

**APPRAISAL OF:**

**PARCEL 1 OF THE VANOLI RANCH**

**GREENFIELD, CALIFORNIA**

**MITIGATION APPRAISAL**

**REQUESTED BY:**

**RCT Lands, LP  
c/o Kathy Franscioni  
86 Monterey-Salinas Highway  
Salinas, CA 93908**

**APPRAISAL AS OF:**

**December 22, 2015**

**APPRAISED BY:**

**John Piini, MAI  
Piini Realty, Inc.  
263 Lincoln Avenue  
Salinas, CA 93901**



January 5, 2016

RCT Lands, LP  
c/o Kathy Franscioni  
86 Monterey – Salinas Highway  
Salinas, CA 93908

Re: Vanoli Ranch – Mitigation Appraisal

Dear Kathy:

Upon your authorization, I conducted the investigations and analyses necessary to form an opinion as to the agricultural market value of the westerly 121.4 acres of the Vanoli Ranch. This property is located at south end of Greenfield near the Highway 101 and Espinosa Road overpass. The Vanoli Ranch contains a gross land area of 173 acres, of which the westerly 121.4 acres is within Greenfield's South Annexation Area and is the subject property of this appraisal.

The 121.4 acres is part of a larger 173-acre property, which is currently identified as Monterey County Assessor Parcel Number 221-011-017. The larger property is subject to a Land Conservation Contract with the County of Monterey. Upon annexation into the city limits, the 121.4 acres will become a separate property and zoned for commercial-industrial use. The easterly 51.6 acre property will remain in the county and a condition of annexation requires a permanent conservation easement over the 51.6 acres.

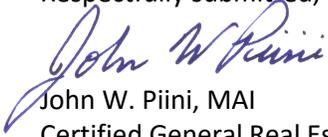
A Tentative Map for Proposed Minor Subdivision, prepared by H. D. Peters Company identifies the 121.4 acre parcel as *Proposed Parcel 1* and the 51.6 acre parcel is identified as *Proposed Parcel 2*. A copy of this map is included in the attached appraisal report.

The intended use of this appraisal is to determine the mitigation value for Proposed Parcel 1, which if annexation is approved, the Land Conservation Contract will be rescinded. In order to determine the mitigation value, the Proposed Parcel 1 is appraised under a hypothetical condition that this 121.4 acres is a separate and legal lot and the highest and best use is agriculture. Hence, the value conclusion excludes consideration for the development potential that will exist following annexation and removal of the Land Conservation Contract.

Based on the inspection of the property, and the investigation and analysis undertaken, I have formed the opinion that as of December 22, 2015, and subject to the assumptions and limiting conditions set forth in this report, the agricultural market value of the 121.4 acres of the Vanoli Ranch was \$3,700,000.

The appraisal report that follows consists of 46 pages and sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and subject property, comparable data, the results of the investigations and analyses, and the reasoning leading to the conclusions set forth.

Respectfully submitted,



John W. Piini, MAI  
Certified General Real Estate Appraiser  
State of California, OREA No. AG005214

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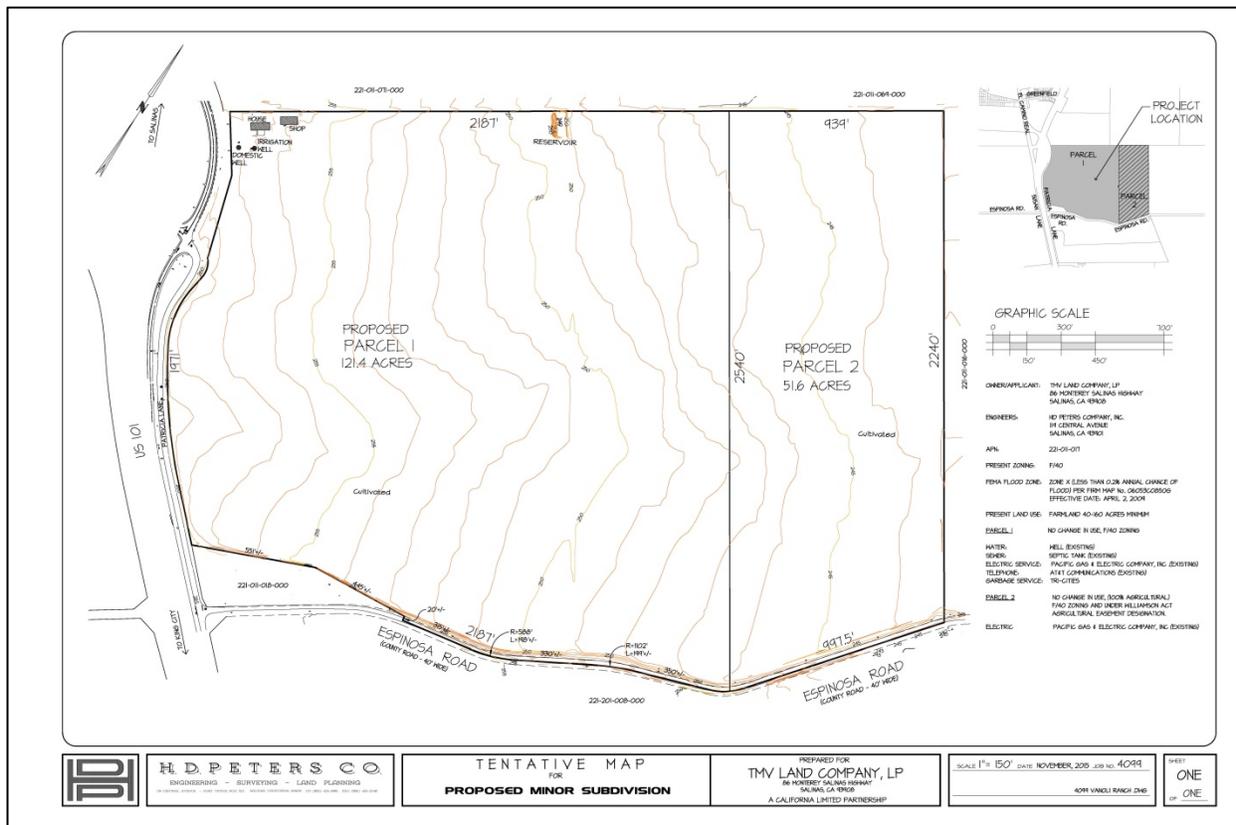
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## INTRODUCTION

### IDENTIFICATION

This report involves the market valuation of the westerly 121.4 acres of the Vanoli Ranch. The Vanoli Ranch is located on the east side of Highway 101, directly south of the city of Greenfield. The Vanoli Ranch presently contains a gross land area of 173 acres and there is a proposed minor subdivision of this property that will divide the Vanoli Ranch into two parcels. The proposed minor subdivision map is depicted below.



As shown on the Minor Subdivision Map, the westerly parcel, which is the subject property of this appraisal, is identified as Proposed Parcel 1 and it contains 121.4 acres.

The property has yet to be legally divided and hence this property does not have a legal description. The entire Vanoli Ranch is identified by the above Proposed Tentative Map.

### PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the agricultural market value of the subject property.

### **Market Value Defined**

*The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- (1) buyer and seller are typically motivated;*
- (2) both parties are well informed or well advised, and acting in what they consider their own best interest;*
- (3) a reasonable time is allowed for exposure in the open market;*
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>*

### **TITLE**

Title to the property is vested in RCT Lands, LP.

### **CLIENT**

The client is RCT Lands, LP.

### **INTENDED USE OF THE APPRAISAL**

The intended user of the appraisal is the client and the State of California and County of Monterey. The intended use is for determining mitigation value pertaining to the cancellation of a Land Conservation Contract.

### **HYPOTHETICAL CONDITIONS OF THE APPRAISAL**

This appraisal is predicated upon the following hypothetical conditions:

1. The westerly 121.4 acres is a separate and legal parcel; and,
2. The highest and best use of the property is agriculture.

### **Hypothetical Condition Defined**

*That which is contrary to what exists but is supposed for the purpose of analysis.<sup>2</sup>*

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<sup>1</sup> *The Dictionary of Real Estate Appraisal – Fifth Edition*, Appraisal Institute; p. 123.

<sup>2</sup> *Ibid*, p. 97.

**SALE HISTORY**

The Vanoli Ranch has been owned by the Franscioni family for over 5 years.

**PROPERTY RIGHTS APPRAISED**

The property rights appraised is the fee simple estate.

**Fee Simple Estate Defined**

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*<sup>3</sup>

**EFFECTIVE DATE OF THE APPRAISAL**

This appraisal is a current valuation and the valuation conclusion applies as of November 22, the date of inspection.

**DATE OF THE REPORT**

This appraisal report was prepared in November and December of 2015.

**REPORT FORMAT**

The report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP for an Appraisal Report. As such, it presents only summary discussion of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained on file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above.

**REASONABLE EXPOSURE TIME**

The term "reasonable exposure time" is defined as

*The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value of the effective date of the appraisal.*<sup>4</sup>

For the past several years, a strong effective demand exists for irrigated farm properties located in Monterey County. Assuming this property was priced within 10% of the estimated market value, the estimated exposure time is 6 months.

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<sup>3</sup> Ibid, p. 78.

<sup>4</sup> Ibid, p. 73.

## **HAZARDS**

### **Environmental Hazard**

An environmental assessment report was not provided and the appraiser is not qualified to make such a report and/or environmental assessment. *Without the benefit of an environmental assessment or hazardous material assessment report, this appraisal is an “unimpaired valuation,” which assumes there are no environmental conditions that adversely affect property value. The value conclusion could change if it is determined that there are hazardous materials on these properties.*

### **Flood Hazard**

The flood hazard is identified on Flood Insurance Rate Map (FIRM) panel 06053C0850G as being within Zone X (shaded), which is defined by FEMA as

*Area of moderate flood hazard, usually the area between the limits of the 100-year and 500-year floods.*

### **Seismic Hazard**

The property is located within a seismically active area of California’s Central Coast but is not within an Alquist-Priolo Special Studies Zone.

## **SCOPE OF WORK**

Since 2008 I have appraised the Vanoli Ranch several times for the internal use of the owners and for financial lending purposes.

As part of this appraisal the prior appraisal reports and files were reviewed. The information from the prior reports was utilized as a foundation for this current report, with updated information provided by the current research and investigations conducted.

The current research and investigations included a re-inspection of the Vanoli Ranch. The inspection included an exterior inspection of the improvements. An interior inspection was not made. Soil, topography and aerial maps were also reviewed and analyzed in order to obtain information pertaining to the physical characteristics of the property. Any plot plans included within this report were made by the appraiser and are intended for illustration purposes.

The valuation and analysis of the property is predicated primarily on the sales comparison and income approach valuation methods. These methods rely on current and comparable market data and the data applied in this report is predicated on market research that is continually updated by Piini Realty. The sales information is derived from county records and is verified with one or several of the principals to

the sale. The comparable sales selected for this assignment were analyzed and compared to the subject properties based on standard appraisal techniques and were performed by John Piini.

The agricultural rental information is derived from data on file and conversations with various owners and tenants. Agricultural rents are confidential and the standard practice employed by Piini Realty is to discuss rents in a general fashion and not disclose the ranch and or parties.

The results of the investigation and the analysis conducted are presented in this appraisal report.

AREA LOCATION MAP



## **MONTEREY COUNTY**

The Vanoli Ranch is located in the Salinas Valley of Monterey County. Monterey County is oriented in a north to south direction parallel to the Pacific Ocean. It is bounded on the north by Santa Cruz County, on the south by San Luis Obispo County, on the east by San Benito, Kings, and Fresno Counties and on the west is the Pacific Ocean.

The largest of the central coast counties, Monterey County has approximately 100 miles of coastline along the Pacific Ocean and averages 30 miles in width. The county contains 3,324± square miles or 2,127,360± acres.

About 426,000 people currently reside in Monterey County, which is a 6% increase from the 2000 Census estimate of approximately 402,000. The majority of the county's population is located on the Monterey Peninsula and in the greater Salinas area. During the past seven years, Salinas and the smaller Salinas Valley towns experienced the majority of the county's growth, as the price of land and housing is relatively affordable compared to the Monterey Peninsula and the neighboring Santa Clara and Santa Cruz Counties. During this same period, the population on the Monterey Peninsula remained relatively stable, due to a limited supply of land that is zoned and adapted for development.

The physical and economic characteristics of the County are divided primarily between the Monterey Peninsula and Salinas Valley. The Monterey Peninsula communities of Pebble Beach, Carmel, Pacific Grove and Monterey are tourist destinations for the northwesterly portion of the county. To the south of the Monterey Peninsula is the world renowned Big Sur Coast. On the eastern side of the county lies the Salinas Valley, one of the chief vegetable producing regions in the United States.

## **SALINAS VALLEY**

The Salinas Valley is a fertile agricultural region bounded to the east by the Gabilan Mountain Range and to the west by the Santa Lucia Mountain Range. The valley begins at San Ardo, and widens and stretches approximately 100 miles to the Monterey Bay, near Castroville.

This valley is one of the premier fresh vegetable growing regions in the country and a large majority of the salad greens consumed in the United States are grown here. Strawberries, head lettuce, leaf lettuce, broccoli, celery, artichokes and a variety of other vegetable crops provide Monterey County with approximately \$4 Billion in gross sales. Due to the intensity and the variety of crops grown, the Salinas Valley is nicknamed "America's Salad Bowl."

Within the 100-mile stretch of the Salinas Valley are individual farming districts, that are distinguished not only by location, but by farming characteristics associated with soil, climate and/or water.

East-to-west, soil quality provides the distinction, as the soils on the valley floor are for the most part, fertile clay and loamy soils that are well suited for growing a variety of fresh vegetable crops. Along the foothills of the Gabilan Range (east side of the valley) and the Sierra de Salinas Range (west side) the soils are generally characterized by decomposed granite (DG) soils that formed in alluvium from granitic and schistose rocks on alluvial fans and terraces. These soils are typically well-drained and suitable for growing a variety of crops; however, they generally require a higher degree of farm management as compared to the soils on the valley floor.

North-to-south, climate plays a significant role as the north end of the valley has a cool coastal climate, whereas the south end of the valley is warmer and windier during the growing season. Due primarily to climate, agricultural rents are higher at the north end of the Salinas Valley as compared to the farmland in the central and southern portion of the valley. In recent years though, this gap tightened due in part to an expansion of seed varieties, enhancement in irrigation practices and the growth in the food service segment of the produce industry which has increased the demand for leafy green vegetables such as spinach and leaf lettuces that have shorter growing periods.

During the past several years, the demand for Salinas Valley farmland has been very strong. Salinas Valley growers of vegetables, strawberries and wine grapes are competing for farmland and the available supply is very limited. Agricultural rents are rising along with the value of Salinas Valley farmland.

## PROPERTY DESCRIPTION

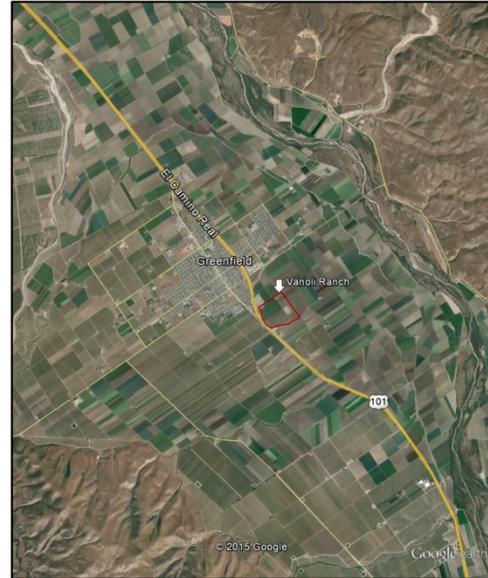
### LOCATION

The Vanoli Ranch is located on the east side of Highway 101, with frontage and direct access on Espinosa Road. The ranch is situated directly south of the city of Greenfield and is surrounded by agricultural land uses devoted to both irrigated row crop farming and varietal vineyards.

Espinosa Road overpasses and interchanges with Highway 101 near the entrance to the Vanoli Ranch.

### LAND AREA

The gross land area of the entire Vanoli Ranch is 173 acres, of which Proposed Parcel 1 is 121.4 acres. The entire property is considered usable for agricultural purposes.



The historical and current use of Parcel 1 is agriculture and it is farmed as a larger 173 acre property. As a separate property, Parcel 1 has approximately 106.5 net farm acres. The remaining 14.9 acres include two yard areas, internal roads and detention ponds. The yard areas include a 5.4 acre storage yard in the center of the property and 1.8 acre building yard located at the northwest corner of the property. The 5.4 acre yard is a former reservoir which has been filled, but because of the rocky fill material it is used only for equipment storage.

<b><i>Acreage summary</i></b>	<b><i>Acres</i></b>
Gross land area	121.4
Usable land area	121.4
Net farm acres	106.5
Percentage of net farm acres to usable farm acres	87.73%

*Note: Net farm acreage estimate derived from Google Earth Pro*

The percentage of net farm acres to usable acres is relatively low as most farm properties in the Salinas Valley have a net to usable percentage of about 93 to 97%. The low percentage is attributed primarily to the large equipment yard located at the east end of Parcel 1.

**SOIL**

The soil on the westerly portion of the Vanoli Ranch, (Proposed Parcel 1) is primarily Arroyo Seco gravelly sandy loam (AsA). This is a well drained soil that formed in granitic alluvium on alluvial fans and plains. Near Greenfield, this soil is relatively common and it is characterized by large cobblestones that are referred to locally as *Greenfield potatoes*. These cobblestones are prevalent within the fields and they present an added cost to the farmer in regards to equipment repair and can cause irrigation pipe breakage if the underground lines are not packed in sand. The Arroyo Seco gravelly sandy loam occupies approximately 73% of Parcel 1.



The remaining 27% of the Parcel 1 includes about 9 acres of Elder loam, gravelly substratum (Eca) and 23 acres of Cropley silty clay (CnA). The Elder loam soil is also a well drained soil that is derived from granitic and sedimentary rocks. This soil also has cobblestones, but typically not as severe as the Arroyo Seco gravelly soil.

The Cropley silty clay soil is found at the east end of Parcel 1, near the center and it also occupies all of Parcel 2, which is excluded from this appraisal. Cropley silty clay is a well-drained soil found on alluvial fan and flood plains. Within the Salinas Valley, this soil is a prime soil for vegetable crops and intensively used for growing lettuce and celery. On Parcel 1 of the Vanoli Ranch the Cropley silty clay soil adjoins the Arroyo Seco soil to the east, west and south and it appears that the cobblestones on the neighboring soil encroaches into the border areas between these two soil types, resulting in soil inconsistency within the fields.

<b>Vanoli - Parcel 1 farmland soil</b>						
Soil Symbol	Soil Name	Slope	Fa rmland classification, if irrigated	Land capability classification	Percent of farmland	
AsA	Arroyo Seco gravelly sandy loam	0 to 2 %	Prime	3s	73%	
can	Cropley silty clay	0 to 2 %	Prime	2s	19%	
Eca	Elder loam, gravelly substratum	0 to 2 %	Prime	2s	<u>8%</u>	
Totals					100.0%	
<i>Source: USDA, National Cooperative Soil Survey</i>						

The overall soil character of Parcel 1 of the Vanoli Ranch is regarded as a marginal soil that is adversely affected by cobblestones.

#### **WATER**

Irrigation water is provided from one groundwater well, which is located at the building yard. Details about the well were not provided. According to the owner, the water quality is good and the supply is adequate for the agricultural use.

#### **BUILDING IMPROVEMENTS**

This property is improved with a 1,385-square foot single-family dwelling and a 1,400-square foot agricultural utility building. The dwelling is a low-cost wood-frame structure with stucco siding and a composition shingle roof. It was built in 1961 and has 3 bedrooms and 2 bathrooms. The present day condition is fair. The house is occupied by an employee of RCT Lands.

The utility building has a wood frame, dirt floor and corrugated iron siding. The quality of construction is low cost and the effective age is 40 years.

#### **2015-2016 ASSESSED VALUATION AND TAXES**

The 2015-2016 assessed valuation and taxes for the entire Vanoli Ranch are shown below.

Assessor Parcel Number	221-011-017
Assessed Valuation	
Land	\$5,217,246
Improvements	\$76,798
Total	\$5,294,044
Property taxes	
Direct taxes	\$2,990
State and Agency taxes	<u>\$61,576</u>
Total property taxes	\$64,566
Average state and agency tax rate per \$1,000 of Assessed Value	1.163%

#### **LAND CONSERVATION CONTRACT**

The Vanoli Ranch is subject to a Land Conservation Contract. The contract is a 20-year Williamson Act Contract, which is intended to provide lower property taxes in lieu of the owner's agreement to preserve the property's agricultural/open space use. In 2004, the owners filed a Notice of Non-Renewal.

## **ZONING**

The Vanoli Ranch is zoned Farmland (F/40). This property is also designated for annexation into the City Limits of Greenfield. Greenfield's land use designation for this property is highway commercial and heavy industrial.

## **HIGHEST AND BEST USE**

Highest and best use is defined as

*The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.<sup>5</sup>*

### **As if vacant**

Parcel 1 of the Vanoli Ranch is within Greenfield's South Annexation Area and the land use designation upon annexation is highway commercial and heavy industrial. Once annexed, the highest and best use of this property is for a commercial-industrial development. Annexation and development of the property is subject to removal of the Williamson Act Contract.

For the intended use of this appraisal, which is to estimate mitigation value associated with cancelling the Williamson Act Contract, this valuation is confined to the agricultural valuation of the property. Hence, the development potential of this property is not analyzed as part of this appraisal assignment and the valuation is predicated on the hypothetical condition that the highest and best use is agriculture for the foreseeable future.

### **As improved**

The building improvements include an agricultural shed and one single-family dwelling. These improvements contribute an added value under the hypothetical condition that the highest and best use is agricultural.

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<sup>5</sup> The Dictionary of Real Estate Appraisal - 5th edition, Appraisal Institute; p. 93.

## **FEE SIMPLE VALUATION**

In estimating the fair market land value of the fee simple estate, the valuation methods are the sales comparison and income approaches. These are the two common methods utilized in the valuation of Salinas Valley farmland. In applying these appraisal methods, the components of value include the land and the land improvements, which consist of the irrigation wells, pumping plants and irrigation pipeline. In the Salinas Valley, the contributory value of the land improvements is included in the land valuation and the common unit of measurement for comparison purposes is the *price per usable acre*.

In the sales comparison approach, an opinion of value is derived by analyzing and comparing similar properties that have recently sold, are listed for sale, or are under contract. A major premise of the sales comparison approach is that the market value of a property is related to the prices of comparable, competitive properties.

The income approach is applicable for this appraisal assignment because Salinas Valley farmland is commonly rented on an annual per-acre rental basis, and this is a very active market of investment oriented buyers. From an investor's point-of-view, earning power is the critical element affecting property value. One basic premise of this approach is that the higher the earnings, the higher the value, provided the amount of risk remains constant.

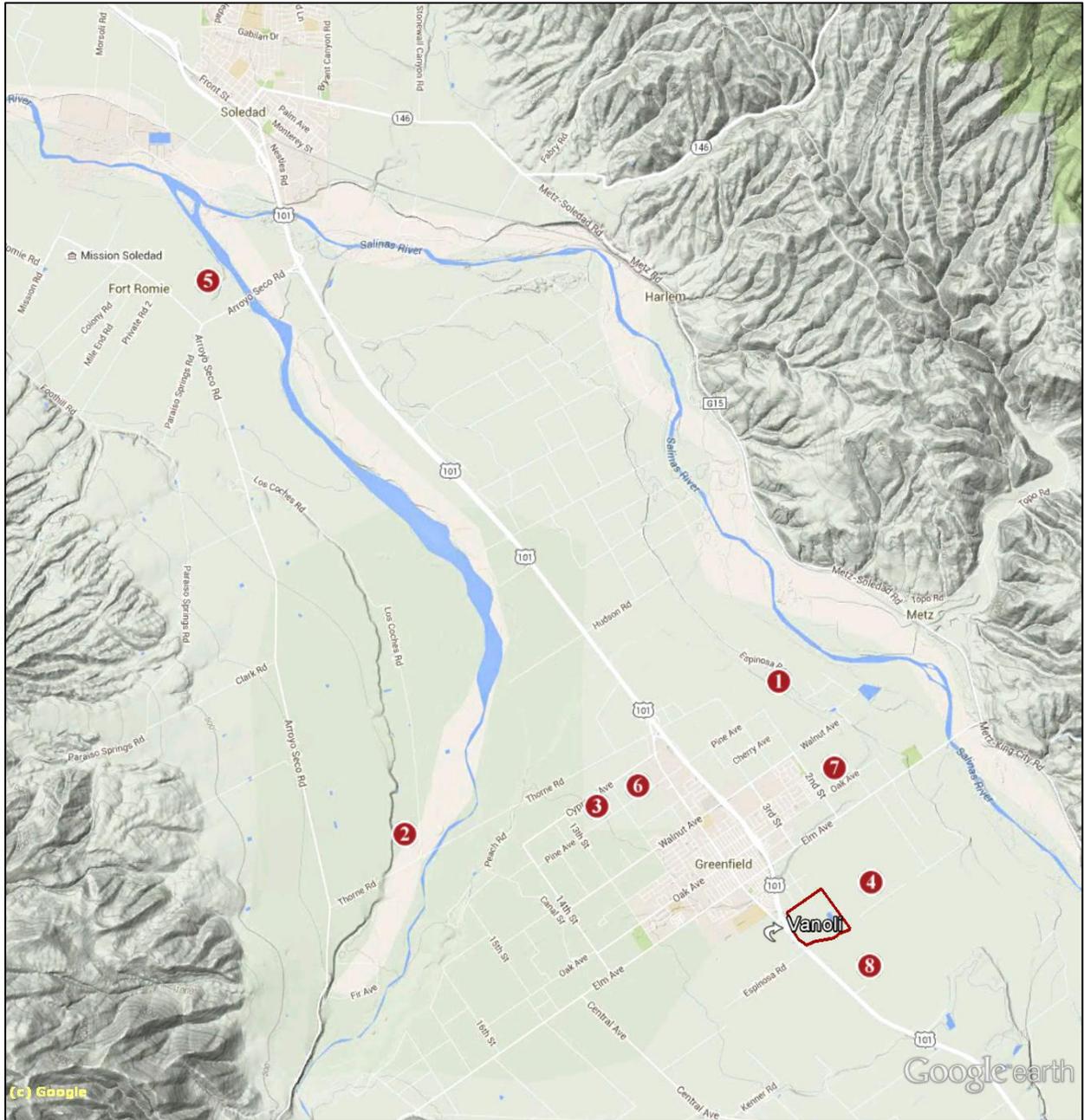
## **SALES COMPARISON APPROACH**

In applying the sales comparison approach, the following sales are judged to be the most comparable and indicative of value:

<i>Sale No.</i>	1	2	3	4
<i>Recording Date</i>	12/31/2012	8/1/2014	5/14/2015	2/9/2012
<i>Recording Document</i>	12-76826	14-35825	15-25299	12-8928
<i>Assessor Parcel Number</i>	109-051-002	111-022-005	109-241-004 & 005	221-011-016
<i>Location</i>	Pine Ave	Los Coches Rd	Cypress Ave	Espinosa Rd
<i>Nearest city</i>	Greenfield	Greenfield	Greenfield	Greenfield
<i>Grantor</i>	A. Pura Trust	Meador	Tunzi	C. Pura Trust
<i>Grantee</i>	Pura	Wente	SCL Lohr Ptn.	Bassetti
<i>Deeded acres</i>	40.0	117.7	18.5	130.0
<i>Usable farm acreage</i>	38.0	101.0	18.5	130.0
<i>Sale price</i>	\$1,100,000	\$4,800,000	\$761,500	\$4,550,000
<i>Sale price per acre (rnd)</i>	\$28,900	\$47,500	\$41,200	\$35,000
<i>Bulding improvement allocation</i>	\$150,000	\$60,000	\$0	\$150,000
<i>Vineyard improvement allocation</i>	\$0	\$1,940,000	\$0	\$0
<i>Land allocation</i>	\$950,000	\$2,800,000	\$761,500	\$4,400,000
<i>Land allocation per acre</i>	\$25,000	\$27,723	\$41,162	\$33,846

<i>Sale No.</i>	5	6	7	8
<i>Recording Date</i>	4/11/2014	7/31/2014	4/17/2015	Offering
<i>Recording Document</i>	14-16012	14-35514	15-19608	
<i>Assessor Parcel Number</i>	165-071-001	109-241-004 & 005	109-021-001 +	221-201-003+
<i>Location</i>	Ft. Romie Rd	Cypress Ave	2nd Avenue	Patricia Lane
<i>Nearest city</i>	Soledad	Greenfield	Greenfield	Greenfield
<i>Grantor</i>	Vaughan Trust	Signorotti	Domingos	Fischer
<i>Grantee</i>	Costa	Clark Colony	Bassetti	
<i>Deeded acres</i>	106.7	57.6	58.2	105.2
<i>Usable farm acreage</i>	63.0	57.6	58.2	105.2
<i>Sale price</i>	\$2,200,000	\$2,150,000	\$2,730,000	\$4,734,000
<i>Sale price per acre (rnd)</i>	\$34,900	\$37,300	\$46,900	\$45,000
<i>Bulding improvement allocation</i>	\$120,000	\$75,000	\$0	\$35,000
<i>Vineyard improvement allocation</i>	\$0	\$0	\$0	\$1,440,000
<i>Land allocation</i>	\$2,080,000	\$2,075,000	\$2,730,000	\$3,259,000
<i>Land allocation per acre</i>	\$33,016	\$36,031	\$46,923	\$30,979

**Sale Location Map**



***Sale 1: Aldo Pura Ranch***

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Sale 1 is a 40-acre row-crop ranch located 0.5 miles northeast of Greenfield and on the north side of Pine Avenue, east of 2<sup>nd</sup> Street. The location is part of an agricultural district that is used primarily for irrigated row crops. Greenfield’s Land Use Plan calls for expanding the city limits toward this property; however, currently Greenfield’s Sphere of Influence extends to 2<sup>nd</sup> Street and this property is not within the city’s Sphere of Influence.

This property is divided into two benches with a bank of about 2 acres separating the two benches. The usable land area is approximately 38 acres with 35 net farming acres. The lower bench has approximately 18 acres and the soil is Mocho loam, a level Class I soil that is suitable for a variety of row crops. The soil on the upper bench is Elder sandy loam, which is a Class II soil that is suitable for row crops and vineyards.

The historical use of the property is irrigated row crop farming. Irrigation water is provided from one deep ground water well and the farmland is improved with high-pressure irrigation. There is a 1.5-acre building yard on the upper bench and along the Pine Street frontage. This yard is improved with one single-family dwelling, several sheds and barns and two older trailers that were included with the sale.

Since the sale, the single-family dwelling is being rented for \$1,200 per month and the two trailers provide an additional \$1,200 per month rent. The contributory value of the improvements is approximately \$150,000.

This property was not on the open market and sold to settle an estate. The buyers were Bill Massa, who owns adjoining farmland, and Mark Pura, who was the tenant. The buyers were motivated to acquire this property and the purchase price of \$1,200,000 was considered reflective of market value.

***Sale 2: Meador Vineyard***

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The Meador Vineyard is an improved varietal vineyard located at the northeast corner of Los Coches and Thorne Roads and approximately 2.5 miles west of Greenfield. This property is situated on a lower bench and the soils are gravelly, sandy loams, which are similar to Parcel 1 of the Vanoli Ranch.

This property was improved with 95.5 net acres of varietal wine grapes that were planted between 1982 and 2014. The original vineyard was developed in 1982 by Wentz Brothers on a 12' x 8' spacing. In 1988 the inner rows were planted and from 2003 through 2014 there were extensive new plantings

between the vines that resulted in a high density averaging 1,382 plants per net acre. Chardonnay is planted on 77% of the vineyard and the balance includes a mixed variety that was designed for premium wine blending. This vineyard has a history of high yields with the Chardonnay achieving yields of 6 to 8 tons when farmed by the current owner.

Irrigation water is provided from one well and the vineyard is improved with a combination of drip and overhead sprinklers, with new drip lines and pressure compensating emitters installed in 2012-2013.

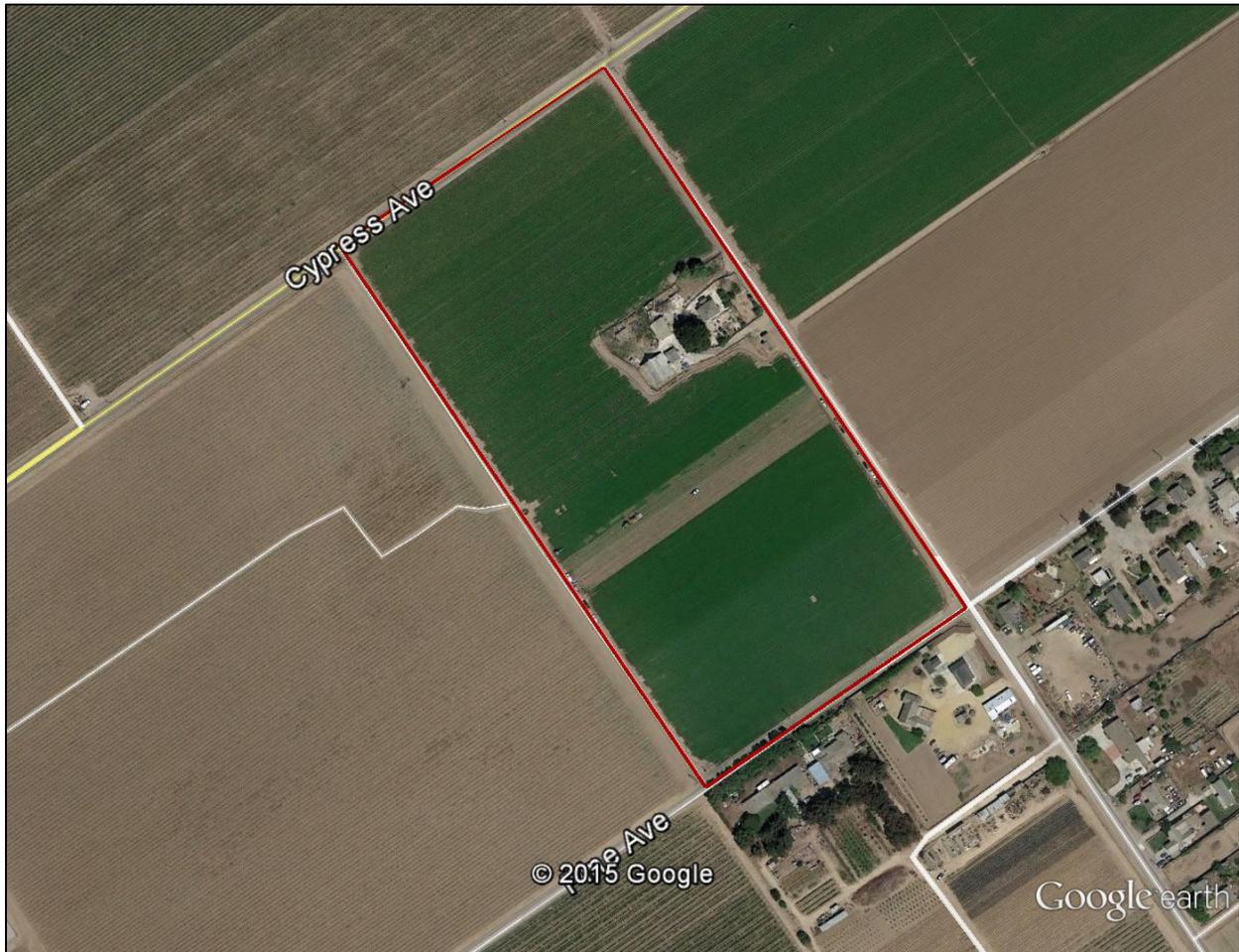
Building improvements include two older barns (7,200 and 1,296 sf) and a garage/shop building (680 sf). The improvements were in good condition and functional for the vineyard use.

This property sold to Wentz Brothers, who was the original owner of this vineyard and since 2000 they were buying most of the Chardonnay. Wentz Brothers entered into negotiations to purchase this in May 2014 and escrow closed on August 1, 2014. Wentz Brothers acquired this property as part of a tax-deferred exchange involving a sale of a property in Livermore.

The sale price was \$5,000,000, which included a lease back to the seller for the remainder of the 2014 season at a lump-sum lease price of \$200,000. Excluding the lease back, the sale price for the real estate was \$4,800,000.

In comparing the Meador Vineyard to the Vanoli Ranch, the sale requires a considerable adjustment for the vineyard improvements. Prior to marketing this property, the property was appraised by another appraiser and the appraised value was within 5% of the final sale price with an allocation of approximately \$2,000,000 for the improvements and \$2,800,000 for the land. That allocation is considered reasonable and is utilized in comparing the Meador Vineyard to the subject.

**Sale 3: Tunzi Ranch**



Sale 3 is located at the northwest end of Greenfield and is situated on the west side of 12<sup>th</sup> Street, between Pine and Cypress Avenue. The location is immediately outside the Sphere of Influence for Greenfield.

This property is a relatively small agricultural property of 18.5 acres and is improved with an older single family dwelling, several rental units and a hay barn. The improvements were in fair condition; however, the buyer has since demolished the improvements. The farmland has a level terrain and the soils consist of Elder loam with a gravel substratum, and Arroyo Seco gravelly sandy loam. Irrigation water is provided from one groundwater well, in which this property owned a 1/3<sup>rd</sup> interest. The underground distribution consists of older concrete lines. The water quality from the agricultural well is reportedly good. At the time of sale the farmland was rented for \$800 per acre, plus taxes and the improvements rented for about \$750 per month.

This property was not on the open market. The buyer had acquired the adjoining 56 acres to the east in 2014 (Sale 6) and contacted the seller directly about this property.

***Sale 4: Cacho Pura Ranch***



The Cacho Pura Ranch borders the Vanoli Ranch to the east and is situated on the north side of Espinosa Road. The location is within an intensive agricultural area of row crop farming and vineyards. While this property is within 1 mile of Greenfield’s city limits it is outside the Sphere of Influence.

This property contains 130 usable acres. The terrain is level and the soil is about 94% Cropley silty clay and 6% Mocho silty clay loam. These soils are prime for growing fresh vegetable crops and this property is regarded as one of the premier farm properties in the Greenfield area. Irrigation water is provided from one well and the ranch is improved with high-pressure irrigation lines. The water quality is reportedly good and the quantity is abundant. Building improvements include an older single-family dwelling, barn and shed. The contributory value of the improvements is allocated at \$100,000.

At the time of sale, this property was rented for \$1,200 per acre and the tenant paid property taxes, which were about \$75 per acre.

This property was not offered on the open market and it sold to the long-term tenant, who also owns the adjoining farmland to the north. According to the buyer, they were not going to let this property sell to anyone else and they paid a premium for it.

### ***Sale 5: Vaughan Ranch***



The Vaughan Ranch is located in the Soledad Mission district of the Salinas Valley, approximately 2 miles southwest of Soledad and 25 miles south of Salinas. This ranch contains a gross land area 106.7 acres, of which approximately 43.7 acres extends into the Salinas River and is not usable. The usable land area is estimated at 63 acres. The soil is Mocho silt loam and Pico fine sandy loam, which are Class I soils suitable for growing a variety of fresh vegetable crops; however, the climate at this location is too warm for strawberries. Irrigation water is provided from one well that reportedly produces about 1,000 gallons per minute. Water quality is good and the ranch is improved with underground high-pressure lines. The building improvements are on a 0.80 acre yard and include a 1,400 square foot dwelling and older barn. The improvements are older, low-cost structures that the seller reserved in a life estate. According to the buyer, the improvements did not contribute an added value and the life estate was inconsequential.

The property was given limited exposure and was offered to a few parties. The buyer was the long-term tenant, who owns other farms in the Soledad Mission area.

***Sale 6: Signorotti Ranch***



Sale 6 is located at the northwest end of Greenfield, with frontage on three county roads: Pine Avenue, Cypress Avenue and 12<sup>th</sup> Street. Agriculture, devoted to irrigated row crop farming and vineyards, is the neighboring land use. This location is also within close proximity to the city limits of Greenfield and this property is within the Sphere of Influence for Greenfield. If annexed, the land use designation is for Artisan Agriculture, which is intended to allow small-scale agricultural activities such as vineyards, orchards, artisan crops (such as herbs, specialty lettuces, and flowers, etc.); while simultaneously accommodating visitor-serving uses. The minimum parcel size is five (5) acres.

This property contains a gross land area of 57.6 acres, and while it has two assessor parcels, the property has five historical lots. The current land use is irrigated row crop farming. The terrain is level and the soil is Arroyo Seco gravelly sandy loam, which is similar to the Vanoli Ranch; however, this property is not as rocky as the subject. Irrigation water is provided from one groundwater well, in which this property owns a 2/3<sup>rd</sup> interest. The underground distribution consists of older concrete lines. The water quality from the agricultural well is reportedly good.

The property was improved with a 1,789 square foot dwelling, which was demolished after the sale.

***Sale 7: Domingos Ranch***



The Domingos property borders the easterly city limits of Greenfield, with frontage on the east side of 2<sup>nd</sup> Street. Low density, single family residential is the primary land use on the west side of 2<sup>nd</sup> Street and irrigated row crop farming is the primary land use on the east side of 2<sup>nd</sup> Street, extending to the Salinas River. The anticipated future growth of Greenfield is to the east, in the direction of this property.

This property contains a gross land area of 58.18 acres, and there are 7 historical lots that vary from 5 to 10 acres. The historical and current land use is irrigated farming and the farmland is organically certified. Approximately 1.5 acres were also used for a labor contractor yard. The farmland has a level terrain and the soil is approximately 40% Elder loam with a gravel substratum, and Arroyo Seco gravelly sandy loam. The Arroyo Seco gravelly loam soil is similar to the westerly portion of the Vanoli Ranch; however, similar to the Signorotti property, the soil is not as rocky and is superior to the subject.

Irrigation water is provided from one groundwater well, and the farmland is improved with 10 acres of solid-set, micro sprinklers and 40 acres of overhead linear lines. The well reportedly produces about 1,700 gallons per minute and the water quality is good.

This property was privately offered on the market and sold to the neighbor who was seeking additional organic farmland and was also motivated by the long-term development potential of this property. The sale at about \$47,000 per acre represents the highest farmland sale in the Greenfield area and is attributed in part to the motivation of the buyer and long-term development potential.

***Comparable 8: Rocky Ranch Vineyard***

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The Rocky Ranch Vineyard is located 0.4 miles south of the Vanoli Ranch and situated on the east side of Patricia Lane, a frontage road that extends from Espinosa Road. Surrounding land uses are devoted primarily to irrigated row crop farming and the location is outside the Planning Area of Greenfield.

The property has a level terrain and the soil is approximately 90% Arroyo Seco gravelly sandy loam and 10% Salinas clay loam, which is a Class I soil. Similar to the subject, the Arroyo Seco gravelly loam soil on this property has a significant amount of rocky cobbles and the overall soil quality is very

comparable to the subject. Irrigation water is provided from one groundwater well that reportedly has a yield capability of about 2,000 gallons per minute.,

This property is improved with a 17 year old vineyard that contains approximately 96 net vine acres of Gewurztraminer. The vineyard reportedly produces about 8 tons per acre, which is a relatively high production level. This vineyard has not been well-maintained and there are a number of missing vines. The property is also improved with a single family residence and barn.

The property has two assessor parcels and the largest parcel, which contains 103.16 acres, is subject to an Agricultural Conservation Easement. The Easement permanently limits the use of this property to agriculture.

In comparing this offering to the subject, the building and vineyard improvements are allocated at \$1,475,000 based on an allocation of \$15,000 per net acre for the vineyard and \$35,000 for the building improvements. The residual land allocation is about \$31,000 per acre.

This property has been on the market for about four months and according to the broker it is under contract. The sale price is confidential.

### **Sale Adjustments**

In comparing these properties to the subject, several considerations are made in determining whether adjustments are required and if so, what the appropriate adjustments should be. The sequence of adjustments and the reasoning and analysis applied are as follows:

### **Financing Terms**

All of the sales involved normal financing and seller financing, and no financing adjustments are necessary.

### **Improvements**

The sales are compared to the land value of the subject, and the contributory value of the building and or vineyard improvements are deducted from the sales. The contributory value is predicated on allocations provided by the parties and or from allocations derived from other sales with similar improvements.

### **Market Conditions – Time Adjustment**

The sales occurred between February 2012 and April 2015. During the past two years, the value of Salinas Valley agricultural farmland has increased as indicted by the downward trend in overall rates and the more recent sales. A time adjustment of 10% is applied to Sale 1 and a 5% adjustment is applied to Sale 3.

Between 2011 and March 2014, the local agricultural market was increasing in both rental values and land values and a time adjustment is necessary for many of the sales. One indication of the increase in agricultural values is the downward trend in overall rates (capitalization rates). In 2010 and 2011 agricultural capitalization rates were in a range of 4.5 to 5.0%. In 2014 and 2015 rates were in a range of 3.5 to 4.25%.

In addition to the lowering of capitalization rates, the agricultural rental market in the Salinas Valley was trending upward at about 2 to 3% per year. The leases negotiated at the end of 2015 for the 2016 season were generally \$100 to \$300 per acre more than those negotiated at the end of 2011 for the 2012 season.

The increase in rents, coupled with lower capitalization rates affect property values and the following tables summarize the effect that a rental increase coupled with a lower capitalization rate has on value.

<i>Change in capitalization rate only over two years</i>				
Market rent	Capitalization Rate	Indicated value	Difference	
\$1,200	4.25%	\$28,235		
\$1,200	3.75%	\$32,000	\$3,765	
% change in value			13.33%	
Annual change			6.67%	
<i>Change in rent only</i>				
Market rent	Capitalization Rate	Indicated value	Difference	
\$1,200	4.00%	\$30,000		
\$1,400	4.00%	\$35,000	\$5,000	
% change in value			16.67%	
Annual change			8.33%	
<i>Change in capitalization rate and market rent rate</i>				
Market rent	Capitalization Rate	Indicated value	Difference	
\$1,200	4.25%	\$28,235		
\$1,400	3.75%	\$37,333	\$9,098	
% change in value			32.22%	
Annual change			16.11%	

The change in agricultural values is also evident by a paired sale comparison between four Salinas Valley farmland sales, which are relatively similar other than their sale dates. These sales provide a direct

indication of the market change that has occurred during the past several years and the paired sale comparison between these sales is summarized below:

<i>Paired Sale Analysis Time</i>				
Sale No	Cummings	vs	Hageman	Difference
Acres	100		530	
Location	Old Stage Rd		Encinal Rd	
Date of Sale	4/6/2011		9/1/2015	4.40
Sale price per acre	\$35,000		\$43,359	\$8,359
% change attributed to change in market conditions				23.9%
Annual % change				5.4%

<i>Paired Sale Analysis Time</i>				
Sale No	Marihart	vs	Selva	Difference
Acres	227.7		94.5	
Location	Somavia Rd		River Rd	
Date of Sale	11/18/2011		5/16/2014	2.49
Sale price per acre	\$35,206		\$42,667	\$7,461
% change attributed to change in market conditions				21.2%
Annual % change				8.5%

Based on the above, a 7.5% annual time adjustment is applied to the sales.

### ***Agricultural Adjustment***

The agricultural adjustment pertains to the difference in soil, water and climate between the sales and the subject. These factors are reflected in the marketplace by a comparison of rental values which provide some of the basis for adjustment.

### ***Size***

Generally, there is an inverse relationship in unit prices based on size; however, in the Salinas Valley there is generally not a significant per-acre difference for farm properties. Institutional investors and many growers prefer a 200 to 500 acre farm to a 30 to 100 acre property because of the economic efficiency of the larger property. Nonetheless, Sale 3 is a relatively small parcel of only 18 acres and a -10% adjustment is applied to that sale.

### ***Sale Adjustment Summary***

The following table summarizes the adjustments applied to the sales.

<b>Sale Adjustments</b>				
<i>Sale No.</i>	1	2	3	4
<i>Sale date</i>	12/31/2012	8/1/2014	5/14/2015	2/9/2012
<i>Location</i>	Pine Ave	Los Coches Rd	Cypress Ave	Espinosa Rd
<i>Usable acreage</i>	38.0	101.0	18.5	130.0
<i>Sale price</i>	\$1,100,000	\$4,800,000	\$761,500	\$4,550,000
<i>Sale allocation</i>				
<i>Building and vineyard improvements</i>	\$150,000	\$2,000,000	\$0	\$150,000
<i>Land allocation</i>	\$950,000	\$2,800,000	\$761,500	\$4,400,000
<i>Market condition adjustment</i>				
Time difference (years)	2.98	1.39	0.61	3.87
% adjustment	22.33%	10.44%	0.00%	29.02%
Time adjusted land allocation	\$1,162,167	\$3,092,250	\$761,500	\$5,676,917
<i>Farmland adjusted price</i>				
<i>Adjusted price per usable acre (rnd)</i>	\$30,600	\$30,600	\$41,200	\$43,700
<i>Percent adjustments</i>				
<i>Agricultural adjustment</i>	-20.00%	0.00%	-20.00%	-25.00%
<i>Size adjustment</i>	0.00%	0.00%	-10.00%	0.00%
<i>Total percent adjustment</i>	-20.00%	0.00%	-30.00%	-25.00%
<i>Adjusted price per acre (rounded)</i>	\$24,500	\$30,600	\$28,800	\$32,800

<b>Sale Adjustments</b>				
<i>Sale No.</i>	5	6	7	8
<i>Sale date</i>	4/11/2014	7/31/2014	4/17/2015	Offering
<i>Location</i>	Ft. Romie Rd	Cypress Ave	2nd Avenue	Patricia Lane
<i>Usable acreage</i>	63.0	57.6	58.2	105.2
<i>Sale price</i>	\$2,200,000	\$2,150,000	\$2,730,000	\$4,734,000
<i>Sale allocation</i>				
<i>Building and vineyard improvements</i>	\$120,000	\$0	\$0	\$1,475,000
<i>Land allocation</i>	\$2,080,000	\$2,150,000	\$2,730,000	\$3,259,000
<i>Market condition adjustment</i>				
<i>Time difference (years)</i>	1.70	1.39	0.68	0.00
<i>% adjustment</i>	12.73%	10.46%	5.10%	0.00%
<i>Time adjusted land allocation</i>	\$2,344,767	\$2,374,854	\$2,869,344	\$3,259,000
<i>Farmland adjusted price</i>				
<i>Adjusted price per usable acre (rnd)</i>	\$37,200	\$41,200	\$49,300	\$31,000
<i>Percent adjustments</i>				
<i>Agricultural adjustment</i>	-20.00%	-15.00%	-20.00%	0.00%
<i>Size adjustment</i>	0.00%	0.00%	0.00%	0.00%
<i>Total percent adjustment</i>	-20.00%	-15.00%	-20.00%	0.00%
<i>Adjusted price per acre (rounded)</i>	\$29,800	\$35,000	\$39,400	\$31,000

#### **Indicated Land Value from the Sales Comparison Approach**

The adjusted sale price per acre range is from \$24,500 to \$39,400. Sale 1 at \$24,500 per acre involved a sale to a relative and this property was never on the open market. A higher value would be expected for the subject. Sales 6 and 7 are at the upper end of the range and both of these sales included consideration for long-term development. A lower value would be expected.

Excluding Sales 1, 6 and 7 the indicated range is \$28,800 to \$32,800 per acre. Within this range, Sale 4 is the highest and that sale included plottage considerations, which typically support a higher value. In the final analysis, the agricultural land value of Parcel 1 of the Vanoli Ranch is concluded at \$30,000 per acre.

Usable acres	121.4
Value per acre	\$30,000
Value indicated by the sales comparison approach	\$3,642,000

## **INCOME APPROACH**

The income approach is based upon the economic principle of anticipation that value is created by the expectation of benefits to be derived in the future. There are a variety of income approaches, of which the most commonly used in the local market area is the direct capitalization method, which employs the following relatively simple algebraic formula:  $\text{Income} / \text{Overall rate} = \text{Value}$ . The direct capitalization method applies an overall capitalization rate to the first year's net operating income (NOI) and by dividing the NOI by an appropriate capitalization rate, the value estimate by the income approach is derived. This is an appropriate method when the market rent is generated by competitive rental rates of similar properties. This approach is commonly applied in the Salinas Valley by the market participants. Even buyers who intend to farm the property consider value based on the relationship between a property's economic rental value and the price to be paid.

### **Gross Market Rental Value**

The first step in applying the income approach requires estimating the market rent. Market rent is defined as:

*The rental income that a property would most probably command in the open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal.<sup>6</sup>*

In the Salinas Valley most leases are written on a net basis with the tenant responsible for property taxes. If property taxes were relatively similar amongst agricultural properties, the economic rent would be derived strictly from comparing net rents. However, because of California's Proposition 13 tax code, the assessed valuation of a property can vary considerably depending upon when the last transfer occurred. Hence, property taxes are not consistent from one property to the next, and in order to accurately compare the rental value of properties the appropriate unit of measuring is the "gross rent" paid by the tenant, which consists of the net rent and property taxes.

In the Greenfield area, gross rents vary from about \$1,000 to \$1,600 per acre. The westerly portion of the Vanoli Ranch has a marginal soil due to the rocky cobblestones and similar properties rent at the lower end of the market range. The gross economic rental value of the portion of the Vanoli Ranch that is the subject of this appraisal is estimated at \$1,200 per acre.

### **Expenses**

At the instructions of the client, this appraisal is predicated on the agricultural value and hence it is assumed that a buyer would put this property into a Farmland Security Zone Contract. Under an FSZ

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<sup>6</sup> Appraisal Institute, *Dictionary of Real Estate Appraisal – 3<sup>rd</sup> Edition* (Chicago: Appraisal Institute, 1993), 221.

contract the assessed value is 65 percent of the lesser of the Proposition 13 base or Williamson Valuation. The following table summarizes the estimated FSZ taxes.

<i>Prop. 13 assessed value based on sales comparison approach</i>		\$3,642,000
<i>Williamson analysis</i>		
Farmland acres		121.4
Gross rent per acre		\$1,200
Annual income		\$145,680
Expenses	3.0%	\$4,370.4
Direct property taxes per acre		\$17.54
Net income		\$141,292
State imposed capitalization rate	3.25%	
Tax rate	1.163%	
County added rate	0.500%	
Williamson capitalization rate		4.913%
Williamson farmland assessed value		\$2,875,811
Williamson farmland assessed value per acre		\$23,689

<i>Estimated property taxes</i>		
FSZ assessed value at 65% of Williamson assessed value		\$1,869,277
2015-2016 property tax rate for State and agency bonds and assesments		1.1631%
State and agency taxes		\$21,742
Direct property taxes		\$2,129
Total FSZ taxes following a sale		\$23,871
Usable acres		121.40
Average tax per acre		\$197

**Capitalization Rate**

Salinas Valley farmland sales reflect overall rates of 3.00 to 4%. A rate of 3.5% is applied for this analysis, which excludes consideration of the property’s development potential. The income approach is summarized as follows:

Acreage	121.40
Gross economic rent per usable acre	\$1,200
Gross annual income	\$145,680
Less: Estimated FSZ property taxes	\$23,871
Net annual income	\$121,809
Capitalization rate	3.50%
Capitalized value	\$3,480,263
Less: 18 months of Proposition 13 property taxes	\$30,928
Indicated value based on the income approach	\$3,449,335
Rounded to	\$3,449,000

#### **RECONCILIATION OF VALUE**

Value indicated by the sales comparison approach	\$3,642,000
Value indicated by the income approach	\$3,449,000

In review of the two approaches, the sales comparison approach is predicated on seven farmland sales and one offering. The value conclusion reflects the property's agricultural value after applying adjustments for time and physical differences associated with agriculture. The development potential was not considered and the value conclusion is judged a very reasonable estimate for the agricultural value of the property.

In review of the income approach, most of the sales were purchased by owner users and the income approach is less applicable for this property.

In the final analysis, the sales comparison approach is considered a more reliable indication of the property's agricultural value hence the market value of this property, which is limited to the agricultural value, is concluded at a rounded estimate of \$3,600,000.

#### **CONTRIBUTORY VALUE OF THE BUILDING IMPROVEMENTS**

As an agricultural property the improvements support an added value, and the value is estimated based on a cost approach and income approach.

##### **Cost Approach**

The replacement cost estimates are predicated in part by the Marshall and Swift cost publication guide and cost data on file. The depreciation factors include consideration for the age and condition of the improvements and the utility they provide to the agricultural use.

<b>Cost analysis</b>						
<i>Description</i>	<i>Size</i>	<i>Replacement Cost per unit</i>	<i>Repl. Cost</i>	<i>Depr. Factor</i>	<i>Depr.</i>	<i>Depreciated value</i>
Single family dwelling	1,385	\$95.00	\$131,575	35%	\$46,051	\$85,524
Equipment shed	1,400	\$37.00	\$51,800	60%	\$31,080	\$20,720
Total						\$106,244
Rounded to						\$106,000

### **Income Approach**

Another method of analyzing the contributory value of the building improvements is by the income approach. The income approach is applied to the single family unit and is summarized below. The capitalization rate is applicable only to the improvements as the underlying land value was valued separately.

<b>Income analysis</b>		
Single family dwelling		\$1,350
Gross annual income		\$16,200
Vacancy and collection loss	5.0%	\$810
Effective gross income		\$15,390
Lessor expenses	35.0%	\$5,387
Net income		\$10,004
Building capitalization rate		12.5%
Indicated value of the improvements		\$80,028

### **Contributory Value of the Improvements Summary**

Contributory value of the dwelling	\$80,000
Contributory value of the shop building	\$20,000
Contributory value of the improvements	\$100,000

### **MARKET VALUE SUMMARY OF THE VANOLI RANCH**

Land value	\$3,600,000
Value of the building improvements	\$100,000
Fee simple value	\$3,700,000

## VALUATION CERTIFICATE

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, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have performed appraisal services regarding the subject property within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- 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, John W. Piini, MAI has completed the requirements of the continuing education program of the Appraisal Institute.



John W. Piini, MAI

Certified General Real Estate Appraiser

State of California, OREA Number AG005214

## LIMITING CONDITIONS

### **Assumptions and Limitations of Appraisal**

This appraisal is for no purpose other than property valuation, and the appraiser(s) is neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analyses contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

### **Appraisal is not a Legal Opinion**

No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

No opinion as to title is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents or 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. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since the appraiser(s) has not made a comprehensive examination of laws and regulations affecting the subject property.

Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless a signed contract has been executed prior to the date of this report.

**Appraisal is not a Survey**

No engineering survey has been made by the appraiser, and no responsibility is assumed in connection with such matters. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

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

All maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, and the reliability of the information contained on such is assumed by the appraiser(s) and cannot be guaranteed. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.

**Appraisal is Not an Engineering or Property Inspection Report and is Made Under Conditions with Limited Data**

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraiser(s) is not a construction, engineering, environmental, or legal expert, and any statement given on these matters in this report should be considered preliminary in nature.

The appraiser(s) has inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components

The appraisal is based on the assumption that there are no hidden, unapparent, or apparent conditions of the property site, sub-soil, or structures or toxic materials which would render it either less or more valuable. The appraiser(s) is not an environmental nor health expert. No responsibility is assumed for any such condition or for any expertise or engineering to discover them.

No opinion is expressed as to the value of subsurface oil, gas or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

No chemical or scientific tests were performed by the appraiser(s) on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the lot does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report. If any problems of this nature are known to the appraiser(s) which, in the appraiser's opinion would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors. If it is found that any of the aforementioned is present, the value of the property may be adversely affected and a re-appraisal at additional cost will be necessary to estimate the effects of such.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditions system, plumbing , electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

### **Appraisal Report Limitations**

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market. While no factors we believe to be significant but unknown to the client have been knowingly withheld, it is always possible that we have information of significance which may be important to others but which, with our limited acquaintance of the property and our limited expertise, does not seem to be important. On the other hand, appraisal reports are performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraiser (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraiser to view certain portions of the property, the inherent limitations of relying upon information provided by others, etc.

Before relying on any statement made in this appraisal report, interested parties should contact the Appraiser(s) for the exact extent of the data collection on any point which they believe to be important to their decision making. This will enable such interested parties to determine whether they think the extent of our data gathering process was adequate for their needs or whether they would like to pursue additional data gathering for a higher level of certainty.

Opinions and estimates expressed herein represent the appraiser's best judgment but should not be construed as advice or recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment, and the decision process should consider many factors other than just the value estimate and information given in this report.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and cautioned against possible misinterpretation of the information contained in these reports.

Neither all nor any part of the contents of this report, especially any conclusions as to value or the identity of the appraiser or the firm to which appraiser is connected, shall be disseminated to the public for public communication purposes through advertising media, public relations media, news media, sales media or any other public means of communication, without the prior written consent and approval of the author.

The estimated market value, which is defined in the report, is subject to change with market changes over time. Value is highly related to exposure, time, promotional effort, terms, motivation, and conditions. The value estimates considers the productivity and relative attractiveness of the property physically and economically in the marketplace as of the date of value.

The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

### **Acceptance of Appraisal Report**

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

This appraisal is an estimate of value based on an analysis of information known to the Appraiser(s) at the time the appraisal was made. We do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, or if any conditions become apparent not previously known to the appraiser(s) which would affect the value of the property, the value given in this report is subject to change without notice and a re-appraisal at additional cost will be necessary.

Acceptance and/or use of this appraisal report by the client or any third party constitutes acceptance of the above conditions. Appraiser liability extends only to the stated client and not to subsequent parties or users, and the liability is limited to the amount of fee received by the appraisers(s).

**RANCH PICTURES**

*Southwest end of Parcel 1 fronting on Espinosa Road. Highway 101 on the left side of photo*



*Northwestely portion of Parcel 1. Farmland in foreground and building improvements in center of picture.*



*Southerly portion of the farmland looking west with Espinosa Road on the left side of picture.*



*Irrigation well and farmland located at the northwest end of the property near the building yard.*



*Rock pile used as a bank for a detention pond. Rocks are continually gathered from the farmland fields of Parcel 1, which has an Arroyo Seco gravelly soil.*



*Area of the former reservoir which has since been filled and area is used for an equipment storage yard.*



## QUALIFICATIONS OF THE APPRAISER

John Piini has been engaged in the real estate business since 1975. From 1975 to 2008 the majority of real estate activity was in appraising and since 2008 he has been active in both real estate appraisals and brokerage. The majority of appraisal assignments involve acreage and agricultural properties prepared for attorneys, land trusts and property owners throughout Monterey, San Benito, and southern Santa Cruz and southern Santa Clara Counties. He is qualified as an expert witness in the Superior Courts of Monterey, San Benito, Santa Cruz and Santa Clara Counties.

### Academic Background

#### Formal Education

University of California, Los Angeles, BA degree -1974

#### Appraisal Education

Mr. Piini obtained his MAI designation from the American Institute of Real Estate Appraisers in 1983 after completing the required courses, examinations and experience review requirements. Since 1983, John Piini has completed a number of appraisal courses and seminars and is current with Appraisal Institute's continuing education requirement.

### Professional Experience

1975 - 1983	Associate appraiser with Joe Piini, MAI
1983 - 2008	Part owner of Piini Realty, a family owned and operated real estate firm involved in appraising, brokerage, development and management.
2008 - present	Upon the retirement of Jim Piini, John Piini became the sole owner of Piini Realty, which is a full service real estate firm providing appraisal, brokerage and property management services. In 2008, John Piini obtained his California Brokers license and his real estate activity focuses primarily on appraising and marketing agricultural properties.

#### Appraisal Assignments

The majority of assignments pertain to the valuation of agricultural and acreage properties for a variety of purposes including estate planning, conservation easements, trust management and financial lending. Valuations of commercial, industrial special-use, residential and development properties are also performed.

### Professional affiliation and memberships

MAI – Member of the Appraisal Institute – Certification Number 6708  
California Certified General Real Estate Appraiser – OREA # AG005214  
California Licensed Real Estate Broker – DRE # 00542238  
Monterey County Board of Realtors

## Partial listing of clients

### Attorneys and Law Firms

Anthony Lombardo  
Brian Finegan  
L + G LLP  
Kennedy, Archer & Harray  
Leach & Walker  
Ferrari, Ottoboni, Caputo &  
Wunderling  
Horan/Lloyd

Johnson & Moncrief  
Matteoni, O'Laughlin & Hetchman  
Michael Cling  
Noland, Hamerly, Etienne & Hoss  
Penrose, Chun & Gorman  
Spiering, Swartz and Kennedy  
William Stoffers

### Agricultural Companies

Crown Packing  
California Giant  
D'Arrigo Brothers of California  
Dole Vegetables  
Duda Farms  
Fresh Express  
Filice Farms  
Growers Express  
Huntington Farms  
Mann Packing

Merrill Farms  
Mission Organics  
Misionero Vegetables  
Naturipe Berry Farms  
Ocean Mist Farms  
Reiter Berry Farms  
Scheid Vineyards  
Tanimura and Antle  
Taylor Farms

### Land Trusts

Land Trust of Santa Cruz County  
Land Trust of Silicon Valley  
Monterey County Agricultural &  
Historical Land Conservancy  
Santa Lucia Conservancy

Save-the-Redwoods League  
The Big Sur Land Trust  
The Nature Conservancy  
The Wilderness Land Trust  
Trust for Public Lands

### Financial Institutions - Agricultural Valuations

RaboBank Agriculture  
1<sup>st</sup> Capital Bank  
Hancock Insurance Company  
Met Life Insurance  
UBS AgriVest