

THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF UKIAH

RESOLUTION NO. 2014-10

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF UKIAH APPROVING AN AMENDED LONG RANGE PROPERTY MANAGEMENT PLAN AND SUBMITTING THE PLAN TO THE DEPARTMENT OF FINANCE FOR REVIEW PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.5.

WHEREAS, Health and Safety Code Section 34191.5(a) established a Community Redevelopment Property Trust Fund ("Trust Fund"), to be administered by the Successor Agency, to serve as the repository of the dissolved Ukiah Redevelopment Agency's ("URA") real property assets; and

WHEREAS, Health and Safety Code Section 34191.5(b) requires the Successor Agency to prepare a Long Range Property Management Plan ("LRPMP") to address the disposition and use of the real property assets in the Trust Fund; and

WHEREAS, Health and Safety Code Section 34191.5(c)(1) requires the LRPMP to include an inventory of such real property assets owned by the URA when it was dissolved; and

WHEREAS, the Successor Agency prepared and submitted an Oversight Board approved LRPMP on August 21, 2013 to the Department of Finance; and

WHEREAS, the Department of Finance has completed a preliminary review of the LRPMP and has requested the Successor Agency amend the LRPMP and resubmit; and

WHEREAS, all real property assets owned by the URA when it was dissolved are now controlled by the Successor Agency, which has prepared an amended LRPMP, a copy of which is attached to this Resolution as Exhibit A; and

WHEREAS, the amended LRPMP must be reviewed and approved by the Oversight Board of the Successor Agency before it is submitted to the Department of Finance for review; and

WHEREAS, the amended LRPMP must be reviewed and approved by the Department of Finance prior to any sale or transfer of real property assets in the Trust Fund; and

WHEREAS, the Oversight Board finds that the amended LRPMP was prepared in accordance with the requirements of Health and Safety Code Section 34191.5;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF UKIAH DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. CEQA Compliance. The action of the Oversight Board to approve the LRPMP and submit the LRPMP to the Department of Finance and the County Auditor Controller does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Section 3. Approval of the Amended Long Range Property Management Plan and Submission of the Plan Pursuant to Health and Safety Code Section 34191.5. The amended LRPMP attached to this Resolution as Exhibit A is hereby approved. Staff is authorized and directed to transmit the approved amended LRPMP and this Resolution to the Department of Finance and the County Auditor Controller for review in accordance with the requirements of Health and Safety Code Section 34191.5

Section 4. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 5. Certification. The City Clerk of the City of Ukiah, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 6. Effective Date. This Resolution shall become effective upon its adoption.

PASSED, APPROVED AND ADOPTED this 24th day of September, 2014 by the following vote:

AYES: Members Cichocki, Mills, Mirata, Howard, Todd, and Chair Crane
NOES: None
ABSENT: None
ABSTAIN: None


Douglas F. Crane, Chairperson

ATTEST:


Kristine Lawler, Oversight Board Secretary

EXHIBIT A

AMENDED LONG RANGE PROPERTY MANAGEMENT PLAN

[Attached behind this page]

**Amended Long Range Property Management Plan
Successor Agency to the Former Ukiah Redevelopment Agency**

Introduction

On April 26, 2013, the City of Ukiah’s Successor Agency received a Finding of Completion from the Department of Finance, based on the Agency’s Non-Housing Due Diligence Review (“DDR”), prepared in accordance with Health and Safety Code¹ Section 34179.5 and its full payment to the Mendocino County Auditor/Controller of the unobligated cash available for transfer as determined by the DDR and approved by the Department of Finance. Under Section 34191.5(b), the Successor Agency is required to submit a Long Range Property Management Plan (“Plan”) by no later than October 26, 2013, for real property in the Community Redevelopment Property Trust Fund (“Trust Fund”) created by Section 34191.5(a).

The Trust Fund consists of the real properties of the former Redevelopment Agency of the City of Ukiah (“URA”) which were identified in the DDR, in Appendix 7A, p. 21. (A copy of Appendix 7A is attached hereto and incorporated herein as Exhibit A.) The Trust Fund includes nineteen parcels of real property (collectively, “Properties”, and individually, a “Property”), which are the subject of and are fully described in this Plan. For the sake of simplicity and clarity, a Property consisting of multiple individual parcels intended for the same use (e.g. the site of a proposed Costco Warehouse store) is treated as a single Property for purposes of this Plan.

The Properties are located within the boundaries of the City’s Redevelopment Project Area (“Project Area”) and are subject to the provisions of the Redevelopment Plan (“Redevelopment Plan”) that was approved and adopted on November 15, 1989, by the City Council of the City of Ukiah, by Ordinance No. 895, and amended on December 16, 1998, by Resolution No. 99-1, and further amended on November 27, 2006 by Ordinance No. 1088; the URA’s Five-Year Implementation Plan as adopted on August 15, 2007, and amended on August 18, 2010; the City’s General Plan; and the City’s zoning and land use regulations, as set forth in City codes and ordinances. Copies of the Project Area Map, the Redevelopment Plan, and Five-Year Implementation Plan, are attached here as, respectively, Exhibit B, Exhibit C and Exhibit D, which are incorporated in this Plan by this reference.

Pursuant to § 34191.5(b), the Successor Agency prepared and now submits this Plan for consideration and approval by the Oversight Board for the Successor Agency and the California Department of Finance. Pursuant to Health and Safety Code § 34191.5(c) this Plan will inventory the Successor Agency’s real property assets and will provide salient identification and historical information about each property. This Plan will also address the use and disposition of the properties in the Trust Fund with a focus on permissible uses under Health and Safety Code § 34191.5(c) and whether the use and disposition of each property is dedicated to government use, to fulfilling an enforceable obligation, and/or to facilitate a project identified in the URA’s redevelopment plan.

¹ All section references to the Health and Safety Code, unless otherwise indicated.

Summary of Properties Owned by the Successor Agency

The Trust Fund consists of the following properties:

Property	Parcel/Lot #	APNs	Appendix 7A #
Vacant, Reserved Public Road for South Airport Park Blvd, near Mendocino Brewery			
Road Easement Airport Park Blvd	Langley	APN 180 110 14	7
Road Easement Airport Park Blvd	Langley	APN 180 110 15	8
Partial Portion Proposed for Costco and/or Wetlands			
Vacant Land Redwood Business Park	Parcel 1 ²	APN 180 110 08	9
Vacant Land Redwood Business Park	Parcel 1	APN 180 110 10	11
Vacant Land Redwood Business Park	Parcel 1	APN 180 110 09	10
Proposed Costco Property			
Vacant Land Redwood Business Park	Lot F8	APN 180 080 62	12
Vacant Land Redwood Business Park	Lot F8	APN 180 080 63	13
Vacant Land Redwood Business Park	Lot G3	APN 180 080 57	14
Vacant Land Redwood Business Park	Lot G2	APN 180 080 58	15
Vacant Land Redwood Business Park	Lot F10	APN 180 080 64	16
Vacant Land Redwood Business Park	Lot F10	APN 180 080 65	17
Vacant Land Redwood Business Park	Lot G1	APN 180 080 59	18
Vacant Land Redwood Business Park	Lot F11	APN 180 080 66	19
Vacant Land Redwood Business Park	Lot F11	APN 180 080 67	20
Other Vacant Property in Redwood Business Park			
Vacant Land Redwood Business Park	Parcel 2	APN 180 110 11	4
Vacant Land Airport Park Blvd	Langley	APN 180 110 12	5
Vacant Land Airport Park Blvd	Langley	APN 180 110 13	6
Land to be Transferred to City for Development			
289 North Main Street (Parking Lot across from Library, Curry's Furniture, etc.)			
APN 002-192-01			

² References to Lot F8, etc. and Parcels 1 and 2 are to Airport Industrial Park Map attached hereto as Exhibit E.

Inventory of Successor Agency Properties

1. Costco Site³

A. The date of the acquisition of the property and the value of the property at that time, and an estimate of the current value of the property.

Assessor Parcel Numbers (“APN”) 180-110-08, 09, and 10 (DDR Appendix 7A Item #s 8-10, Road Easement and Parcel 1) were purchased by the URA as part of a larger acquisition, APN #s 180-110-02 and 180-110-06, from Cordes P. Langley, Philip Langely, Ellen J. Alexander, David C. Dutton, and Grey M. Dutton on November 30, 1997. APN #s 180-110-02 and 180-110-06 were later subdivided into APN #s 180-110-08, 09⁴, 10, 11, 12, 13, 14, and 15 (DDR Appendix 7A Item #s 4-11)⁵. The value of APN #s 180-110-08, 09, and 10 (DDR Appendix 7A Item #s 9-11) at the time of purchase was \$496,890.12.

APN #s 180-080-57, 58, 59, 62, 63, 64, 65, 66, and 67 (DDR Appendix 7A Item #s 12-20) were purchased August 5, 2009 for \$3,406,759 from Legacy-Four, LLC and from TKH, LLC. The appraised market value of the 15.33 acre portion of this parcel (and including a portion of APN #s 180-110-08 and 10) proposed for development of the Costco Wholesale store is \$2,335,000, as further explained below.

B. The purpose for which the property was acquired.

The URA purchased the proposed Costco site in furtherance of carrying out its Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park. The problems created by multiple ownership of smaller parcels for the further development of the Redwood Business Park and the importance of attracting an additional anchor store to the Park are detailed in the Agenda Summary Report (“ASR”) prepared for the June 17, 2009, URA meeting, when this acquisition was approved. (ASR without attachments is attached hereto as Exhibit F.)

C. Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

All parcels in the proposed Costco site are located on the east side of Airport Park Boulevard in the Redwood Business Park. The proposed Costco site is comprised of those parcels identified as APN #s 180-080-57, 58, 59, 62, 63, 64, 65, 66, and 67 and 180-110-08, 09, and 10 (DDR

³ An aerial photo depicting the Redwood Business Park properties, including the Costco Site, is attached hereto as Exhibit P.

⁴ APN # 180-110-09 (DDR Appendix 7A Item # 10) and portions of APN #s 180-110-08 and 10 (DDR Appendix 7A Item #s 9 and 11) are discussed in the Use and Disposition Section regarding Government Use Properties.

⁵ APN #s 180-110-11, 12, 13, 14, and 15 (DDR Appendix 7A Item #s 4-8) are discussed in Section 2 regarding additional vacant Airport Park Boulevard properties.

Appendix 7A Item #s 12-20; Lot Numbers⁶ F8, G3, G2, F10, G1, F11). The combined area of all parcels on the site is 18 acres, 15.33 of which will be sold to Costco Wholesale Corporation and utilized for development of a Costco Wholesale retail store to include a tire center and gas station. As part of the sale to Costco, the parcels will be combined into 4 parcels by means of a lot line adjustment and have not yet been assigned street address numbers, but will eventually be assigned street numbers on Airport Park Boulevard. The parcels are currently zoned as Retail Commercial.

D. An estimate of the current value of the parcel(s) including, if available, any appraisal information.

The proposed sale value of the 15.33 acre lot is \$2,337,221.80 as specified in the Exclusive Negotiating Agreement (“ENA”) between Costco and the URA. (See 1.H *infra* at p. 4.). This valuation is based on an appraisal commissioned by the URA as of June 22, 2010, prepared by George R. Dutton of the Dutton Appraisal Office. An updated appraisal was completed on May 15, 2014 with the 15.33 acre lot valued at \$2,170,000. Copies of the 2010 and 2014 Dutton appraisals of the Costco site are attached as Exhibit G, which is incorporated in this Plan by this reference.

E. An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

This vacant and undeveloped property does not currently generate any lease, rental, or other revenue.

F. The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.

The proposed Costco site does not have any known history of environmental contamination or remediation efforts. A Phase One environmental assessment of the site was conducted on July 27, 2009.

G. A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

The proposed Costco site has no known potential for transit-oriented development. Development of the site will eliminate blighting influences in the URA’s Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City. A map of the URA’s Project Area is attached as Exhibit B, which is incorporated in this Plan by this reference.

⁶ Lot numbers correspond to Lot and Parcel numbers on Map attached as Exhibit E.

H. A brief history of previous development proposals and activity, including the rental or lease of property.

Because of significant infrastructure deficiencies, traffic safety concerns and ownership patterns in the Redwood Business Park, private development on all parcels within the Redwood Business Park have been restricted. There are currently approximately 40 acres of undeveloped property in the business park. Without traffic mitigation and other infrastructure improvements none of the remaining undeveloped property can be developed. In mid-2010, Costco expressed interest in a part of the site and on May 12, 2010, Costco Wholesale Corporation issued and the URA accepted a letter of intent stating Costco's intent to negotiate an agreement to purchase the 15.33 acre lot for about \$2.3 million, with a final square footage to be determined prior to purchase closing. A copy of the May 12, 2010 letter of intent is attached as Exhibit H, which is incorporated in this Plan by this reference. On January 19, 2011, the URA and Costco entered into the ENA which required Costco to deposit \$50,000 into escrow, established the purchase price of the 15.33 acre site and imposed an exclusive use provision. A copy of the ENA is attached as Exhibit I, which is incorporated in this Plan by this reference. Pursuant to the ENA, Costco deposited \$50,000 into escrow on October 7, 2011. A copy of the escrow deposit receipt is attached as Exhibit J, which is incorporated in this Plan by this reference. While the ENA provides that Costco and the URA must negotiate and enter a Disposition and Development Agreement ("DDA") to finalize the terms under which the URA is required to sell and Costco is obligated to develop the site, the ENA requires the City and Costco to negotiate the final terms of the DDA in good faith and on an exclusive basis and only permits the URA to terminate the negotiations if Costco has not proceeded diligently and in good faith to perform all of its obligations under the ENA.

The current development proposal is for construction of a 148,000 square foot warehouse to include a bakery, pharmacy, optical center, food court and tire center, a 5,692-square-foot, attached building that includes a tire installation facility. The development will also include a 16 pump gas station to be located in the southeast corner of the site with a canopy of 2,816-square-feet. Costco is projected to draw shoppers to the City from outside the immediate area to Costco and other City businesses. Furthermore, Costco could generate nearly \$1.65 million in sales tax revenue with an additional \$207,000 in property tax revenue for the taxing entities.

To develop its store Costco required a zoning change from Commercial-Automobile Retail to Retail Commercial and a Site Development Permit. The City has certified an Environmental Impact Report for the project, approved the zoning change and approved the Site Development Permit. The EIR is currently subject to a legal challenge, pending in Mendocino County Superior Court.

2. Airport Park Boulevard, APNs 180-110-11, 12, 13, 14, and 15 (DDR Appendix 7A Item #s 4-8)

A. The date of the acquisition of the property and the value of the property at that time, and an estimate of the current value of the property.

These vacant parcels on Airport Park Boulevard within the City's Redwood Business Park were acquired on November 30, 1997. At the time of acquisition, their combined value totaled \$1,058,837.48. An appraisal of the current value of all vacant parcels has not yet been conducted.

B. The purpose for which the property was acquired.

The URA purchased these parcels on Airport Park Boulevard in furtherance carrying out its Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in Redwood Business Park, including the location of a micro-brewery in the Airport Industrial Park.

C. Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

The property identified as APN #s180-110-12 & 180-110-13 (DDR Appendix 7A Item #s 6-7) is located at 1825 Airport Road and consists of 8.02 acres. The property identified as APN #180-110-11 (DDR Appendix 7A Item # 5) has not yet been assigned a street address and consists of approximately 2.38 acres. The properties identified as APN #s180-110-14 & 180-110-15 (Item #s 7-8) are road easements consisting of, respectively, 2.14 and .63 acres, located within those properties identified as APN #s 180-110-11, 180-110-08, 180-110-09, and 180-110-10 (DDR Appendix 7A Item #s 4, 9, 10 and 11). All vacant parcels in Airport Industrial Park are zoned for planned development/Industrial and Light Manufacturing/mixed use.

D. An estimate of the current value of the parcel including, if available, any appraisal information.

The current market value has not yet been appraised.

E. An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

This property does not currently generate any lease, rental, or other revenue. There is no contractual requirement related to disposition of the Property.

F. The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.

The vacant Airport Park Boulevard parcels do not have any known history of environmental contamination or remediation efforts.

G. A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

These parcels have no known potential for transit-oriented development. The site has no known potential for transit-oriented development. Development of the site will eliminate blighting

influences in The URA's Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City.

H. A brief history of previous development proposals and activity, including the rental or lease of property.

There has been, as of yet, no development proposals and activity associated with these parcels. The Successor Agency firmly believes that selling the property to Costco for the Costco development project will encourage business development in Redwood Business Park in order to take advantage of Costco's attraction of shoppers to the area. The successful development of the Costco project could improve the market value of this property.

3. 289 North Main Street⁷

A. The date of the acquisition of the property and the value of the property at that time, and an estimate of the current value of the property.

This property was acquired in March of 1994 for \$150,000.

B. The purpose for which the property was acquired.

The URA acquired 289 North Main Street from the City as part of the URA's effort to expand an existing municipal parking lot and provide adequate resources for designated downtown off-street parking.

C. Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

The property address is 289 North Main Street, APN 002-192-01. The lot size is .26 acres. The current zoning is Community Commercial.

D. An estimate of the current value of the parcel including, if available, any appraisal information.

The estimated book value of the Property is \$150,000.

⁷ An aerial photo showing 289 North Main Street is attached hereto as Exhibit Q.

E. An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

The parking lot at 289 North Main Street generated \$2,400 (10 spaces) in parking fees during the 2012 fiscal year. All revenue generated for parking fees is earmarked for the City's Parking District Fund for improvements to and expansion of existing public and private parking.

F. The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.

Because 289 North Main Street is the former site of a dry cleaning business, both a phase one and two environmental reviews have been performed on the site. No remediation efforts were deemed necessary.

G. A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

289 North Main Street has no known potential for transit-oriented development. There is no development plan for 289 North Main Street as it will remain in use as a municipal parking lot.

H. A brief history of previous development proposals and activity, including the rental or lease of property.

289 North Main Street was acquired for strategic expansion of the City's downtown parking facilities, was converted to a parking lot after the URA acquired the property in March of 1996, and has been used as a public parking lot since this parcel was converted to an extension of an existing public parking lot after acquisition.

Use or Disposition of Properties

Section 34191.5(c)(2) of the Health and Safety Code requires that Successor Agencies address the use or disposition of all properties in the Community Redevelopment Trust fund. The properties can be retained for governmental use, retained for future development, sold, or used to fulfill an enforceable obligation. As such, this Plan will identify and list those properties dedicated to governmental use purposes, those retained for purposes of fulfilling an enforceable obligation and those transferred to the City for development. If a property is intended to be used for a project identified in the City's approved redevelopment plan, it may be transferred to the City. If subject to an enforceable obligation, the City will then transfer such property, to be used consistent with the terms of an enforceable obligation, to a designated recipient according to the terms of that agreement. If the Successor Agency opts to liquidate the property or to use the revenues from the property for any purpose other than to fulfill an enforceable obligation or for a project identified in the redevelopment plan, the proceeds from the sale shall be distributed as property tax to the taxing entities.

1. Costco Site

The Successor Agency intends to sell the Site to Costco pursuant to a sales agreement with the proceeds of the sale retained to perform enforceable obligations. Costco has already received a Site Development for the project. The only required permit remaining for it to acquire is a building permit. Certification of the EIR has been challenged in Mendocino County Superior Court, which may delay closing escrow on the sale to Costco.

2. Government Use Properties

a. **2.47 acres of the remaining 2.67 acres located on APN #s 180 110 08, 180 110 09 and 180 110 10** will be transferred to the City for governmental use, since that property constitute a delineated wetlands under Section 404 of the Clean Water Act (33 U.S.C. §1344) and are burdened with a sewer easement. The City intends to retain the property as public open space.

b. Redwood Business Park: APN 180 110 14 and 180 110 15; As discussed *supra*, APN 180 110 14 and 180 110 15 are road easements consisting of, respectively, 2.14 and .63 acres, located within those properties identified as APNs 180-110-11, 180-110-08, 180-110-09, and 180-110-10. These road easements will be transferred to the City and retained for government use pursuant to Health and Safety Code § 34181(a).

3. Other Properties on Airport Park Boulevard.

Any property, i.e. the vacant, salable parcels on Airport Park Boulevard, that is not dedicated to government use nor is required for the Costco project will be disposed of by the Successor Agency through sale of the Property at market value. The proceeds of this sale will be dispersed to taxing entities as additional property tax.

a. **.79 acres of the remaining 2.67 acres APN #s 180 110 08, 180 110 09 and 180 110 10** will be sold by the Successor Agency for fair market value with the proceeds distributed to taxing entities.

b. 2.38 acres of APN # 180 110 11 will be sold by the Successor Agency for fair market value with the proceeds distributed to taxing entities.

c. 8.02 acres of APN # 180 110 12 and 180 110 13 will be sold by the Successor Agency for fair market value with the proceeds distributed to taxing entities.

4. 289 North Main Street.

The parking lot at this location will be transferred to the City for development. The Successor Agency intends to enter compensation agreements with taxing entities prior to the transfer.

Exhibit A – Appendix 7A to DDR

B – Project Area Map

C – Redevelopment Plan

D – Five Year Implementation Plan

E – Airport Industrial Park Map with Lot/Parcel Numbers & AP Numbers

F – 6/17/09 ASR without Attachments

G —2010 and 2014 Dutton Appraisals of Costco Properties

H – ENA between Costco and the URA

I– Escrow Deposit Receipt

J – Aerial Photo of Redwood Business Park Properties

K – Aerial Photo Showing APN 002-192-01

Successor Agency: Ukiah
County: Mendocino

AMENDED LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY INVENTORY DATA

No.	Property Type	HSC 34191.5 (c)(2)		HSC 34191.5 (c)(1)(A)		SALE OF PROPERTY			HSC 34191.5 (c)(1)(B)		HSC 34191.5 (c)(1)(C)			HSC 34191.5 (c)(1)(D)		HSC 34191.5 (c)(1)(E)		HSC 34191.5 (c)(1)(F)	Description of property's potential for transit-oriented development	HSC 34191.5 (c)(1)(G)	HSC 34191.5 (c)(1)(H)	
		Permissible Use	Permissible Use Detail	Acquisition Date	Value at Time of Purchase	Estimated Current Value	Value Basis	Date of Estimated Current Value	Proposed Sale Value	Proposed Sale Date	Purpose for which property was acquired	Address	APN #	Lot Size	Current Zoning	Estimate of Current Parcel Value	Estimate of Income/Revenue	Contractual requirements for use of income/revenue	History of environmental contamination, studies, and/or remediation, and designation as a brownfield site	History of environmental contamination, studies, and/or remediation, and designation as a brownfield site	Advancement of planning objectives of the successor agency	History of previous development proposals and activity
1	Vacant Lot/Land	Sale of Property	Vacant Lot	APN #s 180-110-08, 09 and 10 were acquired 11/30/1997; APN #s 180-080-57, 58, 59, 62, 63, 64, 65, 66, and 67 were acquired 8/5/2009	APN #s 180-110-08, 09 and 10 were valued at \$496,890.12; APN #s 180-080-57, 58, 59, 62, 63, 64, 65, 66, and 67 were valued at \$3,406,759.	\$ 2,170,000	Appraised	5/15/2014	\$2,337,211.80 per ENA with Costco; Sale proceeds will be used for enforceable obligations.	9/1/2013 (ENA)	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	Parcels have not yet been assigned street address numbers, but will eventually be assigned street numbers on Airport Park Boulevard.	180-080-57 180-080-58 180-080-59 180-080-62 180-080-63 180-080-64 180-080-65 180-080-66 180-080-67 180-110-08, 180-110-10	15.33 acres	Retail Commercial	\$ 2,170,000.00	None	Restated Funding Agreement	No known history of environmental contamination or remediation efforts. A Phase One environmental assessment of the site was conducted on July 27, 2009.	No known potential for transit-oriented development	Development of the site will eliminate blighting influences in URDA's Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City	On January 19, 2011, URDA and Costco Wholesale Corporation have entered into an Exclusive Negotiating Agreement for purchase of 15.33 acres of this parcel. Costco plans to construct a 148,000 square foot warehouse to include a bakery, pharmacy, optical center, food court and tire center, as well as a 16 pump gas station.
2	Other	Governmental Use	Army Corps of Engineers delineated wetland and sewer easement	11/30/1997	APN #s 180-110-08, 09 and 10 were valued at \$496,890.12	\$ 376,576.00	Appraised	6/22/2010	Not Applicable	Not Applicable	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	Parcels have not been assigned street address numbers.	180-110-09 portions of 180-110-08, 180-110-10	2.47 acres	Planned Development and Light Manufacturing/Mixed Use. Will be rezoned to Open Space after approval of LRMP and transfer to City of Ukiah	\$ 376,576.00	None	No Contractual Arrangement	No known history of environmental contamination or remediation efforts.	No known potential for transit-oriented development	Preservation of wetlands	3.78 acres of parcels 180-110-08 and 180-110-10 are part of the 15.33 acres of the proposed Costco purchase. 2.47 acres, i.e. the entirety of 180-110-09 and portions of parcels 180-110-08 and 180-110-10, are unsalable wetland, are burdened with a sewer easement and will be retained for government use.
3	Vacant Lot/Land	Sale of Property	Vacant Lot	11/30/1997	\$ 664,336.85	\$ 664,336.85	Book	11/30/1997	Proposed Sale Value Not Available; Sale proceeds will be disbursed to the County for distribution to taxing entities.	Not Available	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	APN #s 180-110-12 & 180-110-13 are located at 1825 Airport Road.	180-110-12 180-110-13	8.02 acres	Planned Development / Industrial	\$ 664,336.85	None	No Contractual Arrangement	No known history of environmental contamination or remediation efforts.	No known potential for transit-oriented development	Development of the site will eliminate blighting influences in URDA's Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City	No development proposals and activity associated with these parcels to date.
4	Vacant Lot/Land	Sale of Property	Vacant Lot	11/30/1997	\$ 182,193.04	\$ 182,193.04	Book	11/30/1997	Proposed Sale Value Not Available; Sale proceeds will be disbursed to the County for distribution to taxing entities.	Not Available	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	Parcel has not yet been assigned street address numbers, but will eventually be assigned a street number on Airport Park Boulevard	180-110-11	2.38 acres	Planned Development and Light Manufacturing/Mixed Use	\$ 182,193.04	None	No Contractual Arrangement	No known history of environmental contamination or remediation efforts.	No known potential for transit-oriented development	Development of the site will eliminate blighting influences in URDA's Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City	No development proposals and activity associated with this parcels to date.
5	Other	Governmental Use	Road Easement	11/30/1997	\$ 212,307.59	\$ 212,307.59	Book	11/30/1997	Not Applicable	Not Applicable	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	Parcels are road easements and will not be assigned street numbers	180-110-14 180-110-15	2.77 acres	Planned Development and Light Manufacturing/Mixed Use	\$ 212,307.59	None	No Contractual Arrangement	No known history of environmental contamination or remediation efforts.	No known potential for transit-oriented development	Access for uses authorized by zoning ordinance	Public Roadway
6	Parking Lot/Structure	Future Development	Downtown Parking Lot for Courthouse and Library	March 1994	\$ 150,000.00	\$ 150,000.00	Book	March 1994	Not Available; The City intends to enter compensation agreements with taxing entities prior to the transfer for development	Not Applicable	Parcel was acquired to expand an existing municipal parking lot and provide adequate resources for designated downtown employee off-street parking	289 North Main Street	002-192-01	.26 acres	Community Commercial	\$ 150,000.00	\$ 2,400.00	Parking District Fund for operations and maintenance	Because 289 North Main Street is the former site of a dry cleaning business, both phase one and two environmental reviews have been performed on the site. No remediation efforts were deemed necessary.	No known potential for transit-oriented development	The parking lot at this location will be transferred to the City of Ukiah for development. The City intends to enter compensation agreements with taxing entities prior to the transfer	Public Parking
7	Vacant Lot/Land	Sale of Property	Vacant Lot	11/30/1997	\$ 121,404.00	\$ 121,404.00	Book	6/22/2010	Proposed Sale Value Not Available; Sale proceeds will be disbursed to the County for distribution to taxing entities.	Not Available	The parcels were acquired for the purpose of carrying out URDA's Redevelopment Plan and Five-Year Implementation Plan by assembling parcels to facilitate development in the Redwood Business Park	Parcels have not been assigned street address numbers.	No APN assigned	.7963 acres	Light Manufacturing/Mixed Use	\$ 121,404.00	None	No Contractual Arrangement	No known history of environmental contamination or remediation efforts.	No known potential for transit-oriented development	Development of the site will eliminate blighting influences in URDA's Redevelopment Project Area, will strengthen the economic base of the Project Area by installation of needed site improvements to stimulate new commercial/light industrial expansion, employment, and economic growth, and will prevent economic stagnation in an underdeveloped area of the City	This .7963 acre parcel is being created as part of the lot line adjustment for the sale of Item 1, above, to Costco. It is undeveloped property that can be sold with proceeds disbursed to taxing entities.

Appendix 7A							
Successor Agency to the City of Ukiah Redevelopment Agency							
Health and Safety Code Section 34179.5(c.)							
Procedure 7A - List of assets not liquid or otherwise available for distribution (capital assets, land held for resale, LT receivables etc) at June 30, 2012							
Item #	Description	Purchase Cost or Note Value		Date Constructed or Acquired	If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences	If assets have been disposed, inspect evidence that proceeds were deposited into trust fund	If listed at estimated market value cost, inspect evidence supporting value and document methodology used
CASH - FAIR MARKET ADJUSTMENTS							
1	Fair Market Value adjustment of investments -	\$20,739		6/30/12	per Balance sheet	N/A	
		(\$820)		6/30/12	per Balance sheet	N/A	
3	Fair Market Value adjustment of investments - account 966.101.006	\$6,934	\$26,852	6/30/12	per Balance sheet	N/A	
PROPERTY FOR RESALE							
4	Vacant Land Airport Park Blvd - Langley APN 180-110-11	\$182,193		09/30/97	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
5	Vacant Land Airport Park Blvd - Langley APN 180-110-12	\$611,325		09/30/97	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
6	Vacant Land Airport Park Blvd - Langley APN 180-110-13	\$3,011		09/30/97	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
7	Road Easement Airport Park Blvd - Langley APN 180-110-14	\$164,124		09/30/97	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
8	Road Easement Airport Park Blvd - Langley APN 180-110-15	\$48,183		09/30/97	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
9	Vacant Land Redwood Business Park - Parcel 1 APN 180-110-08	\$601,430		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
10	Vacant Land Redwood Business Park - Parcel 1 APN 180-110-09	\$5,443		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
11	Vacant Land Redwood Business Park - Parcel 1 APN 180-110-10	\$380,996		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
12	Vacant Land Redwood Business Park - Lot F8 APN 180-080-62	\$136,070		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
13	Vacant Land Redwood Business Park - Lot F8 APN 180-080-63	\$136,070		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
14	Vacant Land Redwood Business Park - Lot G3 APN 180-080-57	\$318,404		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
15	Vacant Land Redwood Business Park - Lot G2 APN 180-080-58	\$332,011		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
16	Vacant Land Redwood Business Park - Lot F10 APN 180-080-64	\$122,463		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
17	Vacant Land Redwood Business Park - Lot F10 APN 180-080-65	\$125,184		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
18	Vacant Land Redwood Business Park - Lot G1 APN 180-080-59	\$310,240		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
19	Vacant Land Redwood Business Park - Lot F11 APN 180-080-66	\$92,528		08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
20	Vacant Land Redwood Business Park - Lot F11 APN 180-080-67	\$160,563	\$3,730,238	08/10/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Market, per appraisal
21	Deferred charges for bond issuance costs	\$581,779	\$581,779		Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
OPTION							
term lia	Purchase Option Vacant Land Redwood Business Park - Lots H, G & F6	\$705,126	\$705,126	08/06/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
INFRASTRUCTURE							
23	Street Improvements - Redwood Business Park	\$86,110		08/06/09	Per Balance sheet, Spreadsheets, Purchase documents, JE.	N/A	Cost
	Patrona's Patio Deck - Demonstration Project	\$22,207	\$108,317	09/23/11	Per Balance sheet, Cost spreadsheet	N/A	Cost
EQUIPMENT							
25	Plaza Clock Repair	\$8,315		03/05/10	Depreciation schedule	N/A	Depreciated book value at 2/1/12
26	Kawasaki Prairie 360 4X4	\$6,430		08/27/08	Depreciation schedule	N/A	Depreciated book value at 2/1/12

Appendix 7A							
Successor Agency to the City of Ukiah Redevelopment Agency							
Health and Safety Code Section 34179.5(c.)							
Procedure 7A - List of assets not liquid or otherwise available for distribution (capital assets, land held for resale , LT receivables etc) at June 30, 2012							
Item #	Description	Purchase Cost or Note Value		Date Constructed or Acquired	If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences	If assets have been disposed, inspect evidence that proceeds were deposited into trust fund	If listed at estimated market value cost, inspect evidence supporting value and document methodology used
27	Haulmark 6X14 Transport Trailer	\$5,395		10/01/08	Depreciation schedule	N/A	Depreciated book value at 2/1/12
28	GEM e2 - 2 passenger vehicle	\$8,489		10/20/08	Depreciation schedule	N/A	Depreciated book value at 2/1/12
29	Flail Mower	\$5,349	\$33,978	03/02/11	Depreciation schedule	N/A	Depreciated book value at 2/1/12
	Land						
30	Parking lot APN 002-192-01	\$150,000			Per Property records	N/A	Cost
31	Alex Thomas Plaza APN 002-265-09	\$250,610	\$400,610		Balance General Fixed Asset Account Group	N/A	Cost
		\$5,586,900			to Appendix 10		
	Accountant's Notes:						
	Property held for resale		\$3,730,238		agrees to amounts reported on City's accountign records		
	Infrastructure plus option		\$813,443		2011 audited financial statements report CIP at \$966,507		
	Equipment		\$33,978		2011 audited financial statements report equipment at net book value of \$36,767		
	Land		\$400,610		2011 audited financial statements report \$0 - as value of land		
	Fair value adjustment		\$26,852		City's accounting records indicate balance should be 27,671 - a difference of \$819		
	Deferred charges		\$581,779		Amounts agree to 2011 audited financial statement amounts		
			\$5,586,900				

Ukiah Redevelopment Area



REDEVELOPMENT PLAN
FOR THE
UKIAH REDEVELOPMENT PROJECT

Prepared by the
UKIAH REDEVELOPMENT AGENCY

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REDEVELOPMENT PLAN
FOR THE
UKIAH REDEVELOPMENT PROJECT

I. [§100] INTRODUCTION

This is the Redevelopment Plan (the "Plan") for the Ukiah Redevelopment Project (the "Project") in the City of Ukiah (the "City"), County of Mendocino, State of California, and consists of the Text, the Legal Description of the Project Area Boundaries (Attachment No. 1), the Project Area Map (Attachment No. 2), the Redevelopment Land Use Map (Attachment No. 3) and the Proposed Public Improvements (Attachment No. 4). This Plan was prepared by the Ukiah Redevelopment Agency (the "Agency") pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.), the California Constitution and all applicable local laws and ordinances.

The proposed redevelopment of the Project Area as described in this Plan conforms to the General Plan for the City of Ukiah adopted by the City Council on November 5, 1986.

This Plan is based upon a Preliminary Plan formulated and adopted by the Planning Commission of the City of Ukiah (the "Planning Commission") by minute order on February 24, 1988.

This Plan provides the Agency with powers, duties and obligations to implement and further the program generally formulated in this Plan for the redevelopment, rehabilitation and revitalization of the area within the boundaries of the Project (the "Project Area"). Because of the long-term nature of this Plan, and the need to retain in the Agency flexibility to respond to market and economic conditions, property owner and developer interests and opportunities from time to time presented for redevelopment, this Plan does not present a precise plan or establish specific projects for the redevelopment, rehabilitation and revitalization of any area within the Project Area, nor does this Plan present specific proposals in an attempt to solve or alleviate the concerns and problems of the community relating to the Project Area. Instead, this Plan presents a process and a basic framework within which specific plans will be presented, specific projects will be established and specific solutions will be proposed, and by which tools are provided to the Agency to fashion, develop and proceed with such specific plans, projects and solutions.

The purposes of the Community Redevelopment Law will be attained through, and the major goals of this Plan are:

- A. The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including, among others, small and irregular lots, obsolete and aged building types, incompatible and uneconomic land uses, substandard alleys and inadequate or deteriorated public improvements and facilities.
- B. The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
- C. The replanning, redesign and development of undeveloped areas which are stagnant or improperly utilized.
- D. The providing of opportunities for participation by owners and tenants in the revitalization of their properties.
- E. The strengthening of retail and other commercial functions in the downtown area.
- F. The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial/light industrial expansion, employment and economic growth.
- G. The provision of adequate land for parking and open spaces.
- H. The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements which provide unity and integrity to the entire Project.
- I. The expansion and improvement of the community's supply of low- and moderate-income housing.

II. [§200] DESCRIPTION OF PROJECT AREA

The boundaries of the Project Area are described in the "Legal Description of the Project Area Boundaries," attached hereto as Attachment No. 1 and incorporated herein by reference, and are shown on the "Project Area Map," attached hereto as Attachment No. 2 and incorporated herein by reference.

III. [§300] PROPOSED REDEVELOPMENT ACTIONS

A. [§301] General

The Agency proposes to eliminate and prevent the spread of blight and deterioration in the Project Area by:

1. The acquisition of certain real property;
2. The demolition or removal of certain buildings and improvements;
3. Providing for participation by owners and tenants presently located in the Project Area and the extension of preferences to business occupants and other tenants desiring to remain or relocate within the redeveloped Project Area;
4. The management of any property acquired by and under the ownership and control of the Agency;
5. Providing relocation assistance to displaced Project occupants;
6. The installation, construction or reconstruction of streets, utilities and other public improvements;
7. The disposition of property for uses in accordance with this Plan;
8. The redevelopment of land by private enterprise or public agencies for uses in accordance with this Plan;
9. The rehabilitation of structures and improvements by present owners, their successors and the Agency; and
10. The assembly of adequate sites for the development and construction of residential, commercial, and industrial facilities.

In the accomplishment of these purposes and activities and in the implementation and furtherance of this Plan, the Agency is authorized to use all the powers provided in this Plan and all the powers now or hereafter permitted by law.

B. [§302] Participation Opportunities; Extension of Preferences for Reentry Within Redeveloped Project Area

1. [§303] Opportunities for Owners and Business Tenants

In accordance with this Plan and the rules for participation by owners and the extension of preferences to business tenants adopted by the Agency pursuant to this Plan and the Community Redevelopment Law, persons who are owners of real property in the Project Area shall be given a reasonable opportunity to participate in redevelopment by: (1) retaining all or a portion of their properties and developing or improving such property for use in accordance with this Plan; (2) acquiring adjacent or other properties within the Project Area and developing or improving such property for use in accordance with this Plan; or (3) selling their properties to the Agency and purchasing other properties in the Project Area.

The Agency shall extend reasonable preferences to persons who are engaged in business in the Project Area to participate in the redevelopment of the Project Area, or to reenter into business within the redeveloped Project Area, if they otherwise meet the requirements prescribed in this Plan.

2. [§304] Rules for Participation Opportunities, Priorities and Preferences

In order to provide opportunities to owners to participate in the redevelopment of the Project Area and to extend reasonable preferences to businesses to reenter into business within the redeveloped Project Area, the Agency shall promulgate rules for participation by owners and the extension of preferences to business tenants for reentry within the redeveloped Project Area. If conflicts develop between the desires of participants for particular sites or land uses, the Agency is authorized to establish reasonable priorities and preferences among the owners and business tenants. Some of the factors to be considered in establishing these priorities and preferences may include a participant's length of occupancy in the area, accommodation of as many participants as possible, similarity of land use, the necessity to assemble sites for integrated, modern development, conformity of a participant's proposal with the intent and objectives of this Plan, and service to the community of a participant's proposal.

In addition to opportunities for participation by individual persons and firms, participation shall be available for two or more persons, firms or institutions to join together in partnerships, corporations or other joint entities.

Participation opportunities shall necessarily be subject to and limited by such factors as: (1) the elimination and changing of some land uses; (2) the construction, widening or realignment of some streets; (3) the ability of participants to finance acquisition and development or rehabilitation in accordance with this Plan; (4) the reduction in the total number of individual parcels in the Project Area; and (5) the construction or expansion of public facilities.

3. [\$305] Participation Agreements

The Agency may require that, as a condition to participation in redevelopment, each participant shall enter into a binding agreement with the Agency by which the participant agrees to rehabilitate, develop and use and maintain the property in conformance with this Plan and to be subject to the provisions hereof. In such agreements, participants who retain real property shall be required to join in the recordation of such documents as may be necessary to make the provisions of this Plan applicable to their properties. Whether or not a participant enters into a participation agreement with the Agency, the provisions of this Plan are applicable to all public and private property in the Project Area.

In the event a participant fails or refuses to rehabilitate, develop and use and maintain its real property pursuant to this Plan and a participation agreement, the real property or any interest therein may be acquired by the Agency and sold or leased for rehabilitation or development in accordance with this Plan.

4. [\$306] Conforming Owners

The Agency may, at its sole and absolute discretion, determine that certain real property within the Project Area presently meets the requirements of this Plan, and the owner of such property will be permitted to remain as a conforming owner without a participation agreement with the Agency, provided such owner continues to operate, use and maintain the real property within the requirements of this Plan. However, a conforming owner shall be required by the Agency to enter into a participation agreement with the Agency in the event that such owner desires to:

(a) construct any additional improvements or substantially

alter or modify existing structures on any of the real property described above as conforming; or (b) acquire additional property within the Project Area.

C. [§307] Cooperation with Public Bodies

Certain public bodies are authorized by state law to aid and cooperate, with or without consideration, in the planning, undertaking, construction or operation of this Project. The Agency shall seek the aid and cooperation of such public bodies and shall attempt to coordinate this Plan with the activities of such public bodies in order to accomplish the purposes of redevelopment and the highest public good.

The Agency, by law, is not authorized to acquire real property owned by public bodies without the consent of such public bodies. The Agency, however, will seek the cooperation of all public bodies which own or intend to acquire property in the Project Area. Any public body which owns or leases property in the Project Area will be afforded all the privileges of owner and tenant participation if such public body is willing to enter into a participation agreement with the Agency. All plans for development of property in the Project Area by a public body shall be subject to Agency approval.

The Agency may impose on all public bodies the planning and design controls contained in this Plan to insure that present uses and any future development by public bodies will conform to the requirements of this Plan. The Agency is authorized to financially (and otherwise) assist any public entity in the cost of public land, buildings, facilities, structures or other improvements (within or without the Project Area) which land, buildings, facilities, structures or other improvements are or would be of benefit to the Project.

D. [§308] Property Acquisition

1. [§309] Real Property

Except as specifically exempted herein, the Agency may acquire, but is not required to acquire, any real property located in the Project Area by any means authorized by law, including, but not limited to, eminent domain.

It is in the public interest and is necessary in order to eliminate the conditions requiring redevelopment and in order to execute this Plan for the power of eminent domain to be employed by the Agency to acquire real property in the Project Area which cannot be acquired by gift, devise, exchange, purchase or any other

lawful method. Eminent domain proceedings, if used, must be commenced within twelve (12) years from the date the ordinance adopting this Plan becomes effective.

The Agency shall not acquire real property to be retained by an owner pursuant to a participation agreement if the owner fully performs under the agreement. The Agency is authorized to acquire structures without acquiring the land upon which those structures are located. The Agency is authorized to acquire either the entire fee or any other interest in real property less than a fee.

The Agency shall not acquire real property on which an existing building is to be continued on its present site and in its present form and use without the consent of the owner unless: (a) such building requires structural alteration, improvement, modernization or rehabilitation; (b) the site, or lot on which the building is situated, requires modification in size, shape or use; or (c) it is necessary to impose upon such property any of the controls, limitations, restrictions and requirements of this Plan, and the owner fails or refuses to execute a participation agreement in accordance with the provisions of this Plan.

The Agency is not authorized to acquire real property owned by public bodies which do not consent to such acquisition. The Agency is authorized, however, to acquire public property transferred to private ownership before redevelopment of the Project Area is completed, unless the Agency and the private owner enter into a participation agreement and the owner completes his responsibilities under the participation agreement.

2. [§310] Personal Property

Generally, personal property shall not be acquired. However, where necessary in the execution of this Plan, the Agency is authorized to acquire personal property in the Project Area by any lawful means, including eminent domain.

E. [§311] Property Management

During such time as property, if any, in the Project Area is owned by the Agency, such property shall be under the management and control of the Agency. Such property may be rented or leased by the Agency pending its disposition for redevelopment, and such rental or lease shall be pursuant to such policies as the Agency may adopt.

F. [§312] Payments to Taxing Agencies to Alleviate Financial Burden

In any year during which it owns property in the Project Area, the Agency is authorized, but not required, to pay directly to any city, county, city and county, district, including, but not limited to, a school district, or other public corporation for whose benefit a tax would have been levied upon such property had it not been exempt, an amount of money in lieu of taxes.

A proportionate share of any amount of money paid by the Agency to any city and county pursuant to the preceding paragraph shall be disbursed by the city and county to any school district with territory located within the Project Area in the city and county. "Proportionate share," as used in this Section 312, means the ratio of the school district tax rate, which is included in the total tax rate of the city and county, to the total tax rate of the city and county.

The Agency may also pay to any taxing agency with territory located within the Project Area (other than the City) any amounts of money which, in the Agency's determination, are appropriate to alleviate any financial burden or detriment caused to such taxing agency by the Project.

G. [§313] Relocation of Persons (Including Individuals and Families), Business Concerns and Others Displaced by the Project

1. [§314] Assistance in Finding Other Locations

The Agency shall assist all persons (including individuals and families), business concerns and others displaced by the Project in finding other locations and facilities. In order to carry out the Project with a minimum of hardship to persons (including individuals and families), business concerns and others, if any, displaced from their respective places of residence or business by the Project, the Agency shall assist such persons (including individuals and families), business concerns and others in finding new locations that are decent, safe, sanitary, within their respective financial means, in reasonably convenient locations and otherwise suitable to their respective needs. The Agency may also provide housing inside or outside the Project Area for displaced persons.

2. [\$315] Relocation Payments

The Agency shall make relocation payments to persons (including individuals and families), business concerns and others displaced by the Project for moving expenses and direct losses of personal property and additional relocation payments as may be required by law. Such relocation payments shall be made pursuant to the California Relocation Assistance Law (Government Code Section 7260 et seq.) and Agency rules and regulations adopted pursuant thereto. The Agency may make such other payments as may be appropriate and for which funds are available.

H. [\$316] Demolition, Clearance, and Building and Site Preparation

1. [\$317] Demolition and Clearance

The Agency is authorized to demolish and clear buildings, structures and other improvements from any real property in the Project Area as necessary to carry out the purposes of this Plan.

2. [\$318] Preparation of Building Sites

The Agency is authorized to prepare, or cause to be prepared, as building sites any real property in the Project Area owned by the Agency. In connection therewith, the Agency may cause, provide for or undertake the installation or construction of streets, utilities, parks, playgrounds and other public improvements necessary to carry out this Plan. The Agency is also authorized to construct foundations, platforms and other structural forms necessary for the provision or utilization of air rights sites for buildings to be used for residential, commercial, public and other uses provided in this Plan.

Prior consent of the City Council is required for the Agency to develop sites for commercial or industrial use by providing streets, sidewalks, utilities or other improvements which an owner or operator of the site would otherwise be obliged to provide.

I. [\$319] Property Disposition and Development

1. [\$320] Real Property Disposition and Development

a. [\$321] General

For the purposes of this Plan, the Agency is authorized to sell, lease, exchange, subdivide,

transfer, assign, pledge, encumber by mortgage or deed of trust or otherwise dispose of any interest in real property. To the extent permitted by law, the Agency is authorized to dispose of real property by negotiated lease, sale or transfer without public bidding. Property containing buildings or structures rehabilitated by the Agency shall be offered for resale within one (1) year after completion of rehabilitation or an annual report concerning such property shall be published by the Agency as required by law.

Real property acquired by the Agency may be conveyed by the Agency without charge to the City and, where beneficial to the Project Area, without charge to any public body. All real property acquired by the Agency in the Project Area shall be sold or leased to public or private persons or entities for development for the uses permitted in this Plan.

All purchasers or lessees of property acquired from the Agency shall be made obligated to use the property for the purposes designated in this Plan, to begin and complete development of the property within a period of time which the Agency fixes as reasonable and to comply with other conditions which the Agency deems necessary to carry out the purposes of this Plan.

b. [\\$322] Disposition and Development Documents

To provide adequate safeguards to ensure that the provisions of this Plan will be carried out and to prevent the recurrence of blight, all real property sold, leased or conveyed by the Agency, as well as all property subject to participation agreements, is subject to the provisions of this Plan.

The Agency shall reserve such powers and controls in the disposition and development documents as may be necessary to prevent transfer, retention or use of property for speculative purposes and to ensure that development is carried out pursuant to this Plan.

Leases, deeds, contracts, agreements and declarations of restrictions of the Agency may contain restrictions, covenants, covenants running with the land, rights of reverter, conditions subsequent, equitable servitudes or any other provisions necessary to carry out this Plan. Where appropriate, as determined by the Agency, such documents, or portions thereof, shall be recorded in the office of the Recorder of the County.

All property in the Project Area is hereby subject to the restriction that there shall be no discrimination or segregation based upon race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of property in the Project Area. All property sold, leased, conveyed or subject to a participation agreement shall be expressly subject by appropriate documents to the restriction that all deeds, leases or contracts for the sale, lease, sublease or other transfer of land in the Project Area shall contain such nondiscrimination and nonsegregation clauses as required by law.

c. [§323] Development by the Agency

To the extent now or hereafter permitted by law, the Agency is authorized to pay for, develop or construct any publicly-owned building, facility, structure or other improvement either within or without the Project Area, for itself or for any public body or entity, which buildings, facilities, structures or other improvements are or would be of benefit to the Project Area. Specifically, the Agency may pay for, install or construct the buildings, facilities, structures and other improvements identified in Attachment No. 4, attached hereto and incorporated herein by reference, and may acquire or pay for the land required therefor.

In addition to the public improvements authorized under Section 318 and the specific publicly-owned improvements identified in Attachment No. 4 of this Plan, the Agency is authorized to install and construct, or to cause to be installed and constructed, within or without the Project Area, for itself or for any public body or entity for the benefit of the Project Area, public improvements and public utilities, including, but not limited to, the following: (1) over and underpasses; (2) sewers; (3) natural gas distribution systems; (4) water distribution systems; (5) electrical distribution systems; (6) parks, plazas and pedestrian paths; (7) playgrounds; (8) parking facilities; (9) landscaped areas; and (10) street improvements.

The Agency may enter into contracts, leases and agreements with the City or other public body or entity pursuant to this Section 323, and the obligation of the Agency under such contract, lease or agreement shall constitute an indebtedness of the Agency which may be made payable out of the taxes levied in the Project Area and allocated to the Agency under subdivision (b) of Section 33670 of the Community Redevelopment Law and Section 502 of this Plan or out of any other available funds.

d. [§324] Development Plans

All development plans (whether public or private) shall be submitted to the Agency for City approval and architectural review. All development in the Project Area must conform to applicable standards of the City.

2. [§325] Personal Property Disposition

For the purposes of this Plan, the Agency is authorized to lease, sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of personal property which is acquired by the Agency.

J. [§326] Rehabilitation, Conservation and Moving of Structures

1. [§327] Rehabilitation and Conservation

The Agency is authorized to rehabilitate and conserve, or to cause to be rehabilitated and conserved, any building or structure in the Project Area owned by the Agency. The Agency is also authorized and directed to advise, encourage and assist in the rehabilitation and conservation of property in the Project Area not owned by the Agency. The Agency is also authorized to acquire, restore, rehabilitate, move and conserve buildings of historic or architectural significance.

2. [§328] Moving of Structures

As necessary in carrying out this Plan, the Agency is authorized to move, or to cause to be moved, any standard structure or building or any structure or building which can be rehabilitated to a location within or outside the Project Area.

K. [§329] Low- and Moderate-Income Housing

1. [§330] Replacement Housing

In accordance with Section 33334.5 of the Community Redevelopment Law, whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low- and moderate-income housing market as part of the Project, the Agency shall, within four (4) years of such destruction or removal, rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, for rental or sale to persons and families of low or moderate income an equal number of replacement dwelling units at affordable rents within the Project Area or within the territorial

jurisdiction of the Agency in accordance with all of the provisions of Sections 33413 and 33413.5 of said Community Redevelopment Law.

2. [§331] Increased and Improved Housing Supply

Pursuant to Section 33334.2 of the Community Redevelopment Law, not less than twenty percent (20%) of all taxes which are allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Community Redevelopment Law and Section 502 of this Plan shall be used by the Agency for the purposes of increasing and improving the City's supply of housing for persons and families of very low, low or moderate income unless certain findings are made as required by that section to lessen or exempt such requirement. In carrying out this purpose, the Agency may exercise any or all of its powers, including the following:

- a. Acquire land or building sites;
- b. Improve land or building sites with on-site or off-site improvements;
- c. Donate land to private or public persons or entities;
- d. Construct buildings or structures;
- e. Acquire buildings or structures;
- f. Rehabilitate buildings or structures;
- g. Provide subsidies to or for the benefit of persons or families of very low, low or moderate income; and
- h. Develop plans, pay principal and interest on bonds, loans, advances or other indebtedness or pay financing or carrying charges.

The Agency may use these funds to meet, in whole or in part, the replacement housing provisions in Section 330 above. These funds may be used inside or outside the Project Area provided, however, that funds may be used outside the Project Area only if findings of benefit to the Project are made as required by said Section 33334.2 of the Community Redevelopment Law.

The funds for this purpose shall be held in a separate Low and Moderate Income Housing Fund until used. Any interest earned by such Low and Moderate Income Housing Fund shall accrue to the Fund.

IV. [§400] USES PERMITTED IN THE PROJECT AREA

A. [§401] Redevelopment Land Use Map

The "Redevelopment Land Use Map," attached hereto as Attachment No. 3 and incorporated herein by reference, illustrates the location of the Project Area boundaries, major streets within the Project Area and the proposed land uses to be permitted in the Project for all land--public, semi-public and private.

B. [§402] Designated Land Uses

1. [§403] Residential Uses

The areas shown on the Redevelopment Land Use Map (Attachment No. 3) for residential uses shall be used for the residential uses set forth and described in the City's Zoning Ordinance.

2. [§404] Commercial Uses

The areas shown on the Redevelopment Land Use Map (Attachment No. 3) for commercial uses shall be used for the general commercial uses set forth and described in the City's Zoning Ordinance.

3. [§405] Industrial Uses

The areas shown on the Redevelopment Land Use Map (Attachment No. 3) for industrial uses shall be used for the industrial uses set forth and described in the City's Zoning Ordinance.

C. [§406] Other Land Uses

1. [§407] Public Rights-of-Way

As illustrated on the Redevelopment Land Use Map (Attachment No. 3), the major public streets within the Project Area include Dora Street, Oak Street, State Street, Main Street, Orchard Avenue, Highway 101, Perkins Street, Clay Street, Gobbi Street, and Talmadge Road.

Additional public streets, alleys and easements may be created in the Project Area as needed for proper development. Existing streets, alleys and easements may be abandoned, closed or modified as necessary for proper development of the Project.

Any changes in the existing interior or exterior street layout shall be in accordance with the General Plan, the objectives of this Plan and the City's design standards, shall be effectuated in the manner prescribed by state and local law and shall be guided by the following criteria:

- a. A balancing of the needs of proposed and potential new developments for adequate pedestrian and vehicular access, vehicular parking and delivery loading docks with the similar needs of any existing developments permitted to remain. Such balancing shall take into consideration the rights of existing owners and tenants under the rules for owner and tenant participation adopted by the Agency for the Project and any participation agreements executed thereunder;
- b. The requirements imposed by such factors as topography, traffic safety and aesthetics; and
- c. The potential need to serve not only the Project Area and new or existing developments but to also serve areas outside the Project by providing convenient and efficient vehicular access and movement.

The public rights-of-way may be used for vehicular and/or pedestrian traffic, as well as for public improvements, public and private utilities and activities typically found in public rights-of-way.

2. [\$408] Other Public, Semi-Public, Institutional and Nonprofit Uses

In any area shown on the Redevelopment Land Use Map (Attachment No. 3), the Agency is authorized to permit the maintenance, establishment or enlargement of public, semi-public, institutional or nonprofit uses, including park and recreational facilities, libraries, educational, fraternal, employee, philanthropic, religious and charitable institutions, utilities, railroad rights-of-way and facilities of other similar associations or organizations. All such uses shall, to the extent possible, conform to the provisions of this Plan applicable to the uses in the specific area involved. The Agency may impose such other reasonable requirements and/or

restrictions as may be necessary to protect the development and use of the Project Area.

3. [§409] Interim Uses

Pending the ultimate development of land by developers and participants, the Agency is authorized to use or permit the use of any land in the Project Area for interim uses that are not in conformity with the uses permitted in this Plan.

4. [§410] Nonconforming Uses

The Agency may permit an existing use to remain in an existing building in good condition which use does not conform to the provisions of this Plan, provided that such use is generally compatible with existing and proposed developments and uses in the Project Area. The owner of such a property must be willing to enter into a participation agreement and agree to the imposition of such reasonable restrictions as may be necessary to protect the development and use of the Project Area.

The Agency may authorize additions, alterations, repairs or other improvements in the Project Area for uses which do not conform to the provisions of this Plan where such improvements are within a portion of the Project where, in the determination of the Agency, such improvements would be compatible with surrounding Project uses and development.

D. [§411] General Controls and Limitations

All real property in the Project Area is made subject to the controls and requirements of this Plan. No real property shall be developed, rehabilitated or otherwise changed after the date of the adoption of this Plan, except in conformance with the provisions of this Plan.

1. [§412] Construction

All construction in the Project Area shall comply with all applicable state and local laws and codes in effect from time to time. In addition to applicable codes, ordinances or other requirements governing development in the Project Area, additional specific performance and development standards may be adopted by the Agency to control and direct redevelopment activities in the Project Area.

2. [§413] Rehabilitation and Retention of Properties

Any existing structure within the Project Area approved by the Agency for retention and rehabilitation shall be repaired, altered, reconstructed or rehabilitated in such a manner that it will be safe and sound in all physical respects and be attractive in appearance and not detrimental to the surrounding uses.

3. [§414] Limitation on the Number of Buildings

The number of buildings in the Project Area shall not exceed the number of buildings permitted under the City's General Plan.

4. [§415] Number of Dwelling Units

The number of dwelling units in the Project Area shall not exceed the number of dwelling units permitted under the City's General Plan.

5. [§416] Limitation on Type, Size and Height of Buildings

Except as set forth in other sections of this Plan, the type, size and height of buildings shall be as limited by applicable federal, state and local statutes, ordinances and regulations.

6. [§417] Open Spaces, Landscaping, Light, Air and Privacy

The approximate amount of open space to be provided in the Project Area is the total of all areas which will be in the public rights-of-way, the public ground, the space around buildings and all other outdoor areas not permitted to be covered by buildings. Landscaping shall be developed in the Project Area to ensure optimum use of living plant material.

Sufficient space shall be maintained between buildings in all areas to provide adequate light, air and privacy.

7. [§418] Signs

All signs shall conform to City sign ordinances as they now exist or are hereafter amended. Design of all proposed new signs shall be submitted to the Agency and/or City prior to installation for review and approval pursuant to the procedures of this Plan.

8. [§419] Utilities

The Agency shall require that all utilities be placed underground whenever physically and economically feasible.

9. [§420] Incompatible Uses

No use or structure which by reason of appearance, traffic, smoke, glare, noise, odor or similar factors would be incompatible with the surrounding areas or structures shall be permitted in any part of the Project Area.

10. [§421] Nondiscrimination and Nonsegregation

There shall be no discrimination or segregation based upon race, color, creed, religion, sex, marital status, national origin or ancestry permitted in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of property in the Project Area.

11. [§422] Subdivision of Parcels

No parcel in the Project Area, including any parcel retained by a participant, shall be subdivided without the approval of the City.

12. [§423] Minor Variations

Under exceptional circumstances, the Agency is authorized to permit a variation from the limits, restrictions and controls established by this Plan. In order to permit such variation, the Agency must determine that:

- a. The application of certain provisions of this Plan would result in practical difficulties or unnecessary hardships inconsistent with the general purpose and intent of this Plan;
- b. There are exceptional circumstances or conditions applicable to the property or to the intended development of the property which do not apply generally to other properties having the same standards, restrictions and controls;
- c. Permitting a variation will not be materially detrimental to the public welfare or injurious to property or improvements in the area; and

- d. Permitting a variation will not be contrary to the objectives of this Plan or of the General Plan of the City.

No variation shall be granted which changes a basic land use or which permits other than a minor departure from the provisions of this Plan. In permitting any such variation, the Agency shall impose such conditions as are necessary to protect the public peace, health, safety or welfare and to assure compliance with the purposes of this Plan. Any variation permitted by the Agency hereunder shall not supersede any other approval required under City codes and ordinances.

E. [§424] Design for Development

Within the limits, restrictions and controls established in this Plan, the Agency is authorized to establish heights of buildings, land coverage, setback requirements, design criteria, traffic circulation, traffic access and other development and design controls necessary for proper development of both private and public areas within the Project Area.

No new improvement shall be constructed, and no existing improvement shall be substantially modified, altered, repaired or rehabilitated except in accordance with this Plan and any such controls and, in the case of property which is the subject of a disposition and development or participation agreement with the Agency and any other property, in accordance with architectural, landscape and site plans submitted to and approved in writing by the City. One of the objectives of this Plan is to create an attractive and pleasant environment in the Project Area. Therefore, such plans shall give consideration to good design, open space and other amenities to enhance the aesthetic quality of the Project Area. No plans shall be approved that do not comply with this Plan.

F. [§425] Building Permits

No permit shall be issued for the construction of any new building or for any construction on an existing building in the Project Area from the date of adoption of this Plan until the application for such permit has been made and processed in a manner consistent with all City requirements.

The Agency is authorized to establish permit procedures and approvals in addition to those set forth above where required for the purposes of this Plan. Where

such additional procedures and approvals are established, a building permit shall be issued only if, at the time of application, the applicant has complied with such additional procedures and approvals and has been granted all approvals required by the City.

V. [§500] METHODS OF FINANCING THE PROJECT

A. [§501] General Description of the Proposed Financing Method

The Agency is authorized to finance this Project with financial assistance from the City, State of California, federal government, tax increment funds, interest income, Agency bonds, donations, loans from private financial institutions, the lease or sale of Agency-owned property or any other available source, public or private.

The Agency is also authorized to obtain advances, borrow funds and create indebtedness in carrying out this Plan. The principal and interest on such advances, funds and indebtedness may be paid from tax increments or any other funds available to the Agency. Advances and loans for survey and planning and for the operating capital for nominal administration of this Project may be provided by the City until adequate tax increment or other funds are available, or sufficiently assured, to repay the advances and loans and to permit borrowing adequate working capital from sources other than the City. The City, as it is able, may also supply additional assistance through City loans and grants for various public facilities.

The City or any other public agency may expend money to assist the Agency in carrying out this Project. As available, gas tax funds from the state and county may be used for street improvements and public transit facilities.

B. [§502] Tax Increment Funds

All taxes levied upon taxable property within the Project Area each year, by or for the benefit of the State of California, the County of Mendocino, the City of Ukiah, any district or any other public corporation (hereinafter sometimes called "taxing agencies") after the effective date of the ordinance approving this Plan, shall be divided as follows:

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the

assessed value of the taxable property in the Project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of such ordinance, shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory of the Project on the effective date of such ordinance but to which such territory is annexed or otherwise included after such effective date, the assessment roll of the County of Mendocino last equalized on the effective date of said ordinance shall be used in determining the assessed valuation of the taxable property in the Project on said effective date).

2. That portion of said levied taxes each year in excess of such amount shall be allocated to and when collected shall be paid into a special fund of the Agency to pay the principal of and interest on loans, monies advanced to or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, this Project. Unless and until the total assessed valuation of the taxable property in the Project exceeds the total assessed value of the taxable property in the Project as shown by the last equalized assessment roll referred to in subdivision 1 hereof, all of the taxes levied and collected upon the taxable property in the Project shall be paid into the funds of the respective taxing agencies. When said loans, advances and indebtedness, if any, and interest thereon, have been paid, all monies thereafter received from taxes upon the taxable property in the Project shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

The portion of taxes mentioned in subdivision 2 above are hereby irrevocably pledged for the payment of the principal of and interest on the advance of monies, or making of loans or the incurring of any indebtedness

(whether funded, refunded, assumed or otherwise) by the Agency to finance or refinance the Project, in whole or in part. The Agency is authorized to make such pledges as to specific advances, loans and indebtedness as appropriate in carrying out the Project.

The portion of taxes divided and allocated to the Agency pursuant to subdivision 2 of this Section 502 shall not exceed a cumulative total of ~~\$250,000,000.~~
\$260,000,000

The Agency is authorized to issue bonds from time to time, if it deems appropriate to do so, in order to finance all or any part of the Project. Neither the members of the Agency nor any persons executing the bonds are liable personally on the bonds by reason of their issuance.

The bonds and other obligations of the Agency are not a debt of the City or the state, nor are any of its political subdivisions liable for them, nor in any event shall the bonds or obligations be payable out of any funds or properties other than those of the Agency, and such bonds and other obligations shall so state on their face. The bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The amount of bonded indebtedness to be repaid in whole or in part from the allocation of taxes described in subdivision 2 above which can be outstanding at any one time shall not exceed \$75,000,000.

The Agency shall not establish or incur loans, advances or indebtedness to finance in whole or in part the Project beyond forty (40) years from the date of adoption of this Plan. Loans, advances or indebtedness may be repaid over a period of time beyond said time limit.

C. [§503] Other Loans and Grants

Any other loans, grants, guarantees or financial assistance from the United States, the State of California or any other public or private source will be utilized if available.

VI. [§600] ACTIONS BY THE CITY

The City shall aid and cooperate with the Agency in carrying out this Plan and shall take all actions necessary to ensure the continued fulfillment of the purposes of this Plan and to prevent the recurrence or spread in the area of

conditions causing blight. Actions by the City shall include, but not be limited to, the following:

- A. Institution and completion of proceedings for opening, closing, vacating, widening or changing the grades of streets, alleys and other public rights-of-way and for other necessary modifications of the streets, the street layout and other public rights-of-way in the Project Area. Such action by the City shall include the requirement of abandonment, removal and relocation by the public utility companies of their operations of public rights-of-way as appropriate to carry out this Plan, provided that nothing in this Plan shall be construed to require the cost of such abandonment, removal and relocation to be borne by others than those legally required to bear such cost.
- B. Institution and completion of proceedings necessary for changes and improvements in private and publicly-owned public utilities within or affecting the Project Area.
- C. Revision of zoning (if necessary) within the Project Area to permit the land uses and development authorized by this Plan.
- D. Imposition wherever necessary (by conditional use permits or other means) of appropriate controls within the limits of this Plan upon parcels in the Project Area to ensure their proper development and use.
- E. Provision for administrative enforcement of this Plan by the City after development. The City and the Agency shall develop and provide for enforcement of a program for continued maintenance by owners of all real property, both public and private, within the Project Area throughout the duration of this Plan.
- F. Preservation of historical sites and buildings, including the imposition of appropriate land use controls as may be necessary to assist in the preservation of historic sites and buildings within the Project Area.
- G. Performance of the above actions and of all other functions and services relating to public peace, health, safety and physical development normally

rendered in accordance with a schedule which will permit the redevelopment of the Project Area to be commenced and carried to completion without unnecessary delays.

- H. The undertaking and completing of any other proceedings necessary to carry out the Project.

The foregoing actions to be taken by the City do not involve or constitute any commitment for financial outlays by the City.

VII. [§700] ENFORCEMENT

The administration and enforcement of this Plan, including the preparation and execution of any documents implementing this Plan, shall be performed by the Agency and/or the City.

The provisions of this Plan or other documents entered into pursuant to this Plan may also be enforced by court litigation instituted by either the Agency or the City. Such remedies may include, but are not limited to, specific performance, damages, reentry, injunctions or any other remedies appropriate to the purposes of this Plan. In addition, any recorded provisions which are expressly for the benefit of owners of property in the Project Area may be enforced by such owners.

VIII. [§800] DURATION OF THIS PLAN

Except for the nondiscrimination and nonsegregation provisions which shall run in perpetuity, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this Plan may be made effective, for ~~thirty-five (35)~~ years from the date of adoption of this Plan by the City Council.

→ FORTY (40)

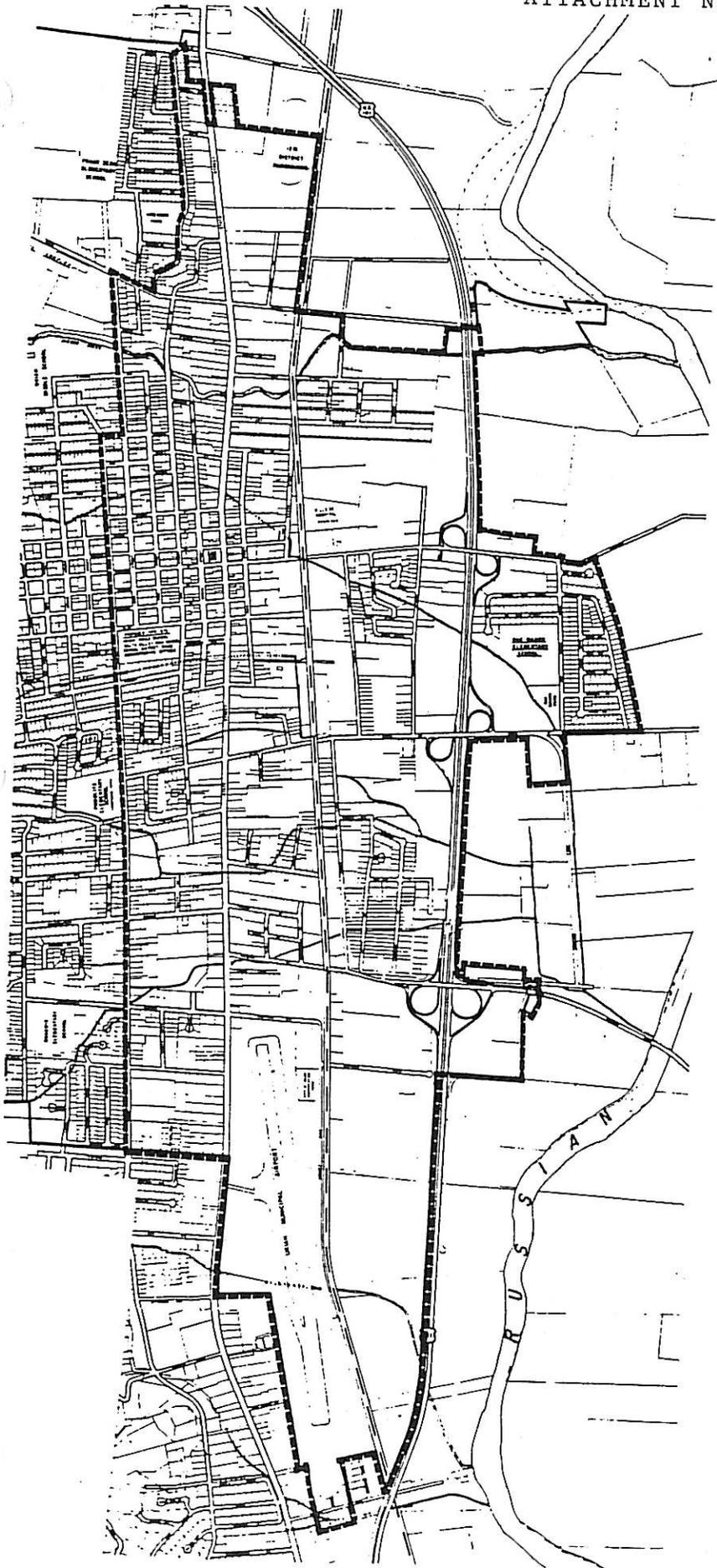
IX. [§900] PROCEDURE FOR AMENDMENT

This Plan may be amended by means of the procedure established in Sections 33450-33458 of the Community Redevelopment Law or by any other procedure hereafter established by law.

ATTACHMENT NO. 1
Ukiah Redevelopment Project

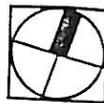
LEGAL DESCRIPTION OF
PROJECT AREA BOUNDARIES

Beginning at the intersection of the extension of the center line of Elm Street and the northerly city limits; thence southerly along the center line of Elm Street to the center line of Low Gap Road; thence westerly along the center line of Low Gap Road to the center line of Bush Street; thence southerly along the center line of Bush Street to the center line of Grove Avenue; thence westerly along the center line of Grove Avenue to the center line of Dora Street; thence southerly along the center line of Dora Street to the southern city limits; thence along the southern and eastern city limits (excluding Waterwell Field Park) beginning in an easterly direction to the point of beginning.



Attachment No. 2
PROJECT AREA MAP

0 1000 2000 feet



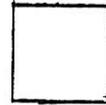
Ukiah Redevelopment Project Area Boundary

UKIAH, CALIFORNIA

ATTACHMENT NO. 3
REDEVELOPMENT LAND USE MAP



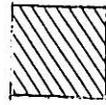
LAND USE CATEGORIES



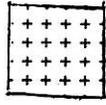
RESIDENTIAL



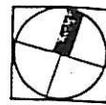
COMMERCIAL



INDUSTRIAL



PUBLIC



0 1000 2000 feet



**Ukiah Redevelopment
Project Area**

UKIAH, CALIFORNIA

ATTACHMENT NO. 4

PROPOSED PUBLIC IMPROVEMENTS

Public improvement projects proposed for development by the Agency or City under this redevelopment program include the following:

- Traffic Circulation Improvements

A variety of traffic improvements are planned. These include intersection improvements, street widening, paving, installation and improvement of traffic signal systems, installation of stop signs, signage improvements, realignment of the Leslie/Perkins Street intersection, and the possible easterly extension of Clay Street.

Realignment of Leslie Street would improve north-south traffic movements and eliminate one intersection on Perkins Street. The extension of Clay Street across the railroad tracks would provide a new east-west linkage to downtown.

- Public Parking Facilities

Construction of public parking facilities in the downtown area.

- Construction of a New Parking Deck on the Existing Oak/Perkins/Pine/Standley Parking Lot

Construction of a parking deck over the existing public parking lot in the block bounded by Oak/Perkins/Pine/Standley Streets would result in a substantial increase in downtown parking resources.

- The Palace Hotel

The Palace Hotel is an important historic landmark in downtown Ukiah. Although the building was partially rehabilitated several years ago, the building is now vacant, much of the interior restoration has been removed, a substantial part of the building is in a seriously deteriorated condition, and its structural integrity is now questionable. The redevelopment process may be used to determine the proper rehabilitation, restoration or disposition of the building. Possible reuses of the building could include retail commercial, office, restaurant, and inn or hotel.

It is also proposed to make other suitable improvements in the city block in which the hotel is located. Such

improvements could include building rehabilitation, streetscape improvements, and a pedestrian connection to the County Courthouse.

- Major Thoroughfare Beautification

This project would provide for the beautification and improvement of Ukiah's major north-south street (State Street) and three major entry streets between Highway 101 and State Street (Perkins Street, Gobbi Street, and Talmage Road). Improvements would include, as necessary, the installation of street trees, new curbs, gutters and sidewalks, and lighting.

- Downtown Urban Design Improvements

Urban design improvements planned for downtown Ukiah include improved sidewalks, street trees, lighting, more visible pedestrian crosswalks, signage, and the development of a new multi-use plaza.

The new multi-use plaza would be built on Standley Street adjacent to the Courthouse. The plaza is designed to provide a downtown focal point and pedestrian connection between State and School Streets. It could be closed off from automobile traffic during special events.

- Low-to-Moderate Income Housing

The Community Redevelopment Law requires the allocation of 20 percent of all tax increment revenues generated within a redevelopment project area to the improvement or expansion of low- and moderate-income housing. Although these funds also can be used outside of the Project Area, priority would be given to the rehabilitation and construction of low- and moderate-income housing in the Project Area on sites yet to be determined.

- Street Drainage Improvements and Storm Drains

Currently many intersections in the Project Area have surface cross gutters in the street that are potentially hazardous to vehicular traffic. It is proposed to replace these gutters with properly designed subsurface storm drains.

- County Administration Facilities, Including Parking

County Administration facilities, including parking therefor. Such facilities located in the downtown will improve the economic viability of the downtown.

Ukiah Redevelopment Project

Five-Year Implementation Plan

July 2007 to July 2012



Adopted August 15, 2007
Amended August 18, 2010

Ukiah Redevelopment Agency
300 Seminary Avenue
Ukiah, California 95482

Five-Year Implementation Plan

Ukiah Redevelopment Project

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Five-Year Implementation Plan

Ukiah Redevelopment Project

Introduction

Health and Safety Code Section 33490 requires redevelopment agencies to adopt implementation plans for each project area every five years. A public hearing is required to be held as part of the implementation plan adoption process. In addition, between the second and third year after adoption, redevelopment agencies must hold a public hearing to review the implementation plan and make amendments as necessary. This document is the Ukiah Redevelopment Agency's Implementation Plan, for the period from July 2007 to July 2012.

The Implementation Plan is a policy and program document that has been prepared to set priorities for redevelopment and affordable housing activities within the Project Area for the upcoming five-year period. The Plan sets forth the Agency's goals and objectives, programs and potential projects, an explanation of how the goals and objectives, programs, and potential projects will assist in the elimination of blight, and estimated expenditures for the next five years. The Plan has been developed to allow for flexibility and has a focus on program activities that encompass a variety of possible projects.

While the Implementation Plan provides the policy framework for the Agency, adoption of the Plan does not constitute an approval of any specific program, project, or expenditure described in the Plan, and therefore the Implementation Plan is not a project under the California Environmental Quality Act (CEQA) requiring environmental documentation. Furthermore, new issues and opportunities may be encountered during the course of administering the Five Year Plan and thus, the Plan may be amended at any time to reflect changes in the Agency's priorities.

REDEVELOPMENT COMPONENT

Redevelopment Plan Background

Description of the Redevelopment Plan

The City Council of the City of Ukiah adopted the Ukiah Redevelopment Plan on November 15, 1989 (Ordinance No. 895) to provide a tool which would assist in the elimination of blighted conditions within the identified project area. The Project Area consists of approximately 1,369 acres and encompasses residential, commercial, industrial, public, and open space lands. The specific boundaries of the Project Area are identified in Exhibit #1 and the specific distribution of acreage per land use is identified in Exhibit #2.

In accordance with SB 437, the Agency is required to report the estimated expiration of the following time limits:

- Limit for commencement of eminent domain November 15, 2002
- Limit for establishment of indebtedness Eliminated (Ordinance No. 1088)
- Limit for effectiveness of the plan November 15, 2030
- Limit to repay indebtedness November 15, 2040

Purpose

The Redevelopment Plan provides the Agency with powers, duties and obligations to implement a program for the redevelopment, rehabilitation and revitalization of the Project Area. Because of the long-term nature of the Redevelopment Plan and the need to retain flexibility to respond to market and economic conditions, property owners and developer interests and opportunities as they arise, the Redevelopment Plan does not present a precise plan for the redevelopment, rehabilitation and revitalization of the Project Area. Rather, the Redevelopment Plan represents a process and a basic framework within which specific projects can be established to achieve solutions that will eliminate blight. This Implementation Plan identifies proposed Agency programs, given the tools available to the Agency from the Redevelopment Plan.

Blighting Conditions As Defined By Law

Redevelopment projects are established to remedy conditions of blight as defined by the Law that is in effect at the time a redevelopment project is adopted. Since 1989, the Agency has successfully mitigated blighting conditions through implementation of various redevelopment initiatives. Blight is defined as *economic* or *physical* liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of the community and of the State.

Physical conditions that cause blight are defined as follows:

- Buildings which are unsafe or unhealthy for persons to live or work
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots
- Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the project area
- The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and developments that are in multiple ownership

Economic conditions that cause blight are defined as follows:

- Depreciated or stagnant property values or impaired investments
- Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots
- A lack of necessary commercial facilities that are normally found in neighborhoods
- Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare
- A high crime rate that constitutes a serious threat to the public safety and welfare

General Goals Identified in the Redevelopment Plan

The Redevelopment Plan includes the following goals that were originally created with the Project Area:

1. The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including, among others, small and irregular lots, obsolete and aged building types, incompatible and uneconomic land uses, substandard alleys and inadequate or deteriorated public improvements and facilities.
2. The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
3. The re-planning, redesign, and development of undeveloped areas which are stagnant or improperly utilized.
4. The providing of opportunities for participation by owners and tenants in the revitalization of their properties.
5. The strengthening of retail and other commercial functions in the downtown area.
6. The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial/light industrial expansion, employment and economic growth.
7. The provision of adequate land for parking and open spaces.
8. The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements which provide unity and integrity to the entire Project Area.
9. The expansion and improvement of the community's supply of lower and moderate income housing.

Proposed Actions Identified in the Redevelopment Plan

In the Redevelopment Plan, the Agency proposes to eliminate and prevent the spread of blight and deterioration in the Project Area by:

1. The acquisition of certain real property;
2. The demolition or removal of certain buildings and improvements;
3. Providing programs and incentives that encourage participation by owners and tenants to eliminate blighting conditions presently located in the Project Area and

the extension of preferences to business occupants and other tenants desiring to remain or relocate within the redeveloped Project Area;

4. The management of any property acquired by and under the ownership and control of the Agency;
5. Providing relocation assistance to displaced Project occupants;
6. The installation, construction, or reconstruction of streets, utilities and other public improvements;
7. The disposition of property for uses in accordance with the Redevelopment Plan;
8. The redevelopment of land by private enterprise or public agencies for uses in accordance with the Redevelopment Plan;
9. The rehabilitation of structures and improvements by present owners, their successors and the Agency; and
10. The assembly of adequate sites for the development and construction of residential, commercial, and industrial facilities.

In the accomplishment of these purposes and activities and in the implementation and furtherance of the Redevelopment Plan, the Agency is authorized to use all the powers provided in the Plan and permitted by law.

History and Accomplishments

Since the adoption of the original Redevelopment Plan and subsequent Implementation Plans, the Ukiah Redevelopment Agency has accomplished a number of highly successful activities. Many additional private sector projects have also been completed or are under discussion. While redevelopment activity in the past ten years has been limited due to required contributions to school capital funds, the Agency has been able to leverage remaining revenue to complete a number of projects in an effort to reduce blight within the Project Area. A brief summary of past accomplishments is provided below.

1. Downtown Revitalization

A primary focus of the Redevelopment Agency's efforts is the revitalization of Ukiah's downtown. Programs such as the Downtown Facade Improvement Program, Ukiah Valley Conference Center and Plaza, and an enhanced relationship with the Ukiah Main Street Program have contributed greatly to a newly invigorated downtown. Many of the programs and projects of the Agency were implemented as a result of the Ukiah Downtown Revitalization Master Plan completed in 1992.

In 1998 the Redevelopment Agency initiated and implemented the first annual performance agreement with the Ukiah Main Street Program to accomplish specific projects including a downtown property and business owner database, an informational newsletter, a downtown street tree lighting program, upgrade and maintenance of corner planters on School Street, the Property and Business Beautification and Pride Program and various ongoing special events. These programs are contributing to the elimination of blight through improved tracking and management of downtown business activities as well as an enhanced physical and invigorated retail environment.

Since its inception, the Facade Improvement Program has initiated exterior improvements to many buildings in the downtown core and leveraged substantial private sector investment through matching grants. This program has resulted in progress being achieved in addressing the blighted conditions of building standards, property maintenance, visual quality, and excessive vacancy rates.

The Ukiah Valley Conference Center and Alex R. Thomas, Jr. Plaza are additional projects initiated to help revitalize the downtown. The Ukiah Valley Conference Center is an office, retail, and meeting room complex located in the heart of downtown which involved the remodeling and restoration of a long-vacant building. This 20,000 square foot facility provides a substantial anchor drawing groups, organizations, and individuals into the downtown on a daily basis. The project is also a business center, housing the Greater Ukiah Chamber of Commerce, Ukiah Main Street Program, two storefront retail facilities, and various community non-profits.

In addition to the Conference Center, the Redevelopment Agency completed construction of the Alex R. Thomas Jr. Plaza in 1996. The Plaza fulfills a long time community goal by providing a heart for the downtown. The Plaza design reflects the historic and cultural diversity present in Ukiah and has, since its completion, provided a central location for special events and social activities, such as annual festivals and seasonal evening markets which have contributed significantly to the downtown revitalization effort.

In an effort to improve the esthetics and make the downtown business corridor a pedestrian friendly environment, the Agency has coordinated a number of streetscape projects. The Agency has added benches and trash/recycle receptacles for customers along downtown shopping corridors. In addition, the Agency developed a downtown banner program used to highlight special events and showcase programs while providing a visually appealing backdrop. The Agency in conjunction with Mendocino ReLeaf has also organized the planting of nearly 250 trees throughout the downtown and a number of other landscape improvements.

Moreover, the City of Ukiah is concurrently formulating a form-based development code for the Downtown and Perkins Street corridor consistent with many of the Redevelopment Agency's objectives. The development process has included

significant input from the community including a week long design workshop. Adoption of a code could have significant implications for the build environment and may facilitate economic development, affordable housing, and an improved aesthetic appearance.

2. Traffic Circulation

Substantial improvements to main thoroughfares such as the reconstruction of both Orchard Avenue and Perkins Street, the realignment of Perkins and Orchard, and the stabilization of State Street have been completed. While progress has been made, increased traffic has exacerbated remaining issues and lead to new problems.

To assist the Agency and the City in resolving circulation issues, a detailed city-wide traffic and circulation study has been commissioned. Through the joint use of redevelopment funds and grants, the Agency will seek to implement the recommendations identified in the report scheduled to be finalized in 2007.

3. Parking

The Agency previously adopted the Downtown Parking Improvement Program which established the goals and objectives for the Downtown Parking District and defined the methodology for accomplishing them. The adoption of this program has directly led to the completion of an agreement with the County of Mendocino to establish designated parking for county employees working in the downtown and a similar agreement with the Superior Court system for both juror and Grand Jury parking. These parking agreements have greatly contributed to the removal of the downtown's largest employee group from on-street parking and placed them in off-street facilities, thereby increasing the amount of storefront parking for retail activity. The juror parking agreements have provided a parking friendly environment which encourages jurors to remain in the downtown for the entire day. These agreements are the initial steps recommended in previous implementation plans which have called for improved management of existing parking resources prior to the expenditure of funds for actual capital improvements.

While the previous program has lead to significant improvements, increased traffic through the downtown commercial corridor has created new parking needs. The Agency has commissioned a downtown parking study that will identify current problems and potential solutions.

4. Overall Economic Development

The Redevelopment Agency has also been a major contributor to the economic development of the general Ukiah area. Many key projects have significantly increased the number of local retail and industrial jobs. Through the successful application for Community Development Block Grants (CDBG) funds, the Agency has been able to assist the start up of new businesses through the implementation of revolving loans.

Additional activities include business development enhancement projects such as sponsoring business forums for discussion and resolution of common business issues. The Agency provides substantial funding to the Greater Ukiah Chamber of Commerce for tourism development and business assistance. Over the years, the Agency has also developed and published promotional material providing essential data and statistics about the community to help attract prospective businesses and tourists.

In 2002, the Agency commissioned an economic development report and strategy that included an analysis for business retention, business attraction, business climate improvements and tourism development. The report recommended the addition of an economic development coordinator position to implement a proactive approach to business development. In 2005, the position was added and has allowed for expanded marketing, active recruitment of retail and industrial prospects, and assistance with existing business expansion. In addition in 2007, the Agency contracted with Applied Development Economics for management and implementation of future CDBG funding. The contract will provide the support needed to allow the Agency and private industry to access potential loan and grant funds to resolve blighting conditions in the Project Area.

5. Private Investment

In order to prompt private investment in an area identified as blighted, a primary function of any redevelopment agency is to create an environment of investor confidence through the expenditure of public funds for support programs and infrastructure improvements. The Ukiah Redevelopment Agency's programs to date have assisted in the stimulation of the overall economic climate and subsequently resulted in substantial investment by the private sector within the City of Ukiah. In addition to the projects referenced in earlier implementation plans such as the Safeway store expansion and reconstruction, the Agency's success to increase the vitality of the local economy through redevelopment activities is validated with the increase in downtown eateries, and the continued development of the Redwood Business Park.

Maverick, The Cookie Factory, and Mendocino Brewing Company specifically represent the success of the Agency's business development activities. Other smaller examples of private investment are evidenced by the substantial new and reconstruction projects occurring along Perkins Street. Additional projects which were directly assisted by the Redevelopment Agency include substantial business development resulting in job generation at the City-owned Regional Airport. The significant amount of growth of new commercial businesses in the Redwood Business Park and throughout the Project Area has helped reduce retail leakage to Sonoma County and produced a substantial numbers of jobs.

6. Low and Moderate Income Housing

The Agency has also been responsible for assisting with many housing projects by providing loans and grants to various non-profit organizations. As a result, it has formed stronger partnerships with the Mendocino County Community Development Commission, Rural Communities Housing Development Corporation, the Ford Street

Project, and Ukiah Community Center. The Low and Moderate Income Housing Advisory Committee's assistance in the distribution of these funds ensures a community based direction for our Low and Moderate Income Housing Program.

Since 1991, the Agency has allocated \$3,429,370 in funds to various housing programs resulting in the creation of 155 new units, 36 rehabilitated units, and 112 retained/rehabbed units. Table #1 summarizes the disbursement of financial assistance to various programs and agencies through 2006.

Program/Agency	Allocation
Ford Street Project	\$775,033
Habitat For Humanity	\$110,000
Mendocino County Community Development Commission	\$616,684
North Coast Energy Services	\$57,500
Rural Communities Housing Development Corporation	\$1,475,918
Ukiah Community Center	\$243,552
Individuals/College	\$17,697
Ukiah Redevelopment Agency – Rehabilitation Program	\$132,986
Total:	\$3,429,370

Exhibit #3 includes a detailed history of the Redevelopment Agency's housing allocations by project.

Existing Conditions of Blight in the Project Area

Unsafe or Physically Obsolete Buildings/Lots

A wide range of buildings, materials, and construction techniques can be found in the Project Area. A significant number of buildings are in excess of 50 years of age. Many of these buildings are located on substandard lots and do not meet current development standards for parking and other site improvements. This condition is particularly prevalent along the west side of North Main Street, resulting in inadequate access to parking, insufficient maintenance and property deterioration. Since the inception of the Redevelopment Agency, a substantial amount of private investment, matched with redevelopment dollars has resulted in the renovation or reconstruction of many of these buildings. While there remains a significant amount of needed improvements, the conditions of blight identified in the previous Plan are becoming increasingly isolated. A major constraint to the improvement of many buildings is the extensive costs for seismic and fire sprinkler system upgrades.

Traffic Circulation

Traffic circulation problems within the Project Area include traffic conflicts, inefficient traffic patterns and flow, and deficiencies in throughway and circulatory connections. Regions of the Project Area are also in need of improved street surfaces and sub-surfaces. An additional problem for many of the City's main collectors has been the lack

of visual quality and pedestrian usability due to inappropriate streetscape elements. These conditions restrict the accessibility and marketability of the Project Area and contribute to increased vacancy rates and building deterioration. Ultimately, this can negatively impact the overall economic growth of the community.

Parking Deficiencies

Distribution and management of available parking resources remains a key to downtown revitalization. While expansion of resources may be considered necessary in the near future, an approach which targets better management of existing resources, enhancement of pedestrian amenities, and promotion of alternative transportation methods such as bicycling and mass transit, remains a priority. The Agency has initiated a parking study for the purpose of determining current and future parking demand, available resources, and identifying necessary improvements to meet demand. In addition to these priorities, the Agency has completed the parking expansion and landscaping of Municipal Lot "C". The Agency will continue to monitor the use of employee parking in the public lots to create the maximum amount of on-street parking for downtown customers.

Housing Stock, Conditions, and Affordability

Housing availability, conditions, and affordability are key factors that can contribute to blight and continue to be a concern for the Project Area and the City of Ukiah. The General Plan Housing Element adopted in 2004 for the period ending July 30, 2009 contains an analysis of the housing needs of all economic segments of the community.

Ukiah is predominantly a single-family residential community with 62.3% of the housing comprised of single family attached and detached units. Multiple family homes constitute 30%, and mobile homes constitute 7% of the current housing stock in the community.

According to the 2000 U.S. Census 2.4% of Ukiah's housing units were vacant, while it is generally accepted that an overall vacancy rate of 4% is needed to provide for normal turnover in housing units. The low vacancy rate indicates a strong demand for housing exists in the community.

The Housing Element reports that affordability of housing is a significant issue and that overpayment is clearly an acute problem for both renters and those seeking to purchase a home. An accurate indicator of housing affordability is the gross cost for housing as a percentage of household income. Households paying more than 30% of their income for housing are considered to be overpaying. The Housing Element documented that 42.6% of households renting in Ukiah were paying more than 30% of their income. For home ownership the Housing Element documents a similar problem. The median household income of \$32,707 reported by the 2000 Census for Ukiah was simply not sufficient at that time to purchase a median-priced home at \$292,569.

The Housing Element reports that Ukiah has an aging housing stock with approximately 44% of the city's homes being more than 30 years old, indicating the need for significant improvements. Given the low income levels reported, homeowners may lack the financial ability to undertake the needed improvements, thus resulting in deteriorating housing conditions.

The Housing Element also identifies goals, policies, and implementation programs to achieve an adequate supply of safe and affordable housing. Redevelopment housing programs should continue to be structured to address the issues identified in the report.

Implementation Plan Goals and Objectives

While linked to the previously identified goals and objectives of the Redevelopment Plan, the Agency has identified specific goals and objectives for this Implementation Plan. The Plan is a policy statement and has been prepared to set priorities for redevelopment activities within the Project Area for the upcoming five-year period. The intent of this Plan is to guide Agency activities based on stated goals and objectives, and outlined programs, proposed projects, and estimated expenditures. The goals and objectives of this Implementation Plan for the Ukiah Redevelopment Project Area are:

1. Eliminate and prevent the conditions which lead to the spread of blight by providing the renewal, redevelopment, and restoration of the Redevelopment Project Area.
2. Remove impediments to land disposition and development through the assemblage of non-conforming or irregularly shaped parcels. Assemble parcels wherever appropriate in order to provide an available industrial land bank or to complete public improvements.
3. Promote public safety and economic growth through an improved system of streets, utilities, and public facilities.
4. Emphasize economic development opportunities and job growth in manufacturing and technology sectors which generate jobs and promote business development.
5. Remove impediments to home ownership through the creation of jobs.
6. Plan, design, and develop areas which are currently stagnant or underutilized.
7. Provide opportunities for property owners in the rehabilitation of structures and the development of properties.
8. Maintain downtown Ukiah's historic place as a regional center of civic and economic activity through continued efforts to revitalize downtown and strengthen its position as a viable retail district and the "heart" of our community.

9. Expand the community's supply of decent, safe, and affordable housing to persons and families of lower and moderate income levels and encourage and enhance opportunities for home ownership and elimination of homelessness in Ukiah.
10. Increase the use of alternative transportation modes within our community, and downtown.

Financing

The capacity for the Agency to undertake projects is a function of the available tax revenue (increment). The generation of tax increment revenue is driven by the increase in the assessed value of real property within the Project Area from the point of formation. The gross revenue generated during this Plan is estimated at \$22,190,549 as shown in detail in Table 2.

FY07/08	\$ 4,322,663
FY08/09	\$ 4,437,521
FY09/10	\$ 4,567,452
FY10/11	\$ 4,382,829
FY11/12	\$ 4,480,084
Total Revenue:	\$ 22,190,549

The available revenue is then reduced by debt service and various agreements with other local governmental entities that obligate the Agency to either set aside or pay to the other entity a portion of the tax revenue. It is these issues that have limited the amount of available funding in the past decade.

Given that the Agency has met its school capital commitments, the future revenue projections are positive. The net revenue for the next five years is projected at \$9,841,831 and is illustrated in Table 3.

Gross Revenue	\$22,190,549
Debt Service	-\$4,304,491
Housing *	-\$4,438,110
School Capital **	-\$3,606,117
Net Revenue:	\$9,841,831
* Housing Expenditures include the portion set aside for the Agency, County, and College.	
** School Capital expenditures will be based on submission of projects by the school entities.	

In order to undertake large projects, the Redevelopment Agency has the ability to borrow money against a pledge of future tax increments. Borrowed funds may be generated through a variety of methods, including, but not limited to, the issuance of

bonds. The Agency's projected tax increments demonstrate a strong fiscal condition with the apparent capacity to undertake one or more major projects. During the course of this Plan, the Agency will seek independent analysis to determine the actual amount of debt the Agency may issue, based on redevelopment law and market conditions in the investment community.

The estimates of expenditures shown in the following section of the Implementation Plan have been based on tax increment projections and do not take into consideration the issuance of a bond. The tax increment projections are based on estimates of trended growth and new development activity in the Project Area. Actual tax increment revenues may vary from those estimates and result in more or less resources than those projected. Furthermore, the estimates do not take into consideration possible State legislative changes that may reduce the amount of tax revenue available. Adjustments in funding priorities may need to be considered if estimates fluctuate significantly.

Five-Year Proposed Programs, Potential Projects, and Estimated Expenditures

The Agency's ability to undertake major development projects amongst any of the following programs is dependent upon a number of factors including the amount of funds available from a potential bond issuance and the ability to leverage private participation and investment. Among some of the specific projects that the Agency may consider undertaking during this period include:

- Enhancement of downtown public parking.
- Downtown revitalization improvements along the State Street corridor.
- Revitalization of the Palace Hotel property.
- Retention of the Mendocino County Court House in the Project Area.
- Development of the Perkins Street Depot property.
- Redwood Business Park Economic Revitalization Project
- Open space, riparian, and recreational facility development.

1. Business Development Program

Over the next five years, the Agency will seek to continue its relationship with the Ukiah Main Street Program and the Greater Ukiah Chamber of Commerce for business liaison and development services. Through the continuation of performance agreements with these organizations, the Agency will be able to advance property beautification, publication of marketing material, business outreach and assistance, and tourism development.

Agency expenditures for these programs over the life of this plan are estimated at **\$400,000**.

Blight Elimination: Business Development will assist in alleviating blighting conditions by attracting new businesses and patronage, improving the economic capacity, and facilitating compatible land uses.

2. Commercial/Industrial Economic Development Program

The Agency's efforts to enhance the commercial/industrial sector of the City include an ongoing attempt to streamline City services, an aggressive marketing program including up-dates to the City's economic development brochures and website, and business recruitment of targeted industries including high technology/professional office development and light manufacturing. Local business expansion and business recruitment will continue to remain a focus for the Agency's Economic Development Coordinator.

In addition, economic development efforts will continue to be coordinated with the Economic Development and Financing Corporation, the Greater Ukiah Chamber of Commerce, the Ukiah Main Street Program, and other economic development agencies as opportunities arise.

Funding for these activities during the life of this Plan is approximately **\$50,000** and does not include the cost of staff time which is reflected in the Administrative and Debt Service Costs Section.

Blight Elimination: The various activities planned for the Economic Development Program will aid in the elimination of blight by maintaining healthy and vital businesses throughout the Project Area. Active marketing will educate potential businesses and investors about the resources and benefits of area. The effort is aimed at keeping commercial occupancy rates high, thus avoiding the abandonment of buildings and the ensuing blighting influences. In addition, new commercial and industrial development will assist in stimulating and encouraging economic investment in the area.

3. Facade Improvement Program

The Facade Improvement Program will continue to provide funding through a match program to improve the appearance the strip commercial centers throughout the downtown with a focus on State Street and the rear entrances to the buildings facing Main Street.

Estimated expenditures for this program during the next five years are **\$400,000**.

Blight Elimination: A façade improvement program will assist in the alleviation of blight by attracting businesses to the downtown area, reducing vacancies, improving impaired investment, and stimulating and encouraging private reinvestment in the downtown area.

4. Commercial Building Rehabilitation Program

The Commercial Building Rehabilitation Program will provide matching funds and/or loans for components of renovation that impede reinvestment including, but not limited to the following:

- Sprinklers and Fire Suppression
- Earthquake Retrofit
- Hydrant and external water service upgrades
- Sidewalk Replacement/Repair
- Architect and Engineering Fees
- ADA Compliance Upgrades
- Sewer Lateral Repair

Estimated expenditures for this program during the next five years are **\$300,000**.

Blight Elimination: The development of a Commercial Building Rehabilitation Program will assist in alleviating blighting conditions by improving the building stock, which will in turn improve impaired investments and remove barriers for reuse. It will also stimulate and encourage economic reinvestment in the downtown.

5. Streetscape Improvement Program

The Agency will continue to improve the usability and aesthetics of the Project Area with the implementation of streetscape improvements including pedestrian linkage and landscape projects.

The estimated cost for these activities for the term of this Plan is estimated at **\$900,000**.

Blight Elimination: This program will assist in the elimination of blight by strengthening pedestrian usability, which will assist in encouraging use of the area. Increased pedestrian traffic will stimulate economic reinvestment.

6. Capital Improvement and Facility Program

The Agency will continue to assist in the funding of necessary capital improvements and facilities, including the following:

- Streets, roadways, traffic signals, and intersections.
- Parking lots.
- Utility services and infrastructure.
- Environmental hazard mitigation and remediation.
- Land assembly and site preparation activities.
- Public facilities.

The estimated cost for these activities for the term of this Plan is estimated at **\$10,000,000**.

Blight Elimination: Providing support to public improvements will assist in alleviating blighting influences by working toward improved vehicular circulation, accessibility, and appearance. In addition, potential land assembly and site preparation will allow for cohesive development and remove barriers for reuse. Furthermore, public facility development will assist in alleviating blighting conditions with the correction of

deficiencies in infrastructure and services. Public improvements will increase patronage and encourage economic reinvestment in the area.

7. Administrative and Debt Service Costs

In addition to the expenditures for the above-described programs, the Agency will incur administrative costs for implementing Project Area activities not linked to specific projects. Administration costs consists of statutory or other obligations of the Agency including among other things, staff time, special legal and technical assistance, supplies, equipment, fees for insurance, and office facility costs.

Funding for these administrative activities during the life of this Plan is approximately **\$150,000**.

Expenditures for debt service on existing debt used to finance past redevelopment activities is estimated at **\$4,304,491**.

Blight Elimination: Project administration helps to maintain quality development and prevents the recurrence of blighting conditions in the form of inadequate or poorly planned/implemented programs and projects.

HOUSING COMPONENT

Implementation Plan Requirements for Housing

This Housing Component covers the affordable housing elements that are required to be addressed in the Implementation Plan. The Housing Component sets forth the Agency's goals and objectives, potential projects, and estimated expenditures for the next five-year period.

This Housing Component of the Implementation Plan presents the expenditure of funds and other activities relating to the production of housing which is affordable to persons and families of lower and moderate income. Redevelopment law requires that this Housing Plan must specifically include:

- An explanation of how the goals, objectives, potential projects and estimated expenditures set forth in the Housing Implementation Plan will implement the affordable housing requirements of redevelopment law, including a housing program for each of the five years of the Implementation Plan;
- The amount available in the Low- and Moderate-Income Housing Fund and estimates of both deposits into and expenditures from the Housing Fund during each of the next five years;
- The number of new, rehabilitated, or price-restricted housing units to be assisted during each of the next five years;

- If existing affordable housing will be removed as a result of redevelopment activities, a list of proposed sites for the replacement housing the agency is required to produce; and
- For redevelopment projects adopted (or territory added by amendment) on or after January 1, 1976, specific information related to the redevelopment law requirements for affordable housing production.

Generally, an Agency's requirements for affordable housing fall into the following three areas.

Housing Production / Replacement Requirement

For those project areas that were adopted after 1976 and which contained land designated for residential uses, the Agency is required to meet certain specific requirements of Redevelopment Law related to housing production and to produce a plan showing how the requirement will be met. The requirement is that 30% of all new dwelling units produced by a redevelopment agency acting as developer be affordable and/or that 15% of all new dwelling units produced by entities other than the redevelopment agency be affordable. A minimum of 40% of these new affordable dwelling units are to be made available to very low-income households.

The inclusionary housing production requirement above applies to the aggregate of all housing citywide. Therefore, it is not necessary to reserve 15% of the units in every housing development within the project areas as affordable. In addition, the Agency is permitted to count qualifying units constructed outside the Project Area on a two-for-one basis to satisfy the inclusionary housing requirement.

The Agency may meet the inclusionary housing requirements of Redevelopment Law in two different ways. First, affordable housing units developed within the Project Area that carry affordability requirements of 45 years for owner-occupied and 55 years for rental units, can be counted on a one-for-one basis toward meeting the inclusionary housing requirements. Second, units developed outside the Project Area that carry affordability requirements of 45 years for owner-occupied and 55 years for rental units, can be counted on a two-for one basis toward meeting the Plan's inclusionary housing requirements.

The Agency is also subject to the replacement-housing requirement for the Project Area. When residential units housing low- and moderate-income persons are destroyed or taken out of the low- and moderate-income market as part of a redevelopment project, the Agency must replace those units within a specified period of time in accordance with a plan adopted by the Agency.

Housing Fund Requirement

Redevelopment law requires an agency to set aside in a separate Low- and Moderate-Income Housing Fund (the “Housing Fund”) at least 20% of all tax increment revenue generated from its project area for the purpose of increasing, improving and preserving the community’s supply of low- and moderate-income housing. Agencies are specifically required to expend the monies in the Housing Fund to assist extremely low-, very low-, low- and moderate-income households, generally defined as:

- Extremely Low income at or below 30% of area median income, Income adjusted for family size
- Very Low income at or below 50% of area median income, Income adjusted for family size
- Low income at or below 80% of area median income, adjusted for family size
- Moderate income at or below 120% of area median Income income, adjusted for family size

Under Redevelopment Law, Housing Fund monies must be “targeted” to assist very low-, low- and moderate-income households in at least the same proportion as the housing need. That is to say, assistance must be provided in at least the same proportion (e.g., percentage) that the number of housing units needed for the very low and low-income categories bears to the total number of units needed for all three income categories.

Affordable Housing Cost & Duration of Affordability

Housing assisted with Housing Fund monies must be “available at an affordable housing cost”. In general, this means that the cost of housing for eligible low- and moderate-income households equals about 30% of income. The cost of housing, as defined, includes not only the rental or mortgage payment, but also insurance, property taxes, homeowner’s dues, assessments, and utilities.

Redevelopment Law also requires the placement and recordation of affordability controls on any new or substantially rehabilitated housing assisted with Housing Fund monies. In the case of new or substantially rehabilitated rental housing, controls must be placed on the assisted housing units such that they remain affordable for the longest feasible time, but not less than 55 years. For owner-occupied housing, a shorter duration of 45 years is permitted.

Housing Goals and Objectives of the Implementation Plan

Redevelopment Law requires that the Housing Component of the Implementation Plan must set forth the Agency’s goals and objectives for affordable housing during the next five years. The Agency’s housing goals are to improve, increase, and preserve the

community's supply of affordable housing and to meet all of the reporting requirements mandated by Redevelopment Law.

Housing Production and Replacement

Estimated Production of Housing

The Implementation Plan is required to provide an estimate of the number of new, substantially rehabilitated or price restricted residential units to be developed over the life of the Redevelopment Plan and during the next ten years. The information is shown in the table below.

	10 Year Total (2007 – 2016)	Life of Redevelopment Plan (1989-2029)
Estimated Total Units ⁽¹⁾	360	1436
Affordable Units ⁽²⁾	54	215
Affordable Units for Very Low-Income ⁽³⁾	22	86

⁽¹⁾ Assumes an average annual growth rate of 0.56% through 2005 and 0.55% through 2029 as reported in the *Ukiah Valley Area Plan Economic Background Report*, Economic Background Systems, 2007
⁽²⁾ Based on 15% of the total units.
⁽³⁾ Based on 40% of the 15%.

The Implementation Plan assumes that the Agency will not develop any housing itself, but that all housing will be developed by the private sector or non-profit housing developers. Therefore, the number of affordable units shown is based on 15% of the total number of units. The number of affordable units for very low-income households is based on 40% of the 15%, which is equivalent to 6% of the total units. The estimate for the total number of units produced is based on the number of households derived from Census data and projected utilizing growth rates from the Department of Finance. Furthermore, the estimates can be considered conservative since they were derived from citywide figures rather than the smaller Project Area of the Redevelopment Plan.

The Agency intends to meet the above production requirements for affordable units through the creation of housing both within and outside the Project Area. As allowed by Redevelopment Law, units outside the Project Area that are created, rehabilitated, or price restricted are counted toward the production requirement on a two-for-one basis.

The Agency has been successful in the production of affordable units since the inception of the Redevelopment Plan. As previously shown, the Agency has an estimated production requirement of 215 affordable units over the life of the Plan of which 86 must be affordable units for very low-income. Through 2006, the number of affordable units that can be counted towards the Agency's production requirement is 357 of which at least 111 are for very low-income. Table 5 illustrates the number of affordable units produced through 2006.

Table 5: Affordable Housing Units Constructed, Rehab. or preserved, 1989-2006				
Unit Type	Within RDA	Outside RDA (50% Adj.)	Total	Adjusted Total
New Construction				
Very Low	54	42 (22)	96	76
Low	148	9 (4.5)	157	152.5
Rehabilitated				
Very Low	4	11 (5.5)	15	9.5
Low	3	8 (4)	11	7
Preserved (Retained)				
Very Low or Low	112	0	112	112
TOTAL:	321	72(36)	393	357

Exhibit #4 provides a detailed history of affordable housing production for the Project Area.

While the Agency utilizes a methodology to estimate the required production requirements in an effort to set goals, the number of affordable units that the Agency is obligated to produce is based on the total number of new and substantially remodeled units actually developed during the life of the Agency. Through 2007, the total number of new and substantially remodeled units was 622. The obligated production requirement of affordable housing for this period is 93 units of which 37 must be for very low income.

Replacement Housing Requirement

The Agency is subject to the replacement-housing requirement and must replace, on a one-for-one basis, all units removed from the low- and moderate-income housing stock resulting from Agency involvement. Article 16.5 requires that if an implementation plan contains projects that could result in the removal of low- and moderate-income housing units, the plan must identify locations suitable for the replacement of such housing. This Implementation Plan does not include projects that would result in the removal of any low and moderate-income housing units, so a discussion of replacement housing locations is not applicable.

Housing Fund

Set-Aside of Tax Increment

The Project Area is required to meet the housing set-aside deposit requirement of 20% of the total tax increment collected by the Agency. The Agency intends to make the full housing set-aside deposit annually, and does not intend to make any of the allowable findings that would exempt the Project Area from all or part of the set-aside requirement.

Proportional Expenditure for Low- and Very Low-Income Housing

The Project Area is subject to the Redevelopment Law mandate that the Agency have a policy of expending monies in the Housing Fund in proportion to the unmet need for housing for persons and families of low- and very low-income. In order to determine the proportion of Housing Fund monies which should be spent for housing persons of low and very low income, the Agency has used the number of units that need to be produced based on the area fair share allocation (Housing Element). Table 6 shows the regional housing needs determination for the City of Ukiah by the Mendocino Council of Governments (MCOG) for the period of January 1, 2000 to July 1, 2009. State legislation enacted in 1980 mandated that the MCOG determine the existing and projected regional housing needs and determine each of the County's jurisdictions share of the regional need for housing by household income group.

Income Group – % of County Median Income	Total Housing Need (Units)	Percent
Very Low [0-50]	131	38%
Low [50-80]	113	33%
Moderate [80-120]	101	29%
Total	345	100%

Source: MCOG Regional Housing Needs Determinations (RHNP) Adopted 07/02/02

Assistance must be provided in at least the same proportion (e.g., percentage) that the number of housing units needed for the very low and low-income categories bears to the total number of units needed for the very low, low, and moderate income categories. Thus, at least 38% of the Agency's Housing Fund will be spent on the production of very low-income units and at least 33% on the production of low-income units.

Transfer of Housing Funds to Other Providers

The Project Area will be subject to the provisions requiring the transfer of housing funds to other housing producers in the area. Such transfers could possibly occur if the Housing Fund contained excess surplus. Excess surplus means any unexpended and unencumbered amount in a Housing Fund that exceeds the greater of \$1 million or the aggregate amount deposited into the Housing Fund during the preceding four fiscal years.

The Agency has been reserving 50% of the set aside funds for an unspecified large project, but intends to encumber this funding prior to reaching the excess surplus limit. As such, there has not been excess surplus in the Housing Fund for the Project Area to date. Therefore, the Agency is not required to transfer monies in the Housing Fund to other housing providers. However, the Agency currently works with a number of housing agencies to fund various housing programs and projects.

Housing Fund Resources

The total tax increment revenue estimated to be generated for housing during the next five years is \$4,438,110. The Ukiah Redevelopment Agency will retain 65% of the housing set aside while 25% will be passed through to the County and 10% will be passed through to Mendocino College. Table 7 includes detailed information on estimated deposits into the Housing Fund for the fiscal years 2007-08 through 2011-12. The housing set-aside revenue shown in the table was estimated based on 20% of the total tax increment revenue for the Project Area. The amounts shown are estimates, and actual tax increment revenues and resulting housing set-aside revenues could be more or less.

Table 7: Projected Agency Housing Revenues				
	Set Aside	Ukiah (65%)	County (25%)	College (10%)
FY07/08	\$864,533	\$561,946	\$216,133	\$86,453
FY08/09	\$887,504	\$576,878	\$221,876	\$88,750
FY09/10	\$913,490	\$593,769	\$228,373	\$91,349
FY10/11	\$876,566	\$569,768	\$219,142	\$87,657
FY11/12	\$896,017	\$582,411	\$224,004	\$89,602
Total:	\$4,438,110	\$2,884,772	\$1,109,528	\$443,811
Fund Balance as of FY06/07				
		\$1,465,431	\$466,785	\$626,147
Total Funds Available To Each Agency:				
		\$4,350,203	\$1,576,313	\$1,069,958

Housing Programs

As shown in Table 7, the Ukiah Redevelopment Agency's portion of the housing set-aside funds for the upcoming five-year period is estimated at \$2,884,772. The Housing Fund balance at the beginning of FY06/07 was \$1,465,431 of which the Agency has reserved \$1,000,000 for a large project. Total funding available to the Agency over the next five-years for housing is estimated at \$4,350,203.

The Agency uses multiple funding sources to assist in the provision of affordable housing. The programs and potential projects described below reflect those for which the housing set-aside is intended to be used as a partial or total funding source. A description of the potential projects and programs comprising the Agency's housing activities is discussed below and is based on the projected resources to be available.

The potential programs available to the Agency which will be explored by the Agency's Low and Moderate Income Housing Advisory Committee include:

1. Residential Rehabilitation Program

The General Plan has identified a significant number of housing units in need of repair as well as overcrowding of multi-family units. These conditions have resulted in accelerated wear and tear aggravated by minimal or deferred maintenance due to income level constraints. An updated survey should be conducted to fully identify the extent of the problem. The Housing Committee will explore the potential financial resources available for a Rehabilitation Loan Program or gap financing to leverage private funds. In addition, the Agency may provide assistance that would meet the definition of substantial rehabilitation. Redevelopment law defines substantial rehabilitation as rehabilitation where the value represents 25% of the property after the rehabilitation takes place.

2. Housing Assistance Programs

Housing affordability and overpayment is an increasing problem which the Agency will continue to address. Future Programs should be developed by the Housing Committee to establish or supplement a homebuyer's mortgage assistance program. Such a Program might provide for low interest or deferred second mortgages to assist with housing acquisitions. This Program should include land assembly and cooperative projects with housing providers for the development of multi-family units as well. A thorough investigation will be completed to identify available state and federal programs.

3. New Residential Construction Programs

The Agency will continue to coordinate with housing provider groups such as the Community Development Commission of Mendocino County, Rural Communities Housing Development Corporation, Habitat for Humanity, and other for-profit or non-profit private sector organizations interested in developing a mix of ownership and rental of affordable and market rate housing City-wide. Through development agreements, land buy-downs, loan underwriting, and/or sweat equity construction, the Agency shall endeavor to assist these organizations in development efforts to meet Ukiah's housing needs and requirements.

Estimated Housing Expenditures

Program Expenses

The Agency's housing programs are implemented through a semi-annual recruitment of project applications with recommendations for project selection by the Agency's Low and Moderate Income Housing Advisory Committee. Specific decisions on allocations for Agency's housing programs will be made as part of the Agency's annual budget process. The intent is not to restrict Agency housing activities to predetermined programs, but to allow flexibility to fund quality and needed housing projects that come to inception during the Plan period.

As reported in Table 7, the total funding available to the Agency in the next five years generated from the 20% housing set-aside and combined with the fund balance is estimated at \$4,350,203. Of this amount, the estimated funding available to the Agency for housing programs and projects is **\$3,768,832**. The remaining balance will be utilized to cover administrative expenses reported in the following section.

There are no programs planned at this time which will involve the elimination of housing units, therefore, a Housing Replacement Plan is not required to be incorporated or funded in this plan.

Blight Elimination: Affordable housing projects with residential components address a fundamental redevelopment purpose, the provision of housing for all income groups and populations. Programs and projects will serve populations with special housing needs for whom housing options, within the project area and citywide, are limited. Affordable housing addresses a long-standing need and will serve as a link to other redevelopment efforts aimed at economic development.

Administrative Expenses

In the course of implementing the housing program, administrative costs will be incurred. Such expenditures include salaries, overhead, consultant and legal expenses, supplies, etc.

Administrative expenses for the Housing Program over the next five years are estimated at **\$581,371**.

Blight Elimination: Project administration helps to maintain quality development and prevents the recurrence of blighting conditions in the form of inadequate or poorly planned/implemented programs and projects.

Planned Housing Activity and Production

Although the Agency has already met the estimated housing production requirement for the life of the Redevelopment Plan, the Agency will continue to utilize the required housing set-aside funds for the production of affordable units using each ten-year compliance period as a baseline to establish new housing goals. As previously illustrated in Table 4, 360 housing units may be developed in the Project Area over the next ten years. Using this as a baseline, 54 affordable units is the production goal over the ten-year compliance period. Of this estimated number, 22 units will need to be in the very low-income category. The balance can be either in the moderate- or low-income category.

In order to meet this production goal, the Agency will assist with the development and/or rehabilitation of at least 27 affordable units over the next five years with Housing Funds. The Agency will also monitor expenditures from the Housing Fund to ensure

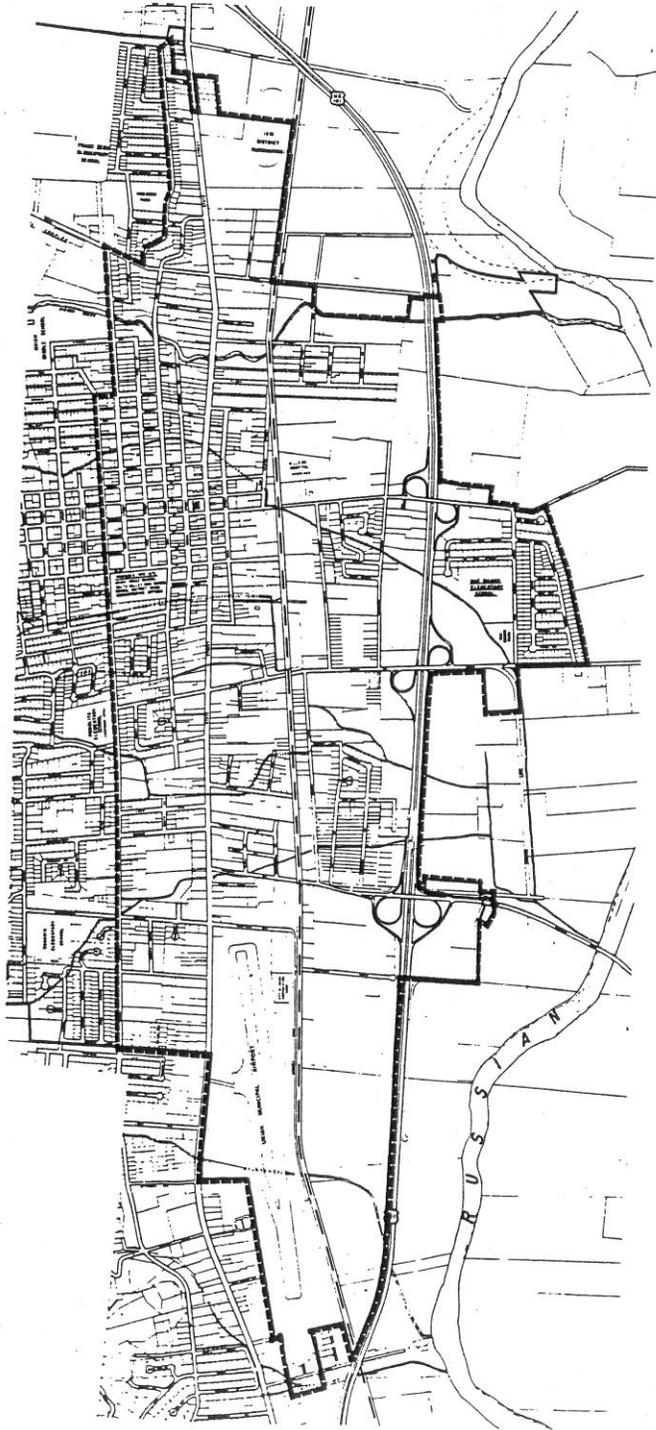
expenditures in proportionate amounts are reflective of the unmet need for low- and very low-income housing.

According to 2000 Census information, 14.2% of Ukiah's population is age 65 or older. Therefore, Redevelopment Law requires that at least 85.8% of the Housing Fund be spent on non-age restricted units. The Agency will monitor expenditures from the Housing Fund to ensure expenditures are made in proportional amounts reflective of the population over age 65.

Conclusion

The Ukiah Redevelopment Project's Five-Year Implementation Plan describes the Ukiah Redevelopment Agency's focus as it enters its third decade working to enhance the quality of life for the entire Ukiah Community. The Agency's programs identified within this plan are proposed to assist in the alleviation of blighting conditions existing in the Project Area and to increase and enhance the community's housing supply. Redevelopment is an evolving process subject to a number of changing community priorities and issues. For these reasons, this Plan is completed with the intent of a publicly conducted review. Such a periodic review is required by the Community Redevelopment Law Reform Act of 1993, and corresponds with this Agency's continuing commitment to the public process. This plan will be reviewed between 2009 and 2010, to ensure it continues to meet the goals and values of the community. As circumstances change, the goals and objectives established in this plan may be amended. As always, public input will be sought to ensure the Agency continues to provide programs and implements projects that are in the best interests of the community.

Exhibit #1: Ukiah Redevelopment Project Area Map



0 1000 2000 feet



**Ukiah Redevelopment
Project Area Boundary**

UKIAH, CALIFORNIA

Exhibit #2: Ukiah Redevelopment Land Use Map



LAND USE CATEGORIES

-  RESIDENTIAL
-  COMMERCIAL
-  INDUSTRIAL
-  PUBLIC



0 1000 2000 feet



Ukiah Redevelopment Project Area

UKIAH, CALIFORNIA

HISTORY OF REDEVELOPMENT HOUSING ALLOCATIONS
January 1, 2007

Reso No./ Action date	Agency Allocated to	\$ Amount Allocated	Project	Comments
91-3	FSP	\$1,000	Rehabilitate Ford Street Project restroom (1 unit-rehab)	
92-1	RCHDC	\$30,000	Loan for construction of Jack Simpson Apartments (30 units-new)	Loan being repaid at \$500 per year
92-3	FSP	\$5,000	Local match for Homeless Study through State CDBG	
93-9	RCHDC RCHDC	\$65,600 \$8,000	Silent second loans for Cleveland Lane Subdivision (4 units-new) Infrastructure improvements in Cleveland Lane Subdivision	Deferred payment loans with property owners
94-4	FSP	\$83,000	Local match for Garden Court HOME grant program - funding returned	\$83,000 returned, project not funded
96-3	FSP	\$11,000	Property purchase of Garden Court project (22 units - new)	
9/20/1995	CDC HFH FSP	\$115,000 \$15,000 \$25,600	Loan for College Court apartments - additional funding from College (7 units-new) Request for purchase of property Predevelopment activities for Garden Court project (22 units-rehab)	30 year deferred payment loan Not distributed, HFH condition not met
97-8	RCHDC RCHDC CDC HFH FSP	\$143,700 \$36,500 \$81,000 \$50,000 \$6,500	Property purchase Mulberry Street self help single family project (22 units-new) Engineering activities related to Mulberry Street project Loan for College Court apartments Purchase of property at Peach and Leslie; construction of duplex (2 units-new) Predevelopment activities to expand facility, beds, kit, & day rm (6 units-rehab)	Loan to be repaid within two years Loan to be repaid within two years 30 year deferred payment loan
98-6	RCHDC RCHDC UCC	\$40,000 \$31,500 \$18,272	Housing for Mulberry Street project Predevelopment activities related to Mulberry Street project Vouchers for emergency homeless housing	Loan to be repaid within two years Loan to be repaid within two years
11/13/1997	UCC	\$6,000	Vouchers for emergency homeless housing	Grant - allocation from Emergency Fund
5/8/1998	FSP	\$35,000	Development of facility expansion	Grant
98-12	RCHDC RCHDC HFH	\$79,800 \$18,000 \$10,000	Housing for Gibson Street CMI apartment complex (16 units-new) Predevelopment for N. Pine Street senior citizen apartment complex (10 units-new) Curb, gutter, and sidewalks at Peach and Leslie duplex	Loan (original), grant per Res #2002-05 Loan to be repaid within two years Grant
8/12/1998	NCES Ford	\$7,500 \$3,150	Reroof individual low/moderate income single family residence Reroof individual low/moderate income single family residence	Grant - allocation from Emergency Fund Grant - allocation from Emergency Fund
10/7/1998	UCC	\$16,000	Loan program for emergency homelessness prevention	Grant - allocation from Emergency Fund
99-2	RCHDC RCHDC FSP Betts	\$100,000 \$50,000 \$7,500 \$2,500	Housing for construction of N. Pine Street senior citizen apartment complex Predevelopment for N. Pine Street senior citizen apartment complex Expansion/construction of second floor bathroom (1 unit-rehab) Rental assistance	Grant Grant Grant Zero interest, 50 month loan; could not find unit
4/14/1999	UCC	\$24,000	Homeless Prevention Client Loan Fund Program	Grant - allocation from Emergency Fund
2000-02	UCC	\$16,000	Vouchers for emergency homeless housing	Grant
11/17/1999	NCES Randolph Warren	\$50,000 \$2,600 \$2,590	Housing rehabilitation of individual low/moderate income (1 unit-rehab) Reroof individual low/moderate income single family residence Reroof individual low/moderate income single family residence	Individual 3% loans, one to date Three percent, three year loan Three percent, three year loan (to date not exercised)
6/14/2000	UCC UCC	\$24,000 \$15,000	Homeless Prevention Client Loan Fund Program Vouchers for emergency homeless housing	Grant - allocation from Emergency Fund Grant - allocation from Emergency Fund
2000-05	RCHDC	\$38,500	Housing for Gibson Street CMI apartment complex	Grant
6/21/2000	HFH FSP	\$50,000 \$25,000	Housing for purchase of property Housing for improvements to structure at 137 Ford Street (6 units - new)	Condition that property be in escrow by 12/31/00 Condition that property have planning entitlements
11/8/2000	FSP	\$10,000	Winter Homeless Shelter operations	Grant - allocation from Emergency Fund
2001-02	CDC	\$23,500	Predevelopment for duplex units south of Gobbi (8 units- new)	Grant
11/15/2000				
2001-04	RCHDC RCHDC FSP	\$100,000 \$120,000 \$24,000	Housing for Gibson Street CMI apartment complex Housing for North Pine Street senior apartment complex Predevelopment for prospective homeless shelter at 200 Ford Street	Grant Grant Grant
12/12/2001	FSP UCC	\$8,000 \$3,000	Winter Homeless Shelter operations Vouchers for emergency homeless housing	Grant - allocation from Emergency Fund Grant - allocation from Emergency Fund

CITY OF Ukiah REDEVELOPMENT AGENCY
HISTORY OF REDEVELOPMENT HOUSING ALLOCATIONS
 January 1, 2007

Reso No./ Action date	Agency Allocated to	\$ Amount Allocated	Project	Comments
	UCC	\$14,000	Homeless Prevention Client Loan Fund Program	
2002-04 12/19/2001	FSP	\$16,000	Predevelopment for six units at 137 Ford Street	Grant - allocation from Emergency Fund
	FSP	\$138,087	Housing for permanent homeless shelter at 200 Ford Street	Grant
	RCHDC	\$32,818	Predevelopment for North Pine Street senior apartment complex	Grant
	RCHDC	\$10,000	Housing for North Pine Street senior apartment complex	Grant
5/8/2002	UCC	\$3,000	Vouchers for emergency homeless housing	Grant - allocation from Emergency Fund
	UCC	\$25,000	Homeless Prevention Loan Program	Grant - allocation from Emergency Fund
2002-07 5/15/2002	RCHDC	\$50,000	Predevelopment for Orchard Village/Orchard Manor acquisition (retain 112 units)	Grant
	FSP	\$146,000	Housing for permanent homeless shelter at 200 Ford Street	Grant
11/13/2002	FSP	\$16,000	Winter Homeless Shelter operations and vouchers	Grant - allocation from Emergency Fund
2003-03 11/20/2002	CDC	\$150,000	Housing for duplex units south of Gobbi (new - 4 units)	Grant
2003-05 6/18/2003	RCHDC	\$300,000	Housing for property purchase at Orchard and Clara (new - 24 units)	3% Loan to be repaid in two years
	FSP	\$75,000	Housing for permanent homeless shelter at 200 Ford Street	Grant
	UCC	\$36,000	Vouchers for emergency homeless housing	Emergency authorized by Agency
	URA	\$108,000	Housing Rehabilitation program	Zero distribution
2004-02 4/21/2004	RCHDC	\$30,000	Housing for development at Orchard and Clara	3% Loan to be repaid in two years
	RCHDC	\$20,000	Housing for development at Orchard and Clara	Grant
	FSP	\$85,346	Housing for permanent homeless shelter at 200 Ford Street	Grant
	CDC	\$22,184	Rehabilitation of housing (rehab - 3 units)	Grant
	FSP & UCC	\$32,280	Homeless prevention and vouchers	Grant
	URA	\$132,986	Housing Rehabilitation program	Distribution pending
7/20/2005	RCHDC	\$149,000	RCHDC off-sites Orchard & Clara	Resolution 2006-02
7/20/2005	Mendo College	\$22,500	Social Services homeless assistance	
12/21/2005	CDC	\$6,857	College Court apartment repair	Resolution 2006-01
1/18/2006	CDC	\$30,000	Pre-Dev: Public Safety Homeownership	Resolution 2006-04
1/18/2006	CDC	\$175,000	CDC Public Safety Homeownership construction	Resolution 2006-06
1/18/2006	CDC	\$20,000	CDC Flood Victim Assistance	Resolution 2006-05
4/19/2006	FSP	\$70,000	Transitional Housing Project	Resolution 2006-07
4/19/2006	UCC	\$3,000	Emergency Voucher Program	Resolution 2006-08
8/1/2006	FSP	\$70,000	Fire Suppression Sprinklers at Buddy Eller	
12/6/2006	UCC	\$8,000	Emergency Voucher Program	
Total allocations		\$3,429,370		

Assisted units New: 155 Rehabilitated: 36 Retained & rehabed: 112

Summary:
 New construction: \$2,417,851
 Rehabilitation: \$322,967
 Non specific: \$688,552

Ford Street Project (FSP):	\$	775,033	North Coast Energy Services (NCES):	\$	57,500
Habitat for Humanity (HFH):	\$	110,000	Rural Communities Housing Development Corporation (RCHDC):	\$	1,475,918
Mendocino County Community Development Commission (CDC):	\$	616,684	Ukiah Community Center (UCC):	\$	243,552
	\$	1,501,717	Individuals/College	\$	17,697
			Ukiah Redevelopment Agency (Rehabilitaiton Program)	\$	132,986

check \$3,429,370

EXHIBIT #4: UKIAH REDEVELOPMENT AGENCY AFFORDABLE HOUSING REPORT

**TABLE A
DETAIL: NEW UNITS WITHIN AND OUTSIDE RDA**

Name	Year	Units	Type of Unit & Affordability Status	Within RDA	Very Low IN RDA	Low IN RDA	Very Low NOT RDA (50%)	Low NOT RDA (50%)
RCHDC Ford Street	1989	10	Single Family: Sweat equity	Yes	3	7		
RCHDC Unit 3, Capps		6	Single Family: Sweat equity	No			4	2
RCHDC- Jack Simpson Apts (extremely, very low*)	1992	30	30 Senior Apartments	No-Low Gap Rd	0	0	30	0
RCHDC Ukiah Garden Court	1993 / 1996	22	Single Family: Sweat equity – Low Income: Rural Dev. Title 2, Ukiah RDA funds	Yes	8	14	0	0
CDC College Court Low Gap	1996	7	Apartments – Low Income: Ukiah RDA funds	No	0	0	0	7
RCHDC Cleveland Ln.	1993 / 1997	15	Single Family: Sweat equity – Low	Yes	3	12	0	0
CDC (extremely, very low, low*) Cindee Dr	1997	13	Brookside Commons Public Housing	Yes	8	5	0	0
RCHDC Gibson Ct (extremely, very low*)	1997	16	Apartment – Extremely, Very Low Income	Yes	16	0	0	0
RCHDC Mulberry St	1997	26	Single Family: Sweat equity– Low Income: Rural Dev. Title 2, Ukiah RDA funds	Yes	0	26	0	26
RCHDC (ext. low, very low*) Bush/Low Gap	2000	10	Senior Apartments – Low Income: HUD 202 funds, Ukiah RDA funds	No	0	0	10	0
RCHDC- Doolan Creek Observatory	2001	14	Single Family: Sweat equity	Yes	3	11	0	0
Danco Builders: Summercreek Village	2002	64	Apartments – Low/ Very Low Income: Tax Credit Certificates, Ukiah RDA funds	Yes Porzio Lane	11	53	0	0
RCHDC Creek Ct.	2002	9	Single Family Units: Sweat equity	Yes	2	7	0	0
Raitt/Holmes	2004	5	Apartments – Low Income	Yes	0	5	0	0
Ford Street Project	2006	8	Apartments: Low Income	Yes	0	8	0	0
TOTAL					54	148	44	9

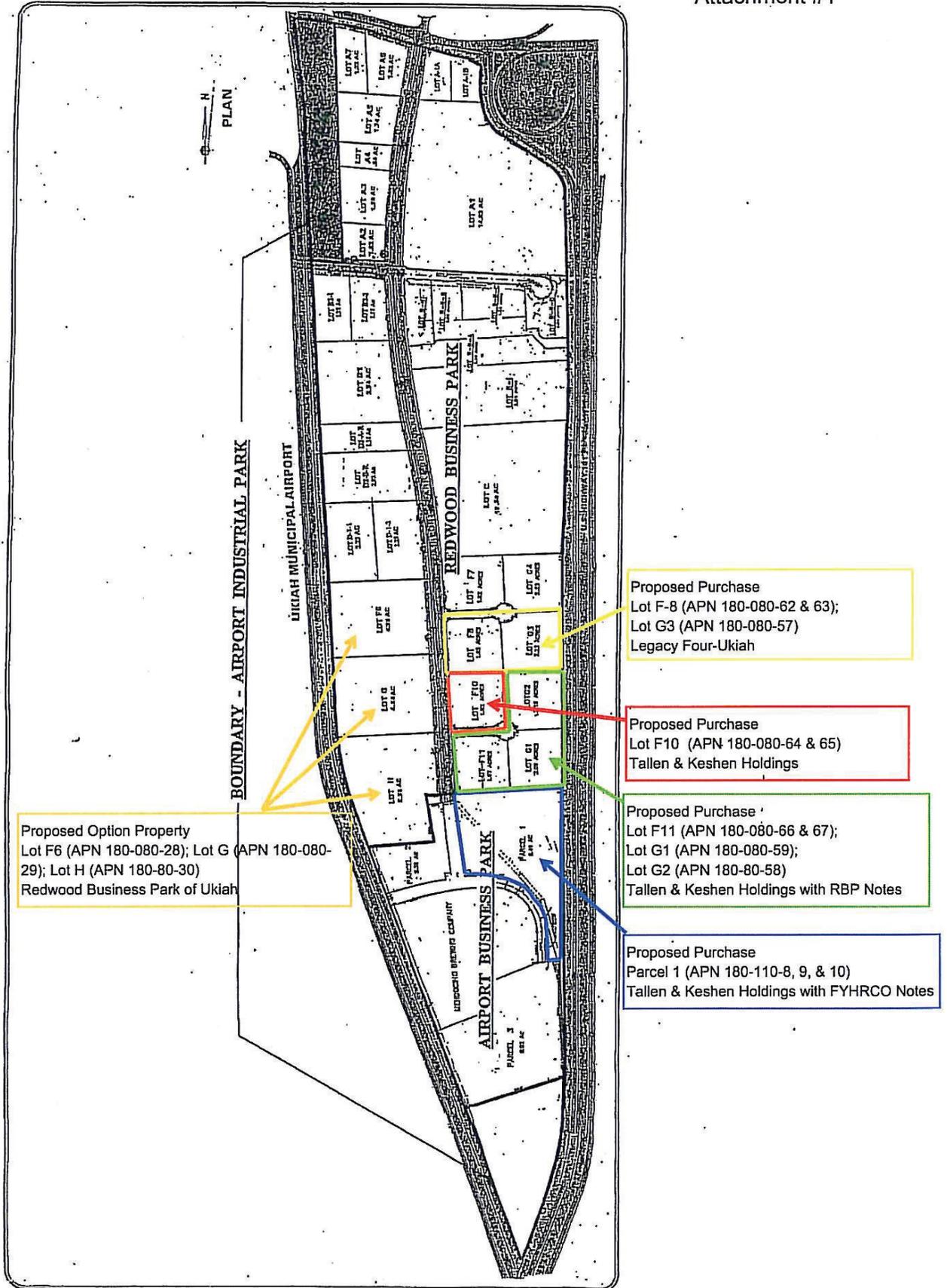
**TABLE B
DETAIL: REHABILITATED OR PRESERVED UNITS**

Name	Year	Units	Type of Unit & Affordability Status	Within RDA	Very Low	Low	Mod
CDC (extremely, very low and low*)	1989	26	Rehab -preserve at risk units as affordable: Public Housing	Yes: 7 No: 19	15 RDA: 4 Not RDA 11	11 RDA 3 Not RDA 8	
RCHDC- Orchard Village/Orchard Manor	2002	112	Preserve at risk units as affordable	Yes			

**TABLE C
AFFORDABLE HOUSING UNITS IN PROCESS**

Name	Year	Units	Type of Unit & Affordability Status	Within RDA	Very Low	Low	Mod
NEW UNITS APPROVED, NOT YET CONSTRUCTED							
CDC/City of Ukiah Brookside-Marlene	2003	8	4 Duplexes	S of Gobbi			
RCHDC: Clara Court	2007	32	Approved Apartments – 32 Low Income (includes 8 density bonus apts): Ukiah RDA funds	Yes (Clara Court)	32		
RCHDC: Apple Avenue	2007	12	Townhouses– 6 Low/6 Very Low: Sweat equity, USDA-502, Ukiah RDA funds	Yes (Apple Avenue)	6	6	
Shimizo	2005	12	Single Family Dwellings – Moderate Income	No (Bush St)			12
TOTAL		64					
PRESERVATION							
Ukiah Terrace		41	Tax Credit Application 2007				

Attachment #1





ITEM NO.: 7a
 MEETING DATE: June 17, 2009

CITY OF UKIAH AND UKIAH REDEVELOPMENT AGENCY AGENDA SUMMARY REPORT

SUBJECT: DISCUSSION AND RECOMMENDED APPROVAL OF THE ACQUISITION OF REAL PROPERTY IN THE REDWOOD BUSINESS PARK/AIRPORT INDUSTRIAL PARK; AUTHORIZATION FOR THE CITY MANAGER/EXECUTIVE DIRECTOR TO EXECUTE ALL OF THE NECESSARY PURCHASE AND OPTION AGREEMENTS; AND APPROVAL OF CORRESPONDING BUDGET AMENDMENT IN THE AMOUNT OF \$4,193,615 PLUS ALL ASSOCIATED COSTS FOR CLOSING.

SUMMARY: Staff has negotiated agreements with Redwood Business Park of Ukiah ("RBP"), two limited partnerships owned by Terrence Tallen and Anne Keshan ("TKH"), and Legacy Four-Ukiah ("Legacy"), a limited partnership which owns property adjacent to Ken Fowler Motors. Under the agreements, the Agency would acquire approximately 18 acres of land including the TKH Property on the east side of Airport Park Boulevard in the Airport Industrial Park and two parcels from Legacy adjacent to the north boundary of the TKH Property. In addition, RBP would write down the amount owed under the promissory notes it holds on the TKH Property, and the Agency would acquire a 3 year option to purchase from RBP another approximately 14.75 acres on the west side of Airport Park Blvd. across from the TKH Property.

Continued on Page 2

Recommended Action(s):

Ukiah City Council:

1. Approve the Assignment and Assumption Agreement with RBP and FYHRCO
2. Approve the Purchase Agreement with Legacy Four-Ukiah
3. Authorize the City Manager to execute all of the necessary agreements and purchase documents

Ukiah Redevelopment Agency:

1. Approve the Assignment and Assumption Agreement with RBP and FYHRCO
2. Approve the Option Agreement with RBP
3. Approve the Purchase Agreement with TKH
4. Approve the Purchase Agreement with Legacy Four-Ukiah
5. Approve a budget amendment in the amount \$4,193,615 plus all associated costs for closing
6. Authorize the Executive Director to execute all of the necessary agreements and purchase documents

Alternative Council Option(s): Do not approve and provide direction to staff.

Citizens advised: N/A

Requested by: URA Board of Directors

Prepared by: Sage Sangiacomo, Director of Community and General Services and Guy Mills, Project and Grant Administrator

Coordinated with: Jane Chambers, Executive Director and David Rapport, City Attorney

Attachments:

1. Property Map
2. Assignment and Assumption Agreement with RBP and FYHRCO
3. Option Agreement with RBP
4. Purchase Agreement with TKH
5. Purchase Agreement with Legacy Four-Ukiah
6. Project Evaluation Matrix

Approved: _____
 Jane Chambers, City Manager/Executive Director

The cost of these agreements is summarized in the table labeled "Summary of Agreements" on p. 3, below.

For the reasons explained in more detail below, staff recommends approval of these agreements by the Ukiah Redevelopment Agency and the City Council, because these acquisitions will promote the redevelopment goals and strategies adopted by the City and the economic revitalization of the City.

BACKGROUND: The Ukiah Redevelopment Agency has powers, duties, and obligations to implement a program for redevelopment, rehabilitation, and revitalization. Over the past year, the Ukiah Redevelopment Agency (URA) has conducted a number of meetings to discuss and consider the Agency's current financial information, goals, and objectives. As a result of this work, the Agency is well positioned to consider and undertake specific projects.

A principle strategy of the Agency is that major redevelopment projects and activities should alleviate blighting conditions by promoting economic revitalization. This approach to redevelopment makes the most effective use of staff and financial resources, leverages outside funding sources, and stimulates revitalization to the fullest extent possible. The Agency has identified the Redwood Business Park/Airport Industrial Park Development as a priority opportunity site for economic revitalization.

Over forty acres of undeveloped and underutilized property exists in the Redwood Business Park/Airport Industrial Park Development. The property is easily accessible from US-101 and is primarily zoned and designated for retail/commercial development. In addition, much of the public infrastructure required for development currently exists. A number of large projects are operating within the Park, including Walmart, Friedman's Home Improvement, Michael's, Hampton Inn, Fairfield Suites, Staples, and Fowler Auto Center.

Build-out of the underutilized property represents an opportunity for economic growth and would help secure the economic vitality of the entire development. The continued success and growth of the Redwood Business Park/Airport Industrial Park Development is critical to the City's tax revenues and ability to provide governmental services including police, fire, streets, planning, and parks.

The URA has several unique tools to implement a variety of programs for the redevelopment, rehabilitation, and revitalization of blighted conditions and influences. Because of the long-term nature of redevelopment and the need to retain flexibility to respond to economic conditions, property owners, developer interests, and other opportunities as they arise, the Redevelopment and Implementation Plans for the URA define a basic framework within which specific projects can be identified to achieve solutions that will eliminate physical and economic blight. Some of the major elements of the goals identified in the two Plans related to property include:

- Plan, design, and develop properties which are stagnant or underutilized.
- Promote economic development opportunities and business retention/development.
- Eliminate blighting influences and impediments to land disposition and development in the Project Area, including, among others, small and irregular lots and incompatible and uneconomic land uses.
- Assemble land into parcels suitable for modern, integrated development.

Under California Redevelopment Law, acquisition and disposition of property are among the primary activities that may be undertaken by a redevelopment agency. Acquisition of land has long been a tool for redevelopment agencies to facilitate desired development and economic growth. Specifically, land assembly can serve to eliminate development barriers, including properties of inadequate size for proper usefulness and/or in multiple ownerships.

The Redevelopment Plan for the URA specifically authorizes the following actions related to property:

- The acquisition of certain real property;
- The management of any property acquired by and under the ownership and control of the Agency;
- The disposition of property for uses in accordance with the Plan;
- The redevelopment of land by private enterprise or public agencies for uses in accordance with the Plan; and
- The assembly of adequate sites for the development and construction of residential, commercial, and industrial facilities.

Discussion: In order to facilitate the development of underutilized properties within the Redwood Business Park/Airport Industrial Park Development, the Agency proposes to assemble approximately 18 acres of vacant land currently under multiple ownerships and divided among 12 legal parcels. In addition, the Agency proposes to purchase an option on an additional 14.75 acres of vacant property. Attachment #1 provides a detailed illustration of the properties.

The Agency desires to acquire the property for reasons including, but not limited to, the following:

- Potential expansion of retail offerings by the addition of a major anchor retail tenant
- Utilization of land at prime retail location within the redevelopment project area
- Catalyze surrounding development
- Increase employment and business opportunities
- Increase revenues to City and Agency
- Promote infill development
- Help facilitate a more integrated development of the Property

Under the direction of the Ukiah City Council/URA Board, the Agency has proactively pursued facilitating development in the Park since at least 2004. This ongoing effort has now culminated in the current proposal, negotiated at length with developers and landowners. Throughout the Agency's ongoing efforts over the past years, it became apparent that the assembly of the property would not be possible without the Agency's involvement. This was due to complex market factors affecting private landowners and the economy at-large. In addition, multiple ownerships made private proposals for land assembly financially unfeasible. As the result of this proposal, the Agency will be in the position to facilitate future build-out.

Assembly of the land required the drafting of a series of agreements to address conveyance of property, the release of existing notes, and easements. The following table provides a summary of the agreements.

Summary of Agreements	
Redwood Business Park (RBP) & FYHRCO Assignment and Assumption Agreement (Attachment #2)	
RBP Note Payoff and Accrued Interest for Lots G-1, G-2, & F-11	\$741,116
RBP Broker and Closing Costs	\$215,650
FYHRCO Note Payoff and Accrued Interest for Parcel 1	\$251,751
FYHRCO Broker and Closing Costs	\$73,350
Redwood Business Park Option Agreement (Attachment #3)	
Option Agreement to Purchase Lots H, G, and F6 (14.75 acres) at Fair Market Value (12% of Assessed Property Value)	\$250,120
Interest Payment (3 years)	\$382,733
Property Tax Payment (3 years)	\$72,273
Tallen and Keshan Holdings (TKH) Purchase Agreement (Attachment #4)	
Fee conveyance of Lots G-1, G-2, F-10, & F-11 (14 acres) and assumption of outstanding notes	\$1,500,000
Legacy Four-Ukiah Purchase Agreement (Attachment #5)	
Fee conveyance of Lots F8 and G3 (4.07 acres)	\$620,512
Access Easement/Private Road Improvements	\$86,110
Upfront Agency Investment (Before Resale of Property)	
	\$4,193,615

The Agency has developed a project evaluation matrix to assist with the decision making process to fund specific projects. The evaluation framework provides a mechanism for comparing projects against the Agency's goals and strategic criteria. As part of the Agency's project evaluation process, the land assembly project was applied to the evaluation matrix which is included as Attachment #6. Based on the identified criteria, the Redwood Business Park, if developed, could to a great degree fulfill the identified goals and promote economic revitalization with increased jobs, private investment and tax generation.

As demonstrated in the evaluation matrix, this investment could more than pay for itself in property taxes, as well as potentially generating significant sales tax revenues. In summary, the project has the potential to generate an estimated 240,000 square feet of retail/commercial space, equivalent to roughly \$33.8 million of incremental assessed value. At build-out, it is estimated that the new development has the potential to generate \$7.2 million to \$11.7 million of incremental property tax revenue over the life of the Agency and \$1.7 million of new sales tax revenue for the City annually. In addition, the Agency could expect to recover at least \$2.8 million of the initial investment from the resale of the property.

Fiscal Impact:

Budgeted FY 08/09
 New Appropriation
 Not Applicable
 Budget Amendment Required

<u>Amount Budgeted</u>	<u>Source of Funds (title and #)</u>	<u>Account Number</u>	<u>Addtl. Appropriation Requested</u>
\$0	RDA Project Reserves	TBD	\$4,193,615 plus closing costs

APPRAISAL REPORT OF THE

15.33 Acres

Located at:

Airport Park Blvd.
Ukiah, CA 95482

Prepared for:

Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Valuation Date:

June 21, 2010

Prepared by:

George R. Dutton
State Certified General Appraiser
AGO-26971

Dutton Appraisal Office
115 Foss Creek Circle
Healdsburg, CA 95448
Telephone: 707.431.2652
Fax: 707.431.2659

July 16, 2010

Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Re: 15.33 acres, located on Airport Park Boulevard, Ukiah,

Dear Mr. Rapport:

Pursuant to your request and authorization, a Restricted Use property mentioned above. The property is located on Airport Park Boulevard, Ukiah, CA consisting of 15.33 acres of undeveloped parcels totaling approximately 15.33 acres.

The purpose of this report is to estimate the 'as-is' market value of the fee simple estate of the subject property. I have personally inspected the property, last on June 21, 2010. Attached is my Restricted Use Appraisal Report, which describes my methods of valuation and contains the data, gathered in my investigations. This estimated "As Is" Market Value does not include any personal property, machinery or equipment that may be associated with the business operations at this location.

This report is prepared in compliance with the provisions as set forth in 12 CFR Part 323 as promulgated by the Federal Deposit Insurance Corporation on August 20, 1990, and subsequently amended by the FDIC on March 16, 1992 and June 7, 1994, Uniform Standards of Professional Appraisal Practice, (USPAP), Financial Institutions Reform, Recovery, and Enforcement Act, (FIRREA), and the Ethics and Standards of the Appraisal Institute.

The qualifications of the appraiser, the assumptions and limiting conditions, and the certification are provided in this report.

It is my opinion that the estimated "As Is" market value as of the subject property located on Airport Park Boulevard, Ukiah, CA consisting of 15.33 acres as of the report date is:

Two Million Three Hundred Thirty Five Thousand Dollars (\$2,335,000.)

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
Real Estate Appraiser
State Certified General License #AGO-26971

$$15.33 @ 43,560 = 667,775 \quad \square$$

$$\begin{aligned} \$ 2,335,000 / 667,775 &= \\ \$ 3.50 &\quad \square \end{aligned}$$

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Addenda

- Contract
- Subject Photos
- Location Map of Subject and Comparables
- Flood Map

ASSUMPTIONS AND LIMITING CONDITIONS

Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to total that would adversely affect marketability or value. Dutton Appraisal Office is not aware of any title defects nor has it been advised of any unless specifically noted in the report. Dutton Appraisal Office however has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may have arisen out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

It is assumed that improvements will have been constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

Unless otherwise specifically noted in the body of this report, it is assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion in good working order with no major deferred maintenance or repair required; the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state and federal building codes and ordinances.

Dutton Appraisal Office professionals are not engineers and are not competent to judge matters of an engineering nature. Dutton Appraisal Office has not retained independent civil engineers in connection with this appraisal and, therefore, makes no representations relative to soil conditions or wetland determination. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of Dutton Appraisal Office by ownership or management.

It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory report relative to the soil conditions of the property and the wetland determination. Accordingly, if engineering consultants report negative findings, Dutton Appraisal Office reserves the right to amend the appraisal conclusions reported herein.

Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. Dutton Appraisal Office has no knowledge of the existence of such materials on or in the property.

Dutton Appraisal Office however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated ground water or other potentially hazardous materials may affect the value of the property. The value estimate 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 any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to Dutton Appraisal Office. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations, and completed new construction. Any estimate of Market Value is as of the date upon the information, conditions and projected levels of operation.

It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Dutton Appraisal Office has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets and reliable data. Any material error in any of the above data could have a substantial impact on the conclusions reported.

Thus, Dutton Appraisal Office reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify Dutton Appraisal Office of any questions or errors.

The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions, which occur subsequent to the date of the appraisal. However, Dutton Appraisal Office will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject. Dutton Appraisal Office assumes no private deed restrictions, limiting the use of the subject property in any way.

Unless otherwise noted in the body of this report, it is assumed that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

Dutton Appraisal Office is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

Unless specifically set forth in the body of this report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Dutton Appraisal Office to buy, sell or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

Also, unless otherwise noted in the body of the report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certification of occupancy, consents or other legislative or administrative authority from any local, state nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.

This study may not be duplicated in whole or in part without the specific written consent of Dutton Appraisal Office nor may this report or copies hereof be transmitted to third parties without said consent, which consent Dutton Appraisal Office reserves to deny. Exempt from this restriction is duplication for the internal use of a commercial loan-addressee and/or transmission to attorneys, accountants or advisors of the client-addressee.

Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents not be published, in whole or in part, in any public document without the express written consent of Dutton Appraisal Office which consent, Dutton Appraisal Office, reserves the right to deny.

Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a 'sale' or 'offer for sale' of any 'security', as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, which may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Dutton Appraisal Office shall have no accountability or responsibility to any such third party.

Any value estimate provided in the report applies to the entire property, and any prorating or division of the title into fractional interests will invalidate the value estimate, unless prorating or division of interest has been set forth in the report.

The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visual matters discussed within the report.

Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced or used apart from this report.

No opinion is intended to be expressed on matters, which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc.

No survey, engineering study or architectural analysis has been made known to Dutton Appraisal Office unless otherwise stated in the body of this report. If the consultant has not been supplied with a termite

inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items.

Dutton Appraisal Office assumes no responsibility for any costs or consequences arising due to the need or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assessments set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the appraiser nor Dutton Appraisal Office assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

Dutton Appraisal Office assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

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. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.

CERTIFICATION:

- This is a Restricted Use Appraisal Report.
- The signatory below certifies that, to the best of his 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 is 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 no bias with respect to the property that is the subject of this report or 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 factors the cause of a commercial loan, 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 Uniform Standards of Professional Appraisal Practice. The Departure Provision has been invoked in this report.
- This professional service was prepared in conformity with the Code of Professional Ethics and Standards of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- All appraisers licensed by the Office of Real Estate Appraisers, (OREA), of the State of California are required to complete a minimum level of continuing education to maintain their status as licensed appraisers. The report author is currently licensed, in compliance with all educational and licensing standards of the OREA, and is re-certified to the date indicated below.
- As of the date of this report, the undersigned, George R. Dutton, has completed the requirements under the continuing education program of the Appraisal Institute and is re-certified to July 29, 2011.

Attached are statements of the professional qualifications of the appraiser.

This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice, (USPAP), and with our agreement and understanding of the nature and requirements of the appraisal assignment.

I will retain all relevant data and research material in my working file should you require further appraisal services concerning this property.

Thank you for providing me this opportunity to be of service.

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
Real Estate Appraiser
State Certified General License #AGO-26971

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<u>Location</u>	Airport Park Boulevard Ukiah, CA – Mendocino County, CA
<u>Property Type</u>	The subject is an approximate 15.33 acres undeveloped property. There is public roadway access and utility service available to the property site. The site is generally level.
<u>Interest Appraised</u>	Fee Simple Estate
<u>Lot Size</u>	15.33 Acres
<u>Zoning</u>	PD – Planned Development – Industrial - Light Manufacturing
<u>Mendocino County Parcel Number</u>	Not Assigned. TBD
<u>Flood Hazard Area</u>	# 0601860002D, Zone C, dated July 19, 1982; FEMA map.
<u>Census Tract</u>	#116.0
<u>Highest and Best Use</u>	Industrial - Light Manufacturing commercial development, developed per market demand.
<hr/>	
<u>Conditions of Value</u>	The value estimates stated herein are subject to the Statement of Assumptions and Limiting Conditions and the Certification contained within this report.
<u>Environmental Hazards</u>	None Observed
<u>Marketing Exposure Period</u>	6 months
<u>Date of Value</u>	June 21, 2010
<u>Estimated Value As Is</u>	\$2,335,000
<u>Market Sales</u>	\$2,335,000
<u>Income Approach as complete</u>	\$1,850,000

Restricted Use Appraisal Report: Scope of work.

This is a Restricted Use Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2c of the Uniform Standards of Professional Appraisal Practice. As such, it presents summary discussions 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 in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

Furthermore, in accordance with prior agreement between the client and the appraiser, this report is the result of a limited appraisal process in which an onsite inspection of the subject property was performed, the comparable sales were researched and the sites visited by the appraiser, data provided by the property owner was collected and analyzed, public record information was obtained and a value conclusion was determined and that opinion was conveyed to the client in a report format

In the collection of data, multiple sources were utilized. County public records, MLS, lenders, brokers and information from the property owner and property manager were analyzed. It is assumed that all information from these sources is correct. All comparable sales utilized in this report have been verified as closed sales through at least two data sources.

The physical inspection includes observation of general building materials and conditions for comparison only. The inspection does not include the type of investigation normally performed by property inspectors, pest or termite inspectors, environmental inspections or any other such experts.

Subject Property: Airport Park Boulevard Ukiah, CA; 15.33 acres

Client: Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Appraiser: Mr. George R. Dutton
State Certified General R.E. Appraiser
115 Foss Creek Circle
Healdsburg, CA 95448

Purpose of the appraisal: The client has requested an opinion of AS IS market value as of the effective date of the report to assist the client in determining the estimated value for this property as of a specific date.

Property rights appraised:

The property rights appraised are the Fee Simple Estate interest, which is defined as: i.e. 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.

Appraisal Institute, The Appraisal of Real Estate, 11th edition (Chicago, Ill. 1996) R.7

Intended Use of the Report:

This report is prepared for the use of the client, the City of Ukiah. The client may distribute copies of this report in its entirety to such third parties as may be selected by the party to whom the report is addressed. The report will become a public document in connection with the issuance of the report and the conduct of a public hearing pursuant to Health and Safety Code Section 33433. This report shall not be conveyed to the public through advertising, public relations or other media without the written consent of the author.

Date of the Appraisal:

June 21, 2010

Appraisal Development and Reporting Process

The following steps were completed in arriving at the final value for this assignment:

1. Analyzed regional, neighborhood, site and improvement data.
2. Inspected the subject site and the neighborhood
3. Reviewed data regarding taxes, zoning, utilities, easements, and public services.
4. Considered comparable improved sales of strip shopping centers, and general industry information. Confirmed data with property managers, and real estate agents representing principals, and through public records.
5. Analyzed the data to arrive at conclusions via each approach to value used in this report.
6. Reconciled the results of each approach to value employed into a probable range of market data and finally an estimate of value for the subject, as defined herein,
7. Estimated a reasonable exposure time associated with the value estimate.

To develop this opinion of value, a Restricted Use Appraisal Report was prepared. This report is prepared in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act, (FIRREA), the Office of Comptroller of the Currency (OCC), Under Chapter 12 CFR, and the Ethics and Standards of the Appraisal Institute.

This report is intended to comply with the binding requirements of Standards 1, 2 & 5, and reporting requirements set forth under Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice.

This Report incorporates the practical explanation of the data, reasoning and analysis that were used to develop the opinion of value. It also includes descriptions of the subject property and the real estate market in the Mendocino County area.

Competency Provision: Dutton Appraisal Office has been appraising commercial and income property in Northern California Counties for the last 12 years. Appraisal assignments have been concentrated in Sonoma and Mendocino Counties.

Mr. Dutton has coordinated the site development, project construction, negotiated lease terms and has established management procedures for commercial projects in the North Bay area. He continues to serve as a consultant for the ongoing management of several commercial projects.

George R. Dutton is a Certified General Real Estate Appraiser in the State of California.

Appraisal Assistance: The appraisal files of McDonald and Associates as well as market research data from Real Estate Brokers were utilized in the preparation of this report.

Market Value

The definition of market value is used by many federal financial institutions including the Resolution Trust Corporation (RTC), which was established under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) to dispose of the assets of insolvent thrift institutions.

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

- (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 interests;
- (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.

Exposure time: The exposure time may be defined as follows: 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 on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market.

Commercial income properties with operations based on market rental rates with typical occupancy levels and stable cash flows remain in demand. Based on discussions with property managers, owners, and real estate brokers familiar with this market segment, an exposure period is estimated to be approximately six months based on the current sales activity of comparable properties in the area. Thus, a marketing exposure period of approximately six to nine months is selected as applicable for the subject property.

Marketing time: The marketing time is considered the length of time required selling a property from the effective date of value, forward. Thus, a prospective opinion based on an analysis of the future events assuming a competitive and open market. The marketing time is also estimated to be six to nine months for the subject property.

Scope of the Assignment: The Mendocino County area and surrounding communities' areas were searched for recent sales of comparable properties. A sufficient number of sales were discovered to indicate a reliable value range for the subject.

The commercial data service, CoStar Group, Metroscan, and discussions with local real estate brokers in the area, and the appraiser's files were used in this search. Data was confirmed by interviews with persons considered knowledgeable about real estate trends and values in the area.

A physical inspection of the property was performed. Although due diligence was exercised while at the property, the appraiser is not an expert in such matters as pest control, soils stability, structural engineering, hazardous waste materials or toxic substances, and no warranty is given as to these elements.

MENDOCINO COUNTY

Demographics

Mendocino County is located on the north coast of the U.S. State of California, north of the San Francisco Bay Area and Sonoma County and west of the Central Valley. As of 2005, the population was estimated at 90,000. The county seat is Ukiah.

Mendocino County was one of California's original 27 counties, created in 1850 by the State Legislature. Because of its small population, Mendocino County was administered by the government of Sonoma County until 1859, when the government was established in a small building on Main Street in Ukiah. County officials moved into the first courthouse at the site bounded by Standley, Perkins, State and Schools streets on January 24, 1860.

Mendocino County encompasses an area of over 2 million acres or approximately 3500 square miles. The area includes forested mountain ranges supporting a large timber industry and rugged scenic coastline. Agricultural production includes a growing vineyard and winery industry that also supports tourist growth. The tourist industry remains strong in Mendocino County due to its natural beauty, an abundance of parks and beaches, its sport fishing, diving facilities and art, wine and food related events.

Mendocino County, along with the 101 corridor from Hopland to Garberville, experiences seasonal tourism and regular commercial traffic. Coastal tourism is the greatest revenue producer for visitor-serving facilities with the 101 corridor significantly lower, but growing.

The county has experienced a decline in major employers in a range of industries, with average job numbers declining over a number of years. A small increase in employment has been noted in specific sectors, namely tourism, retail trade, agriculture and related manufacturing, health care and government employment.

Geography

Mendocino County is naturally bounded on the west by the Pacific Ocean and on the east mainly by the mountainous divide between the North Coastal Basin and the Sacramento River Basin, with the width varying from 35 to 60 miles. The county extends approximately 80 miles north to south (Point No Pass to Gualala River, or Hammerhorn Ridge to the Geysers).

Within 20 miles of the ocean, the landscape rises to 3,000 feet in a series of northwest-southeast trending ridges paralleling the coast, and irregularly alternating with narrow valleys. These features reflect the geologic structures of the region, such as the San Andreas Fault in the southwest corner near Point Arena and the Maacama Fault extending from Sanel Valley to Long Valley. The alluvial valleys are at 1000 to 1500 feet elevation in the central part of the county, and drop to 500 feet at the points where the Eel and Russian Rivers leave the county. Maximum elevations are found in the mountainous northeastern part of the county, where Anthony Peak reaches to almost 7,000 feet.

Climate

The climate of Mendocino County is generally mild and characterized by moist cool winters and warm dry summers. There is little temperature range in the vicinity of the coast, but a moderate range is experienced in inland valleys. Extremes of temperature at inland points range from lows of 5 to 10 degrees to highs of 110 or more, while coastal areas have ranges from 20 to 80 degrees.

Annual rainfall in Mendocino County ranges from slightly less than 35 inches (Ukiah area) to more than 80 inches (near Branscomb). Most of the precipitation falls during the winter part of the year, and only at higher elevation is there substantial snowfall. Rainfall is often from brief, intense rains caused by large storms which move in from the northwest. Virtually no rainfall occurs during the summer

months. The average growing season is about 260 days on the coast, 210 in the interior valleys and 180 days in Round Valley.

Winds along the coast are persistent during the summer, and occasionally become strong over the entire area during the winter. Much of the County, however, experiences only light winds during most of the year. Sunshine averages 45 percent to 65 percent throughout the year along the coast and during winter and spring over inland areas, but increases to 80 percent inland during the summer and fall.

Waterways

While the Russian River flows south from above Ukiah, hundreds of miles of the Eel River and its tributaries flow north to empty into the Pacific.

Transportation

The major highway in Mendocino County is U.S. Highway 101. This highway connects the county to areas north such as Eureka and Grants Pass, Oregon via U.S. Highway 199, and areas south like Santa Rosa and San Francisco. Highway 101 changes back and forth from four-lane freeway to two-lane highway throughout the county, and it is fast almost all of its length. It is also a four-lane freeway through the County Seat and largest city of Ukiah.

State Highway 128 connects Fort Bragg and the town of Mendocino to U.S. Highway 101 south to the Bay Area. It is a fairly fast highway east of Navarro, but it becomes a winding road as it approaches the Pacific Coast.

Population & Demographic Trends

Mendocino County includes four incorporated cities. Fort Bragg and Point Arena are located on Highway 1, and Ukiah and Willits are inland on Highway 101. The most recent population data broken down between unincorporated and incorporated areas is summarized in Table 1.

Mendocino County's population of 86,400 as of January 2000, represented an increase of 8.4% between 1990 and 2000 or just under 1% per year. This growth rate was below the state as a whole, but higher than the San Francisco and Oakland metropolitan areas. The trend from 2000 to 2005 represents a 4.1% increase on 0.83% per year. Future growth rate estimates for the county by 2020 are for projected growth in the range of 1% per year.

County/City	2000	2004	% Change	2005	% Change
Mendocino County	86,400	89,369	3.44%	89,974	0.68%
Fort Bragg	7,050	6,912	-1.96%	6,963	0.74%
Point Arena	480	484	0.83%	495	2.27%
Ukiah	15,500	15,943	2.86%	15,959	0.10%
Willits	5,100	5,044	-1.10%	5,071	0.54%
Unincorporated	58,270	60,986	4.66%	61,486	0.82%

Among surrounding counties, Lake (population 58,300) and Sonoma (population 458,600) Counties had faster growth rates of 15% and 18% respectively (2000 demographic survey, while Humboldt County's growth rate was slightly higher at 10% with a reported population in 2000 at 126,500. These

modest growth patterns indicate no major shift in future demographic trends are likely to occur in Mendocino County, suggesting a continuation of the rural small-town character of the area.

Manufacturing

Manufacturing employment is declining while services, retail trade and government employment is remaining stable or showing a slight increase. Some of the increase in government employment is explained by the fact that EDD assigns casino employees to the government category as they are tribal government employees. These employment trends are expected to continue and are similar throughout the region.

Real Estate Trends

Following a recessionary period from 1990 to 1997, home prices experienced a significant increase throughout Northern California and Mendocino County with home values virtually doubling from 1991 to 2001. In recent years home prices again showed a significant increase from 2003 through 2006. Population pressure has increased northward along the Highway 101 corridor from Santa Rosa, the largest regional employment base. Coastal Mendocino has experienced similar or greater value increases due to retirees and second home buyers, supplemented by telecommuters able to conduct their businesses from non-commercial locations.

The current unemployment figures, the decrease in retail sales and the regional downturn in real estate prices, have produced a negative effect on home values. The current economy appears to be stagnant with little residential and commercial development anticipated. The long term outlook for the county is continued slow growth due to the limited available land for residential development and because the economy generally lags the regional trends driven by the economic center of Santa Rosa to the south.

The coastal area of Mendocino County which relies on a tourist base has also seen a significant decrease in occupancy and overall activity.

Economic Rates and Conditions Existing at Appraisal Date

When the appraisal was being prepared the following economic conditions prevailed:

Prime Rate (effective 6/2010)	3.25%
Eleventh District Cost of Funds	1.94%
Treasury 10 year Bonds	3.13%
Corporate Bonds	4.56%
Consumer Price Index (SF Bay Area)	
May 2010	Up 1.1% from a year ago

Sources: Wall Street Journal
 Bureau of Labor Statistics

Unemployment:

Unemployment: California (March 2010) 12.6%
Mendocino County 11.5%

Mendocino County Tourism

The local economy has benefited from increased tourism. Currently, tourism is a major contributor to the local economy.

Mendocino provides a diverse base for tourists; from agriculture to the rugged coastal area. Agricultural products include grapes, dairy products, livestock, poultry, nursery products and vegetables.

Mendocino County Economy

The economy of Mendocino County has historically been tied to the timber and agricultural industries. The Ukiah and Anderson Valleys are centers of agricultural production, including grapes, apples, pears, livestock, field vegetable and nursery crops.

Mendocino County is primarily rural, with agriculture and tourism providing the basic industries which bring in outside dollars. Many small non-agricultural businesses have flourished in the county over the last ten years; these being made up of information firms and mail order businesses. Job growth has been slow. Most of the future growth will be felt in the services, tourism, finance, insurance, real estate and government industries. An expanding retired population is bringing in a more stable source of outside income in the form of properties and pensions.

Source: Mendocino County Website, EDD Website

City of Ukiah

Location

The subject property is visible from Highway 101, Ukiah, Mendocino County. The subject property is located on Airport Park Boulevard, Ukiah, CA, and consists of 15.33 acres.

The City of Ukiah is the commercial, retail, finance and service hub of the Mendocino County region, providing goods and services to surrounding area residents. This area is considered the "heart" of the Mendocino County retail trade area with a number of businesses located in this community.

Ukiah provides a variety of commercial business locations, retail and wholesale facilities, financial institutions, lodging establishments, restaurants, markets, and numerous shops and galleries. Medical services and transportation facilities that serve the entire County are available here.

Subject site is located adjacent to major retail uses including Walmart, Friedman Brothers, Staples, Food Max and others. This property is located at the southern end of this business district. Travel time to Santa Rosa is approximately 1 hour and approximately 2+ hours to San Francisco.

Much of the Mendocino County coastal community area relies on Ukiah as the major commercial center for the local coastal community and tourist traffic. The area is scenic and serves as a gateway to the rugged and picturesque Mendocino coastline that is known to offer good outdoor and cultural amenities.

The Ukiah commercial-industrial market has generally been stable due to the large trade area served in Mendocino County and because there are very few alternatives in other areas of the County. There is no doubt that retail trade in general has decreased substantially beginning in the latter part of 2008 and continuing into 2009. Market conditions for retail space have deteriorated with the overall economy.

Description of the Site, Improvements, and Current Use

Location: This approximate 15.33-acre property is located in the city limits of Ukiah. The property is located on Airport Park Boulevard, Ukiah and has US Highway 101 frontage. The site is located in the southern commercial business district of the City of Ukiah, south of the central business district of the City.

Access: The site is accessible from a developed roadway. Access to the Ukiah community is Highway 101, a well maintained, heavily travelled major roadway.

Mendocino County Assessor's Parcel Numbers: The Mendocino County Assessor's Office has not assigned an Assessor parcel number to this site. The subject property consists of a number of individual parcels.

Physical Description: The site has a generally rectangular shape and is located at the south end of the City in a mixed use area that is within the Airport Business Park. There is convenient access from this area to the central downtown business district.

The property is currently unimproved. The property is generally level and site access is via a publicly maintained roadway.

Topography and Drainage: The site is generally level and site drainage appears adequate with proper grading.

Climate: The climate is mild with wet winters and dry warm summers. There are typically 30 to 40 inches of rainfall per year. The average annual air temperature is 58 degrees, and the summer temperatures exceed 80 degrees.

Water Resources: There is a municipal water system that provides water for the subject property to this location.

Sewer system: There is municipal sewer system in the public roadway that will serve the subject property.

Soils Contamination: There were no adverse conditions observed. However, the appraiser is not qualified to detect the presence of soils characteristics related to hazardous waste or toxic materials. There were no complaints regarding toxic substance on-file with Mendocino County Environmental Health Department regarding the subject site.

Zoning: The subject site is zoned PD – Planned Development – Industrial -Light Manufacturing

Flood Zone: The subject is not located within the 100 year flood hazard area as identified by the Federal Emergency Management Agency (FEMA) Community Pane number #0601860002D, Zone C, dated July 19, 1982.

Earthquake Zone: All properties in California are subject to some degree of seismic risk. The Alquist-Priolo special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate "special studies zones" along known active faults in California. Cities and Counties affected by the identified zones must limit certain development projects within the zone unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting.

The subject is not located within an Aliquist-Priolo Special Studies Zone.

Utilities: The subject property does not have electrical or natural gas service on site.

Encroachments: There were no encroachments observed, however I was not provided with a survey map of the property.

Assessed Valuation and Taxes: The assessed Land Value by the Mendocino County Tax Assessor are as follows: Code Area: 003-003

<u>Parcel Number</u>	<u>Land</u>	<u>Improvements</u>	<u>Other</u>	<u>Total</u>	<u>Taxes</u>
#TBD		\$Exempt			

Other Structural Improvements: The site is undeveloped.

Conclusion: The subject is an approximate 15.33 acre undeveloped property. There is public roadway access and utility service available to the property site. The site is generally level.

The client has indicated that the parcel may be developed with a retail warehouse outlet store that is estimated to contain 148,234 SF. Parking on site is anticipated to provide space for 740+ vehicles.

Highest and Best Use

In the valuation of the subject property, consideration is given to the highest and best use of the property. Incorporated in this analysis, is the zoning designation of the property, the surrounding land uses and competing projects in the general market area of the subject property. The subject property is currently vacant; site improvements that provide access to the site have been developed.

Highest and best use may be 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 use. This is the definition used by the American Institute of Real Estate Appraisers as published in, *The Appraisal of Real Estate*, 11th edition, 1996.

The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be **legally permissible, physically possible, financially feasible and maximally productive.**

The definition above applies specifically to the highest and best use of land. In cases where a site has an existing improvement, the highest and best use may be determined to be different from the current improvement use, however the existing use will continue until the value of the land as vacant exceeds the value of the existing improvement and the costs to remove the improvement.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield, after all costs are deducted.

To properly evaluate Highest and Best Use two separate analyses are required: one, to evaluate the subject property as vacant; the other, to evaluate the subject property as improved. The purpose of the separate analyses is to ensure consistency of uses between the subject land and land sales used to value the subject site, and to determine if the existing improvements have a contributory value that exceeds the land value as vacant. The purpose of this analysis is to determine the economic value of the improvements on site and to determine if these improvements exceed the value of the site less the demolition and removal of these improvements.

As the subject property is vacant and unimproved only the Highest and Best Use of the property as if vacant will be analyzed in this section.

The subject property has been analyzed using the four criteria mentioned earlier.

Highest and Best Use as Vacant

Legally Permissible

The Highest and Best Use of vacant land is typically that use which is permitted by the existing zoning designation. An exception is when a zoning change or use variance can likely be obtained within a reasonable amount of time. The subject site is zoned Planned Development Industrial- Light Manufacturing per ordinance No. 1098 adopted by the City Council of the City of Ukiah. This zoning allows, among numerous others, proposed industrial, warehouse development of the subject property, professional offices and low-density residential uses. Live work land uses may be incorporated into low density apartments above commercial or professional offices. The legally permitted use of the site must be consistent with the ordinance adopted by the City Council for the Airport Industrial Park planned

development. Because a zone change for this property does not appear to be possible at this time, the current zoning for this site is the major factor in determining the potential likely uses for the property.

Physically Possible

The physical characteristics of this site, including shape, size, general topography, soils, location, traffic patterns and available utilities appear to be conducive to an Industrial - Light Manufacturing development on site. It is physically possible to develop the land with an Industrial - Light Manufacturing development.

Financially Feasible

As vacant land, this site gains a contribution from the permitted use such as a Industrial - Light Manufacturing commercial development. There is a moderate demand for light manufacturing warehouse rental space in the local market. Project feasibility is an issue because of the significant cost associated with obtaining material for fill, transporting of the material, and grading and compaction of the material on this site. Development of the site appears to contribute to the economic benefit of the land; thus development of this parcel as vacant appears financially feasible.

Maximally Productive

Given the existing zoning it is unlikely the site can be developed with a higher use than that of the current zoning. Current zoning allows development of the site incorporating adequate parking, landscape design, and approved construction based on use permit approval and conditions. A site development permit or use permit is required for development in this property zone designation. No other uses under current zoning would produce a greater value for the subject property site.

Conclusion

Based on the above observations, the Highest and Best Use of the subject property as vacant site, is concluded to be an Industrial -Light Manufacturing commercial development, developed per market demand.

Appraisal Methodology

The appraisal process is defined as an orderly program by which the problem is planned and the data involved is acquired, classified, analyzed and interpreted into an estimate of value. In this process three basic approaches to value are considered: Income Capitalization approach, Sales Comparison Approach, and Cost Approach. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

The final step in the appraisal process is reconciliation, a process by which the alternative conclusions are analyzed and a selection of the final value. The relative significance, applicability and defensibility of each approach are weighed as it relates to the type of property being appraised.

In this appraisal assignment, the subject property is appraised "As Is" and an estimated market value for the subject property is obtained. Roadway access to the site is developed.

The subject property value is determined from the sales comparison and income approaches to value. These estimated values are determined based on an "as complete" property, which is a property that from a site development standpoint is topographically ready and available to be developed.

The cost approach is utilized to determine the estimated costs that are projected to be required for site development to be completed at this location. The property at that point is then ready for a development project, or in the "as complete" state. The property AS IS value is then determined from analysis of these estimated values.

Sales Comparison Approach

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per appropriate unit or by utilizing economic units of comparison.

Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences with the final estimate derived based on the general comparisons.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; (d) the absence of non-typical conditions affecting the sales price. Through my search I was able to obtain an adequate quality and quantity of sales through which a reliable and defensible indication of value for the subject land could be concluded.

Income Capitalization Approach

The methodology of the Income Capitalization Approach is to determine the income-producing capacity of the property on a stabilized basis by estimating market rates and stabilized income levels from comparable properties, making deductions for operational and production expenses, and then capitalizing the net income at a market-derived rate to yield an indication of value.

Investors are active in the real estate marketplace for properties similar to the subject. The Income Capitalization Approach is applicable to the assignment at hand. The income capitalization approach is

based on estimated lease income, typical lease terms and this appraiser's knowledge of the property management costs associated with similar properties to determine an estimated value for the subject property.

As the current site is undeveloped, hypothetical conditions are utilized to develop an income approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development.

Cost Approach

The Cost Approach for the subject property is utilized in this valuation. One generally utilizes the Cost Approach when there are structural improvements upon the land. This approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are constructed on the site for which there are few sales or leases of comparable properties.

As the current site is undeveloped, hypothetical conditions are utilized to develop a cost approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development.

The estimated costs to develop the subject property are provided through Marshall Swift Cost Valuation Service. This process results in an estimated current market cost to develop the subject property and complete proposed structural and site improvements.

The indicated cost is utilized to estimate a residual land value for the subject property.

Sales Comparison Approach

The Sales Comparison Approach provides an estimate of market value based on analyzing transactions of similar properties in the market area. The method is based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing one with the same utility. This is known as the 'principle of substitution'. When there are an adequate number of sales of similar properties with sufficient information for comparison, a range of values for the subject property can be developed.

The reliability of this approach is based on similar market sales. Considerations for such factors as changing market conditions, financing, location, access/visibility, appeal, lot size, age, condition/quality, amenities and building size. These are all significant variable relating to the relative marketability of the subject property. Any adjustments to these comparable sales prices must be market-driven; this, the actions of typical buyers and sellers are reflected in the comparison process.

The Direct Sales Comparison Approach will use the sales price per square foot of building improvements on site as the measure of value most appropriate. This figure measures the relationship between the sales price and the building improvement square footage at the specific location.

Market Sales Methodology: Four sales of similar properties located in the market area of the subject property were reviewed in this analysis. All sales were reduced to their value per square foot for the raw land at the site. Adjustments were considered including: sale date, conditions of sale, financing, site size and location, amenities, access to and market appeal of the property.

Sales and current listings of like type property to the subject were reviewed in Northern Sonoma County as well as in Mendocino County. Because large adjustments to these sales would be required, sales in Mendocino County alone were included in the analysis.

The sales analyzed above have been determined to be the most recent sales of properties similar to the subject. The location, current use, and size of this property make it very difficult to find recent comparable sales.

Land Sales

The subject property estimated land value is based on the below listed comparable sales. There are a limited number of raw land sales with similar zoning that have occurred in the subject property immediate market area.

Sale #1-Three (3) parcels, Airport Park Boulevard, Ukiah, CA 95482 - APN: 180-080-63, 180-080-57, 180-080-62

Property sold on August 5, 2009 for \$706,000, per Mendocino Doc. #12345

This is a light industrial zoned vacant lot consisting of 3.88 acres total in 3 parcels. This property was purchased August 5, 2009 for \$706,000. There were no structural improvements on site. Improvement costs associated with development of this site and required per the sale conditions totaled \$86,110. The net land purchase price was thus \$619,890. Utility service was available to the property site. The underlying land value purchase equates to \$3.67 per square foot.

The site is located in the immediate market area of the subject property. The site has good visibility and there is good access to the site. This location has freeway visibility of this site and is a similar location. The zoning at this site is similar to the subject property location. The sale date occurred during a period of generally similar market conditions.

Overall, this property is a similar overall location to the subject property. The parcel size is significantly smaller than the subject site.

Overall a 5% upward adjustment is indicated. The adjusted value equates to \$3.85 per square foot, rounded.

**Sale #2-1400 Hastings Road, Ukiah, CA 95482 - APN: 180-070-18
Property sold on April 8, 2010 for \$853,000, per Mendocino Doc. #7420**

This is a commercial lot building improvements consisting of 2.93 acres. This property was purchased April 8, 2010 for \$853,000. The property was listed for sale for nearly 9 months. Existing structural improvements on site included a 4,400 SF showroom with offices and two bathrooms. There is also a 3,000 SF shop on site with roll up doors. The improvements on site are functional and in average condition. The contributory value of the improvements at date of sale is estimated at \$500,000 which provides an underlying land value of \$353,000 for the property or \$2.77 per square foot.

The site is located on Hastings Road; located in the general market area of the subject property. The site has good freeway visibility and there is good access to the site. Overall, the location is seen as somewhat inferior to the subject property location.

The zoning at this site is similar to the subject property location. The sale date is current.

Overall, this property is a somewhat inferior location to the subject property with inferior market appeal. The parcel size is substantially smaller than the subject site.

Overall a 5% upward adjustment is indicated. The adjusted value equates to \$2.90 per square foot, rounded.

**Sale #3-4260 N. State Street, Ukiah, CA 95482 - APN: 167-260-12
Property sold on July 11, 2007 for \$2,290,000, per Mendocino Doc. #12792**

This is a light industrial zoned vacant lot consisting of 6.13 acres. This property was purchased July 11, 2007 for \$2,290,000. Existing structural improvements on site included a 20,000 SF warehouse with three offices, two bathrooms, a kitchenette and two sixteen foot roll up doors. There was a truck scale on site at date of purchase. The contributory value of the improvements at date of sale is estimated at \$1,100,000 which provides an underlying land value of \$1,190,000 for the property or \$4.46 per square foot. The property was listed for sale for nearly 5 months.

The site is located on N. State Street and is located in the general market area of the subject property. The site has good visibility and there is good access to the site. The zoning at this site is similar to the subject property location. The sale date is over two years old and occurred during a significantly stronger commercial property market.

Overall, this property is an inferior location to the subject property with inferior market appeal. The parcel size is substantially smaller than the subject site. Commercial real estate market conditions were significantly better at date of sale of this property, resulting in a downward adjustment.

Overall a 25% downward adjustment is indicated. The adjusted value equates to \$3.34 per square foot, rounded.

**Sale #4-3372 & 3362 N. State Street, Ukiah, CA 95482 - APN: 169-112-33 & 169-112-34
Property sold on December 1, 2008 for a total of \$925,000, per Mendocino Doc. #16431 & 16432**

This is a commercial vacant lot consisting of 2.88 acres. This property was purchased December 1, 2008 for \$925,000 or \$7.40 per square foot. The property was listed for sale for nearly 9 months. The sale price represents 60% of the original list price.

Existing structural improvements on site included a warehouse and related site improvements. The contributory value of the improvements at date of sale is estimated at \$300,000 which provides an underlying land value of \$625,000 for the property or \$4.98 per square foot. The property was listed for sale for nearly 5 months

The site is located on State Street and is located in the general market area of the subject property. The site has good visibility and there is good access to the site.

Overall, this property is inferior to the subject location, is a smaller parcel size and the zoning at this site is inferior to the subject property. Commercial real estate market conditions were somewhat better at date of sale of this property.

Overall a 15% downward adjustment is indicated. The adjusted value equates to \$4.23 per square foot, rounded.

Summary Analysis:

The adjusted average sales price per square foot for the comparable properties utilized in this report is \$3.58 per square foot, rounded. The parcels are range in size from nearly 3 to just over 6 acres. The parcels are all significantly smaller that the subject property site.

Based on the location of the subject property, the Highway 101 frontage, the limited availability of sites similar to the subject in this market area, the utility of this site and with primary emphasis on current commercial real estate market conditions in this market area, the estimated value of the subject property site as of the date of this report is seen as being in the low to mid range of value for similar type property. The estimated value for the raw land at this location is \$3.50 per SF for the subject site.

The subject parcel size is 15.33 acres total. The site area is 691,733 SF. The selected land value for the property site is \$3.50/SF.

Thus the total estimated value of the 15.33 acres of the subject property is shown below.

\$3.50 per SF x 667,775 SF or \$2,337,212. Thus, the estimated land portion of the subject property is valued as of the appraisal date at \$2,335,000, rounded.

Utah, Mendocino Co, sales comparable grid analysis: June, 2010

Property address	Sale date	Sales price	Improvement Value	Net purchase price	Lot size acreage	Sale price per sq ft	Market Conditions	Location	RMG / lot size	Access/appr'd	Overall adjustment/sq/ft	Adjusted
3 parcels, Airport/Pad Blvd.	Aug-09	\$ 706,000	\$ 86,110	\$ 619,890	3.88	\$ 167	Equal	Equal	inferior	Equal	5%	\$ 3.65
1400 Hasbunje Blvd	Apr-10	\$ 853,000	\$ 500,000	\$ 353,000	2.98	\$ 277	Equal	Equal	inferior	Equal	5%	\$ 2.90
4280 N Spake St.	Jul-07	\$ 2,250,000	\$ 1,400,000	\$ 1,150,000	6.13	\$ 486	-35	inferior	inferior	inferior	-25%	\$ 3.94
3982-3872 N Spake St.	Dec-08	\$ 925,000	\$ 300,000	\$ 625,000	2.88	\$ 458	-25	inferior	inferior	inferior	-15%	\$ 4.23

Average sales price/sq ft, comparable sales \$ 14.33

Estimated value - subject property \$ 3.90

Subject parcels total 15.33 acres

\$ 2,337,212

Income Approach to Value

As the current site is undeveloped, the below listed hypothetical conditions are utilized to develop an income approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development. Detail for proposed development of this property site is provided by the client.

1. Proposed building area square footage is 148,234 SF
2. A site coverage ratio of 22% is projected for the property.
3. Development at the site will include a warehouse type structure that will be a large open shell concrete tilt up structure with some partitioning for storage and office areas. It is assumed that the structure will be average to good quality with virtually no architectural embellishments or interior department divisions. There will be a small finished office area with drywall that is painted and restroom facilities. The buildings will have exposed conduit, fluorescent lighting and adequate plumbing. The heating source will be space heaters.

In the market area of the subject property, which incorporates Ukiah and the surrounding Mendocino County area, base monthly rents range from \$0.50 to in excess of \$0.75 per square foot for similar rental properties in a well located, maintained building. The average of rental rates in the local community for properties comparable to the subject appears to be in the \$0.50 to \$0.60 per square foot range. Most commercial leases have a consumer price index increase annually, generally with a floor of 3% and a maximum of 5% annually. Because of the current economic slowdown, a number of leases for like type properties have been renegotiated and the rental payment reduced. This reduction has been as much as 20-25% in some instances but more typically has been in the range of 10%.

This site is a well located, visible site and the surrounding area includes a combination of major retail (Wal Mart, Friedman's, Staples), yard storage and warehouse, production space,

The subject property is intended as an owner-user project. Total projected expense, including reserve for capital replacements, management expense and direct expense incurred by the property owner is estimated at 20 to 25% of gross income. Direct expense includes utility expense, professional fees, property tax, insurance, and repair and maintenance expense. An overall expense factor in the range of 24% of gross income annually for this property is realistic based on lease terms for properties similar to the hypothetical development at this property. This expense ratio is consistent for like type properties to the subject and is the ratio utilized in this analysis to determine the effective gross income for the hypothetical development.

The estimated net operating income for a typical year's operation is based on the projected lease income developed by the appraiser. In this analysis, \$0.60 per SF is the projected gross monthly rent. The estimated lease income is developed based on the 148,234 square feet of potential retail warehouse space to be developed at this location.

The following pro forma details income and expense projections for the subject property for a calendar year. This information is taken from industry standards coupled with the detail developed from lessors of like type properties in this market area.

Ukiah retail warehouse discount store-Pro forma Income and Expense

Projected for industrial buildings to be constructed on site

Gross income-Monthly

Rental revenue-market rate		
\$0.60/SF, 148,234 SF	\$	88,940
Projected gross monthly income	\$	88,940
Projected Annual Income	\$	1,067,285

Projected Annual Expense

Vacancy and Collection expense	Owner, user	
Operating Expense-non recoverable		
Property management expense	\$	21,346
Utility expense	\$	48,028
Repair and maintenance expense	\$	29,350
Insurance, legal, accounting	\$	18,000
Real Estate property tax	\$	112,000
Replacement reserve	\$	26,682
Total projected expense	\$	255,406

Projected net operating income before debt service \$ 811,879

Capitalized value	\$	10,148,485
Estimated construction costs	\$	7,708,168
Permits, fees, mitigation	\$	590,000
Underlying land value	\$	1,850,317
Per acre	\$	120,699
Per SF	\$	2.77

Direct Capitalization

The direct capitalization analysis involves converting a single year's estimated stabilized net operating income (NOI) into a value indication. Once the net operating income has been estimated, this conversion is accomplished by dividing the NOI estimate by an appropriate rate. The direct capitalization formula is:

$$\text{Value} = \text{NOI} / \text{Overall Capitalization Rate.}$$

The market has indicated a capitalization rate for comparable properties to be in the range of 7.0 to 8.5%. This information is taken from comparable sales of similar properties and data supplied by brokers and sales people knowledgeable in the field. Capitalization rates have increased over the past 12 to 24 months. The increased capitalization rates are a result of the current deteriorated market conditions, the difficulty in obtaining project financing, vacancy rates in the marketplace and developer-investor risk aversion. On the other hand, smaller, user type properties with credit worthy tenants are valued at lower cap rates.

The capitalization rate selected for the subject property is 8.0%. The estimated gross market value based on the income capitalization analysis is thus:

$$\text{Value} = \$811,879 / .08 = \$10,148,485, \text{ which figure is rounded to } \$10,150,000.$$

Total Gross Estimated Value, Income Approach **\$10,150,000.**

Development Costs: The Marshall Swift Cost Valuation Service and local developer's cost estimates of similar warehouse type properties in the area have been used to establish the Cost New of the subject property hypothetical improvements. Related costs include sewer, water connection fees, building permit fees, impact and mitigation fees, and site development fees.

Airport Park Boulevard, Ukiah.		
Building rentable area	148,234 sq. ft. @\$49.00 sq. ft.	\$7,263,466.
Other Improvements	Site improvements, Landscaping	\$ 445,000.
Permits, fees, assessments		590,000
Projected project Cost New, rounded		\$8,298,000
Estimated Total Project Value:		<u>\$10,150,000</u>
Estimated Land Value		\$1,852,000

Based on the 15.33 acres at this site, the raw land value is \$2.77 per SF.

\$2.77 per SF x 667,775 SF or \$1,849,737. Thus, the estimated land portion of the subject property is valued as of the appraisal date at \$1,850,000, rounded.

Value Estimate, Conclusion and Reconciliation:

The estimated land value of the “as complete” subject property has been determined from the market sales analysis and income approach. These values are indicated below:

Market Sales	\$2,335,000
Income Approach	\$1,850,000

There is some variation in the estimated values from the two distinct approaches. The income approach is based on the projected lease income and development expense estimates determined from market research and analysis of similar properties.

The market sales approach is predicated on the principle of substitution, essentially that an investor would pay no more for an existing property than for a comparable property with similar utility. The market sales approach to estimated value appears to be the most realistic estimate of current market value.

Value Conclusion

Based on my research and the analysis contained in this report, it is my opinion that the estimated “**As Is**” market value as of the subject property located on Airport Park Blvd. Ukiah, consisting of 15.33 acres as of the report date is \$2,335,000.

Thank you for this opportunity to be of service.

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
State Certified General R.E. Appraiser #AGO26971

Work

Experience: 1997 – Present Self-Employed Real Estate Appraiser Healdsburg, CA

Real Estate Appraiser

- Licensed State of California General Real Estate Appraiser.
- Appraisals of agricultural, commercial, industrial, retail and single-family properties completed in Sonoma, Napa, and Mendocino counties.
- Appraisals of proposed subdivisions and course of construction inspections.

Work

Experience: 1983 – Present Dutton Enterprises Healdsburg, CA

Real Estate Consultant-Developer

- Developed multi-million dollar single family residential subdivisions, commercial and warehouse properties.
- Marketed and managed properties in development; negotiated sale-leaseback for commercial properties directly and through brokers.
- Solicited and awarded general contractor bids; negotiated all subcontracts; consulted with engineers and architects on design; coordination and building of specific projects; directed acquisition and delivery of materials.
- Processed applications through county and city planning and building departments for permit and project approvals.

1964-1983 Exchange Bank Santa Rosa, CA

Vice-President/Branch Manager

- Coordinated daily branch operations; reviewed administrative reports; approved commercial, real estate, agricultural and installment loan applications; appraised residential properties; resolved customer concerns and inquiries.
- Interviewed, trained, supervised and evaluated staff of twenty-one bank employees.
- Increased customer base and maximized retention of existing business.
- Achieved superior audit reviews from interior and exterior sources as a result of organizing branch activities and staff supervision.
- Instructor in Banking Courses at SRJC for ten semesters.

1966-1969 United States Army USA and Germany

First Lieutenant, Honorable Discharge

Education 1960-1964 University of California Berkeley, CA

Bachelor of Science, Finance

1975-1977 Pacific Coast School of Banking Seattle, WA

Certificate of Completion

Community Activities 1988-Present Board Member/President/Treasurer, R House
 1990-Present Board Member, YMCA
 1990-Present Member, Sonoma County Alliance
 1997-Present Member, Rotary Club of Sebastopol Sunrise

APPRAISAL REPORT OF THE

15.33 Acres

Located at:

Airport Park Blvd.
Ukiah, CA 95482

Prepared for:

Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Valuation Date:

May 15, 2014

Prepared by:

George R. Dutton
State Certified General Appraiser
AGO-26971

Dutton Appraisal Office
115 Foss Creek Circle
Healdsburg, CA 95448
Telephone: 707.431.2652
Fax: 707.431.2659

**Dutton Appraisal And Consulting
115 Foss Creek Circle
Healdsburg, CA 95448
Telephone: 707.431.2652
Fax: 707.431.2659**

May 22, 2014

Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Re: 15.33 acres, located on Airport Park Boulevard, Ukiah, CA

Dear Mr. Rapport:

Pursuant to your request and authorization, a Restricted Use Appraisal Report has been prepared for the property mentioned above. The property is located on Airport Park Boulevard, Ukiah, CA and consists of undeveloped parcels totaling approximately 15.33 acres.

The purpose of this report is to estimate the 'as-is' market value of the fee simple estate of the subject property. I have personally inspected the property, last on May 15, 2014. Attached is my Restricted Use Appraisal Report, which describes my methods of valuation and contains the data, gathered in my investigations. This estimated "As Is" Market Value does not include any personal property, machinery or equipment that may be associated with the business operations at this location.

This report is prepared in accordance with the Uniform Standards of Professional Appraisal Practice, (USPAP), Financial Institutions Reform, Recovery, and Enforcement Act, (FIRREA), and the Ethics and Standards of the Appraisal Institute.

The appraisal report identifies the property, provides pertinent facts about the market area and the subject property, provides the qualifications of the appraiser, and includes the assumptions and limiting conditions, and the certification within this report.

It is my opinion that the estimated "As Is" market value as of the subject property located on Airport Park Boulevard, Ukiah, CA consisting of 15.33 acres as of the May 15, 2014 report date is:

Two Million One Hundred Seventy Thousand Dollars (\$2,170,000.)

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
Real Estate Appraiser
State Certified General License #AGO-26971

ASSUMPTIONS AND LIMITING CONDITIONS

Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to total that would adversely affect marketability or value. Dutton Appraisal Office is not aware of any title defects nor has it been advised of any unless specifically noted in the report. Dutton Appraisal Office however has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may have arisen out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

It is assumed that improvements will have been constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

Unless otherwise specifically noted in the body of this report, it is assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion in good working order with no major deferred maintenance or repair required; the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state and federal building codes and ordinances.

Dutton Appraisal Office professionals are not engineers and are not competent to judge matters of an engineering nature. Dutton Appraisal Office has not retained independent civil engineers in connection with this appraisal and, therefore, makes no representations relative to soil conditions or wetland determination. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of Dutton Appraisal Office by ownership or management.

It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory report relative to the soil conditions of the property and the wetland determination. Accordingly, if engineering consultants report negative findings, Dutton Appraisal Office reserves the right to amend the appraisal conclusions reported herein.

Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. Dutton Appraisal Office has no knowledge of the existence of such materials on or in the property.

Dutton Appraisal Office however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated ground water or other potentially hazardous materials may affect the value of the property. The value estimate 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 any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to Dutton Appraisal Office. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations, and completed new construction. Any estimate of Market Value is as of the date upon the information, conditions and projected levels of operation.

It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Dutton Appraisal Office has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets and reliable data. Any material error in any of the above data could have a substantial impact on the conclusions reported.

Thus, Dutton Appraisal Office reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify Dutton Appraisal Office of any questions or errors.

The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions, which occur subsequent to the date of the appraisal. However, Dutton Appraisal Office will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject. Dutton Appraisal Office assumes no private deed restrictions, limiting the use of the subject property in any way.

Unless otherwise noted in the body of this report, it is assumed that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

Dutton Appraisal Office is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

Unless specifically set forth in the body of this report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Dutton Appraisal Office to buy, sell or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

Also, unless otherwise noted in the body of the report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certification of occupancy, consents or other legislative or administrative authority from any local, state nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.

This study may not be duplicated in whole or in part without the specific written consent of Dutton Appraisal Office nor may this report or copies hereof be transmitted to third parties without said consent, which consent Dutton Appraisal Office reserves to deny. Exempt from this restriction is duplication for the internal use of a commercial loan-addressee and/or transmission to attorneys, accountants or advisors of the client-addressee.

Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents not be published, in whole or in part, in any public document without the express written consent of Dutton Appraisal Office which consent, Dutton Appraisal Office, reserves the right to deny.

Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a 'sale' or 'offer for sale' of any 'security', as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, which may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Dutton Appraisal Office shall have no accountability or responsibility to any such third party.

Any value estimate provided in the report applies to the entire property, and any prorating or division of the title into fractional interests will invalidate the value estimate, unless prorating or division of interest has been set forth in the report.

The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visual matters discussed within the report.

Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced or used apart from this report.

No opinion is intended to be expressed on matters, which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc.

No survey, engineering study or architectural analysis has been made known to Dutton Appraisal Office unless otherwise stated in the body of this report. If the consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any

costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items.

Dutton Appraisal Office assumes no responsibility for any costs or consequences arising due to the need or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assessments set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the appraiser nor Dutton Appraisal Office assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

Dutton Appraisal Office assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

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. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.

CERTIFICATION:

- This is a Restricted Use Appraisal Report.
- The signatory below certifies that, to the best of his 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 is 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 no bias with respect to the property that is the subject of this report or 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 factors the cause of a commercial loan, 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 Uniform Standards of Professional Appraisal Practice. The Departure Provision has been invoked in this report.
- This professional service was prepared in conformity with the Code of Professional Ethics and Standards of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- All appraisers licensed by the Office of Real Estate Appraisers, (OREA), of the State of California are required to complete a minimum level of continuing education to maintain their status as licensed appraisers. The report author is currently licensed, in compliance with all educational and licensing standards of the OREA, and is re-certified to the date indicated below.
- As of the date of this report, the undersigned, George R. Dutton, has completed the requirements under the continuing education program of the Appraisal Institute and is re-certified to July 29, 2015.

Attached are statements of the professional qualifications of the appraiser.

This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice, (USPAP), and with our agreement and understanding of the nature and requirements of the appraisal assignment.

I will retain all relevant data and research material in my working file should you require further appraisal services concerning this property.

Thank you for providing me this opportunity to be of service.

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
Real Estate Appraiser
State Certified General License #AGO-26971

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<u>Location</u>	Airport Park Boulevard Ukiah, CA – Mendocino County, CA
<u>Property Type</u>	The subject is an approximate 15.33 acres undeveloped property. There is public roadway access and utility service available to the property site. The site is generally level.
<u>Interest Appraised</u>	Fee Simple Estate
<u>Lot Size</u>	15.33 Acres
<u>Zoning</u>	PD – Planned Development – Industrial - Light Manufacturing
<u>Mendocino County Parcel Number</u>	Not Assigned. TBD
<u>Flood Hazard Area</u>	# 0601860002D, Zone C, dated July 19, 1982; FEMA map.
<u>Census Tract</u>	#116.0
<u>Highest and Best Use</u>	Industrial - Light Manufacturing commercial development, developed per market demand.
<u>Conditions of Value</u>	The value estimates stated herein are subject to the Statement of Assumptions and Limiting Conditions and the Certification contained within this report.
<u>Environmental Hazards</u>	None Observed
<u>Marketing Exposure Period</u>	6 months
<u>Date of Value</u>	May 15, 2014
<u>Estimated Value As Is</u>	\$2,170,000
Market Sales	\$2,170,000
Income Approach as complete	\$2,115,000

Restricted Use Appraisal Report: Scope of work.

This is a Restricted Use Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2c of the Uniform Standards of Professional Appraisal Practice. As such, it presents summary discussions 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 in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

Furthermore, in accordance with prior agreement between the client and the appraiser, this report is the result of a limited appraisal process in which an onsite inspection of the subject property was performed, the comparable sales were researched and the sites visited by the appraiser, data provided by the property owner was collected and analyzed, public record information was obtained and a value conclusion was determined and that opinion was conveyed to the client in a report format

In the collection of data, multiple sources were utilized. County public records, MLS, lenders, brokers and information from the property owner and property manager were analyzed. It is assumed that all information from these sources is correct. All comparable sales utilized in this report have been verified as closed sales through at least two data sources.

The physical inspection includes observation of general building materials and conditions for comparison only. The inspection does not include the type of investigation normally performed by property inspectors, pest or termite inspectors, environmental inspections or any other such experts.

Subject Property: Airport Park Boulevard Ukiah, CA; 15.33 acres

Client: Mr. David J. Rapport
Ukiah City Attorney
P.O. Box 488
Ukiah, CA 95482

Appraiser: Mr. George R. Dutton
State Certified General R.E. Appraiser
115 Foss Creek Circle
Healdsburg, CA 95448

Purpose of the appraisal: The client has requested an opinion of AS IS market value as of the effective date of the report to assist the client in determining the estimated value for this property as of a specific date.

Property rights appraised:

The property rights appraised are the Fee Simple Estate interest, which is defined as: i.e. 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.

Appraisal Institute, The Appraisal of Real Estate, 11th edition (Chicago, Ill. 1996) R.7

Intended Use of the Report:

This report is prepared for the use of the client, the City of Ukiah. The client may distribute copies of this report in its entirety to such third parties as may be selected by the party to whom the report is addressed. The report will become a public document in connection with the issuance of the report and the conduct of a public hearing pursuant to Health and Safety Code Section 33433. This report shall not be conveyed to the public through advertising, public relations or other media without the written consent of the author.

Date of the Appraisal:

May 15, 2014

Appraisal Development and Reporting Process

The following steps were completed in arriving at the final value for this assignment:

1. Analyzed regional, neighborhood, site and improvement data.
2. Inspected the subject site and the neighborhood
3. Reviewed data regarding taxes, zoning, utilities, easements, and public services.
4. Considered comparable improved sales of strip shopping centers, and general industry information. Confirmed data with property managers, and real estate agents representing principals, and through public records.
5. Analyzed the data to arrive at conclusions via each approach to value used in this report.
6. Reconciled the results of each approach to value employed into a probable range of market data and finally an estimate of value for the subject, as defined herein,
7. Estimated a reasonable exposure time associated with the value estimate.

To develop this opinion of value, a Restricted Use Appraisal Report was prepared. This report is prepared in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act, (FIRREA), the Office of Comptroller of the Currency (OCC), Under Chapter 12 CFR, and the Ethics and Standards of the Appraisal Institute.

This report is intended to comply with the binding requirements of Standards 1, 2 & 5, and reporting requirements set forth under Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice.

This Report incorporates the practical explanation of the data, reasoning and analysis that were used to develop the opinion of value. It also includes descriptions of the subject property and the real estate market in the Mendocino County area.

Competency Provision: Dutton Appraisal Office has been appraising commercial and income property in Northern California Counties for the last 12 years. Appraisal assignments have been concentrated in Sonoma and Mendocino Counties.

Mr. Dutton has coordinated the site development, project construction, negotiated lease terms and has established management procedures for commercial projects in the North Bay area. He continues to serve as a consultant for the ongoing management of several commercial projects.

George R. Dutton is a Certified General Real Estate Appraiser in the State of California.

Appraisal Assistance: The appraisal files of McDonald and Associates as well as market research data from Real Estate Brokers were utilized in the preparation of this report.

Market Value

The definition of market value is used by many federal financial institutions including the Resolution Trust Corporation (RTC), which was established under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) to dispose of the assets of insolvent thrift institutions.

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

- (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 interests;
- (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.

Exposure time: The exposure time may be defined as follows: 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 on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market.

Commercial income properties with operations based on market rental rates with typical occupancy levels and stable cash flows remain in demand. Based on discussions with property managers, owners, and real estate brokers familiar with this market segment, an exposure period is estimated to be approximately six months based on the current sales activity of comparable properties in the area. Thus, a marketing exposure period of approximately six to nine months is selected as applicable for the subject property.

Marketing time: The marketing time is considered the length of time required selling a property from the effective date of value, forward. Thus, a prospective opinion based on an analysis of the future events assuming a competitive and open market. The marketing time is also estimated to be six to nine months for the subject property.

Scope of the Assignment: The Mendocino County area and surrounding communities' areas were searched for recent sales of comparable properties. A sufficient number of sales were discovered to indicate a reliable value range for the subject.

The commercial data service, CoStar Group, Metroscan, and discussions with local real estate brokers in the area, and the appraiser's files were used in this search. Data was confirmed by interviews with persons considered knowledgeable about real estate trends and values in the area.

A physical inspection of the property was performed. Although due diligence was exercised while at the property, the appraiser is not an expert in such matters as pest control, soils stability, structural engineering, hazardous waste materials or toxic substances, and no warranty is given as to these elements.

MENDOCINO COUNTY

Demographics

Mendocino County is located on the north coast of the U.S. State of California, approximately 100 miles north of the San Francisco Bay Area and west of the Central Valley. As of 2008, the County population was estimated at 90,000. The county seat is Ukiah.

Mendocino County was one of California's original 27 counties, created in 1850 by the State Legislature. Because of its small population, Mendocino County was administered by the government of Sonoma County until 1859, when the government was established in a small building on Main Street in Ukiah. County officials moved into the first courthouse at the site bounded by Standley, Perkins, State and Schools streets on January 24, 1860.

Mendocino County encompasses an area of over 2 million acres or approximately 3900 square miles. The area includes forested mountain ranges supporting a large timber industry and rugged scenic coastline. Agricultural production includes a growing vineyard and winery industry that also supports tourist growth. The tourist industry remains strong in Mendocino County due to its natural beauty, an abundance of parks and beaches, its sport fishing, diving facilities and art, wine and food related events.

Mendocino County, along with the 101 corridor from Hopland to Garberville, experiences seasonal tourism and regular commercial traffic. Coastal tourism is the greatest revenue producer for visitor-serving facilities with the 101 corridor significantly lower, but growing.

The county has experienced a decline in major employers in a range of industries, with average job numbers declining over a number of years. Total employment is reported at just under 30,000 employees in 2010 an approximate 9% reduction in total nonfarm employment from 2000 figures. A small increase in employment has been noted in specific sectors, namely tourism, retail trade, agriculture and related manufacturing, health care and government employment.

Geography

Mendocino County is naturally bounded on the west by the Pacific Ocean and on the east mainly by the mountainous divide between the North Coastal Basin and the Sacramento River Basin, with the width varying from 35 to 60 miles. The county extends approximately 80 miles north to south (Point No Pass to Gualala River, or Hammerhorn Ridge to the Geysers).

Within 20 miles of the ocean, the landscape rises to 3,000 feet in a series of northwest-southeast trending ridges paralleling the coast, and irregularly alternating with narrow valleys. These features reflect the geologic structures of the region, such as the San Andreas Fault in the southwest corner near Point Arena and the Maacama Fault extending from Sanel Valley to Long Valley. The alluvial valleys are at 1000 to 1500 feet elevation in the central part of the county, and drop to 500 feet at the points where the Eel and Russian Rivers leave the county. Maximum elevations are found in the mountainous northeastern part of the county, where Anthony Peak reaches to almost 7,000 feet.

Climate

The climate of Mendocino County is generally mild and characterized by moist cool winters and warm dry summers. There is little temperature range in the vicinity of the coast, but a moderate range is experienced in inland valleys. Extremes of temperature at inland points range from lows of 5 to 10 degrees to highs of 110 or more, while coastal areas have ranges from 20 to 80 degrees.

Annual rainfall in Mendocino County ranges from slightly less than 35 inches (Ukiah area) to more than 80 inches (near Branscomb). Most of the precipitation falls during the winter part of the year, and only at higher elevation is there substantial snowfall. Rainfall is often from brief, intense rains caused by large

storms which move in from the northwest. Virtually no rainfall occurs during the summer months. The average growing season is about 260 days on the coast, 210 in the interior valleys and 180 days in Round Valley.

Winds along the coast are persistent during the summer, and occasionally become strong over the entire area during the winter. Much of the County, however, experiences only light winds during most of the year. Sunshine averages 45 percent to 65 percent throughout the year along the coast and during winter and spring over inland areas, but increases to 80 percent inland during the summer and fall.

Waterways

While the Russian River flows south from above Ukiah, hundreds of miles of the Eel River and its tributaries flow north to empty into the Pacific.

Transportation

The major highway in Mendocino County is U.S. Highway 101. This highway connects the county to areas north such as Eureka and Grants Pass, Oregon via U.S. Highway 199, and areas south like Santa Rosa and San Francisco. Highway 101 changes back and forth from four-lane freeway to two-lane highway throughout the county, and it is fast almost all of its length. It is also a four-lane freeway through the County Seat and largest city of Ukiah.

State Highway 128 connects Fort Bragg and the town of Mendocino to U.S. Highway 101 south to the Bay Area. It is a fairly fast highway east of Navarro, but it becomes a winding road as it approaches the Pacific Coast.

Population & Demographic Trends

Mendocino County includes four incorporated cities. Fort Bragg and Point Arena are located on Highway 1, and Ukiah and Willits are inland on Highway 101. The most recent population data broken down between unincorporated and incorporated areas is summarized in Table 1.

Mendocino County's population is estimated at 87,500 by the California State Department of Finance as of mid 2012. The growth rate of population has been static for several years. The current rate of growth is below the state average as a whole. Future growth rate estimates for the county are for projected growth in the range of up to ½ of 1% per year.

Manufacturing

Manufacturing employment is declining while services, retail trade and government employment is remaining stable or showing a slight increase. Some of the increase in government employment is explained by the fact that EDD assigns casino employees to the government category as they are tribal government employees. These employment trends are expected to continue and are similar throughout the region.

Real Estate Trends

Following a recessionary period from 1990 to 1997, home prices experienced a significant increase throughout Northern California and Mendocino County with home values virtually doubling from 1991 to 2001. In recent years home prices again showed a significant increase from 2003 through 2005. Population pressure has increased northward along the Highway 101 corridor from Santa Rosa, the largest regional employment base. Coastal Mendocino has experienced similar or greater value increases due to retirees and second home buyers, supplemented by telecommuters able to conduct their businesses from non-commercial locations.

The general economic conditions in Northern California and the increased unemployment rate resulted in a significant downturn in real estate prices from 2007-2010. The current economy appears to be stagnant with little residential and commercial development anticipated. The long term outlook for the county is continued slow growth due to the limited available land for residential development and because the economy generally lags the regional trends driven by the economic center of Santa Rosa to the south.

The coastal area of Mendocino County has maintained a strong tourist base which has provided stability to the economy.

Economic Rates and Conditions Existing at Appraisal Date

When the appraisal was being prepared the following economic conditions prevailed:

Prime Rate (effective 4/2014)	3.25%
Eleventh District Cost of Funds	0.701%
Treasury 10 year Bonds	2.57%
Corporate Bonds, 30 year, AAA	3.30%
Consumer Price Index (SF Bay Area)	
April 2014	Up 1.6% from a year ago

Sources: Wall Street Journal
Bureau of Labor Statistics

Unemployment:

Unemployment: California (April 2014)	7.8%
Mendocino County	6.7%

Mendocino County Tourism

The local economy has benefited from increased tourism. Currently, tourism is a major contributor to the local economy.

Mendocino provides a diverse base for tourists; from agriculture to the rugged coastal area. Agricultural products include grapes, dairy products, livestock, poultry, nursery products and vegetables.

Mendocino County Economy

The economy of Mendocino County has historically been tied to the timber and agricultural industries. The Ukiah and Anderson Valleys are centers of agricultural production, including grapes, apples, pears, livestock, field vegetable and nursery crops.

Mendocino County is primarily rural, with agriculture and tourism providing the basic industries which bring in outside dollars. Many small non-agricultural businesses have flourished in the county over the last ten years; these being made up of information firms and mail order businesses. Job growth has been slow. Most of the future growth will be felt in the services, tourism, finance, insurance, real estate and government industries. An expanding retired population is bringing in a more stable source of outside income in the form of properties and pensions.

Source: Mendocino County Website, EDD Website

City of Ukiah

Location

The subject property is visible from Highway 101, Ukiah, Mendocino County. The subject property is located on Airport Park Boulevard, Ukiah, CA, and consists of 15.33 acres.

The City of Ukiah is the commercial, retail, finance and service hub of the Mendocino County region, providing goods and services to surrounding area residents. This area is considered the “heart” of the Mendocino County retail trade area with a number of businesses located in this community.

Ukiah provides a variety of commercial business locations, retail and wholesale facilities, financial institutions, lodging establishments, restaurants, markets, and numerous shops and galleries. Medical services and transportation facilities that serve the entire County are available here.

The general neighborhood where the property is located is east of the downtown Ukiah central business district and west of U.S. Hwy 101. The area is developed with industrial shopping complexes, motels, and restaurants in the immediate area. The subject location and surrounding property uses appear to be consistent with zoning designations.

Subject site is located adjacent to major retail uses including Walmart, Friedman Brothers, Staples, Food Max and others. This property is located at the southern end of this business district. Travel time to Santa Rosa is approximately 1 hour and approximately 2+ hours to San Francisco.

Much of the Mendocino County coastal community area relies on Ukiah as the major commercial center for the local coastal community and tourist traffic. The area is scenic and serves as a gateway to the rugged and picturesque Mendocino coastline that is known to offer good outdoor and cultural amenities.

The Ukiah commercial-industrial market has generally been stable due to the large trade area served in Mendocino County and because there are very few alternatives in other areas of the County. There is no doubt that retail trade in general has decreased substantially beginning in the latter part of 2008 and continuing into 2009. Market conditions for retail space have deteriorated with the overall economy.

The economic base of Mendocino County has shown minimal growth during the past decade and growth projections from both local and regional sources indicate that Mendocino County will continue to experience modest growth. The City of Ukiah has not increased in population for the past five years. The City of Ukiah’s population as of 2013 is 16,000.

The majority of growth in Mendocino County is expected to occur along with Highway 101 corridor between Hopland and Willits with the unincorporated areas experiencing the highest growth rate. The attendant problems of growth, which include sewage collection, treatment and disposal, adequate water supply, and traffic congestion on Highway 101, are all matters which may restrict future growth. Resolution of these constraints will help to determine future growth, both on a short and long term basis.

Description of the Site, Improvements, and Current Use

Location: This approximate 15.33-acre property is located in the city limits of Ukiah. The property is located on Airport Park Boulevard, Ukiah and has US Highway 101 frontage. The site is located in the southern commercial business district of the City of Ukiah, south of the central business district of the City.

Access: The site is accessible from a developed roadway. Access to the Ukiah community is Highway 101, a well maintained, heavily travelled major roadway.

Mendocino County Assessor's Parcel Numbers: **The Mendocino County Assessor's Office has not assigned an Assessor parcel number to this site. The subject property consists of a number of individual parcels.**

Physical Description: The site has a generally rectangular shape and is located at the south end of the City in a mixed use area that is within the Airport Business Park. There is convenient access from this area to the central downtown business district.

The property is currently unimproved. The property is generally level and site access is via a publicly maintained roadway.

Topography and Drainage: The site is generally level and site drainage appears adequate with proper grading.

Climate: The climate is mild with wet winters and dry warm summers. There are typically 30 to 40 inches of rainfall per year. The average annual air temperature is 58 degrees, and the summer temperatures exceed 80 degrees.

Water Resources: There is a municipal water system that provides water for the subject property to this location.

Sewer system: There is municipal sewer system in the public roadway that will serve the subject property.

Soils Contamination: There were no adverse conditions observed. However, the appraiser is not qualified to detect the presence of soils characteristics related to hazardous waste or toxic materials. There were no complaints regarding toxic substance on-file with Mendocino County Environmental Health Department regarding the subject site.

Zoning: The subject site is zoned PD – Planned Development – Industrial -Light Manufacturing

Flood Zone: The subject is not located within the 100 year flood hazard area as identified by the Federal Emergency Management Agency (FEMA) Community Pane number #0601860002D, Zone C, dated July 19, 1982.

Earthquake Zone: All properties in California are subject to some degree of seismic risk. The Aliquist-Priolo special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate “special studies zones” along known active faults in California. Cities and Counties affected by the identified zones must limit certain development projects within the zone unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting.

The subject is not located within an Aliquist-Priolo Special Studies Zone.

Utilities: The subject property does not have electrical or natural gas service on site.

Encroachments: There were no encroachments observed, however I was not provided with a survey map of the property.

Assessed Valuation and Taxes: The assessed Land Value by the Mendocino County Tax Assessor are as follows: Code Area: 003-003

<u>Parcel Number</u>	<u>Land</u>	<u>Improvements</u>	<u>Other</u>	<u>Total</u>	<u>Taxes</u>
#TBD		\$Exempt			

Other Structural Improvements: The site is undeveloped.

Conclusion: The subject is an approximate 15.33 acre undeveloped property. There is public roadway access and utility service available to the property site. The site is generally level.

The client has indicated that the parcel may be developed with a retail warehouse outlet store that is estimated to contain 148,234 SF. Parking on site is anticipated to provide space for 740+ vehicles.

Highest and Best Use

In the valuation of the subject property, consideration is given to the highest and best use of the property. Incorporated in this analysis, is the zoning designation of the property, the surrounding land uses and competing projects in the general market area of the subject property. The subject property is currently vacant; site improvements that provide access to the site have been developed.

Highest and best use may be 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 use. This is the definition used by the American Institute of Real Estate Appraisers as published in, *The Appraisal of Real Estate*, 11th edition, 1996.

The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be **legally permissible, physically possible, financially feasible and maximally productive.**

The definition above applies specifically to the highest and best use of land. In cases where a site has an existing improvement, the highest and best use may be determined to be different from the current improvement use, however the existing use will continue until the value of the land as vacant exceeds the value of the existing improvement and the costs to remove the improvement.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield, after all costs are deducted.

To properly evaluate Highest and Best Use two separate analyses are required: one, to evaluate the subject property as vacant; the other, to evaluate the subject property as improved. The purpose of the separate analyses is to ensure consistency of uses between the subject land and land sales used to value the subject site, and to determine if the existing improvements have a contributory value that exceeds the land value as vacant. The purpose of this analysis is to determine the economic value of the improvements on site and to determine if these improvements exceed the value of the site less the demolition and removal of these improvements.

As the subject property is vacant and unimproved only the Highest and Best Use of the property as if vacant will be analyzed in this section.

The subject property has been analyzed using the four criteria mentioned earlier.

Highest and Best Use as Vacant

Legally Permissible

The Highest and Best Use of vacant land is typically that use which is permitted by the existing zoning designation. An exception is when a zoning change or use variance can likely be obtained within a reasonable amount of time. The subject site is zoned Planned Development Industrial- Light Manufacturing per ordinance No. 1098 adopted by the City Council of the City of Ukiah. This zoning allows, among numerous others, proposed industrial, warehouse development of the subject property, professional offices and low-density residential uses. Live work land uses may be incorporated into low density apartments above commercial or professional offices. The legally permitted use of the site must be consistent with the ordinance adopted by the City Council for the Airport Industrial Park planned

development. Because a zone change for this property does not appear to be possible at this time, the current zoning for this site is the major factor in determining the potential likely uses for the property.

Physically Possible

The physical characteristics of this site, including shape, size, general topography, soils, location, traffic patterns and available utilities appear to be conducive to an Industrial - Light Manufacturing development on site. It is physically possible to develop the land with an Industrial - Light Manufacturing development.

Financially Feasible

As vacant land, this site gains a contribution from the permitted use such as a Industrial - Light Manufacturing commercial development. There is a moderate demand for light manufacturing warehouse rental space in the local market. Project feasibility is an issue because of the significant cost associated with obtaining material for fill, transporting of the material, and grading and compaction of the material on this site. Development of the site appears to contribute to the economic benefit of the land; thus development of this parcel as vacant appears financially feasible.

Maximally Productive

Given the existing zoning it is unlikely the site can be developed with a higher use than that of the current zoning. Current zoning allows development of the site incorporating adequate parking, landscape design, and approved construction based on use permit approval and conditions. A site development permit or use permit is required for development in this property zone designation. No other uses under current zoning would produce a greater value for the subject property site.

Conclusion

Based on the above observations, the Highest and Best Use of the subject property as vacant site, is concluded to be an Industrial -Light Manufacturing commercial development, developed per market demand.

Appraisal Methodology

The appraisal process is defined as an orderly program by which the problem is planned and the data involved is acquired, classified, analyzed and interpreted into an estimate of value. In this process three basic approaches to value are considered: Income Capitalization approach, Sales Comparison Approach, and Cost Approach. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

The final step in the appraisal process is reconciliation, a process by which the alternative conclusions are analyzed and a selection of the final value. The relative significance, applicability and defensibility of each approach are weighed as it relates to the type of property being appraised.

In this appraisal assignment, the subject property is appraised “As Is” and an estimated market value for the subject property is obtained. Roadway access to the site is developed.

The subject property value is determined from the sales comparison and income approaches to value. These estimated values are determined based on an “as complete” property, which is a property that from a site development standpoint is topographically ready and available to be developed.

The cost approach is utilized to determine the estimated costs that are projected to be required for site development to be completed at this location. The property at that point is then ready for a development project, or in the “as complete” state. The property AS IS value is then determined from analysis of these estimated values.

Sales Comparison Approach

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per appropriate unit or by utilizing economic units of comparison.

Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences with the final estimate derived based on the general comparisons.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; (d) the absence of non-typical conditions affecting the sales price. Through my search I was able to obtain an adequate quality and quantity of sales through which a reliable and defensible indication of value for the subject land could be concluded.

Income Capitalization Approach

The methodology of the Income Capitalization Approach is to determine the income-producing capacity of the property on a stabilized basis by estimating market rates and stabilized income levels from comparable properties, making deductions for operational and production expenses, and then capitalizing the net income at a market-derived rate to yield an indication of value.

Investors are active in the real estate marketplace for properties similar to the subject. The Income Capitalization Approach is applicable to the assignment at hand. The income capitalization approach is based on estimated lease income, typical lease terms and this appraiser’s knowledge of the property

management costs associated with similar properties to determine an estimated value for the subject property.

As the current site is undeveloped, hypothetical conditions are utilized to develop an income approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development.

Cost Approach

The Cost Approach for the subject property is utilized in this valuation. One generally utilizes the Cost Approach when there are structural improvements upon the land. This approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are constructed on the site for which there are few sales or leases of comparable properties.

As the current site is undeveloped, hypothetical conditions are utilized to develop a cost approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development.

The estimated costs to develop the subject property are provided through Marshall Swift Cost Valuation Service. This process results in an estimated current market cost to develop the subject property and complete proposed structural and site improvements.

The indicated cost is utilized to estimate a residual land value for the subject property.

Sales Comparison Approach

The Sales Comparison Approach provides an estimate of market value based on analyzing transactions of similar properties in the market area. The method is based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing one with the same utility. This is known as the 'principle of substitution'. When there are an adequate number of sales of similar properties with sufficient information for comparison, a range of values for the subject property can be developed.

The reliability of this approach is based on similar market sales. Considerations for such factors as changing market conditions, financing, location, access/visibility, appeal, lot size, age, condition/quality, amenities and building size. These are all significant variable relating to the relative marketability of the subject property. Any adjustments to these comparable sales prices must be market-driven; this, the actions of typical buyers and sellers are reflected in the comparison process.

The Direct Sales Comparison Approach will use the sales price per square foot of building improvements on site as the measure of value most appropriate. This figure measures the relationship between the sales price and the building improvement square footage at the specific location.

Market Sales Methodology: Four sales of similar properties located in the market area of the subject property were reviewed in this analysis. All sales were reduced to their value per square foot for the raw land at the site. Adjustments were considered including: sale date, conditions of sale, financing, site size and location, amenities, access to and market appeal of the property.

Sales and current listings of like type property to the subject were reviewed in Northern Sonoma County as well as in Mendocino County. Because large adjustments to these sales would be required, sales in Mendocino County alone were included in the analysis.

The sales analyzed above have been determined to be the most recent sales of properties similar to the subject. The location, current use, and size of this property make it very difficult to find recent comparable sales.

Land Sales

The subject property estimated land value is based on the below listed comparable sales. There are a limited number of raw land sales with similar zoning that have occurred in the subject property immediate market area.

Sale #1-2700 N State St., Ukiah, CA 95482 - APN: 169-140-11 Property sold on May 23, 2013 for \$426,000, per Mendocino Doc. #7812.

This is a commercially zoned lot with Highway 101 frontage consisting of 2.51 acres. This property was purchased May 23, 2013 for \$426,000. There was a modular building on site with a large billboard for freeway advertising. The property is zoned General Commercial. The net contributory value of the modular building and freeway sign was estimated at \$35,000 which reduced the land purchase price to \$391,000. Utility service was available to the property site. The underlying land value purchase equates to \$3.58 per square foot.

The site is located in the immediate market area of the subject property. The site has good visibility and there is good access to the site. This location has freeway visibility of this site and is a similar location.

The zoning at this site is similar to the subject property location. The sale date is current from a market standpoint.

Overall, this property is a similar overall location to the subject property. The parcel size is significantly smaller than the subject site.

Overall no adjustment is indicated. The value equates to \$3.60 per square foot, rounded.

Sale #2-13795 Mountain House Road, Hopland, CA 95449 - APN: 048-400-34

Property sold on May 26, 2011 for \$85,000, per Mendocino Doc. #7212

This is a commercially zoned lot with Highway 101 frontage consisting of 1.50 acres. This property was purchased May 26, 2011 for \$85,000. There was a billboard for highway advertising under contract at date of sale. The property is zoned General Commercial. The net contributory value of the highway sign was estimated at \$10,000 which reduced the land purchase price to \$75,000. Utility service was available to the property site. The underlying land value purchase equates to \$1.15 per square foot.

The site is located in the immediate market area of the subject property. The site has good visibility and there is good access to the site. This location has freeway visibility of this site and is a similar location. The zoning at this site is similar to the subject property location.

Overall, this property is an inferior overall location to the subject property. The parcel size is significantly smaller than the subject site. The sale date is three years old and occurred during a somewhat weaker commercial property market.

Overall based primarily on the inferior location, a 30% upward adjustment is indicated. The adjusted value equates to \$1.50 per square foot, rounded.

Sale #3-13831 Mountain House Road, Hopland, CA 95449 - APN: 048-400-38

Property sold on May 26, 2011 for \$195,000, per Mendocino Doc. #7211

This is a commercially zoned lot with Highway 101 frontage consisting of 2.30 acres. This property was purchased May 26, 2011 for \$195,000. The property is zoned General Commercial. Utility service was available to the property site. The underlying land value purchase equates to \$1.95 per square foot.

The site is located in the immediate market area of the subject property. The site has good visibility and there is good access to the site. This location has freeway visibility of this site and is a similar location. The zoning at this site is similar to the subject property location.

Overall, this property is an inferior overall location to the subject property. The parcel size is significantly smaller than the subject site. The sale date is three years old and occurred during a somewhat weaker commercial property market.

Overall based primarily on the inferior location, a 30% upward adjustment is indicated. The adjusted value equates to \$2.55 per square foot, rounded.

**Sale #4-44720 Highway 101, Laytonville, CA 95454 - APN: 014-130-55
Property sold on August 20, 2013 for \$220,000, per Mendocino Doc. #12964.**

This is a commercially zoned lot with Highway 101 frontage located in the Laytonville commercial district. The lot size is 1.42 acres. This property was purchased August 20, 2013 for \$220,000. The property is zoned General Commercial. Utility service was available to the property site. The site is level and fully usable. The underlying land value purchase equates to \$3.56 per square foot.

The site is located in the general market area of the subject property, north of Ukiah. The site has good visibility and there is good access to the site. This location has 150 feet of Highway 101 frontage. There is good visibility of this site. Laytonville is an inferior location to the subject property site. The zoning at this site is similar to the subject property location.

Overall, this property is an inferior overall location to the subject property. The parcel size is significantly smaller than the subject site. The sale date is current from a market standpoint.

Overall, a 10% upward adjustment is indicated. The adjusted value equates to \$3.90 per square foot, rounded.

Summary Analysis:

The adjusted average sales price per square foot for the comparable properties utilized in this report is \$2.90 per square foot. The parcels are all significantly smaller parcel sizes than the subject site.

There are a limited number of like type property sales in the local marketplace. Appraisals of like type properties in the area frequently require the use of: (a) sales needing larger than preferred adjustments, (b) sales of properties more distant from subject than usually employed, and (c) older than desired sales. These departures from preferred practice are frequent and necessary for appraisals in the area and are so recognized as a local standard of practice. This is compounded by the fact that the subject should be first compared with highway frontage properties. Non highway frontage properties are not comparable to the subject.

Based on the location of the subject property, the Highway 101 frontage, the limited availability of sites similar to the subject in this market area, the utility of this site and with primary emphasis on current commercial real estate market conditions in this market area, the estimated value of the subject property site as of the date of this report is seen as being in the mid range of value for similar type property. The estimated value for the raw land at this location is \$3.25 per SF for the subject site.

The subject parcel size is 15.33 acres total. The site area is 691,733 SF. The selected land value for the property site is \$3.25/SF.

Thus the total estimated value of the 15.33 acres of the subject property is shown below.

\$3.25 per SF x 667,775 SF or \$2,170,269. Thus, the estimated land at the subject property is valued as of the appraisal date at \$2,170,000, rounded.

Income Approach to Value

As the current site is undeveloped, the below listed hypothetical conditions are utilized to develop an income approach to value. The hypothetical conditions are contrary to what currently exists at the site but are supposed for purpose of this analysis. This property is appraised as if the property was improved and ready for development. Detail for proposed development of this property site is provided by the client.

1. Proposed building area square footage is 148,234 SF
2. A site coverage ratio of 22% is projected for the property.
3. Development at the site will include a warehouse type structure that will be a large open shell concrete tilt up structure with some partitioning for storage and office areas. It is assumed that the structure will be average to good quality with virtually no architectural embellishments or interior department divisions. There will be a small finished office area with drywall that is painted and restroom facilities. The buildings will have exposed conduit, fluorescent lighting and adequate plumbing. The heating source will be space heaters.

In the market area of the subject property, which incorporates Ukiah and the surrounding Mendocino County area, base monthly rents range from \$0.60 to in excess of \$0.75 per square foot for similar rental properties in a well located, maintained building. The average of rental rates in the local community for properties comparable to the subject appears to be in the \$0.60 to \$0.75 per square foot range. Most commercial leases have a consumer price index increase annually, generally with a maximum percentage increase. Because of the current higher than the norm vacancy rates and the generally slow economic recovery a number of leases for like type properties have been renegotiated and the rental payment reduced. This reduction has been as much as 10-15% in some instances but more typically has been in the range of 5-10%.

This site is a well located, visible site and the surrounding area includes a combination of major retail (Wal Mart, Friedman's, Staples), yard storage and warehouse, production space,

The subject property is intended as an owner-user project. Total projected expense, including reserve for capital replacements, management expense and direct expense incurred by the property owner is estimated at 20 to 25% of gross income. Direct expense includes utility expense, professional fees, property tax, insurance, and repair and maintenance expense. An overall expense factor in the range of 24% of gross income annually for this property is realistic based on lease terms for properties similar to the hypothetical development at this property. This expense ratio is consistent for like type properties to the subject and is the ratio utilized in this analysis to determine the effective gross income for the hypothetical development.

The estimated net operating income for a typical year's operation is based on the projected lease income developed by the appraiser. In this analysis, \$0.65 per SF is the projected gross monthly rent. The estimated lease income is developed based on the 148,234 square feet of potential retail warehouse space to be developed at this location.

The following pro forma details income and expense projections for the subject property for a calendar year. This information is taken from industry standards coupled with the detail developed from lessors of like type properties in this market area.

Ukiah retail warehouse discount store-Pro forma Income and Expense

Projected for industrial buildings to be constructed on site

Gross income-
Monthly

Rental revenue-market rate			
\$0.65/SF, 148,234 SF		\$ 96,352	
	Projected gross monthly income	\$96,352	
Projected Annual Income		\$1,156,225	
Projected Annual Expense			
Vacancy and Collection expense		Owner, user	
Operating, Management Expense-non recoverable			
Property management expense		\$34,600	
Utility expense		\$52,200	
Repair and maintenance expense		\$31,000	
Insurance, legal, accounting		\$24,750	
Real Estate property tax		\$112,000	
Replacement reserve		\$27,500	
	Total projected expense	\$282,050	
	Projected net operating income before debt service	\$	874,175
Capitalized value, rounded		\$	11,655,000
Estimated construction costs		\$	8,929,338
Permits, fees, mitigation		\$	610,000
Total Estimated Project Cost		\$	9,539,338
Estimated Project Capitalized Value	\$11,655,000		
Less: Total Estimated Project Cost	\$ 9,539,338		
Underlying land value, rounded		\$	2,116,000
Per acre		\$	138,030
Per SF		\$	3.17

Direct Capitalization

The direct capitalization analysis involves converting a single year's estimated stabilized net operating income (NOI) into a value indication. Once the net operating income has been estimated, this conversion is accomplished by dividing the NOI estimate by an appropriate rate. The direct capitalization formula is:

$$\text{Value} = \text{NOI} / \text{Overall Capitalization Rate.}$$

The market has indicated a capitalization rate for comparable properties to be in the range of 7.0 to 8.5%. This information is taken from comparable sales of similar properties and data supplied by brokers and sales people knowledgeable in the field. Capitalization rates have increased over the past 12 to 24 months. The increased capitalization rates are a result of the current deteriorated market conditions, the difficulty in obtaining project financing, vacancy rates in the marketplace and developer-investor risk aversion. On the other hand, smaller, user type properties with credit worthy tenants are valued at lower cap rates.

The capitalization rate selected for the subject property is 7.50%. The estimated gross market value based on the income capitalization analysis is thus:

$$\text{Value} = \$874,175 / .075 = \$11,655,666, \text{ which figure is rounded to } \$11,655,000.$$

Total Gross Estimated Value, Income Approach **\$11,655,000.**

Development Costs: The Marshall Swift Cost Valuation Service and local developer's cost estimates of similar warehouse type properties in the area have been used to establish the Cost New of the subject property hypothetical improvements. Related costs include sewer, water connection fees, building permit fees, impact and mitigation fees, and site development fees.

Airport Park Boulevard, Ukiah.		
Building rentable area	148,234 sq. ft. @\$53.00 sq. ft.	\$8,449,338
Other Improvements	Site improvements, Landscaping	\$ 480,000
Permits, fees, assessments		\$610,000
Projected project Cost New, rounded		\$9,539,338
Estimated Total Project Value:		<u>\$11,655,000</u>
Estimated Land Value, rounded		\$2,115,000

Based on the 15.33 acres at this site, the raw land value is \$3.17 per SF.

\$3.17 per SF x 667,775 SF or \$2,116,847. Thus, the estimated land portion of the subject property is valued as of the appraisal date at \$2,115,000, rounded.

Value Estimate, Conclusion and Reconciliation:

The estimated land value of the “as complete” subject property has been determined from the market sales analysis and income approach. These values are indicated below:

Market Sales	\$2,170,000
Income Approach	\$2,115,000

There is a minor variation in the estimated values from the two distinct approaches. The income approach is based on the projected lease income and development expense estimates determined from market research and analysis of similar properties.

The market sales approach is predicated on the principle of substitution, essentially that an investor would pay no more for an existing property than for a comparable property with similar utility. The market sales approach to estimated value appears to be the most realistic estimate of current market value.

Value Conclusion

Based on my research and the analysis contained in this report, it is my opinion that the estimated “**As Is**” **market value** as of the subject property located on Airport Park Blvd. Ukiah, consisting of 15.33 acres as of the report date is \$2,170,000.

Thank you for this opportunity to be of service.

Respectfully Submitted,

George R. Dutton /s/

George R. Dutton
State Certified General R.E. Appraiser #AGO26971

EXCLUSIVE NEGOTIATING AGREEMENT

THIS EXCLUSIVE NEGOTIATING AGREEMENT (this "*Agreement*") is entered into as of the 20th day of January, 2011, by and among the REDEVELOPMENT AGENCY OF THE CITY OF UKIAH, a public agency, corporate and politic exercising governmental functions and powers and organized and existing under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.) ("*Agency*"); COSTCO WHOLESALE CORPORATION, a Washington corporation duly qualified to do business in the State of California ("*Costco*"); and the CITY OF UKIAH, a municipal corporation organized and existing pursuant to the Constitution and laws of the State of California ("*City*"). Agency, City and Costco shall be collectively referred to as the "*Parties*". The Parties agree as follows:

100. SUBJECT OF AGREEMENT

101. Purpose of this Agreement. The purpose of this Agreement is to establish a period during which Costco shall have the exclusive right to negotiate with Agency the terms of a Disposition and Development Agreement or other agreement (the "*DDA*") to effectuate the Redevelopment Plan (the "*Redevelopment Plan*") for the Ukiah Redevelopment Project by providing for the disposition and development of certain real property (the "*Site*") included within the boundaries of the Project (the "*Project Area*") by providing for the development, construction and operation on the Site, in accordance with Costco's requirements, of a wholesale and retail general merchandise facility, which facility also may include, without limitation, a pharmacy, tire sales and installation center, liquor sales, a vehicle fueling facility, a car wash, photo processing, butcher, deli and bakery services, optometry services, furniture sales, related office space, related parking, and other improvements (collectively, the "*Costco Project*"). The further purpose of this Agreement is to establish procedures and standards for the negotiation and approval of the DDA and governmental permits and approvals required for the Costco Project. This Agreement in itself does not grant Costco the right to develop the Costco Project, nor does it obligate Costco to any activities or costs to develop the Costco Project, except for the preliminary analysis and negotiations contemplated herein.

102. The Redevelopment Plan. This Agreement is subject to the provisions of the Redevelopment Plan that was approved and adopted on November 15, 1989 by the City Council of the City of Ukiah, by Ordinance No. 895, and amended on December 16, 1998, by Resolution No. 99-1, and further amended on November 27, 2006 by Ordinance No. 1088. The Redevelopment Plan, as it now exists and as it may be subsequently amended, is incorporated herein by reference and made a part hereof as though fully set forth herein.

103. The Project Area. The Project Area is located in the City of Ukiah, California, and the exact boundaries thereof are specifically described in the Redevelopment Plan.

104. The Site. The Site is that portion of the Project Area shown on the Map of the Site (Attachment No. 1) and is more particularly described in the Legal Description of the Site (Attachment No. 2).

200. NEGOTIATION PERIOD

201. Length of Negotiating Period. For a period (the "*Negotiating Period*") commencing on the Effective Date and continuing until one year after final and non-appealable City and/or Agency action on the Environmental Impact Report currently being prepared for expansion of the Ukiah Wal-Mart store (the "*Wal-Mart EIR*"), and provided the Costco Project is determined to be feasible by the Parties, each acting in its sole and absolute discretion, Agency agrees to negotiate with Costco and Costco agrees to negotiate with Agency toward the terms and provisions of a mutually acceptable DDA and with Agency and City toward the discretionary governmental approvals for the Costco Project (the "*Entitlements*"). The Negotiating Period and this Agreement will terminate upon the mutual execution of a DDA by Agency and Costco and the issuance of the Entitlements. The Entitlements shall include, without limitation, creation of the Site as a single legal parcel consisting of a size and configuration approved by Costco and that allows transfer of the Site at Closing in compliance with all applicable subdivision laws, and re-zoning of the Site to allow the uses contemplated for the Costco Project. It is the intention of the Parties that final action on the DDA and issuance of the Entitlements shall occur substantially concurrently.

201.1 Extension to Comply with CEQA. If the Parties are proceeding with commercially reasonable diligence and in good faith to complete their negotiations with respect to a mutually acceptable DDA and to obtain issuance of the Entitlements, but Agency's ability to take final action on the proposed DDA or issuance of the Entitlements is delayed as a result of the need for City or Agency to comply with applicable provisions of the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.* and the State Guidelines for Implementation of the California Environmental Quality Act set forth at Title 14, California Code of Regulations Section 15000, *et seq.* (collectively, "*CEQA*"), the Negotiating Period shall be automatically extended for the period of time it takes for City or Agency to complete and take final non-appealable action on the DDA and the Entitlements pursuant to CEQA.

201.2 Extension for Public Hearings and Agency Approval. If prior to close of business on what would otherwise be the last day of the Negotiating Period Costco executes and submits to Agency a proposed DDA, executed by Costco, that is the product of negotiations and a meeting of the minds between Costco and Agency's staff and consultants, and Costco and Agency and/or City staff and consultants have reached substantial agreement on the Entitlements, the Negotiating Period shall be automatically extended for up to an additional sixty (60) days to provide Agency sufficient time to prepare such reports and conduct such public meetings and hearings as may be needed to enable Agency's governing board to determine whether to approve and execute the proposed DDA, and to provide the respective issuing authority sufficient time to prepare such reports and conduct such public meetings and hearings as may be needed to approve issuance of the Entitlements.

201.3 Extension upon Mutual Agreement. In addition to the automatic extension under Sections 201.1 and 201.2, the Parties may mutually agree in writing to extend the Negotiating Period from time to time and for such periods as they may agree. Any extension of this Agreement may be granted on behalf of Agency by its Executive Director. Agency

agrees to consider reasonable requests for extensions of time and shall, upon request, notify Costco in writing of the reasons for any decision not to execute the DDA. Agency undertakes no commitment or obligation to Costco to grant any such requested extension.

202. Good Faith Negotiations. The Parties intend that during the Negotiating Period each will perform certain actions and fulfill certain obligations and responsibilities under this Agreement. Agency, by and through its staff and consultants, and Costco agree for the Negotiating Period to negotiate diligently and in good faith to prepare the DDA to be considered for execution between Agency and Costco, in the manner set forth herein, with respect to the proposed disposition and development of the Site, and Agency, City and Costco agree for the Negotiating Period to pursue diligently and in good faith their other respective obligations set forth in this Agreement.

203. Exclusive Negotiations.

203.1. Agency and City shall not, during the Negotiating Period, directly or indirectly, through any officer, employee, agent, or otherwise, solicit, initiate or encourage the submission of bids, offers or proposals by any person or entity other than Costco with respect to the acquisition of any interest in the Site or any portion thereof, and Agency and City shall not engage any broker, financial adviser or consultant to initiate or encourage proposals or offers from other parties with respect to the disposition or development of the Site or any portion thereof. Furthermore, during the Negotiating Period, Agency and City shall not, directly or indirectly, through any officer, employee, agent or otherwise, engage in negotiations concerning any such transaction with, or provide information to, any person other than Costco and its representatives with a view to engaging, or preparing to engage, that person with respect to the disposition or development of the Site or any portion thereof.

203.2. Costco shall not, during the Negotiating Period, directly or indirectly, through any officer, employee, or agent investigate, negotiate, or otherwise, solicit, initiate or submit bids, offers or proposals to any person or entity other than Agency with respect to the acquisition of any interest in real property or any portion thereof in Mendocino County for a ***Costco Project***, and Costco shall not engage any broker, financial adviser or consultant to initiate or encourage proposals or offers from other parties with respect to acquisition of such interests in such real property for a ***Costco Project***. Furthermore, during the Negotiating Period, Costco shall not, directly or indirectly, through any officer, employee, agent or otherwise, engage in negotiations concerning any such transaction with, or provide information to, any person other than Agency and City and their representatives with a view to engaging, or preparing to engage, that person with respect to the acquisition of any interest in real property in Mendocino County for the development of a ***Costco Project***.

204. Expenses. Costs and expenses incurred in connection with this Agreement and the activities contemplated hereby shall be allocated among the Parties and paid pursuant to a reimbursement agreement (the "***Reimbursement Agreement***") to be negotiated among the Parties within sixty (60) days after the Effective Date. Agency and Costco agree to meet routinely in order to ensure that costs and expenses arising under or pursuant to this Agreement or in connection with this Agreement and/or DDA, including, without limitation, costs of pursuing the

Entitlements are taken into consideration with respect to the preparation of additional studies, reports, and other materials in pursuit of the DDA and the Entitlements.

300. INVESTIGATIONS

301. Reports and Studies. Within fifteen (15) days following the Effective Date, City and Agency shall each furnish to Costco all material information within its possession or control concerning the Project Area, not already furnished to Costco or obtained by Costco under or in the performance of the Letter of Intent among the Parties, dated May 12, 2010, and signed by City and Agency officials on May 19, 2010, including without limitation, copies of any topographical surveys, environmental reports, engineering studies, soil-bearing test data, diagrams indicating the location of existing utilities, title policies/commitments, surveys, instruments referred to in the title policy or commitment as conditions or exceptions to title and any similar reports and studies with respect thereto. Costco shall provide Agency without cost the results of any investigation, topographical surveys, engineering studies, soil-bearing test data, surveys or other studies and reports of the Site prepared by Costco or its officers, agents, contractors or employees as they become available, but not later than thirty (30) days after the Agency submits a written request for such results or studies to Costco. All information furnished by either Party to the other pursuant to this Section 301 is provided without any representation or warranty as to its accuracy and each party agrees to waive any claim against the other party arising out of its receipt or reliance on said information.

302. Rights of Entry and Investigation. During the Negotiating Period, Costco, at Costco's sole expense, may investigate and determine the soil conditions of the Site and the suitability of such soil conditions for the improvements to be constructed by Costco, and may undertake any additional surveys, structural measurements, architectural and engineering studies, and other studies and tests Costco deems appropriate, and Costco and its representatives shall have the right of access to the Site at all reasonable times for the purpose of obtaining data and making surveys and tests necessary to carry out this Agreement. If the soil or any other Site conditions, title conditions or market conditions are not in all respects entirely suitable for the use or uses to which the Site will be put, then Costco may elect, in Costco's sole and absolute discretion, to terminate this Agreement or to proceed to enter into the DDA. Any representations, warranties, agreements, obligations, liabilities or responsibilities pertaining to the condition of the Site or the Costco Project will be the subject of negotiations between the Parties in connection with the negotiation of the DDA. Costco shall have access to all data and information regarding the Site available to Agency, but without warranty or representation by Agency as to the completeness, correctness or validity of such data and information.

303. Indemnity. As consideration for permission to enter upon the Site as described above, Costco agrees to restore the Site to substantially the same condition as existed prior to such entry and to indemnify and hold Agency harmless from and against any demand, damage, loss, action, liability, cause of action or judgment and all liability for claims of whatever nature arising out of the entry onto the Site by any agent, employee, associate, independent contractor, or anyone else entering at the request, direction or invitation of Costco, provided, however, that (i) this indemnity shall not apply to the extent such liability arises in connection with the negligence or willful misconduct of any other Party or an agent of that Party, and (ii) Costco shall have no liability

to Agency or to any other person or entity by reason of, nor shall Costco have any duty to indemnify, defend or hold any person or entity harmless from or against, any claim, demand, damage, loss, action, liability, cause of action or judgment, including, without limitation, any claim for diminution in value of the Site or for environmental remediation or clean-up costs, arising out of or in connection with the mere fact of having discovered and/or reported (as may be required by law) any adverse physical condition, title condition, or other condition or defect with respect to the Site.

400. COSTCO SUBMISSIONS

401. Costco Qualifications. Costco has provided Agency with access to its most recent Annual Report and financial statements it is required as a publicly-traded company to file with the Securities and Exchange Commission. Agency has reviewed the Annual Report and financial statements and, by its execution of this Agreement, Agency represents to Costco that it has determined Costco has sufficient equity capital to acquire and develop the Site and the necessary qualifications to develop and operate the proposed Costco Project.

402. Preliminary Submittals. By February 1, 2011, Costco shall submit to Agency concept drawings for the Costco Project. Costco's submission shall include: (i) a development proposal and site plan, including elevations, generally describing the Costco Project ("**Basic Concept Drawings**"); (ii) a scope of development for the Costco Project; and (iii) a proposed construction schedule of development. Agency may waive Costco's obligation to provide any item(s) required pursuant to this Section. Costco agrees to cooperate in furnishing the information to Agency; provided, however, the Parties agree Costco shall not be required to provide proprietary information.

403. Applications for Entitlements. Within thirty (30) days after the Effective Date, Costco shall submit formal Entitlement Applications for the Costco Project to City, including applications for rezoning, subdivision, architectural control, landscaping plans, fixture specifications, water quality management plans, and other reports, studies, documents, exhibits, and displays, as typically may be required by City or Agency (collectively, "**Entitlement Application**"). The Entitlement Applications shall be processed in accordance with and within the time limits required by state law, including the Permit Streamlining Act (Gov't Code §69520 et seq.) and City ordinance.

403.1. CEQA Determination. In the event City determines an EIR must be prepared for the Costco Project, the Parties agree that the cost to prepare the EIR and the time required for its preparation should be minimized by, among other things, making use of other environmental studies and EIRs prepared or in the course of being prepared for projects within the Redwood Business Park. The City shall use its best efforts to capitalize on such efforts. Toward that end, in compliance with Ukiah City Code Section 1522, the City shall endeavor to retain Environmental Science Associates ("ESA") as the consultant to prepare the EIR. In the event ESA cannot be retained for any reason, the City shall promptly provide Costco with a list of pre-approved environmental consultants and Costco shall be permitted to recommend an environmental consultant from such list ("**Environmental Consultant**"). City shall consider Costco's recommendation in selecting an Environmental Consultant from the list to prepare the EIR for the Costco Project. Costco shall cooperate with Agency and City in preparing

environmental documents by supplying necessary technical data and other related information and/or development plans concerning the Costco Project. Any costs, fees and charges associated with compliance with CEQA requirements shall be paid in accordance with the Reimbursement Agreement.

500. NEGOTIATION AND APPROVAL OF DDA

501. Process of Negotiation. Within ninety (90) days after the Effective Date, Costco shall deliver to Agency a draft of the DDA. Unless and until this Agreement is terminated pursuant to Section 600 below, the Parties shall negotiate diligently and in good faith until the end of the Negotiating Period, subject to extension as in this Agreement provided, and thereafter any of the Parties may terminate this Agreement by written notice to the other Parties. The DDA shall include, without limitation, terms and provisions for the following:

501.1 Construction Obligations. (i) The design of the Costco Project, which design shall be subject to approval by Agency and City during the Negotiating Period; (ii) the acquisition of the Site conditioned upon issuance of all entitlements and all building and other permits necessary for construction of the Costco Project (the "*Project Approvals*"); (iii) construction of the Costco Project in accordance with final plans and specifications to be provided by Costco and approved by Agency and City, pursuant to a detailed schedule of performance that shall include, but not be limited to, the date for the submittal of construction plans to Agency, the date for commencement of construction of the Costco Project and the date for completion of construction; and (iv) any infrastructure work to be undertaken by Agency or City in connection with the Costco Project and the schedule of performance for such work.

501.2 Representations and Warranties. Usual and customary representations and warranties by Agency and Costco in favor of each other.

501.3. Deposit. That within ten (10) business days following its full execution and delivery, Costco will deposit earnest money of Fifty Thousand and No/100 Dollars (**\$50,000.00**) (the "*Deposit*") with First American Title Insurance Company ("*Title Company*"). Title Company will place the Deposit in an interest-bearing account with interest to accrue to Costco's benefit. If the transfer of the Site to Costco pursuant to the DDA closes, the Deposit shall be credited against the Purchase Price. If the transaction does not close for any reason other than default by Costco, then the Deposit shall be returned to Costco. In the event of Costco's default under the DDA, Agency shall have as its sole remedy the right to terminate the DDA and retain the Deposit as liquidated damages.

501.4. Restrictive Covenant. An exclusive use covenant in favor of Costco substantially in the form set forth in Attachment 3 hereto.

501.5. Closing. That the closing on Costco's acquisition of the Site (the "*Closing*") shall occur at the office of Title Company on a date selected by Costco that is within 30 days after Costco has received the Project Approvals and prior to commencement of construction; and that at the Closing Agency shall: (i) provide Costco with a grant deed to the Site subject only to exceptions approved by Costco, (ii) cause all deeds of trust, mortgages, assessments and liens

encumbering the Site (except for the current year's ad valorem real property taxes) to be paid and satisfied, and (iii) deliver full, sole, vacant and exclusive possession of the Site to Costco, subject to no tenancies, leasehold interests, or other similar interests.

501.6. Closing Costs and Prorations. That at the Closing, Agency will pay the following costs in connection with the Closing: all real estate excise or recording, conveyance, transfer, documentary stamp or similar taxes or fees imposed in connection with the conveyance of the Site, the costs of a CLTA standard owners title insurance policy, and one half (1/2) of Title Company's escrow fee; Costco will pay the following costs in connection with the Closing: any additional premium for an ALTA title insurance policy, including the costs of any survey or any endorsements requested by Costco, and one-half (1/2) of Title Company's escrow fee; property taxes for the year in which the Closing occurs will be prorated as of the date of the Closing; and each party shall pay its own legal and other consultants' fees incurred in connection with negotiation of and performance under this Agreement and the DDA, except as otherwise may be provided in the Reimbursement Agreement.

501.7. Purchase Price. That the purchase price for the Site (the "**Purchase Price**") shall be Three and 50/100 Dollars (\$3.50) per square foot of Property, net of any area that is not available for Costco's exclusive use as building, fueling facility, parking lot improvements, including, without limitation, lighting, drive aisles, cart corrals, curb, gutters, and sidewalks, and related landscaping. It is estimated that the Site contains approximately 15.33 acres of land (assuming that all of the land will be usable) and that the Purchase Price shall be approximately Two Million Three Hundred Thirty-Seven Thousand Two Hundred Eleven Dollars and 80/100 Dollars (\$2,337,211.80). The exact area of the Site and the total Purchase Price shall be determined prior to the Closing by the survey to be obtained during the Negotiating Period. The Purchase Price shall be payable at the Closing in immediately available funds. Agency heretofore has obtained an appraisal of the Site prepared by George R. Dutton, California State Certified General Appraiser #AGO-26971, an independent real estate appraiser, to determine the fair market value of the Site (the "**Appraisal**"). That Appraisal is the basis on which the Purchase Price has been agreed upon between Agency and Costco. The Purchase Price for the Site therefore is the fair market value of the Site, and the terms and conditions set forth in this Agreement do not and the DDA will not include any subsidy, discount, rebate, credit, or other similar direct or indirect economic benefit to Costco. In the event of any claim by the California Department of Industrial Relations, any other governmental authority, or any other party, to the effect that the acquisition and development of the Site (or any portion thereof) by Costco should be classified as a "public work" subject to the California prevailing wage law, Labor Code Section 1720, *et seq.*, Agency shall cooperate with Costco in opposing any such claims.

501.8. Broker's Commissions. That conditioned upon and at the close of escrow of the conveyance of the Site to Costco, Agency shall be responsible for paying (i) a broker's commission in the amount of THREE HUNDRED THOUSAND DOLLARS (\$300,000), to be paid in equal shares to NWAP II, Inc., and Collier's International (Jason Galleli), and (ii) a broker's commission in the amount of Three Percent (3%) of the Purchase Price, to be paid to Realty World Seltzer Realty. Agency, City and Costco each represent to the other that it has engaged no other broker in connection with the transaction set forth in this Agreement to whom a commission is or would be payable.

501.9. Non-Discrimination. That the deed conveying the Site to Costco shall provide that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, development, or enjoyment of the Site, nor shall the grantee or any person claiming under or through him, her or it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

501.10. Statutory Requirements. Provisions required by the California Community Redevelopment Law for such agreements as well as the procedures set forth in the Community Redevelopment Law for approval of such an agreement.

502. Effect of Negotiations. If the Parties successfully negotiate a DDA, Agency shall promptly conduct the noticed public hearing required by Community Redevelopment Law (California Health & Safety Code Section 33300 et seq.), shall comply with all applicable CEQA requirements, and shall recommend approval of the DDA to Agency's governing board. Neither Agency nor City shall have any legal obligation to grant any approvals or authorizations for the Costco Project before the DDA has been approved by Agency's governing board. Costco understands and acknowledges that any DDA resulting from the negotiations arising from this Agreement shall become effective only if and only after such DDA and the additional Agency and City approvals contemplated by this Agreement have been considered and approved by Agency and City, respectively as appropriate, at a public hearing or hearings called for that purpose.

503. Action by City and Agency. During the Negotiating Period, City and Agency shall take all steps necessary so that no later than concurrently with the approval of the DDA, the Site shall be a single, separate legal parcel and shall be zoned to allow all of Costco's intended uses and operations, and the Basic Concept Drawings shall be approved by Agency and City as the basis for proceeding to construction plans and specifications.

504. No Predetermination of Discretion. The Parties agree and acknowledge that nothing in this Agreement in any respect does or shall be construed to affect or prejudice the exercise of Agency's or City's discretion concerning consideration of any submittal by Costco. Further, nothing in this Agreement in any respect does or shall be construed to affect or prejudice Agency's or City's discretion to consider, negotiate, or undertake the action hereunder or any required approvals necessary by the laws, rules, and regulations governing the development of Site or infrastructure.

600. PERFORMANCE UNDER THIS AGREEMENT

601. Termination by Costco at Will. Costco may terminate this Agreement at any time, in Costco's sole and absolute discretion, including, without limitation, upon dissatisfaction

with the results of its investigations, analyses and studies, the progress of negotiations hereunder, the costs of procuring or complying with the Entitlements or Project Approvals, or any other costs or other aspects of the Costco Project, by delivering written notice of such termination to City or Agency.

602. Termination by Agency for Cause. If Agency contends that Costco has not proceeded diligently and in good faith to perform all of Costco's obligations under this Agreement, Agency shall give written notice thereof to Costco specifying the nature of the failure and the action required to cure it, and Costco then shall have ten (10) business days to commence performing its obligations as defined in this Agreement. Following the receipt of such notice and the failure of Costco to thereafter commence such performance, in good faith, within such ten (10) business days, this Agreement may be terminated by Agency. In the event of such termination by Agency, Agency shall have the right to retain the Deposit.

603. Effect of Termination. Upon termination as provided herein, or upon the expiration of the Negotiating Period and any extensions thereof without the Parties having successfully negotiated a DDA, (1) this Agreement shall forthwith be void, and (2) City and Agency shall immediately cause to be terminated within three (3) business days thereafter all activities in which it or its consultants are engaged that relate in any manner to the Costco Project, except for such activities as City, or Agency may elect to continue at no expense to Costco after such termination; and there shall be no further liability or obligation on the part of any of the Parties or their respective officers, employees, agents or other representatives; provided however, the provisions of Section 303 (Indemnity), Section 701 (Hold Harmless), and Section 803 (Confidentiality) shall survive such termination.

604. Remedies. Except as otherwise expressly provided in this Agreement, any failure or delay by any Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies or deprive such party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert or enforce any such rights or remedies. In addition to any other rights or remedies, a Party may institute legal action to cure, correct or remedy any default, or recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Mendocino, State of California. Except as otherwise expressly stated in this Agreement, the rights and remedies of Costco are cumulative and the exercise of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by Agency or City.

605. Agency's Unrestricted Right to Sell. Agency represents and warrants to Costco that no understanding, agreement (either express or implied) or reasonable expectancy of agreement with respect to the sale, lease or other transfer of the Site exists between Agency and any party other than Costco as of the Effective Date. Agency further represents and warrants that Agency is not restricted from negotiating with Costco regarding the terms and provisions of the DDA. Agency further acknowledges that Costco's interest in the Site and willingness to enter into this Agreement is conditioned on Agency's foregoing representations and warranties. Agency agrees to defend,

indemnify and hold Costco harmless from and against any claim arising from a breach of the foregoing.

700. HOLD HARMLESS

701. Hold Harmless. Each of the Parties hereby covenants, on behalf of itself and its successors and assigns, to indemnify, save and hold harmless and defend each of the other Parties and the respective agents, officers, officials, employees and other representatives of each of the indemnified Parties, from all claims, demands or actions, including without limitation reasonable attorneys' fees and litigation costs, arising out of, resulting from, or in connection with the negligence or willful misconduct of the indemnifying Party with respect to this Agreement, including, but not limited to, the indemnifying Party's actions or lack of actions with respect to the Costco Project, the negotiation and execution of this Agreement, and the negotiation, approval and execution of a DDA for the Costco Project.

800. LIMITATIONS

801. Reservation of Discretion. By its execution of this Agreement, neither City nor Agency is committing itself to or agreeing to undertake: (a) any commitment or reservation of public funds, revenues or reserves to the Costco Project; (b) approval of the Costco Project; (c) any other acts or activities requiring the subsequent independent exercise of discretion by Agency or City or any agency or department of City.

802. No Public Hearing Requirement. This Agreement does not constitute a disposition of property by Agency or City, and does not require a public hearing. Execution of this Agreement is merely an agreement to enter into a period of exclusive negotiations according to the terms of this Agreement and reserves final discretion and approval by Agency and City as to any DDA and all proceedings and decisions in connection herewith.

803. Confidentiality. During the term of this Agreement, each of the Parties shall obtain the consent of the other Parties prior to issuing or permitting any of its officers, employees or agents to issue any press release or other information to the press with respect to this Agreement; provided however, no Party shall be prohibited from supplying any information to its representatives, agents, attorneys, advisors, financing sources and others to the extent necessary to accomplish the activities contemplated hereby so long as such representatives, agents, attorneys, advisors, financing sources and others are made aware of the terms of this Section. Nothing contained in this Agreement shall prevent any of the Parties at any time from furnishing any required information to any governmental entity or authority pursuant to a legal requirement or from complying with its legal or contractual obligations or from complying with legal requirements governing the disclosure of public records, including the provisions of the California Public Records Act.

900. ASSIGNMENT

901. Assignments Not Requiring Consent. Costco shall be entitled to assign Costco's interest under this Agreement, without the consent of City or Agency, (i) to a

subsidiary, affiliate or parent of Costco or any other entity which controls, is controlled by or is under common control with Costco, provided Costco shall not be released from its obligations or liabilities hereunder; (ii) to a successor of Costco as a result of a merger or consolidation; or (iii) to a limited liability company the members of which include a majority composed of Costco and/or entities controlled by, controlling or under common control with, Costco. Except as provided in the foregoing sentence, Costco shall not assign all or any part of this Agreement without the prior written approval of Agency; provided, however, Costco is a publicly-traded company and any change in ownership of Costco's publicly-traded capital stock shall not constitute an assignment for the purposes of this Agreement.

1000. GENERAL PROVISIONS

1001. Notices, Demands and Communications Between the Parties. Formal notices, demands and communications among the Parties ("*Notices*") shall be sufficiently given if in writing and dispatched by (a) Federal Express, UPS, or other established express delivery services which maintains delivery records; or (b) by hand delivery; or (c) registered or certified mail, postage prepaid, return receipt requested, to the following addresses or to such other address(es) and/or addressee(s) as the respective Party may from time to time designate by Notice delivered in one of the foregoing manners:

To Agency: Redevelopment Agency of the City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482
Attn: Executive Director

To City: The City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482
Attn: City Manager

With copy to: Rapport & Marston
405 W Perkins Street
Ukiah, CA 95482
Attn: David J. Rapport, Esq.

To Costco: Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027
Attn: Seth S. Katz, Corporate Counsel

With copy to: Northwest Atlantic Partners
500 N. State College Blvd, Suite 1080
Orange, CA 92868
Attn: Michael Dobrota

And copy to: Luce Forward Hamilton & Scripps LLP

121 Spear Street, Suite 200
San Francisco, CA 94105
Attn: Counsel for Costco Wholesale Corporation

1002. Conflicts of Interest. No member, official or employee of Agency or City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this Agreement that affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. Costco warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement. The fact that a public official, employee, consultant or representative may hold a membership in Costco Wholesale on terms and conditions generally available for such membership shall not be deemed or construed to be a violation of the foregoing.

1003. No Liability of Agency Officials and Employees. No member, official or employee of Agency or City shall be personally liable to Costco in the event of any default or breach by Agency or City or for any amount that may become due to Costco or on any obligations under the terms of this Agreement, except to the extent wrongfully caused by or directly attributable to the wrongful acts or omissions of such member, official or employee.

1004. Enforced Delay: Extension of Times of Performance. In addition to the specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default where delays or defaults are due to war; act of terrorism; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority of general application (as opposed to such as may apply only or primarily to Costco or the Costco Project); litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier; acts of another party; acts or the failure to act of any public or governmental agency or entity (except that acts or the failure to act by Agency or City shall not excuse performance by Agency or City); or any other causes beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any such cause shall only be for the period of the enforced delay, which period shall commence to run from the time of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by Agency and Costco in the same manner as provided for extension of the Negotiating Period in Section 201.3.

1005. Amendments to this Agreement. Costco, Agency and City agree to mutually consider reasonable requests for amendments to this Agreement that may be made by any of the Parties hereto, lending institutions or bond counsel or financial consultants to Agency, provided such requests are consistent with this Agreement and would not substantially alter the basic business terms included herein.

1006. Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the

subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Parties, and all amendments hereto must be in writing and signed by the appropriate authorities of the Parties. Agency shall be the authorized representative of City for any such waivers and amendments.

1007. Implementation of Agreement. Agency shall maintain authority to implement this Agreement through the Agency Executive Director (or his or her duly authorized representative). The Agency Executive Director shall have the authority to issue interpretations, waive provisions, grant extensions and/or enter into certain amendments of this Agreement on behalf of Agency and City so long as such actions do not materially or substantially change the uses or concept of the Costco Project, or add to the costs incurred or to be incurred by Agency or City as specified herein or in the Reimbursement Agreement.

1008. Cooperation. Each of the Parties hereto agrees to cooperate with the other Parties in undertaking any and all additional steps which may be necessary or convenient to the completion of the transactions contemplated by this Agreement, including without limitation, the preparation and execution of such other and further instruments as may evidence or facilitate the same.

1009. Partial Invalidity. If any provision hereof is held invalid or not enforceable to its full extent, such provision shall be enforced to the fullest extent permitted by law, and the validity of the remaining provisions hereof shall not be affected thereby.

1010. Headings. The headings of various sections in this Agreement are for convenience only and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

1011. Exhibits and Attachments. The exhibits, attachments, schedules, and addenda (if any) attached to and referred to in this Agreement are hereby incorporated into this Agreement as fully as if set out in their entirety herein.

1012. Effective Date. The effective date of this Agreement (the "*Effective Date*") shall be the date on which this Agreement is signed by the last of the signatories hereto.

1013. Relationship of the Parties. The Parties agree that nothing in this Agreement shall be deemed or interpreted to create between the governmental entities and Costco the relationship of lessor and lessee, of buyer and seller, or of partners or joint venturers.

1014. Successors and Assigns; No Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. This Agreement is not intended to benefit, and shall not run to the benefit or be enforceable by any other person or entity other than the Parties and the permitted successors and assigns of each of them.

1015. Governing Law. This Agreement and the legal relations among the Parties hereto shall be governed by and construed and enforced in accordance with the laws of the State of California.

1016. Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed an original, and all of which, together, shall constitute one and the same instrument.

1017. Time for Acceptance by Agency and City. This Agreement, when executed by Costco and delivered to Agency, must be authorized, executed and delivered by Agency and City within thirty (30) days after the date of signature by Costco or this Agreement shall be void, except to the extent that Costco shall consent in writing to further extensions of time for the authorization, execution and delivery of this Agreement.

[SIGNATURES FOLLOW ON NEXT PAGE]

June 20, 2011

REDEVELOPMENT AGENCY OF THE CITY OF UKIAH, a public agency, corporate and politic

By: Jane Chambers
Jane Chambers
Executive Director

By: Linda C. Brown
Linda C. Brown
Secretary

“AGENCY”

June 20, 2011

THE CITY OF UKIAH, a municipal corporation

By: Jane Chambers
Jane Chambers
City Manager

By: JoAnne M. Currie
JoAnne M. Currie
City Clerk

“CITY”

_____, 2011

COSTCO WHOLESALE CORPORATION, a Washington corporation

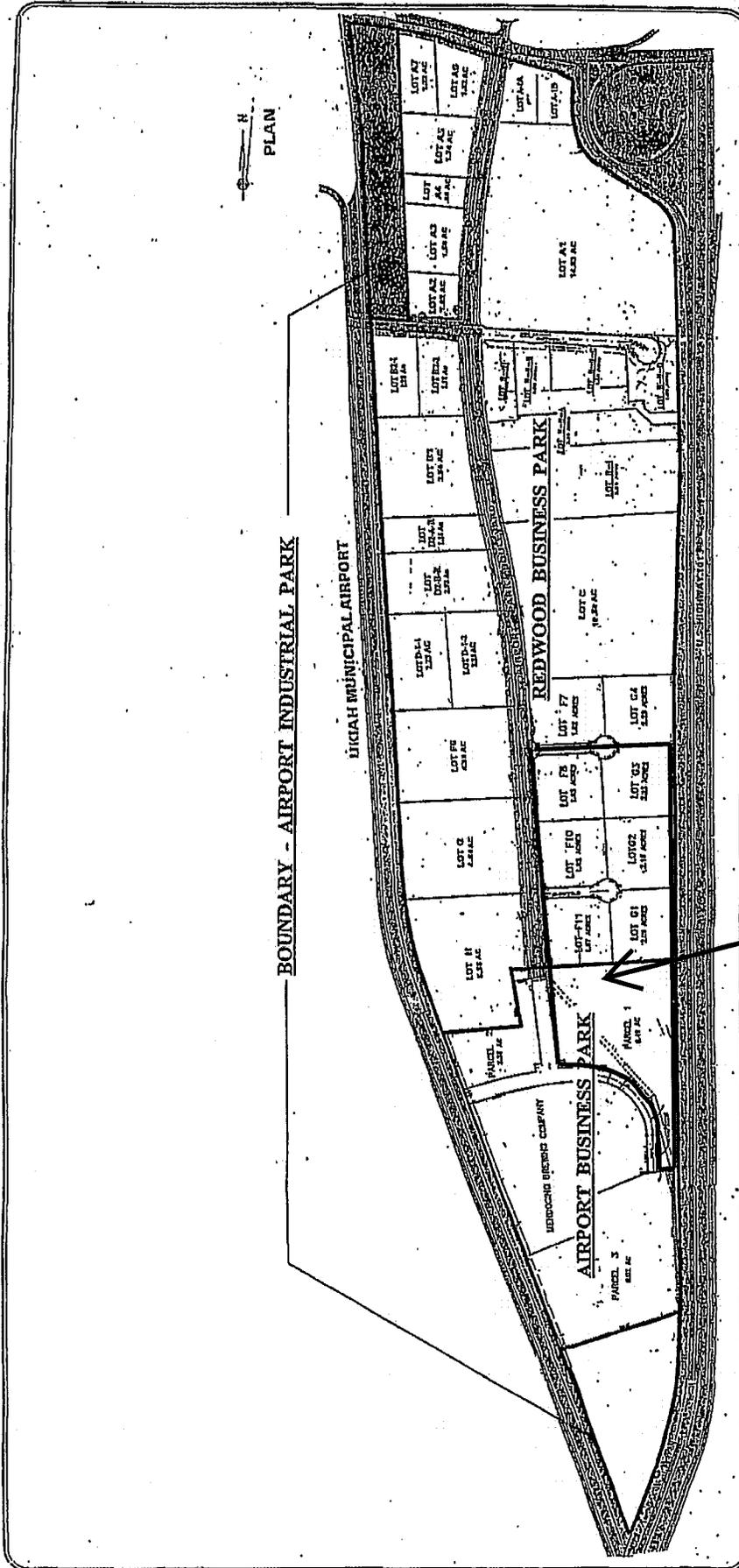
By: Richard J. Olin

Title: RICHARD J. OLIN
V.P./Asst. Secretary

“COSTCO”

ATTACHMENT 1

MAP OF SITE



Owner: Ukiah Redevelopment Agency
Lot F-8 (APN 180-080-62 & 63)
Lot G3 (APN 180-080-57)
Lot F10 (APN 180-080-64 & 65)
Lot F11 (APN 180-080-66 & 67)
Lot G1 (APN 180-080-59)
Lot G2 (APN 180-80-58)
Parcel 1 (APN 180-110-08, 09, & 10)

ATTACHMENT 2

LEGAL DESCRIPTION OF SITE

All that certain real property situate, lying and being in the City of Ukiah, County of Mendocino, State of California, more particularly described as follows:

TRACT ONE:

Parcel One:

Lots F8 and G3, as numbered and designated on that certain Parcel Map No. M.S. 97-07 filed for record July 28, 1997 in Map Case 2, Drawer 64, Pages 21 and 22, Mendocino County Records.

APN: 180-080-57, 180-080-62 and 180-080-63

Parcel Two:

An easement for ingress, egress and public utility purposes over a strip of land more particularly described as follows:

Commencing at the Southwest corner of Lot B6 as shown on the map of Redwood Business Park of Ukiah, filed in Case 2, Drawer 47, Page 24, Mendocino County Records; said point also being the Northeast corner of that parcel of land dedicated to the City of Ukiah for roadway purposes in Book 2024, Official Records, Page 518, Mendocino County Records; thence along the Easterly line of said City of Ukiah lands from a tangent bearing of South 14° 33' 42" East, along a curve to the left having a radius of 3,965.00 feet through a central angle of 0° 49' 56" from an arc length of 57.60 feet to the Southeast corner thereof and the true point of beginning of this description; thence from said point of beginning from a tangent bearing of South 15° 23' 38" East, along a curve to the left having a radius of 3,965.00 feet through a central angle of 0° 36' 21" for an arc length of 41.92 feet to a point of reverse curvature; thence from a tangent bearing of South 15° 59' 59" East, along a curve to the right having a radius of 4,035.00 feet through a central angle of 10° 23' 15" for an arc length of 731.53 feet; thence South 5° 36' 44" East, 1119.01 feet; thence South 82° 45' 50" West, 70.03 feet; thence North 5° 36' 44" West, 1120.99 feet; thence from a tangent bearing of North 5° 36' 44" West, along a curve to the left having a radius of 3,965.00 feet through a central angle of 6° 09' 48" for an arc length of 426.52 feet to the Southeast corner of Lot D2-B as shown on the Parcel Map filed in Case 2, Drawer 58, Page 38, Mendocino County Records; thence along the Easterly line of said Lot D2-B from a tangent bearing of North 11° 46' 32" West, along a curve to the left having a radius of 3,965.00 feet through a central angle of 4° 13' 27" for an arc length of 292.32 feet to a point of reverse curvature; thence from a tangent bearing of North 15° 59' 59" West, along a curve to the right having a radius of 4,035.00 feet through a central angle of 0° 36' 21" for an arc length of 42.67 feet to the Southwest corner of the aforementioned City of Ukiah lands; thence leaving said Easterly line of Lot D2-B and along the Southerly line of said City of Ukiah lands North 74° 36' 22" East, 70.00 feet to the Southeast corner thereof and the true point of beginning.

TRACT TWO:

Lots G1, G2 and F-11 as numbered and designated on that certain Parcel Map No. M.S. 97-07 filed for record July 28, 1997 in Map Case 2, Drawer 64, Pages 21 and 22, Mendocino County Records.

APN: 180-080-58, 180-080-59, 180-080-66 and 180-080-67

TRACT THREE:

Lot F-10 as numbered and designated on that certain Parcel Map No. M.S. 97-07 filed for record July 28, 1997 in Map Case 2, Drawer 64, Pages 21 and 22, Mendocino County Records.

APN: 180-080-64 and 180-080-65

TRACT FOUR:

Parcel One:

Parcel 1, as numbered and designated on that certain Parcel Map of Minor Subdivision #04-51 filed for record October 2, 2006 in Drawer 74, Pages 4, 5 and 6, Mendocino County Records and amended September 9, 2009 in Drawer 78, Pages 76, 77 and 78, Mendocino County Records.

APN: 180-110-08, 180-110-09 and 180-110-10

ATTACHMENT 3

COSTCO'S EXCLUSIVE USE PROVISION

Neither Agency, nor any subsidiary, affiliate, parent or other entity that controls, is controlled by, or is under common control with Agency (collectively "Agency's Entities") shall, directly or indirectly, with respect to all or any portion of any property currently or in the future owned by Agency or any of Agency's Entities within ten (10) miles in any direction from the exterior boundaries of the Site (the "Restricted Property"), (i) sell, lease or otherwise transfer all or any portion of the Restricted Property to, or for use as, a wholesale or retail general merchandise facility that has a merchandising concept based upon a relatively limited number of stock keeping units in a large number of product categories (the "Merchandising Concept"), (ii) sell, lease or otherwise transfer all or any portion of the Restricted Property for use as a grocery store or supermarket that primarily sells food products in bulk quantities (a "Wholesale Grocer"), or (iii) sell, lease or otherwise transfer all or any portion of the Restricted Property to any party to support a facility operating either under the Merchandising Concept or as a Wholesale Grocer (i.e., for parking or other necessary improvements for such a facility; or (iv) sell, lease or otherwise transfer all or any portion of the Restricted Property to any party for use as a "Wal-Mart" store or "Wal-Mart Supercenter" or any other store operated under the "Wal-Mart" brand; provided, however, that in no event shall any of the foregoing prohibitions prohibit the Restricted Property from being used for or as a Costco Wholesale warehouse club or any other facility then operated by Costco or by any successor to Costco (collectively, a "Costco Facility"). The foregoing prohibitions include, but shall not be limited to: (a) any business that operates as a warehouse club (other than a Costco Facility), (b) any business operated under the tradenames of Sam's, BJ's, Jetro, Price Smart or Smart and Final, and (c) any business (other than a Costco Facility) similar to those operated under the tradenames Costco, Sam's, BJ's, Price Smart, Jetro or Smart and Final. This covenant shall be binding on the Restricted Property and Costco shall have the right to record a document containing this restrictive covenant against any Restricted Property (whether currently owned or acquired after the date of the DDA by Agency or any other of Agency's Entities) and Agency (or other Agency's Entities, as applicable) shall cooperate with Costco in recording such document. Agency, on its own behalf and on behalf of each of Agency's Entities, acknowledges that the breach of the foregoing restrictive covenant may cause immediate and irreparable harm for which damages are not an adequate remedy and that, to protect against such harm, Costco may seek and obtain from a court of competent jurisdiction the issuance of a restraining order or injunction to prohibit any actual or threatened breach. Such an action for a restraining order or injunction is in addition to and does not limit any and all other remedies provided by law or equity.

301188995.3



First American Title Insurance Company National Commercial Services
818 Stewart Street, Suite 800 Seattle, WA 98101

PR: NATLAC

Ofc: 206

DATE: 10/07/2011

RECEIPT NO.: 36743

FILE NO.: NCS-422232-WA1

RECEIPT FOR DEPOSIT

FUNDS IN THE AMOUNT OF: \$50,000.00

WERE RECEIVED FROM: Costco

CREDITED TO THE ACCOUNT OF: Buyer

TYPE OF DEPOSIT: Wire

REPRESENTING: Earnest Money Deposit

Comments: 20112800759800

Property Location: NO SITUS ADDRESS, UKIAH, CA

BY: Chantale A. Stiller-Anderson, 10/07/2011

ESCROW OFFICER: Chantale A. Stiller-Anderson

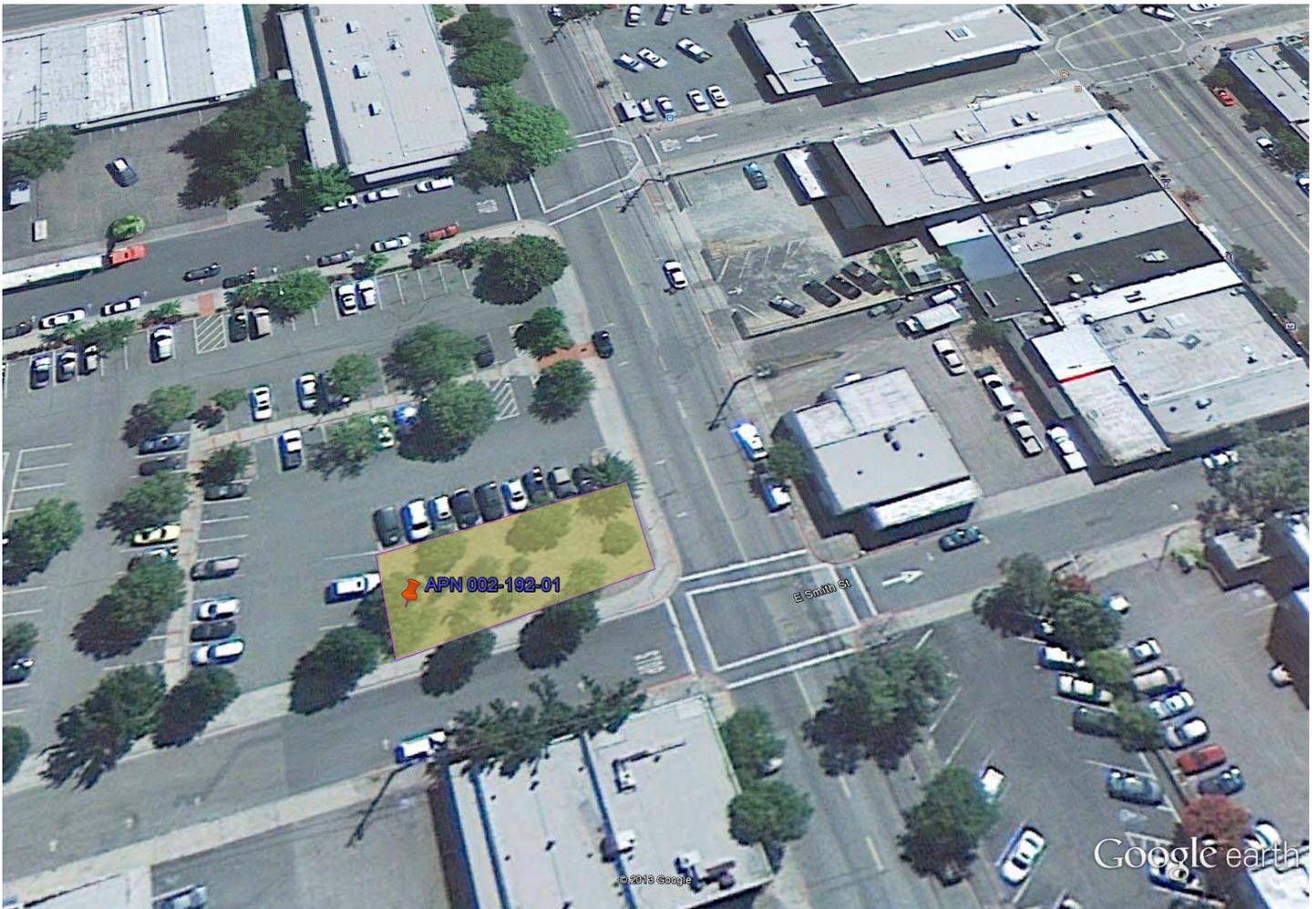
**“The validity of this receipt, for the deposit referenced,
is subject to clearance by the depository financial institution and credit to our account.”**



Google earth

feet
meters





Google earth

feet
meters





Google earth

feet
meters



Google earth





APN 002-192-01 View looking East

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feet
meters

