

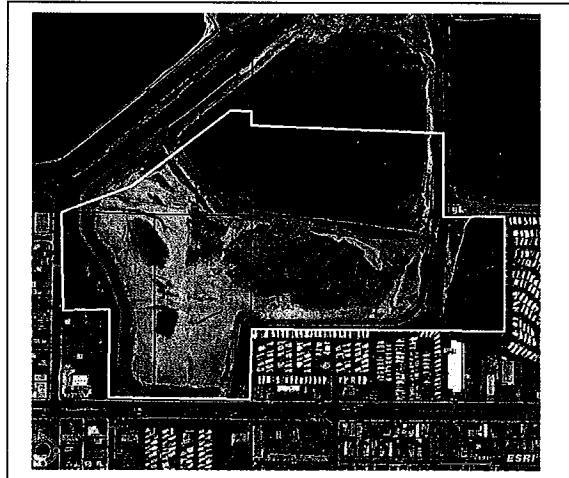


Rasmuson Appraisal Services

Gary L. Rasmuson, MAI, SRA
Wendy A. Rasmuson, MBA

*A Summary
Appraisal of*

Pond 20 Parcel on Palm Avenue
San Diego, CA 92154



Prepared For

Report Dated

San Diego Unified Port District

September 16, 2008



Rasmuson Appraisal Services

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Wendy A. Rasmuson, MBA

September 16, 2008

File No. 28368

Mr. Thomas O. Marshall, MAI
San Diego Unified Port District
Real Estate Department
3165 Pacific Highway
San Diego, California 92101

Reference: Pond 20 Parcel on Palm Avenue, San Diego, CA 92154

Dear Mr. Marshall:

In fulfillment of our agreement and letter of engagement, we are pleased to present the attached report of our appraisal of the above referenced parcel of real estate, as of August 20, 2008. The report sets forth our opinion of market value along with supporting data and reasoning which form the basis of our opinion.

The value opinion reported is qualified by certain definitions, limiting conditions, and certifications which are set forth on pages 1 through 7 of this report.

The attached appraisal report has been prepared to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics and Supplemental Standards of the Appraisal Institute.

This appraisal report has been prepared for and our professional fee is billed to the San Diego Unified Port District. It is intended only for your use for internal decision making purposes. It may not be distributed to or relied upon by other persons or entities without our written permission.

It has been a pleasure to be of service to you in this assignment. I look forward to your review of this report, and welcome your further comments or questions.

Sincerely,

RASMUSON APPRAISAL SERVICES

Gary L Rasmuson, MAI, SRA
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG 002571
Expiration Date: 2/4/2010

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SUMMARY AND CONCLUSIONS

<i>Subject Property</i>	Pond 20 is a 95.13-acre undeveloped parcel of land located at the south end of San Diego Bay within the City of San Diego. The parcel fronts the 1400 block of Palm Avenue in the Nestor community of San Diego.	
<i>Apparent Ownership</i>	San Diego Unified Port District	
<i>Purpose of Appraisal</i>	To develop an opinion of the subject's market value for internal decision making purposes. The valuation will include a market value of the 'as-is' condition of the entire 95-acre property and a valuation of a 10-acre and 30-acre portion of that property subject to several hypothetical conditions and assumptions.	
<i>Estate Valued</i>	The fee simple interest	
<i>Zoning</i>	Split zoned CC-4-5, RM-1-1, IL-3-1, OF-1-1; City of San Diego	
<i>Site Size</i>	This valuation is based on assumed parcel sizes of 10 acres and 30 acres. These are part of a larger 95.13-acre ownership.	
<i>Highest and Best Use</i>	"As-is": Holding for future development or mitigation/conservation	
<i>Effective Date of Appraisal</i>	August 20, 2008	
<i>Indicated Values</i>	'As-Is' Market Value:	\$4,280,000
<i>Date of Report</i>	September 16, 2008	
<i>Specific Assumptions</i>	<p>The subject property is being valued under the following hypothetical conditions at the request of my client:</p> <ol style="list-style-type: none">1. Hypothetical condition that the property has been subdivided for valuation and analysis purposes into a theoretical parcel size under two scenarios; first a 10-acre parcel and secondly a 30-acre parcel. I have not been provided with a legal description for these parcels, but have a map showing the approximate location of the parcels. This is contrary to the current physical and legal condition of the property which is a single 95-acre parcel.2. The valuation will be based on the hypothetical condition that all entitlements for a proposed commercial development of the two alternative parcel size scenarios can be achieved and the proper zoning and community plan amendments (if required) will be approved by all regulatory agencies. This is contrary to the current condition of the property which does not have any entitlements for commercial development of the proposed parcels. The value estimates will reflect the 'as-is' physical condition of the parcels, subject to being able to achieve these land use approvals.	

PART I - INTRODUCTION AND DEFINITIONS

Subject property identification

Property Name: Pond 20
Property Type: Vacant undeveloped acreage
Property Address: North side of Palm Avenue, east of 13th Street
City/State/Zip:: San Diego, CA 92154
Assessor Parcel #: 616-020-04, 08, 12; 616-021-08; 621-020-08
Current Owner: San Diego Unified Port District

Scope of the appraisal

This appraisal assignment involves the valuation of two hypothetical parcel size scenarios, a 10-acre parcel and a 30-acre parcel in addition to the existing larger parcel of 95.13 acres. These two alternative parcel sizes are assumed for valuation purposes by my client who is considering selling the parcel (either 10 or 30 acres) to a developer for future commercial development. Since the parcel size has not been determined yet, I have been asked to value two alternative sizes. In addition, my valuation will be based on the hypothetical condition and assumption that all required regulatory clearances and entitlements can be obtained and approved for the proposed commercial development of these two alternative parcels. Since no entitlements exist at this time, this is a significant hypothetical condition to this valuation. This analysis will assume that the buyer/developer will incur all costs of obtaining the entitlements and the cost to prepare the site for development. The parcels will be valued in their as-is physical condition, but under the previously stated special assumptions that the development entitlements can be obtained.

In addition to valuing the subject property under the hypothetical conditions noted above, I have also been asked to value the subject property based on its highest and best use. This valuation will be made without invoking any special assumptions or hypothetical conditions and will be based on the 'as-is' condition, both legal and physical, for the subject property.

This appraisal has been prepared using all applicable approaches to value, unless otherwise stated, and is presented using the Summary Report format reporting option under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). A summary report summarizes the data and analyses used in the assignment.

In preparing this appraisal, I reviewed land use regulations for the subject property, personally visited and viewed the subject property, the comparable market data and interviewed brokers and investors active in this market. I have relied upon preliminary site development cost estimates for the proposed 10-acre and 30-acre parcels if filled and graded to a rough graded, padded condition. These cost estimates were prepared by Shane Peterson at the Port District Engineering Department. I have reviewed the costs with Mr. Peterson but have not attempted to verify their accuracy. It is not within the scope of this assignment for me to give an opinion on the cost of site development, but rather to rely upon the cost data provided to me by my client, at my client's request. I have also relied upon information provided by planning department staff at the Port District who provided land planning information related to the entitlement and regulatory process required to develop the subject parcel.

The following summarizes the extent of analysis performed for this report:

- Subject Property visited and viewed by appraiser
- Market data gathered using published sources including CoStar.com sales database, First American Real Estate Data, Loopnet.com, San Diego Multiple Listing Service and published public records in the *Daily Transcript* and *San Diego Union Tribune*. Aerial photos provided by Google Earth Pro license.
- Market data verified where possible with buyer, seller or participating broker and viewed by appraiser
- Reviewed proposed land planning and entitlement process information provided by planning department staff at the Port District
- Reviewed preliminary site development cost information provided by the Engineering Department staff at the Port District
- Report written based on a summary report format

Valuation methodology and order of presentation

The valuation of real estate typically requires an analysis of community demographics, economic influences, market forces, the physical site and improvement characteristics. After identifying and analyzing the opportunities and constraints of the subject real estate, the valuation approaches are applied resulting in a final value estimate. The order of report presentation is as follows:

- Introduction and Definitions
- Area Description, Demographics and Market Analysis
- Subject Property Description
- Highest and Best Use Analysis
- Valuation Approaches
- Conclusion of Value Estimate

Purpose of the appraisal

The purpose of the appraisal is to develop an opinion of market value of the identified subject real property interest.

Identification of the intended use and users of appraisal

The intended use of this appraisal is for internal decision making purposes by the Port District. It was prepared for the exclusive use of the San Diego Unified Port District and may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

Interest appraised

The fee simple interest, unencumbered by any leases or other restrictions.

Fee simple estate defined as absolute ownership unencumbered by any other interest or estate, subject only to the limitations of eminent domain, escheat, police power, and taxation.

Effective date of appraisal

August 20, 2008 – Date of subject property visit and viewing

Definition of terms

Market Value

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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

Source: OCC, 12 CFR, Part 34, Subpart C – Appraisals, 34.42 Definitions (f)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

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

Source: Uniform Standards of Professional Appraisal Practice 2004 Edition, The Appraisal Foundation

Hypothetical Condition

An assumed condition that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Source: Uniform Standards of Professional Appraisal Practice 2004 Edition, The Appraisal Foundation

Limiting Conditions and Assumptions

This appraisal is made expressly subject to the following conditions and stipulations:

General Limiting Conditions and Assumptions

1. No responsibility is assumed for matters which are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumes good title, responsible ownership and competent management. The property has been appraised as though free and clear of any or all liens, encumbrances or indebtedness unless otherwise stated in this report.
2. The factual data utilized in this analysis has been obtained from sources deemed to be reliable; however, no responsibility is assumed for its accuracy.
3. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to detect or test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.
4. Except as noted, this appraisal assumes the land to be free of adverse soil conditions which would prohibit development of the property to its highest and best use.
5. This appraisal is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.
6. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
7. Although a walk-through inspection is being/has been performed, an appraiser is not an expert in the field of building inspection and /or engineering. As a part of the visual walk-through inspection performed by the appraiser, the appraiser has not inspected inaccessible areas. If an inspection of areas which are not accessible is desired, an expert in the field should be consulted.
8. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.
9. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or this appraisal firm, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the general public or be conveyed to any person or entity, other than the appraiser's or firm's client, by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent of the signatory of this appraisal report. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment.

10. Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in this report, no seismic or geologic studies have been provided to the appraisers concerning the geologic and/or seismic condition of the property. The appraisers assume no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Extraordinary Assumptions

None

Hypothetical Conditions

The subject property is being valued under the following hypothetical conditions at the request of my client:

Hypothetical condition that the property has been subdivided for valuation and analysis purposes into a theoretical parcel size under two scenarios; first a ten-acre parcel and secondly a 30-acre parcel. I have not been provided with a legal description for these parcels, but have a map showing the approximate location of the parcels. This is contrary to the current physical and legal condition of the property which is a single 95-acre parcel.

The valuation will be based on the hypothetical condition that all entitlements for a proposed commercial development of the two alternative parcel size scenarios can be achieved and the proper zoning and community plan amendments (if required) will be approved by all regulatory agencies. This is contrary to the current condition of the property which does not have any entitlements for commercial development of the proposed parcels. The value estimates will reflect the 'as-is' physical condition of the parcels, subject to being able to achieve these land use approvals.

Certification of Appraiser

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

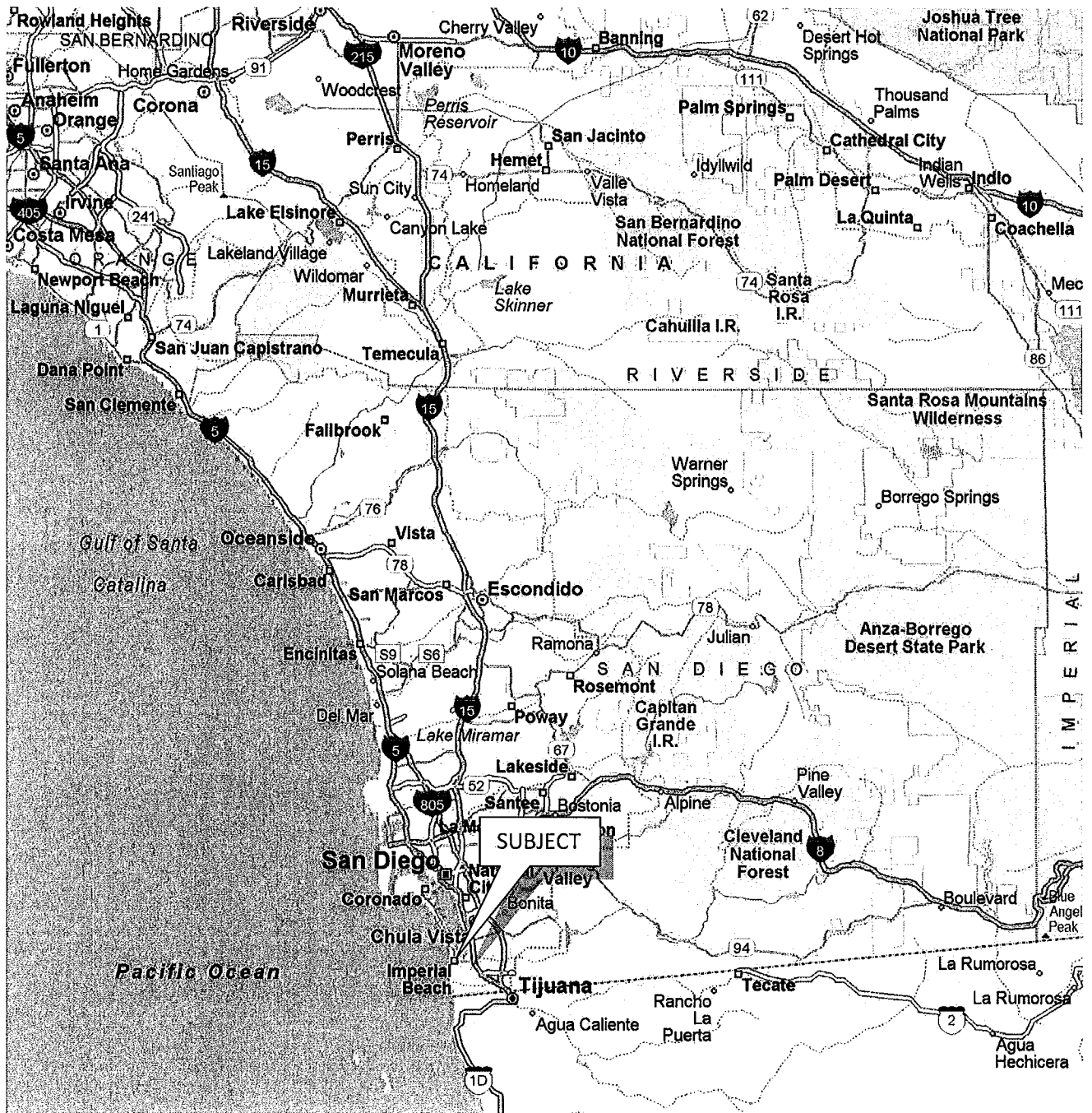
- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Gary L. Rasmuson, MAI SRA has completed the requirements of the continuing education program of the Appraisal Institute.
- 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 other than Shane Peterson at the Port District Engineering Department who provided site development cost information for the subject property.



Gary L. Rasmuson, MAI SRA
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. 002574
Expiration Date: 2/4/2010

Date: September 16, 2008

PART II - AREA DATA



Regional Location Map

San Diego County Demographics

- San Diego County, one of 58 counties in the State of California, was established on February 18, 1850, just after California became the 31st state. The County stretches 65 miles from north to south, and 86 miles from east to west, covering 4,261 square miles. Elevation ranges from sea level to 6,500 feet. It borders (to the north) Orange and Riverside Counties, (to the east) the agricultural communities of Imperial County, (on the west) the Pacific Ocean, and (to the south) the State of Baja California, Mexico. San Diego County is comprised of 18 incorporated cities and 17 unincorporated communities.
- County of San Diego Population: 3,066,820 (2006); the county experienced a population increase of 8.4% from 2000 to 2005 and is expected to increase another 6.5% in the next five years.

San Diego County	1980	1990	2000	2006
Population	1,861,846	2,498,016	2,813,833	3,066,820
Growth from Prior Period		34%	13%	9%

- The largest city within the County is the City of San Diego: Population of 1,311,162 as of January 1, 2006 (SANDAG). San Diego was incorporated in 1850 and covers 342 square miles.

City of San Diego	2006	2010 Forecast	2020 Forecast	2030 Forecast
Population	1,311,162	1,365,130	1,514,336	1,656,257
Housing Units	498,664	518,063	574,254	610,049

- Growth Trend: The San Diego County region has had an historical upward growth averaging around 2 percent per year. The latest 2030 growth forecast by SANDAG indicates a total change from 2000 to 2030 of 37 percent or an average rate of 1.2 percent. The growth rate is projected to slow in the future. The average annual net migration for the county was estimated at 25,700 for 2004.

Housing Characteristics (2006 Estimates)					
Total Housing Units		1,118,410		100%	
Occupied Housing Units		1,067,846		95%	
Vacant		50,564		5%	
2030 Regional Growth Forecast Update					
	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>	<u>% Change 2000-2030</u>
Total Population	2,813,833	3,245,279	3,635,855	3,984,753	42%
Housing Units	1,040,149	1,174,180	1,309,340	1,383,803	33%
Civilian Employment	1,294,583	1,488,672	1,655,963	1,828,612	41%

- Economic Base: The region's 2006 gross regional product (GRP) was forecast to increase by 2.9 percent over 2005. This is the first time in six years that the GRP is lagging the rest of the state

and the nation. The forecast growth rate is the second slowest growth rate in the past decade and is due primarily to slowing home construction and declining home prices. The forecast GRP for 2007 is 2.5 percent.

The annual inflation rate as measured by the Consumer Price Index for San Diego was 2.3 percent for the period ending as of the second half of 2007 compared to 2006. The unemployment rate in San Diego County has risen recently to 5.1 percent in January 2008, above the November 2007 estimate of 4.8 percent. The unemployment rate in California is 6.3 percent and 5.4 percent for the nation.

- New Construction:** Through the first 4 months of 2008, the monthly values of all permits pulled in San Diego County have been down from the same 4 months in past years. The following table shows new housing permit issuance in the County of San Diego over the past 7 years, based upon number of units proposed.

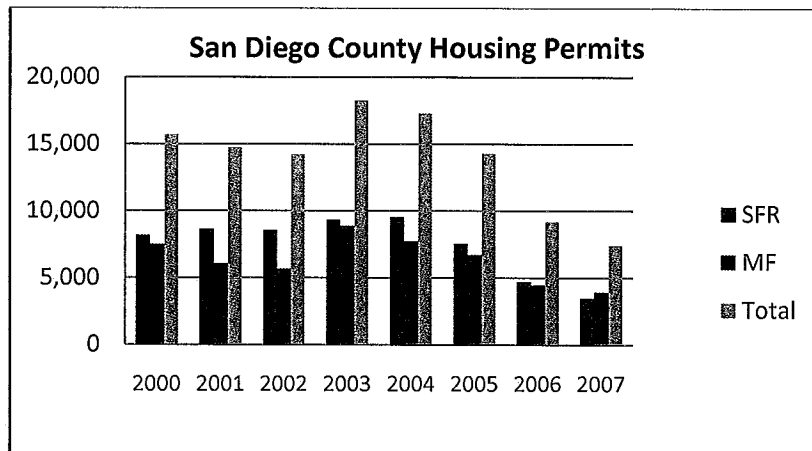
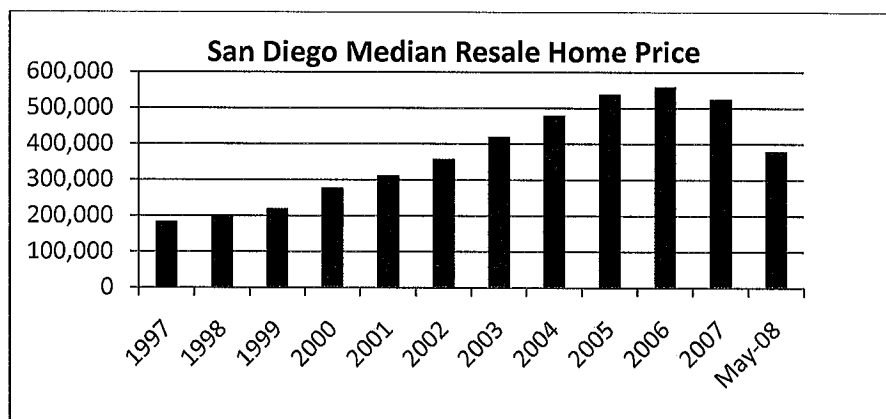


Table 1 Source: U.S. Census Bureau, Construction Industry Research Bureau

- Housing Prices:** In San Diego County, the June 2008 median resale price of a single family home was \$370,000, 25 percent lower than the same month a year ago. Sales activity was 12 percent slower for the same period last year. The following table presents the median resale home price in San Diego County since 1997. San Diego County housing prices turned negative in late 2006 for the first time since 1995. Forecast trends for 2008 are a continuing decline in average housing prices.



- The San Diego County Apartment Association's Spring 2007 Vacancy & Rental Rate Survey indicates that average apartment rents have increased 8 percent over the Fall 2006 survey and vacancy rates have increased to 5.1 percent over the 3.1 percent vacancy rate six months prior. This is partly due to the return of converted condo units back to the rental market due to a slow sales market.
- Tourism: Visitor spending in 2006 was approximately a record of nearly \$6.2 billion. San Diego's hotel occupancy averaged 79 percent for through November 2006 and the average daily room rate was around \$165, an increase of 7 percent over 2005.
- A summary of San Diego County's real estate statistics for construction, occupancy and absorption in the various residential, commercial, retail and industrial sectors follows.

San Diego County Net Space Absorption

	<u>2004 Year End</u>	<u>2005 Year End</u>	<u>2006 Year End</u>	<u>2007 Year End</u>
Office	1.37 million SF	1.8 million SF	1.0 million SF	0.835 million SF
Industrial	4.0 million SF	3.7 million SF	3.6 million SF	1.2 million SF
Retail	1.2 million SF	840,000 SF	N/A	0.58 million SF

Source – Burnham Real Estate Services ONCOR; CBRE Commercial; CoStar Group

- A table summarizing the year-end and current period vacancy rates for office, industrial and apartment property in San Diego County follows. The data is derived from a variety of sources including CBRE, Burnham Real Estate Services and CoStar Group.

San Diego County Vacancy Rates

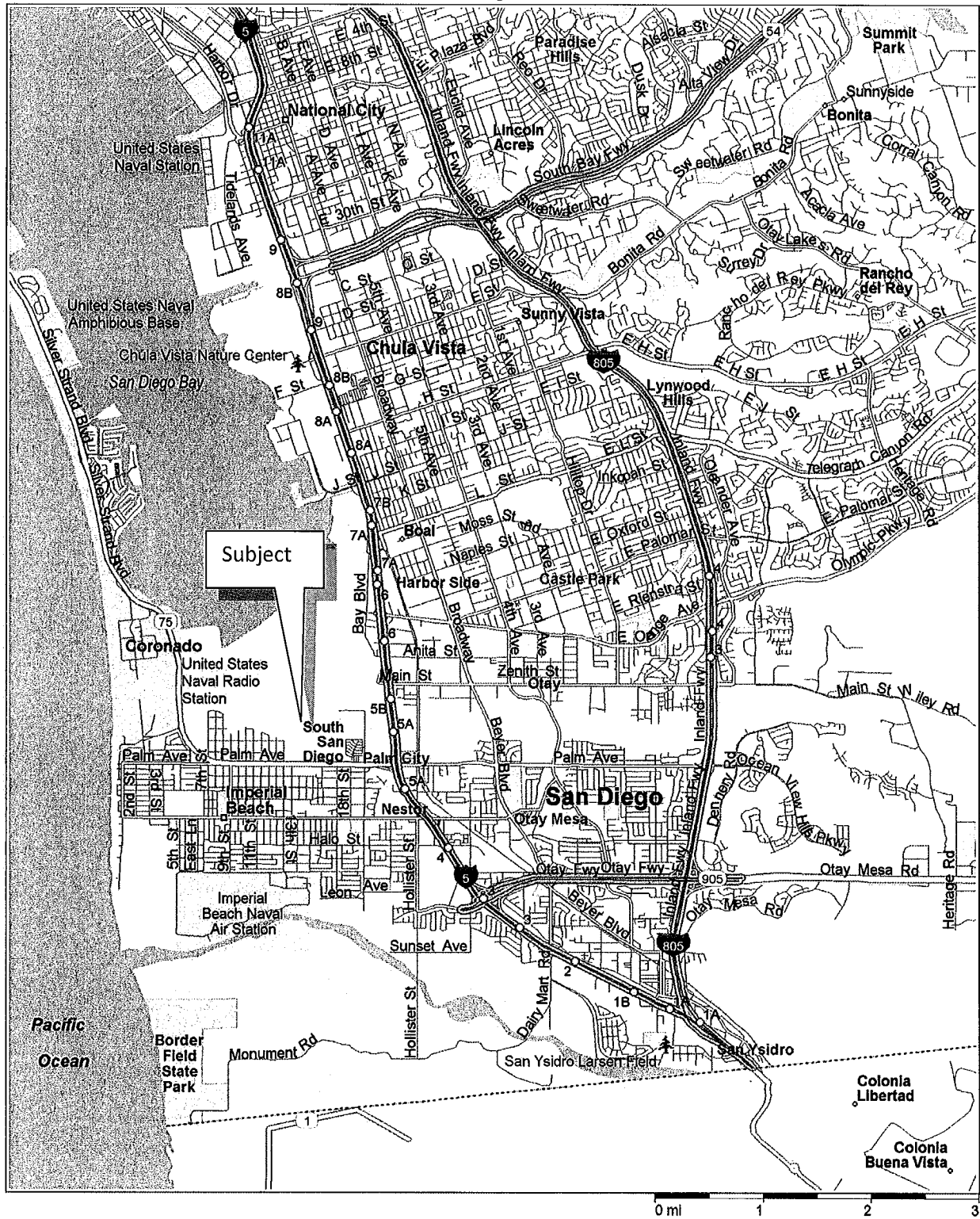
<u>Period</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Apartments</u>
YE 2000	6.5%	7.3%	3.8%	0.6%
YE 2001	12.4%	8.7%	4.3%	2.0%
YE 2002	11.6%	8.1%	2.7%	4.1%
YE 2003	11.7%	7.8%	1.7%	5.0%
YE 2004	9.7%	6.4%	2.6%	3.8%
YE 2005	8.9%	5.9%	2.2%	5.2%
YE 2006	10.6%	6.8%	2.0%	3.1%
YE 2007	14%	7.2%	3.0%	3.4%

Conclusion

The San Diego County economy is currently considered somewhat unstable and uncertain given the residential market downturn over the past year. Record oil and gasoline prices are having a negative ripple effect through much of the national and local economy. The residential market is in a historic correction with downturns in housing prices over the past two years and extended marketing periods

for homes on the market. Foreclosures have hit record highs and currently account for 41 percent of home resales in Southern California. Lack of available credit hit this market in August 2007 and continues due to the increase in foreclosures and the impact created by the problems in the mortgage security markets. New construction has slowed significantly in this market. The commercial market is considered steady, but showing signs of increased vacancy and reduced absorption across the board. The retail market, which had been very strong with low vacancy rates, is also showing signs of weakening. The office market is becoming overbuilt and vacancy rates are rising. Industrial appears to be stable, with a slight increase in vacancy rates. Predictions for 2008 and 2009 are increasingly mentioning a national recession with the declining residential real estate leading the way.

Area Map



Neighborhood description

The subject is located in the community of Nestor, just north of Palm Avenue at the south end of San Diego Bay. The bay is the largest topographic feature for this area. Salt flats comprise the majority of the southern portion of the bay and there is no direct access to the bay waters from this area. The Otay River enters the bay just north of the subject, draining the watershed area to the east. Strip commercial uses are located along Palm Avenue to the south, west and east of the subject. A couple mobile home parks are also located just north of Palm Avenue and adjacent to the southeast of the subject. Single and multi-family residential uses back up to Palm Avenue from the north and south. Undeveloped wetlands and uplands acreage to the east of the subject on Saturn Boulevard is planned to be incorporated into the South Bay unit of the San Diego National Wildlife Refuge and the Otay Valley Regional Park.

Nestor is a community of the City of San Diego and is located just south of Chula Vista, east of Imperial Beach and north of San Ysidro. Access to this area is provided by I-5 and I-805. Palm Avenue and I-905 are the main east/west arterials. The area is populated with primarily older single family residences. The average home price is near \$343,000 and the average age is around 30 years. The average home price reached a high in 2006 over \$500,000, but then declined to the current level due to the real estate market correction taking place nationwide.

The City of Imperial Beach city limit is located one block west of the subject property, beginning at 13th Street. Imperial Beach has a current population of 28,200. This city is influenced by its location adjacent to the Pacific Ocean, just south of the Strand and Coronado and north of the Mexico/USA international border.

Imperial Beach is located 15 miles south of downtown San Diego and is separated from the Mexican border by the Tijuana River and Border Field State Park. The San Diego Bay forms the northerly boundary of this city. The City of San Diego city limits and the community of Nestor are along the eastern boundary. The Naval Air Station is south of the city and the Pacific Ocean forms the western boundary.

The community is mostly built-up with the average age of the single-family home around 35 to 45 years. There is little undeveloped land in this community. New development is coming from redevelopment of older existing property, primarily along the coastal oceanfront areas.

The community does not have a defined "downtown" area. Commercial shopping areas are located along Palm Avenue, the primary east/west arterial. The Imperial Shopping Center is located at the corner of 9th Avenue and Palm Avenue and has been the subject of proposed redevelopment with a mixed use residential and retail project. The closest regional shopping center is located in Chula Vista.

PART III - SUBJECT PROPERTY

Site Description

Address

The subject property is located on the north side of Palm Avenue, south of the San Diego and Arizona Rail Road right-of-way and east of 13th Street in the City of San Diego, California. The subject parcel does not have a street address but will be located within the 1300-1400 block of Palm Avenue, San Diego.

Ownership

The current record owner of the subject property is the San Diego Unified Port District.

Subject ownership history

According to public records and information provided by my client, the property was purchased in October 1998 (closed March 1999) as part of a larger purchase transaction of 836 acres of fee owned land from Western Salt Company and the purchase of the final years of a 612 acre lease of state owned lands leased by Western Salt Company. Total consideration was \$20,500,000. Included in the purchase was a salt mining operation with associated building and salt mining improvements. This transaction was to facilitate the off-site mitigation required of the Port as a result of a planned expansion of facilities at Lindbergh Field onto former Camp Nimitz, Naval Training Center San Diego property.

Approximately 722 acres of the 836 acre purchase were then transferred to the State of California for the purposes of providing habitat for the California least tern and other wildlife and fish, ecological preservation, habitat restoration and enhancement of open space. The remaining 114 acres of the purchase were vested in the Port subject to the Public Trust. The land vested in the State, together with an additional 1,485 acres, are leased to the US Fish and Wildlife Service for inclusion in the South Bay Unit of the San Diego National Wildlife Refuge.

In 2001, Assembly Bill 93 was enacted by the State Legislature which provided that the San Diego International Airport and other properties owned by the Port District were to be conveyed to the San Diego County Regional Airport Authority ("Authority"). In 2002, Senate Bill 1896 was enacted by the State Legislature which amended Assembly Bill 93 to provide for the Port to retain ownership of Pond 20 and reimburse the Authority for the fair market value of Pond 20. The parties settled on a fair market value for reimbursement purposes of \$4,280,000 based on appraisals prepared for both parties. This settlement valuation date was effective as of January 1, 2003.

Legal Description

The parcels valued in this report are a portion of a property commonly known as Pond 20. A brief legal description for Pond 20 is as follows with the complete legal description found in the Addendum of this report.

Those portions of the Southeast Quarter of the Southeast Quarter of Section 20, the Northwest Quarter of the Southwest Quarter, the South half of the Southwest Quarter of Section 21, Township 18 South, Range 2 West, in the City of San Diego, County of San Diego, State of California.

I have not been provided with a legal description for the two alternative 10-acre and 30-acre parcels which are to be a portion of the larger Pond 20 property.

Assessor Data

Assessor Parcel Nos.: 616-020-04, 08, 12; 616-021-08; 621-020-08

Assessed Value: The parcels are not assessed because they are under public ownership not subject to taxes. Upon change of ownership from public to private, the parcel will be subject to assessment by the San Diego County Assessor based on market value as of the date of transfer.

The property is within Tax Rate Area 08261 with a base tax rate of 1.08531 including voter approved bond debt. There are no special assessments for these parcels.

Site Analysis

Size and shape

The subject property larger parcel contains 95.13 acres within a single legal parcel according to a plat provided by the Port. The parcel is irregular in shape. The proposed 10-acre and 30-acre parcels will be a portion of this larger parcel and likely to be somewhat rectangular in shape. I have not been provided with maps or drawing showing the proposed dimensions or legal descriptions for these two proposed parcels. Therefore, I have relied upon a general approximate location and shape as shown in the following graphics that I have prepared for analysis purposes only. The exact parcel shape and dimensions may vary from these depictions.

10-acre Parcel:



30-acre Parcel:



Note: Approximate locations for visual reference only

Access

The parcels will all have access from frontage on Palm Avenue, the primary east/west arterial through Nestor and Imperial Beach. Palm Avenue is fully improved with a divided center median and three

travel lanes in each direction. Curb, gutter and sidewalks are along the street frontage. Palm Avenue connects to I-5 approximately ½ mile east of the subject.

Topography

Pond 20 is generally flat and is below grade of surrounding property. The elevation of the subject site varies from 3 feet to 12 feet, with the average elevation from 5 to 7 feet. The property has been determined to be mostly above the mean high tide elevation of 4.91 feet except for the perimeter areas. Developed property to the east and west have elevations near 13 feet and Palm Avenue is near 16 feet.

The Otay River flows along the northern boundary of the subject and empties into San Diego Bay along this perimeter. Nestor Creek is located along the western property boundary and flows generally north/south. An unnamed drainage area is also located along the western property boundary, again flowing in a north/south direction and is a ditch connecting to the Otay River on the north side of the railroad tracks.

Utilities

A study performed by the Engineering Department staff at the Port District has identified the following utilities available or near the subject site.

Sanitary Sewer:	City of San Diego; 15" VC sewer line existing in Palm Avenue on south boundary of the subject.
Water:	City of San Diego; 16" water main under north side of Palm Avenue; an 8" water main under 13 th Street
Electricity:	SDG&E; 12 KV underground electric line along south side of Palm Avenue with power substation at the corner of Palm and Thermal Avenues.
Natural Gas:	SDG&E; 2" HP gas line at the southwest corner of the subject property.
Telephone:	Pacific Bell; Underground lines along north side of Palm Avenue and within 13th Street.

Flood and earthquake hazard

The subject is designated as within Zone A within the 100-year flood plain and floodway boundary for San Diego Bay and the Otay River. The majority of the property is subject to the 100-year flood plain designation. The flood zone designations are found on the FEMA Flood Map Community Panel Number 060295-0208C dated September 29, 1989.

The following exhibit indicates the flood zone boundaries for the subject.



Soils

The SanGIS database map indicates that the subject is in an area of liquefaction. The water table in this area is close to the surface. The western, central and southerly portion of Pond 20 is covered with a salt crust about 3 inches thick, below which is saturated black mud. The salt is likely a result of the historic operation as part of the salt works. Standing hypersaline water exists in several little "ponds", mostly at the periphery. This water appears to be caused by local runoff from property to the south. The other half of Pond 20 is an elevated mound/island of sandy soil apparently established by the 1916 flood, 5-6 feet higher than the low parts of Pond 20 to the west and south. The raised area apparently built up by the 1916 flood is considered upland and has sandy soils that support a sparse cover of native pioneer plants, coast cholla, broom baccharis and pickleweed.

MSCP

The Multiple Species Conservation Program (MSCP) is a comprehensive, long-term habitat conservation planning program that covers approximately 900 square miles (582,243 acres) in southwestern San Diego County pursuant to the federal and California Endangered Species Acts and the California Natural Community Conservation Planning Act.

The MSCP is designed to preserve native habitat for multiple species rather than focusing efforts on one species at a time. This is accomplished by identifying areas for directed development and areas to be conserved in perpetuity (referred to as Multi-Habitat Planning Area). Within the Multi-Habitat Planning Area (MHPA), development will be limited to ensure the long-term viability and recovery of 85 "covered" species. The City of San Diego's MSCP Subarea Plan and implementing agreement (IA) were adopted by City Council and approved by the wildlife agencies in 1997.

The subject property is almost entirely within the MHPA for the City of San Diego, except for a portion along the eastern boundary of Parcel 621-020-04. The Otay River located adjacent to the north of the parcel is identified as being 'environmentally sensitive' land. Pond 20 does not appear to fall within this category. For sites partially within the MHPA, the allowable development area under the MSCP includes all the land outside the MHPA. If less than 25 percent is outside the MHPA, you would be allowed the required area to achieve a 25 percent development area. In defining the 25 percent developable area, the least sensitive portion of the site must be used and would include avoidance/minimization of wetlands and MSCP narrow endemics.

For sites entirely within the MHPA, the allowable development is limited to 25 percent of the premises on the least sensitive portion of the site. In defining the 25 percent developable area, the least sensitive portion would include avoidance/minimization of wetland and MSCP narrow endemics. Up to an additional 5 percent development area may be allowed if the project is required to accommodate an essential public facility (e.g., Community Plan circulation element roadway, school, fire station). If more than the 25 percent development area is desired, a MHPA boundary line adjustment will be required for that portion in excess of the allowable development area. MHPA adjustments require approval from the wildlife agencies (i.e., U. S. Fish and Wildlife Service and California Department of Fish and Game) in accordance with the six functional equivalency criteria set forth in Section 5.4.2 of the Regional MSCP Plan.

The subject area is impacted by sensitive environmental habitat found in the South Bay. Three federally listed, endangered bird species utilize the salt ponds north of the subject to provide habitat. These include the California least tern, the American Peregrine and the Brown Pelican. The salt marsh areas are home to a federally listed endangered plant species, the Salt Marsh Bird's Beak.

The subject vegetation is classified as saltpan/mudflats within the pond dike area and southern coastal salt marsh along the unnamed drainage channel near the west boundary.

Wetlands

Portions of the subject property may be considered wetland and waters of the United States. A jurisdictional wetland delineation study was performed August 2008 by Merkel & Associates, Inc. for the Port District. This report is the third delineation performed for this site in the past decade. The current report concluded that wetlands were determined to exist along both Nestor Creek and the unnamed drainage ditch located along the outer edges of Pond 20. These drainages fall under the regulatory authority of the Army Corps of Engineers, California Coastal Commission, and California Department of Fish and Game. The State Water Resource Control Board operating through the Regional Water Quality Control Board – San Diego Region, has state water quality certification authority.

The report indicates that waters within Pond 20 are principally the result of long-term storm water ponding due to low permeability soils and high groundwater tables that limit drainage from the abandoned salt evaporator pond. No federally regulated wetland habitat was located within Pond 20. However, jurisdictional non-wetland waters of the U.S. are found within the diked boundaries of the pond. Areas considered wetlands under the Coastal Act are also found within Pond 20. Most of this area is situated within the southerly and westerly portions of Pond 20A. No areas regulated by the Department of Fish and Game occur within Pond 20. The following table taken from the Jurisdictional Wetland Delineation Report follows.

Acres of jurisdictional watercourses by regulatory agency.						
JURISDICTION	ASSESSOR PARCEL NUMBER					TOTAL
	61602008	61602012	61602108	62102004	62102008	
ACOE, CCC, CDFG	0.05			0.03		0.08
ACOE, CCC	6.08	3.11	2.16	2.10	0.22	13.67
CCC	0.18					0.18
TOTAL	6.31	3.11	2.16	2.13	0.22	13.92
AGENCY TOTAL	61602008	61602012	61602108	62102004	62102008	TOTAL
ACOE	6.13	3.11	2.16	2.13	0.22	13.75
CCC	6.31	3.11	2.16	2.13	0.22	13.92
CDFG	0.05			0.03		0.08

As shown in the previous table, a total of 13.92 acres are considered jurisdictional wetland and non-wetland waters of the U.S. within the entire Pond 20 parcel. Wetlands meeting all three jurisdiction definitions are located outside the dike area of Pond 20 along the western boundary and totaling 0.05 acre and 0.03 acre along the eastern portion. The jurisdictional area meeting the Army Corps of Engineers (ACOE) and the California Coastal Commission (CCC) definition of wetland is the largest area containing 13.67 acres within the south and west perimeter of the dike area of Pond 20.

A copy of the Jurisdictional Report exhibit for the subject is found in the Addendum of this report.

Environmental hazards

An environmental assessment was not made available. For purposes of this report, the site is assumed to be free of hazardous wastes or soil contamination. Please refer to Limiting Condition and Assumption No. 3 in this report.

Surrounding Land Uses

- West: The property to the west is developed with an Autozone auto parts store. Adjacent to the north of this parcel is a residential condominium project. A vacant lot is located between the subject and the auto parts store. This parcel will reportedly be developed with a car wash. A billboard sign is located on this parcel.
- North: Otay River, Railroad right-of-way and salt ponds formerly used by Western Salt and now part of the San Diego National Wildlife Refuge
- East: Old strip commercial, trailer park and undeveloped 120-acre parcel to be preserved as a land bank and refuge
- South: Palm Avenue and strip commercial land uses on the south side of Palm Avenue

Visibility

The traffic volume on Palm Avenue near 13th Street is 35,600 vehicles per day and from 13th Street eastward to Saturn Boulevard the traffic volume is 51,300. Palm Avenue is considered a major arterial that provides access from Imperial Beach eastward to the I-5 freeway and adjacent communities. Florence Street and 13th Street are residential collector streets feeding to the major arterials.

Land Use Regulation

The subject property is currently under the regulation of the owner, the Port of San Diego who administers lands within the mean high tide line such as the subject, while under their ownership and control. The Port Master Plan is the controlling land use document for port tidelands. However, the Port has not yet amended the Port Master Plan to include the subject property. The closest Port influenced land to the north is within Planning District 9, South Bay Salt Lands of the Port Master Plan. A total of 798 acres of Port District tidelands are within this planning district at the south end of San Diego Bay. All of this land is designated for land use as wetlands, estuary or salt ponds.

San Diego Zoning

The subject property falls within the incorporated boundary of the City of San Diego. The zoning designations applied to the subject include CC-4-5, RM-1-1, IL-3-1 and OF-1-1. A brief description of each zone follows.

CC-4-5: The purpose of the CC (Commercial – Community) zone is to accommodate community-serving commercial services, retail uses, and limited industrial uses. This zone category allows heavy commercial uses and residential uses. The CC-4-5 zone is intended to accommodate development with a high intensity, pedestrian orientation.

Maximum Structure Height – 30 feet

Minimum lot coverage – 35%

Maximum floor area ratio – 1.0

RM-1-1: The RM (Residential Multifamily) zone permits lower density multiple dwelling units with a maximum density of one dwelling unit for each 3,000 square feet of lot area.

IL-3-1: The purpose of the IL (Industrial – Light) zone is to provide for a wide range of manufacturing and distribution activities. A large retail development is an allowed use in this zone, subject to supplemental regulations and permits.

OF-1-1: The purpose of this Open Space- Floodplain zone is to control development within floodplains. There are a limited number of uses within this zone other than for open space, agriculture and passive or active recreation.

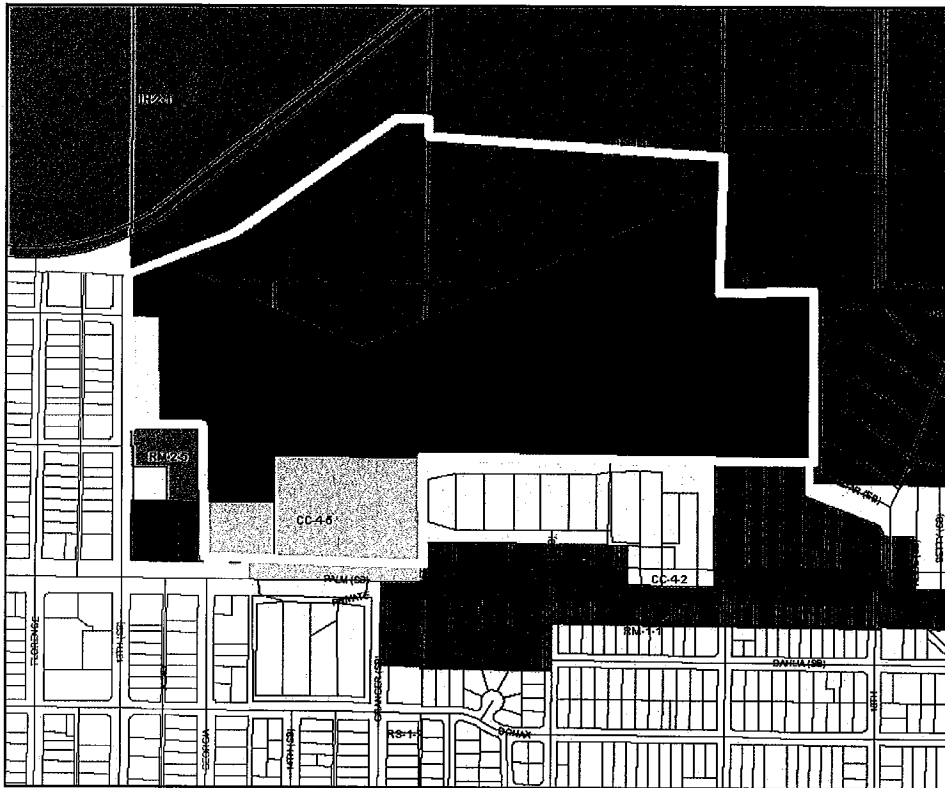


Figure 1 - City of San Diego Zoning

Community Plan

The property is within the Otay Mesa-Nestor Community Plan of the City of San Diego. This plan was adopted by the City Council May 6, 1997. Pond 20 is within Sector 6 of the Otay-Nestor Community Plan. The Otay Mesa-Nestor Community Plan shown in the following figure indicates that the area of the subject south of the railroad tracks is designated as Open Space with a Special Study Area overlay.

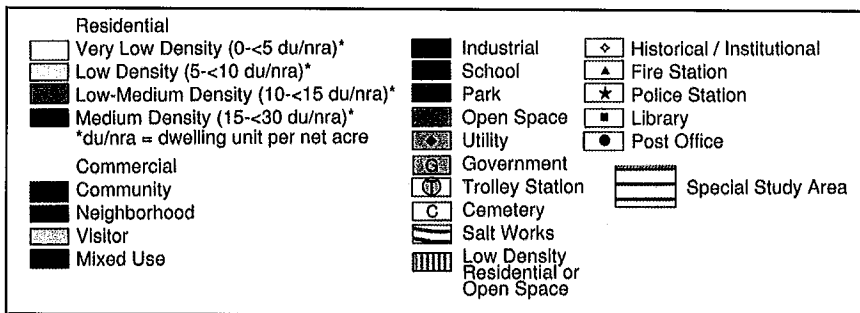
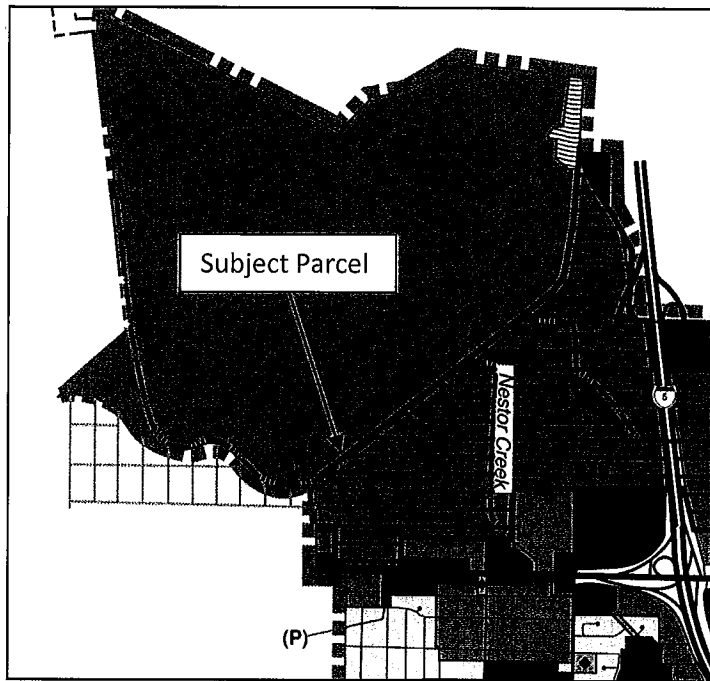


Figure 2 Otay Mesa-Nestor Community Plan Land Use Exhibit

The Special Study Area designation is addressed in Appendix 1b Salt Ponds, of the community plan. This section states that until more detailed information is known about the resource and environmental value of the lands located within the Special Study Area (SSA), it is intended that these lands retain their current uses. The plan further states that the SSA should become wholly or partially included in the future Otay Valley Regional Park, the Multiple Species Conservation Program Preserve and/or the U.S. Fish and Wildlife Service proposed San Diego National Wildlife Refuge. The special study is intended to be an ecological analysis of the SSA. It also states that those areas not included in the park or preserve

should be used in ways which promote development and economic revitalization in the community, help to revitalize the Palm Avenue corridor, and improve public access and circulation in the community.

The subject property is within the California Coastal Zone. All properties within the SSA are designated Coastal Commission Deferred Certification Areas according to the Local Coastal Program (LCP) associated with the Otay Mesa-Nestor Community Plan. Prior to any land use changes within the SSA, a Special Study will be required and the deferred status of the LCP for this area will need revision and adoption by the Coastal Commission. The Special Study will be required prior to or in conjunction with proposals and application for discretionary actions including Plan amendments, rezones, planned development or special development permits and conditional use permits. Any land use proposal for an individual property in the SSA shall require the concurrent planning of all other properties in the SSA to a community plan level. The cost of the Study shall be borne by the project applicants. The Study shall assess the biological, sensitive natural resource, natural habitat, and regional habitat and open space connectivity values within the SSA.

Land Use Entitlements/Planning

There are no land use entitlements or land use planning in process to my knowledge for this property. This property is being considered for future commercial development by a party interested in purchasing a portion of the site.

The valuation of a 10-acre and 30-acre portion of the subject property presented later in this report will be based on hypothetical conditions regarding the ability to achieve land use entitlements for a commercial land use on this property.

Easements/encroachments/restrictions

A preliminary title report prepared by Stewart Title dated April 1, 1999 was provided to me for review. The report covered three parcels including the Pond 20 Parcel C-2 (subject property) and Parcel C-3. Several exceptions to title were noted including a lease for a billboard on Parcel C-2.

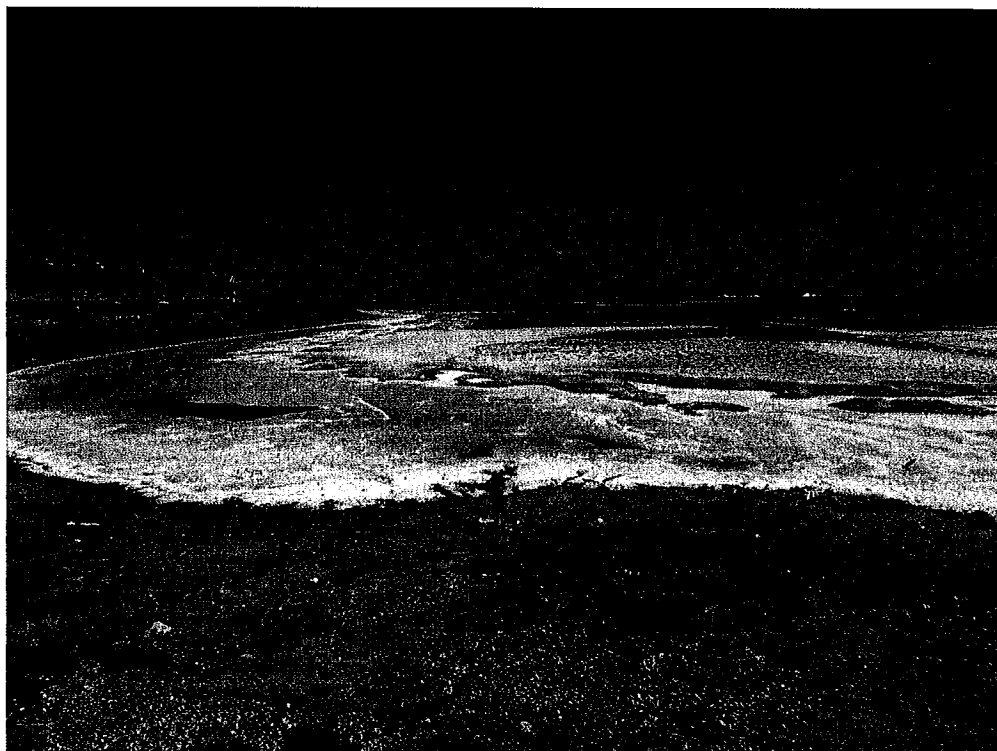
Improvements

There are no structural improvements on the subject property. There is a billboard and small paved vehicle parking area fenced off in the southeast corner of the site adjacent to Palm Avenue. These appear to be leased parcels from the Port District.

Subject Photos



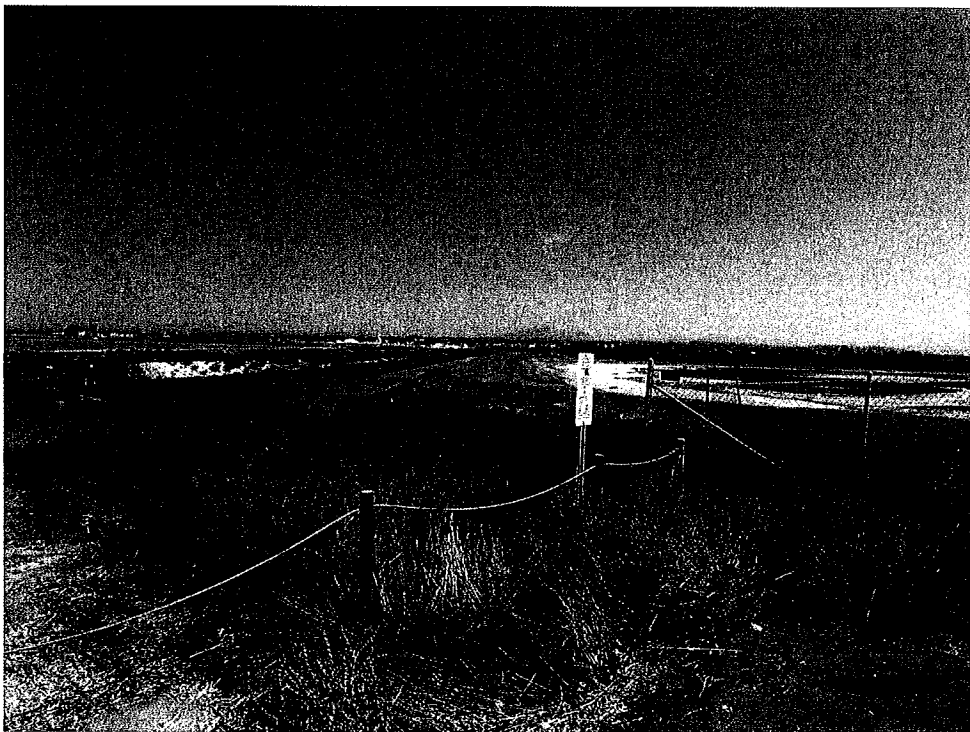
Looking east along Palm Avenue frontage



View looking north from Palm Avenue



View looking north along west boundary and Palm Avenue, area west of pond dike



Looking east from near northwest property corner, view of Otay River and Pond 20 dike

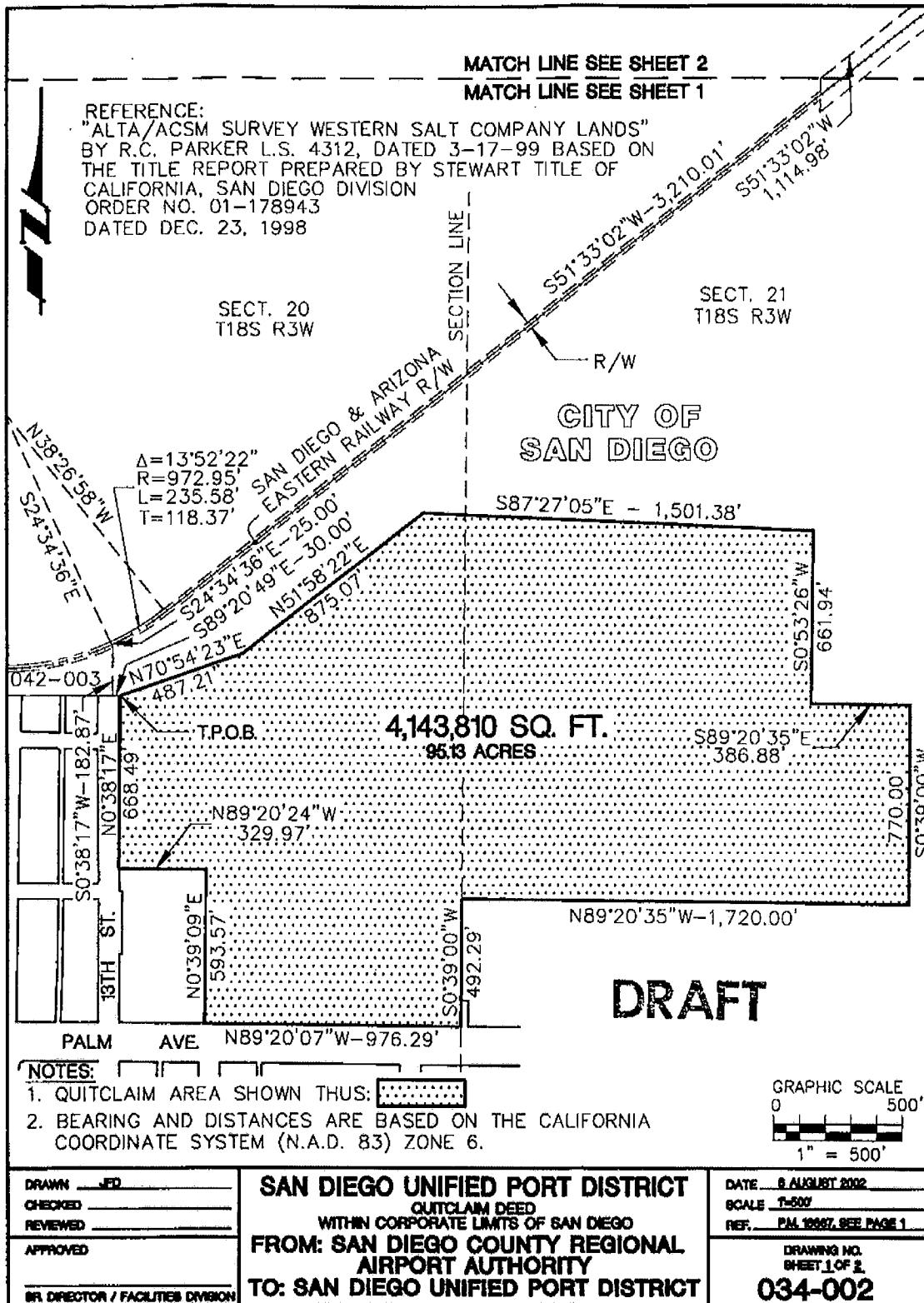


Street view on 13th Street looking north, Subject on right

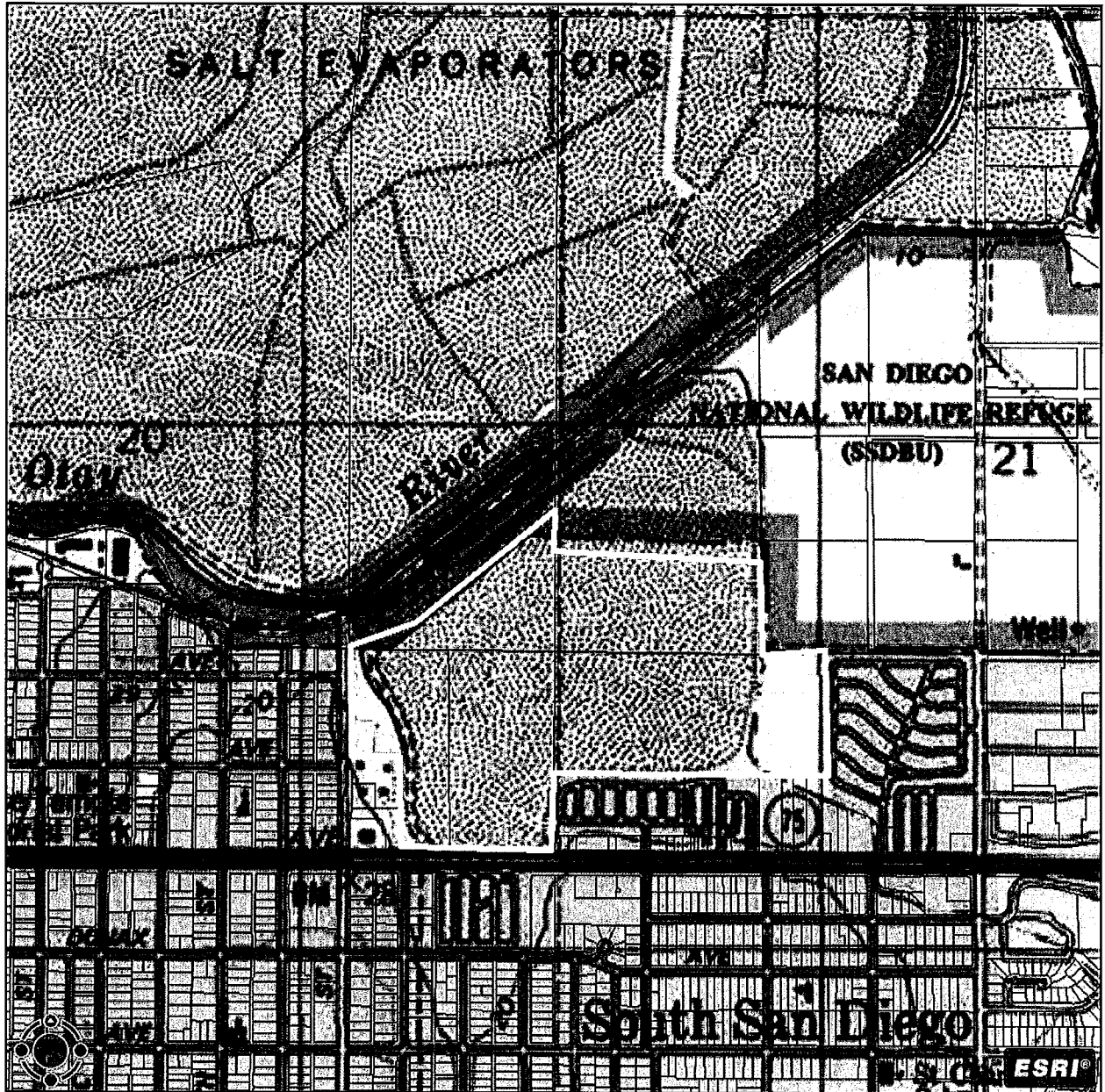


Aerial photo of Pond 20 Parcel

Port District Plat Map



Subject Topographic Map



PART IV - VALUATION

Introduction

The subject property is being valued based on three different scenarios. First, two theoretical parcels are valued; a proposed 10-acre parcel located along the Palm Avenue frontage and secondly a proposed 30-acre parcel also with Palm Avenue frontage. The two parcels will be valued under a hypothetical condition that they have been legally created as a separate parcel and that they can achieve all required regulatory approvals for development as a commercial site for a possible retail shopping center. The sites will be valued in their current physical condition, but assuming that all appropriate community plan, coastal plan, zoning, environmental and other regulatory requirements can be approved. The property will also be valued in its 'as-is' physical and legal condition, as a 95-acre parcel of undeveloped land with no development entitlements.

The steps involved in the estimate of market value for the subject property are outlined as follows.

- Estimate highest and best use of subject parcel
- Valuation of 10-acre and 30-acre hypothetical parcels under specific hypothetical conditions
- Valuation of existing 95-acre Pond 20 property in its 'as-is' physical and legal condition

Highest and Best Use Analysis

The first step in the valuation of real estate is to estimate the highest and best use of the property. The highest and best use forms the basis upon which comparable market data is selected and applied to the subject.

Highest and best use for appraisal purposes is defined as that use or succession of available, legal, and physically permitted uses for which there is sufficient demand that produces the most probable present site value¹. Alternatively, the Appraisal Institute states that the highest and best use is the reasonably probable and legal use of vacant land which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The analysis of highest and best use follows the steps as described in the previous definitions. Essentially, the appraiser creates a land use matrix that identifies and analyzes the legally permissible uses, physically possible uses and financially feasible uses. The use or uses that meet these criteria and provide the highest site value is judged the highest and best use. It is not within the scope of this assignment to present a detailed feasibility analysis.

As If Vacant

Legal uses are typically prescribed by the existing zoning and community plan designation of the property if sold by the Port to a private entity. In this case, the subject parcel is split-zoned by the City of San Diego with commercial, residential, industrial and flood plain designations. The Otay Mesa-Nestor Community Plan designates the entire property as Open Space with a Special Study Area overlay. The

¹ Appraisal Institute *Land Valuation*, James H. Boykin, PhD, MAI, SREA, CRE, 2001 p. 39

Special Study Area overlay will require a study be performed to analyze the best use for this property and all contiguous parcels within the same study area boundary. After completion of the study, the California Coastal Commission will need to either approve or disapprove the proposed land use changes and issue a certification for the local coastal plan change. At this time, this area is subject to a deferred certification subject to the required special study. After or concurrent with the adoption of the study, the community plan will need to be amended to reflect the new land use proposal and the property rezoned, if required.

As part of the special study, the environmental and biological impact to the Pond 20 area will need to be studied. One part of the study would likely include a jurisdictional delineation report to determine the extent of wetlands or regulated waters of the United States on this site. This report has been recently prepared and updated by Merkel and Associates on behalf of the Port District. The report identifies that there is a total of 0.08 acre of wetland and 13.67 acres of regulated non-wetland waterways. These areas include coastal salt marsh, freshwater marsh, salt flats and salt panne and are mostly found within the dike area of Pond 20. The balance of the property was considered upland and non-wetland area.

When wetland or waters of the US are impacted, three areas of agency jurisdiction have possible influence on the subject property development; the Army Corps of Engineers jurisdiction over waters of the United States and wetlands, California Department of Fish and Game jurisdiction regulating alteration of streambeds, and the California Coastal Commission. The California Coastal Commission regulates wetland occurring throughout the California coastal zone through the development of a coastal zone permit.

Development while under ownership of the Port District would follow the Port District's Master Plan. However, the Master Plan does not show the subject property in the most recent publication in 2008. It appears that an amendment to this plan may be needed if developed. In addition, the State Coastal Commission will also have review authority for this parcel. The Port is prohibited from allowing residential use on tideland property. Therefore, either a commercial or industrial land use would be a potential use under Port guidelines.

Physical Constraints

The subject parcel is generally level but below the adjacent street elevation. The site has an average elevation from 5 to 9 feet above sea level. Adjacent developed property is at an elevation of 13 to 15 feet. The low elevation of the subject places the majority of the parcel within a designated 100-year flood zone. Development of the property will require fill of the site at a minimum, to an elevation of one foot above the 100-year flood plain water surface. Based on the base flood elevations shown on the FIRM Flood Insurance Rate Map, the site will need to be raised up to an elevation of around 14 to 15 feet. Base flood elevations are shown on this property from 8 feet to 13 feet.

Rick Engineering Company performed a study several years ago to estimate the fill required to create a pad area meeting this elevation criteria. Several alternative pad sizes were studied, with the smallest pad a 10-acre portion located at the southern-most portion of Pond 20. The northern boundary of this pad generally corresponds with the northern boundary of the adjacent developed mobile home park to the east. The fill required for this pad was 186,000 cubic yards. The largest pad area determined by this study was 72.9 acres requiring a total import of 1,094,000 cubic yards.

The engineering department at the Port District also performed a preliminary development study in 2000 and updated this study recently. The current study considered the proposed 10-acre pad site and a 30-acre pad site. The total quantity of fill required for the 10-acre parcel was estimated at 32,400 cubic yards of crushed rock base material and 64,800 cubic yards of engineered fill material. The cost to

prepare and fill the site to a rough graded pad condition was estimated at \$11,869,000 or \$27.25 per square foot. The 30-acre site required 97,000 cubic yards of rock and 194,000 cubic yards of fill at an estimated cost of \$32,111,000 or \$24.57 per square foot.

Upon fill of at least a portion of the site, residential, commercial or industrial uses would be considered physically possible for this site. The property has good street access from 976 feet of frontage on Palm Avenue and possible secondary access from 13th Street. It would appear that the front portion of the site has the most development potential if the site can be filled and clear the legal hurdles of the Community Plan amendment process, possible rezone, environmental review, Coastal Commission approval and possible Army Corps approval. It is likely that environmental/biological mitigation measures will be required regardless of the size of the project and that on-site mitigation and/or restoration will be available due to the large parcel size.

Feasible Uses

Feasible uses are those physically possible, legal uses that would provide the highest net return to the land. The prior analysis concludes that the site has the possibility for residential, commercial and/or industrial development, but has a number of physical and legal hurdles to overcome. Residential property is currently undergoing a significant downturn and market correction from a peak in 2006. Prices are off 30 percent or more in many areas including the subject community. Due to this change, it is unlikely that a residential project would be considered until the market stabilizes. Residential uses would not be allowed unless the property were no longer under the Port District ownership and control.

Vacancy rates for commercial development in this market are not available, but based on my review of the main commercial corridor along Palm Avenue, there appears to be few vacant businesses. Some redevelopment has occurred for older sites with marginal improvements. There are a couple major-tenant anchored shopping centers within a mile radius.

If developed with a commercial use, the subject's size would require a large box anchor tenant. Demand for this type tenant and use in this market is unknown and would require a separate feasibility and demand analysis not within the scope of this assignment. It is unlikely that the subject would be developed as a speculative project without having one or more major anchor tenants lined up. Since that condition does not exist at this time, this type use is considered highly speculative.

Industrial development is limited in this area, with most industrial uses found near I-5 and north of Main Street in Chula Vista. The vacancy rate for industrial space in this market is around 6 percent for the South Bay and around 3 percent for the Chula Vista submarket. This is considered a stable rate and the market appears to be in balance. Demand for a large speculative industrial project is considered limited at this time.

Finished land values for industrial use are found in the range of \$10 to \$15 per square foot in the South Bay. Commercial land values are in the range of \$20 to \$30 per square foot for larger parcels. When considering the fact that the preliminary site development cost to fill a 10-acre or 30-acre portion of the site will cost at least \$24 per square foot, it is clear that development of this site is not economically feasible and would require some type of subsidy by a public agency if private development were to be pursued. It should be noted that the site preparation costs do not include the time and expense necessary to perform the required Special Study along with the associated cost of required studies and fees in order to obtain the regulatory approvals to proceed with development. There will also be offsite mitigation costs involved which also have not been estimated at this time.

If not developed, the subject Pond 20 parcel is estimated to have a market value as open space and/or habitat enhancement and restoration in the range of \$45,000 per acre. The comparable data used to derive this value range is presented later in this report.

Conclusion

In conclusion, the highest and best use of Pond 20 is considered speculative and undetermined at this time. The property requires a number of events to occur prior to having a more determinable highest and best use. These processes and events include land use planning and zoning designation, Community Plan amendment, EIR approval, Coastal Commission approval, wetland habitat, floodplain and floodway analysis, physical site development studies and market demand studies. This process could take at least two years or more. The cost to fill the proposed 10 and 30 acre parcels exceeds the finished retail value and therefore is not considered economically feasible at this time.

Based on these considerations, the highest and best use for this property is considered to be holding for future possible development or as open space with potential for habitat enhancement and/or restoration.

Valuation – Proposed 10-Acre and 30-Acre Parcels

The first valuation analysis presented will be the value of the proposed hypothetical 10-acre and 30-acre pads. Since the size of the parcel which may be offered for sale is not yet known, I have been asked to consider and value two different net pad areas. The land area required to complete the sale will likely also include area for required mitigation due to the project. This additional area has not been specifically valued in this report since it is an unknown quantity. Only the net commercial pad areas will be valued under the two size scenarios. This analysis will assume that the portion to be sold will also include sufficient land required for any on-site mitigation. Only the net commercial pad area will be specifically valued in this section.

I have been asked to value these two proposed pads based on the hypothetical condition that the owner/buyer will be able to obtain necessary land use entitlements for development with a commercial/retail center. In addition, the hypothetical condition will assume that the necessary environmental clearances, studies and permits can be issued for a commercial development, subject to required possible mitigation, either onsite or offsite. These assumptions are intended to reflect the conditions upon which a possible sale may take place from the Port to a future buyer. A potential sale agreement may be conditioned upon obtaining necessary environmental and land use approvals.

If the assumed hypothetical conditions turn out to be unachievable or untrue, the valuation will be void. It is not within the scope of this assignment to verify the probability or likelihood that these special assumptions and conditions will occur.

The market value estimates will reflect the cost necessary to develop the required approvals for a future commercial development. The time and cost to prepare the site for development, on-site and offsite, will also be considered. The time and risk of achieving the approvals will be removed from consideration in the valuation due to the related nature of the hypothetical conditions upon which this valuation is based.

A development residual method will be applied to estimate the market value of these proposed net commercial pads. First the retail finished pad value for the 10 and 30 acre parcels will be estimated. The cost to obtain the land use and environmental approvals and the cost to create the finished pads

will be deducted from the retail value. The net result will reflect the 'as-is' condition of the property, subject to obtaining all land development approvals. The Sales Comparison Approach has been applied in the valuation of the finished retail pads. A summary of this analysis follows.

Finished Commercial Pad Valuation

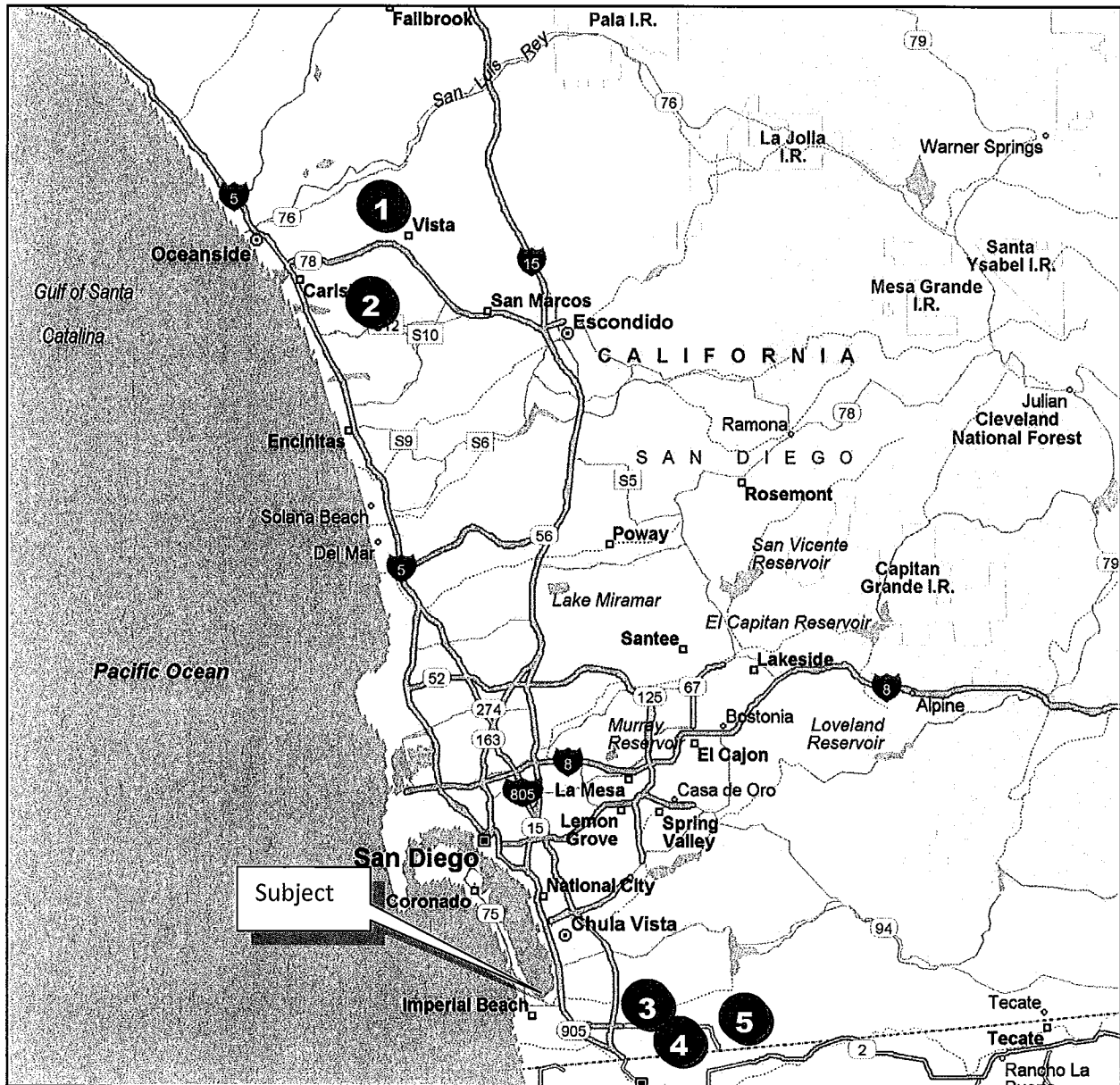
Finished pad value is estimated by comparing the subject sites to sales of similar land parcels in the neighborhood and surrounding market. I have searched San Diego County for sales of large commercially zoned parcels with potential for commercial development. In general, sales over 2 to 3 acres in size were considered. Sales under this size range were considered to not have a similar larger scale commercial development potential.

My analysis will focus on the valuation of an assumed 10-acre commercial pad fronting Palm Avenue with all entitlements approved and ready for commercial/retail development, possibly with a retail shopping center. This 10-acre parcel will be used as the basis for comparison with the sale data. The second alternative parcel size of 30 acres will be analyzed using adjustments to the 10-acre base value estimate.

A sales search resulted in consideration of the following land sales presented in summary form. Details of these sales are found in Addendum B of this report.

No.	Location/Buyer/Seller	Sale Date/Recording	Sale Price	Size	Zoning	\$/SF	Comments
1	<p>Southeast corner Melrose DR and Oceanside Blvd Oceanside, CA</p> <p>APN: 161-030-10 & 161-030-14 Buyer: Market Center Ventures LP Seller: North County Land Partners LP & Guajome Ranch LP</p>	1/28/2008 & 1/31/2008 004872 & 004873	\$6,431,459	7.29 AC	CN	\$20.25	Site for proposed neighborhood shopping center anchored by a Wal-Mart grocery store; raw, undeveloped, needs grading
2	<p>El Camino Real and College Boulevard Carlsbad, CA</p> <p>APN: 209-090-11 Buyer: Wal-Mart Stores, Inc. Seller: Sunny Creek Plaza LLC</p>	5/11/2007 2007-0322884	\$23,600,000	17.60 AC	C-L	\$30.78	Purchased for future Wal-Mart store; buyer has since decided not to build and has property back on market.
3	<p>Otay Mesa Road and Ocean View Hills San Diego, CA (Otay Mesa)</p> <p>APN: 645-390-03 Buyer: Otay RP Holdings LLC Seller: Pardee Homes, a California Corporation</p>	6/7/2007 2007-0385596	\$1,750,000	2.47 AC	CC-1-3	\$16.29	Corner finished site purchased for strip retail center construction
4	<p>Otay Mesa Road and Camino Maquiladora San Diego, CA (Otay Mesa)</p> <p>APN: 646-170-02 Buyer: RCP Block and Brick Inc. Seller: L & S Americas West Two, LLC</p>	6/28/2007 2007-0434220	\$3,511,000	4.03 AC	OMDD-IND Industrial	\$20.00	Inside parcel with dual frontage; purchased to construct RCP Block building materials retail building
5	<p>Roll Drive and Siempre Viva Road San Diego, CA (Otay Mesa)</p> <p>APN: 646-180-11 & 646-180-16 Buyer: 2360 Paseo De Las Americas LLC Seller: Kwan-Lok So & Milu-Lam Ho So, 2/3 interest, Anne Hui-Chan So, 1/6th, et al</p>	6/6/2007 2007-0382856	\$2,208,000	2.48 AC	OMDD-INTL Neigh. Comm.	\$23.25	Purchased for construction of strip retail center; project now under construction

Commercial Land Sale Location Map



Sale 1 (\$20.25/SF) is the purchase of two contiguous parcels totaling 7.29 acres located at the southeast corner of Oceanside Boulevard and Melrose Drive in Oceanside. The buyer assembled the two parcels from two different selling entities with concurrent closings. The average price per square foot was the same for both parcels. The buyer, Gatlin Development Company, is a developer with ties to Wal-Mart and has developed a number of Wal-Mart stores throughout the country. It appears that this site will be developed with a neighborhood shopping center anchored by a grocery store under the Wal-Mart brand. The buyer has made a submission to the city for development plan approval. The site has rolling topography and will require grading to create a finished pad. Some street dedications along Oceanside Boulevard also appear likely. The site is commercially zoned for a neighborhood shopping center use.

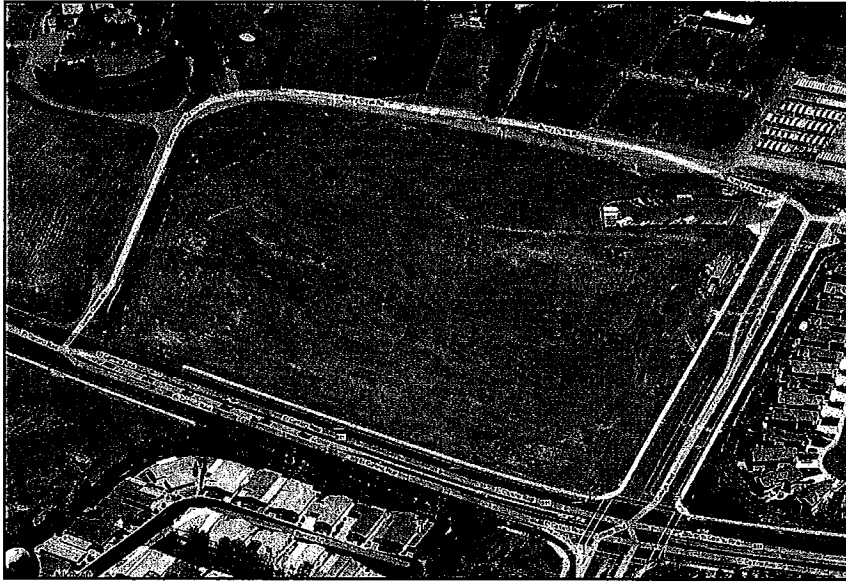
Overall, this site has good corner visibility with average traffic volumes from 20,000 to 22,000 vehicles per day and a signalized intersection. The subject has very good traffic visibility with 54,900 on Palm Avenue. I have adjusted this sale upward for a slightly inferior overall traffic exposure. The sale is also inferior due to the need to grade and finish the site whereas the subject is valued assuming all rough grading and perimeter infrastructure is complete.



Sale 1

Sale 2 (\$30.78) is the purchase of a corner site containing 17.6 acres located at College Boulevard and El Camino Real in Carlsbad. The property was purchased by Wal-Mart in May 2007 for the potential development with an 'up-scale' version of a Wal-Mart store. The site was master graded and is generally level and in a near finished condition. The zoning for the site is a local shopping center zone. A portion of the site along the northern boundary is within a flood hazard area for nearby Sunny Creek. It appears that Wal-Mart has dropped plans for development and reportedly has the property back on the market. I have been unable to confirm any current asking price for the property but the broker indicates that there are no current pending deals for this property.

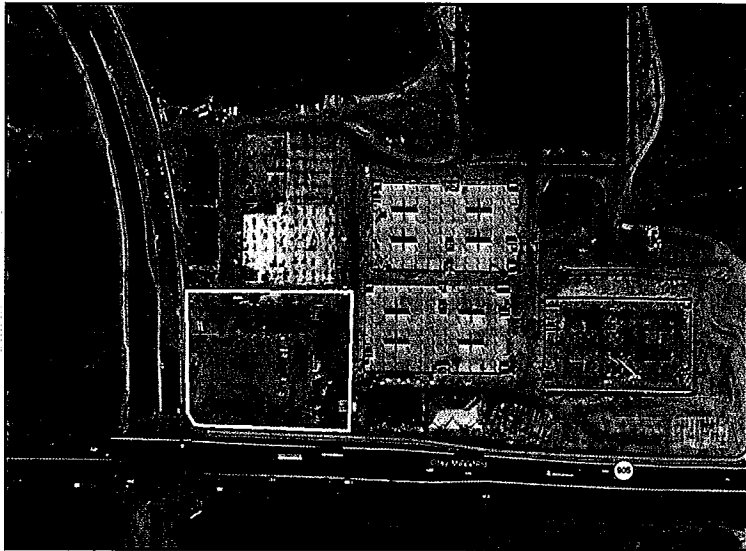
The location of the sale in Carlsbad is considered a superior market area. The site has good corner visibility with a signalized intersection, but Sunny Creek Road which is along the perimeter of the property, has not been improved. Also, College Avenue dead-ends at the subject property, but is projected to be extended to the northwest to finish the road extension through this portion of the city. Therefore, the potential for higher traffic visibility exists in the future for this site, however at this time, the overall traffic exposure is considered inferior to the subject.



Sale 2

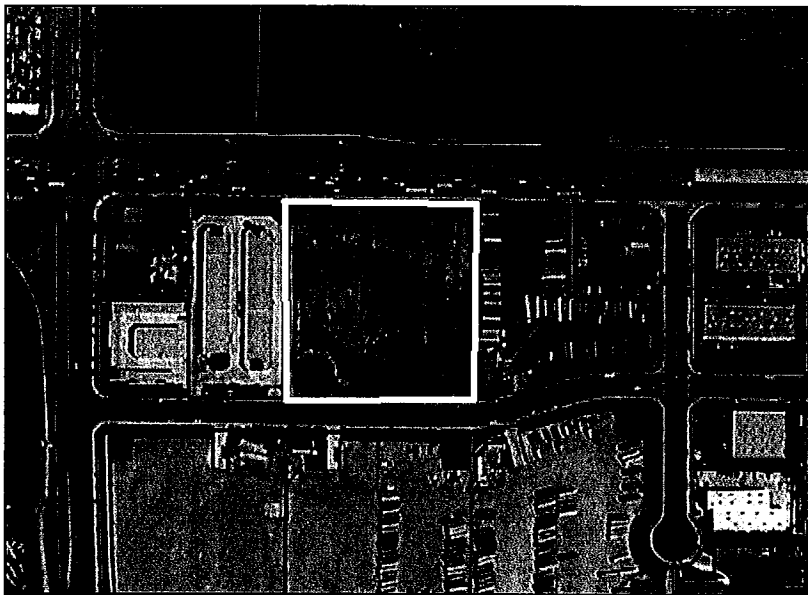
Sale 3 (\$16.29/SF) is the purchase of a 2.47-acre corner parcel located on Otay Mesa Road and Ocean View Hills Parkway in the Otay Mesa area of San Diego. The property is located within a newly developing residential community by Pardee Homes. Pardee sold this commercial corner site with plans for a 24,000 square foot retail shopping center. The parcel was rough graded and all offsites completed. Ocean View Hills Parkway is a new street that has only recently been completed and was not complete at the time of the sale. The buyer intended to construct the commercial center based on the existing approved plans, but there were financing problems and the permits expired. They are now in the process of resubmitting plans and are pre-leasing retail space. Ocean View Hills Parkway has now been completed, but is not yet open for traffic. A new apartment project is being constructed by Pardee wrapping around the north and east sides of this parcel with pedestrian access to the retail parcel built into the plans.

In comparison to the subject, this sale is generally similar in location influences and is about 5 miles southeast of the subject. The parcel is smaller in size, but overall is considered in the general size range as the subject's 10-acre pad size which is used as the base size for analysis purposes. The commercial zoning is similar to the subject. Access and visibility were judged overall similar to the subject. This sale has a current high traffic visibility on Otay Mesa Road of 66,000 vehicles per day. However, this will diminish when Highway 905 is constructed and diverts a large amount of through-traffic to the south on the new freeway. Also, this western Otay Mesa area is still developing and will not achieve a built-out condition for some time.

**Sale 3**

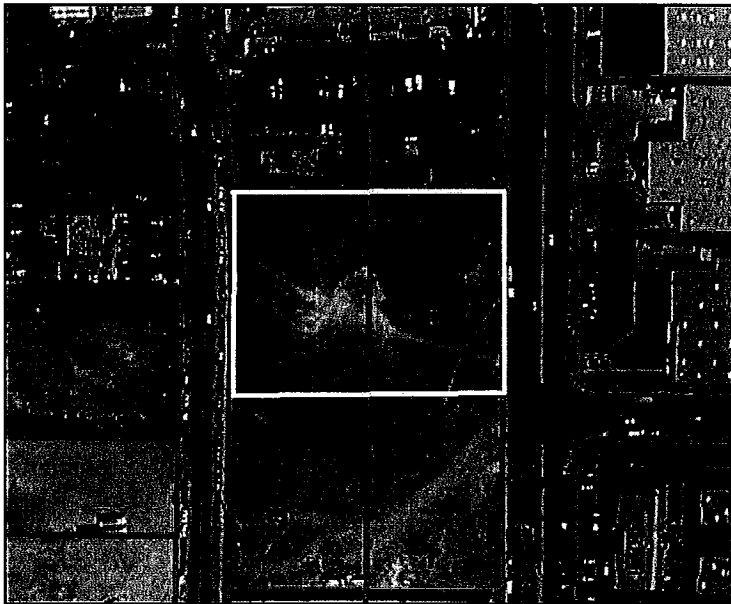
Sale 4 (\$20.00/SF) is the purchase of a 4-acre lot located on Camino Maquiladora in Otay Mesa. The parcel has dual frontage on Otay Mesa Road on the north side and Camino Maquiladora on the south. The driveway access will be from the south side, but the property will benefit from the high traffic visibility on Otay Mesa Road until the 905 freeway is constructed and diverts much of the traffic to the freeway. The parcel is in a finished lot condition, ready for development. The buyer has a building materials business and it appears that this site was purchased for a retail outlet. The site is zoned for light industrial uses, but does allow building materials business use. The price paid for this parcel reflects the good traffic visibility from Otay Mesa Road. Industrial zoned land parcels without this visibility have sold in the range of \$10 to \$15 per square foot.

Overall, this sale is considered inferior to the subject due to the industrial use zoning, but has a similar traffic exposure.

**Sale 4**

Sale 5 (\$23.25/SF) is the sale of two contiguous lots totaling 2.18 acres located in the Otay International Center subdivision a couple blocks from the US/Mexico border crossing and I-905. The parcels have dual frontage on Roll Drive to the west and Paseo De Las Americas on the east. The lots were in a padded, finished condition at the time of sale. The buyer is now constructing a strip retail center on the site. The sale is zoned neighborhood commercial land use within the Otay Mesa Development District. Although the street frontage is not on a primary arterial, there is a large amount of truck traffic and border related traffic feeding this area and this parcel will benefit from this general border related location.

This sale is considered overall inferior to the subject due to its inferior traffic visibility, but this is offset somewhat by the smaller parcel size close to 2 acres.



Sale 5

Land Sale Comparison and Adjustment Analysis

The sales have been compared and adjusted to the subject for non-physical and physical elements of comparison. The sale price per square foot has been used as the primary unit of comparison. A summary of the comparisons considered for these elements follows.

- **Property Rights:** All of the sales are fee simple interest transactions and comparable to the subject.
- **Financing:** The sales were either cash or cash equivalent transactions with market financing. No adjustments for financing influence were applied.
- **Conditions of Sale:** All of the sale data sold with typical or normal conditions of sale and no adjustments for unusual conditions were required.
- **Market Conditions:** The sale data have all closed within the past 12 to 18 months from the current effective date of appraisal. In general, the commercial land market appears to have been somewhat stable over this period and no significant changes either up or down have been noted. Therefore, no adjustments for this factor were applied to the sale data.

- **Location:** The subject property is located in the southern portion of the incorporated City of San Diego within the community of Nestor. This area is adjacent to the City of Imperial Beach and is also influenced by this community. Sale 1 is located in the northeast section of Oceanside and is considered to have a similar overall location influence relative to general land values compared to the subject area. Sale 2 is located in the City of Carlsbad and is near a growing area of the city. This location is considered superior to the subject and has been adjusted downward. Sales 3, 4 and 5 are all located in the Otay Mesa submarket area southwest of the subject. This general location is considered similar to the subject.
- **Size/Shape:** The subject is being valued based on an assumed 10-acre padded site. The proposed 30-acre parcel will be valued later in this analysis. The sale data were generally considered to fall within a size category considered similar to the subject. Sale 4 was the smallest of the sale data, close to 2 acres in size and a downward adjustment was applied to this sale.
- **Zoning:** This analysis is based on the hypothetical condition that the subject has achieved all required entitlements for a commercial land use. This would include a rezone and community plan amendment, to allow a commercial use for the subject. The sale data has been compared on this basis. Sale 4 has an industrial zone considered inferior to commercial zoning with a restricted number of commercial land uses and has been adjusted upward.
- **Access/Visibility:** Traffic exposure to the subject site along Palm Avenue is considered good with 54,900 vehicles per day. The site will not however have a signalized intersection to allow eastbound traffic to turn into the site. The sale data has been compared to the subject using average daily vehicle traffic counts reported by SANDAG as a basis for measuring and evaluating the sale data's commercial visibility.

A summary of the adjustment table for the sale data follows.

Item	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
<i>Sale Price Per SF:</i>	NA	\$20.25	\$30.78	\$16.29	\$20.00	\$23.25
<i>Property Rights:</i> Adjustment	Fee	Fee 0%	Fee 0%	Fee 0%	Fee 0%	Fee 0%
<i>Financing:</i> Adjustment	Cash Equiv.	Market 0%	Market 0%	Market 0%	Market 0%	Market 0%
<i>Conditions of Sale:</i> Adjustment	Normal	Normal 0%	Normal 0%	Normal 0%	Normal 0%	Normal 0%
<i>Market Conditions:</i> Recording Date Comparison Adjustment	DOV August 20, 2008	1/2008 Similar 0%	5/11/2007 Similar 0%	6/7/2007 Similar 0%	6/28/2007 Similar 0%	6/6/2007 Similar 0%
<i>Subtotal Net Adjustment</i> <i>Interim Adjusted Price</i>		<u>0%</u> \$20	<u>0%</u> \$31	<u>0%</u> \$16	<u>0%</u> \$20	<u>0%</u> \$23
<i>Location:</i> Comparison Adjustment	Nestor	Oceanside Similar 0%	Carlsbad Superior -20%	Otay Mesa Similar 0%	Otay Mesa Similar 0%	Otay Mesa Similar 0%
<i>Size and Shape:</i> Comparison Adjustment	10 Acres	7.29 AC Similar 0%	17.60 AC Similar 0%	2.47 AC Similar 0%	4.03 AC Similar 0%	2.18 AC Superior -10%
<i>Site Condition:</i> Comparison Adjustment	Finished	Unfinished Inferior 20%	Finished Similar 0%	Finished Similar 0%	Finished Similar 0%	Finished Similar 0%
<i>Zoning/Land Use:</i> Comparison Adjustment	Commercial	Commercial Similar 0%	Commercial Similar 0%	Commercial Similar 0%	Industrial Inferior 30%	Commercial Similar 0%
<i>Access/Visibility:</i> Comparison Adjustment	Good+	Good Inferior 10%	Good Inferior 10%	Good+ Similar 0%	Good+ Similar 0%	Avg Inferior 20%
<i>Net Location/Physical Adjustment</i> <i>Adjusted Price Indicator</i>		<u>30%</u> \$26	<u>-10%</u> \$28	<u>0%</u> \$16	<u>30%</u> \$26	<u>10%</u> \$26

Conclusion

The adjusted sale data falls within a range from \$16 to \$28 per square foot. The average adjusted price for the five sales is \$24 per square foot. The majority of the data adjusted between \$26 and \$28. Sale 3 falls at the low end of the range and has been given less weight.

Based on the above analysis, I have concluded at a value of \$26.00 per square foot of land area for the hypothetical 10-acre commercially-zoned subject parcel assuming a finished lot condition.

The 30-acre parcel will be valued using this concluded value as a base. The primary difference between these parcels is size. They both will have similar linear frontage along Palm Avenue and the same traffic visibility in general. The 30-acre parcel will have a greater depth. I did not find any directly comparable commercial site sales with a size close to this parcel. I have adjusted the value for the 10-acre parcel downward by 10 percent to reflect the larger gross parcel size difference. The resulting value conclusion for the 30-acre parcel is \$23.40 per square foot.

The indicated finished lot values for the two parcels by this approach follows.

10-Acre Parcel:

<u>Gross Land Area (SF)</u>		<u>Value Per SF</u>	=	<u>Value</u>
435,600	x	\$26.00		\$11,325,600

30-Acre Parcel:

<u>Gross Land Area (SF)</u>		<u>Value Per SF</u>	=	<u>Value</u>
1,306,800	x	\$23.40		\$30,579,120

INDICATED LAND VALUE – 10-ACRE FINISHED PARCEL	\$11,325,000
INDICATED LAND VALUE – 30-ACRE FINISHED PARCEL	\$30,579,000

Net 'As-Is' Hypothetical Land Value Estimate

The next step in this analysis is to deduct the costs that would be needed to create the assumed legal and physical 10 and 30-acre padded parcels. This includes all land planning costs and costs of development to create the finished parcels. After deducting these costs and allowing for the time to complete the process, the net 'as-is' value for the two parcels will be the result, subject to the hypothetical conditions noted herein. This would indicate the value a buyer would be willing to pay for the two alternative parcels assuming all legal, physical and land planning hurdles can be crossed and achieved. This is a form of a development residual analysis. Missing from this analysis will be the risk premium deduction associated with processing and obtaining the entitlements since the parcels would be sold subject to a contingency that they can and will be obtained during the escrow contingency period.

Land Planning Costs

I have requested from the Planning Department at the Port a cost estimate of the cost to process the necessary studies and land use changes required to obtain land use entitlements for this site. The planning department staff was unable to provide an estimate of these costs. Following is a summary of the potential studies and processes that may be required:

1. A Special Study report will be needed for lands within the Special Study Area identified in the Otay Mesa-Nestor Community Plan and Local Coastal Plan. The Community Plan and Coastal

Commission indicate that before any land use changes can occur within the salt pond area of the South Bay, this study will be required.

2. Since the community plan currently has an Open Space land use designation on the Pond 20 parcel, development will not be allowed until this is amended through the community planning process. The Local Coastal Plan will also need to be amended, adopted and certified by the Coastal Commission to reflect any change in land use for Pond 20.
3. Pond 20 is currently designated with multiple zones, including a community commercial zone. A rezone of a portion of the property may be needed. This would be concurrent with the community plan amendment process.
4. An EIR will likely be required for any development of this property, and would probably be tied in with the Special Study report.
5. Approvals for impacts to environmentally sensitive lands including wetlands and jurisdictional waters of the US as defined by the Jurisdictional Delineation Report will need to be obtained from the various state and federal agencies.

Since the cost of these studies and entitlement applications has not been provided to me, I am unable to make an adjustment to the finished lot value for these costs. It will likely be a significant number, but the order of magnitude is not known at this time. An EIR can cost from \$150,000 to \$300,000 and take at least a year and a half to complete.

Cost of Development Estimate

The finished pads were valued assuming they had all entitlements in place and were filled and graded to a finished condition, ready for final grading and improvement construction. I have requested a cost estimate from my client to assist in this analysis. The Engineering Department of the Port District has provided me with a cost estimate to excavate, re-grade and fill the pad areas and create a compacted site ready for building development. Two estimates were provided, one for a 10-acre parcel and the second for a 30-acre parcel. A summary of these costs follows.

Parcel Size	Construction			Total	\$/SF
	Cost	Soft Cost	Contingency		
10-Acre Parcel:	\$7,372,017	\$3,022,527	\$1,474,403	\$11,868,947	\$27.25
30-Acre Parcel:	\$19,944,722	\$8,177,336	\$3,988,944	\$32,111,002	\$24.57

The cost estimates include costs for clean and grub, rough grading, geotextile fabric, crushed rock and base material, engineered fill and storm drainage. The 10-acre parcel will need about 97,200 cubic yards of rock and fill material. The 30-acre parcel will need about 291,000 cubic yards. This fill will bring the finished pad elevation up to a level above the existing flood plain, around 16 feet above sea level. The estimated time to complete this excavation and fill process will be around 6 to 8 months for the 10-acre parcel and a year or more for the 30-acre parcel.

Summary

Based on the estimated retail value for the 10-acre parcel at \$26.00 per square foot, the cost to complete the fill and create this pad exceeds the finished value and indicates a net residual value of <\$1.25> per square foot (negative). In addition, deductions would be needed for the cost of land planning and studies needed to achieve the proper land use entitlements for a commercial site. I have

not been provided with this estimate, but since the value before that deduction is negative, it is obvious that the net value will decline even further. Development under this scenario does not appear to be an economic use of this property.

The proposed 30-acre parcel had a retail value estimate of \$23.40 per square foot and a cost to create the pad at \$24.57 per square foot. Again, the net value is negative even before considering land planning costs. For this reason, I am not presenting a final value under the 'as-is' physical condition of the property for the two alternative pad sizes under the assumed hypothetical conditions.

Valuation of Pond 20 'As-Is'

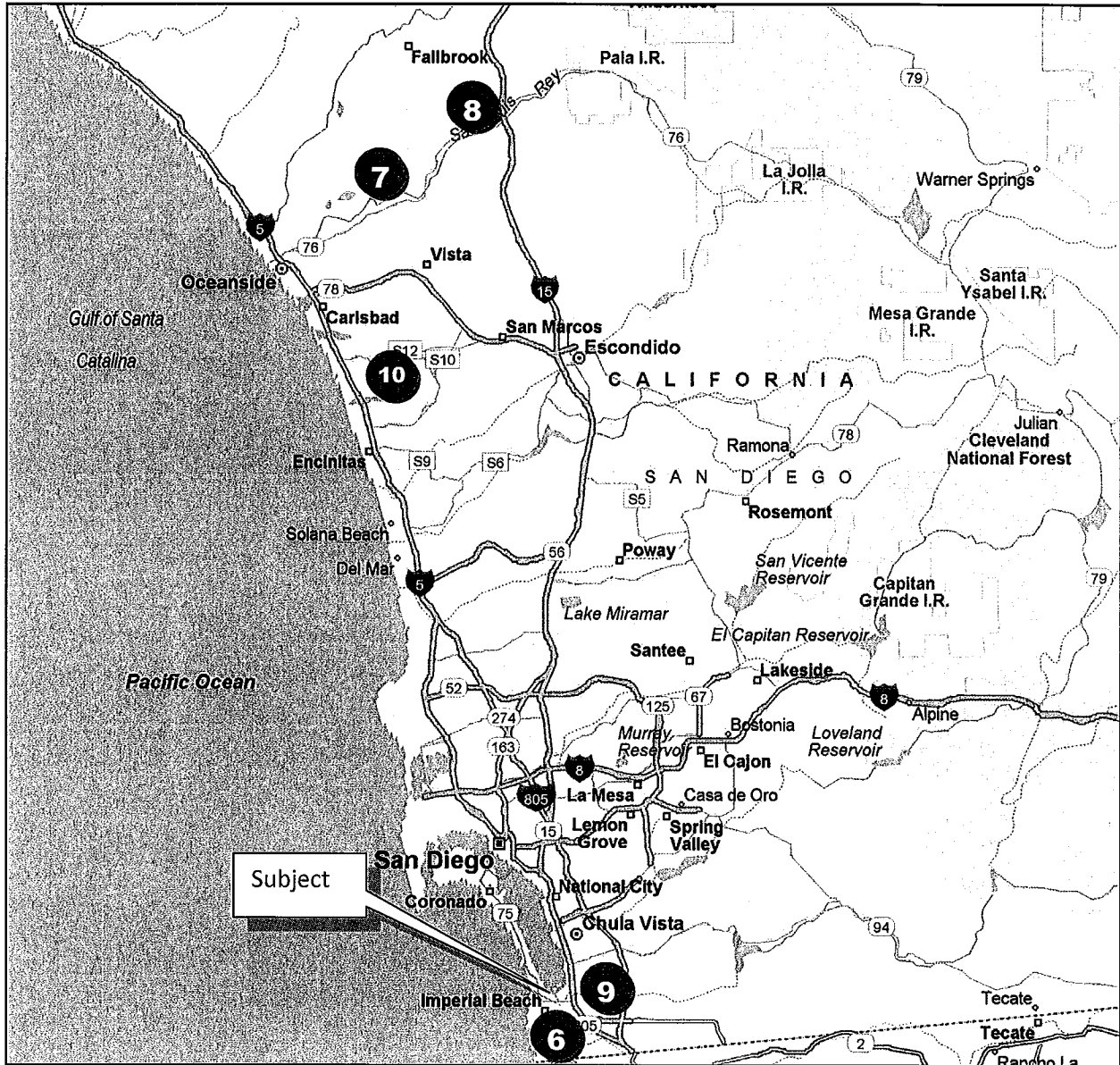
The 'as-is' valuation of the subject property will be based on a highest and best use as holding for future development or potential mitigation/conservation land. Economic development of the property does not appear feasible at this time. The entire 95.13-acre parcel will be valued in this analysis. While under Port District ownership and control, the Port Master Plan will have regulatory authority. If transferred to another entity, the regulatory control will shift to the City of San Diego and the State Coastal Commission through the Local Coastal Plan.

A search was made for sales of undeveloped land parcels with a similar highest and best use as the subject property. The market area searched included all of San Diego County, with a focus on the coastal areas and areas with wetland mitigation or conservation attributes. I considered sale data over the past several years.

Several sales were found and those most similar in physical characteristics were selected for analysis. A summary of the comparable market data items follows, with analysis and conclusions following the data summaries. Details of the sale data are found in the Addendum of this report.

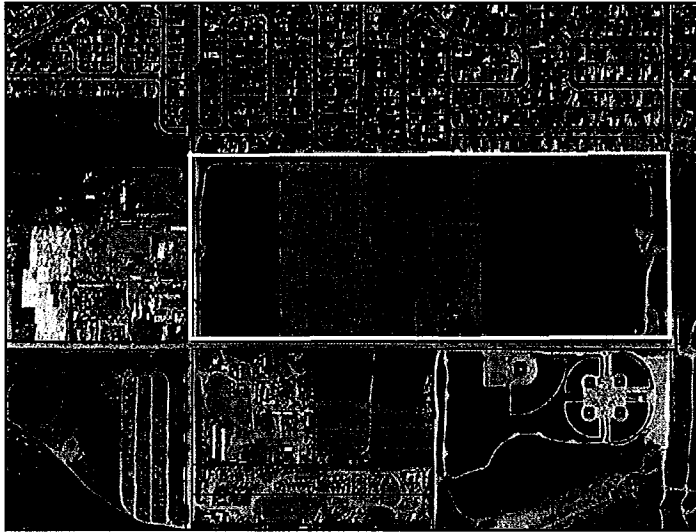
No.	Location/Buyer/Seller	Sale Date	Sale Price	Size (Acres)	\$/Acre
6	Hollister Street and Sunset Avenue San Diego, CA APN: 637-010-09,10,11,67 Buyer: County of San Diego Seller: Marathon Land & Cattle Co.	6/5/2003	\$1,203,400	63.93	\$18,824
7	South side of N. River Road Oceanside, CA APN: 122-100-57, 58, 59 Buyer: Granite Construction Company Seller: Fisher Family Partnership et al	11/15/2006	\$1,015,200	28.72	\$35,348
8	South side of Highway 76, west of I-15 Bonsall, San Diego County, CA APN: 125-080-19; 125-090-36 Buyer: San Diego County Water Authority Seller: Kendall Land L.P.	5/6/2005	\$1,903,500	46.45	\$40,980
9	North side of Palm Avenue, west of Cagayan Ave. San Diego, CA (South San Diego) APN: 628-050-09 Buyer: County of San Diego Seller: Guillermina Parra	2/10/2006	\$650,000	11.31	\$57,471
10	West of Arenal Road, north of Batiquitos Lagoon Carlsbad, CA APN: 216-121-17 Buyer: Batiquitos Lagoon Foundation Seller: Nancy M. Mitsuuchi, Trustee & John K. Mitsuuchi, Trustee	6/16/2008	\$2,400,000	18.11	\$132,523

Conservation/Mitigation Land Sale Location Map



SALE 6

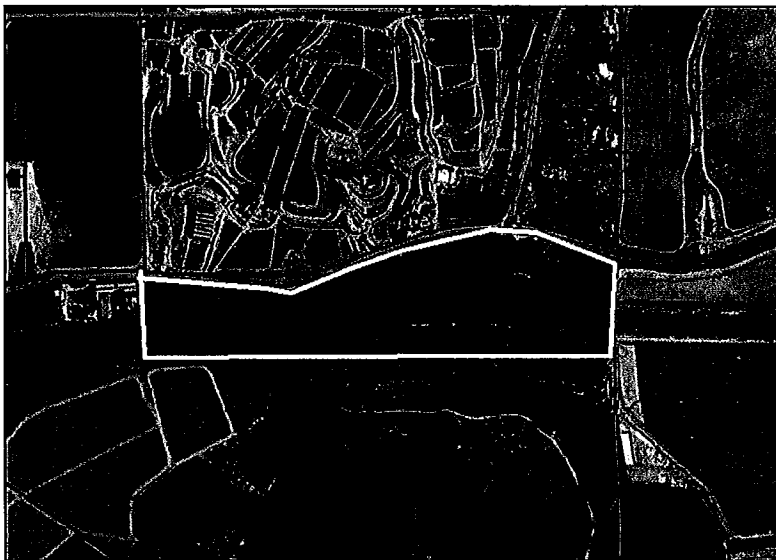
The County of San Diego purchased a 63-acre parcel located on the north side of Sunset Avenue, east of Hollister Street in the Tijuana River Valley area about 2 miles south of the subject property. The sale price was \$1,203,400 or \$18,824 per acre in June 2003. The seller had purchased the property in 2001 for \$1,000,000. The County acquired the parcel without threat of eminent domain as a negotiated sale. The parcel was acquired for addition to the Tijuana River Valley Regional Park. The property is entirely within the floodplain and floodway of the Tijuana River and had been used for row crop agriculture in the past.



This sale is inferior to the subject due to the 2003 date of sale. The parcel size is generally similar to the subject. This property does not have any sensitive habitat since it had been previously disturbed and does not contain wetland or have potential for wetland restoration. For this reason, this parcel is considered inferior to the subject. The highest and best use for this parcel was for agricultural use.

SALE 7

This sale is a 28-acre parcel located on the south side of North River Road in the City of Oceanside. The parcel sold in November 2006 for \$35,348 per acre. The property is undeveloped acreage purchased for mitigation purposes. The property is mostly wetland within the floodway and floodplain of the San Luis Rey River which crosses along the south boundary. The buyer needed wetland habitat to conserve in



order to mitigate the taking of wetland area in a quarry project to the east along the same river. This parcel does not require any restoration. The property had been in escrow about a year prior to close of escrow. Overall, this sale is considered inferior to the subject property. It has a superior amount of wetland habitat, but lacks the potential for use as restoration property. It does not have any development potential.

SALE 8

The San Diego County Water Authority purchased a 46-acre parcel of land located on the south side of Highway 76, ¼ mile west of I-15 in the Bonsall community of north San Diego County. The sale price in May 2005 was \$40,980 per acre. The parcel is irregularly shaped and gently sloping to level with most of the property within the flood plain of the San Luis Rey River. Much of the property has been previously cleared and farmed, but there are portions with some wetland and riparian habitat. This parcel has potential for wetland/riparian habitat restoration and/or creation and/or enhancement subject to resolution of several environmental and cost feasibility issues. This parcel is in an area of Arroyo Toad habitat, a threatened species whose habitat is protected. The parcel has a San Diego Water Authority water aqueduct crossing through the center which is one of the reasons for the purchase by the Authority. This was a negotiated sale and not subject to eminent domain.

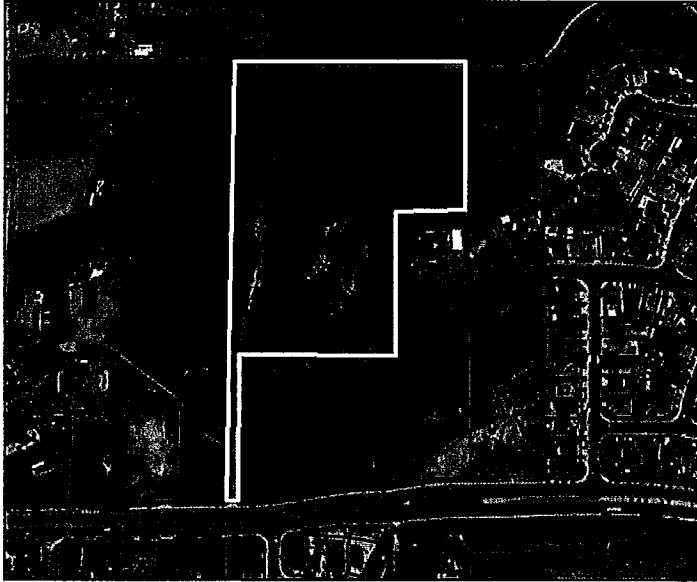
Overall, this sale compares favorably to the subject property after an upward adjustment for the 2005 date of sale. It had some development potential, but also has habitat creation and restoration potential.

**SALE 9**

Sale 9 is the purchase of a 11-acre parcel located on the north side of Palm Avenue in the South San Diego area about 1.4 miles east of the subject property. This parcel was purchased by the County of San Diego for inclusion in the Otay Valley Regional Park. The purchase price in February 2006 was \$650,000 or \$57,471 per acre based on a negotiated sale without influence from eminent domain powers. The parcel had been listed in the MLS for sale for just under \$1,000,000 prior to the sale. The parcel's north half is within the floodplain of the Otay River and half in slope bank on the south side. The highest and best use of this parcel would have been for agricultural use and possibly a homesite in the higher elevation area. The parcel had split zoning of RS-1-1 for the area outside of the floodplain and AR-1-2 for the area within the floodplain.

Access to this parcel was from Palm Avenue from a long narrow strip up the side slope. The sale has a superior topography since it is partially outside of the floodplain, but the development potential for this

area due to limited access is small. The parcel size is much smaller than the subject and this size difference is significant enough to cause an increase in the price per acre. Overall, this sale is superior to the subject and the value for the subject would be less than this sale.



SALE 10

Sale 10 is an 18-acre parcel located on the north side of Batiquitos Lagoon in the City of Carlsbad. The buyer of the property was the Batiquitos Lagoon Foundation who intends to preserve the property. The parcel sold for \$132,523 per acre in July 2008. The property has varied terrain with bluffs along the north side and the south half slopes toward the lagoon. The property has a split land use designation by the City of Carlsbad General Plan with an RM, Residential Medium Density land use designation on the north half and Open Space for the south half. The property is within the Coastal Zone and is subject to the requirements of the Local Coastal Plan. The parcel has frontage on Arenal Road which dead-ends at the parcel. The habitat is classified as disturbed, maritime succulent scrub, coastal salt marsh and disturbed wetland. It appears that this property has potential for restoration and/or creation of coastal wetland habitat. This potential likely drove up the price since there are few parcels with this coastal and lagoon influence which are undeveloped and available for purchase. The seller stipulated that the property was not to be used for mitigation purposes. Also, the buyer had to assume the liability of any future environmental contamination cleanup. The buyer paid for a Phase I and II report during escrow and did some minor cleanup of diesel fuel.

Overall, this sale is considered superior to the subject. Its location adjacent to the Batiquitos Lagoon with wetland habitat and potential for restoration and/or wetland creation is similar to the subject. However, the sale is much smaller in size and a downward size adjustment is warranted. Also, the sale has upland area that may have some development potential given the portion designated with a residential land use designation by the general plan. Since the parcel is watershed area for the lagoon, any development and clearing of ground cover would be scrutinized closely. This bluff top area would have very good views overlooking the lagoon and any homesites created would be considered premium sites. Previous developers had been looking at this site for residential use, but deals fell through.



Sale Comparison Analysis

The sales have been compared to the subject for non-physical and physical elements of comparison. Qualitative adjustments have been applied to the data for areas of significant differences compared to the subject. A summary of the comparisons considered for these elements follows.

Property Rights

All of the sales are fee simple interest transactions and comparable to the subject.

Financing

The sales were either cash or cash equivalent transactions with market financing. No adjustments for financing influence were applied.

Conditions of Sale

All of the sales appeared to have normal conditions of sale and no adjustment was warranted.

Market Conditions

This is the adjustment applied for changes in market prices due to time. The sales that closed since 2006 have generally similar market conditions compared to the current effective date of value. In general, residential home prices have been declining over the past couple years since peaking in late 2005 and early 2006. There is insufficient data to track agricultural mitigation land prices in this area to extract a time adjustment to apply to the older sale data. It is likely that prices have increased from 2002 through 2005, but probably not to the same extent as residential home or residential lot prices. The demand for agricultural or mitigation land is driven by different factors than the home market. The shrinking supply

of available suitable mitigation land in general would likely have an upward pressure on prices, but demand for mitigation land tends to soften when demand for new residential and commercial development weakens, as has been the case since 2006.

Sale 6 is the oldest transaction and also has the lowest price per acre, before other adjustments. This tends to show this upward price trend. Sale 8 closed before the peak in the residential market in 2006 and would also indicate a need for an upward time adjustment. These sales have been adjusted upward based on market price appreciation factors derived from looking at price trends in the South Bay market area for residential homes, lots and other real estate. On average, prices for homes increased from 2003 to 2006 by around 42 percent. They have declined by over 30 percent since 2006 and are now close to being back where they were in 2003. I have applied an upward 10 percent adjustment to Sale 6 and an upward 5 percent adjustment to Sale 8. The rest of the sales were not adjusted for market conditions.

Location

The subject property is located in the incorporated City of San Diego within the Otay Mesa-Nestor community. The sales in the South Bay area including Sales 6 and 9 have similar location influences as the subject and no adjustment has been applied. Sales 7 and 8 are located in the rural north county areas within Oceanside and Bonsall and have generally similar locations and land price levels somewhat comparable to the subject. Sale 10 is located in Carlsbad adjacent to the lagoon and across from high-end residential development. This parcel is considered superior in location influences and has been adjusted downward.

Size/Shape

The subject lot contains 95 gross acres. Sales 7, 9 and 10 are considered somewhat smaller than the subject, all less than 30 acres. A downward adjustment has been applied to these sales to reflect the small parcel sizes compared to the larger gross size of the subject. The larger the size difference, the larger the size adjustment. The balance of the data were all in a generally comparable size range as the subject.

Mitigation Potential

The subject property has some wetland habitat, jurisdictional waters of the United States and some upland area. This parcel has potential for habitat creation or restoration given its coastal South Bay influence adjacent to Nestor Creek and Otay River. This potential for use as mitigation or habitat conservation is considered valuable to potential buyers who would need this type of land for offsite mitigation projects, likely in the South Bay. It is this potential that is being judged and compared to the sale data.

Sales 6 and 7 both do not have mitigation potential for different reasons. Sale 6 is an agricultural parcel without any exposure to the Tijuana River, although it is within the floodplain of that river. Restoration of this land to wetland is less likely. Sale 7 is an existing wetland and has no restoration potential. These sales were adjusted upward. I applied a 30 percent adjustment based on my experience and observation with the other sales that did have mitigation potential. This is considered a subjective adjustment.

Development Potential

The subject has limited development potential as shown in the previous analysis based on commercial land uses. Given time, the economic factors may change to a level where it could be economic, but current conditions do not warrant development. All of the sales except Sale 10 had either none or

limited development potential and were judged overall similar in this regard to the subject. Sale 10 may have some potential given the fact that the land is mostly upland and coastal bluff. A portion of the upland area has a residential land use designation, but development may have been difficult to entitle due to potential impacts on the nearby lagoon. The sale price for this property appears to reflect this attribute and therefore a downward adjustment has been applied.

Adjustment Table

A summary of the adjustment table for the subject parcel follows.

Item	Subject	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
<i>Sale Price Per Acre:</i>	NA	\$18,824	\$35,348	\$40,980	\$57,471	\$132,523
<i>Property Rights:</i> Adjustment	Fee	Fee 0%	Fee 0%	Fee 0%	Fee 0%	Fee 0%
<i>Financing:</i> Adjustment	Cash Equiv.	Market 0%	Market 0%	Market 0%	Market 0%	Market 0%
<i>Conditions of Sale:</i> Adjustment	Normal	Normal 0%	Normal 0%	Normal 0%	Normal 0%	Normal 0%
<i>Market Conditions:</i> Recording Date Comparison Adjustment	DOV August 20, 2008	6/5/2003 Inferior 10%	11/15/2006 Similar 0%	5/6/2005 Inferior 5%	2/10/2006 Similar 0%	7/10/2008 Similar 0%
<i>Subtotal Net Adjustment</i> <i>Interim Adjusted Price</i>		<u>10%</u> \$20,706	<u>0%</u> \$35,348	<u>5%</u> \$43,029	<u>0%</u> \$57,471	<u>0%</u> \$132,523
<i>Location:</i> Comparison Adjustment	Nestor	TRV Similar 0%	Oceanside Similar 0%	Bonsall Similar 0%	ORV Similar 0%	Carlsbad Superior -20%
<i>Size and Shape:</i> Comparison Adjustment	95.13 Ac	64 Similar 0%	29 Superior -10%	46 Similar 0%	11 Superior -20%	18 Superior -20%
<i>Mitigation Potential</i> Comparison Adjustment	Yes	No Inferior 30%	No Inferior 30%	Yes Similar 0%	Yes Similar 0%	Yes Similar 0%
<i>Development Potential</i> Comparison Adjustment	Limited	None Similar 0%	None Similar 0%	Limited Similar 0%	Limited Similar 0%	Limited Superior -20%
<i>Net Location/Physical Adjustment</i> <i>Adjusted Price Indicator</i>		<u>30%</u> \$26,918	<u>20%</u> \$42,418	<u>0%</u> \$43,029	<u>-20%</u> \$45,977	<u>-60%</u> \$53,009

Conclusion

The adjusted sale data ranged from \$27,000 to \$53,000 per acre (rounded). Sales 6 and 10 set the lower and upper limits of the pre-adjusted and adjusted range and both had the largest amount of adjustment. These sales were given less weight in my final analysis for this reason. The rest of the data adjusted to a rather close range from \$42,000 to \$46,000 per acre and have been given generally equal overall weight.

Based on the sale comparison analysis, I have concluded at a market value of \$45,000 per acre. The indicated value by this approach follows.

<u>Gross Acres</u>		<u>Value Per Acre</u>	=	<u>Value</u>
95.13	x	\$45,000		\$4,280,850

My reconciled opinion of the market value for the fee simple interest as of the effective date of appraisal on August 20, 2008 is \$4,280,000. This value estimate is based on the general and specific limiting conditions and assumptions summarized in this report.

CONCLUDED ESTIMATE OF MARKET VALUE

\$4,280,000

PART V - ADDENDA

Addenda A - Appraiser Qualifications

Qualifications of Gary L. Rasmuson, MAI, SRA

Expertise:

Mr. Rasmuson has been actively appraising real estate since 1977 as an independent fee appraiser. Rasmuson Appraisal Services (formerly Rasmuson Appraisal Consultants, Inc.) was established in 1984 and has valued over 1,000 properties to date. Specialties include valuation for litigation purposes including eminent domain, easement and right-of-way appraisals, appraisal of motels, hotels, apartments, office buildings, industrial properties and all types of vacant land.

General appraisal experience includes valuation of residential subdivisions, industrial subdivisions, single-family residences, mobile home parks, estate valuations, partial interest valuation and retail commercial properties. Appraisal assignments have been performed primarily in San Diego County but have included communities within Southern California and Arizona.

Business:

President – Rasmuson Appraisal Services
14665 Yukon Street, San Diego CA 92129
Phone: (858) 672-1796
Fax: (858) 672-3816
Email: gary@rasmusonappraisal.com

Memberships:

- Member – Appraisal Institute:
 - MAI Designation (No. 6926) Awarded in 1984
 - SRA Designation
 - Past National Director - 1994; San Diego Chapter President - 1984 (former Society of Real Estate Appraisers); Director - 1987-89; 1994-1997; Regional Representative 1991-1997; Treasurer - 1990; California Legislative Committee: 1992
- California General Real Estate Appraiser, State of California
License No. AG002571; Expires February 4, 2010
- Member - International Right of Way Association

Education:

Bachelor of Science, Business Administration; Economics Major
University of North Dakota - 1977

Post-graduate Courses – Appraisal Institute Sponsored:

Basic Appraisal Principles (1-A)	Business Valuation - SREA
The Appraisal of Partial Acquisitions	Standards of Professional Practice
Capitalization Theory and Techniques (1-B)	Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing	Litigation Valuation

Seminars (Partial List):

Litigation Seminar	Analysis of Problem Properties
Apartment Seminar	Capitalization Update Seminar
Appraisal Regulation Seminar	Fair Housing Seminar
Subdivision Analysis Seminar	Hotel/Motel Valuation Seminar
Special Purpose Properties Seminar	Advanced Cash Flow Modeling

Qualifications:

- Qualified Expert Witness, Federal Bankruptcy Court
- Qualified Expert Witness, California Superior Court
- Appointed Special Master to Superior Court
- Course Instructor – Appraisal Institute Course Capitalization Theory & Techniques 310 and Capitalization Theory & Techniques 510
- Received Distinguished Service Award - 1991 San Diego Chapter of the Appraisal Institute

Clients (Partial List):

Banks:

Affinity Bank	California Bank & Trust
Bank of America	Comerica Bank
Fidelity Federal Bank	Commercial Capital Bank
Wells Fargo Bank	Washington Mutual

Public Agencies:

City of Oceanside	City of San Diego
County of San Diego	State of California Caltrans
Port of San Diego	San Diego County Water Authority
San Diego City Schools	Office of Thrift Supervision

Developers/Other:

California Transportation Ventures	The Conservation Fund
McMillin Communities	Balestri, Pendleton
McComic Consolidated	SDSU Foundation
Higgs, Fletcher & Mack	Daley & Heft

Employment History:

1977-1984:	Lee C. Johnson Company Staff Appraiser
1984-1998:	Rasmuson Appraisal Consultants, Inc. President/Owner
1998-1999:	Lipman, Stevens, Marshall & Thene, Inc. Appraiser
1999-Current:	Rasmuson Appraisal Services President/Owner

Addenda B - Land Sale Data

Sale 1

Location/Address Southeast corner of Oceanside Blvd. & Melrose Drive, Oceanside

Assessor Parcel Nos. 161-030-10 & 161-030-14

Legal Description Parcel "B" of PM 17266 & portion of SWQ of Lot 6, Section 13, Township 11 South San Bernardino Base and Meridian

Site Data

Land Area: APN 10: 5.82 AC
APN 14: 1.47 AC
Total: 7.29 AC

Zoning: CN (Neighborhood Commercial), City of Oceanside

Land Use: Commercial land

Utilities: All available

Access: Frontage along Melrose Drive and Oceanside Blvd.

Site Condition: Rough graded acreage; parcel has sloping terrain and will need grading to create a building site

Improvements: None

Proposed Use Construct a neighborhood retail center

Sale Data

Recorded: 1/28/2008 & 1/31/2008 *Document:* 2008- 004872 & 004873

Sale Date: 1/28/2008 & 1/31/2008

Seller: North County Land Partners LP & Guajome Ranch LP

Buyer: Market Center Ventures LP

Sale Price: APN 10: \$5,134,459 *Price Per SF (Gross):* \$20.25
APN 14: \$1,297,000 *Price Per SF (Gross):* \$20.26
Total: \$6,431,459 *Price Per SF (Gross):* \$20.25

Terms: All cash sale *First Trust Deed:* N/A

Lender: N/A *Second Trust Deed:* N/A

Comments The buyer has assembled these parcels in concurrent transactions.

Source CoStar, Public Records

Sale 1



View of sale looking south across Oceanside Boulevard



Aerial view of sale looking north

Sale 2

Location/Address Northwest corner of College Boulevard & El Camino Real, Carlsbad

Assessor Parcel No. 209-090-11

Legal Description Lot 11 of Carlsbad Tract No. 83-36 Unit No, Map 11242

Site Data

Land Area: 17.60 AC 766,656 SF

Zoning: C-L, Local Shopping Center, City of Carlsbad

Land Use: Commercial land

Utilities: All available

Access: Frontage along College Boulevard & El Camino Real

Site Condition: Graded, level pad in a finished lot condition

Improvements: None

Proposed Use Develop a Wal-Mart store

Sale Data

Recorded: 5/11/2007 *Document:* 2007-0322884

Sale Date: 5/8/2007

Seller: Sunny Creek Plaza LLC

Buyer: Wal-Mart Stores, Inc.

Sale Price: \$23,600,000 *Price Per SF (Gross):* \$30.78

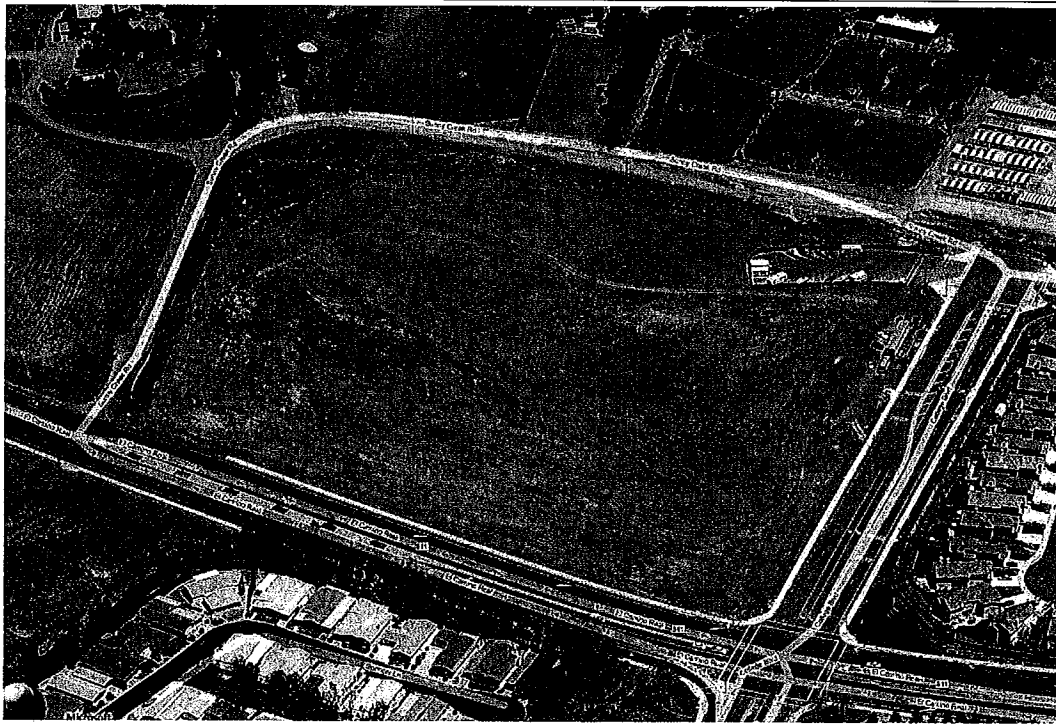
Terms: All cash sale *First Trust Deed:* N/A

Lender: N/A *Second Trust Deed:* N/A

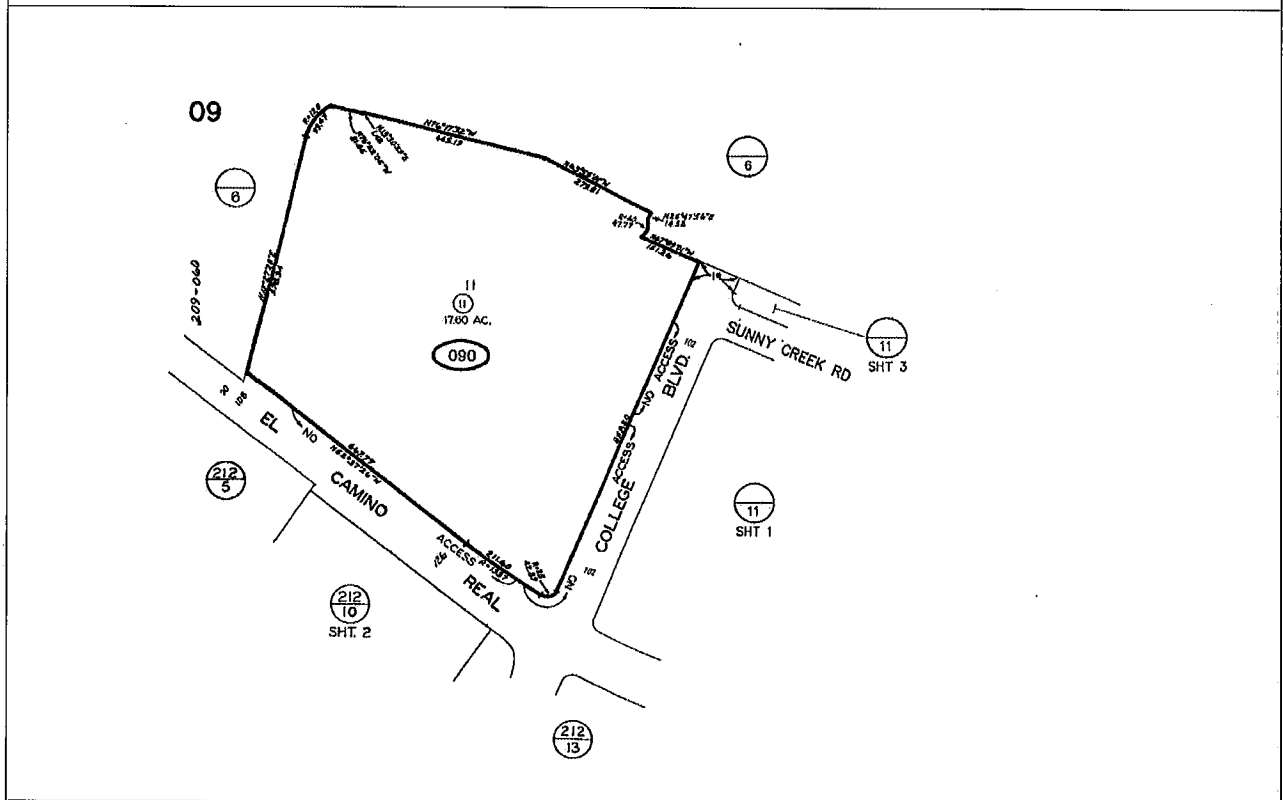
Comments Buyer purchased this site to construct an 'up-scale' Wal-Mart store. The firm has since decided not to build at this site and will put the property back on the market for sale. No current listing price has been disclosed.

Source CoStar, Public Records, Mike Navarro, broker for buyer

Sale 2



Sale looking north



Sale 3

Location/Address Northeast corner of Ocean View Hills Parkway & Otay Mesa Road, San Diego

Assessor Parcel No. 645-390-03

Legal Description Lot 3 of California Terraces 13 & 14, Map 15496

Site Data

Land Area: 2.47 AC 107,419 SF

Zoning: CC-1-3, RM-3-7, City of San Diego

Land Use: Commercial land / multi-family residential

Utilities: All to the site

Access: Frontage along Ocean View Hills Parkway & Otay Mesa Road

Site Condition: Padded site @ grade with Otay Mesa Road

Improvements: None

Proposed Use

Construct a strip retail center; seller had developed plans for a 24,000 square foot retail center which the buyer will use.

Sale Data

Recorded: 6/7/2007 *Document:* 2007-0385596

Sale Date: 6/5/2007

Seller: Pardee Homes, a California Corporation

Buyer: Otay RP Holdings LLC

Sale Price: \$1,750,000 *Price Per SF (Gross):* \$16.29

Terms: All cash sale *First Trust Deed:* N/A

Lender: N/A *Second Trust Deed:* N/A

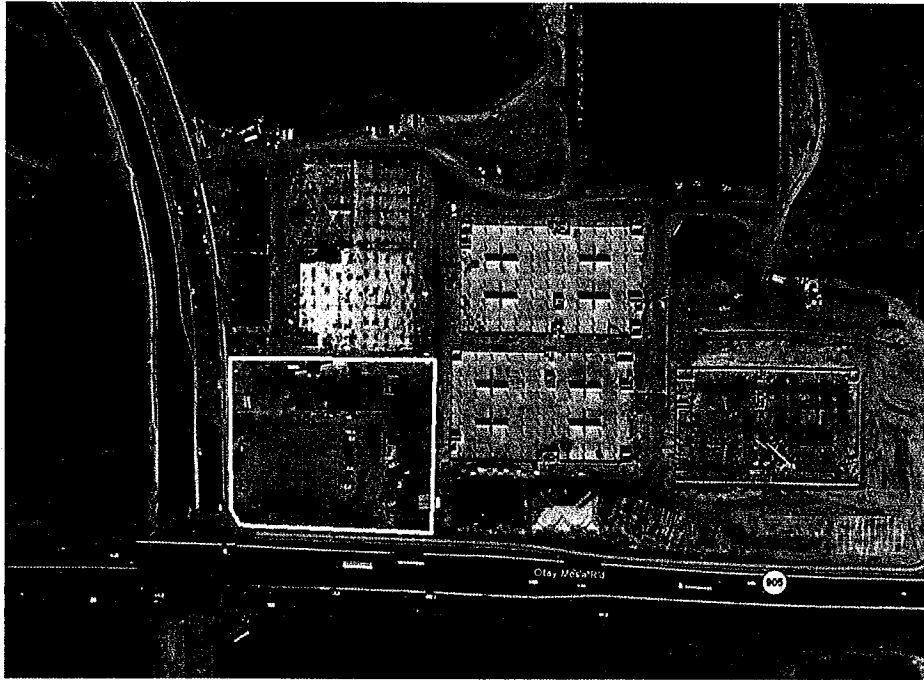
Comments

This development is a corner site with a new apartment project being constructed on the adjacent parcel. Ocean View Hills Parkway is a newly constructed street that has not yet been opened to the public, but appears close to completion.

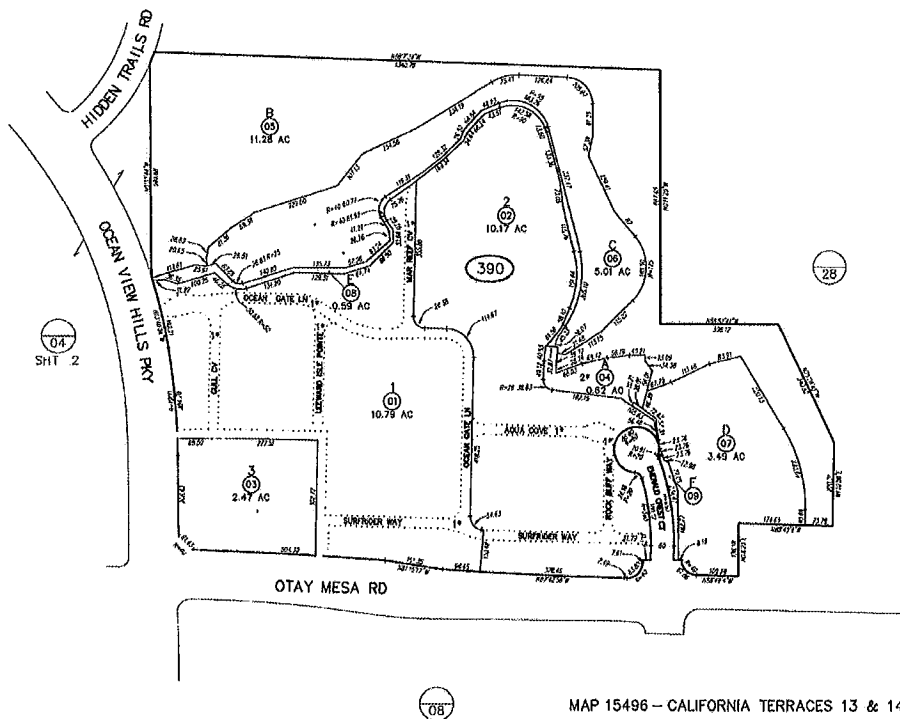
Source

CoStar, Public Records, Buyer – Tycoon Development representative

Sale 3



Aerial photo of sale looking north



Sale 4

Location/Address North side of Camino Maquiladora, east of Heritage Road, San Diego

Assessor Parcel No. 646-170-02

Legal Description Lot 2 of Pacific Gateway Park, Map 12145

Site Data

Land Area: 4.03 AC 175,547 SF

Zoning: OMDD-Industrial Subdistrict, City of San Diego

Land Use: Industrial land

Utilities: All available

Access: Frontage along Camino Maquiladora; visibility to Otay Mesa Road

Site Condition: Finished lot with curb, gutters and utilities installed

Improvements: None

Proposed Use Construct an RCP Block and Brick building materials store

Sale Data

Recorded: 6/28/2007 *Document:* 2007-0434220

Sale Date: 6/12/2007

Seller: L & S Americas West Two, LLC

Buyer: RCP Block and Brick Inc.

Sale Price: \$3,511,000 *Price Per SF (Gross):* \$20.00

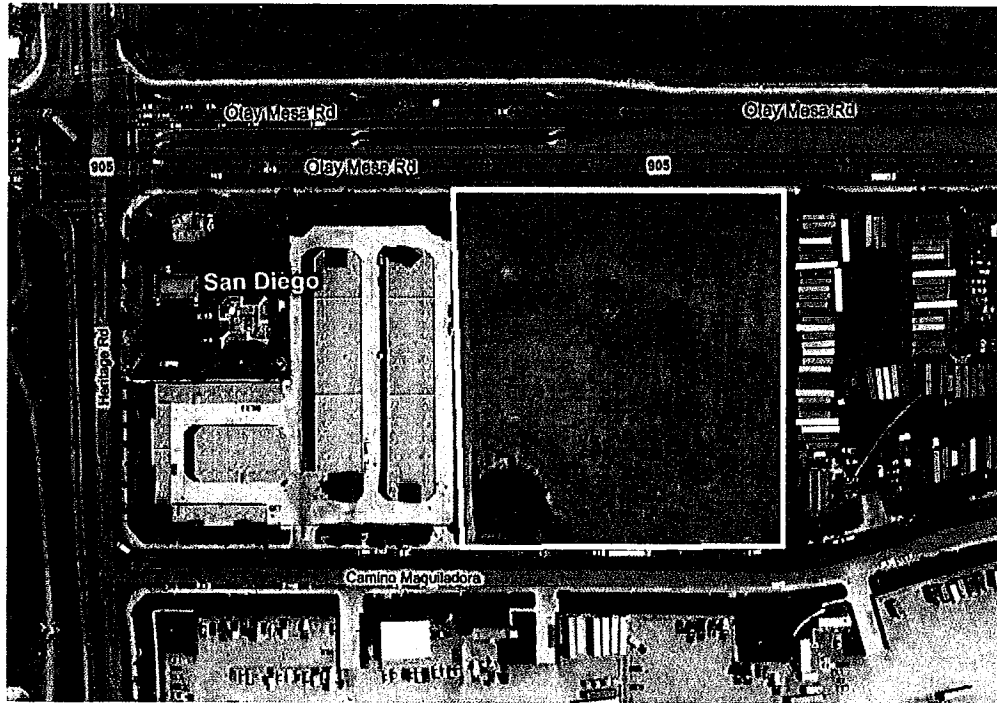
Terms: All cash sale *First Trust Deed:* N/A

Lender: N/A *Second Trust Deed:* N/A

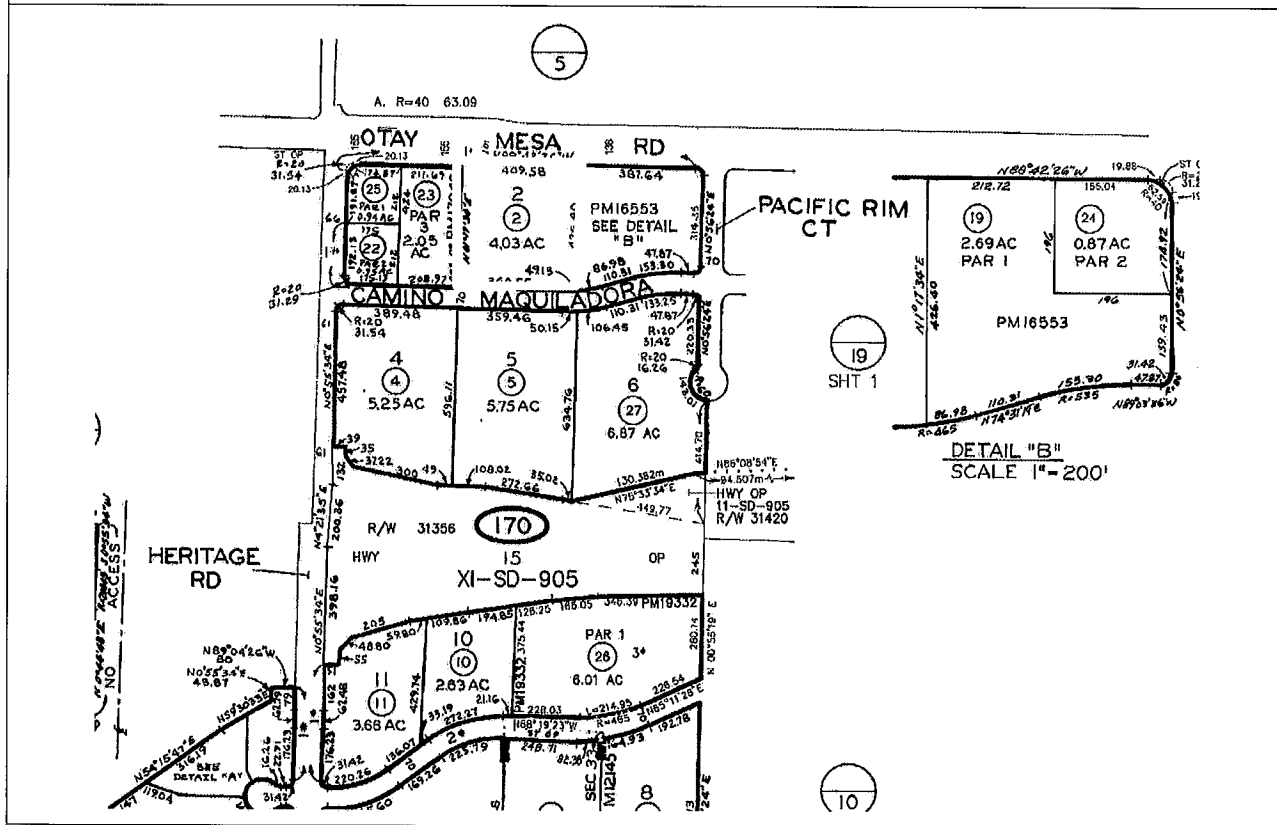
Comments No special assessment bond debt on this parcel.

Source CoStar, Public Records, Regan Tully, broker

Sale 4



Aerial view of Sale 4 looking north



Sale 5

Location/Address East side of Roll Drive, between Siempre Viva Road & Via de la Amistad, San Diego

Assessor Parcel Nos. 646-180-11 & 646-180-16

Legal Description Lots 11 & 16 of Otay International Center Lot No. 5, Map 11897

Site Data

Land Area: 2.18 AC 94,961 SF

Zoning: OMDD-INTL SUBD, City of San Diego

Land Use: Commercial land

Utilities: All available

Access: Frontage along Roll Drive

Site Condition: Finished lot, level at grade with Roll Drive

Improvements: None

Proposed Use New retail center under construction

Sale Data

Recorded: 6/6/2007 *Document:* 2007-0382856

Sale Date: 5/24/2007

Seller: Kwan-Lok So & Miu-Lam Ho So, 2/3 interest, Anne Hui-Chan So, 1/6th, et al

Buyer: 2360 Paseo De Las Americas LLC

Sale Price: \$2,208,000 *Price Per SF (Gross):* \$23.25

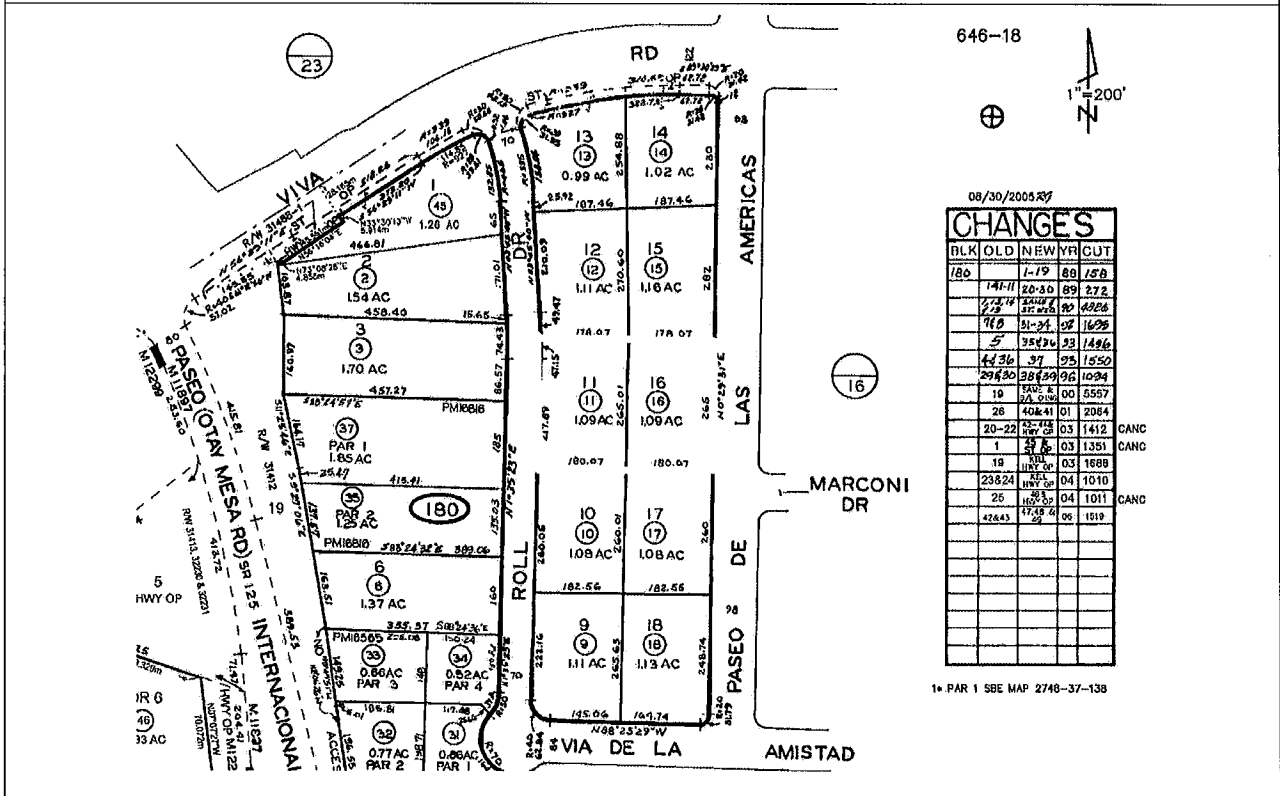
Terms: \$713,000 Cash down (32.3%) *First Trust Deed:* \$1,495,000

Lender: First Pacifica Bank *Second Trust Deed:* N/A

Comments This parcel sold subject to existing special assessment bond debt for Otay International Center Phase I and Phase II assessments

Source CoStar, Public Records

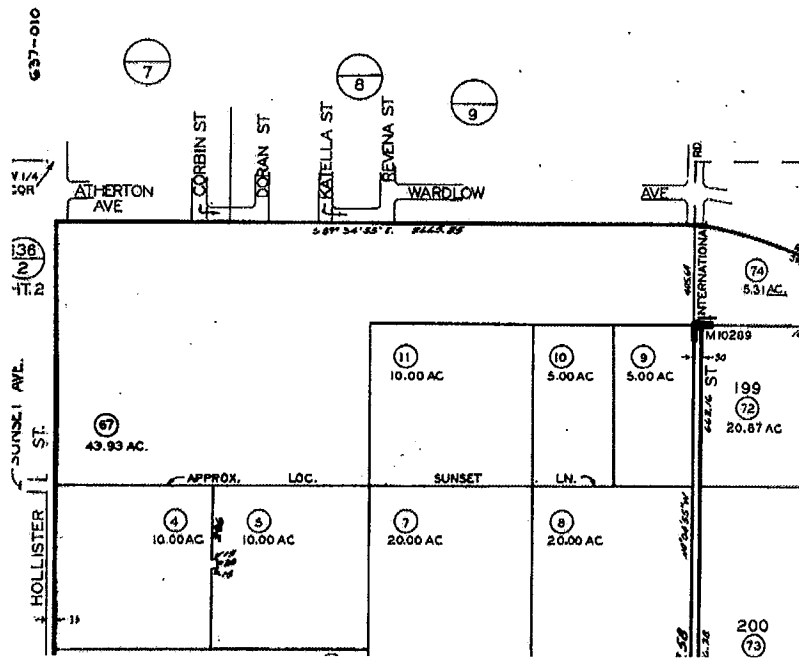
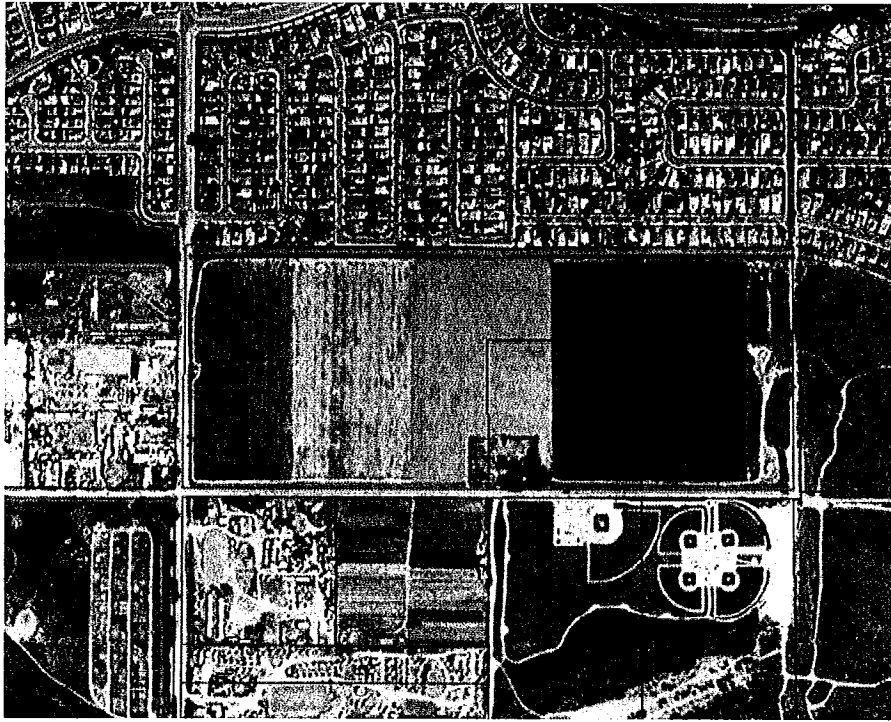
Sale 5



Sale 6

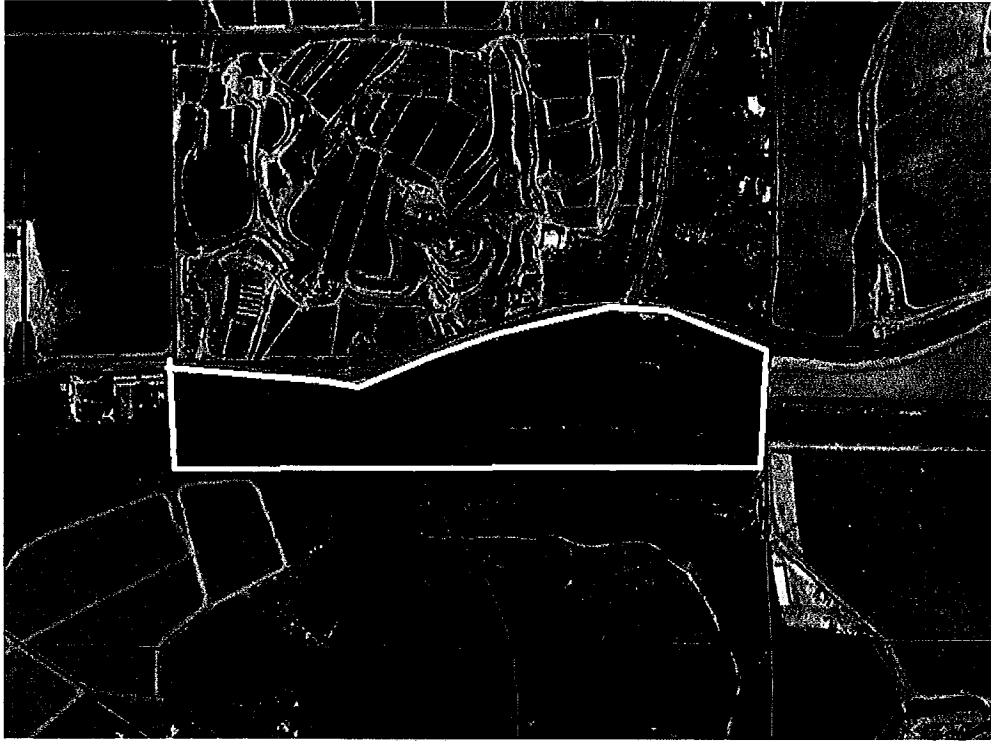
Location/Address	Northeast corner of Hollister Street and Sunset Avenue, San Diego, CA	
Assessor Parcel No.	637-010-09, 10, 11, 67	
Legal Description	The north half of the southwest quarter of Section 34, T18S, R2W, City of San Diego	
Site Data		
<i>Land Area:</i>	63.93 acres	
<i>Zoning:</i>	OF-1-1; City of San Diego	
<i>Utilities:</i>	Electricity and water to the site	
<i>Access:</i>	Frontage on Sunset Avenue and Hollister Street	
<i>Site Condition:</i>	Mostly unimproved land used for agriculture, row crops	
<i>Topography:</i>	Level and at street grade; 100% within floodplain and floodway of Tijuana River	
<i>Vegetation:</i>	Disturbed, agricultural land formerly used for row crops	
<i>Improvements:</i>	None of value	
Proposed Use	Acquire for addition to adjacent TRV Regional Park	
Sale Data		
<i>Recorded:</i>	6/5/2003	<i>Document:</i> 2003-0664012
<i>Sale Date:</i>	4/24/2003	
<i>Seller:</i>	Marathon Land & Cattle Co.	
<i>Buyer:</i>	County of San Diego	
<i>Sale Price:</i>	\$1,203,400	<i>Price Per Acre:</i> \$18,824
<i>Terms:</i>	Cash to seller	<i>First Trust Deed:</i> N/A
Comments	Property originally listed for sale in 2000 for \$1,500,000. Marathon purchased the property 11/2001 for \$1,000,000. County negotiated sale without threat of eminent domain.	
Source	MLS, Public Records, County of San Diego	

Sale 6



Sale 7

Location/Address	South side of North River Road at Sleeping Indian Road, Oceanside, CA	
Assessor Parcel No.	122-100-57, 58, 59	
Legal Description	Parcel 2 of Parcel Map 18706, in the City of Oceanside, CA	
Site Data		
<i>Land Area:</i>	28.72 acres	
<i>Zoning:</i>	Agricultural, City of Oceanside	
<i>Land Use:</i>	Undeveloped land	
<i>Utilities:</i>	Water and electricity adjacent to site	
<i>Access:</i>	Frontage along North River Road	
<i>Topography:</i>	Mostly level to gently rolling; San Luis Rey River crosses through parcel; 100 percent floodway of river	
<i>Vegetation:</i>	Southern Arroyo Willow and Willow scrub; some non-vegetated floodway of river	
<i>Improvements:</i>	None	
Proposed Use	Use for mitigation of wetland habitat for offsite quarry project	
Sale Data		
<i>Recorded:</i>	11/15/2006	<i>Document:</i> 2006-0813585
<i>Sale Date:</i>	9/7/2006	
<i>Seller:</i>	Fisher Family Partnership - 80% interest; Donald Fisher Gift Trust - 20% int.	
<i>Buyer:</i>	Granite Construction Company	
<i>Sale Price:</i>	\$1,015,200	<i>Price Per Acre:</i> \$35,348
<i>Terms:</i>	Cash to seller	<i>First Trust Deed:</i> N/A
<i>Lender:</i>	N/A	<i>Second Trust Deed:</i> N/A
Comments	Mostly riparian and bottomland habitat considered wetland; little restoration potential; purchased for preservation	
Source	Public Records, Anderson & Brabant Inc confirmation; Jim Carter, broker	



Sale 8

Location/Address South side of Highway 76, 1/4 mile west of I-15, Bonsall, San Diego County, CA

Assessor Parcel No. 125-080-19; 125-090-36

Legal Description Portion of land lying in Moserate Rancho in San Diego County, CA

Site Data

Land Area: 46.45 acres

Zoning: S90-20 acre; County of San Diego

Land Use: Unimproved acreage

Utilities: Electric and water in area

Access: Frontage on Highway 76

Topography: Level to gently rolling; most of property within 100-year floodplain of San Luis Rey River

Vegetation: Much of the land has been cleared and farmed; portions have riparian forest within San Luis Rey River area

Improvements: None

Proposed Use Preservation, potential future wetland habitat restoration

Sale Data

Recorded: 5/6/2005

Document: 2005-0385779

Sale Date: 5/3/2005

Seller: Kendall Land L.P.

Buyer: San Diego County Water Authority

Sale Price: \$1,903,500

Price Per Acre: \$40,980

Terms: Cash to seller

First Trust Deed: N/A

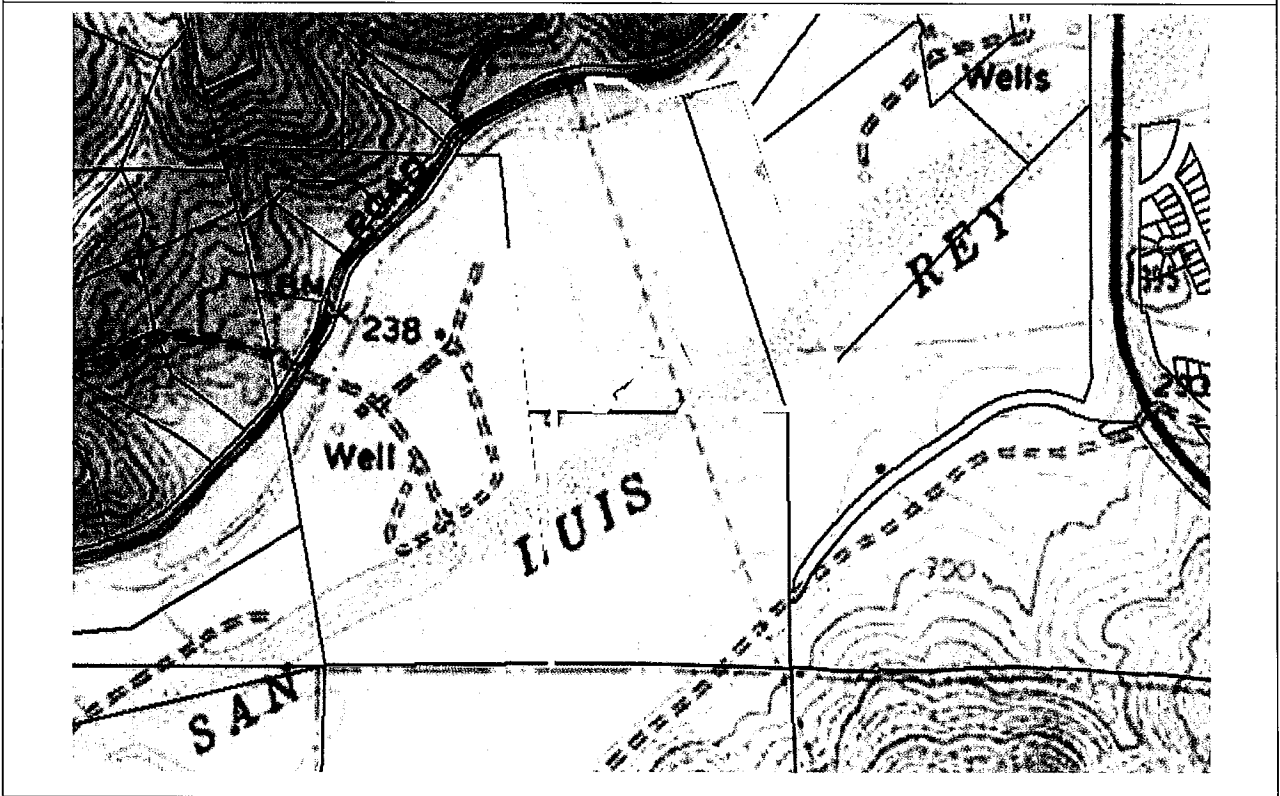
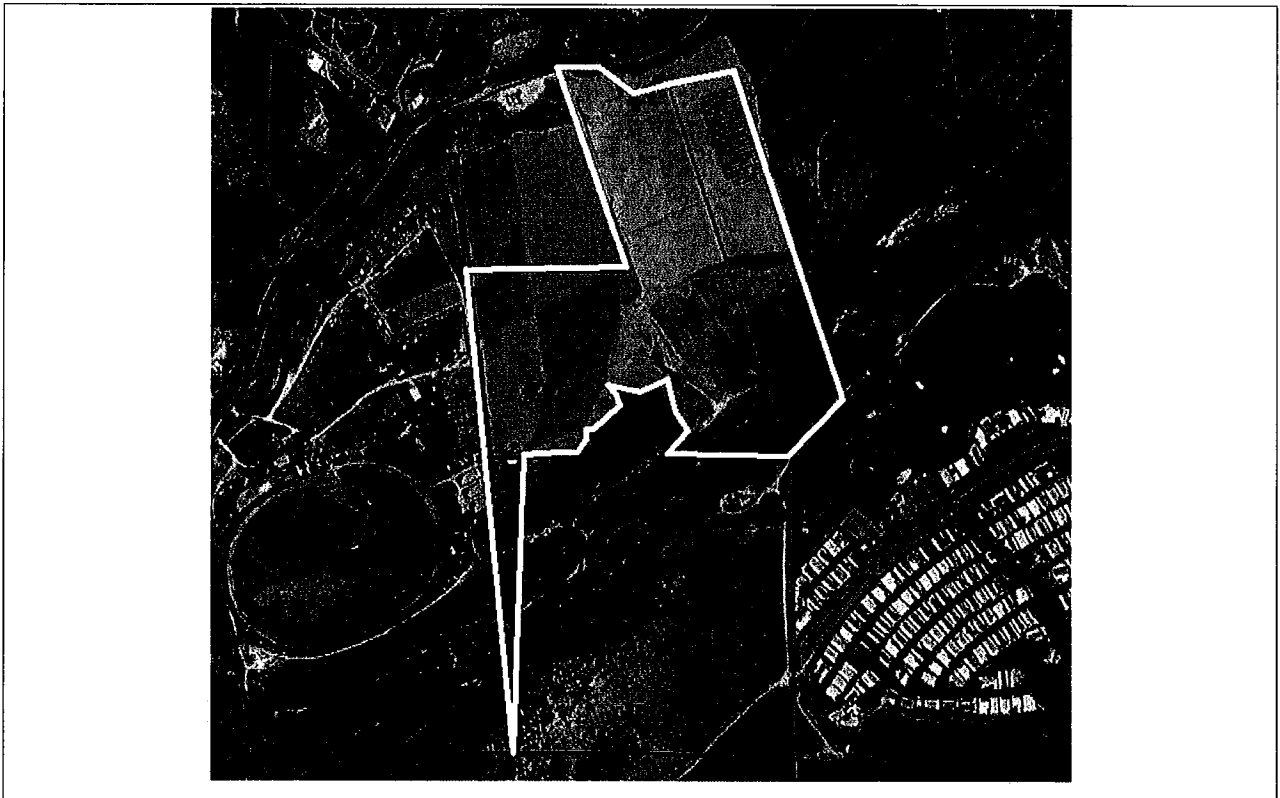
Lender: N/A

Second Trust Deed: N/A

Comments This property has Arroyo Toad wetland habitat; Second San Diego Aqueduct crosses through property (right-of-way owned by buyer) and was main reason for purchase.

Source Anderson & Brabant Inc. confirmation of sale with buyer/seller

Sale 8



Sale 9

Location/Address North side of Palm Avenue, west of Cagayan Avenue, San Diego, CA

Assessor Parcel No. 628-050-09

Legal Description Portions of SE Quarter of the SW Quarter of Section 22, T18S, R2W, City of San Diego

Site Data

Land Area: 11.31 acres

Zoning: RS-1-1 and AR-1-2; City of San Diego

Utilities: Electricity, 2 wells

Access: Frontage and access from Palm Avenue

Site Condition: Unimproved acreage; north ½ is disturbed habitat (agriculture use) and south ½ is maritime succulent scrub

Topography: Northern half is level to gentle slope, south half is moderate slope; north half in floodplain of Otay River

Vegetation: About half is disturbed (agriculture) land and balance Maritime succulent scrub

Improvements: None

Proposed Use Addition to adjacent Otay Valley Regional Park

Sale Data

Recorded: 2/10/2006 *Document:* 2006-0099631

Sale Date: 1/23/2006

Seller: Guillermina Parra (Sandoval)

Buyer: County of San Diego

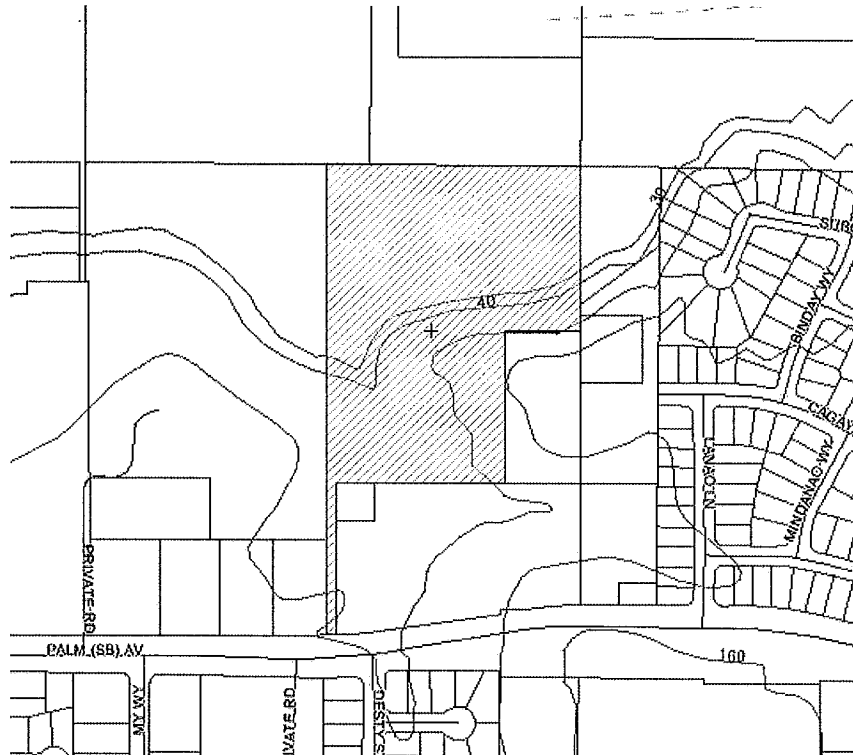
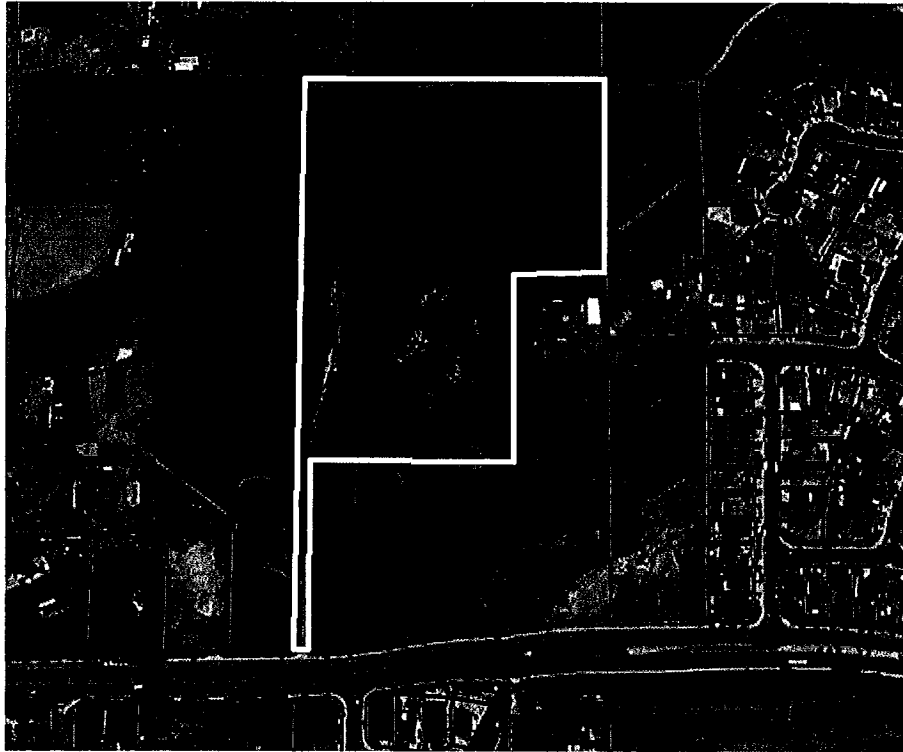
Sale Price: \$650,000 *Price Per Acre:* \$57,471

Terms: Cash to seller *First Trust Deed:* N/A

Comments Listed for sale in MLS 9/17/05 for \$999,999; negotiated sale without threat of eminent domain

Source MLS, Public Records, County of San Diego

Sale 9



Sale 10

Location/Address Southwest of Arenal Road and Columbine Drive, Carlsbad, CA

Assessor Parcel No. 216-121-17

Legal Description Portion of Lot 2 of Section 35, Township 12 South, Range 4 West

Site Data

Land Area: 18.11 AC

Zoning: PC Zoning; General Plan: RM & OS, City of Carlsbad

Land Use: Undeveloped acreage

Utilities: All adjacent to the property; 2 high-power transmission lines cross through parcel

Access: Frontage on Arenal Road and Columbine DR at northeast corner

Topography: Sloping terrain with bluffs along north half with good views; south half slopes toward Batiquitos Lagoon; nearly all upland and outside flood plain of lagoon

Vegetation: Mostly maritime succulent scrub, some disturbed wetland, So. Coastal salt marsh, intensive agriculture

Site Condition: Raw, previously partially developed land with a nursery that is now gone

Improvements: None

Proposed Use Conservation by Batiquitos Lagoon Foundation

Sale Data

Recorded: 7/10/2008

Document: 2008-0371044

Sale Date: 6/16/2008

Seller: Nancy M. Mitsuuchi, Trustee & John K. Mitsuuchi, Trustee

Buyer: Batiquitos Lagoon Foundation, a California Nonprofit Public Benefit Corporation

Sale Price: \$2,400,000

Price Per Acre: \$132,523

Terms: All cash sale

First Trust Deed: N/A

Lender: N/A

Second Trust Deed: N/A

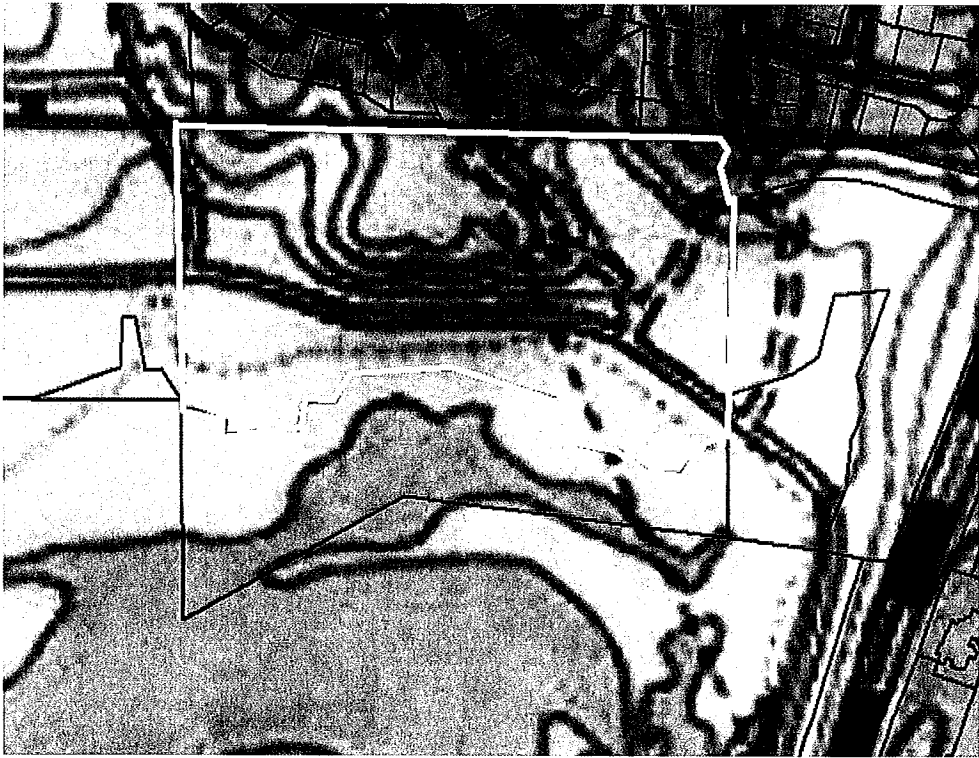
Comments

Deed restriction restricts parcel from being used for mitigation purposes; buyer purchased site 'as is' and subject to any possible environmental contamination. Seller had been working with buyer/developer who wanted to put 22 homes on site and later another developer who wanted to put a "trophy" homesite on the bluff. Both deals fell through and Foundation stepped in 1/08 and purchased property. Buyer spent \$34,000 on pre-purchase Phase I and II reports on property with minor clean up needed due to prior nursery use.

Source

CoStar, Public Records; Fred Sandquist, buyer representative

Sale 10



Addenda C – Subject Legal Description

EXHIBIT C-2

(POND 20 PARCEL)

Those portions of the Southeast Quarter of the Southeast Quarter of Section 20, the Northwest Quarter of the Southwest Quarter, the South half of the Southwest Quarter of Section 21, Township 18 South, Range 2 West, (San Bernardino Meridian), in the City of San Diego, County of San Diego, State of California, more particularly described as follows:

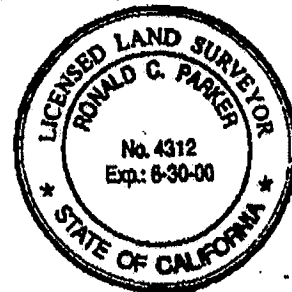
BEGINNING at a point on the Easterly line of 13th Street as said Street is shown on Record of Survey Map No. 12049, recorded February 16, 1989 in the Office of the County Recorder of San Diego County as File No. 89-82977, said point being the Westerly Southwest corner of Record of Survey Map No. 12049, recorded February 16, 1989 in the Office of the County Recorder of San Diego County as File No. 89-82977, the Northwest Corner of said Record of Survey bears North 00°38'17" East; (North 00°38'34" East Record) thence along the Westerly line of said Record of Survey North 00°38'17" East 668.49 feet to the Northwest Corner thereof; thence leaving said Westerly Line North 70°54'23" East 487.21 feet; thence North 51°58'22" East 875.07 feet; thence South 87°27'05" East 1501.38 feet to the East line of the Northwest Quarter of the Southwest Quarter of said Section 21; thence along said East line South 00°53'26" West 661.94 feet to the North line of the South half of the Southwest Quarter of said Section 21; thence along said North line South 89°20'35" East 386.88 feet to the Northeast corner of the West 1720.00 feet of the North 770.00 feet of the South half of the Southwest Quarter of said Section 21; thence along the Easterly line thereof South 00°39'00" West, 770.00 feet to the Southeast corner of said West 1720.00 feet of the North 770.00 feet; thence along the Southerly line thereof North 89°20'35" West, 1720.00 feet to a point on the West line of said Section 21, said point also being on the Easterly line of said Record of Survey Map No. 12049; thence along said Easterly line South 00°39'00" West 492.29 feet to the Southeast corner of said Record of Survey; thence along the Southerly line thereof North 89°20'07" West 976.29 feet to the West line of said Record of Survey; thence along said West line North 00°39'09" East 593.57 feet to an angle point in said Record of Survey; thence North 89°20'24" West 329.97 feet to the Point of BEGINNING.

Prepared by:

NOLTE Associates, Inc.


Ronald C. Parker L.S. 4312

3-25-99
Date



Final

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SDUPD / Western Salt Agreement

Addenda D – Jurisdictional Delineation Map

M&A #06-007-09

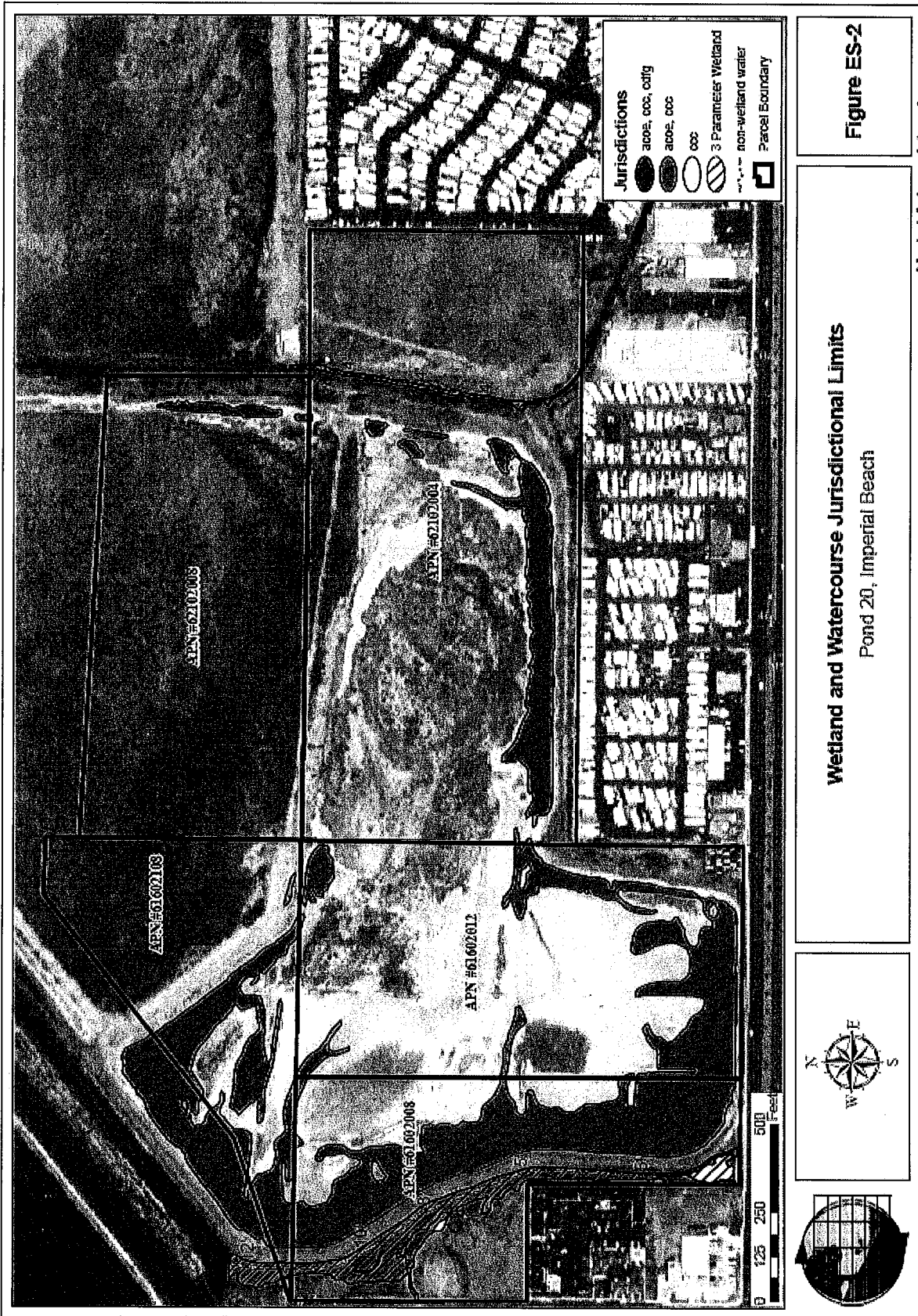


Figure ES-2

Merkel & Associates, Inc.