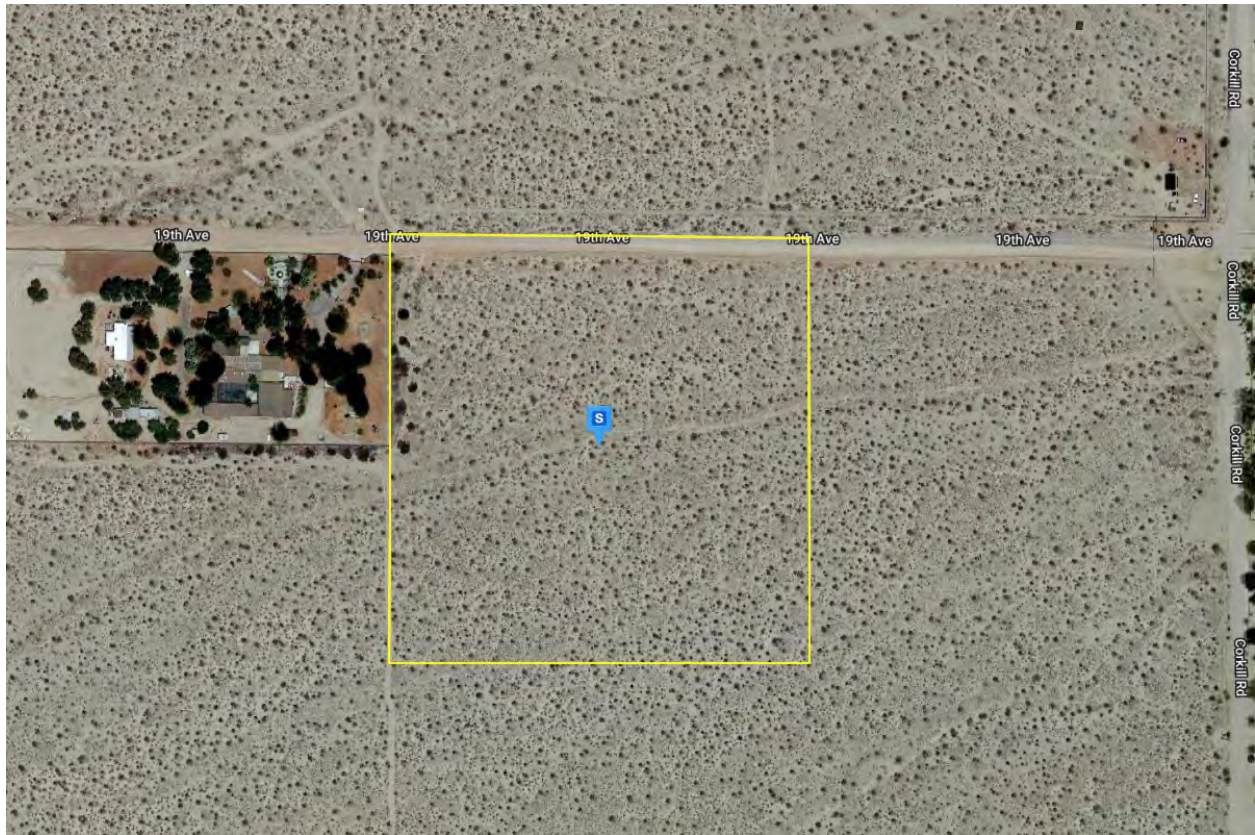
Verification/History: Buyer – public record / Ownership history for the property was unavailable.



Data Point 3 is the sale of a ±5.00-acre site located south of Dillon Road, west of Palm Drive in Desert Hot Springs, CA. Data Point 3 transferred for \$60,000 or \$0.28 per square foot. The property has access to utilities although no improved access. The site is within the Coachella Valley Multiple Species Habitat Conservation Plan and is considered to be in a similar location as the subject, although with inferior access. The property is considered an arm's length transaction with no atypical conditions of sale and aligns with the definition of market value utilized in this Appraisal Report.

Sales Comparison Approach

Data Point 4 – Land Sale

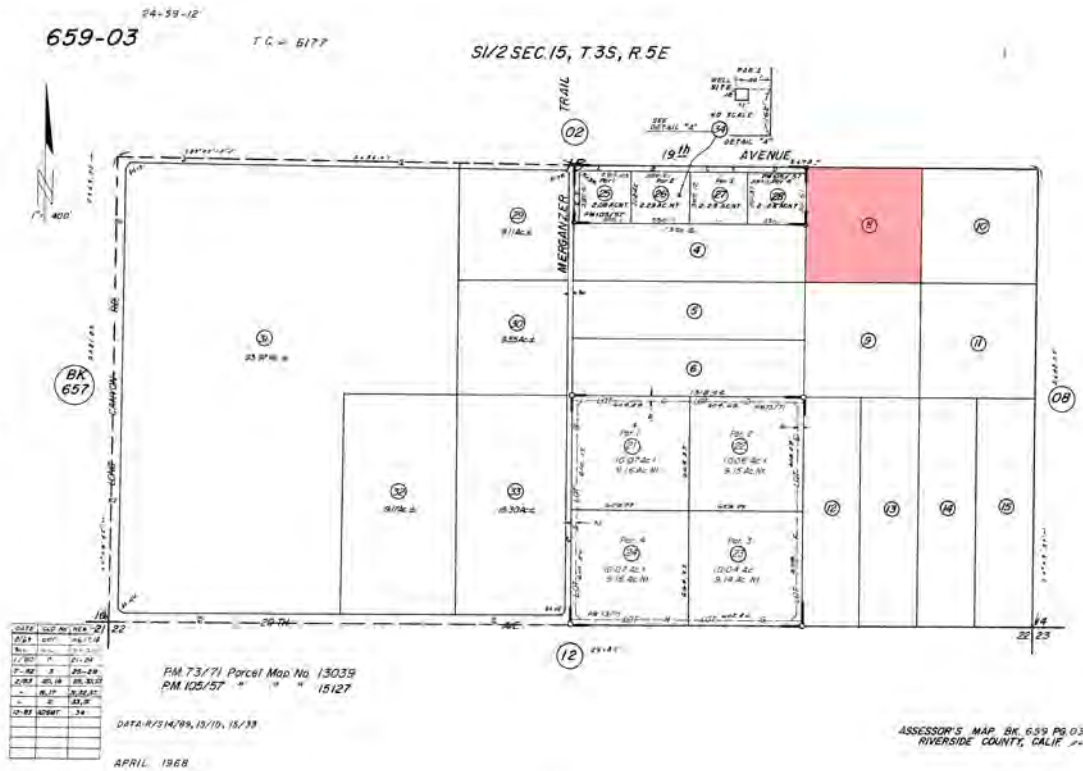


Location:	South Side of 19 th Avenue, West of Corkhill Road, Desert Hot Springs, CA
Identification:	APN 659-030-008, Riverside County, CA
Date of Sale:	March 27, 2023
Documentation:	Grant deed # 85982, Riverside County, CA
Grantor:	Paul W Haase
Grantee:	Linda Lesmana Trust
Sale Price:	\$130,000
Financing:	None
Exchange:	No
Cash Equivalency:	\$130,000
Zoning:	W-2, Riverside County, CA
Flood Zone:	Zone A
Site Size:	±10.0 acres / ±435,600-ft ²
Utilities:	All available
Lot Position:	Interior
Improvements:	None
Topography:	Mostly level

Sales Comparison Approach

Price Per Acre/ PSF: \$13,000 \$0.30 PSF

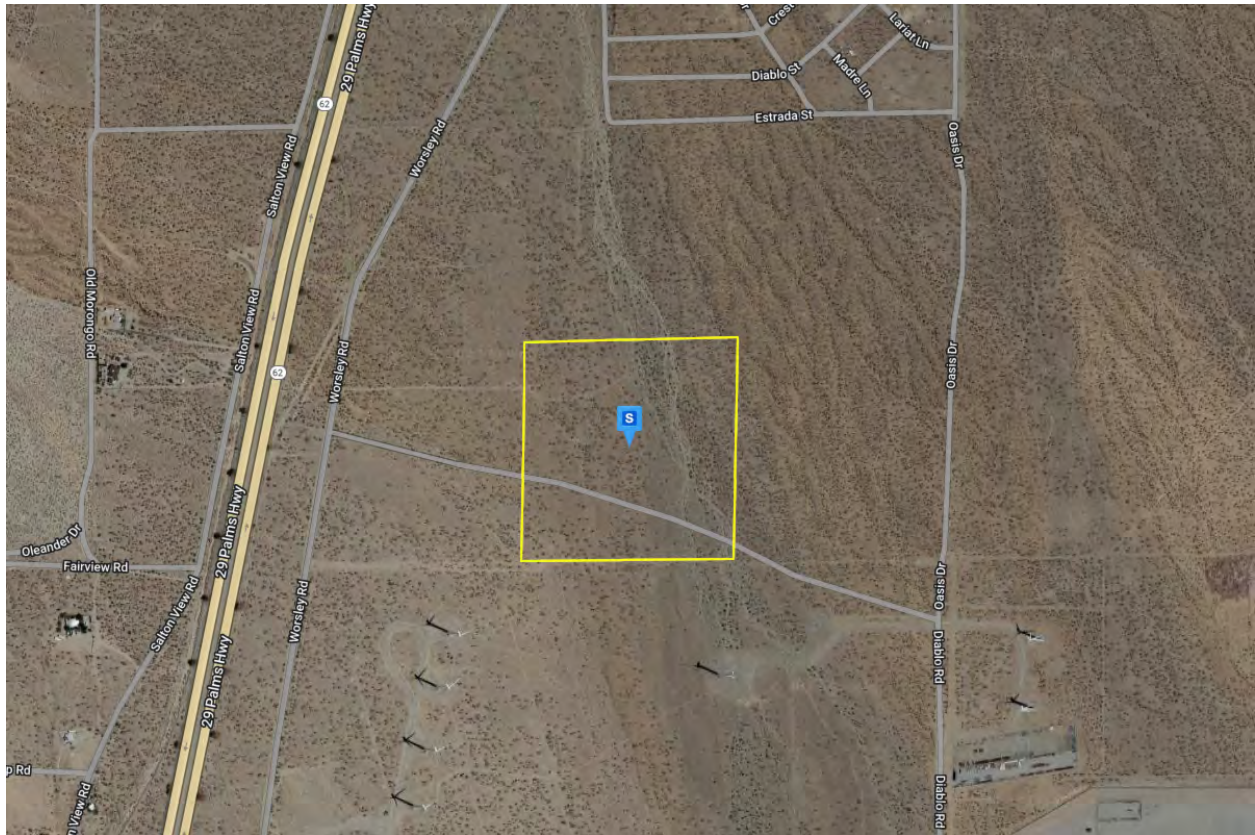
Verification/History: Listing agent - The owner or a related entity held the property for more than 20 years. The property was on the market for 147 days at an asking price of \$150,000



Data Point 4 is the sale of a ±10.00-acre site located on the south side of 19th Avenue, west of Corkhill Road in the Desert Hot Springs area of Riverside County, CA. Data Point 4 transferred for \$130,000 or \$0.30 per square foot, after 147 days on the market. The property has access to utilities and legal access. The site is considered to be in a superior location with similar access. The property is considered an arm’s length transaction with no atypical conditions of sale and aligns with the definition of market value utilized in this Appraisal Report.

Sales Comparison Approach

Data Point 5 – Land Sale



Location:	East of Worsley Road, South of Estrada Street, Desert Hot Springs, CA
Identification:	APN 667-220-029, Riverside County, CA
Date of Sale:	January 28, 2022
Documentation:	Grant deed # 47475, Riverside County, CA
Grantor:	NDHS, LLC
Grantee:	GM Gabrych Family LP
Sale Price:	\$510,000
Financing:	None
Exchange:	No
Cash Equivalency:	\$510,000
Zoning:	W-2-5, Riverside County, CA
Flood Zone:	Zone X
Site Size:	±41.81 acres / ±1,821,244-ft ²
Utilities:	All available
Lot Position:	Interior
Improvements:	None
Topography:	Mostly level

Sales Comparison Approach

Price Per Acre/ PSF: \$12,198 \$0.28 PSF

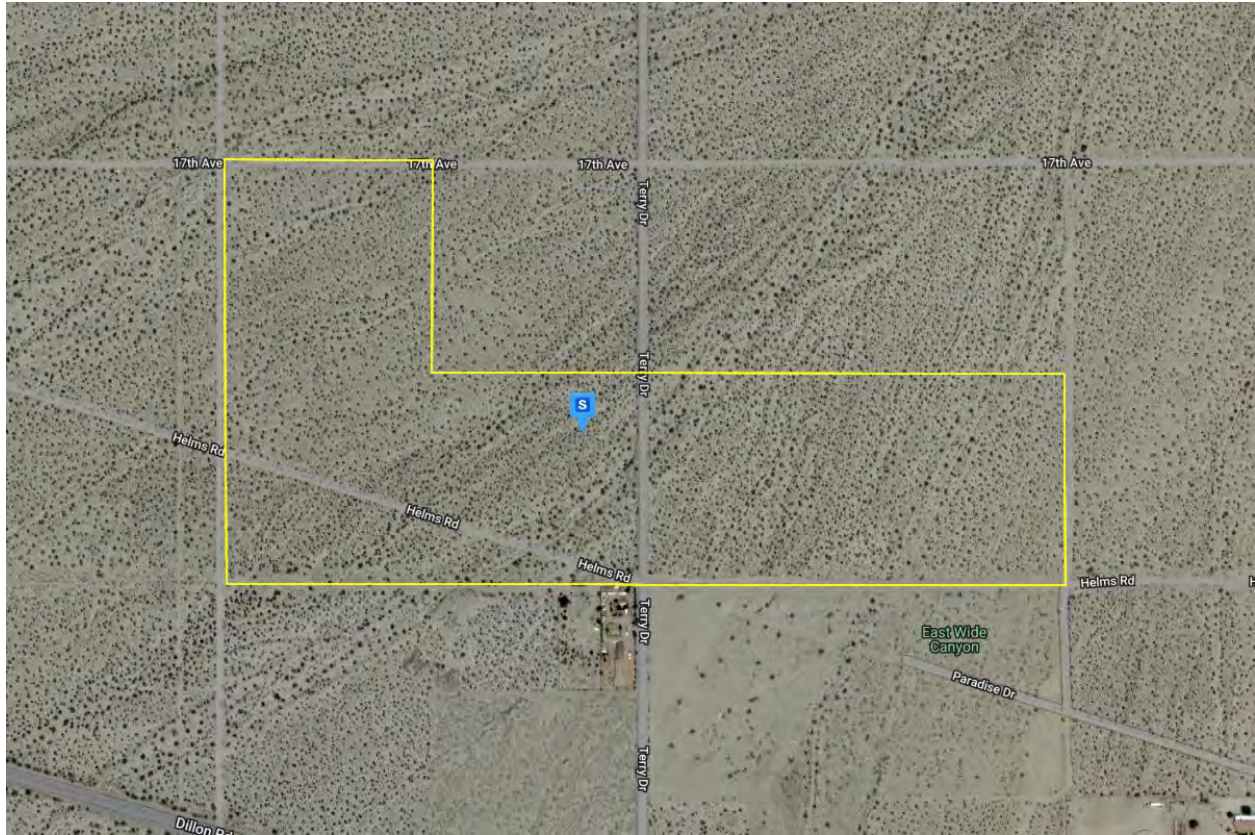
Verification/History: Listing agent - The owner or a related entity acquired the in February 2005 for a recorded \$283,000. The property was on the market for 15 days at an asking price of \$599,000.



Data Point 5 is the sale of a ±41.81-acre site located east of Worsley Road, south of Estrada Street in the Desert Hot Springs area of Riverside County, CA. Data Point 5 transferred for \$510,000 or \$0.28 per square foot, after 15 days on the market. The property has access to utilities and inferior access. The site is considered to be in a superior location. The property is considered an arm's length transaction with no atypical conditions of sale and aligns with the definition of market value utilized in this Appraisal Report.

Sales Comparison Approach

Data Point 6 – Land Listing



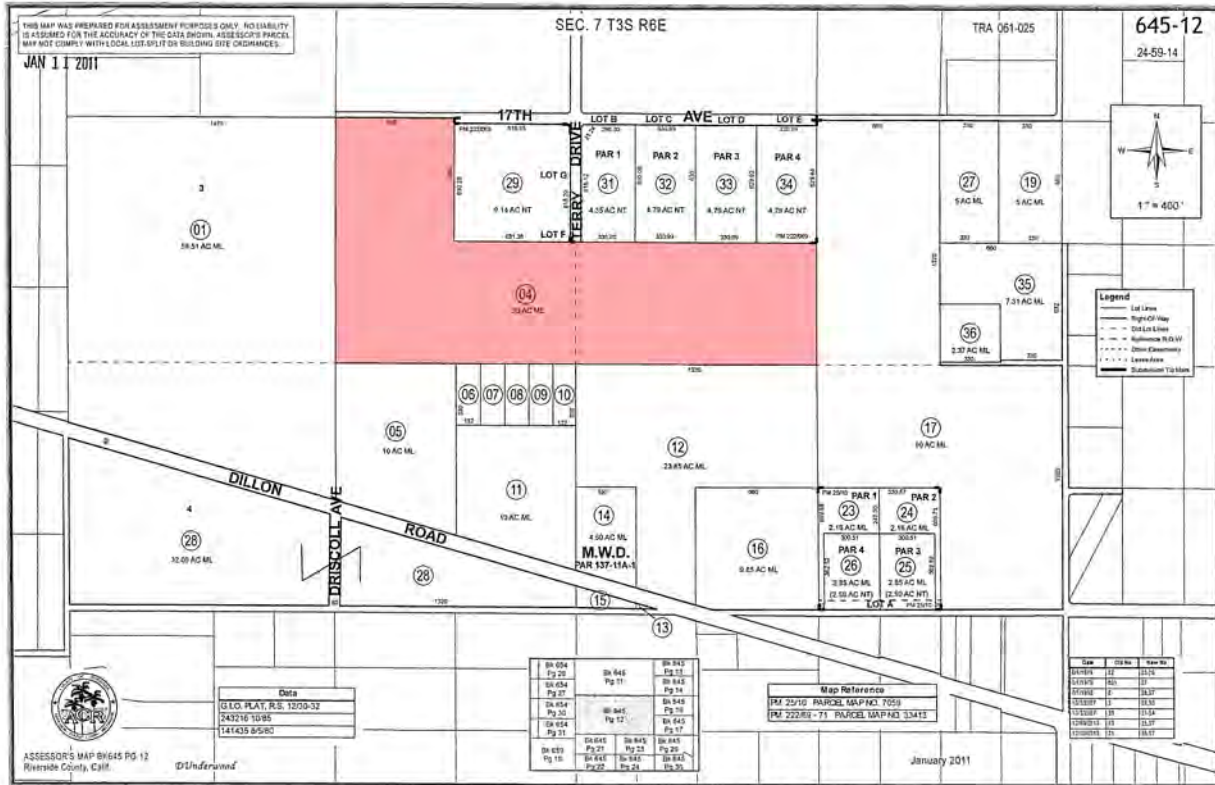
Location:	East and West Sides of Terry Drive, North of Dillon Road, Sky Valley, CA
Identification:	APN 645-120-004, Riverside County, CA
Listing Status:	Active
Listing Agent:	Salomon Urquiza, Compass Real Estate, Palm Springs, CA
Owner:	Siria Salomon
Grantee:	N/A
Asking Price:	\$450,000
Financing:	None offered
Exchange:	No
Cash Equivalency:	\$450,000
Zoning:	R-1, Riverside County, CA
Flood Zone:	Zone X
Site Size:	±50 acres / ±2,178,000-ft ²
Utilities:	All available
Lot Position:	Interior
Improvements:	None
Topography:	Mostly level

Sales Comparison Approach

Price Per Acre/ PSF: \$9,000

\$0.21 PSF

Verification/History: Listing agent -The seller acquired the property in August 2018 for a recorded \$30,000.



Data Point 6 is the active listing of a ±50.0-acre site located on the east and west sides of Terry Drive, north of Dillon Road and south of 17th Avenue, in the Sky Valley area of Riverside County, CA. The property is listed for \$450,000, or \$0.21 per square foot. The site is considered to be in a superior location with similar access.

Sales Comparison Approach

Adjustments

Adjustments to each data point are required for the significant differences in the data that affect value. The modeling adheres to a sequence of adjustments in each sales comparison model. Using this sequence, I obtain intermediate price figures and apply succeeding adjustments to each previously adjusted price. The adjustments applied to the data points reflect the property's superiority or inferiority concerning the real property rights conveyed, financing, conditions of sale, market conditions, locational and physical characteristics. A standard method of extracting adjustments among comparable sales is a technique called matched-pairs analysis. The goal of a matched-pairs analysis is to obtain market-based adjustments. The basic premise of matched pairs is to isolate an adjustment feature among two or more sales, where the difference in adjusted prices would yield the market's value perception for that feature.

The analysis follows a sequence of adjustments to isolate market-based adjustments from intermediate adjusted sale prices. In many cases, adjustment features cannot be isolated. Limited comparable data, unique property traits, or other factors may cause this problem. When adjustment features cannot be isolated, alternative adjustment techniques are utilized. These methods typically include cost-based adjustments, adjustments based on a market survey, adjustments based on published data, and quantitative adjustments. The following is a discussion of the relevant adjustment factors.

Property Rights Conveyed

All comparable data points reflect the transfer or listing of fee simple estates; therefore, no property rights adjustments appear warranted or applied.

Financing Terms

All completed data point sales transferred for cash or cash equivalency and no adjustments are necessary.

Conditions of Sale

The five completed sales confirm as arm's-length transactions and do not require adjustments for conditions of sale. Comparable Data Point 6 is an active listing and adjusted downward for the ongoing marketing programs. A downward 10% adjustment is applied and is based on the average close price asking price ratio for the broader Coachella Valley market area.

Market Conditions

Adjustments for market conditions reflect a change in prices paid for real property based on changes in markets over time. The earliest sale occurred in January of 2022 and the most recent acquisitions closed in March 2023. Based on the market analysis, residential land values in this region of Desert Hot Springs have been stable over the past several quarters. Based on the recent transfer dates of the comparable data points, I have elected not to apply a market conditions adjustment in this model.

Sales Comparison Approach

Location

The subject property's location is located within the City of Desert Hot Springs, although in an area of limited development. The site is positioned at the southeast corner of 20th Avenue and Little Morongo Road in the western portion of the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which is a comprehensive conservation plan designed to conserve and manage natural resources in the Coachella Valley region.

The main goal of the CVMSHCP is to protect, conserve, and manage natural habitats for multiple species, especially those that are threatened or endangered. It covers various habitats, from desert ecosystems to riparian woodlands. The CVMSHCP works with local government entities, developers, and landowners to guide development and land use to minimize habitat impact. It often helps streamline the process of obtaining necessary permits under the Endangered Species Act.

While the subject property is legally permissible for residential development, the process is more complex and onerous for the landowner. All six comparable data points are located outside of the CVMSHCP, providing a more streamlined path to development. A subjective downward 5% adjustment is applied to each of these comparable data points. Data Point 3 is located within the CVMSHCP, and no locational adjustment is applied.

Data Points 3 and 5 have inferior access in comparison to the subject. A subjective upward 10% adjustment is applied to these data points.

Utilities

In the as-is condition, the subject property has access to all utilities available in the area, but services are not established. All the comparable sales have similar access to utilities. No adjustments for utilities are required.

Improvements

In the model, the subject property is considered a vacant site. Each comparable data point is similarly vacant, and no adjustments are applied.

Site Size

The size of a property affects the uses it will support and the buyers it will attract. Size adjustments are generally based on the concept of "marginal utility." Marginal utility is defined as follows.

"The increment of total utility added by the last unit of a good at any given point of consumption. In general, the greater the number of items, the lower the marginal utility, i.e., a greater supply of an item or product lowers the value of each item."¹²

The concept of marginal utility holds true for vacant residential land parcels in the subject market.

¹² Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015)

Sales Comparison Approach

While larger sites can support a wider variety of uses and larger projects, the cost of development, occupancy, and management increases risk. Additionally, the available buyer pool typically decreases as the total site size increases.

With the subject property type and size in comparison to this data set, the size differentials are wide, necessitating an adjustment analysis. Using a matched-pairs analysis with each of the sales, I extrapolated an adjustment factor for each pair that presented a range of factors that was averaged at the adjustment for the model. I have used this adjustment factor based on the difference between the subject's size and the size of the comparable data points. The adjustments are considered modest and address the size differential and associated discounts.

The following table illustrates the adjustments applied to the data group and the value conclusions.

Element	Subject	DP-1	DP-2	DP-3	DP-4	DP-5	DP-6
Sale Price		\$530,000	\$300,000	\$60,000	\$130,000	\$510,000	\$450,000
Size (SF)	2,252,488	1,742,400	1,024,967	217,800	435,600	1,821,244	2,178,000
Unit of Comparison	Price/SF	Price/SF	Price/SF	Price/SF	Price/SF	Price/SF	Price/SF
Sale Price Per (SF)		\$0.30	\$0.29	\$0.28	\$0.30	\$0.28	\$0.21
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Terms		Cash Eq.	Cash Eq.	Cash Eq.	Cash Eq.	Seller	Active
Cash Equivalency		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.02)
Conditions of Sale		Arm's-Len.	Arm's-Len.	Arm's-Len.	Arm's-Len.	Arm's-Len.	List
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Date of Sale	12/6/23	11/17/23	3/16/23	10/14/22	3/27/23	1/28/22	Active
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal		\$0.30	\$0.29	\$0.28	\$0.30	\$0.28	\$0.19
Location		Superior	Superior	Inferior	Superior	Inferior	Superior
Adjustment		(\$0.02)	(\$0.01)	\$0.03	(\$0.01)	\$0.01	(\$0.01)
Improvements	Vacant	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Use	Res	Res	Res	Res	Res	Res	Res
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Size	2,252,488	1,742,400	1,024,967	217,800	435,600	1,821,244	2,178,000
Adjustment		(\$0.03)	(\$0.06)	(\$0.10)	(\$0.09)	(\$0.02)	(\$0.00)
Adj. Sale Price Per (SF)	%Δ	-13.38%	-25.97%	-26.93%	-35.44%	-2.70%	-16.30%
Average	\$0.22	\$0.26	\$0.22	\$0.20	\$0.19	\$0.27	\$0.17
Median	\$0.21						

Given the subject's characteristics, I have applied a weighted average analysis to the adjusted data points. The distribution is based on the similarities of each data point's characteristics. The primary influence is placed on Data Point 1 based on the date of sale; secondary influence is applied to Data Point 2, and equal tertiary influence is applied to Data Points 3, 4, and 5. No influence is applied to the active listing.

	DP-1	DP-2	DP-3	DP-4	DP-5	DP-6
Weighted Average	\$0.26	\$0.22	\$0.20	\$0.19	\$0.27	\$0.17
\$0.23	30%	25%	15%	15%	15%	0%

Sales Comparison Approach

In conclusion, it is my opinion that the fair market value of the fee simple estate of the subject property's Larger Parcel, as-is, as derived from this sales comparison model, as of December 6, 2023, is as follows:

$$\begin{aligned} &2,252,488\text{-ft}^2 @ \$0.23 \text{ PSF} = \$518,072 \\ &\qquad\qquad\qquad \$520,000 \\ &\text{(Five Hundred Twenty Thousand Dollars)} \end{aligned}$$

Larger Parcel Valuation – After Acquisition

In the after-acquisition model, there is no change to the functional condition of the subject's Larger Parcel other than the loss of land area to the easement. Since Mission Springs Water District plans to acquire the underground utility ROW as an easement, the first step of the analysis is to determine the fee value of the easement area.

Value of the Take As Part of the Whole

An analysis is made as the value of the underground utility ROW part taken from the parcel as a component of the Larger Parcel. The value of the part taken would be of proportionally equal value to the concluded value of the larger ownership parcel of \$0.23 per square foot.

$$\pm 10,482\text{-ft}^2 @ \$0.23 \text{ PSF} = \$2,411$$

Remainder Value as Part of the Whole

Upon arriving at this value, it is a mathematical calculation to arrive at the remainder value (2,242,006-ft²) as part of the whole by subtracting the value of the groundwater monitoring well take area from the value of the Larger Parcel, or:

$$\$518,072 - \$2,411 = \$515,661$$

Value of the Remainder Parcel – Before Condition

This analysis considers the underground utility ROW area extracted from the Larger Parcel. As such, the remainder parcel in a before condition is the remainder parcel's valuation before considering the project's benefits and the project improvements that may benefit the subject's remainder parcel. Subsequent to the take area, the remainder parcel equals ±2,242,006-ft² (±2,252,488-ft² – 10,482-ft²). The remainder parcel before condition remains a consistent shape as the proposed underground utility ROW area is along the northern property line. Based on the highest and best use, the subject property provides equal functional utility and support of the site as it did before the right-of-way expansion. Therefore, with no effective change to the highest and best use, the indicated per-square-foot value remains the same at \$0.23 PSF.

$$\pm 2,242,006\text{-ft}^2 @ \$0.23 \text{ PSF} = \$515,661$$

Value of the Remainder Parcel – After Condition – Including Benefits

In appraising the remainder parcel after condition, including benefits, and reviewing the attached drawings, I considered how the proposed project alters the remainder site utility.

Sales Comparison Approach

As such, it appears that in the after condition the remainder parcel does not experience any significant benefits, as the access and utility remains the same. Therefore, the valuation of the subject's Larger Parcel applies, as the remainder equals \$0.23 PSF.

$$\pm 2,242,006\text{-ft}^2 @ \$0.23 \text{ PSF} = \$515,661$$

Severance Damages and Benefits

Severance damages are calculated by the difference in values between the remainder parcel before benefits and the remainder parcel including benefits. As a result of the partial taking after considering the project's impact on the remainder area, including access, frontage, site visibility, size, shape, topography, view, impact on utilities, and the marketability of the site, I conclude that there are no damages and no benefits. Please note that benefits can only offset damages and not offset the value of the part taken parcel. Therefore, the total amount of the severance damages equals \$0.

Because the Mission Springs Water District plans on acquiring the underground utility ROW in the form of an easement, the indicated fee value of the groundwater monitoring well is then adjusted based on the bundle of rights in the easement analysis section of the appraisal.

Easement Analysis

The function of this Appraisal Report is to develop an analysis for a planned underground utility easement located on the Larger Parcel. The defined Larger Parcel area involved is calculated at ± 51.71 acres, and the easement area is defined as $\pm 10,482$ -ft². The subject property is vested in Leslie L Chou, who holds the property in fee. The easement grants the use of a proposed groundwater monitoring well site along the Larger Parcel's northern boundary. The Mission Springs Water District and the broader community are the beneficiaries of the utility easement.

The definition of an easement is as follows: "An interest in real property that transfers use, but not ownership, of a portion of an owner's property. Access or right-of-way easements are acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation."¹³

Easements frequently permit a specific portion of a property for access, or public right-of-way. Although surface easements are most common, other easement types include subterranean, overhead, slope, public utilities, and transportation. A property that acquires an easement is the beneficiary of additional rights; one that is subject to an easement is burdened. Easement rights can be conveyed in perpetuity or for a limited period. An easement is created by contract between private parties or by adverse possession according to state law. Public agencies, municipalities, and public utilities can also arrange it. I will define the different general easement types.

Easement Appurtenant

"An easement that is attached to, benefits, and passes with the transfer of the dominant estate; runs with the land for the benefit of the dominant estate and continues to burden the servient estate, although such an estate may be transferred to new owners."¹⁴

Easement by Prescription

"The right to use another's land, which is established by exercising this right openly, hostilely, and continuously over a statutory period of time."¹⁵

Easement in Gross

"An easement that benefits a legal person or entity (individual, corporation, partnership, LLC, government entity, etc.) and not a particular tract of land; an easement having a servient estate but no dominant estate."¹⁶

In the granting of an easement, portions of a larger bundle of ownership rights are removed. The value of this planned easement is based on the rights conveyed from the burdened property, hence meeting the definition of an easement appurtenant.

¹³ Appraisal Institute, *The Appraisal of Real Estate*, 15th ed., (Chicago: Appraisal Institute, 2020)

¹⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., (Chicago: Appraisal Institute, 2015)

¹⁵ Ibid

¹⁶ Ibid

Easement Analysis

The planned underground utility easement burdens the subject’s Larger Parcel with an aggregate ±10,482-ft² for an access easement and well site easement. The planned easement is ±20’ wide x 450’ in length along 20th Avenue and ±30’ wide x 54’ in length for the well site. The Larger Parcel is currently at its highest and best use. Since the highest and best use is unchanged, the only issue of burden is the Larger Parcel now shares the easement area for underground utility services with the beneficiaries. The easement is assumed to be fully transferable and is a nonexclusive area in shared control of the grantee, and the only ownership rights remaining to the Larger Parcel are the right of repossession if the easement is abandoned at some point in the future. However, no vertical improvements can be erected over the easement area, and the easement area must be available to the grantee for maintenance service and inspection.

In the easement analysis, it is assumed to include an equal right of use and maintenance between Mission Springs Water District and the property owner. The access to or along the easement areas is shared, and nothing shall unreasonably interfere with the use of the easement area by either entity. The easement areas shall remain free and clear from buildings or other structures, except asphalt pavement and no change of grade of the easement areas shall be made.

The following table illustrates the exclusive ±10,482-ft² easement’s bundle of rights and the impact of each of the five primary burdens and benefit categories.

Partition	Ownership	Control	Exclusion	Enjoyment	Disposition	Total	%
Utility Easement	90%	100%	100%	75%	50%	4.15	83%
Fee Interest	10%	0%	0%	25%	50%	0.85	17%
Totals	100%	100%	100%	100%	100%	5.00	100%

Ownership - The requested underground utility easement controls ownership in perpetuity. The property owner and Mission Springs Water District each share in ownership. However, property owner ownership is only in the form of a reversionary right if the easement were to be abandoned. Based on the planned use, the chances of abandonment are minimal. The ownership interest is effectively 90% in favor of Mission Springs Water District.

Control - For all intents and purposes, the exclusive use of the easement acquiesces control over the easement area to Mission Springs Water District. From a market perspective, the access easement accounts for 100% of the control rights.

Exclusion - The right to exclude use and access of the property is considered in control by Mission Springs Water District, or 100% of the exclusion rights.

Enjoyment - The right to use the property is effectively weighted 75% to Mission Springs Water District for use.

Disposition - Both entities maintain equal rights of disposition to the easement area.

Easement Analysis

Based on the easement analysis, I will apply 83% of the fee value for the value of the easement area. Using the value of the Larger Parcel, I can extrapolate a per-square-foot value of \$0.23 for the fee value of the underground utility easement or \$2,411. For the purposes of a perpetual easement, I will apply an 83% multiplier representing the loss of property rights associated with the underground utility easement into perpetuity.

Conclusion – Underground Utility Easement

The following valuation is based on the planned ±10,482-ft² underground utility easement area in perpetuity, on the date of value December 6, 2023:

December 6, 2023 Value Estimates	Area-ft²	\$ per Sq. Foot	Estimate	Rounded
Easement Area - Fee Value	10,482	\$0.23	\$2,411	\$2,500
Easement Compensation		83%	\$2,001	\$2,000

Certification

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

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

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

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

I have performed no services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

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

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

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 Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

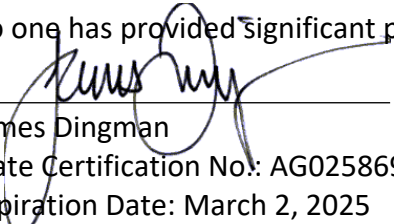
I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

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

As of the date of this report, I James Dingman, have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

I have made a personal inspection of the property that is the subject of this report.

No one has provided significant professional help in the preparation of this appraisal report.



James Dingman
State Certification No.: AG025869
Expiration Date: March 2, 2025

Addendum

James Dingman

General Experience

1996-Present	CEO – Capital Realty Analysts
1993-1996	Appraiser – MacKenzie and Associates
1990-1993	Director of Food & Beverage Operations – Breckenridge Ski Corp., Breckenridge Co., Mt Hutt Ski & Alpine Co., Methven, New Zealand
1988-1990	Director of Operations, The Broe Co., San Diego, CA, Denver, CO
1984-1986	General Manager – Radisson Hotel, San Jose, CA
1979-1983	General Manager – Crown Colony County Club, Lufkin, TX

Education

1975-1977	University of New Hampshire, Berlin
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Continuing Education

USPAP Update 2020/2023	Technical Inspection of Real Estate
Special Purpose Properties	Standards Part C
Advanced Sales & Cost Approaches	Expert Witness
Automated Valuation Models	Appraisal Procedures
Basic Income Capitalization	Real Estate Appraisal Principles
Standards of Professional Practice	Real Estate Economics
Real Estate Principles	California Real Estate Law
Real Estate Finance	Advanced Market Analysis / Highest and Best Use
UASFLA-Yellow Book	Advanced Applications & Case Studies
Solar Photovoltaic Valuation	

Licensing

State of California	Certified General Real Estate Appraiser License
Office of Real Estate Appraisers	Appraiser Identification No. AG025869
California Real Estate Salesperson License	Inactive

Representative List of Clients

Public Sector	Private Sector	Institutional Sector
United States of America	Canyon Development	Wells Fargo Bank
Department of the Interior	Westar Development	Union Bank
Small Business Administration	Pulte Homes	JP Morgan Chase
Bureau of Indian Affairs	UNOCAL 76	1st Bank
City of La Quinta	Prudential Real Estate	Montecito Bank & Trust
City of Rancho Mirage	Best Best & Krieger	Bank of the West
City of Palm Desert	Guralnick & Gilliland	US Bank Corp
City of Palm Springs	Towbes Group	East West Bank
Town of Yucca Valley	Hotel Resort Properties	Community West Bank
County of Riverside	Selzer, Ealy Hephill & Blasdel	Pacific Western Bank
P.S. Unified School District	Agua Caliente Band of Cahuilla Indians	

General Assumptions and Limiting Conditions

Standards Rules (“S.R.”) 2-1 of the “Standards of Professional Appraisal Practice of the Appraisal Institute” requires the appraiser to “clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the appraisal and indicate its impact on value”. While intended to be complete, inclusive, and relevant to this analysis, the report is subject to additional assumptions and conditions as presented within the body of the report where stated. The following items are essential to completely understand the analysis and conclusions presented in this report.

1. No responsibility is assumed for the legal description or for matters including 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 as expected by the complexity of the defined subject property.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. The appraiser reserves the right to make adjustments to the analyses, opinions, and conclusions in this report, as may be required by consideration of additional or revised data that may become available.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. If more current and complete information relevant to the subject property becomes available, the appraiser reserves the right to review such information and adjust the analysis and conclusions.
7. 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.
8. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
9. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described, and considered in the appraisal report.
10. 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 value estimate contained in this report is based.

General Assumptions and Limiting Conditions

11. It is assumed that the utilization 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.
12. Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or may not be present on the subject property. 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.
13. 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 allocations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
14. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with properly written qualification and only in its entirety.
15. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
17. Improved Properties – The American with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue I (we) did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
18. Existing and proposed improvements and their subsequent value estimates in this report are subject to the improvements being completed in the manner represented to the appraiser(s) and described in the Improvement Description section of this report.

General Assumptions and Limiting Conditions

19. The legal descriptions, site sizes, dimensions, and/or other surveys provided to the appraiser, including County Tax Plats, are assumed to be accurate. Should a survey prove these characteristics inaccurate it may be necessary for the appraisal to be adjusted.
20. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand facts, and a continued stable economy. These forecasts are, therefore, subject to change in the future.
21. It is assumed that all entitlements required for development of this property, if applicable, have been or can be obtained within a reasonable timeframe.
22. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.
23. Maps, diagrams, and exhibits included in this report are for illustration only to serve as an aid to visualizing matters discussed within the report. These exhibits should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.
24. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.
25. The property, which is the subject of the appraisal, is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the subject properties. The appraiser assumes no responsibility for the possible effect on the subject properties of seismic activity and/or earthquakes.
26. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property (unless otherwise stated), or has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.
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