

SMOTHERS APPRAISAL

James Smothers, MAI, ASA, SRA, SR/WA
Appraiser - Consultant - Commercial - Residential

1881 Commercenter Drive East, Suite 206
San Bernardino, CA 92408
Phone: (909) 890-9626 Fax: (909) 890-9605

American Society of Appraisers
Accredited Senior Appraiser - Real
Property/Urban/Commercial/Industrial
Senior Member - Real Property/Residential

Appraisal Institute
SRA, Senior Residential Appraiser
MAI, Member of Appraisal Institute

International Right of Way Association, SR/WA,
Senior Right of Way Agent

General Real Estate Appraiser
State Certificate #AG002102

September 12, 2006

Janice McConnell, Executive Assistant
City of Redlands, City Managers Office
Po Box 3005
Redlands California 92373

Phone: 909-798-7510
Fax: 909-798-7503

RE: Appraisal of 3 parcels of land on Wabash Avenue.
Apns: 0174-281-24, 26 and 28.
Date of Value: Current



Dear Ms. McConnell:

Reference your request for an appraisal of the property noted. Thank you for your consideration. *Our firm is dedicated to client service, integrity and ethical values.* We specialize in complex appraisals, litigation, condemnation and trust matters, and are experienced in expert witness testimony and appraisal of a wide variety of properties.

SCOPE OF INVESTIGATIONS

Based on our understanding of the assignment, we will conduct the appropriate investigations as applicable and necessary to comply with requirements as defined in the *Uniform Standards of Professional Appraisal Practice (USPAP)*. *Note that if the appraisal is to be used for loan purposes, and the lender is a Federally regulated lender, the appraiser must be engaged by the lender.* It is anticipated the report will not include a Business Valuation, Subdivision Analysis, Partial Ownership Interest Valuation, Furniture, Fixture and Equipment Valuation, Feasibility Analysis, Mineral Rights or Market Study.

It is our understanding a portion of the properties are to be appraised, based on legal descriptions furnished. As it is unlikely that similar properties have sold, we anticipate the appraisal will be based on the ATF Method (across the fence). We will complete one appraisal report, and estimate a value for each of the properties.

We are prepared to begin this assignment immediately. Upon your authorization and receipt of all requested documents, we will begin the appraisal assignment.

This assignment will consist of meeting and conferring with you and/or your designated contacts, in order to determine the overall appraisal requirements. It will entail an inspection of the subject, selection and analysis of comparable sales data. We will provide a *summary* written report and/or *verbal* consultation with you and/or your legal counsel. *Total fees are \$3,000 for this assignment. We estimate completion within 30 days from the date we are authorized to proceed.*

ADDITIONAL SERVICES AND CHARGES

This proposal *includes* initial meetings with agencies, owners or representatives, but *excludes* follow-up meetings, court preparation, proceedings and/or consultations, depositions and/or witness time. Retainers will be required for these charges, to be paid in advance. Should I, or a member of my staff be required by you or any other individual or agency, to do additional work, to testify or discuss the subject or comparable properties, either as an expert or percipient witness, regarding the current and/or subsequent matters, upgrade or update the report, and/or attend any public or private hearing or meeting, you agree to pay our fee, at the hourly rate prevailing at the date of requirement. Naming as Expert Witness: \$500 non-refundable fee. For court cases, all fees must be paid in full, plus an additional retainer prior to deposition and/or courtroom testimony. If the retainer proves to be insufficient, an additional retainer will be requested. Any funds remaining after completion of the assignment will be refunded to the client.

Additional work requested by you, your counsel or agent will be charged at the rate prevailing at the time the charge is incurred. Consultations are billed at a minimum of 15 minutes, per contact. Report updates *within* one year of the original report are based on our fee schedule at the time of update, less a 25% discount. Updates *over* one year are based on our fee schedule at the time of update, less a 15% discount. Periodic billings will be submitted for work completed and out-of-pocket expenses incurred to that point. The balance, if any, is due and payable immediately and is considered delinquent after 30 days. Unpaid balances, will bear interest after 30 days, which you agree to pay, at the rate of 1.5% per month, from the date due, and payable until paid. If this rate should exceed any legal limit, the interest is hereby amended to conform to the limit. If collection is necessary, then you agree to pay the reasonable cost and fees of said collection, including collection agent and attorney's fees. The final report will be delivered in two original copies. If additional copies are needed, the cost is \$100 each.

In addition, we are to be reimbursed for any and all out-of-pocket expenses such as, but not limited to engineering costs, City, County or agency licenses, fees or costs, zoning or other maps, aerial photographs, court exhibits, copies of deeds or other documents, title company charges, copies of deposition and/or trial transcripts and necessary travel or living expenses. These fees are subject to change, and will be billed at the rate prevailing at the time the charge is incurred.

HOURLY FEE SCHEDULE, SEPTEMBER, 2006

Senior Appraiser:	\$175.00 per hour
Associate Appraiser:	\$ 90.00 per hour
Field Assistants:	\$ 60.00 per hour
Administrative:	\$ 35.00 per hour
Testimony:	\$350.00 per hour (Minimum 4 hours. Includes Court, Hearings and/or Depositions and driving time).
Naming as Expert Witness:	\$1,000 Non-Refundable Fee.

*Note, All fees are subject to change and are in addition to expenses, such as travel and lodging. All fees must be paid in advance of Court Appearance, Testimony and/or Depositions.

Resolution of disputes or controversy arising under or relating to this agreement, and/or any amendments hereof, shall be determined and settled in the courts of San Bernardino, California. Should the assignment be canceled after work has commenced, a cancellation fee will be charged, based on the percentage of completion as of the date of cancellation. Note that approximately 2/3 of the total fee covers the field work, analysis, and verbal estimate of value.

A lien is hereby granted and it is expressly agreed that this contract creates a lien, to the extent of Appraiser fees incurred, against the property and/or any claim, case, or cause of action and proceeds from any settlement or judgment, however obtained; Client hereby expressly assigns to the Appraiser said fees that may become due and payable in settlement of this matter or through judgment or otherwise.

I certify that, to the best of my knowledge and belief, that we have the capacity and demonstrated expertise to meet the terms of the proposed engagement; and that the report will be prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice, and the Codes of Professional Ethics and Standards of Professional Appraisal Practice of both the Appraisal Institute and the American Society of Appraisers.

Our proposal is based upon your description of the assignment. If subsequently it is determined that a more extensive analysis, or report is required, we reserve the right to revise the fee and/or proposal. The report will be subject to Assumptions and Limiting Conditions typical in the appraisal industry. Unless otherwise stated, we will assume the property is free of contamination. A revelation that contamination exists, would invalidate our analyses and be cause for re-negotiation of the fee. Any liability incurred from the report is limited to the amount of fees paid. Passage of 30 days from the report date is considered as evidence the client has reviewed and accepted the report.

Your approval of this engagement authorizes James Smothers, or his designatee to review and copy any information in governmental or other agency files relating to the subject property, including, but not limited to: building records, plans, property characteristics, permits, operating statements, sales, costs, financing or other information as to how the property was valued.

We are prepared to begin research for the report upon receipt of **all information requested and a letter of engagement**. At your option you may sign and return this contract, specifying the fee and the terms of the agreement. Failure to return all data requested will delay the report. The preceding appraisal fees are based on your description of the assignment. Significant differences in the assignment will be subject to additional fees. This proposal is subject to change as additional assignments are received. This bid proposal will expire in ten days.

I hereby agree to the preceding terms and conditions.

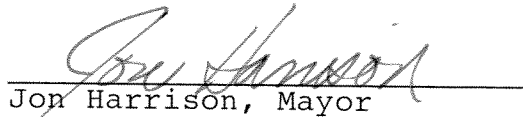
Name: Printed Signed Date Phone No.

Respectfully Submitted,

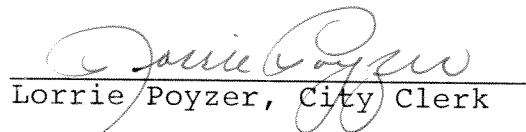


James Smothers, MAI, ASA, SRA, SR/WA
Certified General Appraiser AG002102

CITY OF REDLANDS


Jon Harrison, Mayor

ATTEST:


Lorrie Poyzer, City Clerk

PROPERTY QUESTIONNAIRE SEPTEMBER 12, 2006

Please provide information on each item if available. Indicate "NAV" for items not available, "NAP" if not applicable, or "UNK" if unknown. Reply on a separate sheet if necessary, and refer to the line numbers. Failure to reply to each item may cause delays.

Janice McConnell, Executive Assistant
City of Redlands, City Managers Office
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Phone: 909-798-7510
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RE: Appraisal of 3 parcels of land on Wabash Avenue. Apns: 0174-281-
24, 26 and 28.

Date of Value: Current

1. Identification of all properties to be appraised (addresses, parcel numbers etc.)
2. Date of Value (Current or?)
3. Name, Address, Phone Number of Client and intended users of the report
4. Name & phone number of contact person for access or information on the property
5. Copies of Plans, Specifications and Project Information
6. Plat maps and/or survey maps
7. Copy of the most current Title Report or Preliminary Title Report
8. Specific uses to which the report will be put
9. Copy of subject rent roll and/or tenant leases
10. Operating statements for the past five years. Be specific as to all income & expenses
11. Copies of all prior appraisals of the subject property within the past five years
12. Copy of most current tax bill
13. Copies of contractor bids/estimates for original, rehabilitation or remodeling costs
14. Information on improvements to be modified, rehabilitated or removed from the property
15. A complete inventory, including costs, book values of furniture, fixtures and equipment
16. Copies of contracts on the property, such as buildings, land, furniture, fixtures or equipment
17. Inventory of any tenant owned improvements and/or personal property at the property
18. Five year ownership history, indicating names, sales, listings, offers to purchase, foreclosures etc.
19. Copies of applicable CC&Rs
20. Copies of environmental, soils or toxic conditions studies which have been undertaken or advised
21. Are there now, or have there ever been underground storage tanks on the property?
22. Information about a loss in value from damage to the property (fire, flood, subsidence, toxics etc)
23. Information regarding pending foreclosure action to the property, furniture, fixtures or equipment
24. Copies of any off-site parking agreements
25. Information regarding Bond or other financing of the property

The undersigned certifies that the preceding is accurate, to the best of their knowledge and belief:

Name: Printed

Signed

Date

JAMES SMOTHERS, MAI, ASA, SRA, SR/WA
1807 North "D" Street
San Bernardino, CA 92405
Phone (909) 881-1864 Fax (909) 886-1585

September, 2006

APPRAISER QUALIFICATIONS EDUCATION

- California State Polytechnic University, Kellogg-Voorhis, Pomona, California. *Bachelor of Science Degree* received June 1970. Major in Business Management. Included courses in business, finance, law, forecasting, economics, accounting, marketing, investments.
- San Bernardino Valley College, San Bernardino, California. *Associate of Arts Degree* June 1968. Major in Business Administration. Included courses in residential & commercial appraising, law, statistics, forecasting, economics, accounting.
- *Certificate of Completion* of post graduate courses in Real Estate, June 16, 1978.
- California State Board of Equalization, courses in appraisal of single & multi-family residential properties, income producing, commercial - industrial properties, mortgage equity techniques. *Advanced Appraiser* certificate issued October 12, 1978.
- Appraisal Institute, Successfully challenged and passed Courses: 101 - "An Introduction to Appraising Real Property"; R-2 - "Single family Dwellings"; 310 - "Basic Income Capitalization." Successfully completed Courses: 510 - "Advanced Income Capitalization"; 550 - "Advanced Applications"; 520 - Highest & Best Use and Market Analysis.
- International Right of Way Association, Course 401 - Appraisal of Partial Acquisitions. Course 201, Communications in Real Estate Acquisition. Course 205, Bargaining Negotiations.

APPRAISAL EXPERIENCE

- Since 1971, I have worked full time at appraising various types of property, including: shopping centers, motels, office buildings, airports, places of worship, restaurants, theaters, time share projects, a health spa, automotive dealerships, landfills, service stations, proposed & failed subdivisions, mobile home parks, lumber yards, cemeteries, modular homes, offices & classrooms, a private university, an historic hotel and Christian retreat, a City Hall complex, a Superior Courthouse, a former Bankruptcy Courthouse, a Police Department and Jail, metal buildings, agricultural properties, dairies, mining operations, historical properties, hospital & convalescent facilities, possessory and partial interests, access rights, underground and aerial easements, water rights, leasehold & leased fee interests, single & multi-family dwellings, open space restricted properties, mass assessment districts, endangered species conservation properties, litigation, eminent domain, partial acquisition appraisals and vacant land.
- Principal Appraiser San Luis Obispo County, July, 1984 to September, 1985. Included supervision & review of six supervising appraisers & 45 appraisers. Responsible for residential, commercial, industrial & special property appraisals, as well as map making, business audits & data processing coordination.
- San Bernardino County, August, 1971 to July, 1984. Included advancements to Appraiser IV, supervision & review of residential, commercial, industrial & special property appraisers.

PROFESSIONAL AFFILIATIONS & CREDENTIALS

- State of California, Office of Real Estate Appraisers Certificate - Certified General Real Estate Appraiser, Issued February 11, 1992, valid through December 20, 2004. Appraiser Identification Number AG002102.
- American Society of Appraisers - Dual Designated ASA, 1/1/85 Senior Member - Real property, Residential and 6/5/91 ASA Accredited Senior Appraiser - Real Property, Urban (Commercial - Industrial). 1990-1991 President of Inland Empire Chapter & California State Director. Approved Instructor for ASA classes. Instructor of OREA approved Forensic Appraising Seminar.
- Appraisal Institute - 10/8/96 Designated MAI, Member. 10/1/91 Designated SRA, Senior Residential Appraiser. Served on SRA Experience Review Committee. 1994-1998 member of Regional Ethics and Counseling Panel. 1997 Board of Directors, Pacific Chapter. Instructor of OREA approved Forensic Appraising Seminar.
- International Right of Way Association - Designated SR/WA, Senior Right of Way Agent, 7/1/01.
- Member, International Society of Arboriculture.
- California Community College Teaching Credential in Real Estate, September, 1978 (valid for life).
- Past appraisal Instructor for California State Board of Equalization, San Bernardino County & San Luis Obispo County.
- California State Board of Equalization, Advanced Appraiser Certificate, 10/12/78.
- Former Advisory Board Member, Business Bank of California.
- Former Citizen's Advisory Board Member, Inland Valley Development Agency, San Bernardino International Airport.
- Appraiser Member, East Inland Empire Association of Realtors.
- Approved Appraiser with the Resolution Trust Corporation (RTC); Federal Deposit Insurance Corporation (FDIC); San Bernardino County Real Estate Services Department; San Bernardino Associated Governments (SANBAG); Federal Department of Housing & Urban Development (HUD); California Department of Veterans Affairs (Cal-Vet); various Inland Empire Agencies. Experienced with Federal National Mortgage Association (FNMA) & Relocation appraisals.
- Expert Witness, San Bernardino and Riverside Orange County Superior Courts.
- Expert Witness, Assessment Appeals Board, San Bernardino, Riverside & San Luis Obispo Counties.

PERSONAL INVESTMENT EXPERIENCE

- Residential & commercial development. Property acquisition, development & ownership, including Two custom homes & one commercial property. Owner/operator of a Deli/Restaurant for 14 years.
- Rental income properties. Acquisition, ownership & management, from 1985 to present.
- Second trust deeds. Acquisition, ownership & management, from 1978.