NEW ISSUE—BOOK-ENTRY-ONLY **NO RATING**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$30,000,000
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2022

Dated: Delivery Date **Due: September 1, as shown on the inside cover page**

This Official Statement describes bonds that are being issued by the City of Sacramento (the "City") for the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) (the "District"). The City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022 (the "Bonds") are being issued by the City to (a) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development within the District; (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on the Bonds through September 1, 2024.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of September 1, 2022 (the "Master Indenture") as supplemented by a First Supplemental Indenture, dated as of September 1, 2022 (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of Net Special Tax Revenues (as defined in this Official Statement) received from the Special Tax levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in integral multiples of $5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2023. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS — General Provisions" and APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. See "THE BONDS — Redemption."

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

The Bonds are initially being offered only to "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. Pursuant to the First Supplemental Indenture, each Beneficial Owner of the Bonds, or any portion thereof, agrees that beneficial ownership of the Bonds, or any portion thereof, will only be sold or otherwise transferred (including in secondary market transactions) to Accredited Investors. Neither the City nor the Trustee has any obligation under the First Supplemental Indenture to enforce the foregoing limitations on the sale or transfer of beneficial ownership of the Bonds or the ability to monitor compliance by the Beneficial Owners with such limitations. Any purchaser of a beneficial ownership of the Bonds, or any portion thereof, will be deemed to have made the acknowledgements, representations, warranties, and agreements in connection with such purchase described under "PURCHASE AND TRANSFER OF BONDS" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about September 27, 2022.

STIFEL

Dated: September 14, 2022

$30,000,000
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2022
MATURITY SCHEDULE

Base *CUSIP No.*†: 786071

$2,960,000 Serial Bonds

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP No.*†
2025	$ 140,000	5.00%	3.38%	104.477	RD4
2026	180,000	5.00	3.55	105.269	RE2
2027	220,000	5.00	3.75	105.573	RF9
2028	270,000	5.00	3.95	105.498	RG7
2029	320,000	5.00	4.10	105.377	RH5
2030	370,000	5.00	4.20	105.344	RJ1
2031	425,000	5.00	4.35	104.763	RK8
2032	485,000	5.00	4.45	104.371	RL6
2033	550,000	5.00	4.60	103.155[C]	RR3

$27,040,000 Term Bonds

$2,910,000 5.00% Term Bonds due September 1, 2037, Yield: 5.00% Price: 100.000 CUSIP No.† RM4

$5,630,000 5.25% Term Bonds due September 1, 2042, Yield: 5.31% Price: 99.263 CUSIP No.† RN2

$8,065,000 5.25% Term Bonds due September 1, 2047, Yield: 5.44% Price: 97.419 CUSIP No.† RP7

$10,435,000 5.375% Term Bonds due September 1, 2052, Yield: 5.48% Price: 98.459 CUSIP No.† RQ5

C Priced to the optional redemption date of September 1, 2032 at par.

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

CITY OF SACRAMENTO

CITY COUNCIL

Darrell Steinberg, Mayor
Angelique Ashby, Vice Mayor, District 1
Eric Guerra, Mayor Pro Tem, District 6
Sean Loloee, District 2
Jeff Harris, District 3
Katie Valenzuela, District 4
Jay Schenirer, District 5
Rick Jennings II, District 7
Mai Vang, District 8

ADMINISTRATIVE OFFICES

Howard Chan, City Manager
Hector Barron, Assistant City Manager
Michael Jasso, Assistant City Manager
Mario Lara, Assistant City Manager
Leyne Milstein, Assistant City Manager
John Colville, City Treasurer
Susana Alcala Wood, City Attorney
Jorge Oseguera, City Auditor
Mindy Cuppy, City Clerk
Emily Combs, Finance Director

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

Special Tax Consultant

Economic & Planning Systems Inc. (EPS)
Sacramento, California

Appraiser

BBG, Inc.
Walnut Creek, California

Market Absorption Consultant

RCLCO Real Estate Consulting
Los Angeles, California

Appraisal Reviewer

Integra Realty Resources
Rocklin, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The Bonds are initially being offered only to "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. Pursuant to the First Supplemental Indenture, each Beneficial Owner of the Bonds, or any portion thereof, agrees that beneficial ownership of the Bonds, or any portion thereof, will only be sold or otherwise transferred (including in secondary market transactions) to Accredited Investors. Neither the City nor the Trustee has any obligation under the First Supplemental Indenture to enforce the foregoing limitations on the sale or transfer of beneficial ownership of the Bonds or the ability to monitor compliance by the Beneficial Owners with such limitations. Any purchaser of a beneficial ownership of the Bonds, or any portion thereof, will be deemed to have made the acknowledgements, representations, warranties, and agreements in connection with such purchase described under "PURCHASE AND TRANSFER OF BONDS" herein.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> *The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "SACRAMENTO RAILYARDS," "THE DISTRICT" and "DEVELOPMENT PLAN."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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$30,000,000
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2022

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Sacramento (the "City") of the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022 (the "Bonds") in the aggregate principal amount of $30,000,000. The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development within the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) (the "District"); (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on the Bonds through September 1, 2024. See "THE FINANCING PLAN — Sources and Uses of Funds."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq*. of the Government Code of the State of California) (the "Act"), and pursuant to a Master Indenture, dated as of September 1, 2022 (the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of September 1, 2022 (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Bonds are secured under the Indenture by a pledge of and lien upon the Net Special Tax Revenues, which are the proceeds of the Special Tax levied on Taxable Land within the District, less the Priority Administrative Expenses (as such terms are defined in this Official Statement) and all amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund, as provided in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Contract between Stifel, Nicolaus & Company, Incorporated (the "Underwriter") and the City. See "THE BONDS — General Provisions."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

Changes Since the Date of the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated August 30, 2022 under the caption "DEVELOPMENT PLAN — Infrastructure Financing Plan" to reflect that the credit facility that the Developer (as defined below) expected to be obtained by the end of August 2022, has been obtained.

Sacramento Railyards

General. The District encompasses a portion of the Sacramento Railyards, a 244-acre site located east of the Sacramento River and south of North B Street and immediately north of the City's downtown Central Business District. The City's Central Business District is the historic commercial and government center of the City and includes approximately 530 city blocks of commercial and government offices and residential development. The State Capitol is located approximately one mile from the Sacramento Railyards.

For over a century, the Sacramento Railyards was used for locomotive repairs, maintenance and manufacturing. The Sacramento Railyards was at one point in time, the largest railyards facility west of the Mississippi River and a major local employer in the City. Railyard operations on the site concluded in the late 1990s. Environmental remediation of the site was necessary in order for it to be redeveloped for other than its historic use as a railyard. Environmental remediation began in the late 1980s and has been completed to a point to allow for the planned development as described in this Official Statement. However, there remains certain additional remediation on portions of the site as well as ongoing related monitoring requirements. See "DEVELOPMENT PLAN — Environmental Matters."

On the southern border of the Sacramento Railyards is the Sacramento Valley Station, which currently serves as an intermodal station for Amtrak, Capitol Corridor (San Jose-Oakland-Sacramento-Auburn) and San Joaquin (Oakland/Sacramento-Fresno-Bakersfield) rail, Sacramento Regional Transit District light rail and both local and intercity bus service. Amtrak and Capitol Corridor train routes provide a direct connection into the San Francisco Bay Area and certain metropolitan areas in California's central valley. Based on Amtrak's statistics, in fiscal year 2018-19, the Sacramento Valley Station had approximately 1.1 million boardings, making it the seventh busiest Amtrak station in the country and the second busiest in California at the time (compared to approximately 1.4 million boardings at the Los Angeles station). However, Amtrak experienced significant declines in ridership as a result of the COVID-19 pandemic and it is uncertain when ridership will return to pre-pandemic levels, including through the Sacramento Valley Station.

Sacramento Railyards Entitlements and Development Plans. The current development plan for the Sacramento Railyards is to redevelop the area into a large transit-oriented mixed-use development to include residential, retail, office, commercial, entertainment, open space and cultural/historic uses. The street network within the Sacramento Railyards, if completed as currently planned, would connect the various project areas within the Sacramento Railyards to the Central Business District and the existing adjacent communities and provide direct access from the Central Business District, through the site of the Sacramento Railyards, to the edge of the Sacramento River, which borders the Sacramento Railyards on the west. In addition, design work has been complete for a larger bridge that would replace the existing I Street Bridge which was constructed in the early 1900's (which traverses west from the Sacramento Railyards). The cost for the bridge replacement is currently estimated to be $250 million. If completed, the replacement bridge would provide vehicular, bicycle and pedestrian access across the Sacramento River into the Sacramento Railyards, connecting West Sacramento directly with the Sacramento Railyards. Funding sources for the replacement bridge have not been secured and there is currently no timeframe for construction.

Entitlement work for the redevelopment of the Sacramento Railyards began in 2007. Certain prior owners of the property within the Sacramento Railyards completed portions of the backbone infrastructure and other improvements supporting future development of the property within the Sacramento Railyards. In addition, the City undertook major renovations of the Sacramento Valley Station located directly to the south of the majority of the site. The Developer (as defined below) took ownership of the Sacramento Railyards property in 2015. In 2016, the City approved a series of updated planning and development entitlement documents, including the Railyards Specific Plan, guiding development within the Sacramento Railyards. As currently approved, the Sacramento Railyards is entitled for the following developments, with flexibility to increase office uses while decreasing residential uses, and vice versa.

- Between 6,000 to 10,000 residential units
- Between approximately 2.7 million to 3.9 million square feet of office space
- Approximately 500,000 square feet of retail space
- Approximately 800,000 square feet of flexible mixed-use space
- A medical campus with a hospital of approximately 700,000 square feet and medical offices of approximately 500,000 square feet
- Approximately 500,000 square feet of historic/cultural space
- 1,100 hotel rooms
- Approximately 33 acres of open space
- A 25,000-seat capacity sports and entertainment stadium

The Railyards Specific Plan adopted by the City separates the property within the Sacramento Railyards into five main land use areas for planning purposes as described below (certain portions of such areas are not included in the District):

- Central Shops District, which includes seven historical railyard buildings and is planned for retail and entertainment venues.
- West End District, which is planned for a medical campus, office space, residential and retail uses.
- East End District, which is planned for residential and mixed-used developments, open space and a potential sports stadium.
- Riverfront District, which is planned for restaurants, hotel, open space and residential uses.
- Depot District, which includes the Union Pacific Railroad Company's ("Union Pacific") mainline tracks and the existing Sacramento Valley Station, and is planned for a mix of hotel, residential, retail and office uses, and a new station to house the various transit providers.

Significant backbone infrastructure and other improvements supporting development in the Sacramento Railyards have been completed by the prior owners, the City and the Developer. Such infrastructure includes realignment of the rail lines that traverse the Sacramento Railyards, grade-separating overpasses and tunnels thereof, major arterial streets and associated wet and dry utilities and drainage facilities. Through July 1, 2022, approximately $399 million has been spent on completed infrastructure and work in progress. Such amount includes $369 million in completed infrastructure (including $40 million of infrastructure completed by the Developer) and $30 million on projects under construction or in design by the Developer. See Table 1 below for estimated sources and uses of funds for additional infrastructure required to be constructed to complete the development in the Sacramento Railyards.

The District

Overview. The District consists of an approximately 188-acre portion of the approximately 244-acre Sacramento Railyards. The portions of the Sacramento Railyards that are not included in the District are (1) the property relating to two historic buildings in the Central Shops District, which is owned by the State; (2) 7th Street, which traverses through the Sacramento Railyards from north to south; (3) the property associated with the intermodal transportation hub, which includes the Sacramento Valley Station and the railroad tracks which traverse along a portion of the southern boundary of the District; (4) property west of Jibboom Street which runs along the Sacramento River; and (5) two lots located toward the southeast end of the Sacramento Railyards. See the map on page 65 for a depiction of the Sacramento Railyards and the property that is included in the District.

Formation Proceedings. The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities, development-related fees, and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on July 3, 2018, the City Council adopted (i) Resolution No. 2018-0274 (the "Resolution of Intention"), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and (ii) Resolution No. 2018-0275, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed $75,000,000 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities and financing certain governmentally imposed development fees used to finance public facilities to serve the area within the District and its neighboring areas. See "THE DISTRICT — Description of Authorized Facilities."

On August 15, 2018, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $75,000,000. A Notice of Special Tax Lien was recorded in the office of the Clerk Recorder's office of the County of Sacramento (the "County") on August 22, 2018 as Document No. 201808220934. On August 28, 2018, the City Council adopted Ordinance No. 2018-0043 (the "Ordinance") which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment of Special Tax within the District approved at the August 15, 2018 election. On March 15, 2022, the City Council approved certain administrative revisions relating to the reallocation of taxable acreage as shown on Attachment 1 to such Rate and Method of Apportionment of Special Tax (as revised, the "Rate and Method"), a copy of which is attached hereto as APPENDIX A. To provide notice of such revisions to property owners within the District, an Amended Notice of Special Tax Lien was recorded in the office of the Clerk Recorder of the County of Sacramento (the "County") on August 5, 2022 as Document No. 202208050540.

Property Ownership and Development Status

Downtown Railyard Venture, LLC, a Delaware limited liability company ("DRV" or the "Developer") is currently the master developer of the property in the Sacramento Railyards. The Developer acquired the Sacramento Railyards property in 2015. The prior owners of the Sacramento Railyards and the Developer completed certain backbone infrastructure and the Developer is currently constructing additional backbone infrastructure within the District.

While substantial backbone infrastructure remains to be completed to allow for full buildout of the District over the approximately next 20 years, the majority of infrastructure requirements remaining to be completed are those directly impacting particular parcels, allowing for phased development as market conditions warrant. The only infrastructure serving District-wide purposes that remains to be constructed in order to commence construction on any particular portion of the District is the storm drain pump station and outfall facility (the "Storm Drain Outfall") currently under construction. Further, there are no thresholds with respect to the issuance of building permits or certificates of occupancy which are conditioned upon completion of District-wide infrastructure. Given the long-term nature of the development in the District, backbone infrastructure relating to each phase of development is planned to be constructed when necessary to obtain project approvals and to facilitate development of such phase. See "DEVELOPMENT PLAN — Status of Infrastructure."

As of July 1, 2022, the Developer owned approximately 81% of the Taxable Land (as defined in the Indenture) in the District, consisting primarily of undeveloped land with certain infrastructure in place. As of such date, the Developer had conveyed property within the District as follows:

- **The AJ**. A parcel of approximately 2.88 taxable acres to Sacramento 695 L.P. (a joint venture entity with an entity formed by principals of the Developer) to be developed into a six-story apartment building with 345 market-rate and affordable units and ground floor retail space. Construction of such apartment building is underway and is expected to be complete by the first quarter of 2023.

- **Kaiser Foundation Hospitals**. Eight parcels totaling approximately 17.41 gross acres (approximately 17.14 taxable acres) to Kaiser Foundation Hospitals. While the property is entitled for a medical campus, Kaiser Foundation Hospitals has not approved any plans for such development and has not provided a timeline for development. The current expectation is that any development by Kaiser Foundation Hospitals on its property in the District will not occur in the near-term, if at all.
- **Wong Center**. A parcel of approximately 2.658 taxable acres to the Wong Center at the Railyards L.P. (the "Wong Center") to be developed into an affordable housing project with 150 residential units. Initial sitework and grading commenced in July 2022 and construction is expected to be complete in 2024.

As of July 1, 2022, projects within the District in the planning phase include:

- Renovation of the Central Shops (as defined herein) including an approximately 3,600-seat concert venue leased to, and to be operated by, Live Nation Entertainment.
- A 1,421-stall parking garage.
- A dual flag hotel development consisting of a Marriott Residence Inn and a Tribute-branded hotel, for which franchise agreements have been entered into with the Developer.
- A two-office building project being marketed as "The Foundry."
- A 340-unit market-rate apartment complex that the Developer expects to market as "The Telegrapher."
- Property for an apartment project under contract to be sold to Fairfield Residential.

Efforts have been made in recent years by private investment groups to obtain an award of a Major League Soccer ("MLS") franchise expansion team in the City with the plan to have such team housed in a new sports stadium within the Sacramento Railyards. In 2021, the lead investor of the acquisition of an MLS expansion team in the City announced that it will no longer pursue the acquisition. Since that time, there has been no indication that the City is being considered by the MLS for an expansion team and no formal arrangements have materialized for the award of the MLS franchise team. The Sacramento Republic FC, a professional soccer team which currently competes in the USL Championship, has announced intentions to build a soccer stadium in the Sacramento Railyards. However, no formal approvals or arrangements are in place for the development of such stadium. Assuming the stadium project does not proceed, the Developer or successor developer expects to develop the site planned for the stadium with a corporate campus, multi-family housing or other permitted uses.

See "SACRAMENTO RAILYARDS" and "DEVELOPMENT PLAN" for more detail on the plan of development within the Sacramento Railyards and the District.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE DISTRICT," "SACRAMENTO RAILYARDS," "DEVELOPMENT PLAN" and APPENDIX B — "APPRAISAL REPORT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from Net Special Tax Revenues on parity with the Bonds (the "Parity Bonds") are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from Net Special Tax Revenues, which are derived from the Special Tax to be levied annually against the Taxable Land in the District, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in the District, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for Net Special Tax Revenues, no other revenues or taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general obligations of the City but are special limited obligations of the City payable solely from the Net Special Tax Revenues and other amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the terms: (1) "Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land within the District under and pursuant to the Act at the special election held in the District; (2) "Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" means (i) for the Fiscal Year 2022-23, $35,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year, increased by 3%. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the City will pledge to pay debt service on the Bonds and any Parity Bonds from the Net Special Tax Revenues received by the City on behalf of the District and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund.

The Net Special Tax Revenues are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held in the Bond Reserve Fund and the Bond Redemption Fund held by the Trustee under the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

Foreclosure Covenant. The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by three percent (3%) or more of the total amount of the Special Tax levied in such Fiscal Year in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). The District is currently included in the County's Teeter Plan (as defined below). See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS — Teeter Plan Termination."

See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Foreclosure Covenant*" herein and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens." There is no assurance that the Taxable Land within the District can be sold for the appraised or assessed values described in this Official Statement and in the Appraisal Report, or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within the District. See "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Parity Bonds and Liens. Under the terms of the Indenture, the City may issue Parity Bonds secured by Net Special Tax Revenues on a parity with the Bonds if certain conditions are met, for the purpose of financing additional facilities and/or fees eligible to be financed by the District or for refunding the Bonds and Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Holders. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds." The City expects that Parity Bonds will be issued to finance additional facilities and/or fees eligible to be financed by the District, subject to satisfaction of the conditions under the Indenture for the issuance of such Parity Bonds.

Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within the District, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

Appraisal Report

An MAI appraisal (the "Appraisal Report") of the Taxable Land and existing improvements within the District was prepared by BBG, Inc., Walnut Creek, California (the "Appraiser"). The Appraisal Report has a date of value of July 1, 2022 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT." The Appraisal Report provides an estimate of market value by ownership, and an estimate of the not-less-than aggregate value (the sum of market values by ownership), for the Taxable Land.

As of the Date of Value, the Appraiser estimates that the aggregate value of the Taxable Land (as defined in the Indenture) within the District, was not less than $152,100,000, which consists of (i) $52,000,000 for the 95.152 taxable acres owned by the Developer; (ii) $34,100,000 for the 17.14 taxable acres owned by Kaiser Foundation Hospitals; and (iii) $66,000,000 for the 2.88 taxable acres owned by Sacramento 695, L.P. The Appraiser has assigned zero value to the property owned by the Wong Center, which is planned for a 150-unit affordable housing project.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City makes no representations as to the accuracy of the Appraisal Report. See "THE DISTRICT — Property Values" and "—Value-to-Lien Ratios." There is no assurance that any property within the District can be sold for the estimated values set forth in the Appraisal Report or that any parcel could be sold for a price sufficient to provide monies to pay the Special Tax for that parcel in the event of a default in payment of the Special Tax by the land owner. See "THE DISTRICT," "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT."

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in integral multiples of $5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in APPENDIX I. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption." For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, San Francisco, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter and for the Trustee by its counsel. Other professional services have been performed by BBG, Inc., Walnut Creek, California, as the Appraiser, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the City and Economic & Planning Systems Inc. (EPS), Sacramento, California, as Special Tax Consultant.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS."

Continuing Disclosure

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "City Reports"). The City has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. *The foregoing internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site*. Notices of Listed Events will also be filed with the MSRB on EMMA. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See "CONTINUING DISCLOSURE."

The Underwriter does not consider the Developer to be an "obligated person" with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within the District (the "Developer Reports" and together with the City Reports, the "Reports"), on a semiannual basis and notices of certain events.

See "CONTINUING DISCLOSURE" and APPENDIX G and APPENDIX H for a description of the specific nature of the annual reports to be filed by the City and the Developer, respectively, notices of Listed Events and the forms of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Holders' Risks

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See "SPECIAL RISK FACTORS."

Purchase and Transfer of Bonds

The Bonds are initially being offered only to "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. Pursuant to the First Supplemental Indenture, each Beneficial Owner of the Bonds, or any portion thereof, agrees that beneficial ownership of the Bonds, or any portion thereof, will only be sold or otherwise transferred (including in secondary market transactions) to Accredited Investors. Neither the City nor the Trustee has any obligation under the First Supplemental Indenture to enforce the foregoing limitations on the sale or transfer of beneficial ownership of the Bonds or the ability to monitor compliance by the Beneficial Owners with such limitations. Any purchaser of a beneficial ownership of the Bonds, or any portion thereof, will be deemed to have made the acknowledgements, representations, warranties, and agreements in connection with such purchase described under "PURCHASE AND TRANSFER OF BONDS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City Treasurer's Office at 915 I Street, Historic City Hall, 3rd Floor, Sacramento, California 95814.

THE FINANCING PLAN

Authorized Facilities and Fees

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities authorized under the Act which facilities may include without limitation, water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement described below. The current expectation is that the Bond proceeds will be used to acquire a storm drainage pump station and outfall facility in the District currently under construction by the Developer. See "THE DISTRICT — Description of Authorized Facilities."

Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:	
Principal Amount of Bonds	$ 30,000,000.00
Less Net Original Issue Discount	(271,823.10)
Total Sources	**$ 29,728,176.90**
Uses of Funds:	
Acquisition and Construction Fund	$ 22,968,270.23
Bond Redemption Fund(1)	3,033,105.33
Costs of Issuance(2)	1,288,482.58
Bond Reserve Fund	2,438,318.76
Total Uses	**$ 29,728,176.90**

(1) Amount represents capitalized interest on the Bonds through September 1, 2024.
(2) Includes Underwriter's Discount, Bond Counsel, Disclosure Counsel, Special Tax Consultant, municipal advisor and Trustee fees, appraisal costs, printing costs and other issuance costs.
Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum, payable semiannually on each March 1 and September 1, commencing on March 1, 2023 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates, all as set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of $1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal of and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2030, are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2029, from any source of available funds other than prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	*Redemption Price*
September 1, 2029, through and including August 31, 2030	103%
September 1, 2030, through and including August 31, 2031	102
September 1, 2031, through and including August 31, 2032	101
September 1, 2032, and any date thereafter	100

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any Interest Payment Date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	*Redemption Price*
Any Interest Payment Date from March 1, 2023 through and including March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date thereafter	100

See the caption "SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Bond Proceeds" for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of the Special Tax.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2037, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	*Sinking Fund Payments*
2034	$615,000
2035	685,000
2036	765,000
2037 (maturity)	845,000

The Bonds maturing on September 1, 2042, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	*Sinking Fund Payments*
2038	$ 930,000
2039	1,020,000
2040	1,120,000
2041	1,225,000
2042 (maturity)	1,335,000

The Bonds maturing on September 1, 2047, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2043	$1,450,000
2044	1,530,000
2045	1,610,000
2046	1,695,000
2047 (maturity)	1,780,000

The Bonds maturing on September 1, 2052, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2048	$1,875,000
2049	1,975,000
2050	2,080,000
2051	2,195,000
2052 (maturity)	2,310,000

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed at the option of the City at any one time, the City will select the maturity date or dates of the Bonds to be redeemed. If less than all of the Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of $5,000 in any manner that the Trustee deems appropriate.

Notice of Redemption. When Bonds are to be redeemed under the Indenture the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered for redemption at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) the securities information services selected by the City in accordance with the Indenture, and (c) the Underwriter.

Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an Event of Default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

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DEBT SERVICE SCHEDULE

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption) based on each Bond Year (as that term is defined in the Indenture), assuming there are no optional or extraordinary redemptions. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Redemption." Interest on the Bonds has been capitalized through September 1, 2024.

Bond Year	***March 1***	***September 1***			***Total Bond Year Debt Service***
	Interest	***Interest***	***Principal***	***Total***	
2023	$673,052.19	$ 786,684.38	--	$ 786,684.38	$1,459,736.57
2024	786,684.38	786,684.38	--	786,684.38	1,573,368.76
2025	786,684.38	786,684.38	$ 140,000	926,684.38	1,713,368.76
2026	783,184.38	783,184.38	180,000	963,184.38	1,746,368.76
2027	778,684.38	778,684.38	220,000	998,684.38	1,777,368.76
2028	773,184.38	773,184.38	270,000	1,043,184.38	1,816,368.76
2029	766,434.38	766,434.38	320,000	1,086,434.38	1,852,868.76
2030	758,434.38	758,434.38	370,000	1,128,434.38	1,886,868.76
2031	749,184.38	749,184.38	425,000	1,174,184.38	1,923,368.76
2032	738,559.38	738,559.38	485,000	1,223,559.38	1,962,118.76
2033	726,434.38	726,434.38	550,000	1,276,434.38	2,002,868.76
2034	712,684.38	712,684.38	615,000	1,327,684.38	2,040,368.76
2035	697,309.38	697,309.38	685,000	1,382,309.38	2,079,618.76
2036	680,184.38	680,184.38	765,000	1,445,184.38	2,125,368.76
2037	661,059.38	661,059.38	845,000	1,506,059.38	2,167,118.76
2038	639,934.38	639,934.38	930,000	1,569,934.38	2,209,868.76
2039	615,521.88	615,521.88	1,020,000	1,635,521.88	2,251,043.76
2040	588,746.88	588,746.88	1,120,000	1,708,746.88	2,297,493.76
2041	559,346.88	559,346.88	1,225,000	1,784,346.88	2,343,693.76
2042	527,190.63	527,190.63	1,335,000	1,862,190.63	2,389,381.26
2043	492,146.88	492,146.88	1,450,000	1,942,146.88	2,434,293.76
2044	454,084.38	454,084.38	1,530,000	1,984,084.38	2,438,168.76
2045	413,921.88	413,921.88	1,610,000	2,023,921.88	2,437,843.76
2046	371,659.38	371,659.38	1,695,000	2,066,659.38	2,438,318.76
2047	327,165.63	327,165.63	1,780,000	2,107,165.63	2,434,331.26
2048	280,440.63	280,440.63	1,875,000	2,155,440.63	2,435,881.26
2049	230,050.00	230,050.00	1,975,000	2,205,050.00	2,435,100.00
2050	176,971.88	176,971.88	2,080,000	2,256,971.88	2,433,943.76
2051	121,071.88	121,071.88	2,195,000	2,316,071.88	2,437,143.76
2052	62,081.25	62,081.25	2,310,000	2,372,081.25	2,434,162.50
Totals	**$16,932,092.95**	**$17,045,725.14**	**$ 30,000,000**	**$47,045,725.14**	**$63,977,818.09**

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are payable from and secured by Net Special Tax Revenues and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund or the Acquisition and Construction Fund established by the Indenture.

The Indenture defines the terms: (1) "Special Tax" to mean the special tax authorized to be levied and collected annually on all Taxable Land (as defined in the Indenture) in the District under and pursuant to the Act at the special election held in the District on August 15, 2018; (2) "Net Special Tax Revenues" to mean the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" to mean (i) for the Fiscal Year 2022-23, $35,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year, increased by 3%. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

The City is legally authorized and will covenant in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and "SPECIAL RISK FACTORS — Proposition 218" below. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Land in the District. See "—Special Tax" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Although the Special Tax will be levied against Taxable Land within the District, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the Special Tax or that they will pay it even if able to do so. See "SPECIAL RISK FACTORS" herein.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Tax

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on August 14, 2018, for the purpose of financing the various public improvements and governmental fees required in connection with the proposed development within the District. On August 15, 2018, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $75,000,000, secured by special taxes levied on taxable property within the District to finance the authorized facilities and fees. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The City will covenant in the Indenture, so long as any Bonds are Outstanding, to annually levy the Special Tax against all Taxable Land in the District in accordance with the Rate and Method and, subject to the limitations in the Rate and Method and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Special Tax is collected in the same manner as *ad valorem* property taxes for the County are collected and, except as otherwise provided in the Indenture or by the Act, is subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Under the Indenture, except as described below, all proceeds of the Special Tax are to be deposited in the Special Tax Fund, established under the Indenture and held and maintained in trust by the City Treasurer. The City agrees in the Indenture to deposit all proceeds of the Special Tax in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

(1) to the Expense Fund in an amount equal to the Priority Administrative Expenses for the Fiscal Year,

(2) to the Bond Redemption Fund to pay debt service payments on all outstanding Bonds and any Parity Bonds,

(3) to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve,

(4) to the Expense Fund in an amount equal to the amount required by the City for the payment of budgeted Expenses or to reimburse the City for the payment of unbudgeted Expenses, in each case to the extent such Expenses were not already funded or reimbursed by the deposit of Priority Administrative Expenses described in (1) above, and

(5) to the Community Facilities Fund.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Remaining Facilities Funding Requirement Share" (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing expenses incurred by the City in connection with the prepayment (as determined pursuant to the Rate and Method) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Parity Bonds pursuant to the terms of any Supplemental Indenture.

See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Money in the Special Tax Fund" for additional information regarding the deposit, transfer, application, use and withdrawal of money deposited in the Special Tax Fund.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "*Limitation on Special Tax Levy*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Tax" herein.

Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Rate and Method which the City Council and the electors within the District have approved. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Parcels in the District as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The definitions of the capitalized terms used under this caption "*—Rate and Method of Apportionment of Special Tax*" are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Classification of Parcels. Each Fiscal Year, the Administrator shall cause (1) each parcel within the District to be classified as a Taxable Parcel or Tax-Exempt Parcel, and (2) each Taxable Parcel to be classified as a Developed Parcel or an Undeveloped Parcel.

Exemptions. Under the Rate and Method, Tax-Exempt Parcels are Assessor's Parcels of Public Parcels and any other Parcel that in its entirety, is or is intended to be, publicly owned that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainageways, public landscaping, wetlands, greenbelts, common areas, and public open space. However, Taxable Parcels that are later acquired by a Public Agency will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Act. See "—*Taxable Parcels Acquired by a Public Agency*." The Assessor Parcels which are currently Tax-Exempt Parcels are shown in Attachment 1 to the Rate and Method (i.e., assigned zero taxable acreage).

In addition, at the time the District was formed, the City identified the possibility of up to, but not to exceed, five acres of land that initially is considered Taxable Acreage that may become Tax-Exempt Parcels. The foregoing five acres are in addition to any parcels that were classified as Tax-Exempt Parcels identified in Attachment 1 to the Rate and Method, as described under the preceding paragraph. In priority order, five acres of currently Taxable Acreage may be converted to Tax-Exempt Parcels for (1) a fire station, (2) a police station, and (3) a public school site without requiring any transfers of Maximum Annual Special Tax or Prepayment of the obligation. Attachment 2 to the Rate and Method (which incorporates the administrative revisions relating to the reallocation of Taxable Acreage on Attachment 1 approved by the City Council on March 15, 2022, as described under "INTRODUCTION—The District—*Formation Proceedings*") shows the adjusted Maximum Annual CFD Revenue for the Base Year (as that term is defined in the Rate and Method) if up to five Taxable Acres were to be converted to Tax-Exempt Parcels. In whole or in part, the City, in its sole discretion, can release this reservation to permit up to five acres to be converted from Taxable Acreage to Tax Exempt Parcels. The Administrator shall annually document whether any of this reservation of up to five Taxable Acres has been converted to one or more Tax-Exempt Parcels. The Bonds have been sized to provide debt service coverage in each year of at least 110% from Net Special Tax Revenues remaining if five acres of Taxable Acreage were converted to Tax-Exempt Parcels.

Taxable Parcels Acquired by a Public Agency. Taxable Parcels that are acquired by a Public Agency will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Act. An exception to this may be made if a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable Acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This transfer of a Parcel from a Taxable Parcel to a Public Parcel is permitted under the Rate and Method to the extent there is no net loss in Maximum CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a taxable use or transferred to a private owner as a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be determined pursuant to the Rate and Method. Once a Parcel has been identified as a Taxable Parcel, it shall remain a Taxable Parcel, except for Parcels transferred as described in the second paragraph above under "*—Exemption*" and "*—Taxable Parcels Acquired by a Public Agency*" above.

Maximum Annual Special Tax. The Maximum Annual Special Tax rates in the Base Year are set forth in Attachment 1 to the Rate and Method (see APPENDIX A); such rates increase by two percent annually in each subsequent Fiscal Year. The Maximum Annual Special Tax rate for all Taxable Parcels in Fiscal Year 2022-23 is $20,510.57 per Acre. The Maximum Annual Special Tax has been assigned to each lot as shown on Attachment 1 and Map 2 of the Rate and Method, which lots correspond to the plan for subdivision of the property within the District at the time the Rate and Method was approved. In accordance with Section 4 of the Rate and Method, if a subdivision of any Assessor Parcel within the District is in a manner different than as shown in Attachment 1 and Map 2 of the Rate and Method, the Rate and Method provides for an allocation of the Maximum Annual Special Tax amongst the subdivided lots such that the aggregate Maximum Annual Special Tax allocated to the subdivided lots will not be less than the Maximum Annual Special Tax on the original Assessor Parcels from which such lots were subdivided. Under the Rate and Method the Maximum Annual Special Tax for condominium units is based on the building square footage of the unit in relation to the total building square footage within the same Condominium Plan.

Each Fiscal Year, the City will compute the Annual Costs, which means the total of the following after excluding any capitalized interest available to pay Debt Service that is due in the subsequent calendar year (i.e., January 1 to December 31) following the beginning of a Fiscal Year (i.e., July 1); any available earnings on, or surplus balances in, the reserve fund for the Bonds or Parity Bonds or the Special Tax fund for the District; and any other available revenues of the City that relate to the District and may be lawfully used to pay Annual Costs for such Fiscal Year: (1) Debt Service that is due in the subsequent calendar year (i.e., January 1 to December 31) following the beginning of a Fiscal Year (i.e., July 1); (2) the amount needed to replenish the reserve fund for Bonds to the level required under any indenture for any Bonds, to the extent not included in a computation of Annual Costs in a previous Fiscal Year; (3) Administrative Expenses for the Fiscal Year; (4) to the extent permitted by the Act, the amount needed to fund (i) unpaid Special Tax delinquencies from previous Fiscal Years, to the extent not previously levied, and (ii) anticipated delinquencies for the current Fiscal Year on any Parcel which has no outstanding delinquent Special Taxes. Collections from prior delinquencies should be used to offset the amount needed for current and future delinquencies if available; and (4) Authorized Facilities funded on a Pay-As-You-Go Basis.

The City will then compute the Special Tax levy for all Taxable Parcels in accordance with the following steps:

Step 1. The Special Tax shall be levied Proportionately on all parcels classified as Developed Parcels up to the amount of the Annual Costs or up to 100 percent of the Maximum Special Tax for each Developed Parcel, whichever is lower.

Step 2. If additional revenue is needed after Step 1, the Special Tax shall be levied Proportionately on each Undeveloped Parcel until the revenue from the Special Tax levy in this step, when added to the levy amounts determined in Step 1, equals the Annual Costs, or up to 100 percent of the Maximum Annual Special Tax for all Undeveloped Parcels.

Step 3. Levy on each Taxable Parcel the amount calculated above.

Step 4. Prepare the Tax Collection Schedule and, unless an alternative method of collection has been selected pursuant to the Rate and Method, send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the County Auditor-Controller for such inclusion.

The Administrator will make every effort to calculate the Special Tax correctly for each Parcel. It will be the burden of the taxpayer to correct any errors in determining which Parcels are subject to the tax and the Special Tax assignments.

Annual Increases. On each July 1, the Maximum Annual Special Tax rates will be increased by an amount equal to two percent of the amount in effect for the previous Fiscal Year.

Transfer of the Maximum Annual Special Tax amongst Taxable Parcels. As Taxable Parcels are Subdivided, the Maximum Annual Special Tax (on a per Taxable Acreage basis) may become greater or less than other similar Parcels. As long as no vertical construction has occurred on Parcels proposed for a transfer of Maximum Annual Special Tax, owners of such Parcels may request that the City allow a transfer of the Maximum Annual Special Tax amongst two or more Taxable Parcels to remedy such differences between Taxable Parcels. All allowed transfers shall only occur such that there is no reduction in the Maximum Annual Special Tax Revenue of all Taxable Parcels included in such transfers and the Administrator and property owner agree to the transfer(s).

Prepayment of Annual Special Tax. The Maximum Annual Special Tax obligation for a Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated as specified in Section 6 of the Rate and Method attached as APPENDIX A and examples of the calculation of such Prepayment Amount are set forth in Tables 1 and 2 to the Rate and Method.

Limitation on Special Tax Levy. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Annual Special Tax rate in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on Undeveloped Parcels to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on Undeveloped Parcels.

To the City's knowledge, the application of such limitation to for-rent apartment properties has not been subject to interpretation by the courts. A court could hold that such limitation applies, which decision could be binding on community facilities districts within the City. If such limitation were to apply, it is possible that the District may not be able to increase the tax levy to the Maximum Annual Special Tax rate on Taxable Parcels with for-rent apartments in all years. However, subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes up to the Maximum Annual Special Tax rates on all Taxable Property to make-up all or a portion of any shortfall in the Special Tax collections due to delinquencies.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to the District.

Although the Special Tax constitutes a lien on Taxable Parcels (as defined in the Rate and Method) within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay the Special Tax, properties in the District are subject to other assessments, general obligation bonds, and special taxes as set forth under Table 4 below. These other assessments, general obligation bonds, and special taxes are on parity with the lien for the Special Tax. Moreover, other liens for assessments, general obligation bonds, and special taxes could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS" below.

Foreclosure Covenant. The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within the District resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Net Special Tax Revenues pledged to the payment of principal of and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See "— Teeter Plan" below.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by three percent (3%) or more of the total amount of the Special Tax levied in such Fiscal Year in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below).

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Property Values" herein. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Bond Reserve Fund

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Bond Reserve Fund an amount equal to the Required Bond Reserve and thereafter to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve. The Indenture provides that the amount to be maintained in the Bond Reserve Fund as the Required Bond Reserve shall, as of any date of calculation, equal the least of (a) 10% of the principal amount of the Outstanding Bonds and Parity Bonds, or (b) Maximum Annual Debt Service, or (c) 125% of the average Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Internal Revenue Code of 1986 (the "Code") and specified in writing to the Trustee; provided, that the Required Bond Reserve (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Parity Bonds; and provided further, that, with respect to the issuance of any issue of Parity Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such issue of Parity Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Parity Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%. As of the date of issuance of the Bonds the Required Bond Reserve will be fully funded in the amount of $2,438,318.76 from a portion of the proceeds of the Bonds.

Subject to the limits on the Maximum Annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Bond Reserve Fund at the Required Bond Reserve. Amounts in the Bond Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Parity Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds or Parity Bonds. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund."

Issuance of Parity Bonds

The City may issue one or more series of Parity Bonds (each a "Series"), in addition to the Bonds, which shall be payable from the Net Special Tax Revenues under the Master Indenture on a parity with the Outstanding Bonds. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(b) The Net Special Tax Revenues that would be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in the District during each Fiscal Year that any Bonds and such Parity Bonds will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year;

(c) The aggregate Value-to-Lien Ratio of all Taxable Land in the District (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and

(d) The aggregate Value-to-Lien Ratio of all parcels of Taxable Land, if any, that are then classified as Undeveloped Parcels pursuant to the Rate and Method (excluding the Value of any such parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 2.5:1.

For the purposes of paragraphs (c) and (d) above, the term "Value" means either the current assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means (x) in the case of paragraph (c), the ratio of the Value of all such Taxable Land to the aggregate principal amount of all Bonds and Parity Bonds Outstanding and the Parity Bonds proposed to be issued plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act that is reasonably allocable to such Taxable Land and (y) in the case of paragraph (d), the ratio of the Value of all such parcels of Taxable Land that are then classified as Undeveloped Parcels pursuant to the Rate and Method to the aggregate principal amount of all Bonds and Parity Bonds Outstanding and the Parity Bonds proposed to be issued that is reasonably allocable to such Taxable Land plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act that is reasonably allocable to such Taxable Land.

Notwithstanding the provisions of the Indenture described in (b), (c) and (d) above, nothing contained in the Master Indenture shall limit the issuance of any Parity Bonds payable from the Net Special Tax Revenues as provided therein if, after the issuance and delivery of such Parity Bonds, either (i) none of the Bonds or Parity Bonds theretofore issued under the Indenture will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Parity Bonds is not increased by reason of the issuance of such Parity Bonds.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds."

Teeter Plan

In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make eligibility determinations on an annual basis and may exclude a district or an individual parcel that had previously been included in the plan. The District is currently included in the County's Teeter Plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis. See "SPECIAL RISK FACTORS — Teeter Plan Termination."

SACRAMENTO RAILYARDS

The following information in this section has been provided by the Developer. No assurance can be given that the proposed development of the property within the District will occur in the timeframe or in the *configuration or to the density described in this Official Statement. The Bonds are secured by and payable solely from the Special Tax and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within* the *District or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.*

General Overview and History

Location. The District is a portion of the larger 244-acre Sacramento Railyards site located east of the Sacramento River and south of North B Street and immediately north of the City's downtown Central Business District. The City's Central Business District is the historic commercial and government center of the City and includes approximately 530 city blocks of commercial and government offices and residential development. The State Capitol is located approximately one mile from the Sacramento Railyards.

On the southern border of the Sacramento Railyards is the Sacramento Valley Station, which currently serves as an intermodal station for Amtrak, Capitol Corridor (San Jose-Oakland-Sacramento-Auburn) and San Joaquin (Oakland/Sacramento-Fresno-Bakersfield) routes, Sacramento Regional Transit District light rail and both local and intercity bus service. Amtrak and Capitol Corridor train routes provide a direct connection into the San Francisco Bay Area and certain metropolitan areas in California's central valley. Based on Amtrak's statistics, in fiscal year 2018-19, the Sacramento Valley Station had approximately 1.1 million boardings, making it the seventh busiest Amtrak station in the country and the second busiest in California (compared to approximately 1.4 million boardings at the Los Angeles station). However, Amtrak experienced significant declines in ridership as a result of the COVID-19 pandemic and it is uncertain when ridership will return to pre-pandemic levels, including through the Sacramento Valley Station.

The State is undertaking construction of two projects within the vicinity of the Sacramento Railyards. The Richards Boulevard Office Complex (located approximately one city block north of the Sacramento Railyards) is under construction and planned for four office towers totaling approximately 1.25 million square feet. A new County courthouse (being constructed by the Judicial Council of California) is under construction on a parcel located adjacent to the southern border of the Sacramento Railyards. The new courthouse is expected to be 18-stories with approximately 540,000 square feet and 53 courtrooms.

History. The Central Pacific Railroad ("Central Pacific") was a rail company charted by the U.S. Congress in 1862 to build a railroad eastward from Sacramento to complete the western part of the "First Transcontinental Railroad" in North America. The Central Pacific acquired the Sacramento Railyards site from the City and subsequently developed the site for locomotive repairs, maintenance and manufacturing. In the late 1800s, a new Southern Pacific Transportation Company ("Southern Pacific") was incorporated to act as a holding company for several then operating railroads; the Central Pacific was leased to it until 1959, when they merged. The Southern Pacific continued in operation until it merged with Union Pacific in 1996. The Central Shops served as the principal shops of the Central Pacific and Southern Pacific systems between 1968 and 1990. Railyard operations on the site concluded in the late 1990s.

Environmental remediation of the site was necessary in order for it to be redeveloped for other than its historic use as a railyard. Environmental remediation began in the late 1980s and has been completed to a point to allow for the planned development as described in this Official Statement.

In 2006, S. Thomas Enterprises of Sacramento, LLC ("Thomas Enterprises") became the owner of the Sacramento Railyards and worked with the City to obtain the entitlements necessary to redevelop the Sacramento Railyards into a high-density urban development. In 2010, IA Sacramento Holdings, L.L.C. ("IA Holdings") acquired the Sacramento Railyards from Thomas Enterprises through foreclosure. In September

2015, the Developer acquired the Sacramento Railyards from IA Holdings. IA Holdings maintained a residual interest in the Developer through Mainline Holdings, Inc. until 2019 when such interest was liquidated for cash consideration.

In 2016, the City Council approved updated development entitlements for the Sacramento Railyards which among other changes, incorporated a medical campus and a sports stadium. The current development plan for the Sacramento Railyards is to redevelop the area into a large transit-oriented mixed-use development which is planned to include residential, retail, office, commercial, entertainment, open space and cultural/historic uses. Along with public transit, the street network within the Sacramento Railyards, if completed as currently planned, would connect the various project areas within the Sacramento Railyards to the Central Business District and the existing adjacent communities and provide direct access from the Central Business District, through the site of the Sacramento Railyards, to the edge of the Sacramento River, which borders the Sacramento Railyards on the west. In addition, design work has been completed for a larger bridge that would replace the existing I Street Bridge which was constructed in the early 1900's (which traverses west from the Sacramento Railyards). The cost for the bridge replacement is currently estimated to be $250 million. If completed, the replacement bridge would provide vehicular, bicycle and pedestrian access across the Sacramento River into the Sacramento Railyards, connecting West Sacramento directly with the Sacramento Railyards. Funding sources for the replacement bridge have not been secured and there is currently no timeframe for construction.

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KAISER
WEST
SACRAMENTO
SACRAMENTO
RIVER
"DOWNTOWN
COMMONS"
MIDTOWN
DOWNTOWN
SACRAMENTO
RALEY FIELD
I-5
GOLDEN 1
ARENA
CAPITOL MALL
N
1000'
2000'

The Developer

Downtown Railyard Venture, LLC, a Delaware limited liability company, was formed in July 2013 for the purpose of acquiring, owning and developing the Sacramento Railyards project, including for the purpose of constructing vertical improvements either on its own, or through joint venture partnerships. The Developer currently operates pursuant to a Fourth Amended and Restated Limited Liability Company Agreement of Downtown Railyard Venture, LLC among LDK DRV Manager, LLC (the "Managing Member"), a California limited liability company, Generation Railyard Land, LLC, a California limited liability company, and LDK Railyard, LLC, a California limited liability company (collectively, the "Members"). The sole member of the Managing Member is LDK Railyard, LLC and the sole member of LDK Railyard, LLC is LDK Ventures, LLC. The manager of Generation Railyard Land, LLC is Goldenwest Group LLC, a California limited liability company.

The four principals of LDK Ventures, LLC have over 20 years of work experience together as a real estate development team with experience in land planning, infrastructure construction, building design and construction, environmental remediation, and development of master planned communities. The paragraphs below provide the background and real estate development experience of certain of the principals at LDK Ventures, LLC.

Mr. Larry Kelley is the President and Chief Executive Officer of the Developer, and is also President and Chief Executive Officer of Stanford Ranch I, LLC, the developer of a 3,500 acre master planned community in Rocklin, California known as Stanford Ranch. Stanford Ranch features approximately 6,000 single family lots, 2,000 multi-family units and approximately 646 acres of land dedicated to retail, office and industrial use, of which all residential units have been sold and only 10 acres of retail, office and industrial use property remain to be developed. In the Sacramento area, Mr. Larry Kelley and his partners, most of whom are included within the principals of LDK Ventures, LLC, acquired and undertook the work to remediate, finance and redevelop the McClellan Business Park, which is substantially all of the former approximately 3,000-acre McClellan Air Force Base. At present, over 9 million square feet of space is occupied or committed within the McClellan Business Park, including federal and County-retained facilities, sold property, leased buildings and ground leased property.

Mr. Larry Kelley has been involved in real estate for 40 years and has developed in excess of 3,000,000 square feet of commercial and industrial space and numerous master-planned and mixed use communities. His previous employment includes 10 years with US Home Corporation, one of the nation's largest homebuilders. In his capacity as President of Community Development, he was responsible for the acquisition, development and marketing of numerous master-planned communities in ten states. He also served as President of US Home Corporation's manufactured housing operations and Vice President of Operations, responsible for all Florida housing and land operations. His experience in real estate development also includes four years with Cook Investment Properties, a subsidiary of Cook Industries of Memphis. In that position, he was responsible for joint ventures on land, apartment, office and residential development.

Mr. Denton Kelley is the Managing Principal of the Developer and a Managing Principal of LDK Ventures, LLC. Mr. Denton Kelley is responsible for identifying and executing new real estate investment opportunities. Mr. Denton Kelley is also responsible for sourcing equity capital requirements for all LDK acquisition and development projects. Mr. Denton Kelley is also an owner in McClellan Business Park.

Prior to joining LDK Ventures, LLC, Mr. Denton Kelley worked as an equity research analyst at Bessent Capital (a global macro hedge fund in New York) covering financials, real estate, health care and other diversified industry sectors. Mr. Denton Kelley worked directly with Scott Bessent, the current CIO of Soros Fund Management. Mr. Denton Kelly spent 3 years at Robertson Stephens in the Investment Banking Division where he was promoted to associate from analyst. Prior to his time at Robertson Stephens, he worked for Prentiss Properties, LLC. (an office real estate investment trust based in Dallas, Texas) as an acquisition and development analyst and was also partly responsible for the asset management of the 2 million square feet office/industrial portfolio in the Southwestern US.

Mr. Frank Myers is a Principal and Executive Vice President, Chief Financial Officer for LDK Ventures, LLC. Mr. Myers is also the Chief Operating Officer for McClellan Business Park. Mr. Myers' responsibilities include financing, financial reporting, internal controls, financial analysis, business plan development, human resources and MIS systems for the various LDK Ventures operations. Mr. Myers has arranged private and public financing totaling over $1 billion. Mr. Myers led the diligence efforts on the acquisition of McClellan Air Force Base. He also arranged various credit facilities to accommodate development at McClellan Business Park, the Sacramento Railyards and Stanford Ranch. This included development of the Public Facilities Financing Plans for McClellan Business Park and the Sacramento Railyards, subsequent formation of community facilities districts, tax increment agreements, and bond sales to finance portions of required infrastructure. In his role, Mr. Myers also works closely with the City, the County, and other municipal agencies to arrange public financing on various projects.

Mr. Jay Heckenlively is Principal and General Counsel for LDK Ventures, LLC and McClellan Park. Mr. Heckenlively's primary responsibilities are oversight of all legal affairs, business structuring, and preparation of transactional documentation. He has more than 30 years of experience in the real estate industry as a transactional real estate attorney, specialized in the structuring of complex commercial real estate purchase and sale transactions, leasing, joint venture formation and loan transactions. To date, Mr. Heckenlively has negotiated and completed well over 500 leases for the LDK entities involving in excess of 12,000,000 square feet of leasing, and closed financing transactions with both public and private funds of over $1 billion in loan proceeds.

Mr. Josh Leachman is Vice President of Project Development for LDK Ventures, LLC. Mr. Leachman's primary responsibility is implementing the transformation of The Railyards. Mr. Leachman's work includes coordinating entitlements, community outreach, government relations, engineering and design, and both infrastructure and vertical development construction. Mr. Leachman received his Bachelor of Art in Economics degree from Stanford University and his Master of Business Administration degree from the University of California at Davis.

DEVELOPMENT PLAN

The following information in this section has been provided by the Developer (other than the information under the caption "Kaiser Development Plan," which has been provided by Kaiser Foundation Hospitals). No assurance can be given that the proposed development of the property within the District will occur in the timeframe or in the configuration or to the density described in this Official Statement, or that the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P., the Wong Center or any owners or affiliates thereof will or will not retain ownership of its respective property within the District. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within the District. The Bonds are secured by and payable solely from the Net Special Tax Revenues and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within the *District or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.*

Notwithstanding the Developer's belief that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to the Developer will be sufficient to complete the property development as currently planned. While the Developer has made internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Developer nor any affiliate thereof, has any legal obligation of any kind to *make any such funds available or to obtain loans. If and to the extent that internal financing and other sources of funding are inadequate to pay the costs to complete the Developer's planned development within the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer and portions of the project may not be developed.*

Railyards Development Plan

The Sacramento Railyards, which includes the District, is planned for a large urban infill transit-oriented mixed-use development. The Sacramento Railyards is planned to include residential (for-sale and for-rent products), office and retail space, cultural and historical uses, a regional medical center and entertainment venues. Full buildout within the Sacramento Railyards is expected to occur over the course of approximately 20 years.

The Developer does not believe that it has experienced delays in the development within the Sacramento Railyards which are attributable to the impacts of the COVID-19 pandemic. However, no assurances can be made that such development will not be subject to delays as a result of the COVID-19 pandemic or other reasons beyond the Developer or its affiliates' control. See "SPECIAL RISK FACTORS —COVID-19 (Coronavirus) Pandemic."

Entitlement Process

Entitlements. In November 2016, the City Council approved a series of resolutions and ordinances which together, provide for the guiding principles and entitlements for development within the Sacramento Railyards and the allowable uses within the various zones therein. Such approvals included four primary planning documents which provide specific guidance and permissible uses with respect to the development within the Sacramento Railyards: (1) the 2016 Sacramento Railyards Specific Plan (the "Railyards Specific Plan"); (2) the Sacramento Railyards Special Planning District (added to the City Code chapter 17.440 pursuant to Ordinance No. 2016-0045); (3) the Sacramento Railyards Design Guidelines (the "Design Guidelines"); and (4) the Central Shops Historic District designation (see "Railyard Specific Plan Land Use Areas — *Central Shops*" for a discussion of such designation). As set forth in the Railyards Specific Plan, as amended, the Sacramento Railyards is fully entitled to be developed within the following parameters:

- Between 6,000 to 10,000 residential units
- Between approximately 2.7 million to 3.9 million square feet of office space
- Approximately 500,000 square feet of retail space
- Approximately 800,000 square feet of flexible mixed-use space
- A medical campus with a hospital of approximately 700,000 square feet and medical offices of approximately 500,000 square feet
- Approximately 500,000 square feet of historic/cultural space
- 1,100 hotel rooms
- Approximately 33 acres of open space
- A 25,000-seat capacity sports and entertainment stadium

Zoning. In November 2016, the City Council adopted Ordinance Nos. 2016-0045 and 2016-0046, for the purpose of creating the Sacramento Railyards Special Planning District and re-zoned the property within the Sacramento Railyards to allow for development consistent with the Railyards Specific Plan. The following summarizes the allowable uses in accordance with the current zoning within the Sacramento Railyards. The current zoning contemplates a flexible range of uses within zones, as follows:

Zoning	*Allowable Uses*
Limited Commercial (C-1)	Park and open space facilities, recreation, institutional, educational and cultural uses, small scale retail and community markets.
General Commercial (C-2)	Retail, service, office and repair facilities and small wholesale stores and distributors and public service facilities.
General Commercial (C-3)	Mixed-use residential and commercial, retail and entertainment, historic and cultural uses and public facilities.
High-Rise Residential (R-5)	High density residential and ground-floor uses for neighborhood-serving office, commercial, retail or services, neighborhood parks and open space.
Hospital (H)	Major medical facilities and offices and supporting medical campus uses, residential and non-residential care facilities, multi-unit dwellings and hotels.

A map of showing the current zoning within the Sacramento Railyards appears on the following page.

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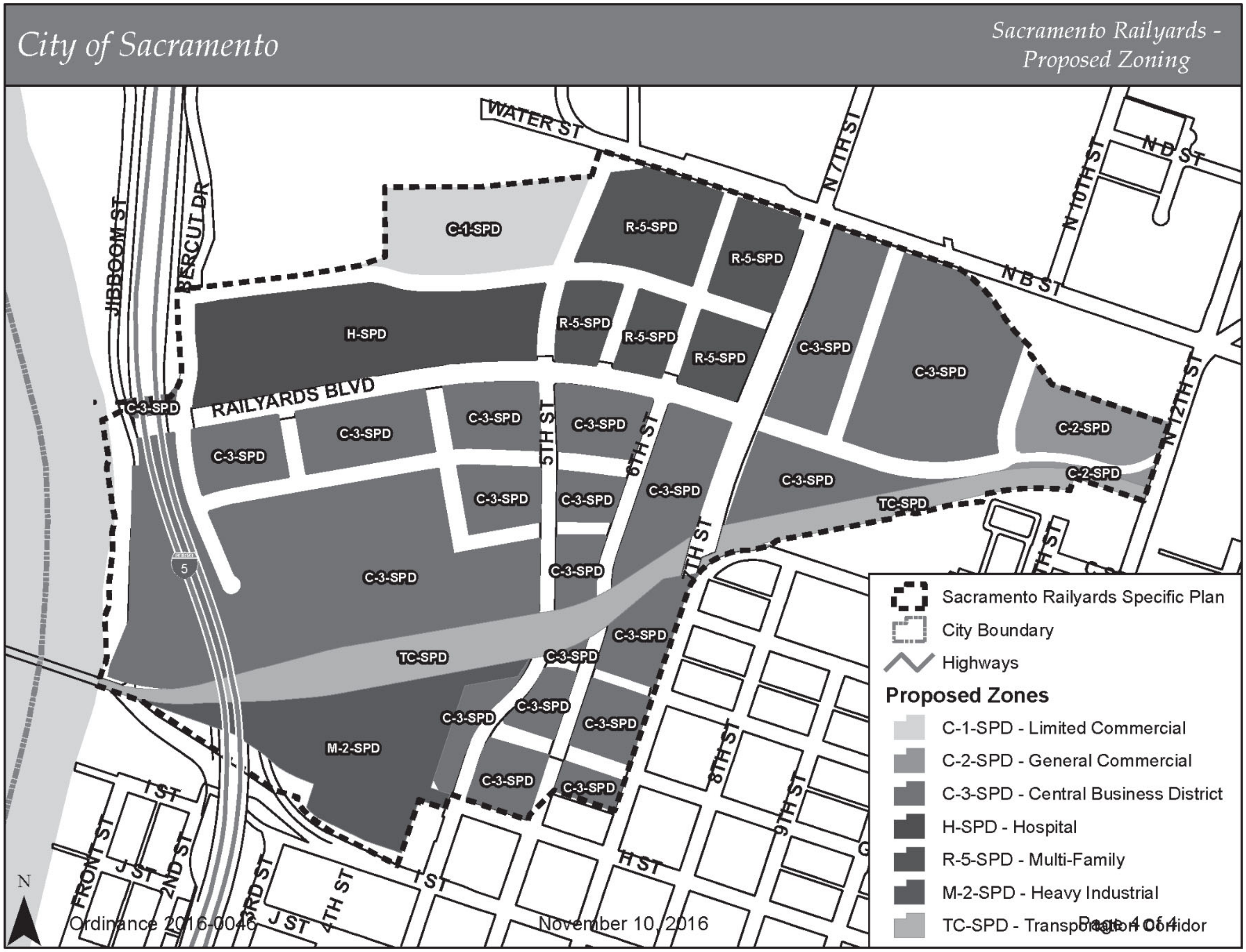
City of Sacramento
Sacramento Railyards - Proposed Zoning
WATER ST
JIBBOOM ST
BERCUT DR
N 7TH ST
N 10TH ST
N D ST
N B ST
N 12TH ST
RAILYARDS BLVD
5TH ST
6TH ST
7TH ST
8TH ST
9TH ST
I ST
J ST
H ST
FRONT ST
2ND ST
3RD ST
4TH ST
C-1-SPD
R-5-SPD
H-SPD
C-3-SPD
C-2-SPD
TC-SPD
M-2-SPD
5
N
Sacramento Railyards Specific Plan
City Boundary
Highways
Proposed Zones
C-1-SPD - Limited Commercial
C-2-SPD - General Commercial
C-3-SPD - Central Business District
H-SPD - Hospital
R-5-SPD - Multi-Family
M-2-SPD - Heavy Industrial
TC-SPD - Transportation Corridor
Ordinance 2016-0046
November 10, 2016
Page 4 of 4

Design Guidelines. The Design Guidelines provide an overall vision for the physical form and character for the redevelopment of the Sacramento Railyards, covering: (1) design of streets, sidewalks and parks; (2) placement and design of buildings; (3) rehabilitation of existing historic buildings and resources and site development and construction within historic district boundaries; and (4) public and private signage. The Design Guidelines provide instructions rather than prescriptive requirements, however, the City has discretion to condition project approvals on compliance with the Design Guidelines.

Railyard Specific Plan Land Use Areas. The Railyards Specific Plan adopted by the City separates the property within the Sacramento Railyards into five districts for planning purposes. The zoning within each district, as approved, aligns with the land use concepts for each district. A map showing the districts appears on page 35. The following sections describe the Developer's currently anticipated projects for the developable lots within the districts as designated in the Railyards Specific Plan. Given the long-term nature of the development within the Sacramento Railyards, the ultimate land uses as described below can be expected to change.

<u>Central Shops</u>. The Central Shops District is located on the southern boundary of the Sacramento Railyards and directly adjacent to the Sacramento Valley Station. Located within the Central Shops District are seven brick buildings constructed between 1868 and 1917, which served as the principal locomotive repair, maintenance and manufacturing facilities of the Sacramento Railyards when it was operated by Central Pacific, and subsequently the Southern Pacific and Union Pacific. Two of the seven historic buildings owned by the State and planned as part of the California Railroad Museum are outside the District and therefore not subject to the Special Tax levy.

In November 2016, the City Council adopted Ordinance Nos. 2016-0047 and 2016-0048, which listed the Central Shops District and an existing water tower located to the northeast of the buildings in the Central Shops District on the Sacramento Register of Historic and Cultural Resources. Such listing means that alteration of any significant features or characteristics of the structures so listed requires City approval. The historic buildings, a turntable structure used to relocate locomotives and railcars and the water tower are intended to be preserved, rehabilitated and reused as a destination center for the Sacramento Railyards. In line with such ordinances, the Developer expects to renovate the Central Shops District and the water tower in a manner which preserves their main features as they were originally designed.

The property within the Central Shops is zoned "General Commercial (C-3)" which allows for mixed-use residential and commercial, retail and entertainment, historic and cultural uses and public facilities. The Developer's plan for the historic buildings located within the Central Shops area is to renovate them for use as retail, office and entertainment space with the buildings linked by common parks, open space and pedestrian paseos. See "DEVELOPMENT PLAN — Near-Term Vertical Development Plans — *Central Shops District*."

<u>West End District</u>. The West End District is located toward the northwestern end of the District and is bounded by the Central Shops District to the south, Jibboom Street to the west and the East End District to the northeast. The West End District is primarily zoned "General Commercial (C-3)" with the exception of the property owned by Kaiser Foundation Hospitals, which is zoned "Hospital (H)." The portion of the West End District that is directly adjacent to the Central Shops District is designated in the Railyards Specific Plan and the Design Guidelines as the "Transition Zone." Within the Transition Zone, new construction is required to be designed in a manner which preserves the character of the historic Central Shops District. The Design Guidelines with respect to the Transition Zone include minimum spacing between new and historic structures, maximum building height restrictions and building-specific design elements.

The Developer currently expects that the West End District will include approximately 1,700 residential units, approximately 1.7 million square feet of office and/or mixed-use space, two hotels with approximately 356 aggregate room keys and a parking facility with approximately 1,421 stalls. The foregoing plans are based on the Developer's current estimates and can be expected to be revised as development plans are finalized.

Within the West End District, the apartment complex marketed as "The AJ" is under construction and is expected to be complete in the first quarter of 2023. See "—Sacramento 695 L.P. Development Plan."

The Developer has conveyed approximately 17.41 gross acres (approximately 17.14 taxable acres) within the West End District to Kaiser Foundation Hospitals. While this property is entitled for a medical campus, Kaiser Foundation Hospitals has not approved any plans for development of its property and has not provided a timeline for development. The current expectation is that any development by Kaiser Foundation Hospitals on its property in the District will not occur in the near-term, if at all. See "DEVELOPMENT PLAN — Kaiser Development Plan" below).

East End District. The East End District is located on the northeastern end of the Sacramento Railyards and is bounded by North B Street to the north, Railyards Boulevard to the south and the boundary of the District to the east. The area within the East End District is zoned "High-Rise Residential (R-5)," "General Commercial (C-2)" or "General Commercial (C-3)," depending on the location of the property.

The property in the East End District is currently zoned for approximately 2,200 residential units, approximately 750,000 square feet of office space and a sports stadium. Other than certain completed backbone infrastructure, the property within the East End District is currently undeveloped property. The Developer currently does not have any near-term plans for vertical improvements within the East End District.

In 2019, the MLS announced that the City had been awarded an MLS expansion team with the existing Sacramento Republic FC (a team which currently competes in the USL Championship) joining the MLS. The plan at the time was to house the MLS team in a new 25,000-seat capacity sports stadium to be constructed on the eastern portion of the East End District. In February 2021, the primary investor in the expansion team announced that it would not move forward with the acquisition of the MLS expansion team. While interested parties have explored other avenues for investment capital, no formalized arrangements have yet materialized. Sacramento Republic FC has announced intentions to build a soccer stadium in the Sacramento Railyards. However, no formal arrangements have been reached with respect to such option. If the sports stadium is not ultimately constructed within the Sacramento Railyards, the Developer currently expects that the property relating thereto will be instead developed with residential, office and mixed-use projects, which are permitted under the current entitlements and zoning.

Riverfront District. The Riverfront District is bordered by the State-owned levee property to the west which abuts the Sacramento River, the Union Pacific tracks to the south, and the Central Shops and West End districts to the east and north. The area within the Riverfront District is zoned "General Commercial (C-3)." Substantially all of the Riverfront District is included within the District except for, the State-owned river levee property located to the west of Jibboom Street. The portion of the Riverfront District that is within the District is planned for a combination of a hotel and residential uses as well as parks and open space totaling approximately three acres. The Developer does not have any near-term plans for vertical development within the Riverfront District.

Depot District. The Depot District generally extends east from the Sacramento River along the railroad tracks, with its most southern point on I Street, but excludes several city blocks east of 5th Street. The Depot District includes the Sacramento Valley Station and associated buildings. The portion of the Depot District for which new construction is planned is zoned "General Commercial (C-3)." Only a small portion of the Depot District is included within the District, including the lots south of the railroad tracks that are northwest of 7th Street and G Street.

The Developer has conveyed approximately 2.658 taxable acres in the Depot District to the Wong Center to develop an apartment project with approximately 150 affordable units. In addition, the Developer has entered into an agreement to sell approximately 2.60 gross acres in the Depot District to an entity affiliated with Fairfield Residential for a proposed market-rate apartment complex. Such sale is currently anticipated to close in the first half of 2023, however, there can be no assurance that such sale will close. Other than the foregoing apartment complexes, the Developer does not have any near-term projects planned within the portion of the Depot District that is in the District.

Interstate 5 Freeway Overpass. A portion of the Interstate 5 Freeway traverses, via an overpass, through the West End District and Riverfront District within the boundaries of the District. The property underneath the overpass is expected to be developed into open space and pedestrian walkways to provide connectivity to the riverfront. A portion of this property is not expected to be subject to the Special Tax levy.

A map of showing the locations of the foregoing planning areas appears on the following page.

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KEY
Site Boundary
Interstate
Water
Adjacent Off-Site Open Space
DISTRICTS
West End District
East End District
Riverfront District
Central Shops Distict
Depot District
Transition Zone
ZONING
H-SPD
R-5-SPD
C-1-SPD
C-2-SPD
C3-SPD
T-C-SPD
M-2-SPD
0 100 250 500 1,000 ft
N
WEST END DISTRICT
EAST END DISTRICT
CENTRAL SHOPS DISTRICT
RIVERFRONT DISTRICT
DEPOT DISTRICT
Proposed Bridge
SACRAMENTO RIVER
Interstate 5
Jibboom St
Bercut St
South Park St
Railyards Blvd
Camille Lane
Richards Blvd
N B St
N 7th St
N 12th St
5th St
6th St
7th St
D St
C St
E St
F St
G St
H St
I St
3rd St
4th St
8th St
9th St
10th St
11th St
12th St
13th St
14th St
15th St

Development Agreement. In November 2016, the Developer and the City entered into an Amended and Restated Development Agreement for the Sacramento Railyards project (the "Development Agreement"). The Development Agreement provides the Developer with a vested right to develop the property within the Sacramento Railyards in accordance with the Railyards Specific Plan, the Design Guidelines and the project approvals referenced in the Development Agreement. The Development Agreement has an initial term of 20 years. The term of the Development Agreement may be extended for five years if at least 2 million square feet of nonresidential development and 4,000 residential units have been constructed as of the end of the initial 20-year term. A second extension of five years is permitted if at least 2.75 million square feet of nonresidential development and 5,000 residential units have been constructed as of the end of the first extension. The Developer's rights with respect to the development in the Sacramento Railyards would be subject to renegotiation in the event the Development Agreement terminates prior to the satisfaction of the foregoing development milestones.

With respect to parking, the Development Agreement provides that improved surface parking lots may be constructed within the Sacramento Railyards to (1) serve the Central Shops District or (2) for use as part of initial phases of a phased commercial complex in which the commercial complex will include a permanent parking structure to replace the surface lots. The Development Agreement further provides that any improved surface parking lot requires a conditional use permit from the City and that the City may require a termination date be included in such conditional use permit. The City and the Developer are currently negotiating an amendment to the Development Agreement to address these parking facility requirements. The Developer has requested a conditional use permit for a surface parking lot with a total of 1,000 temporary spaces that would serve the Central Shops District and the planned Live Nation Venue in the Paintshop (see "DEVELOPMENT PLAN — Near-Term Vertical Development Plans — *Proposed Hotel Developments (West End)*". Subject to approvals by the Planning Commission and the City Council, the City and the Developer currently expect to set the termination date in the conditional use permit for such surface parking lot for 2029.

Notwithstanding the availability of surface parking lots, the construction of a permanent parking garage will be necessary to serve the Central Shops, the Marriot-branded hotels and other projects within the vicinity. The inability to complete such permanent parking garage could impede the development of such projects. See "Near-Term Vertical Development Plans— *Parking Garage (West End)*" for additional details with respect to the proposed parking garage.

Since the conditions of approval in the Development Agreement only allow for surface parking lots on a temporary basis, the ability to secure funding for permanent parking facilities could materially impede development after the conditional use permit for the surface parking lot expires (currently contemplated to occur in 2029). There can be no assurances that the Developer will be able to secure the necessary funding for permanent parking facilities.

Subdivision Map Status and Conditions of Approval*.* On November 10, 2016, the City Council approved the Tentative Master Parcel Map (the "Tentative Map") for the Sacramento Railyards along with a set of conditions of approval for recordation of final maps (the "Conditions of Approval"). The Tentative Map subdivided the areas within the Sacramento Railyards Special Planning District into 119 lots in line with the zoning designations described above under "— *Entitlements*" and expires simultaneously with the Development Agreement. Final maps or lot line adjustments for the project areas within the Sacramento Railyards may be recorded in phases. Approval of each final map will be conditioned upon satisfaction of the Conditions of Approval applicable to the related project area. The Conditions of Approval may be amended in the future by the City and the Developer.

Within the District, as of July 1, 2022, the final subdivision map had been recorded for the eight parcels owned by Kaiser Foundation Hospitals. The City issued Certificates of Compliance for lot line adjustments for the parcels relating to the apartment projects in the District developed by Sacramento 695, LP, and marketed as "The AJ" and the Wong Center. The approval of the lot line adjustments required satisfaction of the same Conditions of Approval as if final maps were recorded for such property.

The Developer has submitted a phased final map to the City for 25 parcels within the District, north of the Union Pacific tracks and encompassing an area surrounding the Central Shops District, north to Railyards Boulevard and East of 7th Street. The 25 parcels are currently included within Assessor Parcel No. 002-0010-075-0000 (see Table 7 below). Such map is currently under review by the City. If approved, such map will create parcels associated with each Central Shop building and the parcels related to the proposed Telegrapher, Foundry, and hotel projects described below under "DEVELOPMENT PLAN—Near-Term Vertical Development Plans—*The Telegrapher (West End)*" and "—*Proposed Hotel Developments (West End)*." The Developer currently expects the map to be complete and recorded by the end of 2022.

The Developer submitted a phased final map to the City in January 2022 for six parcels within the District located south of the Union Pacific tracks. The six parcels are currently included within Assessor Parcel No. 002-0010-076-0000 (see Table 7 below). Such map is currently under review by the City. If approved, such map will create six new parcels, two of which the Developer currently plans to sell to Fairfield Residential for development into a multi-family apartment project as described under "DEVELOPMENT PLAN—Near-Term Vertical Development Plans—*Fairfield Residential Apartment Project (Depot District)*." The Developer currently expects the map to be complete and recorded by the end of 2022.

The Developer expects that final maps and/or certificates of compliance for lot line adjustments will be recorded for the balance of the property within the District in phases commensurate with the development of finalized plans for each portion of such property.

Affordable Housing Requirement. The City's Mixed Income Housing Ordinance requires that proposed residential projects in excess of 100 gross acres obtain City Council approval of a "mixed income housing strategy" that demonstrates how the project provides housing for a variety of income and household types consistent with the City's Housing Element Policy. On November 10, 2016, the City Council approved the mixed income housing strategy for the Sacramento Railyards project. The mixed income housing strategy for the Sacramento Railyards project requires the construction of 300 affordable units as part of the first 3,000 residential units constructed and either (i) the construction of an additional 300 affordable units as part of the following 5,000 residential units under construction; (ii) land dedication by the Developer to support development of not less than 300 units to be constructed by a third-party developer or (iii) a combination of (i) and (ii). Affordable units are those affordable to households with incomes that range between 40% to 60% of the area median income.

As described below under "— Sacramento 695 L.P. Development Plan," within the District, Sacramento 695, L.P. has commenced construction of a 345-unit apartment complex marketed as "The AJ." Within The AJ, 69 units are required to be affordable housing units. The Developer has also conveyed one parcel of approximately 2.658 taxable acres to the Wong Center planned for an apartment project with 150 units designated for affordable housing. See "Vertical Construction Projects Underway — *Wong Center Apartment (Depot District)*" for additional information with respect to the 150-unit apartment project planned by the Wong Center. The Developer expects that the development within the Sacramento Railyards will continue to satisfy the affordable housing requirements under its approved mixed income housing strategy.

Parks. Under the City Code and the Development Agreement, the Developer is required to dedicate property for parks under a formula which results in 1.75 acres of public parks per 1,000 residents. Under such formula, full development within the Sacramento Railyards would require the dedication to the City of approximately 23.24 acres of public parks. Parks may include a variety of elements, including designated areas for specific sports; such as baseball diamonds; playing areas for children with facilities such as swing sets, tot lots; shaded and landscaped seating or recreational areas; community gardens; walking and biking trails. Based on the current projects under development or in the planning phase, no requirements for commencement of construction or delivery of parks under the Conditions of Approval have been triggered. The Developer expects to commence construction of and deliver parks and open space commensurate with the phased commencement of vertical developments within the various portions of the Sacramento Railyards.

Environmental Matters

Environmental Remediation. For over a century, the Sacramento Railyards was used by the Southern Pacific (and subsequently by merger, Union Pacific) for locomotive repairs, maintenance and manufacturing. Activities conducted on the site included building and refurbishing of locomotives and railcars and operations of a sheet metal shop, warehouse, battery shop, forge and foundry activities, maintenance rights of way, company equipment facilities, and other industrial uses. All manufacturing and maintenance operations within the Sacramento Railyards terminated in the mid-1990s.

Enforceable Agreement. In 1988, Union Pacific (as successor by merger to the Southern Pacific) and the State Department of Health Services, as predecessor to the Department of Toxic Substances Control of the State of California ("DTSC"), entered into an "Enforceable Agreement" to investigate contaminates on and remediate the Sacramento Railyards site. Pursuant to the Enforceable Agreement, Union Pacific has been investigating and remediating soil and groundwater contamination at the Sacramento Railyards under DTSC's oversight. Soil contamination found at the site included volatile and semi-volatile organic compounds, metals and petroleum hydrocarbons. Through various remedial action plans approved by DTSC, soil contamination was remediated through excavation, chemical stabilization, off-site disposal of contaminated materials and soil, cleaning of debris/ballast and clean fill for backfill.

Land Use Covenants. With the exception of a 1.11-acre parcel at the Sacramento Railyards, soil remediation has been completed to levels that, in conjunction with two Land Use Covenant and Agreements executed in 2015 and 2019 (the "Land Use Covenants") and the additional land use covenants described below, by and between DTSC and the Developer, are protective of all populations for planned land uses, including but not limited to, commercial, retail, industrial, hospital, school, daycare, mixed-use, residential and park use. The premise of the Land Use Covenants is that a significant majority of the area will be improved and hardscaped (concrete, asphalt and building improvements covering the raw dirt surface). If, after such improvements are completed, there remains direct access to the raw dirt surface (referred to as "Native Soil"), the Land Use Covenants require that a top layer of environmentally compliant soil of thickness and composition approved by DTSC be maintained on the Native Soil. Any disturbance of soil requires compliance with the soils management plan ("SMP") approved by DTSC for the Sacramento Railyards (including the District). Similarly, the Land Use Covenants require that any soil brought to the surface by excavation or other means requires compliance with the SMP and adherence with applicable federal and State law. The Land Use Covenants also prohibit the drilling for water, oil or gas or the extraction of groundwater except with approval from DTSC. With respect to soil vapors, the Land Use Covenants require that any enclosed building or structure be designed with vapor mitigation measures to prevent vapor intrusion at a level that poses an unacceptable risk to human health or the environment. A third Land Use Covenant and Agreement executed in 2021 ("Vista Park Land Use Covenant"), by and between DTSC and the Developer, applies to the approximately 9.28-acre parcel designated as a public park area and provides that, with adherence to the restrictions in the Vista Park Land Use Covenant, permitted uses on the parcel are parks and open space, which includes sport activities, speaking and entertainment events, food trucks and other non-permanent food and beverage concession. As set forth in the Land Use Covenants and the Vista Park Land Use Covenant, DTSC has concluded that the areas of the Sacramento Railyards described therein, as remediated and when used in compliance with such covenants, do not present an unacceptable risk to present and future human health or safety or the environment.

In June 2022, the Developer and DTSC executed a fourth Land Use Covenant and Agreement ("Triangle Remainder Land Use Covenant") which covers approximately 2.847 acres of property located adjacent to the west of the site of the proposed Vista Park. Such land use covenant includes the restrictions in the existing Land Use Covenants described in the paragraph above.

Upon a change of ownership of any of the areas covered by any of the land use covenants with DTSC, written notice thereof must be provided to DTSC not later than 30 days after the conveyance. Furthermore, any change in ownership requires notice to DTSC and no activities that will disturb soil are allowed on the property without a SMP that is approved in writing by DTSC. Any soils brought to the surface shall be managed in compliance with all applicable provisions of the existing land use covenants, any existing SMP, and other applicable provisions of State and federal law and a SMP approved in writing by DTSC. Parties associated with a SMP are responsible for associated costs of complying with such SMP.

Memorandum of Agreement. As required by the Land Use Covenants, the Vista Park Land Use Covenant and the Triangle Remainder Land Use Covenant, the Developer and DTSC have entered into a Memorandum of Agreement ("MOA") to provide for, among other matters, establishing a process for the Developer, on behalf of the future owners of the property in the Sacramento Railyards, to (i) prepare and deliver to DTSC the annual reporting of compliance with the stated restriction within such land use covenants, and (ii) pay DTSC's costs for monitoring, inspecting and reporting compliance with such covenants. The Developer estimates such costs to be approximately $39,000 per year. The Developer's obligations under the MOA are expressly performed as an administrative accommodation on behalf of the owners and any failure to perform such administrative tasks (i) does not relieve such owners from complying with the specified reporting requirements, or (ii) create any form of liability for the Developer as a result of such failure. Pursuant to the MOA, the Developer has the right and it is its intention to transfer its obligations thereunder to a master owners' association to be formed under the Master Declaration of Covenants, Conditions and Restrictions and Easement Agreement which encumbers the Sacramento Railyards (including the District).

Union Pacific has ongoing obligations under the Enforceable Agreement with respect to the remediation and monitoring of groundwater contamination, soil vapor extraction, and maintenance responsibilities. Remedial actions have and are expected to continue to include groundwater and soil vapor extraction. Union Pacific is responsible for the costs relating to such remediation and monitoring. This includes, but is not limited to, the Former Manufactured Gas Plant Study Area, Lagoon Groundwater Study Area, and the Central Shops Study Area (including the South Plume), in which soil vapor, and/or groundwater impacts remain and remediation is underway or have yet to be selected. Any selected remediation will bring the area to an acceptable risk for future users in accordance with the Enforceable Agreement and with DTSC's oversight and approval. It is anticipated that a land use covenant would subsequently be put in place similar to the Land Use Covenants, the Vista Park Land Use Covenant and the Triangle Remainder Land Use Covenant relating to soil remediation covering the rest of the site.

Railyards Agreement. In addition to the Enforceable Agreement, the Developer, IA Sacramento Holdings, LLC and Union Pacific entered into a "Railyards Agreement" dated as of February 12, 2015 for the purpose of allocating responsibility for specified work and liability in connection with the remediation activity at the Sacramento Railyards. The Railyards Agreement provides, among other matters that: (i) Union Pacific shall remain responsible for all obligations under the Enforceable Agreement (including obligations with respect to groundwater treatment, soil vapor remediation, maintenance responsibilities, and performance of and compliance with the DTSC recurring five-year review process); (ii) the Developer will be responsible for the handling of soil that is development-related (with certain off-site disposal costs allocated to Union Pacific); (iii) the Developer is responsible for management of groundwater used for construction purposes, however, Union Pacific shall be responsible for the treatment thereof; (iv) Union Pacific is responsible for all soil vapor intrusion monitoring and remediation; the Developer is responsible for all passive vapor intrusion mitigation systems within all new buildings constructed after the entering into of the Railyards Agreement (estimated to cost between approximately four to six dollars per square foot of land area and between approximately $5,000 to $10,000 per year for monitoring costs of each system); and (v) Union Pacific remains responsible for (a) all ground water remediation, and (b) soil vapor intrusion for all of the buildings existing as of the execution of the Railyards Agreement. The Railyards Agreement obligates the Developer to continue to comply or cause subsequent owners of property in the Sacramento Railyards to comply with the Developer's obligations thereunder as described in this paragraph.

The Land Use Covenants, the Vista Park Land Use Covenant and the Triangle Remainder Land Use Covenant cover all of the property, with the exception of a 1.11-acre parcel, with respect to soil remediation. The development within the Sacramento Railyards as described in this Official Statement is not conditioned upon completion of the ongoing remediation with respect to groundwater and soil vapor as described above. However, it possible that additional remediation will be necessary in the future due to new remediation orders given by DTSC or another governmental agency, the discovery of contaminants not covered by such covenants or changes in applicable regulations. Should a property owner receive an order from a government agency with respect to environmental remediation, the parties to the Railyards Agreement have agreed that the Developer may enforce Union Pacific's obligation to undertake the remediation required by such order to the extent the responsibility thereof is Union Pacific's under the terms of the Railyards Agreement. See "SPECIAL RISK FACTORS — Hazardous Substances."

An Amended and Restated Covenant and Agreement (the "Covenant") was recorded on the property in the Sacramento Railyards in connection with the execution and delivery of the Railyards Agreement. The Covenant, among other matters: (1) recognizes the land use restrictions that are included in land use covenants recorded on the property; (2) recognizes that there may be impacts to property owners resulting from the environmental remediation activities; (3) provides that future property owners are required to comply with land use covenants applicable to their property; and (4) provides that future property owners shall release the Union Pacific from liabilities and damages resulting from the effects of remediation activities.

Additional information with respect to the environmental remediation described above may be obtained from DTSC at https://www.envirostor.dtsc.ca.gov/public/profile_report?global_id=60002230. *The foregoing Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. The foregoing Internet address is subject to change. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

The Developer is not aware of any additional contamination that requires remediation in order to develop the property in the District as described in this Official Statement. If any further contamination is discovered, the Developer expects to cooperate with DTSC, any other applicable regulatory agency and Union Pacific (to the extent the Railyards Agreement applies), to allow for remediation of the conditions as necessary to allow for development as described in this Official Statement.

Approval of Subsequent Environmental Impact Report. In 2007, the City Council approved the Environmental Impact Report for the Sacramento Railyards project. On November 10, 2016, the City Council adopted a resolution certifying the Subsequent Environmental Impact Report for the Railyards Specific Plan, the medical center, the proposed sports stadium and the stormwater outfall project for the Sacramento Railyards. The City Council also adopted a mitigation monitoring plan which includes requirements relating to, among others, monitoring of structural height restrictions in certain lots to avoid alterations in public view, studies and mitigation actions to avoid or minimize impacts to native or migratory birds, fish and insects, and measures to be taken during construction to minimize dust, noise and light pollution, and certain studies and improvements relating to the impact on transportation and traffic.

Status of Infrastructure

Prior Completed Infrastructure and Public Facilities. Prior to the Developer taking ownership of the Sacramento Railyards property in 2015, significant backbone infrastructure and other improvements on and surrounding the site were completed by the prior owners as well as by the City. Such improvements were either necessary to, or were expected to, benefit the future development of the property within the Sacramento Railyards. Backbone infrastructure completed by the prior property owner include Railyards Boulevard, which runs most of the length of the Sacramento Railyards site from east to west, and extensions of 5th and 6th Streets (including overpasses) north from their prior terminus at the south end of the Sacramento Railyards, to

Railyards Boulevard. The construction of the foregoing major roadways within the Sacramento Railyards also involved the installation of major water, sewer and dry utilities along such roadways.

The City undertook renovation of and construction work on the portion of the Depot District where the Sacramento Valley Station is located. All of such improvements are located outside of the District but are expected to provide regional transportation connectivity benefiting the developments in the District. These improvements include relocation of the freight and passenger railroad tracks approximately 500 feet north of their then-existing location and construction of new passenger platforms. In addition, three tunnels were constructed under the realigned tracks to provide grade-separated access for passengers and service vehicles to the passenger platforms and direct pedestrian connection to the Sacramento Railyards site.

Through July 1, 2022, approximately $399 million has been spent on completed infrastructure and work in progress. Such amount includes $369 million in completed infrastructure (including $40 million of infrastructure completed by the Developer) and $30 million on projects under construction or in design by the Developer.

The following summarizes the backbone infrastructure within the District or that serves the property in the District that has been completed to date (including all backbone infrastructure necessary to allow for buildout within the lots owned by Kaiser Foundation Hospitals, the apartment building marketed as "The AJ" and the apartment building being developed by the Wong Center (as described below)):

- Railyards Boulevard, which traverses the length of the District and is the main arterial street from east to west, and associated water and sewer lines and dry utilities.
- Realignment of the Union Pacific rail lines that run east to west through the Depot District.
- Extensions of 5th and 6th Streets, including overpass structures that traverse the Union Pacific rail lines, from their prior termination points south of the Sacramento Railyards north to Railyards Boulevard.
- 7th Street, via a tunnel which passes under the Union Pacific rail lines, from the prior termination point at the south end of the Sacramento Railyards, north to connect to Richards Boulevard approximately 1 mile north of the Sacramento Railyards.
- F & G Streets from 5th to 7th Streets including water, sewer, and drainage facilities.
- Sewer lines along 3rd Street, located outside of the District, which are necessary to provide relief for sanitary sewer flows expected to be generated by development in the Sacramento Railyards and surrounding properties.
- All roadways which run along the border of the site owned by Kaiser Foundation Hospitals along with associated water, sewer, drainage, and bike facilities for those areas.

Remaining Infrastructure Needs. While substantial backbone infrastructure remains to be completed to allow for full buildout of the District over the next 20 years, the majority of remaining infrastructure requirements are those directly impacting particular parcels, allowing for phased development as market conditions warrant. The only infrastructure serving District-wide purposes that remains to be complete is the Storm Drain Outfall. The Storm Drain Outfall has an estimated cost at $34 million, and includes adjacent roadways to the Storm Drain Outfall (Bercut from Summit Tunnel to Telegrapher). Through July 1, 2022, the Developer had spent approximately $18.2 million on the Storm Drain Outfall. The Storm Drain Outfall is expected be substantially complete in late-2022 and fully complete in mid-2023. Upon completion, the Storm Drain Outfall will be fully operational. The Developer does not expect the currently estimated timeframe for completion of the Storm Drain Outfall to impact the timing of the developments in the District as described herein. A temporary retention pond for drainage purposes has been completed on certain lots located to the north of the Central Shops. This retention pond is expected to be removed after the Storm Drain Outfall is completed and the lots on which such retention ponds are currently located are developed.

The other remaining backbone infrastructure primarily consists of the arterial roadways and associated utilities and parks. Construction of certain roadways which are necessary to serve the project areas planned for near-term development is also underway. The Developer estimates the total costs of such remaining infrastructure to be approximately $171.6 million (inclusive of amounts spent and to be spent in 2022), which includes the approximately $18.2 million already spent on the Storm Drain Outfall through July 1, 2022. See "— Infrastructure Financing Plan" below for a description of the Developer's current expected sources of funding for such infrastructure.

Given the long-term nature of the development within the Sacramento Railyards, the remaining backbone infrastructure is expected to be completed in phases, with the final phases currently estimated to commence construction in 2031 and to be completed in 2034.

In addition to the backbone infrastructure to be constructed by the Developer, other public service facilities such as schools, parks and public safety facilities (police and fire) will be required to serve the development within the District. The Developer currently expects that such facilities will be funded primarily through existing Sacramento City Unified School District and City fee programs. The City established a specific plan area fee for the Sacramento Railyards which was originally sized to accommodate future reimbursement of any infrastructure costs not funded through other sources but has been modified so that it will fund any shortfall for these public service facilities. See "Infrastructure Financing Plan—*Railyards Impact Fee*" below.

Infrastructure Financing Plan

General. The Developer has identified various funding sources for a portion of the costs of the remaining backbone infrastructure necessary to allow for buildout within the District. Such sources include both private and public financing. The current estimated aggregate cost of the remaining backbone infrastructure is approximately $171.6 million. Net of private funding sources and development impact fees, the Developer has identified approximately $122.1 million in public funding sources to finance such infrastructure (such amount includes approximately $40.7 million of funding from the Stadium Area Enhanced Infrastructure Financing District, which may not be available (see "Infrastructure Financing Plan —Stadium Area Enhanced Infrastructure Financing District" below)). However, the availability of such public funding sources remain uncertain and there can be no assurances that such funding will ultimately be available.

If all of the Developer-identified public funding sources are obtained, the Developer estimates that approximately $15.9 million of funding from private sources (exclusive of development impact fees) will be needed to complete the necessary backbone infrastructure to serve the development within the Sacramento Railyards, including the District. Such private sources may include land sales revenues within the Sacramento Railyards. The Sacramento Railyards is a designated "Opportunity Zone" which is an economic development tool created under the Tax Cuts and Jobs Act of 2017. Investments in Opportunity Zones through Qualified Opportunity Funds may provide tax benefits to certain investors, which may increase private investor interest in the Sacramento Railyards project.

The Developer has obtained a credit facility provided by a division of Western Alliance Bank secured by a portion of the Developer-owned property within the District. The credit facility is a $25 million revolving loan secured by approximately 87.65 acres located in the northeastern portion of the District (portions of Assessor Parcel Nos. 002-0010-074-0000 and 002-0010-075-0000, excluding property associated with the Central Shops, the property planned for the Telegrapher and property planned for open space) (see Table 7 below). An appraisal was prepared for the purpose of securing the credit facility which valued the property securing the credit facility at $105 million. Such appraisal was not prepared for purposes of financings under the Act and therefore was not prepared in conformity with CDIAC Guidelines (as defined below under "THE DISTRICT — Property Values — *Appraisal*"). The amount of the credit facility is required to remain at or below a 25% loan to value ratio. The Developer expects to draw on the credit facility to complete infrastructure improvements within the District.

Certain details relating to the primary public funding sources are described below. There can be no assurance that such sources will ultimately be available. In providing its estimate of the market value of the property within the District, the Appraiser has taken into account certain of the funding sources discussed below and excluded others for the reasons specified in the Appraisal Report. See APPENDIX B attached hereto.

See "SPECIAL RISK FACTORS — Prevailing Wage Requirement" for a discussion of the obligation to pay prevailing wages under the California Labor Code with respect to the projects in the Sacramento Railyards which may result from the utilization of public funding sources to fund development costs.

The following Table 1 summarizes the Developer's estimated timing of expenditures for the remaining backbone infrastructure costs necessary to develop the property in the District. The costs shown in Table 1 are based on the Developer's current estimates. Given that certain components of such infrastructure are not expected to commence construction for five to ten years, actual costs can be expected to vary from the estimates provided below and such variance could be material.

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TABLE 1
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
ESTIMATED TIMING OF EXPENDITURES FOR REMAINING BACKBONE INFRASTRUCTURE

Sources and Uses of Funds	***2022***	***2023***	***2024***	***2025-2030***	***2031-2035***	***Totals***
Sources:						
State Natural Resources Grant	$ 1,800,000	$ 27,475,393	$ --	$ --	$ --	$ 29,275,393
AHSC Grant	5,000,000	10,211,696	--	--	--	15,211,696
TIRCP Grants	--	7,650,000	--	--	--	7,650,000
Development Impact Fees	2,000,000	--	--	--	--	2,000,000
CFD No. 2018-01 Bonds(1)	13,500,000	9,470,000	--	--	--	22,970,000
Stadium Area EIFD(2)	--	--	--	37,370,000	3,310,000	40,680,000
Park Impact Fees	--	--	2,000,000	21,068,343	7,022,781	30,091,124
Amended OPA Funds	6,300,000	--	--	--	--	6,300,000
Developer Equity	--	4,530,000	--	6,445,894	6,445,894	17,421,788
Total Sources	**$ 28,600,000**	**$ 59,337,089**	**$ 2,000,000**	**$64,884,237**	**$ 16,778,675**	**$ 171,600,001**
Uses:						
Roadways	$ 4,600,000(3)	$ 34,004,115(4)	$ --	$43,815,894(5)	$ 9,755,894	$ 92,175,903
Transit Facilities	--	6,915,674(6)	--	--	--	6,915,674
Parks/Open Space(7)	--	--	2,000,000	21,068,343	7,022,781	30,091,124
Drainage	24,000,000(8)	18,417,300(9)	--	--	--	42,417,300
Total Uses	**$ 28,600,000**	**$ 59,337,089**	**$ 2,000,000**	**$64,884,237**	**$ 16,778,675**	**$ 171,600,001**

(1) Amounts represent proceeds from the Bonds. Parity Bonds may be issued to finance additional infrastructure in accordance with the Indenture and the Act. However, there is currently no estimated timeframe for the issuance of Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds."

(2) The Stadium Area Enhanced Infrastructure Financing District (EIFD) was formed to fund public infrastructure improvements that support construction of the MLS stadium, as well as new development in the EIFD. As described herein, there are no definitive plans at this time for an MLS stadium to be constructed within the Sacramento Railyards and there can be no assurance that any funding will be available from the EIFD if an MLS stadium is not constructed within the Sacramento Railyards. In the Appraisal Report, the Appraiser assumed no funding from the EIFD will be available. See "Infrastructure Financing Plan —*Stadium Area Enhanced Infrastructure Financing District*" below.

(3) Roadway costs in 2022 include approximately $1.6 million expected to be funded from the State Natural Resources Grant (as defined below) and approximately $3.0 million expected to be funded from the AHSC Grant (as defined below).

(4) Roadway costs in 2023 include approximately $21.9 million expected to be funded from the State Natural Resources Grant, approximately $7.5 million expected to be funded from the AHSC Grant and approximately $4.6 million TIRCP Grants (as defined below).

(5) Roadway costs in 2025-2030 include amounts expected to be funded from the EIFD and Developer equity. See, however, footnote 2 above and "Infrastructure Financing Plan —*Stadium Enhanced Infrastructure Financing District*" below.

(6) Transit facilities costs in 2023 include approximately $1.2 million to be funded from the State Natural Resources Grant, approximately $2.7 million from the AHSC Grant and approximately $3 million from the TIRCP Grants.

(7) Parks and open space improvements are expected to be funded from park impact fees. See "Infrastructure Financing Plan —*Park Impact Fees*" below.

(8) Drainage costs in 2022 include approximately $13.5 million to be funded from Bond proceeds, approximately $6.3 million previously funded from OPA (as defined below) monies, approximately $2.0 million from development impact fees, approximately $2.0 million from the AHSC Grant, and approximately $0.2 million from the State Natural Resources Grant.

(9) Drainage costs in 2023 include approximately $11 million to be funded from Bond proceeds, approximately $4.4 million from the State Natural Resources Grant and approximately $3.0 million from Developer Equity.

Source: The Developer.

California Natural Resources State Funding. The adopted State budget for Fiscal Year 2021-22 appropriated $30 million in the portion of the State budget for the California Natural Resources Agency "for support, local assistance, or capital outlay for the rehabilitation of the Sacramento Railyards" (the "State Natural Resources Grant"). The State Natural Resources Grant is to be administered through the California Department of Parks and Recreation, a department of the California Natural Resources Agency. Such appropriation is available for encumbrance or expenditure until June 30, 2024. Such funding, if received, will be processed through the City and transferred to the Developer for eligible costs. The required grant agreements have been approved and executed by the State, the City and the Developer. The Developer expects to allocate such funding toward infrastructure projects within the Sacramento Railyards and otherwise in accordance with any conditions imposed by the State. Funds from this grant are expected to be received as eligible costs are incurred. No amounts from this grant have yet been received as of the date of this Official Statement, however, the Developer expects approximately $1.8 million of this grant to be received in 2022. See Table 1 above.

Affordable Housing and Sustainable Communities Grant. An affiliated entity of the Developer has been awarded a grant of approximately $15.3 million under the State's Affordable Housing and Sustainable Communities Program (the "AHSC Grant"). This grant requires that the Developer construct at least 69 affordable housing units at 50% of area median income within The AJ project, which is currently under construction, as described below under "Sacramento 695 L.P. Development Plan." Through July 1, 2022, the Developer has submitted $2.1 million of costs for reimbursement from the AHSC Grant to the State, $1.3 million of which has been received by the Developer. The $0.8 million balance of costs submitted is currently being processed for payment by the State. Additional funding under the AHSC Grant will be processed as eligible infrastructure costs are incurred. The Developer expects approximately $5 million of this grant to be received in 2022.

Transit and Intercity Rail Capital Program. In 2020, the California State Transportation Agency awarded approximately $3 million under the State's Transit and Intercity Rail Capital Program (the "2020 TIRCP Grant") to fund construction of access routes on the northside of the Sacramento Valley Station to provide connectivity to the Railyards development. In July 2022, the California State Transportation Agency awarded approximately $49.9 million under the Transit and Intercity Rail Capital Program to fund various transit projects (the "2022 TIRCP Grant" and together with the 2020 TIRCP Grant, the "TIRCP Grants") in and around the Sacramento Valley Station and certain projects within the Sacramento Railyards to facilitate further rail and bus connectivity in the Sacramento Railyards. The projects eligible to be funded within the District from the 2022 TIRCP Grant generally consists of roadways, including the final connection of 5th Street north to B Street. The Developer estimates that the cost of the projects to be funded within the Sacramento Railyards from the 2022 TIRCP Grant to be approximately $4.7 million. The funding under the 2022 TIRCP Grant was awarded after the Date of Value and was not considered by the Appraiser in its analysis in the Appraisal Report. The Developer does not expect any amount of the 2022 TIRCP Grant to be received in 2022.

Railyards Impact Fee. In 2016, the City Council approved a Sacramento Railyards Specific Plan Public Facilities Financing Plan to identify infrastructure required for buildout and potential financing mechanisms. In 2018, the City Council approved an Updated Finance Plan for the Sacramento Railyards, which, among other updates, included a specific plan area fee for the Sacramento Railyards which was originally sized to accommodate future reimbursement of infrastructure costs not funded through other sources (the "Railyards Impact Fee"). Most recently in June 2022, the City Council approved the Railyards Finance Plan – 2022 Update (the "2022 Finance Plan") which revised the amount of the Railyards Impact Fee to remove the on-site infrastructure portion of the fee (except for parks and open space facilities). The on-site infrastructure costs will instead be funded through a combination of proceeds of Bonds from the District, grants, other City and regional fee programs, and internal Developer funding sources. The current Railyard Impact Fees are charged on a square foot basis for non-residential development other than hotels (ranging from $2.75 to $4.14 per square foot) and on a per unit basis for residential development (ranging from $2,447 to $3,765 per unit). The current Railyard Impact Fee for hotel developments are $1,079 per room. The Railyards Impact Fees are to be adjusted annually as specified in the 2022 Finance Plan.

Community Facilities District. As described herein, approximately $22.97 million of Bond proceeds will be available to fund eligible infrastructure costs benefitting the District. The Developer expects that such funds will primarily be used to fund a portion of the costs of the Storm Drain Outfall, which is currently under construction. To the extent available, the Developer expects that proceeds of Parity Bonds will be applied to reimburse costs expended and to fund the remaining costs - both associated with the Storm Drain Outfall in the District and any other authorized facilities eligible to be financed by the District. See "SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds" for certain conditions under the Indenture which must be satisfied in order issue Parity Bonds to finance additional eligible projects.

Stadium Area Enhanced Infrastructure Financing District. In 2019, the Sacramento Stadium Area Enhanced Infrastructure Financing District (the "EIFD") was established under State law to fund specified infrastructure improvements in the eastern portion of the Sacramento Railyards, covering the area that was planned for a new MLS stadium. The EIFD is governed by the board of the Stadium Area EIFD Public Financing Authority (the "Stadium PFA"), which consists of three members of the City Council and two members of the public. The EIFD is authorized to finance specified roadway and sewer facilities within its boundaries as approved at the time the EIFD was formed. However, the infrastructure financing plan for the EIFD adopted by the Stadium PFA at the time the EIFD was formed provides that the EIFD was formed to fund public infrastructure improvements that support construction of the MLS stadium, as well as new development in the EIFD. As described herein, there are no definitive plans at this time for a MLS stadium to be constructed within the Sacramento Railyards. Therefore, there can be no assurance that any funding from the EIFD will be available if the area within the EIFD is developed for uses other than a MLS stadium. In the Appraisal Report, the Appraiser assumes that no funding will be available from the EIFD.

If available, funding generated by the EIFD would be made available from tax increment revenues generated as a result of vertical improvements within the EIFD. The City and the Developer may enter into an agreement pursuant to which the City agrees to provide upfront funding to be repaid from the tax increment revenues. However, no agreement has been reached and there can be no assurance that such upfront funding will be available.

Park Impact Fees. The City currently levies a City-wide park fee on new development. The 2022 Finance Plan estimates that park impact fees will be available to fund approximately $30 million of park and park-related infrastructure costs within the District.

Owner Participation Agreement. The Sacramento Railyards was included in a prior redevelopment area administered by the former Redevelopment Agency of the City of Sacramento (the "Former Agency"). Redevelopment agencies in the State were dissolved pursuant to State legislation in January 2012. Upon dissolution, the City became the successor agency to the Former Agency of the City of Sacramento (the "Successor Agency"). Under two owner participation agreements with the prior owner of the Sacramento Railyards (the "Prior OPA's), certain tax increment funds of the Former Agency were committed to public infrastructure improvements within the Sacramento Railyards. Such agreements were assigned by the prior owner to the Developer. Under the Prior OPAs, the owner of the Sacramento Railyards would have been entitled to receive tax increment revenues through 2053. In 2017, the estimated tax increment revenues that the owner of the Sacramento Railyards could ultimately receive was approximately $200 million. However, given that vertical construction (which would be a primary driver of tax increment revenue generation) within the Sacramento Railyards would be limited by the need for upfront funding for backbone infrastructure, in 2017, the City and the Developer entered into an amendment and termination of the Prior OPA's (the "Amended OPA") to set the maximum amount owed under the Prior OPAs to $60 million (with a net present value estimated at $43 million). In order to provide a source of upfront funding for eligible infrastructure within the Sacramento Railyards, under the Amended OPA, eligible reimbursements for infrastructure were made from the Successor Agency's Redevelopment Property Tax Trust Fund ("RPTTF") rather than from future tax increments. The Developer monetized the $60 million income stream through a private bank financing, resulting in $36.4 million in net proceeds available for immediate use on infrastructure. As of July 1, 2022, all of the $36.4 million in net proceeds have been used on eligible infrastructure projects, primarily consisting of roadway and backbone infrastructure necessary to serve the site owned by Kaiser Foundation Hospitals and sewer and drainage improvements (including the $6.3 million spent on the Storm Drain Outfall project as shown in Table 1 above).

Vertical Development Plan

As of July 1, 2022, the Developer owned approximately 81% of the Taxable Land in the District consisting primarily of undeveloped land, with certain infrastructure in place. As of such date, the Developer had sold or conveyed 10 parcels totaling approximately 22.68 taxable acres to three different entities as described under the captions "—Vertical Construction Projects Underway" and "—Kaiser Development Plan." The Developer's long-term plan is to sell portions of the property in the District to third-parties to construct the projects thereon, construct projects through joint ventures or construct the projects on its own. Projects constructed through joint ventures or by the Developer may be held as part of the Developer's portfolio or sold to third-parties.

As of July 1, 2022, projects within the District in the planning phase include two apartment complexes, renovation of the Central Shops (as defined herein) including an approximate 3,600-seat concert venue leased to, and to be operated by, Live Nation Entertainment, a 1,421-stall parking garage, a dual flag hotel development consisting of a Marriott Residence Inn and Marriott Tribute brands, for which franchise agreements have been awarded, and a two-building office project. See "—Near-Term Vertical Development Plans" below.

A map of the projects for which vertical construction has commenced and the near-term vertical construction projects described below under "—Vertical Construction Projects Underway" and "—Near-Term Vertical Development Plans," respectively, is shown on page 65.

The table below shows the Developer's current estimated timing of the delivery of the various product types within the District. Full buildout of the development within the District (and the Sacramento Railyards as a whole) is expected to occur over the course of approximately 20 years. Given the long development period within the Sacramento Railyards, it is expected that such estimates will change based on, among other factors, changes in market demand and economic downturns. Changes to such estimates could therefore be material. As described in the Official Statement, there are currently no expectations that an MLS stadium will be developed within the Sacramento Railyards. As a result, the parcels below attributed to the stadium property are expected to be used as a mix of residential and commercial developments based on permitted underlying land uses, and estimates of such product mix has not yet been developed. Further, in the event the medical center is not developed by Kaiser Foundation Hospitals, the related property is expected to be developed in accordance with other permitted underlying land uses.

The City engaged RCLCO Real Estate Consulting (formerly Robert Charles Lesser & Co.) of Los Angeles, California (the "Market Absorption Consultant") to provide an independent estimate of the timing for the various products planned within the Sacramento Railyards to be absorbed. See "THE DISTRICT—Market Absorption Study."

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TABLE 2
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
ESTIMATED SCHEDULE FOR VERTICAL IMPROVEMENTS

Product Type	***Totals***	***2023***	***2024***	***2025***	***2026***	***2027***	***2028-2032***	***2033-2038***
Central Shops (square feet)	453,018	0	94,525	45,301	91,039	121,967	100,186	0
Parking Garage (spaces)	1,421	0	0	1,421	0	0	0	0
Medical Center (square feet)(1)	1,131,650	0	0	0	1,131,650	0	0	0
Hotels (room keys)	1,022	0	0	0	183	0	839	0
Office (square feet)	3,825,000	0	0	262,500	0	390,000	1,795,069	1,377,000
Residential (market-rate) (dwelling units)	4,153	276	221	185	469	349	1,863	790
Residential (affordable) (dwelling units)	328	69	150	0	0	0	109	0
Stadium (parcels)(2)	14	0	14	0	0	0	0	0

(1) Kaiser Foundation Hospitals has not approved any plans for development and has not provided a timeframe for development. In the event that Kaiser Foundation Hospitals does not develop a medical center on its property in the District, such property is expected to be developed in accordance with other permitted underlying land uses.
(2) There are currently no expectations that an MLS stadium will be developed within the Sacramento Railyards. If the stadium is not constructed, the related property is expected to be used as a mix of residential and commercial developments and estimates of such product mix has not yet been developed.
Source: The Developer.

Vertical Construction Projects Underway

The AJ (West End). In 2020, the Developer transferred approximately 2.88 taxable acres within the District to Sacramento 695 L.P., a California limited partnership, an entity formed for the purpose of developing and managing a planned 345-unit apartment project being marketed as "The AJ." The site of The AJ is located on the corner of 6th Street and Railyards Boulevard. Of the 345 units, 69 are planned for affordable units with the balance planned for market-rate units. The affordable units are expected to be restricted to rents which are no more than 50% of area median income. The residential units at The AJ are expected to be offered in studio, one- and two-bedroom floorplans, ranging in size from approximately 535 square feet to 1,044 square feet. The AJ is also planned to include approximately 6,000 square feet of retail space on the ground floor and a five-story parking garage with 276 spaces. All backbone infrastructure including all utilities necessary to serve The AJ project has been completed. Construction of The AJ commenced in August 2020 and is currently expected to be complete in the first quarter of 2023.

The total estimated costs (including all soft and hard costs) to complete The AJ is approximately $126.9 million. Through July 1, 2022, approximately $74.2 million had been expended on The AJ project.

Sacramento 695 L.P. is currently operating under an Amended and Restated Limited Partnership Agreement of Sacramento 695 L.P. (the "Sacramento 695 Agreement") among DRV AJ Ventures, LLC, a California limited liability company, USA Railyards Lot 48, Inc., a California corporation and Riverside Charitable Corporation, a California nonprofit public benefit corporation, as general partners, and AJ Railyard Investors QOF, L.P. and TJ Holdings QOF, LLC as limited partners.

DRV AJ Ventures, LLC, and the AJ Railyard Investors QOF, L.P. are entities formed and managed by the principals of the Developer for the purpose of entering into the joint venture arrangement to develop The AJ project. Together, DRV AJ Ventures, LLC, and the AJ Railyard Investors QOF, L.P. hold 80.274% interest in Sacramento 695 L.P. USA Railyards Lot 48, Inc. is an affiliated entity of USA Properties Fund, an entity specializing in multifamily management and construction. Riverside Charitable Corporation is an entity formed by USA Properties Fund to facilitate affordable housing projects. AJ Railyard Investors QOF, L.P. and TJ Holdings QOF, LLC, the limited partners, are passive investment entities.

Pursuant to the terms of the Sacramento 695 Agreement, the Developer contributed the land on which The AJ is being developed to Sacramento 695, L.P. The developments costs of The AJ are being funded from a variety of sources. Given its affordable housing component, the California Debt Limit Allocation Committee qualified the project for an $85 million construction loan funded through the issuance of tax-exempt bonds by the California Housing Financing Agency ("CHFA"). The loan from CHFA to Sacramento 695 L.P. is evidenced by a note (the "CHFA Note") which is secured by a deed of trust on the property on which The AJ is being constructed. The AJ project has also been allocated approximately $31 million in Federal Low-Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code (the "Tax Credits"). The balance of the costs to develop The AJ is being funded from capital contributions from DRV AJ Ventures, LLC and, if necessary, additional capital calls from the partners of Sacramento 695 L.P. Sacramento 695 L.P. does not currently expect that additional capital calls from its partners will be required to fund the remaining development costs of The AJ. After completion of construction of The AJ, Sacramento 695 L.P. expects to refinance the CHFA Note with a conventional long-term loan.

Upon completion, Sacramento 695 L.P. expects to enter into an agreement with USA Multi-Family Management, Inc. a California corporation to manage the daily operations of The AJ. Assuming completion of The AJ occurs in the first quarter of 2023, Sacramento 695 L.P. estimates that stabilized occupancy will be reached in the first quarter of 2024. With respect to the market-rate units within The AJ, Sacramento 695 L.P. has reviewed the rental pricing assumptions in the Market Report and the Appraisal Report and believes that such pricing assumptions are reasonable.

Notwithstanding the Sacramento 695, L.P.'s belief that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to Sacramento 695, L.P. will be sufficient to complete the property development as currently planned. While Sacramento 695, L.P. has made internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Sacramento 695, L.P. nor any affiliate thereof, has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing or other sources are inadequate to pay the costs to complete Sacramento 695, L.P.'s planned development within the District and other financing by Sacramento 695, L.P. is not put into place, there could be a shortfall in the funds required to complete the proposed development by Sacramento 695, L.P. and the project may not be completed.

Wong Center Apartment (Depot District). In June 2022, the Developer conveyed approximately 2.658 taxable acres to the Wong Center, planned for approximately 150 affordable residential apartments. The units will be offered at affordability levels ranging from 40% - 60% of the area median income.

The estimated cost to construct the Wong Center apartment is approximately $56.3 million. In May 2022, the Housing Authority of the City of Sacramento (the "Housing Authority") authorized the issuance of multifamily housing revenue notes in the maximum amount of $35 million. The proceeds of such notes are expected to be loaned to the Wong Center to construct the apartment complex. In addition, the Housing Authority approved a $3.5 million long-term loan to finance the costs of the apartment complex. The balance of the costs are expected to be financed with low income housing tax credits which have been awarded by the California Tax Credit Allocation Committee, private loans and internal funding.

Wong Center at the Railyard, L.P. (previously defined as the "Wong Center") is an entity formed and managed by Mutual Housing of California ("Mutual") for the purpose of developing the Wong Center apartment project. Mutual is an entity that specializes in affordable housing construction and management. Mutual partnered with private investors to secure tax credits and related financing necessary to acquire the site and initiate construction of the Wong Center project. The Wong Center and Mutual are not affiliated with the Developer.

Initial grading and site work of the Wong Center apartment project began in July 2022. The Developer currently estimates that the Wong Center project will be complete in approximately July 2024. After construction is complete, the Wong Center apartment project is expected to be managed by Mutual.

Near-Term Vertical Development Plans

There are several projects within the District as described below in planning stages and no assurances can be made that such projects will ultimately be developed.

Central Shops District. As described above, the Central Shops District is anchored by the distinctive, historic brick buildings constructed between 1868 and 1917, which once served as the principal locomotive repair, maintenance and manufacturing facilities of the Sacramento Railyards when it was an actively operating railyard.

The five Central Shop buildings in the District total approximately 247,832 square feet of interior floor space. Renovation of the historic buildings in the Central Shops is expected to involve foundation work, remediation of the building shells, interior construction and finishing, installation of utilities and site work. As of July 1, 2022, the Developer estimates that the total costs to renovate the five Central Shop buildings located within the District to be approximately $49.4 million allocated as follows:

TABLE 3
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
COST ESTIMATES FOR CENTRAL SHOPS RENOVATION

Building Description	***Square Footage***	***Estimated Cost to Renovate***
Car Machine Shop	27,670	$ 8,960,000
Planing Mill	62,965	14,850,000
Car Shop #3	68,434	7,380,000
Blacksmith Shop	27,738	9,396,000
Paint Shop	61,025	8,850,000
Total	**247,832**	**$49,436,000**

Source: The Developer.

The Developer expects to finance the costs to renovate the Central Shops primarily from Developer equity and private investment. The Developer expects that the renovation and tenant improvements for the Central Shops will be eligible to receive a 20% tax credit under the Federal Historic Preservation Tax Incentives Program, and a 20% tax credit under the California State Historic Tax Credit program each in the amount of approximately $20,000,000, as well as tax credits under the federal New Market Tax Credit Program in the amount of approximately $10,000,000, each of which if received, would offset a portion of the renovation and tenant improvement costs. However, no assurances can be made that such tax credits will be received.

Table 3 above does not include the cost of tenant improvements. The Developer expects to fund tenant improvements from a combination of sources, including tax credits and Developer equity.

The first of the five buildings described above that is planned for renovation is the Paint Shop. The Developer expects to begin renovation of the Paint Shop by the first quarter of 2023 and to complete renovation thereof by the end of 2023. The Developer currently expects to fund the renovation costs of the Paint Shop from Developer equity and private investment, Historic and New Market tax credits and traditional construction financing. While the Developer expects to finance the renovation costs of the Central Shops from the sources described above, financing plans to fund all renovation costs have not been finalized.

Live Nation Lease. The Developer and Live Nation Entertainment have entered into a lease (the "Live Nation Lease") for approximately 47,000 square feet within the Paint Shop for use as a live performance entertainment venue with sellable capacity of approximately 3,600 seats. The Paint Shop is planned to be the primary gateway and focal point for the Central Shops District. Live Nation Entertainment is an American global entertainment company that is publicly traded on the New York Stock Exchange under the ticker "LYV."

The Live Nation Lease has a term of 30 years with an option to extend the term for five additional years. The Live Nation Lease includes certain conditions which must be satisfied prior to the parties being obligated to perform thereunder including, but not limited to, approval by the parties thereto of the financing plan for construction of the improvements within the rented space and certain common areas within the Central Shops District, approval by the City of such improvement plans, and other approvals typically needed for the operation of live entertainment venues. In the event such conditions precedent are not satisfied, the Developer and Live Nation Entertainment may terminate the Live Nation Lease. The Developer has submitted design drawings for the improvements to the City.

Other Historic Central Shops Buildings. The Developer has entered into an exclusive negotiation agreement with Q-Factor, the developers of creative office space in historic structures with projects branded as "Industry" creative offices. Q-Factor has developed projects in Denver, Detroit, Bozeman, and Salt Lake City. The agreement with Q-Factor covers the development of the Car Machine Shop, Planing Mill, Car Shop #3, Blacksmith Shop and lot 9B. The plan for these buildings is development in the "Industry" style to provide a place making, flexible, creative office and mixed-use environment that can accommodate a variety of tenants.

Central Shops Public Placemaking. The Developer plans to construct certain improvements to the gateway structure located within the Central Shops District which allows for pedestrian and bicycle access to the adjacent Sacramento Valley Station. The estimated cost of such improvements is $3 million and the State has awarded the 2020 TIRCP Grant of $3 million for such costs. There are approximately 7.56 acres of parks, open space and pedestrian paseos planned within the Central Shops District, the costs of which are included in Table 3 above.

Parking Garage (West End). The Developer plans to construct a parking garage with approximately 1,421 stalls on Lot 17 of the Sacramento Railyard's Tentative Map, which is located on the southeast corner of 5th Street and Stevens Street. The parking garage is proposed to be an eight-story, concrete modular building with partially open walls. The Developer has engaged Clark Pacific as the general contractor to design and construct the garage and currently estimates commencing construction in 2024 with an 18-month construction period. The Developer estimates the cost to complete the parking garage to be approximately $53.8 million. The Developer has not yet secured financing for the costs to construct the parking garage and there can be no assurances that the parking garage will be built within the Developer's currently estimated timeframe. See "DEVELOPMENT PLAN — Entitlement Process — *Development Agreement*" above for certain matters relating to parking requirements for the Sacramento Railyards.

The Foundry (West End). The Developer is in the planning phase for an office project being marketed as "The Foundry." The Foundry has received discretionary entitlements and is planned for two five-story buildings with approximately 290,000 square feet and ground floor retail. The Developer currently estimates commencing construction in 2024. However, the Developer does not expect to commence construction until tenants for approximately 35 - 50% of the leasable space have been located.

Proposed Hotel Developments (West End). Immediately north of the Paint Shop are the sites planned for a dual branded hotel development. The Developer has been awarded franchise agreements from

Marriott International for a Residence Inn and a Marriott Tribute brand hotel. These hotels are expected to share common back of house facilities and are expected to be located on approximately 1.53 gross acres. The agreement with Marriott International has a construction commencement date in 2023. As of July 1, 2022, no design plans have yet been submitted to the City with respect to the planned hotels.

The Developer is currently negotiating with two potential hotel development partners for construction and operation of the proposed hotels. Each of the development partners is currently conducting due diligence and preparing proposals for consideration by the Developer. No assurances can be made that such partnerships will materialize.

The Telegrapher (West End). The Developer is currently in the design phase of a 340-unit market-rate apartment project marketed as "The Telegrapher" to be located across 6th Street from The AJ project. The Telegrapher is planned to include two buildings between five to seven stories. The Developer currently estimates construction commencing on this project in the second quarter of 2023. As of July 1, 2022, the Developer has submitted a second round of site plan and design review documents to the City. The Developer is in discussions with potential equity investors. No formal agreements for private investments are in place for The Telegrapher project and no assurances can be made that such private investments will be secured.

Fairfield Residential Apartment Project (Depot District). The Developer has entered into an agreement for the sale of a 2.60-acre parcel to Fairfield Residential, a large multi-family housing developer. The parcel is located on the northwestern corner of 7th Street and G Street. The currently agreed to terms has a sales price of $13.5 million ($120 per square foot) with a 75-day due diligence period. The closing of the sale is to follow completion of the City's site plan and design review approval process for a multi-family apartment project proposed for the site, which is currently estimated to occur in the first half of 2023. If the sale closes, the Developer expects to use proceeds of the sale on infrastructure costs within the District.

Kaiser Development Plan

General. Kaiser Permanente is the trade name for the integrated health care delivery system that delivers health care services through an integrated system of health plans, hospitals and physician groups that are related through parent/subsidiary or contractual relationships or common boards of directors and senior management operating as the Kaiser Permanente Medical Care Program. Kaiser Permanente consists of the following: (1) Kaiser Foundation Hospitals and its subsidiaries, (2) Kaiser Foundation Health Plan, Inc. and its subsidiaries, and (3) independent medical groups and several other entities. Kaiser Foundation Hospitals and its subsidiaries and Kaiser Foundation Health Plan, Inc. and its subsidiaries are collectively referred to herein as "Kaiser." As of December 31, 2021, Kaiser had approximately 12.5 million members and operated 39 hospitals and 734 medical offices. In 2021, Kaiser reported operating revenues of approximately $93.1 billion, operating income of approximately $611 million, and net income of approximately $8.1 billion. Kaiser Foundation Hospitals derives its funding primarily from the operations of the Kaiser Foundation Health Plan, Inc.

Development and Financing Plan. In January 2019, the Developer conveyed eight parcels totaling approximately 17.41 gross acres within the District to Kaiser Foundation Hospitals for a purchase price of the property of $33,370,000. Kaiser Foundation Hospitals plans to develop a medical center on the property (the "Kaiser Project") to replace an existing hospital located approximately 10 miles from the District. The site of the Kaiser Project is located on the north side of Railyards Boulevard, between Bercut Drive and 5th Street. The streets to access the site and all utilities necessary to serve the site are complete. The property is currently in an undeveloped condition. Kaiser Foundation Hospitals is responsible for the construction of all on-site infrastructure. Hospital construction in California requires approval by a number of regulatory agencies, including the Department of Health Care Access and Information (formerly the Office of Statewide Health Planning and Development), and hospitals must also be surveyed and licensed to operate by the California Department of Public Health. Additionally, the budget, scope, and schedule for the Kaiser Project is subject to internal Kaiser Foundation Hospitals approval, including approval by its board of directors. Kaiser currently plans to start construction on the Kaiser Project once all necessary approvals are obtained and planning, space programming and design is completed. Kaiser plans to complete construction of the Kaiser Project in compliance with applicable State law regarding seismic safety.

Like many health care providers, Kaiser plans for and evaluates utilization of its capital facilities on a continuing basis as part of its overall strategic planning and development process. This includes reviewing the use, compatibility, business and financial viability of its facilities and business operations, and from time to time Kaiser may change its plans with regard to the use, disposition or divesture of its facilities, other assets or business operations. No assurance can be given that any plans related to the Kaiser Project will remain as described in this Official Statement or that they would not change in the future. Additionally, no assurance can be given that all approvals, including approval by the board of Kaiser Foundation Hospitals, will be given for the Kaiser Project. If the Kaiser Project is approved, notwithstanding Kaiser Foundation Hospitals' belief that it will have sufficient funds to complete the Kaiser Project, no assurance can be given that sources of financing available to Kaiser Foundation Hospitals will be sufficient to complete the Kaiser Project as currently planned. While Kaiser Foundation Hospitals has made internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Kaiser Foundation Hospitals nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal funds or other financing sources are inadequate to pay the costs to complete the Kaiser Project and other financing by Kaiser Foundation Hospitals is not put into place, there could be a shortfall in the funds required to complete the Kaiser Project and the Kaiser Project may not be developed.

THE DISTRICT

General Description

The District encompasses approximately 188 gross acres within the Sacramento Railyards, currently consisting of 122 tentative lots. Currently, 98 of the tentative lots are subject to the Special Tax under the Rate and Method and 24 are exempt from the Special Tax. The property in the District that is exempt from the Special Tax consists of parcels relating to a storm drain, streets and property planned for future streets and property planned for parks and open space. An additional five acres may become exempt from the Special Tax as described under SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax — Exemptions*."

Portions of the Sacramento Railyards which are not included in the District consist of the following: (1) the property relating to two historic buildings in the Central Shops District, which is owned by the State; (2) 7th Street, which traverses through the Sacramento Railyards from north to south; (3) the property associated with the intermodal transportation hub, which includes the Sacramento Valley Station and the railroad tracks which traverse along a portion of the southern boundary of the District; (4) property west of Jibboom Street which runs along the Sacramento River; and (5) two lots located toward the southeast end of the Sacramento Railyards. See the map on page 65 for a depiction of the Sacramento Railyards and the property that is included in the District.

Water and sewer service to the property is provided by the City. Electricity is supplied by Sacramento Municipal Utilities District and natural gas is supplied by Pacific Gas & Electric.

Description of Authorized Facilities

Acquisition Agreement. The City and the Developer are parties to an Acquisition and Shortfall Agreement, dated as of March 15, 2022 (the "Acquisition Agreement"), which provides, among other things, the means by which the Developer will construct the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire completed segments of the facilities with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the public infrastructure constructed to serve development within the District.

Facilities. A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of facilities authorized to be financed for the District in accordance with the terms of the Indenture and the Acquisition Agreement. As more fully detailed in the Acquisition Agreement, costs of such facilities, consist of backbone infrastructure, including without limitation water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement. The current expectation is that the proceeds of the Bonds will be used primarily to reimburse the Developer for the costs of the Storm Drain Outfall that is currently under construction. However, such proceeds may instead be applied to finance any other facilities authorized to be financed for the District in accordance with the terms of the Indenture and the Acquisition Agreement.

The costs of the facilities and fees required for development within the District in excess of available proceeds from the sale of the Bonds are expected to be paid for by and other public sources and private funding to be obtained by the Developer. See "THE FINANCING PLAN — Sources And Uses Of Funds." See "DEVELOPMENT PLAN — Infrastructure Financing Plan" for a description of the infrastructure required to be constructed by the Developer in order to complete development within the District.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in the District and are set forth in Table 4 below (the "Debt Report"). The Debt Report sets forth those entities that have issued debt other than general obligation bonds supported by *ad valorem* taxes. Table 4 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the District's allocable share of any outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. as of March 1, 2022. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

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TABLE 4
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
OVERLAPPING DEBT SUMMARY

Overlapping District	***Percent Applicable***	***Total Outstanding Bonded Debt***
Los Rios Community College District General Obligation Bonds	0.024%	$ 120,620
Twin Rivers Unified School District General Obligation Bonds	0.030	42,984
Sacramento Unified School District General Obligation Bonds	0.126	617,537
Sacramento Area Flood Control District Consolidated Capital Assessment District No. 2 Bonds	0.062	192,823
City of Sacramento CFD No. 2018-01 Special Tax Bonds	**100.000**	30,000,000
Total		**$ 30,973,964**
Total Appraised Value[(1)]:		**$152,100,000**
Appraised Value-to-Lien Ratio		**4.91:1**

(1) Based on the Appraisal Report.
Source: California Municipal Statistics, Inc.; Appraiser; Underwriter.

Market Absorption Study

Projected Absorption Schedules. In order to provide an independent estimate of the absorption schedule of the property within the District, the City engaged Market Absorption Consultant. The Market Absorption Consultant performed a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that the Market Absorption Consultant expects to influence the pricing and absorption of the forthcoming products within the District.

The "Strategic Market Absorption Analysis Sacramento Railyards CFD" dated as of May 17, 2022 (the "Market Report") is attached hereto as APPENDIX J. The Market Report assumes, among other matters, that (1) the redeveloped Sacramento Railyards would offer a master-planned product with a mixed-use environment; (2) the building within the Central Shops that the Developer plans to renovate for lease to Live Nation, would be delivered; (3) without delivery of an MLS stadium and a Kaiser Foundation Hospitals medical campus, the Sacramento Railyards will still attract one or more users, such as a corporate campus, government building, hospital or entertainment venue; (4) investment into future on-site infrastructure projects, such as the construction of a parking garage on Lot 17, will be made in accordance with the current development timeline, (5) investment into future off-site infrastructure projects, such as the replacement of the I Street bridge, will be made as necessary, assuming funding is available; and (6) the Sacramento Valley Station will develop into a multi-modal transportation hub for the region. The Market Report considered the effects of the COVID-19 pandemic, however, the Market Report did not forecast future downturns and recoveries as part of its projections. There is no assurance that such assumptions made in the Market Report will occur. A deviation from such assumptions could materially impact the Market Absorption Consultant's estimated pricing and absorption schedule for the various product types planned within the District.

Based on the Market Absorption Consultant's analysis of trends relating to regional growth, supply and demand of the various product types planned within the District, observations of other large urban infill projects in the nation, and the central location and master-planned nature of the Sacramento Railyards project, the Market Report provided the estimated pricing for the various planned product types in the District and the estimated ability and timeframe for the market to absorb the planned product types within the District. The following table shows the Market Absorption Consultant's estimated supportable pricing for the various product types planned within the District under the scenarios presented.

Land Use	Typical Building Scale	Typical Unit Size	Current[(1)]	2025[(2)]	2030[(3)]	2040[(4)]
Residential - Renter Occupied[(5)]	200 – 400 units	750 sq. ft.	$2.87/sq. ft.	$3.09/sq. ft.	$3.13/sq. ft.	$3.22/sq. ft.
Residential - Owner-Occupied[(6)]	40 units	1,375 sq. ft.	$390/sq. ft.	$440/sq. ft.	$515/sq. ft.	$570/sq. ft.
Office	250,000 sq. ft.	N/A	$3.25/sq. ft.	$3.60/sq. ft.	$3.75/sq. ft.	$3.75/sq. ft.
Retail[(7)]	Varies	N/A	$2.35/sq. ft.	$2.75/sq. ft.	$2.95/sq. ft.	$3.05/sq. ft.
Hotel	200 keys	N/A	$190/night	$220/night	$250/night	$270/night

(1) Assumes buildings delivered at present day without additional improvements.
(2) Assumes first buildings within the Sacramento Railyards start to deliver.
(3) Assumes critical mass of retail has been completed.
(4) Assumes the project area is largely developed.
(5) Assumes a mix of 88% market-rate and 12% affordable housing for renter-occupied units.
(6) Pricing reflects weighted average of multifamily condominiums.
(7) Reflects triple-net leases and average for anchor and non-anchor tenants.
Source: Market Absorption Consultant.

The Market Report provided the estimated ability and timeframe for the market to absorb the planned product types within the District under three scenarios: (1) baseline, which assumes that the sports stadium to house a MLS team and the medical campus planned by Kaiser Foundation Hospitals do not deliver, however, the Sacramento Railyards captures its fair share of demand for various land uses in the area; (2) upside, which assumes that the medical campus planned by Kaiser Foundation Hospitals delivers as planned and/or additional anchor uses were to open in the initial phases of development, and the Sacramento Railyards would be a greater focal point of urban growth in downtown Sacramento; and (3) downside, which assumes that the sports stadium to house a MLS team and the medical campus planned by Kaiser Foundation Hospitals are not delivered and also that other elements of the development program do not materialize as quickly as would otherwise be expected.

The following table summarizes the estimated absorption for the different products planned within the Sacramento Railyards under the downside, baseline and upside scenarios as described in the Market Report.

	Estimated Final Absorption Year		
Product Type	***"Downside" Scenario***	***"Baseline" Scenario***	***"Upside" Scenario***
Residential	2046	2042	2040
Renter Occupied	2044	2041	2039
Owner Occupied	2050	2047	2045
Commercial	2049	2047	2040
Office	2048	2046	2039
Retail	2050	2050	2050
Hotel[(1)]	2043	2040	2036

(1) Represents year in which it is estimated that sufficient demand for 1,100 hotel keys will be reached.
Source: Market Absorption Consultant.

Initial Draft Market Report. In 2021, the City engaged the Market Absorption Consultant to provide the estimated ability and timeframe for the market to absorb the planned product types within the District in connection with the issuance of special tax bonds for the District. A draft market report was prepared which used, as a baseline scenario, the assumption that Kaiser Foundation Hospitals' project and the MLS stadium would deliver in full between 2024 and 2028. Due to revised projections with respect to the planned development within the District, including, but not limited to, the uncertainty with respect to the timing and scope of Kaiser Foundation Hospitals' project and the currently remote possibility for an MLS stadium in the

District, the City engaged the Market Absorption Consultant to revise its assumptions and projections, which are now set forth in the Market Report.

A complete copy of the Market Report is attached hereto as APPENDIX J.

Property Values

Assessed Value. The estimated assessed value of the Taxable Land within the District, as shown on the County's assessment roll for Fiscal Year 2022-23, is approximately $74,365,043. The assessed value of the property within the District represents the secured assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within the District accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

Table 5 below sets forth historical assessed values of the property within the District for the current and past four Fiscal Years.

TABLE 5
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
HISTORICAL ASSESSED VALUES

Fiscal Year Ending	*Secured Land Value*	*Secured Improvement Value*	*Secured Exemptions[1]*	*Total Secured Assessed Value*	*Percent Change*
2019	$18,362,080	$ 507,663	$ 0	$18,869,743	--
2020	18,729,308	517,816	0	19,247,124	2.0%
2021	51,236,282	528,172	0	51,764,454	168.9
2022	56,174,567	533,643	886,011	55,822,199	7.8
2023	64,792,537	13,466,811	3,894,305	74,365,043	33.2

(1) Reflects a partial exemption from *ad valorem* property taxes for the parcel related to The AJ project, a portion of which will be restricted for use as affordable housing rental units. The parcel for The AJ is not exempt from the Special Tax.
Source: Sacramento County Assessor's Office; Special Tax Consultant.

Appraisal. As described above, due to Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of certain of the property within the District, the City engaged BBG, Inc., the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals in connection with the sale of land-secured municipal bonds. The Appraiser was selected by the City and currently has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. See "— *Prior Draft Appraisal and Engagements of Appraiser*" below.

The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission (the "CDIAC Guidelines"). A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT."

The purpose of the Appraisal Report was to estimate the market value by ownership of certain of the property within the District that is subject to the Special Tax lien. Market value was estimated by ownership, and the sum of the market values by ownership represented an aggregate value (which is not equivalent to the market value of the appraised properties as a whole).

Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value, the aggregate value of the property within the District, was not-less-than $152,100,000 (which consists of (i) $52,000,000 for the 95.152 taxable acres owned by the Developer; (ii) $34,100,000 for the 17.14 taxable acres owned by Kaiser Foundation Hospitals; and (iii) $66,000,000 for the 2.88 taxable acres owned by Sacramento 695, L.P.). The Appraiser has assigned zero value to the property owned by the Wong Center, which is planned for a 150-unit affordable housing project, as described below.

Table 6 below shows the appraised value of the various parcels in the District owned by the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P. and the Wong Center as set forth in the Appraisal Report as of the Date of Value. See "DEVELOPMENT PLAN."

TABLE 6
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
SUMMARY OF APPRAISED VALUES
(AS OF JULY 1, 2022)

Owner[(1)]	***No. of Taxable Acres***	***Appraised Value***[(2)]
Developer	95.152	$ 52,000,000
Kaiser Foundation Hospitals	17.140	34,100,000
Sacramento 695, L.P.	2.880	66,000,000
Wong Center[(3)]	2.658	0
Total	**117.830**	**$152,100,000**

(1) Reflects ownership information as set forth in the Appraisal Report. See "DEVELOPMENT PLAN."
(2) Reflects appraised value of property as set forth in the Appraisal Report. See "INTRODUCTION — Appraisal Report" and "APPENDIX B — Appraisal Report."
(3) The property owned by the Wong Center is planned for a 150-unit affordable housing apartment project. See "Wong Center Property" below for a description of the methodology used by the Appraiser to arrive at the appraised value of such property.
Source: Appraiser.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the appraised property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report indicates the Appraiser's opinion as to the market value of the appraised property in the District as of the Date of Value and under the conditions specified in the Appraisal Report. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The

Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the City a certification to the effect that nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the Taxable Land in the District is less than the value of the District reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

The Appraisal used the following valuation methods with respect to the property within the District:

Developer-Owned Property: To arrive at a conclusion of estimated value for the property in the District owned by the Developer, the Appraiser (1) undertook separate analyses of property located to the east and west of 7th Street due primarily to the fact that the property to the east of 7th Street will likely be held by the Developer for an extended period of time (i.e. that such property will develop later than other areas in the District); (2) given the uniqueness of the property, undertook a separate analysis of the property associated with the Central Shops; and (3) analyzed the overall value impact of the cost to construct the proposed parking garage on Lot 17, which the Appraiser considers a critical piece of infrastructure to achieve buildout in the District. Each of such analyses are described below. See the Appraisal Report attached hereto as APPENDIX B.

With respect to the approximately 95.152 taxable acres owned by the Developer (other than the approximately 9.37 taxable acres associated with the Central Shops, which are described below), the Appraiser undertook separate analyses for the property located to the west and to the east of 7th Street, which traverses the Sacramento Railyards site generally from the southern to the northern boundary. The property located east of 7th Street generally consists of the property that was designated for the proposed MLS stadium (approximately 36 gross acres). The property located to the west of 7th Street consists of the balance of the property in the District owned by the Developer (approximately 56.5 net acres excluding the property relating to the Central Shops).

With respect to the property located to the west of 7th Street owned by the Developer (other than the approximately 9.37 taxable acres associated with the Central Shops, which is described below), the Appraiser used the sales comparison approach and a subdivision development method based on the categories of product types planned for the Developer-owned property (e.g. office and retail, multi-family and hotel) to arrive at finished lot values. The finished lot values were then adjusted based on factors such as location, size and estimated densities. The Appraiser applied a land residual analysis and discounted cash flow to account for the potential revenue from the sale of lots, the expected absorption period, development costs for infrastructure costs, holding and sales costs as well as profit expectations of a buyer for the property. The land value of the parking garage was separately analyzed as described below.

With respect to the property located to the east of 7th Street, the Appraiser used a sales comparison method (using large commercial land sales) and a discounted cashflow analysis which took into account the likelihood that such property will be held by the Developer for an extended period of time (i.e. that such property will develop later than other areas in the District).

With respect to the property within the Central Shops owned by the Developer, given the uniqueness of the property, the Appraiser did not use a sales comparison approach but instead used an income capitalization approach and land residual analysis.

A structured 1,421 space parking garage is planned for Lot 17 in the District (see the map on page 65). Given that the parking garage is necessary to serve several of the proposed projects in the District (e.g. the Central Shops, the Marriot-branded hotels and other projects within the vicinity), the Appraiser considers the parking garage to be critical infrastructure. The Appraiser estimated the value of the proposed parking garage to determine the positive or negative value impact on the Developer-owned property. In their analysis, the Appraiser incorporated *extraordinary* assumptions including: (1) the quality and design of the parking garage will be similar to what was provided from the preliminary plans, as described in the Appraisal Report, (2) the timing of the development of the parking garage is consistent with the schedule estimated, as described in the Appraisal Report, (3) the total construction cost of the parking garage is consistent with estimates provide, as described in the Appraisal Report and (4) the eventual sale of the parking garage assumes the Developer would execute parking leases running with title to accommodate the projects dependent on the parking garage.

To value the proposed parking garage, the Appraiser applied a discounted cash flow using the following assumptions (1) planning, design and the securing of financing for the parking garage will be complete in 2024; (2) construction of the parking garage will take 18 months; (3) construction of the parking garage will be complete and stabilization will be achieved in mid-2029; and (4) that the Developer would sell the parking garage after it achieves stabilization. Based on the foregoing assumptions, and others described in more detail in the Appraisal Report, the Appraiser estimated that the impact of the required parking garage to be negative $6,200,000 as of the Date of Value of the Appraisal Report. This amount was deducted from the overall appraised value on a bulk sale value basis of the Developer-owned property. Certain information utilized by the Appraiser for the foregoing analyses with respect to the demand drivers for the parking garage and the estimated revenues and expenses associated with operating the parking garage were provided by the City's Parking Services Division, which operates City-owned parking facilities. See "DEVELOPMENT PLAN — Entitlement Process — *Development Agreement*" and "Near-Term Vertical Development Plans — *Parking Garage (West End)*" for more information with respect to the proposed parking garage.

The Appraiser used the projected absorption schedules in the Market Report for purposes of the discounted cash flow analysis. The Appraiser reviewed the three scenarios in the Market Report (downside, baseline and upside) and concluded that the baseline and downside scenarios were reasonable. For purposes of the discounted cash flow analysis for the properties planned for commercial and hotel development, the Appraiser utilized an average of the baseline and downside scenarios. For purposes of the discounted cash flow analysis for the properties planned for residential development, the Appraiser used the baseline scenario. Based on the values arrived by performing the discounted cash flow analysis under the foregoing scenarios, the Appraiser concluded an estimated value for the Developer-owned property of $52,000,000 (which accounts for the negative value impact of the cost of the required parking garage described above).

<u>Kaiser Foundation Hospitals Property</u>. To value the approximately 17.14 taxable acres within the District owned by Kaiser Foundation Hospitals, the Appraiser used a sales comparison approach with adjustments, among others, based on factors such as location and size. Based on such approach, the Appraiser estimated the value of the property owned by Kaiser Foundation Hospitals to be $34,100,000. Kaiser Foundation Hospitals purchased such property from the Developer in 2019 for $33,370,000.

<u>Sacramento 695, L.P. Property</u>. To value the property owned by Sacramento 695, L.P., which consists of an approximately 2.88-acre site with construction of an apartment building having commenced thereon, the Appraiser used an average of valuations determined through a property residual discounted cash flow and the build-up method. Under the property residual discounted cash flow, the Appraiser estimated a lease-up period of six quarters, with stabilized occupancy to occur in the third quarter of 2024 (six quarters following the estimated completion in the first quarter of 2023) to arrive at an estimated value. The Appraiser then deducted the estimated remaining construction costs of $52,651,076, a 15% deduction for contingencies and 20% profit of the remaining construction costs. The foregoing deductions were allocated to the three quarters through completion in the first quarter of 2023. Using the property residual discounted cash flow method, the Appraiser arrived at an estimated rounded value of $64,000,000.

The Appraiser also applied a build-up method to estimate the value of property owned by Sacramento 695, L.P. The build-up method estimates the land value and adds construction costs expended and deducts the encumbrance due to the 69 units which are planned to be affordable housing units. The build-up approach is generally applied applicable the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties. The Appraiser estimated the land value of $9,660,000 based on an estimate of $28,000 per unit as described in the Appraisal Report. The Appraiser added to the land value, $74,243,230 of costs spent to date on constructing The AJ. The Appraiser deducted $15,207,436 as the net operating income loss due to the 69 affordable housing units with restricted rent using a capitalization rate of 4.5%. Using such approach, the Appraiser estimated the value of the property owned by Sacramento 695, L.P. within the District to be $68,700,000.

The Appraiser gave equal weight to the property residual discounted cash flow method and the build-up method to value The AJ and averaged the estimated values derived from the two approaches. Based on the average values derived from the two approaches, the Appraiser arrived at an estimated value for The AJ of $66,000,000.

Wong Center Property. To value the property owned by the Wong Center, which consists of an approximately 2.7-acre site with initial sitework and grading having commenced thereon, the Appraiser applied a land residual valuation method. The Appraiser estimated the net operating income and at stabilized occupancy based on the restricted rent amounts and, like the valuation of The AJ, used a capitalization rate of 4.5%. The Appraiser deducted estimated construction costs (based on estimated costs of $375,000 per unit), provided a credit for the federal tax credits allocated to the Wong Center project of approximately $21.3 million (awarded by the California Tax Credit Allocation Committee) and deducted $5,625,000 as estimated profit. The resulting estimated value was negative $14.6 million and as a result the Appraiser allocated zero value to the Wong Center property.

Appraisal Reviewer. The City engaged Integra Realty Resources, Rocklin, California (the "Appraisal Reviewer"), to: (i) review the Appraisal Report to provide an opinion as to the completeness, accuracy, adequacy, relevance and reasonableness of salient aspects of the Appraisal Report; and (ii) to provide an assessment of the Appraisal Report's compliance with certain standards of the Uniform Standards of Professional Appraisal Practice ("USPAP") and the CDIAC Guidelines. In a report dated August 12, 2022, the Appraisal Reviewer stated that in their opinion the Appraisal Report is in compliance with such USPAP standards as well as the CDIAC Guidelines in effect as of the Date of Value of the Appraisal Report. In addition, the Appraisal Reviewer's report stated that the market value opinions of the property as set forth in the Appraisal Report are consistent with relevant market conditions and the market data presented in the Appraisal Report as of the Date of Value. The Appraisal Reviewer did not inspect the appraised properties in connection with its review of the Appraisal Report.

Prior Draft Appraisal and Engagements of Appraiser. In 2021, the City engaged the Appraiser to appraise the property in the District in connection with the issuance of special tax bonds for the District. A draft appraisal was prepared but was not finalized. The appraised value stated in such draft appraisal was $115,600,000. Due to revised projections with respect to the planned development within the District, including, but not limited to, the uncertainty with respect to the timing and scope of Kaiser Foundation Hospitals' project and the currently remote possibility for an MLS stadium in the District, as well as the updated market absorption analysis performed by the Market Absorption Consultant, the City engaged the Appraiser to produce the Appraisal Report. In addition, since the prior draft appraisal, development of The AJ project has progressed, which is reflected in the estimated market value in the Appraisal Report. Due to the aforementioned changed circumstances, investors should not rely on the estimated value set forth in the prior draft appraisal.

The Appraiser was previously engaged by a principal of the Developer to appraise certain property within the Sacramento Railyards for a purpose unrelated to the Bonds or the District. The Appraiser does not have any current ongoing engagements with the Developer or any of its principals.

Value-To-Lien Ratios

Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within the District, including all Taxable Land as of the Date of Value is approximately 4.91-to-1. This ratio includes other land-secured debt and overlapping general obligation bonds within the District. See "— Direct and Overlapping Indebtedness" above. If other land-secured debt and overlapping general obligation bonds on Taxable Land within the District are excluded, the estimated appraised value-to-lien ratio within the District, based on the principal amount of the Bonds is approximately 5.07-to-1.

Fiscal Year 2023-24 is expected to be the first Fiscal Year of the Special Tax levy, which levy will be in an amount necessary to fund estimated Expenses and establish a set-aside of 1/12 of debt service on the Bonds for the related Bond Year for contingencies. Interest on the Bonds is being capitalized through September 1, 2024. The share of Bonds set forth in Table 7 below is allocated based on each property's share of the estimated Fiscal Year 2024-25 Special Tax levy based on building permits issued as of August 15, 2022, assuming no further transfers of property or development within the District. Table 7 below shows the estimated principal amount of the Bonds and overlapping debt allocable to the parcels and the estimated value-to-lien ratios for the parcels in the District based upon property values as of the Date of Value as set forth in the Appraisal Report, property ownership in the District as of July 1, 2022 and building permits issued as of August 15, 2022. See "DEVELOPMENT PLAN."

In the City Reports provided pursuant to the City Continuing Disclosure Certificate, Table 7 will not be updated based on appraised value, but similar information will be provided based on the then current assessed value.

The assessor's parcel numbers referenced in Table 7 below are shown on the project map on page 65 below.

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TABLE 7
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS)
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Landowner[(1)]	*Assessor's Parcel Number*[(2)]	*Taxable Acres*	*Fiscal Year 2024-25 Maximum Annual Special Tax*	*Estimated Fiscal Year 2024-25 Special Tax Levy*[(3)]	*Percent of Total*	*Appraised Value*[(4)]	*CFD No. 2018 -01 Special Tax Lien*[(5)]	*Value-to-Lien*[(6)]
Developed Parcels[(7)]								
Sacramento 695, LP	002-0010-069-0000	2.88	$ 61,457	$ 61,457	3.5%	$ 66,000,000	$ 1,053,246	62.66:1
Wong Center at Railyards, L.P.[(8)]	002-0010-077-0000	2.66	56,762	56,762	3.2	0	972,789	0.00:1
	Subtotal, Developed Parcels	**5.54**	**$ 118,219**	**$ 118,219**	**6.8%**	**$ 66,000,000**	**$ 2,026,035**	**32.58:1**
Undeveloped Parcels[(7)]								
Downtown Railyard Venture, LLC	002-0010-075-0000[(9)]	58.77	$ 1,254,105	$ 854,298	48.8%	$ 30,481,180	$ 14,640,929	2.08:1
	002-0010-074-0000[(10)]	29.28	624,812	425,623	24.3	15,452,541	7,294,307	2.12:1
	002-0010-076-0000[(11)]	6.83	145,747	99,283	5.7	6,021,759	1,701,507	3.54:1
	001-0064-013-0000	0.07	1,494	1,018	0.1	44,521	17,439	2.55:1
	001-0064-011-0000[(12)]	0.11	2,347	1,599	0.1	0	27,404	0.00:1
	001-0064-012-0000[(12)]	0.09	1,921	1,308	0.1	0	22,421	0.00:1
	Subtotal, Downtown Railyard Venture, LLC	**95.15**	**$ 2,030,425**	**$ 1,383,129**	**79.0%**	**$ 52,000,000**	**$23,704,005**	**2.19:1**
Kaiser Foundation Hospitals	002-0270-001-0000	1.14	$ 24,327	$ 16,571	0.9%	$ 2,268,028	$ 284,000	7.99:1
	002-0270-002-0000	3.50	74,687	50,877	2.9	6,963,244	871,929	7.99:1
	002-0270-003-0000	3.31	70,633	48,115	2.7	6,585,239	824,595	7.99:1
	002-0270-004-0000	4.17	88,984	60,616	3.5	8,296,208	1,038,841	7.99:1
	002-0270-005-0000	0.68	14,511	9,885	0.6	1,352,859	169,403	7.99:1
	002-0270-006-0000	0.76	16,218	11,048	0.6	1,512,019	189,333	7.99:1
	002-0270-007-0000	2.32	49,507	33,724	1.9	4,615,636	577,964	7.99:1
	002-0270-008-0000	1.26	26,887	18,316	1.0	2,506,768	313,894	7.99:1
	Subtotal, Kaiser Foundation Hospitals	**17.14**	**$ 365,754**	**$ 249,152**	**14.2%**	**$ 34,100,000**	**$ 4,269,960**	**7.99:1**
	Subtotal, Undeveloped Parcels	**112.29**	**$ 2,396,179**	**$ 1,632,281**	**93.2%**	**$ 86,100,000**	**$ 27,973,965**	**3.08:1**
	Totals	**117.83**	**$ 2,514,398**	**$ 1,750,501**	**100.0%**	**$152,100,000**	**$30,000,000**	**5.07:1**

(1) Ownership status as of July 1, 2022.
(2) The location of each assessor parcel number is shown on the map on page 65 below.
(3) Interest on the Bonds is being capitalized through September 1, 2024.
(4) As of the Date of Value as set forth in the Appraisal Report.

(*Footnotes continue onto following page)*

(*Footnotes continued from following page)*

(5) Allocated based on the estimated Special Tax levy for Fiscal Year 2024-25 and assumes no further development or transfer of property within the District. Amounts reflect a levy on Developed Parcels at 100% of the Maximum Annual Special Tax Rate and a levy on Undeveloped Parcels at approximately 68% of the Maximum Annual Special Tax Rate. Parcels owned by Sacramento 695, LP and Wong Center at Railyards, L.P. will be classified as Developed Parcels for purposes of the Fiscal Year 2024-25 Special Tax levy, based on building permits issued as of August 15, 2022.

(6) As of March 1, 2022, there was $973,964 of land-secured overlapping special tax and assessment lien debt applicable to the Taxable Land in the District. Given the nominal amount of overlapping debt on Taxable Land in the District, the amount was not included in this Table 7. See "— Direct and Overlapping Indebtedness" above.

(7) Under the Rate and Method, Developed Parcels refer to parcels for which a building permit for residential use or nonresidential use has been issued before June 1 of the preceding Fiscal Year.

(8) Based on its planned use for a 150-unit affordable housing project, the Appraiser has assigned zero value to this parcel owned by the Wong Center. See "— *Appraisal*" above. The current estimated cost to construct the affordable housing project is approximately $56.3 million. See "DEVELOPMENT PLAN— Vertical Construction Projects Underway — *Wong Center Apartment (Depot District)*."

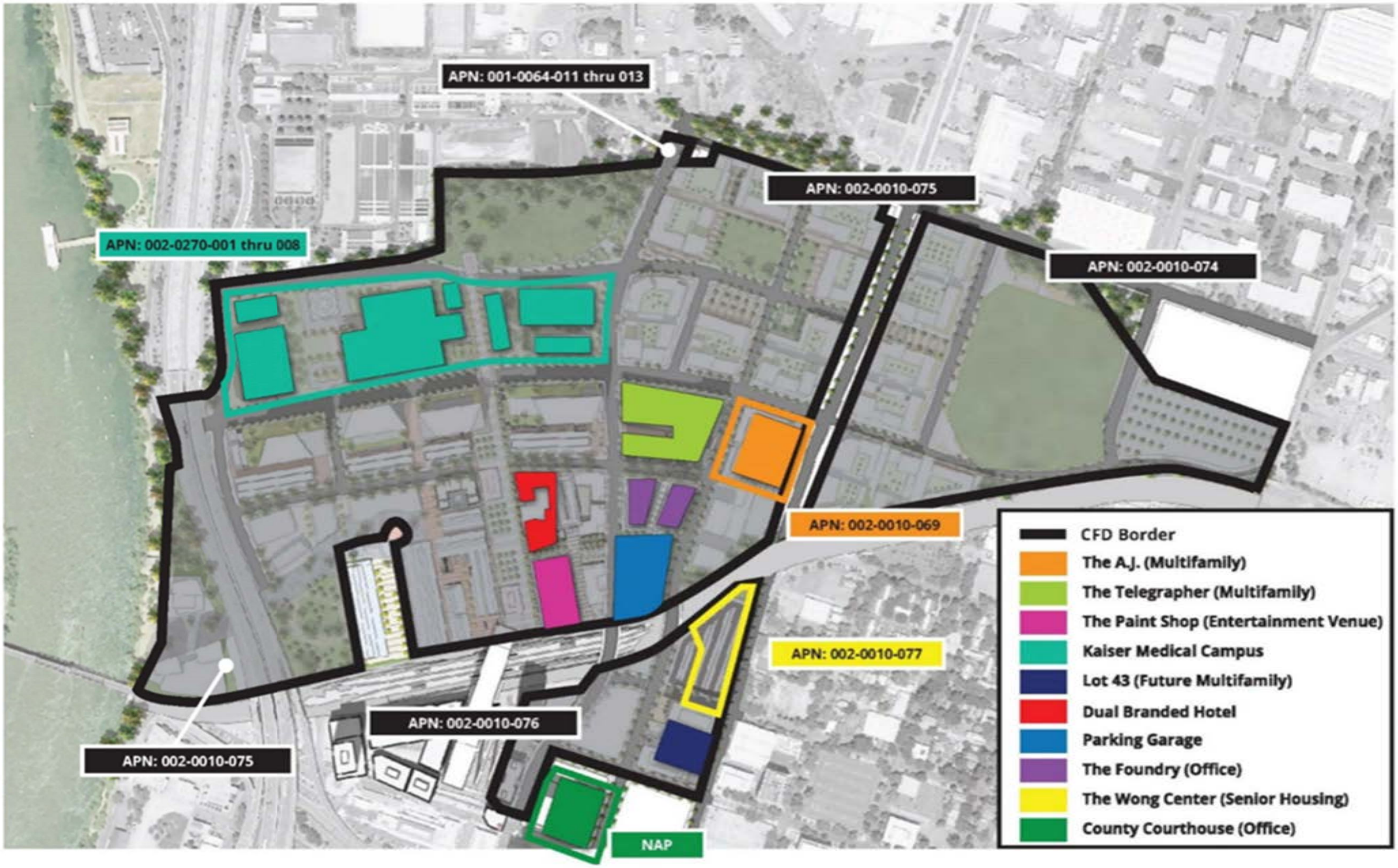
(9) Includes property in the Central Shops District, West End District and Riverfront District. Near-term development plans for such property include the renovation of the Paint Shop in the Central Shops District, the Telegrapher, the Foundry, the hotel projects and the parking garage. See "DEVELOPMENT PLAN—Near-Term Vertical Development Plans." The Developer has submitted a phased final map that would subdivide this parcel into 25 parcels. The Developer currently expects the map to be complete and recorded by the end of 2022.

(10) Includes property in the East End District.

(11) Includes property in the Depot District, excluding the parcel conveyed to the Wong Center. The Developer submitted a phased final map to the City in January 2022 for six parcels, two of which the Developer currently plans to sell to Fairfield Residential for development into a multi-family apartment project. See "DEVELOPMENT PLAN—Near-Term Vertical Development Plans."

(12) Parcels were not assigned value in the Appraisal Report due to the fact that such parcels are expected to be public property. Such parcels are currently taxable as Undeveloped Parcels under the Rate and Method.

Figures above may not total due to rounding.
Source: Special Tax Consultant.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APN: 002-0010-074
APN: 002-0010-069
APN: 002-0010-077
APN: 002-0010-076
APN: 002-0010-075
NAP
CFD Border
The A.J. (Multifamily)
The Telegrapher (Multifamily)
The Paint Shop (Entertainment Venue)
Kaiser Medical Campus
Lot 43 (Future Multifamily)
Dual Branded Hotel
Parking Garage
The Foundry (Office)
The Wong Center (Senior Housing)
County Courthouse (Office)

Debt Service Coverage from Special Tax Revenues

The Bonds have been sized so that the projected Net Special Tax Revenues based on a levy at the Maximum Annual Special Tax rates on Taxable Property will be equal to at least 110% of debt service on the Bonds in each year. Interest due on the Bonds through September 1, 2024 will be paid from capitalized interest. Assuming the requirements under the Indenture are met, among other factors, the City expects to issue Parity Bonds to finance additional eligible facilities, which, if issued, could reduce coverage below the levels set forth in Table 8 below. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds."

TABLE 8
RAILYARDS CFD NO. 2018-01 (IMPROVEMENTS)
SPECIAL TAX COVERAGE OF DEBT SERVICE BY FISCAL YEAR[(1)]

Fiscal Year Ending	*Maximum Annual Special Tax[(2)]*	*Priority Administrative Expenses[(3)]*	*Net Annual Special Tax[(4)]*	*Total Debt Service*	*Capitalized Interest[(5)]*	*Net Debt Service*	*Special Tax Coverage of Debt Service*
2023	$ 2,416,761	$ (35,000)	$2,381,761	$1,459,737	$ (1,459,737)	$ 0	n/a
2024	2,465,096	(36,050)	2,429,046	1,573,369	(1,573,369)	0	n/a
2025	2,514,398	(37,132)	2,477,267	1,713,369	--	1,713,369	145%
2026	2,564,686	(38,245)	2,526,441	1,746,369	--	1,746,369	145
2027	2,615,980	(39,393)	2,576,587	1,777,369	--	1,777,369	145
2028	2,668,299	(40,575)	2,627,725	1,816,369	--	1,816,369	145
2029	2,721,665	(41,792)	2,679,874	1,852,869	--	1,852,869	145
2030	2,776,099	(43,046)	2,733,053	1,886,869	--	1,886,869	145
2031	2,831,621	(44,337)	2,787,284	1,923,369	--	1,923,369	145
2032	2,888,253	(45,667)	2,842,586	1,962,119	--	1,962,119	145
2033	2,946,018	(47,037)	2,898,981	2,002,869	--	2,002,869	145
2034	3,004,939	(48,448)	2,956,490	2,040,369	--	2,040,369	145
2035	3,065,037	(49,902)	3,015,136	2,079,619	--	2,079,619	145
2036	3,126,338	(51,399)	3,074,939	2,125,369	--	2,125,369	145
2037	3,188,865	(52,941)	3,135,924	2,167,119	--	2,167,119	145
2038	3,252,642	(54,529)	3,198,113	2,209,869	--	2,209,869	145
2039	3,317,695	(56,165)	3,261,530	2,251,044	--	2,251,044	145
2040	3,384,049	(57,850)	3,326,199	2,297,494	--	2,297,494	145
2041	3,451,730	(59,585)	3,392,145	2,343,694	--	2,343,694	145
2042	3,520,764	(61,373)	3,459,392	2,389,381	--	2,389,381	145
2043	3,591,180	(63,214)	3,527,966	2,434,294	--	2,434,294	145
2044	3,663,003	(65,110)	3,597,893	2,438,169	--	2,438,169	148
2045	3,736,263	(67,064)	3,669,200	2,437,844	--	2,437,844	151
2046	3,810,989	(69,076)	3,741,913	2,438,319	--	2,438,319	154
2047	3,887,208	(71,148)	3,816,061	2,434,331	--	2,434,331	157
2048	3,964,953	(73,282)	3,891,670	2,435,881	--	2,435,881	160
2049	4,044,252	(75,481)	3,968,771	2,435,100	--	2,435,100	163
2050	4,125,137	(77,745)	4,047,392	2,433,944	--	2,433,944	166
2051	4,207,639	(80,077)	4,127,562	2,437,144	--	2,437,144	169
2052	4,291,792	(82,480)	4,209,312	2,434,163	--	2,434,163	173
Totals	**$ 98,043,351**	**$ (1,655,140)**	**$96,378,213**	**$63,977,818**	**$ (3,003,105)**	**$ 60,944,713**	

(1) Totals may not sum due to rounding.

(1) Maximum Annual Special Tax revenues shown are based on the currently 117.83 acres of Taxable Acreage. Under the Rate and Method, up to five acres of Taxable Acreage may be converted to Tax-Exempt Parcels for specified reasons. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax*" and Appendix A hereto.

(2) The amount for Priority Administrative Expenses is $35,000 in Fiscal Year 2022-23. This amount is projected to increase by three percent annually.

(3) The Bonds have been sized to provide at least 110% coverage from Net Special Tax Revenues net of the five acres which may be converted to Tax-Exempt Parcels in each year the Bonds are anticipated to be outstanding.

(4) Interest earnings on capitalized interest will be applied to pay debt service on the Bonds.

Source: The Underwriter; the City; Special Tax Consultant.

Delinquency History

Interest on the Bonds will be capitalized through September 1, 2024. Fiscal Year 2023-24 is expected to be the first Fiscal Year of the Special Tax levy, which levy will be in an amount necessary to fund estimated Expenses and establish a set-aside of $1/12^{th}$ of debt service on the Bonds for the related Bond Year for contingencies. Therefore, no delinquency history exists at this time. In each Fiscal Year, the first installment and second installment of the Special Tax levy become delinquent on December 10 and April 10, respectively, if not paid. The District is currently included in the County's Teeter Plan and, as a result, the City will receive 100% of the Special Tax levy with respect to the District, without regard to the actual amount of collections. See "SOURCES OF PAYMENT FOR THE BONDS—Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

SPECIAL RISK FACTORS

Concentration of Ownership

As described under "DEVELOPMENT PLAN," the Developer currently owns the substantial majority of the property in the District. Based on the ownership status of the property within the District as of July 1, 2022, the apportionment of the estimated Fiscal Year 2024-25 Special Tax levy would be approximately 79.0% on property owned by the Developer, approximately 14.2% on property owned by Kaiser Foundation Hospitals, 3.5% on property owned by Sacramento 695, L.P. and 3.2% on property owned by the Wong Center. The Developer's long-term plans with respect to the property that it currently owns in the District include sale of portions of such property, retention of portions of such property for its own development and portfolio or joint venture partnerships for the development thereof. Therefore, there can be no assurance that ownership of the property within the District will be widely diversified.

The receipt of the Special Tax is dependent on the owners of the property in the District paying the Special Tax when due, and could be adversely affected by the inability to complete the development within the District or the ability to lease any portion of the improvements, if completed, due to market demand, commercial downturns or high vacancy rates. Accordingly, the willingness of the property owners to pay the Special Tax may be dependent, in part, on the success of the proposed projects in the District.

Failure of the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P., the Wong Center or any future developers within the District, or any of their successor(s) to pay the Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P., the Wong Center or any future developers within the District, or their successors, will complete the remaining intended construction and development in the District. See "— Failure to Develop Properties." No assurance can be given that the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P., the Wong Center or any future builders that purchase property within the District will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses; and (iv) high rate of inflation, rising interest rates and other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events.

No assurance can be given that the Developer, or any current or future developers or any future property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P., the Wong Center or any future developers or property owners to pay the Special Tax when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. See "DEVELOPMENT PLAN—Status of Infrastructure." Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of infrastructure that may be required for that particular parcel. Finally, development of land is subject to economic considerations.

As of the Date of Value, the property owned by the Developer, the Wong Center and Kaiser Foundation Hospitals consisted solely of undeveloped land with certain backbone infrastructure in place. Based on development status as of July 1, 2022, and assuming no further development in the District, approximately 93.2% of the estimated Fiscal Year 2024-25 Special Tax would be levied on Undeveloped Parcels.

No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Tax when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Tax when due.

The City expects to levy the Special Tax on Undeveloped Parcels beginning in Fiscal Year 2023-24 and in future fiscal years until the Special Tax levied on Developed Parcels is sufficient to fund the Special Tax Requirement. Undeveloped property is less valuable per unit of area than property with improvements thereon, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. Undeveloped property also provides less security to the Holders should it be necessary for the City to foreclose on such undeveloped property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within the District as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on Undeveloped Parcels. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Developer, Kaiser Foundation Hospitals, Sacramento 695, L.P. and the Wong Center to make Special Tax payments on undeveloped property that they own and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Property Values."

Limited Obligations

The Bonds are not payable from the general funds of the City. Except with respect to the Net Special Tax Revenues, neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Bonds or related interest, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of the City's income, receipts or revenues, except the Net Special Tax Revenues and other amounts pledged under the Indenture.

Insufficiency of Special Tax

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund." The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within the District for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within the District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

The City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Foreclosure Covenant*" for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Land in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Land in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on any Public Parcel and any other Parcel (as such terms are defined in the Rate and Method) that in its entirety, is or is intended to be, publicly owned that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainageways, public landscaping, wetlands, greenbelts, common areas, and public open space. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Prevailing Wage Requirement

As described under "DEVELOPMENT PLAN — Infrastructure Financing Plan," a substantial portion of the remaining infrastructure costs within the Sacramento Railyards is expected to be funded from public funding sources, including grants from the State and proceeds of the Bonds. In addition, the vertical construction projects that are underway or soon to be underway (i.e. The AJ and the Wong Center apartment buildings) received substantial funding through federal and State tax credits and proceeds of bonds issued by municipal housing authorities. The Developer may seek additional public funding sources in the future to fund the cost of infrastructure or other vertical improvement projects in the Sacramento Railyards. In the absence of a statutory exception that applies, receipt of public funding could result in all projects, public or private, within the Sacramento Railyards being subject to the prevailing wage requirements under the California Labor Code. Such an outcome can be expected to make the development within the Sacramento Railyards, including private improvements, more expensive than they would have been in the absence of such requirement. In addition, this requirement may make the Sacramento Railyards less attractive to potential purchasers of portions of the property therein who would want to construct their own projects and who will have to satisfy this requirement. The Developer, and any future developers, are obligated to comply with all requirements under the California Labor Code with respect to the construction of improvements in the Sacramento Railyards that are applicable as a result of public funding. The City makes no assurances that the Developer or any future developer within the Sacramento Railyards, will comply with such requirements under the California Labor Code, to the extent applicable.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

COVID-19 (Coronavirus) Pandemic

Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City, the County and other public agencies within the County have undergone varying degrees of closure and reopening of public buildings and businesses as a result of the spread of strains of coronavirus that cause a disease commonly referred to as COVID-19 ("COVID-19").

The impacts of the COVID-19 pandemic on the economy and residential and nonresidential real estate markets are uncertain. Such impacts could include, among others, (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions; and (vii) the failure of government measures such as fiscal stimulus to counteract the economic impact of the pandemic. The ultimate effects of the COVID-19 outbreak could have a material adverse effect on the ability to complete the development in the District as planned.

Natural Disasters

The market value of the property within the District can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). The property within the District is not located within an Alquist-Priolo Earthquake Fault Zone.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Flood Hazard

Based on FEMA's current mapping, the property in the District is currently designated "Zone X," which means it is in a 500-year flood zone. However, as described below, all of the City is subject to the ULOP (as defined below) requirement and development in the District is therefore subject to federal and State requirements regarding the restoration of protection against flood hazards (e.g., levees).

The Central Valley Flood Protection Act of 2008 requires that cities and counties within the California Central Valley (including the City) make certain findings with respect to flood protection before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences. One of those findings is that the local flood-management agency has made "adequate progress" on the construction of a flood-protection system that will provide an Urban Level of Flood Protection ("ULOP") by 2025. An ULOP is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (i.e., a 200-year flood).

The Sacramento Area Flood Control Agency ("SAFCA") is the local flood-management agency that serves the area within the City. In 2016, SAFCA prepared its ULOP plan, which the City accepted in June 2016. When making the adequate-progress finding, the City has relied on annual progress reports prepared by SAFCA, which demonstrate that the project involving the strengthening of 24 miles of levees surrounding the portion of the City known as the "Natomas Basin" (the "Levee Project") is meeting specified development milestones toward providing an ULOP by 2025. If construction of the Levee Project is delayed so that the City is unable to make a finding of adequate progress toward an ULOP, then the City might not be able to approve either or both of the following: a discretionary permit or other discretionary entitlement for construction of a new building or construction that would result in an increase in allowed occupancy for an existing building; or a ministerial permit for construction of a new residence. The City currently does not expect any delays with respect to the Levee Project that would cause this to occur.

The Corps began construction of the Levee Project in 2017 and the Levee Project is currently estimated to be complete in 2025. To date, 18 miles have been completed and construction of the remaining 24 miles began in 2019. The Corps will need to acquire additional land and obtain additional approvals and permits in order to complete the Levee Project.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any future hazardous substance or the possible liability of the owner (or operator) for the remedy of a future hazardous substance condition of the property. The Appraiser considered the environmental remediation and monitoring requirements within the District in its analysis set forth in the Appraisal Report. As described above under the caption "DEVELOPMENT PLAN — Environmental Matters," significant environmental remediation work has been undertaken in order to allow the development within the District to proceed as described in this Official Statement and certain ongoing remediation and monitoring obligations exist. The Developer has represented to the City that it is not aware of any hazardous substance condition of the property within the District that has not been remediated in order to allow for such development to proceed. The City has not independently determined whether any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of a Taxable Parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the Taxable Land. If the value of a Taxable Parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the property owner.

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See "THE DISTRICT — Value-to-Lien Ratios."

The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale as a result of delinquencies in the Special Tax. In arriving at the estimate of market value by ownership, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District below what was estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquencies in the Special Tax offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquencies in the Special Tax. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See "THE DISTRICT — Direct and Overlapping Indebtedness."

The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "— Bankruptcy and Foreclosure."

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within the District described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE DISTRICT — Direct and Overlapping Indebtedness" and "—Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a Taxable Parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the Parcel; (2) was informed of the amount of the Special Tax on the Parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy; and (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Clerk/Recorder for the County against each Parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Collections

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens" for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the City's ability to foreclosure on the lien of the Special Tax in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within the District but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquencies in the payment of the Special Tax, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Tax and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. The special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax—*Foreclosure Covenant*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, the Trustee is given the right for the equal benefit and protection of all Holders of the Bonds similarly situated to pursue certain remedies described in APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Holders on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> "Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS — Limitations on Remedies."

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court had issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al*. (Case No. 34-2017-80002661). That ruling subsequently became the court's final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district ("CFD") formed under the Act.

In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC *et al*. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of Article XIIIA of the California Constitution (which provides that "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district…") the phrase "qualified electors" means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the ruling states that the phrase "qualified electors of the district" refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the final ruling states that the special tax is invalid.

The superior court's final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the final ruling on a number of grounds, the City decided not to appeal.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax…shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in the District approved the Special Tax and the issuance of bonds on

August 15, 2018. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as APPENDIX D.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the current or future owner of property in the District to complete the remaining proposed development within the District.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

Potential Early Redemption of Bonds from Prepayments or Bond Proceeds

Property owners within the District, including the Developer and any future property owner, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption— *Extraordinary Redemption from Special Tax Prepayments*."

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. In late-2019, the City experienced a cyber event relating to a fraudulently misdirected payment of a substantial amount. The City has recovered almost all of the payment, and has instituted procedures intended to prevent a reoccurrence.

No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Tax and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

CONTINUING DISCLOSURE

City Continuing Disclosure

The City will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX G — "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY." The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file the City Reports with EMMA no later than nine months after the end of the City's fiscal year, which is currently June 30. The first Annual Report will be due March 31, 2023.

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City's annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City's annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees' Retirement System and the City's Public Employees' Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

The City is required to file certain financial statements with the City Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS." The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

Developer Continuing Disclosure

To provide updated information with respect to the development within the District, the Developer will execute a Developer Continuing Disclosure Certificate (the "Developer Continuing Disclosure Certificate, and will covenant to provide the Developer Reports annually not later than March 1 of each year beginning March 1, 2023, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The Developer Reports provided by the Developer will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as

APPENDIX H. In addition to its Developer Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as APPENDIX D. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City.

PURCHASE AND TRANSFER OF BONDS

The Bonds are initially being offered only to "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. Pursuant to the First Supplemental Indenture, each Beneficial Owner of the Bonds, or any portion thereof, agrees, by such Beneficial Owner's purchase of beneficial ownership of the Bonds, or any portion thereof, as follows:

- Beneficial ownership of the Bonds, or any portion thereof, will only be sold or otherwise transferred (including in secondary market transactions) to Accredited Investors;

- Such Beneficial Owner of the Bonds, or any portion thereof, shall not deposit beneficial ownership of the Bonds, or any portion thereof, in any trust or account under such Beneficial Owner's control and sell any shares, participatory interests or certificates in such trust and account except to Accredited Investors; and

- Such Beneficial Owner of the Bonds, or any portion thereof, shall not deposit beneficial ownership of the Bonds, or any portion thereof, in any trust or account under such Beneficial Owner's control the majority of the assets of which constitute beneficial ownership of the Bonds, or any portion thereof, and sell shares, participatory interests or certificates in such trust or account except to Accredited Investors.

Each Beneficial Owner of the Bonds, or any portion thereof, agrees that any purchase of beneficial ownership of the Bonds, or any portion thereof, will be deemed to be an acknowledgement, representation, warranty, and agreement by the purchaser of such beneficial ownership that:

1. The Bonds are payable solely from the Net Special Tax Revenues, and from certain funds and accounts established and maintained pursuant to the Indenture;

2. Such purchaser is an Accredited Investor and is purchasing beneficial ownership of the Bonds, or such portion thereof, for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933, as amended, or other applicable securities laws;

3. Beneficial ownership and, in the case of the discontinuance of the use of a securities depository for the Bonds, registered ownership of the Bonds, or any portion thereof, may only be transferred to Accredited Investors; and

4. The City, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements.

Neither the City nor the Trustee has any obligation under the First Supplemental Indenture to enforce the foregoing limitations on the sale or transfer of beneficial ownership of the Bonds or the ability to monitor compliance by the Beneficial Owners with such limitations.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City's ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

MUNICIPAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor"), as municipal advisor in connection with the issuance and sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents, and further the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

NO RATING

The City has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated. The Underwriter has agreed to purchase the Bonds at a price of $29,353,176.90, being $30,000,000.00 aggregate principal amount thereof, less net original issue discount of $271,823.10 and less Underwriter's discount of $375,000.00. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, the Municipal Advisor, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. A portion of the fees being paid to Disclosure Counsel is contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

By: /s/ John P. Colville Jr.
City Treasurer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Rate and Method of Apportionment for the levy and collection of the Special Tax of Railyards Community Facilities District No. 2018-01, City of Sacramento, County of Sacramento (the "District"). An Annual Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Amended and Restated Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 applicable to the land in the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) of the City of Sacramento shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

"**Acre**" or "**Acreage**" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable records of the City or the County.

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"**Administrative Expenses**" mean the actual or reasonably estimated costs related to the administration of the CFD, including, but not limited to, the following items:

a. Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or any City designee).

b. Costs of collecting, auditing, and accounting for the Special Taxes (whether by the County, the City, or otherwise), including costs related to collection of delinquent Special Taxes and foreclosure proceedings.

c. Costs of remitting the Special Taxes to the Trustee.

d. Costs of any Trustee (including its legal counsel) in the discharge of the duties required of it under any indenture for any Bonds.

e. Costs to the City or to any City designee of complying with arbitrage rebate requirements.

f. Costs to the City or to any City designee of complying with ongoing continuing-disclosure requirements with respect to the Bonds for the City or any obligated persons.

g. Costs associated with preparing disclosure statements for any Bonds.

h. Costs incurred in responding to public inquiries regarding the Special Tax.

i. Costs to the City or to any City designee related to any appeal of the Special Tax.

j. Costs associated with the release of funds from an escrow account, if any.

k. Costs to the City for the issuance and sale of Bonds authorized by the CFD that are not recovered through the proceeds of the Bond sale. Such costs may include some of the cost of services provided by City staff.

l. Costs to the City for any other administrative purposes, including attorney's fees for legal advice and attorney's fees and other costs related to collection of the Special Taxes and commencing and pursuing to completion any foreclosure of delinquent Special Taxes. Such costs include the cost of services provided by City staff.

"**Administrator**" means the official of the City, or designee thereof, responsible for determining the Annual Costs and providing for the levy and collection of the Special Tax.

"**Annual Costs**" mean, for any Fiscal Year, the total of the following after excluding any capitalized interest available to pay Debt Service that is due in the subsequent calendar year (i.e., January 1 to December 31) following the beginning of a Fiscal Year (i.e., July 1); any available earnings on, or surplus balances in, the reserve fund for Bonds or the Special Tax fund for the CFD; and any other available revenues of the City that relate to the CFD and may be lawfully used to pay Annual Costs for such Fiscal Year:

a. Debt Service that is due in the subsequent calendar year (i.e., January 1 to December 31) following the beginning of a Fiscal Year (i.e., July 1).

b. The amount needed to replenish the reserve fund for Bonds to the level required under any indenture for any Bonds, to the extent not included in a computation of Annual Costs in a previous Fiscal Year.

c. Administrative Expenses for the Fiscal Year.

d. To the extent permitted by the Act, the amount needed to fund (1) unpaid Special Tax delinquencies from previous Fiscal Years, to the extent not previously levied, and (2) anticipated delinquencies for the current Fiscal Year on any Parcel which has no outstanding delinquent Special Taxes. Collections from prior delinquencies should be used to offset the amount needed for current and future delinquencies if available.

e. Authorized Facilities funded on a Pay-As-You-Go Basis.

"**Anticipated Construction Proceeds**" mean the amount anticipated to be available through the CFD for acquiring or constructing Authorized Facilities, which is equal to $30 million at formation of the CFD. This amount is increased on July 1 of the current Fiscal Year by the increase in the ENR-CCI. In the event there is a decrease or no change in the ENR-CCI between Fiscal Years, there shall be no change in the updated Anticipated Construction Proceeds. As determined by the City, once all Authorized Facilities costs, including Authorized Facilities costs funded on a Pay-As-You-Go Basis, have been funded, the City may stop escalating the Anticipated Construction Proceeds.

"**Assessor's Parcel**" or "**Parcel**" means a lot or Parcel with an assigned Assessor's Parcel Number and which is shown on an Assessor's Parcel Map.

"**Assessor's Parcel Map**" means an official map of the County Assessor designating Parcels by Assessor's Parcel Number.

"**Assessor's Parcel Number**" means the number assigned to a Parcel by the County Assessor on the equalized tax roll.

"**Authorized Facilities**" mean those facilities to be financed, as identified in the resolution forming the CFD.

"**Base Year**" means the Fiscal Year beginning July 1, 2018, and ending June 30, 2019.

"**Benefit Share**" means, for any Fiscal Year, the Maximum Annual Special Tax for a Parcel divided by the Maximum Annual CFD Special Tax Revenue.

"**Bond Share**" means the share of Outstanding Bonds assigned to a Parcel as the term is used in Section 6 hereof.

"**Bond(s)**" mean(s) any bond(s) issued by the City for the CFD under the Act and any other debt, as defined in the Act, used to acquire or construct Authorized Facilities.

"**Building Permit**" means a permit issued by the City or other permitting agency, such as the State of California, for the construction of a structure on a Taxable Parcel.

"**CFD**" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) of the City of Sacramento, Sacramento County, California.

"**City**" means the City of Sacramento in Sacramento County, California.

"**Condominium Plan**" means the plan created for each Condominium Structure that is defined in Civil Code Section 4120 and described in Civil Code Section 4285.

"**Condominium Structure**" means a residential, commercial, or mixed-use structure consisting of two or more units that share common walls and are capable of being offered as for-sale residential condominium units or for-sale nonresidential condominium units, with each such unit having its own separate Assessor's Parcel Number. Condominium Structures include such structures that met the statutory definition of a condominium contained in Civil Code Section 4125.

"**Condominium Unit**" means an airspace residential unit or nonresidential unit in a Condominium Structure which has been assigned its own separate Assessor's Parcel Number.

"**Condominium Unit Building Area**" means the square footage of a Condominium Unit as shown on the Condominium Plan.

"**Council**" means the City Council of the City acting for the CFD under the Act.

"**County**" means the County of Sacramento, California.

"**County Auditor-Controller**" means the Auditor-Controller of the County.

"**Debt Service**" means, for any period, the total amount of principal of, interest on, scheduled sinking fund payments for, and other regularly scheduled payments on the Outstanding Bonds for the period.

"**Developed Parcel**" means, in any Fiscal Year, a Parcel for which a Building Permit for residential use or nonresidential use has been issued before June 1 of the preceding Fiscal Year. Once a Parcel is classified as a Developed Parcel, it shall remain a Developed Parcel.

"**ENR-CCI**" means the year-over-year change in the Engineering News Record—Construction Cost Index for San Francisco (March to March).

"**Fiscal Year**" means the period starting July 1 and ending the following June 30.

"**Full Prepayment**" means the complete fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 6**.

"**Lot Number**" means a numbered lot identified on **Map 2**, which illustrates the anticipated Parcels to be created upon further subdivision of Original Parcels.

"**Maximum Annual Special Tax**" means the greatest amount of Special Tax that can be levied against a Parcel in a given Fiscal Year, as shown in **Attachments 1** and **2**.

"**Maximum Annual Special Tax Rate**" means the rate of Maximum Annual Special Tax charged per Acre, as shown in **Attachments 1** and **2**.

"**Maximum Annual Special Tax Revenue**" means the greatest amount of revenue that can be collected in total from a group of Parcels (such as Developed Parcels) by levying the Maximum Annual Special Tax.

"**Maximum Annual CFD Special Tax Revenue**" means the sum of the Maximum Annual Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

"**Original Parcel**" means a Parcel identified in **Attachment 1** at formation of the CFD and shown on **Map 1**.

"**Outstanding Bonds**" mean the total principal amount of Bonds that have been issued and not fully repaid, optionally redeemed, or legally defeased.

"**Partial Prepayment**" means the partial fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 6**.

"**Pay-As-You-Go Basis**" means the use of Special Tax revenues to directly fund the acquisition, construction, and improvement of Authorized Facilities as part of an acquisition agreement with the City.

"**Prepayment**" means the complete or partial fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 6**.

"**Proportionately**" means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Developed Parcels. For Undeveloped Parcels, "Proportionately" means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Undeveloped Parcels.

"**Public Agency**" means the City, State of California, the County, the federal government, other governmental agencies, the Sacramento City Unified School District, or other special district.

"**Public Parcel**" means any Parcel, in its entirety, that is or is intended to be publicly owned that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainageways, public landscaping, wetlands, greenbelts, and public open space. Any such Parcel is a Tax-Exempt Parcel.

"**Remaining Facilities Funding Requirement**" means the amount of Anticipated Construction Proceeds less construction proceeds from previous CFD Bond issuances and costs of Authorized Facilities funded on a Pay-As-You-Go Basis from the levy of the Special Tax.

"**Remaining Facilities Funding Requirement Share**" means the Remaining Facilities Funding Requirement multiplied by the Benefit Share.

"**Reserve Fund**" means any Debt Service reserve fund established pursuant to the indenture for the Bonds.

"**Reserve Fund Requirement**" means the amount required to be held in any Reserve Fund in accordance with the indenture for the Bonds.

"**Reserve Fund Share**" means the amount on deposit in any Reserve Fund, but in any event not to exceed the Reserve Fund Requirement, multiplied by the Benefit Share for a given Parcel.

"**RMA**" means this Rate, Method of Apportionment, and Manner of Collection of Special Tax.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD.

"**Subdivision**" or "**Subdivided**" means a division of a Parcel into two or more Parcels through the Subdivision Map Act process. A Subdivision may also include the merging of two or more Parcels to create new Parcels.

"**Successor Parcel**" means a Parcel created by the Subdivision of an Original Parcel or a Successor Parcel.

"**Tax Collection Schedule**" means the document prepared by the Administrator for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

"**Tax Escalation Factor**" means a factor of 2 percent in each Fiscal Year following the Base Year by which the Maximum Annual Special Tax for the previous Fiscal Year will be increased.

"**Taxable Acreage**" means that area of a Parcel determined by the Administrator anticipated to become a Taxable Parcel or Parcels upon Subdivision.

"**Taxable Parcel**" means any Parcel that is not a Tax-Exempt Parcel.

"**Tax-Exempt Parcel**" means any Public Parcel and any other Parcel that in its entirety, is or is intended to be, publicly owned that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainageways, public landscaping, wetlands, greenbelts, common areas, and public open space.

"**Total Condominium Unit Building Area**" means the sum of all Condominium Unit Building Areas for all Condominium Units in a Condominium Structure as shown on a Condominium Plan.

"**Trustee**" means a national banking association organized and existing under the laws of the United States.

"**Undeveloped Parcel**" means a Taxable Parcel that is not a Developed Parcel.

3. Duration of the Special Tax

The Special Tax will be levied and collected for as long as it is needed to pay Annual Costs; however, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2063-64.

When the costs of all Authorized Facilities have been funded (as determined by the Administrator) and other Annual Costs incurred by the CFD have been paid, the Special Taxes shall cease to be levied. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. In addition, the Notice of Cessation of Special Tax shall identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

4. Administrative Tasks

Tasks required annually of the Administrator are discussed below:

a. Classification of Parcels. By June 30 of each Fiscal Year, for purposes of the next Fiscal Year tax levy, the Administrator shall use the Parcel records of the Assessor's Secured Tax Roll as of January 1 of the preceding Fiscal Year, and other City development approval records, and cause:

   1. Each Parcel to be classified as a Taxable Parcel or a Tax-Exempt Parcel.

   2. Each Taxable Parcel to be classified as a Developed Parcel or an Undeveloped Parcel.

b. Annual Special Tax Escalation. The Administrator shall increase the Maximum Annual Special Tax by the Tax Escalation Factor in each Fiscal Year following the Base Year.

c. Assignment of the Maximum Annual Special Tax to Original Parcels. All Original Parcels at formation of the CFD are identified by Assessor's Parcel Number and are shown in **Attachment 1** and **Map 1**. A Maximum Annual Special Tax is assigned to each Original Parcel in **Attachment 1** by multiplying the Taxable Acreage for each Lot Number within such Original Parcel anticipated to include Taxable Acreage by the Maximum Annual Special Tax per Acre. The sum of the Maximum Annual Special Tax calculated for Lot Numbers anticipated to include Taxable Acreage within each Original Parcel equals the Maximum Annual Special Tax for that Original Parcel. Each Original Parcel has one or more Lot Numbers assigned corresponding to the Lot Numbers shown in **Map 2** and **Attachment 1**. As Parcels are Subdivided, Successor Parcels are anticipated to be created similar to the Lot Numbers shown in **Map 2**. Using the procedures described below, the Maximum Annual CFD Special Tax Revenue shall not be reduced because of Subdivision.

   As noted in **Attachment 1**, there are several Lot Numbers that are located within two Assessor's Parcels 002-0010-049-0000 and 002-010-068-000. At CFD formation, the Maximum Annual Special Tax on these two Assessor's Parcels has been assigned to the Original Parcels as shown on **Attachment 1**. If these two Assessor's Parcels Subdivide as anticipated, the Maximum Annual Special Tax would be assigned to each Successor Parcel as indicated by for each Lot Number shown on **Attachment 1**.

d. Assignment of the Maximum Annual Special Tax to Successor Parcels if Original Parcels are Subdivided into Parcels like Lot Numbers displayed on **Attachment 1**. If Original Parcels are Subdivided and Successor Parcels are created substantially in the size and configuration as shown in **Map 2** and in **Attachment 1**, assign the Maximum Annual Special Tax to each Successor Parcel as shown in **Attachment 1**.

e. Assignment of the Maximum Annual Special Tax to Successor Parcels if Original Parcels are Subdivided in a manner different than anticipated by Lot Numbers in **Attachment 1**. As Original Parcels and Successor Parcels are Subdivided creating new Successor Parcels, the Maximum Annual Special Tax per Successor Parcel will be assigned using the following procedures:

   1. The Administrator shall identify the Taxable Acreage for each Successor Parcel created from an Original Parcel.

   2. Multiply the Taxable Acreage of each Successor Parcel by the Maximum Annual Special Tax Rate per Acre (as escalated by the Tax Escalation Factor).

3. If the sum of Maximum Annual Special Taxes from all Successor Parcels from an Original Parcel equals or exceeds the Maximum Annual Special Tax for that Original Parcel, assign the Maximum Annual Special Tax for each Successor Parcel as calculated in **Section 4.e.2**.

4. If the sum of Maximum Annual Special Taxes from all Successor Parcels from an Original Parcel is less than the Maximum Annual Special Tax for that Original Parcel being Subdivided, use the procedures below to assign the Maximum Annual Special Tax to each Successor Parcel.

   A. Identify the Maximum Annual Special Tax (as increased by the Tax Escalation Factor) assigned to the Taxable Parcel(s) being Subdivided.

   B. Determine the Taxable Acreage assigned to each Successor Parcel.

   C. Sum the Taxable Acreage for all Successor Parcels determined in **Section 4.e.4.B**.

   D. Divide the Taxable Acreage for each Successor Parcel determined in **Section 4.e.4.B** by the sum of the Taxable Acreage for all Successor Parcels of an Original Parcel determined in **Section 4.e.4.C**.

   E. Multiply the result for each Successor Parcel from **Section 4.e.4.D** by the Maximum Annual Special Tax identified in **Section 4.e.4.A**.

   F. Assign the Maximum Annual Special Tax calculated in **Section 4.e.E** to each Successor Parcel.

f. <u>Assignment of the Maximum Annual Special Tax to Each Condominium Unit Within a Condominium Structure</u>. For Condominium Units, the Maximum Annual Special Tax must be assigned to improvements on the Parcel rather than the land. Assign the Maximum Annual Special Tax to Condominium Units using the following procedures:

1. Identify the Maximum Annual Special Tax (as increased by the Tax Escalation Factor) assigned to the Taxable Parcel(s) being subdivided by the Condominium Plan.

2. Determine the Total Condominium Unit Building Area for the applicable Successor Parcel as identified on the Condominium Plan.

3. Determine the Condominium Unit Building Area for each Condominium Unit.

4. Divide the Condominium Unit Building Area determined in **Section 4.f.3** by the Total Condominium Unit Building Area determined in **Section 4.f.2**.

5. Multiply the result for each Condominium Unit from **Section 4.f.4** by the Maximum Annual Special Tax identified in **Section 4.f.1**.

6. Assign the Maximum Annual Special Tax calculated in **Section 4.f.5** to each Condominium Unit.

7. Once a Condominium Unit has been assigned the Maximum Annual Special Tax identified in **Section 4.f.6**, this amount shall not change for future building permits or for additions or changes to the Condominium Unit.

g. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a taxable use or transferred to a private owner as a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be determined using the provisions of **Section 4.c.** through **4.f**. Once a Parcel has been identified as a Taxable Parcel, it shall remain a Taxable Parcel, except for Parcels transferred under **Section 4.h**.

h. Taxable Parcels Acquired by a Public Agency. A Taxable Parcel that is acquired by a Public Agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Act. An exception to this may be made if a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable Acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This transfer of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

At CFD formation, the City has identified the possibility of up to, but not to exceed, 5 acres of land that initially is considered Taxable Acreage that may become Tax-Exempt Parcels. In priority order, 5 acres of Taxable Acreage may be converted to Tax-Exempt parcels for (1) a fire station, (2) a police station, and (3) a public school site without requiring any transfers of Maximum Annual Special Tax or Prepayment of the obligation. **Attachment 2** shows the adjusted Maximum Annual CFD Revenue for the Base Year if up to 5 Taxable Acres were to be converted to Tax-Exempt Parcels. In whole or in part, the City, in its sole discretion, can release this reservation to permit up to 5 acres to be converted from Taxable Acreage to Tax Exempt Parcels. The Administrator shall annually document whether any of this reservation of up to 5 Taxable Acres has been converted to one or more Tax-Exempt Parcels.

i. Transfer of the Maximum Annual Special Tax amongst Taxable Parcels. As Taxable Parcels are Subdivided, the Maximum Annual Special Tax (on a per Taxable Acreage basis) may become greater or less than other similar Parcels. As long as no vertical construction has occurred on Parcels proposed for a transfer of Maximum Annual Special Tax, owners of such Parcels may request that the City allow a transfer of the Maximum Annual Special Tax amongst two or more Taxable Parcels to remedy such differences between Taxable Parcels. All allowed transfers shall only occur such that there is no reduction in the Maximum Annual Special Tax Revenue of all Taxable Parcels included in such transfers and the Administrator and property owner agree to the transfer(s).

j. Release of Special Tax Lien for Lot Number 51b. At CFD formation, the planned Lot Number 51b, with a Maximum Annual Special Tax of $0, was included in a larger Assessor's Parcel and therefore could not be excluded from the CFD boundary. If a Parcel is created consistent with the Lot Number 51b identified in **Map 2** and **Attachment 1**, the City shall file a Notice of Release of the Special Tax lien for that Parcel. Once the notice is filed, that Parcel will no longer be subject to a Maximum Annual Special Tax under this RMA.

5. Calculating Annual Special Taxes

Each Fiscal Year, the Administrator will compute the Annual Costs and determine the annual Special Tax levy for each Taxable Parcel based on the assignment of the Special Tax in **Section 4**. The Administrator then will determine the Special Tax levy for each Taxable Parcel using the following process:

a. Compute the Annual Costs of the CFD.

b. For all Taxable Parcels, calculate the Special Tax levy for each using the following steps:

Step 5.b.1. The Special Tax shall be levied Proportionately on all Parcels of Developed Property up to the amount of the Annual Costs or up to 100 percent of the Maximum Special Tax for each Developed Parcel, whichever is lower.

Step 5.b.2. If additional revenue is needed after **Step 5.b.1**, the Special Tax shall be levied Proportionately on each Undeveloped Parcel until the revenue from the Special Tax levy in this step, when added to the levy amounts determined in **Step 5.b.1**, equals the Annual Costs, or up to 100 percent of the Maximum Annual Special Tax for all Undeveloped Parcels.

c. Levy on each Taxable Parcel the amount calculated above.

d. Prepare the Tax Collection Schedule and, unless an alternative method of collection has been selected pursuant to **Section 8**, send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the County Auditor-Controller for such inclusion.

The Administrator will make every effort to calculate the Special Tax correctly for each Parcel. It will be the burden of the taxpayer to correct any errors in determining which Parcels are subject to the tax and the Special Tax assignments.

6. Prepayment of the Special Tax Obligation

A property owner may permanently or partially satisfy the Maximum Annual Special Tax for a Taxable Parcel by a Prepayment as permitted under Government Code Section 53344. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 45 days of receipt of such written notice and payment of any required fee, the City or its designee shall notify such owner of the Prepayment amount for such Parcel. Prepayment must be made no fewer than 75 days before any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

Full Prepayment is permitted only under the following conditions:

- The City determines that the Full Prepayment of the Special Tax does not jeopardize its ability to make timely payments of Debt Service on Outstanding Bonds and maintain a 110-percent Special Tax coverage of Debt Service plus Administrative Expenses in all years where there will be Outstanding Bonds.

- The property owner prepaying the Special Tax on a Parcel has paid any delinquent Special Taxes and penalties on that Parcel before Full Prepayment.

- Amounts in the Reserve Fund are equal to or greater than the Reserve Fund Requirement. When permitted, the Administrator shall calculate Full Prepayment using the following steps:

a. The Full Prepayment amount before any issuance of CFD Bonds shall be calculated using the following procedures (see **Table 1** for a sample of Full Prepayment):

1. Determine the Maximum Annual Special Tax for the Taxable Parcel for which the Special Tax is to be prepaid using the provisions of **Section 4**.

2. Divide the amount from **Step 6.a.1** by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Full Prepayment Parcel.

3. Multiply the Remaining Facilities Funding Requirement by the Benefit Share to determine the Full Prepayment amount.

4. Add to the amount determined in **Step 6.a.3** any costs to the City associated with the preparation of the Full Prepayment calculation.

b. The Full Prepayment amount after issuance of the initial CFD Bonds shall be calculated using the following procedures (see **Table 2** for a sample of Full Prepayment):

1. Determine the Maximum Annual Special Tax for the Taxable Parcel for which the Special Tax is to be prepaid using the provisions of **Section 4**.

2. Divide the amount from **Step 6.b.1** by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Parcel.

3. Multiply the Benefit Share by the total amount of Outstanding Bonds to determine the Bond Share for the Full Prepayment Parcel.

4. Multiply the Benefit Share by the Remaining Facilities Funding Requirement to determine the Remaining Facilities Funding Requirement Share for the Full Prepayment Parcel.

5. Determine the total amount of Bonds to be called by rounding the amount summed in **Step 6.b.3** down to the nearest $5,000.

6. Multiply the amount calculated in **Step 6.b.5** by the call premium, if applicable, for the next available call date.

7. Determine the Reserve Fund Share for the Full Prepayment Parcel by multiplying the Reserve Fund Requirement by the Benefit Share.

8. Determine the Full Prepayment amount by adding the amounts calculated in **Steps 6.b.4**, **6.b.5**, and **6.b.6** and then subtracting the Reserve Fund Share calculated in **Step 6.b.7**, provided the amount in the Reserve Fund equals the Reserve Fund Requirement after reduction. Add to the amount just determined any interest to the next Bond call date not covered by Special Taxes already levied and collected for the prepaying Parcel, plus any expenses incurred by the City in connection with the Full Prepayment calculation or the application of the proceeds of the Full Prepayment to the call of Outstanding Bonds.

9. If the Special Taxes have already been levied, but not collected, the Parcel shall not become a Full Prepayment Parcel until the owner of the Parcel has paid the Special Taxes included on the current property tax bill in addition to the Full Prepayment amount.

c. Partial Prepayments are only allowed for Parcels owned by a property owner before the issuance of the initial Building Permit. A Partial Prepayment can occur only once per Assessor's Parcel. The City may allow a Partial Prepayment if it is determined that the Partial Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110-percent Special Tax coverage of Debt Service plus Administrative Expenses in all years where there will be Outstanding Bonds.

The amount of any Partial Prepayment must be either 25 percent or 50 percent of the Full Prepayment amount determined in Step 6.b.8. A Partial Prepayment may be made in an amount equal to 25 percent or 50 percent of the Full Prepayment desired by the party making a Partial Prepayment, except that the full amount of administrative fees and expenses determined in **Step 6.b.8** shall be included in the Partial Prepayment. The Maximum Annual Special Tax that can be levied on a Parcel after a Partial Prepayment is made is equal to the Maximum Annual Special Tax that could have been levied before the Prepayment, reduced by the percentage of the Full Prepayment that the Partial Prepayment represents, all as determined by or at the direction of the Administrator. For example, if the Partial Prepayment is equal to 25 percent, the Maximum Annual Special Tax applied to the Parcel would be 75 percent of the Maximum Annual Special Tax.

7. Interpretation, Application, and Appeal of Special Tax Formula and Procedures

Any taxpayer who feels the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Administrator appealing the levy of the Special Tax. The Administrator then will promptly review the appeal and, if necessary, discuss it with the applicant. If the Administrator verifies that the tax should be modified or changed, the Special Tax levy will be corrected and, if applicable, a credit or refund will be granted.

Interpretations may be made by the City, without resolution or ordinance of the Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CFD.

Without Council approval, the Administrator may make minor, non-substantive administrative and technical changes to the provisions of this RMA that do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

8. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes, provided, however, the Administrator or their designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet the City's financial obligations.

Attachment 1

Railyards Community Facilities District No. 2018-01 (Improvements)
Maximum Annual Special Tax per Original Parcel - Base Year (Fiscal Year 2018-19)

Lot Number		*Original Parcel*	*Original Total Acres*	*Original Taxable Acres*	*Swapped Acres*	*New Taxable Acreage*	*Maximum Annual Special Tax per Acre* [(1)]	*Maximum Annual Special Tax Lot Number*
458 N B		**001-0064-011-0000**		**0.11**		**0.11**	**$18,948.60**	**$ 2,084.35**
464 N B		**001-0064-012-0000**		**0.09**		**0.09**	**18,948.60**	**1,705.37**
468 N B		**001-0064-013-0000**		**0.07**		**0.07**	**18,948.60**	**1,326.40**
2e	portion	002-0010-049-0000**		0.77	(0.09)	0.68	18,948.60	12,885.05
2f	portion	002-0010-049-0000**		0.85	(0.09)	0.76	18,948.60	14,400.94
2g	portion	002-0010-049-0000**		2.41	(0.09)	2.32	18,948.60	43,960.75
2h		002-0010-049-0000		1.26		1.26	18,948.60	23,875.24
		Subtotal		**5.29**	**(0.27)**	**5.02**		**95,121.98**
1		002-0010-068-0000		0.00		0.00	18,948.60	0.00
2a		002-0010-068-0000		1.14		1.14	18,948.60	21,601.40
2b		002-0010-068-0000		3.50		3.50	18,948.60	66,320.10
2c	portion	002-0010-068-0000*		3.31		3.31	18,948.60	62,719.87
2d	portion	002-0010-068-0000*		4.17		4.17	18,948.60	79,015.66
3a		002-0010-068-0000		0.94		0.94	18,948.60	17,811.68
3b		002-0010-068-0000		0.91		0.91	18,948.60	17,243.23
3c		002-0010-068-0000		0.79		0.79	18,948.60	14,969.39
3d		002-0010-068-0000		0.76		0.76	18,948.60	14,400.94
4a	portion	002-0010-068-0000*		0.83		0.83	18,948.60	15,727.34
4b	portion	002-0010-068-0000*		0.94		0.94	18,948.60	17,811.68
4c		002-0010-068-0000		0.80		0.80	18,948.60	15,158.88
4d		002-0010-068-0000		0.93		0.93	18,948.60	17,622.20
4e		002-0010-068-0000		0.00		0.00	18,948.60	0.00
5	portion	002-0010-068-0000*		0.66		0.66	18,948.60	12,506.08
5a	portion	002-0010-068-0000*		0.00		0.00	18,948.60	0.00
6a		002-0010-068-0000		1.11		1.11	18,948.60	21,032.95
6b	portion	002-0010-068-0000*		1.13		1.13	18,948.60	21,411.92
6c		002-0010-068-0000		1.01		1.01	18,948.60	19,138.09
6d		002-0010-068-0000		1.03		1.03	18,948.60	19,517.06
7a		002-0010-068-0000		0.92		0.92	18,948.60	17,432.71
7b		002-0010-068-0000		0.85		0.85	18,948.60	16,106.31
7c		002-0010-068-0000		0.87	(0.52)	0.35	18,948.60	6,632.01
7d		002-0010-068-0000		0.77		0.77	18,948.60	14,590.42
8a		002-0010-068-0000		0.76		0.76	18,948.60	14,400.94
8b		002-0010-068-0000		1.17		1.17	18,948.60	22,169.86
8c		002-0010-068-0000		0.87		0.87	18,948.60	16,485.28
9a		002-0010-068-0000		0.85		0.85	18,948.60	16,106.31
9b		002-0010-068-0000		0.83		0.83	18,948.60	15,727.34
9c		002-0010-068-0000		0.24		0.24	18,948.60	4,547.66
10		002-0010-068-0000		0.00		0.00	18,948.60	0.00
12a		002-0010-068-0000		0.94		0.94	18,948.60	17,811.68
12b		002-0010-068-0000		0.81		0.81	18,948.60	15,348.37
15a		002-0010-068-0000		0.77		0.77	18,948.60	14,590.42
15b		002-0010-068-0000		0.67		0.67	18,948.60	12,695.56
15c		002-0010-068-0000		0.76		0.76	18,948.60	14,400.94
15d		002-0010-068-0000		0.65		0.65	18,948.60	12,316.59
17		002-0010-068-0000		1.74		1.74	18,948.60	32,970.56
18		002-0010-068-0000		0.38		0.38	18,948.60	7,200.47
19		002-0010-068-0000		0.31		0.31	18,948.60	5,874.07
20		002-0010-068-0000		1.55		1.55	18,948.60	29,370.33

Lot Number	Original Parcel	Original Total Acres	Original Taxable Acres	Swapped Acres	New Taxable Acreage	Maximum Annual Special Tax per Acre [1]	Maximum Annual Special Tax Lot Number
21a	002-0010-068-0000	0.65	0.00	0.65	0.65	18,948.60	12,316.59
21b	002-0010-068-0000	2.38	0.00	1.90	2.38	18,948.60	45,097.67
21c	002-0010-068-0000	0.66	0.00	0.52	0.66	18,948.60	12,506.08
22	002-0010-068-0000		0.19		0.19	18,948.60	3,600.23
23	002-0010-068-0000		0.27		0.27	18,948.60	5,116.12
24	002-0010-068-0000		0.62		0.62	18,948.60	11,748.13
25	002-0010-068-0000		1.04		1.04	18,948.60	19,706.54
26	002-0010-068-0000		0.46		0.46	18,948.60	8,716.36
27	002-0010-068-0000		0.86		0.86	18,948.60	16,295.80
28	002-0010-068-0000		0.00		0.00	18,948.60	0.00
30	002-0010-068-0000		0.00		0.00	18,948.60	0.00
31	002-0010-068-0000		0.00		0.00	18,948.60	0.00
32	002-0010-068-0000		0.00		0.00	18,948.60	0.00
33a	002-0010-068-0000		0.73	(0.73)	0.00	18,948.60	0.00
33b	002-0010-068-0000		1.17	(1.17)	0.00	18,948.60	0.00
33c	002-0010-068-0000		1.06		1.06	18,948.60	20,085.52
33d	002-0010-068-0000		1.03		1.03	18,948.60	19,517.06
33e	002-0010-068-0000		0.00		0.00	18,948.60	0.00
34	002-0010-068-0000		0.00		0.00	18,948.60	0.00
35	002-0010-068-0000		3.14		3.14	18,948.60	59,498.60
42	002-0010-068-0000		0.00		0.00	18,948.60	0.00
47a	002-0010-068-0000		1.47		1.58	18,948.60	29,938.79
47b	002-0010-068-0000		1.61		1.61	18,948.60	30,507.25
48a	002-0010-068-0000		2.88		2.88	18,948.60	54,571.97
48b	002-0010-068-0000		0.00		0.00	18,948.60	0.00
49a	002-0010-068-0000		0.94		0.94	18,948.60	17,811.68
49b	002-0010-068-0000		2.68		2.68	18,948.60	50,782.25
50	002-0010-068-0000		1.52		1.52	18,948.60	28,801.87
51a	002-0010-068-0000		3.36		3.36	18,948.60	63,667.30
51b	002-0010-068-0000		0.00		0.00	18,948.60	0.00
52a	002-0010-068-0000		2.99		2.99	18,948.60	56,656.31
52b	002-0010-068-0000		2.27		2.27	18,948.60	43,013.32
52c	002-0010-068-0000		2.24		2.24	18,948.60	42,444.86
52d	002-0010-068-0000		4.21		4.21	18,948.60	79,773.61
52e	002-0010-068-0000		2.91		2.91	18,948.60	55,140.43
53	002-0010-068-0000		0.00		0.00	18,948.60	0.00
56a	002-0010-068-0000		0.56		0.56	18,948.60	10,611.22
56b	002-0010-068-0000		0.73		0.73	18,948.60	13,832.48
56c	002-0010-068-0000		0.73		0.73	18,948.60	13,832.48
56d	002-0010-068-0000		0.87		0.87	18,948.60	16,485.28
57a	002-0010-068-0000		0.00		0.00	18,948.60	0.00
57b	002-0010-068-0000		0.45		0.45	18,948.60	8,526.87
57c	002-0010-068-0000		0.74		0.74	18,948.60	14,021.96
57d	002-0010-068-0000		0.72		0.72	18,948.60	13,642.99
57e	002-0010-068-0000		0.74		0.74	18,948.60	14,021.96
58a	002-0010-068-0000		0.00		0.00	18,948.60	0.00
58b	002-0010-068-0000		0.87		0.87	18,948.60	16,485.28
58c	002-0010-068-0000		0.91		0.91	18,948.60	17,243.23
59a	002-0010-068-0000		0.63		0.63	18,948.60	11,937.62
59b	002-0010-068-0000		0.65		0.65	18,948.60	12,316.59
59c	002-0010-068-0000		0.61		0.61	18,948.60	11,558.65
59d	002-0010-068-0000		0.64		0.64	18,948.60	12,127.10
60	002-0010-068-0000		0.00		0.00	18,948.60	0.00
65	002-0010-068-0000		0.00		0.00	18,948.60	0.00
68	002-0010-068-0000		0.00		0.00	18,948.60	0.00
69a	002-0010-068-0000		0.72		0.72	18,948.60	13,642.99
69b	002-0010-068-0000		1.11		1.11	18,948.60	21,032.95
69c	002-0010-068-0000		0.58		0.58	18,948.60	10,990.19

Lot Number	*Original Parcel*	*Original Total Acres*	*Original Taxable Acres*	*Swapped Acres*	*New Taxable Acreage*	*Maximum Annual Special Tax per Acre* (1)	*Maximum Annual Special Tax Lot Number*
69d	002-0010-068-0000		0.86		0.86	18,948.60	16,295.80
70a	002-0010-068-0000		1.08		1.08	18,948.60	20,464.49
70b	002-0010-068-0000		1.06		1.06	18,948.60	20,085.52
70c	002-0010-068-0000		0.00		0.00	18,948.60	0.00
70d	002-0010-068-0000		1.36		1.36	18,948.60	25,770.10
71	002-0010-068-0000		1.82		1.82	18,948.60	34,486.45
72	002-0010-068-0000		0.00		0.00	18,948.60	0.00
73a	002-0010-068-0000		1.34		1.34	18,948.60	25,391.12
73b	002-0010-068-0000		1.57		1.57	18,948.60	29,749.30
	Subtotal		**101.67**	**0.65**	**103.05**		**1,952,653.26**
40	002-0010-063-0000		1.86		1.86	18,948.60	35,244.40
43a	002-0010-063-0000		1.26		1.26	18,948.60	23,875.24
43b	002-0010-063-0000		1.34		1.34	18,948.60	25,391.12
44	002-0010-063-0000		1.65		1.65	18,948.60	31,265.19
45	002-0010-063-0000		0.00		0.00	18,948.60	0.00
46a	002-0010-063-0000		1.93		1.93	18,948.60	36,570.80
46b	002-0010-063-0000		1.45		1.45	18,948.60	27,475.47
	Subtotal		**9.49**		**9.49**		**179,822.22**
n/a	002-0010-052-0000		0.00		0.00	18,948.60	0.00
	Totals		**116.72**	**0.38**	**117.83**		**$2,232,713.58**

(1) The Maximum Annual Special Tax shall be escalated by the Tax Escalation Factor in each year following the Base Year.

* Portion of Lot Number may be within 002-0010-049-0000.

** Portion of Lot Number may be within 002-0010-068-0000.

Attachment 2

Railyards Community Facilities District No. 2018-01 (Improvements)
Maximum Annual Special Tax Per Acre - Base Year (Fiscal Year 2018-19)

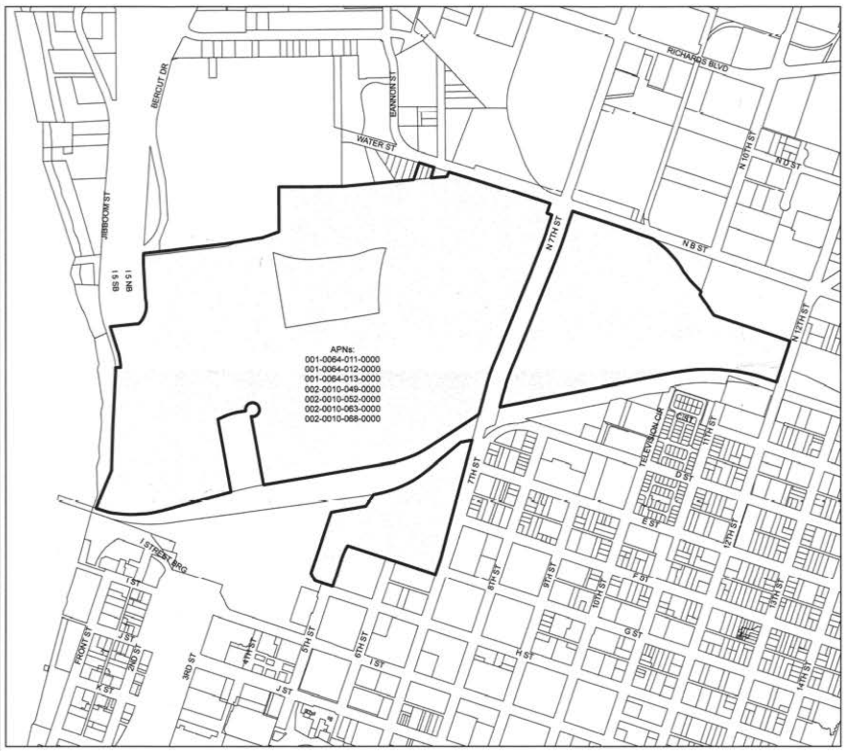
Item	***Acres***	***Maximum Annual Special Tax per Taxable Acre[1]***	***Amount***
Total Taxable Acres	**117.83**	**$18,948.60**	**$2,232,713.58**
Allowable Tax-Exempt Acreage	**5.00**	**$18,948.60**	**$94,743.00**
Maximum Annual Special Tax for Debt Service			**$2,137,970.58**

(1) The Maximum Annual Special Tax shall be escalated by the Tax Escalation Factor in each year following the Base Year.

MAP 1

PROPOSED BOUNDARIES OF CITY OF SACRAMENTO RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS) COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

SHEET 1 OF 1



CLERK'S MAP FILING STATEMENT:

FILED IN THE OFFICE OF THE CLERK OF CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, THIS 10 DAY OF July, 2018.

CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA

CLERK'S CERTIFICATE:

I HEREBY CERTIFY THAT THE MAP SHOWING THE PROPOSED BOUNDARIES OF, CITY OF SACRAMENTO RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01 (IMPROVEMENTS), COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AT A REGULAR MEETING THEREOF, HELD ON THE 3 DAY OF July 2018, BY ITS RESOLUTION NO. 2018-0274

CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA

COUNTY RECORDER'S FILING STATEMENT:

FILED THIS 11TH DAY OF JULY, 2018 AT THE HOUR OF 10:44 O'CLOCK A.M., IN BOOK 125 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE 39, IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA,

DONNA ALLRED
COUNTY RECORDER
OF THE COUNTY OF SACRAMENTO, CALIFORNIA

BY: ______
DEPUTY

DOCUMENT NO. 201807110738

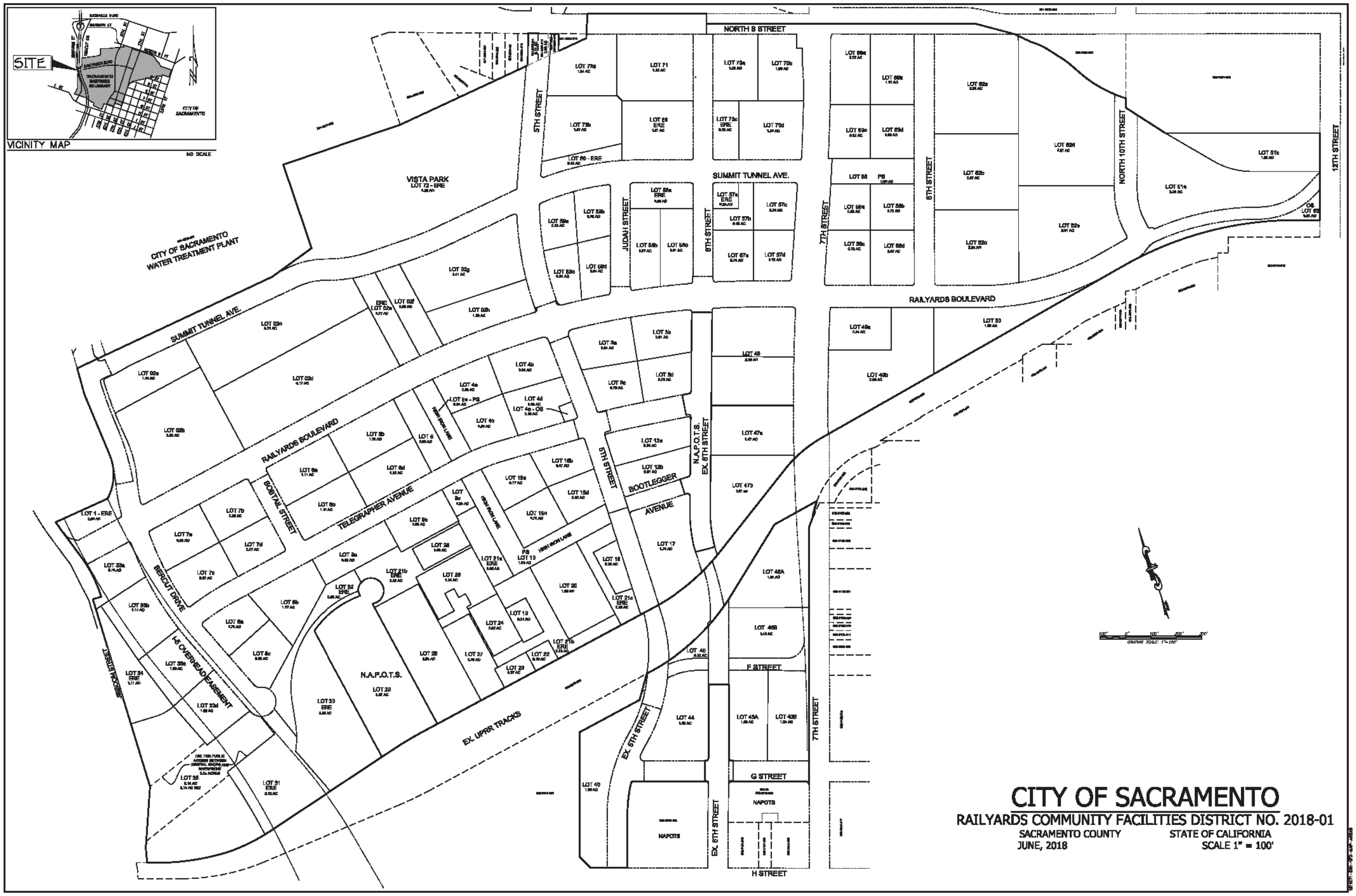
Boundary Line

NORTH

...SPECIAL DISTRICTS\Railyards Bonded CFD\Boundary Map.mxd BMueller 06/22/18

City of SACRAMENTO
Finance Department

MAP 2



SITE
VICINITY MAP
NO SCALE
NORTH B STREET
SUMMIT TUNNEL AVE.
VISTA PARK
CITY OF SACRAMENTO WATER TREATMENT PLANT
RAILYARDS BOULEVARD
TELEGRAPHER AVENUE
BOOTLEGGER AVENUE
5TH STREET
JUDAH STREET
6TH STREET
7TH STREET
8TH STREET
NORTH 10TH STREET
12TH STREET
N.A.P.O.T.S. EX. 6TH STREET
EX. 6TH STREET
EX. UPRR TRACKS
I-5 OVERHEAD EASEMENT
F STREET
G STREET
H STREET
NAPOTS
N.A.P.O.T.S.
CITY OF SACRAMENTO
RAILYARDS COMMUNITY FACILITIES DISTRICT NO. 2018-01
SACRAMENTO COUNTY
STATE OF CALIFORNIA
JUNE, 2018
SCALE 1" = 100'

Table 1

Railyards Community Facilities District No. 2018-01 (Improvements)
Full Prepayment Calculation Before Bond Issuance (with Pay-As-You-Go Example)

Item	***RMA Reference***	***Formula***	***Amount***
Parcel Maximum Annual Special Tax[1]	6.a.1	a	$18,948.60
Maximum Annual CFD Special Tax Revenue[2]	6.a.2	b	$2,117,695.57
Benefit Share for the Prepayment Parcel	6.a.2	c = a / b	0.895%
Base Year Anticipated Construction Proceeds	Definition	d	$30,000,000.00
Pay-As-You Go Funded Authorized Facilities[3]	Definition	e	$50,000.00
Remaining Facilities Costs	Definition	f=d-e	$29,950,000.00
Base Year ENR-CCI	Definition	g	9,000.00
ENR-CCI in Example Fiscal year	n/a	h	9,275.00
ENR-CCI Adjustment Factor	n/a	i=g/h	103.1%
Adjusted Remaining Facilities Cost	n/a	j=f*i	$30,865,138.89
Total Facility Cost Share for Prepayment Parcel	**6.a.3**	**k=c*j**	**$276,173.39**
City Costs	**6.a.4**	**l**	**$500.00**
Total Prepayment	**n/a**	**m=j+k+l**	**$276,673.39**

(1) Example assumes prepaying Parcel is 1.0 acres.
(2) Maximum Annual CFD Revenue is amount from Attachment 2 net of Allowable Tax-Exempt Acreage.
(3) Example assumes $50,000 has been levied for authorized facilities on a pay-as-you-go basis.

Table 2

Railyards Community Facilities District No. 2018-01 (Improvements)
Full Prepayment Calculation After Bond Issuance (with Pay-As-You-Go Example)

Item	*RMA Reference*	*Formula*	*Amount*
Parcel Maximum Annual Special Tax[1]	6.b.1	a	$18,948.60
Maximum Annual CFD Special Tax Revenue[2]	6.b.2	b	$2,117,695.57
Benefit Share for the Prepayment Parcel	6.b.2	c = a / b	0.895%
Base Year Anticipated Construction Proceeds	Definition	d	$30,000,000.00
Total Bonds Issued	n/a	e	$20,000,000.00
Proceeds from CFD Bonds Issued to Date	n/a	f	$16,500,000.00
Pay-As-You Go Funded Authorized Facilities[3]	Definition	g	$50,000.00
Bond Principal Paid[4]	n/a	h	$100,000.00
Total Bonds Outstanding	n/a	i=e-h	$19,900,000.00
Outstanding Bond Share for Prepayment Parcel	6.b.3	j=c*i	$178,060.13
Remaining Facility Costs	Definition	k=d-f-g	$13,450,000.00
Base Year ENR-CCI	Definition	l	9,000.00
ENR-CCI in Example Fiscal year	n/a	m	9,500.00
ENR-CCI Adjustment Factor	n/a	n=m/l	105.6%
Adjusted Anticipated Remaining Construction Proceeds	n/a	o=k*n	$14,197,222.22
Remaining Facility Cost Share for the Prepayment Parcel	6.b.4	p=c*o	$127,033.12
Bonds called due to prepayment	6.b.5	q= Rounddown(j/5000,0)*5000	$175,000.00
Bond Call Premium[5]	**6.b.6**	**r=q*.02**	**$3,500.00**
Reserve Fund Requirement	Definition	s	$2,500,000.00
Less Reserve Fund Share	**6.b.7**	**t=s*c**	**($22,369.36)**
City Costs	**6.b.8**	**u**	**500.00**
Total Prepayment	**6.b.8**	**v=p+q+r+t+u**	**$283,663.76**

(1) Example assumes prepaying parcel is 1.0 acres.
(2) Maximum Annual CFD Revenue is amount from Attachment 2 net of Allowable Tax-Exempt Acreage.
(3) Example assumes $50,000 has been levied for authorized facilities on a pay-as-you-go basis.
(4) Assumes principal amount of $100,000 has been paid.
(5) Assumes two percent bond call premium, see the bond documents for the premium to apply at the time of prepayment. Remaining Facilities Cost calculation needs to net out the Pay-as-you-go levy amounts.

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APPENDIX B

APPRAISAL REPORT

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BBG

Third-party reports by a true third party

Appraisal Report

Railyards Community Facilities District No. 2018-01

Railyards Boulevard & 6th Street
Sacramento, California 95811

BBG File #0121008666

Prepared For

Mr. Bill Sinclair
City of Sacramento
915 I Street, Second Floor,
Sacramento, CA 95814

Report Date

August 5, 2022

Prepared By

BBG, Inc., Sacramento Office
1708 Q Street
Sacramento, CA 95811
916-554-6492

Client Manager: Scott Beebe, MAI
sbeebe@bbgres.com

VALUATION ADVISORY ASSESSMENT ZONING

BBG

August 5, 2022

Mr. Bill Sinclair
City of Sacramento
915 I Street, Second Floor,
Sacramento, CA 95814

Re: Appraisal of Real Property

Railyards Community Facilities District No. 2018-01
Railyards Boulevard & 6th Street
Sacramento, California 95811
BBG File #0121008666

Dear Mr. Sinclair:

BBG, Inc. – Northern California is pleased to submit the accompanying appraisal of Railyards Community Facilities District No. 2018-01 or commonly referred to in this report as "the CFD." This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC).

The intended user of the appraisal is the City of Sacramento and the CFD finance team. The intended use is for bond financing. The appraisal is not intended for any other use or users.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The Railyards Community Facilities District No. 2018-01, as proposed, issue bonds that will generate net proceeds used to reimburse for eligible facilities completed by Downtown Railyard Venture, LLC (DRV).

The subject property is a portion of the Sacramento Railyards, a redevelopment project located north of the Central Business District in the city of Sacramento California. The subject property consists of 16 assessor parcels totaling 187.705 gross acres. The taxable acreage is 117.83 acres. The site is situated adjacent to the Sacramento Valley Station. Major site development infrastructure has been underway for the past decade to convert the former Union Pacific railyards into an urban downtown mixed-use neighborhood. Public sources indicate that $369 million in development infrastructure has been completed in the Railyards since it was transferred in 2006 from Union Pacific to private ownership. The developers and prior owners of the Railyards secured numerous land use entitlements for development of a high-density office, retail, lodging entertainment and residential project. The planned density is expected to be 5 and 6 story buildings, which is a slightly lower overall density to the adjacent Central Business District.

In the center of the Railyards are the Central Shops. These are historic designated buildings planned for redevelopment for retail and entertainment uses. Live Nation has signed a long-term lease as an anchor tenant in the Paint building which is expected to undergo renovation in 2023. A pedestrian tunnel connects the Sacramento Valley Station to the Central Shops. The California State Parks plans to renovate two adjacent shop buildings for a new California State Railroad Museum.

The CFD property is made up by four property owners. Downtown Railyard Venture, LLC, ("DRV") the developer of the project has ownership of six assessor parcels totaling 164.76 acres. Included in their parcels are five historic train shop buildings ("Central Shops") that are planned for renovation and adaptive reuse. Kaiser Foundation Hospital is the owner of eight vacant parcels having a combined land area of 17.407 gross acres per assessor maps (or 17.14 taxable acres per tentative map). Sacramento 695, LP, the owner of one parcel, is under construction with a 6-story, 345-unit multi-family and ground floor retail project known as The AJ. This $140 million dollar project is the first new development in the Railyards and will include 69 affordable housing units. The project is under construction with a reported $74 million in construction completed. Wong Center at the Railyard, L.P. is the owner of one vacant parcel of 2.658 acres, planned to be developed with 150 affordable residential units. Please note the gross acres addressed above are different from the taxable acres cited in the report.

Substantial on and off-site back-bone improvements have been completed at the Railyards. These improvements were completed by various owners of the Railyards. The improvements include several major roads and utility infrastructure. Currently under construction is the $34 million stormwater outfall and pump station. The buildout of the Railyards will require significantly more infrastructure, much of which is expected to be funded from various public sources. DRV continues to move forward with infrastructure projects and the completion of the stormwater outfall project will allow for vertical development projects to continue. One of the major development obstacles continues to be funding sources. The State of California and the City of Sacramento have been instrumental in securing grants and other funds to assist DRV and prior ownerships in the development of the various infrastructure projects. This public and private collaborative efforts will continue as the Railyards is viewed both as a historically important property and a strategically located site for expansion of Sacramento's Central Business District.

The historical use of the property as a railyard, locomotive construction, repair, and maintenance facility for over 100 years resulted in soil contamination. Union Pacific Railroad Company ("UPRR"), the responsible party for clean-up has over the past several decades completed substantial soil remediation on the property. Closure of the past soil contamination has occurred as signified by the recordation of (i) Land Use Covenants and Agreement Environmental Restrictions entered into by Downtown Railyard Venture, LLC and (ii) the State of California Department of Toxics Substances Control in February 2015.

Ongoing ground water remediation within the project is continuing with UPRR being the sole responsible party for remediation of any historic contamination (soil, groundwater soil vapor) as of December 28, 2006, at the Railyards. The majority of the soil at the Railyards has been certified as closed as evidenced by recorded land use covenants ("LUC"). DRV (or its successor owners) is responsible for (i) the transportation and disposal of soil which it moves on its owned parcel(s), (ii) the construction dewatering of excavations occurring during development (UPRR must treat such water to a standard accepted by the regional sanitary sewer system), and (iii) installation of passive vapor intrusion systems on new buildings to the extent required by LUCs (UPRR is responsible for such passive systems in the historical buildings). A total of 7.2 acres within the CFD is not subject to a LUC. This area will be encumbered by a LUC when remedial action by UPRR is complete, estimated to be eligible in 2024.

The values estimated herein are based on a hypothetical condition. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis." As of the date of value, the Bonds had not been sold. The market value is based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.

Based on our inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s) as of July 1, 2022.

VALUATION

Ownership	Description	Value by Ownership
Downtown Railyard Venture, LLC	95.152 Taxable Acres with Five Central Shop Buildings	$52,000,000
Kaiser Foundation Hospital	17.14 Taxable Acres	$34,100,000
Sacramento 695, L.P.	2.88 Taxable Acres with Building Improvements	$66,000,000
Wong Center at the Railyard, L.P.	2.658 Taxable Acres	$0
Total		$152,100,000

Note: Our opinion of market value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We relied on land development costs and fees provided by the Master Developer and the Finance Plan. The budgeted site costs and fees appear reasonable relative to costs at other projects in the area (and costs of comparables analyzed). It is an extraordinary assumption that the costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.
2. As of the date of value, the Bonds have not been sold. Under Appraisal Standards for Land-Secured Financing, as published by Debt and Investment Advisory Commission (CDIAC), improvements financed through special taxes and assessments levied on the property should consider funding of these improvements from the proceeds of the CFD. Therefore, it is an extraordinary assumption that the bond proceeds will be used to partially fund the construction cost of the storm drain project currently under construction.
3. The City of Sacramento is the beneficiary of several State of California grants and other public funding sources that are earmarked for construction of certain improvements in the Railyards. These include Natural Resource Grant, Transit and Intercity Rail Capital Program (TIRCP), Owner Participation Agreement and Enhanced Infrastructure Financing District. It is an extraordinary assumption of this appraisal that a buyer of the DRV owned property would be the recipients of these grants/funds to partially offset infrastructure construction costs.
4. LDK Ventures, the parent company of DRV is the recipient of a $15.3 million AHSC grant that will fund certain infrastructure at the Railyards. Housing and Community Development, the agency in charge of this grant pays out a draw request to LDK Ventures for approved expenditures and then LDK Ventures transfers the funds to DRV. We make an extraordinary assumption that the AHSC grant proceeds provided to LDK Ventures would be assignable to DRV or a prospective buyer of the property.
5. The City of Sacramento is out of compliance with the HCD Grant requiring the delivery of the number of affordable housing units by a certain time which has already passed. The State of California has been silent to this issue as the AJ (an affordable project) is under construction and moving forward to satisfy this issue. There are no formal agreements in place to forgive this non-compliance. It is an extraordinary assumption that the non-compliance will not jeopardize these funds being received.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

6. A structured 1,421 space parking garage is proposed for Lot 17. This structure will benefit the Foundry, the Central Shops, the two Marriott Hotels and other nearby developments. The initial projects in the Railyard will be dependent on this garage. We consider development of this garage the responsibility of the developer of the subdivision. We have valued the proposed parking garage and estimated the construction cost for the development. The extraordinary assumptions related to this development include: a) the quality and design will be similar to what was provided from the preliminary plans, b) the timing of the development of the garage is consistent to the schedule estimated, c) the construction cost are consistent with estimates provided and d) the eventual sale of the garage assumes the developer would execute parking leases running with title to accommodate those projects that are dependent of the garage.

7. Sacramento 695, L.P. is under construction with a 345-unit apartment project known as the AJ. We make an extraordinary assumption that a buyer of this property would continue to use the existing contractor to complete the project. We also assume the construction of the project would experience no construction defect issues or encounter material delays due to construction supply shortages.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for purpose of analysis.

1. As of the date of value, the CFD Bonds had not been sold. The market value estimated herein is based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

This letter must remain attached to the report, which should be transmitted in its entirety, in order for the value opinion set forth to be considered valid.

Our firm appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,

BBG, Inc.

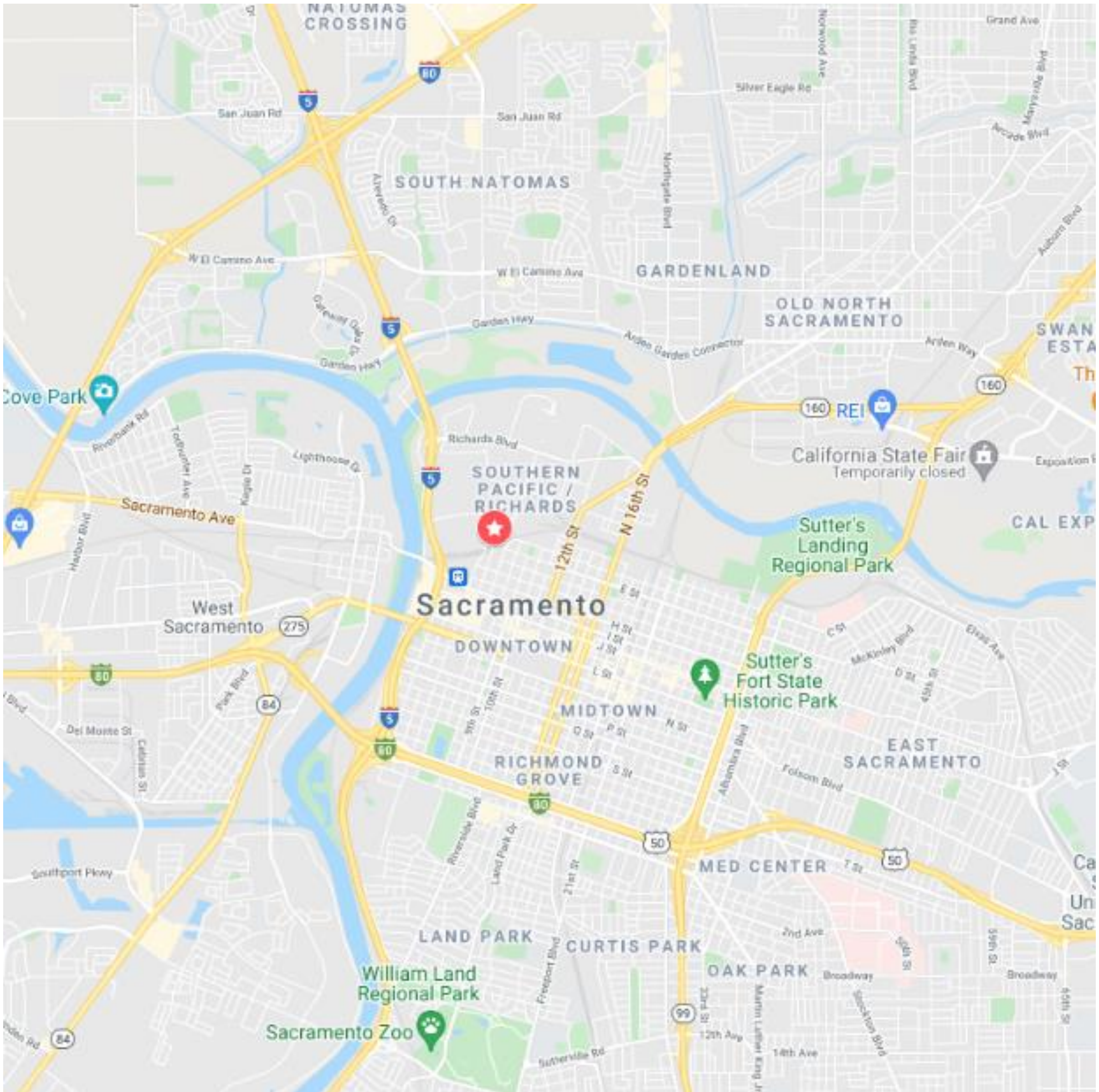
Scott Beebe, MAI
California Certified General Appraiser
No. AG 015266
Ph: (925) 588-7641
Email: sbeebe@bbgres.com

TABLE OF CONTENTS

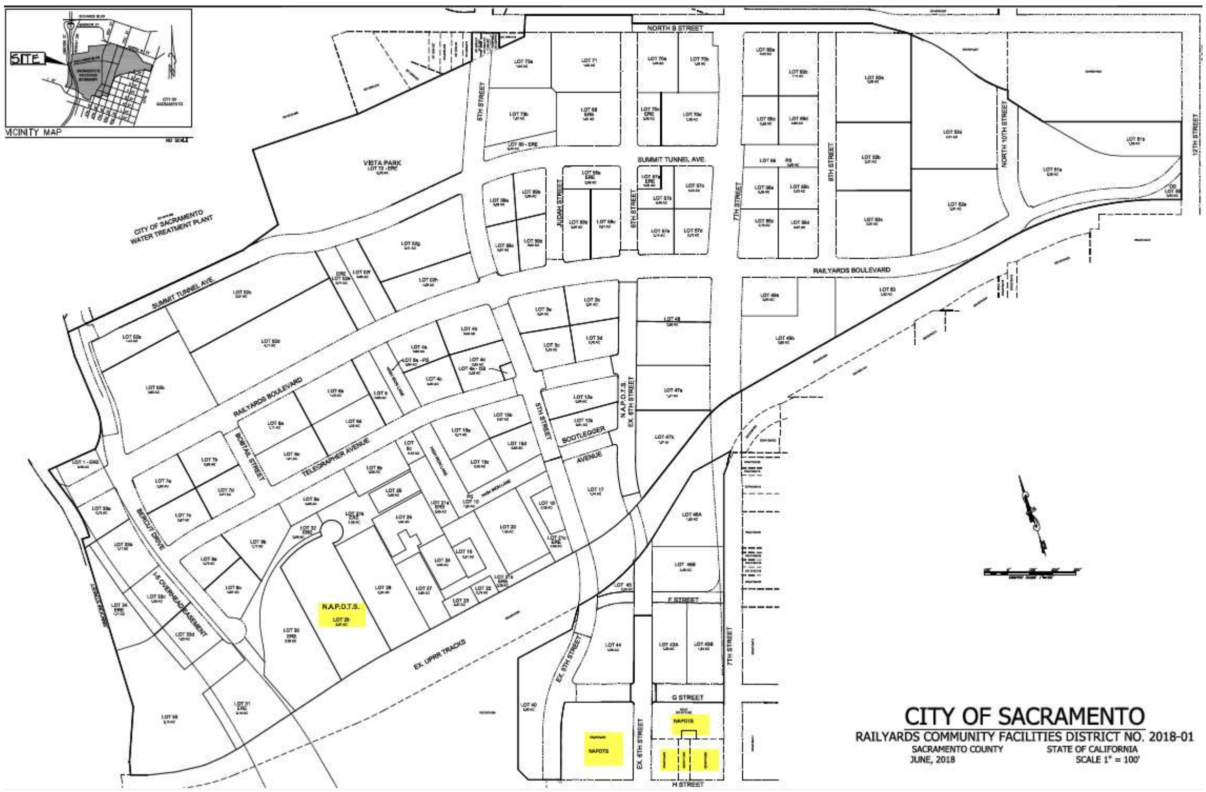
SUBJECT PROPERTY

Red Outlined – Downtown Railyard Venture, LLC
Green Shaded – Sacramento 695, LP
Pink Shaded – Kaiser Foundation Hospital
Orange Shaded – Wong Center at the Railyard, L.P.

LOCATION MAP



CFD MAP



These Lots Are Not Part of the CFD

SUMMARY OF SALIENT FACTS

Property

The subject property is 16 assessor parcels totaling 187.705 acres. The property has an approved tentative map for 119 lots totaling 151.64 gross acres or 117.83 taxable acres. Ownership consists of four property owners. Downtown Railyard Venture, LLC ("DRV"), the developer of the project owns six assessor parcels totaling 164.76 gross acres per the assessor maps. Included in their parcels are seven historic train shop buildings that are planned for renovation. Kaiser Foundation Hospital is the owner of eight assessor parcels having a combined land area of 17.14 taxable acres. Sacramento 695, LP, the owner of one 2.88-acre parcel, is under construction with "The AJ", a 6-story, 345-unit multi-family and ground floor retail. Wong Center at the Railyard, L.P. is the owner of one vacant parcel of 2.658 acres. The land summary is as follows:

Land Area Summary		
Category/Ownership	**No Lots**	**Acres**
DRV Vacant Land	76	85.782
DRV Owned Historic Shops & Open Space	12	9.37
Kaiser Vacant Land	8	17.14
The AJ	1	2.88
Wong Center	1	2.658
Taxable Acres	**98**	**117.83**
Storm Drain Parcel	1	0.52
Lots Comprised of Future Streets	2	2.14
Parks and Open Space	21	31.15
Non-Taxable Lots	**24**	**33.81**
Lots Under Tentative Map	**122**	**151.64**
Proposed Streets in T-Map		36.065
Total Lots/Gross Acres		**187.705**

Location

The subject project is located immediately north of the Sacramento Central Business District. It is located at Railyards Boulevard and 5th Street within the city of Sacramento, Sacramento County, California 95811.

Assessor Parcel Numbers

Please refer to the *Property Analysis* section for a complete list of Assessor parcel numbers.

Ownership

Downtown Railyard Venture, LLC, Kaiser Foundation Hospital, Sacramento 695, L.P. and Wong Center at the Railyard, L.P.

Zoning

C-3- SPD, Central Business District; H-SPD, Hospital; and R5-SPD, Residential

Entitlements	The Railyards Specific Plan Update indicates the plan area is entitled up to 10,000 residential units, 4.1 million square feet of office, 895,000 SF of retail, 1,100 hotel rooms, 1.2 million square feet of hospital, 180,000 square feet of historic museum and a 25,000-seat sports stadium. The plan has a sliding scale in relationship between office and residential, which would allow up to 10,000 residential units with office use decreasing commensurately.
Flood Zone	Zone X – Outside the 100-year floodplain
Highest and Best Use	Mixed-use development consistent with Updated Railyards Specific Plan
Exposure Time	12 months
Marketing Time	12 months
Property Rights Appraised	Fee Simple Estate
Effective Date of Value:	July 1, 2022

Market Value Indications:

VALUATION		
Ownership	Description	Value by Ownership
Downtown Railyard Venture, LLC	95.152 Taxable Acres with Five Central Shop Buildings	$52,000,000
Kaiser Foundation Hospital	17.14 Taxable Acres	$34,100,000
Sacramento 695, L.P.	2.88 Taxable Acres with Building Improvements	$66,000,000
Wong Center at the Railyard, L.P.	2.658 Taxable Acres	$0
Total		$152,100,000

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the client and stated intended users may use or rely on the information, opinions and conclusions contained in the report.

SUBJECT PHOTOGRAPHS

Central Shops

East View From Central Shops Land

Railyards Boulevard

North View of 5th Street

Central Shops

Central Shops

Central Shops

Central Shops with Views of the CBD

Central Shops

Central Shops

The AJ

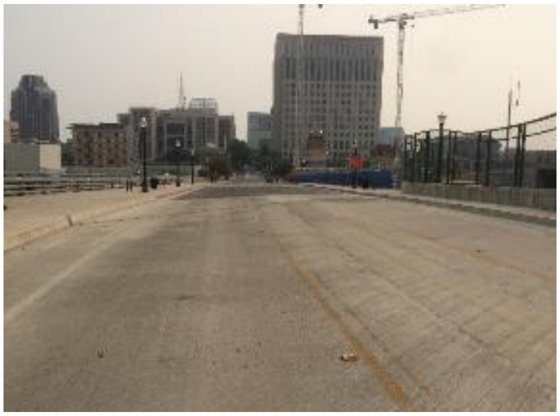
Central Shops

The AJ

North View of the CBD

Kaiser Hospital Site

Land East of 7th Street



North View of 5th Street

South View of 5th Street

East View of the Railyards

North View of the Railyards

West View of the Central Shops

South View of the Railyards

GENERAL INFORMATION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is 16 parcels of land north of the Central Business District and the Sacramento Valley Station in downtown Sacramento. The property includes 187.705 gross acres and net land area of 117.83 taxable acres. A summary of the assessor parcels is as follows:

Assessor Parcel Summary			
Parcel No.	Parcel From Title Report	Ownership	Land Area
001-0064-011	6	Downtown Railyard Venture, LLC	0.110
001-0064-012	7	Downtown Railyard Venture, LLC	0.090
001-0064-013	8	Downtown Railyard Venture, LLC	0.070
002-0010-069	3	Railyards Lot 48, LLC	2.880
002-0010-074	1	Downtown Railyard Venture, LLC	42.290
002-0010-075	2	Downtown Railyard Venture, LLC	112.900
002-0010-076	4	Downtown Railyard Venture, LLC	9.300
002-0010-077	5	Wong Center at the Railyards, L.P.	2.658
002-0270-001	9	Kaiser Foundation Hospital	1.139
002-0270-002	9	Kaiser Foundation Hospital	3.500
002-0270-003	9	Kaiser Foundation Hospital	3.310
002-0270-004	9	Kaiser Foundation Hospital	4.169
002-0270-005	9	Kaiser Foundation Hospital	0.769
002-0270-006	9	Kaiser Foundation Hospital	0.850
002-0270-007	9	Kaiser Foundation Hospital	2.410
002-0270-008	9	Kaiser Foundation Hospital	1.260
		Total	187.705

Please note the acres shown in the above chart are land sizes derived from the assessor parcel maps. In some cases these land areas differ from the taxable land area derived from the tentative map.

PROJECT HISTORY

The Railyards, a 244-acre property is located immediately north of the Sacramento Central Business District. The property was formerly the Southern Pacific Railyards which was developed in 1855. The property was used for railyard maintenance. The shops in the Railyards were used for locomotive repairs, general maintenance and, occasionally, creation. The yards steadily expanded, becoming the biggest railroad facility west of the Mississippi River and employing approximately one-third of all Sacramento area workers in the early decades of the 20th century.

Over the past decade there has been planning and redevelopment of the 244-acre Railyards site into a mixed-use, transit-oriented development. A complete project history is shown later in the report.

The subject is only a portion of the Railyards as it consists of 187.7 acres of the larger 244- acre Railyards property.

CURRENT OWNERSHIP AND SALES HISTORY

The property is under ownership of four entities. These are summarized as follows:

Downtown Railyard Venture, LLC (DRV): This entity is owner of six parcels totaling 164.76 acres. A related entity of DRV purchased an interest in the subject property from Mainline Holdings (IVTP) September 30, 2015. Details of this sale were disclosed confidentially. On June 24, 2019, IVTP liquidated all interests in Downtown Railyard Venture, LLC, in exchange for cash consideration. Details of this sale were disclosed confidentially. The sale was analyzed and considered for the appraisal. There has been no other sale of the subject property in the past three years.

Kaiser Foundation Hospital: This entity is owner of eight parcels totaling 17.407 gross acres (from assessor maps) or 17.14 taxable acres (tentative maps). Kaiser purchased this property from DRV on January 24, 2019, for $33,370,000. Kaiser Foundation Hospital purchased the property to develop a 1.2 million square foot regional hospital. The property was delivered as a finished site to the buyer. There has been no other sale of this property in the past three years. Since acquiring the property Kaiser has completed little entitlement work with the City of Sacramento or with the California Department of Health Care Access and Information. The timing and certainty of Kaiser's development plans on this site are unknown.

Sacramento 695, LP: This entity owns one parcel. This parcel was purchased in July 2020 from DRV for $100. The entity is a joint venture with USA Properties and DRV for the development of a 6-story, mixed use multi-family over street retail. The project will have 69 units restricted for affordable units. The project helps satisfy the affordable housing requirement in the Railyards. There has been no other sale of this property in the past three years.

Wong Center at the Railyard, L.P.: This entity owns one parcel. This parcel was purchased in June 2022 from a related entity known as Mutual Housing California, a non-profit public benefit corporation. Mutual Housing purchased the property on the same day from Downtown Railyard Venture, LLC for $100. The property is planned to be developed with 150 affordable housing units to help meet the Railyard's mixed-income housing obligation. The nominal consideration paid is typical of other land sales involving affordable housing developments that satisfy affordable housing project requirements. There has been no other sale of this property in the past three years.

Lot 43 A and B are in escrow to a developer. This contract is dated June 8, 2022. Terms of this contract were disclosed confidentially.

FACILITIES TO BE FINANCED BY THE DISTRICT

The bonds will assist with the financing of capital improvements, the costs of issuance, capitalized interest and fund a debt service fund. Specifically, per City of Sacramento Resolution No. 2018-0339, the Resolution of Formation for Railyards CFD No. 2018-01, the authorized facilities include roadways, sewer, storm drainage, water and park and open space improvements. Other such bond related expenses such as administrative fees, reimbursement of costs of CFD formation, and costs and incidental expenses related to eligible facilities are costs of the issuance. These improvements have already been constructed. The proceeds from the bond sale will be used to finance some of the development costs of the storm water outfall project currently estimated to have a remaining cost of $15.8 million.

Principal and interest on the Bonds will be paid by a Special Tax levied against the subject property. This report is based on a hypothetical condition that the Bonds have just been sold and the subject properties are encumbered by the Special Tax. The City of Sacramento has authorized the issuance up to $75 million in bonds. The current bond issuance is expected to achieve approximately $20,450,000 in net bond proceeds.

INTENDED USER AND INTENDED USE

The intended user of the appraisal is the City of Sacramento and the CFD finance team. The intended use is for bond financing. The appraisal is not intended for any other use or users.

PRIOR SERVICES

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed prior service, as an appraiser regarding a portion of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the Market Value of the subject property as of July 1, 2022. The value is subject to a hypothetical condition that the CFD Bonds have sold. The appraisal is valid only as of the stated effective date. The date of the report is August 5, 2022, which is the date this report was delivered to the client.

PROPERTY RIGHTS APPRAISED

As stated above, our analysis pertains to the fee simple interest in the subject property. This is defined as follows:

Fee simple: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

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

DEFINITION OF MARKET VALUE

DEFINITIONS

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

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 are 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 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. [1]

LEVEL OF REPORTING DETAIL

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report.

This report is prepared as an **Appraisal Report.** An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions. This format is considered most similar to what was formerly known as a Self-Contained Appraisal Report in prior versions of USPAP.

COMMON TERMS USED IN THE APPRAISAL

Net Buildable Land or Lots: This term is used to describe the land area (usually acres) or lots that can be developed with improvements.

Sacramento Railyards: This term has several meanings: 1) Sacramento Railyards is the 244-acre land area of which the subject is only a portion, 2) Railyards Specific Plan Area is the special planning area that focuses on the entire 244-acres, 3) The Railyards is the name of the Tentative Subdivision Map, which is a portion of the Sacramento Railyards. The subject property is all land and lot area of the Tentative Map, except for Lot 29, which is an out parcel owned by the State of California.

[1] (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

APPLICABLE REQUIREMENTS

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

LEVEL OF REPORTING DETAIL AND APPLICABLE REQUIREMENTS

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report which, at a minimum, must summarize the appraiser's analysis and the rationale for the conclusions.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as any additional standards of the client and intended users.

APPRAISER COMPETENCY

No steps were necessary to meet the competency provisions established under USPAP. We have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, we have adequate experience and qualifications to appraise the subject. Appraiser certifications and qualifications are included in the Addenda of this report.

SIGNIFICANT PROFESSIONAL ASSISTANCE

No one provided significant real property appraisal assistance to the person signing this certification.

SCOPE OF WORK

The intended use and intended user(s) of this appraisal report, characteristics and complexity of the subject property, market conditions, widely accepted methods and practices within the appraisal profession, and other pertinent factors were all considered in our determination of scope of work, which is detailed in the following sections.

VALUATION METHODOLOGY

Appraisers typically consider utilizing the cost, sales, and/or income capitalization approach in developing an opinion of value. The applicability of each approach is determined by the economic characteristics of the property, the availability of reliable data, and the common practice of market participants that reflect the most likely purchaser of the subject property.

In the valuation of the subject property, we utilize the sales comparison and the income capitalization approach, which, for subdivision properties, is commonly referred to as the subdivision development method. The sales comparison approach considers vacant parcel sales, with adjustments applied accordingly relative to the subject. In support to the sales comparison approach we perform a land residual analysis. The subdivision development method is a discounted cash flow analysis that reflects anticipated lot prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project. A traditional cost approach for the subject lots is not applicable.

RESEARCH AND ANALYSIS

In preparing this appraisal and over the course of this assignment, we performed extensive research and analysis of the subject, its competitors, and the broader market factors that impact value. The type and extent of our research and analysis is described throughout the report as it pertains to each section. In summary:

- Researched the legal and physical attributes of the subject property including: a physical inspection of the property was completed and serves as the basis for the site description contained in this report; the sales history was verified by consulting public records (Parcelquest); zoning and various entitlement information was obtained from the developer; the subject's deed restrictions; the subject's earthquake zone, flood zone and utilities were verified with applicable public agencies; property tax information for the current tax year was obtained from the Sacramento County Tax Collector's Office.

- Analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles and interviews with various market participants.
- Determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility, and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best

use of the subject property is for development of mixed-use project consisting of office, retail, hotel, and residential properties.

- Gathered information on comparable properties and confirmed comparable transactions. We also relied on comparable information (sales, costs, permits and fees) that we had retained in our appraisal files, and which may have resulted from prior interviews with market participants. The type and extent of our research and analysis is detailed in individual sections of the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.
- Reviewed the Strategic Market Absorption Analysis report prepared by RCLCO dated May 17, 2022, to assist in determining the absorption estimate for the subject lots.
- Reviewed a parking garage study performed by City of Sacramento parking professionals for Lot 17. This study was originally prepared in December 2021 to assist in a possible bond financing of the construction of the garage by the City of Sacramento. The study was then updated in March 2022 and again in June 2022.
- Interviewed key market participants associated with the Railyard, including individuals with Live Nation, Cushman and Wakefield, Marriott and DRV representatives.
- Estimated reasonable exposure and marketing times associated with the market value estimates.

INSPECTION DETAILS

Scott Beebe, MAI conducted several inspections of the property with the last inspection occurring on July 1, 2022.

REGIONAL ANALYSIS

SACRAMENTO MSA

The Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area is comprised of El Dorado, Placer, Sacramento, and Yolo Counties, hereinafter called the Sacramento MSA. Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north the California's expansive Central Valley and has an estimated population of just over 500,000, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.38 million residents, making it the largest MSA in the Central Valley and the fourth largest in California behind greater Los Angeles, the San Francisco Bay Area and San Diego.

Situated approximately 85 miles northeast of San Francisco, Sacramento is at the intersection of two major interstate freeways (I-5 and I-80) and at the confluence of the Sacramento and American rivers. The area is also served by a number of rail lines including the Amtrak Capital Corridor. This, in addition to convenient access to airports, rail and a deep-water port, makes Sacramento well connected both regionally and nationally. Sacramento is increasingly regarded as a leading business location due to its growing, well-educated population, affordable cost of living, plentiful amenities, and overall high quality of life.

ECONOMIC OVERVIEW

Consistent with national and statewide trends, the regional economy had performed very well after rebounding from the "Great Recession". The region experienced strong job growth across private and public sectors; however, job growth as of early 2020 had started to slow and performance across industries was mixed in pre-COVID 19 affected data.

Employment losses in Sacramento soared during early to mid-2020 thanks to the coronavirus pandemic. In May 2020, employment losses totaled nearly 150,000 and the unemployment spiked to 14%; however jobs gradually returned as the economy reopened later in the year. As of May 2022, over 160,000 of the lost jobs have returned and the unemployment rate has declined to 3.2%.

The following excepts are from a Moody's Analytics for the Sacramento region dated November 2021, the most recent report available.

Recent Performance

Sacramento-Roseville-Arden-Arcade's recovery lags that of the nation but is among the strongest in the state. About three-fourths of jobs lost last year are back, well ahead of most large California economies. Leisure/hospital is leading the way in recent job growth, mirroring the national trend. State government has performed remarkably well throughout the pandemic, with employment now exceeding its pre-pandemic level. Meanwhile, healthcare and retail have made little progress this year. The unemployment rate has not budged in the last six months and is further from its prerecession rate than the nation.

State Government

The expansion in state government employment is well-entrenched and payrolls will advance further in the months ahead. University of California-Davis consistently ranks among the top colleges in the U.S. and is a magnet for federal grants and venture capital, supporting research and development and startups. The return of on-campus learning and the largest first-year class in history have led the university to rehire some support staff. Further, an increase in state funding will bolster the university's coffers. The combination of more students in classrooms and strong finances will increase spending on educators and support staff and will boost demand for local consumer services.

Meanwhile, better-than-expected income gains have boosted California's tax collections, and this, along with federal funds from the American Rescue Plan, will give California an opportunity to strengthen safety-net programs and boost spending on state agencies based in SAC.

Healthcare

SAC's healthcare industry will be a reliable driver of the metro area's recovery. Job gains were faster than the nation's prior to the pandemic and the blow to employment was shallower than nationally. Hospitals played a key role in the industry's pre-pandemic growth, fueled in part by an outsize senior population. From 2010 to 2020, the 65-and-older cohort grew about five times as fast as the overall population. However, the industry has been slow to recover jobs, as infection fears have reduced demand for non-COVID-19-related examinations and procedures. Fortunately, employment will ramp back up as the pandemic subsides. For example, UC Davis Medical Center is investing $3.5 billion to replace and expand existing *patient care facilities. The hospital network's growing footprint and ability to deliver specialty services will attract a larger pool of patients, some of whom will be from outside the metro area.*

Consumers

Private services will continue to recover in the coming year. Following a larger-than-average decline at the beginning of the pandemic, leisure/hospitality employment has risen steadily but still has a long way to go. Fortunately, office reopenings will allow restaurants, retailers, and other businesses to gain momentum in the next phase of recovery given that SAC is a net recipient of commuters who live in other locales but work in SAC. However, a full recovery in consumer-reliant industries will take longer than nationally because the increase in remote work has permanently reduced the time that commuters spend in SAC. Furthermore, there is downside risk that business travel, which has been slow to recover, could suffer as firms hold off on returning to in-person operations and limit nonessential travel because of the Omicron variant.

Overall

Sacramento-Roseville-Arden-Arcade's recovery will extend into next year. State government and healthcare will add jobs. Consumer industries are looking up, but weak business travel is a concern. Longer term, low costs, and strong demographics, including a highly skilled workforce, will help SAC excel.

POPULATION

The Sacramento MSA has an estimated 2021 population of 2,383,795, which represents a compound annual increase of 0.9% over the 2010 census. This is down from the early to mid- 2000's when the region was growing in excess of 2% annually. Population growth trends within the region are summarized as follows:

Population Trends					
	Population			Compound Annual % Change	
	2010 Census	2021 Est.	2026 Est.	2010 - 2021	2021 - 2026
Sacramento MSA	2,149,127	2,383,795	2,470,060	0.9%	0.7%
California	37,253,956	39,740,046	40,757,275	0.6%	0.5%
Source: Claritas, LLC.					

Looking forward, Sacramento MSA's population is projected to increase at a 0.7% annual rate from 2021-2026, equivalent to the addition of an average of approximately 17,253 residents per year.

EMPLOYMENT

Sacramento's ability to attract and retain quality talent is largely attributed to its two higher-education institutions, the University of California, Davis and California State University, Sacramento. These facilities also help to foster organic growth within the labor force and produce a highly educated workforce for many of the region's leading companies as well as businesses that are relocating from the Bay Area for the relatively affordable space and living costs. As the Bay Area becomes increasingly less affordable and congested, Sacramento will continue to provide a viable opportunity for a better quality of life to much of that labor force. As a result, the city has begun to attract the employers that desire to be close to this labor pool.

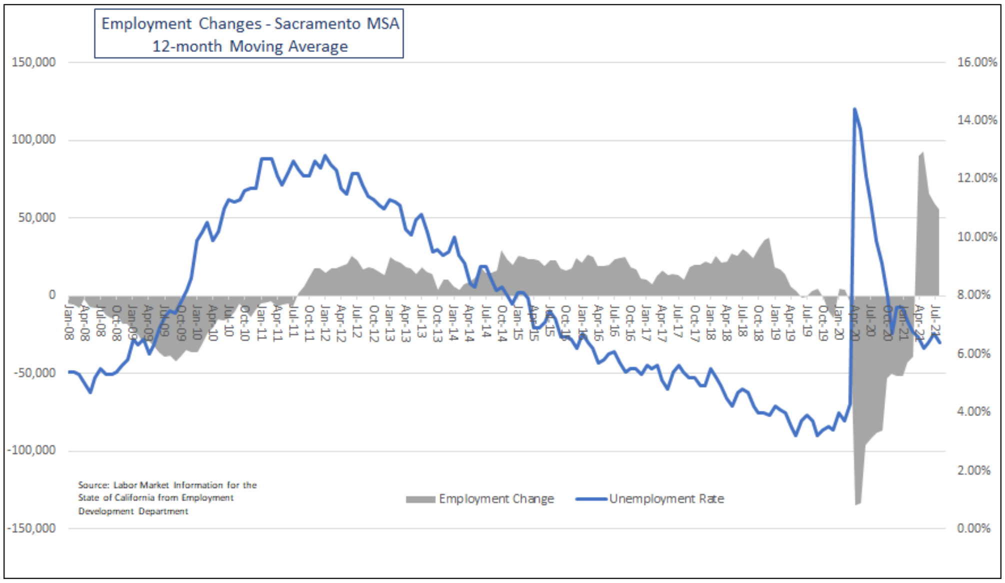
Historical employment trends for the region versus California are summarized in the following table.

Employment Trends						
	Total Employment (Year End)				Unemployment Rate (Annual Avg.)	
Year	Sacramento MSA	% Change	California	% Change	Sacramento MSA	California
2010	914,007	-1.0%	16,125,892	0.9%	12.4%	12.2%
2011	931,957	2.0%	16,423,914	1.8%	11.0%	11.7%
2012	945,585	1.5%	16,817,255	2.4%	9.5%	10.4%
2013	956,324	1.1%	17,081,350	1.6%	7.7%	8.9%
2014	978,549	2.3%	17,527,359	2.6%	6.2%	7.5%
2015	1,002,135	2.4%	17,841,873	1.8%	5.3%	6.2%
2016	1,013,762	1.2%	18,113,717	1.5%	4.8%	5.4%
2017	1,041,760	2.8%	18,402,974	1.6%	3.8%	4.2%
2018	1,066,068	2.3%	18,704,962	1.6%	3.7%	4.2%
2019	1,057,500	-0.8%	18,786,800	0.4%	3.6%	4.0%
2020	1,005,900	-4.9%	16,958,600	-9.7%	7.6%	9.1%
April -2022	1,081,300	7.5%	17,452,000	2.9%		
Overall Change 2010-2020	91,893	10.1%	832,708	5.2%		
Avg. Unemp. Rate 2010-2020					6.9%	7.6%
Unemployment Rate - April 2022					3.2%	4.6%

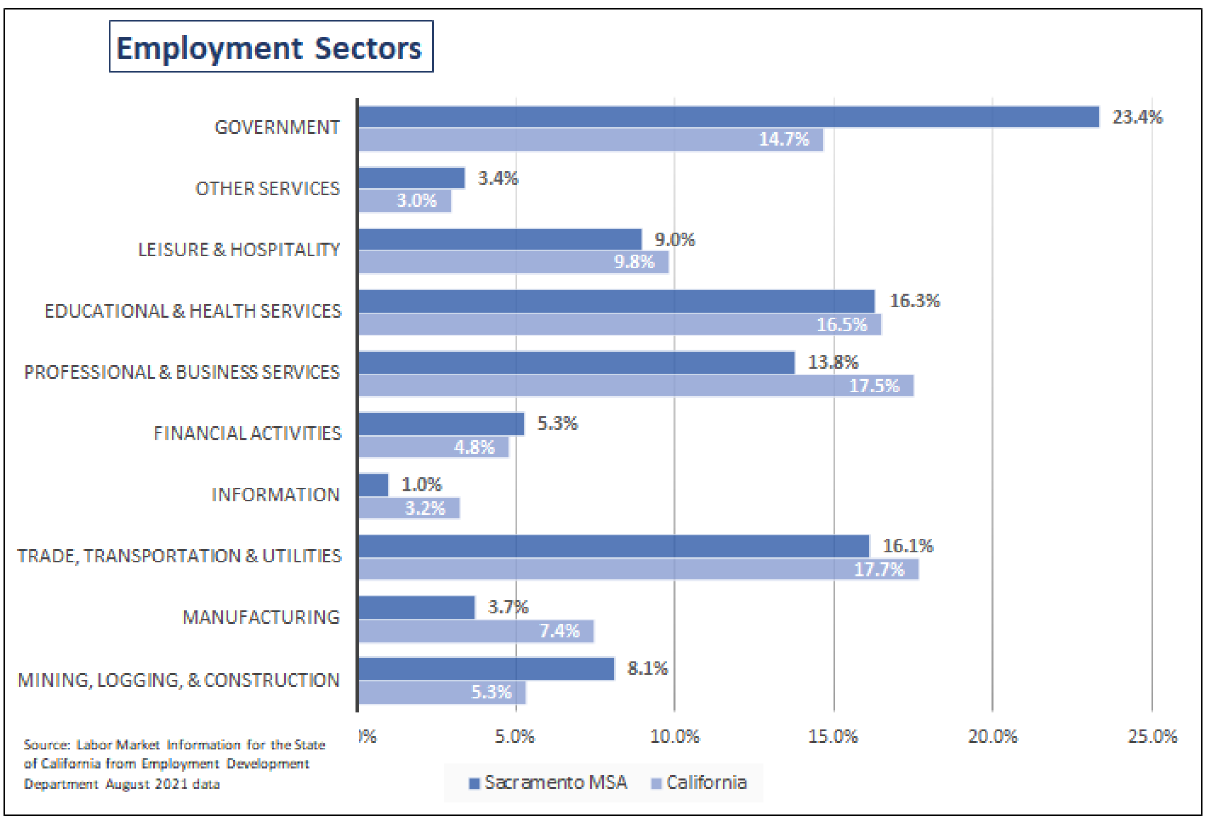
Source: Labor Market Information for the State of California from Employment Development Department. The figures are not seasonally adjusted.

Average annual unemployment rates for the region have been lower than the state for the past decade. Over the past decade, the average annual unemployment rate for the Sacramento MSA was 6.9%, compared to 7.6% for California.

The unemployment rate spiked early in the pandemic (April 2020) to 14% for the Sacramento MSA and 16% for California as a result of mass layoffs. The unemployment rate has gradually moved downward since and as of May 2022, the unemployment rate was 2.9% for the Sacramento MSA and 4.3% for California.



The following tables provide an overview and illustration of the major industry sectors within Sacramento MSA and the California. Total employment is broken down by major employment sector and ranked from largest to smallest based on the percentage of Sacramento MSA jobs in each category.



GOVERNMENT EMPLOYMENT

As the capital of California, a large portion of Sacramento's employment has historically been dominated by the State government and other public-sector employers. Today, State, and local government accounts for 23% of the region's labor pool (±230,000 EE's), which is a very large share by national norms.

With a GDP of $3.35 trillion in 2021, California moved to 5th place in the IMF world economy rankings (California is the only state on the list of nations). As California continues to become more of a global player, Sacramento will continue to grow in significance as a city and the seat of the legislative body that governs the state.

PRIVATE SECTOR EMPLOYMENT

Government will always play a significant role in the region's economic base; however, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in many private sector industries such as professional services, healthcare, education and trade, transportation, and utilities. Sacramento has also provided a welcoming environment to many green and clean technology companies. This is largely due to California's progressive environmental policies but also in the provision of the opportunity to influence these policies from within the California state capital.

The strength of the region's labor force coupled with the availability of land, relatively affordable cost of living and ease of access to other major employment hubs continues to make Sacramento a desirable place to conduct business. Major private sector companies that have maintained a strong local presence and continue to have a positive impact on the region's economy are summarized in the following table.

Major Private Sector Employers - Sacramento MSA

Rank	Company	No. Employees	Rank	Company	No. Employees
1	Kaiser Permanente	23,485	11	Pacific Gas & Electric	3,128
2	Sutter Health	18,947	12	VSP Global	3,002
3	Dignity Health	9,033	13	Squaw Valle/Alpine Meadows	2,600
4	Intel Corp.	6,200	14	Thunder Valley Casino Resort	2,500
5	Raley's Inc.	5,915	15	Blue Shield of California	2,488
6	Apple Inc.	5,000	16	PRIDE Industries	2,366
7	Amazon	4,500	17	Cache Creek Casino Resort	2,300
8	Safeway	4,242	18	Wells Fargo & Co.	2,207
9	Adventist Health	3,646	19	Marshall Medical Center	1,640
10	Health Net, Inc.	3,227	20	Golden 1 Credit Union	1,547

*Does not include UC Davis Health (14,500 EE's)

Source: Sacramento Business Journal 2020 Book of Lists

HIGHER EDUCATION

The University of California at Davis, situated 15 miles west of Sacramento, is one of the nation's top public research universities and is ranked tenth amongst public universities nationwide by U.S. News and World Report. The UC Davis School of Medicine is ranked fourth amongst U.S. medical schools in research funding. Currently, more than 35,000 students are enrolled in over 100 undergraduate and 90 graduate programs at UC Davis. An additional 30,000 students are enrolled at California State University, Sacramento which offers 58 undergraduate and 40 graduate programs. Both schools make a significant impact on the higher-education levels of the local labor pool.

HOUSEHOLD INCOME

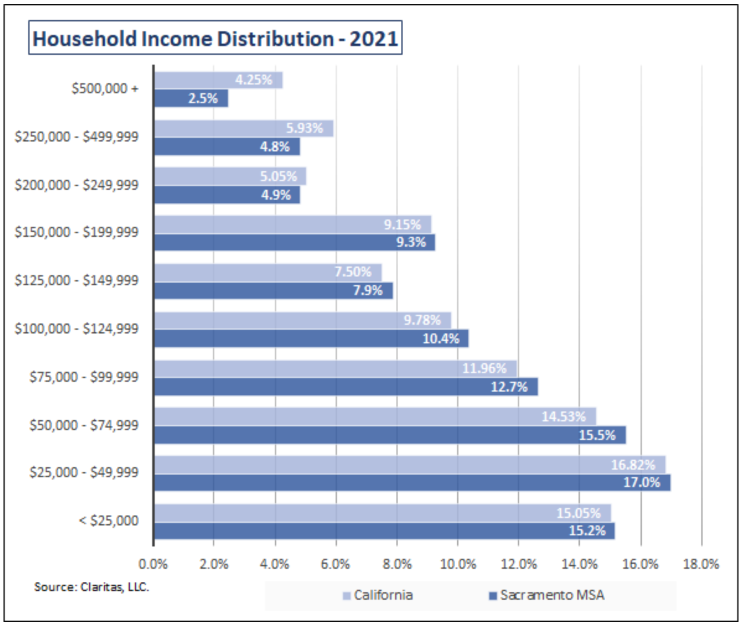
The median household income for the overall Sacramento MSA is slightly above the statewide average. Within the region, median household income is the highest in Placer and El Dorado Counties. The 2020 median income levels are summarized in the following table.

Demographic Characteristics
Sacramento MSA vs. California
2021 Estimates

Characteristic	Sacramento MSA	California
Median Home Price - June 2021	$525,000	$819,630
Average Household Income	$109,265	$120,852
Median Household Income	$79,233	$82,053
Median Age	38.1	37.3
Average Household Size	2.7	2.9
Owner Occupied %	61.1%	55.9%
Renter Occupied %	38.9%	44.1%
Percent with Bachelor's Degree or Higher	33.9%	33.9%

Sources: Neilson 2020 & MLS Data April 2021

Areas of concern for the Sacramento region are the slower pace of income growth and an increase in income inequality. Household income distribution in the region comparted to the State of CA is summarized below.



CONCLUSION

The region has experienced several economic cycles over the past 25 years. The growth periods were largely attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States related to greatly reduced economic activity resulting from measures enacted to slow the spread of the coronavirus pandemic. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA's due to a heavy reliance on government jobs.

The mid-to-long term outlook for the region remains encouraging due to strong fundamentals. The region's affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. The Sacramento region experienced growth in the number of jobs over the past five years, and it is reasonable to assume that growth in employment as well as population will continue to occur in the future.

Employment regionwide has exhibited strong growth amid the pandemic, offsetting almost all of the losses experienced during the pandemic. As of May 2022, Sacramento's unemployment rate was trending at pre-pandemic levels. While the distribution of COVID-1 9 vaccines is promising in further improving unemployment and the health of the economy, the declining U.S. and world GDP due to the Ukraine/Russia conflict, looming supply chain constraints on merchandise, inflation, rising interest rates and reduced monetary stimulus present headwinds that may temper with the region's pace of recovery on a short basis.

On a long-term basis, it is anticipated that the Sacramento MSA will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

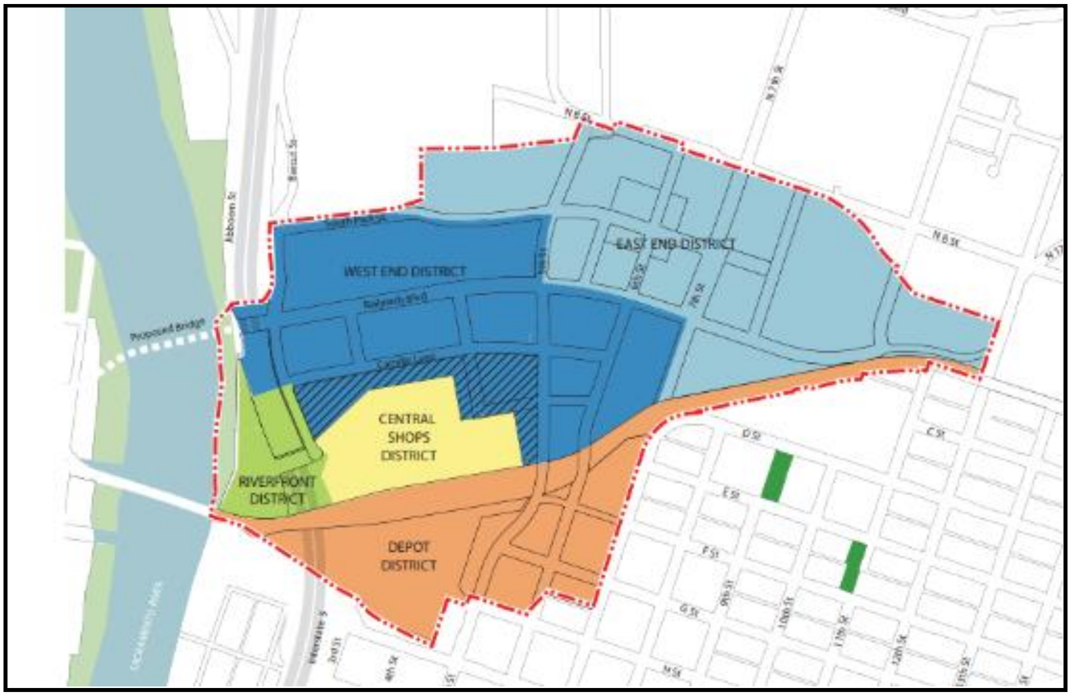
NEIGHBORHOOD ANALYSIS

LOCATION

The subject neighborhood is considered the Railyards Specific Plan Area. This neighborhood is located just north of Central Business District of Sacramento and south of the River District. The area once served as the western terminus of the 1860s Transcontinental Railroad. Over the past decade there has been planning and redevelopment of the 244-acre Railyards Specific Plan Area into a mixed-use, transit-oriented development.

Land Use

The Sacramento Railyards is a large urban tract of land adjacent to Sacramento's Central Business District. It is a redevelopment project that was formerly the Southern Pacific Railyards. The 244-acre site is planned for five distinct land use areas. The map below is an overview of these areas.



At the southern end of the Railyards is the Depot District. The Southern Pacific Depot, an intermodal facility provides a civic front to the Railyards area and is the most familiar feature in this district. This area is anchored by Sacramento Valley Station, which is an Amtrak railway station. The City of Sacramento used $40 million in federal funds, as well as $31 million in State and Local funds to move tracks to improve access and to make room for the intermodal development. To the east of the Sacramento Valley Station is several city blocks that are planned for high-density office development. The Sacramento County Superior Courthouse, a $493 million, 538,000 square foot project is under development on one of these blocks. Construction commenced in November 2020 and the estimated completion date is December 2023. Immediately south of the Depot District is a Federal Courthouse, County of Sacramento buildings and office buildings in the Central Business District.

Located immediately north of the Depot District is the Central Shops District. The Central Shops District is improved with seven large concrete, brick, and metal industrial buildings containing over 300,000 square feet. The buildings have historic designation and are planned for redevelopment for retail, entertainment and creative office uses. A pedestrian tunnel connects the Sacramento Valley Station to the Central Shops. The California State Park's Railroad Technology Museum plans to occupy two of the shop buildings.

The Riverfront District is located adjacent to the Sacramento River and is planned for ± 600 room hotel project and a 2.0-acre park. Interstate Highway 5 is elevated at this area runs north/south through this area. This land is undeveloped.

The West End District is largely vacant land. Railyards Boulevard is constructed and connects with 5^{th}, $6^{th,}$ and 7^{th} Streets. The AJ, a 345-unit apartment project is under construction in this area. This $140 million project will be a 5 and 6-story project with ground floor retail. The project will feature 69 units set aside for affordable housing. The project received several grants and subsidies including an $4.5 million tax-exempt bond, a $15 million State grant and $30 million in tax credits to help with the feasibility of the project.

Kaiser Foundation Hospital is the owner of 17.407 gross acres per assessor parcel maps (or 17.14 taxable acres) in the West End District. Kaiser purchased the property to develop a 1.2 million square foot regional hospital on the site. There has been little predevelopment activity on the property since acquiring the property. The development of this property as a hospital or medical campus remains uncertain at this time.

The East End District is vacant land. The area east of 7^{th} Street is the site where there had been discussions and negotiations with Sacramento Republic for development of an MLS soccer stadium. City officials knowledgeable of the situation indicate low chances of an MLS franchise being awarded to Sacramento Republic after years of planning. As a back-up plan, the developer and Sacramento Republic are discussing a much smaller stadium for their United Soccer League (USL) play. The development of this land for any soccer stadium is uncertain and has not been considered in our analysis.

The soccer stadium site was planned on 15 acres. As part of the planning purposes, the City planned the area for a Soccer Stadium. As was discussed above, the planned soccer stadium is uncertain. As an alternative, there is a Land Use Variant in place would accommodate construction of 750 residential units, 30,700 sf of retail, and 46,050 sf of flex space should a soccer stadium not be built. A 5.0-acre public park is planned for the northern area of this district. The anticipated build-out of this area is expected a 5-6 story office and residential projects.

A land use map of the Railyards is shown below. The map is outdated as it still shows the MLS soccer stadium, which is not likely to happen. No consideration has been given to any possible stadium development for this appraisal.

The Sacramento Railyards is generally flat, reflecting the historic filling of the land over the past century. It is situated on alluvial deposits of the Sacramento and American Rivers. Near the surface and to depths of 30 to 50 feet are deposits of silt and sand, including fill placed over the area in the past 130 years. The majority of the Railyards area is 5 to 10 feet above the 100-year floodplain and the elevation of the downtown and Richards Boulevard area. The Riverfront area highlighted in purple in the map above is owed by DRV. The State of California owns the land immediately adjacent to Sacramento River.

A century of industrial activities within the Railyards resulted in soil contaminations in the surface, subsurface soils as well as the groundwater. Since 1984, Southern Pacific Transportation Company (SPTCo) has been in the process of cleaning up soils and ground water contamination through an Enforcement Agreement between SPTCo and the State Department of Toxic Substances Control (DTSC). Remediation will continue in a phased manner, based on a schedule and standards of clean-up dictated by DTSC.

Access and Linkages

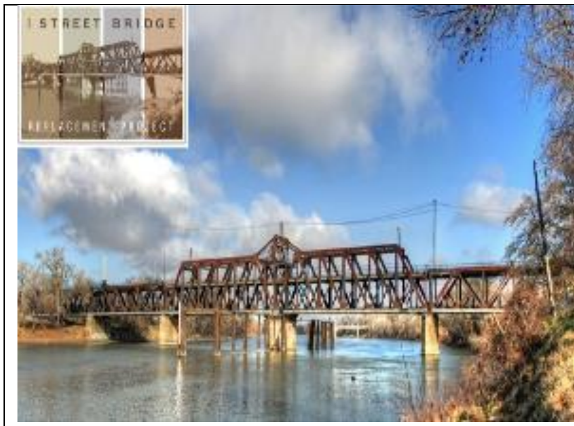
The Sacramento Railyards is connected to the existing downtown street grid at 5th, 6th, and 7th Streets, North B, F and G Streets, as well as Jibboom Street and Bercut Drive. Access from the Railyards to I-5 is either from the I Street on-ramp at 3rd Street or the Richards Boulevard on-ramp. Both of these access points to I-5 are either heavily congested and/or not conveniently located to the Railyards. While the overall linkage within the Railyards is good it is constrained as it has below average linkages to I-5 and West Sacramento.

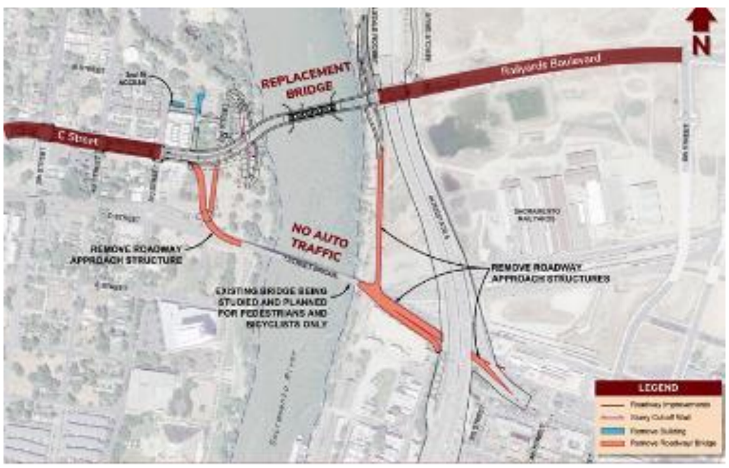
The Sacramento Railyards is connected to West Sacramento via the I Street Bridge which was built in 1911. This bridge has rail on the lower level and pedestrian and automotive lanes on the upper level. The existing I Street Bridge is 110-years old, and the lanes are too narrow to serve buses. The current daily traffic on this bridge is 12,730 cars.

The cities of West Sacramento and Sacramento have been working on a replacement bridge over the past decade. This is needed as the expected daily demand is projected to grow considerably over the next several decades. Without a new bridge the demand will be 25,410 cars per day in 2040. With a new bridge the expected demand would rise to 33,030 cars per day in 2040. The proposed new bridge has construction design complete, and it received NEBA clearance in 2019. The project's estimated $200 million cost will likely be funded from local, state, and federal sources. The City of Sacramento and West Sacramento have been working with Caltrans to find a funding solution but at the present time there remains no clear path to receiving funding for the start of the project.

In January 2022 the U.S. Department of Transportation launched the nation's largest bridge repair program funded by money included in President Biden's infrastructure package recently approved by Congress. Leaders in Sacramento and West Sacramento are working with Caltrans to approve the replacement of the I Street Bridge as one of the first projects to benefit from this new funding.

While local representatives believe the new Bridge has a high certainty of occurring the timing is far from certain today. The scheduled construction start date of 2023 however appears to be in jeopardy. The new I Street Bridge is considered an important linkage for the Railyards especially later in the development cycle. Planning officials at the City of Sacramento indicate the new bridge is a not a condition of approvals for development of the Railyards. The uncertainty of the new bridge is considered a development risk which has been considered in the valuation of the property.





The Sacramento Valley Station is located along the southern end of the Railyards. This station serves as an intermodal hub for Amtrack train, bus service, light rail, and freight rail. A pedestrian tunnel from the Sacramento Valley Station is in place and will connect/open to the Central Shops when these historic buildings are renovated.

Demand Generators

The Sacramento Railyards is adjacent to the Downtown/Central Business District ("CBD") which contains the highest concentration of office space within the Sacramento region. The State Capitol grounds is located several blocks south of the Sacramento Railyards at Capitol Mall and 10th Street. Most of the major state agencies are located south and east of the State Capitol where there are 24 state owned buildings containing approximately 6.9 million square feet. There are three new state office projects either under construction or recently completed. The new 21-story California Natural Resources building at P and 7th streets was designed for 4,400 employees. An 11-story building at O and 10th streets is being made for 1,286 employees. And the 1,250,000 square foot Richards Boulevard Complex will be home to another 4,650 state workers, according to figures provided by the state Department of General Services. In addition to the state office buildings, there are Sacramento City and Sacramento County complexes as well as several federal buildings. Government, particularly the state of California agencies, has a large impact on real estate in the subject neighborhood. The total office inventory, excluding the government owned office buildings is approximately 21 million square feet. The CBD and Midtown are largely built out and new development would be from redevelopment of older properties in those submarkets.

Outlook and Conclusions

The Sacramento Railyards is one of the largest urban in-fill development sites in the United States. It is adjacent to the Sacramento CBD, which is the most intensely developed area in the region consisting of mid and high-rise office buildings, several large hotels, a variety of retail projects and the State Capitol. Government, particularly the State of California, is by far the largest and most influential property user in the adjacent neighborhood. The CBD and Midtown area has seen many redevelopment and new real estate projects constructed over the past decade. The central area of the City of Sacramento is considered one of the most desirable sub-markets in the region. The Sacramento Railyards, being adjacent to this area is expected to see greater development opportunities in the coming decades given the largely built-out status of the adjacent CBD. In the interim, the CBD and Midtown markets will continue to be negatively impacted by the pandemic. This is the result of slower office leasing activity, high percentage of workers working from remote and lower foot traffic which has impacted the retail establishments. Looking ahead over the next couple of decades, the Railyards is expected to see significant new construction activity in the city of Sacramento downtown area.

HISTORY OF THE SACRAMENTO RAILYARDS

The Sacramento Railyards, a 244-acre property is located immediately north of the Sacramento CBD. The property was formerly the Central Pacific Railyards which was developed in 1855. The property was used for railyard maintenance. The shops in the Railyards were used for locomotive repairs, general maintenance and, occasionally, creation. The yards steadily expanded, becoming the biggest railroad facility west of the Mississippi River and employing approximately one-third of all Sacramento area workers in the early decades of the 20th century. Below is a summary of some of the milestones in the Railyards over the past two decades.

TRANSFER OF RAILYARDS TO THOMAS ENTERPRISES

In 2006 the Railyards property was sold to Thomas Enterprises who undertook entitlement work to transform the 244-acre site into a high-density urban development. At the same time, Parcel A was transferred concurrently to the City of Sacramento, who had plans for expanding the existing train station into an intermodal facility. Around 2010 Thomas Enterprises defaulted on a loan and Inland America, the lender, foreclosed on the property.

SACRAMENTO TRAIN STATION

Located along the southern portion of the Sacramento Railyards is the Train Station which was a terminal of the Central Pacific Railroad. The present building, designed by the San Francisco architectural firm of Bliss and Faville for the Southern Pacific Railroad, was built in 1926 in the Renaissance Revival style. Decorative features include a red tile roof and terracotta trim, as well as large arches on the main facade. Inside, the waiting room has a mural by artist John A. MacQuarrie that depicts the celebration of the groundbreaking for the First Transcontinental Railroad on January 8, 1863, in the City of Sacramento. With the creation of Amtrak on May 1, 1971, the station became Amtrak-only. The station was listed on the National Register of Historic Places in 1975 as Southern Pacific Railroad Company's Sacramento Depot.

After the City's purchase of the 33-acre site, they embarked on renovation plans to create a 21st century intermodal facility. The station remodel with new platforms and rail lines were substantially completed in 2017. The City has further construction plans for the Sacramento Valley Station, but most are still under review and years away from construction start. Today, the Sacramento Valley Station serves as an intermodal hub for Amtrak train and bus service, Sacramento Regional Transit light rail, regional bike trail and pedestrian connections, and as the future station for California High Speed Rail. It is the seventh busiest Amtrak station in the country, and the second busiest in the Western United States with thousands of riders a day and over a million passengers per year. It is served by 38 daily Amtrak and Amtrak California trains and many Amtrak Thruway Motorcoaches. It is also the western terminus of the Sacramento RT Gold Line light rail system and the Route 30 bus serving Sacramento State University.

TRANSFER OF RAILYARDS TO DOWNTOWN RAILYARDS VENTURE LLC

Inland American, the owner of the Railyards from 2010 to 2015 continued to complete environmental clean-up and completed several major roads including the extension of 5th, 6th, and 7th Streets over and under the relocated rail lines. In 2014 they sold a city block of the Railyards to the State of California for a new courthouse (now under construction). In 2015 Inland American and Larry Kelly, a prominent

Sacramento area developer entered into a joint venture with Inland to develop the property. The new entity known as Downtown Railyard Venture, LLC was formed to take the Railyards to the next level. Mr. Kelley's early vision of the site included not only transforming the Railyards into a major urban neighborhood but also possibly landing a Major League Soccer franchise which would entail a new stadium to be built in the Railyards. In 2019, Mr. Kelley's group bought out Inland's interest in the property and brought in a new locally based investor group. DRV has been successful in achieving several major notable milestones. Some of these include:

- Completion of over $70 million in infrastructure work, including commencement of the $34 million Storm Drain Outfall project.

- Continued refinement of entitlement work, including the Sacramento Railyards Specific Update Plan in 2016.

- Completed major land sale to Kaiser Hospital in 2019.

- Commencement of construction as a JV partner of The AJ, a six-story 345-unit mixed use project with a 2022/2023 completion date. A total of $74.2 million in construction costs have been incurred and paid.

- Parking Garage Design (Lot 17), a 1,421-stall garage is anticipated to commence construction within the next 3 years, however there can be no assurance that milestone is met. Delays to the construction of the parking garage will impact development in the CFD. Tentatively scheduled to open to correspond with the termination of the temporary surface parking lots.

- Design of Historic Shops, including a signed lease to Live Nation as an anchor tenant.

- Design of The Foundry, a proposed 6-story, 2 building, 313K SF office project (Lots 12 A&B). A prominent brokerage company is marketing the space to local and Bay area firms.

- Design and approvals of Wong Center, a proposed 150-unit low-income project (Lot 46A). This is a joint venture with Mutual Housing and has secured a $3.5 million loan from the City of Sacramento as well as $21.3 million in tax credits. This $55 million project has recently commenced construction.

- Franchised two hotel projects on Lots 15 A & C. 356 total rooms with an uncertain start date.

- Design & negotiations with Sacramento Republic FC for development of a soccer stadium on Lots 52a through 52e.

ENTITLEMENT WORK AT THE RAILYARDS

The Railyards is equivalent in size to the existing downtown CBD and holds significant historical and cultural importance to the City of Sacramento. The project features the preservation and partial reuse of the "Central Shops" buildings originally used for railroad maintenance and the former Southern Pacific Sacramento Depot; now known as Sacramento Valley Station.

The Central Shops consist of the existing seven historic railyard buildings from the original Central Pacific Railroad Yard, constructed between 1868 and 1917. In December 2007 the City of Sacramento listed the Central Shops Historic District as a Historic District on the Sacramento Register of Historic & Cultural Resources. Five of the shop buildings are planned for renovation by DRV. These buildings total 247,832 square feet and will include open plazas on a 9-acre site. Adjacent to the DRV shop buildings are two railyard buildings owned by the State of California. These are planned to be restored and used a as railyard museum. More details of the Central Shops are shown later in the report.

The new ownership was able to revise the existing entitlements of the project. In October 2016, the Sacramento Railyards Specific Update Plan was approved. This plan superseded the original Railyards Specific Plan. The Railyards Specific Update Plan is the overarching policy document that guides development within the Railyards Plan Area, but it works together with three other documents that provide specific guidance on matters relating to urban design, development regulations, and permitting: the Railyards Design Guidelines, the Railyards Special Planning District Ordinance (SPD), and the Central Shops Historic District Ordinance.

The plan for the Railyards project is to expand the role of the Central City as Sacramento's regional destination for employment; commerce; government; sports and entertainment; housing; and education, culture, and tourism and to create a transit-oriented mixed-use district as an integral extension of the Central Business District. DRV's plan of the Railyards is to create a dynamic 24-hour mixed-use, urban environment that provides a range of complementary uses, including cultural, office, hospitality, sports and entertainment, retail, healthcare, educational, and open space; and a mixture of housing products, including affordable housing. The plan will transform the Railyards from an underutilized and environmentally contaminated industrial site into a transit-oriented mixed-use urban environment. In October 2016, the City Council approved planning entitlement for the Sacramento Railyards. The project includes the following land use approvals:

- 6,000-10,000 dwelling units
- 514,270 square feet of retail
- 2,757,027 - 3,857,027 square feet of office use
- 771,405 square feet of flexible mixed use
- 1,228,000 square feet of medical campus
- 1,100 hotel rooms
- 485,390 square feet of historic and cultural uses
- 33 acres of open space.
- A soccer stadium with 19,621 seats, and potential to expand to approximately 25,000 seats.

A land use/zoning map of the Railyards is shown below.

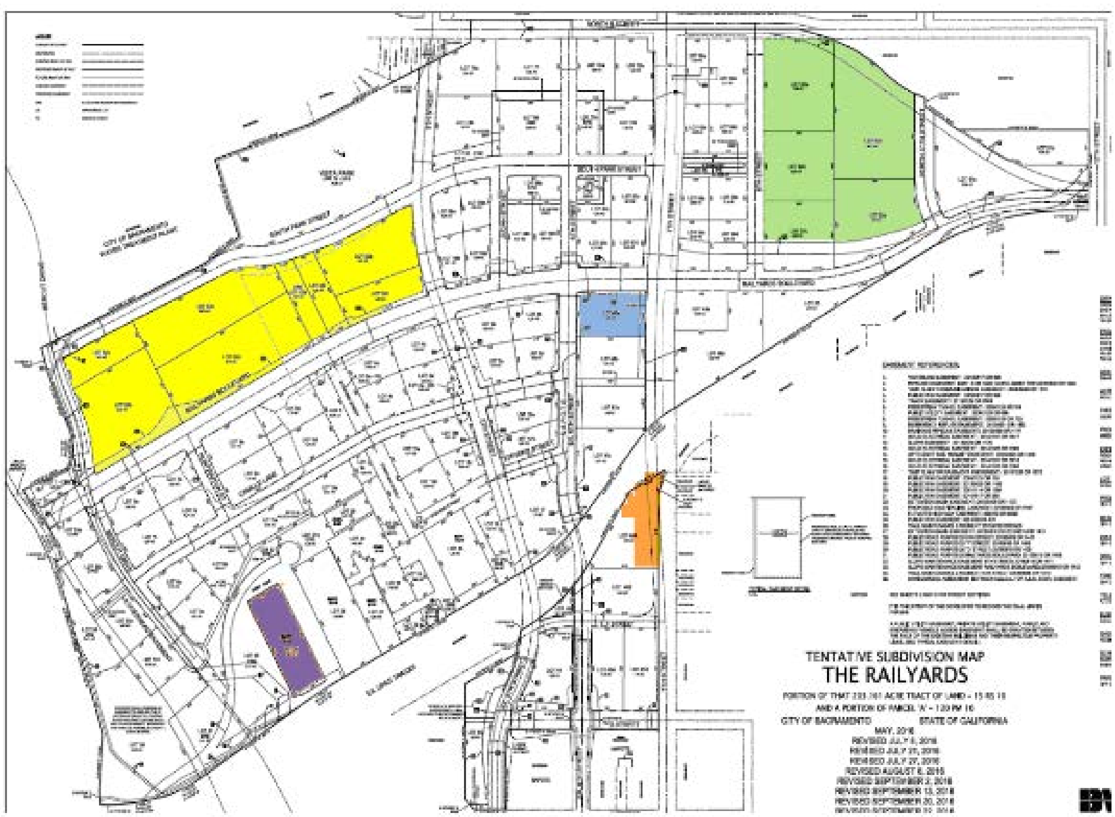
Zoning/Land Use Map

Note: The land immediately adjacent to the Sacramento River is owned by the State of California.

RECENT LAND SALE DEVELOPMENTS

The development of the Railyards had been advanced by several announcements. In 2019 Kaiser Foundation Hospital purchased 17.407 gross acres (or 17.14 taxable acres) in the Railyards. They plan to develop a 1.2 million square foot regional hospital and medical center. There has been no entitlement work on the hospital, and it is uncertain if or when the hospital and/or medical center will get built.

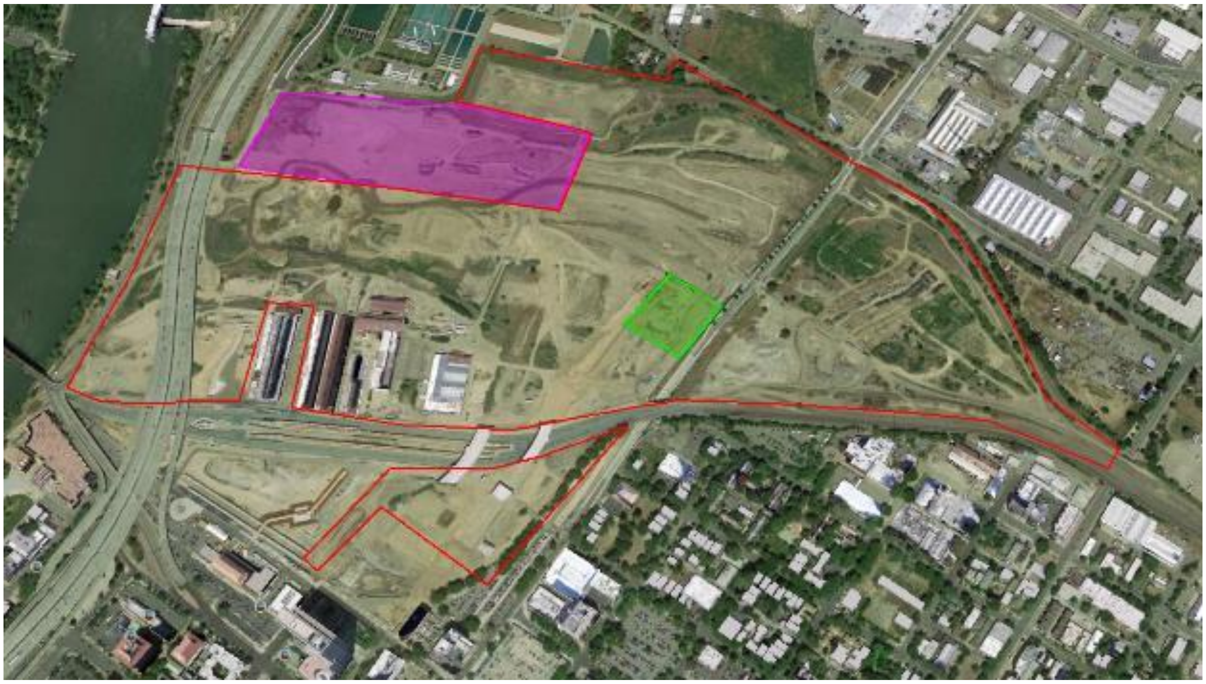
Another announcement back in 2016 was the plan to sell a site east of 7th Street to Sacramento Republic FC, who planned to build a 21,000-seat sports soccer stadium. In February 2021, there was a set-back when it was announced that Ron Burkle, the lead investor in the soccer club announced he was backing out on the deal citing Covid issues and overall cost of the investment. In December 2021, another set-back occurred when it was announced that another city had been given the MLS franchise. The chances of a soccer stadium being built to the size and scope as originally planned is very low.



Kaiser Land
Site of Possible Soccer Stadium
The AJ
Wong Center
Out-Parcel – Future Railroad Museum

Dated Image showing the proposed MLS Soccer Stadium. Changes in land use for that site are likely.

August 2006 Aerial with Train Tracks at Original Location



August 2012 – Train Tracks Being Relocated & Start of bridge construction of 5th and 6th Streets. 7th Street underpass and extension to Richard Boulevards completed.

January 2015 - Tracks relocated and 5, 6, & 7th Streets completed

The photograph above is from 1923-1926

The image above is an Artist Rendition (not an illustration of future build-out)

SITE DESCRIPTION

INTRODUCTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources.

The subject property consists of 16 existing assessor parcels totaling 187.705 gross acres of land of which 117.83 acres are taxable acres. Below is a summary of the subject land area.

Land Area Summary		
Category/Ownership	**No Lots**	**Acres**
DRV Vacant Land	76	85.782
DRV Owned Historic Shops & Open Space	12	9.37
Kaiser Vacant Land	8	17.14
The AJ	1	2.88
Wong Center	1	2.658
Taxable Acres	**98**	**117.83**
Storm Drain Parcel	1	0.52
Lots Comprised of Future Streets	2	2.14
Parks and Open Space	21	31.15
Non-Taxable Lots	**24**	**33.81**
Lots Under Tentative Map	**122**	**151.64**
Proposed Streets in T-Map		36.065
Total Lots/Gross Acres		**187.705**

The subject is a portion of the Sacramento Railyards. Below is a summary of the subject parcels.

Assessor Parcel Summary			
Parcel No.	**Parcel From Title Report**	**Ownership**	**Land Area**
001-0064-011	6	Downtown Railyard Venture, LLC	0.110
001-0064-012	7	Downtown Railyard Venture, LLC	0.090
001-0064-013	8	Downtown Railyard Venture, LLC	0.070
002-0010-069	3	Railyards Lot 48, LLC	2.880
002-0010-074	1	Downtown Railyard Venture, LLC	42.290
002-0010-075	2	Downtown Railyard Venture, LLC	112.900
002-0010-076	4	Downtown Railyard Venture, LLC	9.300
002-0010-077	5	Wong Center at the Railyards, L.P.	2.658
002-0270-001	9	Kaiser Foundation Hospital	1.139
002-0270-002	9	Kaiser Foundation Hospital	3.500
002-0270-003	9	Kaiser Foundation Hospital	3.310
002-0270-004	9	Kaiser Foundation Hospital	4.169
002-0270-005	9	Kaiser Foundation Hospital	0.769
002-0270-006	9	Kaiser Foundation Hospital	0.850
002-0270-007	9	Kaiser Foundation Hospital	2.410
002-0270-008	9	Kaiser Foundation Hospital	1.260
		Total	187.705

SUBJECT LOCATION

The subject is a part of a 244-acre Plan Area is located immediately north of the CBD, east of the Sacramento River, south of North B Street and west of the federal courthouse and the Alkali Flat neighborhood. The site sits between the confluence of the Sacramento and American Rivers, where the initial settlement of the City of Sacramento was founded in 1849 along the banks of the Sacramento River. The Railyards is in close proximity to Old Sacramento, Downtown, Chinatown, the federal courthouse and local government offices, the Richards Boulevard industrial district (River District), and the historic Alkali Flat neighborhood. A key element of this Plan is to knit the surrounding areas to the new districts and neighborhoods in the Railyards and allow for the downtown circulation grid to extend northward connecting to Richards Boulevard and the River District.

Figure 1-2. City of Sacramento Neighborhood Districts Map


Google Earth

Boundary of the 244-acre Railyards Specific Plan

RAILYARDS TENTATIVE MAP

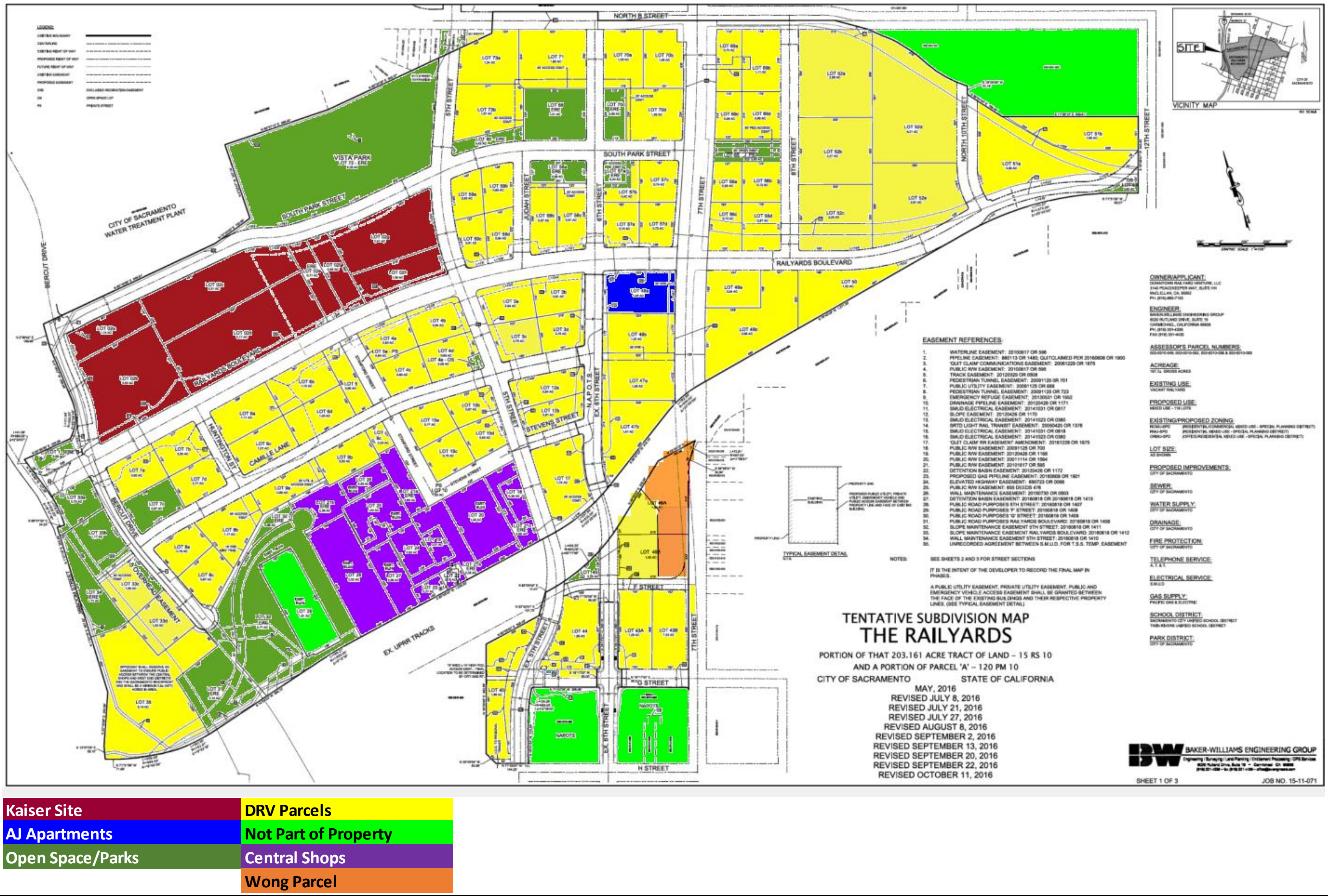
The Railyards Tentative Map was approved on November 10, 2016. There are numerous conditions of approval for achieving a Final Subdivision Map. These conditions of approval are typical for subdivision maps and are on-going with the final mapping. The following lot schedule is from the tentative map.

Subject by Lot No.											
Lot #	Gross Acres	Taxable Acres	Comment	Lot	Gross Acres	Taxable Acres	Comment	Lot	Gross Acres	Taxable Acres	Comment
1	0.56	0	Future Park	18	0.38	0.38	Open Space for Shops	52 b	2.27	2.27	Possible Stadium Site
2 a	1.14	1.14	Kaiser Site	19	0.31	0.31	Open Space for Shops	52 c	2.24	2.24	Possible Stadium Site
2 b	3.5	3.5	Kaiser Site	20	1.55	1.55	Historic Shop	52 d	4.21	4.21	Possible Stadium Site
2 c	3.31	3.31	Kaiser Site	21 b	2.38	2.38	Open Space for Shops	52 e	2.91	2.91	Possible Stadium Site
2 d	4.17	4.17	Kaiser Site	21 a	0.65	0.65	Open Space for Shops	53	0.5	0	Open space
2 e	0.77	0.68	Kaiser Site	21 c	0.66	0.66	Open Space for Shops	56 a	0.56	0.56	
2 f	0.85	0.76	Kaiser Site	22	0.19	0.19	Open Space for Shops	56 b	0.73	0.73	
2 g	2.41	2.32	Kaiser Site	23	0.27	0.27	Open Space for Shops	56 c	0.73	0.73	
2 h	1.26	1.26	Kaiser Site	24	0.62	0.62	Historic Shop	56 d	0.87	0.87	
3 a	0.94	0.94		25	1.04	1.04	Historic Shop	57 a	0.24	0	Open space
3 b	0.91	0.91		26	0.46	0.46	Historic Shop	57 b	0.45	0.45	
3 c	0.79	0.79		27	0.86	0.86	Historic Shop	57 c	0.74	0.74	
3 d	0.76	0.76		28	2.32	0	Historic Shop	57 d	0.72	0.72	
4 a	0.83	0.83		30	4.77	0	Future Park	57 e	0.74	0.74	
4 b	0.94	0.94		31	2.14	0	Future Park	58 a	0.58	0	Open Space
4 c	0.8	0.8		32	0.88	0	Future Park	58 b	0.87	0.87	
4 d	0.93	0.93		33 a	0.73	0	Future Park	58 c	0.91	0.91	
4 e	0.08	0	Water Tower	33 b	1.17	0	Future Park	59 a	0.63	0.63	
5	0.66	0.66		33 c	1.06	1.06	Freeway/Possible Parking	59 b	0.65	0.65	
5 a	0.64	0	Future Street	33 d	1.03	1.03	Freeway/Possible Parking	59 c	0.61	0.61	
6 a	1.11	1.11		33 e	0	0		59 d	0.64	0.64	
6 b	1.13	1.13		34	1.11	0	Future Park	60	0.42	0	Future Park
6 c	1.01	1.01		35	5.14	3.14	2.0 Acres of Park	65	0.41	0	Future Park
6 d	1.03	1.03		40	1.86	1.86		68	1.51	0	Future Park
7 a	0.92	0.92		42	0	0		69 a	0.72	0.72	
7 b	0.85	0.85		43 a	1.26	1.26		69 b	1.11	1.11	
7 c	0.87	0.35	Storm Drain	43 b	1.34	1.34		69 c	0.58	0.58	
7 d	0.77	0.77		44	1.65	1.65		69 d	0.86	0.86	
8 a	0.76	0.76		45	0.22	0	Open Space	70 a	1.08	1.08	
8 b	1.17	1.17		46	2.658	2.658	Proposed Wong Center	70 b	1.06	1.06	
8 c	0.87	0.87		46 b	0.722	0.722	Remnant of Wong	70 c	0.55	0	Future Park
9 a	0.85	0.85		47 a	1.5800	1.5800		70 d	1.36	1.36	
9 b	0.83	0.83		47 b	1.6100	1.6100		71	1.82	1.82	
9 c	0.24	0.24		48 a	2.88	2.88	The AJ	72	9.28	0	Future Park
10	1.5	0	Future Street	48 b	0	0		73 a	1.34	1.34	
12 a	0.94	0.94	Foundry Office	49 a	0.94	0.94		73 b	1.57	1.57	
12 b	0.81	0.81	Foundry Office	49 b	2.68	2.68		458 N B	0.11	0.11	
15 a	0.77	0.77	Planned Hotel	50	1.52	1.52		464 N B	0.09	0.09	
15 b	0.67	0.67		51 a	3.36	3.36		468 N B	0.07	0.07	
15 c	0.76	0.76	Planned Hotel	51 b	1.65	0	Police/Fire Station	**Total**	**151.88**	**117.83**	
15 d	0.65	0.65		52 a	2.99	2.99	Possible Stadium Site				
17	1.74	1.74	Planned Parking Garage								

Buildable Land Area Summary				
Category/Ownership	No Lots	Acres	West of 7th St.	East of 7th St.
DRV Vacant Land	76	85.782	56.502	29.28
Historic Shops & Open Space	12	9.37	9.37	0
Kaiser	8	17.14	17.14	
AJ	1	2.88	2.88	
Wong	1	2.658	2.658	
Buildable/Taxable Acres	**98**	**117.83**	88.55	29.28

The tentative map was approved subject to numerous conditions of approval being met prior to final map approval. The developer has completed many of the conditions of approval and others remain to be completed. There has been 1 final map approved for the Railyards. Final Map 409 BM 1, Unit No. 2 was approved in January 2019. The map is for Lots 1-8, being portion of Parcel 2, also known as the Kaiser Hospital property. The tentative map expiration coincides with the Development Agreement ("DA") term of 20 years dated November 10, 2016. Section 5.3 of the Development Agreement establishes that the tentative map (and all related entitlements) is valid for the term of the DA. The development agreement has two 5-year extensions subject to meeting certain development milestones. A complete list of the conditions of approval as well as the development agreement are contained in the addendum of this report.

51b


NORTH B STREET
SOUTH PARK STREET
RAILYARDS BOULEVARD
VISTA PARK
CITY OF SACRAMENTO WATER TREATMENT PLANT
5TH STREET
6TH STREET
7TH STREET
8TH STREET
NORTH 10TH STREET
12TH STREET
STEVENS STREET
CAMILLE LANE
F STREET
G STREET
H STREET
EX. UPRR TRACKS
VICINITY MAP
SITE
EASEMENT REFERENCES
TENTATIVE SUBDIVISION MAP
THE RAILYARDS
PORTION OF THAT 203.161 ACRE TRACT OF LAND – 15 RS 10
AND A PORTION OF PARCEL 'A' – 120 PM 10
CITY OF SACRAMENTO
STATE OF CALIFORNIA
MAY, 2016
REVISED JULY 8, 2016
REVISED JULY 21, 2016
REVISED JULY 27, 2016
REVISED AUGUST 8, 2016
REVISED SEPTEMBER 2, 2016
REVISED SEPTEMBER 13, 2016
REVISED SEPTEMBER 20, 2016
REVISED SEPTEMBER 22, 2016
REVISED OCTOBER 11, 2016
BAKER-WILLIAMS ENGINEERING GROUP
SHEET 1 OF 3
JOB NO. 15-11-071
Kaiser Site
DRV Parcels
AJ Apartments
Not Part of Property
Open Space/Parks
Central Shops
Wong Parcel

BBG

SITE CHARACTERISTICS

The Railyards area is generally flat, reflecting the historic filling of the land over the past century. It is situated on alluvial deposits of the Sacramento and American rivers. Near the surface, and to a depth of 30 to 50 feet, are deposits of silt and sand. Geotechnical analysis indicates that conditions within the site are unlikely to pose significant constraints to development. It is anticipated that the kinds of foundations required for the different building types in the Railyards will be similar to those required elsewhere in downtown Sacramento.

Since the majority of the site has long been used for railroad and industrial uses, it is mostly devoid of vegetation with the exception of riparian vegetation along the Sacramento River. A century of industrial activity within the Railyards site has resulted in extensive soil and groundwater contamination. Significant efforts have been undertaken over the past decades to document the nature and extent of contamination, and to remediate the contaminants to a level that will allow for redevelopment of the site for a variety of land uses, subject to certain development standards. In 2010, the Central Shops buildings were largely abated of lead, asbestos, and PCBs.

CENTRAL SHOPS

The Central Shops District represents the historic core of the Railyards site. The Central Shops consist of the existing seven historic railyard buildings from the original Central Pacific Railroad Yard, constructed between 1868 and 1917, the turntable structure and a water tower. The Central Shops served as the principal shops of the Pacific Lines of the Central Pacific system (later merged into Southern Pacific system) between 1868 and 1990, overseeing subsidiary shops from Portland, Oregon, and Ogden, Utah, to San Francisco and Los Angeles, California. During its first 80 years or so the Central Shops complex had been recognized as the largest integrated industrial complex west of the Rocky Mountains. As late as World War II they retained industrial capabilities found nowhere else in the West, such as the ability to produce the giant metal rollers for the wartime Kaiser steel plant built at Fontana in Southern California. The Central Shops were by far the largest single employer in the Sacramento region until after World War II, with workers playing a major part in the economic, social, cultural, and political life and development of the Sacramento region.

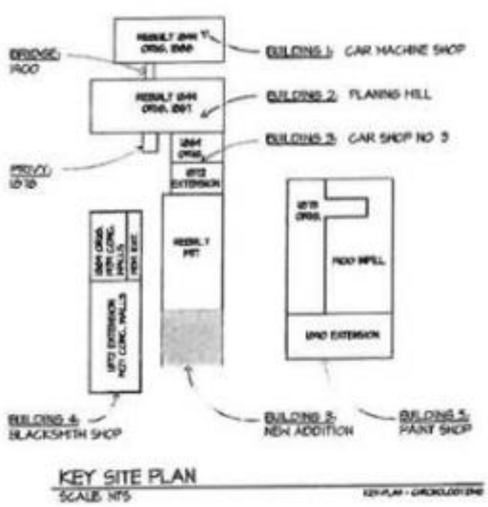
Architecturally, the shop buildings qualify as being representative examples of typical mid-19th century to late Victorian industrial architecture, some portions were rebuilt in the early 20th century. They feature classic samples of decorative and architectural details from their various periods of construction. In December 2007 the City of Sacramento listed the Central Shops Historic District as a Historic District on the Sacramento Register of Historic & Cultural Resources.

There are 5 central shops on the subject property. Two other shop buildings are in the Sacramento Railyards are owned by the State of California and not included in the CFD. The total building area of the shops is 247,832 square feet. These buildings have historical significance for the region and are planned to be restored. Below is a summary of the buildings.

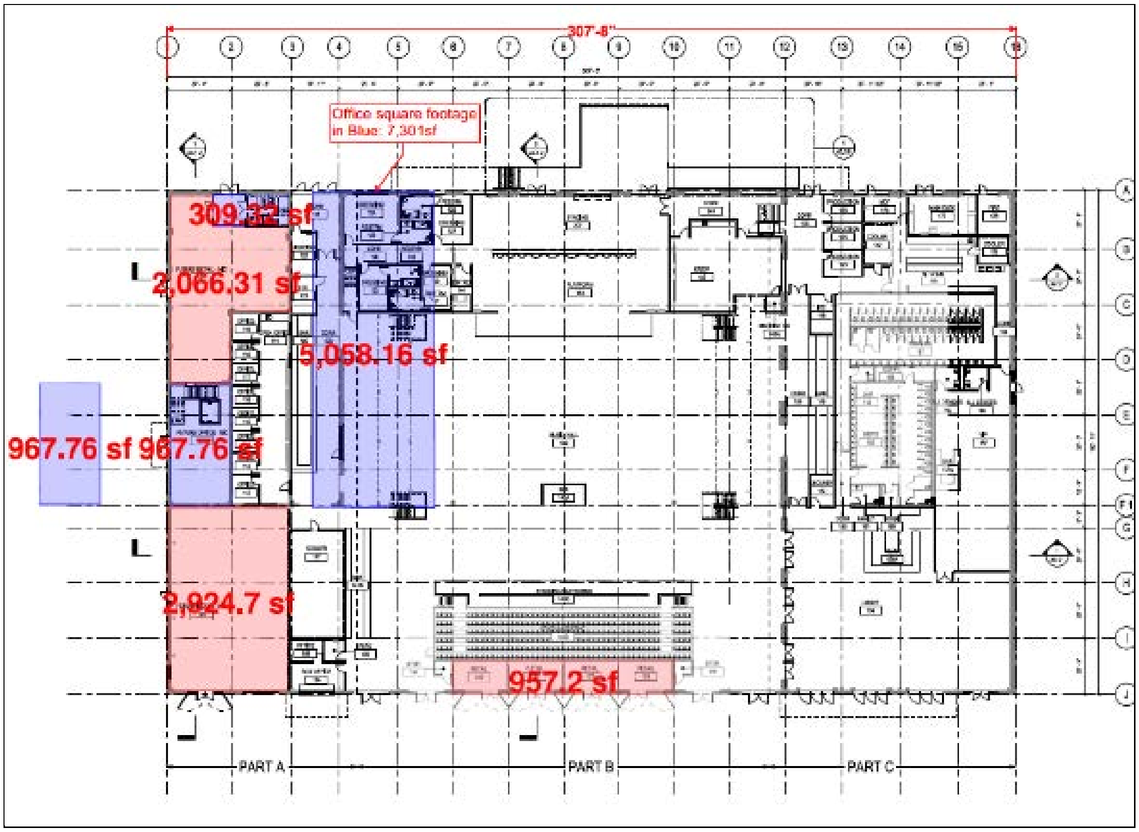
Central Shop Buildings	
	Building Size
Building 1 - Car Machine Shop	27,670
Building 2 - Planning Mill	62,965
Building 3 - Car Shop	68,434
Building 4 - Blacksmith Shop	27,738
Building 5 - Paint Shop	61,025
Intermodel Entrance	
Total	**247,832**

The 2018 Updated Financing Plan and DRV expect historic tax credits and New Market Tax credits will be awarded to help fund the construction costs.

PROJECT MAP
[the below measurements shall be verified by Developer during the Term]



Area	SF
#1 - Car Machine Shop - First Floor	13,835
#1 - Car Machine Shop - Second Floor	13,835
#1 - Car Machine Shop - All Floors	**27,670**
#2 - Planing Mill - First Floor	29,854
#2 - Planing Mill - Second Floor	29,854
#2 - Planing Mill - Power House Footprint - First Floor	1,580
#2 - Planing Mill - Privy - All Three Floors	1,677
#2 - Planing Mill - All Areas	**62,965**
#3 - Car Shop - First Floor	49,035
#3 - Car Shop - Second Floor	19,399
#3 - Car Shop - All Floors	**68,434**
#4 - Blacksmith Shop - First Floor	**27,738**

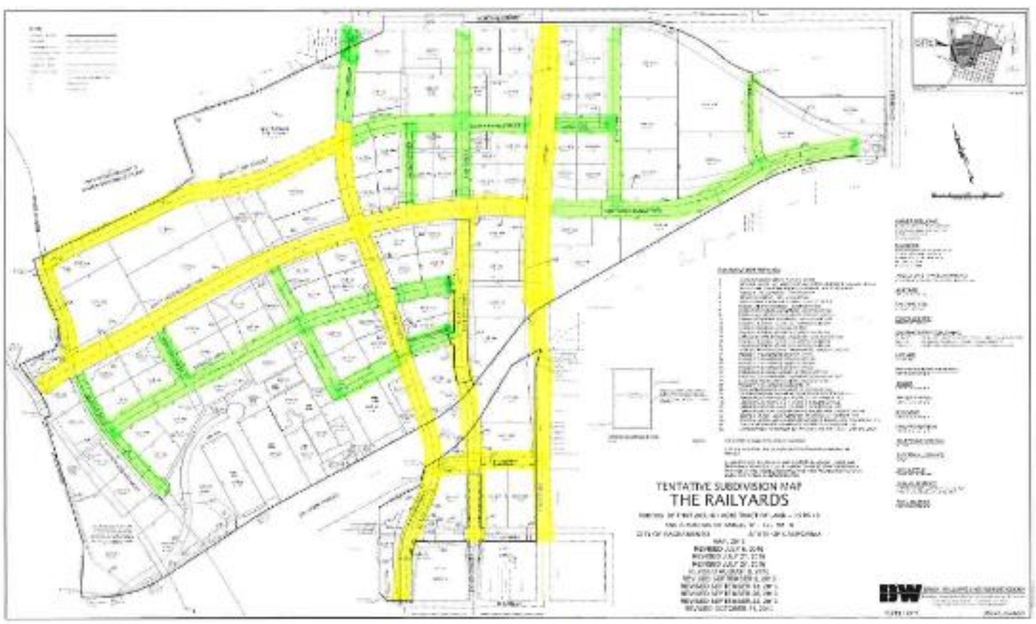


PAINT SHOP BUILDING DIAGRAM

TRANSPORTATION AND ROADWAYS

The area includes the recently built Railyards Boulevard, which runs east-west through the center of the site up until 7th Street. Other roads constructed into the Railyards includes 5th, 6th, and 7th Streets. Portions of 5th and 6th Streets still need to be improved north of Railyards Boulevard.

There are several roads planned within the Tentative Map that need to be constructed. Roadways that will be extended, expanded, or modified to provide direct access within the Railyards site include Bercut Drive, Jibboom Street, F Street, G Street, as well as North B Street, 8th Street, and North 10th Street. The map below shows existing and proposed roadways.



Roads Constructed Roads to be Constructed

In addition to providing improved circulation within the site and to adjacent neighborhoods, the local roadway network that will serve to connect the Railyards site include the following:

Interstate 5: Runs north-south through the western end of the site. I-5 is accessible from I Street on-ramp or Richards Boulevard on-ramp. Off-ramps from I-5 include Richards Boulevard or J Street.

7th Street: Provides main access to the site from I Street (south) or Richards Boulevard (north).

5th and 6th Streets: These roads link the Railyards to I Street. Future extensions of these roads will link to North B Street

Jibboom Street and Bercut Drive will also provide alternate riverfront access from the Richards Boulevard/I-5 Freeway interchange, connecting directly to the west end of Railyards Boulevard.

Bercut Drive, an existing roadway, is primary a western outlet for Railyards Boulevard. The street, which currently begins near its future intersection with Railyards Boulevard and extends north of Richards Boulevard, runs along the eastern edge of Interstate 5, which is elevated as it travels through the Plan

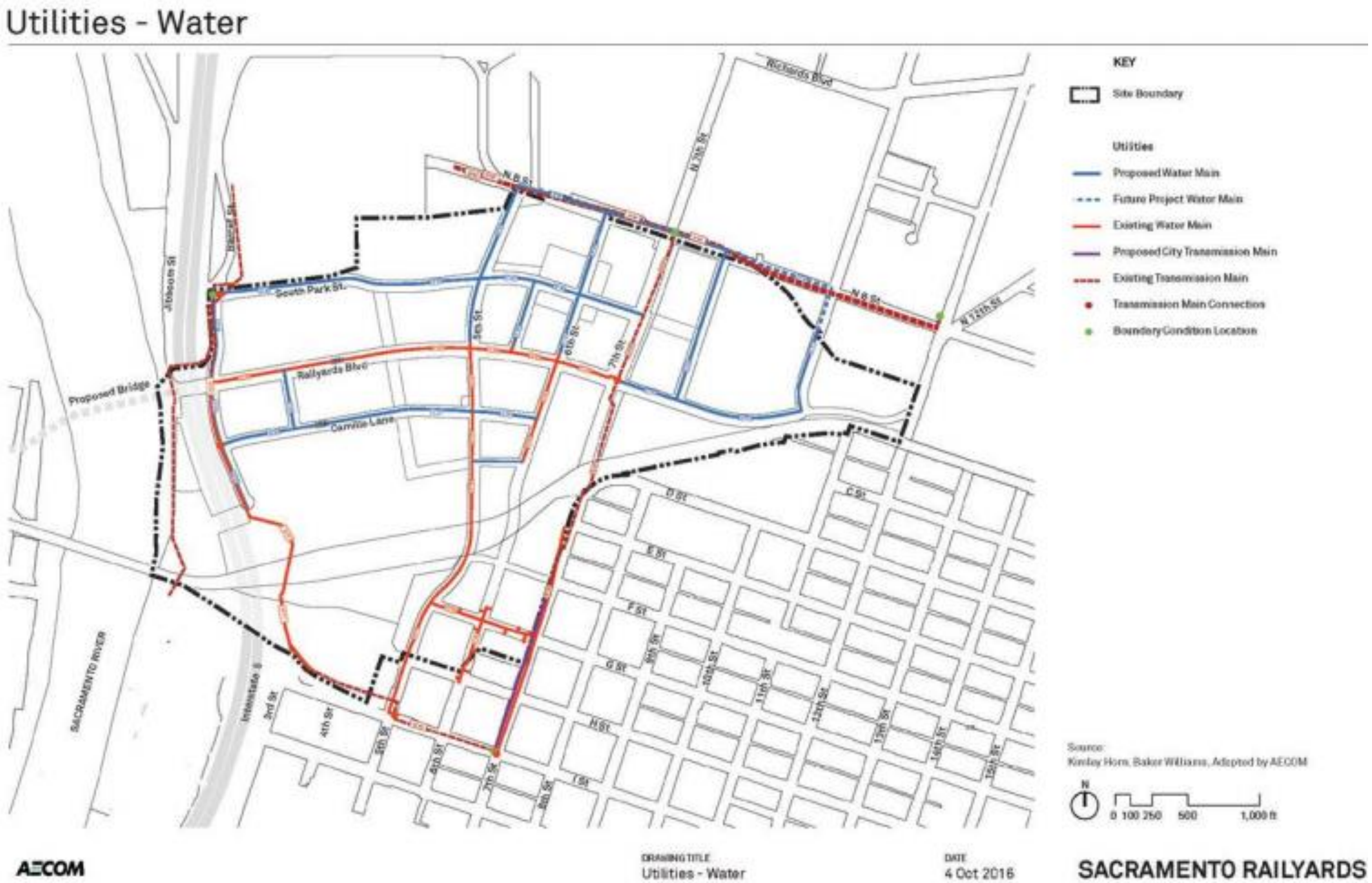
Area. Bercut Drive will be extended southward to provide access to the Riverfront and Central Shops districts.

UTILITIES

Existing water service in the Central City area, including the Railyards site, is provided by the City of Sacramento. Recent expansions of the two City Water Treatment Plants have increased the maximum capacity of these facilities and well field and planned future water supply is estimated to be adequate to serve the planned level of development in the Railyards area. Existing water supply infrastructure is in place along 5th Street, 6th Street, 7th Street, Railyards Boulevard, and into the Sacramento Valley Station and the Central Shops, however most of the Railyards site lacks a water distribution system. Both existing and proposed transmission mains will support the distribution system. The City recently constructed a new 42-inch transmission main that traverses through the west side of the Railyard property. This pipeline is a critical conduit for water delivery from the water treatment plant, located to the north of the Railyards, to the downtown area. Resolution 2016-0390 is the approval of water supply assessment for the Railyards.

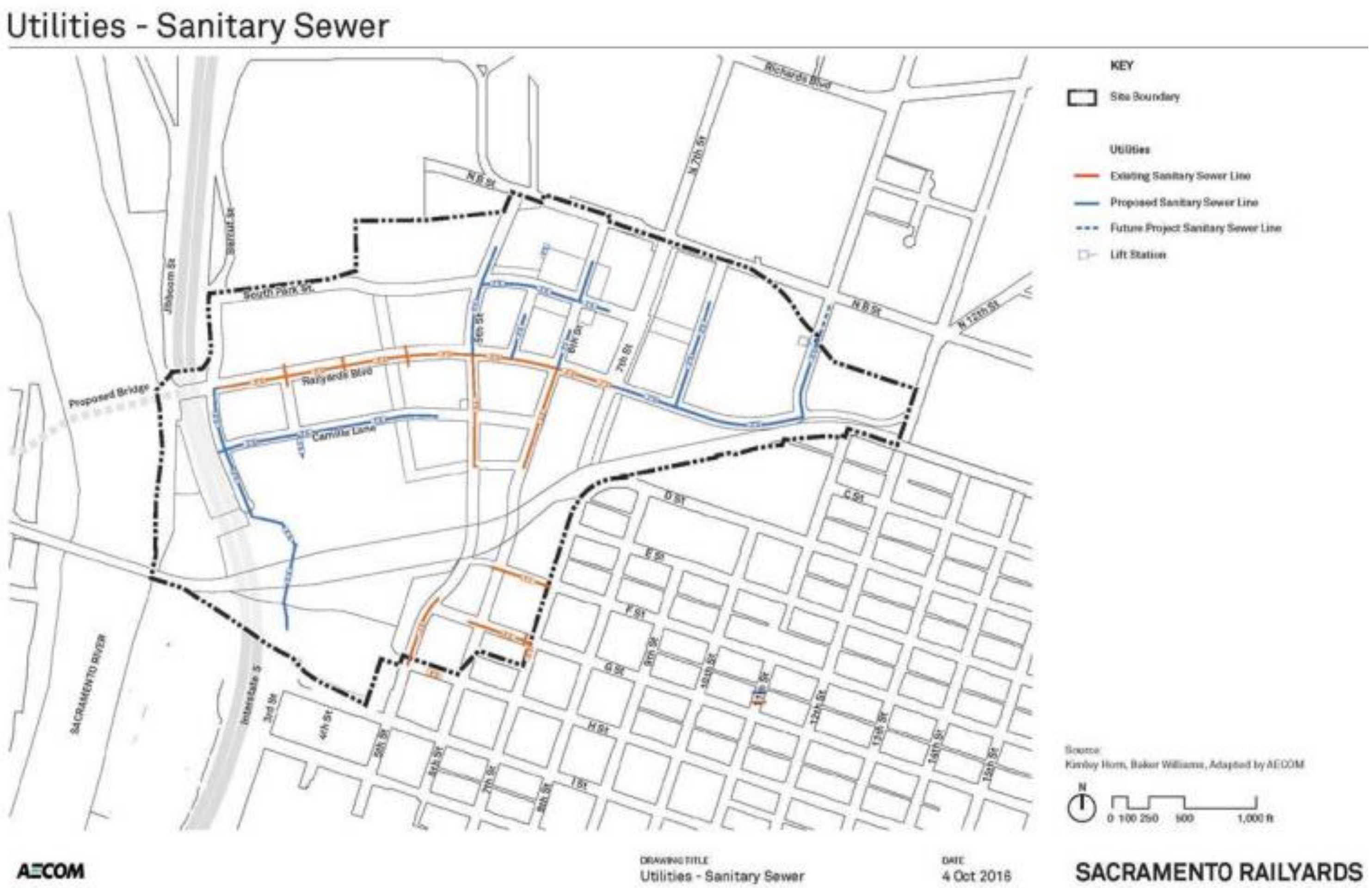
Sanitary sewage from most of the site will be conveyed to the vicinity of 3rd and I Streets, where it will enter a proposed new sewer on 3rd Street. A small area along 7th Street, south of the relocated main line railroad tracks will continue discharging into the existing combined sewer flowing east to 7th Street. This existing sewer serves the existing Sacramento Valley Station but will not be used for the new Sacramento Valley Station. All sewage will flow to 3rd Street, except for a small portion of the site in the low area along 7th Street and H Street, which will flow to the existing combined sewer in 7th Street.

Shown on the following pages are existing and proposed water and sewer lines.



Existing Water Lines

Proposed Water Lines



Existing Sanitary Water Lines

Proposed Sanitary Water Lines

STORMWATER DRAIN

The stormwater outfall and pump station are the largest utility infrastructure required for the build-out of the Railyards. This project is currently under construction at a cost of $34 million. Included in this cost is the construction of the adjacent Bercut Road. The outfall and pump station are located on a portion of Lot 7C. Resolution 2016-0392 is the approval of stormwater outfall facility plans.

FIRE STATION

The Railyards Specific Plan indicates that the probable fire station would likely be part of a multi-story mixed use structure. A City of Sacramento Planner confirmed there has been no change to this plan. No lots have been designated for a fire station.

SCHOOL SITE

According to the Railyards Specific Plan, traditional school sites are not likely to be developed at the Railyards due to environmental issues and high cost of the land. Reportedly, in place of school site dedications the Railyards Specific Plan will be charged in-lieu fees. School mitigation fees are part of the Railyards development fees.

PARK SITES

The subject property has a number of lots that will dedicated for public parks or Exclusive Recreation Easement ("ERE"). The Exclusive Recreation Easement ("ERE") park lots will be owned in fee by DRV with the City of Sacramento holding a perpetual recreation easement that provides for the park use. The public use of these areas is generally consistent with other city parks. The City Park District will be responsible for maintenance and insurance.

ENVIRONMENTAL CONCERNS & HAZARDOUS SUBSTANCES

The Railyards site up until the late 1990's had experienced continuous industrial use since the 1860s as a locomotive and railroad car assembly, building, repair, and refurbishing facility. In carrying out these functions, the site had supported a multitude of industrial activities related to the railway, including foundry and machine work, wheel truing, forging, blacksmithing, painting, sandblasting, cleaning, and degreasing, lubricating, metal part fabrication, battery reconditioning, and fabric and upholstery work. Many of these activities involved the use of substances and materials that are now known to be toxic or otherwise hazardous.

The first subsurface environmental investigations at the Railyards began in 1982 as a result of a Division of Occupational Safety and Health inspection. The matter was referred to DTSC's predecessor agency, the Department of Health Services (DTSC). Under DTSC's oversight, groundwater monitoring wells were installed. In 1983, DTSC and the United States Environmental Protection Agency conducted a joint investigation of the Railyards site and identified several violations of the state hazardous waste control laws and the Resource Conservation and Recovery Act ("RCRA"). As a result, in 1984 DTSC and the Southern Pacific Transportation Company entered into a Settlement Agreement, which focused on remedial actions in the northern part of the Railyards. In January 1988, DTSC listed the Railyards as a State Superfund site.

Significant soil, soil vapor and groundwater cleanup activities have been implemented throughout the Railyards. Union Pacific Railroad (UPRR) is the responsible party for cleanup activities under a 1988

Enforceable Agreement with DTSC. Soil remediation activities in the majority of the Railyards Plan Area have been completed. Groundwater remediation by UPRR is continuing under a DTSC-approved plan and expected to be completed in 20-30 years. The areas where soil and soil vapor (soil gas) remediation have been completed have been certified by DTSC. As part of the certification process, a DTSC-approved land use covenant (LUC) has been recorded against the certified area. A LUC provides the terms, conditions, and criteria for development and use of the certified area.

A LUC between DTSC and the Downtown Railyard Venture, LLC, the current majority property owner, was recorded against most of the Railyards Plan Area on September 30, 2015. The 2015 LUC requires compliance during construction activities with a Railyards-specific soil and groundwater management plan approved by DTSC. The DTSC-approved 2015 LUC generally includes the following:

- All proposed land uses, including construction and maintenance of utility corridors and street rights-of-way, are allowed subject to compliance with the stated terms and conditions.

- A requirement for a DTSC-approved soil and groundwater management plan prior to any development activities.

- A property owner, at its initiation, may remediate specific areas of the site to standards that provide for less restrictive uses.

The LUC runs with the land and is binding on all owners and occupants of the property. In 2019 and 2021 two additional LUC were established for the Railyards. The prohibited use restriction for all LUC's are as follows:

> For any improvements which allowed uses include, but are not limited to, commercial, retail, industrial, hospital, school, daycare, mixed use, residential or park use, include areas in which direct human exposure to native Soil remains possible, the owner or occupant shall install, keep and maintain a top layer of environmentally compliant soil of a thickness and composition to prevent exposure to such Native Soil which is reasonably satisfactory to the Department as being protective of human healthy and the environment.

Brad Satterwhite, the City of Sacramento's former Environmental Manager indicated that the Railyards soils has been remediated and as a result the earlier LUC's recorded in the early 2000's has been replaced with the September 30, 2015, which is described above. Mr. Satterwhite reported that for each development site a Vapor Intrusion Mitigation Management plan is required to be approved by Department of Toxic Substances Control (DTSC). Mr. Satterwhite reported this process is usually a 2-month process, the action process straightforward with the DTSC being responsive to vapor plan approval requests.

DRV reported the following environmental comments.

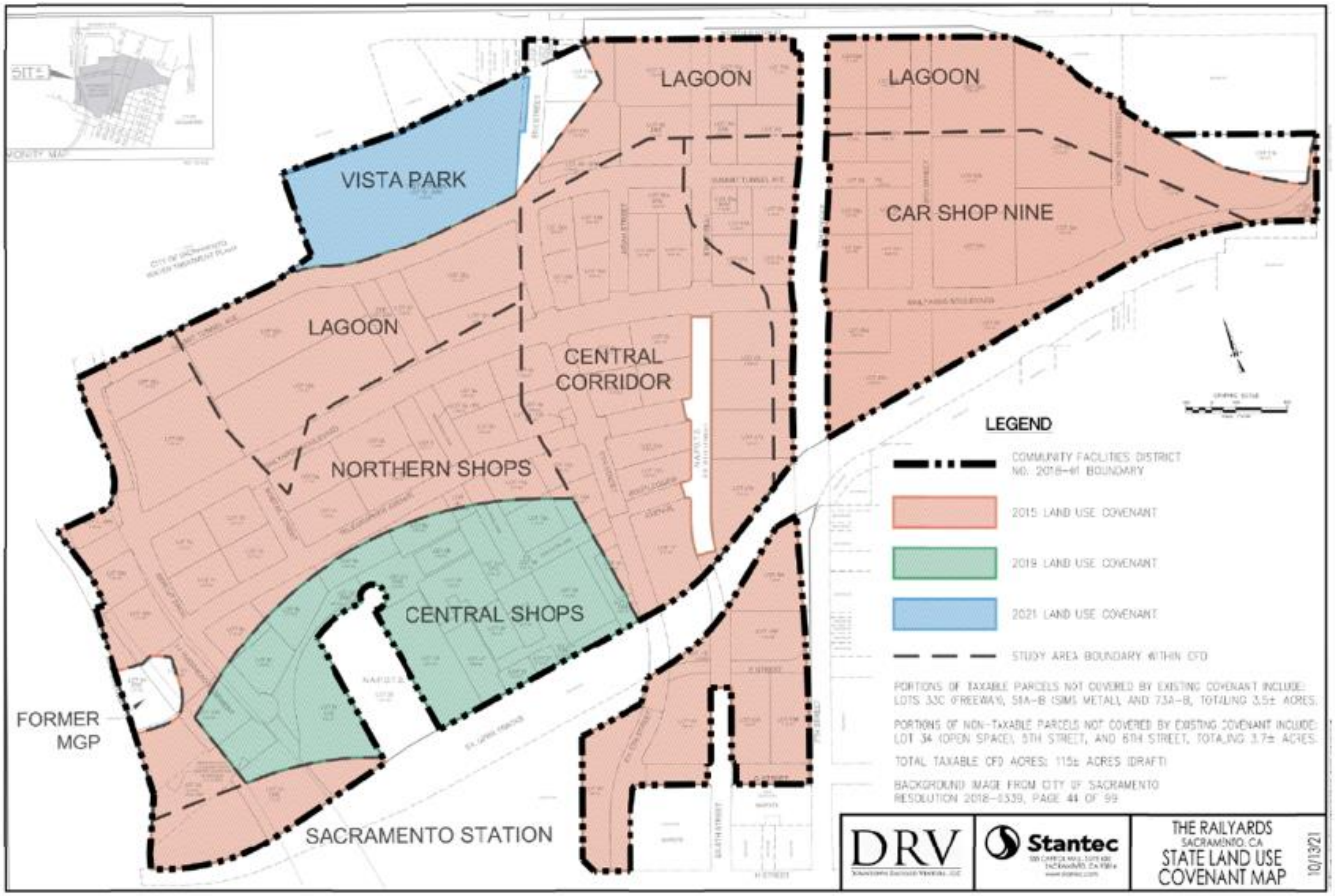
- Ongoing ground water remediation within the project is continuing with UPRR being the sole responsible party for remediation of any historic contamination (soil, groundwater soil vapor) as of December 28, 2006, at the Railyards. The majority of the soil at the Railyards has been certified as closed as evidenced by recorded land use covenants ("LUC"). DRV (or its successor owners) is responsible for (i) the transportation and disposal of soil which it moves on its owned parcel(s), (ii) the construction dewatering of excavations occurring during development (UPRR must treat such water to a standard accepted by the Regional San sanitary sewer system), and (iii) installation of passive vapor intrusion systems on new buildings to the extent required by LUCs (UPRR is responsible for such passive systems in the historical buildings). A total of 7.2 acres within the CFD is not subject to a LUC. This area will be encumbered by a LUC when remedial action by UPRR is complete, estimated to be eligible in 2024.

- There have been no notices of default by any party to the 2015 Railyards Agreement. They state all parties are in compliance with the 2015 Railyards Agreement and there have been no failures by any party to comply.

- There is a Memorandum of Understanding between DRV and DTSC. The purpose of the Memorandum of Agreement ("MOA") is to address the administrative burden on DTSC created by receiving annual reports on compliance with LUCs from each owner (and its separate consultant) of a parcel within the Railyards by permitting DRV, on behalf of all such owners, to perform such administrative task and submit a single annual report from a single consultant on LUC compliance within the Railyards for that year. Such DRV obligation is expressly an administrative accommodation on behalf of the owners and does not relieve any owner from such annual task if DRV fails to perform nor create any damages liabilities or penalties as a result thereof. DRV's obligations under the MOA are intended to be assigned to the Master Association established under the existing MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AN EASEMENT AGREEMENT FOR THE RAILYARDS ("Master CC&R"). Upon such assignment, DRV shall be relieved of any further obligations under the MOA. The estimated DTSC cost for managing the MOA is $39,005 per year total, indefinitely. This cost is payable/reimbursed through the assessment process paid by owners.

- The premise of the LUCs is that a significant majority of the Railyards will be improved and hard scaped (concrete, asphalt and building improvements) covering the historic raw dirt surface. If, after such improvements are completed, there remains direct access to the historic raw dirt surface (referred to as "Native Soil"), the LUCs require that a top layer of environmentally compliant soil of thickness and composition approved by DTSC be maintained on the Native Soil. The presence of Native Soil, after buildout of the Railyards, is expected to be limited.

- The vapor intrusion barrier is a seamed and welded membrane system installed subsurface below the entirety of a building foundation and covered by a specified thickness of a sprayed layer of impermeable material that covers and further seals the entirety of the membrane. Such systems are passive systems (air exhaust without active mechanical pump systems) but can support being converted to an active mechanical system if needed based upon requirements of DTSC due to evaluation of indoor air. Following the completion of building construction, two to three tests are conducted to evaluate indoor air quality. If, after the completion of such testing, indoor air quality requires addressing (e.g. more stringent air criteria is imposed), the customary process is to attach a mechanical pump system to exhaust points of exiting a passive system on the outside of the building. The estimated cost of installing the vapor intrusion barrier is $4.00 to $6.00 per land foot of each area on which an enclosed building is located and constructed on grade. The on-going cost for the monitoring of such system is estimated at $5,000 to $10,000 per building per year. These costs will not likely affect the marketability of the land but will have a small impact on land value. This has been addressed in the valuation of the subject land.


LAGOON
LAGOON
VISTA PARK
CAR SHOP NINE
LAGOON
CENTRAL CORRIDOR
NORTHERN SHOPS
CENTRAL SHOPS
FORMER MGP
SACRAMENTO STATION
LEGEND
COMMUNITY FACILITIES DISTRICT NO. 2018-01 BOUNDARY
2015 LAND USE COVENANT
2019 LAND USE COVENANT
2021 LAND USE COVENANT
STUDY AREA BOUNDARY WITHIN CFD
PORTIONS OF TAXABLE PARCELS NOT COVERED BY EXISTING COVENANT INCLUDE: LOTS 33C (FREEWAY), 51A-B (SIMS METAL), AND 73A-B, TOTALING 3.5± ACRES.
PORTIONS OF NON-TAXABLE PARCELS NOT COVERED BY EXISTING COVENANT INCLUDE: LOT 34 (OPEN SPACE), 5TH STREET, AND 6TH STREET, TOTALING 3.7± ACRES.
TOTAL TAXABLE CFD ACRES: 115± ACRES (DRAFT)
BACKGROUND IMAGE FROM CITY OF SACRAMENTO RESOLUTION 2018-0339, PAGE 44 OF 99
DRV
Stantec
THE RAILYARDS
SACRAMENTO, CA
STATE LAND USE COVENANT MAP
10/13/21

FLOODPLAIN

The Railyards is located in FEMA Map's 06067C0160J and Map 06067C0180J dated June 16, 2015.

The following is from the conditions of approval for the tentative map: Flood Protection State Law (SB 5) and City Code Chapter 17.810 require that the City make specific findings prior to approving certain entitlements for projects within a flood hazard zone. The purpose is to ensure that new development will have protection from a 200-year flood event or will achieve that protection by 2025. The project site is within a flood hazard zone and is an area covered by SAFCA's Improvements to the State Plan of Flood Control System, and specific findings related to the level of protection have been incorporated as part of this project. Even though the project site is within a flood hazard zone, the local flood management agency, SAFCA, has made adequate progress on the construction of a flood protection system that will ensure protection from a 200-year flood event or will achieve that protection by 2025. This is based on the SAFCA Urban level of flood protection plan, adequate progress baseline report, and adequate progress toward an urban level of flood protection engineer's report that were accepted by City Council Resolution No. 2016-0226 on June 21, 2016.

BBG

ALTA SURVEY

An ALTA Survey is a detailed land survey showing existing improvements, boundary lines, land areas, easements, contours, right-of-way, etc. The Railyards ALTA is a portion of the subject property was completed by Baker-Williams Engineering Group. This survey dated December 2019 and includes eight parcels totaling 173.798 gross acres. The survey does not include the Kaiser Foundation Hospital sites and a few of the parcels have changed since the survey was completed. For the parcels that have not changed, the land sizes match up with the assessor records. Our review of the survey shows easements that correspond to the title report. Copies of the survey have been included in the addendum of the report.

The Railyards ALTA Survey is consistent with our visual inspection of the property in regards the legal and physical characteristics as described in this site analysis. No areas of inconsistency were noted from review of the survey.

EASEMENTS, ENCROACHES & RESTRICTIONS

A preliminary title report was prepared by Fidelity National Title Company, dated February 17, 2022. The parcels included in this report correspond to the chart on page 39. The complete title report is included in the addendum. The title report cites the following ownership:

> Downtown Railyard Venture, LLC, a Delaware limited liability company as to Parcels 1, 2, 4, 5, 6, 7, and 8.; Sacramento 695, L.P., a California limited partnership, as to Parcel 3; and Kaiser Foundation Hospitals, a California nonprofit public benefit corporation, as to Parcel 9.

The title report list numerous exceptions. These are addressed as follows:

> Exceptions 1-31: These relate to existing and proposed taxes and assessments. The exceptions regarding taxes are shown in the Real Estate Tax section of this report and have been considered in the valuation. The assessments include Railyards Maintenance Community Facilities District No. 2014-04 and City of Sacramento Railyards Community Facilities District No. 2018-01. These have also been addressed in the Tax section and considered in the appraisal. The subject has no assessments from the Sacramento Streetcar Community Facilities District No. 2014-01.
>
> Exceptions 32-34: This relates to dedicated right away in the Railyards. This land area is within the CFD district and has been accounted for in the appraisal.
>
> Exceptions 35-36: This relates to submerged land and easements in the Sacramento River. This land area is within the CFD district and has been accounted for in the appraisal.
>
> Exceptions 37-38: This relates to adverse claim or right, title or interest based upon the assertion that the "Sacramento Downtown Railyards Title Settlement and Exchange Agreement" between the City of Sacramento, California State Lands Commission, California Department of Parks and Recreation and IA Sacramento Holdings, L.L.C. as disclosed by that certain Quitclaim Deed, recorded January 25, 2018. These claim/rights have been accounted for in the appraisal.
>
> Exception 39: This relates to Water rights, claims or title to water, whether or not disclosed by the public records. These are non-value impacting claims.

Exception 40: This relates to a deed in 1910. This is a non-value impacting encumbrance.

Exceptions 41, 42, 45-46, 48-51, 54, 55, 58-61: These are recorded easements which show up in the tentative map and ALTA survey. These are typical public utility easements, right-of-way easements, right-of-way grants and have been reviewed and considered in the valuation.

Exception 47: This relates to abandonment of certain roads. This is a non-impacting encumbrance.

Exception 53: This relates to a Covenant to Restrict Use of Property dated May 6, 1994. Updated agreements supersede this agreement.

Exception 56: This relates to a Development Agreement dated December 13, 1995. Updated agreements supersede this agreement.

Exceptions 57 and 65: These relate to a Covenant to Restrict Use of Property dated July 11, 2001, and August 31, 2009. Updated agreements supersede this agreement.

Exception 62: This relates to a Covenant to Restrict Use of Property deed in December 2010, December 28, 2006, and February 12, 2015. The 2015 agreement supersedes prior agreements. The agreement states certain restricted uses but allows such uses upon a Department approved State Land Use Covenant (SLUC). The updated and amended LUC is addressed elsewhere in the appraisal and has been considered in the appraisal.

Exceptions 63 and 64: This relates to Development Agreement for Sacramento Railyards Project dated December 11, 2007, and Regulatory Agreement dated May 13, 2008. Updated agreements supersede these agreements.

Exceptions 66-81: These are recorded easements which show up in the tentative map and survey. These are typical public utility easements, slope and wall easements, and pedestrian and bicycle tunnel easements. These have been considered in the appraisal.

Exception 82: This relates to a Memorandum of Agreement dated July 18, 2014. This has been considered in the appraisal.

Exceptions 83-87, 92-98, 104, 111: These are recorded easements which show up in the tentative map and survey. These are typical public utility easements, ingress and egress easements and wall easements. These have been considered in the appraisal.

Exception 88: This relates to a Land Use Covenant (LUC) dated August 28, 2015. The agreement summarizes various remedial action plans (RAP) that have been completed on the property. The soils were not remediated to level protective for unrestricted land use thus this LUE was necessary. The prohibited uses relate to any improvements which allowed uses include, but are not limited to, commercial, retail, industrial, hospital, school, daycare, mixed use, residential or park use, include areas in which direct human exposure to Native Soil remains possible, the owner or occupant shall install, keep and maintain a top layer of environmentally compliant soil of a thickness and composition to prevent exposure to such Native Soil which is reasonably satisfactory to the Department as being protective of human healthy and the environment. This LUC runs with the land in perpetuity. The LUC has provisions that waives this requirement if demonstrated that the native soils will not pose unaccepted risk to humas health and safety.

Exceptions 89 and 90: This relates to a Declaration of Restrictive Covenants for the Development and Operation of Affordable Housing dated September 30, 2015, and market rate housing dated September 15, 2015. The covenant relating to market rate housing relates to Proposition 1C grant that was provided to the owners of the Railyard. It says 844 units to be built on Lots 58, 59, and 69 within 8 years. The owner is not in compliance with the development timing. Remedies and Injunctive relief are legal matters and related risk associated with this non-compliance has been taken into account in the appraisal. Please refer to known risk level reported later in the report.

Exception 91: This relates Quitclaim Deed dated April 28, 2016. This is a non-value impacting exception.

Exception 99: This relates to an Amended Development Agreement for Sacramento Railyards Project dated January 6, 2017. One change of this amended agreement is the term of development agreement to 20 years plus addition of two 5-year extensions based on permitting/development schedule. This agreement modifies the has been considered in the appraisal.

Exception 100: This relates to interest in land dated October 24, 2017. This is a non-value impacting exception.

Exceptions 101 and 102: This relates to adverse claims in land dated January 25, 2018. These are non-value impacting exceptions.

Exception 103: This is a Grant of Easement for Access and Related Park System Purposes. This easement has been considered in the appraisal.

Exception 105: This relates to Non-Disturbance and Attornment Agreement dated January 25, 2018. This is a non-value impacting exception.

Exceptions 106: This relates to a pending court action dated April 11, 2018. This is a non-value impacting exception.

Exceptions 107: This relates to a title exchange agreement dated April 6, 2011. This is a non-value impacting exception.

Exception 108: This is CC&R's dated January 11, 2019. This CC&R has typical use restrictions of other CC&R's. One specific restriction relates to limitation of certain medical uses outside of the hospital lots. These CC&R's have been considered in the appraisal.

Exceptions 109 & 110: This relates to subdivision improvement agreement and bike path access dated January 16, 2019. These are typical agreements and have been considered in the appraisal.

Exception 112: This relates to a Land Use Covenant dated February 21, 2019. This exception relates only to the Central Shops land area. This covenant has similar restrictions as the LUC for the whole Railyards.

Exception 114: This relates to assignment of Net Tax Increment Payments Under the OPA Agreement. This exception is addressed elsewhere in the report and has been considered in the appraisal.

Exception 115: This relates to rights, interest or claims disclosed in the survey dated May 17, 2019. These have been considered in the report.

Exceptions 116 and 117: These are typical public utility easements and ingress and egress easements. These have been considered in the appraisal.

Exception 118: This relates to a Regulatory Agreement For Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property dated July 24, 2020. This agreement is for 69 units of the AJ property located on Lots 48A and 48B. This agreement has been considered in the appraisal.

Exceptions 119, 120 and 122: These are deeds of trust and financing statements. These have not been considered in the appraisal.

Exception 121: This relates to an Agreement Deferring and Waiving Sewer Impact Fees For Affordable Residential Development Project. This has been considered in the appraisal.

Exceptions 123 & 125: This relates to an Offer To Dedicate Exclusive Easement For Park and Recreational Purposes. This has been considered in the appraisal.

Exception 124: This is a slope maintenance easement. This is a non-value impacting easement.

Exception 126: This a lien for delinquent utilities. This has not been considered in the appraisal.

Exceptions 127-130: These are covenants, conditions and restrictions dated July 15, 2021. These have been considered in the appraisal.

Exception 131: This is a typical public utility easements. This have been considered in the appraisal.

Exception 132: This relates to a Land Use Covenant dated September 29, 2021. This have been considered in the appraisal.

Exceptions 133-134: These relate to some delinquent taxes. These are non-value impacting.

Exception 135: This a title company review of ownership records related North B Street Properties, LLC. This is a non-value impacting exception.

Exception 136: This related to assumption of several leases dated September 15, 2015. These are non-value impacting exceptions.

Exception 137: This relates to a title company review of rights not disclosed in public records. This is a non-value impacting exception.

Exception 138: This a title company review of ownership records related Downtown Railyard Venture, LLC. This is a non-value impacting exception.

Exception 139: This a title company review of ownership records related Kaiser Foundation Hospitals. This is a non-value impacting exception.

Exception 140: This a title company review of ownership records related Sacramento 695, L.P. This is a non-value impacting exception.

Exception 141: This related to title company review and approval of the Company's Corporate Underwriting Department. This is a non-value impacting exception.

A review of the preliminary title indicates the subject property has typical utility easements. There were no adverse easements, encroachments, or adverse conditions in connection with the subject property.

Mixed Income Housing Requirement

Railyards is subject to the requirements of the Mixed Income Housing Ordinance, City of Sacramento City Code Chapter 17.712, adopted September 1, 2015. The Mixed Income Housing Ordinance requires that proposed residential projects in excess of 100 gross acres obtain City Council approval of a "mixed income housing strategy" that demonstrates how the project provides housing for a variety of incomes and household types consistent with Housing Element policy. The City of Sacramento adopted Resolution No. 2016-0391 on November 10, 2016 approving the Sacramento Railyards Mixed Income Strategy. For a 6,000-unit housing density the Railyards must set-aside 500 units for affordable housing. The following is the schedule of affordable housing that is required in the Railyards.

Phase	Housing Units Per Phase	Affordable Units Developed (at 40% to 60% AMI) or land dedicated	Potential Cumulative Housing Units Developed
1	3,000	300 units	3,000
2	1,500	100 units and/or land dedication	4,500
3	1,500	100 units and/or land dedication	6,000
4	2,000	100 units and/or land dedication	8,000
5	2,000		10,000

Note: Current plans for the build-out are for at least 6,000 housing units.

The AJ is under construction and will have 69 affordable units. The next affordable project is the Wong Center expected to be constructed on Lot 46A. and a portion of Lot 46B. Mutual Housing is the developer of this project. This 150-unit project will be 100% affordable. This $55 million project has already received City of Sacramento financial assistance to assist in the funding of this project. Land for the Wong Center was sold to the Mutual Housing in June 2022 at $100 cost. Site work for the construction of the Wong Center has recently commenced.

Earthquake Zone

Given the presence of several active faults throughout the State of California, nearly all properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was passed in 1972 in order to regulate development of structures intended for human occupancy on the surface trace of active faults. While the Alquist-Priolo Act only addresses surface rupture risk, the Seismic Hazards Mapping Act, passed in 1990, considers non-surface earthquake hazards, such as liquefaction and landslides. These laws require the State Geologist to establish regulatory zones based on seismic risk and distribute maps to agencies for affected areas for use in planning and development. Structures cannot be constructed over the trace of a fault, and a setback from the fault is typically required. Properties that are not located within a fault zone but are at increased risk for seismic damage due to their location within affected cities can be subject to additional government-imposed requirements, such as seismic or soft-story retrofitting, and lenders and/or institutional investors will often require property owners/operators to carry earthquake insurance.

Based on our review of the current Alquist-Priolo Fault Zone and Seismic Hazard Zone Maps, the City of Sacramento is not affected by a nearby fault, and the subject property is not within a special studies zone.

ZONING & ENTITLEMENTS

The Railyards has received several entitlements over the years. In 2007 the City of Sacramento approved the 2007 Railyards Specific Plan (RSP). This plan was updated in 2016. The Railyards Specific Plan Update (RSPU) provides a flexible development regulatory framework and does not indicate any particular mix of uses within each category or block within the RSP Area. Under the RSPU, the following land use/zonings apply:

C-3 SPD: A total of 102.68 acres in the Railyards has this zoning. The C-3 SPD land use designation allows residential densities up to 450 units per acre, and nonresidential development between a Floor Area Ratio (FAR) of 3.0 and 15.0. The C-3 SPD would allow all uses normally permitted in the C-3 zone with the exception that the following uses would be prohibited: auto – service, repair; check-cashing center; correctional facility; and gas station. A sports complex is allowable as a conditional use in the C-3 SPD. There would be no height limits, except as specified on certain parcels around the Depot, the Central Shops Historic District, the Riverfront, and adjacent to the Alkali Flat neighborhood.

Use	Intent and Purpose	Allowed Use
Central Business District (C-3)	**Within the Central Shops and West End Districts.** Provide a wide range of residential and commercial uses, including retail, employment, major medical facility, entertainment, and other uses, to facilitate the development of a 24-hour district focused around the historic Central Shops and public open spaces, plazas, and pedestrian ways that help create a vibrant urban environment.	• Mixed-use residential and commercial, retail, restaurants, and entertainment uses, including, but not limited to, theaters, health clubs, and night-clubs, together with office, hotel, and other uses. • Second floor mixed-use flex space is allowed on parcels shown in Figure 3-3 that could shift to employment-generating space, in addition to other uses. • Historic and Cultural uses. • Public facilities, such as educational uses, museums, theaters, and other similar public and private cultural and civic uses.
	Within the Depot District. Provide office, residential, hospitality, and supporting retail uses in portions of the Railyards area immediately adjacent to the Central Business District and that complement the proposed Sacramento Intermodal Transit Facility.	• Office, residential, and commercial uses, such as hotels, supporting retail, and other uses. Emphasis is primarily office and secondarily residential. • Educational uses, museums, theaters, and other similar public uses.
Central Business District (C-3) (continued)	**Within the East End and Riverfront Districts.** Provide an urban residential neighborhood with accompanying neighborhood-serving retail and restaurant uses.	• High density residential and commercial uses, such as neighborhood-serving retail, office, restaurants, cafes, hotels, and cultural and other uses. • Incidental cultural, civic, and educational uses, such as museums, theater, outdoor or indoor sports stadiums, and other similar public uses.

R-5 SPD: A total of 18.16 acres of the RSP Area is designated R-5 SPD. The R-5 SPD land use designation allows residential densities between 61 and 450 units per acre, and non-residential uses on ground floors. The R-5 SPD allow all uses normally permitted in the R-5 zone with the exception that the following uses would be prohibited: cemetery, check-cashing center, correctional facility, golf course, driving range, mobile home park, mortuary, and crematory. There is a height limit in the R-5 SPD zone of 250 feet. The maximum lot coverage in the R-5 SPD zone is 80% but there are no minimum setbacks required.

Use	Intent and Purpose	Allowed Use
High-rise Residential (R-5)	Permits dwellings, institutions, and limited commercial goods and services, serving the surrounding neighborhood.	• A mix of high density residential development types. • Neighborhood-serving office, commercial retail or service, and institutional uses, limited to the ground floor. • Parks and open space to serve neighborhood residential uses

H SPD. A total of 17.8 acres of the RSP Area is designated H SPD. The H SPD hospital land use designation allows residential densities from 24 to 250 units per acre pursuant to a conditional use permit, and non-residential and mixed-use development with a minimum FAR of 0.5 and up to a maximum FAR of 8.0. The H SPD allow all uses normally permitted in the H zone with the addition of the following uses are permitted uses: (1) a major medical facility Phase 1 with (i) a hospital not in excess of 658,000 sf (420 beds), (ii) up to 210,000 sf of medical office building(s), (iii) central utilities building up to 60,000 sf, (iv) 1,500 stall parking structure, and (v) at least 200 stalls of surface parking; and (2) nonresidential care facilities; produce stand; outdoor market; athletic clubs; fitness studios; commercial services; restaurants; and retail stores not exceeding 6,400 sf and a residential care facility located on specifically identified parcels fronting on 5th Street. There would be no maximum height in the H SPD zone.

Use	Intent and Purpose	Allowed Use
Hospital (H)	The H zoning district	• Major medical facility. • Medical offices. • Supporting medical campus uses, including laboratories, pharmacies, clinics, retail, service, and restaurant uses. • Residential care facilities, non-residential care facilities, multi-unit dwellings, hotels

C-1 SPD. A total of 9.63 acres of the RSP Area is designated C-1 SPD. The C-1 SPD land use designation allows non-residential development up to an FAR of 1.0. The C-1 SPD allow all uses normally permitted in the C-1 zone with the exception that the following uses would be prohibited: bed and breakfast inns; cemeteries; check-cashing centers; correctional facilities; dormitories; drive-in theaters; self-service laundromats; mobile home parks; offices; and superstores. There is a maximum height limit of 35 feet.

Use	Intent and Purpose	Allowed Use
Limited Commercial (C-1)	Allows small restaurant, retail, and commercial service establishments that are compatible with surrounding residential developments.	• Park and open space facilities for informal gathering and recreation and institutional, educational, and cultural uses (e.g., museum, cultural center, or library). • Small scale retail uses, such as vendor carts, community markets, and kiosks.

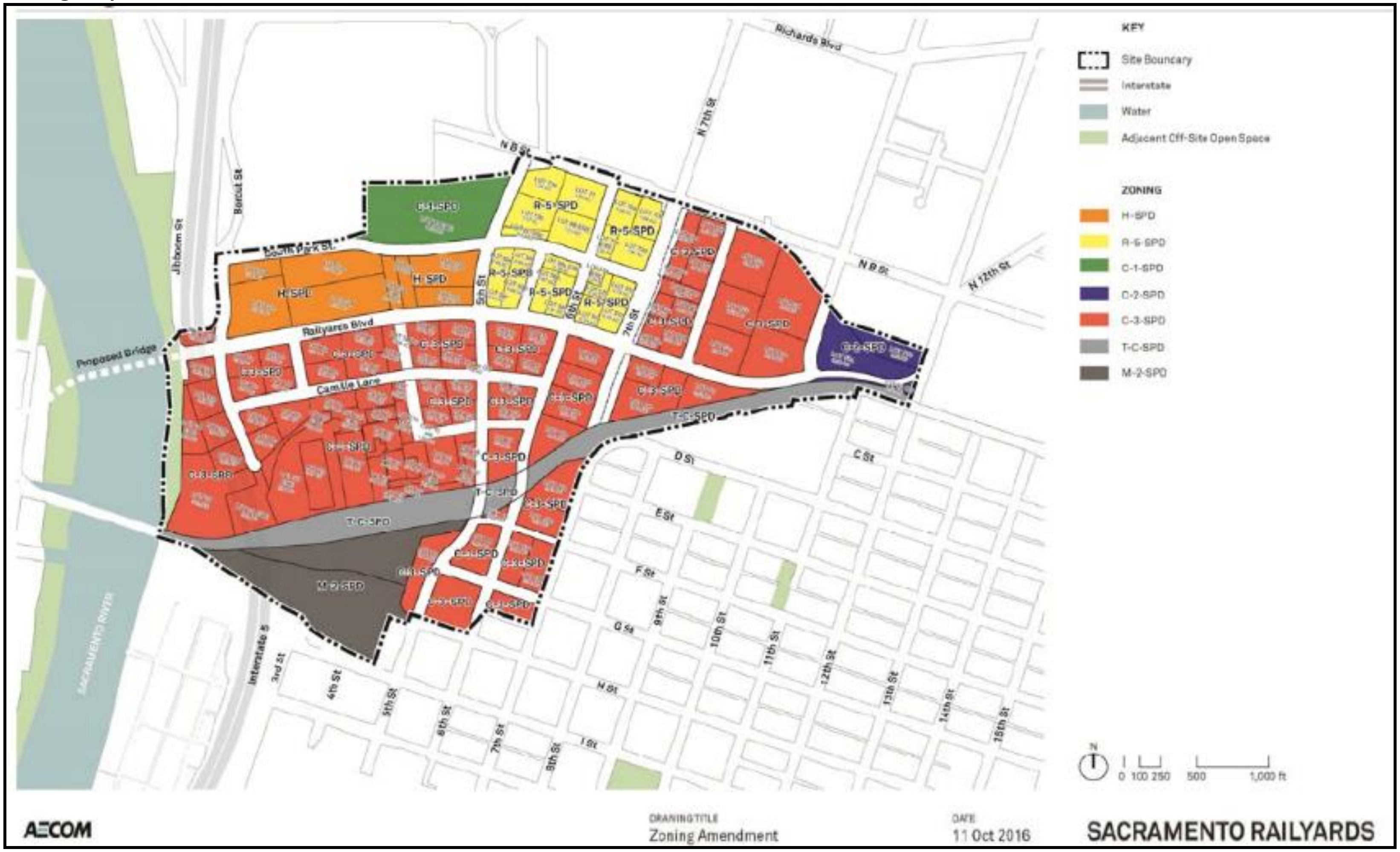
C-2 SPD. A total of 5.14 acres of the RSP Area is designated C-2 SPD. The C-2 SPD land use designation allows residential densities up to 60 units per acre, and non-residential and mixed-use development up to an FAR of 2.0 with a maximum height of 120'. The C-2 SPD allow all uses normally permitted in the C-2 zone with the exception that the following uses would be prohibited: sales, storage, rental of automobiles; auto service and repair; drive-in theaters; drive-through restaurants; equipment rental or sales yards; gas stations; mini storage; sales or storage of mobile homes.

Use	Intent and Purpose	Allowed Use
General Commercial (C-2)	Provides for the sale of goods; performances of services; office uses; dwellings; small wholesale stores or distributors; and limited processing and packaging.	• Retail, service, office, repair facilities, and small wholesale stores or distributors • Public services facilities, such as fire and police.

City of Sacramento Planner confirm that allowable land uses, and development standards are set forth in the Railyards Specific Plan dated 10/11/16 and Chapter 17.44 Railyards Special Planning of the zoning ordinance. Excerpts of the Railyards Special Planning Code are shown in the addendum of this report. The allowable uses from this zoning code matches the tables from the Railyards Specific Plan summarized above.

A zoning map of the Railyards is shown on the following page.

Zoning Map



BBG

Table 3-2 from the RSPU summarizes the assumed amount of each type of development at project build out, within each zoning district, and for the Railyards overall, to plan for estimated carrying capacity related to infrastructure, traffic, and services and to address potential project-related impacts.

Table 3-2 Assumed Development for Plan Area Zoning Districts*

Zoning District	Residential (Units)	Retail (SF)	Office (SF)	Flexible Mixed-Use (SF)	Medical Campus (SF)	MLS Stadium (Ticketed Capacity)	Hotel (Keys)	Historic and Cultural (SF)	Open Space (Acres)
C-1-SPD									9.3
C-2-SPD									0.5
C-3-SPD	4,160-6,933	514,270	2,757,027-3,857,027	771,405		25,000	0-1,100	485,390	16.7
H-SPD					1,228,000			-	
R-5-SPD	1,840-3,067				-			-	3.5
Total	6,000-10,000	514,270	2,757,027-3,857,027	771,405	1,228,003	25,000	1,100	485,390	30

The plan has a sliding scale in relationship between office and residential, which would allow up to 10,000 residential units with office use decreasing commensurately.

There are two other document sources that list the estimated development potential for the RSPU. These include the Subsequent Environmental Impact Report (SEIR) dated June 2016 and the Updated Railyards Finance Plan (URFP) dated August 7, 2018. While each are slightly different, they both correspond to the assumed development potential as stated in the chart above from the RSPU.

For our analysis we have elected to utilize the development potential build-out from the Updated Railyards Finance Plan (URFP) with a variant described in the SEIR. The variant from the SEIR replaces alternate land use in case MLS Stadium is not built. This variant is as follows:

Alternate Use of Soccer Stadium: Instead of the 25,000-attendee Soccer Stadium, the Land Use Variant would accommodate construction of 750 residential units, 30,700 sf of retail, and 46,050 sf of flex space. For analysis purposes, we have considered the Land Use Variant as any soccer stadium in the Railyards is speculative.

For the residential component there is no requirement for for-rent or owner-occupied units. In the RCLCO report, they estimated 5,396 of renter occupied units and 1,604 owner-occupied units. RCLCO's absorption forecast factored in the possible variation of the owner-occupied units. Analysis and review of the RCLCO report is addressed later in the report.

Below is the estimated buildout as reported in the URFP with the variant from the SEIR. The second column reports the buildout of the DRV owned land. The last column reports the buildout of the DRV owned land and excluding the AJ project.

Development Buildout Railyards Specific Plan			
	Buildout -All Railyards	Variant/No MLS	Variant/No Stadium, No AJ - DRV Land Only
Residential (units)	6,000	6,750	6,405
Office (SF)	3,457,027	3,457,027	3,457,027
Office Flex	578,554	624,604	624,604
Historic & Cultural Flex	107,149	107,149	107,149
Total Office	4,142,730	4,188,780	4,188,780
Courthouse	538,000		
Kaiser Medical (SF)	1,168,003	1,168,003	
Retail (SF)	702,511	733,211	733,211
Flex Retail	192,851	192,851	192,851
Total Retail	895,362	926,062	926,062
Historic Museum (SF)	180,000	180,000	180,000
MLS Stadium	25,000		
Hotel (rooms)	1,100	1,100	1,100

Note: The last column is an estimation of the Variant Land Use total for only the DRV Land. It excludes the AJ site and assumes no stadium.

BUILD-OUT POTENTIAL FOR DRV VACANT LAND

DRV owns 85.782 taxable acres of vacant land. This excludes the Central Shops land area. To determine the amount of land necessary to achieve the reported overall development potential we have completed an analysis using typical densities for land uses. We have utilized the Variant/No stadium, No AJ/DRV Land as the potential buildout for the DRV land. We have subtracted 247,832 SF to eliminate the Central Shop space as this analysis only concerns the vacant DRV land. The table below shows at our estimated density, the total land area needed for DRV is 86.054 acres. This compares to actual taxable area of 85.782 acres. The land differences (actual DRV vacant land vs. land needed for build-out) is minor and insignificant. Based on this analysis, the achievable density as set forth in the Variant/No stadium/DRV Land category is reasonable.

DRV Vacant Land Area Allocation By Use

	DRV Land/No MLS/No Shops	Assumed Density	Estimated Land Area	Allocated West of 7th Street	Allocated to East of 7th Street
Residential (units)	6,405	120 units per acre	50.72	30.422	20.30
Office (SF)	3,457,027				
Office Flex	624,604				
Less: Historic & Cultural Office	156,281				
Total Office	3,925,350	4.0 FAR	22.53	15.09	7.44
Retail (SF)	733,211				
Flex Retail	192,851				
Less: Historic & Cultural Retail	91,551				
Total Retail	834,511	3.5 FAR	5.47	3.66	1.55
Hotel (rooms)	1,100	150 units per acre	7.33	7.33	0
	Total Acres Needed at Estimated Density		86.054		
	Actual DRV Useable Land		85.782		

Buildable Land Area Summary - DRV

Category/Ownership	No Lots	Acres	West of 7th St.	East of 7th St.
DRV Vacant Land	76	85.782	56.502	29.28
Historic Shops & Open Space	12	9.37	9.37	0
Buildable/Taxable Acres	**88**	**95.152**	65.872	29.28

DEVELOPER RESPONSIBLE INFRASTRUCTURE

The developer provided a remaining construction cost budget of $172.2 million, which reflects $18.2 million completed for the drain pump station. The itemized budget shown on the following page totals $162.3 million. The difference between the itemized total and the developer's budget is a credit of $9.9 million in CFD reimbursements for the storm drain. These are current day costs and include soft and contingency estimates.

As a secondary source for construction cost, we have reviewed the Updated Railyards Finance Plan ("URFP") dated June 2022, which was recently approved by the City of Sacramento. The finance plan shows an estimated remaining cost of $345.4 million. This differs from the developer's costs schedule in the following areas:

- The URFP includes $117.4 million in cost for such items as schools, fire stations, library, parks, and other public projects. Most of these are likely to be constructed and funded by the public. The exception is $18.9 million to be funded by the developer. This requires a deduction of $98.5 million from the URFP total.

- The URFP includes $52.3 million in cost for such items as I-5/Richards Boulevard, Freeways, and other Sanitary Sewer. These are to be funded likely to be constructed and funded by the public. This requires a deduction from the URFP total.

- The developer's budget includes $15.8 million (reflects $18.2 million completed) for the storm drain improvements, whereas the URFP shows $35.3 million. This requires a $18.2 deduction from the URFP total.

Adjusting for the above referenced differences the URFP would have a remaining cost estimate of $176.4 million. This estimate is within a reasonable range of the developer provided cost of $172.2 million. Based on review of the cost sources, the developer provided infrastructure costs are deemed reliable and have been relied upon in our valuation.

The only infrastructure project under construction in the Railyards is the Drainage Pump Station. DRV reported that approximately $18.2 of the Drainage Pump Station costs had been expended as of July 1, 2022. Detailed accounting of these costs is contained within our files. Except for the Drainage Pump Station all of the costs are current date estimates with all soft cost and contingencies included. A discussion of the remaining CFD funds is shown later in the report. Below is our estimate of the remaining storm drain cost reflecting funds spent to-date along with the remaining CFD Funds.

Storm Drain Remaining Cost	
Original Cost	$34,000,000
Less: Funding/Spent To-Date	$18,170,000
Less: Remaining CFD Funds ($20,450,000 - $10,570,000)	$9,880,000
Net Remaining Cost	$5,950,000

Sacramento Railyards Infrastructure Schedule and Budget			
Description	Total Remaining	West of 7th Street	East of 7th Street
Drainage Pump Station - Remaining Cost (net of Remaining Proceeds)	5,950,000	5,950,000	-
Berm Replacement Contour & 7th Street Gate (Flood wall/gate)	2,302,300	2,302,300	-
N B Street 7th Street to 8th Street	2,277,900	-	2,277,900
N B Street 8th to 10th	2,427,400	-	2,427,400
S Park 6th to 7th	2,860,950	2,860,950	-
6th Street Railyards to NB	7,052,450	7,052,450	-
Railyards Blvd 7th Street to 10th Street	6,624,400	-	6,624,400
South Park Paseo (Public)	313,950	-	313,950
South Park Paseo (Private)	1,814,450	-	1,814,450
7 Street pump station	553,150	-	553,150
10th Street To Boundary	2,672,100	-	2,672,100
Dos Rios Road Striping	254,500	-	254,500
East RT Station	3,915,675	3,915,675	-
7Th Street Widening (NOTA 7th Street)	6,082,250	6,082,250	-
6th Street Buffered Bike Lane and Bike Lane Easement	1,919,100	1,919,100	-
7Th Street Water Line	867,100	867,100	-
Camille & Stevens 5th to 6th (NOTA I-C)	5,315,000	5,315,000	-
5th Street Railyards to N B street (roadway/finish)	2,308,000	2,308,000	-
Stanford and Stevens Private Streets -Public funding TBD	6,744,000	6,744,000	-
Stanford Bercut to Camille	3,139,500	3,139,500	-
Stanford Intersection Relocation at railyards	822,250	822,250	-
Lot 21b (east)	4,610,650	4,610,650	-
Camille Bercut to 5th	9,452,000	9,452,000	-
Intermodal Tunnel Entrance	3,300,000	3,300,000	-
Judah Street	2,053,500	2,053,500	-
Lot 21a	2,795,650	2,795,650	-
Lot 21c	2,801,700	2,801,700	-
Huntington Street	1,805,000	1,805,000	-
Trunk Sewer 7 Street To The End Of 10 Street.	1,166,100	-	1,166,100
8th Street	5,288,350	-	5,288,350
Shift Lanes Railyards	852,150	-	852,150
Lot 1 Under I-5 experience	2,284,874	2,284,874	-
Lot 31Under I-5 experience	3,333,071	3,333,071	-
Lot 33a Under I-5 experience	1,136,982	1,136,982	-
Lot 33b Under I-5 experience	1,822,286	1,822,286	-
Lot 60 Vista Connector to 4Way	268,809	268,809	-
Vista Park	10,247,433	10,247,433	-
Park Lot 58A	1,174,209	1,174,209	-
Park Lot 57A	352,550	352,550	-
Park Lot 68	1,269,436	1,269,436	-
Park Lot 70	245,249	245,249	-
N B Street 6th to 7th	1,829,400	1,829,400	-
N B Street 5th to 6th	3,473,900	3,473,900	-
South Park 5th to 6th	3,927,900	3,927,900	-
South Park Storm Drain 5th to 6th	523,250	523,250	-
Lot 32 Plaza (State Parks Museum)	4,551,177	4,551,177	-
Lot 30 (State Parks Museum ERE Portion)	3,421,840	3,421,840	-
Railyards Blvd 10 Street to 12 Street	3,025,400	-	3,025,400
Lot 34 Riverfront Park	738,924	738,924	-
Lot 35 Sac River Connection	3,795,549	3,795,549	-
Lot 21b (west)	1,973,400	1,973,400	-
Lot 21b (interior plaza and South)	4,440,150	4,440,150	-
Lot 53- open space along RY Blvd from 10th to 12th	167,347	-	167,347
Bercut from Camille to End	2,403,000	2,403,000	-
Extension Of 10th Street	1,446,200	-	1,446,200
Drain Line SOTA & Water Transmission	4,110,900	4,110,900	-
Total	**162,304,762**	**133,421,365**	**28,883,397**

COMPLETED PROJECTS THAT SERVE THE RAILYARDS

The construction projects listed on the prior page above do not include numerous other projects completed in the Railyards by DRV and prior property owners. Some of the completed projects include the following:

- Railyards Boulevard from 7th Street to Bercut Drive, including major water transmission, trunk sewer, and other utilities.
- 5th Street Extension from H Street to Railyards Boulevard, including major water transmission and other utilities.
- 6th Street Extension from H Street to Railyards Boulevard.
- Other minor street improvements to 6th Street, 7th Street, F Street, and G Street.
- Interim improvements to the Interstate 5 (I-5)/Richards Boulevard Interchange.
- Light Rail Extension and Track Relocation.
- Sacramento Valley Station Depot improvements, including rehabilitation and retrofit and acquisitions.
- Trunk sewer from Bercut Drive to 7th Street.

The financing plan indicates that approximately $369 million of improvement projects identified have been completed. The projects listed above, and their corresponding costs benefit numerous other properties and are not solely specific to the Railyards as they improve other properties outside of the Railyards.

Item	Estimated Improvement Costs (2021$)
COMPLETED	
Completed Infrastructure Improvements	
On-Site Roadways	$105,777,000
I-5/Richards Interchange	$13,000,000
On-Site Sanitary Sewer	$3,193,000
Off-Site Sanitary Sewer	$14,558,000
Other Transit Facilities	$232,700,000
Total Completed Infrastructure Improvements	**$369,228,000**

Source: Excerpt from June 2022 Updated Railyards Financing Plan

FINANCING OF DEVELOPMENT

To redevelop the Railyards site, substantial private sector investment will be necessary remediation, infrastructure and land development and construction. The construction of backbone infrastructure and other public improvements will be funded by a variety of private and public financing mechanisms. Below is a summary of some of the public funding sources.

Federal and State Funds - Certain Federal and State funds have been made available to assist with certain public infrastructure components of the Railyards, specifically the Sacramento Valley Station, interim improvements to the Richards Blvd/I-5 freeway interchange, roadway improvements within the Railyards, and preliminary rehabilitation of the Central Shops

City Funds - The City previously committed local funding for certain public facilities in the Railyards, some of which has already been spent. The City has pledged some of the additional property taxes received given the dissolution of the redevelopment agency.

Transportation Funding - A large portion of the infrastructure investment needed for development of the Plan Area is related to transportation. The City will apply for federal, state, and local funding of the street and interchange improvements through the Sacramento Area Council of Governments (SACOG) and the Sacramento Transportation Authority (STA). The STA manages the allocation and disbursement of local transportation sales tax and Measure A funds for transportation projects.

Development Impact Fees - The City has previously adopted a set of Development Impact Fees to finance capital improvements within the Railyards and River District Specific Plan and these fees will be updated as part of the implementation of the Financing Plan. Certain Railyards Plan Area backbone improvements and public facilities will be funded by development outside of the Railyards site that will benefit from such improvements. The City will impose certain impact fees in those areas to fund their pro- rata share of the necessary public improvements that will serve those areas as well as the Railyards site.

Tax Increment Financing -The Specific Plan site is within a redevelopment project area that was formerly administered by the Redevelopment Agency. The City of Sacramento, serving as the Redevelopment Agency Successor Agency, inherits the limited authority, and has the duty to pay the Agency's debts and other obligations previously vested with the Redevelopment Agency. This includes the payment of tax increment revenues received from the County Auditor-Controller, based on the Recognized Obligations Payment Schedule (ROPS) as approved by RASA's Oversight Board and the State Department of Finance. The tax increment revenue generated from the Railyards will be used to pay the Initial Phase OPA obligations to provide reimbursement to the landowner for the costs of infrastructure and other improvement projects in the Railyards.

Community Facilities District - Mello-Roos Community Facilities District (CFD) funding will also be used to help fund the construction or acquisition of backbone infrastructure and facilities in the Plan Area. These funds would be repaid by property tax assessments or other revenue sources.

Further details on these funding sources and the developer's estimate are shown later in the report.

OPPORTUNITY ZONE

The Railyards is in an Opportunity Zone. As shown in the map below, some of the downtown and midtown areas are also within an Opportunity Zone. The Federal Opportunity Zones program allows each state's governor to nominate up to 25 percent of the qualifying low-income Census tracts as Opportunity Zones. It was created under a provision of the Tax Cuts and Jobs Act, which was signed into law December of 2017. Investors who reinvest capital gains monies in Opportunity Zone funds will receive reductions on capital gains taxes relative to the years of their investment.

Eligibility Requirements

1. The investment must be made via a Qualified Opportunity Fund. An Opportunity Fund is a privately managed investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified Opportunity Zone Businesses. The fund must hold at least 90 percent of its assets in such property.

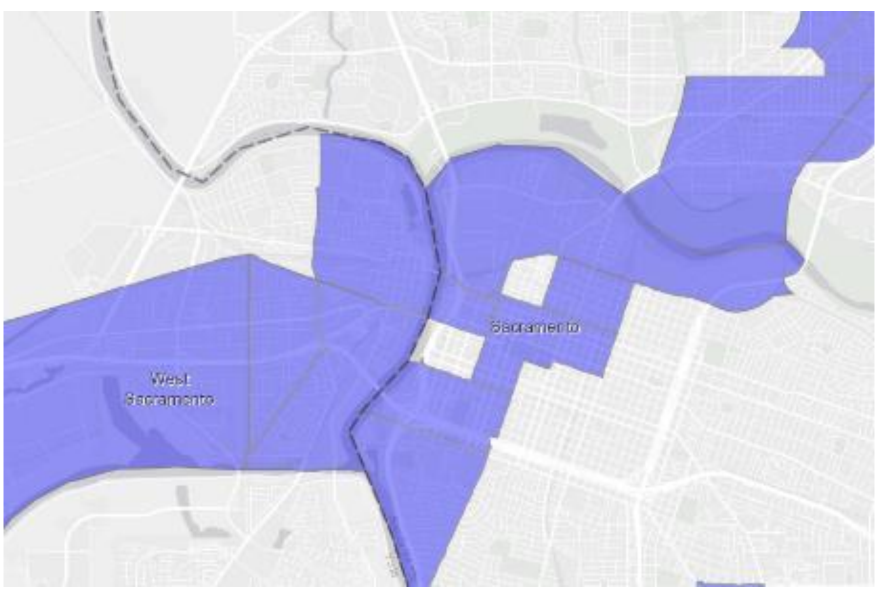
2. The investment must be derived from a gain in another investment and transferred into an Opportunity Fund within 180 days of realizing the gain.

Tax Benefits

1. If the investment is held for a minimum of five years, the taxable amount of the capital gains reinvested is reduced by 10%.

2. If the investment is held for seven years, the taxable amount of capital gains reinvested is reduced by an additional 5%, bringing the total reduction to 15%.

3. After holding for ten years, there is a permanent exclusion from taxable income on the capital gains from the investment in the Opportunity Fund.



Opportunity Zone Map

BUILDING ENTITLEMENTS

The following information was provided by the City of Sacramento's Planning Departments. This listing shows entitlement progress for proposed, existing or under construction project in the Railyard.

Kaiser

- Medical center campus
- No development application has been filed
- No pre-development discussions have occurred

MLS

- 25,000-seat outdoor stadium
- Entitlements approved under File No. P15-040
- Building permits submitted under File No. COM-1024719
- Review on hold

Lot 48

- Mixed-use with 345 dwelling units
- Entitlements approved under File Nos. P17-069 & DR20-054
- Building permits issued under File Nos. COM-1924220 & COM-2009855
- Under construction
- Marketing name – The AJ

Lot 12

- 300,000 square foot offices
- Entitlements approved under File No. P18-086
- Building permits have not been filed
- Marketing name – The Foundry

Lot 46

- 150 multi-unit dwellings
- Entitlements approved under File Nos. DR19-199 & DR20-188
- Building permits have not been filed
- Marketing name – Wong Center

Central Shops Plaza & Live Entertainment & Pavilion

- Central Shops Plaza – plaza & open space
- Live Entertainment – 5,000-person indoor venue with retail & restaurant & offices
- Pavilion – 12,500 square foot retail & restaurant
- Entitlements in progress under File No. PB20-049

A map on the following page identifies the location of these projects.


MLS
Kaiser
Lot 48
Lot 12
Central Shops Plaza
Live Entertainment
Lot 46
Pavilion
County Courthouse
TENTATIVE SUBDIVISION MAP
THE RAILYARDS

MARKETING AND DEVELOPMENT STATUS

There are four property owners within the CFD. A summary of the marketing and development status for each is discussed below.

Downtown Railyard Venture, LLC (DRV)

This entity is owner of six assessor parcels totaling 164.76 acres. Under the tentative map, they own 110 tentative mapped lots of which 76 are vacant lots that are taxable and 12 lots that contain the five central shop buildings totaling 247,832 square feet of improved building area.

Up until early 2022 DRV reported they had not been marketing the lots for sale and had planned to retain almost all property for development. In 2022 during a brief marketing effort they received two offers from developers to acquire Lot 43 for a disclosed confidential amount. In June 2022 they entered into a purchase and sale agreement to sell Lot 43 for the development of an apartment project. Confidential details of this sale were disclosed. Lot 46 was sold in June 2022 to the Wong Center at the Railyards, L.P for development of a 150-unit affordable housing project (see discussion below).

Central Shops: The Central Shops contain a net rentable area of 247,832 square feet and are located on parcels totaling 9.37 acres. The Central Shops contain five buildings. The first building planned to be renovated is the Paint Shop Building, a planned cultural and retail/entertainment building. This 61,025 SF building is expected to be finished for 47,801 SF for entertainment and 13,224 SF of retail and office space. The construction completion for the Paint Shop building is reported to be late 2023. DRV's projection reflects starting construction on a new Central Shop building every two years, so the next start date would be 2025.

Live Nations Status

Live Nation has executed a lease for a 47,374 SF space in the Paint Shop building. The Live Nation lease details have been provided but are confidential and are not reported. Parking for the Live Nation tenant will be from a temporary 1,000 space surface parking interspersed around and north of the Central Shops. The existing Conditional Use Permit (CUP) has an expiration date of December 31, 2029, of when the temporary parking agreement would no longer be allowed. A permanent parking garage will need to be constructed by that date.

DRV will be seeking an Amendment to the Development Agreement to extend the expiration date of the temporary surface parking to December 31, 2030. This Amendment will require approval by Ordinance which requires public hearings. If approved, the Amendment would take precedence over the CUP. The Amendment is in a draft format today and hearings are expected to commence in the next few months.

In regard to the Amendment, there is no certainty that it would be approved. The agreement by the existing CUP is the only reasonable and valid assumption that can be made regarding the expiration of the temporary parking. Therefore, we have utilized the existing expiration date of December 31, 2029, in our analysis of the DRV property.

A November 5, 2021, interview was conducted with Liam Thorton, Executive Vice-President, Development with Live Nation Entertainment as well as representatives from DRV. Mr. Thorton reported the following information as of November 5, 2021:

Status of Lease: Confirmed in November 2021 it was in final draft form and is expected to be executed. (The lease is now executed).

Events that would foresee lease not being executed: Reported no events from Live Nation that would preclude it from being executed.

When would Live Nation take occupancy: Deferred question to DRV who reported Spring of 2024.

Any Cancellation Provisions in Lease: Confirmed that there is no provision to cancel for performance of their business operations. Reported lease had standard cancellation provisions due to obligations on the lessor.
What state will DRV deliver the space: Mr. Thornton and DRV reported the space will be handed over in finished state whereby Live Nations will only be installing their specialized improvements.

Where will Patrons Park: A parking garage will be constructed on Lot 17 and will be the long-term parking accommodations for Live Nation events. In the interim, DRV and Live Nation have a plan to use a 1,000-space surface parking to accommodate their needs. The interim surface parking agreement allows the surface site to be replaced with another lot should there be a need to sale a lot. The agreement with the City is that the interim parking will be allowed up until 2029, after which the future garage will utilized.

No. of Events per Year: Mr. Thompson described in detail some of their business plans including capacity levels, no of events and ticket sales per year, number of non-music events where they could rent space (3rd Party operators) and amount of sponsorship revenue. The responses are deemed confidential and not reported here.

What draw will Live Nation have on nearby Properties: He reported Live Nation venues provide area wide lift to properties. He described in detail benefits to retail, office and lodging properties. He cited a couple of Live Nation properties that could be used as case studies for the Railyards location. Follow-up email produced this information from CBRE:

Toyota Music Factory – Irving Texas: Trade area from venue increases by 3x. This is the number customers who would never travel to and spend at this location without the music venue. This Live Nation venue is the most visited concert venue in Dallas/Ft. Worth and the 4th visited venue when normalized for land size. 712,000 visitors per year with 10% year over year growth. Venue creates cross shopping with restaurants, bars, and hotels.

Coca-Cola Roxy – Atlanta, Georgia: Trade area from venue increases by 1.5x. 596,292 visitors (2019 to 2021) per year. Venue creates cross shopping with restaurants, bars, and hotels.

The Fillmore – Philadelphia, Pennsylvania: Trade area from venue increases by 1.5x. 757,000 visitors (January 2019 to 2021). Venue creates cross shopping with restaurants, bars, and hotels.

Have any locations ended up different in respect to performance: No, as he stated that their core business is based on achieving the target venue capacity, so they spend a lot of time up front with the developers and officials to make sure they achieve the desired occupancy in the main hall.

Terms of the Lease: Mr. Thompson confirmed the accuracy of the deal terms as reported by DRV. These are confidential and not reported here. The lease term is long-term and longer than other lease terms at their other sites. The combined all-in rent is commensurate to higher quality retail anchor spaces in the Sacramento region.

Other Central Shop Space

DRV has entered into an exclusive negotiation agreement with Q-Factor, the developers of creative office space in historic structures with projects branded as "Industry" creative offices. The agreement covers the Car Machine Shop, Planing Mill, Car Shop, Blacksmith Shop, and lot 9B. The vision for these buildings is development in the "Industry" style to provide a place making, flexible, creative office and mixed-use environment that can accommodate a variety of tenants. No leasing activity has commenced for the buildings under the Q-Factor agreement.

DRV provided a letter and e-mail dated October 13, 2021, from JD Lumpkin, Executive Managing Director with Cushman and Wakefield. An excerpt from this letter is as follows:

> "One publicly traded tech company's CPO put it nicely on a tour recently: "We are looking for a building and environment that will help us rebuild our company culture and get our employees excited to be physically back together again." The relative cost of the real estate vs. the essential benefit to the enterprise is negligible, thus there is very limited price sensitivity. Companies are demonstrating that they are willing to pay up for the best in order to create a compelling office experience that their employees can't replicate at home. As discussed, we feel the Central Shops and the greater environment at The Railyards can be just such a compelling and differentiated place and destination for talent."

An excerpt from Mr. Lumpkin's e-mail dated October 13, 2021:

> "…According to my survey, that project is leasing 30% above the class A avg for the submarket and 11% higher than the very best existing buildings in the submarket. Thought you would find this letter of interest - further reinforcing what tenants want and that they are willing to pay a premium for it. This is a national trend and by-product of the pandemic. Nobody wants to go back to the same office space and think about working the same way they had before the pandemic."

Foundry

DRV is planning a 289,674 SF office project on Lot 12a and 12b. They plan to start construction in 2024. The Foundry is being marketed by Ron Thomas, Executive Director and Mark Tabak, Director both with Cushman and Wakefield. The project will be four stories and will have creative office features including heavy timber interior features. Interviews with Mr. Thomas and Mr. Tabak revealed the following information:

> Office leasing activity has slowed significantly due the Pandemic. They expect it to slowly improve in the short-term with a substantial rebound in a couple of years.

The Foundry will be like no other office in the Sacramento area. It will have creative architectural features that will include raw materials such as heavy and mass timbers, which is a desirable construction improvement and will be unique to the Sacramento CBD. They expect leasing prospects will react positive to the design and location of the property.

Formal leasing activity for the Foundry is 3-5 months out. No leasing offers have been submitted. No leases have been signed.

Cushman and Wakefield plan to concentrate their marketing efforts on technology firms presently based in the San Francisco area. In addition to the bay area leasing prospects, they have identified a handful of local tenants to pursue. They originally had planned to kick-off the leasing with a 100,000 SF user but have lowered that to 50,000 SF.

Mr. Thomas expects office rents to be around $60.00 per square foot annually, full service for terms starting in 3 years with a tenant improvement allowance of $75 per SF. Mr. Tabak reported that the asking rent is still influx as construction have risen lately and they don't want to preset the rate ahead of possible further increases in costs. As will be shown later in the report, we estimate a lower market rent for office space as supported from existing office buildings in the CBD.

Lot 17 Parking Garage

A 1,421-space structured parking garage will be constructed on Lot 17 by DRV. This structure will benefit the proposed developments including Foundry, the Central Shops and other nearby developments. Under existing and pending entitlements, DRV can only use the temporary 1,000 space gravel surface lots up until December 31, 2029.

Matt Eierman, the City's Parking Manager, and his financial analyst performed a detailed parking garage pro-forma on the proposed garage on Lot 17. Their analysis (updated 6-24-22) provides revenue and expenses for the period of 2027 through 2031.

There are multiple uses of the garage, including several properties outside of the railyards. Matt indicated the garage will be unique in the respect it would have the demand of up to 3 possible turnovers in a given 24-hour period (i.e. office users in the am, lunch users midday, entertainment users and residential users in the evening).

The parking structure will be the replacement of the temporary surface parking estimated to be 1,000 spaces. The temporary parking will encumber 8.6 acres of buildable lots. Lot 15 is (proposed hotel) one of the lots, but if the hotel is developed, they can shift the parking to another lot. The structure will be needed for the two proposed hotels and other DRV projects planned. Except for Live Nation, the City will not approve development for temporary use of the proposed surface parking lots.

The cost of the garage is $53.8 million. The cost of the garage would be an obligation on the developer of the subdivision. The City has indicated that they will not subsidize or assist in any public financing for the garage. A mortgage banking professional reached out to three lenders to get an idea of interest for financing. Two came back and said they would be interested because it would serve multiple demand users (no interest in financing for single use). Typical terms would be lower of 65% loan to costs or 65% loan to value, 10 yr. term, 30 yr. am, 150—160 over 10 yr. treasury rate.

Despite the lending interest and the unique aspects of Lot 17, financing is still expected to be a challenge. We are only aware of one parking garage constructed in last 20 yrs. in downtown/midtown that received traditional bank financing.

Development of the two hotels is not likely to start construction until the parking garage is close to commencement of construction. If the garage has not started construction within the next two years, it could delay lot sales and/or development projects. Under the best-case scenario, the parking garage could be completed by the end of 2025 with the worst case being early 2029. This development risk has been considered in RCLCO's Absorption Models. The financial impact of the development of the garage has been quantified and is part of the valuation of the DRV owned property.

Marriott Hotels

Two Marriott branded hotels are proposed for Lots 15a and 15c. DRV will be the owner and developer of the hotels and has secured franchise agreements with Marriott International ("Marriott"). Marriott's Tributary brand will operate a 149-key hotel and their Residence Inn brand will operate a 155-key hotel. An interview with Nate Siehr and Robert Sanger with the Marriott revealed the following business terms, conditions, and outlook for the future operations at the Railyards.

The Franchisee Agreements with DRV have been executed with franchise fees being received. The terms of the Franchise agreements are 30 years with standard royalty fees and reimbursements being in place.

The agreement has a current construction start date of January 1, 2023, and an opening date of January 1, 2025. DRV reported that site plan submittal to the City has not been initiated as they are waiting on other events happening. Both DRV and Marriott representatives reported the business relationship is symbiotic and unless there are no significant material delays the parties would continue to modify the agreement to keep the project on course.

Marriott is aware of possible delays in the construction of the Kaiser Hospital which may or not happen at the Railyards. They reported this was an earlier condition of the agreement, but their walk-away provision relating to the timing of Kaiser's campus has expired.

Marriott reported the Railyard location as being very desirable for their lodging business and that they would continue to go forward even without Kaiser being committed to constructing a hospital at the Railyards. They cited several demand drivers such as being within a mixed-use urban development, close proximity to downtown Sacramento and the business community as being sufficient going forward with or without Kaiser.

Marriott reported that the Tributary and Residence Inn are upper echelon Brands of Marriott and were selected as testament to their high regards for the Railyards location. They reported both are right-fit model brands which have flexibility in adopting to changes in the business environment.

The Pandemic has negatively impacted lodging market including the limited-service sector. They reported hotels under 200 rooms have fared best during the pandemic and believe stabilized operations for the lodging industry will occur in 2023/2024. In terms of financial performance, they could only cite national averages and believe California hotels as a whole will exceed their national 2019 (pre-covid) statistics of $182 in ADR and 79% occupancy rate.

There are typical and construction performance clauses in the franchise agreements that would allow Marriott to cancel the agreements. They also retain "Red Zone" clauses in the agreement which would allow them to cancel the franchise. The Red-Zone clauses relate to customer satisfaction criteria and not any financial performance of the hotel.

As far as being catalyst for other development in under-developed mixed-use areas, Marriott reported there is some case stories of that happening. They cited the Drover Hotel in Stockyards of Ft. Worth and a Residence Inn in Northgate Mall area of Seattle as examples where their hotel presence spurred other development.

Telegrapher

DRV is planning a 340-unit apartment project on Lots 3a, 3b, 3c and 3d. The Telegrapher would have units ranging from 360-square-foot micro-apartments to two-bedroom townhome units of 1,120 square feet. The project would be within two buildings being five and seven stories. The construction start date is by the end of 2022. The units will be market rate and smaller units' sizes particularly in the five-story building, as well as the emphasis on shared spaces, are designed to increase overall affordability. The project has been submitted to the city for initial site plan approval. DRV shared details of the financial development model of the Telegrapher. These details are confidential and not reported.

Kaiser Foundation Hospital

This entity is owner of eight parcels totaling 17.407 acres. Kaiser purchased this property from DRV with the intent to develop a 1.2 million square foot regional hospital on the site. The following are 2022 responses from Kaiser response regarding questions posed from the City of Sacramento regarding the timing of their project:

When does Kaiser expect to break ground on the medical campus in the Railyards?

> Construction of the medical campus (the "Project") is subject to internal approval, including approval by the Kaiser Foundation Hospitals Board of Directors ("Board"), which has not been granted yet. Construction will commence following internal and Board approval and the completion of planning, space programming, and design, and after securing City of Sacramento development approvals and all required permits. Kaiser currently plans to start construction on the Project once all necessary approvals are obtained and planning, space programming and design is completed.

Has Kaiser encountered any development obstacles (environmental or otherwise) as part of its due diligence efforts?

> There have been no development obstacles as part of due diligence efforts, but the COVID pandemic has and continues to impact health care priorities and operations. Costs remain uncertain in the construction markets and Kaiser cannot make any representation that it will not encounter development obstacles in the future.

A construction start date could not be confirmed from Kaiser. An assumption of this report is that Kaiser has unknown development plans for their site and there is a possibility that they may not develop the hospital at the Railyards.

Sacramento 695, LP

This entity owns one parcel. This parcel was purchased in July 2020 from DRV for $100. The entity is a joint venture with USA Properties and DRV for the development of the AJ, a 6-story, mixed use multi-family over street retail. The project will have 69 units restricted for affordable units. The project helps satisfy the affordable housing requirement in the Railyards. The project is under construction with approximately $74.2 million in construction completed. The construction costs have been verified with CitiBank, the lender on the project. No leasing activity was reported for the AJ. The contributory value of the partially completed improvements is shown later in the report.

Wong Center

Wong Center at the Railyard, L.P. purchased 2.658 acres in June 2022 for $100. The property included Lot 46a and a portion of 46b. The property is planned to be developed with 150 affordable housing units to help meet DRV's affordable housing obligation. The nominal consideration paid is typical of other land sales involving affordable housing developments that satisfy affordable housing project requirements. The Wong Center commenced construction in June 2022.

PROPERTY TAX ANALYSIS

PROPERTY ASSESSMENT AND TAX DATA

The property tax structure in California underwent a tremendous change in 1978 when the voters approved the Jarvis-Gann Amendment, popularly known as "Proposition 13". Under this law, the property tax for any property cannot exceed one percent of the sale price plus any bonded indebtedness for special assessments (road improvements, sewer lines, or other previously existing or voter-approved debt). Another provision of the law was the reduction of the assessed value for all properties to the levels of 1975. The maximum annual increase in assessed value, under the law, is limited to two percent of the assessed value for the previous year and properties are reassessed to current market value only at times of construction or sale.

Due to California's method of property taxation, tax rates generally vary between 1-2% of assessed value; but annual tax bills vary widely from property to property. The subject's current ad valorem taxes would not be considered relevant for this analysis because as previously mentioned, California law requires that properties be reassessed at their market value upon sale. The general tax rate and special assessments would, however, be relevant for this analysis as this rate is constant regardless of the assessed value of the property. This appraisal is predicted on the assumption that the property would be reassessed upon transfer and property taxes have been reconstructed upon the market value of the property as estimated herein, using the current tax rate, plus direct assessments.

Shown on the following page are the assessed values and taxes for the property. There are two bond districts for the subject properties. These are identified as follows:

Railyards Maintenance CFD 2014-04: This CFD was formed for maintenance issues of the Railyard streets and common areas. The maximum tax for this CFD on vacant land is $0.42 per square foot of land area. The authorized services to be funded include: 1) Inspection, repair, and maintenance, including utility costs, of roadway facilities, transit facilities, and bike and pedestrian paths. 2) Inspection, repair, and maintenance, including utility costs, of parks, parkways, bike trails, and open space. 3) Inspection, repair, and maintenance, including utility costs, of water-quality facilities, stormwater drainage facilities, water fountains, and other water features. 4) Capital repair and maintenance of the area known as the West Tunnel and appurtenances. 5) Miscellaneous costs related to any of the items described above, including planning, engineering, and legal and administration costs and 6) The levy of special taxes to accumulate funds for anticipated future repair or replacement costs of facilities maintained by the CFD, as determined by the CFD administrator. The Central Shops Land Area for any Parcel fully or partly within the boundary of the Historic District Parcel is exempt from the Special Tax. Parcels 011, 012 and 013 are not in the CFD 2014-04 district.

Railyards CFD 2018-01: This CFD was formed to fund certain infrastructure improvements. The maximum tax for this CFD is $0.435 per square foot of land area. The tax applied only to developable or public parcels.

The following table summarizes the subject's real property taxation and our projection of real property taxes. The effective tax rate inclusive of direct assessments from the ownership group ranges from 1.13% to 2.27% on the current assessed land value. These effective rates will decline when improvements are constructed. Overall, the tax burden of the property is similar to other commercial areas of Sacramento.

Real Estate Taxes												
Parcel No.	Ownership	Assessed Value	Tax Rate	Direct Assessments	Landscaping & Lighting	River District PBID	SAFCA	Library Service Tax	American River Flood	Flood Control	Railyard Maintenance 2014-04 CFD	Total Taxes
001-0064-011	Downtown Railyard Venture, LLC	$35,039	1.11670%	$121.52	$0.00	$96.68	$1.50	$1.52	$8.20	$13.62	$0.00	$512.80
001-0064-012	Downtown Railyard Venture, LLC	$27,825	1.11670%	$109.36	$0.00	$11.14	$16.40	$1.24	$1.50	$79.08	$0.00	$420.08
001-0064-013	Downtown Railyard Venture, LLC	$21,641	1.11670%	$89.04	$0.00	$61.52	$1.50	$0.96	$16.40	$8.66	$0.00	$330.71
002-0010-074	Downtown Railyard Venture, LLC	$4,138,324	1.11670%	$3,163.86	$0.00	$0.00	$1,465.70	$1,105.44	$16.40	$576.32	$0.00	$49,376.52
002-0010-075	Downtown Railyard Venture, LLC	$11,581,576	1.11670%	$18,953.92	$1,772.22	$0.00	$15,443.02	$96.48	$16.40	$1,625.80	$0.00	$148,285.38
002-0010-076	Downtown Railyard Venture, LLC	$1,312,373	1.11670%	$2,722.27	$1,772.22	$0.00	$428.72	$69.44	$16.40	$408.46	$106,964.56	$124,342.10
	DRV Totals	**$17,116,778**	**1.11670%**	**$8,158,981.25**	**$1,600,314.66**	**$50,971.34**	**$5,233,462.92**	**$398,668.48**	**$27,601.70**	**$839,826.12**	**$41,058,928.40**	**$108,589,985.43**
002-0010-077	**Wong Center at the Railyard, L.P.**	**$546,822**	**1.11670%**	**$1,946.28**	**$1,772.22**	**$0.00**	**$30.08**	**$49.40**	**$16.40**	**$78.18**	**$29,443.84**	**$37,496.48**
002-0010-069	**Railyards Lot 48, LLC**	**$3,763,989**	**1.11670%**	**$4,925.06**	**$0.00**	**$0.00**	**$114.80**	**$4,681.02**	**$16.40**	**$112.84**	**$38,596.78**	**$85,554.31**
002-0270-001	Kaiser Foundation Hospital	$2,251,224	1.14690%	$226.42	$0.00	$0.00	$42.28	$21.98	$16.40	$16.86	$0.00	$26,045.71
002-0270-002	Kaiser Foundation Hospital	$6,915,105	1.11670%	$306.98	$0.00	$0.00	$132.12	$67.56	$16.40	$107.30	$0.00	$77,527.96
002-0270-003	Kaiser Foundation Hospital	$6,544,101	1.11670%	$290.58	$0.00	$0.00	$124.58	$63.88	$16.40	$85.72	$0.00	$73,368.56
002-0270-004	Kaiser Foundation Hospital	$8,234,231	1.11670%	$361.84	$0.00	$0.00	$156.96	$80.48	$16.40	$108.00	$0.00	$92,313.50
002-0270-005	Kaiser Foundation Hospital	$1,514,933	1.11670%	$70.76	$0.00	$0.00	$28.56	$15.56	$16.40	$11.40	$0.00	$16,988.02
002-0270-006	Kaiser Foundation Hospital	$1,679,824	1.11670%	$76.84	$0.00	$0.00	$31.62	$16.40	$16.40	$12.42	$0.00	$18,835.43
002-0270-007	Kaiser Foundation Hospital	$4,761,220	1.11670%	$753.24	$0.00	$0.00	$90.70	$46.50	$16.40	$35.66	$0.00	$53,921.78
002-0270-008	Kaiser Foundation Hospital	$2,493,972	1.11670%	$104.70	$0.00	$0.00	$45.92	$24.32	$16.40	$18.06	$0.00	$27,954.89
	Kaiser Totals	**$34,394,610**	**1.11670%**	**$2,191.36**	**$0.00**	**$0.00**	**$652.74**	**$336.68**	**$131.20**	**$395.42**	**$0.00**	**$386,955.84**

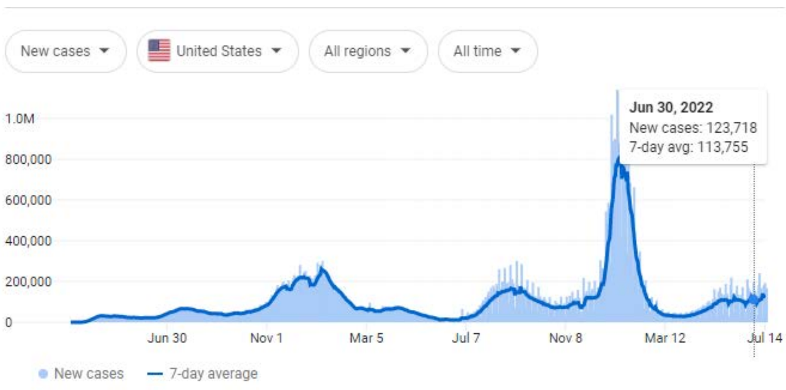
MARKET ANALYSIS

COVID-19

Covid-19 vaccines in the US were initially a resounding success, as death and new case rates were plummeting through mid-year 2021; however, case rates began to escalate in July 2021, largely among the unvaccinated and also as a result of the expansion of the more contagious Delta Variant of the virus. In late April 2022, the BA.5 variant, a sister of Omicron strain began occurring in the United States.

Covid BA.5 is currently the predominant strain of the virus in the United States. It is more contagious as previous variants.

On January 2, 2022, the United States hit a new record of new cases with the 7-day average exceeding any other time period since the start of the pandemic. Since January, the rate of cases has dropped dramatically, however many covid cases are not showing up as people are self-testing.



Despite recent setbacks, Americans are traveling again, and mobility should continue to increase as consumers spend more money. Strong economic growth is expected into 2022 as rates are expected to remain near historical lows. Given recent bond yield increases, investors have expressed worries over upward pressure on interest rates; however, rates remain well below historical norms.

New Covid cases in the United States and California had been on a decline in the spring and early summer of 2021. This was the result of the successful roll out of the vaccinations. Beginning around the end of June and continuing into September, the 7-day average cases of Covid had been on a rise. For California, new Covid cases hit a summer peak in the middle of August. The arrival of the Omicron in late November caused records cases in late December and early January. More recently, there has been a spike in cases from the BA.5 variant.

The rise in cases spurred more restrictions for retailers and office users. As a result of the rising cases, some of the larger companies in Northern California announced extensions of remote working into 2022. Discussions with market participants indicate the office sector has been one of the hardest hit property types due to pandemic. Office real estate brokers report that leasing activity throughout 2021 and into 2022 has been very slow, consistent with the results that had been happening since beginning of the pandemic.

Over the short-term office properties will continue to be most negatively impacted by Covid. Office demand has faced downward pressures due to remote working trends and elevated levels of unemployment, which are declining.

INTEREST RATE & INFLATION IMPACTS

Interest rates have been increasing since the beginning of March 2022. This has been the result of changing federal monetary policy due to inflation fears. The Federal Reserve has announced multiple interest rate increases throughout 2022 and beyond. In its May meeting, they increased the federal funds rate by 50 bps to 0.75%-1.00%. The move was anticipated by financial market participants, but that does not diminish the fact that it was the first 50 bps rate hike from the Federal Reserve in 22 years. These rate hikes have led to higher interest rates for residential and commercial projects. In January 2022 mortgage rates were in the low 3.0%'s. By the end of June 2022, mortgage interest rates were in the high 5.0%'s. With continued rate hikes expected by the Federal Reserve to combat inflation, future interest rate increases are likely to occur.

Interest rate increases negatively impacts most real estate property types. Higher rates are already slowing down price appreciation of for-sale residential properties. Affordability issues will continue and there could be a spill-over with higher demand to rental housing and apartments if prices and interest rates continue to rise. Retail and hospitality properties will be impacted by inflation issues, as deposable income levels diminish due to higher prices. Development opportunities for office properties could decline due to rising rates.

ECONOMY

Employment levels continue to recover in the Sacramento MSA as the economy gradually reopens. Total employment over the last year has averaged 1,080,000 jobs, above the five-year average of 990,000. Correspondingly, the unemployment rate has fallen to 2.9% (May 2022), as historical averages show equilibrium around 6.8%. Employment growth has been concentrated in cyclical job sectors like leisure and construction but strong figures from office sector jobs have bolstered the economy as well.

Office employment overall is trending upwards as well, recording an increase of 6.1% year over year, bringing the number of office-using jobs to 190,000. While Government remains the metro's largest office-using employer, it has only grown by 0.2% during the same period of time. Private sector office jobs have been responsible for nearly all recent growth with professional services, information services, and education/health services all seeing gains of 7.6%, 5.3%, and 4.6%, respectively.

Sacramento MSA's affordability has remained one of its biggest draws. Bay Area and Southern California residents have shown interest in the Sacramento area to escape exorbitant housing costs, and the pandemic has only accelerated that trend. With many people working from home, and the expectation that they will be able to do so on at least a part-time basis once the virus has been contained, apartment vacancies have fallen to an all-time low, while the single-family home market has seen inventory fall and prices increase quickly.

Employment regionwide has exhibited strong growth amid the pandemic, offsetting almost all of the losses experienced during the pandemic. While the economy has largely rebounded from the pandemic, the declining U.S. and world GDP due to the Ukraine/Russia conflict, continuing supply chain constraints on merchandise, inflation, rising interest rates and reduced monetary stimulus may temper with the region's pace of recovery on a short basis.

APARTMENT MARKET ANALYSIS

Costar is the source for the following data. The data reflects conditions of 2022 1Q (to date), the most recent data available. The initial discussion provides information on the overall Sacramento MSA Multi-Family market, followed by the subject's submarket. The subject is part of the Downtown Sacramento submarket, which will be discussed later in this report.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A. For discussion of the building classes, we will use conventional classification of Class A, B and C ratings.

SACRAMENTO (MSA) APARTMENT MARKET

Key apartment market statistics and five-year projections are summarized in the following table.

APARTMENT MARKET TRENDS & PROJECTIONS - SACRAMENTO MSA									
Period	Vacancy Rate	Avg Asking Rent/Unit	Annual Rent Growth	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Avg Sale Price/Unit	Market Cap Rate
2026	*4.8%*	*$2,155*	*2.9%*	*141,525*	-	-	*393*	*$307,210*	*4.6%*
2025	*4.4%*	*$2,095*	*3.6%*	*140,596*	-	-	*439*	*$300,388*	*4.6%*
2024	*4.5%*	*$2,021*	*4.3%*	*140,308*	-	-	*832*	*$291,444*	*4.6%*
2023	*4.6%*	*$1,938*	*5.8%*	*139,540*	-	-	*1,309*	*$281,701*	*4.5%*
2022	*3.8%*	*$1,832*	*7.7%*	*137,078*	-	-	*1,951*	*$268,537*	*4.5%*
2022 YTD	**4.1%**	**$1,761**	**7.9%**	**133,863**	**4,448**	**3.3%**	**1,000**	**$266,649**	**4.3%**
2021 Q4	*3.8%*	*$1,713*	*11.3%*	*133,455*	*4,809*	*3.3%*	*1,717*	$254,311	*4.4%*
2021 Q3	*3.5%*	*$1,702*	*12.8%*	*134,402*	*5,820*	*4.3%*	*1,923*	$247,046	*4.6%*
2021 Q2	*3.5%*	*$1,663*	*12.7%*	*133,941*	*5,913*	*4.4%*	*2,917*	$238,751	*4.6%*
2021 Q1	*3.7%*	*$1,571*	*8.4%*	*133,445*	*5,228*	*3.9%*	*2,940*	$228,591	*4.6%*
2020 Q4	*4.0%*	*$1,528*	*6.3%*	*133,443*	*4,126*	*3.1%*	*3,009*	$222,368	*4.6%*
2020 Q3	*4.0%*	*$1,509*	*5.3%*	*133,070*	*3,404*	*2.6%*	*2,305*	$216,951	*4.6%*
2020	3.9%	$1,523	6.3%	131,600	3,631	2.8%	3,051	$220,838	4.6%
2019	5.2%	$1,432	4.0%	130,127	2,091	1.6%	783	$199,407	4.9%
2018	4.5%	$1,377	4.8%	128,343	2,670	2.1%	913	$178,656	5.1%
2017	4.2%	$1,314	6.7%	127,079	2,694	2.1%	267	$158,127	5.4%
2016	3.9%	$1,231	8.1%	126,367	1,117	0.9%	480	$144,035	5.6%
2015	4.2%	$1,139	9.3%	126,208	996	0.8%	1,138	$131,894	5.8%
2014	4.8%	$1,042	4.2%	125,859	437	0.3%	996	$118,955	6.0%
2013	5.4%	$1,000	2.8%	125,537	711	0.6%	1,550	$110,543	6.2%
2012	6.6%	$973	1.5%	125,557	256	0.2%	(4)	$109,220	6.2%
2011	6.6%	$958	1.2%	125,597	193	0.2%	(167)	$109,550	6.1%

KEY TAKEAWAYS

- The Sacramento MSA apartment market has experienced increased demand due to stronger in-migration from the Bay Area (and other coastal markets) during the Covid-19 pandemic, as increased teleworking prompted employees to relocate to more affordable and suburban areas.

- The Sacramento MSA apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption.
- New construction is at a decade high level and demand remains strong. Vacancy and rents are not expected to be impacted due to supply drive pressure.
- Robust market fundamentals and growing investor interest continue to place upward pressure on pricing. Recent interest rate increases so far have not materially impacted capitalization rates on Class A assets.

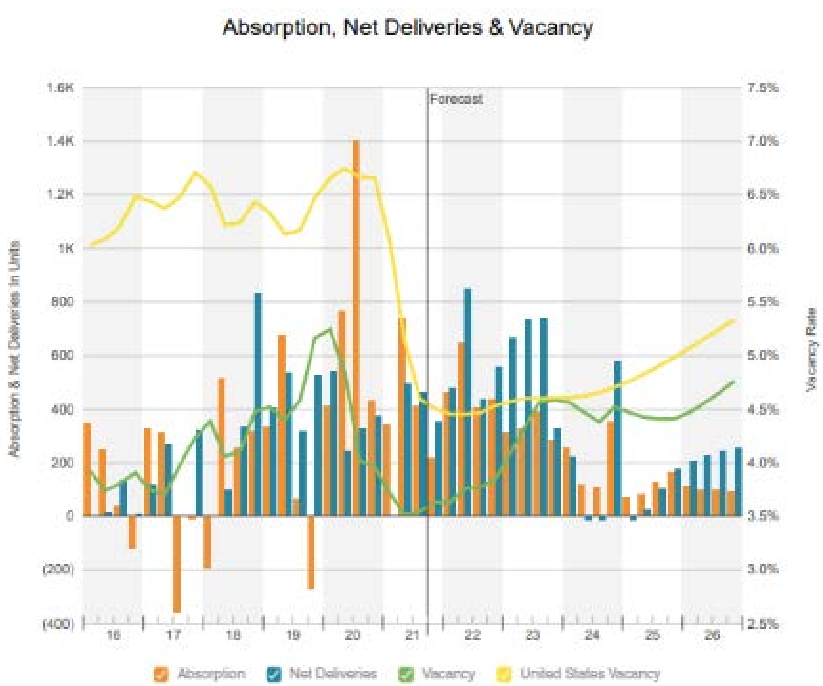
OVERVIEW

Sacramento MSA multifamily vacancies fell to an all-time low in 2021. As in the wider U.S., metro unemployment remains low, with interest from homebound workers and Bay Area residents, demand remains elevated. This is particularly true in pricier markets with large units and areas with an abundance of affordable product.

While still modest, the construction pipeline has risen to a post-Great Recession peak in 2021, after the metro gained more than 1,000 units for a third consecutive year in 2020. When construction has occurred, projects have mostly been concentrated in Downtown Sacramento, resulting in significant supply-driven pressure for that area, and in affluent suburban cities like Elk Grove, Folsom, Roseville, and Rocklin.

Thanks to new jobs and strong in-migration, plus home prices that have become increasingly unaffordable for many metro residents, outsized rent hikes have been the rule here for many years: Over the past decade, the average apartment rent in Sacramento MSA has increased 80.1%. And with vacancies falling to a new low, annual rent growth is approaching the all-time peak.

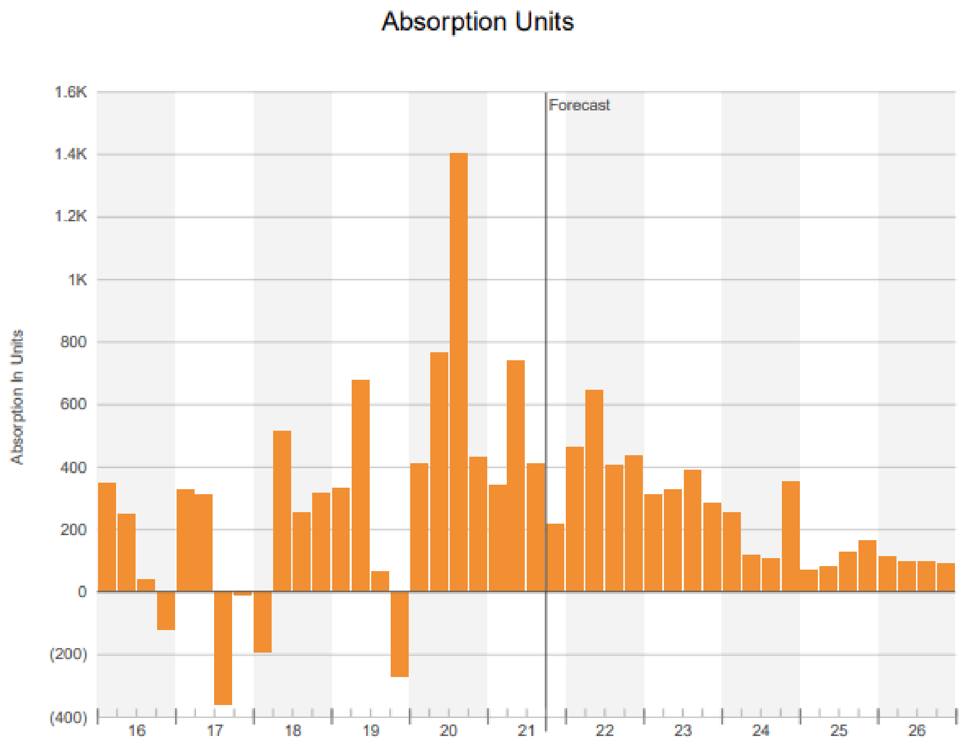
With occupancy and rents increasing and only modest supply-driven pressure on the horizon, investor interest has soared; deal flow in 2021 surpassed 2020's modest figure. Class C communities typically dominate metro sales, and these assets often trade for a significant premium over their purchase prices.



ABSORPTION

The market experienced record absorption (±3,000 units) during 2020 and 2021 was achieved close to 2,000 units.

Historical and projected net absorption trends are shown in the following graph.

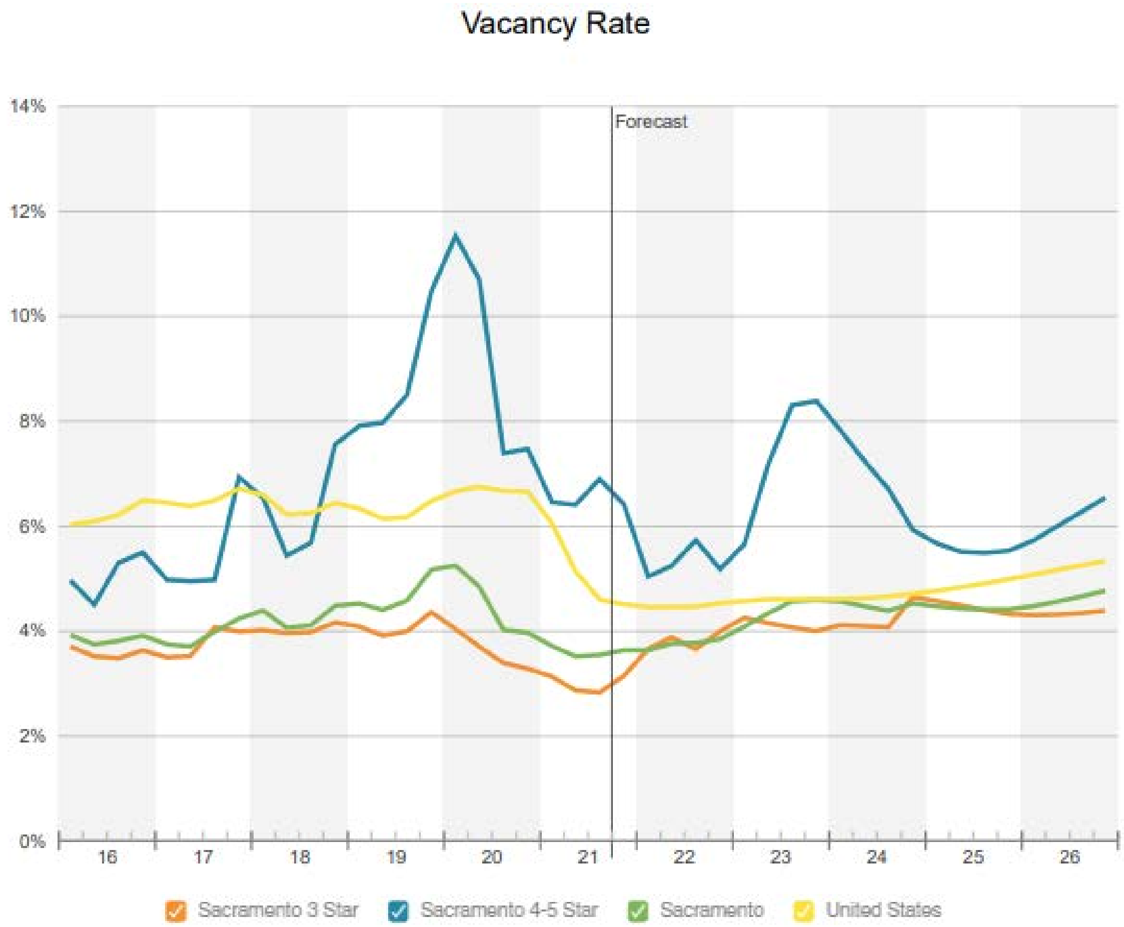


VACANCY

Sacramento MSA's apartment market began 2022 with vacancies near an all-time metro low. The previous trough, of 3.8%, had stood since 2000. A lack of new construction, population growth that was nearly double the U.S. norm, and a solid economy propelled significant occupancy gains over the past decade. Furthermore, after the onset of the coronavirus pandemic and ensuing recession, demand soared to almost unprecedented levels, and it remained strong in the new year. California's eviction moratorium, stimulus checks, and enhanced unemployment benefits initially buttressed occupancy, but interest in both cheaper submarkets and suburban areas with larger units have helped push vacancies even lower.

Looking ahead, near-term demand is expected to remain healthy as the economy continues to improve. Rising home prices and a lack of inventory on the market will also likely propel apartment demand, and the renewed stimulus funds should help low-income households stay current on rent. Bay Area residents with the option to work from home, whether on a part- or full-time basis, may also continue relocating to the Sacramento region. Supply-driven pressure is on the horizon, but the construction pipeline is below most major U.S. markets, and the bulk of units are projected to deliver in 2022 and 2023.

Historical and projected vacancy rate trends are shown in the following graph.

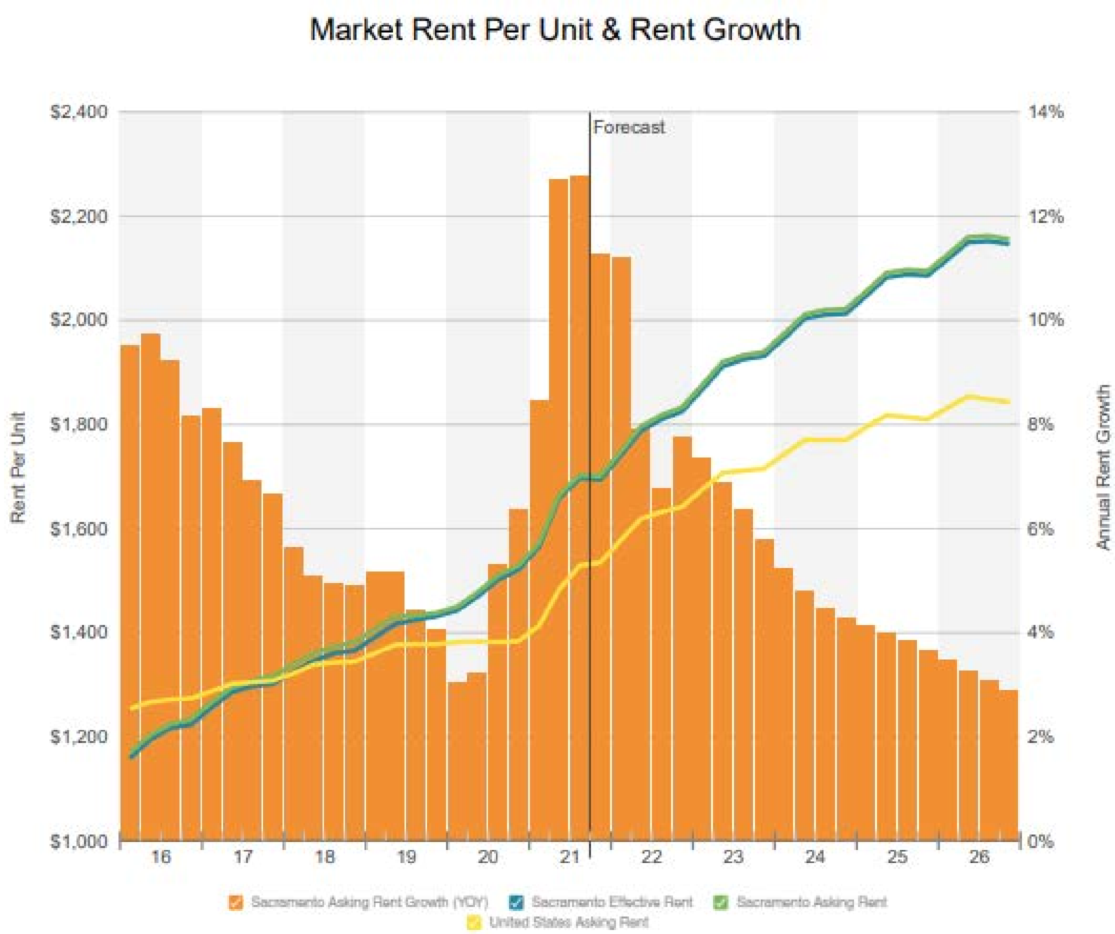


RENTAL RATES

Apartment rents continued to soar in 2021 and into 2022. With vacancies falling to a record-low, the average rent has increased 7.9% over the past 12 months. While rents declined at the start of the pandemic before staging a remarkable comeback, outsized rent growth is nothing new in Sacramento MSA. Over the past five years, annual gains have averaged 6.8%.

The cost of renting an apartment surged in 2021. Given Sacramento's relatively limited development pipeline coupled with rising home prices, it appears leverage will remain on the side of local landlords.

Historical and projected rent growth are shown in the following graphs.



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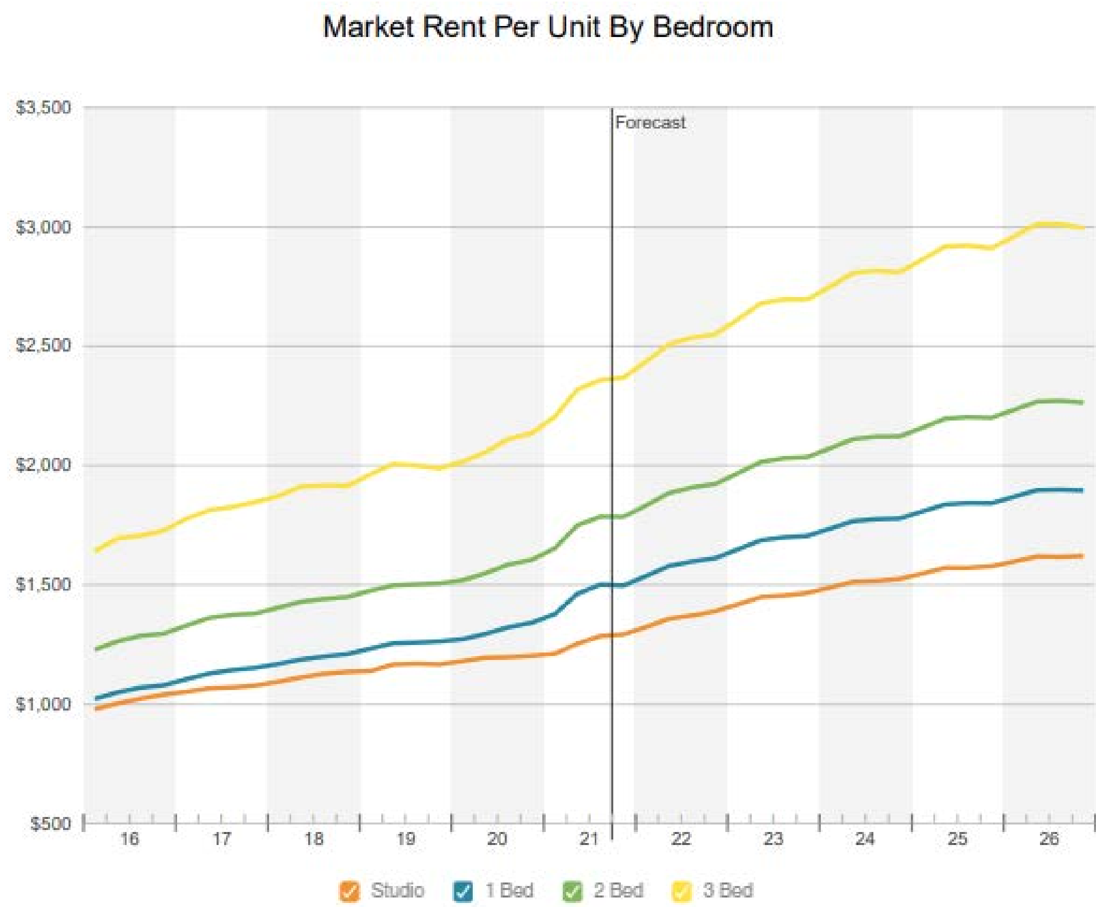


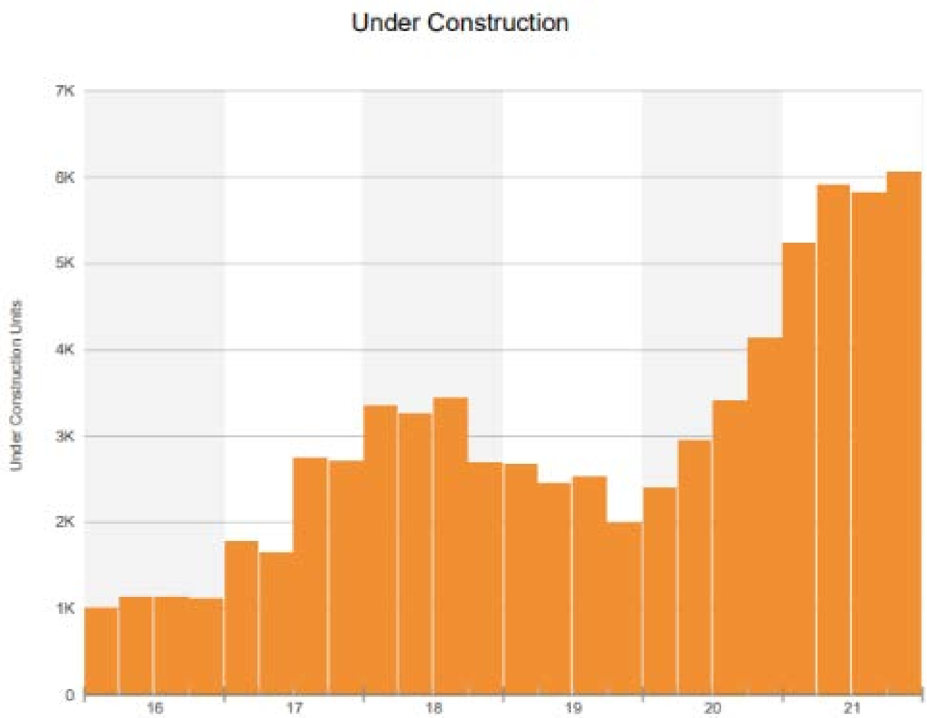
INVENTORY & CONSTRUCTION

In 2021, Sacramento MSA's development pipeline ascended to a post-Great Recession peak. Currently, around 4,500 units are under construction, a significant increase to most recent years, and Downtown Sacramento continues to lead the metro on an absolute basis.

Sacramento MSA's apartment inventory only increased by about 3% this past decade, but in 2021, the metro gained more than 1,665 new units, a third consecutive year of 1,000 units or more growth. The last time 1,000 or more units delivered in three consecutive years here was from 2004–06.

High construction costs, lengthy and difficult approval processes, and uncertainty of demand to support high-end rents have deterred many developers. Before breaking ground, entitlement costs for apartment projects often top $50,000/unit, depending on a variety of factors. Those entitlement costs were only slightly less than the average price per unit for existing product in Sacramento MSA from 2010–13. As a result, construction in the past decade was largely confined to Class A projects in the metro's more affluent areas.

Historical and projected construction trends are shown in the following graphs.


Under Construction
Under Construction Units
7K
6K
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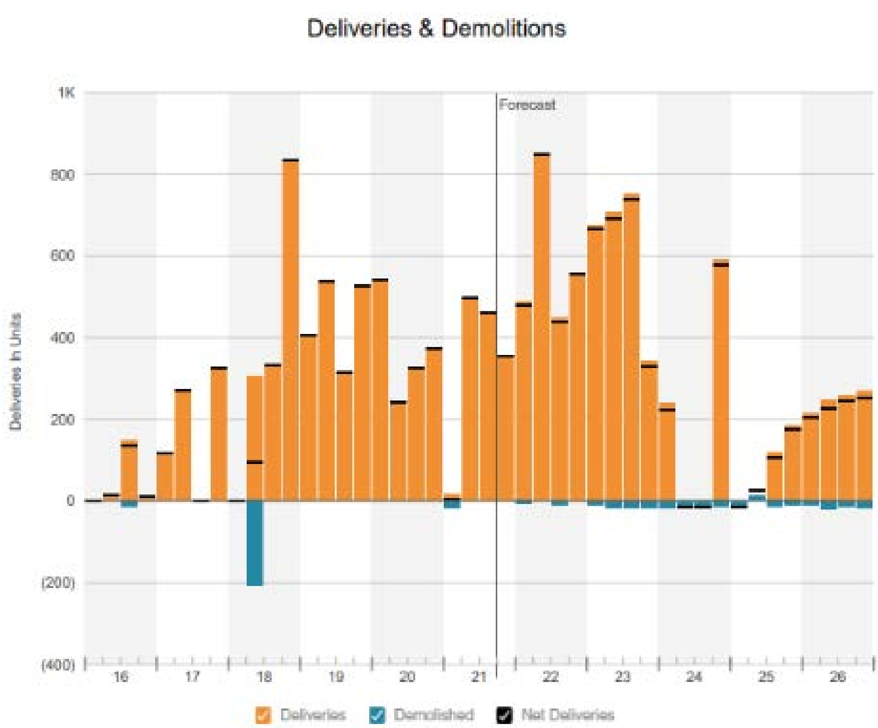
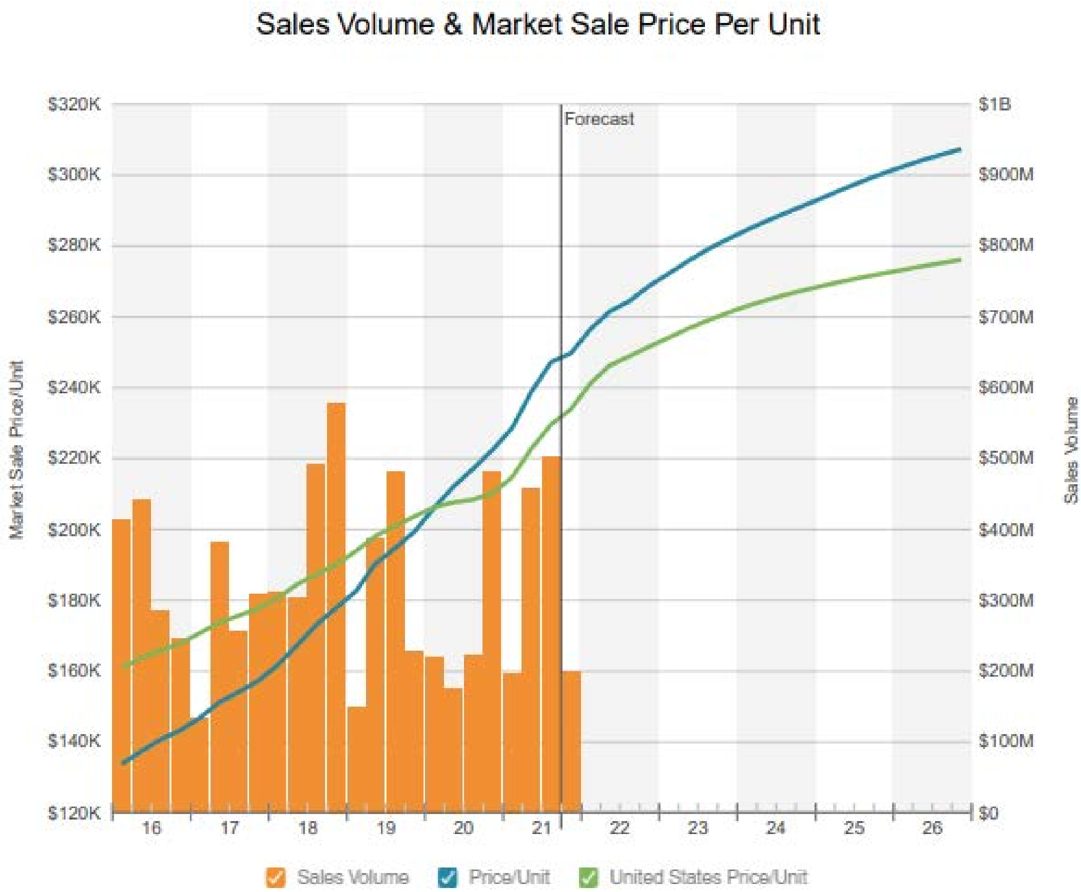
16
17
18
19
20
21


Deliveries & Demolitions
Deliveries In Units
Forecast
1K
800
600
400
200
0
(200)
(400)
16
17
18
19
20
21
22
23
24
25
26
Deliveries
Demolished
Net Deliveries

SALES & CAPITALIZATION RATES

Sacramento MSA's multifamily investment market experienced a late-year surge in 2020, and that has carried into 2021. Deal flow picked up in 2021 and prices followed with rising average sale prices. In 2020, the average transactional price rose to $229,000/unit, the highest figure on record at that time. The previous peak, recorded in 2019, was $166,000/unit. For the past 12 months, prices increased further recording at $266/unit. Transactional cap rates, as they have for several years, are trending in the mid-4% range.

The Sacramento region does attract institutional capital. However, the bulk of investment originates from private buyers, typically from within the metro. Investors from other parts of California, have been active as well. In the past decade, about 35% of all sales originated from Bay Area cities.



SACRAMENTO MSA APARTMENT MARKET OUTLOOK

The Sacramento MSA apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption over the past decade and this trend is expected to continue. The average regional vacancy rate over the past decade is near 5% and the current vacancy rate (4.1%) is near an all-time low. Rent growth has remained strong, averaging near 5% annually over the past decade and the current (7.9% YOY) rate is near a record high level. Overall, market fundamental remain solid and pending/future additions to supply are not expected to outweigh demand. Future gains in rent growth are expected to moderate to historic levels going forward and vacancy rates are projected to remain at or below the 5% level. Overall, the outlook is clearly positive of the regional apartment market.

DOWNTOWN APARTMENT MARKET

The boundaries of the Downtown submarket, as defined by CoStar, are shown below.

Key apartment market statistics and five-year projections for the Downtown apartment market are summarized in the following table.

APARTMENT MARKET TRENDS & PROJECTIONS - SACRAMENTO MSA									
Period	Vacancy Rate	Avg Asking Rent/Unit	Annual Rent Growth	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Avg Sale Price/Unit	Market Cap Rate
2026	*4.8%*	*$2,155*	*2.9%*	*141,525*	-	-	*393*	*$307,210*	*4.6%*
2025	*4.4%*	*$2,095*	*3.6%*	*140,596*	-	-	*439*	*$300,388*	*4.6%*
2024	*4.5%*	*$2,021*	*4.3%*	*140,308*	-	-	*832*	*$291,444*	*4.6%*
2023	*4.6%*	*$1,938*	*5.8%*	*139,540*	-	-	*1,309*	*$281,701*	*4.5%*
2022	*3.8%*	*$1,832*	*7.7%*	*137,078*	-	-	*1,951*	*$268,537*	*4.5%*
2022 YTD	**4.1%**	**$1,761**	**7.9%**	**133,863**	**4,448**	**3.3%**	**1,000**	**$266,649**	**4.3%**
2021 Q4	*3.8%*	*$1,713*	*11.3%*	*133,455*	*4,809*	*3.3%*	*1,717*	$254,311	*4.4%*
2021 Q3	*3.5%*	*$1,702*	*12.8%*	*134,402*	*5,820*	*4.3%*	*1,923*	$247,046	*4.6%*
2021 Q2	*3.5%*	*$1,663*	*12.7%*	*133,941*	*5,913*	*4.4%*	*2,917*	$238,751	*4.6%*
2021 Q1	*3.7%*	*$1,571*	*8.4%*	*133,445*	*5,228*	*3.9%*	*2,940*	$228,591	*4.6%*
2020 Q4	*4.0%*	*$1,528*	*6.3%*	*133,443*	*4,126*	*3.1%*	*3,009*	$222,368	*4.6%*
2020 Q3	*4.0%*	*$1,509*	*5.3%*	*133,070*	*3,404*	*2.6%*	*2,305*	$216,951	*4.6%*
2020	3.9%	$1,523	6.3%	131,600	3,631	2.8%	3,051	$220,838	4.6%
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2016	3.9%	$1,231	8.1%	126,367	1,117	0.9%	480	$144,035	5.6%
2015	4.2%	$1,139	9.3%	126,208	996	0.8%	1,138	$131,894	5.8%
2014	4.8%	$1,042	4.2%	125,859	437	0.3%	996	$118,955	6.0%
2013	5.4%	$1,000	2.8%	125,537	711	0.6%	1,550	$110,543	6.2%
2012	6.6%	$973	1.5%	125,557	256	0.2%	(4)	$109,220	6.2%
2011	6.6%	$958	1.2%	125,597	193	0.2%	(167)	$109,550	6.1%

AVAILABILITY	SUBMARKET	MARKET
Vacancy Rate	6.8%	4.1%
Vacant Units	812	5.5K
Market Asking Rent/Unit	$1,704	$1,761
Market Effective Rent/Unit	$1,684	$1,752
Concession Rate	1.2%	0.5%
Studio Asking Rent	$1,393	$1,325
1 Bedroom Asking Rent	$1,527	$1,537
2 Bedroom Asking Rent	$2,136	$1,851
3 Bedroom Asking Rent	$2,750	$2,474

INVENTORY	SUBMARKET	MARKET
Inventory Units	12,031	133,863
Existing Buildings	785	2,785
Avg Units Per Bldg	15	48
12 Mo Demolished Units	0	0
12 Mo Occupancy % At Delivery	30.0%	23.3%
Under Construction Units	2,049	4,448
12 Mo Construction Starts Units	118	1,084
12 Mo Delivered Units	257	1,665
12 Mo Avg Delivered Units	128	212

OVERVIEW

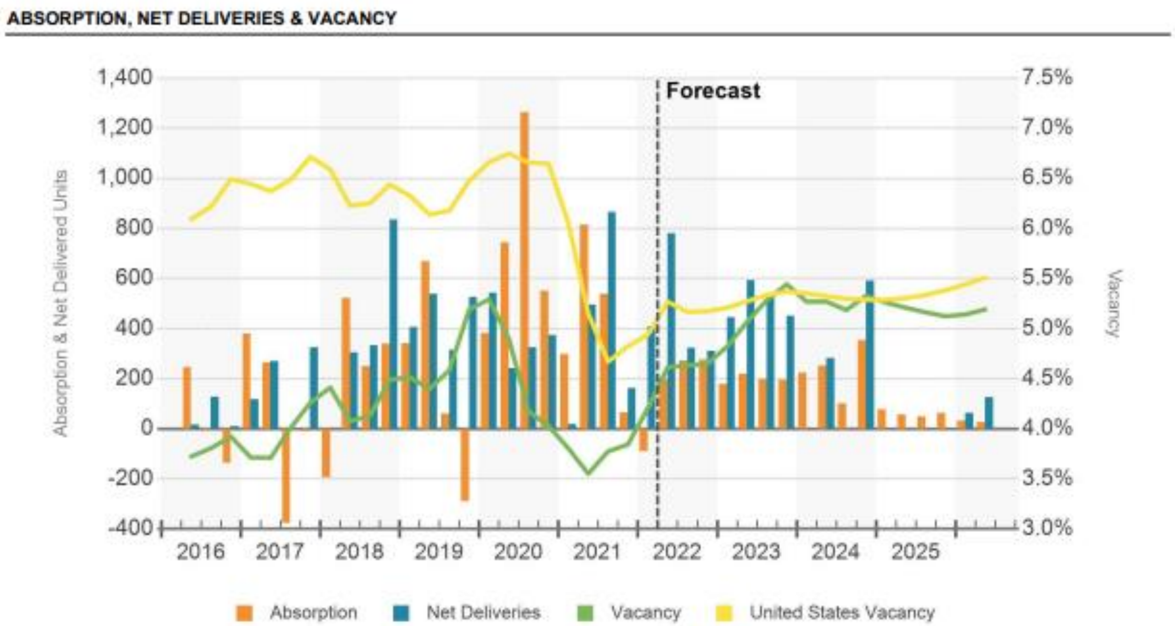
Downtown Sacramento encompasses a wide geography and diverse renter base. The submarket includes the Capitol Park and Midtown Sacramento neighborhoods, as well as East Sacramento.

Numerous residents choose Capitol Park and Midtown Sacramento because of their proximity to nearby jobs, as well as the opportunity to live in a major city's urban core and the lifestyle that offers. Both neighborhoods have gained a number of new communities in recent years, and units lease for well above the metro average. East Sacramento, on the other hand, is characterized by an inventory that is largely decades old, and rents come at a considerable discount to the Sacramento MSA norm.

Net absorption was positive in nearly every year of the past decade and demand has been strong since the start of the coronavirus pandemic. Vacancies, however, have been prone to volatility thanks to supply-driven pressure, and that has been especially true since the onset of the pandemics. Downtown Sacramento gained a record number of new units last year and the vacancy rate soared to an all-time high of 10.5% in Q2 2020 (although strong absorption of this new inventory has resulted in vacancy returning to the current ±4% level). One of the few metro areas in California that has consistently gained product in recent years, inventory has expanded by almost 15% since 2015.

While vacancies have notably compressed, the mark still sits well above the Sacramento MSA average and more supply-driven pressure is on the horizon: As of 22Q1, there were over 2,000 units under construction in downtown.

The local sales market has seen little activity since the start of the pandemic. Deal flow fell to its lowest level in a decade last year. Still, 2020 proved to be a record-breaking year. The Press, one of Midtown Sacramento's newest projects, sold just a few months after its completion for a metro-record sale price and pushed submarket investment volume to a new all-time high.



ABSORPTION

Absorption has largely been tied to the delivery of new units within this submarket. Absorption increased considerably in 2020 and over the past 12 month a total of 165 units were absorbed. Going forward, CoStar projects that average absorption will be approximately 590 units annually from 2022-2026.

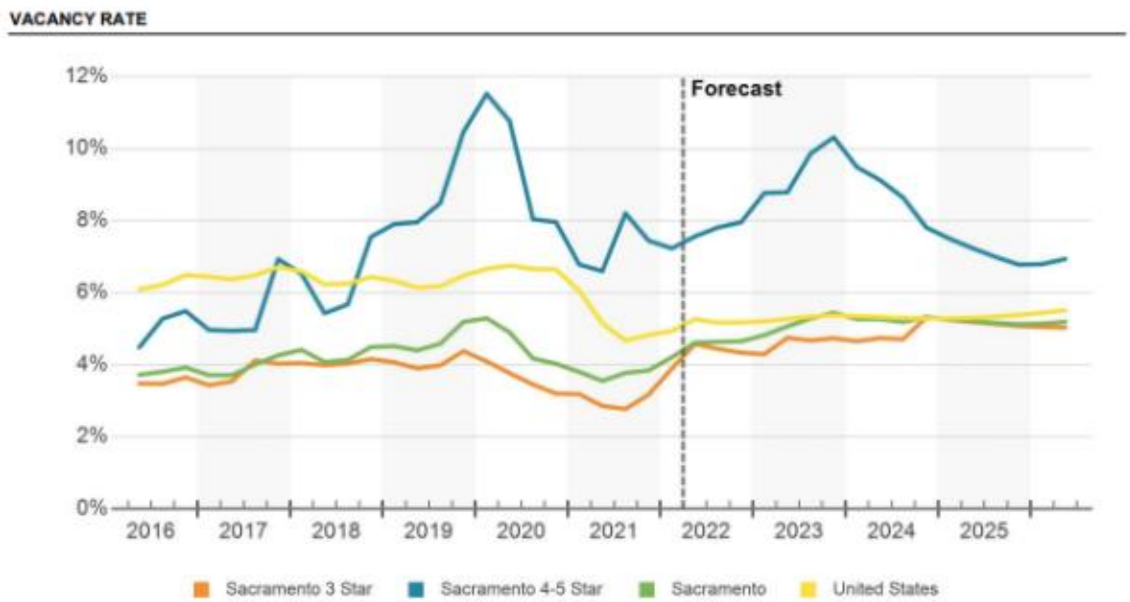
VACANCY

Downtown's apartment market is continuing to rebound from 2020. Vacancies in 20Q2 soared to an all-time high of 10.5%, but the market was approximately 370 basis points lower (6.8%) at 2022Q1.

In 2021, the submarket was inordinately impacted by supply-driven pressure and the coronavirus pandemic. Deliveries soared to a new peak and stabilized properties realized a notable decline in occupancy; the virus steered demand to some of the metro's more outlying areas. Local residents likely sought out more space, especially those working from home, and at a lower rent per SF.

Sacramento's urban core has slowly been improving during 2021 and into 2022. After peaking in 20Q2, the stabilized vacancy rate has compressed, and new projects are continuing to lease up. Renters may be envisioning the return of Downtown Sacramento's live/work/play environment, especially in Midtown Sacramento. That neighborhood has boasted the tightest vacancies, likely due to the large millennial population who are attracted to the coffee bars and cafes during the day and the abundance of restaurants, breweries, and bars in the evenings.

Bay Area residents working from home on a permanent or part-time basis may also be boosting demand. Since the onslaught of the virus, vacancies in San Francisco, San Jose, and the East Bay skyrocketed; residents sought out cheaper housing. In Downtown Sacramento, a unit can be secured in a new, highly amenity community for about a 25% discount to the average rent in San Francisco.



RENTAL RATES

Since spring of 2021, momentum returned for Downtown Sacramento apartment landlords. Rents fell during 2020 but have gained approximately moderately over the past 12 months.

The average asking rent has only changed by 2.9% over the past 12 months, compared to the metro average of 7.9%. Rents fell dramatically as California's lockdown took effect, and that same dynamic played out across the Sacramento MSA. But in most submarkets, rents returned to the pre-pandemic peak before the end of 20Q2 and continued to soar.

Rent growth that trails the metro norm is not a new trend here. Peak submarket gains this past cycle came in at about 5%, while rent growth in the wider metro topped out at 10%. Inventory here has increased by almost 15% since 2015, resulting in supply-driven pressure. In contrast, inventory region wide has grown by less than 5% since 2015, making supply-driven pressure almost nonexistent.

High-end properties receive a hefty premium over the rest of inventory—rents for Class A product are approximately 35% higher than the submarket average. Virtually all of the upper-tier inventory is in the Capitol Park and Midtown Sacramento neighborhoods.

Rents for high-end product in this area are pricey for long-time Sacramento MSA area residents, but a bargain for those migrating from the Bay Area. Assuming a renting household wants to spend no more than 30% of gross pay on rent, the average Class A one-bedroom would require a yearly income of approximately $85,000; higher than the metro median, but below the Bay Area median.

MARKET RENT PER UNIT & RENT GROWTH

DOWNTOWN - NEW/CLASS A OVERVIEW

The major apartment projects delivered in the central urban area during the past decade are summarized in the following table.

CENTRAL SACRAMENTO & WEST SACRAMENTO - MARKET RATE PROJECTS DELIVERED SINCE 2010									
	Project	Address	District	Year Built	Units	Vacancy Rate	Average Size (SF)	Avg. Asking Rent $/Month	Avg. Asking Rent $/SF/Mo.
1	The Strand	500 Douglas St	West Sac.	2021	408	85.5%	885	$2,374	$2.68
2	Edge	490 Mill St	West Sac.	2021	64	3.1%	590	$1,943	$3.29
3	The Block	965 Bridge St	West Sac.	2020	52	1.9%	726	$2,096	$2.89
4	The Press	1714 21st St	Midtown	2020	277	5.1%	695	$2,366	$3.40
5	H16	731 16th St	Midtown	2020	95	10.5%	646	$2,207	$3.42
6	The Carlaw	1020 R St	Midtown	2020	26	14.2%	931	$2,711	$2.91
7	The Foundry	998 Riverfront St	West Sac.	2020	69	1.5%	584	$1,838	$3.15
8	1430 Q	1430 Q St	Midtown	2020	75	1.3%	1,241	$3,432	$2.77
9	Onyx Midtown	1818 X St	Broadway	2020	41	18.5%	677	$1,902	$2.81
10	Gio Apts	3675 T St	Elmhurst	2019	213	5.1%	839	$2,467	$2.94
11	19J	1827 J St	Midtown	2019	175	19.1%	484	$2,109	$4.36
12	980 Central	980 Central St	West Sac.	2018	55	3.6%	688	$1,899	$2.76
13	Ice House	1710 R St	Midtown	2018	142	6.2%	574	$1,952	$3.40
14	Q19	1907 Q St	Midtown	2018	68	2.5%	631	$2,134	$3.38
15	Eviva Midtown	1531 N St	Midtown	2016	118	1.5%	827	$2,703	$3.27
16	Habitat	400-505 Garden St	West Sac.	2015	96	2.1%	708	$1,872	$2.64
17	16 Powerhouse	1606 P St	Midtown	2015	45	6.4%	1,131	$3,651	$3.23
18	Capital Yards	777 5th St	West Sac.	2015	270	5.7%	916	$2,665	$2.91
19	Legado de Ravel	1520 16th St	Midtown	2013	84	1.0%	835	$2,090	$2.50
20	LINQ Midtown	3111 S St	Alhambra	2010	275	4.9%	925	$2,209	$2.39
Overall Totals/Averages					**2,648**	**6.0%**	**777**	**$2,331**	**$3.05**
Sacramento Totals/Averages					**1,634**	**6.7%**	**803**	**$2,456**	**$3.14**
West Sacramento Totals/Averages					**1,014**	**3.9%**	**728**	**$2,098**	**$2.90**

Note: Average vacancy rates exclude The Strand (recently completed, in lease-up)

As summarized above, the new apartment projects are averaging rental rates near $2,300 per month or $3.00 per square foot. Directly across the river from Downtown, West Sacramento is emerging as a hot spot for new development with rental rates slightly trailing those in Downtown and Midtown.

INVENTORY & CONSTRUCTION

Supply-driven pressure has been the norm in Downtown Sacramento recently and that trend will continue. During 21Q2, the submarket development pipeline was at its highest level on record. As of today, the level of construction is still near an all-time high at 2,049 units under construction in downtown. There are 10 market rate apartments under construction totaling 1,534 units.

One of the largest projects under construction is Weidner Apartment Homes' Sacramento Commons, a 436-unit community in the Capitol Park neighborhood. Weidner, based in Kirkland, Washington, is a national developer and owner in many major markets throughout the U.S. and Canada, but Sacramento Commons is the company's first metro project. Located two blocks south of Capitol Mall and just around the corner from the California State Capitol, the community is expected to deliver in 2022.

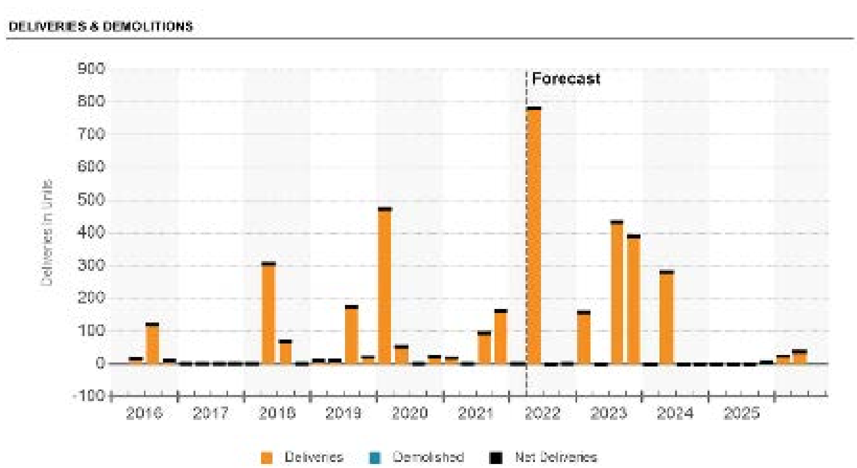
SKK Developments is making its presence known in Downtown Sacramento. The company is building The Mansion, a 186-unit project in the Mansion Flats neighborhood, and Eleanor Apartments, a 95-unit property in the Boulevard Park neighborhood. The Mansion delivered in late 2021, but Eleanor Apartments could wrap up construction in early 2022. Moreover, last year SKK delivered The Press, a 277-unit community that is part of Midtown Quarters, as well as H16, a 95-unit community in Boulevard Park. In West Sacramento, the West a 286-unit project recently commenced construction.

This submarket has an extensive pipeline of projects, thanks to what has been a rapidly growing population and employment base. While these trends may be challenged in the near-term, a study by the Sacramento Area Council of Governments projected that there will be a major emphasis on urban infill in the coming years, rather than suburban growth, and the proposed pipeline backs it up. New plans for projects in both Capitol Park and Midtown Sacramento largely focus on the abundance of underutilized parcels in these neighborhoods. Still, the economic slowdown could put some projects on hold.

The following table summarizes the most notable projects presently under construction.

CENTRAL SACRAMENTO & WEST SACRAMENTO - MARKET RATE PROJECTS UNDER CONSTRUCTION								
	Project	Address	District	Projected Completion	Total Units	Market Rate Units	Developer	Average Size (SF)
1	The Frederic	609 Capitol Mall	Downtown	2021-Q3	162	162	Shorenstein	888
2	Elanor Apts	501 16th St	Midtown	2021-Q4	95	95	SKK/Grupe	721
3	The Mansion	1517 H St	Midtown	2022-Q1	190	190	SKK	666
4	The West	805 S River Rd	West Sac.	2022-Q1	286	286	CA Ventures	--
5	401 Broadway	401 Broadway	Broadway	2022-Q1	72	72	Grupe	680
6	Sacramento Commons	7th St	Downtown	2022-Q1	436	436	Weidner	--
7	Maven	2570 3rd St	Broadway	2022-Q2	444	444	29th Street Cap.	663
8	The Kind Project	429 F St	West Sac.	2022-Q2	148	**74**	Urban Elements	326
9	17 Central	1631 K St	Midtown	2022-Q2	111	111	D&S	--
10	The A. J.	703 N 7th St	Railyards	2022-Q4	345	**276**	LDK Capital	--
11	Cathedral Square	1030 J St	Downtown	2022-Q4	153	153	Anthem/St Anton	--
Overall Total					**2,442**	**2,299**		
Sacramento Total					**2,008**	**1,939**		
West Sacramento Total					**434**	**360**		

Downtown



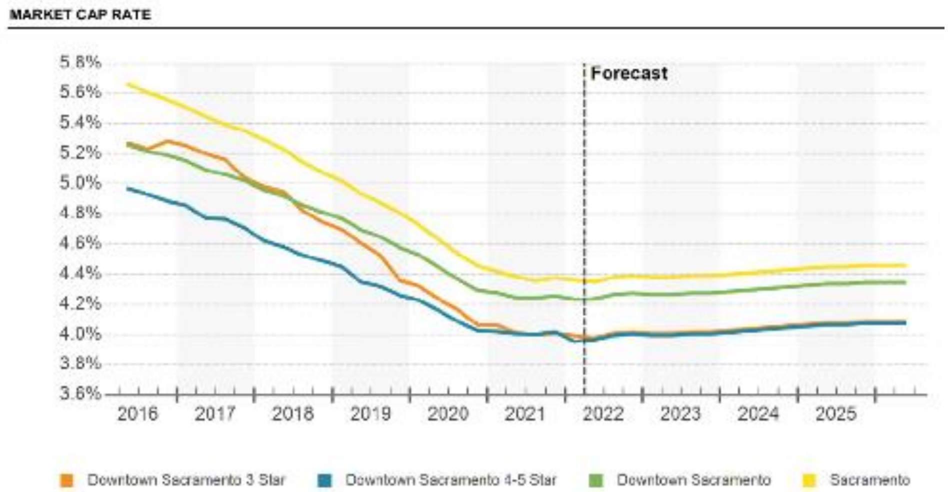
SALES & CAPITALIZATION RATES

The local investment market has seen a limited amount of activity since the start of the coronavirus pandemic. In 2020 deal flow came in at the lowest level in a decade, but transaction volume picked up for 2021.

From 2015–19, annual sales volume averaged approximately $106 million, or almost double the submarket's long-term norm, mainly due to rising prices. Market pricing during this time frame, which is based on the estimated price movement of all properties in the market, informed by actual transactions, was roughly $210,000/unit. By comparison, the average market price from 2010–14 was only about $140,000/unit. As of late, pricing has further increased, due in large part to the sale of The Press. Currently, the average market price sits at $337,000/unit. The average market cap rate, which has been trending below 5% since 2018, is currently 4.2%. Increases in interest rates will likely impact Class B& C properties the greatest.

One notable recent transaction in downtown sub-market is the sale of 1430 Q Street that closed in March 2022 for $57.1 million or $761,333 per unit. This 75-unit, 8-story project with ground floor retail is the highest price per unit on record in the Sacramento region. The reported capitalization rate was 4.7%.

Downtown



DOWNTOWN APARTMENT MARKET OUTLOOK

Consistent with regional trends, the Downtown Sacramento apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption over the past decade and this trend is expected to continue. The average submarket vacancy rate over the past decade is near 5% and the current vacancy rate (6.8%) is slightly high due to recent completions. Overall, market fundamental remain solid and pending/future additions to supply are not expected to outweigh demand, although occupancy rates and rent concessions will vary as new projects are delivered and absorbed. Future gains in rent growth are expected to moderate to historic levels going forward. Overall, the outlook remains positive of the Downtown apartment market.

OFFICE MARKET ANALYSIS

Costar is the source for the following data. The data reflects conditions of 2022 1Q (to date). The initial discussion provides information on the overall Sacramento MSA Office market, followed by the subject's submarket. The subject is part of the Downtown submarket, which will be discussed later in this report.

Costar rates office properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A. For discussion of the building classes, we will use conventional classification of Class A, B and C ratings.

SACRAMENTO (MSA) OFFICE MARKET

Key office market statistics and five-year projections are summarized in the following table.

OFFICE MARKET TRENDS & PROJECTIONS - SACRAMENTO MSA										
Period	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr % of Inventory	12 Mo Net Absorp SF	Market Sale Price/SF	Market Cap Rate
2026	10.9%	-	$31.38	1.7%	112,198,656	-	-	567,226	$243	7.3%
2025	10.8%	-	$30.85	2.2%	111,325,684	-	-	658,796	$240	7.3%
2024	10.6%	-	$30.19	3.1%	110,362,253	-	-	835,532	$236	7.3%
2023	10.6%	-	$29.28	3.0%	109,470,506	-	-	583,581	$230	7.2%
2022	10.9%	-	$28.44	2.6%	109,156,269	-	-	710,234	$224	7.2%
2022 YTD	**10.1%**	**13.6%**	**$27.48**	**1.7%**	**107,933,039**	**1,573,635**	**1.5%**	**795,346**	**$226**	**7.2%**
2020 Q4	10.0%	13.7%	$27.48	1.7%	107,933,039	1,539,575	1.5%	116,991	$225	7.2%
2021 Q3	10.0%	14.0%	$27.71	1.2%	106,946,917	2,394,659	2.2%	(759,569)	$220	7.2%
2021 Q2	9.9%	13.3%	$27.53	-0.0%	106,643,860	2,758,909	2.6%	(892,550)	$219	7.2%
2021 Q1	9.9%	13.0%	$27.41	-0.4%	106,618,894	2,508,875	2.4%	(1,136,234)	$218	7.2%
2020 Q4	9.3%	12.5%	$27.38	2.1%	106,659,679	2,037,725	1.9%	(219,226)	$217	7.2%
2020 Q3	8.6%	11.4%	$27.37	3.2%	106,127,879	2,554,525	2.4%	241,938	$216	7.3%
2020	9.3%	12.6%	$27.31	1.8%	106,635,521	2,041,525	1.9%	(264,632)	$214	7.3%
2019	8.7%	10.6%	$26.84	5.9%	106,170,747	2,674,815	2.5%	1,426,010	$208	7.4%
2018	9.7%	11.6%	$25.34	4.8%	105,667,439	1,411,832	1.3%	592,166	$199	7.4%
2017	10.1%	12.1%	$24.18	5.5%	105,567,340	720,199	0.7%	569,082	$196	7.2%
2016	10.6%	13.0%	$22.93	3.8%	105,510,090	76,071	0.1%	1,419,830	$191	7.1%
2015	11.6%	14.8%	$22.08	6.1%	105,086,944	381,367	0.4%	1,608,308	$186	7.1%
2014	13.2%	15.4%	$20.81	0.9%	105,175,429	216,331	0.2%	1,273,843	$174	7.2%
2013	14.5%	17.0%	$20.63	2.1%	105,255,584	164,789	0.2%	1,181,169	$168	7.3%
2012	15.4%	17.8%	$20.22	-1.5%	104,950,491	471,378	0.4%	1,262,475	$161	7.5%
2011	16.5%	18.8%	$20.53	-5.1%	104,812,839	317,567	0.3%	(246,591)	$162	7.6%

KEY TAKEAWAYS

- The market vacancy rate has increased for four of the last six quarters. The direct vacancy rate and the overall availability rate are up 100 and 300 basis points, respectively, from the pre-pandemic lows in Q1 2020.
- The trailing 12-month net absorption has been positive for the past two quarters and the current trailing 12-month net absorption is almost 800,000 square feet.
- Asking rental rates peaked in Q1 2020 and have remained relatively stable thereafter.
- Sales volume remains at about half of the five-year trailing average.
- Colliers International reports Sacramento is an emerging market for Life Science office users.

OVERVIEW

Sacramento MSA's office market is continuing to undergo a significant transformation. The market saw the 12-month net absorption to top out at -1,100,000 SF in Q1 2021 as companies adapted to remote work and hybrid work models. That being said, the Sacramento MSA office market is beginning to show signs of improvement. The current vacancy rate of 10.1% is near the five-year average of 9.7%, having increased by 60 basis points over the past 12 months. Demand fundamentals, however, have yet to recover, as annual net absorption totals are still well below average. Market activity has improved over the past two quarters as tenants have a better idea of their future real estate needs, and there are early signs of some demand recovering.

Asking rents, typically the last indicator to react to market conditions, have been firm. The market asking rate is near $27.48 per square foot and annual rent growth sits at 1.7% over the last year.

Colliers International reports Sacramento is an emerging market for Life Science office users. They report Bay Area-based life science firms continue to target Sacramento with 212,000 square feet leased or purchased in the second half of 2021. They report driven by strong STEM talent and top tier research from UC Davis, the continued expansion Bay Area-based companies across the biotechnology, pharmaceutical, agriculture-technology, and medical device sectors has created a vibrant life science ecosystem across Sacramento. Some of the recent leases deals include the following:

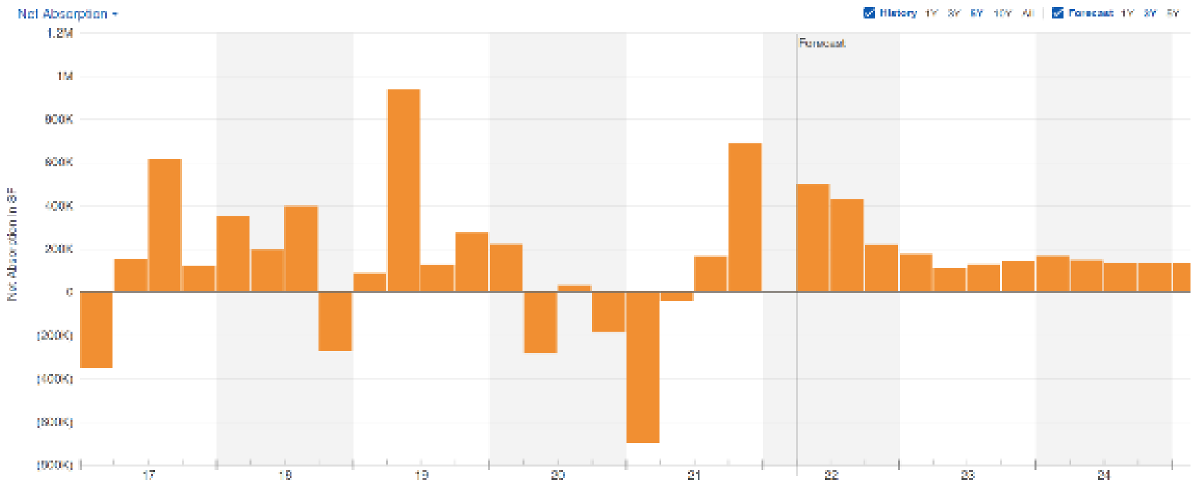
- Alameda-based medical device manufacturer Penumbra expanded in Roseville, leasing 96,505 square feet, and growing its footprint to more than 250,000 square feet.
- Menlo Park-based Orca Bio, a clinical stage biotechnology company, pre-leased 94,442 square feet in Metro Air Park.
- Singapore-based biotech startup TurtleTree opened a 23,478 square foot R&D facility in West Sacramento and announced a $30 million Series A funding round.
- Richmond, CA-based pharmaceutical firm JOINN Biologics purchased 4070 Truxel Road in North Natomas, a 20,923 square foot property formerly occupied by CSPC Dophen with existing lab space and lab equipment.

Prior to the pandemic, employment growth came primarily from defensive labor sectors, specifically government, education, and healthcare. While that helped to limit the number of layoffs during the pandemic, these typically grow slowly. Nevertheless, they are driving market activity. Additionally, there is good employment growth in the financial services, professional services, and information technology sectors. All of these industries have shown year-over-year increases, of 2.3%, 5.3%, and 7.6%, respectively. Job growth, particularly for private-sector office jobs, is one of the region's best indicators of economic improvement as tenants are showing early signs of expansion.

The local sales got off to a modest start in 2021, but there is increasing momentum with total volume reaching $825 million, on pace to easily surpass last year's total of $936 million. The largest deal of 2021 was the sale of the Ziggurat building in West Sacramento. The 374,000 SF property is entirely leased to the State of California's Department of General Services and sold to Nome Capitol for $90 million and $241/SF. So far in 2022, office sales activity in the region has been low.

ABSORPTION

Historical and projected net absorption trends are shown in the following graph.

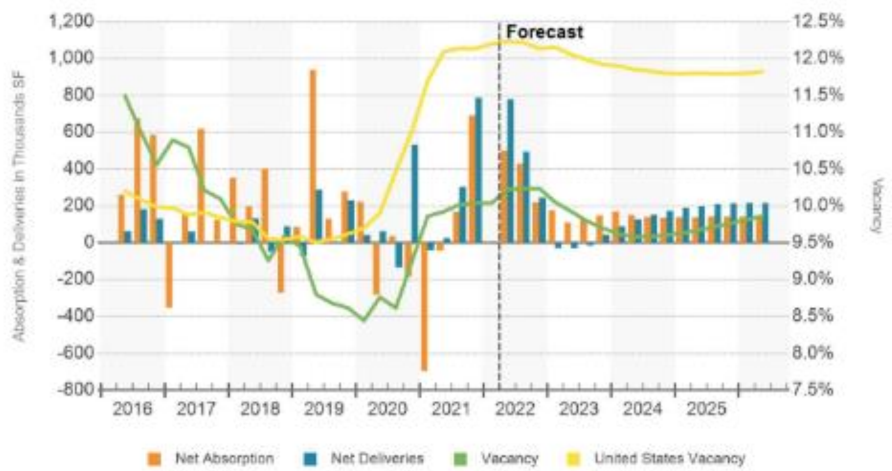


Demand for office space is beginning to return, as net absorption has been positive over the past 2 quarters. While tenants are active throughout the market, most that are interested in seeking new space are only willing to relocate if lease rates and concessions are favorable. With landlords largely hesitant to move much on pricing, the most economical option is often a short- to medium-term renewal or possibly a downsize.

CoStar reported net absorption totaled 795,000 SF for the past twelve month, with the vacancy rate sitting at 10.1% as of 1Q 2022. Tenant demand for space in the urban core remains, albeit in a smaller footprint. With that said, there are likely to be some large new blocks of space entering the market in the near to mid-term as the State of California government offices move out of privately held buildings and into its new construction beginning in 2022.

As expected, when tenants are reevaluating their square footage needs, large deals have been sparse during the year. Despite the setbacks that came with the pandemic, Sacramento MSA's fundamentals remain strong compared to much of the national office market, with the state government as the cornerstone of a large, stable tenant base. Additionally, the region is well-positioned to take advantage of possible incoming tenants at the Railyards in Downtown, for a traditional office user, or at Aggie Square in East Sacramento, if lab space is required. With that said, unless another large company relocates to the Sacramento area, recovery will likely be slow for the remainder of 2022 and into 2023.

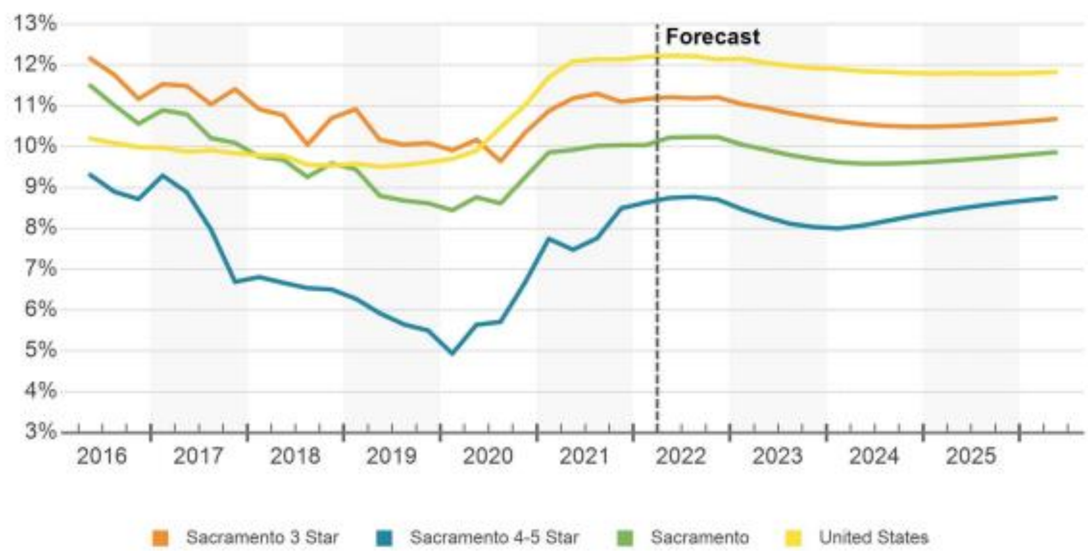
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY

Historical and projected vacancy rate trends are shown in the following graph.

VACANCY RATE



Costar reports that the Sacramento MSA office market has a vacancy rate that sits at 10.1%, which is a slight increase from pre-pandemic period. The space that has returned to market is largely a result of firms downsizing and shifting towards a hybrid real estate strategy. Much of the vacancy is among Class B properties which is currently 11.5%, while Class A properties, which compare favorably, with vacancy of only 7.4%.

Sublease space, which has been flooding neighboring markets like San Francisco, has had limited impact on fundamentals, as the current sublease availability rate sits at 1.2%, close to the five-year average of 0.7%.

Colliers International reported a vacancy rate of 16.7% (excludes public sector office buildings) for the Sacramento region with annual net absorption being -1.47 million feet in 2021. They report market vacancy rate has increased for seven consecutive quarters and finished 2021 at 16.7%, its highest point since Q3 2015. They report the road to recovery is beginning even as tenants continue to downsize and consolidate, but the lack of new supply, swelling labor pool, diversifying employment base, escalating migration, and spiking capital funding of local companies should aid in the market's return to form by the second half of 2022.

RENTAL RATES

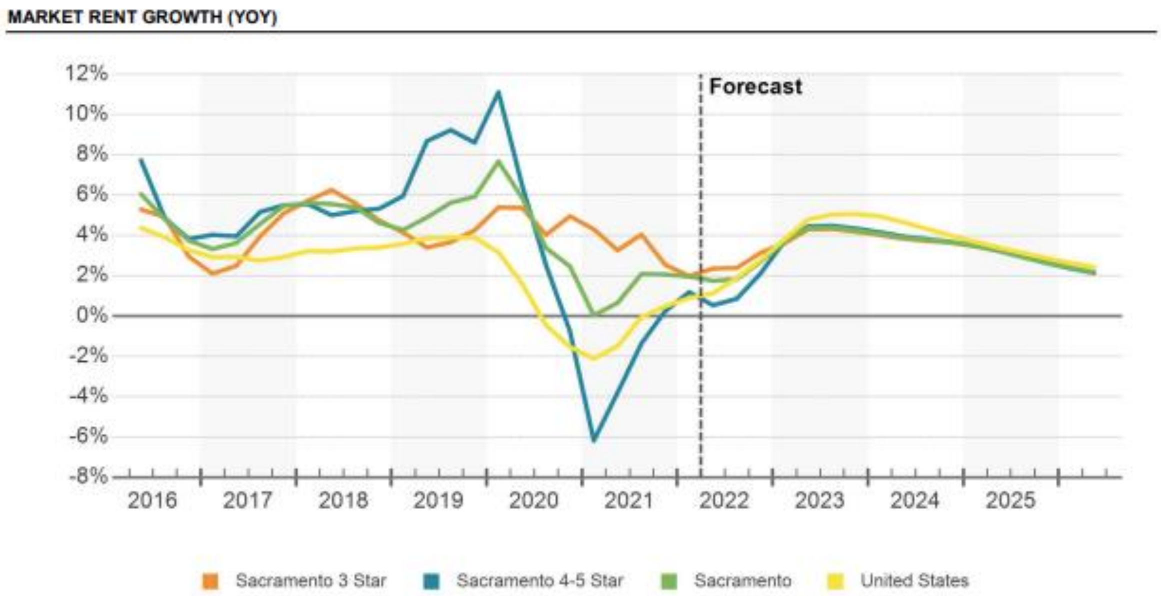
Sacramento MSA office rents suffered the same shock as the rest of the nation at the onset of the pandemic. However, initial pricing decreases have largely leveled off with annual rent growth of 1.7%, beating the national figure of -0.9%. High-quality assets have seen the biggest decreases, as Class A properties have seen rates fall by -2.6% in the last year. However, these are offset by gains of 1.3% and 1.5% by Class B and C properties, respectively.

With the extended work from home experiment, tenants have recognized a continued need for office space, albeit sometimes with a reduced footprint. The resulting increase in vacancy has put downward pressure on lease rates, particularly in areas with a large percentage of high-quality product like Downtown and Roseville/Rocklin.

Downtown still commands a sizeable pricing premium over the balance of the market with its abundance of quality product and strong leasing prior to the pandemic. Historically, the submarket has drawn consistent demand for corporate and professional service users. However, the extent to which they will fully return to the office remains to be seen.

Despite the short-term hardship, lease rate trends have been positive over the past three years with average annual growth of 1.2% and 5.9% over the last three years. Given the lack of supply built during the prior economic cycle, Sacramento MSA is in a better position for a recovery once workers start going back to the office.

Historical and projected market rent grown is shown in the following graph.



CONSTRUCTION

Sacramento MSA has seen very little large-scale office construction over the past 10 years. Most of the construction that is taking place is build-to-suit with various government agencies slated to occupy the majority of the 3.0 million SF under construction. The three largest of these projects are all located downtown, highlighted by the 21-story, 838,000-SF California Natural Resources building on P St, which is expected to deliver in 2022 and will house the California Natural Resources Agency, Department of Fish and Wildlife, Department of Conservation, and others.

The new construction will not have a direct effect on market vacancy, which currently rests at 10.1%. However, there will be significant downstream impact. For example, the Department of Conservation (mentioned above) currently occupies 151,021 SF at 801 K St. in Downtown Sacramento.

Another project that will likely result in new space on the market is the 275,000-SF CALSTRS expansion at 100 Waterfront Place in West Sacramento, slated for completion in 2022. While there are no planned availabilities in that building, CalSTRS is planning to vacate 199,000 SF in its current headquarters to move into the new project next door.

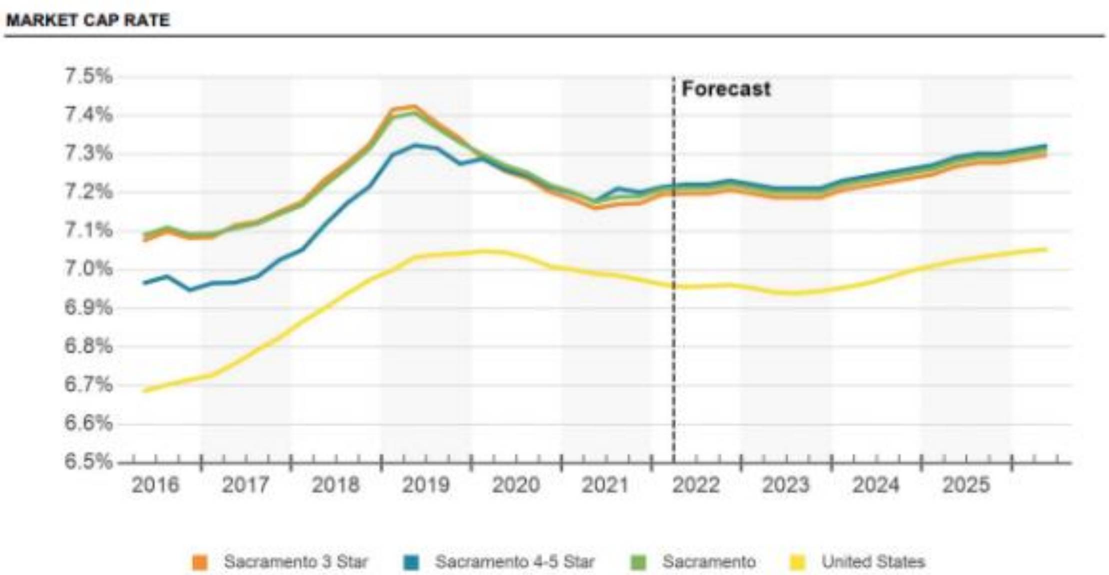
During the past decade, almost no speculative office construction was delivered. Exceptions include the very successful Ice Blocks mixed-use project in Midtown and the 90,000 SF (2555 Natomas Park Dr) in South Natomas, which completed in early 2020. A victim of poor timing, as 22Q1, the property remained vacant and for lease.

The lack of speculative product in the current development pipeline is in stark contrast to the past cycle. Overbuilding was prevalent prior to 2010, resulting in an excess of supply leaving local developers hesitant to add speculative product to the inventory. This lacks private sector office construction, however, has positioned Sacramento MSA for a turnaround relative to the global financial crisis.

SALES & CAPITALIZATION RATES

Sacramento MSA's office sales market is off to a slow start in 2022. Economic uncertainty continues to keep buyers on the sidelines, and questions surrounding the long-term real estate strategy of occupiers could be giving some investors pause. Recent investment sales are primarily for fully leased assets with stable government tenants.

Sales volume in 2021 totaled $280 million, while the market is not setting any records, strategic buyers are taking long-term growth positions, betting on the market's strong overall fundamentals. As an example, over the past 12 months, the average transactional sale price is $188/SF, compared to the five-year average of $176/SF. Transactional cap rates have landed in the mid-6% to low-7% range since 2014.



SACRAMENTO MSA OFFICE MARKET OUTLOOK

Sacramento MSA's office market is evolving to meet the needs of a workforce with a wide array of preferences. Many recent lease transactions have been short-term renewals since Q2 2020, but more long-term leases have been signed as clarity began to emerge from a chaotic business climate due to work at home trends. Though working from home is certainly here to stay in some capacity, it is expected that most employees will return to the office at least 2-3 times a week by the end of 2022. Employers are starting to make more long-term decisions relating to office space needs. For 2022, the Sacramento office market is expected to have relatively stable occupancy, minimal rent growth and positive absorption.

The Covid-19 pandemic has led to significant in-migration to Sacramento MSA from the Bay Area and there is a growing belief that technology companies will open satellite offices in the Sacramento area to be closer to their shifting employee base. If this transpires, it will undoubtedly have a lasting positive impact on the local office market.

DOWNTOWN OFFICE MARKET

The boundaries of the Downtown submarket, as defined by CoStar, are shown below.

Key office market statistics and five-year projections for the Downtown office market are summarized in the following table.

OFFICE MARKET TRENDS & PROJECTIONS - DOWNTOWN SUBMARKET										
Period	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr % of Inventory	12 Mo Net Absorp SF	Market Sale Price/SF	Market Cap Rate
2026	9.2%	-	$38.90	1.8%	24,654,660	-	-	408,892	$278	7.2%
2025	9.2%	-	$38.22	2.2%	24,191,311	-	-	433,378	$275	7.2%
2024	9.1%	-	$37.40	3.1%	23,684,010	-	-	404,587	$270	7.2%
2023	9.0%	-	$36.26	3.1%	23,212,066	-	-	209,919	$263	7.2%
2022	9.1%	-	$35.18	2.7%	23,022,798	-	-	818,465	$257	7.1%
2022 YTD	**8.7%**	**8.4%**	**$34.20**	**1.1%**	22,107,187	**946,500**	**4.3%**	**1,026,699**	**$259**	**7.1%**
2021 Q4	8.0%	8.7%	$33.26	-99.7%	22,107,187	946,500	4.3%	86,346	$251	7.1%
2021 Q3	8.0%	9.9%	$34.26	0.3%	21,263,442	1,784,500	8.4%	86,346	$251	7.2%
2021 Q2	8.5%	9.2%	$34.10	-1.2%	20,974,869	2,144,500	10.2%	(295,065)	$252	7.1%
2021 Q1	8.3%	9.3%	$33.88	-2.3%	20,974,869	2,144,500	10.2%	(293,349)	$250	7.1%
2020 Q4	7.6%	8.5%	$34.02	1.3%	20,974,869	1,670,000	8.0%	(162,818)	$249	7.2%
2020 Q3	7.2%	7.7%	$34.16	3.2%	20,974,869	1,670,000	8.0%	15,318	$248	7.2%
2020	7.2%	8.4%	$34.14	1.3%	20,928,112	1,670,000	8.0%	(162,818)	$244	7.3%
2019	6.7%	6.6%	$33.71	7.9%	20,982,144	1,670,000	8.0%	163,936	$239	7.2%
2018	7.5%	9.2%	$31.24	4.9%	20,982,144	360,000	1.7%	239,079	$230	7.2%
2017	8.9%	10.0%	$29.79	5.3%	21,041,895	-	-	17,052	$224	7.0%
2016	9.0%	9.4%	$28.30	3.3%	21,047,895	-	-	158,524	$225	6.9%
2015	9.8%	10.7%	$27.39	9.2%	21,047,895	-	-	22,682	$225	6.8%
2014	9.9%	11.3%	$25.09	-0.3%	21,062,871	-	-	154,347	$207	7.0%
2013	11.2%	12.6%	$25.17	2.6%	21,196,814	-	-	(297,611)	$200	7.1%
2012	9.8%	11.3%	$24.52	-1.2%	21,196,814	-	-	(13,619)	$192	7.3%
2011	10.3%	11.7%	$24.81	-4.5%	21,324,457	-	-	(44,761)	$192	7.3%

KEY TAKEAWAYS

- The market vacancy rate has increased for three of the past six quarters. The direct vacancy rate and the overall availability rate are up 130 and 250 basis points, respectively, from the pre-pandemic lows in Q1 2020.
- Trailing 12- month net absorption has been positive for three of the past six quarters and the current trailing 12-month net absorption is a positive 1,026,000 square feet.
- Asking rental rates peaked in Q1 2020 but have not seen significant decline despite reduced demand over the past five quarters.
- The 946,500 square feet presently under construction is build-to-suit for two State of California office buildings.
- Leasing activity was up significantly during 2021, reaching the highest point since 2012 and surpassing the 800,000-SF threshold for only the second time in the last 20 years. More than half of that number is due to the State of California moving into 472,000 SF of new construction at 1201 O St. The difference of roughly 350,000 SF is still more than double the 2020 totals. The adjusted total reflects an increase in tenant interest in Downtown, but significant room for growth remains.

OVERVIEW

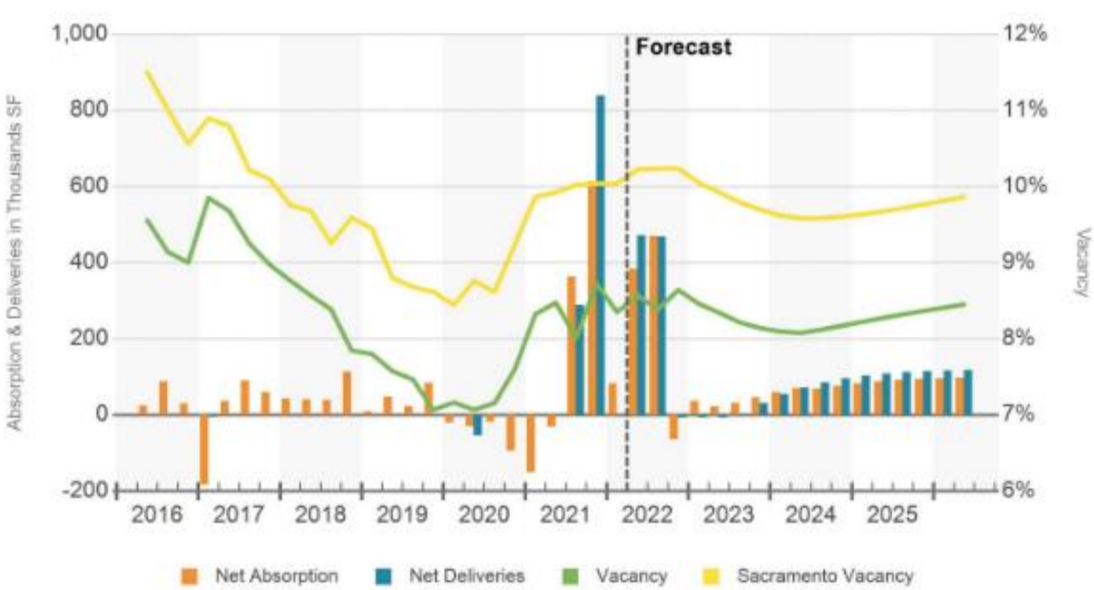
Downtown is Sacramento MSA's largest and most prominent office submarket. About half of the area's 21 million SF of inventory is Class A, and it is home to an abundance of government and corporate occupiers. But since the onslaught of the coronavirus pandemic, demand in Downtown has been soft but rents have remained steady.

A lack of inventory growth, coupled with positive demand nearly every year in the past decade, has consistently held vacancies below the Sacramento MSA norm. As in the wider metro, new supply, particularly of the spec variety, was rare this past cycle. While the vacancy rate remains below the Sacramento MSA average, vacancy expanded in 2021, after increasing last year for the first time since 2013. Rents remain steady, but office product here is easily the priciest in Sacramento MSA, thanks to its locale and wealth of high-end inventory.

After many years of limited inventory growth, office supply has been increasing lately. Sacramento MSA's most conspicuous office developments in more than a decade are underway, in the form of four government buildings. In 2022, two state office projects totaling 1.2 million feet were completed. There are two other state office project under construction that will add 946,000 SF in 2022 and 2023.

The local sales market experienced a notable pullback starting in 2020. Few projects sold in 2021, after deal flow last year was only about half of what was recorded in 2018–19. Still, the number of trades most years is limited. While Downtown contains more square footage than any other metro submarket, many assets are government-owned. In recent years, several of the area's most visible assets have changed hands, and the lofty prices those high-end properties command is what typically drives investment volume, rather than outsized transaction volume.

NET ABSORPTION, NET DELIVERIES & VACANCY



ABSORPTION

Net absorption over the past 12 month in downtown totaled 1,026,000 SF, with the vacancy rate sitting at 8.7% as of 1Q 2022. Tenant demand for space in the urban core remains, albeit in a smaller footprint. With that said, there are likely to be some large new blocks of space entering the market in the near to mid-term as the State of California government offices move out of privately held buildings and into its new construction beginning in 2022.

Downtown's office fundamentals have slowly been improving since 3Q 2021. This is a change from one of its weakest years on record in 2020 when there was negative absorption. Leasing activity has been tepid, after coming in at an all-time low and just a fraction of what is typical last year. However, trailing 12-month net absorption is now positive after several quarters of having negative trailing 12-month absorption. In contrast, annual net absorption had been positive each year here since 2013, and 2018–19 marked the strongest back-to-back years of demand during the past cycle.

Historical and projected net absorption trends for the Downtown submarket are shown in the following graph.

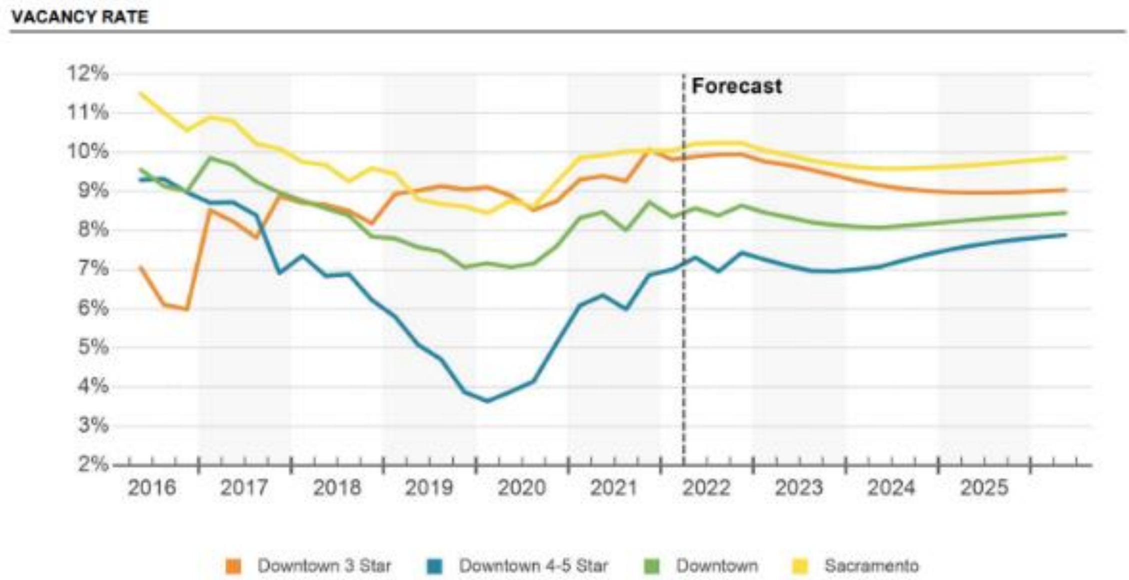
VACANCY

As is typical, Downtown vacancies are below the metro average. However, the vacancy rate is up 200 basis points from 2019. The types of corporate tenants that typically occupy high-end space transitioned to working from home almost seamlessly, and while some employees have returned to the office, a number of workers may continue working remotely on at least a part-time basis after the virus has been contained.

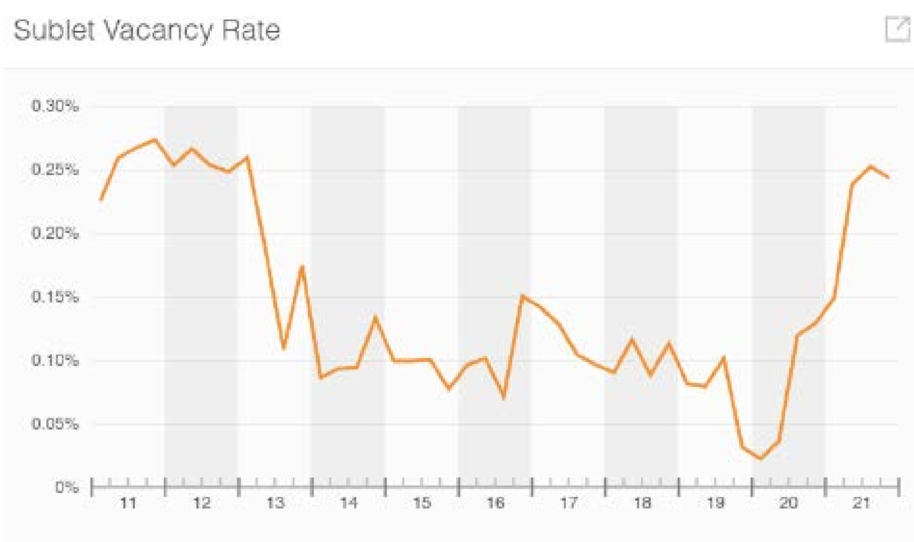
The government sector, which is the main driver of office activity Downtown, can typically be counted on to buttress occupancy during economic downturns, but a number of agencies have similarly reevaluated their office footprints. In one of the area's largest recent move-outs, the California State Auditor vacated three floors totaling 62,400 SF at the U.S. Bank Tower. And more government move-outs could be on the horizon. According to the Bureau of Labor Statistics, government employment in Sacramento MSA has decreased since last May, when the wider job market bottomed, while virtually every other sector has added workers.

Looking ahead, a lack of supply-driven pressure could keep vacancies in check; no spec projects are under construction. And many government occupiers own their properties or are under long-term leases, which may mitigate move-outs, at least in the near-term. Another positive is sublet space has remained limited, which is in stark contrast to wider Sacramento MSA. Still, the pandemic-induced economic uncertainty is not likely to abate any time soon, and CoStar is forecasting that vacancies will continue to fall in 2022.

Historical and projected vacancy trends for the Downtown submarket are shown in the following graph.



SUB-LET VACANCY – DOWNTOWN CBD



RENTAL RATES

Downtown office rents had been on a decline but started reversing for 21Q3 and 21Q4. The average rent has increased 1.1% over the past 12 months. In contrast, annual gains averaged 4.2% over the past three years. Moreover, Downtown rent growth at the start of 2020 was among the strongest in the nation among all office submarkets.

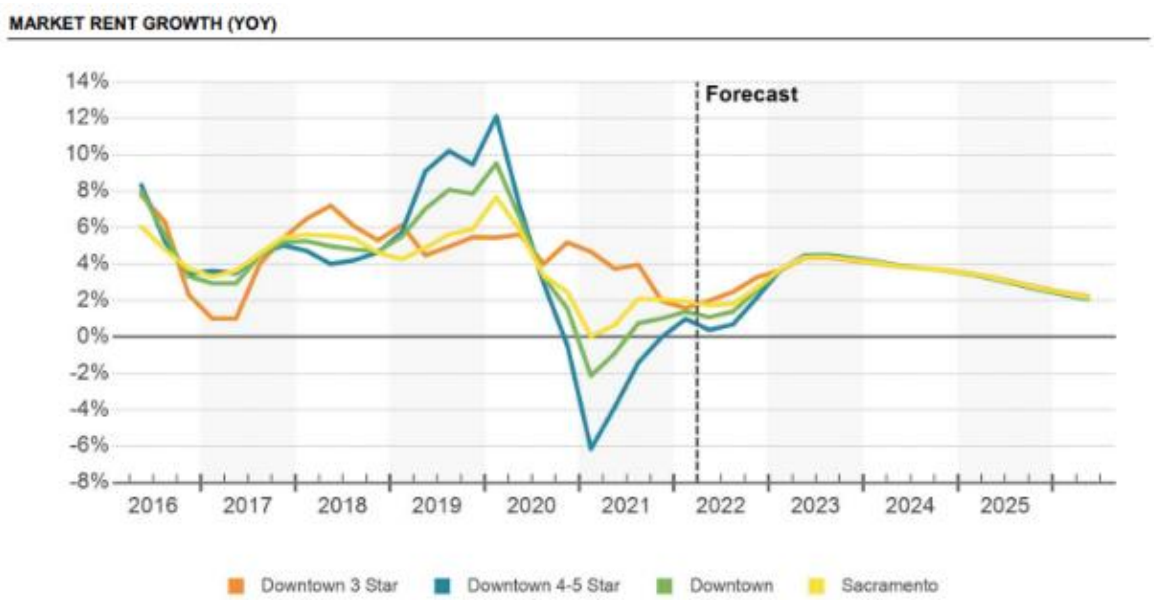
The average asking rent is $34.20/SF, or approximately 25% greater than the metro average. Compared to neighboring submarkets, rents here exceed those of Midtown by around 20% and South Natomas by about 10%. Midtown primarily consists of low-rise buildings, and upper-tier supply is limited. South

Natomas, on the other hand, offers an abundance of high-end inventory: Nearly two-thirds of submarket product is Class A.

Downtown tenants pay a significant premium for high-end buildings. Before the pandemic and recession, demand for high-quality space was easily outpacing that of low- and mid-tier assets, and rent growth consequently beat that of other slices. As a result, the average asking rent for Class A assets are approximately 40% higher than those of Class B.

Moreover, the spread between rents for Class A product Downtown and rents for Class A product in the wider metro had expanded in recent years. Downtown Class A rents are about 20% higher than rents for similar product in the greater metro.

Historical and projected market rent grown is shown in the following graph.



INVENTORY & CONSTRUCTION

Currently, 946 thousand SF is under construction Downtown, which will increase submarket inventory by 4.3%. This is in stark contrast to recent years; since 2010, supply Downtown has actually decreased. A number of office buildings were demolished to make way for the Golden 1 Center, while the only notable delivery during the past cycle was a new 155,000-SF headquarters for the California State Lottery Commission, which completed construction in 2011.

The only projects currently underway or recently completed are government buildings, which are summarized below.

- 715 P Street – 838,000 SF: Building will be new home to the California Natural Resources Agency. Located on P Street, the 21-story building was completed in late 2022.
- 1021 O Street – 472,000 SF: Building will serve as swing space for the Capitol Annex. This building is under construction.

- 1215 O Street – 360,000 SF: 11-story building will house workers from various State agencies; completed in in 2022.
- 344 N 7th Street – 1,250,000 SF: Known as the Richards Boulevard Office Complex (RBOC), construction commenced in 2020 and is slated for completion in 2024. The project will include office space for roughly 4,650 employees and include approximately 200,000 SF of amenity space (multipurpose center, auditorium, retail, wellness center, childcare, food services and support spaces). The first phase of this project at 474,700 SF is under construction.

While office projects have yet to break ground, the Sacramento Railyards, a 240-acre redevelopment site, is finally coming to fruition after many starts and stops. Envisioned as a mixed-use, regional destination, the Railyards gained momentum when Kaiser Permanente closed on 18 acres of land for its long-awaited hospital. The timing and certainty of this hospital however remains in doubt today. The Sacramento County Courthouse (19-stories, 538,000 SF, 53 courtrooms), SMUD Museum of Science and Curiosity and a multifamily project are underway in the Railyards.

Outside of the Railyards, developable office land is sparse. While there is vacant land located north of the Sacramento Railyards in the River District, most of this land is earmarked for other uses than office. As a result, any new projects here are usually redevelopments, and supply gains are expected to remain limited.

SALES ACTIVITY

Sales volume in the downtown market has declined as only 17 office properties totaling $47.5 million sold over the past 12 months. On average, the Downtown Sacramento market averages about $215 million in office sales annually over the past five years. Downtown typically sees a limited number of office trades, but that trend has been even more pronounced since the start of the pandemic. Approaching this year's halfway point, few deals of note had occurred, after only a single-digit number of transactions recorded in 2022. In contrast, this submarket has averaged 17 trades annually over the past five years.

Prior to the pandemic, annual investment volume was strong which is attributed to a number of Downtown's most notable assets. In 2020, Singapore-based Prime US REIT picked up Park Tower and two associated parking structures for $165.5 million; in 2019, a joint venture of The Evergreen Company and United Auburn Indian Community purchased Emerald Tower for $127 million ($329/SF); and in 2018, San Francisco-based Shorenstein Properties acquired the U.S. Bank Tower for $181 million ($439/SF).

Despite Downtown's downturn in the beginning of the pandemic, valuations have remained healthy. Over the past 12 months, the average market sale price, which is based on the estimated price movement of all properties in the market, informed by actual transactions, is $259/SF. The average market cap rate is 7.1%, virtually unchanged from the past couple of years.

DOWNTOWN OFFICE MARKET OUTLOOK

The downtown submarket continues to be the largest and strongest office submarket in the region. The attractiveness of this market results from its central location and the excellent highway system that surrounds the market area, as well as the location of the state Capitol. Most of the major state agencies are located near the state Capitol where there are 24 state owned buildings containing approximately seven million square feet. In addition to the state office buildings, there are Sacramento City and Sacramento County complexes as well as several federal buildings. Even during periods of weak economic conditions, the presence of the Capitol and associated government offices has acted as a stabilizing factor for the downtown submarket. The City has a strong commitment to keeping the downtown area vital and growing. This was most demonstrated in the City's participation and support of the development of the Golden 1 Sports & Entertainment Center.

Consistent with regional trends, occupancy levels and effective rental rates in the submarket will continue to be impacted by the pandemic in the short term; however, market condition has been edging back toward some improvement that began in the latter half of 2021. Long-term demand, rents and values are expected to increase at rates slightly higher than those for the region as a whole. While there will likely be changing office footprint space demands by tenants due to the remote working trend, some tenants are anticipated to increase office space per employee going forward. In summary, the short and mid-term outcome of the office demand in downtown will likely be soft with stagnant rents and level occupancy. Most participants believe any chance of a more robust recovery is beyond 2022.

HOSPITALITY MARKET ANALYSIS

SACRAMENTO (MSA) HOSPITALITY MARKET

OVERVIEW

The Sacramento MSA market comprises roughly 380 hotel properties, which contain around 30,000 total rooms. The typical hotel in the area is a bit smaller than the norm. The average building has around 78 rooms, compared to 90 rooms per building nationally.

COVID-19 severely impacted the entire U.S. hospitality sector, the Sacramento MSA hotel market included. At the low point, occupancies collapsed to a monthly rate of 34.5% in April of 2020. But with the worst of the pandemic now in the rearview mirror, conditions are improving. Around 18,000 rooms were sold in the month of April 2022, a massive +200% increase compared to the same month the prior year. Twelve-month RevPAR is up on a year-over-year basis, by 57.6% as of April 2022.

The 1,663 rooms currently underway in the Sacramento MSA market represent a significant expansion relative to size of the market. This new supply follows a material amount of recent development: Around 1,500 rooms have delivered in the past three years. The impact on the hotel inventory was offset by demolition activity, which took around 840 rooms off the market over the same timeframe.

Sacramento MSA houses an active market for hotel investment and recorded about 31 hotel trades over the past year—consistent with the number of trades that typically close in a given year.

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	349	62,015
Avg Rooms Per Building	81	91
12 Mo Delivered Rooms	649	65,455
12 Mo Delivered Buildings	6	731
12 Mo Opened Rooms	719	66,131
12 Mo Opened Buildings	7	678
Under Construction Buildings	13	1,199

SALES	MARKET	NATIONAL INDEX
12 Mo Transactions	31	5.3K
12 Mo Sales Volume	$297M	$50.6B
12 Mo Average Price Per Building	$12.6M	$13.6M
Market Sale Price/Room	$155K	$130K
Market Cap Rate	7.3%	8.7%

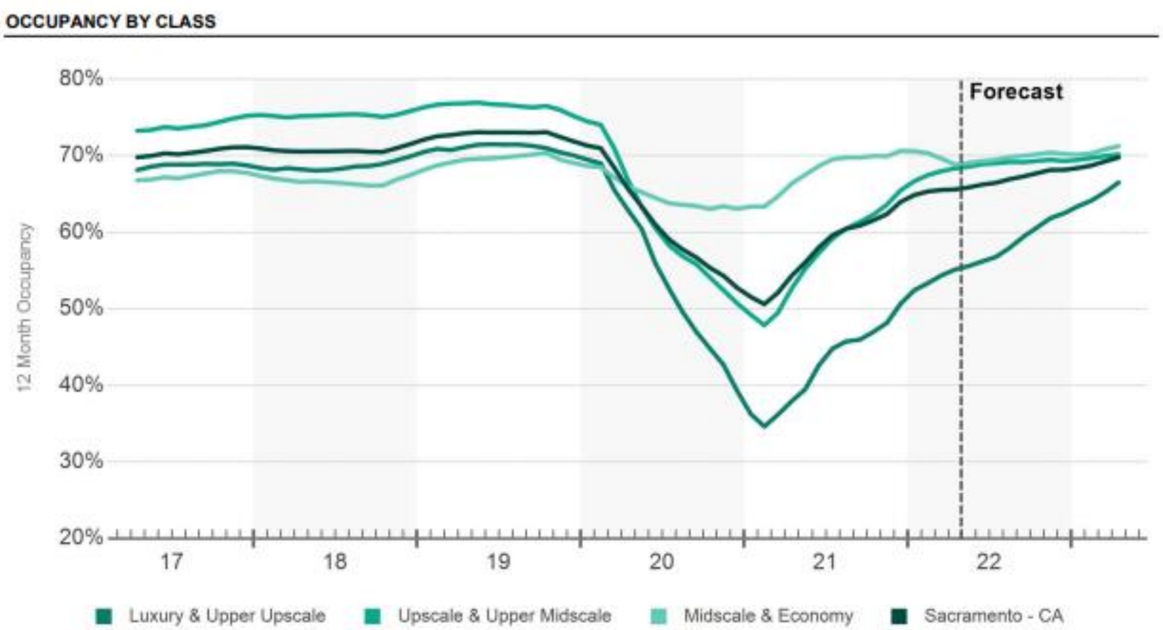
PERFORMANCE	MARKET	NATIONAL INDEX
Occupancy	64.2%	65.5%
ADR	$136.19	$149.90
RevPAR	$87.44	$98.20
3 Mo Occupancy	63.5%	62.3%
3 Mo ADR	$142.12	$145.28
3 Mo RevPAR	$90.28	$90.46
YTD Occupancy	62.2%	58.5%
YTD ADR	$141.74	$140.75
YTD RevPAR	$88.12	$82.36
12 Mo Occupancy	65.6%	60.6%
12 Mo ADR	$135.32	$135.49
12 Mo RevPAR	$88.77	$82.10

Key hospitality market statistics and five-year projections for the Sacramento MSA market are summarized in the following tables and graphs.

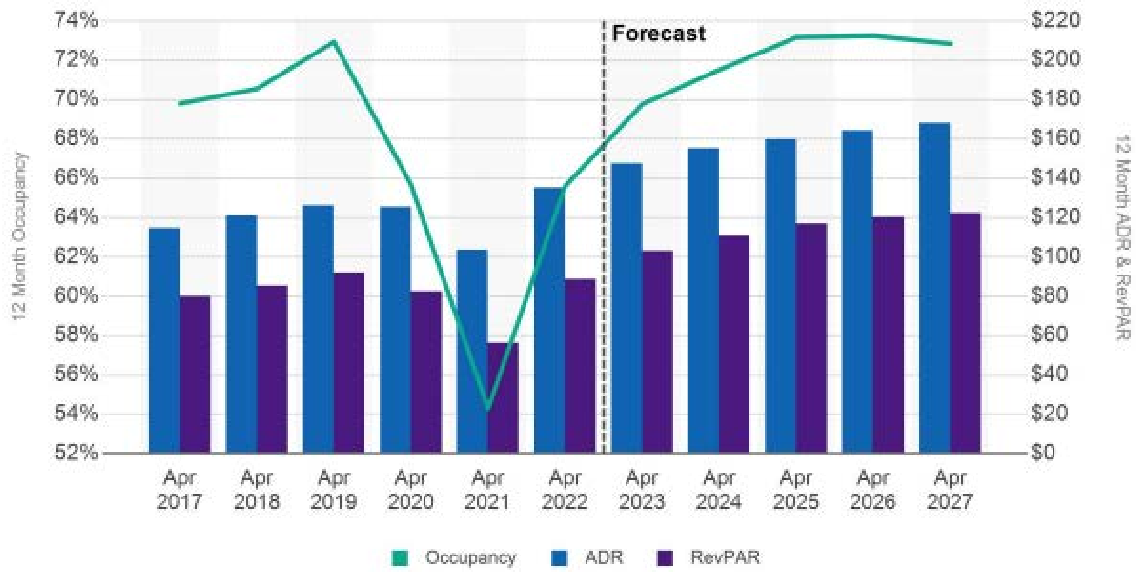
HOSPITALITY MARKET TRENDS & PROJECTIONS - SACRAMENTO MSA													
Period	Inventory Rooms	Avg Rooms Per Building	12 Mo Delivered Rooms	12 Mo Inventory Growth	Under Constr Rooms	12 Mo Occupancy	12 Mo Occupancy Chg	12 Mo ADR	12 Mo ADR Chg	12 Mo RevPAR	12 Mo RevPAR Chg	Market Sale Price/Room	Market Cap Rate
Apr 2027	28,454	81	0	0.0%	-	72.8%	-0.5%	$168.13	2.4%	$122.47	1.9%	$187,061	7.4%
Apr 2026	28,454	81	321	0.0%	-	73.2%	0.1%	$164.15	2.8%	$120.22	2.9%	$184,937	7.4%
Apr 2025	28,454	81	209	0.0%	-	73.2%	2.3%	$159.75	3.0%	$116.88	5.4%	$178,960	7.4%
Apr 2024	28,454	81	1,745	0.0%	-	71.5%	2.5%	$155.13	5.1%	$110.94	7.8%	$172,889	7.3%
Apr 2023	28,454	81	1,244	0.8%	-	69.8%	6.4%	$147.57	9.1%	$102.95	16.0%	$165,781	7.3%
Apr 2022	28,232	81	649	2.0%	1,663	65.6%	20.8%	$135.32	30.5%	$88.77	57.6%	$156,481	7.3%
Apr 2021	27,665	80	449	0.3%	1,256	54.3%	-17.3%	$103.70	-17.4%	$56.32	-31.7%	$159,820	7.3%
Apr 2020	27,570	80	777	1.3%	1,208	65.7%	-10.0%	$125.48	-0.6%	$82.40	-10.5%	$175,840	7.5%
Apr 2019	27,229	80	104	0.3%	647	72.9%	3.4%	$126.17	4.2%	$92.03	7.7%	$167,347	7.8%
Apr 2018	27,152	80	449	1.6%	221	70.6%	1.1%	$121.08	5.7%	$85.43	6.8%	$151,073	8.0%
Apr 2017	26,717	79	97	-0.5%	366	69.8%	3.5%	$114.55	6.0%	$79.96	9.7%	$133,367	8.2%
Apr 2016	26,839	78	244	-0.1%	347	67.4%	5.6%	$108.07	7.6%	$72.87	13.5%	$116,403	8.5%
Apr 2015	26,860	79	0	-1.2%	172	63.9%	5.8%	$100.48	5.6%	$64.18	11.8%	$104,001	8.5%
Apr 2014	27,187	79	82	0.3%	172	60.4%	3.7%	$95.14	2.8%	$57.42	6.6%	$94,160	8.6%
Apr 2013	27,105	79	0	-0.6%	82	58.2%	3.3%	$92.57	4.8%	$53.86	8.2%	$85,349	8.8%
Apr 2012	27,261	79	0	-0.8%	-	56.4%	3.6%	$88.34	1.4%	$49.78	5.1%	$79,002	8.7%

Source: Costar

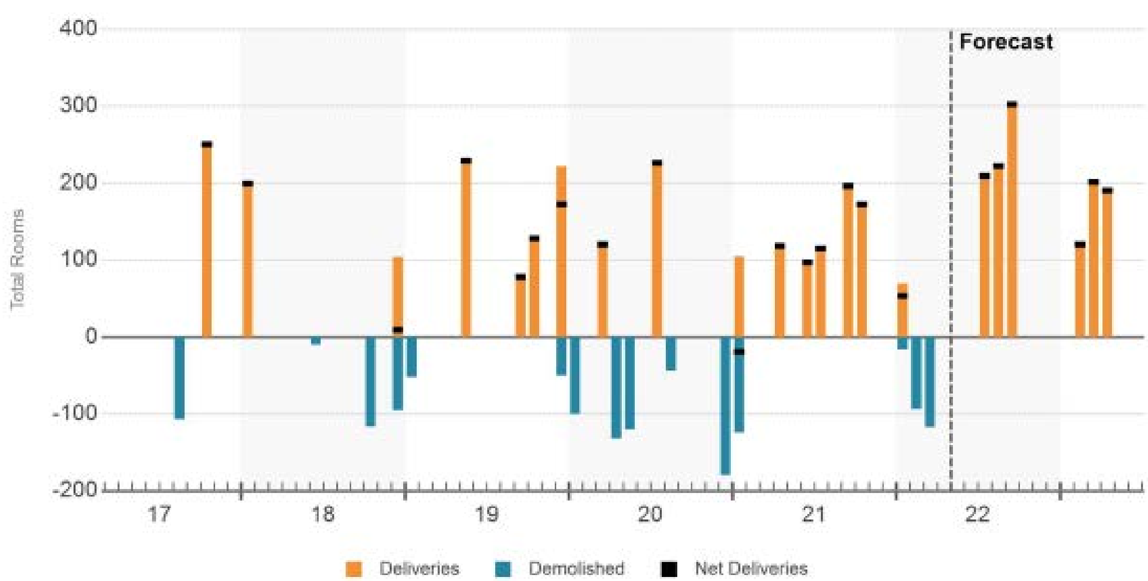
The following exhibits summarize tends and projections for the regional hospitality market.



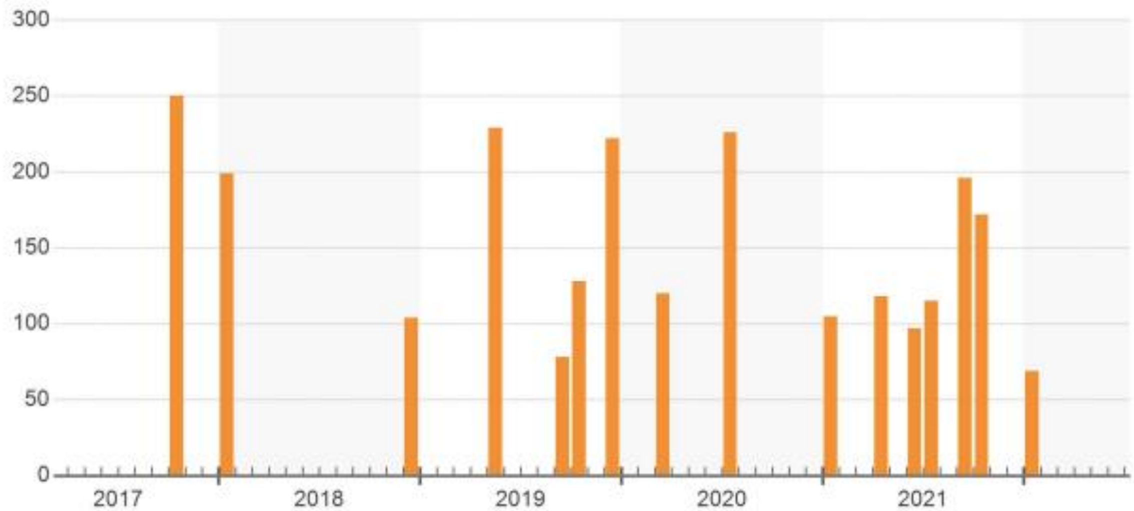
OCCUPANCY, ADR & REVPAR



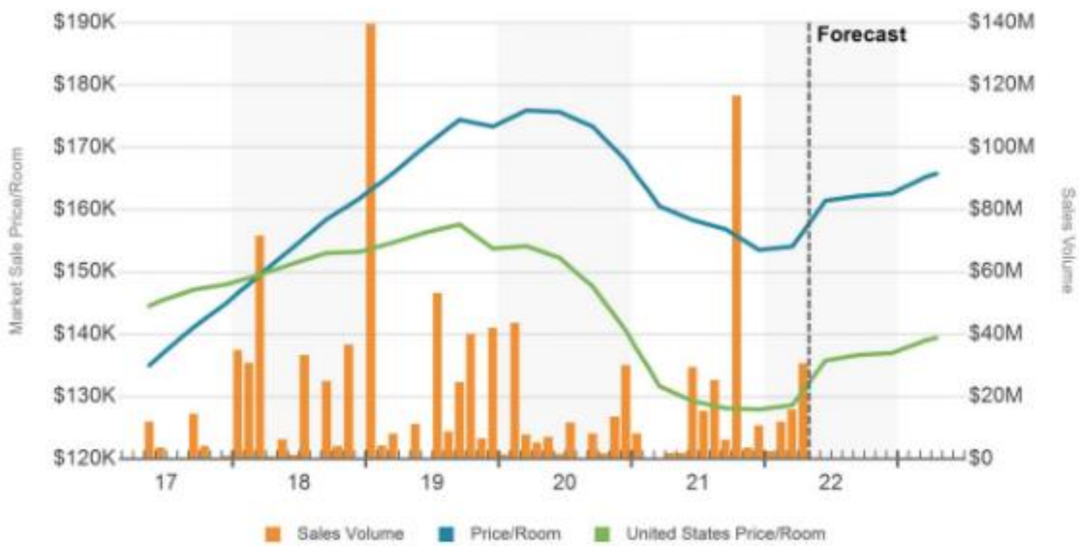
DELIVERIES & DEMOLITIONS

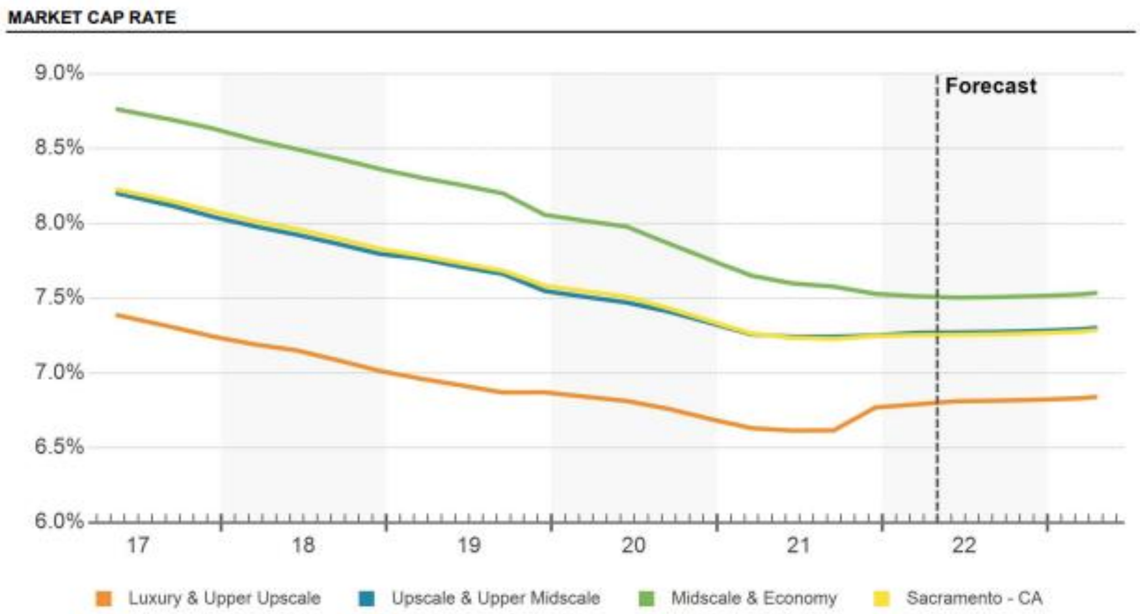


ROOMS DELIVERED



SALES VOLUME & MARKET SALE PRICE PER ROOM





DOWNTOWN HOSPITALITY MARKET

Sacramento CBD houses 33 of the Sacramento MSA market's 380 hotel properties and contains about 4,200 rooms in total. Unlike the broader market, Sacramento CBD is characterized by very large hotels relative to the national norm. The average property has 128 rooms, which is much higher than the 78-room-per-building market-wide average. Those two figures are on either side of the national norm of about 90 rooms per building.

High-end hotels are common here. Over 40% of the rooms are Luxury or Upper Upscale, a proportion that only exists in about one in ten U.S. submarkets (mostly downtown areas). Likewise, the Sacramento MSA market as a whole has a larger proportion of high-end lodging than the typical U.S. market.

COVID-19 severely impacted the entire U.S. hospitality sector, the Sacramento CBD hotel submarket included. At the low point, occupancies collapsed to a monthly rate of 25.4% in April of 2020. But with the worst of the pandemic now in the rearview mirror, conditions are improving. Current 12-month occupancy is 64.4%, up from 43% one year earlier.

Revenue per Available Room (RevPAR) is up on a year-over-year basis, most recently by 111.7% as of April 2022. All performance indicators for the past 12 months are up from the prior year period.

The 307 rooms currently under construction in the Sacramento CBD represent a substantial expansion relative to the size of the submarket. While this is not the only construction the submarket has seen in recent memory, it does represent a turnabout from the overall trend.

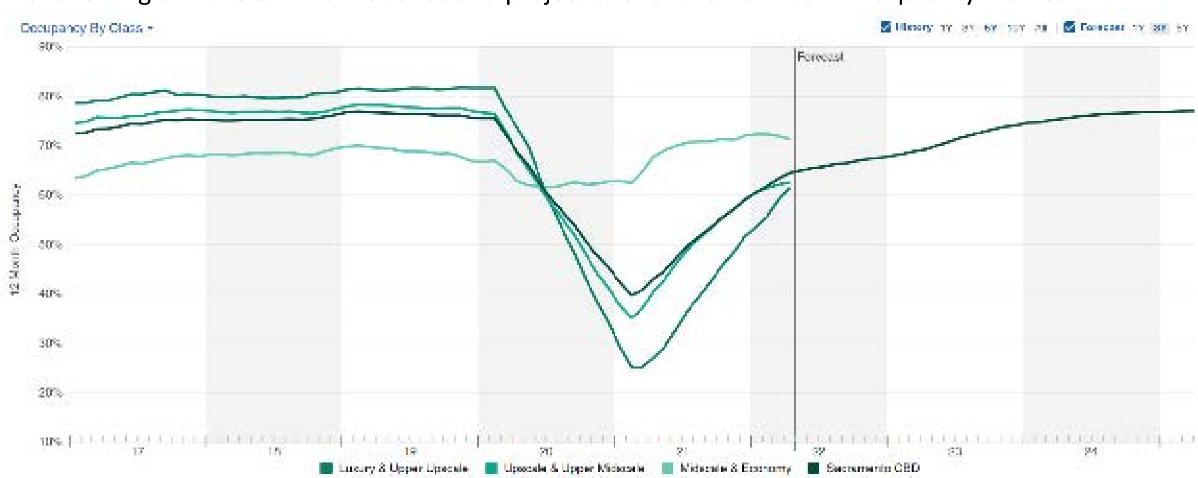
INVENTORY	SUBMARKET	MARKET
Existing Buildings	32	349
Avg Rooms Per Building	128	81
12 Mo Delivered Rooms	272	549
12 Mo Delivered Buildings	2	6
12 Mo Opened Rooms	272	719
12 Mo Opened Buildings	2	7
Under Construction Buildings	2	13

SALES	SUBMARKET	MARKET
12 Mo Transactions	4	31
12 Mo Sales Volume	$53.2M	$297M
12 Mo Average Price Per Building	$13.3M	$12.6M
Market Sale Price/Room	$182K	$155K
Market Cap Rate	8.9%	7.3%

PERFORMANCE	SUBMARKET	MARKET
Occupancy	71.0%	64.2%
ADR	$164.26	$136.19
RevPAR	$116.62	$87.44
3 Mo Occupancy	67.7%	63.5%
3 Mo ADR	$160.44	$142.12
3 Mo RevPAR	$108.63	$90.26
YTD Occupancy	64.2%	62.2%
YTD ADR	$156.46	$141.74
YTD RevPAR	$100.50	$88.12
12 Mo Occupancy	64.4%	65.6%
12 Mo ADR	$145.82	$135.32
12 Mo RevPAR	$93.94	$88.77

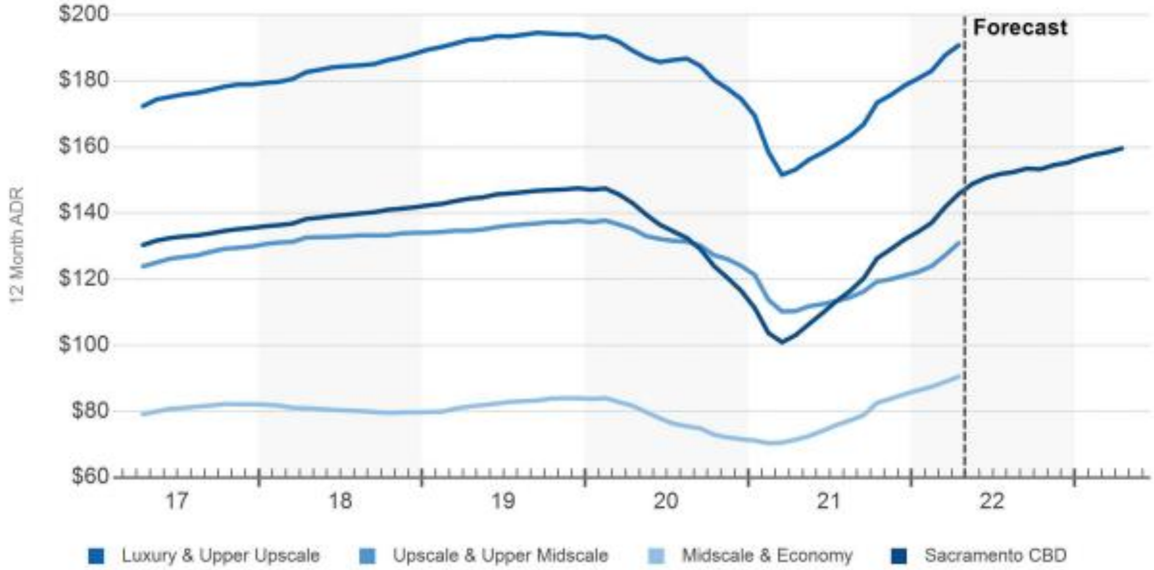
HOSPITALITY MARKET TRENDS & PROJECTIONS - DOWNTOWN SCRAMENTO													
Period	Inventory Rooms	Avg Rooms Per Building	12 Mo Delivered Rooms	12 Mo Inventory Growth	Under Constr Rooms	12 Mo Occupancy	12 Mo Occupancy Chg	12 Mo ADR	12 Mo ADR Chg	12 Mo RevPAR	12 Mo RevPAR Chg	Market Sale Price/Room	Market Cap Rate
Apr 2027	4,713	131	0	0.0%	-	76.7%	-0.5%	$181.46	2.5%	$139.13	1.9%	$221,250	7.0%
Apr 2026	4,713	131	0	0.0%	-	77.1%	0.1%	$177.11	2.6%	$136.48	2.7%	$218,738	7.0%
Apr 2025	4,713	131	0	0.0%	-	77.0%	2.1%	$172.59	2.8%	$132.91	5.0%	$211,668	7.0%
Apr 2024	4,713	131	495	11.7%	-	75.4%	9.0%	$167.95	5.2%	$126.63	14.7%	$204,487	6.9%
Apr 2023	4,218	128	128	3.1%	-	69.2%	7.4%	$159.61	9.5%	$110.41	17.5%	$196,081	6.9%
Apr 2022	4,090	128	272	4.6%	307	64.4%	49.7%	$145.82	41.4%	$93.94	111.7%	$184,318	6.9%
Apr 2021	3,912	126	105	-1.6%	400	43.0%	-37.3%	$103.09	-27.9%	$44.38	-54.8%	$186,190	6.9%
Apr 2020	3,976	128	0	-5.6%	377	68.7%	-10.3%	$143.08	-0.9%	$98.26	-11.1%	$204,986	7.1%
Apr 2019	4,214	132	0	0.1%	-	76.6%	1.8%	$144.41	4.4%	$110.56	6.3%	$202,515	7.3%
Apr 2018	4,211	132	250	6.3%	-	75.2%	2.4%	$138.26	6.0%	$103.98	8.6%	$180,721	7.5%
Apr 2017	3,961	128	0	0.0%	250	73.4%	2.0%	$130.39	5.7%	$95.73	7.8%	$157,367	7.8%
Apr 2016	3,960	128	0	0.1%	250	72.0%	1.0%	$123.37	7.1%	$88.80	8.2%	$135,552	8.1%
Apr 2015	3,958	128	0	0.1%	-	71.3%	3.7%	$115.14	7.4%	$82.04	11.4%	$119,648	8.2%
Apr 2014	3,956	128	0	-0.1%	-	68.7%	3.6%	$107.17	4.0%	$73.66	7.7%	$107,679	8.4%
Apr 2013	3,958	128	0	-0.0%	-	66.3%	2.6%	$103.08	3.8%	$68.38	6.5%	$98,051	8.5%
Apr 2012	3,959	128	0	-0.1%	-	64.7%	4.6%	$99.28	0.9%	$64.20	5.5%	$91,356	8.4%

The following exhibits summarize tends and projections for the Downtown hospitality market.

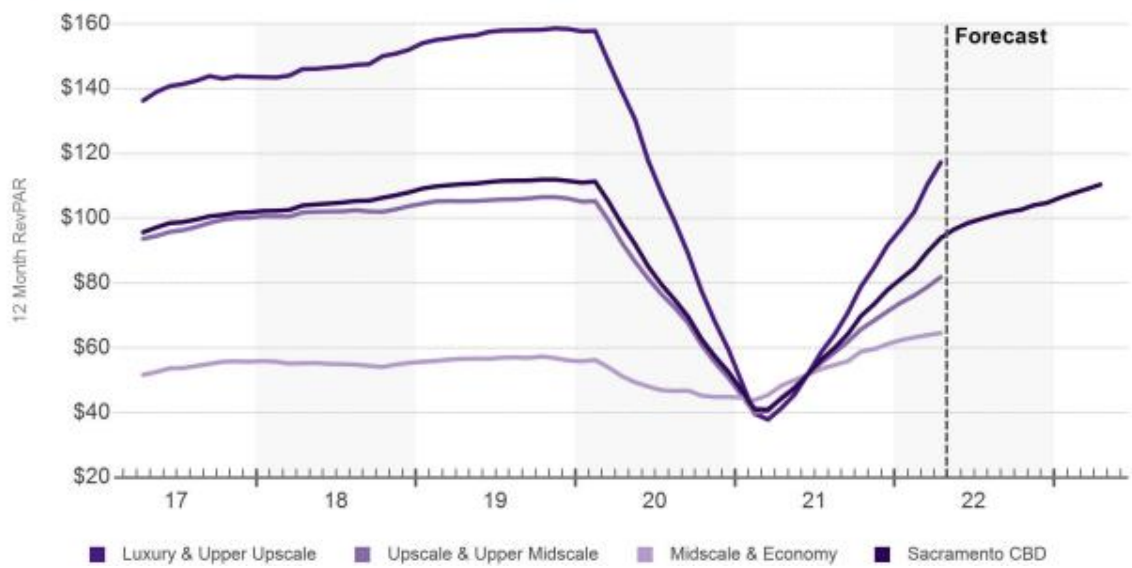


BBG

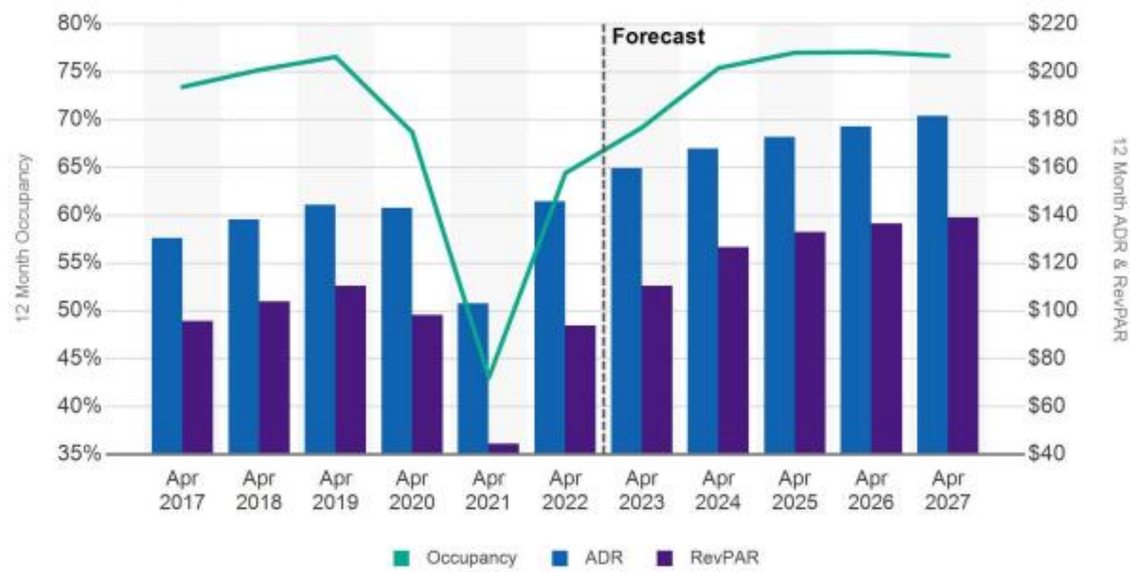
ADR BY CLASS



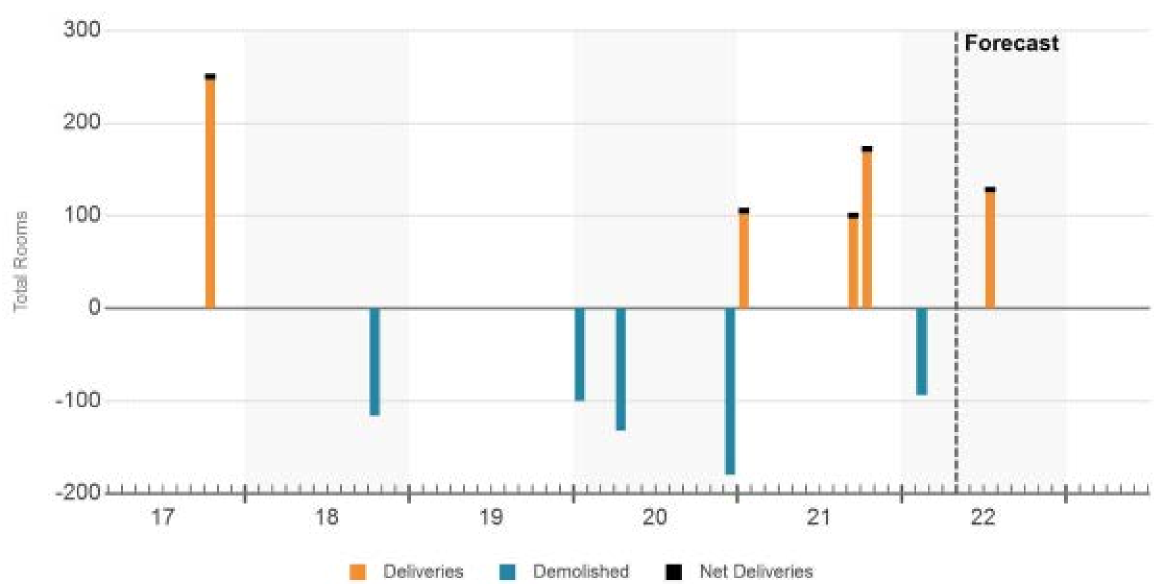
REVPAR BY CLASS



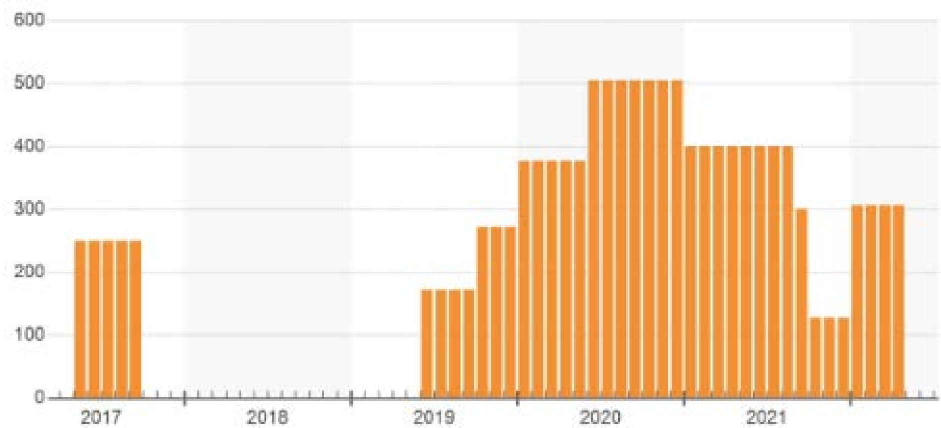
OCCUPANCY, ADR & REVPAR



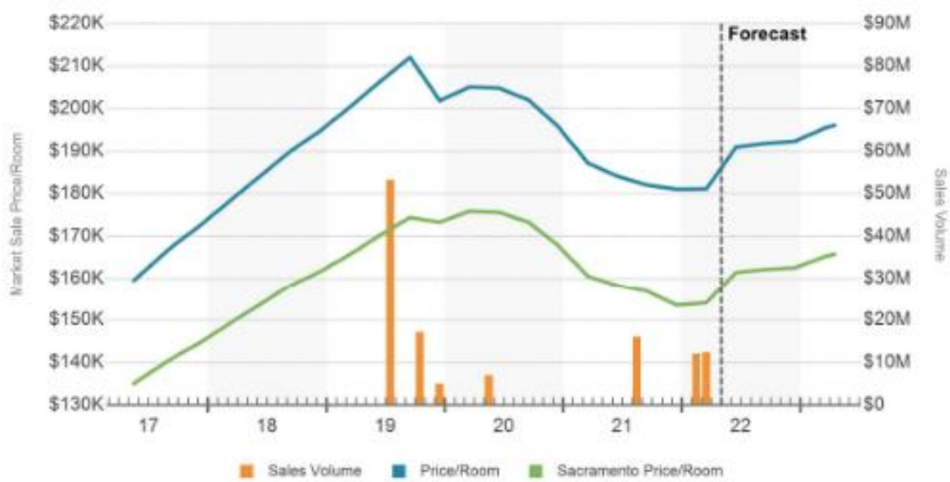
DELIVERIES & DEMOLITIONS



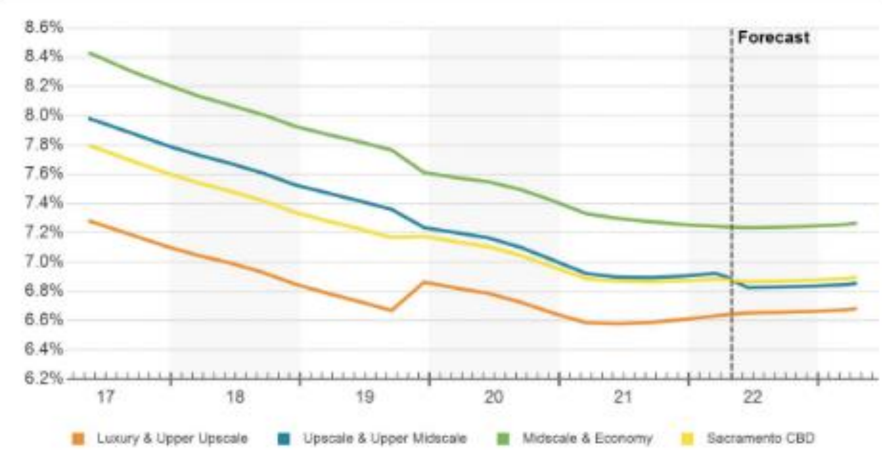
ROOMS UNDER CONSTRUCTION



SALES VOLUME & MARKET SALE PRICE PER ROOM



MARKET CAP RATE



NATIONAL PARKING LOT AND GARAGE OVERVIEW

The following is a summary of Parking Lot and Garage trends in the US as reported by IBISWorld (November 2021).

COVID-19 (Coronavirus) Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

· The Parking Lots and Garages industry contracted significantly in 2020 due to declines in retail activity, air travel and the hospitality sector activity amid the COVID-19 (coronavirus) pandemic. In 2021, it is expected to remain relatively stagnant despite an economic recovery. For more detail, refer to the Current Performance chapter.

· The industry's recovery will likely be slowed by declining nonresidential construction activity in 2021. Commercial businesses make up the industry's largest market segment. For more information, see the Current Performance and Major Markets chapters.

· An anticipated increase in residential construction in 2020 and 2021 has helped mitigate some of the negative economic impacts of the coronavirus pandemic on the industry. For more information, see the Current Performance chapter.

Industry at a Glance

Key Statistics

$9.6bn
Revenue

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
-1.5%	1.4%	

$921.4m
Profit

Annual Growth 2016–2021	Annual Growth 2016–2021
2.1%	

9.6%
Profit Margin

Annual Growth 2016–2021	Annual Growth 2016–2021
1.6pp	

8,605
Businesses

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
-1.7%	-0.3%	

149k
Employment

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
-0.3%	0.9%	

$3.5bn
Wages

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
1.4%	1.0%	

Key External Drivers

% = 2016–21 Annual Growth

8.1%
World price of crude oil

0.5%
Number of businesses

3.2%
Total retail sales

0.7pp
National unemployment rate

-2.1%
Value of private nonresidential construction

Industry Structure

POSITIVE IMPACT

- Capital Intensity: Low
- Regulation & Policy: Light / Steady
- Industry Globalization: Low / Steady
- Concentration: Low
- Technology Change: Low

MIXED IMPACT

- Life Cycle: Mature
- Revenue Volatility: Medium

NEGATIVE IMPACT

- Industry Assistance: Low / Steady
- Competition: High / Steady
- Barriers to Entry: Low / Steady

Key Trends

- Growth in nonresidential construction in urban areas has bolstered the popularity of management contracts
- E-commerce activity spiked and the total number of vehicle miles dropped, resulting in decreased demand for parking garages and services
- To maintain healthy profit, most industry players have raised their service rates during the period
- The industry is highly dependent on consumers engaging in shopping, travel and hospitality services
- The desire for more locations will likely result in the continued consolidation of major companies
- Operators are expected to adapt to the increasing prevalence of ride-sharing platforms
- Existing market saturation for industry operators will likely limit opportunities for further expansion for the industry

Executive Summary

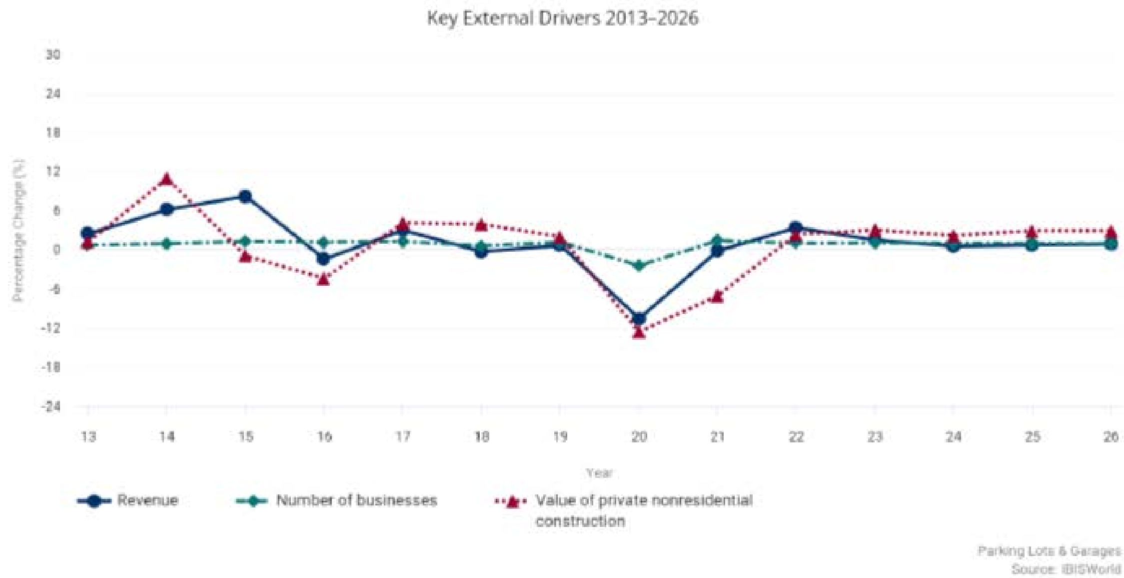
Free space: Low interest rates and declining investor uncertainty are expected to return the industry to growth

The Parking Lots and Garages industry has contracted over the five years to 2021 as tepid growth during the period was offset by sharp declines in economic activity in 2020 amid the COVID-19 (coronavirus) pandemic. Prior to 2020, an increased value of residential construction, particularly mixed-use developments, bolstered demand for industry services, such as management contracts and valet services. Additionally, favorable economic conditions, such as low interest rates and unemployment, encouraged commercial developments that served as important downstream markets for the industry, including central shopping districts, airports and stadiums. However, the dramatic reversal of these trends in 2020 precipitated a fall in industry revenue during the period. Over the five years to 2021, industry revenue is expected to fall an annualized 1.5% to $9.6 billion, including a decline of 0.1% in 2021 alone.

Increased urbanization was a key driver of demand for the industry during the period. Strong growth in the value of residential construction has boosted demand for industry services; however, this growth has been offset by declines in the value of nonresidential construction. The coronavirus pandemic in 2020 resulted in a decline in consumer spending at retail, dining and entertainment establishments due to social distancing guidelines. Similarly, remote work arrangements increased the office rental vacancy rate. These negative trends curtailed nonresidential construction as heightened economic uncertainty reduced the level of investment, thus hindering industry demand and putting downward pressure on profit. The value of nonresidential construction is expected to continue falling in 2021, inhibiting the industry's recovery.

Over the five years to 2026, industry revenue is expected to return to growth as commercial development gradually reemerges amid low interest rates and declining investor uncertainty. Existing market saturation will likely limit opportunities for further expansion for industry operators as competition grows. Merger and acquisition activity is expected to continue over the next five years as operators seek to cut costs and combat rising competition. Additionally, the growing popularity of ride sharing will likely affect the industry landscape, as operators seek to accommodate the increased use of ride-sharing services. Overall, IBISWorld expects industry revenue to increase an annualized rate 1.4% to $10.3 billion over the five years to 2026.

Industry Performance



Key External Drivers

Number of businesses

The number of businesses is a determinant of demand for commercial office and retail establishments. Consequently, as the number of businesses increases, demand for parking lots and garages increases as more companies rent out office space or storefronts. The number of businesses is expected to increase in 2021.

Value of private nonresidential construction

The value of private nonresidential construction represents the dollar value of investment and net purchases of office buildings, sports stadiums, hospitals and other commercial structures. As the value of private nonresidential construction increases, the number of parking lots and garages also increases as many nonresidential structures require large parking structures and attract consumers. The value of private nonresidential construction is expected to decrease in 2021, posing a potential threat to the industry.

National unemployment rate

Work commuters comprise a large portion of daily drivers. Consequently, a rise in unemployment decreases the number of drivers that commute to work, adversely affecting demand for parking services. Additionally, higher unemployment results in lower consumer spending and less demand for industry services. The national unemployment rate is expected to decrease in 2021, representing a potential opportunity for the industry.

Total retail sales

Total retail sales measures the value of all retail sales transacted in the United States. Since shopping centers and urban city centers near retail outlets and restaurants are some of the most important and profitable locations for industry operators, an increase in retail sales usually correlates with an increase in industry revenue. Total retail sales are expected to increase in 2021.

World price of crude oil

Gasoline is a key cost for private and commercial drivers. As the price of oil increases, gas prices increase and vehicle use tends to decline. As a result, an increase in the world price of crude oil hurts demand for parking services. The world price of crude oil is expected to increase in 2021.

Current Performance

The Parking Lots and Garages industry provides temporary parking spaces on an hourly, daily, weekly or monthly basis to consumers and commercial clients.

Although the industry is highly fragmented, consisting of many small, private companies that operate a single parking lot or garage, there are several large companies operating thousands of facilities on a national scale. Operators in this industry may own or lease parking facilities from which they collect revenue for parking services. More often, however, companies operate under management contracts and receive a base monthly fee for managing a parking facility that they neither own nor lease. Operators then pass on revenue and most costs to owners while receiving payment for managing facilities, significantly reducing industry capital intensity. For example, industry leader SP Plus Corporation (SP Plus) operates more than 80.0% of its locations under management contracts, according to its most recent annual report. Moreover, management contracts have become increasingly popular in recent years due to the associated cost benefits.

Over the five years to 2021, the industry benefited from favorable economic conditions that boosted demand from key downstream markets, such as airlines, hotels and central commercial districts. However, the COVID-19 (coronavirus) pandemic in 2020 severely disrupted demand for industry services as consumers were encouraged to stay home and avoid social gatherings, reducing travel and the overall level of consumer spending. Over the five years to 2021, industry revenue declined an annualized 1.5% to $9.6 billion, including an additional decline of 0.1% in 2021 alone.

COVID-19

The unique conditions associated with the coronavirus pandemic in 2020 were particularly harmful to the Parking Lots and Garages industry, which relies on activity in the commercial, hospitality and aviation markets.

In 2021, commercial businesses, including hospitals, municipalities, hotels, restaurants and sports and entertainment venues, are expected to account for 55.6% of industry revenue. An additional 17.1% of revenue is derived from airlines and airports. The coronavirus pandemic and associated health and safety measures curbed demand for several of these markets, as unemployment rates surged and consumer confidence and consumer spending fell. Furthermore, temporary stay-at-home orders inhibited consumers from traveling, attending in-person events and even shopping in-person. Consequently, e-commerce activity spiked and the total number of vehicle miles dropped, resulting in decreased demand for parking garages and services. Additionally, work-from-home policies led to a decline in commuting, further curbing demand for industry services. Overall, industry revenue fell an estimated 10.5% in 2020. Although activity in key downstream markets is expected to increase in 2021 as the economy reopens, additional declines in the value of private nonresidential construction is expected to slow the industry's recovery.

INCREASED CONSTRUCTION AND MANAGEMENT CONTRACTS

Industry operators have increasingly relied on management contracts for parking garages as stable sources of revenue during the period.

Due to the considerable costs of construction and ownership of parking garages, long-term management contracts have become an attractive arrangement for industry operators. On average, management contracts are renewed on a seven- to ten-year basis and typically involve a fixed recurring management fee for the corresponding time period.

Growth in nonresidential construction in urban areas has bolstered the popularity of management contracts. In particular, the trend toward mixed-use developments, in which a development serves as residential, retail and commercial space, has proven beneficial for the industry because such developments typically require large parking garages. Moreover, the principals behind these developments, typically large real estate magnates, seek to outsource ancillary services, such as parking garage management, in an effort to keep costs low and stable. The outsourcing of parking services has become an increasingly prevalent trend in the industry as operators seek to specialize in the services they provide without being burdened by the costs and workload associated with ownership or construction. However, declining private nonresidential construction activity amid the coronavirus pandemic negatively affected demand in 2020 , although this decline was partially mitigated by a sharp increase in residential construction activity. High real estate prices, low interest rates and a general undersupply of housing, have increased demand for housing during the coronavirus pandemic, leading to heightened construction activity. This is expected to drive an increase in industry revenue in 2021 as well since more parking capacity is required to accommodate higher housing supply.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The negative economic effects of the coronavirus pandemic, compounded by heightened merger and acquisition activity during the period, has resulted in a decline in the number of operators over the past five years.

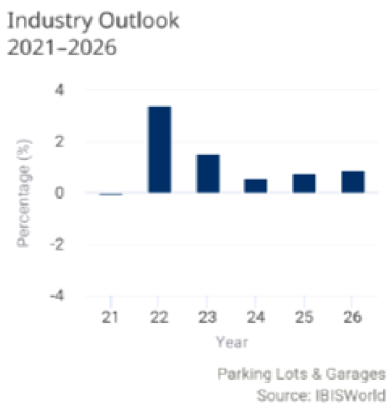
IBISWorld estimates the number of industry operators has declined at an annualized rate of 1.7% to 8,605 enterprises over the five years to 2021. Industry employment has also fallen, albeit at a slower rate. Although the steady expansion of larger operators has tempered the decline in industry employment, the total number of employees is anticipated to fall an annualized 0.3% to 149,034 works over the five years to 2021.

To maintain healthy profit, most industry players have raised their service rates during the period. Beyond that, operators have also expanded their services and lowered costs to boost profit. For example, SP Plus provides their service offerings at parking centers to include emergency repair, traffic report updates and audiobooks for monthly parkers. LAZ Parking Ltd. LLC, one of the largest parking companies in the United States, has made an effort to make its facilities more environmentally friendly by providing recycling facilities and electric vehicle charging stations. In doing so, the company appeals to growing eco-consciousness among consumers. Moreover, operators have increased investments in data analytics and internet of things technologies to increase the efficiency of their operations and optimize consumer convenience. Consequently, industry profit has grown during the period. In 2021, profit, measured as earnings before interest and taxes, is anticipated to account for 9.6% of industry revenue, up from 8.0% in 2016.

Industry Outlook

Outlook

Over the five years to 2026, revenue for the Parking Lots and Garages industry is expected to increase due to growth in the industry's key markets.



In particular, increased consumer spending is anticipated to boost demand from central business districts, the hospitality sector and airlines. A general economic recovery from the COVID-19 (coronavirus) pandemic is expected to contribute to increased demand for parking garages and services as the economy reopens and health and safety mandates ease amid widespread vaccination. Additionally, the construction of urban, mixed-used development, in addition to other commercial and residential construction, is expected to increase, further driving growth in demand for parking services.

The industry's anticipated recovery during the outlook period is also likely attributable to an increasing share of revenue being derived from management contracts, in which industry operators are paid a fixed fee for a predetermined period of time. In these arrangements, industry operators are not expected to benefit from increases in parking rates as they pass along revenue to clients, but they will likely be less exposed to downside demand risks. Overall, IBISWorld expects industry revenue to increase an annualized 1.4% to $10.3 billion over the five years to 2026.

ECONOMIC OUTLOOK

Demand for the Parking Lots and Garages industry is highly dependent on consumers engaging in shopping, travel and hospitality services.

Over the five years to 2026, IBISWorld expects consumer activity to rebound as the economy recovers and the coronavirus pandemic subsides. A rebound in consumer confidence levels is expected to drive the industry's return to growth as consumers resume shopping and entertainment activities that often involve parking facilities. However, the shift in consumer preferences towards online shopping that characterized consumer activity during the coronavirus pandemic will likely continue to influence consumer behavior over the next five years, resulting in a loss of business from brick-and-mortar outlets. Moreover, remote work conditions amid the pandemic are expected to partially continue, leading to potentially slower growth from the office market segment as commuter rates are muted. As a result, demand from consumers and commuters is expected to resume, but at a slower rate. Moreover, a rebound in commercial and nonresidential construction activity is forecast to increase the need of industry facilities and therefore the overall market size, likely benefiting revenue growth.

MARKET TRENDS

Increasing demand will likely encourage operators to expand, resulting in the continued consolidation of major companies.

Major players are expected to engage in acquisitions as they continue to purchase smaller independent lots that are located in areas with high growth potential. Additionally, a heightened focus on value-added services, such as electric vehicle charging stations, in addition to increased use of data and automation will likely reduce the frictions associated with parking, streamline operator efficiency and ultimately increase the appeal of industry services to consumers. As a result, industry operators will likely continue to expand their businesses. For example, industry employment is forecast to grow an annualized 0.9% to 155,498 individuals over the next five years, mainly as a result of expansion among larger operators.

The industry's barriers to entry are low, and most operations are small sole proprietorships or partnerships. However, due to anticipated industry consolidation, the number of industry operators is expected to decrease, falling an annualized 0.3% to 8,476 enterprises over the next five years. This further consolidation of the industry will likely remove some regional competition while intensifying competition between larger operators. Industry expenditures on electric vehicle charging stations are also anticipated to increase. Consequently, industry profit is expected to recover from the contraction caused by the coronavirus pandemic, but not to historically high levels that were experienced prior to the pandemic. Moreover, parking service providers are expected to continue to focus on management contracts that pay a fixed monthly fee. While these contracts limit costs for operators, they also limit the potential for exercising pricing power, further hurting potential growth in industry profit. However, use of big data technologies may increase operational efficiency, reduce costs and allow some exercise of pricing power during peak demand times.

FUTURE OBSTACLES

Many issues that have limited industry revenue growth over the five years to 2021 will likely continue to threaten operators during the outlook period.

In major cities, the use of public transportation (IBISWorld report 48511) and ride-sharing companies, such as Uber Technologies Inc., are expected to increase over the next five years, representing a potential threat to industry operators that derive most of their revenue through lot or garage ownership. However, operators are expected to adapt to the increasing prevalence of ride-sharing platforms and adjust their business models to accommodate the changing technological landscape. The gradual integration of self-driving cars may further accelerate this trend, as it is expected to increase reliance on ridesharing.

RETAIL MARKET

The Railyards is expected to have some retail space. This space is significantly smaller in size to the predominant land uses (office and multi-family) that are expected to occur. The retail space will be an ancillary use within the Railyards and therefore a market overview of this property type is not warranted.

HIGHEST AND BEST USE

INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

HIGHEST AND BEST USE CRITERIA

The highest and best use for each ownership group has been analyzed both as vacant and as improved. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

HIGHEST AND BEST USE AS VACANT – DRV OWNERSHIP PROPERTY

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

LEGALLY PERMISSIBLE

The subject is part of the Railyards Specific Plan which has an approved tentative map. Many entitlements have been achieved for the project for use of high-density office, residential, retail and hotel land uses. The legally permissible uses are those described in the Railyards Specific Plan Update (RSPU).

PHYSICALLY POSSIBLE

The subject development has been developed with several roads connecting it to the downtown Central Business District. There are no physical characteristics that would preclude it from being developed with the intended uses as allowed by the specific plan. Overall, the physical site attributes result in good utility, and with continued development of the major infrastructure the property could be developed with a variety of legally conforming uses as currently entitled. Given the surrounding uses and location, the site is best suited for high density office, residential, retail uses and lodging uses.

FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. The subject development will require significant infrastructure to create the finished lots as designed in the tentative map. The owner's budget shows that over the next 20-year period the capital expenditures for just the site work and obligatory improvements (excluding renovation of the central shops) will be near $172.2 million. DRV has identified various sources of grants/reimbursements, etc. to fund the capital improvements related to site work and required project improvements. As discussed earlier, the State of California and the City of Sacramento have been instrumental in securing grants and other funds to assist DRV and prior ownerships in the development of the various infrastructure projects. This public and private effort will continue as the Railyards is viewed important development property for future expansion of the Central Business District.

From various sources we have identified $78.2 million in reimbursements that have very high certainty of receiving. All of these reimbursements relate to improvements for the DRV property west of 7th Street. At issue is the uncertainty of the future grants and reimbursements and the timing of receiving such funds. Without significant financial assistance from grants and reimbursements the project is not feasible for completing the backbone infrastructure and site work for the sale of lots.

For financial feasibility analysis we break out the property into West of 7th Street and East of 7th Street. This break-out is necessary as the two components of the property have vastly different absorption/build-out periods as well as significant differences in secured public funds to off-set construction costs.

DRV Property West of 7th Street

The property west of 7th Street consists of central shops containing 247,832 square feet of building area. Live Nation has leased 47,374 SF of this space for 30 years. Later in the report we have analyzed the financial viability of redevelopment of these buildings. Our residual models shown later in the report indicate a positive value $16,900,000 for the central shop buildings. Based on our analysis, the central shops are financially feasible for redevelopment. This is also the maximally productive use as there are no alternative uses that would result in any greater value. Therefore, the highest and best use of the central shops is for near term redevelopment of the Live Nation central shop building and phased redevelopment of the remaining shops over a 4–6-year period.

The property west of 7th Street also consists of 59.16 net acres of land that is partially developed with road, utility, and drainage infrastructure. As shown earlier, the remaining infrastructure buildout for this land is $133.4 million of which $78.2 million has been identified for reimbursements. The sell-out period of this land is estimated to be 16 years. Considering an obligation to build a parking parage on one of the lots the land residual value of this property (inclusive of the central shops) is a positive $46 million. Based on our analysis, the land west of 7th street is financially feasible for redevelopment. This is also the maximally productive use as there are no alternative uses that would result in any greater value. Therefore, the highest and best use of the land west of 7th Street is for near term development and sell-off the land for residential, office and retail use.

DRV Property East of 7th Street

The property east of 7th Street consists of 42.285 gross acres per the Alta Survey. Deducting the right-of-way for 7th street and Lot 51B (non-taxable lot) the adjusted gross acres is 36.135 acres. The property is part of the Railyard's tentative map and has 29.28 net acres. The property is an irregular shaped property and presently does not have utilities or any completed infrastructure. The land is considered to be in a raw state with no infrastructure.

Much of the land east of 7th Street was planned for an MLS soccer stadium. Those plans have stalled as there is no indications that Sacramento would be awarded an MLS franchise. DRV's business plan for this land is to continuing pursuing the soccer stadium or seek an office campus user (public or private) for some or all of the property.

Analysis of East Land Under Tentative Map No Reimbursements

As a starting point for the financial feasibility test, we analyze the land residual under the existing tentative land use plan. The sell and build-out of this land under same ownership of land west of 7th Street would not commence until well into the sell-out of the land west of 7th Street. This is reasonable for a couple of reasons. First, ownership of west and east land would want an orderly development path with the focus being the land around and near the central shops. The land west of 7th Street is viewed as being superior located to the land east of 7th Street. Second, ownership would hold out possibilities that a large user may arise for buildout of much or all the land east of 7th Street. Finally, the land east of 7th has no committed reimbursements to off-set construction. Any future reimbursements that may come along would likely be committed west of 7th as there is still a funding gap. From RCLCO's Market Study and our analysis, the earliest we project a land sale absorption east of 7th Street would be in year 8. Extending this period using the RCLCO's conclusions results in an 18-year sell-out period for land east of 7th Street.

In terms of construction costs, the land east of 7th has a budgeted infrastructure cost $28,883,397 with no identified reimbursements that are guaranteed. The estimated retail value of the developable lots east of 7th Street total $79,375,032. Excluding a mixed-income housing dedication the net lot revenue is $74,888,499. As shown on the following pages, the land residual of the land east of 7th Street without any reimbursements is a negative $20.1 million. Clearly, under these assumptions and scenario the development of the land east of 7th Street is not financially feasible.

Analysis of East Land Under Tentative Map with $27M in Reimbursements

An alternative land residual is performed using the same inputs as above, except assuming $27.2 million in reimbursements of the infrastructure costs. This DCF shown later in the report indicated a land value of $1,800,000 for the 29.28 net acres east of 7th Street. This scenario is considered a pessimistic projection as it assumes no upside potential for a possible large user acquisition.

Analysis of East Land Under Tentative Map with Large Acquisition for Lot 52 a-e in year 6

Another alternative land residual is performed assuming a 14.62-acre site is sold to a larger user in year 6. This DCF shown later in the report indicated a land value of $9,400,000 for the 29.28 net acres east of 7th Street. This scenario is considered slightly optimistic projection as it assumes a buyer for a large tract of urban land which is not as common in the downtown market.

Analysis of East Land Under Hold For Development

The final option considered is hold the property for future development. Under this plan DRV would be holding the property for either: 1) either a change in market conditions that would alter the land absorption or 2) holding out for a large-user acquisition of some or all of the property. This plan could be developing infrastructure as planned and selling a finished site to large user or selling the property in its as condition. Later in the report we estimate a 7-year hold period for these options with a detailed cash flow. Considering all holding costs, this scenario indicated a land value of $6,000,000. The reader's attention is directed later in the report for complete details and assumptions regarding this plan.

Conclusion

Of the alternative scenarios considered, hold for future development with anticipation of either changes in market conditions or selling to a large user is yields the highest value. This plan could be for future development under the existing tentative map or some alternative plan.

AS-IS MARKET VALUATION - EAST OF 7TH - NO REIMBURSEMENTS - EXISTING TENTATIVE MAP PLAN

	Period Ending	Jun-23	Jul-22	Jul-23	Jul-24	Jul-25	Jul-26	Jul-27	Jul-28	Jul-29	Jul-30
			Yr	Yr	Yr.	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Office & Retail - East of 7th Street		8.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.32
Residential - East of 7th Street		20.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.69
Total Lots Sold (excludes Mixed-use Income land dedication):		29.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.01
Total Period Inventory Beginning:		-	29.29	29.29	29.29	29.29	29.29	29.29	29.29	28.29	27.28
Remaining Acres			29.3	29.3	29.3	29.3	29.3	29.3	29.3	28.3	27.3
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - East of 7th Street			$62.23	$64.10	$66.02	$68.00	$70.04	$72.15	$74.31	$76.54	$78.84
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - East of 7th Street			$0	$0	$0	$0	$0	$0	$0	$3,334,060	$3,468,423
TOTAL REVENUE		$119,430,530	$0	$0	$0	$0	$0	$0	$0	$3,334,060	$3,468,423
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$4,732,285	$150,000	$154,500	$159,135	$163,909	$168,826	$173,891	$179,108	$100,022	$104,053
MARKETING/COMMISSIONS	3.0%	$3,582,916	$0	$0	$0	$0	$0	$0	$0	$100,022	$104,053
AD VALOREM		$739,143	$53,923	$53,923	$53,923	$53,923	$53,923	$53,923	$53,923	$52,082	$50,222
RAILYARDS MAINTENANCE CFD No. 2014-04		$4,666,008	$0	$0	$0	$0	$0	$535,866	$535,866	$517,571	$499,093
RAILYARDS CFD No. 2018-1		$7,607,673	$555,004	$555,004	$555,004	$555,004	$555,004	$555,004	$555,004	$536,056	$516,918
CAPITALIZED CFD INTEREST		($1,110,009)	($555,004)	($555,004)	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$34,732,070	$0	$0	$0	$0	$0	$9,138,973	$9,412,663	$9,651,968	$222,456
REIMBURSEMENTS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$54,950,087	$203,923	$208,423	$768,062	$772,836	$777,754	$10,457,658	$10,736,565	$10,957,721	$1,496,795
NET INCOME		$64,480,444	($203,923)	($208,423)	($768,062)	($772,836)	($777,754)	($10,457,658)	($10,736,565)	($7,623,661)	$1,971,628
PRESENT VALUE FACTOR	20.0%		0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908	0.23257	0.19381
Safe Rate	2.5%		0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127	0.82075	0.80073
DISCOUNTED CASH FLOW at 20%		($20,144,926)	($198,949)	($198,380)	($713,222)	($700,152)	($687,421)	($9,017,606)	($9,032,299)	($6,257,094)	$382,115
INDICATED VALUE		**-$20,144,926**									
ROUNDED		**-$20,100,000**									

AS-IS MARKET VALUATION - EAST OF 7TH - NO REIMBURSEMENTS - EXISTING TENTATIVE MAP PLAN

	Period Ending	Jun-23	Jul-31	Jul-32	Apr-33	Apr-34	Apr-35	Apr-36	Apr-37	Apr-38	Apr-39
			Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period		**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
Office & Retail - East of 7th Street		8.99	0.33	0.37	0.38	0.41	0.73	1.70	1.67	1.64	1.14
Residential - East of 7th Street		20.30	0.69	0.47	0.70	2.79	2.75	2.79	2.79	2.88	3.05
Total Lots Sold (excludes Mixed-use Income land dedication):		29.29	1.02	0.84	1.08	3.20	3.48	4.49	4.46	4.52	4.19
Total Period Inventory Beginning:		-	26.26	25.42	24.34	21.14	17.66	13.17	8.71	4.19	0.00
Remaining Acres			26.3	25.4	24.3	21.1	17.7	13.2	8.7	4.2	0.0
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - East of 7th Street			$81.20	$83.64	$86.15	$88.73	$91.39	$94.13	$96.96	$99.87	$102.86
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - East of 7th Street			$3,607,846	$3,060,303	$4,052,715	$12,368,286	$13,854,026	$18,411,125	$18,836,754	$19,662,868	$18,774,124
TOTAL REVENUE		$119,430,530	$3,607,846	$3,060,303	$4,052,715	$12,368,286	$13,854,026	$18,411,125	$18,836,754	$19,662,868	$18,774,124
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$4,732,285	$108,235	$91,809	$121,581	$371,049	$415,621	$552,334	$565,103	$589,886	$563,224
MARKETING/COMMISSIONS	3.0%	$3,582,916	$108,235	$91,809	$121,581	$371,049	$415,621	$552,334	$565,103	$589,886	$563,224
AD VALOREM		$739,143	$48,345	$46,798	$44,810	$38,919	$32,512	$24,246	$16,035	$7,714	$0
RAILYARDS MAINTENANCE CFD No. 2014-04		$4,666,008	$480,432	$465,064	$445,305	$386,761	$323,093	$240,948	$159,351	$76,657	$0
RAILYARDS CFD No. 2018-1		$7,607,673	$497,590	$481,673	$461,209	$400,573	$334,632	$249,553	$165,042	$79,395	$0
CAPITALIZED CFD INTEREST		($1,110,009)	$0	$0	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$34,732,070	$1,703,285	$1,529,735	$1,565,037	$1,507,952	$0	$0	$0	$0	$0
REIMBURSEMENTS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$54,950,087	$2,946,123	$2,706,889	$2,759,524	$3,076,302	$1,521,479	$1,619,414	$1,470,634	$1,343,537	$1,126,447
NET INCOME		$64,480,444	$661,724	$353,414	$1,293,191	$9,291,984	$12,332,547	$16,791,711	$17,366,120	$18,319,331	$17,647,677
PRESENT VALUE FACTOR	20.0%		0.16151	0.13459	0.11216	0.09346	0.07789	0.06491	0.05409	0.04507	0.03756
Safe Rate	2.5%		0.78120	0.76214	0.74356	0.72542	0.70773	0.69047	0.67362	0.65720	0.64117
DISCOUNTED CASH FLOW at 20%		($20,144,926)	$516,937	$269,352	$145,040	$868,465	$960,540	$1,089,874	$939,297	$825,712	$662,865
INDICATED VALUE		**-$20,144,926**									
ROUNDED		**-$20,100,000**									

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. Most of the land within the Railyards is not financially feasible mainly due to cost issues. Over time, the project is expected to be in demand for development and will likely receive funding to off-set site development costs.

The highest and best use conclusion is for continued planning for a phased development. Given the size of the project it will likely be many years for the sell-out and development of the project.

MOST PROBABLE PURCHASER

The most probable purchaser of the DRV land is a national or regional developer who would sell lots to other users or development groups.

DRV business model is to retain fee simple ownership of most of the land and Central Shops properties. They plan to redevelop the Central Shops and build out the vacant land with office, residential and retail properties. DRV's business plan is inconsistent with the most probable buyer who would likely undertake a land/lot sale program as the investment strategy.

HIGHEST AND BEST USE AS VACANT – KAISER FOUNDATION SITE

LEGALLY PERMISSIBLE

The Kaiser Foundation site is part of the Railyards Specific Plan which has an approved tentative map. The property is zoned H SPD. The H SPD hospital land use designation allows residential densities from 24 to 250 units per acre pursuant to a conditional use permit, and non-residential and mixed-use development with a minimum FAR of 0.5 and up to a maximum FAR of 8.0. The legally permissible uses are those described in the Railyards Specific Plan Update (RSPU).

PHYSICALLY POSSIBLE

Kaiser Foundation Hospital is the owner of eight parcels totaling 17.4 acres. The site is located along the north side of Railyards Boulevard between Bercut Drive and 5th Street. All streets surrounding the property are in place and all utilities serve the property. Overall, the physical site attributes result in good utility. Given the surrounding uses and location, the site is best suited for the uses allowed under in the Railyards Specific Plan Update (RSPU).

FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. Based on review supply and demand characteristics, development of the Kaiser site with any of the legally permissible uses is not financially feasible today.

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. The Kaiser site is not financially feasible for development today. Hold for future development is the maximally productive use.

MOST PROBABLE PURCHASER

The most probable purchaser of the Kaiser land is a developer or a medical user who would build a project consistent with the land use entitlements.

HIGHEST AND BEST USE AS VACANT – LOT 48 – THE AJ

LEGALLY PERMISSIBLE

Lot 48 is zoned C-3-SPD, Central Business District/Special Planning District. Many entitlements have been achieved for the project for use of high-density office, residential, retail and hotel land uses. The legally permissible uses are those described in the Railyards Specific Plan Update (RSPU).

PHYSICALLY POSSIBLE

The subject site is comprised of a single parcel. Its shape is rectangular, and its topography is generally level and at street grade. Access and infrastructure are adequate. Overall, the physical site attributes result in average utility, and the property could be developed to a variety of uses per the provisions of its zoning designation, and with the approval of the local planning department.

FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. Based on review supply and demand characteristics, development of the Lot 48 with any of the legally permissible uses is not financially feasible today.

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. Lot 48 is not financially feasible for development today. Hold for future development is the maximally productive use.

HIGHEST AND BEST USE AS IMPROVED – LOT 48 – THE AJ

LEGALLY PERMISSIBLE

Lot 48 is under development with a 6-story, mixed-use multifamily over street retail building. This project known as the AJ is being developed with 345 residential dwelling units and 5,996 square feet of ground floor retail space. The proposed use is legally conforming.

PHYSICALLY POSSIBLE

The AJ is under construction with approximately 58% of the projected completed. Use of the improvements as planned is physically possible after completion of construction.

FINANCIALLY FEASIBLE

The AJ has received tax credits and other funding assistance to assist in the financial feasibility. With the funds already received, the project as planned is financial feasibility.

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. The maximally productive use of Lot 48 is for continued development of a mixed-use project as planned.

MOST PROBABLE PURCHASER

The most probable purchaser of the AJ property is an apartment developer.

HIGHEST AND BEST USE AS VACANT – LOT 46 – WONG CENTER

LEGALLY PERMISSIBLE

Lots 46 is zoned C-3-SPD, Central Business District/Special Planning District. Lot 46a and a portion of Lot 46b were recently sold for $100 with the condition it must be developed with a 150-unit affordable housing project. From a legal permissible use only an affordable housing use would be allowed.

PHYSICALLY POSSIBLE

The Wong Center site is irregular in shape and its topography is generally level and at street grade. Access and infrastructure are adequate. Overall, the physical site attributes result in average utility, and the property could be developed with the 150-unit project as planned.

FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. The Wong Center has received substantial funding including $21.3 million in tax credits, and various favorable or forgivable (soft) loans. Altogether, these funds are sufficient to support construction costs. Excluding the soft loans, the project is not financially feasible. Considering the continued financial support from private and public sources, near-term development of the proposed project is deemed financially feasible.

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. Near-term development of 150-unit affordable housing project is the maximally productive use.

MOST PROBABLE PURCHASER

The most probable purchaser of the Wong Center property is a non-profit apartment developer.

VALUATION PROCESS

Valuation in the appraisal process generally involves three techniques, including the Cost Approach, Sales Comparison Approach, and the Income Capitalization Approach. These three valuation methods are defined in the following table:

VALUATION METHODS	DEFINITION
Cost Approach	In this approach, value is based on adding the contributing value of any improvements (after deductions for accrued depreciation) to the value of the land as if it were vacant based on its highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property. This comparison is typically accomplished by extracting "units of comparison", for example, price per square foot, and then analyzing these units of comparison for differences between each comparable and the subject. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.
Income Capitalization Approach	In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of a holding period.

VALUATION METHODS UTILIZED

We have considered the physical and economic characteristics of the property, as well as the most probable purchaser concluded in the analysis of Highest and Best Use, to determine the appropriate valuation methodology.

Downtown Railyard Venture, LLC Land: DRV is the owner of 85.782 developable acres consisting of 76 vacant parcels (excludes Central Shops). There are different highest and best uses for the DRV vacant land. These are analyzed as follows:

Vacant Land West of 7th Street (56.502 net acres): The valuation of this property will be from a subdivision development method. A sales comparison approach and land residual analysis will be used to estimate finished lot values. We then utilize a discounted cash flow analysis. This analysis takes into account the potential revenue from the sale of lots, the expected absorption period, development costs for infrastructure, holding and sales costs as well as profit expectations of a buyer for the property.

Vacant Land East of 7th Street (36 gross acres): The valuation of this property will be from a Sales Comparison Approach using large acreage commercial land sales. The extended hold period of this property prior to development will be analyzed in a discounted cash flow.

DRV Owned Central Shops: This property consists of 12 parcels totaling 9.37 acres with five buildings having a total building area of 247,832 square feet of net rentable area. Due to the uniqueness of this property a land residual analysis was performed to value this property.

Kaiser Foundation Hospital: This property consists of 8 parcels totaling 17.407 gross acres (17.14 taxable acres). A Sales Comparison Approach will be utilized to value this land.

Sacramento 695, LP: This entity is the owner of 2.88 acres that is under construction with a six-story apartment project with ground level retail and a parking garage. The project has 69 units with rents at 50% of average monthly income (AMI). The value of this parcel will be from a traditional Residual Analysis. The value of this parcel will be from two approaches to value: 1) Build-up method using land value, plus construction completed, minus value detriment associated with below market rents and 2) Traditional Residual Analysis. Standard Rule 1-4 (f) of USPAP states: "When analyzing anticipated public or private improvements, located on or off the site, the appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions." Since significant construction has been completed on the AJ building, the market would recognize value of the improvements completed on the site. The USPAP Standard Rule 1-4 (f) is also consistent with the CDIAC guidelines.

Wong Center at the Railyard, L.P.: This entity is the owner of 2.658 acres. A Land Residual Analysis will be performed to value this land.

For each component analyzed, we reconcile the value indications of each approach to value. The reliability of each approach, and resulting emphasis given in the final reconciliation, is determined based upon the quantity, quality, and overall reliability of its data.

DRV PROPERTY VALUE – WEST OF 7TH STREET

Downtown Railyard Venture, LLC is the owner of 65.872 taxable/buildable acres of which there are 12 lots or 9.37 acres being the historic shops and open space. Below is a summary of the DRV owned lots West of 7th Street.

Buildable Land Area Summary - DRV - West of 7th Street		
Category/Ownership	No Lots	Acres
DRV Vacant Land	64	56.502
Historic Shops & Open Space	12	9.37
Buildable/Taxable Acres	**76**	65.872

The valuation of the DRV property west of 7th Street will be estimated from a subdivision development approach. The intent of the DRV property valuation is to arrive at a single value for a bulk market sale to a third party. The following are the steps to arrive at value for this ownership.

1. Estimate Benchmark Land Value (as finished lots) for major property uses within the DRV ownership. These include land values for office, multi-family, retail, and hotel vacant land uses. The Benchmark land values will be derived using a Sales Comparison Approach for the different land use types as well as a Land Residual Analysis as additional support. While we can estimate the total land area for the specific land use types (i.e. office, retail, etc.) the individual lots are not designated with specific land uses. Therefore, the final Benchmark Land Value will be a composite value of the various land uses (weighted average land value of the retail, office, multi-family, etc.).

2. Using the Composite Benchmark Land Value we apply specific adjustments to the individual lots for such factors as location, land size and estimated densities.

3. Estimate the value of the Central Shops from a Land Residual Analysis.

4. The next section of the DRV value is performing a discounted cash flow analysis considering: 1) the aggregate Retail Land/Building Value from Steps 2 and 3 above will be major inputs into the next section, 2) the estimated absorption of the DRV lots/Central Shop buildings with consideration given to the Strategic Market Absorption Analysis report prepared by RCLCO dated May 17, 2022. 3) the estimated construction costs for buildout of the horizontal infrastructure, 4) the estimated funding sources to pay for some of the infrastructure, 5) the estimated holding and sales costs for sell-out of the lots/Central Shop buildings and 6) the selection of an appropriate discount rate to account for the profit and risk factors.

SALES COMPARISON APPROACH – BENCHMARK LAND VALUES – DRV LOTS

METHODOLOGY

The Sales Comparison Approach is employed to develop an opinion of land value. In the Sales Comparison Approach, we developed an opinion of value by comparing similar, recently sold sites in the surrounding or competing area to the subject property. In order to determine the value of the subject property, these comparable sales and/or listings are then evaluated and adjusted based on their differences when compared to the subject property. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

The Sales Comparison Approach to value requires the following sequential steps:

Unit of Comparison	The most widely used and market-oriented unit of comparison for properties with characteristics similar to those of the subject is sale price per square foot.
Search for Sales	Research must be done to locate comparable sales, listings and contracts of sites that are similar to the subject. Similarities may include size, utility, zoning, physical characteristics, location and the date of the sale.
Confirmation	All sales must be confirmed to verify that the data used is accurate, and that all of the sales, listings or contracts represent arm's-length transactions.
Comparison	Each of the sales that are chosen for this valuation is considered generally similar to the subject. Therefore, each difference between the comparables and the subject must be identified, and then adjusted for the various differences. All adjustments are made to the comparables as they relate to the subject property.
Reconciliation	Once all of the comparables have been adjusted, a single-value must be concluded based on the indications produced from the analysis of the comparables.

The following section will include the valuation of the following:

Benchmark Value of a Multi-Family Lot: A typical 1.0-acre lot for multi-family use will be analyzed. The unit of comparison will be value per achievable unit. The estimated multi-family density is 120 units per acre.

Benchmark Value of an Office Lot: A typical 1.0-acre lot for office will be analyzed. The unit of comparison will be value per achievable building area. The estimated office density is a 4.0 floor-to-area ratio. Due to the lack of office land sales we utilized some mixed-use land properties where office use could have been an appropriate use.

MULTI-FAMILY LAND SALE MAP

Sale 1 Comments: The property is fully entitled for a 286-unit mixed-use multi-family property. The anticipated completion date is 2023. The proposed five-story property will include retail along the entire length of the buildings Riverfront Street frontage and residential stoops along Ballpark Drive and State Street. The buyer was Chicago based developer.

Sale 2 Comments: Project was entitled at closing for 140 affordable housing units within two 5-story buildings with 3,500 SF of ground floor commercial space (buyer had started processing entitlements in early 2020 and originally submitted plans for 150 units). The actual sale price of $5,600,000 is adjusted upward for estimated demolition costs ($140,000 based on $5/SF) of existing vacant office building (28,415 SF).

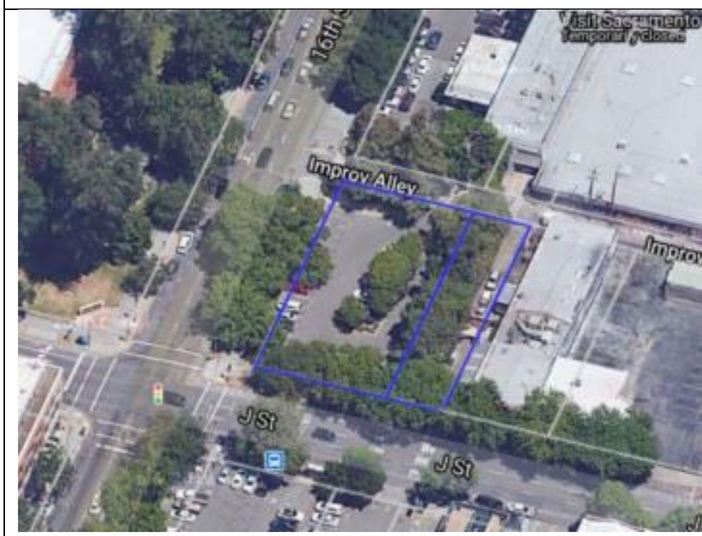
"

Sale 3 Comments: August 2020 sale of five contiguous lots totaling 22,500 SF (150' x 150') located on the south side of Q Street, midblock between 12th and 13th Streets. The westerly 60% of the site was improved with a surface parking lot and an (1931 built) shop/warehouse building. The site was entitled for a 51-unit project by the prior owner and the buyer (Portland based Urban Development Partners) plans to develop the 51-unit apartment project, consisting of primarily studio and one-bedroom units. The buyer may keep the existing shop building and incorporate into project as parking garage (consistent with existing entitlements). We estimate the existing improvements have little or no contributory value, or either an detriment to the property.

Sale 4 Comments: This is the second transaction of a double escrow. Sotiris Kolokotronis, owner of the property, formed a new partnership and contributed the property at a price of $7,500,000 (in the initial transaction on the same day the property was acquired for $6,500,000 when SKK bought out Grupe's interest). The partnership plans to develop a 5-story, 190-unit apartment project on the property. Mr. Kolokotronis reported the $7.5M contribution price as being close to market value for the land.

Sale 5 Comments: This property is the 5th phase of The Mill at Broadway. The land was in an opportunity zone. The buyer plans to develop 444 one- and two-bedroom apartments, a complex known as Broadway Apartments. Development will be completed in two phases the first phase will be 360 units. There is a warehouse on the property that will be incorporated into the project as leasing office and covered parking. We estimate the existing improvements have little or no contributory value or either an detriment to the property.

Sale 6 Comments: Property consists of five contiguous C-2 zoned parcels along the south side of S Street, east of 15th Street. The seller had secured entitlements for a 5-story project with 123 apartment units and up to 12,800 SF of ground floor retail for a total building area of 151,630 SF; however, the buyer reportedly intends to pursue their own development plan for the site to include residential and commercial uses. Estimated demolition costs of $50,000 are added to the purchase price ($5,100,000) to arrive at the effective price $5,150,000.



Sale 7 Comments: C-2 zoned site at hard corner (NEC) of 16th and J Streets in Midtown. Property was listed in November 2020 (asking price was $3.8 million) and placed under contract in December 2020; however, closing was extended to Jan-2022 while buyer worked on entitlements. The property was improved as a surface parking lot. The site is located across the street from Memorial Auditorium. Buyer is an active multifamily developer in the Downtown/Midtown area. The property is planned for a 5-story, 68,918 square foot, mixed use apartment building with 73 dwelling units.

Sale 8 Comments: Site is located at the NEC of 21st and J Streets in Midtown. The buyer reportedly intends to demolish the existing structure (former "House of Fashion Bridal" building - 10,000 SF, built 1970) and development the site with multifamily over ground floor retail. The site did not have specific entitlements in place for the proposed use at the time of sale. Estimated demolition costs of $50,000 are added to the sale price ($2,500,000) to arrive at the effective price of $2,550,000. Based on other nearby projects, we estimate a density of 50 units and 51,200 SF of building area.

COMPARABLE LAND SALES SUMMARY

SUMMARY OF PRIMARY LAND SALES - MULTI-FAMILY																
No.	Property / Location	Date of Sale	Transaction Status	Site Size (Ac)	Site Size (SF)	Zoning	Property Use	Est. FAR	Units per Acre	No Units	Buildable Area (SF)	Sale Price	Price per Acre	Price per Land SF	Price per Buildable SF	Price Per Unit
1	805 Riverfront Street 805 Riverfront Street West Sacramento, CA	12/04/2020	Closed	4.41	192,100	WF,	Multi-Family	1.64	64.9	286	314,600	$10,050,000	$2,278,907	$52.32	$31.95	$35,140
2	1901 Broadway 1901 Broadway Sacramento, CA	09/23/2020	Closed	1.27	55,321	C4, General Commercial	Multi-Family	2.85	110.2	140	157,500	$5,740,000	$4,519,701	$103.76	$36.44	$41,000
3	12th & Q 1208-1220 Q Street Sacramento, CA	08/17/2020	Closed	0.52	22,500	RMX-SPD, Residential Mixed-Use	Multi-Family	1.64	98.7	51	37,003	$3,000,000	$5,808,000	$133.33	$81.07	$58,824
4	700 16th Street 700 16th Street Sacramento, CA	10/07/2019	Closed	1.18	51,200	C-2, General Commercial	Multi-Family	2.38	161.6	190	121,600	$7,500,000	$6,380,859	$146.48	$61.68	$39,474
5	Broadway Apartments 2570 3rd Sacramento, CA	10/11/2019	Closed	7.07	307,969	R4 & C-2,	Multi-Family	1.51	62.8	444	464,000	$20,500,000	$2,899,578	$66.57	$44.18	$46,171
6	SEC S & 15th Land 1500-1522 S Street Sacramento, CA	07/01/2019	Closed	0.73	32,000	C-2, General Commercial	Multi-Family	4.74	167.4	123	151,630	$5,150,000	$7,010,438	$160.94	$33.96	$41,870
7	NEC 16th & J 1611 J Street Sacramento, CA	01/28/2022	Closed	0.42	18,400	C-2, General Commercial	Multi-Family	3.75	172.8	73	68,918	$3,700,000	$8,759,348	$201.09	$53.69	$50,685
8	21st & J 2101 J Street Sacramento, CA	01/21/2022	Closed	0.29	12,800	C-2 SPD, General Commercial	Multi-Family	4.00	170.2	50	51,200	$2,550,000	$8,677,969	$199.22	$49.80	$51,000
Subj.	Railyards Community Facilities District No. 2018-01 Railyards Boulevard & 6th Street Sacramento, California			1.00			Multi-Family	3.50	120.0							

DISCUSSION OF ADJUSTMENTS – MULTI-FAMILY LAND SALES

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

FINANCIAL TERMS

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller buydowns, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated. All of the comparables were considered similar to the subject and no adjustments were required for this category.

EXPENDITURES IMMEDIATELY AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

Sales 2 and 6 were adjusted upward for demolition costs. The remaining sales were considered similar to the subject and no adjustments were required for this category.

MARKET CONDITIONS

The sales included in this analysis transacted between July 2019 to January 2022. As reported in the Multi-family market overview section, market conditions have been positive and improving during this time period. We apply an upward adjustment of 3% annually to account for increasing land values.

PROPERTY ADJUSTMENTS

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The subject benchmark multi-family site is assumed to have an average location within the Railyards. The comparable sales have average locations within central area of city of Sacramento/West Sacramento. The Railyards is considered slightly inferior to the sales in respect to location. This is primarily attributed to the lack of development and services within the district at this point. The location rating of the Railyards will improve over time as it is built out.

Sale 1 is located in West Sacramento overlooking the Sacramento River and downtown Sacramento. This is a superior location and is adjusted down by 10%.

Sales 2 and 5 are located along Broadway Avenue and rate slightly superior in location. These sales are adjusted down by 5%. Sales 3, 4 & 6-8 have superior locations in the Midtown area and are adjusted down by 10%.

SITE SIZE

The subject area being analyzed here is a 1.0-acre size lot. Sales 1 and 5 are larger sites and deserve an upward adjustment for size. The remaining sales are comparable in size and no adjustments apply.

ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit or per-square-foot basis.

The subject is zoned and entitled for high density use. The typical multi-family density for the subject is 120 units per acre. No specific entitlements for a multi-family project are assumed.

Comparable sales 4-6 have similar zonings and no entitlements. Sales 1-3 and 7 were fully entitled and rate superior. These sales were adjusted down by 5% for their entitlements. No other adjustments for zoning/use are necessary.

INFRASTRUCTURE COSTS

This section considers the building fees and estimated bond debt for the Railyards as compared to the comparable sales. The following information are estimates from EPS regarding these cost burdens.

Infrastructure Cost Burden - Multi-Family - Per Unit	Railyards	Central City	River District	Bridge District (1st Tier)
City/County Fees	$12,694	$13,361	$12,971	$8,812
Plan Area Fees	$6,716	$2,226	$3,624	$5,370
Mitigation Fees	$4,229	$3,024	$3,411	$3,672
Bond Debt of Special Taxes	$3,401	$190	$190	$8,375
Total Infrastructure Cost per Unit	$27,040	$18,801	$20,196	$26,229

Source: EPS 8/6/2021

Railyard infrastructure burden is higher than the Central City and similar to the Bridge District. The adjustment for this characteristic is based on the difference in fees from the Railyards to the comparable sales. This adjustment is applied for each of the sale comparable.

SHAPE/CONFIGURATION

The comparable sales are similar in respect to subject. No adjustments are necessary.

DENSITY

The subject is being analyzed with a density of 120 units per acre. Typically, lower density projects sell at higher prices primarily due to lower construction costs. Sales 1 and 5 have considerably lower densities as compared to the subject. These are rated slightly superior and are adjusted downward by 5%. The remaining sales have smaller differences in densities with no adjustments deemed necessary.

UTILITIES/INFRASTRUCTURE/OFF-SITE OBLIGATIONS

The subject site being analyzed is for a finished lot with all off-site improvements in-place. The comparable sales were also finished sites with little or no off-site obligations on the buyers. The comparable sales and the subject are similar in respect to these characteristics.

ENVIRONMENTAL ISSUES

The subject property has a Land Use Covenant (LUC). The owner/buyer of a parcel is responsible for (i) the transportation and disposal of soil which it moves on its owned parcel, (ii) the construction of dewatering of excavations occurring during development and (iii) installation of passive vapor intrusion systems on new buildings to the extent required by LUCs. Items i and ii are typical costs incurred for most other projects. The cost for the vapor intrusion barrier was reported to be $4.00 to $6.00 per square foot of land area and the on-going cost for monitoring was reported to be $5,000 to $10,000 annually per project. The cost on a per square foot of building area for a vapor intrusion is $1.00 to $1.50 per square foot. The on-going monitoring costs is negligible for the expected size of the project.

The comparable land sales were not known to have any environmental issues. Based on the estimated higher development costs at the Railyards for environmental issues, we adjust the comparable sales down by 5%.

OPPORTUNITY ZONE

The subject is located in an Opportunity Zone. This zone provides tax benefits when improvements are constructed. Sales 1, 3 and 5 are also located in an Opportunity Zone. While this is a benefit to the property, there is no market evidence showing any premium. Rather than making an adjustment, we will consider this benefit in the reconciliation.

TOWNHOME/CONDOMINIUM

The RCLCO Market Study report that approximately 17% of the residential multi-family inventory could be made up from owner-occupied multi-family housing in the Railyards. The comparable multi-family land sales shown herein were for-rental multi-family development. The Sacramento downtown market has not experienced any condominium development at the density projected (120 units per acre) it our analysis. In general, same density multi-family projects with similar locations have shown any land value differences for for-rental verses for-same product type. We believe the for-sale housing units cited in the RCLCO report warrant no land value difference from the comparable land sales utilized herein.

MIXED-INCOME HOUSING STRATEGY

The subject development must comply with Sacramento's Mixed-Income Housing Strategy. For the first 3,000 units developed in the Railyards, the developer either has to have constructed 300 units or provide a land dedication to a third-party developer. With the AJ under construction with 69 affordable units and the dedication of land of the Wong Center for 150 units, there is 219 of the 300 units for the first 3,000 units secured. For the subject's estimated 6,000-unit multi-family build-out a total of 500 units would need to be set-aside. Under RCLLC absorption projection, the following is the most probable dates for future land dedication:

Year 10 – Yr. 2031: 81 units to be set-aside
Year 15 - Yr. 2036: 100 units to be set-aside
Year 19 – Yr. 2040: 100 units to be set-aside

The comparable land sales are also subject to Mixed-Income Housing Strategy. In the City of Sacramento stand-alone multi-family projects satisfy this requirement by paying an in-lieu fee. Projects with 40 units per acre or greater however are exempt from set-asides or fees. In West Sacramento they have reduced fees which is already reflected in the building permit burden shown earlier. Considering the sale comparables have greater density more than 40 units per acre or that fees are already reflected in fees, no adjustments are required.

The land sale analysis here assumes no adjustment for the subject's Mixed-Income Housing Strategy land dedication encumbrance. We elect to account for this requirement is future land dedication within the discounted cash flow analysis shown later in the report.

ADDITIONAL SALE COMPARABLE

In October 2021 a 2.56-acre property located at Capitol Mall, N and 3rd Street sold. This high identity site sold for $16,750,000 or $150.04 per square foot of land. The site is proposed for a 28-story, 225-unit apartment complex and 80,000 SF office building. The property is substantially superior to the subject property and has been included for informational purposes.

CONCLUSION OF LAND VALUE – MULTI-FAMILY BENCHMARK VALUE

After adjustments, the comparable land sales reflect a range from $27,662 to $40,702 per achievable unit. Sale 3 is an outlier and is given lower weight. The average of the remaining sales is $30,678 per unit.

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$36,194.06	$27,662.32
Maximum	$61,176.47	$40,702.18
Average	$46,915.37	$31,930.79

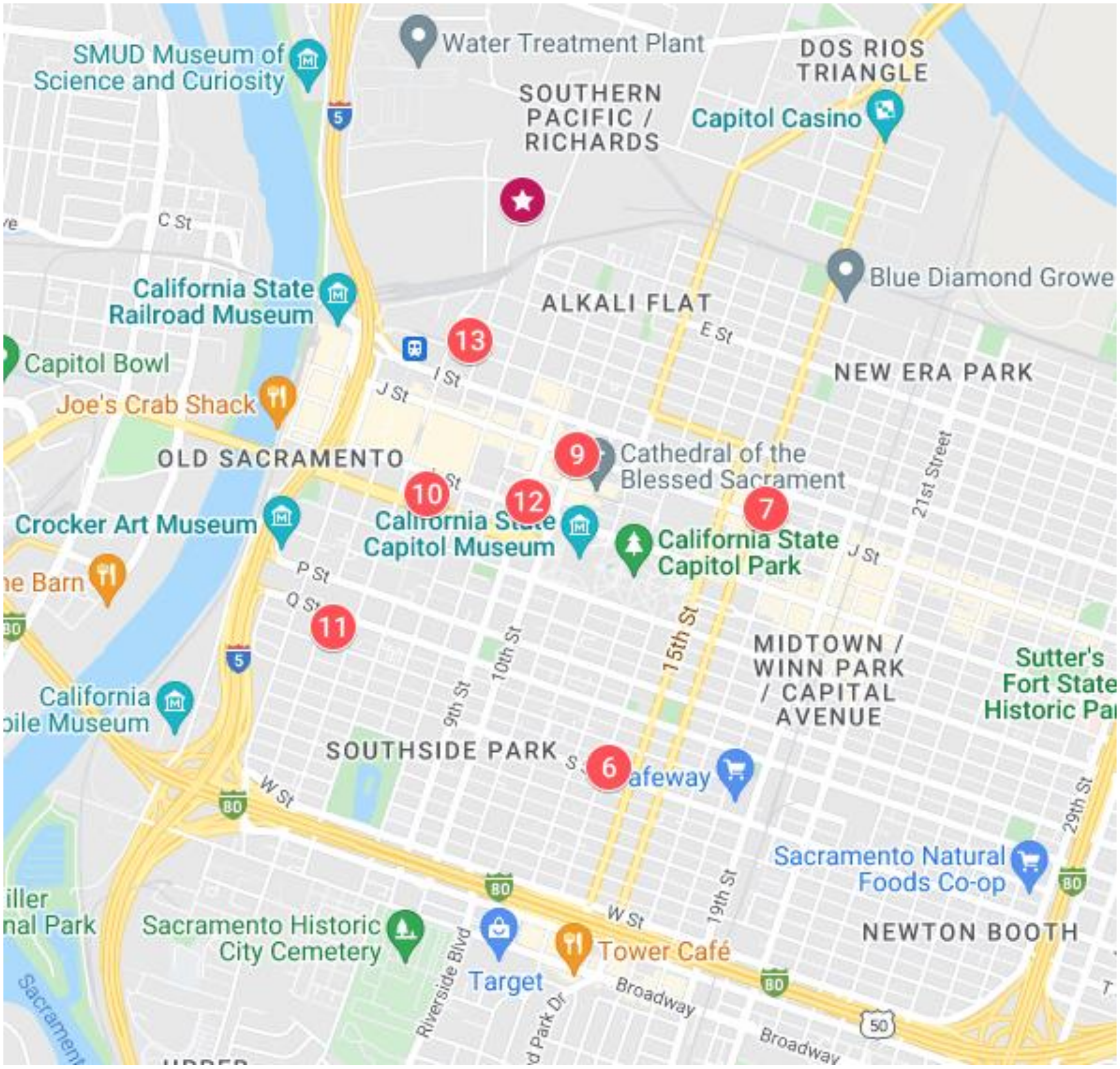
We apply most weight to Sales 1-2 and 4-8 which have an average of $30,678 per unit. We conclude to a Benchmark Value of $30,000 per achievable unit. Utilizing a density of 120 units per acre, the value is $82.64 per square foot of land area. Utilizing an FAR of 3.5, the value per achievable building area is $23.61 per square foot.

COMPARABLE LAND SALES ADJUSTMENT GRID – BENCHMARK MULTI-FAMILY SITE

COMPARABLE LAND SALE ADJUSTMENTS (MULTI-FAMILY)							
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Property / Location	Railyards Community Facilities District No. 2018-01 Railyards Boulevard & 6th Street Sacramento, California	805 Riverfront Street 805 Riverfront Street West Sacramento, CA	1901 Broadway 1901 Broadway Sacramento, CA	12th & Q 1208-1220 Q Street Sacramento, CA	700 16th Street 700 16th Street Sacramento, CA	Broadway Apartments 2570 3rd Sacramento, CA	SEC S & 15th Land 1500-1522 S Street Sacramento, CA
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	12/04/2020	09/23/2020	08/17/2020	10/07/2019	10/11/2019	07/01/2019
Site Size (Acres)	1.00	4.41	1.27	0.52	1.18	7.07	0.73
Units Per Acre	120.0	64.9	110.2	98.7	161.6	62.8	167.4
Sale Price	-----	$10,050,000	$5,740,000	$3,000,000	$7,500,000	$20,500,000	$5,150,000
Zoning	C-3	WF,	C4, General Commercial	RMX-SPD, Residential Mixed-Use	C-2, General Commercial	R4 & C-2,	C-2, General Commercial
Density Per Acre	120.0	64.9	110.2	98.7	161.6	62.8	167.4
Unadjusted Price per Unit	-----	**$35,140**	**$41,000**	**$58,824**	**$39,474**	**$46,171**	**$41,870**
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Financing							
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Terms/Conditions of Sale							
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Expenditures After Sale							
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Market Conditions		*12/04/2020*	*09/23/2020*	*08/17/2020*	*10/07/2019*	*10/11/2019*	*07/01/2019*
Adjustment		**3%**	**4%**	**4%**	**7%**	**7%**	**8%**
Total Transactional Adjustments		**3%**	**4%**	**4%**	**7%**	**0%**	**8%**
Adjusted Price per SF (Net)		**$36,194**	**$42,640**	**$61,176**	**$42,237**	**$46,171**	**$45,220**
Property Adjustments							
Location		**-10%**	**-5%**	**-10%**	**-10%**	**-5%**	**-10%**
	1.00	*4.41*	*1.27*	*0.52*	*1.18*	*7.07*	*0.73*
Net Site Size (Ac)		**5%**	**0%**	**0%**	**0%**	**5%**	**0%**
Zoning / Entitlements		**-5%**	**-5%**	**-5%**	**0%**	**0%**	**-5%**
	$27,040	*$26,229*	*$18,801*	*$18,801*	*$18,801*	*$18,801*	*$18,801*
Infrastructure Cost Burden		**-2%**	**-19%**	**-13%**	**-20%**	**-18%**	**-18%**
Shape / Configuration		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Density		**-5%**	**0%**	**0%**	**0%**	**-5%**	**0%**
Utilities / Infrastructure		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Environmental Issues		**-5%**	**-5%**	**-5%**	**-5%**	**-5%**	**-5%**
Total Property Adjustments		**-22%**	**-34%**	**-33%**	**-35%**	**-28%**	**-38%**
Indication for Subject		**$28,144**	**$28,005**	**$40,702**	**$27,662**	**$33,315**	**$27,937**

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$35,139.86	$27,662.32
Maximum	$58,823.53	$40,702.18
Average	$43,746.36	$30,960.90

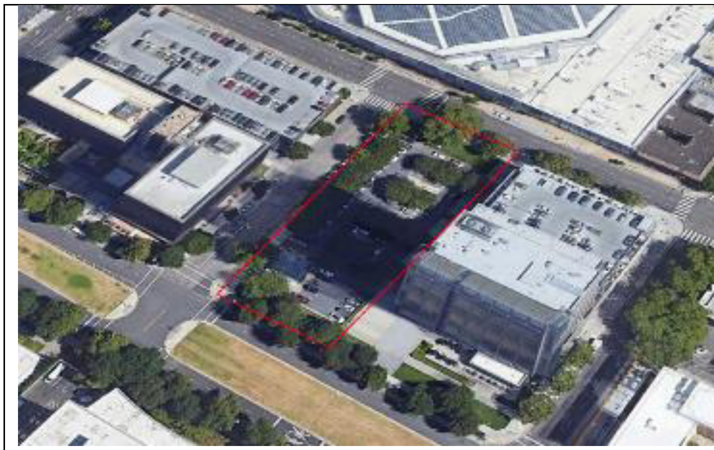
OFFICE LAND SALE MAP



Sale 6 Comments: Property consists of five contiguous C-2 zoned parcels along the south side of S Street, east of 15th Street. The seller had secured entitlements for a 5-story project with 123 apartment units and up to 12,800 SF of ground floor retail for a total building area of 151,630 SF; however, the buyer reportedly intends to pursue their own development plan for the site to include residential and commercial uses. Estimated demolition costs of $50,000 are added to the purchase price ($5,100,000) to arrive at the effective price $5,150,000.

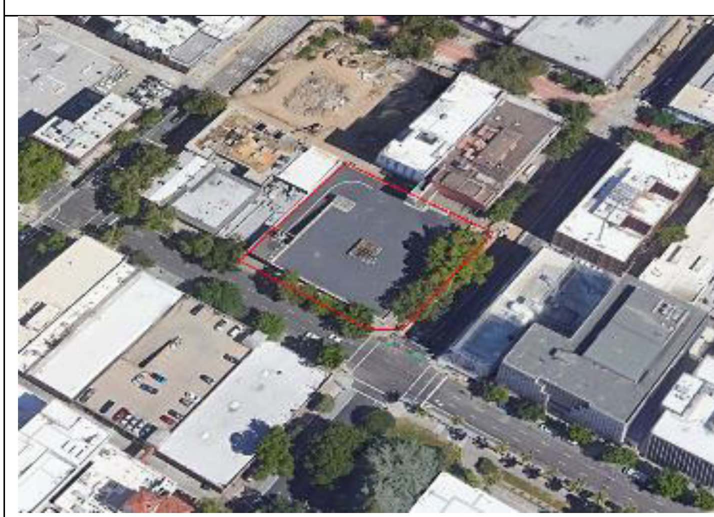
Sale 7 Comments: C-2 zoned site at hard corner (NEC) of 16th and J Streets in Midtown. Property was listed in November 2020 (asking price was $3.8 million) and placed under contract in December 2020; however, closing was extended to Jan-2022 while buyer worked on entitlements. The property was improved as a surface parking lot. The site is located across the street from Memorial Auditorium. Buyer is an active multifamily developer in the Downtown/Midtown area. The property is planned for a 5-story, 68,918 square foot, mixed use apartment building with 73 dwelling units.

Sale 9 Comments: Downtown development site at the southwest corner of 11th and J Streets. The property was acquired by Canada based Anthem Properties, who is known for developing high-rise residential projects. The site had entitlements in place for a 25-story mixed-use condominium tower (242 residential condos over 12,000 SF of ground floor retail). Per a news article (SBJ 9/17/18) the buyers ultimate plan for the site was "still being determined" as of the acquisition date; however, a buyer representative reported that "the project will definitely be mostly residential, with the possibility of first-floor office or retail space, or even an events center given its proximity to the state Capitol." The four parcels are improved with vacant two-story buildings totaling approximately 45,000 SF. Demolition costs estimated at $250,000. The actual sale price of $5,000,000 is adjusted upward by this amount to arrive at the effective price. The buildable area of the project is 190,500 SF.



Sale 10 Comments: Prime development site situated on the east side of 6th Street between Capitol Mall and L Street, directly south of the new Golden One Center. The site is well positioned for future development of a high-density mixed-use residential tower, hotel, retail or office project. The project has an active entitlement for a 38-story tower of 262 condominium units above parking and 14,000 SF of retail space (formerly known as Aura); entitlements were originally secured in 2005 and in 2016 the City approved and extension through February 2022. The site is presently developed with a surface parking lot (50 stalls). The property was originally placed in contract in November 2017. Prior to closing, the City of Sacramento approved a request by the buyer to change conditions requiring a high-rise to allowing a mid-rise residential and retail project on the site. Months after closing, the buyer announced plans for an 8-story project. The buildable area of the project is 311,776 SF.

Sale 11 Comments: This property was previously owned and managed by CalPERS. This transfer reflects CalPERS bringing in a managing partner (CIM) under a management contract for several properties in the area. The properties are now held in a fund structure and the managing partner has a minor ownership interest. CalPERS commissioned independent appraisals prior to the transfer which established the transfer prices. The estimated FAR is 4.0.



Sale 12 Comments: The property is situated at the northwest corner of 9th and L Streets within the CBD. The site contains 27,200 SF and is zoned C-3-SPD, which can accommodate a variety of dense commercial uses. The site was improved with a 50,000 SF building (built 1965) that has two levels (ground floor and basement), each containing 25,000 SF and a rooftop parking deck (±50 spaces). The building was vacant at the time of sale and the buyer has not yet announced adative plans for either re-use or new development on the site. Demolition costs estimated at $250,000. The actual sale price of $5,000,000 is adjusted upward by this amount to arrive at the effective price. The estimated FAR is 8.0

	**Sale 13 Comments:** The property represents the city block at the southeast corner of The Railyards Specific Plan, bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011. Over a dozen sites were investigated and this site was selected and put under contract in mid-2012. In January 2013, the Judicial Council had indefinitely delayed the project due to the State's fiscal crisis and continuing cuts in court construction funds. In the State's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for the Sacramento region. The legislation was approved October 2014 and the State then closed escrow on this site. The proposed courthouse would contain approximately 405,000 SF (16 stories) and would provide 44 courtrooms as well as parking. Funds for construction of this $390 million project had yet to be legislated at closing. This transaction closed in 2014. It is a relevant comparable sale as it one of the few Railyards land sales and still reflective of the market for office properties.

COMPARABLE OFFICE LAND SALES											
No.	Property / Location	Date of Sale	Transaction Status	Site Size (Ac)	Site Size (SF)	Zoning	Est. FAR	Buildable Area (SF)	Sale Price	Price per SF	Price per Buildable SF
6	SEC S & 15th Land 1500-1522 S Street Sacramento, CA	07/01/2019	Closed	0.73	32,000	C-2, General Commercial	4.74	151,630	$5,150,000	$160.94	$33.96
7	NEC 16th & J 1611 J Street Sacramento, CA	01/28/22	Closed	0.42	18,400	C-2, General Commercial	6.00	110,400	$3,700,000	$201.09	$33.51
9	Cathedral Square Site 1018 J Street Sacramento, CA	09/11/2018	Closed	0.66	28,800	C-3, Central Business District	6.61	190,500	$5,250,000	$182.29	$27.56
10	601 Capitol Mall 601 Capitol Mall Sacramento, CA	04/06/2018	Closed	0.89	38,972	C-3 SPD, Central Business District	8.00	311,776	$7,000,000	$179.62	$22.45
11	Thompson Diggs Parking 1801 3rd Street Sacramento, CA	01/03/2018	Closed	2.50	108,800	RMX-SPD, Residential Mixed Use, Special Planning	4.00	435,200	$12,800,000	$117.65	$29.41
12	831 L Street Sacramento, CA	01/13/2017	Closed	0.62	27,200	C-3, Central Business District	8.00	217,600	$5,250,000	$193.01	$24.13
13	Courthouse Site 501 H Street Sacramento, CA	10/03/2014	Closed	2.42	105,415	C-3, Central Business District	3.84	405,000	$10,000,000	$94.86	$24.69
	Railyards Community Facilities District No. 2018-01 Railyards Boulevard & 6th Street Sacramento, California			1.75		,	4.00				

DISCUSSION OF ADJUSTMENTS – OFFICE LAND SALES

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

FINANCIAL TERMS

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller buydowns, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

EXPENDITURES IMMEDIATELY AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

Sales 6, 9 and 12 were adjusted upward for demolition costs. The remaining comparables were considered similar to the subject and no adjustments were required for this category.

MARKET CONDITIONS

The sales included in this analysis transacted between October 2014 to January 2022. As reported in the office market overview section, market conditions for office properties have been relatively stable over the past 5-7 years. This is evidenced from the lack of new office development and low absorption rates. We believe no market condition adjustments are necessary for the office land valuation.

PROPERTY ADJUSTMENTS

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The subject benchmark office site is assumed to have an average location within the Railyards. The comparable sales have average to good locations within central/CBD area of the city of Sacramento. The comparable sales have superior locations in established areas of the CBD. Interviews with market participants indicate that office rents would likely be lower in the Railyards verses the CBD. Downward adjustments from -10% to -15% were applied to the sales.

SITE SIZE

The subject area being analyzed here is a 1.75-acre size lot. The comparable sizes range from 0.42 to 2.5 acres. The sales are rated similar with no adjustments apply.

ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit or per-square-foot basis.

The subject is zoned and entitled for high density use. The typical office density for the subject is a floor-to-area of 4.0. No specific entitlements for an office use are assumed.

Sales 9, 10 and 11 were purchased for multi-family development. The location of these sales is urban in nature and generally similar to office sites in the CBD. Despite the different intended use of these sites, they are reflective of CBD office locations.

The comparable sales have no entitlements for office use and they all have similar zonings. No adjustments for zoning/use are necessary.

INFRASTRUCTURE COSTS

This section considers the building fees and estimated bond debt for the Railyards as compared to the comparable sales. The following information are estimates from EPS regarding these cost burdens.

Infrastructure Cost Burden - Office - Per Sf of Bldg. Area				
	Railyards	Central City	River District	Bridge District (1st Tier)
City/County Fees	$13.71	$15.93	$14.92	$8.07
Plan Area Fees	$7.32	$3.83	$6.37	$4.85
Bond Debt of Special Taxes	$1.38	$0.01	$0.06	$9.29
Total Infrastructure Cost per SF	$22.41	$19.77	$21.35	$22.21

Source: EPS 8/6/2021

Railyard infrastructure burden is higher than the Central City and similar to the Bridge District. The adjustment for this characteristic is based on the difference in fees from the Railyards to the comparable sales. This adjustment is applied for each of the sale comparable.

SHAPE/CONFIGURATION

The comparable sales are similar in respect to subject. No adjustments are necessary.

ACCESS/VISIBILITY

The comparable sales are similar in respect to subject. No adjustments are necessary.

UTILITIES/INFRASTRUCTURE/OFF-SITE OBLIGATIONS

The subject site being analyzed is for a finished lot with all off-site improvements in-place. The comparable sales were also finished sites with little or no off-site obligations on the buyers. The comparable sales and the subject are similar in respect to these characteristics.

ENVIRONMENTAL ISSUES

The comparable land sales were not known to have any environmental issues. Based on the estimated higher development costs at the Railyards for environmental issues, we adjust the comparable sales down by 5%.

OPPORTUNITY ZONE

The subject is located in an Opportunity Zone. This zone provides tax benefits when improvements are constructed. Sales 11 and 13 are also located in an Opportunity Zone. While this is a benefit to the property, there is market evidence showing any premium. Rather than making an adjustment, we will consider this benefit in the reconciliation.

COMPARABLE LAND SALE ADJUSTMENTS - OFFICE								
	Subject	Comp 6	Comp 7	Comp 8	Comp 9	Comp 10	Comp 11	Comp 12
Property / Location	Railyards Community Facilities District No. 2018-01 Railyards Boulevard & 6th Street	SEC S & 15th Land 1500-1522 S Street Sacramento, CA	NEC 16th & J 1611 J Street Sacramento, CA	Cathedral Square Site 1018 J Street Sacramento, CA	601 Capitol Mall 601 Capitol Mall Sacramento, CA	Thompson Diggs Parking 1801 3rd Street Sacramento, CA	831 L Street Sacramento, CA	Courthouse Site 501 H Street Sacramento, CA
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	07/01/2019	Jan-22	09/11/2018	04/06/2018	01/03/2018	01/13/2017	10/03/2014
Site Size (Acres)	1.75	0.73	0.42	0.66	0.89	2.50	0.62	2.42
Site Size (SF)	76,230	32,000	18,400	28,800	38,972	108,800	27,200	105,415
FAR	4.00	4.74	6.00	6.61	8.00	4.00	8.00	3.84
Sale Price	-----	$5,150,000	$3,700,000	$5,250,000	$7,000,000	$12,800,000	$5,250,000	$10,000,000
Zoning	,	C-2, General Commercial	C-2, General Commercial	C-3, Central Business District	C-3 SPD, Central Business District	RMX-SPD, Residential Mixed Use, Special Planning District	C-3, Central Business District	C-3, Central Business District
Unadjusted Price per SF (Net)	**-----**	**$33.96**	**$33.51**	**$27.56**	**$22.45**	**$29.41**	**$24.13**	**$24.69**
Transactional Adjustments								
Property Rights Conveyed								
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Financing								
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Terms/Conditions of Sale								
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenditures After Sale								
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Market Conditions		*07/01/2019*	*Jan-22*	*09/11/2018*	*04/06/2018*	*01/03/2018*	*01/13/2017*	*10/03/2014*
Adjustment		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Total Transactional Adjustments		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Adjusted Price per SF (Net)		**$33.96**	**$33.51**	**$27.56**	**$22.45**	**$29.41**	**$24.13**	**$24.69**
Property Adjustments								
Location		**-10%**	**-10%**	**-15%**	**-15%**	**-10%**	**-15%**	**-10%**
	1.75	*0.73*	*0.42*	*0.66*	*0.89*	*2.50*	*0.62*	*2.42*
Net Site Size (Ac)		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Zoning / Entitlements		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
	$22.41	*$19.77*	*$19.77*	*$19.77*	*$19.77*	*$19.77*	*$19.77*	*$19.77*
Infrastructure Cost Burden		**-8%**	**-8%**	**-10%**	**-12%**	**-9%**	**-11%**	**-11%**
Shape / Configuration		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Density		**0%**	**5%**	**0%**	**0%**	**0%**	**0%**	**0%**
Utilities / Infrastructure		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Environmental		**-5%**	**-5%**	**-5%**	**-5%**	**-5%**	**-5%**	**-5%**
Total Property Adjustments		**-23%**	**-18%**	**-30%**	**-32%**	**-24%**	**-31%**	**-26%**
Indication for Subject		**$26.23**	**$27.52**	**$19.41**	**$15.32**	**$22.36**	**$16.66**	**$18.35**

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$22.45	$15.32
Maximum	$33.96	$27.52
Average	$27.96	$20.84

CONCLUSION OF LAND VALUE – OFFICE BENCHMARK VALUE

After adjustments, the comparable land sales reflect a range from $15.32 to $27.52 per achievable gross building area. The average of the sales is $20.84 per achievable gross building area.

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$22.45	$16.44
Maximum	$33.96	$29.20
Average	$27.80	$22.09

Sale 6 and 7 are the most recent comparables and have the highest adjusted prices. We apply equal weight to the sales and conclude to Benchmark Value of $20.00 per square foot of achievable gross building area. Utilizing an FAR of 4.0, the value is $80.00 per square foot of land area.

RETAIL LAND VALUE

The subject project has entitlements for up to 514,270 SF of retail space, not including the central shop buildings. The entitlements under the Variant Plan whereby the MLS site is not developed, a total retail potential of 637,070 SF is allowed. The majority of the retail space will be on the ground floor of the office and multi-family properties. The retail space is likely to produce similar rental rates commensurate to the multi-family and office sites. The final value of the multi-family and office sites were $23.61 and $20.00 per square foot of buildable area, respectively. Without dedicated parking structure we use the lower indication and conclude to a value of $20.00 per square foot of achievable buildable area for the retail space.

HOTEL LAND VALUE

The subject project has entitlements for up to 1,100 hotel rooms. The break-out is 650 Select Service rooms and 450 High-end Hotel Rooms. The reported buildable area is 1,100,000 square feet. At an average density of 150 units per acre the approximate land area is 7.3 acres within the Railyards. This indicates an FAR of 3.44, which is similar to our multi-family density. There few land sales purchased in the downtown area purchased for hotel development. The only land sale transaction known in the CBD or Midtown is the following:

Hotel Sale 1: A 0.31 site located at 17th Street and I Street in downtown Sacramento sold for $3,500,000 in February 2020. This site was planned for an 8-story hotel for 179 room with 95,250 square feet of buildings area indicating an FAR of 7.0. The sale price was $19,553 per room, $36.75/SF of achievable building area or of $260.03 per square foot of land area.

The CBD hotel site cited above has a sale price metric higher than our concluded office or multi-family benchmark values. This is reasonable as this site has a superior location, no CFD burden and lower development fees. The price per achievable unit is concluded to be the best indicator based on the data available. We conclude the hotel land to have a value similar to the range from our value conclusions for the office and multi-family site. An estimate of $20.00 per square of achievable building area is concluded for the hotel land use. This indicates a value of $20,000 per achievable room or a value of $68.90 per square foot of land (1,100 rooms @ $20,000/7.33 acres).

LAND RESIDUAL ANALYSIS – DRV LOTS – WEST OF 7TH STREET

The Land Residual Analysis is a secondary approach for the land value estimate. The approach is not as accurate as the Sales Comparison Approach as it requires several inputs. In addition, while buyers of land perform this analysis they do so primarily as a test of financial feasibility of development. Despite its weakness, the approach deserves some weight. The steps necessary for this approach are as follows:

1. Determine a hypothetical development that represents the highest and best use of the site as though vacant.

2. Estimate the net operating income of the hypothetical development.

3. Apply an appropriate capitalization rate to the net operating income to arrive at the improved value of the hypothetical development.

4. Estimate development cost and profit incentive of the development.

5. Deduct the lease-up cost and profit incentive from the value of the development to arrive at a land value estimate.

We have developed four land residual analyses. These include a typical office development, an apartment/mixed use development, a hotel development and another for the Central Shops (office and retail).

Office Land Residual Analysis

For the office residual analysis we utilize a typical parcel size of 1.75 acres and a typical FAR of 4.0. The hypothetical office development results in a gross building area of 304,920 square feet with 95% or 289,674 square feet being net rentable area. The development has no on-site parking and assumes parking will be accommodated by nearby developed parking garages.

A representative image of the typical office development is shown below. One of the initial office developments will be The Foundry. This will be a two building, 5-story project totaling 313,350 gross building square feet on a 1.75-acre site. The indicated FAR is 4.11. DRV shared financial pro-forma for this project, including construction costs. This information is confidential but has been considered this land residual analysis.

The quality of the office development is assumed to be similar to Class A office buildings in the CBD. The development is assumed to be a substantially pre-leased or build-to-suit and not a speculative office project. A one-year planning and two-year construction period is estimated. The following are the necessary inputs for development:

Class A Office Rents		
	Rent Range - High	**Rent Range - Low**
300 Capitol Mall	$42.00	$42.00
400 Capitol Mall	$34.20	$44.40
500 Capitol Mall	$39.00	$43.20
621 Capitol Mall	$44.40	$44.40
555 Capitol Mall	$40.20	$54.00
980 9th Street	$39.60	$43.20
801 K Street	$40.20	$42.00
1215 K Street	$42.00	$43.20
915 L Street	$42.00	$42.00
1415 L Street	$43.80	$46.20

Rents from the Class A office properties in the CBD range from $34.00 to $54.00 per square foot. Ron Thomas and Mark Tabak with Cushman and Wakefield will be marketing office space in the Foundry project in the Railyards. They reported initial asking rent of $60.00 per square foot, reflective of rates in three years. The Railyards has a slightly inferior location, and the estimated rent today would be $45.00 per square foot. Considering construction planning timing, a rent of $48.00 per square foot is estimated in 3 years when the project would be completed.

COMPARABLE EXPENSE DATA				
	Comp Data			
	Comp 1	Comp 2	Comp 3	Comp 4
Name	High Rise	High Rise	High Rise	High Rise
Address	CBD	CBD	CBD	CBD
City	Sacramento	Sacramento	Sacramento	Sacramento
State	CA	CA	CA	CA
Year Built	1992	1984	1984	1971
SF	185,950	169,893	382,774	387,130
Expense Basis	Full Service	Full Service	Full Service	Full Service
Operating Data Type	Actual	Actual	Actual	Actual
PER SQUARE FOOT				
Year	2017	2020	2016	2019
Real Estate Taxes	$1.92	$3.30	$3.36	$4.13
Insurance	$0.20	$0.43	$0.44	$0.66
Utilities	$2.14	$1.41	$1.70	$2.39
Repairs/Maintenance	$2.38	$3.88	$1.92	$2.04
Cleaning/Janitorial	$0.95	$1.40	$1.35	$1.54
Grounds	$0.06	$0.15	$0.13	$0.15
Security	$1.09	$1.66	$0.43	$0.82
General/Administrative	$0.38	$1.28	$1.23	$0.56
Management	$0.67	$0.66	$0.73	$1.56
Total Expenses	$9.79	$14.17	$11.29	$13.85

Net Operating Income Estimate: Class A office properties in the CBD today are achieving rents near $48 per square foot. A 5% vacancy rate and $12 per square foot operating expenses yields a net operating income of $33.60 per square foot or total of $9,733,046.

Capitalized Value: Sales of Class A office properties in downtown city of Sacramento are in the high 6.0%'s and low 7.0%'s. Most of the sales occurred in 2018 and 2019 when capitalization rates were higher. According to PwC 1Q 2022 capitalization rates for CBD market is 5.64%. A 6.25% capitalization rate is deemed appropriate for a new office project in the Railyards. The estimated market value of a stabilized office property is estimated to be $537.60 per square foot.

Building costs were derived from Marshall & Swift Valuation as shown below:

Marshall & Swift Valuation - Office	
Class B	
Section 15/Page 17 (Avg/Good)	$226.00
Current Cost Multiplier	0.99
Local Multiplier	1.26
Adjusted Cost	$281.91

Hard & Soft Development Cost: We estimate a building cost of $282 per square foot and a 13.5% contingency to account for rising costs. Total hard development cost of $327 (inclusive of site costs) for a similar development. Total soft and indirect cost are estimated to be approximately 35% of hard costs. The total development costs are estimated to be $443 per square foot.

Residual Land Value: The final step is to deduct the development cost and profit to indicate a residual land value estimate. Entrepreneurial profit is estimated to be 12% of total development costs. A land residual estimate of $63.18 per square foot of land or $15.79 per square foot of building area is indicated.

Shown on the following page is the Office Land Residual results. The highlighted cells indicate major inputs to the analysis.

Land Residual Analysis - Office Development				
Parcel Size	1.75	76,230		
Density - FAR	4.0			
Gross Building Area	304,920			
Net Rentable Area	289,674			
Pro-Forma				
Income	**SF**	**$/SF/Yr**		
Potential Office Income	289,674	$ 48.00	$	13,904,352
Less Office V/C Loss	5%		$	(695,218)
Effective Gross Income			**$**	**13,209,134**
Less Operating Expenses	$12.00	SF	$	(3,476,088)
Net Operating Income			**$**	**9,733,046**
Capitalization Rate				6.25%
Market Value As Stabilized			**$**	**155,728,742**
Value per SF			**$**	**537.60**
Rounded			**$**	**156,000,000**
Hard Costs	**SF**	**Cost/SF**		
Construction Cost Office (Building Shell & TI's)	304,920	$ 282.00	$	85,987,440
Construction Cost Site			$	2,000,000
Contingency/Cost Escalation	13.5%		$	11,878,304
Total Hard Construction Cost		$ 327.51	**$**	**99,865,744**
Soft Cost				
Indirect Costs	10.0%		$	9,986,574
Financing	4.0%		$	3,994,630
Development Fees	$21.03		$	6,412,468
Development Overhead	5.0%		$	4,993,287
Lease Commissions	4.0%	5 year lease	$	2,780,870
Rent Loss for Lease-up	12	months	$	6,952,176
Total Soft Cost	35.2%		$	35,120,005
Total Costs	$ 442.69	per GBA	$	134,985,750
Market Value As Stabilized			$	156,000,000
Less Total Costs			$	(134,985,750)
Less: Profit	12.0%	of cost	$	(16,198,290)
Residual Land Value			**$**	**4,815,960**
Indicated Land Value per Land SF			**$**	**63.18**
Indicated Land Value Per GBA			**$**	**15.79**
Return on Land & Cost (NOI/total cost plus land, exc. profit)				**7.87%**

Mixed-Use Land Residual Analysis

This residual analysis is for an apartment building with ground floor retail. We utilize a typical parcel size of 2.88 acres and a typical density of 120 units per acre. The hypothetical mixed-use development results in an apartment size of 345 units with 5,996 square feet of retail space. This land and building area are the same as the AJ which is currently under construction. The development also has on-site parking for 276 spaces. The overall FAR of the project is 3.5. A representative image of the typical mixed-use development is shown below.

The quality of the mixed-use development is assumed to be similar to Class A apartment buildings in the CBD/Midtown. A one-year planning and two-year construction period is estimated. The following are the necessary inputs for development:

Net Operating Income Estimate: Class A apartment properties in the Midtown and CBD today are achieving rents from $2,000 to $3,500 per unit depending on unit type. Support for the estimated market rents and expenses is shown later in the report. We utilize the AJ unit mix and arrive at an overall market rent of $2,280 per unit or $3.31 per square foot as shown below.

Type	Size	No.	Mkt Rent	Rent/SF	Annual
Studio	534	48	$1,900	$3.56	$1,094,400
1/1	612	171	$2,100	$3.43	$4,309,200
1/1	706	67	$2,400	$3.40	$1,929,600
2/2	971	14	$2,900	$2.99	$487,200
2/2'	1,041	45	$3,000	$2.88	$1,620,000
Total		345	$2,280	$3.31	$9,440,400

Other income inputs include retail rent of $4.00 per square foot, parking rate of $150 per space, expense reimbursement of $125 per unit and miscellaneous income of $100 per unit. A 5% vacancy rate and $10,124 per unit in operating expenses yields a net operating income of $20,9706 per unit or total of $7,234,707.

OPERATING EXPENSES		
Real Estate Taxes	$5,344	$1,843,780
Insurance	350	$120,750
Utilities	1,000	$345,000
Repairs/Maintenance	800	$276,000
Payroll/Benefits	1,000	$345,000
Advertising & Marketing	100	$34,500
General/Administrative	100	$34,500
Management	3.0%	$319,190
Replacement Reserves	250	$86,250
Total	**$9,869**	**$3,404,970**

Capitalized Value: Sales of Class A apartment office properties in Sacramento MSA are in the low 4.0%'s. According to PwC 1Q 2022 capitalization rates for apartments 4.4%. A 4.5% capitalization rate is deemed appropriate for a new apartment project in the Railyards. The estimated market value of a stabilized apartment project is estimated to be approximately $466,004 per unit or $464 per square foot. This value is reasonable considering the following Midtown apartment sales.

Property	Date of Sale	Yr Built	Price/Unit	Price/SF	Capitalization Rate
16 Powerhouse, Sacramento	Mar-18	2015	$650,000	$615.81	4.63%
1430 Q Street	Mar-22	2021	$761,333	$598.15	4.70%
Evia Midtown, Sacramento	Jan-17	2016	$449,153	$541.56	4.91%
Q 19, Sacramnento	Apr-19	2018	$394,118	$606.54	4.66%
The Press	Sep-20	2020	$425,993	$588.19	N/A

Building costs were derived from Marshall & Swift Valuation as shown below:

Marshall & Swift Valuation - Apartments	
Class B	
Section 11/Page 18	$165.00
Story Multiplier	1.03
Current Cost Multiplier	1.14
Local Multiplier	1.24
Adjusted Cost	$240.24

Hard & Soft Development Cost: We estimate a building cost of $240 per square foot, $60 per square foot for parking garage and a 13.5% contingency. Total soft and indirect cost are estimated to be approximately 31% of hard costs. The total development costs are estimated to be $392 per square foot. This cost is higher than the owner's budget cost for the AJ as construction costs have increased. Consideration was also given to DRV's construction cost of their proposed Telegrapher project.

Residual Land Value: The final step is to deduct the development cost and profit to indicate a residual land value estimate. Entrepreneurial profit is estimated to be 12% of total development costs. A land residual estimate of $70.49 per square foot of land or $25,631 per unit is indicated.

Shown on the following page is the Mixed-Use Land Residual results. The highlighted cells indicate major inputs to the analysis.

Land Residual Analysis - Mixed-Use Development				
Parcel Size	2.88	125,453		
No. Units	345	120		
Units NRA	238,025			
Retail	5,996			
Parking	276			
Apt/Retail GBA	346,186			
Parking GBA	93,030			
Total GBA	439,216			
Overall FAR	3.50			
Pro-Forma				
Income	**Units**	**$/Unit /Mo.**		
Potential Apartment Income	345	$ 3.31	$	9,440,400
Potential Retail Income	5,996	$ 4.00	$	287,808
Parking Income	260	$ 150.00	$	468,000
Expense Reimbursement	345	$ 125.00	$	517,500
Other Income	345	$ 100.00	$	414,000
Total Potential Income			$	11,199,660
Less V/C Loss	5%		$	(559,983)
Effective Gross Income			**$**	**10,639,677**
Less Operating Expenses	$9,869	Unit	$	(3,404,970)
Net Operating Income		**$ 20,970.17**	**$**	**7,234,707**
Capitalization Rate				4.50%
Market Value As Stabilized			**$**	**160,771,268**
Value per Unit			**$**	**466,004**
Rounded			**$**	**161,000,000**
Hard Costs	**SF**	**Cost/SF**		
Construction Cost - Apts/Retail	346,186	$ 240.00	$	83,084,640
Construction Cost - Garage	93,030	$ 60.00	$	5,581,800
Construction Cost - Site			$	2,500,000
Contingency/Cost Escalation	13.5%		$	12,307,469
Total Hard Construction Cost			**$**	**103,473,909**
Soft Cost				
Indirect Costs	10.0%		$	10,347,391
Financing	3.0%		$	3,104,217
Development Fees	$23,640.00	unit	$	8,155,800
Development Overhead	5.0%		$	5,173,695
Rent Loss for Lease-Up (Assumes gradual lease-up over 9 months)	12.0	months	$	5,599,830
Total Soft Cost	31.3%		$	32,380,934
Total Costs	$ 392.43	per GBA	$	135,854,843
Market Value As Stabilized			$	161,000,000
Less Total Costs			$	(135,854,843)
Less: Profit	12.0%	of cost	$	(16,302,581)
Residual Land Value			**$**	**8,842,576**
Indicated Land Value per Unit			**$**	**25,631**
Indicated Land Value per Land SF			**$**	**70.49**
Indicated Land Value Per GBA			**$**	**20.13**
Return on Land & Cost (NOI/total cost plus land, exc. profit)				**7.54%**

Limited-Service Hotel Land Residual Analysis

This residual analysis is for a hotel property with a parking garage. We utilize a typical parcel size of 0.667 acres and a typical density of 150 units per acre. The hypothetical hotel size is 100 units. The development is also assumed to have an on-site parking garage for 100 spaces. The overall FAR of the project is 3.5.

The quality of the limited-service hotel development is assumed to be the Sutter Hotel which is the last hotel development in the Midtown/CBD area. An image of this building is as follows:

A one-year planning and two-year construction period is estimated. The following are the necessary inputs for development:

Net Operating Income Estimate: Current ADR's in downtown Sacramento are around $127 per room per Costar. Interviews with Marriott representative indicate an average ADR of $182 and 79% occupancy. 2022 ADR's for higher end hotels such as the Sutter are close to $200. In three years when this hypothetical development is completed, we believe an ADR of $195 per room and 75% occupancy is achievable. Other income inputs $2,500 per room. An estimate of $33,844 per room in operating expenses yields a net operating income of $22,037 per unit or total of $2,203,725.

Hotel Expense Support			
	2020 HOST Report	Sacramento Hotel 2022 Pro-forma	
Rooms	26%	21%	per room revenue
Other	$2,036	$458	per room
G&A	8.10%	9.00%	per total revenue
Mkt & Franchise	8.50%	14.10%	per total revenue
Property Operations	4.2%	2.9%	per total revenue
Utility Cost	2.9%	2.6%	per total revenue
Mgmt	3.5%	3.0%	per total revenue
Taxes	3.8%	6.0%	per total revenue
Insurance	$683	$1,069	per room
Reserves	2.5%	1.9%	per total revenue

Hotel Expense Projections			
Rooms	24%	per room revenue	$1,281,150
Other	$500	per room	$50,000
G&A	8.00%	per total revenue	$447,050
Mkt & Franchise	10.00%	per total revenue	$558,813
Property Operations	3.5%	per total revenue	$195,584
Utility Cost	3.0%	per total revenue	$167,644
Mgmt	3.0%	per total revenue	$167,644
Taxes	$3,704	based on M.V.	$370,406
Insurance	$800	per room	$80,000
Reserves	3.0%	per total revenue	$66,112
Total	$33,844		$3,384,402

Capitalized Value: Costar reports a market capitalization rate of 6.8% for Sacramento MSA. According to PwC 4Q 2021 capitalization rates for hotel is 7.35%. A 7.0% capitalization rate is deemed appropriate for a new hotel project in the Railyards. The estimated market value of a stabilized hotel project is approximately $314,818 per room.

Hard & Soft Development Cost: We estimate a building cost of $245 per square foot and a 13.5% contingency. Total hard development cost of $245 per square foot is reported by Marshall & Swift Valuation for a similar hotel development. Total soft and indirect cost are estimated to be approximately 36% of hard costs. The total development costs are estimated to be $255 per square foot.

Residual Land Value: The final step is to deduct the development cost and profit to indicate a residual land value estimate. Entrepreneurial profit is estimated to be 12% of total development costs. A land residual estimate of $24,162 per room, $83.16 per square foot of land or $23.74 per square foot of building area is indicated.

Shown on the following page is the Limited-Service Hotel Land Residual results. The highlighted cells indicate major inputs to the analysis.

Land Residual Analysis - Limited Service Hotel					
Parcel Size	0.667		29,055		
No. Units	100				
Hotel	58,200				
Parking Garage	43,582				
Total GBA	101,782				
Overall FAR	3.50				
Pro-Forma					
Income	**Units**	**$/Room**	**Occupancy**		
Potential Rooms Revenue	100	195	75.00%	$	5,338,125
Other Income	100	2,500		$	250,000
Total Potential Income				$	5,588,125
Less Operating Expenses	$33,844		Unit	$	3,384,400
Net Operating Income			**$ 22,037.25**	**$**	**2,203,725**
Capitalization Rate					7.00%
Market Value As Stabilized				**$**	**31,481,786**
Value per Unit				**$**	**314,818**
Rounded				**$**	**31,500,000**
Hard Costs	**SF/Units**		**Cost/SF/Unit**		
Construction Cost - Hotel	58,200		$ 245.00	$	14,259,000
Construction Cost - Site				$	750,000
Personal Property	100		$ 20,000.00	$	2,000,000
Contingency/Cost Escalation	13.5%			$	2,026,215
Total Hard Construction Cost			**$ 187.02**	**$**	**19,035,215**
Soft Cost					
Indirect Costs	10.0%			$	1,903,522
Financing	4.0%			$	761,409
Development Fees	$23,640.00		unit	$	2,364,000
Development Overhead	10.0%			$	1,903,522
Total Soft Cost	36.4%			$	6,932,452
Total Costs	$ 255.13		per GBA	$	25,967,667
Market Value As Stabilized				$	31,500,000
Less Total Costs				$	(25,967,667)
Less: Profit	12.0%		of cost	$	(3,116,120)
Residual Land Value				**$**	**2,416,213**
Indicated Land Value per Unit				**$**	**24,162**
Indicated Land Value per Land SF				**$**	**83.16**
Indicated Land Value Per GBA				**$**	**23.74**
Return on Land & Cost (NOI/total cost plus land, exc. profit)					**12.02%**

Central Shops

The Central Shops consist of five buildings and will contain a net rentable area of 247,832 square feet. The buildings will be connected with Pedestrian Paseos and will be adjacent to sites planned for new office and apartments buildings. The Shops also have a direct link to the Sacramento Valley Station via an existing underground tunnel. A summary of the Central Shop Buildings is as follow:

Paint Shop Building: This building is 61,025 SF in size. Live Nation has signed a lease for 47,374 SF. The balance of the space will be retail and office space. The Paint Shop Building will be the first building to restored and renovated. The construction completion for the Paint Shop building is reported to be late 2023. Images of the Paint Shop Building are shown below.

Other Shop Buildings: There are four other Central Shop Buildings under DRV ownership. These range from 27,670 to 68,434 SF for a total of 186,807 SF. The developer plans to phase in the construction of these buildings with each being approximately two years apart. Images of the Other Shop Buildings are shown below.

From discussion with the leasing agents associated with the project, the predominate use will be creative office space with some retail for breweries, coffee shops, restaurants, and retail establishments.

Developer renderings of the shop buildings (at full build-out) are shown on the following page.


3

Separate Residual Analysis will be performed for the Paint Building and Other Shop Buildings. These are shown as follows:

Paint Shop Building

Net Operating Income Estimate: Details of the Live Nation lease are confidential, and a market rent has been input for this space. Market rents for good quality retail properties in the Midtown and CBD are in the $36.00-$48.00 per square foot range, triple net. This range is from a Midtown project of which confidential lease rates were provided. For the anchor retail space, a market rent of $25.00 per square foot, triple net is concluded. For the smaller speculative retail, a market rent of $36.00 per square foot is concluded. For the office space in the Central Shops, a market rent of $45.00 per square foot is concluded in 3 years when the initial office space is completed. This rent is slightly lower than the land residual office model as the Central Shop office space is considered slightly inferior to a new office project.

The Paint Shop Building will have open space, some of which is likely to be outdoor dining and entertainment area. We apply an Outdoor rental income of 3% retail building revenue. A 5% vacancy rate (only on spec space), $12.00 per square foot expenses for the office portion and consideration of non-reimbursable expenses for anchor space yields a net operating income of $1,682,687.

Capitalized Value: Sales of higher quality retail properties with anchor spaces in for long-term leases are in the low 5.0% and low 6.0% range. A 5.5% capitalization rate is deemed appropriate for historic renovated retail project in the Railyards with a major long-term anchor. The estimated market value of a stabilized retail project is estimated to be approximately $501 per square foot.

Hard & Soft Development Cost: We have reviewed the developer's development and renovation costs. Based on the budgets, a renovation cost of $530 per square foot is concluded (includes a credit from anchor tenant per the Live Nation lease). This is inclusive of tenant improvement costs. We include a 20% contingency or $106 per square foot. For the Live Nation lease, DRV must construct a temporary parking lot on an adjacent property at a cost of $1,000,000. Total soft and indirect cost are estimated to be approximately 26% of hard costs. The total development costs are estimated to be $825 per square foot.

Residual Land Value: The final step is to deduct the development cost and profit to indicate a residual land value estimate. Entrepreneurial profit is estimated to be 12% of total development costs. The project will likely qualify for Historic Tax Credits (State and Federal) and New Market Tax Credits. Federal Historic Tax Credits are estimated at 20% of hard and soft costs, less 20% for issuance and closing costs. State Historic Tax Credits are estimated at 20% of hard and soft costs, less 20% for issuance and closing costs. New Market Tax Credits are estimated at 39% of hard costs, less 20% for issuance and closing costs. Finally, we have considered the present value of the surface parking income over three years which is estimated to be $1,420,000. This estimate is partially based on City of Sacramento's Parking study for the proposed parking garage on Lot 17 regarding Live Nation's parking demands. A land residual estimate of $4,600,000 or $58.02 per square foot of land or $75.38 per square foot of building area is indicated.

Shown on the following page is the Paint Shop Land Residual results. The highlighted cells indicate major inputs to the analysis.

Land Residual Analysis - Paint Shop				
Parcel Size	1.82	79,279		
Density - FAR	0.8			
Gross Building Area	61,025			
Net Rentable Area	61,025			
Pro-Forma				
Income	**SF**	**$/SF/Yr**		
Potential Office Income				
Anchor - Live Nation - Market Rent Applied	47,374	$ 25.00	$	1,184,350
Speculative - Retail - NNN	8,551	$ 36.00	$	307,836
Speculative - Office - Full Service	5,100	$ 45.00	$	229,500
Outdoor Rentals @3%			$	51,651
Total			$	1,773,337
Less: V/C Loss - Speculative Space	5%		$	(29,449)
Effective Gross Income			**$**	**1,743,887**
Less: Expenses for Office	$12		$	61,200
Less: Expenses Unreimbursed by Live Nation (above their Cap)	None estimated		$	-
Net Operating Income			**$**	**1,682,687**
Capitalization Rate				5.50%
Market Value As Stabilized			**$**	**30,594,314**
Value per SF			**$**	**501.34**
Rounded			**$**	**31,000,000**
Hard Costs	**SF**	**Cost/SF**		
Construction & TI Cost (less Credit from tenant for work overage)	61,025	$ 530.00	$	32,343,250
Temporary Surface Parking Lot			$	1,000,000
Contingency	20.0%	$ 106.00	$	6,668,650
Total Hard Construction Cost		$ 655.66	**$**	**40,011,900**
Soft Cost				
Indirect Costs	10.0%		$	4,001,190
Financing	4.0%		$	1,600,476
Development Fees	$34.00		$	2,074,850
Development Overhead	5.0%		$	2,000,595
Rent Loss	24	months	$	537,336
Lease Commissions	4.0%	5 year lease	$	107,467
Total Soft Cost	25.8%		$	10,321,914
Total Costs	$ 824.81	per GBA	$	50,333,814
Market Value As Stabilized			$	31,000,000
Plus: Federal Historic Tax Credits	20%	of Hard & Soft Costs (less 20%)	$	8,053,410
Plus: New Market Tax Credits	39%	of Hard Cost (less 20%)	$	12,483,713
Plus: State Historic Credits	20%	of Hard & Soft Cost (less 20%)	$	8,053,410
Plus: PV of Parking Income			$	1,420,000
Less Total Costs			$	(50,333,814)
Less: Profit	12.0%	of cost	$	(6,040,058)
Residual Land Value			**$**	**4,636,661**
Rounded			**$**	**4,600,000**
Indicated Land Value per Land SF			**$**	**58.02**
Indicated Building Value Per GBA			**$**	**75.38**

Remaining Central Shop Buildings

The following are the necessary inputs for development:

Net Operating Income Estimate: These buildings are estimated to be a combination of office and retail tenants. An allocation of 25% retail and 75% office is forecast. A market of $36.00 per square foot, triple net for the retail and $45.00 per square foot, full service for the office is concluded in 3 years when the initial space is completed. This rent is slightly lower than the land residual office model as the Central Shop office space is considered slightly inferior to a new office project.

The buildings will have approximately open space, some of which is likely to be outdoor dining and entertainment area. We apply an Outdoor rental income of 3% retail building revenue. A 5% vacancy rate (only on spec space), $12.00 per square foot expenses for the office portion yields a net operating income of $6,036,323.

Capitalized Value: Sales of higher quality office and retail low 6.0% range. A 6.25% capitalization rate is deemed appropriate for historic renovated retail/office project in the Railyards. The estimated market value of a stabilized retail project is estimated to be approximately $517 per square foot.

Hard & Soft Development Cost: We have reviewed the developer's development and renovation costs for the Paint Shop Building. Ther remaining buildings are less specialized and a renovation cost of $500 per square foot is concluded. This is inclusive of tenant improvement costs. We include a 20% contingency or $108 per square foot. Total soft and indirect cost are estimated to be approximately 33% of hard costs. The total development costs are estimated to be $801 per square foot.

Residual Land Value: The final step is to deduct the development cost and profit to indicate a residual land value estimate. Entrepreneurial profit is estimated to be 12% of total development costs. The project will likely qualify for Historic Tax Credits (State and Federal) and New Market Tax Credits. Federal Historic Tax Credits are estimated at 20% of hard and soft costs, less 20% for issuance and closing costs. State Historic Tax Credits are estimated at 20% of hard and soft costs, less 20% for issuance and closing costs. New Market Tax Credits are estimated at 39% of hard costs, less 20% for issuance and closing costs. A land residual estimate of $12,300,000 or $37.40 per square foot of land or $65.84 per square foot of building area is indicated.

Shown on the following page is the residual results for the remaining Central Shop Buildings. The highlighted cells indicate major inputs to the analysis.

Land Residual Analysis - Remaining Central Shops				
Parcel Size	7.55	328,878		
Density - FAR	0.6			
Gross Building Area	186,807			
Net Rentable Area	186,807			
Pro-Forma				
Income	**SF**	**$/SF/Yr**		
Potential Office Income				
Speculative - Retail - NNN	16,417	$ 36.00	$	591,012
Speculative - Office - Full Service	170,390	$ 45.00	$	7,667,550
Outdoor Rentals @3%			$	247,757
Total			$	8,506,319
Less: V/C Loss - Speculative Space	5%		$	(425,316)
Effective Gross Income			**$**	**8,081,003**
Less: Expenses for Office Full Service	$12		$	(2,044,680)
Net Operating Income			**$**	**6,036,323**
Capitalization Rate				6.25%
Market Value As Stabilized			**$**	**96,581,167**
Value per SF			**$**	**517.01**
Rounded			**$**	**97,000,000**
Hard Costs	**SF**	**Cost/SF**		
Construction & TI Cost	186,807	$ 500.00	$	93,403,500
Contingency	20.0%	$ 100.00	$	18,680,700
Total Hard Construction Cost		$ 600.00	**$**	**112,084,200**
Soft Cost				
Indirect Costs	10.0%		$	11,208,420
Financing	4.0%		$	4,483,368
Development Fees	$34.00		$	6,351,438
Development Overhead	5.0%		$	5,604,210
Rent Loss	24	months	$	8,258,562
Lease Commissions	4.0%	5 year lease	$	1,651,712
Total Soft Cost	33.5%		$	37,557,710
Total Costs	$ 801.05	per GBA	$	149,641,910
Market Value As Stabilized			$	97,000,000
Plus: Federal Historic Tax Credits	20%	of Hard & Soft Costs (less 20%)	$	23,942,706
Plus: New Market Tax Credits	39%	of Hard Cost (less 20%)	$	34,970,270
Plus: State Historic Credits	20%	of Hard & Soft Cost (less 20%)	$	23,942,706
Less Total Costs			$	(149,641,910)
Less: Profit	12.0%	of cost	$	(17,957,029)
Residual Land Value			**$**	**12,256,742**
Rounded			**$**	**12,300,000**
Indicated Land Value per Land SF			**$**	**37.40**
Indicated Building Value Per GBA			**$**	**65.84**

LAND VALUE CONCLUSIONS – DRV – WEST OF 7TH STREET

Benchmark land values estimates for each of the property use classifications were estimated in the Sales Comparison Approach. Land Residual Analysis was completed as secondary support for value and given lower weight. The following is a summary of these conclusions:

Land Value Conclusions - DRV						
Land Use	Acres	Unit of Comparison	Sales Comparison	Land Residual	60%/40% Weight	Conclusion
Office & Retail	18.75	$/Buildable Area	$20.00	$15.79	$18.32	$18.00
Multi-Family	30.422	$/Unit	$30,000	$25,631	$28,252	$28,000
Hotel	7.33	$/Unit	$20,000	$24,162	$21,665	$22,000
Paint Shop	1.82	$ Building				$4,600,000
Remaining Central Shops	7.55	$ Building				$12,300,000

The Central Shops have a value that is specific to their parcels. The office, retail and multi-family land use are benchmark values and not specific to any parcel. The next step is to assign specific land values to the subject parcels using the benchmark land values and applying lot specific adjustments. For consistency purposes we have converted the benchmark land values into a price per square foot of land area as follows:

Composite Benchmark Land Value Conclusions per Land SF						
Land Use	Acres	Buildable Area/Units	Unit of Comparison	Conclusion	Conclusion	Value Per SF of Land
Office & Retail	18.75	3,267,000	Buildable SF Area	$18.00	$58,806,000	$72.00
Multi-Family	30.422	3,651	Units	$28,000	$102,217,920	$77.13
Hotel	7.33	1,100	Units	$22,000	$24,200,000	$75.79
Central Shops	9.37	247,832			$16,900,000	$41.41
Average/Blended	65.872				$202,123,920	
			Value Per SF of Land		$70.44	
			Excluding Central Shops		$75.26	
			Rounded Value Excluding Central Shops		$75.00	

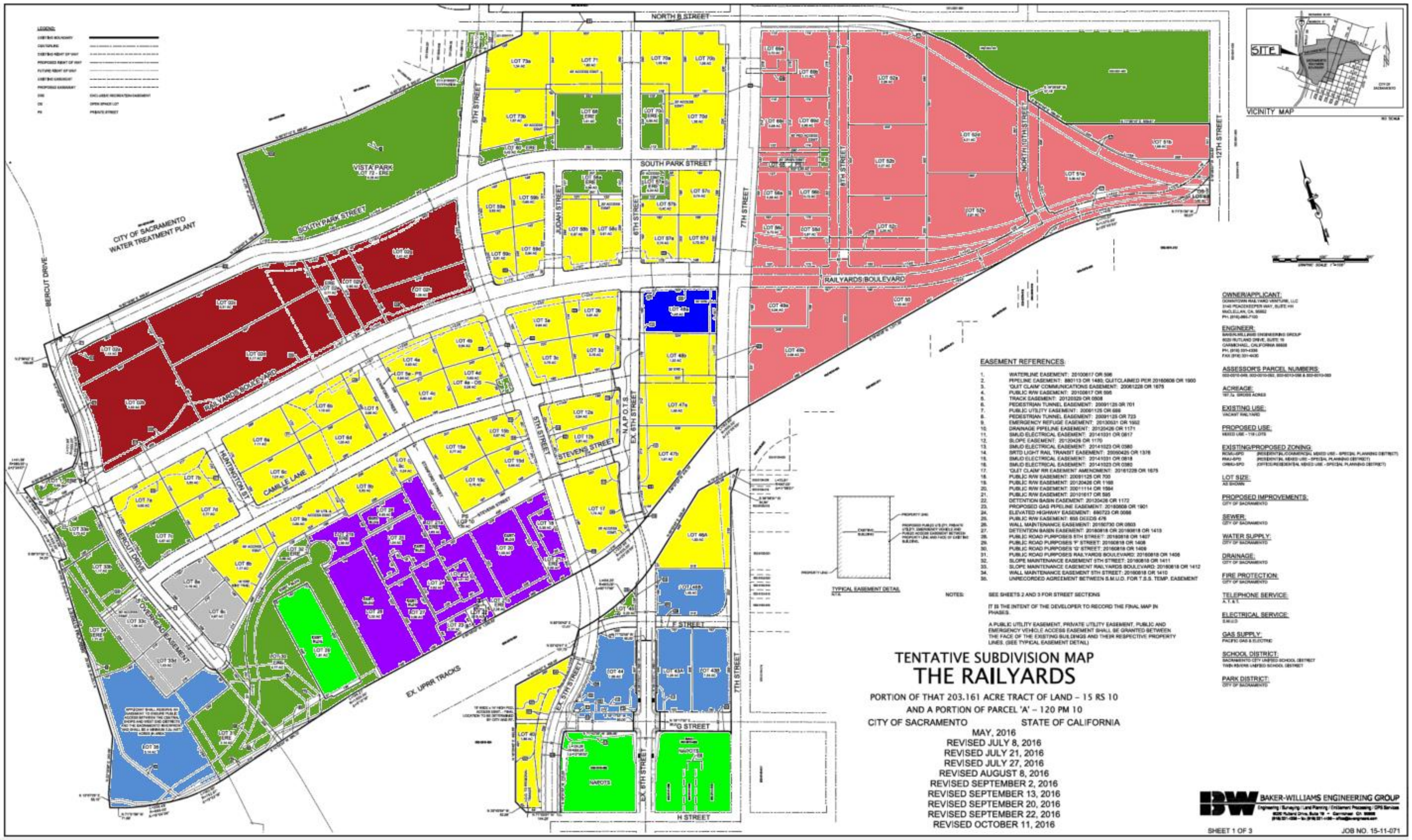
The cumulative composite benchmark value is $202,123,920. Excluding the Central Shops, the average benchmark value for retail/multi-family/office is $75.26 per SF, rounded to $75.00 per SF.

The benchmark value of $75.00 per square foot is used for all lots except for the Central Shops, Lot 17 (parking garage) and a Mixed-income set-aside land dedication. The net land area excluding these parcels is 53.412 acres. The cumulative retail value of the lots as shown on the following pages totals $179,927,967 or $76.04 per square foot. This is higher than the benchmark value of $75.00 per SF as adjustments were made for various factors. Deducting the land value of the future Mixed-Income land dedication indicated aggregate retail value of $176,927,967.

Category	Land Acres	Aggregate Retail Value	Value Per SF
Office, Retail, Residential & Hotel - West of 7th Street	54.087	$179,163,914	$76.04
Less: Mixed-Income Housing Dedication	0.675	-$2,235,947	$76.04
Total	53.412	$176,927,967	$76.04

Lot #	Acres	Comment	Composite Benchmark Value	Location	Density	Encumbrance	Total Adj.	Indicated Value per SF	Total Value
3 a	0.94		$75.00	0%	0%	0%	0%	$75.00	$3,070,980
3 b	0.91		$75.00	0%	0%	0%	0%	$75.00	$2,972,970
3 c	0.79		$75.00	0%	0%	0%	0%	$75.00	$2,580,930
3 d	0.76		$75.00	0%	0%	0%	0%	$75.00	$2,482,920
4 a	0.83		$75.00	0%	0%	0%	0%	$75.00	$2,711,610
4 b	0.94		$75.00	0%	0%	0%	0%	$75.00	$3,070,980
4 c	0.8		$75.00	0%	0%	0%	0%	$75.00	$2,613,600
4 d	0.93		$75.00	0%	0%	0%	0%	$75.00	$3,038,310
5	0.66		$75.00	0%	0%	0%	0%	$75.00	$2,156,220
6 a	1.11		$75.00	0%	0%	0%	0%	$75.00	$3,626,370
6 b	1.13		$75.00	0%	0%	0%	0%	$75.00	$3,691,710
6 c	1.01		$75.00	0%	0%	0%	0%	$75.00	$3,299,670
6 d	1.03		$75.00	0%	0%	0%	0%	$75.00	$3,365,010
7 a	0.92		$75.00	0%	0%	0%	0%	$75.00	$3,005,640
7 b	0.85		$75.00	0%	0%	0%	0%	$75.00	$2,776,950
7 c	0.35		$75.00	0%	0%	0%	0%	$75.00	$1,143,450
7 d	0.77		$75.00	0%	0%	0%	0%	$75.00	$2,515,590
8 a	0.76		$75.00	-20%	0%	0%	-20%	$60.00	$1,986,336
8 b	1.17		$75.00	0%	0%	0%	0%	$75.00	$3,822,390
8 c	0.87		$75.00	-20%	0%	0%	-20%	$60.00	$2,273,832
9 a	0.85		$75.00	0%	0%	0%	0%	$75.00	$2,776,950
9 b	0.83		$75.00	0%	0%	0%	0%	$75.00	$2,711,610
9 c	0.24		$75.00	0%	0%	0%	0%	$75.00	$784,080
12 a	0.94	Foundry Office	$75.00	0%	0%	0%	0%	$75.00	$3,070,980
12 b	0.81	Foundry Office	$75.00	0%	0%	0%	0%	$75.00	$2,646,270
15 a	0.77	Planned Hotel	$75.00	0%	0%	0%	0%	$75.00	$2,515,590
15 b	0.67		$75.00	0%	0%	0%	0%	$75.00	$2,188,890
15 c	0.76	Planned Hotel	$75.00	0%	0%	0%	0%	$75.00	$2,482,920
15 d	0.65		$75.00	0%	0%	0%	0%	$75.00	$2,123,550

Lot #	Acres	Comment	Composite Benchmark Value	Location	Density	Encumbrance	Total Adj.	Indicated Value per SF	Total Value
33 c	1.06		$75.00	-10%	-75%	0%	-85%	$11.25	$519,453
33 d	1.03		$75.00	-10%	-75%	0%	-85%	$11.25	$504,752
35	3.14		$75.00	20%	0%	0%	20%	$90.00	$12,310,056
40	1.86		$75.00	0%	0%	-20%	-20%	$60.00	$4,861,296
43 a	1.26		$75.00	30%	20%	0%	50%	$112.50	$6,174,630
43 b	1.34		$75.00	30%	20%	0%	50%	$112.50	$6,566,670
44	1.65		$75.00	30%	20%	0%	50%	$112.50	$8,085,825
46 b	0.722		$75.00	20%	-20%	0%	0%	$75.00	$2,358,774
47 a	1.58		$75.00	0%	0%	0%	0%	$75.00	$5,161,860
47 b	1.61		$75.00	0%	0%	0%	0%	$75.00	$5,259,870
57 b	0.45		$75.00	0%	0%	0%	0%	$75.00	$1,470,150
57 c	0.74		$75.00	0%	0%	0%	0%	$75.00	$2,417,580
57 d	0.72		$75.00	0%	0%	0%	0%	$75.00	$2,352,240
57 e	0.74		$75.00	0%	0%	0%	0%	$75.00	$2,417,580
58 b	0.87		$75.00	0%	0%	0%	0%	$75.00	$2,842,290
58 c	0.91		$75.00	0%	0%	0%	0%	$75.00	$2,972,970
59 a	0.63		$75.00	0%	0%	0%	0%	$75.00	$2,058,210
59 b	0.65		$75.00	0%	0%	0%	0%	$75.00	$2,123,550
59 c	0.61		$75.00	0%	0%	0%	0%	$75.00	$1,992,870
59 d	0.64		$75.00	0%	0%	0%	0%	$75.00	$2,090,880
70 a	1.08		$75.00	0%	0%	0%	0%	$75.00	$3,528,360
70 b	1.06		$75.00	0%	0%	0%	0%	$75.00	$3,463,020
70 d	1.36		$75.00	0%	0%	0%	0%	$75.00	$4,443,120
71	1.82		$75.00	0%	0%	0%	0%	$75.00	$5,945,940
73 a	1.34		$75.00	0%	0%	0%	0%	$75.00	$4,377,780
73 b	1.57		$75.00	0%	0%	0%	0%	$75.00	$5,129,190
458 N	0.11		$75.00	0%	0%	-100%	-100%	$0.00	$0
464 N	0.09		$75.00	0%	0%	-100%	-100%	$0.00	$0
468 N	0.07		$75.00	0%	0%	0%	0%	$75.00	$228,690
	54.762							$76.04	$179,163,914
Less: Mixed Income Site	**0.675**								
Total	**54.087**								



Kaiser Site	**East of 7th- Excluded in this Analysis**
AJ Apartments	**Not Part of Property**
Open Space/Parks	**Central Shops**
Average Location	**Above Average Location**
Below Average Location	

Adjustments to Composite Benchmark Values

Inferior Locations: Lots 8a, 8c, 33c, 33d, 50, 51a, and 52 (a-e) have inferior locations to the benchmark site and are adjusted down by -10% to -50%.

Superior Locations: Lots 43a, 43b and 44 have superior locations to the benchmark site and are adjusted up 30%. Lots 35 and 46B are adjusted up 20% for their superior location.

Density: Lots 43a, 43b and 44 are expected to have higher densities and are adjusted up by 20%. Lot 46B is expected to have a lower density due to its shape.

Encumbrance: Lot 40 have setbacks or park dedication and is adjusted down by -20%. Lots 33c, and 33d are located under the freeway and can only be used for parking purposes. A downward adjustment of -75% is applied to these lots. Lot 46A is the expected to be the next affordable multi-family project and the land is expected to be sold to the developer at a $100 cost. A 100% deduction is applied to this lot. 458 and 464 North B Street will be dedicated for 5th Street extension and are adjusted down by 100%.

Excluded in the lot valuation on the following pages is the AJ, Kaiser sites and properties East of 7th Street as these are valued separately.

No value is assigned to the open space or park sites as these are not revenue generating parcels.

Lot 17 is planned to be constructed with a parking garage. We have analyzed this property separately, so the land value and land acreage are excluded from the retail value estimates.

SUBDIVISION DEVELOPMENT METHOD – DRV OWNERSHIP- WEST OF 7TH STREET

In the valuation of the subject property, we also utilize the subdivision development method. When analyzing a subdivision, the income approach (yield capitalization) to value is commonly referred to as the "Subdivision Development Method." This technique utilizes discounted cash flow (DCF) analysis to extract the price that an investor/developer can afford to pay for land or finished lots, and still satisfy a profitability requirement to the land developer. The subdivision development method is a "finished lot down" analysis that deducts anticipated lot development and carrying costs over a projected absorption period. As a discounted cash flow analysis, there are four components (revenue, absorption, expenses, and discount rate). The steps required to complete this analysis are as follows:

- Estimate the revenue from the sale of finished lots, with consideration to appreciation/inflation factors, if any;
- Estimate an appropriate absorption rate for the sale of lots;
- Estimate all expenses associated with the sell-off of lots, including holding and selling costs, as well as direct and indirect construction costs (with consideration for inflationary expense trending);
- Estimate the appropriate profit rate/discount rate for the type of project under consideration and discount the net cash flows to arrive at a value indication.

The DCF model allows for a complete analysis of the subject's financial performance throughout the projection period. In the following analysis, we have attempted to model the anticipated revenues and expenses for the project based on assumptions derived from the market.

The four components of the discounted cash flow analysis are discussed on the following pages.

LOT AND BUILDING SALE REVENUE

Revenue is generated from the sale of vacant lots and the Central Shop buildings. DRV has 64 buildable lots west of 7th Street with a total land area of 54.087 acres, excluding Central Shops and Lot 17 (parking garage). In addition, there are five historic Central Shop buildings totaling 247,832 square feet of building area. In the prior section, we estimated the value of the DRV lots and the Central Shops. The cumulative retail value of the lots and Central Shop buildings are summarized below:

Category	Land Acres	Aggregate Retail Value	Value Per SF
Office, Retail, Residential & Hotel - West of 7th Street	54.087	$179,163,914	$76.04
Less: Mixed-Income Housing Dedication	0.675	-$2,235,947	$76.04
Total	53.412	$176,927,967	$76.04

Category	Building Area	Retail Value	Value Per SF
Central Shops	247,832	$16,900,000	$68.19

LOT SALE ABSORPTION

We have reviewed the Strategic Market Absorption Analysis report dated May 17, 2022, prepared by RCLCO to assist in determining the absorption estimate for the subject lots. Our review of this report indicates it was well prepared and contained sufficient analysis for the absorption and achievable rent pricing of future buildings. We deem this a reliable third-party report and have considered their conclusions in arriving at the lot absorption estimate of the Railyards. RCLCO cited critical assumptions in their analysis. These assumptions are summarized as follows:

- The Developer of The Railyards would offer a best-in-class, master-planned product, which would establish a strong sense of place at the development;
- The developer of the Railyards would pursue an adaptive reuse strategy for the historical Central Shops buildings, which serves to establish a unique, mixed-use environment at the southern edge of the site;
- The Live Nation venue will deliver as is currently planned;
- While current development plans for The Railyards include an MLS stadium and a Kaiser campus, the plans for these uses remain up in the air at this time, and it is possible that one or both will not deliver as currently shown. In place of these uses, the “Baseline” forecast thus assumes a mix of market-driven uses, based on the Land Use Variant section of the Sacramento Railyards Specific Plan Update;
- While the MLS Stadium and/or Kaiser campus may not deliver as planned, The Railyards will still attract one or more anchor users, such as a corporate campus, government building, hospital, or entertainment venue, over the lifecycle of the development. This assumption reflects that, as a large, mixed-use development, The Railyards is likely to become an increasingly attractive location for such users as it begins to deliver, even if one is not identified at present time;
- Investment into on-site infrastructural projects, such as the parking garage on Lot 17, will be made in accordance with the current development timeline;
- The Sacramento Valley Station will develop into a multi-modal transportation hub for the region;
- Investment into future infrastructure projects such as the planned I Street Bridge replacement, will be made necessary over time assuming funding is available;
- Achievable demand and pricing at The Railyards are likely to fluctuate on a year-by-year basis. While RCLCO considered the downturn and subsequent recovery from the COVID-19 pandemic as part of this analysis, RCLCO did not include a forecast of future downturns and recoveries as part of its projections, which are instead intended to represent averages for use over the long-term.

Source: Strategic Market Absorption Analysis report prepared by RCLCO dated May 17, 2022

Model Forecast Scenarios

RCLCO developed three forecasts. These are briefly summarized below:

Baseline Forecast: On page 12 report RCLCO outlines some of the specific assumptions regarding the Baseline Forecast. They state that the Railyards would capture a significant share of demand for real estate in the region. The Baseline forecast assumes a conservative assumption that the MLS stadium and Kaiser campus will not come to fruition, though an anchor use may still emerge overtime. Under these assumptions they believe that the Railyards would have sufficient demand to support the space in the Updated Railyards Finance Plan over the next 25 years.

Upside Forecast: This forecast is based under the assumption that the growth trajectory could be available to the project if the Kaiser campus were to deliver as planned, and/or if additional anchor uses (e.g., a smaller sports stadium) were to open during the initial phases of development. In this case, The Railyards is likely to emerge as a greater focal point of urban growth in the Downtown Area. The "Upside" forecast assumed that The Railyards would capture at least its "fair share" of demand for real estate, and that it would incite additional demand for hotel given the number of other visitors who might not have otherwise come to the Downtown Area, generally, or The Railyards, specifically. Under these assumptions they believe that the Railyards would have sufficient demand to support the space in the Updated Railyards Finance Plan approximately two to four years earlier than the Base Plan.

Downside Forecast: This forecast is based under the assumption that Kaiser and the MLS stadium does not come into fruition, but also that other elements of the development program do not materialize as quickly as would be expected. In particular, structured parking was one example of an element that RCLCO considered; in the event that one or more of the planned garages do not deliver in time to support the market-driven uses at the Railyards, there is a risk that development at the project would take place at a slower pace. In this scenario RCLCO projected it would take two years longer to build-out than it would be under the Baseline Forecast.

Analysis of RCLCO's Baseline Model

As reported above, RCLCO projects sufficient demand to support the total amount of residential, commercial and hospitality development in the Railyards over the next 25 years. This was based on inventory of 6,745 housing units, 6.0 million square feet of commercial space and 1,100 hotel rooms. RCLCO projects demand based on finished building units. Below are their demand conclusions.

Baseline Cumulative Development Potential, 2022-2050;
The Railyards

	Planned[1]	Entitled[2]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Residential	7,000	10,000	400	670	945	1,225	1,515	1,810	2,115	2,425	2,750	3,065	3,400	3,730	4,060	4,385	4,720
Renter-Occupied	5,396		345	575	810	1,045	1,285	1,530	1,785	2,045	2,310	2,570	2,845	3,115	3,380	3,645	3,915
Multifamily Apartment			305	505	710	920	1,130	1,345	1,570	1,795	2,030	2,260	2,500	2,735	2,970	3,205	3,440
Affordable Housing[3]			40	70	100	125	155	185	215	250	280	310	345	380	410	440	475
Owner-Occupied	1,604		55	95	135	180	230	280	330	380	440	495	555	615	680	740	805
Multifamily Condominium			15	25	35	50	65	85	100	120	145	165	190	215	245	270	300
Townhome/Townhome-Style Condo			40	70	100	130	165	195	230	260	295	330	365	400	435	470	505
Commercial	6.27M	6.0M	411K	504K	584K	686K	816K	981K	1.11M	1.27M	1.44M	1.64M	1.86M	2.09M	2.33M	2.6M	2.88M
Office	5.20M			85K	159K	253K	373K	529K	652K	801K	964K	1.15M	1.36M	1.58M	1.81M	2.06M	2.34M
Retail	1.06M		411K	419K	426K	433K	442K	451K	461K	470K	479K	490K	502K	513K	525K	536K	547K
Anchor[4]			177K	182K	186K	190K	193K	200K	205K	211K	215K	222K	228K	235K	242K	245K	254K
In-Line[4]			234K	237K	240K	243K	247K	251K	255K	259K	265K	268K	273K	278K	283K	291K	293K
Hotel	1,100	1,100				130	135	145	225	320	425	540	655	705	765	805	860

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Residential	5,060	5,390	5,725	6,060	6,405	6,745	7,100	7,470	7,845	8,225	8,600	8,990	9,380	9,775
Renter-Occupied	4,190	4,465	4,730	4,995	5,270	5,545	5,830	6,120	6,420	6,720	7,020	7,325	7,630	7,945
Multifamily Apartment	3,680	3,920	4,155	4,390	4,630	4,875	5,125	5,380	5,640	5,905	6,170	6,435	6,705	6,980
Affordable Housing[3]	510	545	575	605	640	670	705	740	780	815	850	890	925	965
Owner-Occupied	870	925	995	1,065	1,135	1,200	1,270	1,350	1,425	1,505	1,580	1,665	1,750	1,830
Multifamily Condominium	330	360	390	425	460	495	530	570	610	655	695	740	785	835
Townhome/Townhome-Style Condo	540	565	605	640	675	705	740	780	815	850	885	925	965	995
Commercial	3.16M	3.48M	3.79M	4.1M	4.4M	4.7M	4.98M	5.27M	5.56M	5.86M	6.17M	6.48M	6.8M	7.11M
Office	2.62M	2.91M	3.21M	3.51M	3.8M	4.08M	4.35M	4.63M	4.9M	5.2M	5.5M	5.79M	6.1M	6.4M
Retail	559K	570K	582K	593K	605K	617K	629K	641K	653K	665K	677K	689K	701K	713K
Anchor[4]	261K	267K	273K	280K	287K	294K	301K	308K	315K	321K	328K	335K	342K	349K
In-Line[4]	298K	303K	308K	313K	318K	323K	328K	333K	338K	344K	349K	354K	359K	364K
Hotel	910	970	1,025	1,085	1,160	1,205	1,255	1,295	1,325	1,350	1,380	1,405	1,435	1,465

As stated earlier our review of the RCLCO report indicates it was well prepared and contained sufficient analysis for the absorption and achievable rent pricing of future buildings. We consider the following factors in evaluating their Baseline model:

- They apply reasonable assumptions in their modeling forecast. In regard to the absence of Kaiser or the MLS stadium, they assumed that the Railyards would attract one of more anchor users over the lifecycle of development.

- Extensive and reliable market data was utilized in their modeling.

- Market capture rates used in the modeling appears reasonable and market base supported.

- Methodology used to calculate their demand estimates was appropriate and consistent with those commonly used by analysts to project demand.

We deem this a reliable third-party report and have determined the Baseline and Downside models are credible opinions of a demand forecast.

Analysis of RCLCO's Upside Model

This forecast is based under the assumption the growth trajectory could be available to the project if the Kaiser campus were to deliver as planned, and/or if additional anchor uses (e.g., a smaller sports stadium) were to open during the initial phases of development. RCLCO projected a two-year earlier demand assumption that the Baseline Plan. Their upside demand table is shown on page 13 of their report.

A two-year earlier absorption as compared to the Baseline Plan is a reasonable time-period for a more optimistic projection. While we accept RCLCO's calculations under their Upside model, the underlying premise that the Kaiser campus and a smaller stadium is an optimistic assumption that most market participants would not assume. We give this scenario no weight.

Analysis of RCLCO's Downside Model

This forecast is based under the assumption that Kaiser and the MLS stadium does not come into fruition and if other trends or changes do not occur as currently predicted. RCLCO projected it would take two years longer to build-out than it would be under the Baseline Forecast

Under their specific assumption, a two-year longer absorption as compared to the Baseline Plan is a reasonable time-period for a more pessimistic projection. RCLCO's absorption projection under their Downside model is reasonable under their stated premise.

This project is deemed a conservative absorption outcome. However, in light of changing market conditions, including U.S. and worldwide GDP growth decline due to the Ukraine conflict, higher inflation, higher interest rates and greater discussions of a possible near-term recession, we believe the downside model deserves some weight.

Downside Cumulative Development Potential, 2022-2050;
The Railyards

	Planned[1]	Entitled[1]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Residential	7,000	10,000	205	375	550	745	970	1,205	1,460	1,740	2,030	2,320	2,610	2,920	3,215	3,510
Renter-Occupied	5,396		180	320	470	635	820	1,020	1,230	1,460	1,700	1,940	2,180	2,430	2,670	2,910
Multifamily Apartment			160	280	415	560	720	895	1,080	1,285	1,495	1,705	1,915	2,135	2,345	2,555
Affordable Housing[2]			20	40	55	75	100	125	150	175	205	235	265	295	325	355
Owner-Occupied	1,604		25	55	80	110	150	185	230	280	330	380	430	490	545	600
Multifamily Condominium			5	15	20	30	45	55	70	90	110	130	150	175	200	225
Townhome/Townhome-Style Condo			20	40	60	80	105	130	160	190	220	250	280	315	345	375
Commercial	6.27M	6.0M	208K	293K	370K	466K	591K	732K	883K	1.04M	1.22M	1.39M	1.59M	1.8M	2.02M	2.26M
Office	5.20M			64K	121K	196K	296K	411K	536K	670K	817K	983K	1.16M	1.37M	1.58M	1.81M
Retail	1.06M		208K	229K	249K	270K	295K	321K	347K	372K	395K	408K	418K	429K	439K	449K
Anchor[3]			60K	93K	104K	118K	132K	142K	155K	167K	179K	185K	191K	195K	200K	207K
In-Line[3]			148K	136K	145K	152K	163K	179K	192K	205K	216K	223K	228K	232K	237K	241K
Hotel	1,100	1,100								155	230	310	410	620	665	705

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Residential	3,805	4,100	4,405	4,715	5,015	5,325	5,630	5,950	6,280	6,615	6,960	7,300	7,650	7,995	8,355
Renter-Occupied	3,150	3,395	3,635	3,880	4,120	4,370	4,615	4,870	5,130	5,400	5,670	5,940	6,215	6,490	6,770
Multifamily Apartment	2,770	2,985	3,195	3,410	3,620	3,840	4,055	4,280	4,510	4,745	4,985	5,220	5,460	5,705	5,950
Affordable Housing[2]	380	410	440	470	500	530	560	590	620	655	685	720	755	785	820
Owner-Occupied	655	710	770	835	895	955	1,015	1,080	1,150	1,215	1,290	1,360	1,435	1,505	1,585
Multifamily Condominium	250	275	305	335	365	395	425	460	495	530	570	610	650	690	735
Townhome/Townhome-Style Condo	405	435	465	500	530	560	590	620	655	685	720	750	785	815	850
Commercial	2.51M	2.78M	3.05M	3.33M	3.6M	3.87M	4.14M	4.4M	4.66M	4.91M	5.19M	5.47M	5.75M	6.03M	6.31M
Office	2.05M	2.31M	2.57M	2.84M	3.1M	3.36M	3.62M	3.87M	4.11M	4.36M	4.63M	4.89M	5.16M	5.44M	5.71M
Retail	459K	469K	479K	489K	499K	510K	520K	531K	542K	552K	563K	574K	584K	595K	606K
Anchor[3]	213K	218K	224K	230K	236K	241K	247K	254K	260K	266K	272K	278K	284K	290K	297K
In-Line[3]	246K	250K	255K	259K	264K	269K	273K	277K	282K	286K	291K	296K	300K	305K	309K
Hotel	750	790	840	885	935	985	1,035	1,085	1,130	1,175	1,210	1,240	1,270	1,300	1,330

Conclusion of the Three Scenarios

A review and analyses of the three scenarios indicate Baseline Scenario was credible and reasonable results under its specific assumption. While the Baseline Scenario is deemed a reasonable projection, the model is slightly aggressive for the commercial and hotel forecasts. The Residential forecast under their Baseline is deemed reasonable as this property type is in greatest demand in downtown Sacramento.

The Upside Scenario is given no weight as it is believed to have a too optimistic underlying assumption. The Downside Scenario is a conservative model but deemed highly credible in light of the recent changes in the economy.

In the Downside Scenario, there was an assumption that there could be delays in the structured parking garage on Lot 17 that would have a negative impact on absorption and buildout of the Railyards. We also consider the more conservative absorption being reasonable considering the recent changes in the economy. For these reasons, we believe the Downside Case deserves weight in our valuation modeling for the commercial and hotel land uses.

Based on the analysis above we give weight to RCLCO's Baseline and Downside Forecast. An average of the two scenarios will be utilized to estimate the subject lot absorption for the commercial and hotel. The Baseline conclusions are utilized for the residential.

Quantifying Building Demand For Land Area Usage

The demand totals per year would be satisfied by delivering an equal amount of supply on or slightly before the year total. So, delivery of satisfactory amount of finished supply would likely occur 6-12 months earlier to accommodate future demand. Construction, planning, and entitlement time is usually 2-3 years for delivery of finished product. Acquisition of land to accommodate future supply is therefore estimated to proceed supply by three years.

The next step in the absorption analysis is to incorporate RCLCO's demand schedule and the pre-completion timing (planning, entitlement, construction period) into a model that projects the necessary land area to accommodate the future demand.

Earlier in the report we estimated DRV's land area to accommodate the buildout of the existing entitlements. In our analysis we will estimate absorption on the following building areas and corresponding land size. These are summarized as follows:

Category	Units		Land Acres	Overall Density
Residential	3,651	Units	30.422	120 units per acre
Office & Retail	3,267,000	SF of Bldg.	18.75	4.0 FAR
Hotel	1,100	Rooms	7.33	150 units per acre
Central Shops	247,832	SF of Bldg.	9.37	0.61 FAR
		Total	65.872	

The land size above includes Lot 17 (1.74 acres) and the Mixed-Income dedication lot (0.675 acres). Excluding these non-revenue lots, the net land area is 63.457 acres including the Central Shops. Further excluding the land area of the shops, the net land area to be sold is 54.087 acres.

Net Acres to be Absorbed

Category	Land Acres West of 7th	Adjustment	Adjusted Acres	Comments
Residential	30.422	-0.675	29.747	Mixed-Use Dedication
Office & Retail	18.75	-1.74	17.01	Lot 17
Hotel	7.33	0	7.33	
Historic Shops	9.37	0	9.37	
Net Acres to Be Absorbed	65.872	-2.415	**63.457**	

Another assumption of RCLCO is that Live Nation would be delivered in 2023-2024 (page 5 of their report). Live Nations will be a big draw to the Railyards and our absorption modeling has factored in this property component in the earlier absorption periods of our model. RCLCO shows demand in building components. Our absorption converts the estimated building demand into land area.

Residential Land Absorption: RCLCO has four components under this property type - rental apartments, affordable rental apartments, owner-occupied condominium units and owner-occupied townhomes.

For their Baseline Scenario they report a demand in year 1 of 400 units and growing to a cumulative demand of 6,745 units in 21 years, averaging 321 units per year. A 3-year advance land acquisition is reasonable for each year demand. For years 1-4 a gradual absorption estimate is made to catch up with future years demand. Beginning in year 5, the land absorption will be 3 years in advance of demand. We initially deduct the AJ project unit count from the land needed as this project is a component of the supply demand but not part of the DRV ownership. The total absorption period for the residential property west of 7th Street is 11 years.

Railyards Mixed-Income Housing As it Relates to Absorption

The subject residential development will need to comply with the Railyards Mixed-Income Housing Strategy. To comply with this ordinance, the developer would likely dedicate land to a qualified non-profit at no costs. This is similar to the Wong Center where DRV is selling this land at effectively no cost. As discussed earlier, the following are the most probable date for future land dedication:

Year 10 – Yr. 2031: 81 units to be set-aside

For the land dedication, we have reduced the residential land sale inventory by 0.675 acres, which is the estimated land area to accommodate the 81 units needed to satisfy this requirement. This shows up in year 10 of our absorption analysis.

Office & Retail Land Absorption: RCLCO has combined office and retail for the commercial demand study. For their Baseline Scenario they report a demand in year 1 of 411,000 SF and growing to a cumulative demand of 6,017,000 SF in 26 years averaging 231,423 SF per year. For their Downside Scenario they report a demand in year 1 of 208,000 SF and growing to a cumulative demand of 6,030,000 SF in 28 years averaging 215,357 SF per year. We utilize an average of the two models in our forecast. A 3-year advance land acquisition is reasonable for each year demand. For years 1-4 a gradual absorption estimate is made to catch up with future years demand. Beginning in year 5, the land absorption will be 3 years in advance of demand. The total absorption period for office and retail property west of 7th Street is 14 years.

Hotel Land Absorption: For their Baseline Scenario RCLCO estimates it will take 19 years for total demand to satisfy the subject's 1,100 room entitlement total. They report a forecast in year 4 of 130 rooms growing to a cumulative demand of 1,085 rooms in year 19 and averaging 57 room demand per year. For their Downside Scenario RCLCO estimates it will take 22 years for total demand to satisfy the subject's 1,100 room entitlement total. They report a forecast in year 8 of 155 rooms growing to a cumulative demand of 1,085 rooms in year 22 and averaging 49 room demand per year. We utilize an average of the two models in our forecast. A 3-year advance land acquisition is reasonable for each year demand. For years 1-4 a gradual absorption estimate is made to catch up with future years demand. Beginning in year 5, the land absorption will be 3 years in advance of demand. The total absorption period hotel property west of 7th Street is 16 years.

Central Shops: The Central Shops total 247,832 square feet of building area. This site contains five buildings, and all would likely be sold to one buyer, possibly in several phases. DRV estimates they will commence construction on one of the Central Shops beginning in 2023. The entitlement and design milestones within the lease commenced in February 2022 with an estimated building permit issuance in early 2023. In order to stay on schedule with the Live Nation lease, it is anticipated that the Paint Shop building would be sold in year 1 to keep up with the entitlement and design schedule current taking place. With the most probable buyer of the remainder of the shop buildings being the same buyer as the Paint Shop, it is logical they would want ownership soon thereafter for overall planning and design purposes. We estimate the remainder of the shop buildings to be sold in year 2.

The absorption estimates were based on the supply demands as estimated from RCLCO's Market Study. The land acres to be absorbed are not reflective of DRV's business model, which explained earlier has an approach of constructing their own projects on the subject land. We believe the absorption estimates should be market driven as opposed to the business plan of the current owner. Shown on the following page is our absorption estimates for DRV owned land.

Absorption Conclusion

RESIDENTIAL LAND ABSORPTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Base Case	400	670	945	1,225	1,515	1,810	2,115	2,425	2,750	3,065	3,400	3,730	4,060	4,385	4,720	5,060
Conclusion Cumulative Residential Demand[1]	400	670	945	1,225	1,515	1,810	2,115	2,425	2,750	3,065	3,400	3,730	4,060	4,385	4,720	5,060
Annual Supply Needed[1]	400	270	275	280	290	295	305	310	325	315	335	330	330	325	335	340
Less: Land Dedication for Mixed-Income Strategy	0	0	0	0	0	0	0	0	0	81	0	0	0	0	0	0
Net Units to Be Sold at Market	400	270	275	280	290	295	305	310	325	234	335	330	330	325	335	340
Land Acres Needed[2]	3.30	2.25	2.29	2.33	2.42	2.46	2.54	2.58	2.71	1.95	2.79	2.75	2.75	2.71	2.79	2.83
Less: AI Project	-1.42	-1.46														
Cumulative Land Area Needed	1.91	0.79	3.08	5.42	7.83	10.29	12.83	15.42	18.12	20.07	22.87	25.62	28.37	31.07	33.87	36.70
Land Absorption - Acres[3]	2.70	2.29	4.75	5.00	2.58	2.71	1.95	2.79	2.75	2.94	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative Land Absorption -Acres	2.70	5.00	9.75	14.75	17.33	20.04	21.99	24.78	27.53	29.75	29.75	29.75	29.75	29.75	29.75	29.75

OFFICE & RETAIL LAND ABSORPTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Base Case	411,000	504,000	584,000	686,000	816,000	961,000	1,110,000	1,270,000	1,440,000	1,640,000	1,860,000	2,090,000	2,330,000	2,600,000	2,880,000	3,180,000
Downside	208,000	293,000	370,000	466,000	591,000	732,000	883,000	1,040,000	1,220,000	1,390,000	1,590,000	1,800,000	2,020,000	2,260,000	2,510,000	2,780,000
Cumulative Commercial Demand[1]	309,500	398,500	477,000	576,000	703,500	846,500	996,500	1,155,000	1,330,000	1,515,000	1,725,000	1,945,000	2,175,000	2,430,000	2,695,000	2,980,000
Annual Supply Needed[1]	411,000	89,000	78,500	99,000	127,500	143,000	150,000	158,500	175,000	185,000	210,000	220,000	230,000	255,000	265,000	285,000
Land Acres Needed[2]	2.37	0.51	0.45	0.57	0.74	0.82	0.86	0.91	1.01	1.07	1.21	1.27	1.33	1.47	1.53	1.64
Land Absorption - Acres[3]	2.37	0.97	1.31	1.69	0.91	1.01	1.07	1.21	1.27	1.33	1.47	1.53	1.64	0.98	0.00	0.00
Allocated to West of 7th Street	2.37	0.97	1.31	1.69	0.91	1.01	1.07	1.21	1.27	1.33	1.47	1.53	0.88	0.00	0.00	0.00
Cumulative Land Absorption -Acres	2.37	3.34	4.64	6.33	7.25	8.25	9.32	10.53	11.80	13.13	14.60	16.13	17.01	17.01	17.01	17.01

HOTEL LAND ABSORPTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Base Case	0	0	0	130	135	145	225	320	425	540	655	705	755	805	860	910
Downside	0	0	0	0	0	0	0	155	230	310	410	620	665	705	750	790
Cumulative Hotel Demand[1]	0	0	0	65	68	73	225	320	425	540	655	705	755	805	860	910
Annual Supply Needed[1]	0	0	0	65	3	5	153	95	105	115	115	50	50	50	55	50
Land Acres Needed[2]	0.00	0.00	0.00	0.43	0.02	0.03	1.02	0.63	0.70	0.77	0.77	0.33	0.33	0.33	0.37	0.33
Cumulative Land Area Needed	0.00	0.00	0.00	0.43	0.45	0.48	1.50	2.13	2.83	3.60	4.37	4.70	5.03	5.37	5.73	6.07
Land Absorption - Acres[3]	0.00	0.00	0.48	1.02	0.63	0.70	0.77	0.77	0.33	0.33	0.33	0.37	0.33	0.40	0.37	0.50
Cumulative Land Absorption - Acres	0.00	0.00	0.48	1.50	2.13	2.83	3.60	4.37	4.70	5.03	5.37	5.73	6.07	6.47	6.83	7.33

CENTRAL SHOPS ABSORPTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Building Absorption - SF	61,025	186,807	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumulative Building Absorption - SF	61,025	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832	247,832

Blue Lines are from RCLLC report

Green Lines are BBG's estimates

[1] Cumulative Demand and Annual Supply Needed is from the RCLCO baseline estimates.

[2] Land Area Needed is derived by dividing RCLCO's annual supply by BBG's estimated density for each land use.

[3] Land Absorption is derived by using the Land Acres Needed three years in advance. For the initial years Land Absorption is 1 to 2 years in advance.

CAPITAL IMPROVEMENTS – SUBDIVISION HORIZONTAL COSTS

DRV provided development costs and schedule for necessary infrastructure. These improvements are for all horizontal costs for the full built out of the horizontal costs. The Parking Garage Costs for Lot 17 are shown separately in this this analysis. Information of the itemized costs were previously shown in the Site Analysis section of this report. As stated earlier we believe the reported developer costs are within a reasonable range of the Updated Railyards Finance Plan.

The construction cost schedule is reflective as of June 2022. The only project under construction on the DRV property is the Drainage Pump Station. The construction cost of this project is $34,000,000. The project is under construction with $18.17 million completed. The sources used to fund the $18.17 million in storm drain improvements are shown below:

Storm Drain Expenditure Sources	
OPA	$6.3 million
AHSC	$1.3 million
DRV Equity	$10.57 million
Funding/Spent To-Date	$18.17 million

For analysis purposes, we have elected to show the net remaining cost of the storm drain after a deduction of the remaining CFD reimbursements. An analysis shown later indicates an expected CFD net bond proceeds of $20,450,000. The initial $10.57 million that DRV funded for this improvement will get reimbursed first from the bond proceeds. The remaining bond proceeds of $9.8 million has been credited as an offset for the remaining cost of the storm drain as shown below.

Storm Drain Remaining Cost	
Original Cost	$34,000,000
Less: Funding/Spent To-Date	$18,170,000
Less: Remaining CFD Funds ($20,450,000 - $10,570,000)	$9,880,000
Net Remaining Cost	$5,950,000

Except for the Drainage Pump Station all of the costs are current date estimates with all soft cost and contingencies included. The Drainage Pump Station is based on a contract.

Shown on the following page is the construction timing of the capital improvements the property west of 7th Street. These costs do not include any inflation factors. The timing of the construction projects is predicated on the development of the lots impacted. It is anticipated that construction timing will change over time as the build-out of the Railyards will likely be different from the developer's current estimates. The only construction project under construction is the drainage pump station. There has been a pause for some of the construction projects initially planned in 2021 and 2022. Given the start delays for some of the 2021 projects, we have pushed out the construction cost schedule from 2022 to 2024 by averaging the developer's 2021-2023 reported costs.

Sacramento Railyards Infrastructure Schedule and Budget - West of 7th Street

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Drainage Pump Station - Remaining Cost (net of Remaining Proceeds)	5,950,000	-	-	-	-	-	-	-	-	-	-	-	-
Berm Replacement Contour & 7th Street Gate (Flood wall/gate)	767,433	767,433	767,433	-	-	-	-	-	-	-	-	-	-
N B Street 7th Street to 8th Street				-	-	-	-	-	-	-	-	-	-
N B Street 8th to 10th	-	-	-	-	-	-	-	-	-	-	-	-	-
S Park 6th to 7th	953,650	953,650	953,650	-	-	-	-	-	-	-	-	-	-
6th Street Railyards to NB	2,350,817	2,350,817	2,350,817	-	-	-	-	-	-	-	-	-	-
Railyards Blvd 7th Street to 10th Street				-	-	-	-	-	-	-	-	-	-
South Park Paseo (Public)				-	-	-	-	-	-	-	-	-	-
South Park Paseo (Private)				-	-	-	-	-	-	-	-	-	-
7 Street pump station				-	-	-	-	-	-	-	-	-	-
10th Street To Boundary				-	-	-	-	-	-	-	-	-	-
Dos Rios Road Striping				-	-	-	-	-	-	-	-	-	-
East RT Station	1,305,225	1,305,225	1,305,225	-	-	-	-	-	-	-	-	-	-
7Th Street Widening (NOTA 7th Street)	2,027,417	2,027,417	2,027,417	-	-	-	-	-	-	-	-	-	-
6th Street Buffered Bike Lane and Bike Lane Easement	639,700	639,700	639,700	-	-	-	-	-	-	-	-	-	-
7Th Street Water Line	-	-	-		183,133	219,760	219,760	219,760	24,687	-	-	-	-
Camille & Stevens 5th to 6th (NOTA I-C)	-	1,771,667	1,771,667	1,771,667		-	-	-	-	-	-	-	-
5th Street Railyards to N B street (roadway/finish)	-	769,333	769,333	769,333	-	-	-	-	-	-	-	-	-
Stanford and Stevens Private Streets	-	-	2,248,000	2,248,000	2,248,000	-	-	-	-	-	-	-	-
Stanford Bercut to Camille	-	-	-		512,571	768,857	768,857	768,857	320,357	-	-	-	-
Stanford Intersection Relocation at railyards	-	-	274,083	274,083	274,083	-	-	-	-	-	-	-	-
Lot 21b (east)	-	-	1,536,883	1,536,883	1,536,883	-	-	-	-	-	-	-	-
Camille Bercut to 5th	-	-	3,150,667	3,150,667	3,150,667	-	-	-	-	-	-	-	-
Intermodal Tunnel Entrance	-	-	1,100,000	1,100,000	1,100,000	-	-	-	-	-	-	-	-
Judah Street	-	-	-		360,263	432,316	432,316	432,316	396,289	-	-	-	-
Lot 21a	-	-	-		456,433	684,649	684,649	684,649	285,270	-	-	-	-
Lot 21c		-	933,900	933,900	933,900	-	-	-	-	-	-	-	-
Huntington Street	-	-	-		294,694	442,041	442,041	442,041	184,184	-	-	-	-
Trunk Sewer 7 Street To The End Of 10 Street.											-	-	-
8th Street											-	-	-
Shift Lanes Railyards											-	-	-
Lot 1 Under I-5 experience	-	-	-		400,855	481,026	481,026	481,026	440,941	-	-	-	-
Lot 31Under I-5 experience	-	-	-		584,749	701,699	701,699	701,699	643,224	-	-	-	-
Lot 33a Under I-5 experience	-	-	-		199,471	239,365	239,365	239,365	219,418	-	-	-	-
Lot 33b Under I-5 experience	-	-	-		319,699	383,639	383,639	383,639	351,669	-	-	-	-
Lot 60 Vista Connector to 4Way	-	-	-		47,159	56,591	56,591	56,591	51,875	-	-	-	-
Vista Park	-	-	-		1,797,795	2,157,354	2,157,354	2,157,354	1,977,575	-	-	-	-
Park Lot 58A	-	-	-		206,002	247,202	247,202	247,202	226,602	-	-	-	-
Park Lot 57A	-	-	-		61,851	74,221	74,221	74,221	68,036	-	-	-	-
Park Lot 68	-	-	-		222,708	267,250	267,250	267,250	244,979	-	-	-	-
Park Lot 70	-	-	-		43,026	51,631	51,631	51,631	47,329	-	-	-	-
N B Street 6th to 7th	-	-	-		475,693	570,832	570,832	212,044		-	-	-	-
N B Street 5th to 6th	-	-	-		609,456	731,347	731,347	731,347	670,402	-	-	-	-
South Park 5th to 6th	-	-	-		628,781	754,537	754,537	895,023	895,023	-	-	-	-
South Park Storm Drain 5th to 6th	-	174,417	174,417	174,417	-	-	-	-	-	-	-	-	-
Lot 32 Plaza (State Parks Museum)	-	-	-		743,049	1,114,574	1,114,574	1,114,574	464,406	-	-	-	-
Lot 30 (State Parks Museum ERE Portion)	-	-	-		-	-	-	-	-	1,140,613	1,140,613	1,140,614	
Railyards Blvd 10 Street to 12 Street													
Lot 34 Riverfront Park	-	-	-		-	-	-	-	-	246,308	246,308	246,308	
Lot 35 Sac River Connection	-	-	-		-	-	-	-	-	1,265,183	1,265,183	1,265,183	-
Lot 21b (west)	-	-	-		322,188	483,282	483,282	483,282	201,367	-	-	-	-
Lot 21b (interior plaza and South)	-	-	-		724,922	1,087,384	1,087,384	1,087,384	453,077	-	-	-	-
Lot 53- open space along RY Blvd from 10th to 12th													
Bercut from Camille to End	-	-	-		-	-	-	-		801,000	801,000	801,000	-
Extension Of 10th Street													
Drain Line SOTA	-	-	-	-	-	-	-	-		1,370,300	1,370,300	1,370,300	-
Total	**13,994,242**	**10,759,659**	**20,003,192**	**11,958,950**	**18,438,031**	**11,949,557**	**11,949,557**	**11,731,255**	**8,166,710**	**4,823,404**	**4,823,404**	**4,823,405**	**-**

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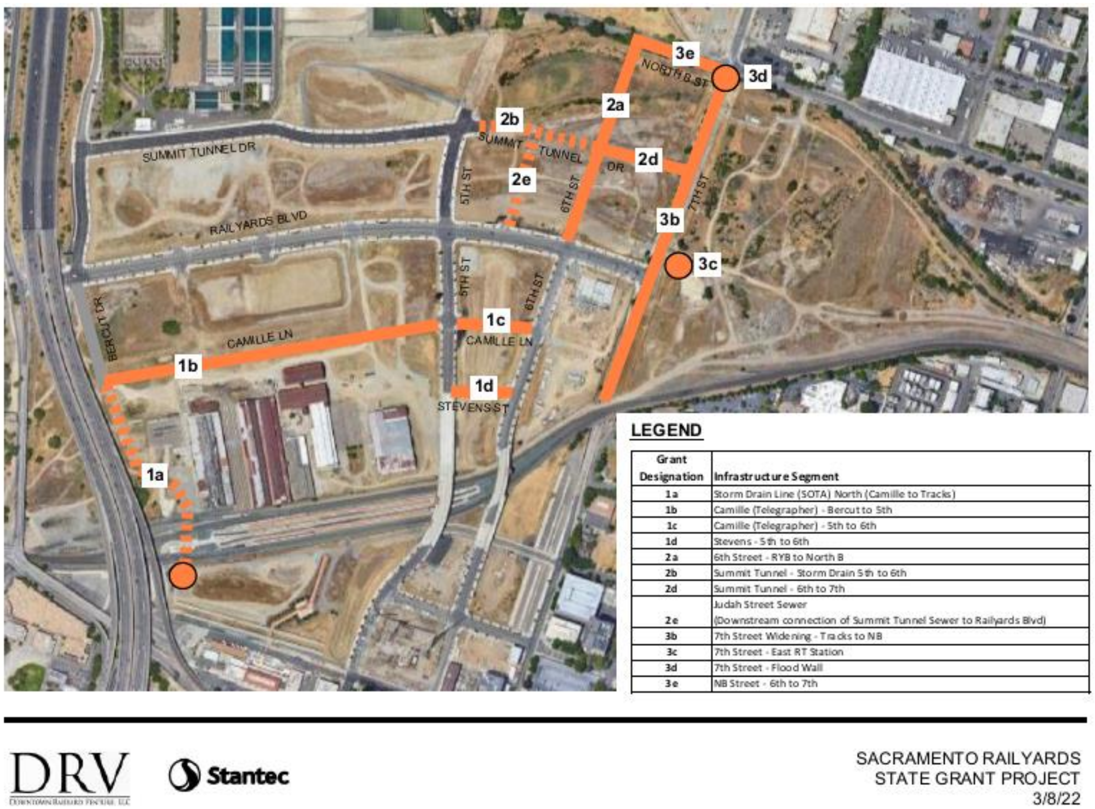
FUNDING AND REIMBURSEMENTS SOURCES

As reported earlier the development of the Railyards has and will continue to be partially funded from various public sources. DRV reported $149.6 million in public funding sources has been secured or identified to help pay for the various infrastructure costs. These identified sources are discussed below.

Natural Resource Grant: The State of California revised their budget under Natural Resources portion to include $30 million for infrastructure in the Railyards. DRV reports this grant is fully approved by the State and there is 100% certainty of receiving. The actual recipient of this grant is the City of Sacramento, who will transfer the grant funds over to DRV or to a successor owner to help fund certain projects. Below are some of the identified projects in the Railyards that are earmarked for this grant. DRV shows reimbursement of $30,025,393. They report these funds would be paid on a pay as you go basis with the approved projects. According to the City of Sacramento, $750,000 from this source will be utilized for city resources. The City reports these funds are not in hand but have existing agreements and consider their certainty very high. The remaining net reimbursements are $29,275,393. We have recognized 100% of the remaining grant in our analysis.



Housing and Community Development Grant (HCD): The Railyards received a $15.3 million grant from HCD in the Affordable Housing and Sustainable Communities Grant and Loan program (AHSC) and $3 million from Transit and Intercity Rail Capital Program (TIRCP). The remaining balance of these grants totals $18,097,506 according to the developer.

The actual recipient of the AHSC grant is LDK Ventures, who is the parent company of DRV. Housing and Community Development, the agency in charge of this grant pays out a draw request to LDK Ventures and then they immediately transfer the funds to DRV. We make an extraordinary assumption that proceeds received from LDK Ventures for this grant would be assignable to DRV or a prospective buyer of the property. These grants will be used to support infrastructure around the Railyards affordable housing sites. They report these funds would be paid on a pay as you go basis with the approved projects.

The recipient of the TIRCP grant is the City of Sacramento, who will transfer the grant funds over to DRV or to a successor owner to help fund certain projects. These grants will be used to support infrastructure around the Railyards affordable housing sites. They report these funds would be paid on a pay as you go basis with the approved projects.

Approximately $1,300,000 of these grants has been used to fund the storm drain. The net remaining reimbursement for the combined HCD and TIRCP grants is $16,797,506. The City reports these funds are in hand and consider their certainty very high. We have recognized the remaining grant in our analysis.

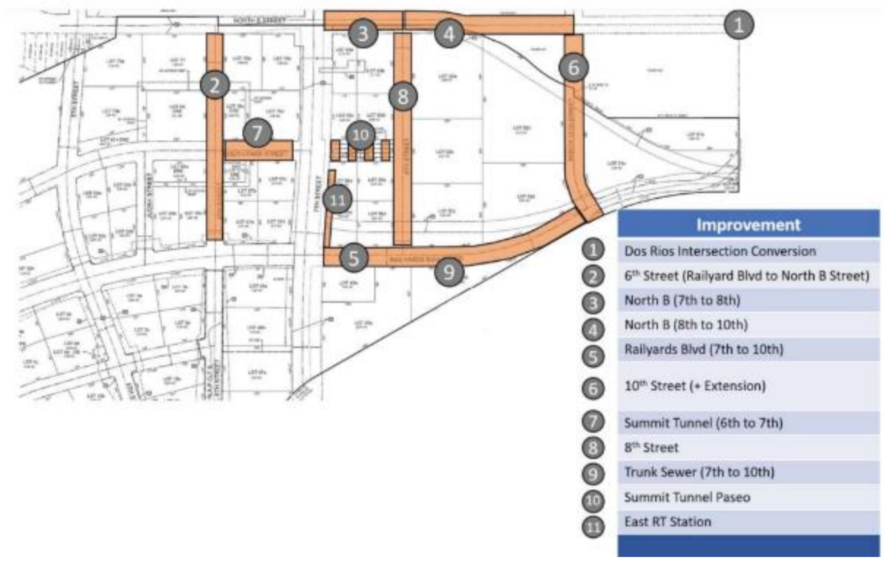
The City of Sacramento was recently awarded a new $49.865 million TIRCP grant. This funds an additional $4.66 million of infrastructure costs for the Railyards. This additional grant was announced after the appraisal date of value and has not been considered.

Owner Participation Agreement (OPA): This is an in-place tax increment agreement that originally was administered by Sacramento Redevelopment Agency. The Agency had originally entered into an Infrastructure Owner Participation Agreement with S. Thomas Enterprises of Sacramento LLC, the previous owner of the Sacramento Railyards. In 2012 the Agency was dissolved and Redevelopment Agency Successor Agency (RASA) and became a party to the OPA, as the Successor. The OPA was assigned to the current owner, Downtown Railyards Ventures (DRV) by the prior landowner. The initial OPA was the first agreement to implement under this program and encompassed construction of infrastructure (i.e., streets and utilities), parking lots, and rehabilitation of the historic Central Shops buildings. The original Gross OPA funds were $60 million with Net OPA Funds of $36,480,000. DRV reported funds of $8,359,390 in their budget and reported more updated current available funds was around $6 million. The City of Sacramento reported remaining funds of $6,359,390 in early 2021 before the start of the storm drain project. Approximately $6,300,000 have been used to fund part of the storm drain. We recognize no reimbursement of the remaining funds from this source as we show them as a credit toward the payment of the Storm Drain.

Enhanced Infrastructure Financing District (EIFD): This tax increment district was originated in 2019 to help reimburse the developer for infrastructure east of 7th Street as part of the MLS stadium development. This DCF addresses only property west of 7th Street and any EIFD reimbursements would be for the valuation of land east of 7th Street shown later in the report. For presentation purposes, we have elected to show this reimbursement discussion within this section.

Tax increment funds are created in this district when vertical improvements are constructed east of 7th Street. The developer reported total of $40.7 million of EIFD funds for improvements east of 7th Street as well as an additional $27.2 million loan from the City of Sacramento loan that is tied to future EIFD funds. The loan will have a capitalized interest for three years, 20-year amortization at higher of 2% or 100 bp over Pool A rate. This loan is an advance of EIFD Tax Increment proceeds. The EIFD is the administering agency of the tax increment revenues. The map below shows the infrastructure of this EIFD. The $27.2 million in City Loan is contingent on MLS materializing. Because MLS is a speculative event today, we have not recognized $27.2 million as reimbursement.

City of Sacramento staff indicate that the $40.7 million in EIFD funds is based on preliminary discussions with the City to expand the EIFD boundary. At the present time the City has not committed moving forward with any EIFD expansion. We make a deduction of this $40.7 million from DRV's reimbursement budget in our analysis as it is still speculative and relates to land east of 7th Street.



Courthouse Fee: According to the city of Sacramento there is a reimbursement of $2,000,000 from this source. The City reports these funds are adopted by resolution and are in hand and are available to the developer to fund infrastructure. We have recognized 100% of this reimbursement.

Railyards Community Facilities District No. 2018-01: The Underwriter of the Railyards CFD is Stifel, Nicolaus & Company. Based on their knowledge of the municipal bond market, they believe they can price the bonds between a 2.0:1 to 2.5:1 value to lien. Using the market value of the bond district, this would yield net proceeds between $18,099,890 and $22,803,754. This is based on the interest rate being 50 basis points higher at estimated bond pricing date of end of July 2022. Stifle feels a mid-point of $20,451,822 is a reasonable estimate. This would be effectively a 2.25:1 value to lien. Based on their knowledge of the bond market, we have utilized net bond proceeds of $20,450,000.

The City and DRV entered into an Acquisition and Shortfall Agreement that DRV will construct the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement. Under this agreement, a portion of the proceeds of the Bonds will be applied to finance the costs of construction of the storm drain improvements. A portion of the proceeds from the sale of the bonds will be deposited in the Acquisition and Construction Fund and used to pay for the costs of facilities authorized to be financed for the District in accordance with the terms of the Indenture and the Acquisition Agreement.

The Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC) addresses Infrastructure Financed through Special Taxes and Assessments. Specifically, it states "If improvements are financed through special taxes and assessments levied on the property in the development, the appraiser should address the process of funding these improvements from the proceeds of the CFD or assessment district bonds and list them as a limiting condition of the appraisal report. In other words, the value of the land should take into consideration the funding for the improvements that are financed by improvement bonds paid from special taxes or assessments levied on the property."

As discussed earlier, we have treated the CFD reimbursements separate from the other reimbursements. These reimbursements have been shown as a deduction of the remaining cost of the storm drain. As such, the estimated total CFD reimbursements of $20,450,000 are removed from this category.

Storm Water Grant: Not included in the developer's budget is a possible grant from State Water Resources Control Board. This Grant is from Proposition 1 which authorized $7.545 billion in general obligation bonds for water project. The Railyards is on a short list of being recipient of a $10 million grant to help fund the storm drain project. This grant has not been modeled in the DCF due to its uncertainty.

Park Impact Fees: Under the URFP the City collects park impact fees. Park fee revenues generated by payment of the Neighborhood and Community Parks component of the PIF will be available to fund Railyards park facilities. City staff indicated that some park improvements costs would be eligible for reimbursement from Park Impact Fees with the remainder coming from Railyards Plan Area Impact fees. These reimbursements would either be from a fee credit method or direct reimbursement under a pay as you go. Below are the estimated park costs which we have added as a reimbursement under the Park Impact Fees and/or Railyards Plan Area Impact fees. The City reports these funds are not in hand and are contingent upon the performance of the developer. As we have modeled the cost of the parks in our model. We have treated these funds to be realized.

Type	Description	6/10/2021 Estimate
Public Parks	Lot 1 Under I-5 freeway	2,284,874
Public Parks	Lot 31Under I-5 freeway	3,333,071
Public Parks	Lot 33a Under I-5 freeway	1,136,982
Public Parks	Lot 33b Under I-5 freeway	1,822,286
Public Parks	Lot 60 Vista Connector to 4Way	268,809
Public Parks	Vista Park	10,247,433
Public Parks	Park Lot 58A	1,174,209
Public Parks	Park Lot 57A	352,550
Public Parks	Park Lot 68	1,269,436
Public Parks	Park Lot 70	245,249
Public Parks	Lot 30 (State Parks Museum ERE Portion)	3,421,840
Public Parks	Lot 34 Riverfront Park	738,924
Public Parks	Lot 35 Sac River Connection	3,795,549
	Total Park Costs	30,091,214

Railyards Plan Area Impact Fees: The URFP contemplated creating a new plan area fee to help fund infrastructure costs in the Railyards. This fee plan has since been implemented but is under review for possible revisions. The Railyards Impact Fee Program could be used to fund the cost of infrastructure and Public Facilities that are not already funded by existing impact fee programs or other sources of revenues. To the extent the Master Developer constructs facilities included in the Railyards Impact Fee Program and subject to a credit and reimbursement agreement between the Master Developer and the City, the Master Developer will be eligible for credits against Railyards Impact Fee payments due. These credits could then be transferred to other parties or successors in ownership as individual Railyards development projects proceed. Presently there is no agreement in place to use Railyard Plan Area Fees other than for the park costs cited above. We recognize no further reimbursement for this source.

MLS/DRV Fund Sources: The developer reported funding sources from these entities/groups. We removed these reimbursements in our model.

CONCLUSION OF REIMBURSEMENTS

The developer has modeled $159.2 million in reimbursements from various sources to fund the remaining $172.2 million in projects (east and west of 7th Street) to be constructed. They recognize that future grants, impact, and plan area fees are probable sources for payment of infrastructure projects but has not modeled them into their budgets at this time. They ultimately believe that 100% of the project's approximate $172.2 million in infrastructure cost will be funded from existing or future sources to be found.

Most of the developer's recognized reimbursements are believed to be of high certainty of collection. The source with the highest risk of uncertainty is EIFD funds, as this is predicated on vertical improvements east of 7th Street. With DRV having ownership of the Railyards for approximately 6 years, their pace of finding funding sources has been good. The infrastructure development time period under the DRV's budget is 12 years. It is conceivable that DRV or a buyer of the project would find other funding sources to reduce the shortfall. It is also reasonable to believe that some recognized reimbursements in the budget will not come into fruition and some projects will be delayed as a result.

As additional support reimbursements we have reviewed the Updated Railyards Financing Plan ("URFP") dated June 2022. This table lists all the known remaining construction projects in 2022 for the Railyards and likely sources to fund the projects. Shown on the following page is Table 5-1 from the Updated Railyards Financing Plan.

Economic & Planning Systems, Inc. (EPS) prepared the URFP dated June 2022. This document was subsequently approved by the Sacramento City Council. Given the plan was likely vetted by a number of City departments, private individual and various companies contributing to the report we believe it deserves consideration. A summary of remaining costs and un-funded projects indicates the following:

- $369 million in remaining construction cost to be completed. This amount includes substantial projects to be constructed by the public and/or paid from city fee programs well. As presented earlier (page 70), the adjusted amount of infrastructure from this schedule was $176 million as compared to $172 million from DRV's reported cost estimate.

- Developer net funded cost of $52.6 million. This is compared to our estimate of $94.2 million ($172.2 million cost - $78.2 million reimbursements).

The information from the URFP generally supports the developer's opinion that most of construction infrastructure would be funded from various funding sources. We believe a buyer of the property would likely only recognize existing in-place funding sources and treat possible higher or lower reimbursements as a risk factor in developing our concluded discount rate.

Report: Railyards Finance Plan—2022 Update
June 2022

Table 5-1 Estimated Project Requirements and Funding Summary

Item	Estimated Improvement Costs (2021$)	ESTIMATED PROJECT REQUIREMENTS AND FUNDING – Developer Funding via Construction and Fee Payments – Project-Based Funding: Proposed Railyards Impact Fee [1]	Courthouse Obligation (RIF) [2]	Railyards CFD [3]	City Fees: Park Impact Fees [4]	Combined Sewer System	Transportation Development Impact Fee	Water	Other Fee Programs: Subregional Corridor Mitigation Program	School Mitigation Fees	Subtotal Plan Area and Fee Payments	Other City/Successor Agency: Restructured OPA Revenue [5]	Stadium Area EIFD [6]	Other Funding Sources: Regional, State, and Federal [7]	Other [8]	Private Developer Equity	Surplus/ (Shortfall)
COMPLETED																	
Completed Infrastructure Improvements																	
On-Site Roadways	$105,777,000	-	-	-	-	-	-	-	-	-	$0	$20,644,000	-	$78,961,000	-	$6,172,000	-
I-5/Richards Interchange	$13,000,000	-	-	-	-	-	-	-	-	-	$0	-	-	$13,000,000	-	-	-
On-Site Sanitary Sewer	$3,193,000	-	-	-	-	$2,366,000	-	-	-	-	$2,366,000	-	-	-	-	$827,000	-
Off-Site Sanitary Sewer	$14,558,000	-	-	-	-	$14,558,000	-	-	-	-	$14,558,000	-	-		-	-	-
Other Transit Facilities	$232,700,000	-	-	-	-	-	-	-	-	-	$0	-	-	$232,700,000	-	-	-
Total Completed Infrastructure Improvements	$369,228,000	$0	$0	$0	$0	$16,924,000	$0	$0	$0	$0	$16,924,000	$20,644,000	$0	$324,661,000	$0	$6,999,000	$0
Remaining Backbone Infrastructure Improvements																	
Transportation																	
On-Site Roadways	$138,507,000	-	$2,023,000	$6,064,000	-	-	-	-	-	-	$8,087,000	$39,356,000	$27,470,000	$41,297,000	-	$22,297,000	-
I-5/Richards Interchange	$9,568,000	$9,213,000	$355,000	-	-	-	-	-	-	-	$9,568,000	-	-	-	-	-	-
Freeways	$26,591,000	-	-	-	-	-	-	-	$26,591,000	-	$26,591,000	-	-	-	-	-	-
Other Roadway Contributions [9]	$2,016,000	-	-	-	-	-	$2,016,000	-	-	-	$2,016,000	-	-	-	-	-	-
Total Transportation	**$176,682,000**	**$9,213,000**	**$2,378,000**	**$6,064,000**	**$0**	**$0**	**$2,016,000**	**$0**	**$26,591,000**	**$0**	**$46,262,000**	**$39,356,000**	**$27,470,000**	**$41,297,000**	**$0**	**$22,297,000**	**$0**
Storm Drainage	$35,278,000	-	-	$29,773,000	$0	$0	$0	$0	-	-	**$29,773,000**	-	-	$1,094,000 [10]	-	$4,411,000	**$0**
Sanitary Sewer																	
On-Site Sanitary Sewer	$1,166,000	-	-	-	-	$1,057,000	-	-	-	-	$1,057,000	-	$109,000	-	-	-	-
Other Sanitary Sewer	$14,119,000	-	-	-	-	$14,119,000	-	-	-	-	$14,119,000	-	-	-	-	-	-
Total Sanitary Sewer	**$15,285,000**	**$0**	**$0**	**$0**	**$0**	**$15,176,000**	**$0**	**$0**	**$0**	**$0**	**$15,176,000**	**$0**	**$109,000**	**$0**	**$0**	**$0**	**$0**
Water	**$822,000**	$0	$0	$0	$0	$0	$0	$822,000	-	-	**$822,000**	-	-	-	-	-	**$0**
Total Backbone Infrastructure Improvements	**$228,067,000**	**$9,213,000**	**$2,378,000**	**$35,837,000**	**$0**	**$15,176,000**	**$2,016,000**	**$822,000**	**$26,591,000**	**$0**	**$92,033,000**	**$39,356,000**	**$27,579,000**	**$42,391,000**	**$0**	**$26,708,000**	**$0**
Public Facilities Improvements																	
LRT Stations	$2,960,000	-	-	-	-	-	-	-	-	-	$0	-	$254,000	$2,706,000	-	-	-
Other Transit Facilities	$3,300,000	-	-	-	-	-	-	-	-	-	$0	-	-	-	$3,000,000	$300,000	-
Community Center/Library	$7,196,000	$2,889,000	-	-	$4,307,000	-	-	-	-	-	$7,196,000	-	-	-	-	-	-
Parks and Open Space	$53,560,000	$19,434,000	-	-	$7,236,000	-	-	-	-	-	$26,670,000	-	$314,000	-	$7,973,000	$18,603,000	-
Schools	$36,417,000	-	-	-	-	-	-	-	-	$36,417,000	$36,417,000	-	-	-	-	-	-
Police Station	$8,069,000	$8,069,000	-	-	-	-	-	-	-	-	$8,069,000	-	-	-	-	-	-
Fire Station	$5,864,000	$5,864,000	-	-	-	-	-	-	-	-	$5,864,000	-	-	-	-	-	-
Total Public Facilities Improvements	**$117,366,000**	**$36,256,000**	**$0**	**$0**	**$11,543,000**	**$0**	**$0**	**$0**	**$0**	**$36,417,000**	**$84,216,000**	**$0**	**$568,000**	**$2,706,000**	**$10,973,000**	**$18,903,000**	**$0**
Subtotal Remaining Infrastructure and Public Facilities	$345,433,000	$45,469,000	$2,378,000	$35,837,000	$11,543,000	$15,176,000	$2,016,000	$822,000	$26,591,000	$36,417,000	$176,249,000	$39,356,000	$28,147,000	$45,097,000	$10,973,000	$45,611,000	$0
TOTAL COMPLETED AND BUILDOUT IMPROVEMENTS	$714,661,000	$45,469,000	$2,378,000	$35,837,000	$11,543,000	$32,100,000	$2,016,000	$822,000	$26,591,000	$36,417,000	$193,173,000	$60,000,000	$28,147,000	$369,758,000	$10,973,000	$52,610,000	$0

Source: Sacramento Railyards Land Use/Density Allocation EIR Analysis Scenario Option 1 - No Berm.; DKS SCMP Nexus Study; May 2016 Kimley-Horn and Assoc. Sanitary Sewer Master Plan; City of Sacramento cost estimates; EPS.

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Based on our analysis and discussion with city staff, we utilized the developer reported funding sources in our model with the following adjustments applied:

Summary of Reimbursement Adjustments					
Funding Source	Developer's Estimate	Appraiser's Adjustment	Reason for Deduction	Certainty of Receiving	Final Reimbursement Utilized
Natural Resource Grant	$30,025,393	-$750,000	City Resouces for $750,000	Very High	$29,275,393
HCD & TIRCP Grant	$18,097,506	-$1,300,000	Amount used for Storm drain	Very High	$16,797,506
OPA	$8,359,390	-$8,359,390	No funds remaining		$0
EIFD	$40,689,898	-$40,689,898	Preliminary, not approved by city		$0
City Loan	$27,208,667	-$27,208,667	Based on MLS, too speculative		$0
Courthouse Fee	$2,000,000	$0		Very High	$2,000,000
MLS	$1,784,550	-$1,784,550	Based on MLS, too speculative		$0
DRV	$31,056,227	-$31,056,227	Developer Funds		$0
Park/Railyards Fees	$0	$30,091,214		Contingent on Performance	$30,091,214
CFD	$20,450,000	-$20,450,000	Used to Off-set storm drain costs		$0
Total	$179,671,631	$101,507,518			$78,164,113

Sacramento Railyards Reimbursement Schedule and Budget

Description	Estimate	Funding Source	Grant	CFD	EIFD	Courthouse Fee	City loan	State Grant	OPA	MLS	DRV	Total
Drainage Pump Station (in and out of water)	34,000,000	CFD		20,450,000	-	2,000,000	-	-	8,359,390	-	-	**30,809,390**
Berm Replacement Contour & 7th Street Gate (Flood wall/gate	2,302,300	State Grant	-	-	-	-	-	1,599,650	-	-		**1,599,650**
N B Street 7th Street to 8th Street	2,277,900	State Grant	-	-	-	-	-	2,277,900	-	-		**2,277,900**
N B Street 8th to 10th	2,427,400	State Grant	-	-	-	-	-	2,427,400	-	-		**2,427,400**
S Park 6th to 7th	2,860,950	State Grant	-	-	-	-	-	2,636,700	-	-		**2,636,700**
6th Street Railyards to NB	7,052,450	City Loan	-	-	-	-	5,288,350	-	-	-		**5,288,350**
Railyards Blvd 7th Street to 10th Street	6,624,400	City Loan	-	-	-	-	6,624,400	-	-	-		**6,624,400**
South Park Paseo (Public)	313,950	City Loan	-	-	-	-	313,950	-	-	-		**313,950**
South Park Paseo (Private)	1,814,450	MLS	-	-	-	-	-	-	-	-		**-**
7 Street pump station	553,150	City Loan	-	-	-	-	553,150	-	-	-		**553,150**
10th Street To Boundary	2,672,100	City Loan	-	-	-	-	2,672,100	-	-	-		**2,672,100**
Dos Rios Road Striping	254,500	City Loan	-	-	-	-	254,500	-	-	-		**254,500**
East RT Station	3,915,675	EIFD	2,706,165	-	253,935	-	-	-	-	-		**2,960,100**
7Th Street Widening (NOTA 7th Street)	6,082,250	City Loan	3,687,683	-	-	-	1,811,517	-	-	-		**5,499,200**
6th Street Buffered Bike Lane and Bike Lane Easement	1,919,100	Grant	1,581,864	-	-	-	-	-	-	-		**1,581,864**
7Th Street Water Line	867,100	State Grant	-	-	-	-	-	1,043,859	-	-		**1,043,859**
Camille & Stevens 5th to 6th (NOTA I-C)	5,315,000	EIFD	2,274,497	-	2,367,003	-	-	-	-	-		**4,641,500**
5th Street Railyards to N B street (roadway/finish)	2,308,000	State Grant	-	-	-	-	-	2,308,000	-	-		**2,308,000**
Stanford and Stevens Private Streets -Public funding TBD	6,744,000	DRV	-	-	-	-	-	-	-	-		**-**
Stanford Bercut to Camille	3,139,500	DRV	-	-	-	-	-	-	-	-		**-**
Stanford Intersection Relocation at railyards	822,250	State Grant	-	-	-	-	-	822,250	-	-		**822,250**
Lot 21b (east)	4,610,650	DRV	-	-	-	-	-	-	-	-		**-**
Camille Bercut to 5th	9,452,000	State Grant	4,847,297	-	-	-	-	5,086,734	-	-		**9,934,031**
Intermodal Tunnel Entrance	3,300,000	EIFD	3,000,000	-	300,000	-	-	-	-	-		**3,300,000**
Judah Street	2,053,500	State Grant	-	-	-	-	-	2,053,500	-	-		**2,053,500**
Lot 21a	2,795,650	DRV	-	-	-	-	-	-	-	-		**-**
Lot 21c	2,801,700	DRV	-	-	-	-	-	-	-	-		**-**
Huntington Street	1,805,000	City Loan	-	-	-	-	1,805,000	-	-	-		**1,805,000**
Trunk Sewer 7 Street To The End Of 10 Street.	1,166,100	City Loan	-	-	-	-	1,166,100	-	-	-		**1,166,100**
8th Street	5,288,350	City Loan	-	-	-	-	5,288,350	-	-	-		**5,288,350**
Shift Lanes Railyards	852,150	EIFD	-	-	852,150	-	-	-	-	-		**852,150**
Lot 1 Under I-5 experience	2,284,874	EIFD	-	-	2,284,874	-	-	-	-	-		**2,284,874**
Lot 31Under I-5 experience	3,333,071	EIFD	-	-	3,333,071	-	-	-	-	-		**3,333,071**
Lot 33a Under I-5 experience	1,136,982	EIFD	-	-	1,136,982	-	-	-	-	-		**1,136,982**
Lot 33b Under I-5 experience	1,822,286	EIFD	-	-	1,822,286	-	-	-	-	-		**1,822,286**
Lot 60 Vista Connector to 4Way	268,809	EIFD	-	-	268,809	-	-	-	-	-		**268,809**
Vista Park	10,247,433	EIFD	-	-	10,247,433	-	-	-	-	-		**10,247,433**
Park Lot 58A	1,174,209	EIFD	-	-	1,174,209	-	-	-	-	-		**1,174,209**
Park Lot 57A	352,550	EIFD	-	-	352,550	-	-	-	-	-		**352,550**
Park Lot 68	1,269,436	EIFD	-	-	1,269,436	-	-	-	-	-		**1,269,436**
Park Lot 70	245,249	EIFD	-	-	245,249	-	-	-	-	-		**245,249**
N B Street 6th to 7th	1,829,400	State Grant	-	-	-	-	-	2,711,450	-	-		**2,711,450**
N B Street 5th to 6th	3,473,900	State Grant	-	-	-	-	-	3,473,900	-	-		**3,473,900**
South Park 5th to 6th	3,927,900	State Grant	-	-	-	-	-	3,584,050	-	-		**3,584,050**
South Park Storm Drain 5th to 6th	523,250	EIFD	-	-	523,250	-	-	-	-	-		**523,250**
Lot 32 Plaza (State Parks Museum)	4,551,177	DRV	-	-	-	-	-	-	-	-		**-**
Lot 30 (State Parks Museum ERE Portion)	3,421,840	EIFD	-	-	3,421,840	-	-	-	-	-		**3,421,840**
Railyards Blvd 10 Street to 12 Street	3,025,400	EIFD	-	-	3,025,400	-	-	-	-	-		**3,025,400**
Lot 34 Riverfront Park	738,924	EIFD	-	-	738,924	-	-	-	-	-		**738,924**
Lot 35 Sac River Connection	3,795,549	EIFD	-	-	3,795,549	-	-	-	-	-		**3,795,549**
Lot 21b (west)	1,973,400	DRV	-	-	-	-	-	-	-	-		**-**
Lot 21b (interior plaza and South)	4,440,150	DRV	-	-	-	-	-	-	-	-		**-**
Lot 53- open space along RY Blvd from 10th to 12th	167,347	EIFD	-	-	167,347	-	-	-	-	-		**167,347**
Bercut from Camille to End	2,403,000	CFD	-	-	-	-	-	-	-	-		**-**
Extension Of 10th Street	1,446,200	City Loan	-	-	-	-		-	-	-		**-**
Drain Line SOTA	4,110,900	EIFD	-	-	3,109,600	-	1,431,250	-	-	-		**4,540,850**
Construction Completed & Bond Proceeds for Pump Station	(34,000,000)											
Cost Adjustment												**(3,177,040)**
HCD Adjustment			(1,300,000)									**1,877,031**
OPA Adjustment									(8,359,390)			**(8,359,390)**
EIFD Adjustment					(40,689,898)							**(40,689,898)**
Grant Adjustment								(750,000)				**(750,000)**
CFD Adjustment				(20,450,000)								**(20,450,000)**
City Loan Adjustment							(27,208,667)					**(27,208,667)**
Park Fee Adjustment					30,091,214							**30,091,214**
Appraiser's Adjusted Amount			16,797,506	-	30,091,214	2,000,000	-	29,275,393	-	-	-	**78,164,104**

EXPENSES (SELLING AND HOLDING COSTS)

The holding and selling costs typically associated with a development where lot construction is complete are summarized as follows:

MARKETING AND SALES COMMISSIONS

Sales commissions, closing costs and warranty expenses typically are paid at a lot closing. We estimate previously estimated sales commissions at 3.00% of gross revenue.

GENERAL ADMINISTRATION & OVERHEAD COSTS

This category includes all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. Total G&A expenses are estimated to be 3% of lot sale revenue.

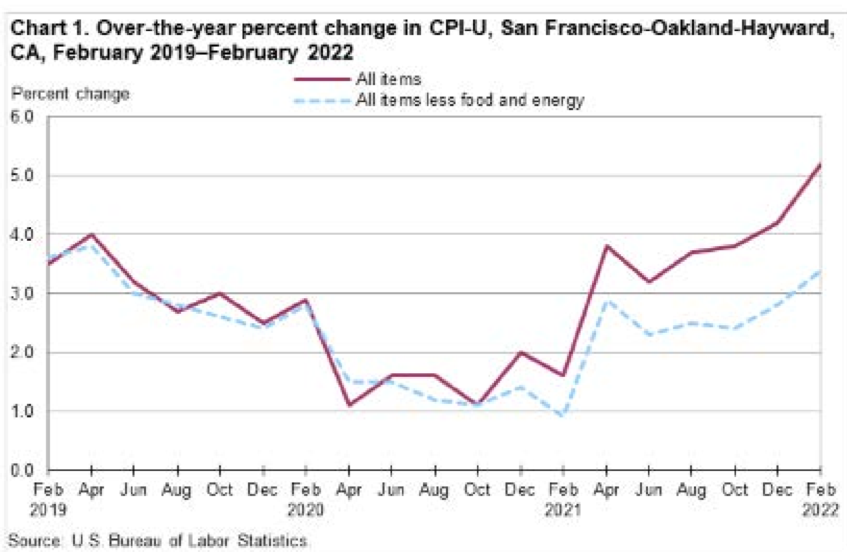
REAL ESTATE TAXES

The subject's taxes are estimated based on the current tax rate of around 1.1167% applied to the estimated market value. Taxes have been applied to the remaining unclosed lots each year based on the final value estimate. Taxes are appreciated 2% every year. Current direct assessments are $0.04 per square foot for DRV owned land. We also apply this tax on unsold land.

The CFD taxes are based on a maximum tax of $0.435 per square foot of land. We apply this amount to unsold lots. We deduct one year of CFD taxes as they intend to be capitalized in the bond sale.

CHANGES IN CONSTRUCTION COSTS

The best source for determining changes is the CPI Index for the San Francisco Area. Below is a CPI index graph for the past several years.



Since 2011 the annual CPI index rose from 233.39 to 320.195 for year 2021. This indicates an average annual increase of 3.7% over this ten-year period. From February 2021 to February 2022, the CPI increase was 5.2% Developers have reported above average increases in raw material prices over the last 12 months. As the market adjusts, we expect lower increases over the next 12-24 months. According to PwC 4Q 2021 report, investors are using an average expense increase of 3.4% for development expenses. Given the long duration of the sell-out, we have utilized a 3% annual increase in expenses.

PRICE CHANGES

Land values regionwide have been increasing almost every year since coming out of the recession in 2012. An analysis of land sale data in the Sacramento MSA show average land sale appreciation prices of 4.5% annually or 6.5% median increase over the past 20 years based on land sale data from Costar. The chart below breaks out the year in period of cycle. These indicate the following land price trends:

Year	Cycle	Avg. Annual Price Appreciation
2000 - 2006	Expansion Period	16.1%
2007-2011	Recession	-16.2%
2012-Current	Expansion Period	9.2%

Our analysis period is 18 years. We estimate the Sacramento region will continue to be in an expansion period for at least the next several years. No foreseeable recession is forecast over the short term. For the duration of the sell-out period we believed there will be cycle changes where land prices will increase and decrease. Market participants generally forecast appreciation at lower end of estimates for long absorption periods. According to PwC 4Q 2021 report, investors are using an average increase of 4.0% in their lot pricing models. For the Railyards, there is a high probability that land prices will escalate higher as more properties are developed. While this is a high probability, we have not modeled this additional land price appreciation, but rather considered this upside potential in the discount rate. Based on review of land price trends, we estimate an annual increase of 3% annually.

Land Sale Price Trends - Sacramento MSA							
Period	# of Transactions	Sales Volume	Average Sale Price	Land Acres	Average Acres	Median Price Per Land SF	% Chng.
2021 YTD	270	$630,311,560	$2,583,244	9,635.6	36.5	$5.97	13.1%
2020	304	$792,228,918	$3,023,774	6,738.8	22.3	$5.28	-10.5%
2019	496	$976,368,484	$2,352,695	11,423.1	23.3	$5.90	20.2%
2018	469	$659,182,610	$1,851,637	7,983.4	17.2	$4.91	-7.5%
2017	415	$564,855,860	$1,934,438	7,987.5	19.4	$5.31	-30.5%
2016	397	$397,509,045	$1,445,487	4,848.0	12.3	$7.64	32.6%
2015	333	$442,944,706	$1,807,938	6,769.2	20.3	$5.76	25.2%
2014	233	$266,903,850	$1,482,799	2,956.1	12.7	$4.60	27.1%
2013	238	$275,014,839	$1,502,813	7,234.6	30.4	$3.62	12.8%
						Average	9.2%
2012	232	$170,142,554	$1,394,611	14,643.6	63.1	$3.21	-10.1%
2011	126	$108,859,193	$1,395,631	3,142.6	24.9	$3.57	-9.2%
2010	127	$180,637,016	$1,963,446	4,793.5	37.7	$3.93	-41.2%
2009	111	$97,620,254	$1,251,542	1,848.7	16.7	$6.68	-41.0%
2008	136	$223,442,260	$2,256,993	2,703.2	20.0	$11.33	6.1%
2007	210	$319,770,779	$2,036,757	3,846.2	18.8	$10.68	-1.9%
						Average	-16.2%
2006	140	$326,707,507	$2,840,935	3,037.2	22.5	$10.89	44.2%
2005	168	$362,019,079	$2,220,976	2,310.7	13.8	$7.55	42.7%
2004	222	$418,361,178	$1,945,866	14,950.4	68.9	$5.29	15.3%
2003	307	$463,268,375	$1,523,909	3,908.3	12.7	$4.59	8.3%
2002	245	$341,782,230	$1,406,511	5,498.7	22.4	$4.24	6.5%
2001	152	$194,942,559	$1,291,010	7,008.5	46.4	$3.98	-20.2%
2000	164	$162,423,597	$990,388	1,917.7	11.9	$4.99	16.1%

DISCOUNT RATE/DEVELOPER PROFIT

The final element in the discounted cash flow analysis is the discount rate that is applied to the individual cash flows. Discount rates applied typically in one of two ways: (1) an overall discount rate (IRR) inclusive of profit and the cost of funds of money; or (2) a bifurcated discount rate that is net of profit and represents the cost of funds of money only. The latter may be applied with a profit net of debt only, where the discount rate represents the cost of debt only, or it may be applied with a profit net of debt and equity, where the discount rate represents the blended cost of debt and equity.

In this analysis we utilize an overall discount rate. One of the best sources for determining appropriate discount rate is investor surveys. We have considered the PwC Real Estate Investor Survey and Realty Rates and BBG surveys for determination of the discount rate.

PUBLISHED SURVEYS

Survey	Rate	Comment
PwC Real Estate Investor Survey 4th Quarter 2021	10% - 30%, with an average of 16.8%	Up 120 basis points from 2nd Quarter
Realty Rates 4th Quarter 2021	15.80%- 32.7%, 22.88% average	California/Pacific Islands Region Subdivisions/PUDs, -100 units

The specific investor responses from the PwC Survey are shown on the following page. The subject is expected to have a discount rate toward the upper end of the range.

The five developer responses from PwC had discount rates indicators from 10% to 30%. We examine the four developer responses that invest in commercial property.

Private Investment Company: This company invests in retail projects from one to 15 acres. Their preferred absorption period is 1 to 5 years with properties concentrated in Texas. They reported a discount rate of 17%.

Developer 1: This company invests in industrial and commercial projects from 5 to 250 acres. Their preferred absorption period is over 20 years with properties concentrated in the Midwest. They reported a discount rate range from 10% - 20%, with a mid-point of 15%.

Developer 2: This company invests in office, industrial and R&D projects from 1 to 400 acres. Their preferred absorption period is over 1-5 years with properties concentrated in Arizona, California, and Washington. They reported a discount rate range from 10% - 14%, with a mid-point of 12%.

Developer 3: This company invests in industrial projects with value of land under development between $225 to $250 million. Their preferred absorption period is over 1-5 years with properties concentrated in Texas. They reported a discount rate range from 12% - 30%, with a midpoint of 21%.

The four investment/developer survey responses have mid-point discount rates ranging from 12% to 21% with an average of 16.25% and a median of 16%.

NATIONAL DEVELOPMENT LAND MARKET – SELECT SURVEY RESPONSES

Fourth Quarter 2021

	PROPERTY TYPES	PREFERRED ABSORPTION	CHANGE RATES		MARKET CONDITIONS	DISCOUNT RATE (IRR)		FORECAST VALUE CHANGE NEXT 12 MONTHS	MARKETING PERIOD
		YEARS	LOT PRICES	DEVELOPMENT COSTS (1)	FAVOR	FREE & CLEAR	DEVELOPER' PROFIT	RANGE	MONTHS
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared subject to financing; project size ranges from 300 to 2000 acres; value of land currently under development ranges from $400.0 million to $2.0 billion; development is concentrated in Hawaii, California, Mexico, Montana, New York, Nevada, Texas, and Tennessee.	Single-family luxury	11 to 20	3.0% to 5.0%	3.0% to 5.0%	Sellers	18.00% to 20.00%	Included in the discount rate	10.0% to 25.0%	1 to 6
PRIVATE INVESTMENT COMPANY Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from one to 15 acres; value of land currently under development ranges from $5.0 to $10.0 million; prefers Texas markets.	Retail	1 to 5	0.0%	% of specific revenue	Buyers	17.00%	Included in the discount rate	(5.0%) to 5.0%	3 to 12
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; project size ranges from 5 to 250 acres; value of land currently under development totals between $15.0 and $20.0 million; development is concentrated in the Midwest.	Industrial and commercial	Over 20	2.5%	% of specific revenue	Buyers	10.00% to 20.00%	Included in the discount rate	Did not disclose	7 to 12
DEVELOPER Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from 1 to 400 acres; development is concentrated in Arizona, California, and Washington; value of land currently under development ranges from $25.0 to $30.0 million.	Office; industrial; R & D; housing	1 to 5	6.0% to 10.0%	5.0% to 10.0%	Both buyers and sellers equally	10.00% to 14.00%	Included in the discount rate	6.0% to 10.0%	6 to 12
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; value of land currently under development is between $225.0 and $250.0 million; development is concentrated in Texas.	Industrial	1 to 5	2.0% to 4.0%	0.0% to 3.0%	Sellers	12.00% to 30.00%	Included in the discount rate	0.0% to 5.0%	5 to 12

Source: Survey conducted by PwC during October 2021; (1) If a % is given it reflects the compound annual rate of growth applied to a specific dollar amount.

Rates of Return from Developments

Discount rates can also be derived from actual or projected results from other projects. This method has significant weaknesses as it simply reports the returns of investment as opposed to what buyers and sellers expect or want to achieve. According to The Appraisal of Real Estate, 14th Edition, "Historical yield rates derived from comparable sales may be relevant, but they reflect past, not future, benefits in the mind of the investor and may not be reliable indicators of the current required yield. Therefore, the estimation of yield rates for discounting cash flows should focus on the prospective or forecast yield rates anticipated by typical buyers and sellers of comparable investments."

Case Study 1: A major California developer invested in a +100-acre residential project in Northern California. Going into the project, the developer was anticipating returns above 10%. Their actual returns are in ±6% range. This case study is a good example on why achieved rates of returns are poor indicators for selecting a discount rate.

Case Study 2: In San Fransisco, Pier 70 is a 69-acre tract of land that is planned for redevelopment. In May 2018 the City of San Francisco entered into a development agreement (DA) with FC Pier 70 LLC (Forest City) for 28 acres of the project. The goal of the agreement was to allow the developer to build up to 1,070 condo units and 2.25 million square feet of office space. The infrastructure costs alone were $222 million. As part of the agreement, the developer was guaranteed an 18 percent return on its investment. Without knowing all of the details of this financial arrangement, this Case Study deserves minimal weight.

Factors Considered in Discount Rate

The following are some of the factors considered in selecting a discount rate for the Railyards.

Factors in Selection of Discount Rate	
Some Positive Factors (reduces discount rate)	**Some Negative Factors (increases discount rate)**
Sacramento is increasing in competitiveness from real estate prespective	64 acres to sell & or develop
Live Nation has signed a long-term lease at the Railyards	Kaiser's unknown development timing
Urban location with CBD Influence	16-year absorption period likely to go through development cycles
Central Shops highly desirable & linkage to Intermodal	Most construction cost are developer estimates with no bid/contracts
Substantial Amount of Infrastructure Completed	Limited buyer pool for bulk acquisition
Almost all entitlements completed	Feasibility of vertical development marginal
Several sources of funds to reduce remaining infrastructure costs	Will compete with Midtown and CBD where numerous other projects planned
Unidentified Fund Sources likely to be realized in the future	Parking Garage on Lot 17 a critical infrastruture analyzed separtely will be difficult to finance.
Good demand for buildout as reported by RCLCO & Others	Interest rate increases, inflation and recession fears
Above average land price appreciation as project matures	

Some discussions points regarding these factors are detailed as follows.

Sacramento Competitiveness: Sacramento is enjoying in-migration of population from the Bay Area. Some Bay area firms have opened offices in Sacramento. These trends are expected to continue due to the affordability factors as compared to the Bay area region.

Live Nation: The executed lease with Live Nation is a significant boost for the Railyards. Liam Thorton, Executive Vice-President, Development with Live Nation Entertainment reported their presence will provide momentum for development to be increased. Case Studies provided by CBRE provide evidence of the boost from other venue areas across the country.

Good Demand For Buildout: RCLCO market study demonstrated good demand for space for the Railyards. This was the same sentiment provided by interviews with DRV real estate brokers, Marriott representatives and Mr. Thorton with Live Nation.

Unidentified Funding Sources: We have identified 58% of the funding sources to pay for the $136 million in remaining infrastructure. DRV expects future funding sources to pay for all of the infrastructure. While we did not model any of the expected future funding, there will be future funding that will pay for the infrastructure. As such, the reimbursements are a low indicator, thus supporting a downward risk element in the cash flow.

Land Price Appreciation: As the Railyard is developed out, there will likely be moderate land price appreciations. In the DCF we modeled a 3% annual appreciation, whereas there are opinions from participants that higher increases could be achieved.

Kaiser's Development Timing: Kaiser's initial plan and announcement to develop a hospital at the Railyards was met with optimism. They have been silent on their current plans and almost no entitlement work has been submitted to the City of Sacramento. It is possible they could delay or cancel their development plans, which could have negative consequences for the build-out of the project. In RCLCO's Baseline forecast, they however believe the Railyards will still attract one or more anchor users over the lifecycle of the development. The negative (Kaiser's possible delay/possible cancellation) and the positives (other likely anchors) have been considered in arriving at the discount rate.

16-Year Absorption Period: The long-term absorption period will likely go through real estate cycles which would likely include a recession period. The DCF has not modeled any down cycle and as such this is a negative factor for the cash flow.

Feasibility Issues: As with most urban development there are feasibility issues for development of properties. These could be demand driven due to Covid, increasing construction costs, rents not achievable or a combination of these. Developers often make land purchase decisions even when there exist feasibility issues. Most recently, a Nashville development firm purchased 201 N Street in downtown Sacramento for $150 per square foot and plan to develop a 225-unit 28-story apartment tower and office building of 80,000 square feet on the site. Feasibility of this project is certainly an issue as no similar project in downtown Sacramento has been developed after paying a similar land price. What usually happens is that developer's will find ways to make projects feasible before construction commences. These could be waiting for rent growth to occur, pre-leasing, cost engineering, change in project scope, etc. While the Railyard will face feasibility issues, it is a development risk that most other properties encounter in downtown Sacramento.

Parking Garage on Lot 17: A structured parking garage is planned for Lot 17. This structure will be a necessary and critical infrastructure need for the Foundry, the Central Shops, the two planned hotels and other nearby developments. The parking garage will be the responsibility of the developer of the subdivision. As such, we have modeled the construction costs, revenue, and eventual sale of the parking garage in a separate DCF model. The parking structure will be the replacement of a temporary gravel surface parking lot that will be constructed for the Live Nation lease. Under existing and pending entitlements, DRV can only use the surface lots up until 2029. Earlier, we estimate a negative value associated with the development of the garage. The development risk for the garage has been accounted in the analysis. The negative value of -$6,200,000 will be deducted in period 0 of the cash flow.

Bifurcated Discount Rate Analysis

A Bifurcated Discount is an alternative method in arriving or testing a discount rate. Under this method, the cash flow is discounted: 1) at a cost of funds which usually represents a blend of debt and equity; and 2) line -item deduction for profit which is usually a percentage of the retail proceeds.

The cost of funds is a combination of debt cost and equity return. For a 50% loan at 4.0% interest /50% equity at 12%, the cost of funds is 8.0%. An 8% cost of funds is within the range other market participants utilize in these types of analysis.

For the line-item profit deduction, it varies by property type, risk level and time period for sell-out. A typical residential builder in the Sacramento area has been underwriting land development deals at 8-10% developer profit. The subject being a mixed use, urban project, above average development risk and 20-year sell-out period warrants a substantially higher profit deduction. Urban, ground up mixed use developments are the closest comparison to the Railyards. Generally, developers command between 15%-20% profit requirements above all costs.

As a test of reasonableness to a blended discount rate, we have performed calculation under the bifurcated discount rate analysis as discussed above. The following are the approximate profit indications for the subject analysis under a 20-year sell-out period:

18% Discount Rate = 8% cost of funds and 26.7% profit
19% Discount Rate = 8% cost of funds and 28.0% profit
20% Discount Rate = 8% cost of funds and 29.2% profit
21% Discount Rate = 8% cost of funds and 30.3% profit
22% Discount Rate = 8% cost of funds and 31.3% profit

We believe a discount rate of 20% is appropriate for the subject. This discount rate indicates a profit of 29.2% of retail value are deducted to arrive at a residual land value estimate. This is a high profit deduction, but one considered reasonable given the risk and long sell-out period.

DISCOUNT RATE CONCLUSION

We considered several different sources for purposes of deriving the discount rate. These are summarized as follows:

National Investor Survey from PwC Survey: The four investment/developer survey responses had mid-point discount rates ranging from 12% to 21% with an average of 16.25% and a median of 16%. The subject having above average risks warrants a discount rate higher than the central indicators of these respondents.

Market Participant Interviews: We conducted interviews with market participants regarding appropriate discount rates. The results of the market participant interviews ranged from 6.5% to 20%. The two respondents with significant experience with discount rates for land sell-out analyses reported a range from 15% to 20%. While these participants do not know all of the issues of the Railyards, most are knowledgeable local market participants who generally understand the risks for the subject.

Case Study 2: This is Sacramento's Pier 70 development consisting of 69 acres planned for redevelopment. This case has some of the same development risks as the subject. The developer was guaranteed an 18 percent return on its investment for its involvement. Minimal weight is given to this Case Study.

Bifurcated Discount Rate Analysis: A test using discount rates from 18%-22%, resulted in profit levels from 26.2% to 31.0%. The discount rate in the middle of the range at 20% resulted in a profit level of 28.8%. The analysis concluded profit deductions was reasonable supporting a 20% discount rate.

The subject warrants a discount rate at the upper end of the range of these sources. After considering all known factors we conclude to a discount rate of 20%.

ADJUSTMENT TO FINAL CASH FLOW

In the next section we analyze the Lot 17 parking garage. This analysis indicated a negative value of $6,200,000. As reported earlier, we make a deduction of this amount in period 0 of the cash flow.

AS-IS MARKET VALUATION - DRV - WEST OF 7TH STREET

	Period Ending	Jun-23		Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29
				Yr	Yr	Yr.	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period			**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Office & Retail - West of 7th Street		17.01		2.37	0.97	1.31	1.69	0.91	1.01	1.07	1.21
Residential - West of 7th Street		29.07		2.70	2.29	4.75	5.00	2.58	2.71	1.95	2.79
Central Shops		247,832.00		61,025.00	186,807.00	0.00	0.00	0.00	0.00	0.00	0.00
Hotel		7.33		0.00	0.00	0.48	1.02	0.63	0.70	0.77	0.77
Total Lots Sold (excludes Lot 17 & Mixed-use Income land dedication):		62.79		9.76	7.95	6.54	7.71	4.13	4.42	3.78	4.77
Total Period Inventory Beginning:		-		62.79	53.03	45.08	38.54	30.84	26.70	22.29	18.50
Remaining Acres											
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - West of 7th Street				$76.04	$78.33	$80.68	$83.10	$85.59	$88.16	$90.80	$93.53
Central Shops				$68.19	$70.24	$72.34	$74.51	$76.75	$79.05	$81.42	$83.87
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - West of 7th Street			$206,455,972	$16,805,284	$11,114,289	$22,981,039	$27,893,870	$15,400,043	$16,963,427	$14,964,645	$19,423,014
Central Shops				$4,600,000	$12,300,000	$0	$0	$0	$0	$0	$0
TOTAL REVENUE		$223,355,972		$21,405,284	$23,414,289	$22,981,039	$27,893,870	$15,400,043	$16,963,427	$14,964,645	$19,423,014
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$6,700,679		$642,159	$702,429	$689,431	$836,816	$462,001	$508,903	$448,939	$582,690
MARKETING/COMMISSIONS	3.0%	$6,700,679		$642,159	$702,429	$689,431	$836,816	$462,001	$508,903	$448,939	$582,690
AD VALOREM		$2,945,009		$514,260	$443,013	$384,001	$334,612	$272,758	$240,594	$204,446	$172,770
RAILYARDS MAINTENANCE CFD No. 2014-04		$5,643,479		$977,282	$798,734	$653,333	$705,119	$564,133	$488,562	$407,745	$338,526
RAILYARDS CFD No. 2018-1		$6,813,242		$1,189,733	$1,024,905	$888,383	$774,120	$631,023	$556,612	$472,984	$399,702
CAPITALIZED CFD INTEREST		($2,214,638)		($1,189,733)	($1,024,905)	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$150,941,207		$13,994,242	$11,082,448	$21,203,383	$13,035,256	$20,650,595	$13,741,990	$14,100,477	$14,194,819
REIMBURSEMENTS		($78,164,113)		($7,258,571)	($9,949,151)	($12,382,526)	($7,155,862)	($11,046,679)	($7,810,811)	($7,810,811)	($7,810,811)
TOTAL EXPENSES		$99,365,544		$9,511,529	$3,779,901	$12,125,437	$9,366,876	$11,995,833	$8,234,753	$8,272,718	$8,460,387
NET INCOME		$123,990,428		$11,893,755	$19,634,387	$10,855,602	$18,526,994	$3,404,210	$8,728,674	$6,691,927	$10,962,627
PRESENT VALUE FACTOR	20.0%			0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908	0.23257
DISCOUNTED CASH FLOW at 20%		$52,251,715		$9,911,462	$13,634,991	$6,282,177	$8,934,700	$1,368,076	$2,923,215	$1,867,594	$2,549,557
LESS: PARKING GARAGE OBLIGATION		$6,200,000									
INDICATED VALUE		**$46,051,715**									
ROUNDED		**$46,000,000**									

Discount Rate	**Value Conclusion**	**Indicated Profit Ratio**
18.0%	$49,686,807	26.70%
19.0%	$47,813,901	28.00%
20.0%	**$46,051,715**	**29.20%**
21.0%	$44,391,369	30.30%
22.0%	$42,824,836	31.30%

AS-IS MARKET VALUATION - DRV - WEST OF 7TH STREET

	Period Ending	Jun-23		Jun-30	Jun-31	Jun-32	Jun-33	Jun-34	Jun-35	Jun-36	Jun-37
				Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period			**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Office & Retail - West of 7th Street		17.01		1.27	1.33	1.47	1.53	0.88	0.00	0.00	0.00
Residential - West of 7th Street		29.07		2.75	1.54	0.00	0.00	0.00	0.00	0.00	0.00
Central Shops		247,832.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hotel		7.33		0.33	0.33	0.33	0.37	0.33	0.40	0.37	0.50
Total Lots Sold (excludes Lot 17 & Mixed-use Income land dedication):		62.79		4.35	3.20	1.80	1.89	1.21	0.40	0.37	0.50
Total Period Inventory Beginning:		-		13.74	9.38	6.18	4.38	2.48	1.27	0.87	0.50
Remaining Acres											
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - West of 7th Street				$96.33	$99.22	$102.20	$105.26	$108.42	$111.67	$115.02	$118.48
Central Shops				$86.38	$88.97	$91.64	$94.39	$97.22	$100.14	$103.15	$106.24
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - West of 7th Street			$206,455,972	$18,261,471	$13,837,467	$8,029,755	$8,687,892	$5,730,394	$1,945,815	$1,837,174	$2,580,394
Central Shops				$0	$0	$0	$0	$0	$0	$0	$0
TOTAL REVENUE		$223,355,972		$18,261,471	$13,837,467	$8,029,755	$8,687,892	$5,730,394	$1,945,815	$1,837,174	$2,580,394
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$6,700,679		$547,844	$415,124	$240,893	$260,637	$171,912	$58,374	$55,115	$77,412
MARKETING/COMMISSIONS	3.0%	$6,700,679		$547,844	$415,124	$240,893	$260,637	$171,912	$58,374	$55,115	$77,412
AD VALOREM		$2,945,009		$130,505	$90,695	$60,765	$43,754	$25,228	$13,113	$9,128	$5,366
RAILYARDS MAINTENANCE CFD No. 2014-04		$5,643,479		$251,302	$171,683	$113,109	$80,110	$45,445	$23,247	$15,929	$9,221
RAILYARDS CFD No. 2018-1		$6,813,242		$301,921	$209,821	$140,579	$101,224	$58,365	$30,337	$21,117	$12,415
CAPITALIZED CFD INTEREST		($2,214,638)		$0	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$150,941,207		$10,126,720	$6,125,723	$6,270,425	$6,415,129	$0	$0	$0	$0
REIMBURSEMENTS		($78,164,113)		($6,938,890)	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$99,365,544		$4,967,247	$7,428,170	$7,066,664	$7,161,490	$472,862	$183,447	$156,405	$181,826
NET INCOME		$123,990,428		$13,294,224	$6,409,297	$963,091	$1,526,401	$5,257,532	$1,762,368	$1,680,769	$2,398,568
PRESENT VALUE FACTOR	20.0%			0.19381	0.16151	0.13459	0.11216	0.09346	0.07789	0.06491	0.05409
DISCOUNTED CASH FLOW at 20%		$52,251,715		$2,576,510	$1,035,137	$129,621	$171,196	$491,389	$137,265	$109,091	$129,733
LESS: PARKING GARAGE OBLIGATION		**$6,200,000**									
INDICATED VALUE		**$46,051,715**									
ROUNDED		**$46,000,000**									

Discount Rate	Value Conclusion	Indicated Profit Ratio
18.0%	$49,686,807	26.70%
19.0%	$47,813,901	28.00%
20.0%	**$46,051,715**	**29.20%**
21.0%	$44,391,369	30.30%
22.0%	$42,824,836	31.30%

	Cash Flows with Revised Taxes			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**
	18.00%		$124,222,988	$11,934,348	$19,669,357	$10,885,913	$18,553,406	$3,425,741	$8,747,666	$6,708,065	$10,976,265
Cash Flow with Revised Taxes	19.00%		$124,103,212	$11,913,433	$19,651,339	$10,870,296	$18,539,798	$3,414,648	$8,737,881	$6,699,750	$10,969,238
	20.00%		$123,990,516	$11,893,755	$19,634,387	$10,855,602	$18,526,994	$3,404,210	$8,728,674	$6,691,927	$10,962,627
	21.00%		$123,884,334	$11,875,214	$19,618,415	$10,841,757	$18,514,930	$3,394,376	$8,720,000	$6,684,556	$10,956,398
	22.00%		$123,784,151	$11,857,720	$19,603,345	$10,828,695	$18,503,547	$3,385,098	$8,711,816	$6,677,601	$10,950,521
	PV Factors			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**
	18.0%			0.84746	0.71818	0.60863	0.51579	0.43711	0.37043	0.31393	0.26604
	19.0%			0.84034	0.70616	0.59342	0.49867	0.41905	0.35214	0.29592	0.24867
	20.0%			0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908	0.23257
	21.0%			0.82645	0.68301	0.56447	0.46651	0.38554	0.31863	0.26333	0.21763
	22.0%			0.81967	0.67186	0.55071	0.45140	0.37000	0.30328	0.24859	0.20376
	Present Values			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**
revised's PV	18.00%	$49,686,807		$10,113,854	$14,126,226	$6,625,503	$9,569,641	$1,497,423	$3,240,411	$2,105,830	$2,920,105
	19.00%	$47,813,901		$10,011,288	$13,877,085	$6,450,606	$9,245,218	$1,430,906	$3,076,978	$1,982,576	$2,727,726
	20.00%	$46,051,718		$9,911,462	$13,634,991	$6,282,177	$8,934,700	$1,368,076	$2,923,215	$1,867,594	$2,549,557
	21.00%	$44,391,369		$9,814,226	$13,399,641	$6,119,889	$8,637,351	$1,308,679	$2,778,461	$1,760,252	$2,384,431
	22.00%	$42,824,836		$9,719,443	$13,170,751	$5,963,437	$8,352,484	$1,252,484	$2,642,103	$1,659,975	$2,231,291

	Cash Flows with Revised Taxes			**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**
	18.00%		$124,222,988	$13,304,525	$6,416,456	$967,888	$1,529,855	$5,259,524	$1,763,403	$1,681,490	$2,398,992
Cash Flow with Revised Taxes	19.00%		$124,103,212	$13,299,218	$6,412,767	$965,417	$1,528,076	$5,258,498	$1,762,870	$1,681,118	$2,398,773
	20.00%		$123,990,516	$13,294,224	$6,409,297	$963,091	$1,526,401	$5,257,532	$1,762,368	$1,680,769	$2,398,568
	21.00%		$123,884,334	$13,289,519	$6,406,027	$960,901	$1,524,824	$5,256,623	$1,761,895	$1,680,440	$2,398,375
	22.00%		$123,784,151	$13,285,079	$6,402,942	$958,834	$1,523,335	$5,255,764	$1,761,449	$1,680,129	$2,398,192
	PV Factors			**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**
	18.0%			0.22546	0.19106	0.16192	0.13722	0.11629	0.09855	0.08352	0.07078
	19.0%			0.20897	0.17560	0.14757	0.12400	0.10421	0.08757	0.07359	0.06184
	20.0%			0.19381	0.16151	0.13459	0.11216	0.09346	0.07789	0.06491	0.05409
	21.0%			0.17986	0.14864	0.12285	0.10153	0.08391	0.06934	0.05731	0.04736
	22.0%			0.16702	0.13690	0.11221	0.09198	0.07539	0.06180	0.05065	0.04152
	Present Values			**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**
revised's PV	18.00%	$49,686,807		$2,999,586	$1,225,957	$156,719	$209,926	$611,618	$173,782	$140,431	$169,792
	19.00%	$47,813,901		$2,779,095	$1,126,097	$142,462	$189,488	$547,963	$154,370	$123,707	$148,333
	20.00%	$46,051,718		$2,576,510	$1,035,137	$129,621	$171,196	$491,389	$137,265	$109,091	$129,733
	21.00%	$44,391,369		$2,390,237	$952,215	$118,043	$154,809	$441,059	$122,176	$96,304	$113,593
	22.00%	$42,824,836		$2,218,838	$876,559	$107,593	$140,113	$396,240	$108,851	$85,103	$99,570

CONCLUSION OF SUBDIVISION METHOD – DRV OWNERSHIP – WEST OF 7TH STREET

A discounted cash flow using RCLCO Baseline Absorption estimate was conducted. The indicated value at 20% was $46,051,715. Based on this analysis, we conclude to a value of $46,000,000 or $16.64 per square foot of land for the DRV owned property.

As a check of reasonableness we have reviewed the following sales:

Large Land Sale 1: Township 9 sold in November 2020. This property is located south of the Railyards and is regarded as having an inferior location. The property contained 39 net acres as compared to the subject's 55.49 acres. The sale price of Township 9 was $54,000,000 or $31.79 per square foot of net land area. Despite its inferior location, it is reasonable that Township 9 sale price on a per square foot basis is higher than the DRV land due to its smaller size and lower remaining infrastructure costs.

Large Land Sale 2: The Centene Site locate in North Natomas sold in September 2018 for $28.2 million or $9.56 per square foot. This 67.74-acre site was purchased for development of a 1.25 million square foot office project. The Centene Site rates far inferior in location and achievable densities, and superior in the respect that infrastructure development costs are much lower than the Railyards.

Large Land Sale 3: In October 2021, UC Davis purchased a 34.5-acre net acre site at Highway 50 and Bidwell in Folsom. The purchase price was $30,100,000 or $20.00 per square foot. U.C. Davis plans to develop a medical office building and a small hospital. The sale is inferior in location, but superior in terms of its lower infrastructure burden.

Upon review of these Large Land Sales, we believe the DRV indicated value of the 63.457 acres is reasonable.

Lot 17 Parking Garage

A structured 1,421 space parking garage is proposed for Lot 17. This structure will benefit the proposed developments including the Foundry, the Central Shops, the two Marriott Hotels and other nearby developments. Under existing and pending entitlements, DRV can use the temporary 1,000 space gravel surface lots up until 2029. DRV is seeking to extend the surface parking for Live Nations from 2029 to December 31, 2030 under the Conditional Use Permit. The parking garage is critical infrastructure for the build-out of the Railyards. Because the initial Railyard projects will be dependent on this garage, the development of this garage is considered the responsibility of the developer of the subdivision. As such, we have valued the proposed parking garage and estimated the construction cost for the development. The result of this analysis is to determine the positive or negative value associated with the development of this critical infrastructure.

Proposed Garage

Clark Pacific is the general contractor for the garage. They will design and build the garage. Preliminary drawings and a site plan are shown on the following pages. Full construction drawings and specifications were not available. Information for the garage was from the preliminary drawings and developer provided information. Some of the building attributes are as follows:

Site: 1.74 acres located at the southeast corner of 5th Street and Steven Street (proposed).

No. Stories: Ground level with 8 stories

No Parking Spaces: 1,421 spaces

Gross Building Area: 425,310 square feet

Construction Type: Concrete modular, with partial walls, concrete with little trim. Detailed specifications of the improvements were not made available. We make an extraordinary assumption that the improvements will be similar in construction and quality as what was provided.

Construction Class: B

Site Coverage: 76%

Vehicle Ingress/Egress: The site's sloping terrain will allow entrances/exit points off the ground floor and 3rd floor.

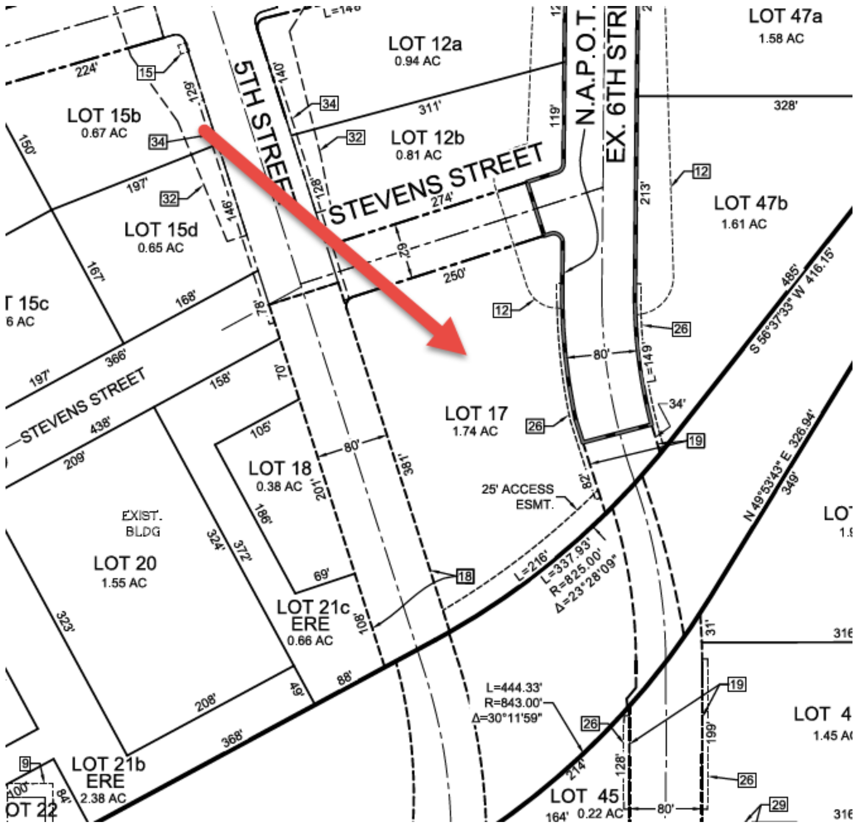
Pedestrian: There is a planned pedestrian exit on the ground floor that allows pedestrian to exit and walk under 5th Street to the Paint Shop. There will be stairs at each corner of the garage. Two corners will have elevators.

Sprinklers: Assumed to have sprinklers.

Plumbing: Minimal

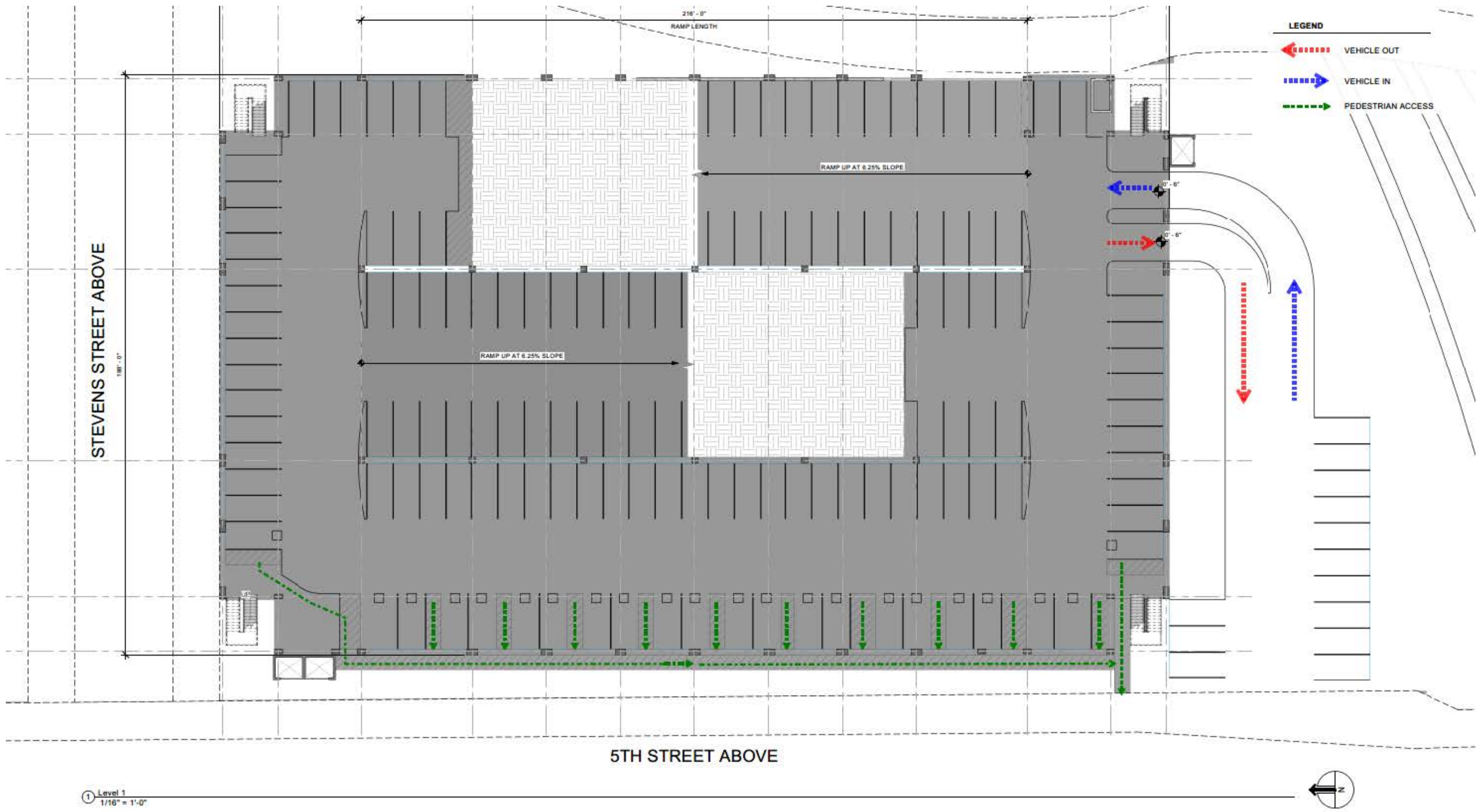
Lighting: Adequate lighting assumed

Functionality: The design is standard for parking garage. The overall functionality is average.

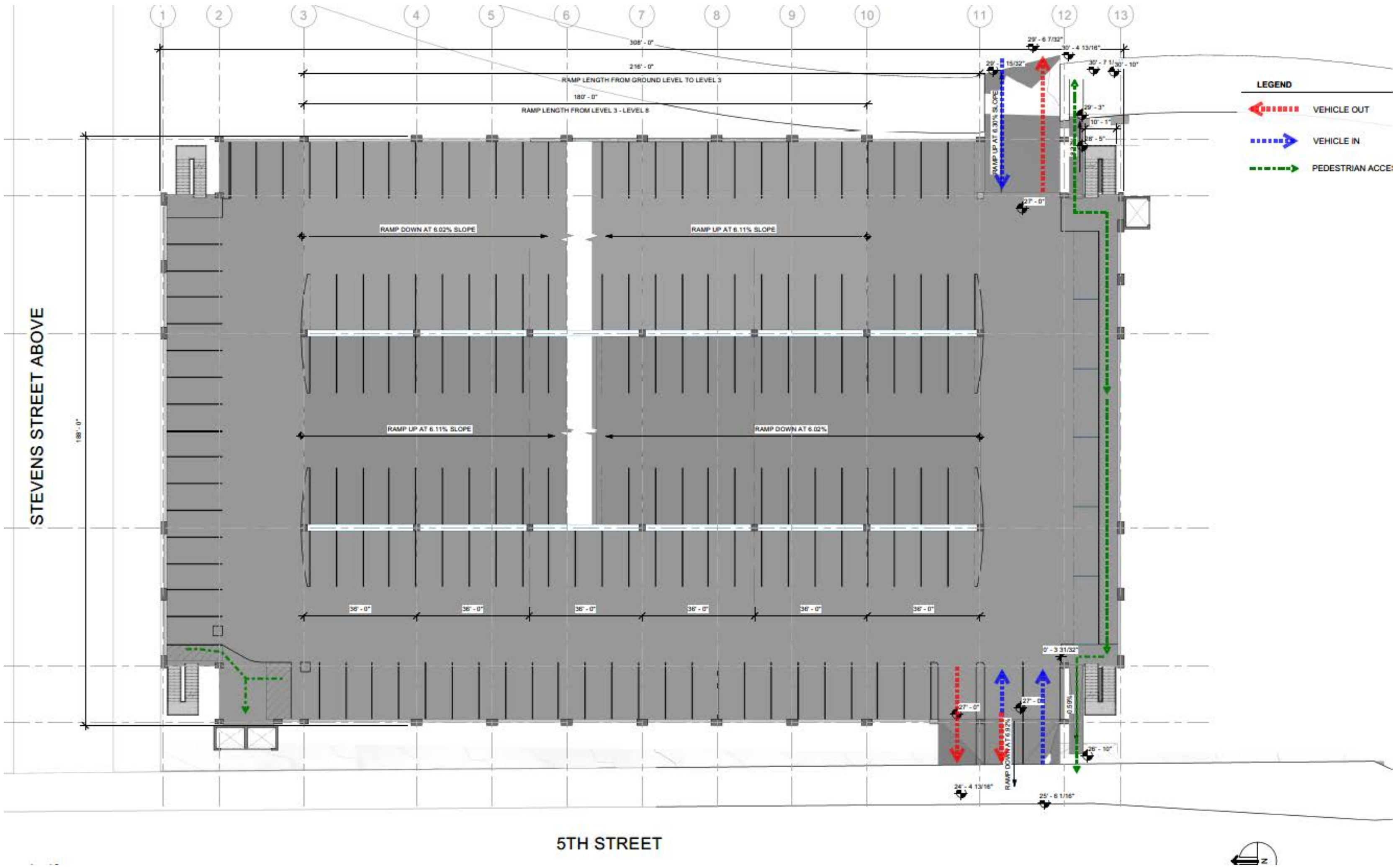


Prospective View – 5th Street & Stevens Street

Prospective View – 6th Street & Railroad


216' - 0"
RAMP LENGTH
LEGEND
VEHICLE OUT
VEHICLE IN
PEDESTRIAN ACCESS
RAMP UP AT 6.25% SLOPE
RAMP UP AT 6.25% SLOPE
STEVENS STREET ABOVE
5TH STREET ABOVE
Level 1
1/16" = 1'-0"

BBG


STEVENS STREET ABOVE
5TH STREET
LEGEND
VEHICLE OUT
VEHICLE IN
PEDESTRIAN ACCE
308' - 0"
216' - 0"
RAMP LENGTH FROM GROUND LEVEL TO LEVEL 3
180' - 0"
RAMP LENGTH FROM LEVEL 3 - LEVEL 8
RAMP DOWN AT 6.02% SLOPE
RAMP UP AT 6.11% SLOPE
RAMP UP AT 6.11% SLOPE
RAMP DOWN AT 6.02%
36' - 0"
188' - 0"

BBG

HIGHEST AND BEST USE AS IF IMPROVED

The highest and best use as if improved is for operation as a parking garage to serve existing and future projects within and outside of the Railyards.

PARKING GARAGE STUDY

To assist in understanding the demand characteristics of the proposed garage, we have reviewed a Parking Garage Projection study. While this study is confidential, certain elements and conclusions can be shared. The study was originally prepared in December 2021 to assist in a possible bond financing of the construction of the garage by the City of Sacramento. The study was then updated in March 2022 and again in June 2022. No independent review was performed on this study. The parking garage study focused on the following areas:

- The Demand Drivers both within and outside of the Railyards. The main three categories for the demand were monthly parking, transient parking, and Event Parking.

- The estimated revenue and expenses of the garage for the period of 2027 to 2031. Revenue rates were not increased for this study and most expenses were trended up 2% annually.

The authors of the report are knowledgeable market participants who are in the parking garage business in downtown Sacramento. They are competent professionals which have a good understanding of the downtown parking garage/lot market. The authors conducted several interviews with DRV and BBG.

The parking garage study is one source of information that will be considered in arriving at our conclusions of the potential income and expenses for the subject proposed parking garage. This information will be shown later in this analysis.

DEMAND DRIVERS

The proposed Lot 17 will be a unique parking garage in the respect it will serve parking for multiple future projects within the Railyards, various entertainments venues within and outside of the Railyards and serve as daily and transient parking for various office properties outside of the Railyards. These are addressed as follows:

Traditional Daily and Transient Parking - Within the Railyards

The following are the near-term Railyard projects that are expected to utilized lot 17 parking garage.

Lot 48: This property is under construction with 345 multi-family units and retail. The project will have 276 parking spaces indicating a parking ratio of 0.80 spaces per 1,000. The project will be under-parked and overflow parking will likely be to Lot 17 which is 1-2 blocks away.

Lot 3: This property is planned for the Telegrapher, a 340-unit multi-family project. It will have a parking ratio of 0.80 spaces per unit. Planned construction date is Spring 2023 and a 2-year construction time.

Lot 46a: The Wong Center is planned for construction in 2022. It will contain 150 units with a parking ratio of 0.58 spaces per unit. The project will be under-parked and overflow parking will likely be to Lot 17 which is 1 block away.

Lots 12a and 12b: The Foundry, a proposed office project of 289,674 SF is planned for construction. The project will have no on-site parking and Lot 17 is expected to accommodate most of the parking demand for this project.

Lots 15a and 15c: Two Marriott hotels are planned for these lots. The estimated start date is 2024 with a completion of 2026. Lot 17 will serve most of the parking demand for these two hotels.

Live Nation: The Paint Shop Building of 61,025 SF will consist of Live Nation (47,373 SF) and office and retail uses. The 1,000-space temporary parking for Live Nation will be replaced with structured parking on Lot 17. Live Nation will have night and weekend events that is expected to create high demand for Lot 17. Live Nation is expected to be completed in 2024.

Other Central Shop Buildings: There are 4 other central shop buildings totaling 247,832 SF of buildings area. These buildings are not planned for several years, and Lot 17 is expected to serve the primary parking until future Railyards garages are developed.

Central Shop Plaza: The future open space area of the Central Shops is anticipated to have entertainment and public events. The scope, size and timing of these events are unknown at this time.

Railyard Museum: The State of California owns two Central Shop buildings that are expected to be renovated for a new museum. These buildings total over 100,000 SF. Parking for this project is anticipated to be Old Sacramento and Lot 17. The time frame of this project is unknown.

Traditional Daily and Transient Parking - Outside the Railyards

The following are the near-term projects outside of the Railyards that are expected to utilized lot 17 parking garage.

New Courthouse: The 538,000 SF courthouse (under construction) will have limited on-site parking for employees. This property is two blocks from Lot 17 and is expected to demand high number of spaces for the Lot 17 garage.

Kaiser 501 J: This building is located 5-6 blocks from Lot 17. Kaiser will be relocating their employees from another location to this 198,000 SF building.

344 N 7th Street – 1,250,000 SF: Known as the Richards Boulevard Office Complex (RBOC), this project is under construction and will have approximately 1,420 on-site parking spaces. The project is expected to be completed in March 2024. The typical employee parking demand is 3,000 parking spaces for this project. The project is expected to have 4,650 employees. The EIR of this project cited the Railyard's proposed parking garage as a source for their off-site parking demands.

Sacramento Valley Station: This is the adjacent intermodal that is substantially under-parked.

Events: There are various events held in downtown Sacramento and Discovery Park that are anticipated to utilize Lot 17 Parking Garage.

Further details on the quantity of the demand for space is shown in the revenue forecast section of this analysis.

CONSTRUCTION COST & TIMING

Clark Pacific is the general contractor for the garage. They will design and build the garage. DRV reported a start construction date in 2024 with an 18-month completion date. The entitlement process for the garage has not started and the design phase and financing efforts are still preliminary.

Karlo Felix, Senior Planner for the City of Sacramento reported the garage will require a conditional use permit reviewed at the director-level by the Zoning Administrator. The improvements will also require SPDR review by the director-level by the Design Director. The CUP and SPDR will be requested under a single application and would be considered at a joint director hearing (with both the Zoning Administrator and Design Director). Mr. Felix reported a six-month process from application to a director hearing. This is predicated on quality of the application, complexity of proposal and responsiveness of applicant.

The delivery of the garage is expected to align up with the completion of the Telegrapher (Lot 3), the Marriott Hotels (15a and 15c), Foundry (Lot 12a and 12b). The developer of each of these projects have planned construction completions ranging from 2025 to 2026. The market study prepared by RCLCO had absorption with projects ranging from 2025 to 2029 for the different product types. With absence of any entitlement work in process, no financing in place and early stages of design of the projects, we believe a timing a further out than the developer's projection is appropriate. Considering these factors, our estimate of the construction timing is as follows:

Design Start Date: Beginning 2023
Entitlement Process: Beginning 2024
Construction Start Date: Early 2025
Construction Complete: Toward the end of 2026

DRV reported a construction cost estimate of $53,858,000 on based on costs provided by Clark Construction. This estimate is current cost, which includes soft cost, design work and a 10% contingency. This cost is $37,901 per space.

As additional source of cost we have reviewed construction costs from other parking garages around the county and considered cost data from Marchall Valuation. Below is a summary of these sources.

COST COMPARABLES				
Property	**City**	**Year Built**	**No. Spaces**	**Total Cost per Space**
814 Branch St	Houston, TX	2022-2023	1,408	$40,761
1709 Jackson St	Dallas, TX	2019	332	$37,600
400 Route 38	Moorestown, NJ	Budget -2022	672	$34,337
2101 Capitol Ave	Sacramento, CA	2017	412	$37,398
MVS Cost Analysis	*Sacramento, CA*	--	*1,421*	*$33,929*

MARSHALL VALUATION SERVICE - COST ANALYSIS		
MVS Type:		Parking Structure
Construction Class:		B
Quality:		Average
Section Page:		14 / 34
Unit:		SF
Unit Cost:		$67.50
Sprinklers:		$1.85
Other Adjustment:		$0.00
Suttotal:		$69.35
Multipliers		
Current Cost:		1.070
Local Cost:		1.240
Story/Height:		1.025
Floor Area/Perimeter:		0.877
Total Multiplier		1.193
Final Unit Cost		$82.71
Structure Size (SF)		425,310
Building Base Cost		$35,178,797
Estimated Indirect Costs @	30%	$10,553,639
Estimated Site Work @	5%	$1,758,940
Total Cost		$47,491,376
Rounded		$47,500,000
Total Cost Per SF		$111.68
Total Cost Per Space	1,421	$33,929

As evidenced from the secondary sources, Clark Pacific's estimated cost of the garage is reasonable, and we conclude to this cost estimate.

VALUATION MODEL

The valuation model for Lot 17 will be a residual analysis using a Discounted Cash Flow. The result of this analysis is to determine the positive or negative land value associated with the development of the garage. The major milestones of the DCF are as follows:

Years 1-3 (2022-2024): Planning, design, financing, and entitlement of the garage.

Years 4-5 (2025-2026): Construction of the garage over an 18-month period.

Years 6-7 (2026-2028): Construction complete with operations underway, and stabilization achieved at end of year 7.

The following are the major inputs for the discounted cash flow:

1. Estimate the holding costs for years 1-3

2. Estimate the Construction Cost of the garage. We estimate the garage to start construction in early 2025 with a completion of late 2026.

3. Estimate the Income from operations of the garage for years 5-7

4. Estimate the resale of the garage at the end of year 7.

5. Estimate an appropriate discount rate for the development of the garage.

Holding Period Costs

For years 1-3 the property will be in planning, design, entitlement stage. During this period there will be no income. The holding period costs will include real estate taxes, CFD taxes and general and administrative costs.

G&A: We estimate an annual cost of $100,000 annually for years 1-4. Years 6-7 G&A expenses are not shown as they are included in the net operating revenue of the completed parking garage.

Taxes: This includes all taxes including ad valorem, CFD taxes and other direct charges. For years 1 and 2 there will be capitalized CFD interest as an off-setting cost. For years 6-7 taxes are not shown separately as they are included in the net operating revenue of the completed parking garage.

Entitlement Cost: We estimate a cost of $125,000 for entitlement work during years 2 and 3.

Design Cost: We estimate design cost of 2.5% of construction budget for year 2 and 3.

Construction Cost

The construction cost of garage was previously estimated to be $53,858,000. In our model, the parking garage is estimated to start construction in early 2025 and be completed in September 2026. We have reviewed Marshall Valuation Service to estimate the cost increase factor from today until start of construction. Cost increases for a three-year look back for Class B Construction is 25.0% or 8.3% annually for Western U.S. A longer-term look-back over a 10-year period indicates a 48% increase or 4.8% annually. Considering Clark's has a contingency factor, we apply a slightly lower cost escalator of 15% or 5.0% annually.

Estimated Construction Cost	
Current Cost	$53,858,000
Construction Start Date	Apr-25
Construction End Date	Sep-26
Construction Timing	18 months
Cost Escalator for 3.0 Years	15.0%
Adjusted Cost	$61,936,700

We estimate the following construction budget.

Construction Cost - Lot 17 Parking Garage							
Period Beginning	July-22	July-23	July-24	July-25	July-26	July-27	Total
% of Cost	0.0%	2.5%	2.5%	47.5%	47.5%	0.0%	100.0%
Construction/Design Cost	$0	$1,548,418	$1,548,418	$29,419,933	$29,419,933	$0	$61,936,700
Entitlement Cost	$0	$125,000	$125,000	$0	$0	$0	$250,000

Valuation of the Stabilized Garage

We have considered the Cost Approach and Income Approach in estimating the resale of the Garage In Year 8. These are shown as follows.

Cost Approach Conclusion

Below is our estimate of the value of the parking garage today from the Cost Approach. To the estimated construction cost, we add entitlement cost of $250,000, profit of 15% and land value of $5,684,580 ($75/SF).

COST APPROACH SUMMARY				
Replacement Cost New (RCN)	**Area (SF)**	**$/space**	**Subtotal**	**TotalCost**
Building Improvements	1,421	37,901		$53,858,000
Entitlement Work				$250,000
Subtotal Replacement Cost New (RCN)				**$54,108,000**
Plus Entrepreneurial Profit (% of RCN)	15%			**$8,116,200**
Total Replacement Cost New (RCN)				**$62,224,200**
per square foot				$0.00
Less Accrued Depreciation				
Physical				
Curable (Deferred Maintenance)			$0	
Incurable				
Total Incurable Physical Depreciation	0.0%		$0	
Functional Obsolescence	0.0%		$0	
External Obsolescence	0.0%		$0	
Total	0.0%			**$0**
Depreciated Value of the Improvements				**$62,224,200**
Plus Land Value				**$5,684,580**
Indicated Value by Cost Approach				**$67,908,780**
Rounded to nearest $10,000				**$67,910,000**
per space				$ 47,790.29

The estimated date of stabilization of the garage is estimated to be July 2029, which is seven years out. Using a 3% annual appreciation, we estimate a prospective stabilized value from the Cost Approach as follows:

Prospective Value at Stablization - Cost Approach							
	Yr.1	**Yr. 2**	**Yr.3**	**Yr.4**	**Yr.5**	**Yr.6**	**Yr.7**
Period Beginning	July-22	July-23	July-24	July-25	July-26	July-27	July-28
Value From Cost Approach	$67,910,000						
Annual Appreciation	0%	3%	3%	3%	3%	3%	3%
Appreciated Value From Cost		$69,947,300	$72,045,719	$74,207,091	$76,433,303	$78,726,302	$81,088,091

INCOME APPROACH

The Income Approach will be used to estimate the value of the garage in the year of stabilization. We estimate end of year 7 or July 2029 to be the year of stabilization. The following is our analysis.

REVENUE AND EXPENSES

The parking lot consultant modeled income and expenses beginning in year 2027. For year 2027 they reported the garage open for 3 months. Exact details of this model are confidential, but high-level elements of their pro-forma are reported for this analysis. The pro-forma reported in detail the following elements:

Estimated Parking Demand: The reported demand for the garage will be from Kaiser at 501 J location, Central Shops, Live Nation, residential projects likely to be constructed at the Railyards, the Marriott Hotels, the new Courthouse (employee & jury overflow), displaced parkers from nearby parking lots being developed, transient and events. The subject garage will be unique in the respect it would have the demand of up to 3 possible turnovers in a given 24-hour period (i.e. office users in the am, lunch users midday, entertainment users and residential users in the evening). This unique factor creates considerably greater feasibility as compared to a normal stand-alone parking garage in the downtown area where there are usually 1-2 possible turnovers. The parking pro-forma by the consultant indicated the following demand:

Parking Demand By Category					
Year	2027	2028	2029	2030	2031
Monthly Demand (annual)	2,373	9,792	9,912	10,212	10,332
Transient Demand (annual)	12,179	52,317	62,717	72,996	76,716
Event Totals (annual)	38,328	139,812	139,812	139,812	139,812
Combined	52,880	201,921	212,441	223,020	226,860
Revenue	$1,714,385	$5,861,205	$6,067,745	$6,295,860	$6,335,400
Revenue Per Parked Space	$32.42	$29.03	$28.56	$28.23	$27.93

For year 2027, the parking garage expert reported only 3 months. The Revenue per Parked Space actually declines slightly over the model period. As such, we consider this a conversative pro-forma for gross revenue over the analyzed period.

Revenue and Expenses: The provided pro-forma had detailed analysis of individual line-item estimates for the various revenue and expenses. The level of detail in the report is what would be expected for a comprehensive analysis of the revenue and expenses. While the details of the revenue and expenses are confidential, the final net earnings per parking space are shared. Below is their estimate of net operating income before debt service:

Net Operating Income					
Year	2027	2028	2029	2030	2031
Net Income	-$397,753	$3,251,041	$3,412,583	$3,590,474	$3,583,914
Combined	52,880	201,921	212,441	223,020	226,860
Net Income Per Parked Space	-$7.52	$16.10	$16.06	$16.10	$15.80
Net Revenue Per Subject Space	-$280	$2,288	$2,402	$2,527	$2,522

As a primary source for estimating the subject's net operating income we have considered revenue estimates from various garages in the CBD and Midtown areas of Sacramento. This information is collected from actual profit and loss statements which we have in our possession. The information is masked to protect confidential nature of the information. Below is a summary of these garages:

REVENUE COMPARABLES - CONFIDENTIAL DATA					
Property	City	No. Spaces	Net Revenue Per Space	Net Revenue Adjusted For Taxes & Insurance	Type of Revenue
Hotel Garage in CBD	Sacramento	over 800	$2,824	$2,040	Net Income
Office Building Garage - Capitol Mall	Sacramento	around 800	$3,877	$2,740	Net Income Before Taxes
Office Building Garage - Capitol Mall	Sacramento	around 700	$3,079	$2,164	Net Income Before Taxes
Stand Alone Garage - Midtown	Sacramento	around 400	$1,420	$1,420	Net Income
			Average	$2,091	
			Median	$2,102	

The net revenue parking garage comparables range from $1,420 to $2,740 per space. These are net operating incomes with all expenses accounted. This information is from 2019 before the pandemic, so it represents normal operations not impacted by Covid. The first three revenue comparables benefit from office space monthly and transient as well as event parking revenue. These are most comparable to the subject property. The average of these three properties is $2,314 per space. These properties have superior locations as compared to the subject and are a slightly high indications. Based on this data, we conclude to a net operating income of $2,200 per space. This estimate is for an assumed stabilized subject parking garage today. We apply the following trend to estimate future net revenue for the subject from the Revenue Comparables:

Net Revenue Per Space at Stabilization - Income Approach								
	Yr.1	Yr. 2	Yr.3	Yr.4	Yr.5	Yr.6	Yr.7	Yr.8
Period Beginning	July-22	July-23	July-24	July-25	July-26	July-27	July-28	July-29
Net Revenue as if Stabilized Today	$2,200							
Annual Appreciation	0%	3%	3%	3%	3%	3%	3%	3%
Appreciated Revenue Conclusion per space		$2,266	$2,334	$2,404	$2,476	$2,550	$2,627	$2,706

Both the parking garage consultant and the Revenue Comparables are deemed reliable. For Year 5 we utilized 25% of the Revenue Comparable source as it is assumed to be in operation for only 3 months similar to what the consultant concluded. We give weight to both sources and conclude to the following net revenue estimates:

Net Revenue Per Space Conclusions - Income Approach				
	Yr.5	**Yr. 6**	**Yr.7**	**Yr.8**
Period Beginning	July-26	July-27	July-28	July-28
Consultant Estimate	-$280	$2,288	$2,402	$2,527
Revenue Comparables	$619	$2,550	$2,627	$2,706
Average of Sources	$170	$2,419	$2,515	$2,616
Appraiser Conclusion per Space	**$600**	**$2,400**	**$2,500**	**$2,600**
Net Revenue per Year	$852,600	$3,410,400	$3,552,500	$3,694,600

Resale of the Garage

The Lot 17 Parking Garage is estimated to be stabilized in end of year 7 (middle 2029). At that point, the developer would likely sell the garage. Given several developments within the Railyards would be dependent on this garage, we make an extraordinary assumption that long-term leases and licenses would be in place prior to a sale of the garage.

The most reliable valuation method is an Income Capitalization Approach. To arrive at an estimated value, we have researched sales of other parking garages to determine appropriate capitalization rates. The following is a summary of capitalization for garages.

CAPITALIZATION RATE COMPARABLES - PARKING GARAGE										
Address	**City**	**State**	**Built**	**No. Spaces**	**Type**	**Sale Date**	**Sale Price**	**Price/Space**	**NOI/Space**	**Cap Rate**
315 Cumberland Ave	Portland	ME	1998	595	All garage	Pending	$21,500,000	$36,134	$1,445	4.00%
237 20th Street	Miami	FL	2002	225	Garage with some retail	Mar-22	$19,600,000	$87,111	$3,555	4.08%
460 W 5th St	San Pedro	CA	1989	320	All garage	Nov-21	$9,604,000	$30,013	$1,384	4.61%
138-35 39th St	Flushing	NY	2017	500	All garage	Sep-21	$16,000,000	$32,000	$1,600	5.00%
6200 W 98th St	Los Angeles	CA	2011	1,200	All garage	Sep-19	$85,150,000	$70,958	$4,790	6.75%
144-148 5th Ave	Nashville	TN	1967	305	All garage	Aug-19	$17,000,000	$55,738	$2,675	4.80%
10 Necco St	Boston	MA	1999	641	All garage	Mar-19	$81,100,000	$126,521	$4,808	3.80%
200-350 Deaderick St	Nashville	TN	1975	1,070	All garage	Sep-18	$54,000,000	$50,467	$2,877	5.70%
1140 Bethel St	Honolulu	HI	1958	308	Garage with some retail	Jun-18	$20,400,000	$66,234	$3,047	4.60%
601-611 2nd Ave	Seattle	WA	1927	451	Garage with some retail	Dec-17	$30,750,000	$68,182	$3,409	5.00%
							Minimum:	$30,013	$1,384	3.80%
							Maximum:	$126,521	$4,808	6.75%
							Average:	$62,336	$2,959	4.83%
							Median:	$60,986	$2,962	4.71%

The subject's parking garage being located in an urban location, new construction and multiple sources of demand revenue deserves a capitalization at or below the central indicators above. The sale comparables have older ages which tends to increase capitalization rates. Also, the older sales from 2017-2019 are from different investment time period when capitalization rates were higher. The most rent sales in 2021 and pending have rates from 4.0% to 5.0% and average 4.4%. These sale have ages from 5 years to 33 years. Based on the data considered, a capitalization rate of 4.25% is concluded for the subject. For the sale of the property at year end 7 (middle 2029), we utilize year 8 income estimate as this is the basis an investor which analyze the property. Below is our value estimate of the garage in middle 2029:

Resale Calculation - Year 2029	
Estimated Net Earnings	$3,694,600
Less: Tax Increase Due to Sale	$168,217
Net Income	$3,526,383
Capitalization Rate	4.25%
Sale Price	$82,973,718
Rounded	**$83,000,000**

As a secondary check on value, the capitalized value of $83,000,000 seven years in the future results in a value of $58,391 per space. This is supported from the sales which have an average price of $62,336 per space. The sale data central indicators have slightly greater average NOI's per space ($2,959/space) as compared to the subject $2,600/space.

DISCOUNT RATE

We have reviewed the PwC Real Estate Investor Survey for determination of the discount rate. This survey does not include parking garages, so the most similar property uses are analyzed. These are as follows:

PwC Discount Rates - 2Q 2022			
PwC	Average Discount Rate	Average Capitalization Rate	Difference
National CBD Office	6.93%	5.70%	1.23%
National Apartment	4.45%	6.72%	2.27%
Average	5.69%	6.21%	1.75%

Parking garages generally have less risk than office buildings and similar risk as compared to apartments. They generally have reliable steady cash flow, have minimal capital expenses and lower management. These are the reasons that capitalization rates and yield rates for garages are lower than most property types.

The spread in the discount rate and capitalization rate can be used to reconcile to a discount rate. Using our previous capitalization estimate of 4.25% and adding 175-basis point adjustment (average of difference from office and multi-family) indicates a discount rate of 6.00%. This is for a stabilized real estate investment and not a real estate development model which is the scope of this analysis. A profit component needs to be added to reward development of this project. Keeping in mind the garage is a necessary development component of the master developer of the subdivision, a profit level would expect to be toward the lower end of the range of other real estate developments. Profit would be a motivating factor for the garage development but there are more important objectives for the completion of the garage.

Considering some profit component, a discount rate of 8.5% is concluded. A comparison of the values using a 6.0% discount rate to an 8.5% discount rate indicates a profit of $8.8 million. This profit is 14.2% of the estimated future construction costs and considered reasonable for this asset type, associated risk, and development objective for the Railyard build-out.

There will be a negative cash flow for year 1-5 of the development model. These cash flows need to be discounted at a safe discount rate. Safe yield rates on investments including yields on 5-year bonds are around 2.5%. We utilize this safe rate for the negative cash flow.

Shown on the following page is the discounted cash flow for the Lot 17 parking garage This model indicated a negative value of $6,190,922, Rounded to -$6,200,000. This negative value will be applied in Period 0 of the primary subdivision cash flow (shown later) to arrive at a total value of the DRV property.

LAND RESIDUAL - LOT 17 PARKING GARAGE

	Period Beginning		Jul-22	Jul-23	Jul-24	Jul-25	Jul-26	Jul-27	Jul-28
			Yr	Yr	Yr.	Yr	Yr	Yr	Yr
TOTAL LOT REVENUE			1	2	3	4	5	6	7
Parking Garage Net Income			$0	$0	$0	$0	$852,600	$3,410,400	$3,552,500
Parking Garage Sale			$0	$0	$0	$0	$0	$0	$83,000,000
TOTAL REVENUE		$90,815,500	$0	$0	$0	$0	$852,600	$3,410,400	$86,552,500
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE		$475,000	$100,000	$100,000	$100,000	$100,000	$75,000	$0	$0
COMMISSIONS	2.0%		$0	$0	$0	$0	$0	$0	$1,660,000
AD VALOREM		$584,739	$2,009	$2,049	$2,090	$330,623	$247,967	$0	$0
RAILYARDS MAINTENANCE CFD No. 2014-04		$151,210	$31,834	$31,834	$31,834	$31,834	$23,875	$0	$0
RAILYARDS CFD No. 2018-1		$156,610	$32,971	$32,971	$32,971	$32,971	$24,728	$0	$0
CAPITALIZED CFD INTEREST		($65,941)	($32,971)	($32,971)	$0	$0	$0	$0	$0
ENTITLEMENT COST		$250,000	$0	$125,000	$125,000	$0	$0	$0	$0
PARKING GARAGE COSTS		$61,936,702	$0	$1,548,418	$1,548,418	$29,419,933	$29,419,933	$0	$0
TOTAL EXPENSES		$63,488,320	$133,843	$1,807,301	$1,840,313	$29,915,360	$29,791,503	$0	$1,660,000
NET INCOME		$25,667,180	($133,843)	($1,807,301)	($1,840,313)	($29,915,360)	($28,938,903)	$3,410,400	$84,892,500
PRESENT VALUE FACTOR	8.5%		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493
SAFE DISCOUNT RATE	2.5%		0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127
DISCOUNTED CASH FLOW		**($6,190,922)**	**($130,578)**	**($1,720,215)**	**($1,708,913)**	**($27,101,840)**	**($25,577,774)**	**$2,090,388**	**$47,958,010**
	Rounded	**($6,200,000)**							

VALUATION OF DRV PROPERTY EAST OF 7TH STREET

The property east of 7th Street has a highest and best use to hold for future development. Considering the extended sell-out period of the land west of 7th Street, the land east of 7th most likely has a long hold period. The valuation of the property will consider the estimated hold period before development.

The Alta Survey indicates the gross acres of 42.285 acres. Deducting the right-of-way for 7th street and Lot 51B, the adjusted gross acres is 36.135 acres, rounded to 36.0 acres. As discussed in the highest and best use some of the possible future use of the property could be a large user office campus, mixed-use subdivision with office and residential uses or possibly a future sports stadium. These potential uses could utilize the existing tentative map or develop a revised map to accommodate their plan.

The zoning for the land East of 7th is 32.51 acres zoned C-3 SPD and 3.49 acres zoned C-2 SPD. These zonings are briefly summarized below:

C-3 SPD: The C-3 SPD land use designation allows residential densities up to 450 units per acre, and non-residential development between a Floor Area Ratio (FAR) of 3.0 and 15.0. A sports complex is allowable as a conditional use in the C-3 SPD.

C-2 SPD. The C-2 SPD land use designation allows residential densities up to 60 units per acre, and non-residential and mixed-use development up to an FAR of 2.0 with a maximum height of 120'.

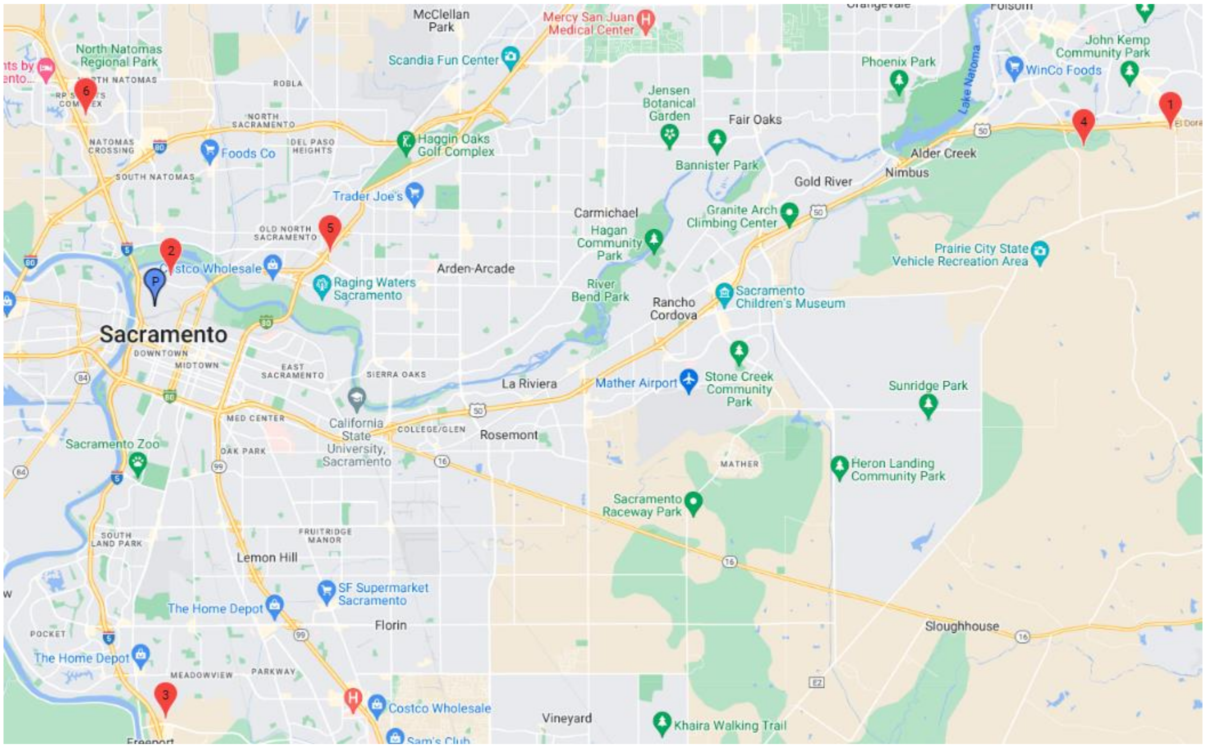
As discussed earlier, the Railyards Specific Plan allows great flexibility between office, retail, and residential uses. Under the Land Use Model previously presented earlier we estimate the following possible land use allocation:

Land Use Allocation - East of 7th Street			
	Density	**Land Area**	**Achievable Density**
Residential - C-2	60 upa	3.49	209
Residential - C-3	120 upa	16.81	2017
Residential Total			2,226
Office/Retail	4.0 FAR	8.99	1,566,417

The valuation of this property is best accomplished from a Sales Comparison Approach with a Discounted Cash Flow to account for the estimated holding period.

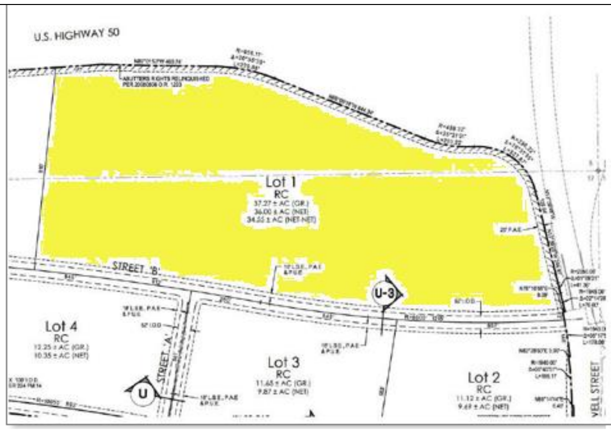
The first step of this valuation process is to estimate the value of the property assuming it were a near term development. We have researched the region to locate commercial and multi-family land sales most similar to the property that were purchased for near-term development. Below is a summary of the comparable sales selected.

BBG


Sacramento
McClellan Park
Mercy San Juan Medical Center
Scandia Fun Center
North Natomas Regional Park
Haggin Oaks Golf Complex
Trader Joe's
Foods Co
Fair Oaks
Jensen Botanical Garden
Bannister Park
Phoenix Park
John Kemp Community Park
WinCo Foods
Alder Creek
Nimbus
Gold River
Carmichael
Hagan Community Park
Granite Arch Climbing Center
Prairie City State Vehicle Recreation Area
Arden-Arcade
Raging Waters Sacramento
River Bend Park
Rancho Cordova
Sacramento Children's Museum
La Riviera
Mather Airport
Stone Creek Community Park
Sunridge Park
California State University, Sacramento
Rosemont
Sacramento Zoo
Heron Landing Community Park
Sacramento Raceway Park
Lemon Hill
SF Supermarket Sacramento
The Home Depot
Florin
Sloughhouse
Costco Wholesale
Vineyard
Khaira Walking Trail

SUMMARY OF PRIMARY LAND SALES - EAST OF 7TH STREET

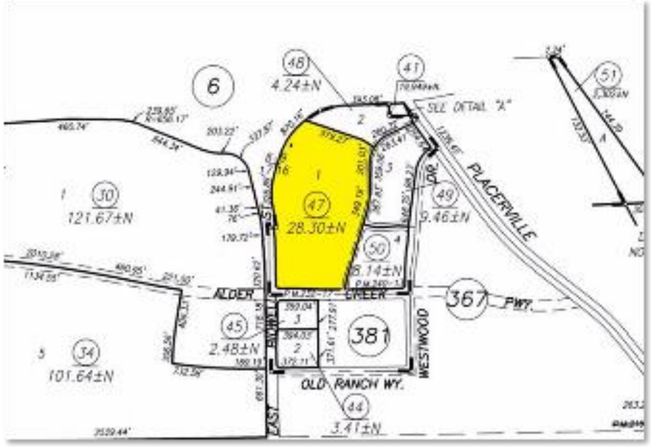
No.	Property / Location	Date of Sale	Transaction Status	Site Size (Ac)	Site Size (SF)	Zoning	Property Use	Sale Price	Price per Acre	Price per SF
1	UC Davis Health Site - Folsom Ranch SWC E St Bidwell & Highway 50 Folsom, CA	10/19/2021	Closed	34.55	1,504,998	RC, Regional Commercial	Commercial	$30,100,000	$871,201	$20.00
2	Township 9 Richards Blvd Sacramento, CA	11/17/2020	Closed	54.98	2,394,929	RMX-SPD, Residential Mixed-Use	Multi-Family	$54,000,000	$982,175	$22.55
3	Kaiser Site - Delta Shores 8401 Center Parkway Sacramento, CA	11/12/2020	Closed	29.28	1,275,437	C-2, Commercial	Commercial	$18,203,000	$621,687	$14.27
4	Dignity Health Site - Folsom 350 Placerville Road Folsom, CA	06/05/2020	Closed	28.30	1,232,748	CC, Commercial	Commercial	$22,024,000	$778,233	$17.87
5	1401 Arden Way 1401 Arden Way Sacramento, CA	12/01/2018	Closed	21.90	953,964	C-2, General Commercial	Multi-Family	$16,500,000	$753,425	$17.30
6	Centene Site 4201 East Commerce Way Sacramento, CA	09/13/2018	Closed	67.74	2,950,754	EC-50-PUD, Employment Center	Office	$28,212,500	$416,482	$9.56
Subj.	Railyards 300 6th Street Sacramento, California	—	—	36.00	1,568,160		Office & Multi-family			



Sale 1 Comments: UC Davis Health acquired this 34.55-acre commercial site at the southwest quadrant of E Bidwell Street and Highway 50 within Folsom Ranch. Initial plans call for an outpatient medical office building and future plans include a micro-hospital, an ambulatory surgery center and a hotel. The site was initially placed in-contract in February 2021, approximately eight months prior to closing. The site will be encumbered by a future Mello-Roos bond that is expected have a principal balance near $1.00 per SF of land area. This bond is not recognized in the reported sale price of $20 per SF.

Sale 2 Comments: Sale reflects the two-phase acquisition of the Township 9 (T9) project (excludes the existing Cannery Place Apartments), situated between Richards Blvd and the American River between N 5th and N 7th Streets. Gross site area is 55-acres; net (developable) site area is 39-acres exclusive of parks and land in American River Parkway. The acquisition was a two-phase takedown with the initial transfer on 11/17/20 at $43,600,000 and the second on 1/29/21 at $10,400,000. The overall project was entitled for up to 2,981 residential units (180 units had been built). The buyer plans a total of 2,303 residential units. Phase A (central portion of project) is planned for 936 multifamily units. Phase B (norther portion of project) is planned for 825 multifamily units. Phase C (south portion along Richards Blvd) is planned for 542 micro units/hotel.

Sale 3 Comments: November 2020 sale of 29.28-acre commercial site on the north side of Cosumnes River Blvd, immediately east of Interstate 5 and directly north of the Delta Shores Shopping Center (anchored by Walmart, Dicks Sporting Goods, Hobby Lobby, etc.). The site was previously approved for approximately 300,000 square feet of retail space. Actual sale price was $17,243,000 ($13.52/SF); however buyer assumed an estimated $960,000 (±$0.75/SF) in bond debt.



Sale 4 Comments: June 2020 sale of 28.30-acre commercial site on the east side of E Bidwell Street, immediately south of Highway 50. The site is part of a larger 240-acre project known as the Folsom Ranch Corporate Campus. The buyer (Dignity Health) initially plans to build a 3-story 65,000 SF medical office that will include outpatient surgery, urgent care, imaging, and primary care. Dignity plans to start construction in early 2022. Actual sale price was $20,914,000 ($16.97/SF); however buyer assumed an estimated $1.11MM (±$0.90/SF) in bond debt.

Sale 5 Comments: The property is a C-2 zoned site located adjacent to the Arden Fair Mall. The property included twelve different parcels totaling 25.1 gross acres. The property was purchased for development of a 731-unit apartments complex in two phases (Ph I - 405 units, Ph II - 326 units). The net acreage is 21.9 acres. All off-site infrastructure is complete.

Sale 6 Comments: Hines acquired this site for near term development (build-to-suit) of a major office park for Centene Corporation. The site was fully entitled for the proposed use at closing. The overall Centene HQ project is ultimately planned to include five 4-story office buildings totaling 1.25 million square feet (and a 17,160 SF childcare center). The initial phase of the project consists of two office buildings totaling 520,000 square feet. The developer broke ground on the project in October 2018. There are no bonds encumbering the property. The gross site area is 75.82 acres; however, the usable area (net of open space buffer along I-5) is 67.74 acres. The usable area is used for analysis purposes.

DISCUSSION OF ADJUSTMENTS – LAND EAST OF 7TH STREET

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

FINANCIAL TERMS/BONDS

This category accounts for differences in financing terms associated with the transaction. In addition we consider an bonds associated with the property.

All of the sales were cash transactions, so there are no adjustments for financing.

A few of the comparable sales were encumbered with bonds. Sale 1 will be encumbered with bonds of approximately $1.00 per square foot. This sale is adjusted up by this amount. Sales 3 and 4 had bonds. The bond debt of these sales is already reflected in the adjusted sale price.

The subject property also has bonds. We make an adjustment for the subject outstanding bonds at the conclusion of the land valuation.

CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

EXPENDITURES IMMEDIATELY AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

The comparables were considered similar to the subject and no adjustments were required for this category.

MARKET CONDITIONS

The sales included in this analysis transacted between September 2018 to October 2021. Sales 5 and 6 that sold in 2018 were adjusted upward by 5% each as market conditions and land prices are higher today.

The remaining sales occurred in 2020 and 2021. These sale dates are reflective of current market conditions and no adjustments were necessary for market conditions.

PROPERTY ADJUSTMENTS

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The subject's Railyard location being adjacent to the Central Business District of Sacramento is considered a positive attributes. Within the Railyards it is considered inferior to the land west of 7th Street. This is attributed to being further away from the Central Shops and its infrastructure schedule which shows it to be likely one of the last areas in the Railyards to be developed.

In terms of its location to the comparable sales it rates different to the comparable sales, which are suburban in nature. We consider each sale as follows:

Sale 1: Highly identified site along Highway 50 in Folsom. This site is considered one of the best suburban commercial highway locations in the region. We rate this sale superior in location and adjust it down by 10%.

Sale 2: This property is located in Township 9, just south of the Railyards. The comparable is rated similar in location.

Sale 3: This is a suburban location in South Sacramento within Delta Shores development. The area is inferior to the downtown/Railyards location. An upward location of 15% is applied to this sale.

Sale 4: This commercial site is located on the east side of E Bidwell Street, immediately south of Highway 50. Similar to Sale 1, it is a highly rated suburban location. The sale rates slightly superior to the subject and is adjusted down by 5%.

Sale 5: This is a former hotel site located adjacent to Arden Fair Mall. It has a good centrally located site and is rated similar to the subject in terms of location.

Sale 6: This is a suburban location in North Natomas. The area is inferior to the downtown/Railyards location. An upward location of 10% is applied to this sale.

SITE SIZE

The subject has an adjusted size of 36.0 gross acres. The comparable sizes range from 21.90 to 67.74 gross acres. Sales 1, 3 & 4 have land sizes that are similar to the subject and deserve no adjustment. Sales 2 and 6 are larger and warranted upward adjus5tment of 5% and 10%, respectively. Sale 5 is marginally smaller and was adjusted down by 5%

ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit or per-square-foot basis.

The subject is zoned and entitled for multi-family, commercial an office uses. The sales have generally similar lands use zoning. The subject overall land density is substantially greater than the comparable sales. While this is generally a superior attribute, it results in higher building development cost due to structured parking requirements and the fact that greater height buildings are more expensive to construct. Given these issues, the comparable sales deserve no adjustment for differences in achievable densities.

UTILITIES/INFRASTRUCTURE

The subject property fronts 7th Street and North B Street. 7th Street is planned to be widened with new curbs, gutters, sidewalks, streetlights, and utilities along the subject boundary. This work is part of the infrastructure plans for West of 7th Street which is being funded with the $30 million Natural Resource Grant. The large size of the subject will likely need to be resubdivided which will involve interior public streets. This plan could be the same as the existing tentative map or something different. The development cost for any interior improvements could be funded from future grants, funds similar to what has occurred in the land West of 7th Street. While these are not secured at this point, it reasonable to assume that funds to pay some or all of the interior infrastructure obligation would be forthcoming in the future.

The comparable sales all have perimeter streets and utilities similar to what the subject property will eventually benefit from. All of the comparable sales would likely have lower interior infrastructure obligations. These sales however are not likely to have the future benefit of grants and other public funds to pay for the infrastructure. So from an overall cost obligation, the developer of the subject is not likely to incur any greater net infrastructure than most of the comparable sales. The exception is comparable 2, which is a subdivided property with most road and utility infrastructure in-place for multiple lots. This ready to go project is deemed to have superior development timing as a result of the improvements completed. We rate Sale 2 superior in respect to this characteristic and adjust it down by 15%.

SHAPE/CONFIGURATION

The subject is an irregular shaped parcel with street frontage only along its western boundary. The shape could create some less than functional areas of development. The comparable sales are considered slightly superior to the subject in respect to shape. Each comparable sale is adjusted down by 5% for their superior shape and configuration.

ACCESS/VISIBILITY

The subject has extensive frontage along 7th Street. Future access point is anticipated to be along 12th Street. The comparable sales have superior access as most front multiple roads. Each comparable sale is adjusted down by 5% for their slightly superior access.

ENVIRONMENTAL ISSUES

The comparable land sales were not known to have any environmental issues. Based on the estimated higher development costs at the Railyards for environmental issues, we adjust the comparable sales down by 5%.

COMPARABLE LAND SALE ADJUSTMENTS (PRIMARY)							
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Property / Location	Railyards 300 6th Street Sacramento, California	UC Davis Health Site - Folsom Ranch SWC E St Bidwell & Highway 50 Folsom, CA	Township 9 Richards Blvd Sacramento, CA	Kaiser Site - Delta Shores 8401 Center Parkway Sacramento, CA	Dignity Health Site - Folsom 350 Placerville Road Folsom, CA	1401 Arden Way 1401 Arden Way Sacramento, CA	Centene Site 4201 East Commerce Way Sacramento, CA
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	10/19/2021	11/17/2020	11/12/2020	06/05/2020	12/01/2018	09/13/2018
Site Size (Acres)	36.000	34.55	54.98	29.28	28.30	21.90	67.74
Sale Price	-----	$30,100,000	$54,000,000	$18,203,000	$22,024,000	$16,500,000	$28,212,500
Zoning	,	RC, Regional Commercial	RMX-SPD, Residential Mixed-Use	C-2, Commercial	CC, Commercial	C-2, General Commercial	EC-50-PUD, Employment Center
Property Use	Other	Commercial	Multi-Family	Commercial	Commercial	Multi-Family	Office
Unadjusted Price per SF (Net)	-----	**$20.00**	**$22.55**	**$14.27**	**$17.87**	**$17.30**	**$9.56**
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Financing/Bonds		$ *1.00*	$ -	*ncluded in Sale price*	*ncluded in Sale price*		
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Terms/Conditions of Sale							
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Expenditures After Sale							
Adjustment		$ -	$ -	$ -	$ -	$ -	$ -
Market Conditions	***Jul-22***	*10/19/2021*	*11/17/2020*	*11/12/2020*	*06/05/2020*	*12/01/2018*	*09/13/2018*
Adjustment		**0%**	**0%**	**0%**	**0%**	**5%**	**5%**
Total Transactional Adjustments		**$1.00**	**$0.00**	**$0.75**	**$0.90**	**5%**	**5%**
Adjusted Price per SF (Net)		**$21.00**	**$22.55**	**$14.27**	**$17.87**	**$18.16**	**$10.04**
Property Adjustments							
Location		*Superior* **-10%**	*Similar* **0%**	*Inferior* **15%**	*Superior* **-5%**	*Similar* **0%**	*Inferior* **10%**
Gross Site Size (Ac)	***36.00***	*34.55* **0%**	*54.98* **5%**	*29.28* **0%**	*28.30* **0%**	*21.90* **-5%**	*67.74* **10%**
Zoning / Intended Use		*Regional* **0%**	*Residential Mixed-* **0%**	*Commercial* **0%**	*Commercial* **0%**	*General Commercial* **0%**	*Employment Center* **0%**
Shape / Configuration		*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**
Access / Visibility		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Utilities / Infrastructure		*Similar* **0%**	*Superior* **-15%**	*Similar* **0%**	*Similar* **0%**	*Similar* **0%**	*Similar* **0%**
Access / Visibility		*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**	*Sl. Superior* **-5%**
Environmemntal		**-5%**	**-5%**	**-5%**	**-5%**	**-5%**	**-5%**
Total Property Adjustments		**-25%**	**-25%**	**0%**	**-20%**	**-20%**	**5%**
Indication for Subject		**$15.75**	**$16.91**	**$14.27**	**$14.30**	**$14.53**	**$10.54**

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$9.56	$10.54
Maximum	$22.55	$16.91
Average	$16.92	$14.38

CONCLUSION OF LAND VALUE – ASSUMING NEAR TERM DEVELOPMENT

After adjustments, the comparable land sales reflect a range of unencumbered prices from $10.54 to $16.91 per square foot. The average of the sales is $14.38 per square foot, as if unencumbered by bonds. Sale 6 is an outlier with the remaining sales ranging from $14.27 to $16.91 per square foot and an average of $15.15 per square foot, unencumbered. Based on analysis of the comparable sales, we estimate a value of $15.00 per square foot unencumbered, assuming if were available for near-term development.

Analysis on Value For Hold For Future Development

As discussed earlier, the land East of 7th Street would likely be developed after much of the property west of 7th Street is sold and developed. For the land west of 7th we estimate that the last lots sold are in year 11 for multi-family, year 13 for office/retail and year 16 for hotel. More than likely there would be overlap of lot development and sales between the two areas. Assuming multi-lot/buyers scenario, a land development schedule could start in years 10-12. There however is a possibility that a larger user such as office campus for large user or stadium buyer could develop sooner. DRV is still in discussion with the Sacramento Republic FC for a possible sports soccer stadium and they continue to be positive that a large office campus user could be a possibility. Considering these different possibilities, we believe the east 7th Street land has a hold period from 8-12 years.

Most of the comparable sales were purchased for near term development. Even with these intentions there is planning, entitlement and design times after acquisition. Under many scenarios, development is usually not started for 3-5 years after acquisition.

The subject has a longer estimate hold period as compared to the sales. Reducing the subject's estimated 8 to 12-year hold from an approximate 3 to 5-year average hold of most land acquisitions, indicated an excessive hold period of 5 to 7 years. To assist in the valuation of the current value, we have incorporated a discounted cash flow for the estimated excess hold period as compared to the comparable sales. The inputs to the DCF are:

Excess Hold Period: We utilize an excess hold period of 7 years as compared to the comparables.

Holding Costs: These include Ad Valorem taxes, CFD taxes, and general and administrative costs.

Land Value Appreciation: We utilize an annual appreciation of 3% annually.

Future Sale Proceeds: The future sale proceeds are estimated based on the appreciated unencumbered land value. The current estimated bond debt ($0.435, 30 years, PV 5%) is estimated to $6.69 per square foot. At the end of year 7, the estimated bond debt is estimated to be $5.10 per square foot. This is calculated as follows:

Estimated Future Encumbered Value	
Current Unencumbered Land Value per SF	$15.00
Plus: Land Appreciation for 7 years per SF	$2.91
Future Unencumbered Land Value per SF	$17.91
Less: Estimated Bond Debt at end of Yr. 7 per SF	$5.88
Estimated Unencumbered Value in Yr. 7	$12.03

Discount Rate: The discount rate relates to estimated debt and equity carrying cost. We estimate a 10% discount rate is appropriate for the positive cash flow. The first 6 years of the DCF will have a negative cash flow. We estimate a safe discount rate of 2.5%.

Shown on the next page is the discounted cash flow for the excessive hold period of the land east of 7th Street.

DCF - Land East of 7th

	Period Beginning		Jul-22	Jul-23	Jul-24	Jul-25	Jul-26	Jul-27	Jul-28
			Yr	Yr	Yr.	Yr	Yr	Yr	Yr
TOTAL LOT REVENUE			1	2	3	4	5	6	7
Unencumbered Land Value per SF			$15.00	$15.45	$15.91	$16.39	$16.88	$17.39	$17.91
Less: Estimatee Bond Debt - at Yr. End			$6.59	$6.49	$6.38	$6.26	$6.14	$6.02	$5.88
Indicated Encumbered Land Value per SF at Yr. End			$8.41	$8.96	$9.53	$10.13	$10.74	$11.37	$12.03
TOTAL REVENUE		$18,866,215	$0	$0	$0	$0	$0	$0	$18,866,195
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE		$1,149,369	$150,000	$154,500	$159,135	$163,909	$168,826	$173,891	$179,108
AD VALOREM		$498,112	$67,002	$68,342	$69,709	$71,103	$72,525	$73,976	$75,455
RAILYARDS MAINTENANCE CFD No. 2014-04		$0	$0	$0	$0	$0	$0	$0	$0
RAILYARDS CFD No. 2018-1		$3,883,705	$554,815	$554,815	$554,815	$554,815	$554,815	$554,815	$554,815
CAPITALIZED CFD INTEREST		($1,109,630)	($554,815)	($554,815)	$0	$0	$0	$0	$0
ENTITLEMENT COST		$0	$0	$0	$0	$0	$0	$0	$0
PARKING GARAGE COSTS		$0	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$4,421,556	$217,002	$222,842	$783,659	$789,827	$796,166	$802,682	$809,378
NET INCOME		$14,444,658	($217,002)	($222,842)	($783,659)	($789,827)	($796,166)	($802,682)	$18,056,817
PRESENT VALUE FACTOR	10.0%		0.90909	0.82645	0.75131	0.68301	0.62092	0.56447	0.51316
SAFE DISCOUNT RATE	2.5%		0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127
DISCOUNTED CASH FLOW		**$6,003,102**	**($211,709)**	**($212,104)**	**($727,705)**	**($715,544)**	**($703,695)**	**($692,150)**	**$9,266,002**
	Rounded	**$6,000,000**							

BBG

VALUATION OF DRV PROPERTY EAST OF 7TH STREET

The discounted cash flow indicated an as is value of $6,000,000 for the 36 gross acres east of 7th Street. This DCF assumed an excessive hold period for 7 years with no development.

As additional support for the value indication we have performed two land residual models assuming buildout of the land east of 7th Street. In these scenarios we assumed that some infrastructure costs would be funded with grants, future CFD proceeds or other public funds similar to what has occurred in the land west of 7th Street. The two scenarios are:

Sell Lot 52 a-e (14.62 acres) to a User in Year 6: Under this scenario the property is developed under the current tentative map and its future developed state would be sold to a large user for 14.62 acres (Lot 52 a-e) with the balance sold to multiple buyers. We estimate a current land value of $36.00 per square foot for Lot 52, which is 20% lower than the land value conclusion of the Kaiser site. A 6-year period sale is a reasonable time period considering the progress that has occurred in the Railyards. The balance of the property would benefit from larger user, so an absorption period of years 7-15 is estimated for the remainder 14.66 acres. Construction cost in year 5 and 6 are partially funded with public funds. We utilize a reimbursement of $27,208,666 that has already been earmarked for the site assuming an MLS. The other inputs include typical holding and sell-off costs. A discount rate of 20% for positive cash flow and 2.5% for negative cash flow were utilized. As shown on the following page the indicated value under this scenario is $9,400,000. This scenario is considered slightly optimistic projection as it assumes a buyer for a large tract of urban land which is not as common in the downtown market.

Sell Entire Property to multiple-buyers with an 18 Year sell-off: Under this scenario the property is developed under the current land tentative map and its absorption commences in year 8 after much of the land west of 7th street land is sold off. The current retail land value of the assumed finished lots is shown on the following pages. Construction commences in year 6 and end in year 13 and the cost are assumed to be partially paid with future public funds. The other inputs include typical holding and sell-off costs. A discount rate of 20% for positive cash flow and 2.5% for negative cash flow were utilized. As shown in the following pages the indicated value under this scenario is $1,800,000. This scenario is considered a pessimistic projection as it assumes no upside potential for a possible large user acquisition.

The two DCF scenarios can be considered benchmark low and high value indications for the land east of 7th Street. Our indicated $6,000,000 value from the Hold DCF Land is near the middle of the two scenarios. Based on our analysis, we estimate the land east of 7th Street has a contributory value of $6,000,000 for the DRV property.

MARKET VALUATION - EAST OF 7TH - FINISHED LOT MODEL - LARGE USER ACQUISTION FOR LOT 52 IN YR 6										
	Period Ending	Jul-23		Jul-22	Jul-23	Jul-24	Jul-25	Jul-26	Jul-27	Jul-28
				Yr	Yr	Yr.	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period			**1**	**2**	**3**	**4**	**5**	**6**	**7**
Office & Retail - East of 7th Street		14.66		0.00	0.00	0.00	0.00	0.00	0.00	1.63
Lot 52 a-e		14.62		0.00	0.00	0.00	0.00	0.00	14.62	0.00
	Total Period Inventory Beginning:	-		29.28	29.28	29.28	29.28	29.28	29.28	14.66
Remaining Acres				29.3	29.3	29.3	29.3	29.3	29.3	14.7
LOT VALUE ESTIMATES										
Office, Retail Hotel & Residential - East of 7th Street				$64.46	$66.39	$68.39	$70.44	$72.55	$74.73	$76.97
Lot 52 a-e				$36.00	$37.08	$38.19	$39.34	$40.52	$41.73	$42.99
TOTAL LOT REVENUE										
Office, Retail Hotel & Residential - East of 7th Street				$0	$0	$0	$0	$0	$0	$5,461,262
Lot 52									$26,578,096	
TOTAL REVENUE		$82,059,636		$0	$0	$0	$0	$0	$26,578,096	$5,461,262
EXPENSES AND CASH FLOWS										
GENERAL AND ADMINISTRATIVE	3.0%	$2,698,592		$150,000	$154,500	$159,135	$163,909	$168,826	$173,891	$179,108
MARKETING/COMMISSIONS	3.0%	$2,461,789		$0	$0	$0	$0	$0	$797,343	$163,838
AD VALOREM		$916,741		$104,970	$107,069	$109,211	$111,395	$113,623	$115,895	$59,187
RAILYARDS MAINTENANCE CFD No. 2014-04		$1,102,631		$0	$0	$0	$0	$0	$0	$0
RAILYARDS CFD No. 2018-1		$4,748,688		$554,815	$554,815	$554,815	$554,815	$554,815	$554,815	$277,786
CAPITALIZED CFD INTEREST		($1,109,630)		($554,815)	($554,815)	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$32,782,654		$0	$0	$0	$0	$16,174,702	$16,607,953	$0
REIMBURSEMENTS		($27,208,666)		$0	$0	$0	$0	($13,604,333)	($13,604,333)	$0
TOTAL EXPENSES		$16,392,799		$254,970	$261,569	$823,161	$830,119	$3,407,633	$4,645,564	$679,919
NET INCOME		$65,666,837		($254,970)	($261,569)	($823,161)	($830,119)	($3,407,633)	$21,932,532	$4,781,343
PRESENT VALUE FACTOR	20.0%			0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908
Safe Rate	2.5%			0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127
DISCOUNTED CASH FLOW at 20%		$9,370,411		($248,751)	($248,965)	($764,386)	($752,047)	($3,011,851)	$7,345,161	$1,334,385
INDICATED VALUE		**$9,370,411**								
ROUNDED		**$9,400,000**								

MARKET VALUATION - EAST OF 7TH - FINISHED LOT MODEL - LARGE USER ACQUISTION FOR LOT 52 IN YR 6

	Period Ending	Jul-23	Jul-29	Jul-30	Jul-31	Jul-32	Jul-33	Jul-34	Jul-35	Jul-36
			Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period		**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Office & Retail - East of 7th Street		14.66	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63
Lot 52 a-e		14.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Period Inventory Beginning:	-	13.03	11.40	9.77	8.14	6.52	4.89	3.26	1.63
Remaining Acres			13.0	11.4	9.8	8.1	6.5	4.9	3.3	1.6
LOT VALUE ESTIMATES										
Office, Retail Hotel & Residential - East of 7th Street			$79.28	$81.66	$84.11	$86.63	$89.23	$91.90	$94.66	$97.50
Lot 52 a-e			$44.28	$45.60	$46.97					
TOTAL LOT REVENUE										
Office, Retail Hotel & Residential - East of 7th Street			$5,625,100	$5,793,853	$5,967,668	$6,146,698	$6,331,099	$6,521,032	$6,716,663	$6,918,163
Lot 52										
TOTAL REVENUE		$82,059,636	$5,625,100	$5,793,853	$5,967,668	$6,146,698	$6,331,099	$6,521,032	$6,716,663	$6,918,163
EXPENSES AND CASH FLOWS										
GENERAL AND ADMINISTRATIVE	3.0%	$2,698,592	$184,481	$190,016	$195,716	$184,401	$189,933	$195,631	$201,500	$207,545
MARKETING/COMMISSIONS	3.0%	$2,461,789	$168,753	$173,816	$179,030	$184,401	$189,933	$195,631	$201,500	$207,545
AD VALOREM		$916,741	$53,663	$47,894	$48,852	$14,994	$11,995	$8,996	$5,998	$2,999
RAILYARDS MAINTENANCE CFD No. 2014-04		$1,102,631	$238,407	$208,606	$208,606	$149,004	$119,203	$89,403	$59,602	$29,801
RAILYARDS CFD No. 2018-1		$4,748,688	$246,921	$216,056	$216,056	$154,326	$123,461	$92,595	$61,730	$30,865
CAPITALIZED CFD INTEREST		($1,109,630)	$0	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$32,782,654	$0	$0	$0	$0	$0	$0	$0	$0
REIMBURSEMENTS		($27,208,666)	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$16,392,799	$892,225	$836,388	$848,260	$687,126	$634,525	$582,256	$530,329	$478,755
NET INCOME		$65,666,837	$4,732,875	$4,957,465	$5,119,408	$5,459,573	$5,696,574	$5,938,776	$6,186,334	$6,439,409
PRESENT VALUE FACTOR	20.0%		0.23257	0.19381	0.16151	0.13459	0.11216	0.09346	0.07789	0.06491
Safe Rate	2.5%		0.82075	0.80073	0.78120	0.76214	0.74356	0.72542	0.70773	0.69047
DISCOUNTED CASH FLOW at 20%		$9,370,411	$1,100,715	$960,790	$826,813	$734,793	$638,909	$555,061	$481,832	$417,953
INDICATED VALUE		**$9,370,411**								
ROUNDED		**$9,400,000**								

RETAIL VALUE OF LAND EAST OF 7TH WITH LOT 52 A-E SELLING TO SINGLE-BUYER								
Lot #	Acres	Composite Benchmark Value	Location	Density	Encumbrance	Total Adj.	Indicated Value per SF	Total Value
49 a	0.94	$75.00	0%	0%	0%	0%	$75.00	$3,070,980
49 b	2.68	$75.00	0%	0%	0%	0%	$75.00	$8,755,560
50	1.52	$75.00	-25%	0%	0%	-25%	$56.25	$3,724,380
51 a	3.36	$75.00	-50%	0%	0%	-50%	$37.50	$5,488,560
52 a	2.99	$45.00	-20%	0%	0%	-20%	$36.00	$4,688,798
52 b	2.27	$45.00	-20%	0%	0%	-20%	$36.00	$3,559,723
52 c	2.24	$45.00	-20%	0%	0%	-20%	$36.00	$3,512,678
52 d	4.21	$45.00	-20%	0%	0%	-20%	$36.00	$6,601,954
52 e	2.91	$45.00	-20%	0%	0%	-20%	$36.00	$4,563,346
56 a	0.56	$75.00	0%	0%	0%	0%	$75.00	$1,829,520
56 b	0.73	$75.00	0%	0%	0%	0%	$75.00	$2,384,910
56 c	0.73	$75.00	0%	0%	0%	0%	$75.00	$2,384,910
56 d	0.87	$75.00	0%	0%	0%	0%	$75.00	$2,842,290
69 a	0.72	$75.00	0%	0%	0%	0%	$75.00	$2,352,240
69 b	1.11	$75.00	0%	0%	0%	0%	$75.00	$3,626,370
69 c	0.58	$75.00	0%	0%	0%	0%	$75.00	$1,894,860
69 d	0.86	$75.00	0%	0%	0%	0%	$75.00	$2,809,620
	29.28						$50.25	$64,090,699

MARKET VALUATION - EAST OF 7TH - FINISHED LOT MODEL - MULTIPLE BUYER ACQUISTION OVER 18 YEARS

	Period Ending	Jul-23	Jul-22	Jul-23	Jul-24	Jul-25	Jul-26	Jul-27	Jul-28	Jul-29	Jul-30
			Yr	Yr	Yr.	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Office & Retail - East of 7th Street		8.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.32
Residential - East of 7th Street		20.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.69
Total Lots Sold (excludes Lot 17, Wong & Mixed-use Income land dedication):		29.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.01
Total Period Inventory Beginning:		-	29.29	29.29	29.29	29.29	29.29	29.29	29.29	28.29	27.28
Remaining Acres			29.3	29.3	29.3	29.3	29.3	29.3	29.3	28.3	27.3
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - East of 7th Street			$62.23	$64.10	$66.02	$68.00	$70.04	$72.15	$74.31	$76.54	$78.84
Office, Retail Hotel & Residential - West of 7th Street			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Central Shops			$68.19	$70.24	$72.34	$74.51	$76.75	$79.05	$81.42	$83.87	$86.38
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - East of 7th Street			$0	$0	$0	$0	$0	$0	$0	$3,334,060	$3,468,423
Office, Retail Hotel & Residential - West of 7th Street			$0	$0	$0	$0	$0	$0	$0	$0	$0
Central Shops			$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL REVENUE		$119,430,530	$0	$0	$0	$0	$0	$0	$0	$3,334,060	$3,468,423
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$4,732,285	$150,000	$154,500	$159,135	$163,909	$168,826	$173,891	$179,108	$100,022	$104,053
MARKETING/COMMISSIONS	3.0%	$3,582,916	$0	$0	$0	$0	$0	$0	$0	$100,022	$104,053
AD VALOREM		$306,600	$19,550	$19,941	$20,340	$20,747	$21,162	$21,585	$22,016	$21,690	$21,334
RAILYARDS MAINTENANCE CFD No. 2014-04		$4,666,008	$0	$0	$0	$0	$0	$535,866	$535,866	$517,571	$499,093
RAILYARDS CFD No. 2018-1		$7,607,673	$555,004	$555,004	$555,004	$555,004	$555,004	$555,004	$555,004	$536,056	$516,918
CAPITALIZED CFD INTEREST		($1,110,009)	($555,004)	($555,004)	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$34,732,070	$0	$0	$0	$0	$0	$9,138,973	$9,412,663	$9,651,968	$222,456
REIMBURSEMENTS		($27,208,666)	$0	$0	$0	$0	$0	($9,138,973)	($9,412,663)	($8,657,029)	
TOTAL EXPENSES		$27,308,878	$169,550	$174,441	$734,479	$739,660	$744,992	$1,286,347	$1,291,995	$2,270,300	$1,467,906
NET INCOME		$92,121,652	($169,550)	($174,441)	($734,479)	($739,660)	($744,992)	($1,286,347)	($1,291,995)	$1,063,760	$2,000,516
PRESENT VALUE FACTOR	20.0%		0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908	0.23257	0.19381
Safe Rate	2.5%		0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127	0.82075	0.80073
DISCOUNTED CASH FLOW at 20%		$1,758,617	($165,415)	($166,035)	($682,037)	($670,096)	($658,465)	($1,109,213)	($1,086,911)	$247,397	$387,713
INDICATED VALUE		**$1,758,617**									
ROUNDED		**$1,800,000**									

MARKET VALUATION - EAST OF 7TH - FINISHED LOT MODEL - MULTIPLE BUYER ACQUISTION OVER 18 YEARS											
	Period Ending	Jul-23	Jul-31	Jul-32	Jul-33	Jul-34	Jul-35	Jul-36	Jul-37	Jul-38	Jul-39
			Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr	Yr
ABSORPTION ESTIMATES	12 mos/period		**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
Office & Retail - East of 7th Street		8.99	0.33	0.37	0.38	0.41	0.73	1.70	1.67	1.64	1.14
Residential - East of 7th Street		20.30	0.69	0.47	0.70	2.79	2.75	2.79	2.79	2.88	3.05
Total Lots Sold (excludes Lot 17, Wong & Mixed-use Income land dedication):		29.29	1.02	0.84	1.08	3.20	3.48	4.49	4.46	4.52	4.19
Total Period Inventory Beginning:		-	26.26	25.42	24.34	21.14	17.66	13.17	8.71	4.19	0.00
Remaining Acres			26.3	25.4	24.3	21.1	17.7	13.2	8.7	4.2	0.0
LOT VALUE ESTIMATES											
Office, Retail Hotel & Residential - East of 7th Street			$81.20	$83.64	$86.15	$88.73	$91.39	$94.13	$96.96	$99.87	$102.86
Office, Retail Hotel & Residential - West of 7th Street			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Central Shops			$88.97	$91.64	$94.39	$97.22	$100.14	$103.15	$106.24	$109.43	$112.71
TOTAL LOT REVENUE											
Office, Retail Hotel & Residential - East of 7th Street			$3,607,846	$3,060,303	$4,052,715	$12,368,286	$13,854,026	$18,411,125	$18,836,754	$19,662,868	$18,774,124
Office, Retail Hotel & Residential - West of 7th Street			$0	$0	$0	$0	$0	$0	$0	$0	$0
Central Shops			$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL REVENUE		$119,430,530	$3,607,846	$3,060,303	$4,052,715	$12,368,286	$13,854,026	$18,411,125	$18,836,754	$19,662,868	$18,774,124
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	3.0%	$4,732,285	$108,235	$91,809	$121,581	$371,049	$415,621	$552,334	$565,103	$589,886	$563,224
MARKETING/COMMISSIONS	3.0%	$3,582,916	$108,235	$91,809	$121,581	$371,049	$415,621	$552,334	$565,103	$589,886	$563,224
AD VALOREM		$306,600	$20,947	$20,683	$20,200	$17,895	$15,248	$11,599	$7,824	$3,839	$0
RAILYARDS MAINTENANCE CFD No. 2014-04		$4,666,008	$480,432	$465,064	$445,305	$386,761	$323,093	$240,948	$159,351	$76,657	$0
RAILYARDS CFD No. 2018-1		$7,607,673	$497,590	$481,673	$461,209	$400,573	$334,632	$249,553	$165,042	$79,395	$0
CAPITALIZED CFD INTEREST		($1,110,009)	$0	$0	$0	$0	$0	$0	$0	$0	$0
HORIZONTAL CONSTRUCTION COSTS		$34,732,070	$1,703,285	$1,529,735	$1,565,037	$1,507,952	$0	$0	$0	$0	$0
REIMBURSEMENTS		($27,208,666)					$0	$0	$0	$0	$0
TOTAL EXPENSES		$27,308,878	$2,918,725	$2,680,773	$2,734,914	$3,055,279	$1,504,215	$1,606,767	$1,462,423	$1,339,663	$1,126,447
NET INCOME		$92,121,652	$689,121	$379,529	$1,317,801	$9,313,007	$12,349,811	$16,804,358	$17,374,331	$18,323,205	$17,647,677
PRESENT VALUE FACTOR	20.0%		0.16151	0.13459	0.11216	0.09346	0.07789	0.06491	0.05409	0.04507	0.03756
Safe Rate	2.5%		0.78120	0.76214	0.74356	0.72542	0.70773	0.69047	0.67362	0.65720	0.64117
DISCOUNTED CASH FLOW at 20%		$1,758,617	$111,297	$51,080	$147,800	$870,430	$961,884	$1,090,695	$939,741	$825,886	$662,865
INDICATED VALUE		**$1,758,617**									
ROUNDED		**$1,800,000**									

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RETAIL VALUE OF LAND EAST OF 7TH ASSUMING 18-YEAR SELL OFF								
Lot #	Acres	Composite Benchmark Value	Location	Density	Encumbrance	Total Adj.	Indicated Value per SF	Total Value
49 a	0.94	$75.00	0%	0%	0%	0%	$75.00	$3,070,980
49 b	2.68	$75.00	0%	0%	0%	0%	$75.00	$8,755,560
50	1.52	$75.00	-25%	0%	0%	-25%	$56.25	$3,724,380
51 a	3.36	$75.00	-50%	0%	0%	-50%	$37.50	$5,488,560
52 a	2.99	$75.00	-20%	0%	0%	-20%	$60.00	$7,814,664
52 b	2.27	$75.00	-20%	0%	0%	-20%	$60.00	$5,932,872
52 c	2.24	$75.00	-20%	0%	0%	-20%	$60.00	$5,854,464
52 d	4.21	$75.00	-20%	0%	0%	-20%	$60.00	$11,003,256
52 e	2.91	$75.00	-20%	0%	0%	-20%	$60.00	$7,605,576
56 a	0.56	$75.00	0%	0%	0%	0%	$75.00	$1,829,520
56 b	0.73	$75.00	0%	0%	0%	0%	$75.00	$2,384,910
56 c	0.73	$75.00	0%	0%	0%	0%	$75.00	$2,384,910
56 d	0.87	$75.00	0%	0%	0%	0%	$75.00	$2,842,290
69 a	0.72	$75.00	0%	0%	0%	0%	$75.00	$2,352,240
69 b	1.11	$75.00	0%	0%	0%	0%	$75.00	$3,626,370
69 c	0.58	$75.00	0%	0%	0%	0%	$75.00	$1,894,860
69 d	0.86	$75.00	0%	0%	0%	0%	$75.00	$2,809,620
	29.28						$62.23	$79,375,032

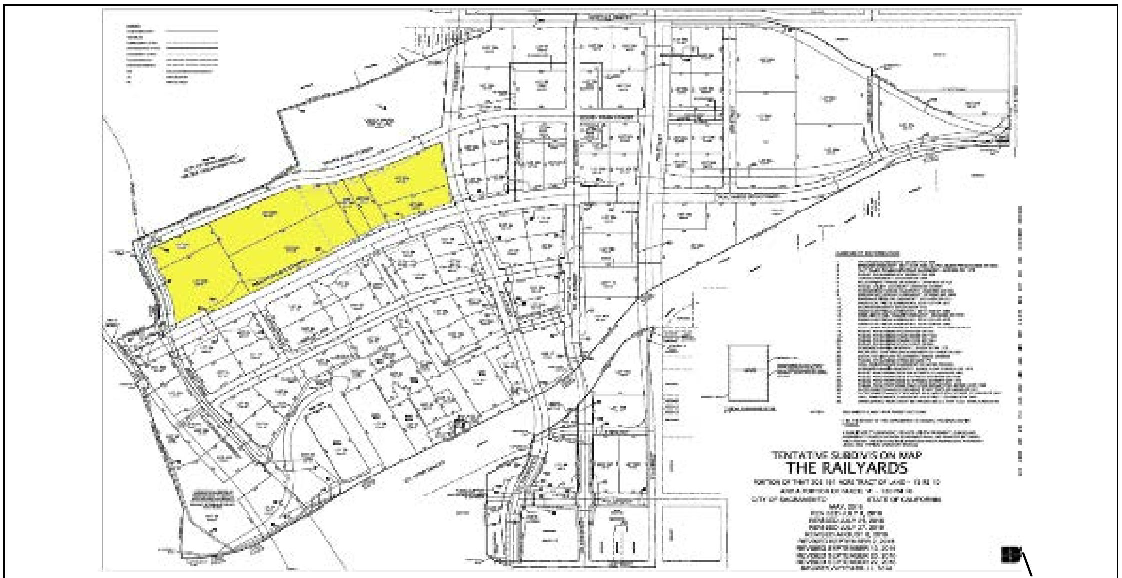
FINAL VALUATION OF DRV PROPERTY

The DRV was valued with separate analysis of East and West of 7th Street. These properties were valued under assumed ownership. The total value of the DRV property is sum of the two components, as shown below.

Final Value of DRV Property	
DRV Property West of 7th Street	$46,000,000
DRV Property West of 7th Street	$6,000,000
Total Value	$52,000,000

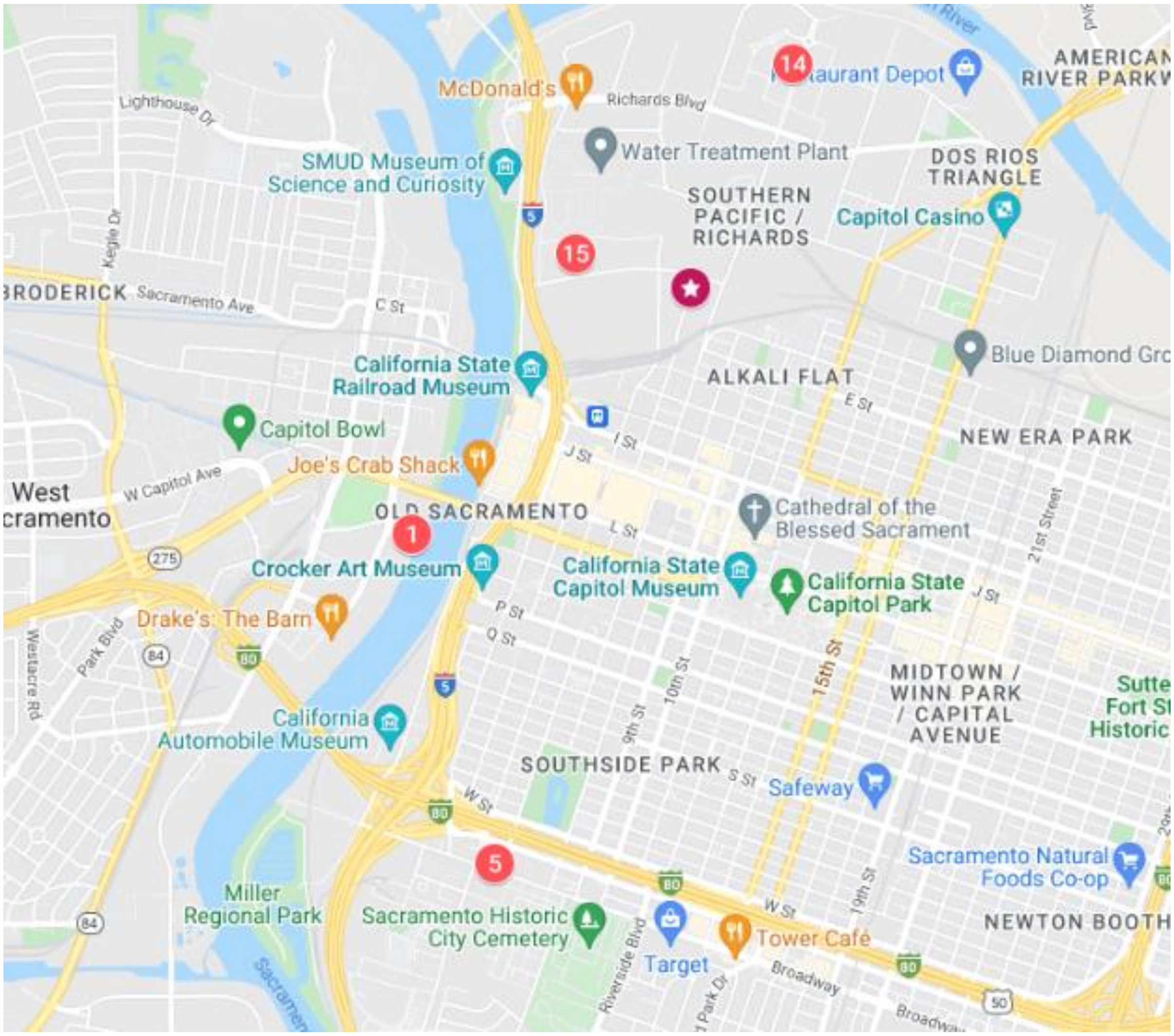
KAISER FOUNDATION HOSPITAL SITE

Kaiser Foundation Hospital ("Kaiser") is the owner of eight parcels totaling 17.407 gross acres. The site is located along the north side of Railyards Boulevard between Bercut Drive and 5th Street. All streets surrounding the property are in place and all utilities serve the property. DRV sold the site to Kaiser Foundation Hospital on January 24, 2019, for $33,370,000. Kaiser purchased the site to develop a hospital. DRV delivered a finished site to Kaiser. DRV's cost to construct the off-site infrastructure for the site was $17,562,830.



A sales comparison approach will be used to value the Kaiser Site. Below are the comparable sales map and details.

COMPARABLE LAND SALES MAP - KAISER SITE



Sale 1 Comments: The property is fully entitled for a 286-unit mixed-use multi-family property. The anticipated completion date is 2023. The proposed five-story property will include retail along the entire length of the buildings Riverfront Street frontage and residential stoops along Ballpark Drive and State Street. The buyer was Chicago based developer. The estimated gross building area is 314,600 SF.

Sale 5 Comments: This property is the 5th phase of The Mill at Broadway. The land was in an opportunity zone. The buyer plans to develop 444 one- and two-bedroom apartments a complex known as Broadway Apartments. Development will be completed in two phases the first phase will be 360 units. There is a warehouse on the property that will be incorporated into the project as leasing office and covered parking. The estimated building area is 464,000 SF.

	**Sale 14 Comments:** Sale reflects the two-phase acquisition of the Township 9 (T9) project (excludes the existing Cannery Place Apartments), situated between Richards Blvd and the American River between N 5th and N 7th Streets. Gross site area is 55-acres; net developable site area is 39-acres exclusive of parks and land in American River Parkway. The acquisition was a two-phase takedown with the initial transfer on 11/17/20 at $43,600,000 and the second on 1/29/21 at $10,400,000. The overall project was entitled for up to 2,981 residential units (180 units had been built). The buyer plans a total of 2,303 residential units. Phase A (central portion of project) is planned for 936 multifamily units. Phase B (norther portion of project) is planned for 825 multifamily units. Phase C (south portion along Richards Blvd) is planned for 542 micro units/hotel.
	**Sale 15 Comments:** On January 24, 2019 the 17.407 acres of commercial land part of The Railyards development was sold for $33,370,000. The buyer was Kaiser Permanente which paid cash for the acquisition. The new Kaiser Permanente Medical Center at the Railyards will replace the current hospital located less than 10 miles away at 2025 Morse Ave. in Sacramento County. The propoerty is proposed for a 1,168,003 square foot hospital and medical campus. The seller delivered a finished site to the buyer. The seller's cost to construct the off-site infrastructure was $17,562,830.

	COMPARABLES - KAISER SITE											
	Property / Location	Date of Sale	Transaction Status	Site Size (Ac)	Zoning	Est FAR	Buildable Area (SF)	Sale Price	Price per Acre	Price per SF	Price per Buildable SF
1	805 Riverfront Street 805 Riverfront Street West Sacramento, CA	12/04/2020	Closed	4.41	WF,	1.35	259,335	$10,050,000	$2,278,907	$52.32	$38.75
5	Broadway Apartments 2570 3rd Sacramento, CA	10/11/2019	Closed	7.07	R4 & C-2,	1.85	569,743	$20,500,000	$2,899,578	$66.57	$35.98
14	Township 9 Richards Blvd Sacramento, CA	11/17/2020	Closed	39.10	RMX-SPD, Residential Mixed-Use	1.64	2,792,953	$54,000,000	$1,381,217	$31.71	$19.33
15	Kaiser Permanente Development 242 North 5th Street Sacramento, CA	01/24/2019	Closed	17.407	H	1.85	1,200,000	$33,370,000	$1,917,045	$44.00	$27.81
	Kaiser Permanente Development 242 North 5th Street Sacramento, CA			17.407		1.85	1,200,000				—

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DISCUSSION OF ADJUSTMENTS – KAISER SITE LAND SALES

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

FINANCIAL TERMS

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller buydowns, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

EXPENDITURES IMMEDIATELY AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

MARKET CONDITIONS

The sales included in this analysis transacted between January 2019 to December 2020. Market conditions were positive and improving during this time period. We apply an upward adjustment of 3% annually to account for increasing land values.

PROPERTY ADJUSTMENTS

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The Kaiser Site has a good location within the Railyards. Sale 1 is located in West Sacramento overlooking the Sacramento River and considered to have a slightly superior location to the Kaiser site. A downward adjustment of -10% was applied to this sale. Sale 5 located along Broadway also has a slightly superior location and is adjusted down slightly. Sale 14 is located in Township 9, which is one-half mile north of the Railyards in a more industrial area. This sale rates inferior in location and is adjusted up by 15%. Sale 15 is the sale of the Kaiser site in 2019.

SITE SIZE

The Kaiser site is 17.407 acres. Sales 1 and 5 are smaller in size and are adjusted down by 10% each. Sale 14 is substantially larger in size and warrants an upward adjustment of 15%.

ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit or per-square-foot basis.

The subject is zoned H, which is a hospital zoning. The alternative use under the variant plan is for office, retail, and residential use for an overall density of 1.85 FAR. Sale 1 has a lower FAR and is adjusted up slightly. The other sales have similar FAR's and no adjustments are applied.

INFRASTRUCTURE COSTS

This section considers the building fees and estimated bond debt for the Railyards as compared to the comparable sales. The following information are estimates from EPS regarding these cost burdens.

Infrastructure Cost Burden - Office - Per Sf of Bldg. Area	Railyards	Central City	River District	Bridge District (1st Tier)
City/County Fees	$13.71	$15.93	$14.92	$8.07
Plan Area Fees	$7.32	$3.83	$6.37	$4.85
Bond Debt of Special Taxes	$1.38	$0.01	$0.06	$9.29
Total Infrastructure Cost per SF	$22.41	$19.77	$21.35	$22.21

Source: EPS 8/6/2021

Railyard infrastructure burden is higher than the Central City and similar to the Bridge District. The adjustment for this characteristic is based on the difference in fees from the Railyards to the comparable sales. Sales 1 and 15 are similar. Small downward adjustments are applied to Sales 5 and 14.

SHAPE/CONFIGURATION

The comparable sales are similar in respect to subject. No adjustments are necessary.

ACCESS/VISIBILITY

The comparable sales are similar in respect to subject. No adjustments are necessary.

UTILITIES/INFRASTRUCTURE/OFF-SITE OBLIGATIONS

The subject site being analyzed is for a finished lot with all off-site improvements in-place. The comparable sales were also finished sites with little or no off-site obligations on the buyers. The comparable sales and the subject are similar in respect to these characteristics.

ENVIRONMENTAL ISSUES

Comparable land sales 1, 5 and 14 were not known to have any environmental issues. Based on the estimated higher development costs at the Railyards for environmental issues, we adjust these comparable sales down by 5%.

OPPORTUNITY ZONE

The subject is located in an Opportunity Zone. This zone provides tax benefits when improvements are constructed. All of the sales are also located in an Opportunity Zone.

COMPARABLE LAND SALE ADJUSTMENTS					
	Subject	Comp 1	Comp 5	Comp 14	Comp 15
Property / Location	Kaiser Site	805 Riverfront Street 805 Riverfront Street West Sacramento, CA	Broadway Apartments 2570 3rd Sacramento, CA	Township 9 Richards Blvd Sacramento, CA	Kaiser Permanente Development 242 North 5th Street Sacramento, CA
Transaction Status	-----	Closed	Closed	Closed	Closed
Date of Sale	-----	12/04/2020	10/11/2019	11/17/2020	01/24/2019
Site Size (Acres)	17.407	4.41	7.07	39.10	17.407
Buildable SF					
Sale Price	-----	$10,050,000	$20,500,000	$54,000,000	$33,370,000
Zoning	,	WF,		RMX-SPD, Residential Mixed-Use	H
Unadjusted Price per SF (Net)	**-----**	**$52.32**	**$66.57**	**$31.71**	**$44.00**
Transactional Adjustments					
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		$ -	$ -	$ -	$ -
Financing					
Adjustment		$ -	$ -	$ -	$ -
Terms/Conditions of Sale					
Adjustment		$ -	$ -	$ -	$ -
Expenditures After Sale					
Adjustment		$ -	$ -	$ -	$ -
Market Conditions		*12/04/2020*	*10/11/2019*	*11/17/2020*	*01/24/2019*
Adjustment		**3%**	**7%**	**3%**	**9%**
Total Transactional Adjustments		**3%**	**7%**	**3%**	**9%**
Adjusted Price per SF (Net)		**$53.89**	**$71.22**	**$32.66**	**$47.96**
Property Adjustments					
Location		**-10%**	**-10%**	**15%**	**0%**
	17.407	*4.41*	*7.07*	*39.10*	*17.407*
Net Site Size (Ac)		**-10%**	**-10%**	**15%**	**0%**
Zoning / Intended Use/FAR		**5%**	**0%**	**0%**	**0%**
	$22.41	*$22.21*	*$19.77*	*$21.35*	*$22.41*
Infrastructure Cost Burden		**0%**	**-2%**	**-2%**	**0%**
CFD Burden		**0%**	**-9%**	**0%**	**0%**
Shape / Configuration		**0%**	**0%**	**0%**	**0%**
Access / Visibility		**0%**	**0%**	**0%**	**0%**
Utilities / Infrastructure		**0%**	**0%**	**0%**	**0%**
Environmental		**-5%**	**-5%**	**-5%**	**0%**
Total Property Adjustments		**-20%**	**-36%**	**23%**	**0%**
Indication for Subject		**$43.00**	**$45.40**	**$40.25**	**$47.96**

CONCLUSION OF LAND VALUE – KAISER SITE LAND VALUE

After adjustments, the comparable land sales reflect a range from $40.25 to $47.96 per square foot of land area. The average of the sales is $44.15 per land foot area and the median is $44.20 per square foot.

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$31.71	$40.25
Maximum	$66.57	$47.96
Median	$48.16	$44.20
Average	$48.65	$44.15

We place slightly more weight on the adjusted sales price of the Kaiser land sale and conclude to a land value of $45.00 per square foot. Below is our estimate of the land value for this ownership:

Kaiser Permanente Property Value	
Indicated Value per SF	$45.00
Net Site Area (SF)	x 758,249
Indicated Value	**$34,121,205**
Rounded to nearest $100,000	**$34,100,000**
Per SF	**$44.97**

VALUATION OF RAILYARDS SACRAMENTO 695, LP - THE AJ

Sacramento 695, LP (“The AJ”) is the owner of one parcel totaling 2.88 acres. The site is located at the southwest corner of 7th Street and Railyards Boulevard. All streets surrounding the property are in place and all utilities serve the property. The site is zoned C-3 SPD land use designation allows residential densities up to 450 units per acre, and nonresidential development between a Floor Area Ratio (FAR) of 3.0 and 15.0.

Sacramento 695, LP is a joint venture between DRV and USA Properties Fund. The land was contributed to the partnership for $100. USA Properties Fund is a local based developer that has extensive experience in both market-rate and affordable housing development.

The site is under development with a 6-story, mixed-use multifamily over street retail building. There will be a total of 345 residential dwelling units and 5,996 square feet of ground floor retail space. There will also be a 5-story parking garage with a total of 276 parking spaces. The property will include 69-units restricted to 50% AMI levels for Sacramento County. The total gross building area will 439,216 SF and the net rentable area is 238,025 SF.

The project received a grant of $15,211,696 from the Affordable Housing and Sustainable Communities Program which is handled from the State of California Department. The AHSC funds are conditioned on not fewer than 61 affordable housing units at 50% AMI. The project was also awarded 4% federal tax credits totaling $30,921,250. The tax credits have been sold and are assumed to not be transferrable to a buyer of the property.

The following is the unit mix of the project.

Floorplan	Size	No. Units
Studio	535	48
1Bd/1Ba-Small	610	171
1Bd/1Ba-Large	704	67
2Bd/2Ba-Small	971	14
2Bd/2Ba-Large	1,044	45
Total/Average	689	345

The project commenced construction in August 2020. Below is a summary of the construction budget, amounts funded and remaining cost as of July 2022.

Construction Cost Summary			
	Total	Amount Funded	Remaining Cost
Total Cost	$126,866,650	$74,243,230	$52,623,420

The estimated completion date in end of March 2023. The remaining construction costs have inflation factors and contingency included.

PROJECT ELEVATIONS

North Elevation

East Elevation

PROPERTY PHOTOGRAPH

PLAT MAP

AERIAL MAP

VALUATION OF THE AJ PROPERTY

The AJ has been under construction since August 2020. Approximately $74.2 million has been expended on construction cost from a budget of $127 million. Both the budget and construction costs to-date have been verified from the developer's lender. The estimated date of completion of the project is March 2023.

The valuation of the AJ assumes a sale of the property as of the effective date of value. In its current state it is a partially constructed project. Selling a property in the middle of construction is rare in the marketplace. We consider the following information in developing a value of a partially completed project:

- There exists strong demand for new Class A apartments. It is believed there would be multiple potential buyers seeking to acquire the AJ, even in its partially completed status.

- The developer of the AJ has a contract with a General Contractor for development of the property. The contractor is well informed on the project and has sub-contractors in place for completion of the project. Under a change of ownership, it would be highly probable the contractor would be retained to complete the project.

- Sales of partially completed projects are sometimes viewed as distressed or having a seller under duress. In the case of the AJ, there are no known factors that would suggest any unusual motivating factors that would approach a distressed sale situation. In fact, the opposite is true as all facets involving the AJ are positive. These include a construction contract in place, project on time for completion in 9 months, high demand of the asset type and a market that continues improve over time.

Under an assumed sale of the property it would be likely that the general contractor would continue to stay on for completion of the project. The transaction could involve some warranties by the seller to complete and it is even possible that some of the seller's proceeds could be held in escrow and contingent on completion.

We have details of a recent sale of a partially completed apartment project. The Eisley, a 405-unit project located at 1567 Bartlett Lane in Sacramento sold in June 2021. The project was in the middle of construction with $37.1 million in remaining construction to be completed. The sale had a $150 million purchase price and remaining construction costs were deducted from the sellers proceeds. The buyer funded the entire $150 million in purchase with the remaining construction costs held in the lender's reserve account and to be disbursed as construction was completed. The buyer was an investment group out of New York which had completed $7 billion in acquisition over the past 5 years. The seller was a local developer who was under no duress. The buyer of the property was responsible for the remaining construction costs as well as lease-up of the project. There was no reported deduction for the risk of purchasing a partially completed project.

Another example of a partially completed project selling during construction is the Arroyo Apartments located in Walnut Creek, California. The property is a 100-unit apartment that was under construction and sold in June 2015 for $52,500,000. The buyer of the property was Northwestern Mutual Life Insurance Company. The seller was Hall Equities Group, who was under no duress to sell. The buyer was responsible for the cost to complete the project, which occurred one year after acquisition.

In the valuation of the AJ we believe the discount to the purchase price would solely be for the outstanding construction cost, unearned profit and some additional contingencies. It would be highly unlikely the seller would agree to any further discount considering the positive factors of the project.

The valuation of The AJ will be estimated from two approaches to value. These are a Property Residual Discounted Cash Flow and a Build-up Method.

Property Residual: This approach estimates the value using a Discounted Cash flow model.

The major milestones of the AJ development are as follows:

Quarters 1-3: Construction continues

Quarters 4-9: Lease-up of Units

Quarter 9: Stabilized occupancy achieved & Sale of Property

The first step in the valuation will be to estimate the restricted and non-restricted net operating income and stabilized value of the project. We start with the estimate of potential gross income.

The rent for the restricted rents is estimated as follows:

LIHTC RENTAL SUMMARY

Unit Type	No. Units	Income Restriction	Gross Rent	Utility Allowance	Net Restricted Rent
Studio	9	50% AMI	$793	$63	$730
1-Bedroom	48	50% AMI	$850	$70	$780
2-Bedroom	12	50% AMI	$1,020	$89	$931
Totals/Averages	**69**				

Rents for projects placed in service on or after April 1, 2021

Source: Novogradac Rent Calculator

For the unrestricted rents we surveyed competitive projects in Midtown, West Sacramento, and the CBD.

Shown on the following page are asking rents for Class A projects. The following is our estimate of market rents for the apartment units upon completion in 2022.

Potential Gross Income - Restricted					
Type	Size	No.	Rent	Rent/SF	Annual
Studio	534	39	$1,900	$3.56	$889,200
Studio - Restricted	534	9	$730	$1.37	$78,840
1/1	612	123	$2,100	$3.43	$3,099,600
1/1 - Restricted	612	48	$780	$1.27	$449,280
1/1	706	67	$2,400	$3.40	$1,929,600
2/2	971	2	$2,900	$2.99	$69,600
2/2 - Restricted	971	12	$931	$0.96	$134,064
2/2'	1,041	45	$3,000	$2.88	$1,620,000
Total		345	$1,998	$34.75	$8,270,184

The ground floor commercial space will be the first retail space delivered in the Railyards. We estimate it will command a rent toward the upper end of the range from similar spaces in Midtown and Downtown. An estimate of $4.00 per square foot is estimated.

The project will have 276 parking spaces, of which 6 are property reserved, six are for the commercial spaces and 260 spaces can be leased. We estimate a monthly parking rate of $150 for the 260 rentable spaces. Other income that will be generated includes expense reimbursements and other income.

No.	Property Name; Address	Survey Date; Total Units Occupancy	Year Built; Stories	Unit Type/ Floorplan	Unit Size (SF)	Rent/Month			Rent/SF
	APARTMENT RENT SURVEY (DOWNTOWN/MIDTOWN)								
1	**800 J Lofts**	2/3/2022	2006			Low	High	**Average**	**Average**
	800 J Street	225	7 Stories	Studio	547	$1,950	$1,950	$1,950	$3.56
	Sacramento, CA	N/A		1Bd/1Ba	851	$2,155	$2,225	$2,190	$2.57
				2Bd/2Ba	943	$2,360	$2,495	$2,428	$2.57
2	**1801 L**	2/3/2022	2006			**Low**	**High**	**Average**	**Average**
	1801 L Street	176	4 Stories	Studio	420	$1,950	$2,000	$1,975	$4.70
	Sacramento, CA	95%		1Bd/1Ba	836	$2,661	$2,661	$2,661	$3.18
				2Bd/2Ba	1,111	$3,882	$3,882	$3,882	$3.49
3	**LINQ Midtown**	2/3/2022	2010			**Low**	**High**	**Average**	**Average**
	3111 S Street	275	4 Stories	Studio	616	$1,845	$1,964	$1,905	$3.09
	Sacramento, CA			1Bd/1Ba	739	$2,100	$2,187	$2,144	$2.90
				1Bd/1Ba	823	$2,010	$2,274	$2,142	$2.60
				2Bd/2Ba	1,064	$2,350	$2,647	$2,499	$2.35
				2Bd/2Ba	1,171	$2,624	$2,810	$2,717	$2.32
4	**The Press**	2/3/2022	2020			**Low**	**High**	**Average**	**Average**
	1714 21st Street	277	5 Stories	Studio	426	$1,935	$1,935	$1,935	$4.54
	Sacramento, CA	96%		1Bd/1Ba	645	$2,390	$2,464	$2,427	$3.76
				2Bd/1Ba	850	$2,960	$3,185	$3,073	$3.61
5	**19J Apartments**	2/3/2022	2021			**Low**	**High**	**Average**	**Average**
	1828 J Street	175		Studio	440	$1,935	$1,935	$1,935	$4.40
	Sacramento, CA	N/A		1Bd/1Ba	622	$2,875	$2,875	$2,875	$4.62
6	**H16**	2/3/2022	2020			**Low**	**High**	**Average**	**Average**
	731 16th Street	95	5 Stories						
	Sacramento, CA	91%		Studio	569	$2,124	$2,124	$2,124	$3.73
				1Bd/1Ba	657	$2,225	$2,225	$2,225	$3.39
				2Bd/1Ba	948	$2,805	$2,805	$2,805	$2.96
7	**Capital Yards**	2/3/2022	2001			**Low**	**High**	**Average**	**Average**
	1501 16th Street	69	4 Stories	Studio	595	$2,041	$2,041	$2,041	$3.43
	Sacramento, CA	N/A		1Bd/1Ba	725	$2,240	$2,240	$2,240	$3.09
	(916) 551-1494; Shelby			2Bd/2Ba	903	$2,940	$2,940	$2,940	$3.26
				2Ba/2Ba	1,104	$3,060	$3,060	$3,060	$2.77
8	**Q 19**	2/3/2022	2018			**Low**	**High**	**Average**	**Average**
	1907 Q Street	68	4 Stories	Studio	519	$2,016	$2,016	$2,016	$3.88
	Sacramento, CA	94%		Studio	603	$1,995	$1,955	$1,975	$3.28
	916-936-8691; Jennifer			2Bd/1Ba	969	$3,069	$3,195	$3,132	$3.23

Studios: The rent comparables have an average rent of $1,985 or $3.83 per square foot.

One Bedrooms: The rent comparables have an average rent of $2,394 or $3.43 per square foot.

Two Bedrooms: The rent comparables have an average rent of $3,014 or $3.00 per square foot.

A 5% stabilized vacancy rate is utilized. Below are the projects we considered in arriving at property expenses.

COMPARABLE EXPENSE DATA					
	Comp Data				
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Name	Mid-Rise / Mixed-Use Residential& Retail (No BMR)	High-Rise Tower & Garden / Mixed-Use Residential& Retail (No BMR)	Mid-Rise / Mixed-Use Residential& Retail (20% BMR)	Mid-Rise / Mixed-Use Residential& Retail (30% BMR)	Mid-Rise / Mixed-Use Residential& Retail (No BMR)
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	CA	CA	CA	CA	CA
Year Built	2010	1961/R. 2007	2006	Proposed	Proposed
Number of Units	275	409	225	150	436
Operating Data Type	Actual	Actual	Actual	Complete Proforma	Complete Proforma

PER UNIT					
	2018	2018	2014	2021	2021
Effective Gross Income	$28,161	$18,936	$19,242	$33,731	$31,762
Real Estate Taxes	$3,227	$2,721	$2,053	$2,484	$4,202
Insurance	$959	$109	$236	$368	$175
Utilities	$1,277	$1,461	$1,124	$644	$1,185
Repairs/Maintenance	$958	$1,055	$1,711	$1,288	$1,005
Payroll/Benefits	$2,149	$1,291	$951	$1,472	$1,550
Advertising & Marketing	$252	$206	$289	$0	$175
General/Administrative	$385	$294	$307	$0	$185
Management	$558	$821	$925	$444	$1,420
Replacement Reserves	$0	$210	$0	$300	$200
Apartment Allowance	$230	$200	$153	$0	$206
Total Expenses	$9,996	$8,368	$7,749	$7,000	$10,303

The projected real estate taxes are based on the stabilized value using the current tax rate plus any direct assessments. These taxes are estimated as follows:

Real Estate Tax Estimate - Current Date of Value		
	Unrestricted	Restricted
Stabilzed Value	$160,771,268	$145,563,831
Exemption	$0	$29,112,766
Adjusted Taxable Value	$160,771,268	$116,451,065
Tax Rate	1.116700%	1.116700%
Base Taxes	$1,795,333	$1,300,409
Plus: Direct Assessments	$48,447	$48,447
Total Real Estate Taxes	$1,843,780	$1,348,856

Estimated Stabilized Net Operating Income							
Parcel Size	2.88		125,453				
No. Units	345						
Units NRA	238,025						
Retail	5,996						
Parking	276						
Apt/Retail GBA	346,186						
Parking GBA	93,030						
Total GBA	439,216						
Overall FAR	3.50						
Pro-Forma							
Income	**Units**	**$/Unit /Mo.**			**Unrestricted**		**Restricted**
Potential Apartment Income	345	$ 2.90		$	9,440,400	$	8,270,184
Potential Retail Income	5,996	$ 4.00		$	287,808	$	287,808
Parking Income	260	$ 150.00		$	468,000	$	468,000
Expense Reimbursement	345	$ 125.00		$	517,500	$	408,000
Retail Expense Reimbursement	5,996	$ 12.00		$	71,952	$	71,952
Other Income	345	$ 100.00		$	414,000	$	414,000
Total Potential Income				$	11,199,660	$	9,919,944
Less V/C Loss	5%			$	(559,983)	$	(495,997)
Effective Gross Income				**$**	**10,639,677**	**$**	**9,423,947**
Less Operating Expenses	Per Unit						
Real Estate Taxes				$	1,843,780		$1,348,856
Insurance	$350			$	120,750	$	120,750
Utilities	$1,000			$	345,000	$	345,000
Repairs/Maintenance	$800			$	276,000	$	276,000
Payroll/Benefits	$1,000			$	345,000	$	345,000
Advertising & Marketing	$100			$	34,500	$	34,500
General/Administrative	$100			$	34,500	$	34,500
Management	3.0%			$	319,190	$	282,718
Replacement Reserves	$250			$	86,250	$	86,250
Total Expenses				**$**	**3,404,970**	**$**	**2,873,574**
Net Operating Income				**$**	**7,234,707**	**$**	**6,550,372**

The next step is to estimate the net operating income during lease-up and year of stabilization. The property's 69 low-income units will be leased-up near completion of construction. The remaining 276 units are estimated to be leased-up over a six-quarter period. Below is our estimate of the cash flow during lease-up and stabilization.

Estimated Income & Expenses									
Quarter	1	2	3	4	5	6	7	8	9
Stabilized Income	$2,479,986	$2,504,786	$2,529,834	$2,555,132	$2,580,683	$2,606,490	$2,632,555	$2,658,881	$2,685,469
Quarterly Appreciation		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Occupancy	0.0%	0.0%	0.0%	20.0%	40.0%	60.0%	70.0%	90.0%	100.0%
Estimated Income	$0	$0	$0	$511,026	$1,032,273	$1,563,894	$1,842,789	$2,392,993	$2,685,469
Stabilized Expenses	$718,394	$725,578	$732,833	$740,162	$747,563	$755,039	$762,589	$770,215	$777,917
Appreciation		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Estimated Expenses %	0.0%	0.0%	0.0%	50.0%	75.0%	100.0%	100.0%	100.0%	100.0%
Estimated Expenses $	$0	$0	$0	$370,081	$560,672	$755,039	$762,589	$770,215	$777,917
Net Operating Income	**$0**	**$0**	**$0**	**$140,946**	**$471,601**	**$808,855**	**$1,080,199**	**$1,622,777**	**$1,907,552**

The next step is to estimate an appropriate capitalization rate. The following is information considered for the capitalization rate.

Property	Sale	Yr Built	Price/Unit	Price/SF	Rate
16 Powerhouse, Sacramento	Mar-18	2015	$650,000	$615.81	4.63%
1430 Q Street	Mar-22	2021	$761,333	$598.15	4.70%
Evia Midtown, Sacramento	Jan-17	2016	$449,153	$541.56	4.91%
Lake Pointe Apartments	Sep-21	2004	$311,638	$290.63	4.00%
Q 19, Sacramnento	Apr-19	2018	$394,118	$606.54	4.66%
The Press	Sep-20	2020	$425,993	$588.19	N/A

Capitalization rates for Class A multi-family properties have been trending down over the past several years. Market participates believe a new Class A project in Sacramento MSA would command a rate between 4.0% to 4.5%. We believe the appropriate capitalization rate for the AJ is 4.5%. Below is our estimate of the value after achieving stabilized occupancy in quarter 9.

Estimated Value in Qtr. 9	
Stabilized Income	$10,741,878
Less: Vacancy @ 5%	$537,094
Less: Expenses	$3,111,669
Less: Increases in Taxes due to a Sale	$96,845
Adjusted Net Operating Income	$6,996,270
Capitalization Rate	4.5%
Estimated Value	$155,472,659
Rounded	$155,500,000

The indicated value of $155,500,000 in two years is $450,724 per unit. This price per unit is within the range of similar quality projects as summarized in the chart above.

Remaining Construction Cost

The reported remaining construction cost is $52,651,076, which includes contingency. We make an additional contingency deduction of 15% of remaining costs and a deduction of 20% profit of the remaining construction costs. These costs are spread out evenly over the first three quarters.

Discount Rate

We have reviewed the PwC Real Estate Investor Survey for determination of the discount rate. This survey indicated the following discount rate:

PwC Discount Rates - 2Q 2022			
PwC	Average Discount Rate	Average Capitalization Rate	Difference
National Apartment Market	6.72%	4.45%	2.27%

The spread in the discount rate and capitalization rate can be used to reconcile to a discount rate. Using our previous capitalization estimate of 4.5% and adding 225-basis point adjustment (average of difference from office and multi-family) indicates a discount rate of 6.75%. This is for a stabilized real estate investment and not a real estate development model which is the scope of this analysis. A profit component needs to be added to reward development of this project. Considering some profit component, a discount rate of 8.5% is concluded.

There will be a negative cash flow for quarters 1-3 of the development model. These cash flows need to be discounted at a safe discount rate. Safe yield rates on investments including yields on 5-year bonds are around 2.5%. We utilize this safe rate for the negative cash flow.

Shown on the following page is our estimate of value using this method. The indicated value is $64,000,000.

PROPERTY RESIDUAL - AJ

			Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6	Qtr 7	Qtr 8	Qtr 9
Status		0.00	Under Construction	Under Construction	Under Construction	Complete	Lease-up	Lease-up	Lease-up	Lease-up	Stabilized
TOTAL LOT REVENUE			0	2	3	4	5	6	7	8	$9
Income			$0	$0	$0	$511,026	$1,032,273	$1,563,894	$1,842,789	$2,392,993	$2,685,469
Expenses						$370,081	$560,672	$755,039	$762,589	$770,215	$777,917
Net Operating Income						$140,946	$471,601	$808,855	$1,080,199	$1,622,777	$1,907,552
Building Sale			$0	$0	$0	$0	$0	$0	$0	$0	$155,500,000
TOTAL REVENUE		$164,995,317	$0	$0	$0	$140,946	$471,601	$808,855	$1,080,199	$1,622,777	$160,870,939
EXPENSES AND CASH FLOWS											
COMMISSIONS	2.0%		$0	$0	$0	$0	$0	$0	$0	$0	$3,110,000
HARD & SOFT CONSTRUCTION COSTS		$52,623,420	$17,541,140	$17,541,140	$17,541,140	$0	$0	$0	$0	$0	$0
CONTINGENCY	15%	$7,893,513	$2,631,171	$2,631,171	$2,631,171	$0	$0	$0	$0	$0	$0
UNEARNED PROFIT	20%	$10,524,684	$3,508,228	$3,508,228	$3,508,228	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$71,041,617	$23,680,539	$23,680,539	$23,680,539	$0	$0	$0	$0	$0	$3,110,000
NET INCOME		$90,843,700	($23,680,539)	($23,680,539)	($23,680,539)	$140,946	$471,601	$808,855	$1,080,199	$1,622,777	$157,760,939
PRESENT VALUE FACTOR	8.5%		0.97919	0.95882	0.93887	0.91933	0.90020	0.88147	0.86313	0.84517	0.82758
SAFE DISCOUNT RATE	2.5%		0.99379	0.98762	0.98148	0.97539	0.96933	0.96331	0.95732	0.95138	0.94547
DISCOUNTED CASH FLOW		**$63,968,419**	**($23,533,455)**	**($23,387,284)**	**($23,242,022)**	**$129,576**	**$424,536**	**$712,982**	**$932,351**	**$1,371,521**	**$130,560,215**
	Rounded	**$64,000,000**									

Build-Up Method

This approach is the summation of the land value, plus construction costs expended, less the encumbrance due to the affordable units.

A Benchmark land value of $28,000 per unit was estimated earlier in the report for multi-family properties. We believe this is a reliable value estimate for the AJ site assuming no restrictions. The property however has a value detriment due to the affordable units. The value detriment is based on the net operating difference of the two scenarios and capitalized at the property capitalization rate of 4.5%. Shown below is the estimated property value detriment due the rent restrictions.

PROPERTY VALUE DETRIMENT DUE TO RENT RESTRICTIONS				
Unrestricted NOI	Restricted NOI	Income Loss	Cap Rate	Value Detriment
$7,234,707	$6,550,372	$684,335	4.50%	$15,207,436

The land value of the AJ site assuming no rent restrictions is estimated to be $9,660,000 or $28,000 per unit. The encumbered land value due to restrictions is calculated as follows:

LAND VALUE - THE AJ		
Unencumbered Land Value	$	9,660,000
Less: Value Detriment	$	(15,207,437)
Indicated Land Value	$	(5,547,437)

Improvements Completed: The developer has expended $74,243,230 on improvements as of the effective date of value. We believe these contribute an equal amount to the value of the property.

Below is the estimate of value using the Build-up Method.

BUILD-UP METHOD AS IS PROPERTY VALUE ESTIMATE - THE AJ		
Land Value - As Encumbered By Rent Restriction	$	(5,547,437)
Plus: Improvements & Soft Cost Funded	$	74,243,230
Indicated As Is Value	$	68,695,793
Rounded	$	68,700,000

The Residual Method accounted for lease-up costs for absorption of the units. The Build-up Method however only recognizes the cost-to-date and the underlying negative land value. Lease-up costs under this method is not appropriate.

As Is Market Value Conclusion - The AJ

The two approaches to value indicated similar results. We give each approach equal weight and arrive at the following value conclusion.

AS IS PROPERTY VALUE ESTIMATE - THE AJ	
Build-Up Method	$ 68,700,000
Residual Method	$64,000,000
Average of Both Methods	$ 66,350,000
Indicated Value	$ 66,000,000

VALUATION OF WONG CENTER AT THE RAILYARD, L.P.

Wong Center at the Railyard ("Wong Center") is the owner of one assessor parcel totaling 2.658 acres. The site is located at the northwest corner of 7th Street and F Street. All streets surrounding the property are in place and all utilities serve the property. The site is zoned C-3 SPD land use designation allows residential densities up to 450 units per acre, and nonresidential development between a Floor Area Ratio (FAR) of 3.0 and 15.0.

Wong Center is a proposed 150-unit affordable senior housing project that will be developed by Mutual Housing California. The land was sold to the developer for $100 in June 2022 with the requirement that the developer construct an affordable housing project with 100% of the units restricted to 40%, 50% and 60% area median income restrictions.

The 150-unit senior development will have 134 one-bedroom and 16 two-bedroom units, which includes one exempt management unit. The project will be a single, four-story building that is wood framed construction with stucco exteriors. The exteriors include varying accents with extensive trim and multi-color painting scheme. Each apartment will contain luxury vinyl plank flooring, central heating and air, and energy efficient appliances.

Amenities will include 4,000 square feet of multi-purpose community spaces including a community room with shared kitchen, meeting room, and offices. Three outdoor community spaces will include numerous seating and socializing areas, bocce court, dog park, barbecue, and gardening plots. The remaining open space areas will have lush landscaping to add to and tie into the aesthetic quality and consistency across the community.

The developer has just commenced site work for the development. In May 2021 the City of Sacramento committed $3,500,000 of General Funds and Measure U Funds for the project as a 55-year loan at 3% interest rate. In addition, they approved a bond issuance not to exceed $35 million for the acquisition, construction, and permanent financing of the project. In addition, the project received tax credits having an equity value of $21,309,071. Other benefits included impact fee waivers from the City of Sacramento and a $12.8 million soft loan from Wong Center Foundation. The loans are not residual receipts and are fully repayable.

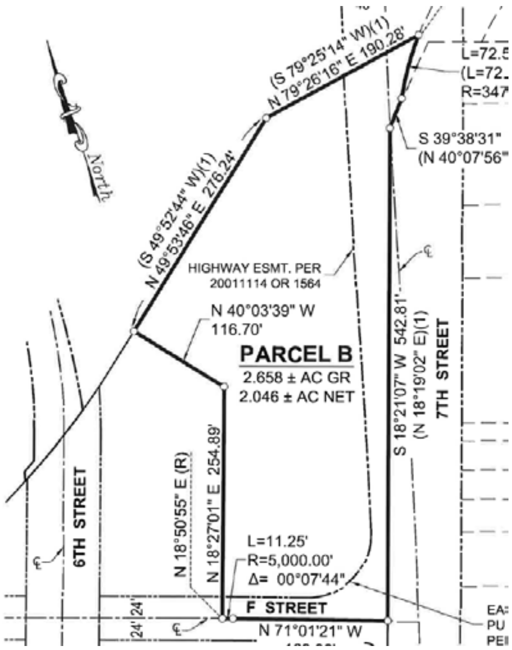
The following is the unit mix and maximum rent restrictions of the project.

Unit Mix & Maximum Income Restrictions		
Type	Size	No.
1 Bedroom - 40% AMI	580	27
1 Bedroom - 50% AMI	580	81
1 Bedroom -60% AMI	580	27
2 Bedroom -40% AMI	755	3
2 Bedroom - 50% AMI	755	8
2 Bedroom - 60% AMI	755	3
Mgr		1
Total		150

PROJECT ELEVATION

PROPERTY PHOTOGRAPH

SURVEY MAP



The Wong Parcel was carved out of an already irregular shaped assessor parcel. The irregular shape of the Wong Parcel is of adequate shape for development of the proposed 150 units. The remnant parcel from this lot line adjustment is deemed sufficient size, shape and frontage for development.

AERIAL MAP

BBG

VALUATION OF THE WONG CENTER PROPERTY

The property is vacant land and usually a sales comparison approach is typically applied for valuation purposes. The rent restrictions on the project however warrant a land residual valuation method.

The first step in the valuation is to estimate the restricted net operating income and stabilized value of the project. We start with the estimate of potential gross income.

The rent for the restricted rents is estimated as follows:

LIHTC RENTAL SUMMARY					
Unit Type	No. Units	Income Restriction	Gross Rent	Utility Allowance	Net Restricted Rent
1-Bedroom	27	40% AMI	$760	$70	$690
2-Bedroom	3	40% AMI	$912	$89	$823
1-Bedroom	81	50% AMI	$950	$70	$880
2-Bedroom	8	50% AMI	$1,140	$89	$1,051
1-Bedroom	27	60% AMI	$1,140	$79	$1,061
2-Bedroom	3	60% AMI	$1,368	$89	$1,279
2-Bedroom	1	Mgr. Unit	$0		
Totals/Averages	**150**				

Rents for projects placed in service on or after April 1, 2021

Source: Novogradac Rent Calculator

The following is our estimate of potential gross income for the apartment units under the current rent restrictions.

Potential Gross Income - Restricted				
Type	Size	No.	Max Rent	Annual
1 Bedroom - 40% AMI	580	27	$690	$223,560
1 Bedroom - 50% AMI	580	81	$880	$855,360
1 Bedroom -60% AMI	580	27	$1,061	$343,764
2 Bedroom -40% AMI	755	3	$823	$29,628
2 Bedroom - 50% AMI	755	8	$1,051	$100,896
2 Bedroom - 60% AMI	755	3	$1,279	$46,044
Mgr.		1	$0	$0
Total		150	$888	$1,599,252

A 5% stabilized vacancy rate is utilized. For the operating expenses, we consider the expense comparables from the AJ valuation section presented earlier.

The next step is to estimate an appropriate capitalization rate. Similar to the AJ Valuation, a capitalization rate of 4.5% is considered appropriate.

Construction Cost: We have reviewed various public documents regarding the Wong Center to estimate the construction cost. Based on these sources as well Marshall Valuation, we estimate a construction cost of $375,000 per unit.

Shown below is our estimate of value using this method. The indicated value is a negative $14,600,000. The non-profit developer is expected to make up the short fall from various soft loans. Based on this analysis, the Wong Center Property has a $0 value estimate. This estimate corresponds to the recent purchase of the property at $100.

Land Residual Analysis - Wong				
Pro-Forma				
Income	**Units**	**$/Unit /Mo.**		**Restricted**
Potential Apartment Income	150		$	1,599,252
Parking Income	87	$ 150.00	$	156,600
Other Income	150	$ 100.00	$	180,000
Total Potential Income			$	1,935,852
Less V/C Loss	5%		$	(96,793)
Effective Gross Income			**$**	**1,839,059**
Less Operating Expenses	Per Unit			
Real Estate Taxes - Direct Charges Only				$98,994
Insurance	$350		$	52,500
Utilities	$800		$	120,000
Repairs/Maintenance	$600		$	90,000
Payroll/Benefits	$1,000		$	150,000
Advertising & Marketing	$0		$	-
General/Administrative	$300		$	45,000
Management	3.0%		$	55,172
Replacement Reserves	$250		$	37,500
Total Expenses				**$649,166**
Net Operating Income			**$**	**1,189,894**
Capitalization Rate				4.50%
Market Value As Stabilized			**$**	**26,442,080**
Value per Unit			**$**	**176,281**
Rounded			**$**	**26,000,000**
Hard Costs				
Estimated Construction Cost @ $375,000/unit			$	56,250,000
Less: Tax Credits			$	21,309,071
Less: Profit	10.0%	of total cost	$	5,625,000
Residual As Is Market Value			$	(14,565,929)
Rounded				**-$14,600,000**

RECONCILIATION AND FINAL VALUE

FINAL OPINION(S) OF VALUE

Based on the inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s) as of July 1, 2022.

VALUATION

Ownership	Description	Value by Ownership
Downtown Railyard Venture, LLC	95.152 Taxable Acres with Five Central Shop Buildings	$52,000,000
Kaiser Foundation Hospital	17.14 Taxable Acres	$34,100,000
Sacramento 695, L.P.	2.88 Taxable Acres with Building Improvements	$66,000,000
Wong Center at the Railyard, L.P.	2.658 Taxable Acres	$0
Total		$152,100,000

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We relied on land development costs and fees provided by the Master Developer and the Finance Plan. The budgeted site costs and fees appear reasonable relative to costs at other projects in the area (and costs of comparables analyzed). It is an extraordinary assumption that the costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.
2. As of the date of value, the Bonds have not been sold. Under Appraisal Standards for Land-Secured Financing, as published by Debt and Investment Advisory Commission (CDIAC), improvements financed through special taxes and assessments levied on the property should consider funding of these improvements from the proceeds of the CFD. Therefore, it is an extraordinary assumption that the bond proceeds will be used to partially fund the construction cost of the storm drain project currently under construction.
3. The City of Sacramento is the beneficiary of several State of California grants and other public funding sources that are earmarked for construction of certain improvements in the Railyards. These include Natural Resource Grant, Transit and Intercity Rail Capital Program (TIRCP), Owner Participation Agreement and Enhanced Infrastructure Financing District. It is an extraordinary assumption of this appraisal that a buyer of the DRV owned property would be the recipients of these grants/funds to partially offset infrastructure construction costs.
4. LDK Ventures, the parent company of DRV is the recipient of a $15.3 million AHSC grant that will fund certain infrastructure at the Railyards. Housing and Community Development, the agency in charge of this grant pays out a draw request to LDK Ventures for approved expenditures and then LDK Ventures transfers the funds to DRV. We make an extraordinary assumption that the AHSC grant proceeds provided to LDK Ventures would be assignable to DRV or a prospective buyer of the property.
5. The City of Sacramento is out of compliance with the HCD Grant requiring the delivery of the number of affordable housing units by a certain time which has already passed. The State of California has been silent to this issue as the AJ (an affordable project) is under construction and moving forward to satisfy this issue. There are no formal agreements in place to forgive this non-compliance. It is an extraordinary assumption that the non-compliance will not jeopardize these funds being received.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

6. A structured 1,421 space parking garage is proposed for Lot 17. This structure will benefit the Foundry, the Central Shops, the two Marriott Hotels and other nearby developments. The initial projects in the Railyard will be dependent on this garage. We consider development of this garage the responsibility of the developer of the subdivision. We have valued the proposed parking garage and estimated the construction cost for the development. The extraordinary assumptions related to this development include: a) the quality and design will be similar to what was provided from the preliminary plans, b) the timing of the development of the garage is consistent to the schedule estimated, c) the construction cost are consistent with estimates provided and d) the eventual sale of the garage assumes the developer would execute parking leases running with title to accommodate those projects that are dependent of the garage.

7. Sacramento 695, L.P. is under construction with a 345-unit apartment project known as the AJ. We make an extraordinary assumption that a buyer of this property would continue to use the existing contractor to complete the project. We also assume the construction of the project would experience no construction defect issues or encounter material delays due to construction supply shortages.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for purpose of analysis.

1. As of the date of value, the CFD Bonds had not been sold. The market value estimated herein is based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

MARKETING TIME AND EXPOSURE TIME

Financing for large commercial land is limited, which has reduced the pool of potential buyers for this property type. However, the subject has significant appeal given its location. Therefore, we do not believe the limited availability of financing has any negative impact on the marketability of the subject, and we believe it would sell within 12 months at the appraised market value. The exposure time is also estimated at twelve months; however; it could be slightly longer than the marketing time depending on any improvement in the market.

CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. 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.
3. 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 with this assignment.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the state of California.
9. The reported analyses, opinions, and Value Indications 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.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Scott Beebe, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Scott Beebe, MAI, has made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance to the person signing this certification.
14. Scott Beebe, MAI, has provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Scott Beebe, MAI
California Certified General Appraiser
No. AG 015266
Ph: (925) 588-7641
Email: sbeebe@bbgres.com

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:

   a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.

   b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

   c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.

   d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.

   e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.

j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.

k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.

l) BBG, Inc. is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraiser is not qualified to detect such substances. The Client is urged to retain an expert in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.

m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.

4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future

investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.

12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

ADDENDA

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BBG

Third-party reports by a true third party.

BBG OVERVIEW

BBG is one of the nation's largest real estate due diligence firms with more than 35 offices across the country serving more than 2,700 clients. We deliver best-in-class valuation, advisory and assessment services with a singular focus of meeting our clients' needs.

Our professional team offers broad industry expertise and deep market knowledge to help clients meet their objectives throughout the real estate life cycle.

BBG clients include commercial real estate professionals, investors, lenders, attorneys, accountants and corporations.

THE BBG DIFFERENCE

National Footprint. BBG is one of only two national firms offering in-house valuation and environmental and property condition assessment services for all commercial property types.

Customer-focused Growth. BBG is one of the largest national due diligence firms because we deliver best-in-class work product and provide excellent customer care.

Qualified Team. Over 50 percent of BBG appraisers are MAI designated and offer deep industry expertise gained through real-world experience.

Unbiased Independence. By focusing exclusively on due diligence services, BBG guarantees an independent perspective free from potential conflicts of interest.

Innovative Technology. BBG has made significant analytics and IT investments to continually improve our data and report quality.

SERVICES

Valuation

+ Single Asset Valuation
+ Portfolio Valuation
+ Institutional Asset Valuation
+ Appraisal Review
+ Appraisal Management
+ Lease and Cost Analysis
+ Insurance Valuation
+ Arbitration & Consulting
+ Feasibility Studies
+ Highest and Best Use Studies
+ Evaluation
+ Investment analysis
+ Tax appeals
+ Litigation Support

Advisory

+ ASC 805 Business combinations
+ ASC 840 Leases
+ Purchase Price Allocations
+ Portfolio Valuations for reporting net asset values (NAV)
+ Public and non-traded REIT valuations
+ Valuations for litigation and litigation support
+ Sale-leaseback valuation analysis
+ Valuations for bankruptcy/fresh start accounting
+ Cost segregation analysis

Assessment

+ Environmental due diligence
+ Property condition consulting
+ Small loan services
+ Energy consulting
+ Environmental consulting
+ Zoning

VALUATION ADVISORY ASSESSMENT ZONING

GLOSSARY

Assessed Value: The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. [1]

Asset:
1. Generally, something that can be converted to cash or other economic equivalent
2. Any owned property that has economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real and personal property).
3. In general business usage, something owned by a business and reflected in the owner's balance sheet.[1]

Asset: A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. [2]

Capital Expenditure: Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. [1]

Cash Equivalency: An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.[1]

Client: The party or parties who engage an appraiser (by employment or contract) in a specific assignment (USPAP).[1]

Condominium Ownership: A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real property.[3]

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [1]

Credible: Worthy of belief. Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use. (USPAP, 2010-2011 ed).[1]

Deferred Maintenance: Needed repairs or replacement of items that should have taken place during the course of normal maintenance. [1]

Disposition Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a future exposure time specified by the client. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time specified by the client. 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration of the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms. [1]

Economic Life: The period over which improvements to real property contribute to property value. [1]

Effective Date: 1) The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect.[1]

Effective Gross Income Multiplier (EGIM): The ratio between the sale price (or value) of a property and its effective gross income. [1]

Effective Rent: The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below -market tenant improvements (TIs). [1]

Exposure Time: 1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. [1]

Extraordinary Assumptions: 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. (USPAP, 2010-2011 ed). [1]

Fair Share: That portion of total market supply accounted for by a subject property. For example, a 100-key hotel in 1,000-key market has a fair share of 10%. [1]

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB). [1]

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.[2]

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. [1]

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called land-to-building ratio. [1]

Going-Concern Value: 1) The market value of all tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern. 2) The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. [1]

Gross Building Area (GBA): The total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.[1]

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value. [1]

Hypothetical 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, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) [1]

Income Capitalization Approach: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. [1]

Inspection: Personal observation of the exterior and/or interior of the real property that is the subject of an assignment. The purpose of an appraiser's inspection is to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. [1]

Insurable Value: A type value for insurance purposes. [1]

Intangible Assets: Assets that manifest themselves by their economic properties; they do not have physical substance; they grant rights and privileges to their owner; and usually generate income for their owner. Intangible Assets can be categorized as arising from: Rights; Relationships; Grouped Intangibles; or Intellectual Property. In general, the accounting profession limits recognition of individual intangible assets to those that are: commonly recognizable; have a statutory or contractual remaining life; and/or must be individually transferrable and separable from the business. An identifiable non-monetary asset without physical substance. [1]

Intangible property: Nonphysical assets, including but not limited to franchises, trademarks, patents, copy-rights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment. (USPAP, 2010-2011 ed.). [1]

Intended Use: The manner in which the intended user expect to employee the information contained in a report. [1]

Intended User: 1) The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2010-2011 ed.) 2) A party who the appraiser intends will employ the information contained in a report. [1]

Internal Rate of Return ("IRR"): The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y). [1]

Investment Value: The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.[1]

Leasehold Interest: The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.[1]

Leased Fee Interest: A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord relationship (i.e., a lease). [1]

Liquidation Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms. [1]

Load Factor: A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: [1]
Load Factor =

$$\frac{\text{(Rentable Area – Useable Area)}}{\text{Usable Area}}$$

Market Value. The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.*

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPSP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identifications of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Bother parties are well informed or well advised, and acting in what they consider their 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. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)

5. Market value is the amount in cash, or in terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) [1]

Market Value "As If Complete" On The Appraisal Date:
Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value "As Is" On The Appraisal Date: Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

Market Value of the Total Assets of the Business: The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future. [4]

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property Market Value Opinions” address the determination of reasonable exposure and marketing time.). [3]

Net Lease: A lease in which the landlord passes on all expenses to the tenant. Also called modified gross lease, single net lease. See also lease. [1]

Net Rentable Area (NRA): 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor. [5]

Penetration Ratio (Rate): The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.[1]

Prospective opinion of value. A value opinion effective as of a specified future date. The term does not define a type of value. Instead it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. [1]

Reconciliation: The process of reducing a range of value indications into an appropriate conclusion for that analysis, e.g., the derivation of a value indication from the adjusted prices of two or more comparable sales in the sales comparison.[1]

Reliable Measurement: [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.[2]

Remaining Economic Life: The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation.[1]

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. [1]

Retrospective Value Opinion: A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Values as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion”. [1]

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making quantitative comparisons with or quantitative adjustments to the sales price (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. [1]

Scope of Work: The type and extent of research and analysis in an assignment. (USPAP, 2010-2011 ed.). [1]

Stabilized value: A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

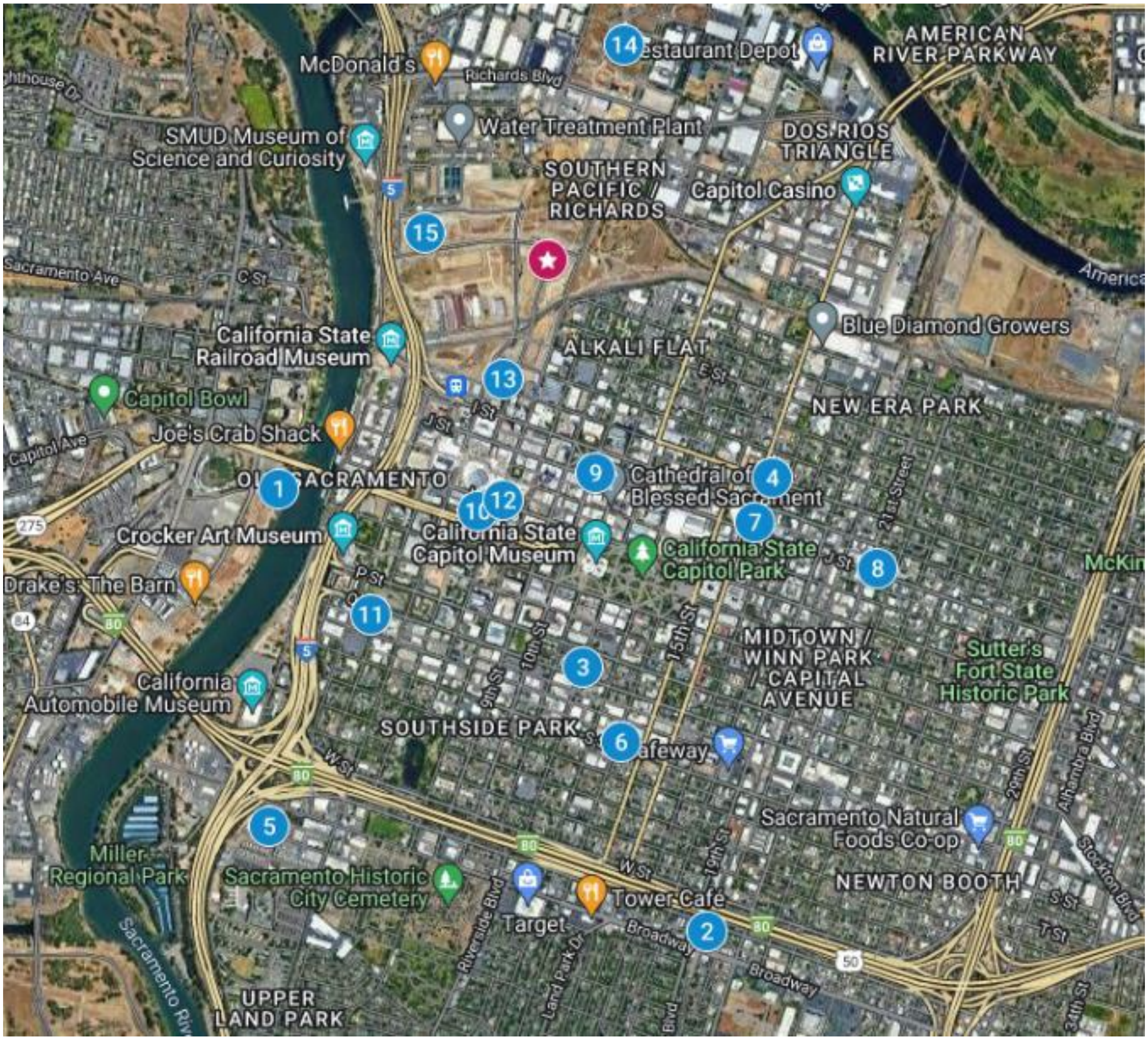
Substitution: The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based. [3]

Total Assets of a Business: Total assets of a business is defined by the Appraisal Institute as “the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit).”

Use Value:
In real estate appraisal, the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal. [1]

[1]Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 5th ed. (Chicago: Appraisal Institute 2010). [2]Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser, IFRS Website*, *www.ifrs-ebooks.com/index.html*. [3]Appraisal Institute, *The Appraisal of Real Estate*, 13th ed. (Chicago: Appraisal Institute 2008). [4] This definition is taken from “Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon,” Journal of Real Estate Appraisal, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. [5]Financial Publishing Company, *The Real Estate Dictionary*, 7th ed.

LAND SALE COMPARABLES



14
Restaurant Depot
AMERICAN RIVER PARKWAY
McDonald's
Richards Blvd
Water Treatment Plant
SMUD Museum of Science and Curiosity
DOS RIOS TRIANGLE
SOUTHERN PACIFIC / RICHARDS
Capitol Casino
15
Sacramento Ave
C St
Blue Diamond Growers
California State Railroad Museum
ALKALI FLAT
13
Capitol Bowl
NEW ERA PARK
Joe's Crab Shack
J St
Capitol Ave
9
Cathedral of Blessed Sacrament
4
1
12
7
Crocker Art Museum
California State Capitol Museum
California State Capitol Park
8
Drake's: The Barn
P St
11
MIDTOWN / WINN PARK / CAPITAL AVENUE
Sutter's Fort State Historic Park
3
10th St
15th St
9th St
California Automobile Museum
SOUTHSIDE PARK
6
Safeway
W St
5
Sacramento Natural Foods Co-op
Miller Regional Park
Sacramento Historic City Cemetery
Tower Cafe
NEWTON BOOTH
Target
Broadway
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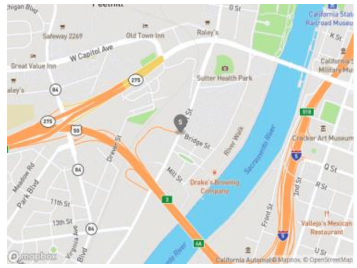
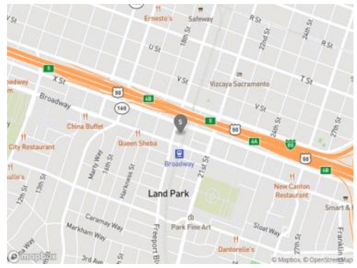
Riverside Blvd
Land Park Dr
19th St
UPPER LAND PARK



Land Sale Comparable #1
805 Riverfront Street
805 Riverfront Street
West Sacramento, CA 95691
Yolo County
BBG Property #440313

Property Data			
Property Type/Use	Land	**Lat/Long**	38.576804 / -121.5168
Parcel ID #	058-320-086	**Census Tract**	0102.01
Opportunity Zone	No	**Frontage**	
Gross Land Area	192,100 SF 4.41 Acres	**Net Land Area**	192,100 SF 4.41 Acres
Utilities	All available to site.	**Terrain / Topography**	Level
Comments			

Sale Transaction Data for BBG Event #584673 on 12/4/2020					**Net Area**	**Gross Area**
Transaction Date	**12/4/2020**	Consideration	**$10,050,000**	Price PSF	**$52.32**	**$52.32**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$2,278,912**	**$2,278,912**
Months on Market		Cash Equivalent Price	**$10,050,000**			
Property Rights	**Fee Simple**					
Grantor	**Bruce Unger**					
Grantee	**CA Ventures, LLC**					
Comments	**The property is fully entitled for a 286-unit mixed-use multi-family property. The anticipated completion date is 2023. The proposed five-story property will include retail along the entire length of the buildings Riverfront Street frontage and residential stoops along Ballpark Drive and State Street. The buyer was Chicago based developer. The estimated gross building area is 314,600 SF.**					
Verification	**7/8/2021** **Other**					



Land Sale Comparable #2
1901 Broadway
1901 Broadway
Sacramento, CA 95818
Sacramento County
BBG Property #291137

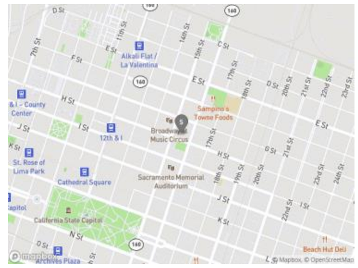
Property Data			
Property Type/Use	Land Multi-Family	**Lat/Long**	38.561000 / -121.4877
Parcel ID #	010-0213-008	**Census Tract**	
Opportunity Zone	No	**Frontage**	
Gross Land Area	55,321 SF 1.27 Acres	**Net Land Area**	55,321 SF 1.27 Acres
Utilities	All available to site.	**Terrain / Topography**	
Comments			

Sale Transaction Data for BBG Event #401899 on 9/23/2020					**Net Area**	**Gross Area**
Transaction Date	**9/23/2020**	Consideration	**$5,740,000**	Price PSF	**$103.76**	**$103.76**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$4,519,685**	**$4,519,685**
Months on Market		Cash Equivalent Price	**$5,740,000**			
Property Rights	**Fee Simple**					
Grantor	**Sutter Capital Group**					
Grantee	**EAH Housing**					
Comments	**Project was entitled at closing for 140 affordable housing units within two 5-story buildings with 3,500 SF of ground floor commercial space (buyer had started processing entitlements in early 2020 and originally submitted plans for a 150 units). The actual sale price of $5,600,000 is adjusted upward for estimated demolition costs ($140,000 based on $5/SF) of existing vacant office building (28,415 SF). The estimated gross building area of the proposed development is 157,500 SF**					
Verification	**11/30/2020** **Cushman Wakefield, CoStar and Public Record**					

Land Sale
Comparable #3
12th & Q
1208-1220 Q Street
Sacramento, CA
95811
Sacramento County
BBG Property
#299017

Property Data			
Property Type/Use	Land Multi-Family	**Lat/Long**	38.571310 / -121.4938
Parcel ID #	006-0282-005 thru 009	**Census Tract**	
Opportunity Zone	No	**Frontage**	
Gross Land Area	22,500 SF 0.52 Acres	**Net Land Area**	22,500 SF 0.52 Acres
Utilities		**Terrain / Topography**	
Comments			

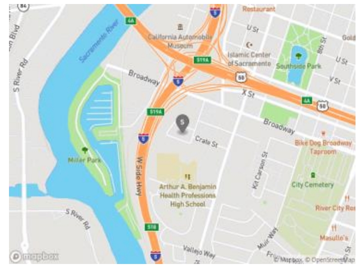
Sale Transaction Data for BBG Event #414085 on 8/17/2020					**Net Area**	**Gross Area**
Transaction Date	**8/17/2020**	Consideration	**$3,000,000**	Price PSF	**$133.33**	**$133.33**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$5,769,231**	**$5,769,231**
Months on Market		Cash Equivalent Price	**$3,000,000**			
Property Rights	**Fee Simple**					
Grantor	**Porter Sacramento Real Estate Holdings II, LLC**					
Grantee	**1208 Q Street, LLC**					
Record Info	**20200817-1656**					
Comments	**August 2020 sale of five contiguous lots totaling 22,500 SF (150' x 150') located on the south side of Q Street, midblock between 12th and 13th Streets. The westerly 60% of the site was improved with a surface parking lot and an (1931 built) shop/warehouse building. The site was entitled for a 51-unit project by the prior owner and the buyer (Portland based Urban Development Partners) plans to develop the 51-unit apartment project, consisting of primarily studio and one-bedroom units. The buyer may keep the existing shop building and incorporate into project as parking garage (consistent with existing entitlements). The building of the proposed project is 37,003 SF.**					
Verification	**12/1/2020** **CoStar, Public Records, SBJ Article**					



Land Sale Comparable #4
700 16th Street
700 16th Street
Sacramento, CA 95814
Sacramento County
BBG Property #229510

Property Data			
Property Type/Use	Land Multi-Family	**Lat/Long**	38.580800 / -121.4849
Parcel ID #	002-0172-024-000	**Census Tract**	
Gross Land Area	51,200 SF 1.18 Acres	**Net Land Area**	51,200 SF 1.18 Acres
Utilities		**Terrain / Topography**	
Comments			

Sale Transaction Data for BBG Event #401904 on 10/7/2019					**Net Area**	**Gross Area**
Transaction Date	**10/7/2019**	Consideration	**$7,500,000**	Price PSF	**$146.48**	**$146.48**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$6,355,932**	**$6,355,932**
Months on Market		Cash Equivalent Price	**$7,500,000**			
Property Rights	**Fee Simple**					
Grantor	**Phoenix Enterprises, Inc. (SKK Development)**					
Grantee	**Mansion Apartments Owner, LLC**					
Record Info						
Comments	**This is the second transaction of a double escrow. Sotiris Kolokotronis, owner of the property, formed a new partnership and contributed the property at a price of $7,500,000 (in the initial transaction on the same day the property was acquired for $6,500,000 when SKK bought out Grupe's interest). The partnership plans to develop a 5-story, 190-unit apartment project on the property. Mr. Kolokotronis reported the $7.5M contribution price as being close to market value for the land. The estimated building area is 121,600 SF.**					
Verification	**11/29/2020** **Appraisal files - Sotiris Kolokotronis, owner of the property**					

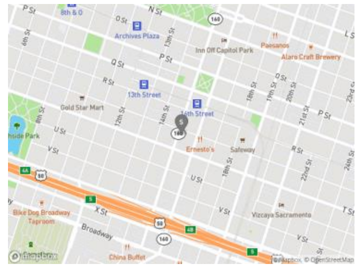


Land Sale Comparable #5
Broadway Apartments
2570 3rd
Sacramento, CA 95818
Sacramento County
BBG Property #223154

Property Data			
Property Type/Use	Land Subdivision	**Lat/Long**	38.564400 / -121.5116
Parcel ID #	009-0223-007, 009-0223-012, 009-0223-013, 009-0223-016, 009-0270-009, 009-0270-015, 009-0270-017, 009-0270-025, 009-0270-026, 009-0270-029, 009-0450-003, 009-0450-005	**Census Tract**	
Opportunity Zone	No	**Frontage**	
Gross Land Area	307,969 SF 7.07 Acres	**Net Land Area**	307,969 SF 7.07 Acres
Utilities	All available to site.	**Terrain / Topography**	Level
Comments			

Sale Transaction Data for BBG Event #584681 on 10/11/2019					**Net Area**	**Gross Area**
Transaction Date	**10/11/2019**	Consideration	**$20,500,000**	Price PSF	**$66.57**	**$66.57**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$2,899,576**	**$2,899,576**
Months on Market		Cash Equivalent Price	**$20,500,000**			
Property Rights	**Fee Simple**					
Grantor	**Northwest Land Park LLC**					
Grantee	**29sc Mill IV Property Owner**					
Record Info						
Comments	**This property is the 5th phase of The Mill at Broadway. The land was in an opportunity zone. The buyer plans to develop 444 one- and two-bedroom apartments a complex known as Broadway Apartments. Development will be completed in two phases the first phase will be 360 units. There is a warehouse on the property that will be incorporated into the project as leasing office and covered parking. The estimated building area is 464,000 SF.**					
Verification	**7/8/2021** **Other**					

BBG



Land Sale
Comparable #6
SEC S & 15th Land
1500-1522 S Street
Sacramento, CA
95811
Sacramento County
BBG Property
#110601

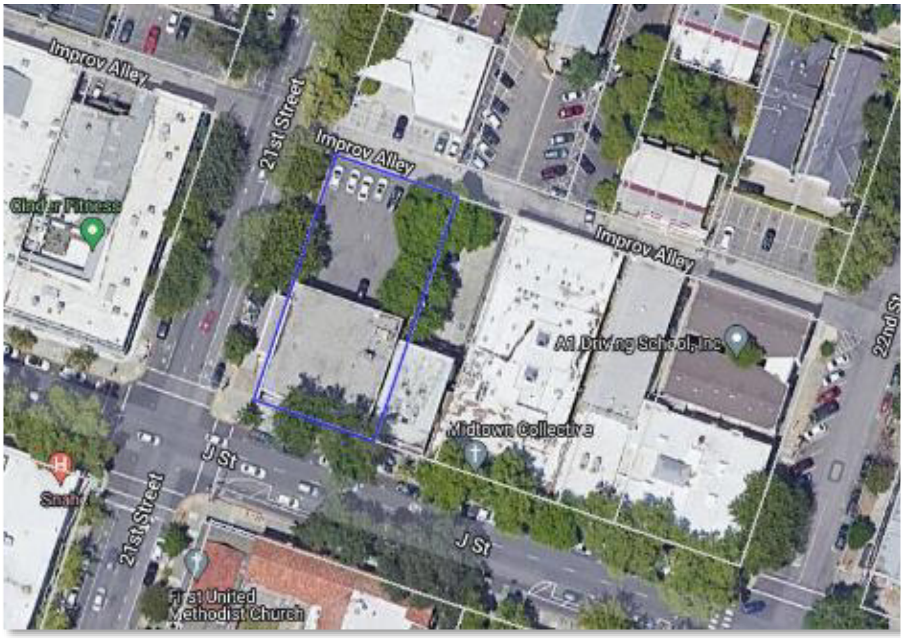
Property Data			
Property Type/Use	Land Multi-Family	**Lat/Long**	38.568280 / -121.4907
Parcel ID #	009-0092-003 thru -008	**Census Tract**	
Opportunity Zone	No	**Frontage**	
Gross Land Area	32,000 SF 0.73 Acres	**Net Land Area**	32,000 SF 0.73 Acres
Utilities		**Terrain / Topography**	
Comments			

Sale Transaction Data for BBG Event #201476 on 7/1/2019					**Net Area**	**Gross Area**
Transaction Date	**7/1/2019**	Consideration	**$5,150,000**	Price PSF	**$160.94**	**$160.94**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$7,054,795**	**$7,054,795**
Months on Market		Cash Equivalent Price	**$5,150,000**			
Property Rights	**Fee Simple**					
Grantor	**Sutter Capital Group**					
Grantee	**Anthem Properties**					
Comments	**Property consists of five contiguous C-2 zoned parcels along the south side of S Street, east of 15th Street. The seller had secured entitlements for a 5-story project with 123 apartment units and up to 12,800 SF of ground floor retail for a total building area of 151,630 SF; however, the buyer reportedly intends to pursue their own development plan for the site to include residential and commercial uses. Estimated demolition costs of $50,000 are added to the purchase price ($5,100,000) to arrive at the effective price $5,150,000.**					
Verification	**2/14/2020** **BBG file #0120000047**					

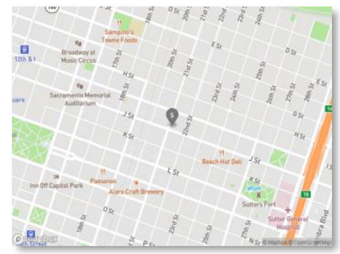
Land Sale Comparable #7
NEC 16th & J
1611 J Street
Sacramento, CA 95814
Sacramento County
BBG Property #299014

Property Data			
Property Type/Use	**Land** **Other**	Lat/Long	**38.578320 / -121.4848**
Parcel ID #	**006-0064-011 & 012**	Census Tract	
Opportunity Zone	**No**	Frontage	
Gross Land Area	**18,400 SF** **0.42 Acres**	Net Land Area	**18,400 SF** **0.42 Acres**
Utilities		Terrain / Topography	
Comments			

Sale Transaction Data for BBG Event #414083 on					**Net Area**	**Gross Area**
Transaction Date	**1/28/2022**	Consideration	**$3,700,000**	Price PSF	**$201.09**	**$201.09**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$8,809,524**	**$8,809,524**
Months on Market		Cash Equivalent Price	**$3,700,000**			
Property Rights	**Fee Simple**					
Grantor	**R. Lehe**					
Grantee	**Confidential**					
Record Info						
Comments	**Closed sale of C-2 zoned site at hard corner (NEC) of 16th and J Streets in Midtown. The property is presently improved as a surface parking lot. The site is located across the street from Memorial Auditorium and immediately west of Lucca (restaurant). The property is planned for a 5-story, 68,918 square foot, mixed use apartment building with 73 dwelling units.**					
Verification	**4/7/2022** **K. Partington, Cushman Wakefield**					

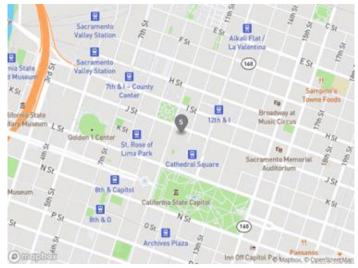


Land Sale Comparable #8
21st & J
2101 J Street
Sacramento, CA 95816-4709
Sacramento County
BBG Property #545135



Property Data			
Property Type/Use	**Land** **Multi-Family**	**Lat/Long**	**38.576519 / -121.4782**
Parcel ID #	**007-0022-028**	**Census Tract**	**0014.00**
Opportunity Zone	**No**		
Gross Land Area	**12,800 SF** **0.29 Acres**	**Net Land Area**	**12,800 SF** **0.29 Acres**
Utilities	**All available to site.**	**Terrain / Topography**	**Level**
		Zoning	**C-2 SPD** **General Commercial**

Sale Transaction Data for BBG Event #702796 on 1/21/2022					**Net Area**	**Gross Area**
Transaction Date	**1/21/2022**	Consideration	**$2,550,000**	Price PSF	**$199.22**	**$199.22**
Sale Status	**Closed**	Adjustments	**$50,000**	Price Per Acre	**$8,793,103**	**$8,793,103**
		Cash Equivalent Price	**$2,600,000**			
Property Rights	**Fee Simple**					
Grantor	**Colony Plaza Center, LLC**					
Grantee	**2101 J Street Partners, LLC**					
Record Info	**220120-1162**					
Comments	**Site is located at the NEC of 21st and J Streets in Midtown. The buyer reportedly intends to demolish the existing structure (former "House of Fashion Bridal" building - 10,000 SF, built 1970) and development the site with multifamily over ground floor retail. The site did not have specific entitlements in place for the proposed use at the time of sale. Estimated demolition costs of $50,000 are added to the sale price ($2,500,000) to arrive at the effective price of $2,550,000. Based on other nearby projects, we estimate a density of 50 units and 51,200 SF of building area.**					
Verification	**3/11/2022** **CoStar, Public Records, Listing Brochure**					



Land Sale Comparable #9
Cathedral Square Site
1018 J Street
Sacramento, CA 95814-2802
Sacramento County
BBG Property #337063

Property Data			
Property Type/Use	**Land** **Multi-Family**	Lat/Long	**38.579805 / -121.4929**
Parcel ID #	**006-0103-007, 006-0103-008, 006-0103-009, 006-0103-015**	Census Tract	**0011.01**
Opportunity Zone	**No**	Frontage	
Gross Land Area	**28,800 SF** **0.66 Acres**	Net Land Area	**28,800 SF** **0.66 Acres**
Utilities	**All to site**	Terrain / Topography	**Level**
Comments			

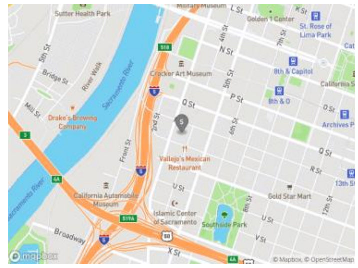
Sale Transaction Data for BBG Event #419790 on 9/11/2018					Net Area	Gross Area
Transaction Date	**9/11/2018**	Consideration	**$5,250,000**	Price PSF	**$182.29**	**$182.29**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$7,954,545**	**$7,954,545**
Months on Market		Cash Equivalent Price	**$5,250,000**			
Property Rights	**Fee Simple**					
Grantor	**St. Anton Investors, LLC & Eleventh & J Devco, LLC**					
Grantee	**Anthem Properties**					
Record Info						
Comments	**Downtown development site at the southwest corner of 11th and J Streets. The property was acquired by Canada based Anthem Properties, who is known for developing high-rise residential projects. The site has entitlements in place (recently extended through 7/12/19) for a 25-story mixed-use condominium tower (242 residential condos over 12,000 SF of ground floor retail). Per a news article (SBJ 9/17/18) the buyers ultimate plan for the site was "still being determined" as of the acquisition date; however, a buyer representative reported that "the project will definitely be mostly residential, with the possibility of first-floor office or retail space, or even an events center given its proximity to the state Capitol." The four parcels are improved with vacant two-story buildings totaling approximately 45,000 SF. Demolition costs estimated at $250,000. The actual sale price of $5,000,000 is adjusted upward by this amount to arrive at the effective price. The buildable area of the project is 190,500 SF.**					
Verification	**4/3/2021** **CoStar and Public Records**					

BBG

Land Sale Comparable #10
601 Capitol Mall
601 Capitol Mall
Sacramento, CA 95814
Sacramento County
BBG Property #388818

Property Data			
Property Type/Use	**Land** **Other**	Lat/Long	**38.578680 / -121.4998**
Parcel ID #	**006-0151-020**	Census Tract	
Opportunity Zone	**No**	Frontage	
Gross Land Area	**38,972 SF** **0.89 Acres**	Net Land Area	**38,972 SF** **0.89 Acres**
Utilities		Terrain / Topography	

Sale Transaction Data for BBG Event #513050 on 4/6/2018					**Net Area**	**Gross Area**
Transaction Date	**4/6/2018**	Consideration	**$7,000,000**	Price PSF	**$179.62**	**$179.62**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$7,865,169**	**$7,865,169**
Months on Market		Cash Equivalent Price	**$7,000,000**			
Property Rights	**Fee Simple**					
Grantor	**601 CM, LLC (David Taylor Interests)**					
Grantee	**SRI Eleven 601 Capitol Mall, LLC (Shorenstein)**					
Record Info	**201804061377**					
Comments	**Prime development site situated on the east side of 6th Street between Capitol Mall and L Street, directly south of the new Golden One Center. The site is well positioned for future development of a high-density mixed-use residential tower, hotel, retail or office project. The project has an active entitlement for a 38-story tower of 262 condominium units above parking and 14,000 SF of retail space (formerly known as Aura); entitlements were originally secured in 2005 and in 2016 the City approved and extension through February 2022. The site is presently developed with a surface parking lot (50 stalls). The property was originally placed in contract in November 2017. Prior to closing, the city of Sacramento approved a request by the buyer to change conditions requiring a high-rise to allowing a mid-rise residential and retail project on the site. Months after closing, the buyer announced plans for an 8-story project. The buildable area of the project is 311,776 SF.**					
Verification	**11/28/2017** **Confidential**					



Land Sale
Comparable #11
Thompson Diggs
Parking
1801 3rd Street
Sacramento, CA
95811
Sacramento County
BBG Property
#20506

Property Data			
Property Type/Use	**Land** **Specialty**	Lat/Long	**38.573230 / -121.5061**
Parcel ID #	**009-0051-006**	Census Tract	
Opportunity Zone	**No**	Frontage	
Gross Land Area	**108,800 SF** **2.50 Acres**	Net Land Area	**108,800 SF** **2.50 Acres**
Utilities		Terrain / Topography	
Comments			

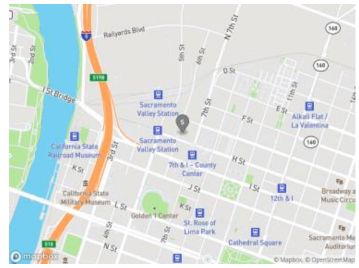
Sale Transaction Data for BBG Event #49038 on 1/3/2018					**Net Area**	**Gross Area**
Transaction Date	**1/3/2018**	Consideration	**$12,800,000**	Price PSF	**$117.65**	**$117.65**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$5,120,000**	**$5,120,000**
Months on Market		Cash Equivalent Price	**$12,800,000**			
Property Rights	**Fee Simple**					
Grantor	**CalPERS**					
Grantee	**1801 3rd Street Owner, LLC**					
Record Info						
Comments	**This property was previously owned and managed by CalPERS. This transfer reflects CalPERS bringing in a managing partner (CIM) under a management contract for several properties in the area. The properties are now held in a fund structure and the managing partner has a minor ownership interest. CalPERS commissioned independent appraisals prior to the transfer which established the transfer prices. The estimated FAR is 4.0.**					
Verification	**9/26/2019** **BBG File #0119002191**					

Sale Comparable #12

831 L Street
Sacramento, CA 95814
Sacramento County
BBG Property #20296

Property Data			
Property Type/Use	**Office** **General Purpose**	Lat/Long	**38.578840 / -121.4960**
Parcel ID #	**006-0098-020**	Number of Buildings	**0**
Opportunity Zone	**No**	Census Tract	
Site Size (Gross)	**0 SF (0.00 acres)**	Site Size (Net)	**0 SF (0.00 acres)**
Utilities			
Terrain/Topography			
Comments			

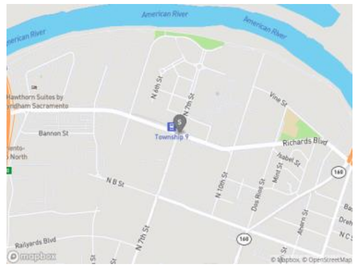
Sale Transaction Data for BBG Event #48822 on 1/13/2017				PSF (GBA)	PSF (Rentable)	Per Unit
Transaction Date	**1/13/2017**	Consideration	**$5,000,000**	**$100.00**	**$100.00**	**N/A**
Sale Status	**Closed**	Adjustments	**$250,000**	**$5.00**	**$5.00**	**N/A**
Occupancy at TOS	**0%**	Cash Equivalent Price	**$5,250,000**	**$105.00**	**$105.00**	**N/A**
Days on Market						
Property Rights	**Fee Simple**					
Grantor	**Cordano Enterprises, LLC**					
Grantee	**831 L Street, LLC**					
Comments	**The property is situated at the northwest corner of 9th and L Streets within the CBD. The site contains 27,200 SF and is zoned C-3-SPD, which can accommodate a variety of dense commercial uses. The site was improved with a 50,000 SF building (built 1965) that has two levels (ground floor and basement), each containing 25,000 SF and a rooftop parking deck (±50 spaces). The building was vacant and the time of sale and the buyer has not yet announced plans for adaptive re-use or new development on the site. Demolition costs estimated at $250,000. The actual sale price of $5,000,000 is adjusted upward by this amount to arrive at the effective price. The estimated FAR is 8.0**					
Verification	**Buyer**					



Land Sale Comparable #13
Courthouse Site
501 H Street
Sacramento, CA 95814
Sacramento County
BBG Property #231100

Property Data			
Property Type/Use	**Land** **Other**	Lat/Long	**38.584160 / -121.4975**
Parcel ID #	**002-0010-060**	Census Tract	
Gross Land Area	**105,415 SF** **2.42 Acres**	Net Land Area	**105,415 SF** **2.42 Acres**
Utilities		Terrain / Topography	
Comments			

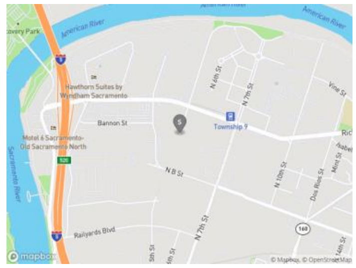
Sale Transaction Data for BBG Event #585141 on 10/3/2014					Net Area	Gross Area
Transaction Date	**10/3/2014**	Consideration	**$10,000,000**	Price PSF	**$94.86**	**$94.86**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$4,132,231**	**$4,132,231**
Months on Market		Cash Equivalent Price	**$10,000,000**			
Property Rights	**Fee Simple**					
Grantor	**Inland American Real Estate Trust, Inc.**					
Grantee	**Judicial Council of California**					
Record Info						
Comments	**Comments: The property represents the city block at the southeast corner of The Railyards Specific Plan, bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011. Over a dozen sites were investigated and this site was selected and put under contract in mid-2012. In January 2013, the Judicial Council had indefinitely delayed the project due to the state's fiscal crisis and continuing cuts in court construction funds. In the state's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for Sacramento. The legislation was approved October 2014 and the state then closed escrow on this site. The proposed courthouse would contain approximately 405,000 SF (16 stories) and would provide 44 courtrooms as well as parking. Funds for construction of this $390 million project had yet to be legislated at closing.**					
Verification	**7/11/2021** **Buyer**					



Land Sale Comparable #14
Township 9
Richards Blvd
Sacramento, CA 95811
Sacramento County
BBG Property #222944

Property Data			
Property Type/Use	**Land** **Multi-Family**	Lat/Long	**38.595873 / -121.4911**
Parcel ID #	**001-020-056 thru 058, 060 thru 064, and 067 thru 070**	Census Tract	**0053.01**
Opportunity Zone	**Yes**	Frontage	
Gross Land Area	**2,394,753 SF** **54.98 Acres**	Net Land Area	**1,703,020 SF** **39.10 Acres**
Utilities	**Typical utilities and municipal services available to site.**	Terrain / Topography	
Comments	**Remainder of Township 9 PUD (excludes existing Cannery Place Apartments - 180 units, built 2014)**		

Sale Transaction Data for BBG Event #584776 on 11/17/2020					**Net Area**	**Gross Area**
Transaction Date	**11/17/2020**	Consideration	**$54,000,000**	Price PSF	**$31.71**	**$22.55**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$1,381,074**	**$982,175**
Months on Market		Cash Equivalent Price	**$54,000,000**			
Property Rights	**Fee Simple**					
Grantor	**Township Nine Ave, LLC**					
Grantee	**29th Street Capital**					
Record Info						
Comments	**Sale reflects the two-phase acquisition of the Township 9 (T9) project (excludes the existing Cannery Place Apartments), situated between Richards Blvd and the American River between N 5th and N 7th Streets. Gross site area is 55-acres; net (developable) site area is 39-acres exclusive of parks and land in American River Parkway. The acquisition was a two-phase takedown with the initial transfer on 11/17/20 at $43,600,000 and the second on 1/29/21 at $10,400,000. The overall project was entitled for up to 2,981 residential units (180 units had been built). The buyer plans a total of 2,303 residential units. Phase A (central portion of project) is planned for 936 multifamily units. Phase B (norther portion of project) is planned for 825 multifamily units. Phase C (south portion along Richards Blvd) is planned for 542 micro units/hotel.**					
Verification	**7/6/2021** **Buyer Representative**					

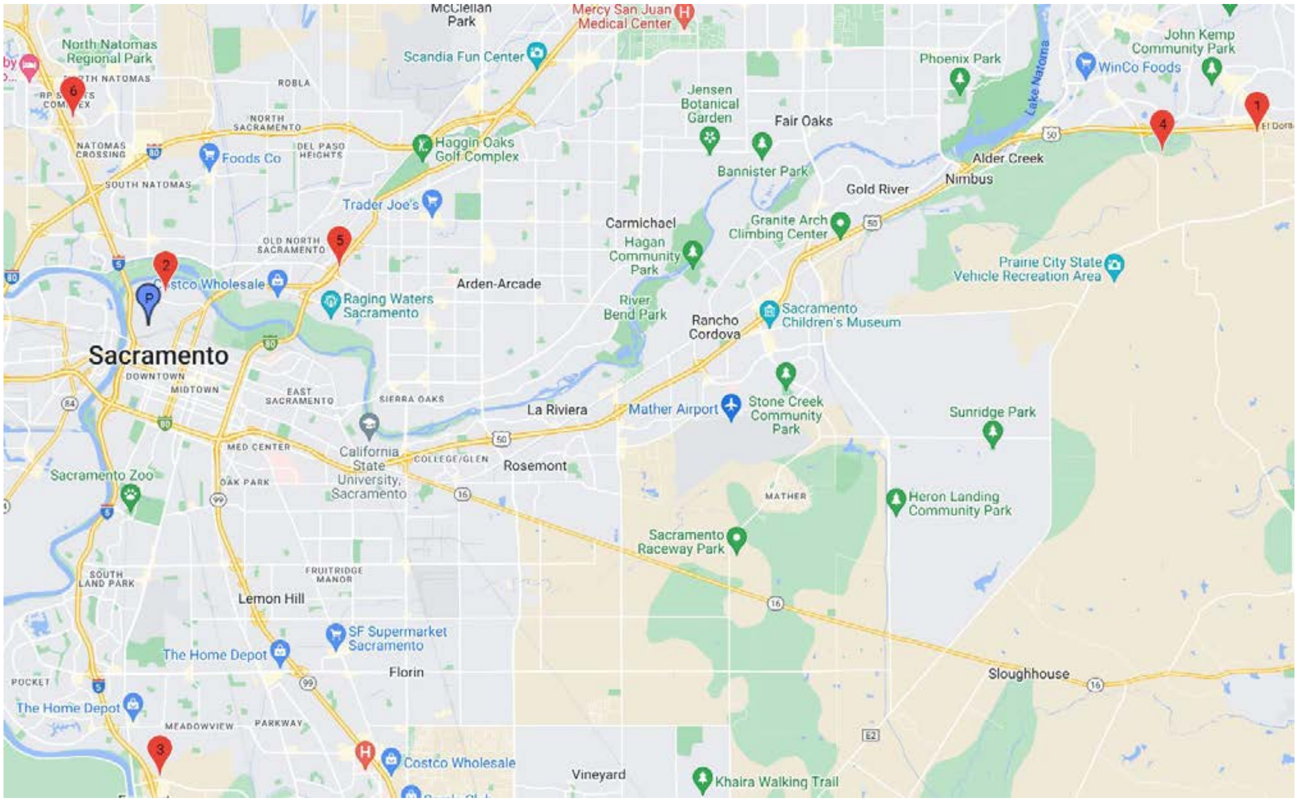


Land Sale Comparable #15
Kaiser Permanente Development
242 North 5th Street
Sacramento, CA 94571
Sacramento County
BBG Property #290570

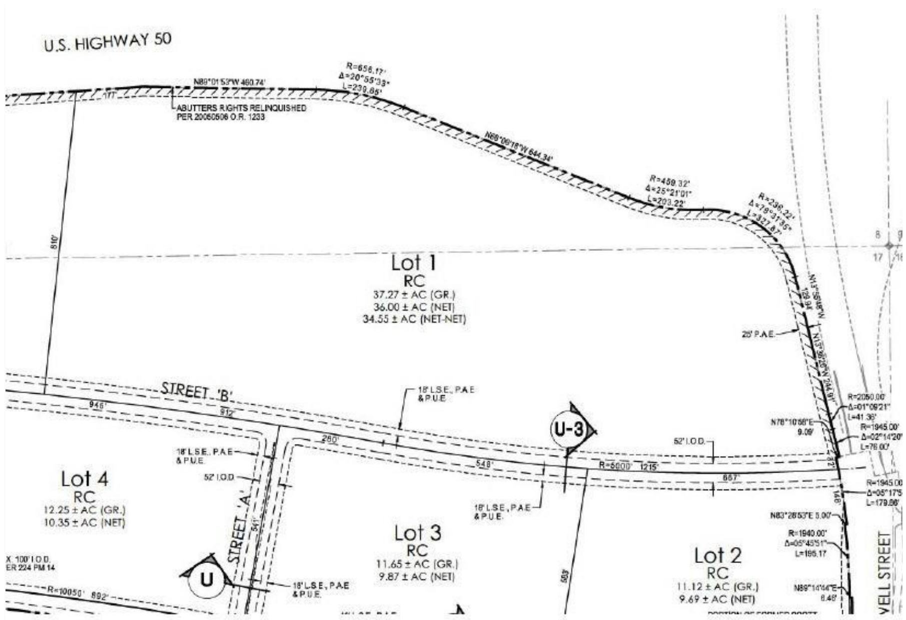
Property Data			
Property Type/Use	**Land**	Lat/Long	**38.595305 / -121.4955**
Parcel ID #		Census Tract	**0053.01**
Gross Land Area	**758,380 SF** **17.41 Acres**	Net Land Area	**758,380 SF** **17.41 Acres**
Utilities	**All available**	Terrain / Topography	**Level**
Comments			

Sale Transaction Data for BBG Event #291145 on 1/24/2019					Net Area	Gross Area
Transaction Date	**1/24/2019**	Consideration	**$33,370,000**	Price PSF	**$44.00**	**$44.00**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$1,916,715**	**$1,916,715**
Months on Market		Cash Equivalent Price	**$33,370,000**			
Property Rights	**Fee Simple**					
Grantor	**Downtown Railyards Venture LLC**					
Grantee	**Kaiser Permanente**					
Comments	**On January 24, 2019 the 17.41 acres of commercial land part of The Railyards development was sold for $33,370,000. The buyer was Kaiser Permanente which paid cash for the acquisition. The new Kaiser Permanente Medical Center at the Railyards will replace the current hospital located less than 10 miles away at 2025 Morse Ave. in Sacramento. The proposed 1,168,003 square foot property is set to break ground in 2022. and open in 2024/2025. The seller delivered a finished site to the buyer. The seller's cost to construct the off-site infrastructure was $20,879,000.**					
Verification	**11/26/2020** **Seller**					

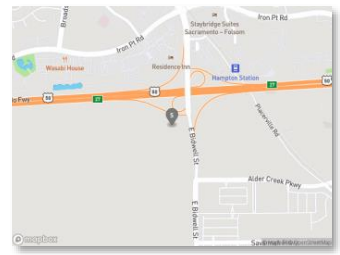
Land Sales For East of 7th Street



North Natomas Regional Park
McClellan Park
Mercy San Juan Medical Center
Scandia Fun Center
Jensen Botanical Garden
Fair Oaks
Phoenix Park
John Kemp Community Park
WinCo Foods
Foods Co
Haggin Oaks Golf Complex
Bannister Park
Alder Creek
Nimbus
Gold River
Trader Joe's
Carmichael
Granite Arch Climbing Center
Hagan Community Park
Prairie City State Vehicle Recreation Area
Costco Wholesale
Raging Waters Sacramento
Arden-Arcade
River Bend Park
Rancho Cordova
Sacramento Children's Museum
Sacramento
Stone Creek Community Park
La Riviera
Mather Airport
Sunridge Park
California State University, Sacramento
Rosemont
Sacramento Zoo
Heron Landing Community Park
Sacramento Raceway Park
Lemon Hill
SF Supermarket Sacramento
The Home Depot
Florin
Sloughhouse
The Home Depot
Costco Wholesale
Vineyard
Khaira Walking Trail

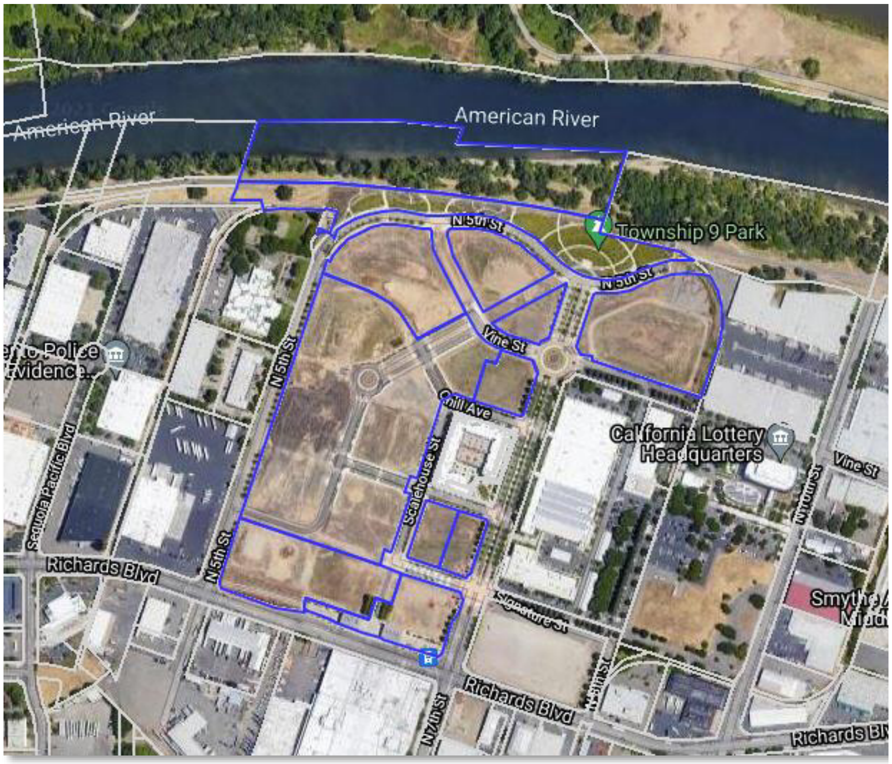


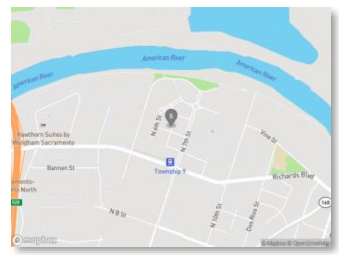
Land Sale Comparable #1
UC Davis Health Site - Folsom Ranch
SWC E St Bidwell & Highway 50
Folsom, CA 95630-8747
Sacramento County
BBG Property #551307



Property Data			
Property Type/Use	**Land** **Commercial**	Lat/Long	**38.641159 / -121.1162**
Parcel ID #	**Portion of 072-3190-030**	Census Tract	**0085.08**
Opportunity Zone	**No**		
Gross Land Area	**1,504,998 SF** **34.55 Acres**	Net Land Area	**1,504,998 SF** **34.55 Acres**
Utilities	**All available to site.**	Terrain / Topography	**Generally level**
		Zoning	**RC** **Regional Commercial**

Sale Transaction Data for BBG Event #710169 on 10/19/2021					Net Area	Gross Area
Transaction Date	**10/19/2021**	Consideration	**$30,100,000**	Price PSF	**$20.00**	**$20.00**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$871,201**	**$871,201**
		Cash Equivalent Price	**$30,100,000**			
Property Rights	**Fee Simple**					
Grantor	**Enclave at Folsom Ranch**					
Grantee	**The Regents of the University of California**					
Comments	**UC Davis Health acquired this 34.55-acre commercial site at the southwest quadrant of E Bidwell Street and Highway 50 within Folsom Ranch. Initial plans call for an outpatient medical office building and future plans include a micro-hospital, an ambulatory surgery center and a hotel. The site was initially placed in-contract in February 2021, approximately eight months prior to closing. The site will be encumbered by a future Mello-Roos bond that is expected have a principal balance near $1.00 per SF of land area. This bond is not recognized in the reported sale price of $20 per SF.**					
Verification	**4/2/2022** **Confidential**					



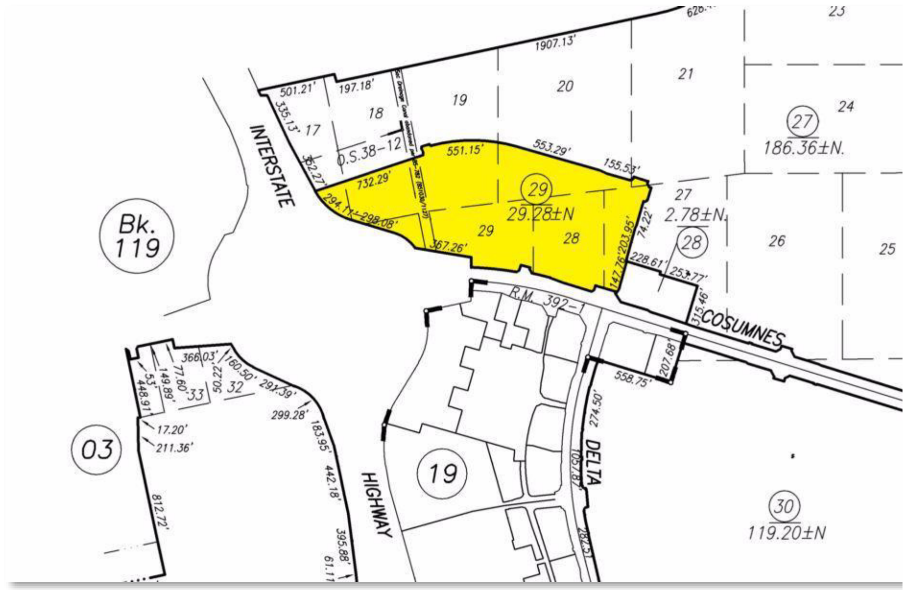


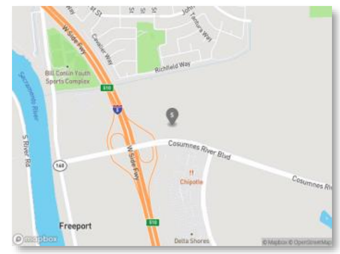
Land Sale Comparable #2
Township 9
Richards Blvd
Sacramento, CA 95811
Sacramento County
BBG Property #222944

Property Data			
Property Type/Use	**Land** **Multi-Family**	Lat/Long	**38.598380 / -121.4916**
Parcel ID #	**001-020-056 thru 058, 060 thru 064, and 067 thru 070**	Census Tract	**0053.01**
Opportunity Zone	**Yes**		
Gross Land Area	**2,394,753 SF** **54.98 Acres**	Net Land Area	**1,703,020 SF** **39.10 Acres**
Utilities	**Typical utilities and municipal services available to site.**	Terrain / Topography	
		Zoning	**RMX-SPD** **Residential Mixed-Use**
Comments	**Remainder of Township 9 PUD (excludes existing Cannery Place Apartments - 180 units, built 2014)**		

Sale Transaction Data for BBG Event #584776 on 11/17/2020					Net Area	Gross Area
Transaction Date	**11/17/2020**	Consideration	**$54,000,000**	Price PSF	**$31.71**	**$22.55**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$1,381,074**	**$982,175**
		Cash Equivalent Price	**$54,000,000**			
Property Rights	**Fee Simple**					
Grantor	**Township Nine Ave, LLC**					
Grantee	**29th Street Capital**					
Comments	**Sale reflects the two-phase acquisition of the Township 9 (T9) project (excludes the existing Cannery Place Apartments), situated between Richards Blvd and the American River between N 5th and N 7th Streets. Gross site area is 55-acres; net (developable) site area is 39-acres exclusive of parks and land in American River Parkway. The acquisition was a two-phase takedown with the initial transfer on 11/17/20 at $43,600,000 and the second on 1/29/21 at $10,400,000. The overall project was entitled for up to 2,981 residential units (180 units had been built). The buyer plans a total of 2,303 residential units. Phase A (central portion of project) is planned for 936 multifamily units. Phase B (norther portion of project) is planned for 825 multifamily units. Phase C (south portion along Richards Blvd) is planned for 542 micro units/hotel.**					
Verification	**7/6/2021** **Buyer Representative**					

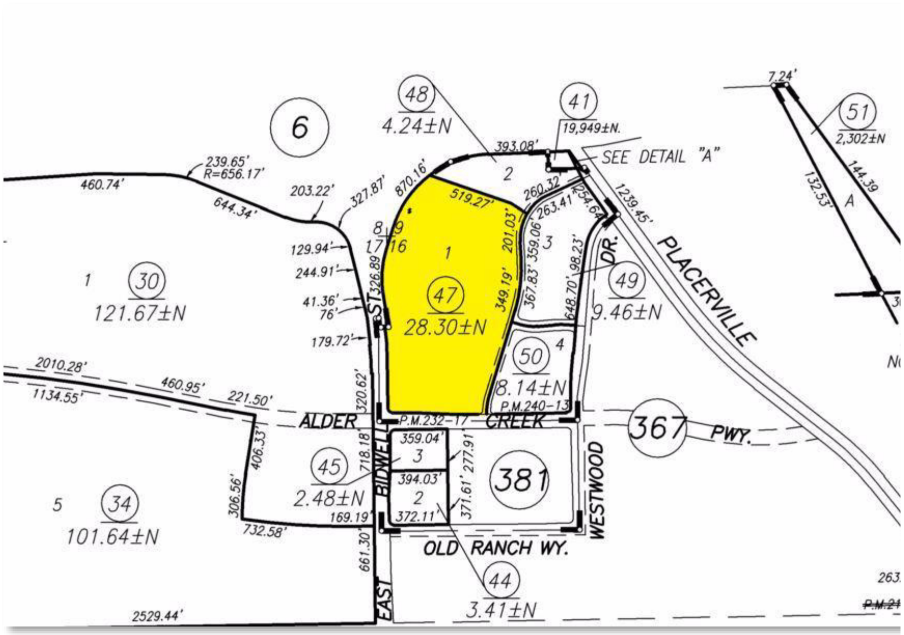
Land Sale Comparable #3
Kaiser Site - Delta Shores
8401 Center Parkway
Sacramento, CA 95823
Sacramento County
BBG Property #454972



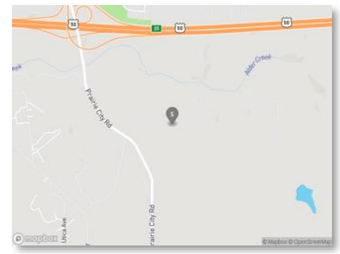


Property Data			
Property Type/Use	**Land** **Commercial**	Lat/Long	**38.467880 / -121.4938**
Parcel ID #	**053-0180-029**	Census Tract	**0096.01**
Opportunity Zone	**No**		
Gross Land Area	**1,275,437 SF** **29.28 Acres**	Net Land Area	**1,275,437 SF** **29.28 Acres**
Utilities		Terrain / Topography	
		Zoning	**C-2** **Commercial**

Sale Transaction Data for BBG Event #595315 on 11/12/2020					Net Area	Gross Area
Transaction Date	**11/12/2020**	Consideration	**$18,203,000**	Price PSF	**$14.27**	**$14.27**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$621,687**	**$621,687**
		Cash Equivalent Price	**$18,203,000**			
Property Rights	**Fee Simple**					
Grantor	**M/H Realty Partners VI, LLC**					
Grantee	**Kaiser Foundation Health Plan**					
Comments	**November 2020 sale of 29.28-acre commercial site on the north side of Cosumnes River Blvd, immediately east of Interstate 5 and directly north of the Delta Shores Shopping Center (anchored by Walmart, Dicks Sporting Goods, Hobby Lobby, etc.). The site was previously approved for approximately 300,000 square feet of retail space. Actual sale price was $17,243,000 ($13.52/SF); however buyer assumed an estimated $960,000 (±$0.75/SF) in bond debt.**					



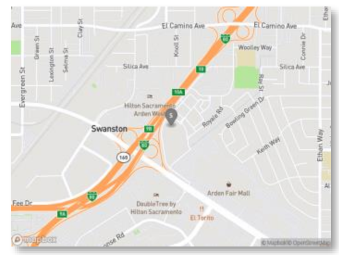
Land Sale Comparable #4
Dignity Health Site - Folsom
350 Placerville Road
Folsom, CA 95630
Sacramento County
BBG Property #454969



Property Data			
Property Type/Use	**Land** **Commercial**	Lat/Long	**38.636111 / -121.1488**
Parcel ID #	**072-3190-047**	Census Tract	**0085.08**
Opportunity Zone	**No**		
Gross Land Area	**1,232,748 SF** **28.30 Acres**	Net Land Area	**1,232,748 SF** **28.30 Acres**
Utilities		Terrain / Topography	
		Zoning	**CC** **Commercial**

Sale Transaction Data for BBG Event #595312 on 6/5/2020					Net Area	Gross Area
Transaction Date	**6/5/2020**	Consideration	**$22,024,000**	Price PSF	**$17.87**	**$17.87**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$778,233**	**$778,233**
		Cash Equivalent Price	**$22,024,000**			
Property Rights	**Fee Simple**					
Grantor	**Enclave at Folsom Ranch**					
Grantee	**Dignity Health**					
Comments	**June 2020 sale of 28.30-acre commercial site on the east side of E Bidwell Street, immediately south of Highway 50. The site is part of a larger 240-acre project known as the Folsom Ranch Corporate Campus. The buyer (Dignity Health) initially plans to build a 3-story 65,000 SF medical office that will include outpatient surgery, urgent care, imaging and primary care. Dignity plans to start construction in early 2022. Actual sale price was $20,914,000 ($16.97/SF); however buyer assumed an estimated $1.11MM (±$0.90/SF) in bond debt.**					

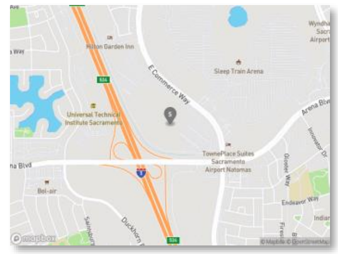
Land Sale Comparable #5
1401 Arden Way
1401 Arden Way
Sacramento, CA 95815-4002
Sacramento County
BBG Property #290562



Property Data			
Property Type/Use	**Land** **Multi-Family**	Lat/Long	**38.605034 / -121.4319**
Parcel ID #	**277-0160-multiple & 277-0261-multiple**	Census Tract	**0055.02**
Opportunity Zone	**No**		
Gross Land Area	**1,093,356 SF** **25.10 Acres**	Net Land Area	**953,964 SF** **21.90 Acres**
Utilities	**All**	Terrain / Topography	
		Zoning	**C-2** **General Commercial**

Sale Transaction Data for BBG Event #288003 on 12/1/2018					**Net Area**	**Gross Area**
Transaction Date	**12/1/2018**	Consideration	**$16,500,000**	Price PSF	**$17.30**	**$15.09**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$753,425**	**$657,371**
		Cash Equivalent Price	**$16,500,000**			
Property Rights	**Fee Simple**					
Grantor	**Fulcrum Capital Corporation**					
Grantee	**SKK Developments**					
Comments	**The property is a C-2 zoned site located adjacent to the Arden Fair Mall. The property included twelve different parcels totaling 25.1 gross acres. The property was purchased for development of a 731-unit apartments complex in two phases (Ph I - 405 units, Ph II - 326 units). The net acreage is 21.9 acres. All off-site infrastructure is complete.**					
Verification	**11/27/2020** **Seller**					

Land Sale Comparable #6
Centene Site
4201 East Commerce Way
Sacramento, CA 95834
Sacramento County
BBG Property #24203



Property Data			
Property Type/Use	**Land** **Office**	Lat/Long	**38.645250 / -121.5236**
Parcel ID #	**225-0310-038, -040 & -041 (ATOS)**		
Opportunity Zone	**No**		
Gross Land Area	**3,302,719 SF** **75.82 Acres**	Net Land Area	**2,950,754 SF** **67.74 Acres**
Utilities		Terrain / Topography	
		Zoning	**EC-50-PUD** **Employment Center**

Sale Transaction Data for BBG Event #52759 on 9/13/2018					Net Area	Gross Area
Transaction Date	**9/13/2018**	Consideration	**$28,212,500**	Price PSF	**$9.56**	**$8.54**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$416,482**	**$372,098**
		Cash Equivalent Price	**$28,212,500**			
Property Rights	**Fee Simple**					
Grantor	**Alleghany Properties, LLC**					
Grantee	**Natomas Development Partners, LLC (Hines)**					
Record Info	**20180913-1087**					
Comments	**Hines acquired this site for near term development (build-to-suit) of a major office park for Centene Corporation. The site was fully entitled for the proposed use at closing. The overall Centene HQ project is ultimately planned to include five 4-story office buildings totaling 1.25 million square feet (and a 17,160 SF childcare center). The initial phase of the project consists of two office buildings totaling 520,000 square feet. The developer broke ground on the project in October 2018. There are no bonds encumbering the property. The gross site area is 75.82 acres; however, the usable area (net of open space buffer along I-5) is 67.74 acres. The usable area is used for analysis purposes.**					
Verification	**1/9/2019** **A. Leck**					

PROJECT INFORMATION

Fidelity National Title

Fidelity National Title
1200 Concord Ave., Suite 400, Concord, CA 94520

Title Report

Downtown Railyard Venture, LLC
3140 Peacekeeper Way
McClellan, CA 95652
Attn: Jay Heckenlively
Your Ref No.:

Escrow Officer: Paul Avila
Email: PAvila@fnf.com
File No.: 01005028A-KD
Escrow No.: 01005028A -PA

Property Address: 458, 464, 468 North B Street, 246 6th Street, Sacramento, CA

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Fidelity National Title Company

PRELIMINARY REPORT

In response to the application for a policy of title insurance referenced herein, ***Fidelity National Title Company*** *hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(ies) of title insurance to be issued hereunder will be policy(ies) of Fidelity National Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Fidelity National Title Insurance Company

By:

President

Countersigned By:

Authorized Officer or Agent

FIDELITY NATIONAL TITLE INSURANCE COMPANY CORPORATE SEAL

Attest:

Secretary

Visit Us on our Website: www.fntic.com

Fidelity National Title Company

ISSUING OFFICE: 1200 Concord Ave., Suite 400, Concord, CA 94520

FOR SETTLEMENT INQUIRIES, CONTACT:
Fidelity National Title Company
8525 Madison Avenue, Suite 110 • Fair Oaks, CA 95628
(916)646-6018 • FAX (916)962-9243

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PRELIMINARY REPORT

Title Officer: Kevin Davis	Escrow Officer: Paul Avila
Email: Kevin.Davis@titlegroup.fntg.com	Email: PAvila@fnf.com
Title No.: 01005028A-KD	Escrow No.: 01005028A -PA

TO: Downtown Railyard Venture, LLC
3140 Peacekeeper Way
McClellan, CA 95652
Attn: Jay Heckenlively
Your Ref No.:

PROPERTY ADDRESS(ES): 458, 464, 468 North B Street, 246 6th Street, Sacramento, CA

EFFECTIVE DATE: May 11, 2021 at 07:30 AM

The form of policy or policies of title insurance contemplated by this report is:

ALTA Owner's Policy 2006

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   Downtown Railyard Venture, LLC, a Delaware limited liability company as to Parcels 1, 2, 4, 5, 6, 7, and 8.; Sacramento 695, L.P., a California limited partnership, as to Parcel 3; and Kaiser Foundation Hospitals, a California nonprofit public benefit corporation, as to Parcel 9.

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

EXHIBIT "A"

Legal Description

For APN/Parcel ID(s): 002-0010-076-0000, 002-0010-069-0000, 002-0010-074-0000, 001-0064-011-0000, 001-0064-012-0000, 001-0064-013-0000, 002-0270-001-0000, 002-0270-002-0000, 002-0270-003-0000, 002-0270-004-0000, 002-0270-005-0000, 002-0270-006-0000, 002-0270-007-0000, 002-0270-008-0000, 001-0010-075-0000 and 002-0010-077-0000

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

All that real property situated in the City of Sacramento, County of Sacramento, State of California and being a portion of Parcel 2 as described in that certain grant Deed Recorded October 17, 2018 in Book 20181017, Page 0799, Sacramento County Official Records, and being a portion of the remainder parcel as shown on the final map entitled "The Railyards Unit No. 2", filed in Book 409 of Maps, Page 1, said County Records. More particularly described as follows:

Beginning at the intersection of 7th Street and North 'B' Street as shown on record of Survey filed July 1, 2004 in Book 66 of Surveys, Page 15, Sacramento County Official Records. Said point lying on the North boundary of said Parcel 2; thence along the boundary of said Parcel 2, common with the boundary of said remainder parcel the following 22 courses:

1. Thence South 71° 36' 52" East, 616.79 feet;
2. Thence South 56° 40' 59" East, 155.27 feet;
3. Thence South 47° 19' 40" East, 75.74 feet;
4. Thence to the right along the arc of a 296.67 foot radius, non-tangent curve, concave to the Southwest, having a radial bearing of North 35° 28' 18" East, a central angle of 15° 33' 22", and an arc length of 80.55 feet;
5. Thence South 38° 58' 10" East, 61.00 feet;
6. Thence to the right along the arc of a 296.57 foot radius, tangent curve, concave to the Southwest, having a central angle of 08° 09' 56", and an arc length of 42.27 feet;
7. Thence South 30° 48' 14" East, 55.84 feet;
8. Thence to the left along the arc of a 371.79 foot radius, tangent curve, concave to the Northeast, having a central angle of 06° 34' 46" and an arc length of 42.69 feet;
9. Thence South 37° 23' 00" East, 14.72 feet;
10. Thence South 38° 59' 32" East, 10.00 feet;
11. Thence South 40° 35' 03" East, 14.72 feet;
12. Thence to the left along the arc of a 371.79 foot radius, tangent curve, concave to the Northeast, having a central angle of 06° 34' 46", and an arc length of 42.69 feet;
13. Thence South 47° 09' 49" East, 20.41 feet;
14. Thence to the left along the arc of a 372.24 foot radius, tangent curve, concave to the Northeast, having a central angle of 08° 20' 43", and an arc length of 54.22 feet;
15. Thence South 18° 25' 08" West, 37.18 feet;
16. Thence South 38° 51' 44" East, 185.20 feet;
17. Thence South 71° 36' 14" East, 609.61 feet;
18. Thence South 18° 28' 51" West, 342.82 feet to a point on the North boundary of Parcel B, as described in Document Recorded December 28, 2006, in Book 20061228, Page 1681, Sacramento County Official Records;
19. Thence along the Northerly boundary of said Parcel B, North 71° 31' 30" West, 93.07 feet;
20. thence continuing along last said boundary, to the left along the arc of a 1,370.00 foot radius tangent curve, concave to the South, having a central angle of 29° 45' 03", and an arc length of 711.37 feet;
21. Thence continuing along last said boundary, South 78° 43' 28" West, 1,371.35 feet;
22. Thence continuing along last said boundary, to the left along the arc of a 500.00 foot radius, tangent curve, concave to the South, having a central angle of 08° 32' 54", and an arc length of 74.60 feet to a point on the centerline of said 7th Street;

EXHIBIT "A"
Legal Description
(continued)

Thence along said centerline of 7th Street, to the right along the arc of a 8,500.00 foot non tangent curve, having a radial bearing of North 72° 47' 18" West, a central angle of 04° 57' 30", and an arc length of 735.58 feet; thence continuing along said centerline of 7th street, North 22° 10' 12" East, 241.12 feet; thence continuing along said centerline of 7th Street, to the left along the arc of a 8,500.00 foot radius, tangent curve, having a central angle of 03° 39' 34", and an arc length of 542.89 feet; thence continuing along said centerline of 7th Street, North 18° 30' 38" East, 155.59 feet to the point of beginning.

As shown as Parcel 1 on that certain document entitled "Certificate of Compliance For Lot Line Adjustment" recorded July 19, 2019, in Book 20190719, Page 0343, of Official Records

APN: 002-0010-074-0000

PARCEL 2:

All that real property situated in the City Of Sacramento, County of Sacramento, State of California and being a portion of Parcel 2 as described in that certain grant Deed Recorded October 17, 2018 in Book 20181017, Page 0799, Sacramento County Official Records, a portion of the remainder parcel as shown on the final map entitled "The Railyards Unit No. 2", filed in Book 409 of Maps, Page 1, said County Records, and all of Parcel 2 described in that certain grant deed to Downtown Railyard Venture, LLC, Recorded May 8, 2019 as Document No. 201905081264, said County Records, more particularly described as follows:

Beginning at the intersection of 7th Street and North 'B' Street as shown on record of Survey filed July 1, 2004 in Book 66 of Surveys, Page 15, Sacramento County Official Records. Said point lying on the North boundary of said Parcel 2; thence along the centerline of said 7th Street South 18° 30' 38" West, 155.59 feet; thence continuing along said centerline, to the right along the arc of a 8,500.00 foot radius, tangent curve, having a central angle of 03° 39' 34", and an arc length of 542.89 feet; thence continuing along said centerline, South 22° 10' 12" West, 241.12 feet; thence continuing along said centerline, to the left along the arc of a 8,500.00 foot tangent curve, having a central angle of 00° 51' 25", and an arc length of 127.13 feet to the Northeast corner of Parcel 1 as described in that certain Grant Deed, Recorded October 17, 2018 in Book 20181017, Page 798, said County Records and the centerline of Railyards Boulevard (130 foot wide public road), as described in that certain Document Recorded August 18, 2016, in Book 20160818, Page 1406, said County Records; thence along the Northeast boundary of said Parcel 1, common to the centerline of said Railyards Boulevard, North 71° 38' 43" West, 221.23 feet; thence continuing along last said common line, to the left along the arc of a 3,000.00 foot radius, tangent curve, having a central angle of 03° 42' 23", and an arc length of 194.06 feet to the Northwest corner of said Parcel 1 and the centerline of 6th Street; thence along the Northwest boundary of said Parcel 1 common to the centerline of 6th Street, South 18° 52' 39" West, 65.58 feet; thence leaving last said common line continuing along said Northwest boundary, South 71° 06' 45" East, 36.50 feet; thence continuing along said Northwest boundary, South 18° 53' 15" West, 351.38 feet; thence continuing along said Northwest boundary, South 18° 58' 32" West, 15.30 feet to the Southwest corner of said Parcel 1; thence along the Southwest boundary of said Parcel 1, South 71° 33' 12" East, 371.36 feet to the Southeast corner of said Parcel 1 and the centerline of said 7th Street; thence along last said centerline, to left along the arc of a 8,500.00 foot radius, non-tangent curve, having a radial bearing of North 71° 39' 02" West, a central angle of 01° 08' 16", and an arc length of 168.80 feet to a point on the North boundary of Parcel B, as described in Document Recorded December 28, 2006 in Book 20061228, Page 1681, Sacramento County Official Records; thence along last said North boundary, to the left along the arc of a 500.00 foot radius, non tangent curve, having a radial bearing of North 19° 49' 26", a central angle of 13° 33' 01", and an arc length of 118.25 feet; thence continuing along last said North boundary, South 56° 37' 33" West, 416.15 feet; thence continuing along last said North boundary, to the right along the arc of a 825.00 foot radius, tangent curve, having a central angle of 23° 28' 09", and an arc length of 337.93 feet; thence continuing along last said North boundary, South 80° 05' 42" West, 971.66 feet to the Southeast corner of that grant Deed Recorded January 25, 2018 in Document Number 201801250774, Sacramento County Official

EXHIBIT "A"

Legal Description
(continued)

Records; thence along the boundary of last said grant deed the following 6 courses:
1. Thence North 09° 58' 37" West, 539.06 feet;
2. Thence to the left along the arc of a 50.50 foot radius, non-tangent curve, having a radial bearing of South 12° 00' 10" West, a central angle of 264° 14' 06", and an arc length of 232.92 feet;
3. Thence South 05° 11' 06" East, 20.00 feet;
4. Thence South 84° 48' 54" West, 26.32 feet;
5. Thence to the left along the arc of a 383.08 foot radius, tangent curve, having a central angle of 30° 48' 55", and an arc length of 206.03 feet;
6. Thence South 09° 58' 37" East, 564.92 feet to the Southwest corner of last said Grant Deed;
Thence leaving last said boundary along the boundary of Parcel 2 as described in that certain Document Recorded September 30, 2015 in Book 20150930, Page 1633, Sacramento County Official Records, along the following 14 courses:
1. Thence South 74° 53' 24" West, 529.98 feet;
2. Thence to the right along the arc of a 752.97 foot radius tangent curve, having a central angle of 13° 52' 18", and an arc length of 182.30 feet;
3. Thence along a compound curve having a radius of 969.00 feet, a central angle of 15° 09' 56", and an arc length of 256.48 feet;
4. Thence North 71° 31' 56" West, 71.56 feet;
5. Thence North 13° 07' 29" East, 58.10 feet;
6. Thence North 22° 19' 56" East, 242.66 feet;
7. Thence North 01° 22' 19" East, 567.62 feet;
8. Thence North 01° 27' 19" East, 204.49 feet;
9. Thence South 88° 37' 32" East, 34.33 feet;
10. Thence to the left along the arc of a 520.00 foot radius, non-tangent curve, having a radial bearing of South 88° 37' 32" East, a central angle of 19° 37' 18", and an arc length of 178.08 feet;
11. Thence North 18° 14' 49" West, 127.28 feet;
12. Thence to the left along the arc of a 980.00 foot radius, non-tangent curve, having a radial bearing of North 74° 09' 17" East, a central angle of 02° 24' 07", and an arc length of 41.08 feet;
13. Thence North 83° 59' 26" East, 225.06 feet;
14. Thence to the left along the arc of a 200.00 foot radius, non-tangent curve, having a radial bearing of South 43° 19' 18" East, a central angle of 35° 37' 24", and an arc length of 124.35 feet;
Thence leaving last said boundary along the boundary of Lot 2, Lot 4, Lot 5, Lot 6, Lot 8, Lot 7, and Lot 3 as shown on the final map entitled "The Railyards Unit No. 2", filed January 17, 2019 in Book 409 of Maps, at Page 1, Sacramento County Official Records, the following 15 courses:

1. Thence South 11° 03' 18" West, 84.46 feet;
2. Thence to the left along the arc of a 700.62 foot radius, tangent curve, having a central angle of 08° 23' 19", and an arc length of 102.58 feet;
3. Thence to the right along the arc of a 10.00 foot radius reversing curve, having a central angle of 77° 21' 54", and an arc length of 13.50 feet;
4. Thence South 09° 58' 08" East, 50.00 feet to the centerline of said Railyards Boulevard;
5. Thence along last said centerline, North 80° 01' 52" East, 1,191.72 feet;
6. Thence continuing along last said centerline, along the arc of a 3,000.00 foot radius, tangent curve, having a central angle of 13° 03' 08", and an arc length of 683.42 feet to the centerline of 5th Street as shown on last said map;
7. Thence along last said centerline, North 02° 27' 51" West, 44.17 feet;
8. Thence continuing along last said centerline, to the right along the arc of a 1,200.00 foot radius tangent curve, having a central angle of 21° 56' 49", and an arc length of 459.66 feet to the centerline of Summit Tunnel Avenue as shown on last said map;
9. Thence along last said centerline, South 83° 04' 02" West, 369.72 feet;
10. Thence continuing along last said centerline, to the right along the arc of a 1,360.50 foot radius, tangent curve,

EXHIBIT "A"

Legal Description
(continued)

having a central angle of 06° 41' 48", and an arc length of 159.01 feet;
11. Thence continuing along last said centerline, South 89° 45' 50" West, 140.34 feet;
12. Thence continuing along last said centerline, to the right along the arc of a 560.50 foot radius tangent curve, having a central angle of 18° 54' 11", and an arc length of 184.92 feet;
13. Thence continuing along last said centerline, along the arc of a reverse curve, having a radius of 300.00 feet, a central angle of 25° 23' 05", and an arc length of 132.91 feet;
14. Thence continuing along last said centerline, south 83° 16' 56" West, 44.83 feet;
15. Thence leaving last said centerline, North 06° 43' 04" West, 45.00 feet to the boundary of last said Parcel 2;
Thence along the boundary of last said Parcel 2 the following 8 courses:
1. Thence North 72° 24' 40" East, 160.74 feet;
2. Thence North 00° 22' 47" West, 347.74 feet;
3. Thence North 89° 37' 12" East, 488.40 feet;
4. Thence North 83° 24' 28" East, 808.60 feet;
5. Thence North 21° 12' 47" East, 96.89 feet;
6. Thence South 71° 36' 52" East, 470.45 feet;
7. Thence South 18° 18' 08" West, 40.00 feet;
8. Thence South 71° 36' 52" East, 443.51 feet to the point of beginning.

As shown as Parcel 2 on that certain document entitled "Certificate of Compliance For Lot Line Adjustment" recorded July 19, 2019, in Book 20190719, Page 0343, of Official Records

APN: 002-0010-075-0000

PARCEL 3:

All that real property situated in the City of Sacramento, County of Sacramento, State of California and being a portion of that certain 203 161 acre parcel as shown on the map filed March 22, 1993 in Book 51 of Surveys, Page 10, Sacramento County Records and a portion of Parcel 2 as described in that certain Document Recorded September 30, 2015 in Book 20150930, Page 1633, said County Records more particularly described as follows

Beginning at the most Easterly corner of 6th Street as granted to the City of Sacramento, Recorded April 26, 2012, in Book 20120426, Page 1168, Official Records of Sacramento County, thence along the boundary of said 6th Street, North 71° 06' 45" West, 36 50 feet, thence leaving said boundary, North 18° 52' 39" East, 65 58 feet to the centerline of Railyards Boulevard (103 foot wide public road), as described in that certain Document Recorded August 18, 2016, in Book 20160818, Page 1406, Official Records of Sacramento County, thence along said centerline, to the right, along the arc of a non-tangent curve, concave to the Southwest, having a radial bearing of North 14° 38' 58" East, a radius of 3000 00 feet, a central angle of 03° 42' 23", and an arc length of 194 06 feet, thence continuing along said centerline and extension thereof, South 71° 38' 43" East, 221 23 feet to the monument line of 7th Street as shown on that certain map, filed July 1, 2004, in Book 66 of Surveys, Page 15, Official Records of Sacramento County, thence along said monument line, to the left along the arc of a non-tangent curve, concave to the Southeast, having a radial bearing of North 68° 41' 13" West, a radius of 8500 00 feet, a central angle of 02° 57' 49", and an arc length of 439 65 feet, thence leaving said monument line, North 71° 33' 12" West, 371 36 feet to a point on the East boundary of said 6th Street, thence along said East boundary, North 18° 58' 32" East, 15 30 feet, thence continuing along said East boundary, North 18° 53' 15" East, 351 38 feet to the point of beginning.

As shown as Parcel 1 on that certain document entitled "Certificate of Compliance For Lot Line Adjustment" recorded October 17, 2018 in Book 20181017, Page 797, of Official Records

APN: 002-0010-069-0000

EXHIBIT "A"
Legal Description
(continued)

PARCEL 4:

All that real property situated in the City of Sacramento, County of Sacramento, State of California being a portion of Parcel 'A' as said parcel is shown on that parcel map filed for record in the office of the recorder of said County in Book 120 of parcel maps, at Page 10 and being all of Parcel One as described in that certain Grant Deed from IA Sacramento Holdings, LLC, a Delaware Limited Liability Company formerly known as IA Sacramento Development, LLC a Delaware Limited Liability Company to Downtown Railyard Venture, LLC, a Delaware Limited Liability Company, recorded September 30, 2015 in Book 20150930, Page 1633, Sacramento County Official Records and all of Parcel 1 as described in that Grant Deed from the City of Sacramento, a Municipal Corporation to Downtown Railyard Venture, LLC, a Delaware Limited Liability Company, recorded May 8, 2019 in Book 20190508, at Page 1264, Official Records of said County.

Excepting therefrom all that certain property described in that Grant Deed to Sacramento Municipal Utility District Recorded October 1, 2015 in Book 20151001, at Page 0936, Official Records of said County.

Further excepting therefrom the following described property:

Commencing at the centerline intersection of 7th Street and 'G' Streets, both public roads, said point being marked by a spike with a washer stamped LS7820" thence from said point of commencement along the centerline of said 'G' Street, North 71° 17' 19" West, 40.00 feet to the intersection of said centerline and the East boundary line of said Parcel 'A' and said Parcel One; thence along said East boundary line, North 18° 21' 07" East, 420.70 feet to the intersection of said East line and the centerline of 'F' Street, a public road; thence from said point of beginning and leaving said East line along said centerline, North 71° 01' 21" West, 169.92 feet; thence continuing along last said centerline and the arc of a curve to the left, concave to the South and having a radius of 5,000.00 feet, a central angle of 00° 07' 44" and an arc length of 11.25 feet; thence leaving last said centerline along a line parallel with and distant 135.00 feet East, measured at right angles, from the East right-of-way line of 6th Street, a public road, North 18° 27' 01" East, 254.89 feet; thence, North 40° 03' 39" West, 116.70 feet to a point in the North line of said Parcel One; thence along said North line the following two (2) courses and distances:

(1) North 49° 53' 46" East, 276.24 feet;
(2) North 79° 26' 16" East, 190.28 feet;

Thence leaving said line along the East line of said Parcel 'A' and said Parcel One the following three (3) courses and distances:

(1) Along the arc of a curve to the left, concave to the Southeast from a radius point which bears South 51° 02' 56" East and having a radius of 347.00 feet, a central angle of 11° 58' 21" and an arc length of 72.51 feet;
(2) South 39° 38' 31" West, 34.94 feet;
(3) South 18° 21' 07" West, 542.81 feet to the point of beginning.

As shown as Parcel A on that certain document entitled "Certificate of Compliance For Lot Line Adjustment" recorded October 29, 2019, in Book 20191029, Page 0678, of Official Records

APN: 002-0010-076-0000

PARCEL 5:

All that real property situated in the City of Sacramento, County of Sacramento, State of California and being a portion of Parcel 'A' as shown on that certain parcel map filed for record in the office of the recorder of said County in Book 120 of parcel maps, at Page 10 and a portion of Parcel One as described in that certain Grant Deed from

EXHIBIT "A"

Legal Description
(continued)

IA Sacramento Holdings, LLC, a Delaware Limited Liability Company formerly known as IA Sacramento Development, LLC a Delaware Limited Liability Company to Downtown Railyard Venture, LLC, a Delaware Limited Liability Company, Recorded September 30, 2015 in Book 20150930, Page 1633, Sacramento County Official Records, described as follows:

Commencing at the centerline intersection of 7th Street and 'G' Streets, both public roads, said point being marked by a spike with a washer stamped "LS7820" thence from said point of commencement along the centerline of said 'G' Street, North 71° 17' 19" West, 40.00 feet to the intersection of said centerline and the East boundary line of said Parcel 'A' and said Parcel One; thence along said East boundary line, North 18° 21' 07" East, 420.70 feet to the intersection of said East line and the centerline of 'F' Street, a public road; thence from said point of beginning and leaving said East line along said centerline, North 71° 01' 21" West, 169.92 feet; thence continuing along last said centerline and the arc of a curve to the left, concave to the Southwest and having a radius of 5,000.00 feet, a central angle of 00° 07' 44" and an arc length of 11.25 feet; thence leaving last said centerline along a line parallel with and distant 135.00 feet East, measured at right angles, from the East right-of-way line of 6th Street, a public road, North 18° 27' 01" East, 254.89 feet; thence, North 40° 03' 39" West, 116.70 feet to a point in the North line of said Parcel One; thence along said North line the following two (2) courses and distances:

(1) North 49° 53' 46" East, 276.24 feet;
(2) North 79° 26' 16" East, 190.28 feet;

Thence leaving said line along the East line of said Parcel 'A' and said Parcel One the following three (3) courses and distances:

(1) along the arc of a curve to the left, concave to the Southeast from a radius point which bears South 51° 02' 56" East and having a radius of 347.00 feet, a central angle of 11° 58' 21" and an arc length of 72.51 feet;
(2) South 39° 38' 31" West, 34.94 feet;
(3) South 18° 21' 07" West, 542.81 feet to the point of beginning.

As shown as Parcel B on that certain document entitled "Certificate of Compliance For Lot Line Adjustment" recorded October 29, 2019, in Book 20191029, Page 0678, of Official Records

APN; 002-0010-077-0000

PARCEL 6:

Beginning at a point of the Southerly line of North B Street, which point is located as follows: Commencing at the Southeast corner of that tract of land described in deed from Bank of America National Trust and Savings Association to the Merchants National Bank as recorded August 5, 1932, in Book 379 of Official Records at Page 470, which corner is also the Northeast corner of that 10 acre tract described in deed from L.M. Billings to Central Pacific Railroad Company as recorded November 7, 1892, in Book 143 of Deeds, at Page 79, Sacramento, County Records, and running thence along the Easterly line of said Bank property North 21°30' East 17.00 feet to the Southerly line of North B Street; thence along said Southerly line north 71°19' West 190.00 feet to said point of beginning; thence South 18°41' West 105.93 feet to the Southerly line of said Bank Property; thence along said Southerly line South 83°30' West 44.20 feet; thence along North 10°41' East 124.73 feet to the Southerly line of North B Street; thence South 71°19' East 40.00 feet to the point of beginning.

APN: 001-0064-011-0000

PARCEL 7:

EXHIBIT "A"

Legal Description
(continued)

All that portion of Swamp and Overflowed Lands Survey No. 926, Sacramento County Surveys located in Sections 35 and 36 in Township 9 North, Range 4 East, M.D.B.&M., described as follows:

Commencing at a point on the Southerly line of North B Street of the City of Sacramento, from which point the Southeast corner of that certain tract of land described in a Deed dated July 22, 1938, recorded August 5, 1932, in Book 397 of Official Records, at page 470, Sacramento County Records, executed by Bank of America National Trust and Savings Association to The Merchants National Bank of Sacramento, (said Southeast corner being also the Northeast corner of the ten acre tract described in a Deed recorded November 7, 1892, in Book 143 of Deeds, at Page 79, executed by L. M. Billings to the Central Pacific Railroad Company) bears South 71°19' East (measured along the Southerly line of said North B Street) 150.00 feet and South 21°30' West 170.00 feet distant; thence from said point of commencement, South 18°41' West 87.12 feet to the Southerly line of the Tract of land so conveyed to the Merchants National Bank; thence; along said Southerly line so conveyed South 83°30' West 44.20 feet; thence; North 18°41' East 105.93 feet to a point on the Southerly line of said North B Street; thence; along the Southerly line of said North B Street, South 71°19' East 40.00 feet to the point of commencement.

APN: 001-0064-012-0000

PARCEL 8:

All that portion of Swamp and Overflowed Lands Survey No. 926, Sacramento County Surveys, located in Section 35 and 36 Township 9 North, Range 4 East M.D.B.&M, described as follows:

Commencing at a point on the Southerly line of North B Street of the City of Sacramento, from which point the Southeast corner of that certain tract of land described in a Deed dated July 22, 1932, recorded August 5, 1932, in Book 397 of Official Records, at page 470, Sacramento County Records, executed by Bank of America National Trust and Savings Association to the Merchant National Bank of Sacramento (said Southeast corner being also the Northeast corner of the ten acre tract described in a Deed recorded November 7, 1892, in Book 143 of Deeds, at Page 79, Sacramento County Records, executed by L. M. Billings to Central Pacific Railroad Company) bears South 71°19' East (measured along the Southerly line of said North B Street) 110.00 feet South 21°30" West 17.00 feet distant; thence South 18°41' West 68.31 feet to the Southerly line of the tract of land so conveyed South 83°30' West 44.20 feet; thence North 18°41' East 87.12 feet to a point on the Southerly line of said north B Street; thence, along the Southerly line of said North B Street, South 71°19' East 40.00 feet to the point of commencement.

APN: 001-0064-013-0000

PARCEL NINE:

Lots 1 through 8 inclusive as shown on the map of the Railyards Unit No. 2 filed January 17, 2019, Map Book 409, Page 1, Sacramento County Records

Apn: 002-0270-001-0000 through 002-0270-008-00000.

AT THE DATE HEREOF, EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2021-2022.

2. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

3. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

4. An assessment by the improvement district shown below:

   District: SAFCA Consolidated Capital Assmt No. 2

   Said assessment is collected with the county/city property taxes.

5. Said land is located within the boundaries of the Energy Independence Program Assessment District in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as shown on a map recorded,

   District: SB 555 Contractual Assessment District
   Recording Date: September 19, 2012
   Recording No.: Book 20120919, Page 89, of Official Records

6. Said land is located within the boundaries of the Energy Independence Program Assessment District in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as shown on a map recorded,

   District: Community Facilities District No. 2012-01 (Clean Energy)
   Recording Date: October 3, 2012
   Recording No.: Book 20121003, Page 418, of Official Records

EXCEPTIONS
(continued)

7. Any unpaid amounts now owing, for delinquent utilities, of record or not. Any such amounts may be ascertained by contacting the following:

   County of Sacramento at (916) 875-5555, and/or including :

   City of Sacramento at (916) 808-5454.
   City of Folsom at (916) 355-7200.
   City of Galt at (209) 366-7150.
   City of Elk Grove at (916) 478-3642.
   City of Rancho Cordova at (916) 638-9000.
   City of Isleton at (916) 777-7770.
   City of Citrus Heights at (916) 725-2448, and for waste charges - Allied Waste at (916) 725-9060, and as required, fax request to (916) 463-0297.
   Sacramento Suburban Water District at (916) 972-7171.

8. The fact that said land is within the boundaries of the Mello-Roos Community Facilities District(s). The annual assessments, if any, are collected with the county property taxes. Failure to pay said taxes prior to the delinquency date may result in the above assessment being removed from the county tax roll and subjected to Accelerated Judicial Bond Foreclosure. Inquiry should be made with said District for possible stripped assessments and prior delinquencies.

   0703 RAILYARD MAINTENANCE CFD 2014-04 MELLO ROOS

9. Pending assessment for the District shown below:

District:	Railyards Maintenance Community Facilities District No. 2014-04
Disclosed by:	Notice of Special Tax Lien
Recording Date:	December 19, 2014
Recording No:	Book 20141219, Page 266, of Official Records

   When the Notice of Assessment is recorded in the public records, the assessment shall become a lien on said Land.

10. Pending assessment for the District shown below:

District:	Sacramento Streetcar Community Facilities District No. 2014-01
Disclosed by:	Notice of Special Tax Lien
Recording Date:	July 28, 2017
Recording No:	Book 20170728, Page 618, of Official Records

   When the Notice of Assessment is recorded in the public records, the assessment shall become a lien on said Land.

EXCEPTIONS
(continued)

11. Pending assessment for the District shown below:

District: City of Sacramento Railyards Community Facilities District No. 2018-01
Disclosed by: Notice of Special Tax Lien
Recording Date: August 22, 2018
Recording No: Book 20180822, Page 934, of Official Records

When the Notice of Assessment is recorded in the public records, the assessment shall become a lien on said Land.

12. Rights of the public to any portion of the Land lying within the area commonly known as 7th Street, H Street, 5th Street, 6th Street, Summit Tunnel Avenue and Railyards Boulevard.

13. Water rights, claims or title to water, whether or not disclosed by the public records.

14. Matters contained in that certain document

Entitled: Deed
Dated: December 19, 1910
Executed by: Southern Pacific Railroad Company, a California corporation and the County of Sacramento
Recording Date: October 5, 1917
Recording No.: Book 473, Page 268, of Deeds

Reference is hereby made to said document for full particulars.

15. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento
Purpose: Water mains, street and highway purposes
Recording Date: January 14, 1924
Recording No.: Book 655, Page 479, of Deeds

Reference is hereby made to said document for full particulars.

16. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento
Purpose: Highway
Recording Date: July 6, 1936
Recording No.: Book 574, Page 481, of Official Records

Reference is hereby made to said document for full particulars.

17. The possible existence of Western Union Telegraph Company conduits and any appurtenances thereto that may be disclosed by reason of the deed recorded July 6, 1936 in Book 574 of Official Records, Page 481, of Official Records and the exhibits attached thereto.

EXCEPTIONS
(continued)

Reference is hereby made to said document for full particulars.

18. Ordinance No. 758 Fourth Series of the City of Sacramento, passed on December 2, 1937, entitled ' An Ordinance Closing, Vacating and Abandoning Portions of the 2nd Street Extension, Old Broad Street, Old Sacramento Street, Old Union Street and Old Water Street in the City of Sacramento". Said Ordinance contains the following:

    "Reserving, however, right of entry to repair, maintain and construct sewer, water, pipe, gas pipes and power lines, now in place in said area, or necessary to be placed therein."

19. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

    Granted to: City of Sacramento
    Purpose: Slopes and spur levees
    Recording Date: May 21, 1948
    Recording No.: Book 1492, Page 427, of Official Records

    Reference is hereby made to said document for full particulars.

20. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

    Granted to: City of Sacramento
    Purpose: 42 inch water main
    Recording Date: November 17, 1964
    Recording No.: Book 5113, Page 64, of Official Records

    Reference is hereby made to said document for full particulars.

21. The ownership of said Land does not include rights of access to or from the street, highway, or freeway abutting said Land, such rights having been relinquished by the document,

    Recording Date: July 23, 1969
    Recording No.: Book 690723, Page 62, of Official Records

    Reference is hereby made to said document for full particulars.

22. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

    Granted to: State of California
    Purpose: Highway
    Recording Date: July 23, 1969
    Recording No.: Book 690723, Page 68, of Official Records

    Limitations on the use, by the owners of said Land, of the easement area as set forth in the easement document shown hereinabove.

    Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

23. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern Pacific Pipe Lines
Purpose: Construct, maintain, operate pipelines within the public roads, streets and ways of the City of Sacramento
Recording Date: January 13, 1988
Recording No.: Book 880113, Page 1480, of Official Records

Reference is hereby made to said document for full particulars.

24. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern Pacific Pipe lines, Inc.
Purpose: Pipe lines
Recording Date: December 15, 1988
Recording No.: Book 881215, Page 1322, of Official Records

Reference is hereby made to said document for full particulars.

25. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Sacramento Municipal Utility District, a municipal utility district
Purpose: Underground duct system
Recording Date: April 10, 1991
Recording No.: Book 910410, Page 1229, of Official Records

Reference is hereby made to said document for full particulars.

26. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern Pacific Telecommunications Company, a Delaware corporation
Purpose: A non-exclusive easement to design, construct, operate and maintain a telecommunication transmission system
Recording Date: November 30, 1994
Recording No.: Book 941130, Page 1264, of Official Records

Reference is hereby made to said document for full particulars.

27. Matters contained in that certain document

Entitled: Covenant to Restrict Use of Property
Executed by: Union Pacific Railroad Company, and the State of California, acting by and through the Department of Toxic Substances Control
Recording Date: July 11, 2001
Recording No.: Book 20010711, Page 1498, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

28. Matters contained in that certain document

Entitled: Highway Grant
Dated: November 6, 2001
Executed by: Union Pacific Railroad Company, a Delaware corporation and the City of Sacramento, a municipal corporation
Recording Date: November 14, 2001
Recording No.: Book 20011114, Page 1564, of Official Records

Reference is hereby made to said document for full particulars.

29. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Public street and associated improvements
Recording Date: November 14, 2001
Recording No.: Book 20011114, Page 1564, of Official Records

Reference is hereby made to said document for full particulars.

30. Matters contained in that certain document

Entitled: GRANT OF EASEMENT FOR LIGHT RAIL TRANSIT
Dated: March 24, 2005
Executed by: Sacramento Regional Transit District, a public corporation
Recording Date: April 25, 2005
Recording No.: Book 20050425, Page 1376, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

31. Matters and Easements contained in that certain document

Entitled: Grant Deed
Executed by: Union Pacific Railroad Company, a Delaware corporation, formerly known as Southern Pacific Transportation Company, a Delaware corporation, successor in interest by merger with Southern Pacific Company, a Delaware corporation, successor by merger with Central Pacific Railway Company, a Utah corporation and S. Thomas Enterprises of Sacramento, LLC, a Delaware limited liability company formerly known as Millennia Sacramento, III, LLC,
Recording Date: December 28, 2006
Recording No.: Book 20061228, Page 1675, of Official Records

Reference is hereby made to said document for full particulars.

Matters contained in that certain Amendment to Railroad Easement II, Partial Termination of Pipeline Easement and Termination of Declaration of Covenants, Conditions and Restrictions on Fifth Street Crossing Contained in Grant Deed recorded May 10, 2010 in Book 20100510, Page 1085, of Official Records.

The effect of that certain Partial Release and Quitclaim of 150 Easement recorded April 4, 2014, in Book 20140404, Page 857, of Official Records.

The effect of that certain Release & Quitclaim of Easement recorded April 4, 2014, in Book 20140404, Page 858, of Official Records.

32. Matters and Easements contained in that certain document

Entitled: Covenant and Agreement Regarding Restriction on Use of Property and Grant of Easement
Dated: December 28, 2006
Executed by: Union Pacific Railroad Company, a Delaware corporation, formerly known as Southern Pacific Transportation Company, a Delaware corporation, successor in interest by merger with Southern Pacific Company, a Delaware corporation, successor by merger with Central Pacific Railway Company, a Utah corporation and S. Thomas Enterprises of Sacramento, LLC, a Delaware limited liability company formerly known as Millennia Sacramento, III, LLC,
Recording Date: December 28, 2006
Recording No. Book 20061228, Page 1676, of Official Records.

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

Matters contained in that certain document

Entitled: Amended and Restated Covenant and Agreement Regarding Restriction on Use of Property and Grant of Easement
Dated: February 12, 2015
Executed by: Union Pacific Railroad Company, a Delaware corporation, formerly known as Southern Pacific Transportation Company, a Delaware corporation, successor in interest by merger with Southern Pacific Company, a Delaware corporation, successor by merger with Central Pacific Railway Company, a Utah corporation and Downtown Railyard Venture, LLC, a Delaware limited liability company
Recording Date: September 30, 2015
Recording No. Book 20150930, Page 1637, of Official Records.

Reference is hereby made to said document for full particulars.

Partial Assignment and (Assumption) Agreement, recorded January 17, 2019, in Document No. 201901170558, of Official Records

33. Matters contained in that certain document

Entitled: Development Agreement for Sacramento Railyards Project
Dated: December 11, 2007
Executed by: City of Sacramento and S. Thomas Enterprises of Sacramento, LLC
Recording Date: February 22, 2008
Recording No.: Book 20080222, Page 651, of Official Records

Reference is hereby made to said document for full particulars.

Matters contained in that certain Assignment and Assumption Agreement (City Agreement 2008-0150) dated September 9, 2015 executed by IA Sacramneto Holdings, L.L.C., a Delaware limited liability company, Downtown Railyard Venture, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation, Recorded September 30, 2015, Book 20150930 Page 1638 of Official Records

34. Matters contained in that certain document

Entitled: Regulatory Agreement
Dated: May 13, 2008
Executed by: The Redevelopment Agency of the City of Sacramento, and S. Thomas Enterprises of Sacramento, LLC
Recording Date: May 29, 2008
Recording No.: Book 20080529, Page 1307, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

35. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Public road and public utilities
Recording Date: November 25, 2009
Recording No.: Book 20091125, Page 698, of Official Records

Reference is hereby made to said document for full particulars.

36. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Public utilities
Recording Date: November 25, 2009
Recording No.: Book 20091125, Page 699, of Official Records

Reference is hereby made to said document for full particulars.

37. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Public road and public utilities
Recording Date: November 25, 2009
Recording No.: Book 20091125, Page 700, of Official Records

Reference is hereby made to said document for full particulars.

38. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Pedestrian tunnel (Western Tunnel)
Recording Date: November 25, 2009
Recording No.: Book 20091125, Page 701, of Official Records

39. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Pedestrian tunnel (Central Tunnel)
Recording Date: November 25, 2009
Recording No.: Book 20091125, Page 723, of Official Records

Reference is hereby made to said document for full particulars.

40. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Public road and public utilities
Recording Date: June 17, 2010
Recording No.: Book 20100617, Page 595, of Official Records

EXCEPTIONS
(continued)

Reference is hereby made to said document for full particulars.

41. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: 42 foot water line
Recording Date: June 17, 2010
Recording No.: Book 20100617, Page 596, of Official Records

Reference is hereby made to said document for full particulars.

42. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Pedestrian and bicycle tunnel and ramp (Western Tunnel)
Recording Date: August 18, 2011
Recording No.: Book 20110818, Page 640, of Official Records

Reference is hereby made to said document for full particulars.

43. Matters and Easements contained in that certain document

Entitled: Agreement and Grant of Easement
Dated: February 23, 2012
Executed by: State of California and IA Sacramento Holdings, LLC, a Delaware limited liability company
Recording Date: March 29, 2012
Recording No.: Book 20120329, Page 508, of Official Records

Reference is hereby made to said document for full particulars.

44. Matters contained in that certain document

Entitled: EASEMENT AGREEMENT FOR STORM DRAINAGE LINE--FUTURE G STREET ALIGNMENT
Dated: April 26, 2012
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: April 26, 2012
Recording No.: Book 20120426, Page 1169, of Official Records

Reference is hereby made to said document for full particulars.

As shown on that ALTA/ACSM Land Title Survey dated May 29, 2015 prepared by Kimley Horn and Associates, Inc. under its Project No. 097677007.

EXCEPTIONS
(continued)

45. Matters and Easements contained in that certain document

Entitled: Easement Agreement for Slope Maintenance
Dated: April 20, 2012
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: April 26, 2012
Recording No.: Book 20120426, Page 1170, of Official Records

Reference is hereby made to said document for full particulars.

46. Matters contained in that certain document

Entitled: EASEMENT AGREEMENT FOR STORM DRAINAGE DETENTION BASIN
Dated: April 20, 2012
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: April 26, 2012
Recording No.: Book 20120426, Page 1172, of Official Records

Reference is hereby made to said document for full particulars.

47. Matters contained in that certain document

Entitled: MSE Wall Maintenance Easement
Dated: December 13, 2012
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: March 12, 2013
Recording No.: Book 20130312, Page 674, of Official Records

Reference is hereby made to said document for full particulars.

48. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: MSE wall maintenance
Recording Date: March 12, 2013
Recording No.: Book 20130312, Page 674, of Official Records

Limitations on the use, by the owners of said Land, of the easement area as set forth in the easement document shown hereinabove.

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

49. Matters and Easements contained in that certain document

Entitled: Easement Agreement for Emergency Refuge Area
Dated: July 31, 2012
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: May 31, 2013
Recording No.: Book 20130531, Page 1552, of Official Records

Reference is hereby made to said document for full particulars.

50. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Union Pacific Railroad Company, a Delaware corporation
Purpose: Electrical facilities, ingress and egress etc.
Recording Date: April 4, 2014
Recording No.: Book 20140404, Page 859, of Official Records

Reference is hereby made to said document for full particulars.

51. Matters contained in that certain document

Entitled: Memorandum of Agreement
Dated: July 18, 2014
Executed by: State of California acting by and through the Judicial Council of California, Administrative Office of the Courts and IA Sacramento Holdings, LLC, a Delaware limited liability company
Recording Date: October 2, 2014
Recording No.: Book 20141002, Page 60, of Official Records

Reference is hereby made to said document for full particulars.

52. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Sacramento Municipal Utility District, a municipal utility district
Purpose: Electrical facilities
Recording Date: October 23, 2014
Recording No.: Book 20141023, Page 380, of Official Records

53. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Sacramento Municipal Utility District, a municipal utility district
Purpose: Electrical facilities
Recording Date: October 31, 2014
Recording No.: Book 20141031, Page 816, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

54. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Sacramento Municipal Utility District, a municipal utility district
Purpose: Electrical facilities
Recording Date: October 31, 2014
Recording No.: Book 20141031, Page 0817, of Official Records

55. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Sacramento Municipal Utility District, a municipal utility district
Purpose: Electrical facilities
Recording Date: October 31, 2014
Recording No.: Book 20141031, Page 818, of Official Records

Reference is hereby made to said document for full particulars.

56. Matters contained in that certain document

Entitled: MSE Wall Maintenance Easement
Dated: July 22, 2015
Executed by: IA Sacramento Holdings, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: July 30, 2015
Recording No.: Book 20150730, Page 503, of Official Records

Reference is hereby made to said document for full particulars.

57. Matters contained in that certain document

Entitled: Land Use Covenant and Agreement Environmental Restrictions
Dated: August 28, 2015
Executed by: Downtown Railyard Venture, LLC and the Department of Toxic Substances Control
Recording Date: September 30, 2015
Recording No.: Book 20150930, Page 1634, of Official Records

Reference is hereby made to said document for full particulars.

58. Matters contained in that certain document

Entitled: Declaration of Restrictive Covenants for the Development and Operation of Affordable Housing
Dated: September 15, 2015
Executed by: Downtown Railyard Ventures, LLC, a Delaware limited liability company and the California Department of Housing and Community Development, an agency of the State of California
Recording Date: September 30, 2015
Recording No.: Book 20150930, Page 1635, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

59. Matters contained in that certain document

Entitled: Declaration of Restrictive Covenants for the Development of Market Rate Housing
Dated: September 15, 2015
Executed by: Downtown Railyard Ventures, LLC, a Delaware limited liability company and the California Department of Housing and Community Development, an agency of the State of California
Recording Date: September 30, 2015
Recording No.: Book 20150930, Page 1636, of Official Records

Reference is hereby made to said document for full particulars.

60. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: SFPP, L.P., a Delaware limited partnership
Purpose: Pipelines
Recording Date: June 8, 2016
Recording No.: Book 20160608, Page 1901, of Official Records

Limitations on the use, by the owners of said Land, of the easement area as set forth in the easement document shown hereinabove.

Reference is hereby made to said document for full particulars.

61. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento
Purpose: Public road
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1406, of Official Records

Reference is hereby made to said document for full particulars.

62. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento
Purpose: Public road
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1407, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

63. Matters contained in that certain document

Entitled: MSE Wall Maintenance Easement
Dated: August 9, 2016
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1410, of Official Records

Reference is hereby made to said document for full particulars.

64. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Ingress and egress and for the construction, reconstruction, use, maintenance, rehabilitation and repair of cut-fill slopes, engineered fill areas and embankments supporting approach roads including irrigation and landscaping and associated appurtenances
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1411, of Official Records

Reference is hereby made to said document for full particulars.

65. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Ingress and egress and for the construction, reconstruction, use, maintenance, rehabilitation and repair of cut-fill slopes, engineered fill areas and embankments supporting approach roads including irrigation and landscaping and associated appurtenances
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1412, of Official Records

Reference is hereby made to said document for full particulars.

66. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Sacramento, a municipal corporation
Purpose: Ingress and egress and for the construction, reconstruction, use, maintenance, rehabilitation and repair of cut-fill slopes, engineered fill areas and embankments supporting approach roads including irrigation and landscaping and associated appurtenances
Recording Date: August 18, 2016
Recording No.: Book 20160818, Page 1413, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

67. Matters contained in that certain document

Entitled: Amended and Restated Development Agreement for Sacramento Railyards Project; Project No. P15-040
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: January 6, 2017
Recording No.: Book 20170106, Page 536, of Official Records

Reference is hereby made to said document for full particulars.

68. Matters contained in that certain document

Entitled: Agreement and Grant of Easement for Access and Related Park System Purposes
Dated: September 19, 2017
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and the State of California
Recording Date: January 25, 2018
Recording No.: Book 20180125, Page 773, of Official Records

Reference is hereby made to said document for full particulars.

69. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: State of California
Purpose: Various purposes as more specifically described therein
Recording Date: January 25, 2018
Recording No.: Book 20180125, Page 773, of Official Records</COMMENT>

Reference is hereby made to said document for full particulars.

70. Matters contained in that certain document

Entitled: Sacramento Downtown Railyards Title Settlement and Exchange Agreement
Dated: April 6, 2011
Executed by: the City of Sacramento, a municipal corporation, the State of California and IA Sacramento Holdings, L L C, a Delaware limited liability company
Recording Date: September 13, 2018
Recording No.: Book 20180913, Page 776, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

71. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: January 11, 2019
Recording No.: Book 20190111, Page 0404, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

Modification(s) of said covenants, conditions and restrictions

Recording Date: January 11, 2019
Recording No.: Book 20190111, Page 0405, of Official Records

72. Matters contained in that certain document

Entitled: Subdivision Improvement Agreement
Dated: January 16, 2019
Executed by: City of Sacramento, a municipal corporation and Downtown Railyard Venture LLC, a Delaware Limited Liability Company
Recording Date: January 17, 2019
Recording No.: Document No. 201901170554, of Official Records

Reference is hereby made to said document for full particulars.

73. Matters contained in that certain document

Entitled: Irrevocable Offer To Dedicate Easement For Bike Path and Pedestrian Access
Dated: January 16, 2019
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and City of Sacramento, a municipal corporation
Recording Date: January 17, 2019
Recording No: Document No. 201901170555, of Official Records

Reference is hereby made to said document for full particulars.

74. Matters contained in that certain document

Entitled: EASEMENT AGREEMENT FOR STORM DRAINAGE DETENTION BASIN
Dated: December 21, 2018
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: January 17, 2019
Recording No.: Book 20190117, Page 0556, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

75. Matters contained in that certain document

Entitled: LAND USE COVENANT AND AGREEMENT ENVIRONMENTAL RESTRICTIONS
Executed by: Downtown Railyard Venture, LLC and the Department of Toxic Substances Control
Recording Date: February 21, 2019
Recording No.: Book 20190221, Page 0696, of Official Records

Reference is hereby made to said document for full particulars.

76. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: City of Sacramento, a municipal corporation
Purpose: Public Road Purposes
Recording Date: May 8, 2019
Recording No.: Book 20190508, Page 1264, of Official Records

77. Matters contained in that certain document

Entitled: Assignment and Assumption of Rail yards Net Tax Increment Payments Under the Opa Agreement
Dated: May 16, 2019
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company, Umpqua Bank, an Oregon State chartered bank and Opus Bank, a California commercial bank.
Recording Date: May 17, 2019
Recording No.: Book 20190517, Page 0946, of Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(continued)

78. Any rights, interests, or claims which may exist or arise by reason of the following matters disclosed by survey,

Job No.:	19-03-015
Dated:	May 17, 2019
Prepared by:	Baker - Williams Engineering Group
Matters shown:	

A. SHEDS located on adjoining land along the Northeasterly boundary encroach into or onto Parcel Two by an undisclosed distance;

B. STOCKPILE located along the Southerly boundary of Parcel Two encroaches into said land;

C. GAS LINE located on Parcel Two along the Southwesterly boundary without the benefit of an easement;

D. The fact that there are fences located partially on said land and partially on adjoining land at various locations;

E. The fact that there are MONITORING WELLS located in various locations;

F. Public Roadway known as JIBOOM STREET is not with an easement;

G. The fact that a BILLBOARD is located on the premises near Interstate 5.

79. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to:	City of Sacramento, a municipal corporation
Purpose:	Public Utilities
Recording Date:	July 8, 2020
Recording No.:	Document No. 202007080628, of Official Records
Affects:	Parcels Two and Three

80. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to:	City of Sacramento, a municipal corporation
Purpose:	Emergency Vehicle Ingress and Egress
Recording Date:	July 8, 2020
Recording No.:	Document No. 202007080629, of Official Records
Affects:	Parcels Two and Three

EXCEPTIONS
(continued)

81. Matters contained in that certain document

Entitled: Regulatory Agreement For Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property
Executed by: Sacramento Housing and Redevelopment Agency and Sacramento 695, L.P.
Recording Date: July 24, 2020
Recording No.: Document No. 202007240661, of Official Records

Reference is hereby made to said document for full particulars

Correctory Regulatory Agreement , recorded November 23, 2020, in Document No. 202011231854, of Official Records.

Affects: Parcel Three

82. A deed of trust to secure an indebtedness in the amount shown below,

Amount: $85,000,000.00
Dated: July 1, 2020
Trustor/Grantor Sacramento 695, L.P., a California limited partnership
Trustee: Fidelity National Title Insurance Company
Beneficiary: California Housing Finance Agency, a public instrumentality and political subdivision of the State of California
Recording Date: July 24, 2020
Recording No.: Document No. 202007240662, of Official Records

Affects: Parcel 3

An assignment of the beneficial interest under said deed of trust which names:

Assignee: Citibank, N.A.., a national banking association
Recording Date: July 24, 2020
Recording No.: Document No. 202007240663, of Official Records

83. A deed of trust to secure an indebtedness in the amount shown below,

Amount: $186,369.00
Dated: July 8, 2020
Trustor/Grantor Sacramento 695, L.P., a California Limited Partnership
Trustee: Fidelity National Title Insurance Company, a Florida corporation
Beneficiary: Sacramento Regional County Sanitation District
Recording Date: July 24, 2020
Recording No.: Document No. 202007240664, of Official Records

Affects: Parcel 3

EXCEPTIONS
(continued)

84. Matters contained in that certain document

Entitled: Agreement Deferring and Waiving Sewer Impact Fees For Affordable Residential Development Project
Dated: July 8, 2020
Executed by: Sacramento Regional County Sanitation District and Sacramento 695, L.P;., a California Limited Partnership
Recording Date: July 24, 2020
Recording No.: Document No. 202007240665, of Official Records

Reference is hereby made to said document for full particulars.

Affects: Parcel 3

85. A financing statement as follows:

Debtor: Sacramento 695, L.P.
Secured Party: Citibank, N.A.
Recording Date: July 27, 2020
Recording No.: Document No. 202007271576, of Official Records

Affects: Parcel 3

86. Matters contained in that certain document

Entitled: Irrevocable Offer To Dedicate Exclusive Easement For Park and Recreational Purposes
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and City of Sacramento, a municipal corporation
Recording Date: July 30, 2020
Recording No.: Document No. 202007300550, of Official Records

Reference is hereby made to said document for full particulars.

Affects: Parcel 2

87. Matters contained in that certain document

Entitled: Easement Agreement For Slope Maintenance
Dated: July 23, 2020
Executed by: Downtown Railyard Venture, L.L.C., a Delaware limited liability company and the City of Sacramento, a municipal corporation
Recording Date: July 31, 2020
Recording No.: Document No. 202007310715, of Official Records

Reference is hereby made to said document for full particulars.

Affects: Parcel 2

EXCEPTIONS
(continued)

88. Matters contained in that certain document

Entitled: Irrevocable Offer To Dedicate Exclusive Perpetual Easement For Park and Recreational Purposes
Executed by: Downtown Railyard Venture, LLC, a Delaware limited liability company and City of Sacramento, a municipal corporation
Recording Date: July 31, 2020
Recording No.: Document No. 202007310716, of Official Records

Reference is hereby made to said document for full particulars.

89. A lien for the amount shown below and any other amounts due,

Amount: $64.49
Claimant: City of Sacramento Department of Utilities
Nature of Claim: Delinquent Utility Service Charges
Recording Date: March 2, 2021
Recording No.: Document No. 202103020993, of Official Records

Affects: Parcels Two and Three

90. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

EXCEPTIONS
(continued)

91. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the entity named below.

Limited Liability Company: Downtown Railyard Venture, LLC, a Delaware limited liability company

a. A copy of its operating agreement, if any, and any and all amendments, supplements and/or modifications thereto, certified by the appropriate manager or member.

b. If a domestic Limited Liability Company, a copy of its Articles of Organization and all amendment thereto with the appropriate filing stamps.

c. If the Limited Liability Company is member-managed a full and complete current list of members certified by the appropriate manager or member.

d. A current dated certificate of good standing from the proper governmental authority of the state in which the entity was created

e. If less than all members, or managers, as appropriate, will be executing the closing documents, furnish evidence of the authority of those signing.

f. If Limited Liability Company is a Single Member Entity, a Statement of Information for the Single Member will be required.

g. Each member and manager of the LLC without an Operating Agreement must execute in the presence of a notary public the Certificate of California LLC (Without an Operating Agreement) Status and Authority form

92. This Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance by the corporation named below.

Name of Corporation: Kaiser Foundation Hospitals, a California nonprofit public benefit corporation

a. A copy of the corporation By-laws and Articles of Incorporation.

b. An original or certified copy of the resolution authorizing the subject transaction, together with a Certificate of Compliance pursuant to Section 5912 or 7912 Corporations Code.

c. If the Articles and/or By-laws require approval by a “parent” organization, a copy of those By-laws and Articles of Incorporation is required.

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

EXCEPTIONS
(continued)

93. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the limited partnership named below.

Name: Sacramento 695, L.P., a California limited Partnership, a limited partnership

a. A complete copy of the limited partnership agreement and all amendments thereto.

b. Satisfactory evidence that the partnership was validly formed and is in good standing

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

94. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

NOTES

Note 1. Note: The only conveyance(s) affecting said Land, which recorded within 24 months of the date of this report, are as follows:

Grantor: Downtown Railyard Venture, LLC, a Delaware limited liability company
Grantee: Downtown Railyard Venture, LLC, a Delaware limited liability company
Recording Date: July 19, 2019
Recording No.: Document No. 201907190344, of Official Records

Grantor: Downtown Railyard Venture, LLC, a Delaware limited liability company
Grantee: Downtown Railyard Venture, LLC, a Delaware limited liability company
Recording Date: October 29, 2019
Recording No.: Book 20191029, Page 0679, of Official Records

Grantor: North B Street Properties, LLC, a California limited liability company
Grantee: Downtown Railyard Venture, LLC, a Delaware limited liability company
Recording Date: June 17, 2019
Recording No.: Book 20190617, Page 0766, of Official Records

Note 2. Note: The only conveyance(s) affecting said Land, which recorded within 24 months of the date of this report, are as follows:

Grantor: Downtown Railyard Venture, LLC, a Delaware limited liability company
Grantee: Sacramento 695, L.P., a California limited partnership
Recording Date: July 24, 2020
Recording No.: Document No. 202007240659, of Official Records

Note 3. Note: The name(s) of the proposed insured(s) furnished with this application for title insurance is/are:

No names were furnished with the application. Please provide the name(s) of the buyers as soon as possible.

Note 4. Note: The charge for a policy of title insurance, when issued through this title order, will be based on the Basic Title Insurance Rate.

Note 5. Your application for title insurance was placed by reference to only a street address or tax identification number. Based on our records, we believe that the legal description in this report covers the parcel(s) of Land that you requested. If the legal description is incorrect, the seller/borrower must notify the Company and/or the settlement company in order to prevent errors and to be certain that the correct parcel(s) of Land will appear on any documents to be recorded in connection with this transaction and on the policy of title insurance.

Note 6. If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.

NOTES
(continued)

Note 7. Note: Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirement cannot be met, please call the Company at the number provided in this report.

Note 8. Notice: Please be aware that due to the conflict between federal and state laws concerning the cultivation, distribution, manufacture or sale of marijuana, the Company is not able to close or insure any transaction involving Land that is associated with these activities.

Note 9. Pursuant to Government Code Section 27388.1, as amended and effective as of 1-1-2018, a Documentary Transfer Tax (DTT) Affidavit may be required to be completed and submitted with each document when DTT is being paid or when an exemption is being claimed from paying the tax. If a governmental agency is a party to the document, the form will not be required. DTT Affidavits may be available at a Tax Assessor-County Clerk-Recorder.

Note 10. Due to the special requirements of SB 50 (California Public Resources Code Section 8560 et seq.), any transaction that includes the conveyance of title by an agency of the United States must be approved in advance by the Company's State Counsel, Regional Counsel, or one of their designees.

Note 11. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	001-0064-011-0000
Fiscal Year:	2020-2021
1st Installment:	$179.37
2nd Installment:	$179.37
Land:	$21,224.00
Improvements:	$0.00
Code Area:	03006
Bill No.:	20256502

Note 12. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	001-0064-012-0000
Fiscal Year:	2020-2021
1st Installment:	$155.56
2nd Installment:	$155.56
Land:	$18,039.00
Improvements:	$0.00
Code Area:	03006
Bill No.:	20256503

NOTES
(continued)

Note 13. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	001-0064-013-0000
Fiscal Year:	2020-2021
1st Installment:	$121.65
2nd Installment:	$121.65
Land:	$13,795.00
Improvements:	$0.00
Code Area:	03006
Bill No.:	20256504

Note 14. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0010-069-0000
Fiscal Year:	2020-2021
1st Installment:	$1,655.95
2nd Installment:	$1,655.95
Land:	$270,608.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20256945

Note 15. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0010-074-0000
Fiscal Year:	2020-2021
1st Installment:	$24,889.32
2nd Installment:	$24,889.32
Land:	$4,095,891.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20256946

Note 16. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	001-0010-075-0000
Fiscal Year:	2020-2021
1st Installment:	$73,497.16
2nd Installment:	$73,497.16
Land:	$10,934,651.00
Improvements:	$528,172.00
Code Area:	03308
Bill No.:	20256947

NOTES
(continued)

Note 17. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0010-076-0000
Fiscal Year:	2020-2021
1st Installment:	$61,407.09
2nd Installment:	$61,407.09
Land:	$1,298,917.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20256948

Note 18. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0010-077-0000
Fiscal Year:	2020-2021
1st Installment:	$18,529.78
2nd Installment:	$18,529.78
Land:	$541,216.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20256949

Note 19. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-001-0000
Fiscal Year:	2020-2021
1st Installment:	$12,842.44
2nd Installment:	$12,842.44
Land:	$2,228,141.00
Improvements:	$0.00
Code Area:	03311
Bill No.:	20257621

Note 20. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-002-0000
Fiscal Year:	2020-2021
1st Installment:	$39,142.94
2nd Installment:	$39,142.94
Land:	$6,844,200.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257622

NOTES
(continued)

Note 21. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-003-0000
Fiscal Year:	2020-2021
1st Installment:	$37,042.91
2nd Installment:	$37,042.91
Land:	$6,477,000.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257623

Note 22. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-004-0000
Fiscal Year:	2020-2021
1st Installment:	$46,607.99
2nd Installment:	$46,607.99
Land:	$8,149,800.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257624

Note 23. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-005-0000
Fiscal Year:	2020-2021
1st Installment:	$8,577.46
2nd Installment:	$8,577.46
Land:	$1,499,400.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257625

Note 24. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-006-0000
Fiscal Year:	2020-2021
1st Installment:	$9,509.77
2nd Installment:	$9,509.77
Land:	$1,662,600.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257626

NOTES
(continued)

Note 25. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-007-0000
Fiscal Year:	2020-2021
1st Installment:	$26,939.82
2nd Installment:	$26,939.82
Land:	$4,712,400.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257627

Note 26. Note: Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts were:

Tax Identification No.:	002-0270-008-0000
Fiscal Year:	2020-2021
1st Installment:	$14,114.13
2nd Installment:	$14,114.13
Land:	$2,468,400.00
Improvements:	$0.00
Code Area:	03308
Bill No.:	20257628

END OF NOTES

WIRE SAFE™ | Inquire before you wire!

WIRE FRAUD ALERT

This Notice is not intended to provide legal or professional advice.
If you have any questions, please consult with a lawyer.

All parties to a real estate transaction are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email, without further verification. **If funds are to be wired in conjunction with this real estate transaction, we strongly recommend verbal verification of wire instructions through a known, trusted phone number prior to sending funds.**

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

- **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction rarely change wire instructions in the course of a transaction.
- **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account number, by calling the party who sent the instructions to you. DO NOT use the phone number provided in the email containing the instructions, use phone numbers you have called before or can otherwise verify. **Obtain the number of relevant parties to the transaction as soon as an escrow account is opened.** DO NOT send an email to verify as the email address may be incorrect or the email may be intercepted by the fraudster.
- **USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case, numbers, and symbols. Make your passwords greater than eight (8) characters. Also, change your password often and do NOT reuse the same password for other online accounts.
- **USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigation:
http://www.fbi.gov

Internet Crime Complaint Center:
http://www.ic3.gov

FIDELITY NATIONAL FINANCIAL
PRIVACY NOTICE

Effective April 9, 2020

Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, "FNF," "our," or "we") respect and are committed to protecting your privacy. This Privacy Notice explains how we collect, use, and protect personal information, when and to whom we disclose such information, and the choices you have about the use and disclosure of that information.

A limited number of FNF subsidiaries have their own privacy notices. If a subsidiary has its own privacy notice, the privacy notice will be available on the subsidiary's website and this Privacy Notice does not apply.

Collection of Personal Information

FNF may collect the following categories of Personal Information:

- contact information (e.g., name, address, phone number, email address);
- demographic information (e.g., date of birth, gender, marital status);
- identity information (e.g. Social Security Number, driver's license, passport, or other government ID number);
- financial account information (e.g. loan or bank account information); and
- other personal information necessary to provide products or services to you.

We may collect Personal Information about you from:

- information we receive from you or your agent;
- information about your transactions with FNF, our affiliates, or others; and
- information we receive from consumer reporting agencies and/or governmental entities, either directly from these entities or through others.

Collection of Browsing Information

FNF automatically collects the following types of Browsing Information when you access an FNF website, online service, or application (each an "FNF Website") from your Internet browser, computer, and/or device:

- Internet Protocol (IP) address and operating system;
- browser version, language, and type;
- domain name system requests; and
- browsing history on the FNF Website, such as date and time of your visit to the FNF Website and visits to the pages within the FNF Website.

Like most websites, our servers automatically log each visitor to the FNF Website and may collect the Browsing Information described above. We use Browsing Information for system administration, troubleshooting, fraud investigation, and to improve our websites. Browsing Information generally does not reveal anything personal about you, though if you have created a user account for an FNF Website and are logged into that account, the FNF Website may be able to link certain browsing activity to your user account.

Other Online Specifics

Cookies. When you visit an FNF Website, a "cookie" may be sent to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive. Information gathered using cookies helps us improve your user experience. For example, a cookie can help the website load properly or can customize the display page based on your browser type and user preferences. You can choose whether or not to accept cookies by changing your Internet browser settings. Be aware that doing so may impair or limit some functionality of the FNF Website.

Web Beacons. We use web beacons to determine when and how many times a page has been viewed. This information is used to improve our websites.

Do Not Track. Currently our FNF Websites do not respond to "Do Not Track" features enabled through your browser.

Links to Other Sites. FNF Websites may contain links to unaffiliated third-party websites. FNF is not responsible for the privacy practices or content of those websites. We recommend that you read the privacy policy of every website you visit.

Use of Personal Information

FNF uses Personal Information for three main purposes:

- To provide products and services to you or in connection with a transaction involving you.
- To improve our products and services.
- To communicate with you about our, our affiliates', and others' products and services, jointly or independently.

When Information Is Disclosed

We may disclose your Personal Information and Browsing Information in the following circumstances:

- to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure;
- to nonaffiliated service providers who provide or perform services or functions on our behalf and who agree to use the information only to provide such services or functions;
- to nonaffiliated third party service providers with whom we perform joint marketing, pursuant to an agreement with them to jointly market financial products or services to you;
- to law enforcement or authorities in connection with an investigation, or in response to a subpoena or court order; or
- in the good-faith belief that such disclosure is necessary to comply with legal process or applicable laws, or to protect the rights, property, or safety of FNF, its customers, or the public.

The law does not require your prior authorization and does not allow you to restrict the disclosures described above. Additionally, we may disclose your information to third parties for whom you have given us authorization or consent to make such disclosure. We do not otherwise share your Personal Information or Browsing Information with nonaffiliated third parties, except as required or permitted by law. We may share your Personal Information with affiliates (other companies owned by FNF) to directly market to you. Please see "Choices with Your Information" to learn how to restrict that sharing.

We reserve the right to transfer your Personal Information, Browsing Information, and any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of bankruptcy, reorganization, insolvency, receivership, or an assignment for the benefit of creditors. By submitting Personal Information and/or Browsing Information to FNF, you expressly agree and consent to the use and/or transfer of the foregoing information in connection with any of the above described proceedings.

Security of Your Information

We maintain physical, electronic, and procedural safeguards to protect your Personal Information.

Choices With Your Information

If you do not want FNF to share your information among our affiliates to directly market to you, you may send an "opt out" request by email, phone, or physical mail as directed at the end of this Privacy Notice. We do not share your Personal Information with nonaffiliates for their use to direct market to you without your consent.

Whether you submit Personal Information or Browsing Information to FNF is entirely up to you. If you decide not to submit Personal Information or Browsing Information, FNF may not be able to provide certain services or products to you.

For California Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties, except as permitted by California law. For additional information about your California privacy rights, please visit the "California Privacy" link on our website (https://fnf.com/pages/californiaprivacy.aspx) or call (888) 413-1748.

For Nevada Residents: You may be placed on our internal Do Not Call List by calling (888) 934-3354 or by contacting us via the information set forth at the end of this Privacy Notice. Nevada law requires that we also provide you with the following contact information: Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington St., Suite 3900, Las Vegas, NV 89101; Phone number: (702) 486-3132; email: BCPINFO@ag.state.nv.us.

For Oregon Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties for marketing purposes, except after you have been informed by us of such sharing and had an opportunity to indicate that you do not want a disclosure made for marketing purposes.

For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

Information From Children

The FNF Websites are not intended or designed to attract persons under the age of eighteen (18). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

International Users

FNF's headquarters is located within the United States. If you reside outside the United States and choose to provide Personal Information or Browsing Information to us, please note that we may transfer that information outside of your country of residence. By providing FNF with your Personal Information and/or Browsing Information, you consent to our collection, transfer, and use of such information in accordance with this Privacy Notice.

FNF Website Services for Mortgage Loans

Certain FNF companies provide services to mortgage loan servicers, including hosting websites that collect customer information on behalf of mortgage loan servicers (the "Service Websites"). The Service Websites may contain links to both this Privacy Notice and the mortgage loan servicer or lender's privacy notice. The sections of this Privacy Notice titled When Information is Disclosed, Choices with Your Information, and Accessing and Correcting Information do not apply to the Service Websites. The mortgage loan servicer or lender's privacy notice governs use, disclosure, and access to your Personal Information. FNF does not share Personal Information collected through the Service Websites, except as required or authorized by contract with the mortgage loan servicer or lender, or as required by law or in the good-faith belief that such disclosure is necessary: to comply with a legal process or applicable law, to enforce this Privacy Notice, or to protect the rights, property, or safety of FNF or the public.

Your Consent To This Privacy Notice; Notice Changes; Use of Comments or Feedback

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of the information in accordance with this Privacy Notice. We may change this Privacy Notice at any time. The Privacy Notice's effective date will show the last date changes were made. If you provide information to us following any change of the Privacy Notice, that signifies your assent to and acceptance of the changes to the Privacy Notice. We may use comments or feedback that you submit to us in any manner without notice or compensation to you.

Accessing and Correcting Information; Contact Us

If you have questions, would like to correct your Personal Information, or want to opt-out of information sharing for affiliate marketing, send your requests to privacy@fnf.com, by phone to (888) 934-3354, or by mail to:

Fidelity National Financial, Inc.
601 Riverside Avenue,
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

ATTACHMENT ONE

CALIFORNIA LAND TITLE ASSOCIATION
STANDARD COVERAGE POLICY - 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy; or
   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

   Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ATTACHMENT ONE
(CONTINUED)

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
   a. building;
   b. zoning;
   c. land use;
   d. improvements on the Land;
   e. land division; and
   f. environmental protection.

   This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
   a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
   b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
   c. that result in no loss to You; or
   d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
   a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
   b. in streets, alleys, or waterways that touch the Land.

   This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake or subsidence.
9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% of Policy Amount Shown in Schedule A or $2,500.00 (whichever is less)	$ 10,000.00
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or $5,000.00 (whichever is less)	$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or $5,000.00 (whichever is less)	$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or $2,500.00 (whichever is less)	$ 5,000.00

ATTACHMENT ONE
(CONTINUED)

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
    - (i) the occupancy, use, or enjoyment of the Land;
    - (ii) the character, dimensions, or location of any improvement erected on the Land;
    - (iii) the subdivision of land; or
    - (iv) environmental protection;

    or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

    (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
    - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
    - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
    - (c) resulting in no loss or damage to the Insured Claimant;
    - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
    - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
    - (a) a fraudulent conveyance or fraudulent transfer, or
    - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II,[t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

[**PART I**

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.]

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

ATTACHMENT ONE
(CONTINUED)

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   - (i) the occupancy, use, or enjoyment of the Land;
   - (ii) the character, dimensions, or location of any improvement erected on the Land;
   - (iii) the subdivision of land; or
   - (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   - (c) resulting in no loss or damage to the Insured Claimant;
   - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
   - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
   - (a) a fraudulent conveyance or fraudulent transfer; or
   - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.]
7. [Variable exceptions such as taxes, easements, CC&R's, etc., shown here.]

ATTACHMENT ONE
(CONTINUED)

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY - ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
      (i) the occupancy, use, or enjoyment of the Land;
      (ii) the character, dimensions, or location of any improvement erected on the Land;
      (iii) the subdivision of land; or
      (iv) environmental protection;

      or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

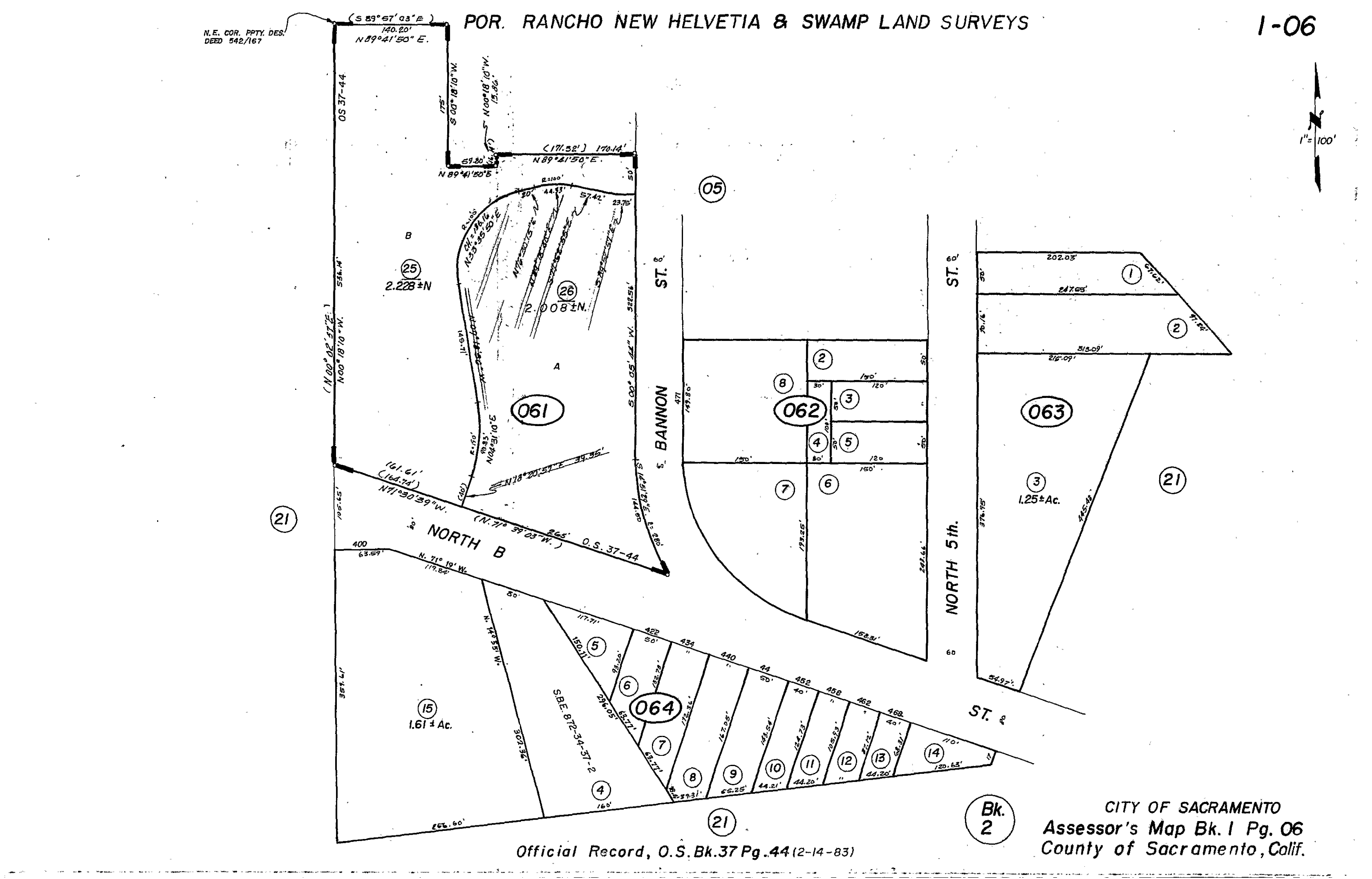
Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Companies	**Underwritten by FNF Underwriters**
CTC - Chicago Title Company	CTIC - Chicago Title Insurance Company
CLTC - Commonwealth Land Title Company	CLTIC - Commonwealth Land Title Insurance Company
FNTC - Fidelity National Title Company of California	FNTIC - Fidelity National Title Insurance Company
FNTCCA - Fidelity National Title Company of California	FNTIC - Fidelity National Title Insurance Company
TICOR - Ticor Title Company of California	CTIC - Chicago Title Insurance Company
LTC - Lawyer's Title Company	CLTIC - Commonwealth Land Title Insurance Company
SLTC - ServiceLink Title Company	CTIC - Chicago Title Insurance Company

Available Discounts

DISASTER LOANS (CTIC, CLTIC, FNTIC)
The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

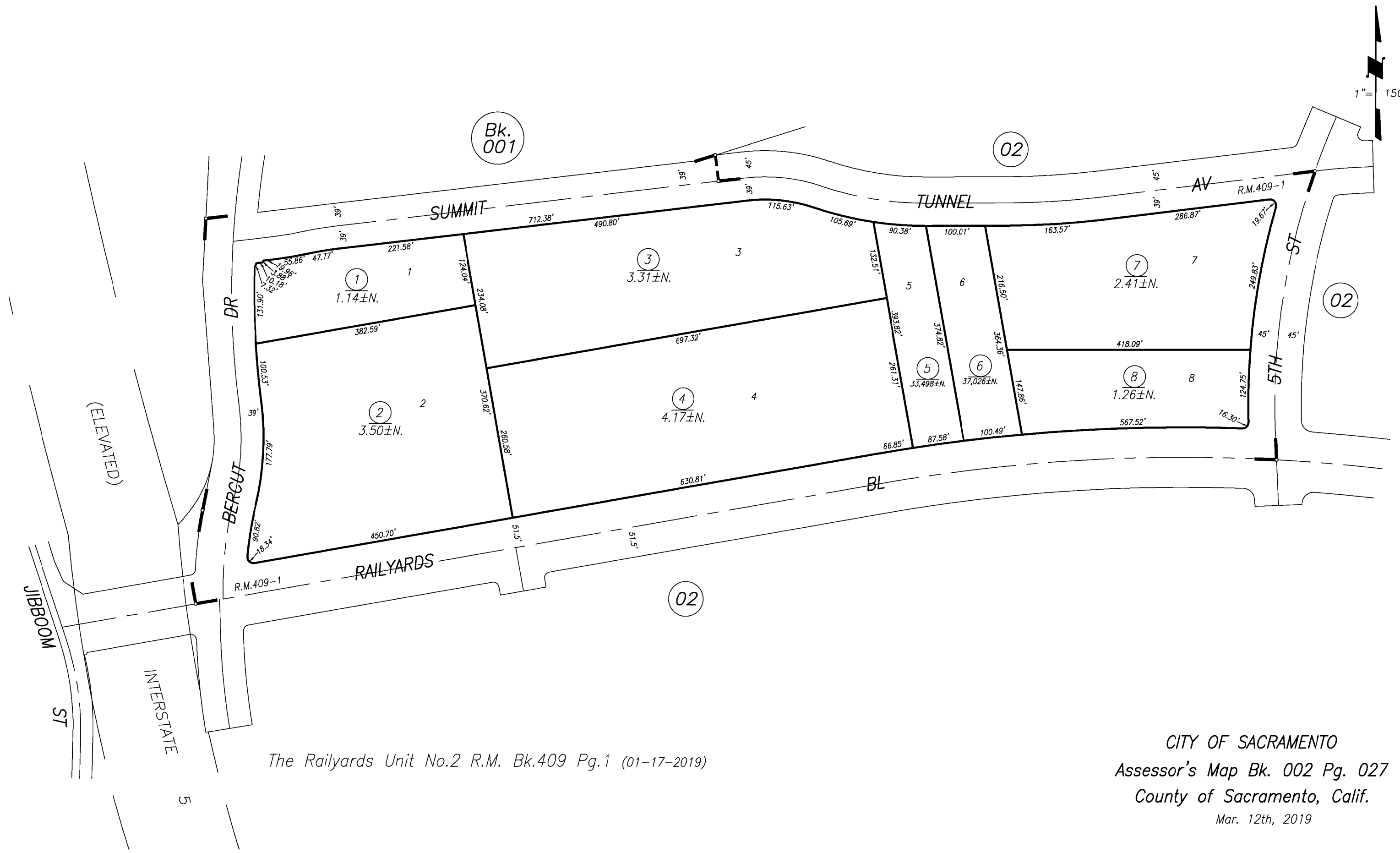
CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)
On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be forty percent (40%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.


POR. RANCHO NEW HELVETIA & SWAMP LAND SURVEYS
1-06
1" = 100'
N.E. COR. PPTY. DES. DEED 542/167
061
062
063
064
05
21
S. BANNON ST.
NORTH 5th. ST.
NORTH B ST.
2.228± N
2.008± N.
1.25± Ac.
1.61± Ac.
O.S. 37-44
S.B.E. 872-34-37-2
Bk. 2
CITY OF SACRAMENTO
Assessor's Map Bk. 1 Pg. 06
County of Sacramento, Calif.
Official Record, O.S. Bk. 37 Pg. 44 (2-14-83)

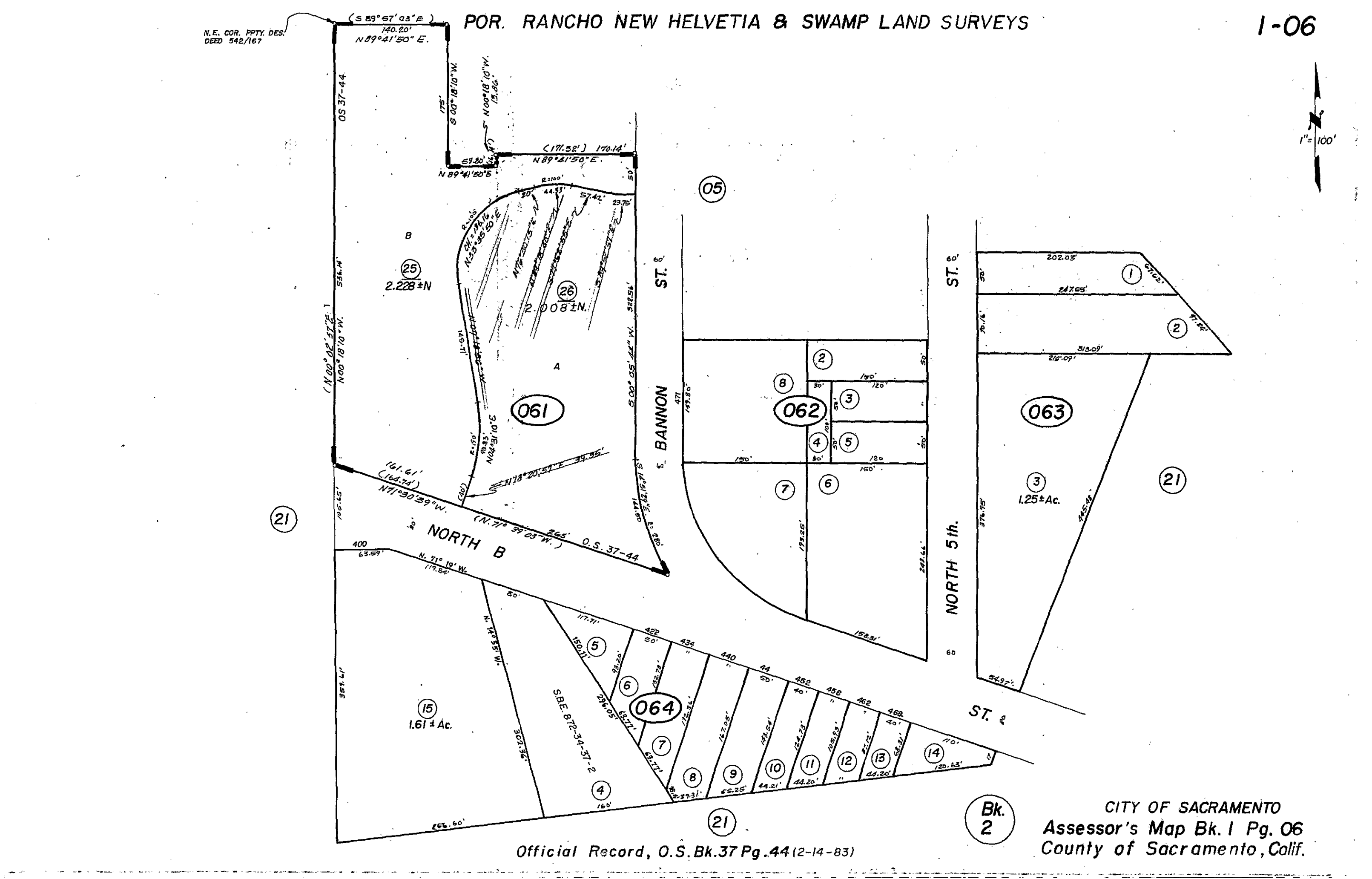
DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.

POR. CITY

002–027



CITY OF SACRAMENTO
Assessor's Map Bk. 002 Pg. 027
County of Sacramento, Calif.
Mar. 12th, 2019



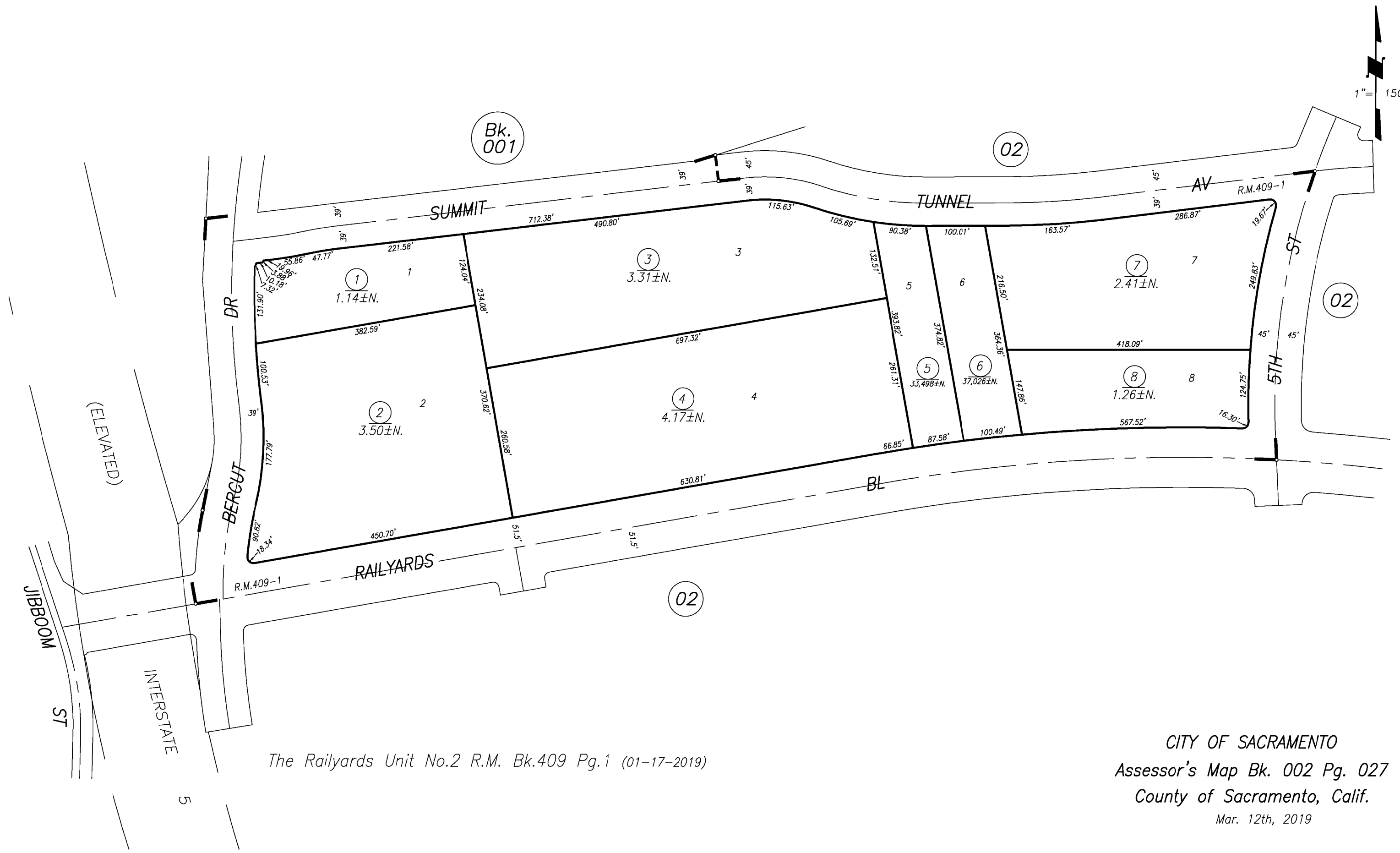
This map/plat is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

Non-Order Search
Doc: CASACR:MASS 2-00027

DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.

POR. CITY

002–027



The Railyards Unit No.2 R.M. Bk.409 Pg.1 (01–17–2019)

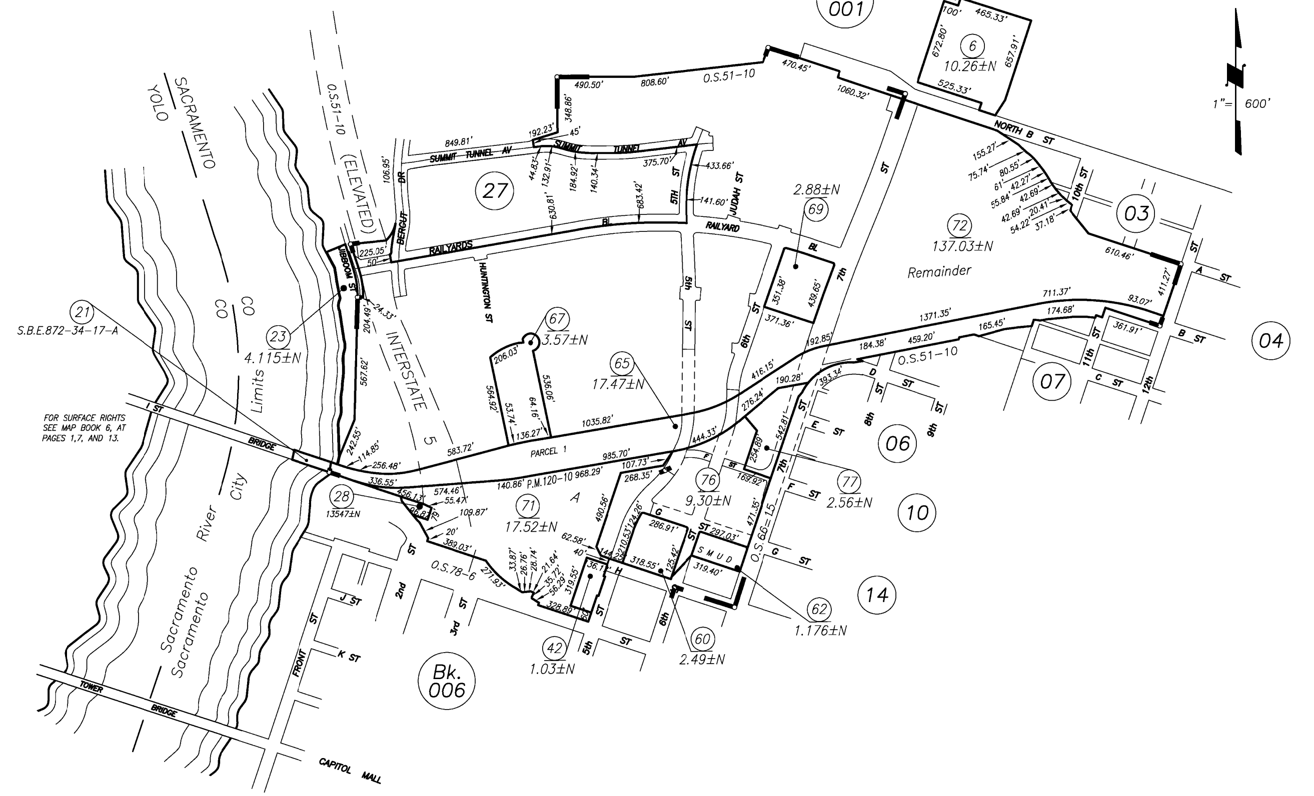
CITY OF SACRAMENTO
Assessor's Map Bk. 002 Pg. 027
County of Sacramento, Calif.
Mar. 12th, 2019

Requested By: thurlpankey, Printed: 6/2/2021 11:48 AM

002-001

DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.

POR.CITY



Record of Survey, O.S. Bk.51, Pg.10 (3-22-1993)
Record of Survey, O.S. Bk.51, Pg.11 (3-22-93)
Record of Survey, O.S. Bk.66, Pg.15 (7-1-2004)
Record of Survey, O.S. Bk.78, Pg.6 (3-3-2009)
Record of Survey, O.S. Bk.81, Pg.17 (2-8-2011)

CITY OF SACRAMENTO
Assessor's Map Bk. 002 Pg. 001
County of Sacramento, Calif.
May 1st., 2020

APPRAISER QUALIFICATIONS AND LICENSES

BBG

Scott Beebe, MAI
Senior Managing Director
Work: 916-949-7360
sbeebe@bbgres.com

PROFILE

Scott Beebe is a Senior Managing Director at BBG in the Sacramento office. Mr. Beebe has over 30 years of experience in the valuation and analysis of commercial real estate including multi-family, retail, industrial, office, mixed-use and development land. Prior to BBG, Scott was one of the founding partners of Integra Realty Resources in 1999. Specialized property types include all types of lodging facilities, affordable housing, senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, manufactured home parks, self-storage facilities, regional malls and power centers and others.

Mr. Beebe has provided valuation and consulting services for condemnation purposes, estate, financing, equity participation and due diligence support. Specialized services include portfolio valuations, institutional-grade property valuations, market feasibility studies and acquisition/disposition counseling. Mr. Beebe has testified as an expert witness in superior and municipal courts. Clients served include life insurance companies, pension funds and pension fund advisors, banks and financial institutions, conduits, developers and investors, law firms, businesses/ corporations and government.

Mr. Beebe has experience in the valuation of historical structures. Some of the historical properties he has been involved with include the Sacramento Depot, Powerhouse Science Center, Sheraton Hotel, Sterling Hotel, Sutter Club, Ice House and various historic buildings in old Sacramento, midtown and downtown Sacramento.

PROFESSIONAL AFFILIATIONS & LICENCES

Appraisal Institute, Member (MAI)

Lambda Alpha International – Honorary Land Economics Society

Board Director, Sacramento Sierra Chapter, Current Board Member and 2000-2002

Education Committee Member & Chair, (1996-2002)

General Certified Appraiser:

State of California (License # AG 015266)

EDUCATION

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas, 1988

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Michael S. Beebe

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 015266

Effective Date: February 11, 2021
Date Expires: February 10, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3056198

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APPENDIX C

APPRAISAL REVIEW REPORT

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Integra Realty Resources
Sacramento
590 Menlo Drive, Suite 1
Rocklin, CA 95765

Appraisal Review of:

BBG Appraisal of the Railyards,
Community Facilities District No. 2018-01
Railyards Boulevard & 6th Street
Sacramento, California 95811

Prepared For:
Mr. Bill Sinclair
City of Sacramento
915 I Street, Second Floor
Sacramento, CA 95814

Effective Date of the Review:
August 12, 2022

IRR - Sacramento
File Number: 193-2022-0307

Integra Realty Resources
Office Name

Address 1
Address 2
Address 3

T Office Phone
F Office Fax
Office Email

August 12, 2022

Mr. Bill Sinclair
City of Sacramento
915 I Street, Second Floor
Sacramento, CA 95814

SUBJECT REVIEWED REPORT:

The Appraisal of the **Railyards Community Facilities District No. 2018-01,**
Railyards Boulevard & 6th Street
Sacramento, California 95811
BBG File #0121008666

Dear Mr. Sinclair:

Integra is pleased to provide this completed appraisal review of the appraisal report prepared by Scott Beebe, MAI of BBG, Inc., pertaining to the Railyards Community Facilities District No. 2018-01 or commonly referred to as "the CFD." The appraisal report date is August 5, 2022, with a date of value of July 1, 2022. The attached review report incorporates by reference the entire appraisal (403 pages, including the Addenda), referred to as "the Report".

The purpose of the attached appraisal review is to provide my opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of salient aspects of the written appraisal report in compliance with Review Standards 3 and 4 of the Uniform Standards of Professional Appraisal Practice (USPAP 2020-21). I assessed the appraisal's compliance with Standards 1 and 2 of the USPAP and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC).

Summary Observations and Conclusions

After my review of the Report, it is my opinion the report under review complies with Standards 1 and 2 of USPAP and the appraisal regulations issued in connection with CDIAC. Further, the market value opinions are consistent with the relevant market conditions and the market data presented in the report as of the date of value.

My opinions are summarized as follows:

- The material under review is complete.
- The data used are adequate and relevant.
- The methods and techniques used are appropriate.
- The value opinions stated in the Report are adequately supported and are credible, given the data and analyses presented. However, I express no opinions of value of the subject properties.
- In my judgment, the Report does comply with the Uniform Standards of Professional Appraisal Practice.

I limited my review work solely to a review of the Report. I did not gather any substantial additional data. I did inspect the subject property on 9/27/2021, but not the market data. Further, I did not complete any independent verification of the market data or market information.

Thank you for the opportunity to provide this appraisal review. Please contact me should you have questions.

Respectfully submitted,

Integra Realty Resources - Sacramento

Kevin Ziegenmeyer, MAI
California Certified General Real Estate
Appraiser #AG013567
Telephone: 916.435.3883, ext. 224
Email: kziegenmeyer@irr.com

TABLE OF CONTENTS

INTRODUCTION

REVIEWER IDENTIFICATION

Company:	Integra Realty Resources – Sacramento
Reviewer:	Kevin Ziegenmeyer, MAI California Certified General Real Estate Appraiser #AG013567, Expires 6/4/2023 Telephone: 916.435.3883, ext. 224 Email: kziegenmeyer@irr.com
Date of Review:	August 12, 2022 (same as review report date)

CLIENT AND INTENDED USERS OF THE REVIEW

Review Client:	Mr. Bill Sinclair, City of Sacramento
Review Intended Users:	City of Sacramento and the CFD finance team. No other users are intended.

INTENDED USE AND PURPOSE OF THE REVIEW

Intended Use:

The intended use of this appraisal review is to assist the clients' reliance on the Report for underwriting the bond financing secured by the subject property described in the Report. No other uses are intended.

Purpose of the Review:

The purpose of the appraisal review is to develop and report a credible opinion of the quality of another appraiser's work while considering the completeness, accuracy, adequacy, relevance, and reasonableness of the conclusions in the Report. This review is to determine if the results of the work under review are credible for the intended users' intended use.

I also assessed the appraisal's compliance with Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and the appraisal regulations issued in connection with CDIAC.

I did inspect the subject property on 9/27/2021 but not the market data. Further, no independent verification of the market data or market information was made. This review report was completed and written in conformance with Standards 3 and 4 of USPAP, respectively.

APPRAISER

Company:	**BBG, Inc.**, Sacramento Office 1708 Q Street Sacramento, CA 95811 Phone: 916-554-6492
Appraiser:	**Scott Beebe, MAI** Senior Managing Director Phone: 916-949-7360 E-mail: sbeebe@bbgres.com California Certified General Appraiser, No. AG 015266, expires February 10, 2023

SUBJECT PROPERTY IDENTIFICATION

The real property in the appraisal report under review is a portion of the Sacramento Railyards, consisting of 16 assessor parcels totaling 187.705 gross acres. The taxable acreage is 117.83 acres. (There are 33.81 acres of non-taxable lots and 36.07 acres for proposed streets in the tentative map.) The CFD property is made up of four property owners.

- Downtown Railyard Venture, LLC, ("DRV") the developer of the project has ownership of six parcels totaling 164.76 gross acres per assessor's maps (85.782 taxable acres of vacant land). Included in their parcels are five historic train shop buildings ("Central Shops" on 9.37 acres) that DRV has planned for renovation and adaptive reuse.
- Kaiser Foundation Hospital is the owner of eight vacant parcels having a combined land area of 17.407 acres (or 17.14 taxable acres per tentative subdivision map).
- Sacramento 695, LP, the owner of one parcel, is under construction with a 6-story, 345-unit multi-family and ground floor retail project known as "The AJ". This $140 million dollar project is the first new development in the Railyards and will include 69 affordable housing units. The project is under construction with the costs incurred and paid thus far reported at $74.2 million.
- Wong Center at the Railyard, L.P., the owner of one vacant parcel of 2.658 acres, plans to develop the lot with 150 affordable residential units. (Recent purchase as of June 2022 for $100. See reported sale history in the Report for details.) The developer has just commenced site work for the development.

Major site development infrastructure has been underway for the past decade to convert the former Union Pacific railyards into an urban downtown mixed-use neighborhood. (Public sources indicate that $369 million in development infrastructure is in place in the Railyards since the 2006 transfer from Union Pacific to private ownership.) The developers and prior owners of the Railyards secured zoning for development of a high-density office, retail, lodging, entertainment, residential, and a hospital. The planned density results in the expectation of 5- and 6-story buildings, a slightly lower overall density compared to the adjacent Central Business District.

In the center of the Railyards are the Central Shops. These are historic designated buildings planned for redevelopment for retail and entertainment uses. Live Nation has signed a lease as an anchor tenant in the Paint building which the developer expects to undergo renovation in 2023. A pedestrian tunnel connects the Sacramento Valley Station to the Central Shops. The California State Parks plans to renovate two adjacent shop buildings for a new California State Railroad Museum.

Property Address: Railyards Boulevard and 5th Street, Sacramento, Sacramento County, California 95811

Assessor's Parcel Numbers and Owners:

001-0064-011	Downtown Railyard Venture, LLC
001-0064-012	"
001-0064-013	"
002-0010-069	Sacramento 695, LP
002-0010-074	Downtown Railyard Venture, LLC
002-0010-075	"
002-0010-076	"
002-0010-077	Wong Center at the Railyards, L.P.
002-0270-001	Kaiser Foundation
002-0270-002	"
002-0270-003	"
002-0270-004	"
002-0270-005	"
002-0270-006	"
002-0270-007	"
002-0270-008	"

Zoning: C-3- SPD, Central Business District; H-SPD, Hospital; and R5-SPD, Residential

Use: The Railyards Specific Plan Update indicates the plan area is entitled for 10,000 residential units, 4.1 million square feet of office, 895,000 SF of retail, 1,100 hotel rooms, 1.2 million square feet of hospital, 180,000 square feet of historic museum and a 25,000-seat sports stadium. The plan has a sliding scale in relationship between office and residential.

Land Area: The subject property includes sixteen assessor parcels totaling 187.705 gross acres. The property has an approved tentative map for 122 lots totaling 151.64 gross acres or 117.83 taxable acres. (Refer to the Report for the entitlements.)

Improvements: The property is mostly vacant land. Again, the developer owns five historic train shop buildings that they are planning to renovate those shell buildings.

Sacramento 695, LP, the owner of one 2.88-acre parcel, is under construction with "The AJ", a 6-story, 345-unit multi-family and ground floor retail project.

APPRAISAL REPORT INFORMATION AND CONCLUSIONS

Date of the Report:	August 5, 2022
Date of Inspection:	July 1, 2022
Effective Date of Market Value:	July 1, 2022
Interest Appraised:	Fee simple estate
Report Type:	The appraisal report is correctly identified as an Appraisal Report in accordance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice.
Valuation Approaches:	Sales Comparison and Income Capitalization (Cost Approach was deemed not applicable and reasonably excluded for most of the assets). The Cost Approach is provided for the Parking Garage for additional support. The costs are also included in the Build-Up method for the AJ and in the various Land Residual approaches.
Market Value Descriptions:	The only market values estimated are for the subject properties as of the date of inspection. (The vertical improvements under construction for the "AJ" project are included in the value.)
Opinions of Market Value:	Ownership/ Description/ Value by Ownership Downtown Railyard Venture, LLC 95.152 Taxable Acres with Five Central Shop Buildings: $52,000,000 Kaiser Foundation Hospital 17.14 Taxable Acres: $34,100,000 Sacramento 695, L.P. 2.88 Taxable Acres with Building Improvements: $66,000,000 Wong Center at the Railyard, L.P. 2.658 Taxable Acres: $0 Total: **$152,100,000**
Appraisal Client:	Mr. Bill Sinclair, City of Sacramento
Appraisal Intended User:	City of Sacramento, and the CFD finance team
Appraisal Intended Use:	The intended use is for bond financing. The appraisal is not intended for any other use or users.

SCOPE OF WORK

The Client/Reviewer agreed upon Scope of Work for this review assignment outlined as follows:

- I read the submitted appraisal report in its entirety.

- I determined the report's compliance with Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and compliance with CDIAC.

- I developed opinions as to the completeness, accuracy, adequacy, relevance, and reasonableness of various salient aspects of the written report.

- I did not provide my own market value opinion but during the review period I did provide comments and questions based on the draft reports provided by the Client.

- I determined the reliability of the market values reported in the appraisal based solely on the contents of the appraisal report under review and generally-accepted appraisal methodology and valuation techniques.

- I did inspect the subject property. I did not inspect the market data. Further, no independent verification of the market data or market information was made.

- I completed this written review report in compliance with Standard 4 of the Uniform Standards of Professional Appraisal Practice (USPAP).

APPRAISAL REVIEW Checklist

INTRODUCTION AND FACTUAL DESCRIPTIONS	YES	NO	N/A
1. Letter of transmittal accurately reflects the contents of the report?	X		
2. Is the property adequately identified through legal description, parcel number, parcel map, etc.?	X		
3. Does the appraisal correctly define and identify the real property interest appraised?	X		
4. Are the dates of inspection, date of report and effective date of value stated? If applicable, are retrospective and prospective values properly identified per USPAP?	X		
5. Does the appraisal provide a correct FIRREA definition of market value and cite the source of the definition?	X		
6. Are the intended use, client/intended user(s) and scope of work of the appraisal identified, including a description of the extent of collecting, confirming, and reporting data?	X		
7. Are all applicable extraordinary assumptions and/or hypothetical conditions disclosed and presented in a clear and conspicuous manner in the report?	X		
8. Is a statement of ownership history of the subject provided, and is any listing, option, or pending contract revealed and discussed?	X		
9. Are the discussion and analyses of regional and neighborhood data and trends relevant and adequate considering the scope of the assignment?	X		

Comments: The transmittal letter (TL) provides the appraised values of each of the four owners and the total.

The introduction and factual descriptions in the General Information section sufficiently present the subject identification, history, current ownership and sale history, the facilities and costs the bond district will finance, and the purpose and use of the appraisal. The correct property rights appraised, and the market value definitions are provided. Additionally, a separate section reports the developer's marketing and development strategy (refer to report page 77).

The Report provides a detailed Scope of Work section. The Report employs Extraordinary Assumptions (EAs) and one Hypothetical Condition (HC). Given the stated scope of work and the intended use, the assumptions and conditions are appropriate. (Refer to the TL, the Reconciliation, and the Final Value section.) I recommend that appraisal user carefully review the assumptions and conditions that are premises for the valuation.

The Regional and Neighborhood analyses are detailed and relevant. A history of the Railyards is included. The approved entitlements as of 2016 are reported and analyzed.

SUBJECT PROPERTY DESCRIPTIONS

		YES	NO	N/A
1.	Is the site description adequate, including size, shape, frontage, drainage, and discussion of surrounding properties?	X		
2.	Are easements, flood plain, wetlands, earthquake zone, and/or other encumbrances adequately identified and addressed?	X		
3.	Are environmental hazards identified and addressed or standard disclaimer included?	X		
4.	Are zoning and tax analysis adequately addressed?	X		
5.	Is the description of improvements adequate, including photographs, site plan and drawings of improvements?	X		
6.	Is improvement conformance with zoning considered?	X		

Comments: The results of the Railyards tentative map are detailed. One final map has City approval for Lots 1-8, also known as the Kaiser Hospital property. The zoning section provides succinct detail.

The appraisal includes a variant to the proposed uses based on the risk analysis the soccer stadium does not come to fruition. (Refer to the Site Description section.)

The Central Shops District includes the existing seven historic railyard buildings that DRV proposes for commercial development. The developer expects historic and new market tax credits to assist with construction costs. The analysis appears reasonable.

The proposed infrastructure improvements are presented in detail with the associated costs.

The only property under construction is the "AJ". The Report includes a good description and assumes the costs provided by CitiBank, the lender on the project, are accurate. The developer had just commenced site work for the development for the Wong Center at the time of the appraisal.

A significant issue for the appraisal is the Lot 17 Parking Garage because under existing and pending entitlements, DRV can only use the temporary 1,000 space gravel surface lots up until 2029. Except for Live Nation, the City will not approve development for temporary use of the proposed surface parking lots. The proposed Parking Garage on Lot 17 is part of the value analysis.

MARKET ANALYSIS AND HIGHEST AND BEST USE

		YES	NO	N/A
1.	Is the historical performance of the market presented and analyzed?	X		
2.	Is the position of the subject property within the market considered?	X		
3.	Is the level of market analysis compliant with the terms of the engagement and the size and complexity of the subject property?	X		
4.	Does the appraisal follow the four criteria of highest and best use analysis?	X		
5.	Is highest and best use as vacant analyzed?	X		
6.	Is highest and best use as improved (proposed) analyzed?	X		

7.	Are any probable physical, legal, or external changes considered, such as a pending change in zoning that may impact property value?	X		
8.	Does the appraisal provide an adequate discussion of the potential for an expansion of, or changes to, the existing improvements? (Completion of the AJ project is reported as maximally productive.)	X		

Comments: The market analysis provides up-to-date histories for each property type included in the Railyards Specific Plan.

Most of the proposed projects within the Railyards are not financially feasible in the near-term mainly due to cost issues. Over time, the projects are expected to be in demand for development and will likely receive funding to offset site development costs.

Parking Garage on Lot 17, a critical piece of the infrastructure, as analyzed separately will be difficult to finance.

The Kaiser Permanente land purchase is discussed as a signal of development gathering momentum; however, the hospital timing is uncertain and remains in doubt.

The Downtown Sacramento **apartment market** has maintained consistently positive rental growth, low vacancy rates and healthy net absorption over the past decade and this trend is expected to continue.

In the short- and mid-term **office demand** in downtown will likely be soft with stagnant rents and level occupancy. Most participants believe any chance of a more robust recovery is beyond 2022.

The 307 **hotel rooms** currently under construction in the Sacramento CBD represent a substantial expansion relative to the size of the submarket. The owner of Lots 15a and 15c (DRV) has proposed construction of two Marriott Hotels with franchise agreements signed. Marriott reported the Railyard location as being very desirable for their lodging business and that they would continue to go forward even without Kaiser being committed to constructing a hospital at the Railyards. They cited several demand drivers such as being within a mixed-use urban development, proximity to downtown Sacramento and the business community as being sufficient going forward with or without Kaiser.

There is not a separate **retail market analysis**, but retail use is a relatively small part of the plan area, and it is mentioned as a component of the multifamily market. Redevelopment of the Central Shops is expected over time as part of the DRV phased development.

Each ownership's properties are adequately analyzed in a separate highest and best use analysis.

VALUATION METHODOLOGY		**YES**	**NO**	**N/A**
1.	Are exclusions of one or more of the three traditional approaches to value properly disclosed?	X		
2.	Is the rationale for the exclusion of one or more of the three traditional approaches to value reasonable?	X		

Comments: Refer to the "Valuation Methods Utilized" section. This section provides an acceptable rationale for each ownership and property type.

Due to the size and unique nature of the assets under review there are multiple valuation methodologies that range from a sales comparison approach only to a combination of sales comparison, land residual, and a discounted cash flow analysis (subdivision development approach). The Central Shops consist of five buildings and will contain a net rentable area of 247,832 square feet and have individual values from the residual analyses only.

The appraisal report is arranged by ownership. This review report provides the review checklist with associated comments for all assets under each section rather than a separate review for each ownership group.

No other comments.

	COST APPROACH	**YES**	**NO**	**N/A**
1.	Are land sales current, comparable, and appropriately adjusted?			**X**
2.	Is the land value conclusion logical and reasonable?			**X**
3.	Is basis for the replacement cost estimate properly documented?			**X**
4.	Does the estimated cost to complete proposed improvements include leasing expenses and/or holding cost during construction?			**X**
5.	Are all forms of accrued depreciation considered and supported?			**X**
6.	Does the appraisal account for and adequately support entrepreneurial profit?			**X**
7.	Is the cost approach conclusion logical and reasonable?			**X**

Comments: The Report deemed the cost approach to not be applicable to the development of credible assignment results for the valuation analyses. Nevertheless, parts of the appraisal utilize cost estimates that have support and appear credible (supported by developer's budgets and costs, cost comparables, and a cost service) for the cost estimates for construction in the land residuals. The costs used appear reasonable and supported.

The valuation analysis for the Parking Garage proposed for Lot 17 includes a cost approach as an interim step to support a residual value for the subsequent cash flow. While a portion of the cost approach appears credible for the construction cost, it includes a land value at $75 per square foot from the "benchmark" land value that does not consider the anticipated construction delay. Subsequently, the future value determination of the garage is based on the direct capitalization of the income in the year following the assumed sale in year seven. The inflated cost approach provides some indirect support but is not the primary support for that input of the analysis. This review opinion is that cost approach is not particularly reliable in this case and is not applicable (N/A). No review change is required.

Part of the EAs in the Report is the assumption the costs provided are accurate. Appraisers are not architects or construction engineers. Peers use this type of extraordinary assumption and users of this type of appraisal would expect it. The appraisers verified the costs to the extent available in the normal course of business. No review change is required.

Sacramento 695, LP: This entity is the owner of 2.88 acres that is under construction with a six-story apartment project with ground-level retail and a parking garage referred to as "The AJ". The value of this parcel is from two approaches to value: 1) Build-up method using a non-restricted rent land value minus value detriment associated with below market rents, plus construction completed, and 2) Residual Analysis with a discounted cash flow.

> Standard Rule 1-4 (f) of USPAP states: "When analyzing anticipated public or private improvements, located on or off the site, the appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions." Since significant construction has been completed on the AJ building, the market would recognize value of the improvements completed on the site. The USPAP Standard Rule 1-4 (f) is also consistent with the CDIAC guidelines.

The developer has expended $74,243,230 on improvements as of the effective date of value. The Report relies on these costs as an equal contribution to the value of the property. The land value is discounted due to the rent restrictions. The value indication is $68,700,000, by the Build-Up method, which would be considered by market participants for the "as is" value in the partially-completed condition. The residual analysis is discussed in the following income approach section.

SALES COMPARISON APPROACH (SCA)		YES	NO	N/A
1.	Are improved sales current and reasonably comparable?	X		
2.	Are the improved sales sufficiently identified and the descriptions adequate?	X		
3.	Is the appropriate unit of comparison analyzed?	X		
4.	Is the reasoning and analysis employed adequate and are the sales properly adjusted?	X		

5.	Is the final value conclusion of the sales comparison approach logical and reasonable?	X

Comments (SCA):

The valuation of the DRV acreage first includes a sales comparison approach (SCA) for the finished lot values for a "benchmark" lot, except for the DRV-Owned Central Shops (due to the uniqueness of the Shops, a land residual is used for that analysis). The Kaiser parcel valuation utilizes the SCA.

These sections of the appraisal are reliable, and the market value conclusions are supported. In review of the sales comparison approaches, there are reliable sales considered for comparison with the subject properties. The level of detail in terms of elaborating on the sale data and the logic in arriving at the conclusions of value was thorough and cogent. Further, the Report includes appropriate and reasonable adjustments to the sales.

<u>Benchmark Value of a Multi-Family Lot:</u> A typical 1.0-acre lot for multi-family use is analyzed. The unit of comparison is value per achievable unit. The estimated multi-family density is 120 units per acre.

The benchmark value of $30,000 per achievable unit is supported and reasonable given the most weight on Sales 1 and 2 ($28,144 and $28,005, adjusted) and 4-8, which have an average of $30,678 per unit. Utilizing a density of 120 units per acre, the value is $82.64 per square foot of land area. Utilizing an FAR of 3.5, the value per achievable building area is $23.61 per square foot.

The RCLCO Market Study reported that a minor percentage of the residential multi-family inventory <u>could be</u> made up from owner-occupied, multi-family housing in the Railyards. The comparable multi-family land sales shown in the Report were for-rent, multi-family development. The Sacramento downtown market has not experienced any condominium development at the density projected (120 units per acre). The Report indicates that in general, same density multi-family projects with similar locations have not shown any land value differences for for-rent verses for-sale product type. The Report does not contain a separate analysis with sales, and it emphasizes that the for-sale housing units warrant no land value difference. The logic is acceptable given large-scale condominium development seems improbable.

<u>Benchmark Value of an Office Lot:</u> A typical 1.0-acre lot for office is analyzed. The unit of comparison is value per achievable building area. The estimated office density is a 4.0 floor-to-area ratio. Due to the lack of office land sales the report utilizes some mixed-use land properties where office use could have been an appropriate use, which appears reasonable.

There are seven land sales for adequate support of the value of $20 per square foot of GBA (gross building area). After adjustments, the comparable land sales reflect a range from $15.32 to $27.52 per achievable GBA. The average of the sales is $20.84 with an adjusted minimum of $16.44 and an adjusted maximum of $29.20. Sales 6 and 7 are the most recent and adjusted to about $26 and $27.50. Utilizing the FAR of 4.0, the value is $80.00 per square foot of land area.

Retail Land: The report opines that because most of the retail space will be on the ground floor of the office and multi-family properties. The retail space is said to likely produce similar rental rates commensurate to the multi-family and office sites. The final value of the multi-family and office sites were $23.61 and $20.00 per square foot of buildable area, respectively. Without dedicated parking structure the appraisal settles on the lower indication and conclude to a value of $20.00 per square foot of achievable buildable area for the retail space, which appears reasonable. Additional sale data might be desirable, but the logic provided is within the range of reasonableness.

Hotel Land Value: The only land sale transaction known in the CBD or Midtown is a 0.31-acre site located at 17th Street and I Street in downtown Sacramento sold for $3,500,000 in February 2020. The sale price was $19,553 per room, $36.75/SF of achievable building area or of $260.03 per square foot of land area. The CBD hotel site has a sale price metric greater than the office or multi-family benchmark values. This is reasonable as this site has a superior location, no CFD burden and lower development fees.

The price per achievable unit is concluded to be the best indicator based on the data available. The hotel land value indication has a value like the range from value conclusions for the office and multi-family site. An estimate of $20.00 per square of achievable building area is concluded for the hotel land use. This indicates a value of $20,000 per achievable room or a value of $68.90 per square foot of land (1,100 rooms @ $20,000/7.33 acres). More sales data would be desirable, but the analysis has logic and appears reasonable.

Kaiser Foundation Hospital: This property consists of 8 parcels totaling about 17.407 gross acres (17.14 taxable acres). A Sales Comparison Approach values this land. DRV sold the site to Kaiser Foundation Hospital on January 24, 2019, for $33,370,000. The value at $45 per square foot of land has support from the prior sale and three other reasonably similar asset transfers adjusted to $40.25 to $47.96.

DRV PROPERTY EAST OF 7TH STREET: Zoning for the land East of 7th is 32.51 acres zoned C-3 SPD and 3.49 acres zoned C-2 SPD. The highest and best use is to hold for future development after the development of the West of 7th Street lots.

The sales comparison includes various sales ranging from $9.56 to $22.55 per square foot. After adjustments, the Report includes a narrowed range of $10.54 to $16.91 per square foot. Because the sales are relatively recent and similar, and the adjustments are reasonable, the value opinion at $15 per square foot (unencumbered) has credibility as a basis for a current value. Refer to the next section for the discussion of the discount for the assumed holding period of at least seven years.

INCOME CAPITALIZATION APPROACH (ICA)	**YES**	**NO**	**N/A**
1. Is a rent roll and/or income history provided?			**X**
2. Are contract rents appropriately analyzed? (There is one lease.)	**X**		
3. Are improved rent comparables current and reasonably similar?	**X**		

4.	Are the rent comparables appropriately analyzed and adjusted? Is market rent supported?	X		
5.	Is income from all sources considered?	X		
6.	Is vacancy and collection loss reasonable and supported?	X		
7.	If applicable, is the absorption forecast reasonable and adequately supported? (Some consideration is given to the market study.)	X		
8.	Is an expense history provided? (Market expenses used in the Residual analyses.)			X
9.	Are expenses appropriately analyzed and supported?	X		
10.	Are overall, terminal capitalization rates and discount rates reasonable and supported?	X		
11.	Are pro forma income statements and/or DCF assumptions and projections reasonable and supported?	X		
12.	Is the income capitalization approach conclusion logical and reasonable?	X		

Comments (ICA): The Land Residual Analysis is the second approach for the individual value estimates. Peers would include this analysis and users of the appraisal service for the subject would expect appraisals to include it.

<u>DRV LOTS – WEST OF 7TH STREET:</u> There are four residual analyses. These include a typical office development, an apartment/mixed use development, a hotel development, and another for the Central Shops (office and retail).

Because the analyses have support for the inputs including rents, expenses, capitalization rates, and construction costs; the land residuals are found to be credible. The reserve allowance for the hotel analysis is on the low side at about 1.2% of total revenue (not 3%) but the Host report includes 2.5%, the pro-forma is 1.9%, and the ADR at $195 appears slightly conservative. Additionally, lesser weight is given to the residual. No review change is made.

Land Use	Acres	Unit of Comparison	Sales Comparison	Land Residual	60%/40% Weight	Conclusion
Office & Retail	18.75	$/Buildable Area	$20.00	$15.79	$17.51	$18.00
Multi-Family	30.422	$/Unit	$30,000	$25,631	$28,252	$28,000
Hotel	7.33	$/Unit	$20,000	$24,162	$21,665	$22,000
Paint Shop	1.82	$ Building				$4,600,000
Remaining Central Shops	7.55	$ Building				$12,300,000

The next step in the Report is the assignment of specific land values to the subject parcels using the benchmark land values and applying lot specific adjustments. For consistency purposes there is a conversion of the benchmark land values into a price per square foot of land area at $75/SF of land. Refer to the Report for details.

The cumulative retail value of the lots totals $179,927,967 or $76.04 per square foot. This is higher than the benchmark value of $75.00 per SF as adjustments were made for several factors (locations, density, mixed-income encumbrance). Deducting the land value of the future Mixed-Income land dedication indicated aggregate retail value of $176,927,967 for the West of 7th Street, DRV lots with 53.412 net acres. The analysis has market support and appears reasonable.

Next, the income approach (yield capitalization) to value is commonly referred to as the "Subdivision Development Method." Peers would employ this and users expect this analysis. (USPAP requires additional analysis to evaluate whether the "sum of the parts" equals the whole value). This technique utilizes discounted cash flow (DCF) analysis to extract the price that an investor/developer can afford to pay for land or finished lots, and still satisfy a profitability requirement to the land developer. The subdivision development method is a "finished lot down" analysis that deducts anticipated lot development and carrying costs over a projected absorption period. The components (revenue, absorption, expenses, and discount rate) are adequately supported.

The analysis included a review of the Strategic Market Absorption Analysis report dated May 17, 2022, prepared by RCLCO to assist in determining the absorption estimate for the subject lots. The Report indicates it is well-prepared containing sufficient analysis for the absorption and achievable rent pricing of future buildings. A third-party report can be relied on when it found to be credible. The revenue analysis appears reasonable considering the baseline, upside, and the downside scenarios provided.

The costs are supported. The reported developer costs are said to be within a reasonable range of the Updated Railyards Finance Plan. After considering all known factors presented the discount rate of 20% appears reasonable. The analysis also includes the valuation of the proposed Parking Garage on Lot 17 that results in a deduction of $6,200,000. The value opinion at $46,000,000 (about $16.64/SF based on 63.457 adjusted acres) has support and appears credible for the intended use. Three large land sales are provided that range from $9.56 to $31.79 per square foot as a final check of reasonableness.

DRV PROPERTY EAST OF 7TH STREET: The property is part of the Railyard's tentative map and has 29.28 net acres. The zoning for the land East of 7th is 32.51 acres zoned C-3 SPD and 3.49 acres zoned C-2 SPD (rounded to 36 gross acres). However, the property east of 7th Street has a highest and best use to hold for future development (refer to the full H&B Use analysis in the Report).

The analysis includes a holding period prior to development. The valuation of this property is accomplished from a Sales Comparison Approach (previously mentioned in the SCA section) with a Discounted Cash Flow to account for the estimated holding period to sell after the property west of 7th street is sold and developed. Considering some overlap and multi-lot/buyers the report estimates development could start in years 8-12. The longer hold period compared to the sales data is the reason for the DCF discount. The logic is reasonable. The value estimate of $6,000,000 includes a sale of the property in year seven at the inflated price less the bond encumbrance. The discount of 10% (and *safe rate* of 2.5% for the negative cash flows) appears reasonable. The additional analyses provide a range of value based on development scenarios discounted at 20% given the riskier development build out rather than just a land sale. No math check was completed for the alternative scenarios.

The Report adds the $6,000,000 to the $46,000,000 for a total DRV ownership value of $52,000,000. Given each the appraisal has already discounted each group so no further discount is required for the summation. The summation approach is considered reasonable.

RAILYARDS SACRAMENTO 695, L P - THE A J: The site is under development with a 345-unit, mixed-use multifamily complex with 5,996 SF of ground-floor retail on 2.88 acres. There will also be a parking garage with 276 parking spaces. The property will include 69-units restricted to 50% AMI levels for Sacramento County. The total gross building area will 439,216 SF and the net rentable area is 238,025 SF.

The valuation includes a residual analysis for the partially-completed project. This approach estimates the stabilized value at completion and deductions for the remaining construction cost and unearned profit culminating in a discounted cash flow rather than a static analysis. The relatively low discount rate at 8.5% appears reasonable and it accounts for the additional risk of pending completion (compared to the purchase of a newly completed and leased apartment). In the case of the AJ, there are no known factors that would suggest any unusual motivating factors that would approach a distressed sale situation. In fact, the opposite is true as all facets involving the AJ are positive. These include a construction contract in place, project on time for completion in 9 months, high demand of the asset type and a market that continues improve over time. (Refer to the Report for additional discussion.)

Summary of the AJ DCF Inputs

Cash Flows: Net Operating Income begins in the fourth with 20% occupancy. Lease-up is to 100% in Q-9.

Construction: Verified construction remaining at $52,623,420, staggered evenly in quarters one through three.

Contingency: 15%

Profit: 20% on remaining costs.

Reversion: Q9 forecasted sale at $155,500,000 less 2% commission.

Present Value Factor: 8.5%/year (2.125%/quarter) and 2.5%/year for a "safe rate".

Value Indication of $64,000,000 has support.

As previously noted, the analysis reconciles the DCF estimate with the cost build-up method at $68,700,000. The final value opinion at $66,000,000 appears reasonable.

THE WONG CENTER PROPERTY: The property is vacant land and appraisers usually apply a sales comparison approach for valuation purposes. However, the rent restrictions on the project warrant a land residual valuation method that results a negative value in this case.

The Report analyzes the restricted rent. Based on the analysis, the Wong Center Property has a $0 value estimate. This estimate corresponds to the recent purchase of the property at $100. There are assumptions regarding costs, but they are reasonable, and no review change is required. The appraisal of the Wong Center land is credible.

RECONCILIATION, FINAL VALUE CONCLUSIONS	YES	NO	N/A
1. Is the estimated exposure time disclosed and reasonable?	X		
2. Is the final value appropriately divided between realty and non-realty items? Is the impact of their inclusion/exclusion on the estimate of value discussed?			X
3. Are final value estimates consistent with the data presented, and sufficient documentation included to assess the appraisal's logic, reasoning, judgment, and analysis?	X		
4. Is the as-is value appropriately analyzed?	X		
5. Are discounts for rent loss, future tenant improvements, etc. appropriate?	X		
6. Are discounts/enhancements attributable to non-market leases appropriate?			X
7. Is excess land properly considered?			X
8. Is insurable replacement cost appropriately analyzed?			X

Comments: The appraisal appropriately valued the subject based on the intended use and methods peers would use and users of the service would expect.

The conclusion of **$152,100,000** appears reasonably supported by the market data and analyses included within the appraisal.

ADDITIONAL USPAP & FIRREA REPORTING REQUIRMENTS	YES	NO	N/A
1. Are general assumptions and limiting conditions reasonable?	X		
2. Are the extraordinary assumptions and hypothetical conditions reasonable and prominently disclosed?	X		
3. Is certification signed by appraiser(s) who prepared the report?	X		
4. Are qualifications included in the report for all appraisers providing a significant contribution to the completion of the appraisal assignment?	X		
5. Does the appraisal conform to generally accepted appraisal standards as evidenced by the USPAP and the appraisal regulations of FIRREA?	X		

6.	Is appraisal written with sufficient information and analysis to support the institution's decision to engage in the transaction?	**X**	
7.	Does the appraisal analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units?	**X**	
8.	Did state licensed or certified appraisers prepare the appraisal?	**X**	
9.	If information was unavailable, is that fact disclosed and explained in the report?	**X**	
10.	Are engagement instructions and other appraiser correspondence included in the report?	**X**	
11.	Is the appraisal misleading?		**X**

Comments: In my opinion, given the reasons put forth previously in this review, the appraisal and the report comply with USPAP and the CDIAC appraisal requirements.

APPENDIX A, ASSUMPTIONS AND LIMITING CONDITIONS

This review is subject to the following assumptions and limiting conditions:

1. No responsibility is assumed for matters of law or legal interpretation.

2. It is assumed all market information, estimates, and opinions contained within the reviewed appraisal were obtained from reliable sources and are believed to be true and correct as developed by the appraiser. Further, no responsibility for the accuracy of the copy of the appraisal submitted for the review is assumed.

3. The review report is to be considered in its entirety and use of only a portion thereof will render the review invalid.

4. Except for the client specified in the review report, as well as client successors or assigns and the Appraisal Institute, neither all, nor any part of the content of this review report, or copy thereof, should be used for any purpose by anyone without the previous written consent and approval of the reviewer.

5. The liability of Integra Realty Resources – Sacramento and its employees/subcontractors for errors/omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.

6. No change of any item in the review report shall be made by anyone other than the reviewer. No responsibility for any such unauthorized change is assumed.

7. Disclosure of the contents of this review report is governed by the Uniform Standards of Professional Appraisal Practice and the Bylaws and Regulations of the Appraisal Institute.

8. Acceptance and/or use of the review report constitutes acceptance of all assumptions and limiting conditions stated in this report.

APPENDIX B, ADDITIONAL EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

There were no extraordinary assumptions (EAs) or hypothetical conditions (HCs) that affected the review results expressed in this review report. Unless otherwise stated, all the assumptions and limiting conditions contained in the appraisal report under review are also conditions of this report.

APPENDIX C, CERTIFICATION

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- my compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- my analyses, opinions, and conclusions were developed, and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice.*
- I have made a personal inspection of the subject of the work under review.
- No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal review assignment. Please see the Qualifications of Reviewer for additional information.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Date: August 12, 2022

Kevin Ziegenmeyer, MAI
State Certification Number: AG013567,
Expires: 6/4/2023

Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts.In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2023

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:
Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
2005 Annual Fall Conference

kziegenmeyer@irr.com - 916-435-3883 x224

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590 Menlo Drive
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Kevin Ziegenmeyer, MAI

Education (Cont'd)

General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

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irr.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2021
Date Expires: June 4, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Railyards Community Facilities District No. 2018-01
(Improvements) Special Tax Bonds, Series 2022
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with issuance of \$30,000,000 aggregate principal amount of City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of September 1, 2022 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of September 1, 2022 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or conclusion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special tax obligations of the City, payable solely from the Net Special Tax Revenues and certain funds held under the Indenture.

2. The Master Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the "City") and the County of Sacramento (the "County"). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the County or the State or any of its political subdivisions, and the County, and the State and its political subdivisions are not liable therefor. The Bonds are special limited obligations of the City payable solely from the Special Tax (as defined in the Official Statement) and other amounts as set forth in the Indenture.

General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State's Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

The following table lists population figures for the City, the County and the State as of January 1 for 2017 through 2021.

CITY AND COUNTY OF SACRAMENTO
Population Estimates

Calendar Year	*City of Sacramento*	*County of Sacramento*	*State of California*
2017	494,785	1,511,390	39,352,398
2018	500,872	1,525,099	39,519,535
2019	507,490	1,538,054	39,605,361
2020	513,626	1,553,157	39,648,938
2021	515,673	1,561,014	39,466,855

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area ("Sacramento MSA"), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 6.4% in 2021. The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2017 through 2021. As of March 2022, the unemployment rate in the Sacramento MSA was 3.7%.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2017 through 2021
Annual Averages

	2017	***2018***	***2019***	***2020***	***2021***
Civilian Labor Force [(1)]	1,074,000	1,088,300	1,100,800	1,091,700	1,099,300
Employment	1,024,800	1,046,900	1,060,300	994,000	1,028,800
Unemployment	49,200	41,500	40,500	97,700	70,500
Unemployment Rate	4.6%	3.8%	3.7%	9.0%	6.4%
Wage and Salary Employment [(2)]					
Agriculture	9,800	9,100	8,700	8,300	9,000
Natural Resources and Mining	400	500	500	600	700
Construction	58,700	64,500	69,400	70,200	74,100
Manufacturing	35,700	36,000	36,800	36,100	37,500
Wholesale Trade	26,500	28,400	28,600	26,500	26,400
Retail Trade	101,400	102,000	100,500	95,200	101,100
Transportation, Warehousing and Utilities	27,400	29,500	32,200	34,300	37,100
Information	12,600	12,400	11,900	10,200	10,000
Finance and Insurance	37,400	36,700	35,200	34,800	34,300
Real Estate and Rental and Leasing	15,200	16,800	17,300	16,900	17,400
Professional and Business Services	132,400	136,000	137,400	132,500	136,700
Educational and Health Services	153,600	159,800	166,600	164,000	168,400
Leisure and Hospitality	103,300	106,200	109,600	83,900	92,900
Other Services	33,000	34,200	35,400	31,000	32,600
Federal Government	14,200	14,100	14,200	14,800	14,500
State Government	118,400	120,400	121,900	121,700	126,800
Local Government	102,600	103,500	105,300	98,900	98,000
Total, All Industries	982,500	1,009,900	1,031,400	979,700	1,017,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

Major Employers

The following table shows the largest employers located in the County as of fiscal year 2021.

COUNTY OF SACRAMENTO
PRINCIPAL EMPLOYERS
As of June 30, 2021

Rank	*Name of Company*	*Number of Employees*	*Percentage of Total City Employment*
1.	UC Davis Health System	14,618	2.18%
2.	Kaiser Permanente	12,078	1.80
3.	Dignity/Mercy Healthcare	10,888	1.63
4.	Sutter/California Health Services	10,764	1.61
5.	Intel Corporation	5,992	0.90
6.	Raley's Inc./Bel Air	3,394	0.51
7.	VPS Global	2,834	0.42
8.	Sacramento Municipal Utility	2,099	0.31
9.	Siemens Mobility Inc.	2,000	0.30
10.	Safeway	1,823	0.27

Source: County of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2021.

The following table shows the largest employers located in the City as of fiscal year 2021.

CITY OF SACRAMENTO
PRINCIPAL EMPLOYERS
As of June 30, 2021

Rank	*Name of Company*	*Number of Employees*	*Percentage of Total City Employment*
1.	State of California	82,076	12.39%
2.	UC Davis Health System	14,618	2.21
3.	Sacramento County	12,585	1.90
4.	Kaiser Permanente	12,078	1.82
5.	U.S. Government	11,752	1.77
6.	Dignity Health	10,888	1.64
7.	Sutter Health	10,764	1.63
8.	Intel Corporation	5,992	0.90
9.	California State University, Sacramento	5,283	0.80
10.	San Juan Unified School District	4,962	0.75
11.	City of Sacramento	4,883	0.74%

Source: City of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2021.

Personal Income

Personal income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period 2016 through 2020.

COUNTY OF SACRAMENTO
Personal Income
2016 through 2020

Year	*Sacramento County*	*California*	*United States*
2016	$72,128,370	$2,218,457,774	$16,092,713,000
2017	75,062,017	2,318,644,417	16,845,028,000
2018	78,804,776	2,431,821,953	17,681,159,000
2019	82,669,864	2,544,234,978	18,402,004,000
2020	90,908,707	2,763,311,977	19,607,447,000

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2016-2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
County of Sacramento, State of California and the United States
2016 Through 2020

Year	*Sacramento County*	*California*	*United States*
2016	$47,723	$56,667	$49,812
2017	49,125	58,942	51,811
2018	51,187	61,663	54,098
2019	53,278	64,513	56,047
2020	58,307	70,192	59,510

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

A summary of historic taxable sales within the City for 2017-2021 is shown in the following table.

CITY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	*Taxable Transactions*	*Number of Permits*	*Taxable Transactions*
2017	9,422	$4,679,961	14,258	$6,792,197
2018	9,839	4,904,555	15,421	7,157,368
2019	10,006	4,999,470	15,970	7,463,634
2020	11,088	4,430,901	17,722	6,839,199
2021	10,362	5,401,724	16,793	8,118,898

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2017-2021 is shown in the following table.

COUNTY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	*Taxable Transactions*	*Number of Permits*	*Taxable Transactions*
2017	24,501	$16,934,872	37,317	$24,610,617
2018	24,853	17,593,375	39,066	25,443,669
2019	25,530	18,195,302	40,858	26,836,365
2020	28,055	18,488,106	45,361	27,173,406
2021	25,936	23,700,364	42,482	33,783,460

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2016 through 2020.

CITY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2016	*2017*	*2018*	*2019*	*2020*
Permit Valuation					
New Single-family	$ 288,236.6	$ 432,659.8	$ 406,973.1	$ 400,648.4	$ 254,127.0
New Multi-family	181,997.4	158,324.1	106,149.2	176,862.7	465,623.0
Res. Alterations/Additions	99,166.2	113,843.3	97,761.1	140,240.6	174,415.1
Total Residential	$ 569,400.2	$ 704,827.2	$ 610,883.4	$ 717,751.7	$ 894,165.1
New Commercial	$ 125,112.7	$ 143,368.7	$ 133,602.0	$ 540,144.9	$ 154,484.2
New Industrial	150.0	0.0	2,489.1	31,485.4	31,155.0
New Other	34,081.1	76,890.9	71,153.7	427,661.2	302,114.6
Com. Alterations/Additions	238,524.2	120,410.0	242,928.6	491,148.7	230,448.0
Total Nonresidential	$ 397,868.0	$ 340,669.6	$ 450,173.4	$1,490,440.2	$ 718,201.8
New Dwelling Units					
Single-Family	995	1,723	1,608	1,552	956
Multiple Family	601	1,076	813	1,487	2,855
TOTAL	1,596	2,799	2,421	3,039	3,811

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2016	*2017*	*2018*	*2019*	*2020*
Permit Valuation					
New Single-family	$ 611,073.6	$ 744,006.3	$ 1,069,568.3	$1,108,399.8	$ 1,088,390.6
New Multi-family	83,282.9	242,222.8	158,638.0	265,188.8	467,418.7
Res. Alterations/Additions	255,821.8	214,028.1	276,723.5	293,210.5	262,864.6
Total Residential	$ 950,178.3	$1,200,257.2	$ 1,504,929.8	$1,666,799.1	$ 1,818,673.9
New Commercial	$ 482,772.0	$ 270,736.7	$ 292,766.9	$ 639,170.3	$ 411,058.0
New Industrial	150.0	3,026.0	14,151.1	31,851.4	31,155.0
New Other	418,862.1	265,276.7	137,414.6	131,286.6	113,793.0
Com. Alterations/Additions	85,354.4	140,367.2	518,663.2	700,603.9	335,458.0
Total Nonresidential	$ 987,138.5	$ 679,406.6	$ 962,995.8	$1,502,912.2	$ 891,464.0
New Dwelling Units					
Single-Family	2,676	3,174	3,589	3,981	3,588
Multiple Family	609	1,761	1,272	2,008	2,868
TOTAL	3,285	4,935	4,861	5,989	6,456

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California, running from Mexico to Canada. State Route 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean-freight service to all major United States and world ports. Via a deep-water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also has passenger and package-service stations in the City.

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Acquisition and Construction Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Act" means collectively the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

"Bond Redemption Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Reserve Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Year" means the twelve-month period ending on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

"Bonds" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. "Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

"Business Day" means any day (other than a Saturday or a Sunday) on which the Trustee is open for business at its Principal Corporate Trust Office.

"City" means the City of Sacramento, a California municipal corporation.

"City Council" means the City Council of the City.

"Code" means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

"Community Facilities District" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements), a community facilities district duly organized and existing in the City under and by virtue of the Act.

"Community Facilities Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Costs of Issuance Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Debt Service" means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

"Event of Default" means an event described as such in the Master Indenture.

"Expense Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Expenses" means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, or the facilities to be financed with the Fees, including the cost of environmental evaluations, and all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities and the facilities to be financed with the Fees; all as determined in accordance with Generally Accepted Accounting Principles.

"Facilities" means the public facilities authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on August 15, 2018.

"Federal Securities" means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

"Fees" means the governmental fees authorized to be financed with the proceeds of the Bonds at the special election held in the Community Facilities District on August 15, 2018.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of September 1, 2022, between the City and the Trustee supplemental to the Master Indenture.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Holder" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Master Indenture.

"Independent Certified Public Accountant" means any nationally recognized certified public accountant or firm of such accountants, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

"MAI" means the designation assigned by the Appraisal Institute of professionals who adhere to ethical professional practice, continuing education, and best practices and industry trends with respect to real property valuation.

"Master Indenture" means the Master Indenture, dated as of September 1, 2022, between the City and the Trustee, entered into under and pursuant to the Act and as may be amended and supplemented pursuant to its terms.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of all Outstanding Bonds.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

(1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

"Priority Administrative Expenses" means (i) for the Fiscal Year 2022-23, \$35,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year, increased by 3%.

"Rebate Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Required Bond Reserve" means, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Master Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

"Series" means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

"Series 2022 Bonds" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022.

"Sinking Fund Account" means the account in the Bond Redemption Fund referred to by that name established pursuant to the Master Indenture.

"Sinking Fund Account Payments" means the payments required by all Supplemental Indentures to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

"Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act at the special election held in the. Community Facilities District on August 15, 2018.

"Special Tax Formula" means the Rate and Method of Apportionment of Special Tax approved at the election held in the Community Facilities District on August 15, 2018.

"Special Tax Fund" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Supplemental Indenture" means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

"Tax Certificate" means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Taxable Land" means all land within the Community Facilities District taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

"Treasurer" means the City Treasurer of the City.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Master Indenture.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the Net Special Tax Revenues as provided in the Master Indenture on parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2022 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the Bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial Bonds of such Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the Bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; provided, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

(9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Master Indenture;

(b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(c) The Net Special Tax Revenues that would be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in the Community Facilities District during each Fiscal Year that any Bonds of such Series will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year;

(d) The aggregate Value-to-Lien Ratio of all Taxable Land in the Community Facilities District (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and

(e) The aggregate Value-to-Lien Ratio of all parcels of Taxable Land, if any, that are then classified as Undeveloped Parcels pursuant to the Special Tax Formula (excluding the Value of any such parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 2.5:1.

For the purposes of subparagraphs (d) and (e) described above, the term "Value" means either the current assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means (x) in the case of subsection (d) described above, the ratio of the Value of all such Taxable Land to the aggregate principal amount of all Bonds Outstanding and the Series proposed to be issued plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act that is reasonably allocable to such Taxable Land and (y) in the case of subsection (e) described above, the ratio of the Value of all such parcels of Taxable Land that are then classified as Undeveloped Parcels pursuant to the Special Tax Formula to the aggregate principal amount of all Bonds Outstanding and the Series proposed to be issued that is reasonably allocable to such Taxable Land plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act that is reasonably allocable to such Taxable Land.

Notwithstanding subparagraphs (c), (d) and (e) described above, nothing contained in the Master Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided in the Master Indenture if, after the issuance and delivery of such Series, either (i) none of the Bonds theretofore issued under the Master Indenture will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

Deposit of Proceeds of the Special Tax in the Special Tax Fund; Pledge of Net Special Tax Revenues and Other Amounts

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the "City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Special Tax Fund," which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the Net Special Tax Revenues received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund. Such pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Remaining Facilities Funding Requirement Share" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing expenses incurred by the City in connection with the prepayment (as determined pursuant to the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Expense Fund (maintained by the Treasurer) (Priority Administrative Expenses Deposit). Promptly after the receipt of any proceeds of the Special Tax in a

Fiscal Year, the Treasurer shall, from the money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the Priority Administrative Expenses for such Fiscal Year.

(2) City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Bond Redemption Fund (maintained by the Trustee). On or before the first (1st) day in each March and September, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before the first (1st) day in September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of the Master Indenture as summarized by this paragraph to be deposited therein at the times and in the amounts provided in the Master Indenture.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire Term Bonds and any money deposited in the Bond Redemption Fund from the proceeds of a Series of Bonds to be used to pay interest on that Series of Bonds shall be used only to pay interest on that Series of Bonds.

(3) City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Bond Reserve Fund (maintained by the Trustee). On or before the first (1st) day in September in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as shall be required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the lesser of (i) the par value of such investments, or (ii) the price at which such investments are redeemable by the holder at his or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations under the Master Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

Any money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve (each a “Reserve Fund Credit Instrument”); or (iii) retiring

Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the first paragraph immediately above it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund.

(4) City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Expense Fund (maintained by the Treasurer). On September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period, in each case, to the extent such Expenses were not already funded or reimbursed by a deposit of Priority Administrative Expenses as set out in subparagraph (1) above. All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master Indenture, or, at the option of the City, to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture as described above in paragraphs (1), (2), (3), and (4) of this section, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

Covenants of the City

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the Net Special Tax Revenues except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Net Special Tax Revenues as provided in the Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to

Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Master Indenture as described in this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions of the Master Indenture. In the event that at any time the City is of the opinion that for purposes of the Master Indenture described in this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there has been established and there is continued under the Master Indenture in the treasury of the City a fund to be known as the "City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Master Indenture and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in the Master Indenture as described under this caption to such Series of Bonds.

Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Net Special Tax Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Protection of Security and Rights of Holders. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Master Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (including reinstating the amount available under any Reserve Fund Credit Instrument, as contemplated in the Master Indenture) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Master Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in the Master Indenture or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Foreclosure of Special Tax Liens. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by three percent (3%) or more of the total amount of the Special Tax levied in such Fiscal Year in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than ninety-five percent (95%) of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the City shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City shall have received one hundred percent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

Continuing Disclosure. The City will comply with and carry out all of the provisions of each continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with any continuing disclosure certificate or continuing disclosure agreement shall not be considered an Event of Default under the Master Indenture; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Master Indenture as described in this paragraph.

Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Net Special Tax Revenues provided in the Master Indenture to the fullest extent possible under applicable law of the State of California.

Amendment of or Supplement to the Master Indenture

Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Master Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the Net Special Tax Revenues on a parity with the Bonds other than as provided in the Master Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes under the Master Indenture by virtue of its purchase of such Series of Bonds.

(b) Amendment or Supplement Without Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only for any one or more of the following purposes –

(i) To add to the agreements and covenants required in the Master Indenture to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved in the Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;

(iv) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to and in accordance with the provisions of the Master Indenture;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes;

(vi) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds;

(vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and

(viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Amendment or Supplement by Mutual Consent. The provisions of the Master Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

Events of Default and Remedies

Events of Default and Remedies of Holders. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption or otherwise;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default the Trustee may take the following remedial steps --

(a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Master Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all Net Special Tax Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Master Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Master Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Master Indenture, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

Trustee to Represent Holders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Master Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Master Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Special Tax Revenues and other amounts and assets pledged under the Master Indenture, pending such proceedings. All rights of action under the Master Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Master Indenture.

Holders' Direction of Proceedings. Anything in the Master Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Master Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Master Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Master Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Master Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Master Indenture.

Absolute Obligation of the City. Nothing in the Master Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the Net Special Tax Revenues and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Master Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant to the Master Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the immediately preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee in the case of a deposit pursuant to the Master Indenture as described in clause (y) of this paragraph, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have instructed the Trustee to mail pursuant to the Master Indenture a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of the Master Indenture described in this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Miscellaneous

Liability of City Limited to Net Special Tax Revenues and Certain Other Funds. Notwithstanding anything contained in the Master Indenture, the City shall not be required to advance any money derived from any source of income other than the Net Special Tax Revenues and the other funds provided in the Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Act or by any other applicable provisions of law.

Execution in Counterparts; Electronic Signatures. The Master Indenture and the First Supplemental Indenture may each be executed in several counterparts, each of which shall be deemed an original, and all of which, for each respective document, shall constitute but one and the same instrument. Each of the parties to the Master Indenture and the First Supplemental Indenture agrees that the transaction consisting of such agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs such agreement using an electronic signature, it is signing, adopting, and accepting that agreement and that signing such agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on that agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of such agreement in a usable format.

Governing Law. The Master Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate dated as of September 1, 2022 (this "**Certificate**"), is executed and delivered by the City of Sacramento, a California municipal corporation and charter city (the "**Issuer**"), in connection with the issuance of the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022 (the "**Bonds**"). The Bonds are being issued under Resolution No. 2022-0285 adopted by the Sacramento City Council on August 23, 2022, and a Master Indenture, dated as of September 1, 2022, as supplemented by a First Supplemental Indenture dated as of September 1, 2022 (collectively, the "**Indenture**"), each between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**").

The Issuer hereby covenants as follows:

1. **Purpose of this Certificate**. This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.

2. **Definitions**. In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless the term is otherwise defined in this section 2, the following capitalized terms have the following meanings:

   - "***Annual Report***" means any annual report that meets the criteria in section 4 and is provided by the Issuer under section 3.
   - "***Beneficial Owner***" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.
   - "***Dissemination Agent***" initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.
   - "***District***" means the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements).
   - "***EMMA***" means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.
   - ***"Fiscal Year"*** means the Issuer's fiscal year, which begins on July 1 and ends the following June 30.
   - "***Listed Event***" means any of the events listed in section 5 below.
   - "***MSRB***" means the Municipal Securities Rulemaking Board.
   - "***Official Statement***" means the Issuer's official statement with respect to the Bonds.
   - "***Participating Underwriter***" means Stifel, Nicolaus & Company, Incorporated.

- "***Rate and Method of Apportionment***" means the Rate and Method of Apportionment of Special Tax for the District approved by the Resolution of Formation.

- "***Resolution of Formation***" means the Resolution adopted by the Sacramento City Council on August 14, 2018, and designated as Resolution No. 2018-0339, by which the City formed the District.

- "***Rule***" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

3. **Provision of Annual Reports**.

(a) Beginning with the Fiscal Year ending June 30, 2022, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, in either case not later than March 31 after the end of the Fiscal Year, an Annual Report that is consistent with the requirements of section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in section 4 of this Certificate, except that the Issuer's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this section 3(b) will apply. The Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in section 3(a) for providing the Annual Report to EMMA. If the Dissemination Agent has not received a copy of the Annual Report by the 15th business day before the date for providing the Annual Report, then the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer's certification and will have no duty or obligation to review the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—

(1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and

(2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. **Content of Annual Reports**. The first Annual Report due on March 31, 2023 shall consist of the Official Statement and the Issuer's audited financial statements as described in Section 4(a) below. Thereafter, the Annual Reports shall contain or incorporate by reference the following:

(a) *Financial Statements*. The Issuer's audited financial statements for the most recent Fiscal Year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) *Financial and Operating Data*. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

(1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:

(A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).

(B) The Bond Reserve Fund.

(2) The aggregate land assessed valuation and the aggregate improvement assessed valuation within the District.

(3) A statement of the debt-service requirements for the Bonds for the prior Fiscal Year.

(4) An update of the information in Table 7 of the Official Statement based on the assessed valuation of the Taxable Property within the District for the Fiscal Year in which the Annual Report is filed.

(5) A statement of the actual Special Tax levy and collections for the District for the prior Fiscal Year.

(6) The following information (to the extent that it is no longer reported in the Issuer's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(A) The Required Bond Reserve for the prior Fiscal Year.

(B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

(C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.

(c) Any or all of the items listed in section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

5. **Reporting of Significant Events**.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten business days after the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt-service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.

(6) Defeasances.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership, or similar proceedings.

Note: For the purposes of the event identified in section 5(a)(8), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer; or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(9) Ratings changes.

(10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten business days after the occurrence of any of the following events with respect to the Bonds, if material:

(1) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

(2) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.

(3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.

(4) Nonpayment related defaults.

(5) Modifications to the rights of Holders.

(6) Bond calls.

(7) Release, substitution, or sale of property securing repayment of the Bonds.

(8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Holders.

(c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), "financial obligation" means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). "Financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) If the Issuer's Fiscal Year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as a Listed Event would be reported under this section 5.

(e) The undertaking set forth in this Certificate is the Issuer's responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer's instructions to the Dissemination Agent under this section 5 comply with the Rule.

6. **Termination of Reporting Obligation**. The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under section 5.

7. **Dissemination Agent**. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

8. **Amendment.**

(a) The Issuer may amend this Certificate without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

(1) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts.

(2) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.

(3) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the effect of the change on the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the effect of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information**. This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. **Default**. If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

11. **Duties, Immunities, and Liabilities of Dissemination Agent.**

    (a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.

    (b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.

    (c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

12. **Beneficiaries**. This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

13. **Merger**. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

14. **Effective Date**. This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By: ____
John P. Colville Jr., City Treasurer

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APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DEVELOPER

This Developer Continuing Disclosure Certificate, dated as of September 1, 2022 (the "Disclosure Certificate"), is executed and delivered by Downtown Railyard Venture, LLC, a Delaware limited liability company (the "Developer") in connection with the issuance by the City of Sacramento (the "Issuer") of its City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022 (the "Bonds"). The Bonds are being issued pursuant to Master Indenture, dated as of September 1, 2022, as supplemented by a First Supplemental Indenture, dated as of September 1, 2022, each between the Issuer and U.S. Bank Trust Company, National Association, as trustee (collectively, the "Indenture").

The Developer covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"Affiliate" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 25% or more of the outstanding voting securities of such other Person, (b) any Person 25% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

"Annual Report" means any Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" means the date that is two months after the end of the Developer's fiscal year, which fiscal year currently ends on December 31. The first Annual Report Date shall be March 1, 2023.

"Assumption Agreement" means an agreement between a Major Developer, or an Affiliate thereof, and the Dissemination Agent containing terms substantially similar to this Disclosure Certificate, whereby such Major Developer or Affiliate agrees to provide Annual Reports, and notices of Listed Events with respect to the portion of the Property owned by such Major Developer and its Affiliates.

"Bond Counsel" means an attorney or a firm of attorneys whose experience in matters relating to the issuance of obligations by the states and their political subdivisions and the tax-exempt status of the interest thereon is recognized nationally.

"Community Facilities District" means City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements).

"Dissemination Agent" means, initially, Goodwin Consulting Group, Inc., acting in its capacity as the Dissemination Agent hereunder, or any successor Dissemination Agent (which may be the Developer) designated in writing by the Developer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, which is currently available on the Internet at http://emma.msrb.org.

"Event of Bankruptcy" means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person's debts or obligations, or offers to such Person's creditors to effect a composition or extension of time to pay such Person's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person and the same shall remain undismissed for a period of sixty days, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person's creditors.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"Major Developer" means, as of any date, any Property Owner, including the Developer, which owns a portion of the Property the sum of the Maximum Annual Special Tax (as defined in the RMA) then applicable to which, plus the Maximum Special Tax then applicable to all portions of the Property that are owned by Affiliates of such Property Owner, is equal to or greater than 20% of the total Maximum Annual Special Tax then applicable to all of the Property.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" means the Official Statement, dated September 14, 2022, relating to the Bonds.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, a limited liability company, any unincorporated organization or a government or political subdivision thereof.

"Property" means the parcels within the boundaries of the Community Facilities District subject to Special Taxes.

"Property Owner" means any Person that owns fee title to any portion of the Property.

"RMA" means the Rate and Method of Apportionment of Special Tax for the Community Facilities District approved by the qualified electors of the Community Facilities District, as originally in effect or as it may be modified.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) If the Dissemination Agent is other than the Developer, not later than five (5) business days prior to each Annual Report Date, the Developer shall provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 hereof and which is in a form suitable for filing with the

MSRB through EMMA. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Developer (if required) may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. Not later than five (5) business days after its receipt of the foregoing material from the Developer, the Dissemination Agent shall file a copy thereof with the MSRB through EMMA and each Participating Underwriter. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is other than the Developer and the Dissemination Agent has not received a copy of the Annual Report by the date required in subsection (a) hereof, the Dissemination Agent shall notify the Developer of such failure to receive the applicable report. If the Dissemination Agent is unable to verify that an Annual Report has been filed with the MSRB through EMMA and with each Participating Underwriter by the date required in subsection (a) hereof, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit "A."

(d) The Dissemination Agent shall:

(i) file any Annual Report received by it with the MSRB through EMMA and with each Participating Underwriter, as provided herein; and

(ii) if it has provided the applicable report pursuant to paragraph (i) above, file a report with the Issuer and the Developer certifying that it provided the Annual Report pursuant to this Disclosure Certificate, stating the date it was filed.

SECTION 4. Content of Annual Reports. If the annual operating data provided in an Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data being provided.

(a) The Developer's Annual Reports shall contain or incorporate by reference the following information:

1. An update to the status of infrastructure supporting the development in the Community Facilities District as described under the caption "DEVELOPMENT PLAN — Status of Infrastructure — *Remaining Infrastructure Needs*" in the Official Statement.

2. A description of any material changes in the financing plan for the Community Facilities District as described under the caption "DEVELOPMENT PLAN — Infrastructure Financing Plan" in the Official Statement.

3. An update to Table 1 in the Official Statement since the later of the date of the Official Statement or the most recent Annual Report.

4. An update to Table 2 in the Official Statement showing the total quantity (i.e. by square feet, number of dwelling units, or room keys) of each product type for which building permits have been issued. The projected quantity by year for each product type need not be updated.

5. An update of any sale of Taxable Land within the Community Facilities District since the most recent Annual Report which is responsible for 5% or more of the Special Tax levy, and a narrative of the planned development on such property.

6. Any changes to the Railyards Specific Plan which materially revises the allowable land uses as described under "DEVELOPMENT PLAN — Entitlement Process — *Railyard Specific Plan Land Use Areas*."

7. Any major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the Community Facilities District.

(b) The Developer's Annual Report shall contain or incorporate by reference the following information with respect to each Major Developer that has not entered into an Assumption Agreement pursuant to Section 6 below and has provided the required information to Developer after reasonable inquiry by Developer:

(i) A description of any change in the ownership structure of the Major Developer and/or the financial condition of the Major Developer or any of its Affiliates if such change in ownership structure and/or financial condition could materially interfere with the Major Developer's ability to pay installments of Special Taxes when due.

(iii) Any amendments to land use entitlements for any portion of the Property owned by a Major Developer that could have a material adverse effect on the ability of such Major Developer, or any Affiliate of such Major Developer, to pay installments of Special Taxes when due.

(iii) Any precondition to commencement or continuation of development on any portion of the Property owned by a Major Developer imposed by a governmental entity after the date of issuance of the Bonds which has not been previously disclosed and which could have a material adverse effect, or any change in the status of any such precondition that was previously disclosed in the Official Statement, or an Annual Report, which could have a material adverse effect on the ability of such Major Developer, or any Affiliate of such Major Developer, to pay installments of Special Taxes when due.

(c) In addition to any of the information expressly required to be provided under subsection (a) of this section, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Major Developers that are Affiliates of each other may file either separate Annual Reports or combined Annual Reports covering all such entities. Any or all of the items listed above may be included by specific reference to other documents which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events. (a) The following events are Listed Events for purposes of this Agreement (the Developer shall not be responsible for filing notices of any Listed Events with respect to any Major Developer that has entered into an Assumption Agreement pursuant to Section 6 below):

(i) Any conveyance by a Major Developer of any portion of the Property owned by such Major Developer to an entity that is not an Affiliate of such Major Developer, the result of which conveyance is to cause the transferee to become a Major Developer;

(ii) Any failure of a Major Developer, or any Affiliate of such Major Developer, to pay when due taxes or Special Taxes with respect to any portion of the Property owned by such Major Developer or Affiliate;

(iii) Any refusal to provide funds pursuant to or any termination of, or any event of default under, any line of credit, loan or other arrangement to provide funds to a Major Developer or its Affiliate or any other loss of a source of funds that could have a material adverse effect on the ability of such Major Developer, or any Affiliate of such Major Developer, to pay installments of Special Taxes when due;

(iv) The occurrence of an Event of Bankruptcy with respect to a Major Developer or any Affiliate of such Major Developer that owns any portion of the Property;

(v) The filing of any lawsuit against a Major Developer which, if decided against the Major Developer, in the reasonable judgment of the Major Developer, would materially adversely affect the financial condition of such Major Developer, or the ability of such Major Developer or any Affiliate of such Major Developer, to pay installments of Special Taxes when due; and.

(vi) The assumption of any obligations by a Major Developer pursuant to Section 6 hereof.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall promptly (i) determine whether such event would be material under applicable federal securities laws and (ii) if the Developer determines that such event would be material under applicable federal securities laws, notify the Dissemination Agent and the Issuer in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (c) hereof and shall be in a format suitable for reporting to the MSRB through EMMA.

(c) If the Dissemination Agent has been instructed by the Developer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through EMMA and with each Participating Underwriter.

SECTION 6. Assumption of Obligations. If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Developer hereunder with respect to the Property owned by such Major Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement.

SECTION 7. Termination of Reporting Obligation. The Developer's obligations hereunder shall terminate (except as provided in Section 12 hereof) upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) the first date on which no Property Owner is a Major Developer or (c) the first date on which the Developer (i) is no longer a Major Developer and (ii) has no obligations hereunder with respect to any property because such obligations have been assumed by one or more Major Developers or Affiliates thereof pursuant to an Assumption Agreement. The Developer's obligations under this Disclosure Certificate with respect to a Person that purchased Property from the Developer and that became a Major Developer as a result thereof shall terminate upon the earliest to occur of (w) date on which such Person is no longer a Major Developer, (x) the date on which the Developer's obligations with respect to such Person are assumed under an Assumption Agreement entered into pursuant to Section 6 hereof, and (y) the date on which all Special Taxes applicable to the portion of the Property owned by such Major Developer and its Affiliates are prepaid in full; provided however, until the occurrence of any of the events described in clauses (w) through (y), the Developer's obligations hereunder with respect to each other Major Developer, if any, shall remain in full force and effect. Upon the occurrence of any such termination prior to the final maturity of the Bonds, the Developer shall cause the Dissemination Agent to give notice of such termination in the same manner as for a Listed Event under Section 5(c) hereof.

SECTION 8. Dissemination Agent. The Developer may, from time to time, discharge the Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days' written notice to the Developer and the Issuer. If at any time there is no other designated Dissemination Agent, the Developer shall be the Dissemination Agent. If the Dissemination Agent is an entity other than the Developer, the Developer shall be responsible for paying the fees and expenses of such Dissemination Agent for its services provided hereunder.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that (a) if the amendment or waiver relates to Sections 3(a), 4 or 5(a) hereof, such amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature, or status of the Developer or the type of business conducted; and (b) the amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Issuer or Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Developer or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the written request of the Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction against the costs, expenses and liabilities to be incurred in compliance with such request, shall), or the Participating Underwriter or any Holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is other than the Developer, the Dissemination Agent shall not have any responsibility for the content of any Annual Report or notice of a Listed Event. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Developer agrees to indemnify and save the Dissemination Agent, including its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding losses, expenses and liabilities due to such Indemnified Party's negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

If the Dissemination Agent is other than the Developer, the Dissemination Agent will not, without the Developer's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Developer and its Affiliates from all liability arising out of any such claim, action or proceedings. A request by the Dissemination Agent for the Developer's written consent shall be answered within a reasonable amount of time to allow the Dissemination Agent to act in a timely manner. If any claim, action or proceeding is settled with the consent of the Developer or if there is a judgment (other than a stipulated final judgment without the approval of the Developer) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Developer, the Developer agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

Issuer:	City of Sacramento Historic City Hall 915 I Street, 3rd Floor Sacramento, California 95814 Attn: City Treasurer Email: CTO_Debt@cityofsacramento.org Email: bwong@cityofsacramento.org
Initial Dissemination Agent:	Goodwin Consulting Group, Inc. 333 University Avenue, Suite 160 Sacramento, California 95825
Developer:	Downtown Railyard Venture, LLC 3140 Peacekeeper Way McClellan, CA 95652 Attn: Frank Myers
Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attn: Public Finance Department

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Developer, the Participating Underwriter and Holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 6 hereof. The Dissemination Agent may, with prior written notice to the Developer and the Issuer, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 16. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's business shall be the successor Dissemination Agent without the filing of any paper or any further act.

SECTION 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 18. Governing Law. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

DOWNTOWN RAILYARD VENTURE, LLC, a Delaware limited liability company, as Developer

By: ______________________________

Its: ______________________________

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person:	Downtown Railyard Venture, LLC
Name of Bond Issue:	City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) Special Tax Bonds, Series 2022
Date of Issuance:	September 27, 2022

NOTICE IS HEREBY GIVEN that Downtown Railyard Venture, LLC has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Developer Continuing Disclosure Certificate, dated as of September 1, 2022. Downtown Railyard Venture, LLC anticipates that the required report will be filed by ______________.

Dated: ______________

GOODWIN CONSULTING GROUP, INC., as
Dissemination Agent

By: ____

cc: City of Sacramento

APPENDIX I

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX J

MARKET ABSORPTION STUDY

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RCLCO

REAL ESTATE CONSULTING

STRATEGIC MARKET ABSORPTION ANALYSIS

SACRAMENTO RAILYARDS CFD

SACRAMENTO, CALIFORNIA

Prepared for City of Sacramento

May 17, 2022

ABOUT RCLCO

Since 1967, RCLCO has been the "first call" for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development.

RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level. With the insights and experience gained over 50 years and thousands of projects–touching over $5B of real estate activity each year–RCLCO brings success to all product types across the United States and around the world.

Learn more about RCLCO at www.RCLCO.com.

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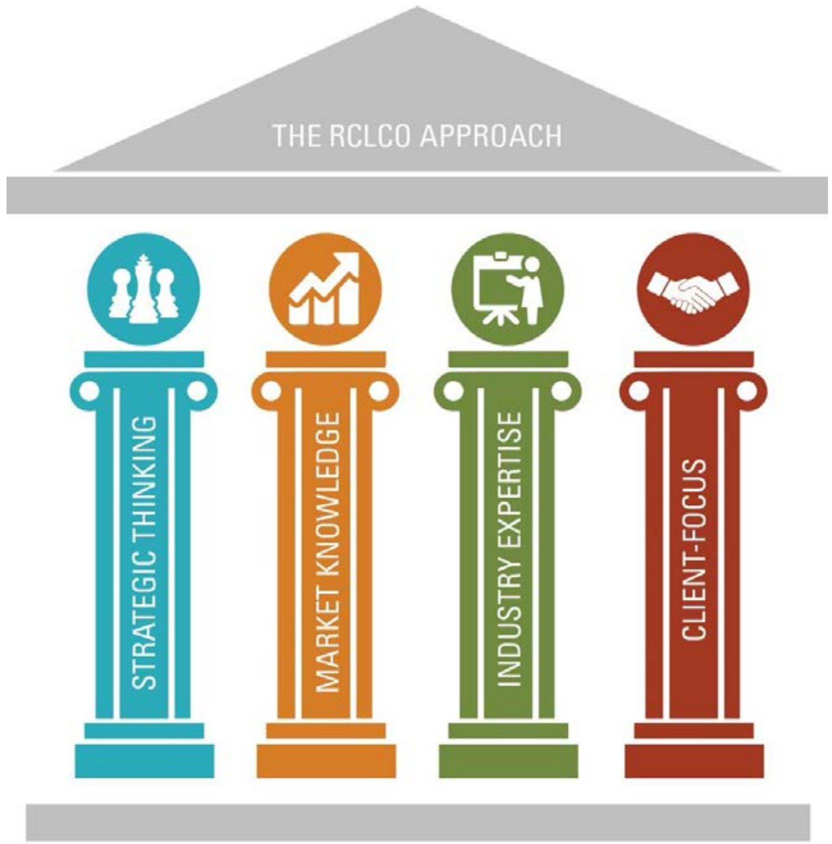

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BACKGROUND & OBJECTIVES

BACKGROUND

The City of Sacramento retained RCLCO ("Robert Charles Lesser & Co., LLC") to provide a third-party pricing and absorption evaluation of The Railyards. Formerly the western terminus of the 1860s Transcontinental Railroad, The Railyards is a 187.32-acre mixed-use development project in Downtown Sacramento, located immediately north of Sacramento Valley Station.

As Downtown Railyard Venture, LLC ("Developer") has outlined in the latest Railyards Finance Plan, current development plans for the site include:

- **6,000 residential units**, including 4,125 units of renter-occupied housing, 1,375 units of owner-occupied housing, and 500 units of affordable housing;
- **895,363 square feet of retail**, including 702,511 square feet of regional and neighborhood retail and 192,851 square feet of flexible mixed-use retail;
- **4,142,730 square feet of office**, including 3,457,027 square feet of office and 685,703 square feet of flexible mixed-use office;
- **1,100 hotel keys**, including 650 select service hotel keys and 450 high-end hotel keys;
- **718,000 square feet of courthouse, historical, and cultural space**;
- **24.71 acres of open space**;
- **A 25,000-seat Major League Soccer ("MLS") stadium**; and
- **A 1,168,003 square foot Kaiser Permanente ("Kaiser") campus**, including a 658,003 square foot hospital and 510,000 square feet of medical office.

While current development plans include the MLS stadium and Kaiser campus, these uses remain uncertain at this time. In the event that one or both of these uses do not deliver as they are currently planned, the Land Use Variant section of the Sacramento Railyards Specific Plan Update contemplates the following development in their place:

- **MLS Site**: 750 residential units, 30,700 square feet of retail, and 46,050 square feet of flex space
- **Kaiser Campus Site**: 921,002 square feet of office, 92,100 square feet of retail, 138,150 square feet of flex space, and 250 residential units

A rental apartment building is already under construction and expected to deliver in 2022. Known as *The A.J.*, the building will feature 345 apartment units, 69 of which will be affordable, and 5,000 square feet of ground-floor retail. Live Nation has also committed to opening an entertainment venue at The Railyards in the near term (2023-2024). Finally, the Developer plans to rehabilitate the historic Central Shops buildings, which are planned to feature approximately 198,000 square feet of creative office and retail once their adaptive reuse is complete.

The Railyards Site Plan
Sacramento, California

Note: All market, economic, and demographic data in this report is current as of June 2021. Some of this data is shown through 2019 to depict pre-COVID trends.

OBJECTIVES

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OBJECTIVES

At issue is the creation of a market pricing and absorption analysis for The Railyards to underpin the issuance of the proposed Community Facilities District ("CFD") bonds. Bond proceeds would enable the construction of various public improvements relating to the third phase of The Railyards project. The market analysis would be included in the bond offering statement and provide input to the work undertaken by the appraiser and financial consultant. Specific analytical objectives which RCLCO addressed in conducting the market analysis included:

- *Market* – Potential market demand for the planned residential, retail, office, hotel, and medical space
- *Financial* – Projection of achievable pricing and absorption for the planned space

METHODOLOGY

Major analytical tasks leading to the fulfillment of the above objectives included:

- Evaluated the locational merits of The Railyards, focusing on its accessibility and visibility, quality of surrounding development, anticipated quality of execution, and proximity to existing and planned amenities and/or destinations;
- Examined economic development trends for the Sacramento Metropolitan Statistical Area ("MSA") as a whole, i.e., regional economic and job growth outlook underpinning the economic development context and setting for the proposed development at The Railyards.
- Evaluated the competitive environment, focusing on existing product that could inform potential pricing at The Railyards, and considering planned and proposed developments in the area;
- Analyzed market demand for renter-occupied housing, owner-occupied housing, retail, office, and hotel at The Railyards;
- Translated the market research findings into development conclusions regarding absorption and achievable pricing (in constant 2021 dollars) for the above uses, informed by the preceding supply and demand analyses.

ASSUMPTIONS

Critical assumptions underpinning the analysis included:

1. The Developer of The Railyards will offer a best-in-class, master-planned product, which will establish a strong sense of place at the development;
2. The Developer of The Railyards will pursue an adaptive reuse strategy for the historical Central Shops buildings, which will serve to establish a unique, mixed-use environment at the southern edge of the site;
3. The Live Nation venue will deliver as is currently being planned;
4. While current development plans for The Railyards include an MLS stadium and a Kaiser campus, the plans for these uses remain up in the air at this time, and it is possible that one or both will not deliver as currently shown. In place of these uses, the "Baseline" forecast assumes a mix of market-driven uses, based on the Land Use Variant section of the Sacramento Railyards Specific Plan Update;
5. While the MLS Stadium and/or Kaiser campus may not deliver as planned, The Railyards will still attract one or more anchor users, such as a corporate campus, government building, hospital, or entertainment venue, over the lifecycle of the development. This assumption reflects that, as a large, mixed-use development, The Railyards is likely to become an increasingly attractive location for such users as it begins to deliver, even if one is not identified at present time;
6. Investment into on-site infrastructural projects, such as the parking garage on Lot 17, will be made in accordance with the current development timeline;
7. Investment into off-site infrastructural projects, like the planned I Street Bridge replacement, will be made as necessary over time assuming funding is available;
8. The Sacramento Valley Station will develop into a multi-modal transportation hub for the region; and
9. Achievable demand and pricing at The Railyards are likely to fluctuate on a year-by-year basis. While RCLCO considered the downturn and subsequent recovery from the COVID-19 pandemic as part of this analysis, RCLCO did not include a forecast of future downturns and recoveries as part of its projections, which are instead intended to represent averages for use over the long-term.

Note: All market, economic, and demographic data in this report is current as of June 2021. Some of this data is shown through 2019 to depict pre-COVID trends.

EXECUTIVE SUMMARY

KEY FINDINGS

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REGIONAL OVERVIEW

Sacramento is experiencing rapid growth, which only accelerated in the years leading up to the COVID-19 pandemic. Between 2012 and 2019, the Sacramento MSA added 193,000 jobs, equivalent to average annual growth of 2.6%. Well above the national average of 1.7% during the same period, this pronounced growth is largely due to the economic diversification that is occurring in the region; as the seat of government for California, Sacramento is home to a large number of Government jobs, though the vast majority of recent job growth is occurring in the private sector, in such industries as Professional & Business Services and Education & Health Services.

One reason for the rapid growth in these industries is that Sacramento is proximate and conveniently accessible to Silicon Valley, enabling it to attract employees who are looking for lower-cost alternatives to the Bay Area, as well as companies that are looking for access to similarly well-educated workforces. This pattern, which has resulted in gradual in-migration from the Bay Area over the years, has accelerated during the COVID-19 pandemic, with increased teleworking making it easier for such employees to relocate. While these trends are likely to moderate once businesses establish their “new normal” work patterns, they still suggest Sacramento is poised to outcompete other areas coming out the pandemic, particularly if companies in other parts of California continue to allow flexible work arrangements moving forward.

NOTE REGARDING ECONOMIC RECOVERY

The Sacramento MSA lost 53,400 jobs in 2020, as the local and national economies shut down in response to the COVID-19 pandemic. However, conditions appear to be improving, and Moody’s Analytics expects the MSA to reach pre-pandemic levels of employment by the end of 2022. Having said all of the above, the evolving events in Ukraine have created uncertainty about the continued trajectory of the recovery in the United States. In the RCLCO Base Case (predicated on a timely resolution in Ukraine), U.S. GDP is likely to be reduced to 2.0% to 3.0% (down from 4.0%), and Inflation is expected to remain elevated through 2022 or until supply/demand imbalances ease, likely in 2023. At this point, the consensus view is that a recession in the United States is unlikely in the mid term, and that most real estate sectors should gradually improve over the next one to three years.

As a relatively long-term development project, The Railyards is buffered against many of the risks associated with the near-term economic disruptions from the COVID-19 pandemic. Furthermore, the same disruptions that have the potential to limit real estate demand in other places—such as increased teleworking—also have the potential to incite additional real estate demand in Sacramento. In terms of the recovery moving forward, RCLCO expects residential demand to outpace economic growth, while office and hotel demand may be slower to recover, particularly if remote work and reduced business travel will be slow to reverse and moderate long-term demand.

SITE CONTEXT

Located immediately north of the heart of Downtown Sacramento, The Railyards presents a compelling opportunity for a variety of land uses. In general, the strongest drivers of these opportunities include the following:

- **Large Scale**: Once the western terminus of the 1860s Transcontinental Railroad, The Railyards is now one of the largest infill redevelopment projects in the country, with approximately 187 acres that—once developed—would essentially double the size of Downtown Sacramento.
- **Master-Planned Nature**: Coupled with this large size, the master-planned nature of The Railyards opens up the opportunity to create a cohesive and differentiated environment through effective programming.
- **Central and Accessible Location**: The Railyards is proximate to existing urban submarkets like Downtown and Midtown, as well as areas targeted for significant reinvestment or redevelopment, including the River District to the north and both the Washington District and the Bridge District in West Sacramento. The site also boasts immediate access to Sacramento Valley Station, the seventh busiest Amtrak station in the country.
- **Proposed Mixed-Use Environment**: As Downtown Sacramento has evolved in recent years, pricing and demand for urban real estate has increased, and The Railyards is poised to build upon these trends.

CASE STUDIES OF INFILL DEVELOPMENT PROJECTS

With more than 50 years of industry experience, RCLCO has previously case studied and/or analyzed a number of infill development projects across the county, including Union Station in Denver; Seaport District in Boston; South Lake Union in Seattle; The Wharf in Washington, D.C.; The Gulch in Nashville; and Hudson Yards in New York to name a few. While these projects vary in terms of their location, scale, and overall success, the key market takeaways for this form of development are summarized below:

- **Mix of Uses to Drive Absorption**: While some large infill development projects have led with a critical mass of people or jobs, most have relied on a broader mix of uses to maximize on-site absorption, and to shorten the development timeline. Through the strategic and gradual phasing of various different uses, The Railyards can support more development in a shorter amount of time than it could with a program oriented heavily towards one property type.
- **Significant Capture of Regional Demand**: Other large-scale infill development projects have captured significant shares of regional absorption activity over the long term, often more than 10% of office and 5% of rental apartment demand in the metropolitan areas in which they are located. The Railyards can likely capture an even greater share of demand, given that it is physically larger than many other projects in question, and that the Sacramento metropolitan area more generally is smaller than those in which the other projects are located.
- **Potential for Top-of-Market Pricing**: As demonstrated in other markets, large-scale urban infill projects can attain top-of-market or near-top-of-market pricing in their initial phases, especially once sufficient retail and placemaking elements are in place. This dynamic is particularly true in markets such as Sacramento, where there is not a clear or significant "location premium" for certain neighborhoods.
- **Unlock Value by Creating a Destination**: A sense of place is a key component of success, and it allows large infill projects to capture above-average shares of demand, at higher-than-expected prices. Located adjacent to the Sacramento Valley Station, The Railyards is physically well-located to serve as a destination for visitors across the region, and planned anchors like the Kaiser campus have potential to unlock additional value once complete.

OPPORTUNITY BY LAND USE

Given the many strengths outlined on the previous page, The Railyards is well-situated to support a variety of product types, including the following:

Rental Apartment: Growing amount of demand in urban locations, with long-term upside from migration patterns coming out of the COVID-19 pandemic

There has been an uptick in rental apartment development in the Sacramento region in recent years. Between 2015 and 2020, 5,500 rental apartment units delivered in the Sacramento MSA, compared to just 1,100 units in the prior five-year period. Even with this increased development, demand has exceeded supply, with the market absorbing more than twice as many units than the number delivered since the start of 2020. Likely a result of changing migration patterns during the COVID-19 pandemic, this phenomena has primarily occurred in the suburbs thus far, though demand is starting to return to urban submarkets in force, and there is reason to believe that Downtown Sacramento will experience growth beyond historical levels if Bay Area employees continue to relocate to or telework from Sacramento moving forward.

With 2,300 rental apartment units that are under construction and another 4,000 that are being planned, the pipeline in and around Downtown Sacramento is quite robust, likely because developers from both within and outside of the region are speculating increased migration will bolster new development potential. Along with The Railyards, other areas targeted for long-term development and redevelopment have the potential to add an additional 14,000 units to this pipeline, contributing to increased competition in the urban core. Even so, The Railyards is a unique project, which is poised to outcompete other new development given its Downtown-adjacent location, proposed mixed-use environment, and master-planned nature.

For-Sale Housing: High-density product types emerging as lifestyle alternative to single-family homes, though effective segmentation is key to achieve scale

Downtown Sacramento has a small but growing for-sale housing inventory. Although higher-density product types have traditionally served as value alternatives to larger single-family homes in the market, this dynamic is changing, following the evolution of Downtown Sacramento, and with the addition of higher-quality inventory.

For-Sale Housing (Continued)

Today, townhomes and townhome-style condominiums account for the bulk of these sales, likely because the relative affordability of single-family homes limits the prices that higher-density units can achieve, and the high cost of construction for traditional multifamily development makes this form of construction infeasible. This dynamic is likely to change moving forward, as the locational value of Downtown Sacramento increases, and as pricing in the region more generally escalates. However, it does suggest that product segmentation may be necessary, particularly in the near term, to establish a significant for-sale component at The Railyards.

Office: Untapped demand, and an influx of employees from the Bay Area should allow the area to transform in the coming decade

Between 2011 and 2020, the Sacramento MSA added 3.2 million square feet of office space, which lagged the 9.4 million square feet it absorbed during the same period. As such, occupancies peaked at 91% in 2019. While there has been some negative absorption since the start of the pandemic, the large government employment base has made Sacramento more resilient to the current downturn. The MSA has a large development pipeline, which includes 17.7 million square feet of office in addition to that which is being planned at The Railyards. However, just 3.5 million square feet is currently under construction, with most of it stemming from government agencies.

The future of the local office market will likely be tied to the technology industry, due in large part to migration patterns during the pandemic. Many companies based in the Bay Area now have large presences in Sacramento, and they are thus more likely to consider the creation of satellite offices to be closer to their workforces. If companies make this decision, the local and downtown office markets are likely to become much more diverse. The Railyards would be uniquely able to meet the evolving needs of the office market, with the ability to offer a campus-like setting and large floor plates.

Hotel: Historically supply constrained, and while the pandemic has led to near-term disruptions locally and nationally, long-term outlook is favorable

In the years leading up to the COVID-19 pandemic, hotel demand exceeded supply in and around Downtown Sacramento. During each year from 2014 to 2019, the change in occupied room nights exceeded the change in available room nights, resulting in growing occupancy rates that peaked at 81% in 2019. While the pandemic upset the hospitality industry globally, Sacramento is showing signs of a recovery. This recovery has been more gradual in Downtown Sacramento thus far, though conditions are likely to improve as businesses return to the office, and as work travel resumes.

Despite historical supply constraints, a sizable number of hotels rooms are slated to deliver in and around Downtown Sacramento before the end of 2023, when hotel demand is projected to have recovered to pre-pandemic levels. This timing may limit near-term hospitality opportunities, though there remain strong opportunities to introduce this form of development at The Railyards once the market as a whole has stabilized, likely from 2025 onwards. Moreover, the scope of The Railyards has potential to induce supplementary demand, given that the combination of households, employees, and entertainment visitors at the site is likely to drive demand from a broader target market than most other sites in the market could achieve.

Retail: Increasing demand for retail in the urban core, and support is only likely to grow with the addition of new households and jobs over time

The retail market in and around Downtown Sacramento has experienced meaningful growth in recent years. More than 500,000 square feet of retail delivered in the urban core between 2012 and 2019, during which time demand largely kept up with supply. Retail rents in the urban core also escalated during this time, growing eight times faster than averages for the MSA as a whole. While the pandemic led to the closure of many shops and restaurants in 2020, conditions appear to be improving, with the urban core seeing positive net absorption thus far in 2021, and with spending likely increasing as companies establish their “new normal” work patterns. Moving forward, new office and housing development in the urban core is likely to lead to further retail demand, producing more employees and residents to shop in the area.

The Railyards is likely to play a critical role in the evolution of retail in Downtown Sacramento, not only by adding residents and employees to the area, but also by creating a destination to attract people from outside of it. In addition to the expected focus on entertainment, the adaptive reuse of historic buildings is poised to create a unique retail environment in which residents, employees, and visitors from across the region and beyond can gather.

SUPPORTABLE PRICING

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The Railyards is poised to attain top-of-market pricing for most product types, given the combination of its central location, master-planned nature, and mixed-use environment. Consistent with the experiences of other infill development projects across the country, The Railyards is likely to see price escalations over time, with the most significant increases taking place after a critical mass of retail options and placemaking elements are established.

For more information on supportable pricing by land use, please see the below table. Please note that this table includes pricing for market-driven uses in constant 2021 dollars, and it does not reflect pricing associated with any potential anchor uses (e.g., the Live Nation venue), which are likely to be tenant- and deal-specific.

Cumulative Pricing Potential (in Q2 2021 Dollars), 2021-2040;
The Railyards

			STAGE OF DEVELOPMENT			
LAND USE	TYPICAL BLDG. SCALE	TYPICAL UNIT SIZE	If buildings were to deliver today, without other improvements *Today*	First buildings start to deliver, sense of place in early stages *Assumed by 2025*	Critical mass of retail and placemaking is reached *Assumed by 2030*	Largely developed, with few significant "gaps" in urban fabric *Assumed by 2040*
Renter-Occupied[1]	200 to 400 Units	750 SF	\$2.87 / SF (\$2,150 / Month)	\$3.09 / SF (\$2,315 / Month)	\$3.13 / SF (\$2,350 / Month)	\$3.22 / SF (\$2,415 / Month)
Multifamily Apartment	*Varies by Building*	*750 SF*	*\$3.10 / SF*	*\$3.35 / SF*	*\$3.40 / SF*	*\$3.50 / SF*
Affordable Housing[2]	*Varies by Building*	*750 SF*	*\$1.18 / SF*	*\$1.18 / SF*	*\$1.18 / SF*	*\$1.18 / SF*
Owner-Occupied	40 Units	1,375 SF	\$390 / SF (\$547,000 Overall)	\$440 / SF (\$611,000 Overall)	\$515 / SF (\$706,000 Overall)	\$570 / SF (\$777,000 Overall)
Multifamily Condominium[3]	40 Units	1,125 SF	\$450 / SF	\$485 / SF	\$615 / SF	\$735 / SF
Townhome / Townhome-Style Condo	40 Units	1,500 SF	\$375 / SF	\$425 / SF	\$475 / SF	\$500 / SF
Office	250,000 SF	N/A	\$3.25 / SF FS	\$3.60 / SF FS	\$3.75 / SF FS	\$3.75 / SF FS
Retail	Varies	N/A	\$2.35 / SF NNN	\$2.75 / SF NNN	\$2.95 / SF NNN	\$3.05 / SF NNN
Anchor	Varies by Concept	N/A	\$1.50 / SF	\$1.75 / SF	\$1.90 / SF	\$2.00 / SF
In-Line	Varies by Concept	1,500 SF	\$3.00 / SF	\$3.50 / SF	\$3.80 / SF	\$4.00 / SF
Hotel	200 Keys (Larger if Conference)	N/A	\$190 / Night ADR	\$220 / Night ADR	\$250 / Night ADR	\$270 / Night ADR

[1] Assumes mix of 88% market-rate and 12% affordable housing for renter-occupied housing units, based on the distribution of such units in the Specific Land Use Summary in the Updated Railyards Finance Plan.
[2] Based on rents necessary to be affordable to households making 50% of Median Family Income ("MFI"), considering 2021 income limits for Sacramento County and assuming a unit mix and sizes that resemble those of new properties today
[3] Estimated pricing reflects weighted average for all multifamily condominium development, though pricing is likely to vary depending on height and finish. For example, RCLCO projects supportable pricing of \$1,000 per square foot for luxury high-rise development at buildout, compared to \$600 per square foot for conventional mid-rise development.

RCLCO REAL ESTATE CONSULTING

"BASELINE" FORECAST

Historically a small- to medium-sized market, Sacramento is becoming increasingly competitive from a real estate perspective, as more and more people relocate to the area, and as more and more development projects take place in response. While this dynamic points to possible competition, The Railyards has the potential to serve as a driver of urban growth in the region. In a "Baseline" forecast of demand, RCLCO thus assumed The Railyards would capture a significant share of demand for real estate in the region. As described on Page 6, RCLCO also made the conservative assumption that the MLS stadium and Kaiser campus will not come to fruition, though an anchor use may still emerge over time. Please note that the following forecast reflects the amount of demand that could be satisfied by The Railyards as of a certain year, irrespective of when the supply may ultimately deliver.

In this forecast, RCLCO projects sufficient demand to support the total amount of residential, commercial, and hospitality development in the Updated Railyards Finance Plan in just over 25 years. However, RCLCO anticipates that slight adjustments to the distribution of space within each of these categories may be necessary for them to be absorbed within a consistent time frame; for example, RCLCO expects that a portion of the market-rate housing units currently designated as for-sale should be delivered as rental instead, and that a portion of the commercial space currently planned as retail may need to be converted to office. Nevertheless, RCLCO projects sufficient demand for the program as a whole by the end of 2048, assuming 7,000 housing units, 6.3 million square feet of commercial space, and 1,100 hotel keys. Please note that these totals include the 750 housing units, 30,700 square feet of retail, and 46,050 square feet of flexible mixed-use space that RCLCO assumed would deliver in lieu of the MLS stadium, as well as the 250 housing units, 921,002 square feet of office, 92,100 square feet of retail, 138,150 square feet of flexible mixed-use space that RCLCO assumed would deliver in lieu of the Kaiser campus.

Baseline Cumulative Development Potential, 2022-2050;
The Railyards

	Planned[1]	Entitled[2]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Residential	7,000	10,000	**400**	**670**	**945**	**1,225**	**1,515**	**1,810**	**2,115**	**2,425**	**2,750**	**3,065**	**3,400**	**3,730**	**4,060**	**4,385**
Renter-Occupied	5,396		345	575	810	1,045	1,285	1,530	1,785	2,045	2,310	2,570	2,845	3,115	3,380	3,645
Multifamily Apartment			*305*	*505*	*710*	*920*	*1,130*	*1,345*	*1,570*	*1,795*	*2,030*	*2,260*	*2,500*	*2,735*	*2,970*	*3,205*
Affordable Housing[3]			*40*	*70*	*100*	*125*	*155*	*185*	*215*	*250*	*280*	*310*	*345*	*380*	*410*	*440*
Owner-Occupied	1,604		55	95	135	180	230	280	330	380	440	495	555	615	680	740
Multifamily Condominium			*15*	*25*	*35*	*50*	*65*	*85*	*100*	*120*	*145*	*165*	*190*	*215*	*245*	*270*
Townhome/Townhome-Style Condo			*40*	*70*	*100*	*130*	*165*	*195*	*230*	*260*	*295*	*330*	*365*	*400*	*435*	*470*
Commercial	6.27M	6.0M	**411K**	**504K**	**584K**	**686K**	**816K**	**961K**	**1.11M**	**1.27M**	**1.44M**	**1.64M**	**1.86M**	**2.09M**	**2.33M**	**2.6M**
Office	5.20M			85K	159K	253K	373K	509K	652K	801K	964K	1.15M	1.36M	1.58M	1.81M	2.06M
Retail	1.06M		411K	419K	426K	433K	442K	451K	461K	470K	479K	490K	502K	513K	525K	536K
Anchor[4]			*177K*	*182K*	*186K*	*190K*	*195K*	*200K*	*206K*	*211K*	*216K*	*222K*	*229K*	*235K*	*242K*	*248K*
In-Line[4]			*234K*	*237K*	*240K*	*243K*	*247K*	*251K*	*255K*	*259K*	*263K*	*268K*	*273K*	*278K*	*283K*	*288K*
Hotel	1,100	1,100				**130**	**135**	**145**	**225**	**320**	**425**	**540**	**655**	**705**	**755**	**805**

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Residential	**4,720**	**5,060**	**5,390**	**5,725**	**6,060**	**6,405**	**6,745**	7,100	7,470	7,845	8,225	8,600	8,990	9,380	9,775
Renter-Occupied	3,915	4,190	4,460	4,730	4,995	5,270	5,545	5,830	6,120	6,420	6,720	7,020	7,325	7,630	7,945
Multifamily Apartment	*3,440*	*3,680*	*3,920*	*4,155*	*4,390*	*4,630*	*4,875*	*5,125*	*5,380*	*5,640*	*5,905*	*6,170*	*6,435*	*6,705*	*6,980*
Affordable Housing[3]	*475*	*510*	*540*	*575*	*605*	*640*	*670*	*705*	*740*	*780*	*815*	*850*	*890*	*925*	*965*
Owner-Occupied	805	870	930	995	1,065	1,135	1,200	1,270	1,350	1,425	1,505	1,580	1,665	1,750	1,830
Multifamily Condominium	*300*	*330*	*360*	*390*	*425*	*460*	*495*	*530*	*570*	*610*	*655*	*695*	*740*	*790*	*835*
Townhome/Townhome-Style Condo	*505*	*540*	*570*	*605*	*640*	*675*	*705*	*740*	*780*	*815*	*850*	*885*	*925*	*960*	*995*
Commercial	**2.88M**	**3.18M**	**3.48M**	**3.79M**	**4.1M**	**4.4M**	**4.7M**	**4.98M**	**5.27M**	**5.56M**	**5.86M**	**6.17M**	6.48M	6.8M	7.11M
Office	2.34M	2.62M	2.91M	3.21M	3.51M	3.8M	4.08M	4.35M	4.63M	4.9M	5.2M	5.5M	5.79M	6.1M	6.4M
Retail	547K	559K	570K	582K	593K	605K	617K	629K	641K	653K	665K	677K	689K	701K	713K
Anchor[4]	*254K*	*261K*	*267K*	*273K*	*280K*	*287K*	*294K*	*301K*	*308K*	*315K*	*321K*	*328K*	*335K*	*342K*	*349K*
In-Line[4]	*293K*	*298K*	*303K*	*308K*	*313K*	*318K*	*323K*	*328K*	*333K*	*338K*	*343K*	*348K*	*353K*	*359K*	*364K*
Hotel	**860**	**910**	**970**	**1,025**	**1,085**	1,150	1,205	1,255	1,295	1,325	1,350	1,380	1,405	1,435	1,465

[1] Refers to the Specific Plan Land Use Summary in the Updated Railyards Finance Plan, dated August 7, 2018. Includes additional housing units, office, retail, and flexible mixed-use space in lieu of the MLS stadium and Kaiser campus, based on the Land Use Variant section of the Sacramento Railyards Specific Plan Update. Flexible mixed-use space is assumed to deliver as 75% office and 25% retail, based on the Specific Land Use Summary in the Updated Railyards Finance Plan.

[2] Refers to 2016 entitlements for The Railyards, according to the Developer.

[3] While there is likely to be significant demand for affordable housing in any given year, this analysis assumes that 12% of rental housing units that deliver will be affordable, based on the mix of renter-occupied and affordable housing units in the Specific Land Use Summary in the Updated Railyards Finance Plan.

[4] Anchor tenants are assumed to be Grocery & Drug and Entertainment & Fitness users, while in-line tenants are assumed to be all other users examined in the demand analysis.

Note: Above table reflects total supportable development, including a stabilized vacancy rate of 25% for hotel, 10% for office, and 5% for residential and retail. This total supportable development reflects total market demand at The Railyards, independent of available supply at The Railyards.

"UPSIDE" FORECAST

While the "Baseline" forecast reflects an appropriate growth trajectory for The Railyards assuming the MLS stadium and Kaiser campus do not come to fruition, the "Upside" forecast illustrates the growth trajectory that could be available to the project if the Kaiser campus were to deliver as planned, and/or if additional anchor uses (e.g., 12,000- to 15,000-seat venue to be used as a USL-based stadium) were to open during the initial phases of development. In this case, The Railyards is likely to emerge as a greater focal point of urban growth in the Downtown Area. In the "Upside" forecast, RCLCO therefore assumed The Railyards would capture at least its "fair share" of demand for real estate, and that it would incite additional demand for hotel given the number of other visitors who might not have otherwise come to the Downtown Area, generally, or The Railyards, specifically. Please note that the following forecast reflects the amount of demand that could be satisfied by The Railyards as of a certain year, irrespective of when the supply may ultimately deliver.

In this "Upside" forecast, RCLCO projects sufficient demand to support the total amount of residential, commercial, and hospitality development in the Updated Railyards Finance Plan by the end of 2040, in part because this forecast assumes the Kaiser campus would take the place of the 250 housing units, 921,002 square feet of office, 92,100 square feet of retail, 138,150 square feet of flexible mixed-use space from the "Baseline" forecast. However, RCLCO continues to expect that slight adjustments to the distribution of space within each of the categories of development may be necessary in order for them to be absorbed within a consistent time frame.

Upside Cumulative Development Potential, 2022-2050;
The Railyards

	Planned[1]	Entitled[2]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Residential	**6,750**	**10,000**	**430**	**715**	**1,020**	**1,320**	**1,630**	**1,950**	**2,275**	**2,605**	**2,955**	**3,300**	**3,655**	**4,010**	**4,360**	**4,720**	**5,070**	**5,440**	**5,795**	**6,150**	**6,510**	**6,885**	**7,255**	**7,640**	**8,035**	**8,430**	**8,845**	**9,250**	**9,660**	**10,075**	**10,510**
Renter-Occupied	**5,203**		370	615	870	1,125	1,385	1,650	1,920	2,195	2,480	2,765	3,055	3,345	3,635	3,925	4,210	4,505	4,795	5,080	5,370	5,665	5,965	6,270	6,585	6,900	7,225	7,545	7,870	8,200	8,540
Multifamily Apartment			*325*	*540*	*765*	*990*	*1,215*	*1,450*	*1,685*	*1,930*	*2,180*	*2,430*	*2,685*	*2,940*	*3,195*	*3,450*	*3,700*	*3,960*	*4,215*	*4,465*	*4,720*	*4,980*	*5,240*	*5,510*	*5,785*	*6,065*	*6,350*	*6,630*	*6,915*	*7,205*	*7,505*
Affordable Housing[3]			*45*	*75*	*105*	*135*	*170*	*200*	*235*	*265*	*300*	*335*	*370*	*405*	*440*	*475*	*510*	*545*	*580*	*615*	*650*	*685*	*725*	*760*	*800*	*835*	*875*	*915*	*955*	*995*	*1,035*
Owner-Occupied	**1,547**		60	100	150	195	245	300	355	410	475	535	600	665	725	795	860	935	1,000	1,070	1,140	1,220	1,290	1,370	1,450	1,530	1,620	1,705	1,790	1,875	1,970
Multifamily Condominium			*15*	*25*	*40*	*55*	*70*	*90*	*110*	*130*	*155*	*180*	*205*	*235*	*260*	*290*	*320*	*355*	*385*	*420*	*455*	*495*	*530*	*570*	*615*	*655*	*705*	*750*	*800*	*845*	*900*
Townhome/Townhome-Style Condo			*45*	*75*	*110*	*140*	*175*	*210*	*245*	*280*	*320*	*355*	*395*	*430*	*465*	*505*	*540*	*580*	*615*	*650*	*685*	*725*	*760*	*800*	*835*	*875*	*915*	*955*	*990*	*1,030*	*1,070*
Commercial	**5.11M**	**6.0M**	**448K**	**559K**	**655K**	**777K**	**935K**	**1.11M**	**1.3M**	**1.49M**	**1.7M**	**1.93M**	**2.21M**	**2.48M**	**2.77M**	**3.09M**	**3.43M**	**3.79M**	**4.16M**	**4.53M**	**4.9M**	**5.27M**	**5.62M**	**5.97M**	**6.31M**	**6.66M**	**7.03M**	**7.41M**	**7.78M**	**8.16M**	**8.54M**
Office	**4.18M**			104K	192K	306K	452K	617K	790K	970K	1.17M	1.39M	1.65M	1.91M	2.19M	2.5M	2.83M	3.17M	3.53M	3.89M	4.25M	4.6M	4.94M	5.27M	5.6M	5.94M	6.29M	6.65M	7.02M	7.38M	7.75M
Retail	**938K**		448K	456K	464K	471K	483K	495K	506K	518K	530K	542K	555K	568K	581K	593K	606K	619K	631K	644K	657K	670K	684K	697K	711K	724K	738K	751K	764K	778K	791K
Anchor[4]			*193K*	*198K*	*202K*	*206K*	*213K*	*219K*	*225K*	*232K*	*238K*	*245K*	*252K*	*259K*	*266K*	*273K*	*280K*	*287K*	*294K*	*301K*	*308K*	*316K*	*323K*	*331K*	*339K*	*346K*	*354K*	*361K*	*369K*	*377K*	*384K*
In-Line[4]			*255K*	*258K*	*262K*	*265K*	*270K*	*276K*	*281K*	*286K*	*292K*	*297K*	*303K*	*309K*	*315K*	*320K*	*326K*	*332K*	*338K*	*343K*	*349K*	*355K*	*361K*	*366K*	*372K*	*378K*	*384K*	*390K*	*395K*	*401K*	*407K*
Hotel	**1,100**	**1,100**				**130**	**135**	**135**	**220**	**330**	**455**	**590**	**730**	**800**	**875**	**950**	**1,030**	**1,110**	**1,195**	**1,280**	**1,370**	**1,445**	**1,515**	**1,570**	**1,610**	**1,635**	**1,660**	**1,690**	**1,720**	**1,750**	**1,780**

[1] Refers to the Specific Plan Land Use Summary in the Updated Railyards Finance Plan, dated August 7, 2018. Includes additional housing units, retail, and flexible mixed-use space in lieu of the MLS stadium, based on the Land Use Variant section of the Sacramento Railyards Specific Plan Update. Flexible mixed-use space is assumed to deliver as 75% office and 25% retail, based on the Specific Land Use Summary in the Updated Railyards Finance Plan.
[2] Refers to 2016 entitlements for The Railyards, according to the Developer.
[3] While there is likely to be significant demand for affordable housing in any given year, this analysis assumes that 12% of rental housing units that deliver will be affordable, based on the mix of renter-occupied and affordable housing units in the Specific Land Use Summary in the Updated Railyards Finance Plan.
[4] Anchor tenants are assumed to be Grocery & Drug and Entertainment & Fitness users, while in-line tenants are assumed to be all other users examined in the demand analysis.
Note: Above table reflects total supportable development, including a stabilized vacancy rate of 25% for hotel, 10% for office, and 5% for residential and retail. This total supportable development reflects total market demand at The Railyards, independent of available supply at The Railyards. Above table excludes the Kaiser campus.

"DOWNSIDE" FORECAST

Finally, RCLCO developed a "Downside" forecast, which—like the "Baseline" forecast—assumes that the MLS stadium and Kaiser campus do not come to fruition, but also that other elements of the development program do not materialize as quickly as would otherwise be expected. In particular, structured parking was one example of an element that RCLCO considered; in the event that one or more of the planned garages do not deliver in time to support the market-driven uses at The Railyards, there is a risk that development at the project would have to take place at a slower pace than that which would otherwise be achievable. The "Downside" forecast thus assumes that these types of delays lead to lower levels of interest and/or activity in The Railyards, resulting in an extended absorption timeline for the project.

Although RCLCO expects demand for most forms of development to be lower in this scenario, the reduced levels of interest and/or activity are likely to hit the retail and hotel opportunities especially hard, given their impacts on the number of users who would live at, work in, or visit The Railyards. Please note that the following forecast reflects the amount of demand that could be satisfied by The Railyards as of a certain year, irrespective of when the supply may ultimately deliver. In this "Downside" forecast, RCLCO projects The Railyards would take approximately two years longer to build out than it would in the "Baseline" forecast, or nine years longer than it would in the "Upside" forecast. Furthermore, RCLCO expects that minor adjustments to the distribution of space within the residential and commercial space categories would continue to be necessary.

Downside Cumulative Development Potential, 2022-2050;
The Railyards

	Planned[1]	Entitled[2]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Residential	7,000	10,000	205	375	550	745	970	1,205	1,460	1,740	2,030	2,320	2,610	2,920	3,215	3,510
Renter-Occupied	5,396		180	320	470	635	820	1,020	1,230	1,460	1,700	1,940	2,180	2,430	2,670	2,910
Multifamily Apartment			160	280	415	560	720	895	1,080	1,285	1,495	1,705	1,915	2,135	2,345	2,555
Affordable Housing[3]			20	40	55	75	100	125	150	175	205	235	265	295	325	355
Owner-Occupied	1,604		25	55	80	110	150	185	230	280	330	380	430	490	545	600
Multifamily Condominium			5	15	20	30	45	55	70	90	110	130	150	175	200	225
Townhome/Townhome-Style Condo			20	40	60	80	105	130	160	190	220	250	280	315	345	375
Commercial	6.27M	6.0M	208K	293K	370K	466K	591K	732K	883K	1.04M	1.22M	1.39M	1.59M	1.8M	2.02M	2.26M
Office	5.20M			64K	121K	196K	296K	411K	536K	670K	817K	983K	1.18M	1.37M	1.58M	1.81M
Retail	1.06M		208K	228K	249K	270K	295K	321K	347K	373K	398K	408K	418K	429K	439K	449K
Anchor[4]			90K	99K	109K	118K	130K	143K	155K	167K	179K	185K	191K	196K	202K	207K
In-Line[4]			118K	129K	140K	152K	165K	179K	192K	205K	219K	223K	228K	232K	237K	241K
Hotel	1,100	1,100								155	230	310	410	620	665	705

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Residential	3,805	4,105	4,405	4,715	5,015	5,325	5,630	5,950	6,280	6,615	6,960	7,300	7,650	7,995	8,355
Renter-Occupied	3,150	3,395	3,635	3,880	4,120	4,370	4,615	4,870	5,130	5,400	5,670	5,940	6,215	6,490	6,770
Multifamily Apartment	2,770	2,985	3,195	3,410	3,620	3,840	4,055	4,280	4,510	4,745	4,985	5,220	5,460	5,705	5,950
Affordable Housing[3]	380	410	440	470	500	530	560	590	620	655	685	720	755	785	820
Owner-Occupied	655	710	770	835	895	955	1,015	1,080	1,150	1,215	1,290	1,360	1,435	1,505	1,585
Multifamily Condominium	250	275	305	335	365	395	425	460	495	530	570	610	650	690	735
Townhome/Townhome-Style Condo	405	435	465	500	530	560	590	620	655	685	720	750	785	815	850
Commercial	2.51M	2.78M	3.05M	3.33M	3.6M	3.87M	4.14M	4.4M	4.66M	4.91M	5.19M	5.47M	5.75M	6.03M	6.31M
Office	2.05M	2.31M	2.57M	2.84M	3.1M	3.36M	3.62M	3.87M	4.11M	4.36M	4.63M	4.89M	5.16M	5.44M	5.71M
Retail	459K	469K	479K	489K	499K	510K	520K	531K	542K	552K	563K	574K	584K	595K	606K
Anchor[4]	213K	218K	224K	230K	235K	241K	247K	254K	260K	266K	272K	278K	284K	290K	297K
In-Line[4]	246K	250K	255K	259K	264K	268K	273K	277K	282K	286K	291K	295K	300K	304K	309K
Hotel	750	790	840	885	935	985	1,035	1,085	1,130	1,175	1,210	1,240	1,270	1,300	1,330

[1] Refers to the Specific Plan Land Use Summary in the Updated Railyards Finance Plan, dated August 7, 2018. Includes additional housing units, office, retail, and flexible mixed-use space in lieu of the MLS stadium and Kaiser campus, based on the Land Use Variant section of the Sacramento Railyards Specific Plan Update. Flexible mixed-use space is assumed to deliver as 75% office and 25% retail, based on the Specific Land Use Summary in the Updated Railyards Finance Plan.

[2] Refers to 2016 entitlements for The Railyards, according to the Developer.

[3] While there is likely to be significant demand for affordable housing in any given year, this analysis assumes that 12% of rental housing units that deliver will be affordable, based on the mix of renter-occupied and affordable housing units in the Specific Land Use Summary in the Updated Railyards Finance Plan.

[4] Anchor tenants are assumed to be Grocery & Drug and Entertainment & Fitness users, while in-line tenants are assumed to be all other users examined in the demand analysis.

Note: Above table reflects total supportable development, including a stabilized vacancy rate of 25% for hotel, 10% for office, and 5% for residential and retail. This total supportable development reflects total market demand at The Railyards, independent of available supply at The Railyards.

RCLCO
REAL ESTATE ADVISORS

REGIONAL OVERVIEW

DRIVERS OF REGIONAL GROWTH

RCLCO REAL ESTATE CONSULTING

DRIVERS OF POPULATION GROWTH	PERSISTENCE AND RISKS
Growing Employment and Wages • The Sacramento MSA added 193,000 jobs between 2012 and 2019, averaging 2.6% growth annually during this time. • During this time, Education & Health Services and Professional & Business Services were two of the fastest-growing sectors, expanding by 35% and 32%, respectively. Both of these sectors typically bring high-paying jobs and attract well-educated employees. • Average household incomes in the Sacramento MSA increased by 28% in the last five years alone.	**Cyclical** The composition and strength of the economy are likely to fluctuate over time, though its recent diversification is likely to improve resiliency
Relative Affordability • As of May 2021, the average value for a single-family home in the MSA was $524,000. This price is much lower than the average home values in other Californian markets, such as San Francisco ($1.3 million), San Jose ($1.5 million), Los Angeles ($830,000), and San Diego ($794,000). • According to the U.S. Bureau of Economic Analysis, the Sacramento MSA has a regional price parity of 105.2, meaning that the costs of its goods and services are, on average, 105.2% of those of the country as a whole. While prices in Sacramento are higher than the national average, the MSA still offers significant affordability relative to the Los Angeles MSA (regional price parity of 118.8) and the San Francisco MSA (134.5).	**Structural and Cyclical** There is some risk that prices will rise over time, but Sacramento is likely to remain more affordable than many other major markets in California
Shifting Work From Home / Work From Anywhere Policies • During the COVID-19 pandemic, many people in the Bay Area took advantage of more flexible "work from home / work from anywhere" policies, often moving to the Sacramento region in the process. As such, the amount of annual in-migration to the Sacramento region increased by more than 3,700 from 2019 to 2020, more than any other major metropolitan area once adjusted for the size of the population base. • Much of this appeal stems from the affordability of the area, which enables people to seek lower housing costs and more open space.	**Structural and Cyclical** While many of these employees will likely stay in the area, the extent to which this trend will persist remains unclear, and some companies may reduce flexibility
Location • The Sacramento MSA is located within a 90-minute drive of San Francisco and much of the Bay Area, allowing for easy recreational or business trips from one region to the other.	**Structural** Traffic may worsen, but there are also transit alternatives to the Bay Area

DRIVERS OF EMPLOYMENT GROWTH	PERSISTENCE AND RISKS
Government Employment and the State Capitol • According to Moody's, the Sacramento MSA employed approximately 234,000 government employees as of 2020. The presence of the State Capitol in Sacramento provides a stable employment base of government workers, lobbyists, and lawyers. • Approximately one-quarter to one-third of office space is occupied by the State.	**Structural** Sacramento will likely remain the center of State government, with minimal risk of significant budget cuts or political shifts.
Increasing Presence of Technology Firms • There is a high likelihood that certain technology firms will follow their workforces to Sacramento, potentially by opening satellite offices in the region. It is unclear, however, if these companies will still require their employees to have a presence in their Bay Area headquarters.	**Cyclical** May shift depending on whether people continue to move from the Bay Area to Sacramento in significant numbers
Accessibility • Sacramento International Airport accommodates 13 million passengers each year, with roughly 180 daily flights and 40 nonstop destinations. • Sacramento is well-served by highways, with I-5 running up the West Coast and I-80 connecting to San Francisco, Reno, and Salt Lake City. • The Sacramento Valley Station is the seventh busiest Amtrak station in the country, providing direct access to other major cities like Los Angeles, San Jose, Portland, Seattle, Salt Lake City, Denver, and Chicago.	**Structural** Sacramento is physically well-located, with a range of transportation options to reach other parts of the region and country

Source: Moody's Analytics; U.S. Census Bureau; FRED Economic Data; Zillow; Aviation Pros; RCLCO

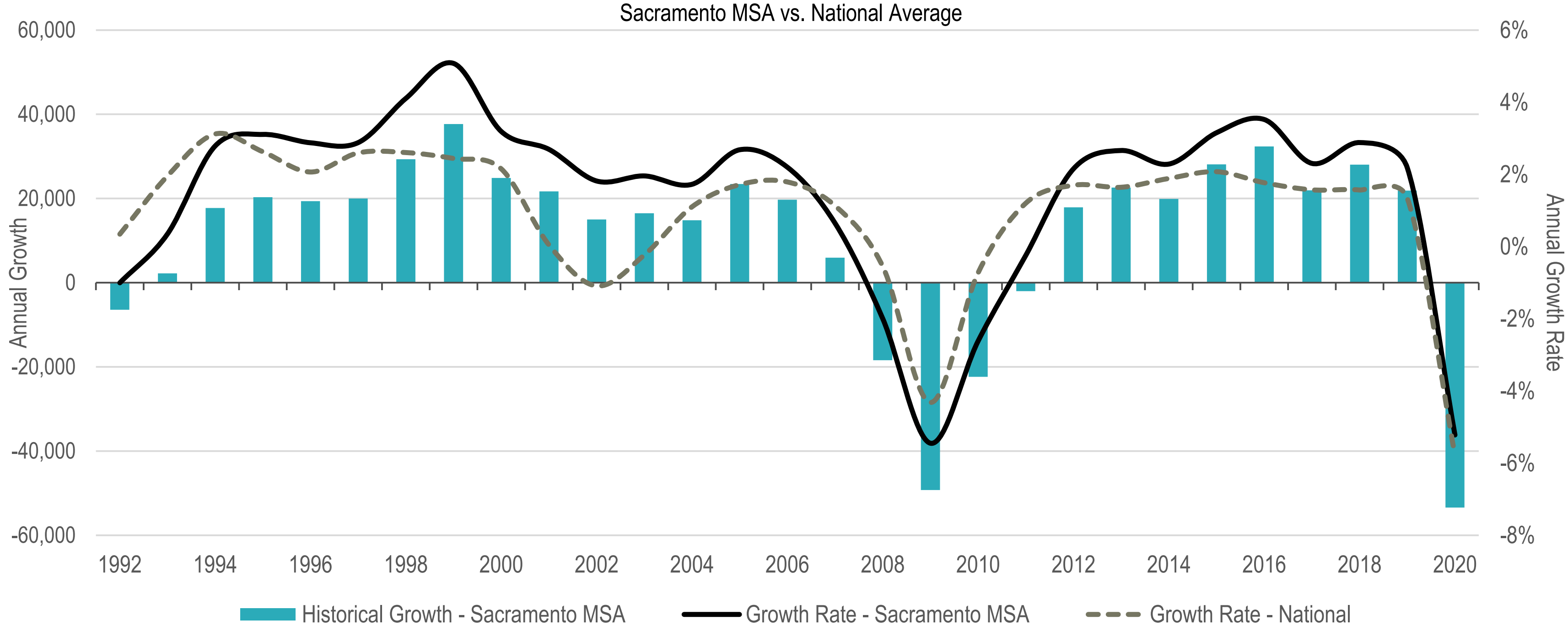
REGIONAL EMPLOYMENT GROWTH

RCLCO REAL ESTATE CONSULTING

SACRAMENTO HAS ADDED A SIGNIFICANT NUMBER OF JOBS IN RECENT YEARS, OUTPACING THE COUNTRY AS A WHOLE IN TERMS OF ECONOMIC GROWTH

- Coming out of the Great Recession, the Sacramento MSA lagged behind the nation as a whole in terms of its economic recovery. However, the Sacramento MSA experienced significant growth in the years that followed, adding 193,000 jobs between 2012 and 2019. During this time, the regional employment base expanded at an average rate of 2.6% per year, compared to just 1.7% for the nation as a whole.
- More recently, the COVID-19 pandemic has led to job losses across the country, with the Sacramento MSA losing 53,000 jobs in 2020. However, it is important to note that these job losses are likely temporary, and that they are no more severe than those which the country as a whole experienced in 2020. For more information on the economic impact and likely recovery from the COVID-19 pandemic, please see the following page.

Historical Employment Growth Trends, 1992-2020;
Sacramento MSA vs. National Average

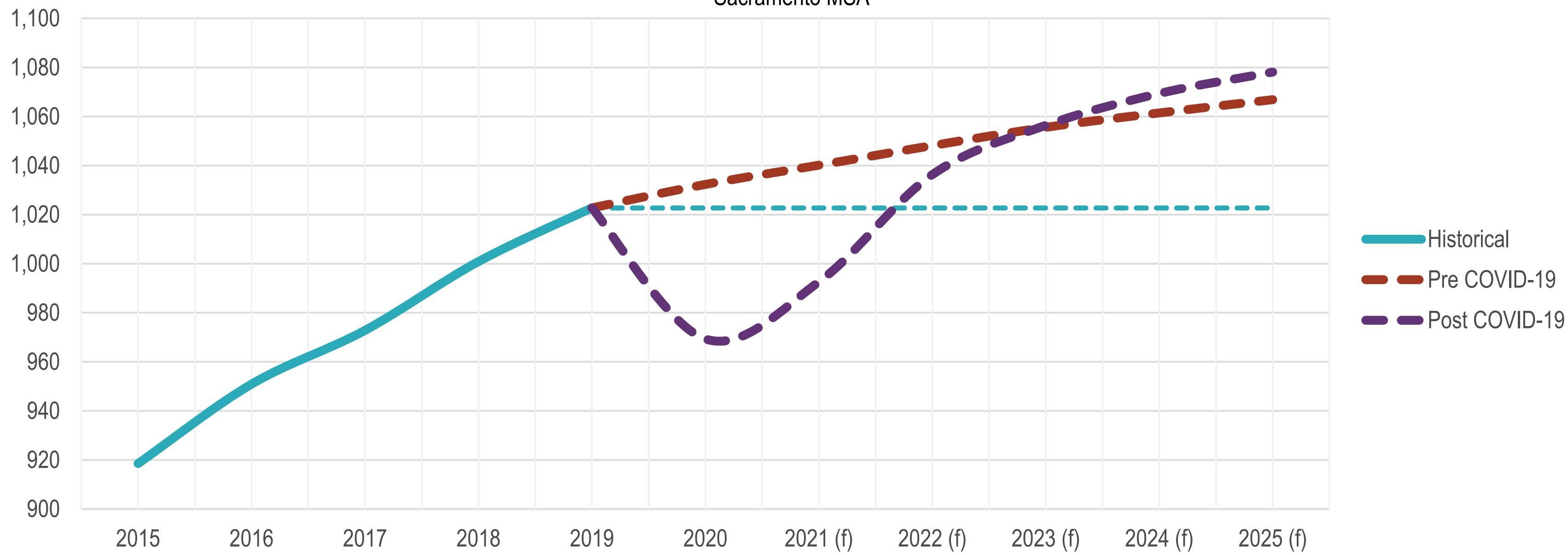


Source: Moody's Analytics

MOODY'S PROJECTS EMPLOYMENT IN THE SACRAMENTO METROPOLITAN AREA TO REACH PRE-COVID-19 LEVELS BY 2023

- The recovery of U.S. economy is well underway; after falling 3.5% in 2020, U.S. Gross Domestic Product ("GDP") reached pre-pandemic levels in 2Q 2021. Although the recovery thus far has been uneven, with the services and hospitality sectors lagging behind other professional sectors, a continued return to travel will boost the services and hospitality sectors.
- Prior to the COVID-19 pandemic, Moody's Analytics projected the Sacramento MSA to add an average of 7,400 jobs per year through 2025 (shown as "Pre COVID-19" below). However, the Sacramento MSA wound up losing 53,400 jobs in 2020, according to Moody's. As of August 2021, Moody's projects growth of 23,300 jobs in 2021, followed by a more pronounced rebound of 43,700 jobs in 2022, by which time the regional economy is expected to reach pre-pandemic levels of employment (shown as "Post COVID-19" below). Further down the line, Moody's projects growth to moderate to 20,100 jobs in 2023 and 13,000 jobs in 2024.
- In terms of impacts on real estate, RCLCO projects demand for specific sectors, such as multifamily, industrial/warehouse space, single-family homes (for-sale and rental units), and numerous niche sectors (medical office, data centers) will likely outpace economic growth, while office and hotel demand would recover more slowly, as remote work and reduced business travel may be slow to reverse and moderate long-term demand.

Historical and Projected Employment (In Thousands), 2015-2025;
Sacramento MSA



Source: U.S. News; Wall Street Journal; Moody's Analytics; RCLCO

ECONOMIC EXPANSION BY SECTOR

RCLCO REAL ESTATE CONSULTING

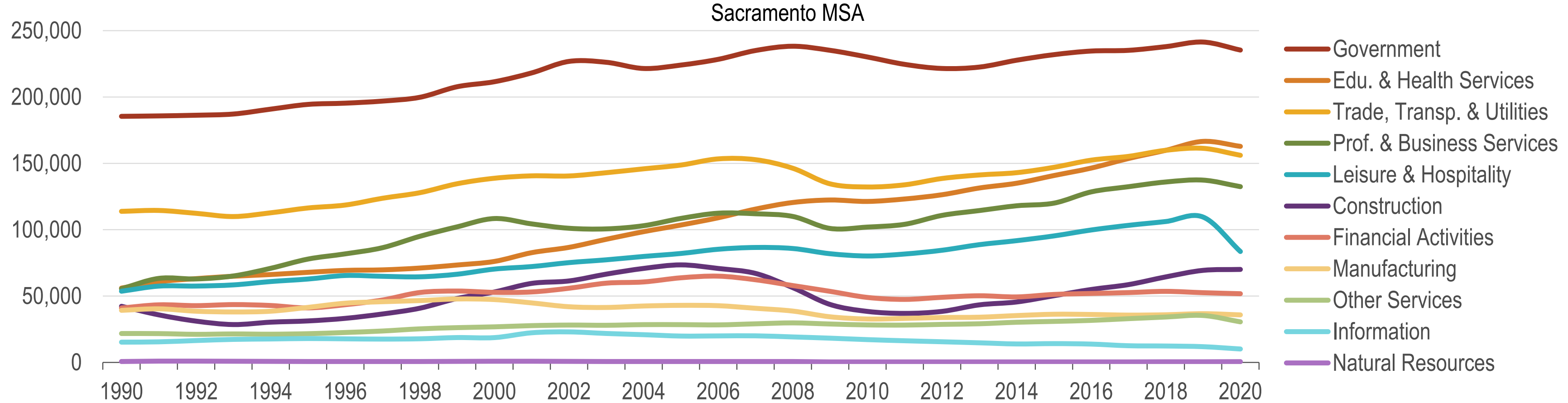
SACRAMENTO BENEFITS FROM ITS PROXIMITY TO SILICON VALLEY, WITH RECENT ECONOMIC GROWTH STEMMING FROM SECTORS THAT TEND TO OFFER HIGH-PAYING JOBS

- As the seat of government in California, Sacramento is home to a large number of Government jobs, which make up nearly one-quarter (24.3%) of the regional economy at this time. However, the bulk of recent growth is occurring in the private sector, indicating that the regional economy is diversifying as new and different jobs locate in the region. Between 2012 and 2019, the Education & Health Services and Professional & Business Services sectors added nearly 77,000 jobs to the Sacramento MSA, making them the fastest-growing industries at this time.
- One reason for the rapid growth in these industries is that Sacramento is proximate and convenient to the Bay Area, enabling it to attract both employees who are looking for lower-cost alternatives to communities in Silicon Valley as well as companies that are looking for access to such well-educated workforces. As reported by the Greater Sacramento Economic Council in 2020, the Sacramento region attracts more than 27,000 people from the Bay Area annually, more than double the number that move to Austin, Denver, and Seattle, combined. Moreover, these numbers have likely increased since the start of the COVID-19 pandemic, as discussed on the following page.

Historical Employment Growth by Industry, 2012-2019;
Sacramento MSA

INDUSTRY	TOTAL GROWTH #	TOTAL GROWTH %	AVG. ANNUAL #	AVG. ANNUAL %
Edu. & Health Services	43,395	35.2%	5,424	3.8%
Prof. & Business Services	33,272	32.0%	4,159	3.5%
Construction	32,446	87.8%	4,056	8.2%
Leisure & Hospitality	27,869	34.1%	3,484	3.7%
Trade, Transp. & Utilities	27,465	20.5%	3,433	2.4%
Government	16,814	7.5%	2,102	0.9%
Other Services	7,208	25.6%	901	2.9%
Financial Activities	5,031	10.6%	629	1.3%
Manufacturing	3,587	10.8%	448	1.3%
Natural Resources	84	19.4%	11	2.2%
Information	-4,477	-27.4%	-560	-3.9%
TOTAL	**192,694**	**23.2%**	**24,087**	**2.6%**

Historical Non-Agricultural Employment by Industry, 1990-2020;
Sacramento MSA

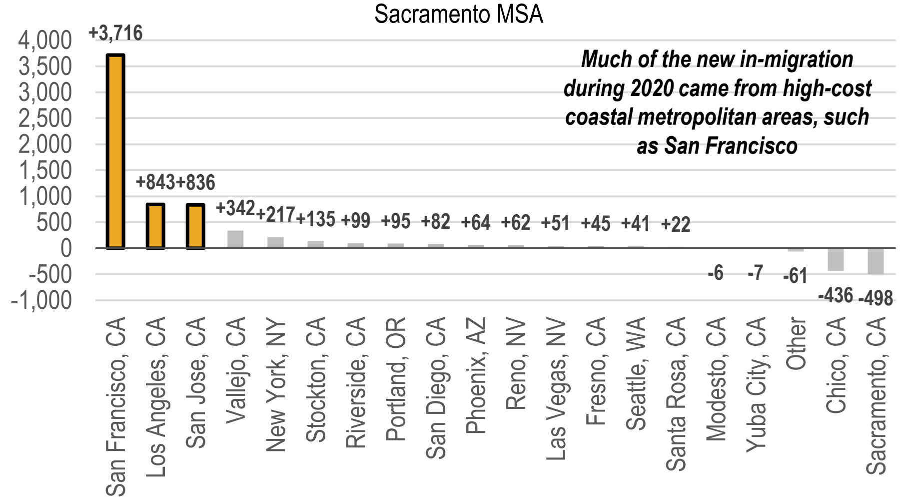


Note: Above table excludes 2020 data, in order to focus on the growth that occurred prior to the COVID-19 pandemic.
Source: Moody's Analytics

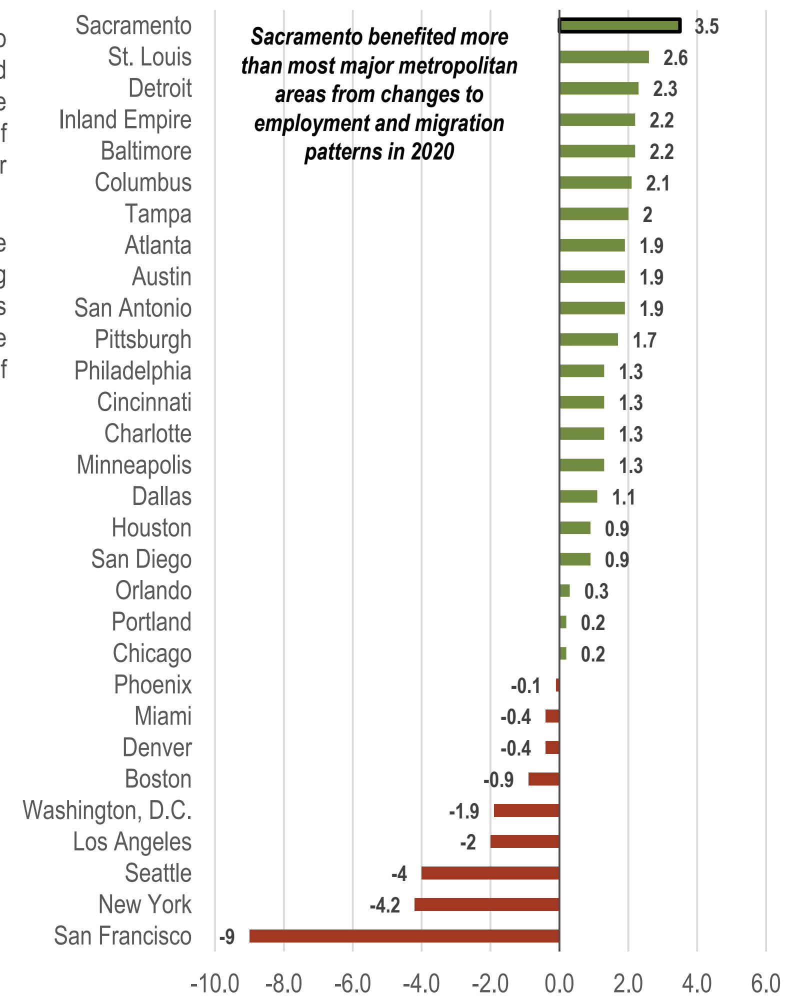
SACRAMENTO HAS BEEN THE BENEFICIARY OF RECENT CHANGES TO EMPLOYMENT AND MIGRATION PATTERNS DURING 2020

- During the COVID-19 pandemic, the increase in teleworking prompted many households to search for more residential and open space. Many of these households therefore relocated from urban neighborhoods to suburbs, while others moved to different areas entirely. The latter trend was particularly common in larger coastal cities, where the high cost of incremental indoor space and adjoining outdoor space pushed many households to smaller and more affordable metropolitan areas nearby.
- For this reason, net migration in the Sacramento MSA increased from 2019 to 2020 by more than it did in any other major metropolitan area across the country. Households relocating from San Francisco, San Jose, and Los Angeles accounted for the bulk of this change, as employees in those areas searched for alternative places to live. This trend suggests there is some upside potential to household growth in Sacramento moving forward, particularly if technology companies in those areas continue to allow flexible work arrangements.

Changes in Moves to MSA, 2020 vs. 2019;
Sacramento MSA



Change in Net Moves Per 1,000 Population, 2020 vs. 2019;
National



Source: CBRE; USPS; RCLCO

RCLCO MACROECONOMIC OUTLOOK

MODERATE ECONOMIC SLOWDOWN, BUT STRONG REAL ESTATE FUNDAMENTALS

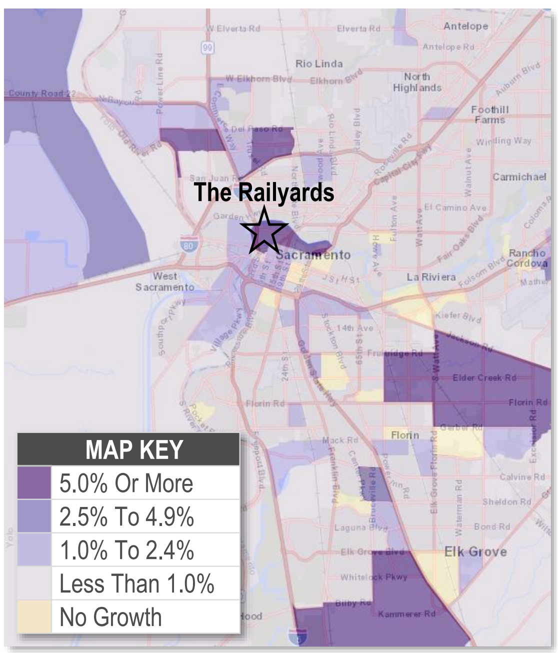
- The war in Ukraine, rising cost of energy, lingering impacts on supply chains, elevated levels of inflation, and actions of the Federal Reserve ("Fed") are all likely to contribute to lower levels of growth in the U.S. economy relative to expectations from just six months ago. However, barring a significant spillover of hostilities outside of Ukraine, the U.S. economy is likely to continue its recovery in 2022 and beyond, albeit a slower pace than predicted prior to the war in Ukraine. Inflation is expected to remain elevated through 2022 or until supply/demand imbalances ease, likely in 2023. The COVID-19 pandemic, along with the possibility of new variants, remains a risk factor for the global and U.S. economies, and it should be monitored closely.
- As of early May 2022, the current RCLCO "Base Case" assumes the following:
  - U.S. GDP growth is likely to slow (roughly 1.0%) in 2022, down from the pre-Ukraine forecast of approximately 4.0%. High inflation, rising interest rates, and weaker global growth are likely to negatively impact the U.S. economy. A technical recession—defined as two quarters of negative GDP growth—could occur but would likely be mild by historical standards, with a moderate impact on employment. Growth is likely to resume the long-term trend (2.0% to 3.0%) in 2023.
  - Job growth is expected to moderate through 2024, as jobs lost at the start of the COVID-19 pandemic are filled and worker shortages slow hiring. Job openings are at record levels, indicating a mismatch between employer needs and employee skills.
  - After recent increases, the 10 Year U.S. Treasury is likely to remain steady over the next several years, though continued high inflation and wage gains could push it higher.
  - Despite slower growth and greater uncertainty, U.S. real estate fundamentals should remain steady, with continued rent growth (on average) over next several years:
    - **Multifamily**: Rising housing costs are likely to result in sustained demand for multifamily and single-family rental units, though supply is ramping up.
    - **Industrial**: Vacancy rates should stay below or close to historical averages, in spite of potentially slower demand.
    - **Office**: A "return to the office" may be gradual, as companies experiment with hybrid work models. Rents may also be soft in the short term, and risks are thus higher than usual. There is likely to be demand for "next generation" office, but it may be priced accordingly.
    - **Retail**: Overall retail supply is poised to shrink, creating some opportunities for re-use and redevelopment. Grocery-anchored retail centers are seeing positive leasing momentum, and they are generally likely to outperform other formats.
    - **Single-Family**: The for-sale single-family housing sector could slow, as high prices and mortgage rates weigh on affordability.
  - Real estate capital markets are a wildcard, but are likely to stay resilient. Equity dry powder from institutions has declined, although non-traded REITS continue to expand. Higher borrowing rates may slow price appreciation, but large declines are unlikely.
  - Overall, real estate fundamentals and long-term growth factors support selective development of rental residential, industrial, and some niche property types (medical real estate, self storage, data centers) and suggest caution for office and discretionary retail.
- As a long-term development project, The Railyards is likely to be buffered against many of the risks outlined above. In the near-term, rising interest rates may pose a threat to the affordability of—and thus demand for—the for-sale residential uses in the current development program. However, Sacramento is expected to see strong household growth, and there is therefore still likely to be demand for additional housing, in some form. While for-sale demand could moderate in the event that interest rates remain elevated, this change may be partially offset by the fact that demand for rental product would likely increase in return.

SITE CONTEXT

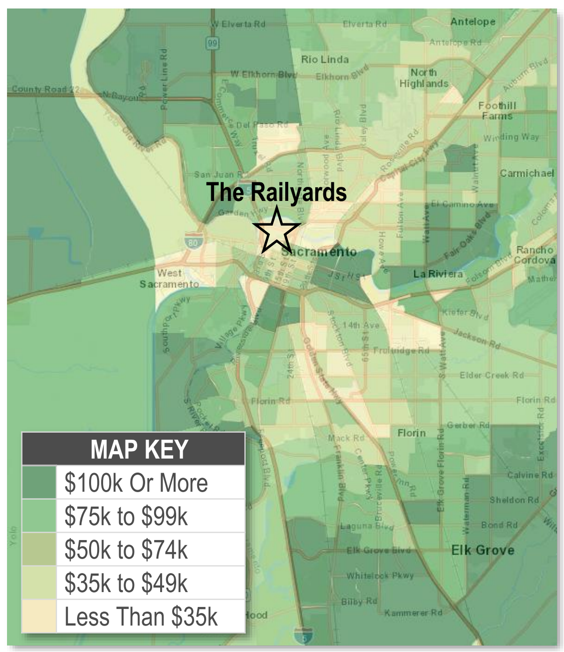
THE RAILYARDS IS LOCATED IN A RAPIDLY CHANGING NEIGHBORHOOD, TO THE NORTH OF DOWNTOWN SACRAMENTO

- Although historically industrial, the neighborhood in which The Railyards is located is rapidly changing. Immediately to the north of The Railyards, the 773-acre River District is in the early stages of a transformation, anchored by a 65-acre development planned to feature 2,350 housing units, 150,000 square feet of retail and restaurants, and more than 800,000 square feet of office upon completion. Also nearby are the Bridge District and the Washington District, which together span 382 acres of West Sacramento immediately across the Sacramento River, and are expected to offer a significant amount of mixed-use development upon completion.
- While household incomes and densities in the census tract in which The Railyards is located are presently low, the tract is adjacent to some of the most established urban neighborhoods in the region. Located three blocks to the south, the nearby Golden 1 Center opened in 2016 and quickly emerged as a new anchor for Downtown Sacramento. Potentially as a result, the census tract in which The Railyards is located is already in the process of experiencing significant growth, as demonstrated by the fact that its average annual population growth rate from 2010 to 2020 (2.1%) was more than double the County average during that time (0.8%). Coupled with the development planned at The Railyards, these characteristics bode well for the long-term evolution of the surrounding area.

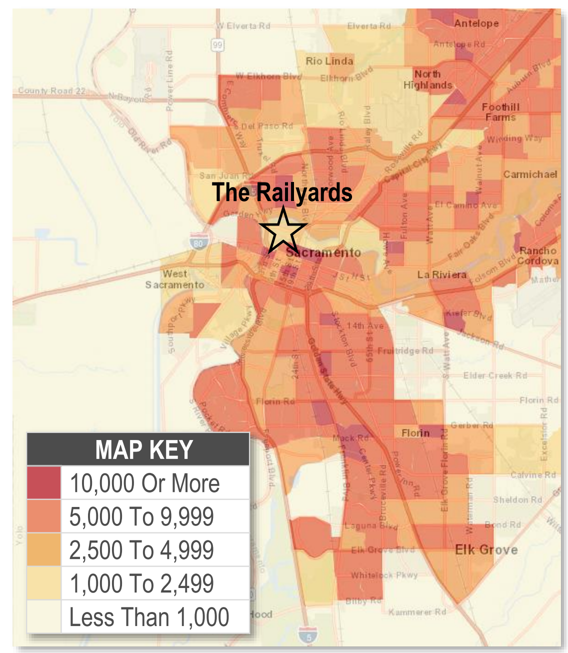
Household Growth by Census Tract, 2010-2020;
Sacramento MSA



Median Household Income by Census Tract, 2020;
Sacramento MSA



Population Per Square Mile by Census Tract, 2020;
Sacramento MSA

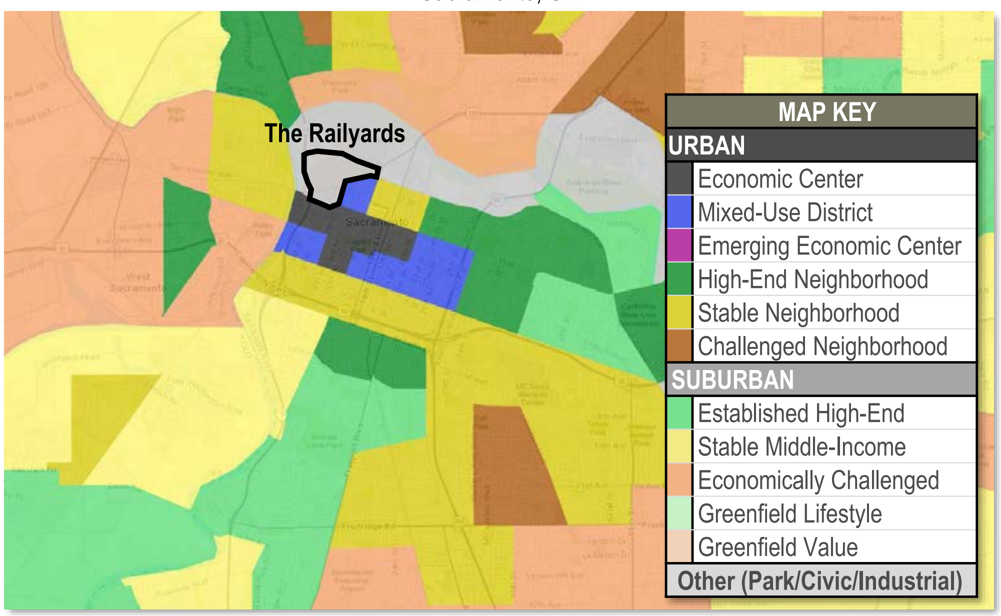


Source: Esri; RCLCO

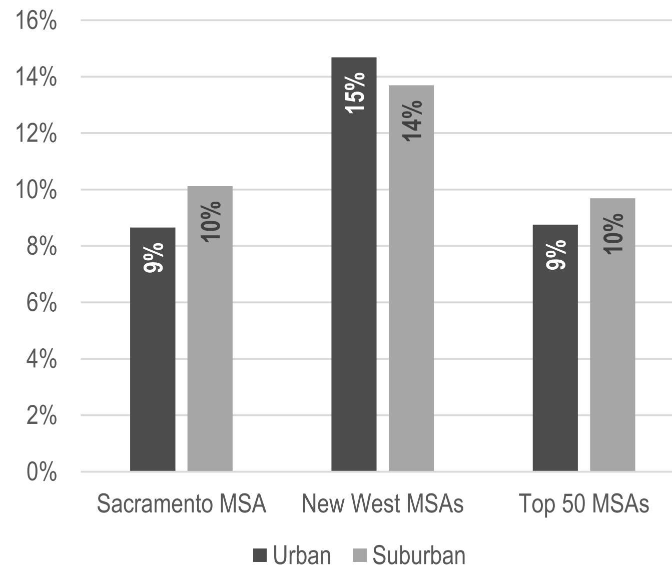
CONSISTENT WITH NATIONAL TRENDS, POPULATION GROWTH HAS RETURNED TO URBAN NEIGHBORHOODS IN AND AROUND SACRAMENTO, AND THE RAILYARDS IS POISED TO BUILD ON THIS MOMENTUM

- Between 2010 and 2020, the number of Sacramento MSA residents who lived in urban neighborhoods increased by 8.7%, significantly more than the 1.9% growth that occurred during the prior decade. Coupled with the fact that urban and suburban neighborhoods in Sacramento are now growing at roughly even rates, this trend suggests that urban neighborhoods in Sacramento are once again experiencing meaningful growth, just like their suburban counterparts.
- Although located in an industrial neighborhood, The Railyards is immediately adjacent to some of the most established economic centers and mixed-use districts in the region. Given their large job bases, these neighborhoods are likely to spur significant household growth moving forward, as the regional economy continues to expand, and as young professionals continue to gravitate to neighborhoods close to the locations in which they work. Located immediately to the north, The Railyards is exceptionally well-located to support the continued urbanization and expansion of Downtown Sacramento.

Classification of Urban and Suburban Neighborhoods, 2020;
Sacramento, CA



Population Growth in Urban and Suburban Areas, 2010-2020;
Top 50 MSAs, New West MSAs, and Sacramento MSA



Note: "New West MSAs" include Denver, Las Vegas, Portland, Sacramento, Salt Lake City, San Diego, and Seattle
Source: Esri; RCLCO

SITE ANALYSIS

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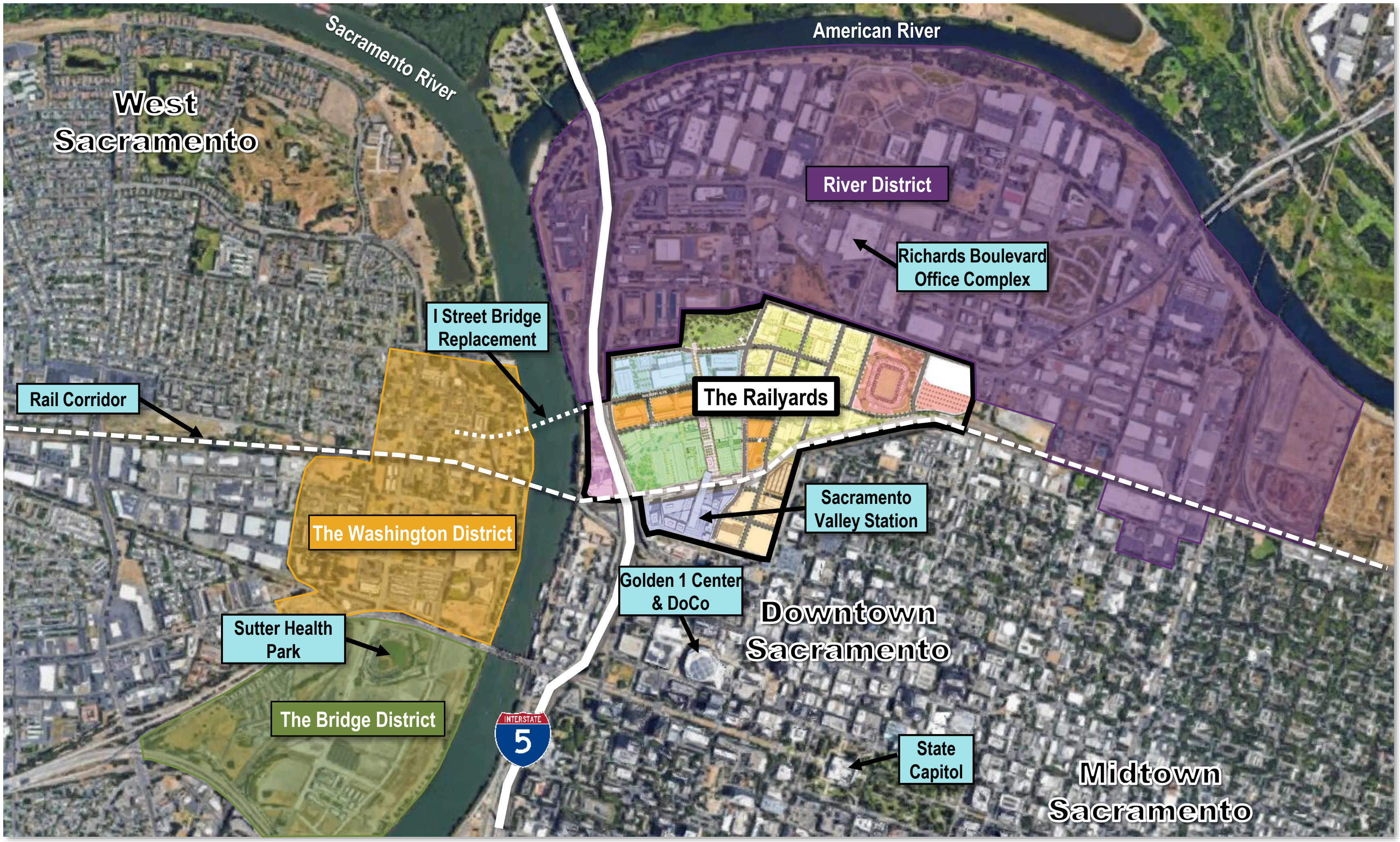

Note: District boundaries are approximate.

Source: Google Earth; Developer

SITE ANALYSIS

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STRENGTHS

- **Location Within Downtown Sacramento**: The Railyards is located immediately to the north of the existing urban core, making it easy to integrate into the urban fabric of Downtown Sacramento.
- **Proximity to State Capitol**: The Railyards is located less than one mile from the California State Capitol Building, making it an attractive location to accommodate future government jobs, as well as lobbying, consulting, and other types of jobs that benefit from close proximity to public sector employment.
- **Neighborhood Character**: The existing historical buildings at The Railyards can help establish an authentic sense of place, especially for its retail core. A strong sense of place is key for the broader development, enabling it to attract residents, employees, and visitors who otherwise would not have gravitated to the site.
- **Scale and Mix of Proposed Development**: The overall scope and mix of uses that are planned for The Railyards should create a true live/work/play environment in a new neighborhood within Downtown Sacramento.
- **Regional Connectivity**: Bound by I-5 to the west, The Railyards offers strong automobile access to destinations across the region and state. In particular, Sacramento International Airport is within a 15-minute drive of The Railyards, and Downtown San Francisco is located within a 90-minute drive as well.
- **Multimodal Transportation Access**: Along with connectivity to major roadways, The Railyards benefits from multimodal transportation access, with service by Amtrak and Capitol Corridor (trains), Sacramento Regional Transit (light rail), and bus service. Sacramento Valley Station is the seventh busiest Amtrak station in the country, and it is also expected to offer high-speed rail service in the future.

CHALLENGES

- **Existing Development to the North:** While there are plans to redevelop much of the land to the north of The Railyards as part of the River District, many of the existing buildings are not a particularly attractive part of the local neighborhood fabric. The area is currently occupied by light industrial and office uses, as well as the Sacramento River Water Treatment Plant. These uses are not necessarily desirable from a placemaking perspective, though it is important to note that the water treatment plant produces drinking water, and it therefore does not emit any odors that would be noticeable from the subject site.
- **Rail Tracks Separating Much of Site from Downtown Sacramento:** Although the site plan has taken steps to mitigate this challenge, the existing rail lines on the southern end of the site could create a slight visual impediment from fully integrating with the existing urban fabric.
- **Unknown Future Competition**: There are numerous other sites in Sacramento that are either already under development or could break ground at some point while the Railyards is under construction. One such site is the Sacramento Valley Station, which was the subject of a 2018 master plan that contemplated a mix of housing, office, and hotel. Along with the larger development areas discussed on Page 28, this and other sites have the potential to represent future competition for The Railyards, depending on their exact timing and programs.

OPPORTUNITIES

- **Planned Entertainment Venue:** By having a Live Nation entertainment venue, The Railyards would be able to better attract visitors from around the region and drive stronger demand for retail uses.
- **Planned Medical Campus:** If the Kaiser campus were to deliver as planned (and as it is assumed to do so in the "Upside" demand forecast on Page 13), it would attract a number of high-earning jobs to the site, creating a captive audience for people who may seek to live close to work. The campus also has the potential to spur office demand from other related users, such as biotechnology and other unaffiliated medical firms.
- **Proximity to Sacramento River:** While much of the site is separated from the Sacramento River by I-5, parts of it should be well-suited for riverfront views. To optimize pricing potential, buildings on this part of the site should be oriented to maximize views of the river to the west and Downtown Sacramento to the south.
- **Nearby Redevelopment:** Along with The Railyards, the Bridge District, the River District, and the Washington District have the potential to generate a critical mass of energy, helping to shift demand and activity back to the urban core. Over time, mixed-use development in these areas will add to the number of urban amenities available in Sacramento, increasing the likelihood that residents, employees, and visitors will gravitate to the region, generally, and its urban core, specifically.
- **Impact of Richards Boulevard Office Complex:** Already under construction and expected to deliver in 2024, the Richards Boulevard Office Complex is slated to bring 4,250 California state employees to the River District, immediately to the north of The Railyards. Given that development plans consist entirely of office, employees are likely to look for supporting uses—such as housing and retail—outside of the complex itself, providing The Railyards with the opportunity to meet these needs. In addition, the Richard Boulevard Office Complex highlights the role government users can play in facilitating the growth of new office cores.
- **I Street Bridge Replacement:** A replacement for the outdated I Street Bridge is currently in the planning stages and is expected to connect Railyards Boulevard at The Railyards with C Street in West Sacramento. The bridge would add additional connectivity to the growing Washington District.
  - Please note that a viable source of funding for this replacement project has not yet been established. This may change with legislation at the federal and state levels in the future. However, the prospect of securing funding for the bridge replacement project is uncertain at present time.

Rendering of Richards Boulevard Office Complex;
Sacramento, CA

Image Source: City of Sacramento; Hensel Phelps

MIXED-USE DESTINATIONS

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THE RAILYARDS IS GENERALLY MORE COMPETITIVE THAN OTHER MIXED-USE DEVELOPMENTS BEING PLANNED NEARBY

	THE RAILYARDS	RIVER DISTRICT	BRIDGE DISTRICT	WASHINGTON DISTRICT
				
Location	Sacramento, CA	Sacramento, CA	West Sacramento, CA	West Sacramento, CA
Size	187 Acres (Controlled by Three Owners)	773 Acres (65 Acres Controlled by 29th Street Capital)	188 Acres (56 Acres Controlled by Fulcrum Property)	194 Acres
Opportunities	• Adjacent to Downtown Sacramento • Cohesive, master-planned district • Strong access to light rail and public transit • Planned anchors, like an entertainment venue and a potential medical campus	• Strong access to light rail • Development of The Railyards should create a stronger connection to existing urban core	• Sports-anchored development centered around a minor league baseball stadium • Availability of riverfront parcels, which feature views east to Downtown	• Existing office buildings along river could provide a captive audience for new development • Lack of an "anchor" may allow for a quieter lifestyle alternative to other developments nearby
Challenges	• Rail tracks will create a slight visual barrier to Downtown	• Existing industrial properties separate some of the largest and most development-ready parcels from Downtown Sacramento • Parcelized nature may limit the speed with which the entire district can be developed	• Owned by multiple entities, which may limit cohesion in planning, development, and/or design	• Owned by multiple entities, which may limit cohesion in planning, development, and/or design • Limited accessibility – area feels separated from Downtown
Multifamily Competitiveness	Strong	Moderate	Strong	Moderate
Office Competitiveness	Strong	Moderate	Moderate	Moderate
Retail Competitiveness	Strong	Weak	Moderate	Weak
Hospitality Competitiveness	Strong	Weak	Moderate	Weak

Image Source: Developer; The River District; Instagram; City of West Sacramento
Source: City Planning Departments; RCLCO

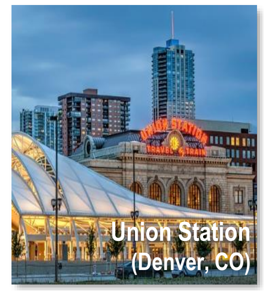
LESSONS LEARNED FROM OTHER PROJECTS

REAL ESTATE CONSULTING

OTHER MAJOR INFILL DEVELOPMENT PROJECTS ACROSS THE COUNTRY HAVE DEMONSTRATED AN ABILITY TO CAPTURE SIGNIFICANT SHARES OF MARKET DEMAND, OFTEN AT TOP-OF-MARKET PRICE POINTS

Summary of Case Study Projects; National Examples

TOPIC	LESSON LEARNED	IMPLICATIONS FOR SITE
Two Strategies for Large Infill Sites	• **Creating a Destination with One Use**: Some projects have established a critical mass of people or jobs, to generate market support from supporting uses in later phases. • **Creating a Destination with Many Uses**: Other projects have relied on place-based support, focusing on strategic mixed-use development to maximize absorption quickly.	Given the larger size of The Railyards and the more moderate size of the broader Sacramento market, development should focus on creating a destination driven by many uses. This strategy will likely allow for a faster build-out, and help foster a sense of place independent of a single product type.
Significant Capture of Regional Demand	In the past, other large-scale infill development projects have captured a significant amount of regional demand. For example, Union Station accounted for 11% of office absorption and 6% of rental apartment absorption in the Denver metropolitan area. In Seattle, South Lake Union realized similar captures, though the office capture increased to 20% following the arrival of Amazon.	The Railyards can likely capture an even greater share of regional absorption activity, given that it is physically larger than many of these other projects in question, and that the Sacramento metropolitan area more generally is smaller than those in which the other projects are located.
Potential for Top-of-Market Pricing	As seen at Union Station in Denver, the Wharf in D.C., and the Gulch in Nashville, large-scale infill projects can attain top-of-market or near top-of-market pricing, even in initial phases. This dynamic is particularly true in markets like Sacramento, where comparable product tends to attain similar pricing in different neighborhoods due to the lack of a locational premium.	The Railyards will likely attain near top-of-market pricing. While initial deliveries may experience a slight discount to new product in Downtown and Midtown Sacramento, the creation of anchors and retail / placemaking options in early phases will enable the site to reach, and likely surpass, top-of-market rents relatively quickly.
Unlock Value by Creating a Destination	In the case of large-scale infill projects, the creation of a sense of place is a key component of success, and allows the project to capture an above-average share of demand, at higher-than-expected prices. Although place-making approaches vary by project, many have leveraged locational advantages, while others have built on their historical surroundings.	With plans for an entertainment venue, The Railyards is well-located to serve as a destination for visitors across the region. In addition, access to transit is likely to differentiate the site from other urban neighborhoods, given its ability to connect to other parts of the region and state.



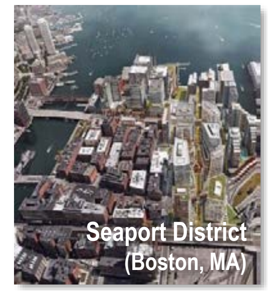


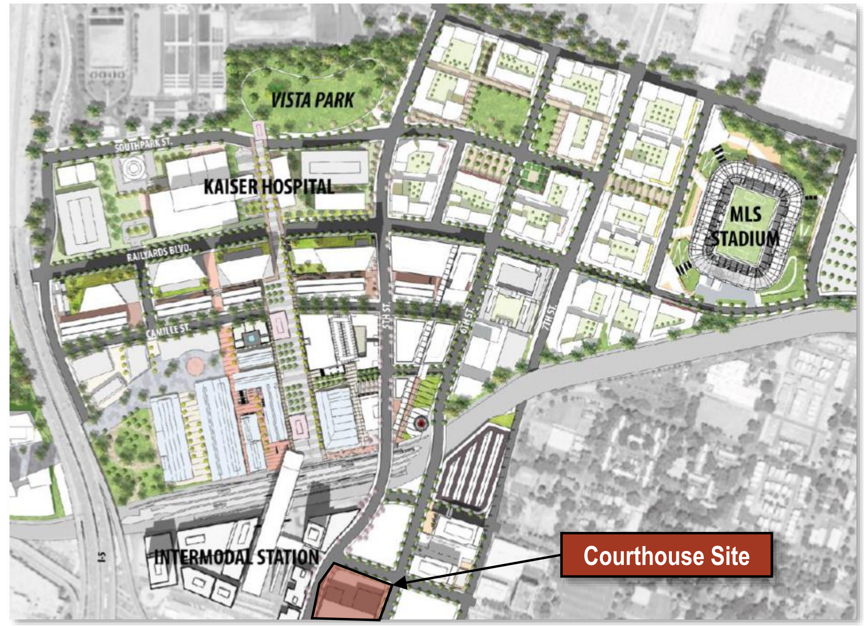
Image Source: Google Images
Source: RCLCO

KEY DRIVERS OF GROWTH IN SUBMARKET

ALREADY UNDER CONSTRUCTION, THE NEW COURTHOUSE AT THE SOUTHERN EDGE OF THE RAILYARDS WILL SERVE A SIGNIFICANT NUMBER OF EMPLOYEES

- At this time, development plans for The Railyards include a 19-story courthouse, totaling 538,000 square feet at the corner of H and Sixth Streets. The new facility, which is expected to include 53 courtrooms, will relocate 35 courtrooms from the existing Gordon D. Schaber Courthouse, and provide space for new judgeships. Construction on the $514 million project began in November 2020, and it is expected to last for up to three years.
  - For the purpose of this analysis, RCLCO therefore assumed the courthouse will deliver at the end of 2023 or beginning of 2024.
- Although many of the employees that will operate out of this courthouse already work in the neighborhood within an existing building across the street, this new building will be larger than the previous one, with a greater amount of capacity. In addition, these employees are likely to be well-educated and well-paid, with many potentially looking for housing, retail, and other real estate nearby.

Site Plan, June 2021;
The Railyards



ADDITIONAL INFORMATION	
User	Sacramento Criminal Courthouse
Site Size	2.5 Acres
Planned Development	538,000 Square Feet
Anticipated Construction Start Date	2020
Anticipated Delivery Date	2023 to 2024

Note: Above graphic represents the current development plans for The Railyards, as provided by the Developer. Some components of these plans may not reflect the assumptions used in this analysis. For a summary of these assumptions, please see Page 6.

Image Source: Developer
Source: Developer; The Judicial Branch of California

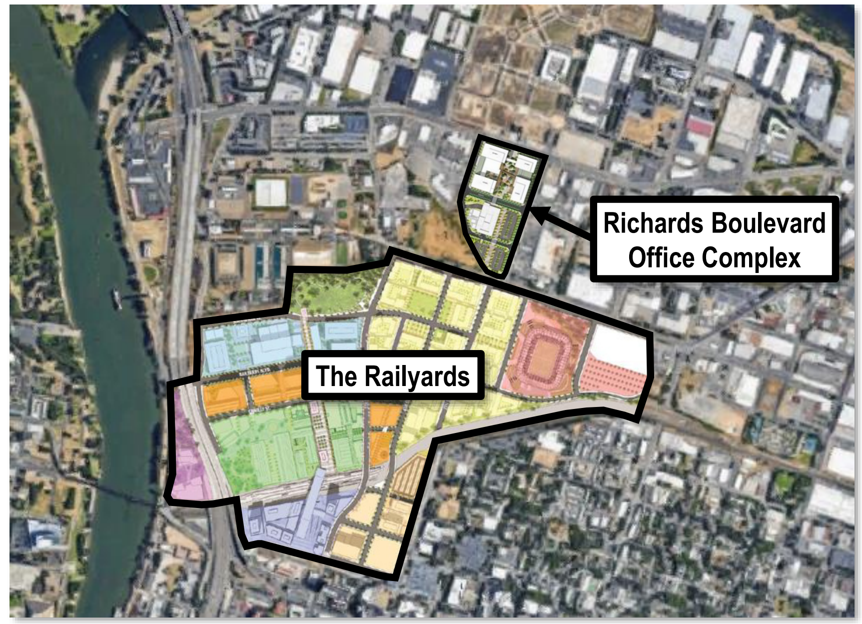
RICHARDS BOULEVARD OFFICE COMPLEX

RCLCO REAL ESTATE CONSULTING

LOCATED IN THE RIVER DISTRICT ALONG THE NORTHERN EDGE OF THE RAILYARDS, THE RICHARDS BOULEVARD OFFICE COMPLEX IS POISED TO BE A DRIVER OF GROWTH

- The Richards Boulevard Office Complex, though located outside of The Railyards itself, is currently under construction and expected to bring approximately 4,250 government employees to the neighborhood upon completion, expected to take place in 2024. At buildout, the $1.0 billion development project will contain more than 1.2 million square feet of office, oriented around a central plaza.
- Given the office-centric nature of the development, the Richards Boulevard Office Complex has the potential to spur significant demand for other uses, such as housing and retail. Situated immediately to the south of the Richards Boulevard Office Complex, The Railyards is well-located to meet this demand, by providing a location for employees to live, shop, and spend time.

Location Relative to Richard Boulevard Office Complex, June 2021;
The Railyards



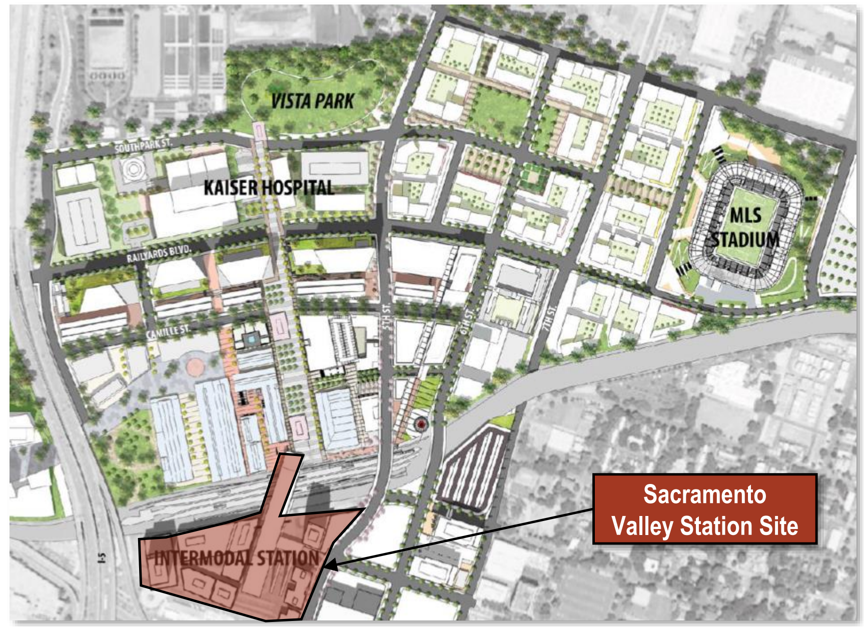
ADDITIONAL INFORMATION	
User	State of California
Site Size	17.3 Acres
Planned Development	1,250,000 Square Feet
Anticipated Construction Start Date	2020
Anticipated Delivery Date	2024

Image Source: Google Earth; Downtown Sacramento Partnership; Developer
Source: Developer; City of Sacramento

SACRAMENTO VALLEY STATION PROVIDES MULTI-MODAL TRANSIT ACCESS TO BOTH THE RAILYARDS AS WELL AS DOWNTOWN SACRAMENTO MORE BROADLY

- Located immediately south of The Railyards, Sacramento Valley Station is an Amtrak railway station, which also serves as the western terminus of the Gold Line of the Sacramento Regional Transit District ("SacRT") light rail system.
  - With more than 1.2 million passengers annually, Sacramento Valley Station is the seventh busiest Amtrak station in the country. The station provides access to two of the top five intercity routes, connecting to other major cities like Los Angeles, San Jose, Portland, Seattle, Salt Lake City, and Denver.
  - Meanwhile, the Gold Line provides strong access to destinations across the region, running from Sacramento Valley Station, through Downtown and Midtown, past Sacramento State University, and into Folsom.
- At this time, the City of Sacramento is in the process of a multi-stage renovation project, in conjunction with the development of The Railyards.
  - Completed in 2012, the first phase involved the relocation of all heavy-rail passenger platforms, to separate freight traffic from the passenger platforms.
  - Completed in 2017, the second phase involved the rehabilitation of the depot building, as well as the relocation of Amtrak ticket and baggage offices.
  - Currently under review, the final stage of renovations will involve continued station improvements, including—but not limited to—the relocation of light rail tracks, the addition of a new bus loop and terminal, and the construction of an elevated concourse to connect the station to The Railyards.
- Along with these renovations, the California High-Speed Rail ("CAHSR") system is planned to connect to Sacramento Valley Station, providing high speed rail access to other major cities across the state.
- These transportation options are likely to make The Railyards an attractive place to live, work, and play. High speed rail access is also likely to create opportunities for the development to attract residents from higher-cost cities to the south.

Site Plan, June 2021;
The Railyards



ADDITIONAL INFORMATION	
User	Amtrak, SacRT
Site Size	31 Acres
Planned Development	68,000 Square Feet
Anticipated Construction Start Date	2008 (Phase 1)
Anticipated Delivery Date	*TBD – Phase 3 is under review*

Note: Above graphic represents the current development plans for The Railyards, as provided by the Developer. Some components of these plans may not reflect the assumptions used in this analysis. For a summary of these assumptions, please see Page 6.

Image Source: Developer
Source: Sacramento Valley Station Area Plan; City of Sacramento

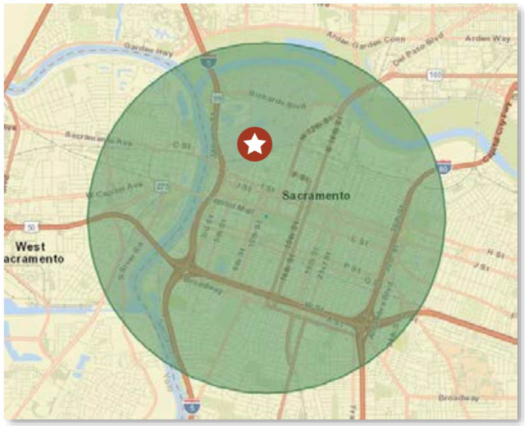
RENTAL APARTMENT MARKET ANALYSIS

RCLCO
REAL ESTATE CONSULTING

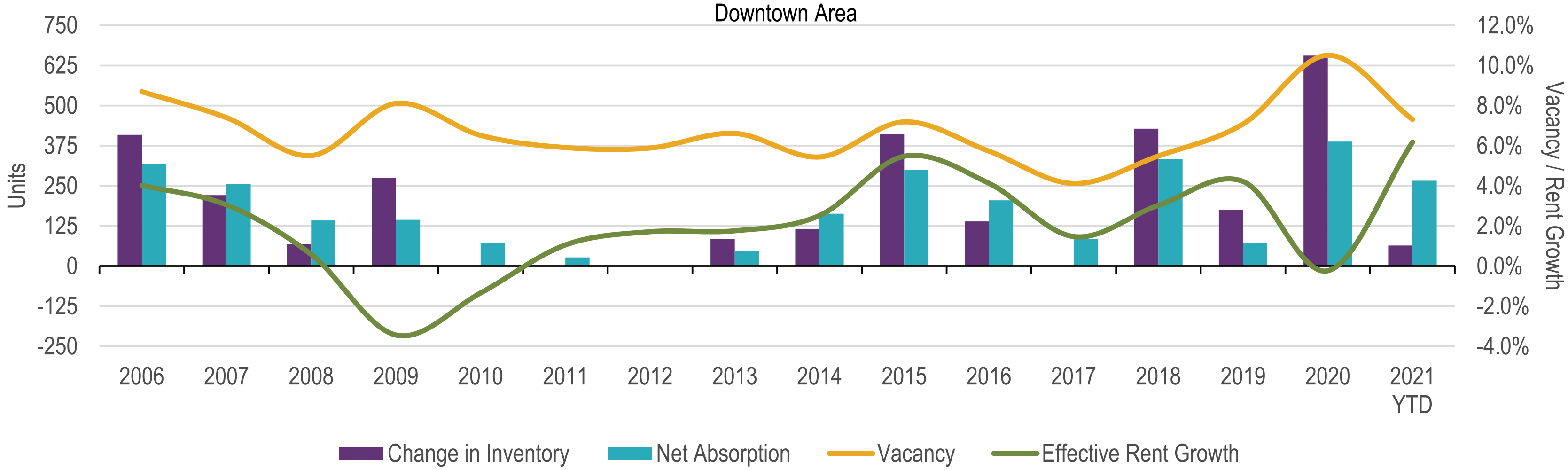
THE LOCAL RENTAL APARTMENT MARKET HAS MAINTAINED CONSISTENTLY POSITIVE RENT GROWTH, LOW VACANCY RATES, AND HEALTHY ABSORPTION

- RCLCO determined the Primary Market Area ("PMA") as the urban core of Sacramento, which RCLCO defined as those neighborhoods that fall within a two-mile radius of the California State Capitol. This geography—hereafter referred to as the "Downtown Area" in this report—covers the main employment core in Sacramento, which has seen an uptick in multifamily development in recent years.
- The Downtown Area has absorbed 1,890 rental apartment units since 2010, nearly matching the 2,070 units delivered during this time. In 2020, the Downtown Area saw an uptick in deliveries, causing vacancies to peak at 10.5% due to the number of units in lease-up. Despite the COVID-19 pandemic in addition to a record delivery year during 2020, the vacancy rate has since dropped to 7.3% as of July 2021, as absorption has outpaced deliveries.
- With the exception of 2020, annual rent growth has been consistently positive, at an average rate of 2.8%. Even during 2020, rents dropped by just 0.2%, far less than the level of rent declines seen in the urban cores of other metropolitan areas. This difference likely stems from increased in-migration during the pandemic, which likely helped buffer the market against the challenges hitting other urban neighborhoods across the country.

Map of Primary Market Area, June 2021;
Downtown Area



Completions, Absorptions, Vacancy, and Rent Growth, 2006-2021 YTD;
Downtown Area



Source: CoStar; RCLCO

NEW RENTAL APARTMENT COMMUNITIES ARE ACHIEVING TOP-OF-MARKET RENTS, DRIVEN PRIMARILY BY LOCATION AND QUALITY

- In recent years, Sacramento and West Sacramento have seen an uptick in new rental apartment development, likely in response to the recent growth in the region. While Downtown Sacramento and West Sacramento have similar rents on an absolute basis, Downtown Sacramento has higher rents on a per square foot basis, indicating that renters are willing to accept smaller units in exchange for more desirable locations or better-executed communities. On average, per square foot rents in Downtown Sacramento are 8% higher than those in West Sacramento.
- The bulk of the rent spread within the Downtown Sacramento competitive set stems from differences in age, with the exception of *Ice House Midtown* and *1430 Q Street*.
  - *Ice House Midtown* is achieving a premium due to its location within a mixed-use development, which therefore serves as a good reference point for future rental development at The Railyards.
  - Meanwhile, *1430 Q Street* achieves substantially higher absolute rents due to its larger unit sizes.

Map of Comparable Apartment Communities, June 2021;
Downtown Area

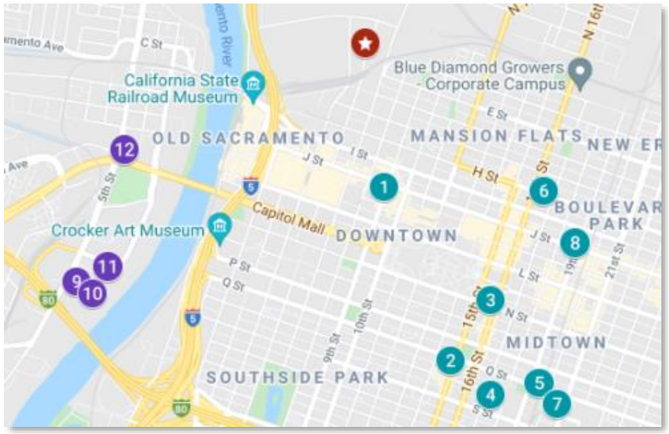


Table of Comparable Apartment Communities, June 2021;
Downtown Area

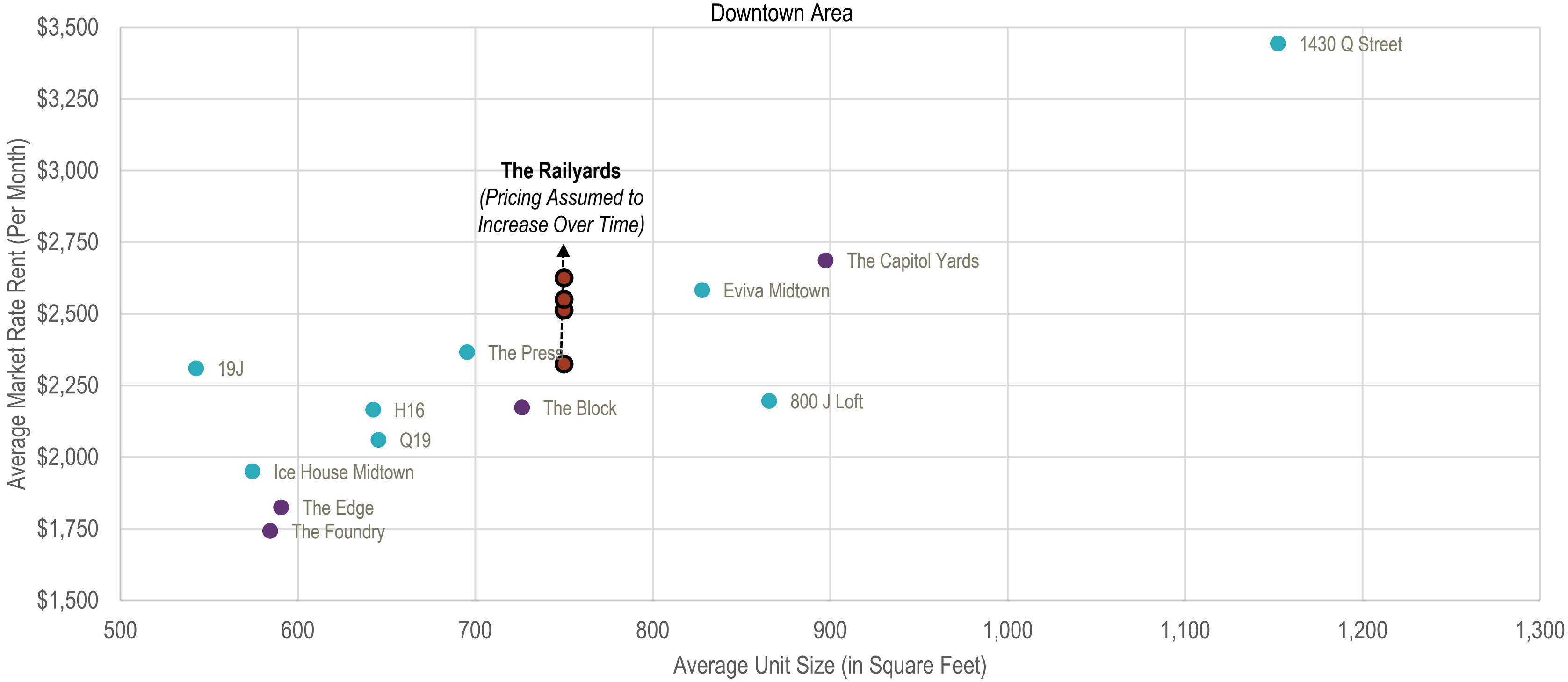
MAP KEY	COMMUNITY NAME	YEAR BUILT	UNITS	OCC. RATE	AVG. SIZE (SF)	AVG. ASKING RENT	AVG. ASKING $/SF
1	800 J Loft	2006	180	94%	866	$2,230	$2.58
2	1430 Q Street	2020	75	93%	1,152	$3,444	$2.99
3	Eviva Midtown	2016	118	98%	828	$2,583	$3.12
4	Ice House Midtown	2017	142	96%	574	$1,950	$3.40
5	Q19	2018	68	98%	645	$2,060	$3.19
6	H16	2020	95	92%	642	$2,157	$3.36
7	The Press at Midtown Quarter	2020	277	73%	695	$2,351	$3.38
8	19J	2019	175	80%	543	$2,310	$4.26
9	The Edge	2021	64	84%	590	$1,825	$3.09
10	The Foundry	2019	69	96%	584	$1,742	$2.98
11	The Block	2021	52	65%	726	$2,174	$2.99
12	The Capitol Yards	2015	270	97%	897	$2,687	$2.99
	AVERAGE	**2018**	**132**	**93%**	**740**	**$2,345**	**$3.17**
	DOWNTOWN SACRAMENTO AVG.	**2017**	**141**	**92%**	**720**	**$2,338**	**$3.25**
	WEST SACRAMENTO AVG.	**2019**	**114**	**97%**	**787**	**$2,364**	**$3.00**

Source: Axiometrics; CoStar; Interviews with Leasing Agents; RCLCO

THE RAILYARDS HAS THE POTENTIAL TO ACHIEVE TOP-OF-MARKET RENTS, GIVEN ITS MANY SITE ADVANTAGES

- The below graph displays a rent-to-size comparison for properties in the competitive set, along with the projected supportable pricing for The Railyards as outlined on Page 11. As shown below, new communities in Downtown Sacramento (shown in blue) are generally positioned at a premium to similarly aged communities in West Sacramento (shown in purple), likely due to the evolving sense of place outside of the traditional urban core.
- While initial deliveries may be priced at a discount to new product in Downtown Sacramento, RCLCO expects that The Railyards can be directly competitive with this product once its anchors and retail starts to deliver. For this reason, RCLCO expects pricing to escalate quickly, from the level of $3.10 per square foot that would likely be supportable today without additional on-site improvements, to a new top-of-market level of $3.50 per square foot once the bulk of development is complete.

Rent-To-Size Comparison, June 2021;
Downtown Area



Source: Axiometrics; CoStar; Interviews with Leasing Agents; RCLCO

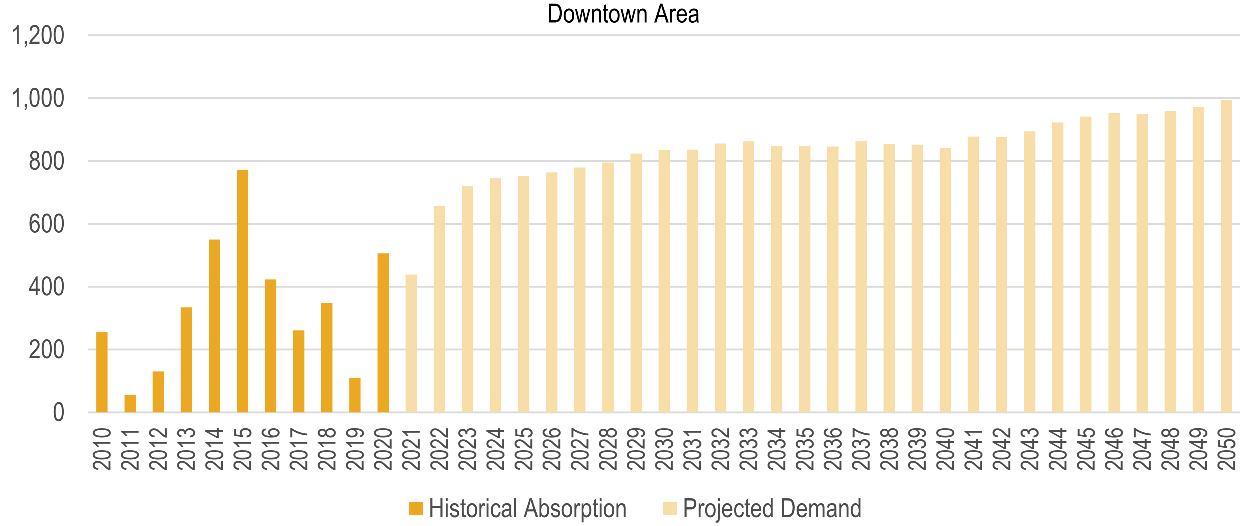
RENTAL APARTMENT DEMAND

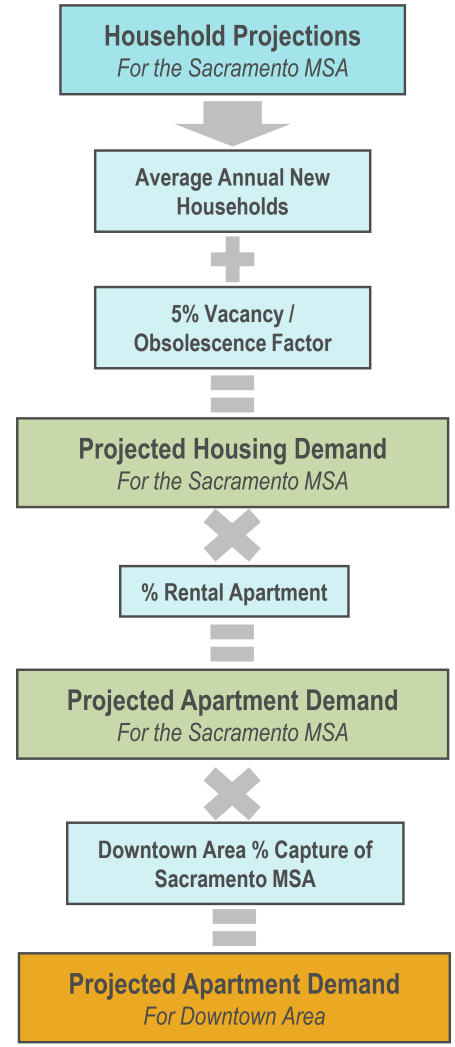
RCLCO
REAL ESTATE CONSULTING

RCLCO PROJECTS STRONG GROWTH IN RENTAL APARTMENT DEMAND IN THE DOWNTOWN AREA, WITH AVERAGE ANNUAL DEMAND FOR 840 UNITS OVER THE NEXT THREE DECADES

- To project regional rental apartment demand, RCLCO analyzed population and household growth projections at the MSA level, as well as tenure and product preferences. Using this approach, RCLCO projected average annual demand for 1,650 rental apartment units in the Sacramento MSA over the next 30 years, growing from 1,210 units in 2021 to 1,830 units in 2030, before moderating to 1,500 units by 2040.
  - This spike in rental apartment demand in the short term likely stems from the acceleration of in-migration to Sacramento from more expensive regions, such as the Bay Area and Los Angeles County.
- Since 2012, 36% of rental apartment absorption in the MSA has occurred in the Downtown Area. Moving forward, RCLCO anticipates that the Downtown Area will continue to emerge as an epicenter of new development activity in the region, as new employees and businesses gravitate to the urban core, and as surrounding neighborhoods continue to transform. These trends translate to average annual demand for 840 rental apartment units in the Downtown Area over the next 30 years, more than doubling from 2021 to 2050.

Comparison of Historical and Projected Apartment Absorption, 2010 to 2050;
Downtown Area





Source: Moody's Analytics; California Department of Transportation; CoStar; RCLCO

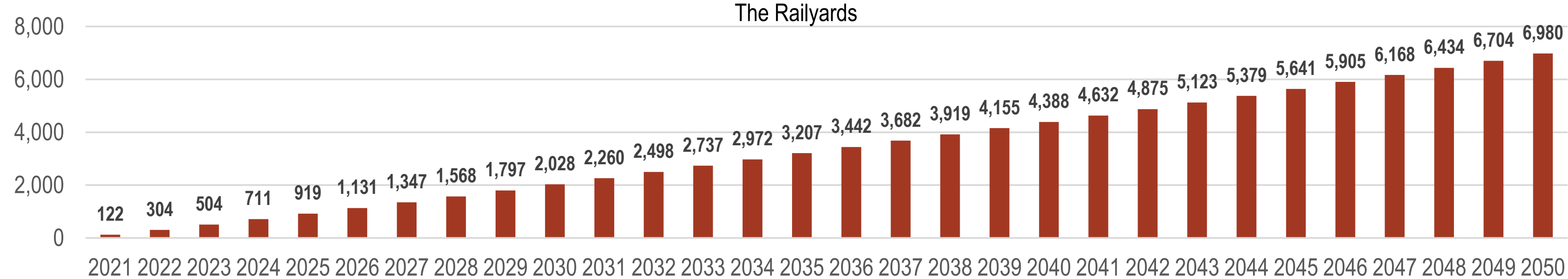
RENTAL APARTMENT DEMAND

RCLCO
REAL ESTATE CONSULTING

RCLCO PROJECTS THAT THE RAILYARDS CAN SUPPORT APPROXIMATELY 2,000 MARKET-RATE RENTAL APARTMENTS BY THE END OF THE DECADE, AND UP TO 4,340 UNITS BY 2040

- In order to project demand for rental apartments at The Railyards, RCLCO determined the share of regional demand that the project could realistically expect to capture, based on the increasing share of absorption activity in the Downtown Area; the size of the current development pipeline in this area; and the demand that other large-scale, urban infill development projects have captured in the past.
  - At this time, approximately 2,300 rental apartment units are under construction and another 4,000 are being planned in the Downtown Area. Along with The Railyards, other areas targeted for long-term development and redevelopment (e.g., the Bridge District, the Washington District, etc.) have the potential to add more than 13,000 additional units to this pipeline, pointing to heightened levels of moving forward. For more information on the current development pipeline, please see Exhibit I-8.
  - Assuming a “fair share” capture of demand relative to the number of units in this development pipeline, RCLCO estimates The Railyards can capture up to 28% of rental apartment demand in the Downtown Area over the next three decades, equivalent to 14% of demand in the broader metropolitan area during this time. While there are several other mixed-use developments being planned across the region, the scope of the development planned at The Railyards will likely serve as a key differentiator.
- This analysis suggests that The Railyards can support the addition of 225 to 250 units annually over the next three decades, assuming a stabilized vacancy rate of 5.0%.

Cumulative Rental Apartment Demand (Units), 2021-2050;
The Railyards



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Sacramento, MSA Demand	6,881	9,821	10,269	10,147	9,811	9,533	9,330	9,142	9,103	8,869	8,563	8,447	8,217	7,801	7,532
% Multifamily	18%	19%	19%	19%	20%	20%	21%	21%	22%	22%	23%	23%	24%	24%	24%
Multifamily Demand	1,244	1,821	1,950	1,973	1,953	1,941	1,942	1,944	1,978	1,967	1,938	1,951	1,935	1,873	1,842
% Rental	98%	97%	97%	96%	96%	95%	95%	94%	94%	93%	93%	92%	92%	91%	91%
Sacramento MSA Apt Demand	1,213	1,766	1,882	1,894	1,865	1,844	1,835	1,828	1,849	1,829	1,793	1,795	1,771	1,704	1,667
% in Downtown Area	36%	37%	38%	39%	40%	41%	42%	43%	45%	46%	47%	48%	49%	50%	51%
Downtown Area Apt Demand	439	657	720	745	753	763	779	795	824	834	836	856	863	848	847
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Demand at The Railyards	122	182	200	207	209	212	216	221	229	231	232	237	239	235	235
Cumulative Demand at The Railyards	122	304	504	711	919	1,131	1,347	1,568	1,797	2,028	2,260	2,498	2,737	2,972	3,207

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Sacramento, MSA Demand	7,275	7,180	6,886	6,658	6,376	6,460	6,269	6,214	6,236	6,191	6,100	5,919	5,834	5,764	5,747
% Multifamily	25%	25%	26%	26%	27%	27%	28%	28%	29%	29%	29%	30%	30%	31%	31%
Multifamily Demand	1,812	1,822	1,778	1,750	1,705	1,757	1,733	1,746	1,781	1,796	1,798	1,771	1,772	1,777	1,798
% Rental	90%	90%	89%	89%	88%	88%	87%	87%	86%	86%	85%	85%	84%	84%	83%
Sacramento MSA Apt Demand	1,631	1,630	1,583	1,549	1,500	1,537	1,508	1,511	1,532	1,536	1,528	1,497	1,489	1,484	1,493
% in Downtown Area	52%	53%	54%	55%	56%	57%	58%	59%	60%	61%	62%	63%	64%	65%	67%
Downtown Area Apt Demand	846	863	854	852	841	878	877	894	923	941	952	949	959	972	993
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Demand at The Railyards	235	239	237	236	233	244	243	248	256	261	264	263	266	270	276
Cumulative Demand at The Railyards	3,442	3,682	3,919	4,155	4,388	4,632	4,875	5,123	5,379	5,641	5,905	6,168	6,434	6,704	6,980

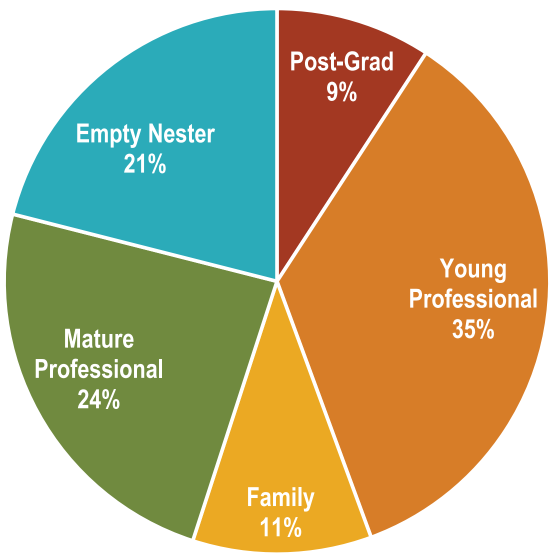
Source: Moody’s Analytics; California Department of Transportation; CoStar; RCLCO

LIFE STAGES AND HOUSEHOLD TYPES

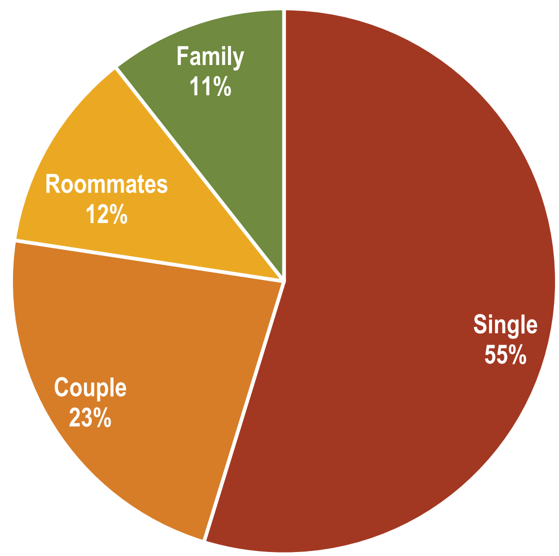
RENTAL APARTMENT DEMAND IS EXPECTED TO COME FROM A DIVERSE MIX OF PROFESSIONALS AND EMPTY NESTERS

- The bulk of demand for new rental apartment product in the Downtown Area stems from young professionals (35%), mature professionals (24%), and empty nesters (21%,) with the remaining demand being split between families (11%) and post-graduates (9%). This distribution underscores the diversity of rental market, as well as the importance of offering a diversity of unit types over the long term.
- Single-person households account for the majority (55%) of households looking for new rental apartment product in the Downtown Area, followed by couples (23%), roommates (12%), and families (11%). This distribution, which is weighted more heavily toward smaller household types, likely explains the smaller average unit size of most properties in the competitive set.

Annual Multifamily Renter Demand for Units by Lifestage, 2020-2025;
Downtown Area



Annual Multifamily Renter Demand for New Units by Household Type, 2020-2025;
Downtown Area



Source: Esri; American Community Survey PUMS; RCLCO

AFFORDABLE COMPONENT

RCLCO REAL ESTATE CONSULTING

IN ADDITION TO MARKET-RATE RENTAL APARTMENTS, DEVELOPMENT PLANS FOR THE RAILYARDS ALSO CONTEMPLATE AFFORDABLE HOUSING, FOR WHICH THERE IS LIKELY TO BE STRONG DEMAND

- Unlike the other land uses examined as part of this analysis, affordable housing does not draw demand from typical market forces, such as new households moving to an area or existing households moving outside of their current homes. Rather, the economic constraints from low-income households, both regionally and nationally, results in sustained demand for affordable housing in most locations, beyond what the market can support on its own.
- As outlined in the Updated Railyards Finance Plan, current development plans include 500 affordable housing units, which are expected to deliver at an average affordability level of 50% of Area Median Income ("AMI") according to the developer questionnaire. For the purpose of this analysis, RCLCO assumes that all affordable housing units introduced will lease within one year of their delivery, based on its experience with affordable housing nationally.
- To determine the likely pricing of these units, RCLCO assumed that the sizes and types of affordable housing would resemble those of market-rate rental apartments being built today, given frequent requirements that the affordable housing components of mixed-income developments resemble their market-rate counterparts in terms of quality, size, etc. After making this assumption, RCLCO examined Median Family Income ("MFI") levels in Sacramento County, and determined the rents necessary to be affordable to those households making 50% of MFI. This approach results in a weighted average rent of $1.18 per square foot, in 2021 dollars and based on 2021 income limits.

Determination of Affordable Housing Rents, 2021;
The Railyards

	UNIT MIX[1]	AVG. UNIT SIZE[1]	ASSUMED HOUSEHOLD SIZE[2]	ASSUMED INCOME LIMIT[3]	IMPLIED AVG. RENT[4]	AVG. RENT / SF
Studio	25.0%	500	1.0	$31,750	$794	$1.59
1BR	50.0%	700	1.5	$34,000	$850	$1.21
2BR	22.5%	1,050	3.0	$40,800	$1,020	$0.97
3BR	2.5%	1,500	4.5	$47,125	$1,178	$0.79
AVERAGE		**749**	**1.8**	**$35,296**	**$882**	**$1.18**

[1] Based on average for all market-rate rental apartment communities in the competitive set
[2] Assumes average household size of 1.0 for studio units, 1.5 for one-bedroom units, and 1.5 for each additional bedroom, consistent with HUD guidelines
[3] Based on FY 2021 Income Limits for the Sacramento--Roseville--Arden-Arcade, CA HUD Metro FMR Area for households making 50% of Median Family Income ("MFI"), according to HUD
[4] Assumes 30% of income spent on rent, consistent with HUD guidelines
Source: Department of Housing and Urban Development; RCLCO

FOR-SALE MARKET ANALYSIS

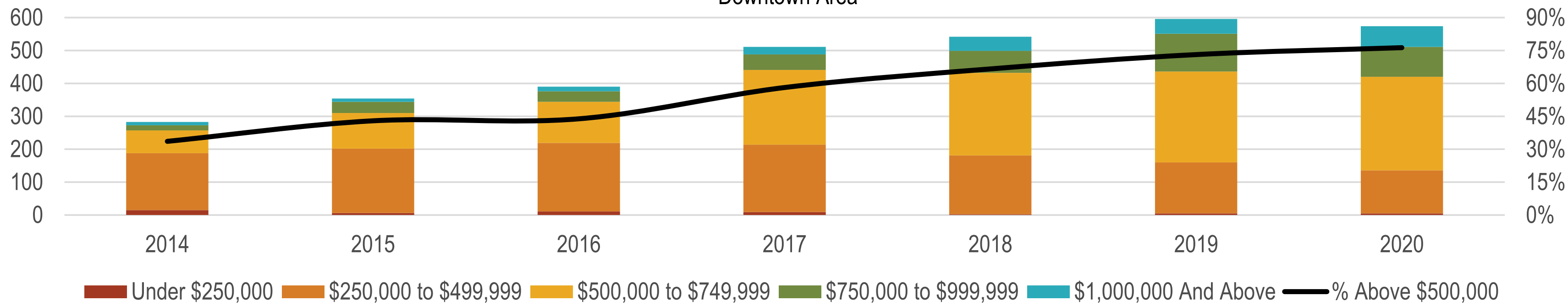
FOR-SALE HOUSING MARKET TRENDS

RCLCO
REAL ESTATE CONSULTING

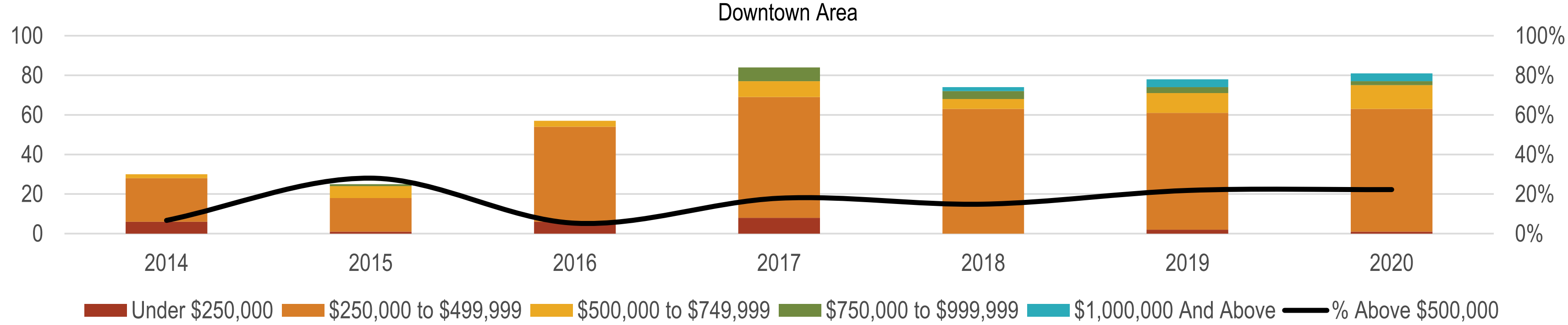
WHILE HOME PRICES IN THE DOWNTOWN AREA HAVE EXPERIENCED MEANINGFUL GROWTH IN RECENT YEARS, MULTIFAMILY CONDOMINIUMS STILL REPRESENT A RELATIVELY SMALL SHARE OF THE LOCAL HOUSING MARKET

- According to RealQuest, approximately 80 condominium sales took place in the Downtown Area in 2020, representing 14% of the overall sales volume in the area.
- The number of highly priced condominium sales (priced above $750,000) increased considerably from 2016 to 2020, indicating that condominiums are beginning to shift from value alternatives to lifestyle products. However, it is important to note that the bulk of these sales were likely concentrated at *The Residences at the Sawyer*, a single, 45-unit luxury condominium development above the Kimpton hotel, offering amenities and services through the hotel.

Volume and Price Distribution of All Sales, 2014-2020;
Downtown Area



Volume and Price Distribution of Condominium Sales, 2014-2020;
Downtown Area



Note: Above charts include data from the following zip codes: 95605, 95691, 95811, 95814, 95816, and 95818.

Source: RealQuest; RCLCO

FOR-SALE SUPPLY

A NUMBER OF TOWNHOME AND TOWNHOME-STYLE CONDOMINIUM COMMUNITIES HAVE DELIVERED IN THE DOWNTOWN AREA IN RECENT YEARS, THOUGH THERE REMAIN FEW TRADITIONAL MULTIFAMILY FOR-SALE OFFERINGS

- To determine the optimal positioning for for-sale product at The Railyards, RCLCO examined product in the Downtown Area. Given the infill nature of the area, there have been few large-scale projects to deliver in recent years. One notable exception is *The Mill at Broadway*, which is a 32-acre development just across U.S. Route 50 from Downtown Sacramento, with many homes in the "single-family condominium" style that enables residents to own detached homes on condominium parcels.
- In general, pricing within the competitive set follows relatively tight price bands. Average prices typically range from $350,000 to $450,000 for single-family condominiums, while they hover around $600,000 for townhomes and $700,0000 for single-family detached homes. At this time, *The Residences at the Sawyer* is the only new project in the area that is explicitly catering to luxury home buyers, and this segment of the market is still somewhat untested at a large scale. This project has an average price point of nearly $1.5 million for an average size of 1,525 square feet ($975 per square foot), and it offers amenities and services through the attached Kimpton hotel.
- RCLCO sees opportunities for a range of owner-occupied housing types at The Railyards, including ultra-luxury multifamily condominiums (e.g., *The Residences at the Sawyer*), conventional multifamily condominiums (e.g., *Central Lofts at the Mill*), and townhomes or townhome-style condominiums (e.g., many of the other units at *The Mill at Broadway*).
  - If buildings were to deliver today, RCLCO would expect pricing to average $390 per square foot, given that the latter two categories are likely to represent the bulk of owner-occupied product at The Railyards until it is able to offer a strong sense of place, along with sufficient retail and amenity offerings.
  - By the time the site builds out, RCLCO expects average pricing to increase to $570 per square foot, with this average including townhome or townhome-style product at $500 per square foot, conventional multifamily condominium product at $600 per square foot, and luxury multifamily condominium product at $1,000 per square foot.

Competitive Set of For-Sale Communities, June 2021;
Downtown Area

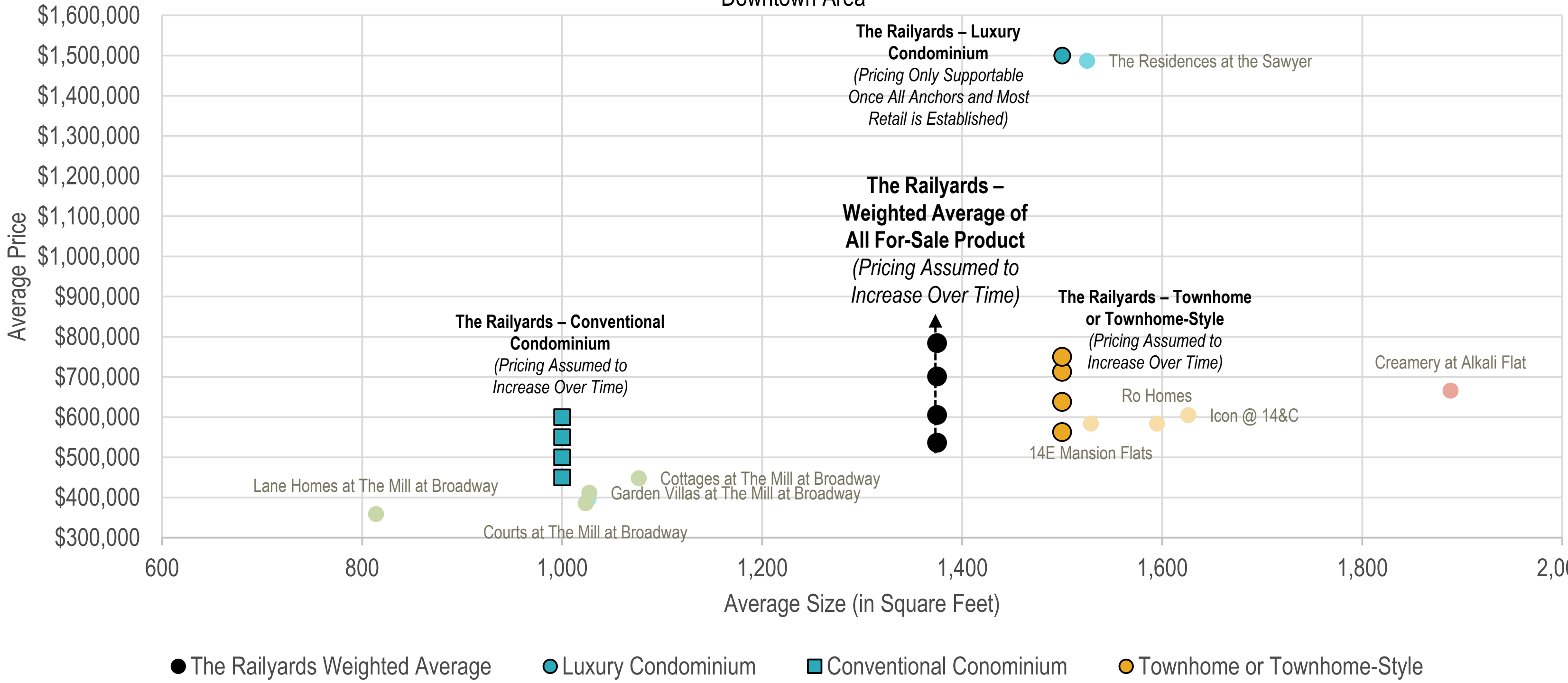
MAP	PROPERTY	YEAR	UNITS	AVG. PRICE	AVG. SIZE	AVG. $/SF
1	The Residences at the Sawyer	2018	45	$1,487,000	1,525	$975
2	Central Lofts at The Mill	2021	24	$397,000	1,027	$387
3	Garden Villas at The Mill at Broadway	2020	30	$412,000	1,027	$401
4	Cottages at The Mill at Broadway	2018	72	$448,000	1,076	$416
5	Lane Homes at The Mill at Broadway	2018	46	$359,000	814	$441
6	Courts at The Mill at Broadway	2019	37	$386,000	1,023	$377
7	Icon @ 14&C	2020	21	$605,000	1,626	$372
8	Ro Homes	2020	19	$584,000	1,595	$366
9	14E Mansion Flats	2020	12	$584,000	1,529	$382
10	Creamery at Alkali Flat	2017	122	$666,000	1,888	$353

Source: Redfin; Zillow; Community Websites; RCLCO

THE RAILYARDS HAS THE POTENTIAL TO ACHIEVE ATTRACTIVE PRICING ON A PER SQUARE FOOT BASIS

- RCLCO sees opportunities for a range of owner-occupied housing types at The Railyards, including ultra-luxury multifamily condominiums (e.g., *The Residences at the Sawyer*), conventional multifamily condominiums (e.g., *Central Lofts at the Mill*), and townhomes or townhome-style condominiums (e.g., many of the other units at *The Mill at Broadway*).
  - If buildings were to deliver today, RCLCO would expect pricing to average $390 per square foot, given that the latter two categories are likely to represent the bulk of owner-occupied product at The Railyards until it is able to offer a strong sense of place, along with sufficient retail and amenity offerings.
  - By the time the site builds out, RCLCO expects average pricing to increase to $570 per square foot, with this average including townhome or townhome-style product at $500 per square foot, conventional multifamily condominium product at $600 per square foot, and luxury multifamily condominium product at $1,000 per square foot.

Price-To-Size Comparison, June 2021;
Downtown Area

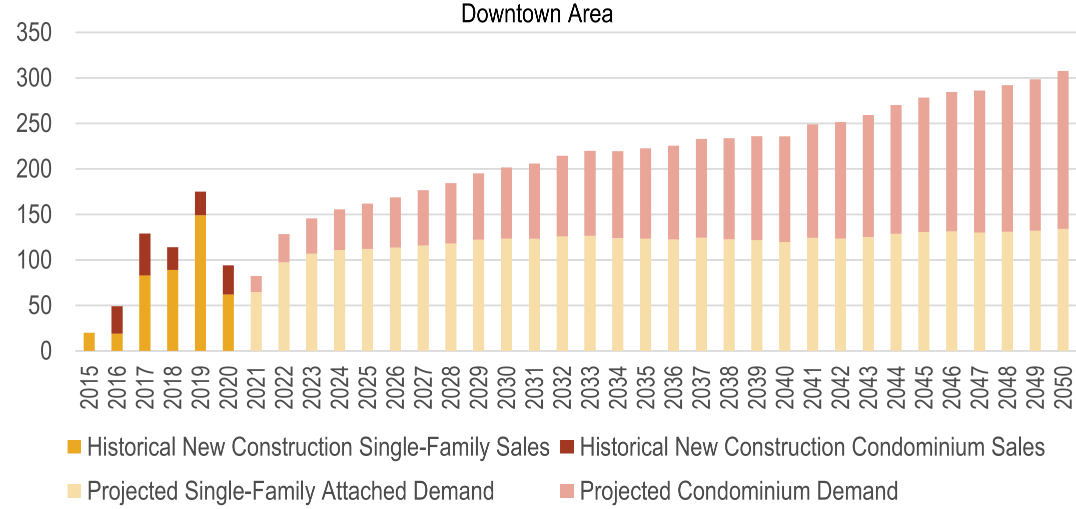


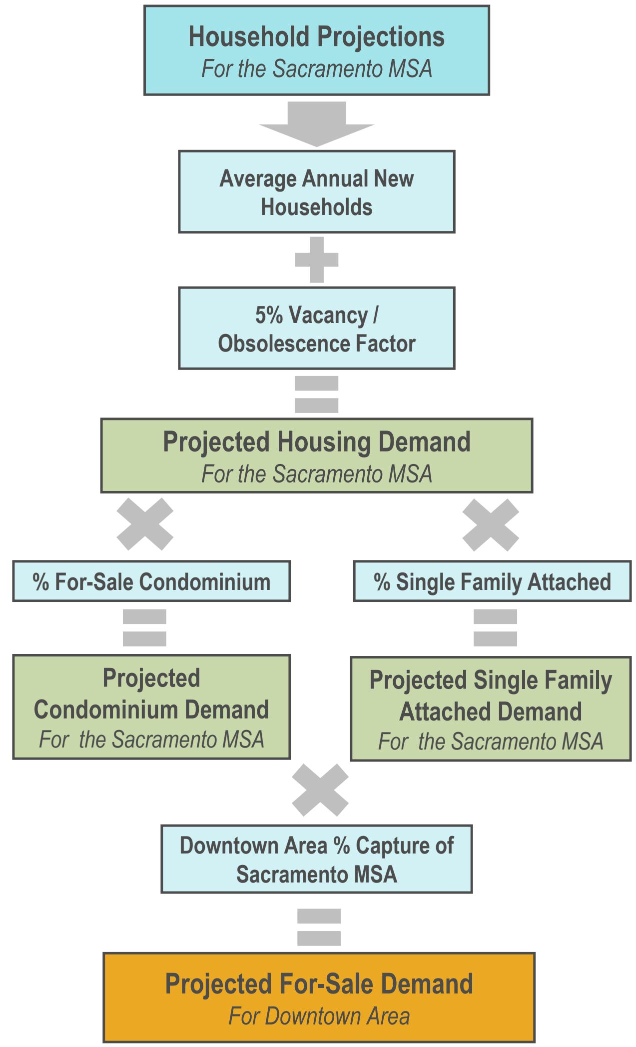
Source: Redfin; Zillow; Community Websites; RCLCO

RCLCO PROJECTS DEMAND FOR 220 ATTACHED AND CONDOMINIUM UNITS ANNUALLY IN THE DOWNTOWN AREA THROUGH 2040

- To project for-sale housing demand, RCLCO followed an approach that is similar to the one it used to project rental housing demand, analyzing population and household growth projections at the MSA level and considering tenure and product preferences. Using this approach, RCLCO projected average annual demand for 570 single-family attached and condominium units in the Sacramento MSA over the next 30 years, during which time demand is expected to increase from 260 units in 2021 to 720 units in 2050.
  - This growth is not only attributable to increased household growth in the Sacramento MSA, but also to a shift toward denser product types as the region continues to evolve.
- RCLCO projects the Downtown Area to capture a relatively stable share of demand for single-family attached housing over the coming decades, given that much of this development is likely to remain in the suburbs as well. Meanwhile, RCLCO expects the Downtown Area to capture a growing share of demand for condominiums, as this type of product evolves from a value alternative to a lifestyle option.

Comparison of Historical and Projected For-Sale Absorption, 2015 to 2050;
Downtown Area





Note: For the purposes of historical data, "Downtown Area" is defined as the following zip codes: 95605, 95691, 95811, 95814, 95816, and 95818. Please note that "Historical New Construction Single-Family Sales" includes both attached and detached product.

Source: Moody's Analytics; California Department of Transportation; RealQuest; RCLCO

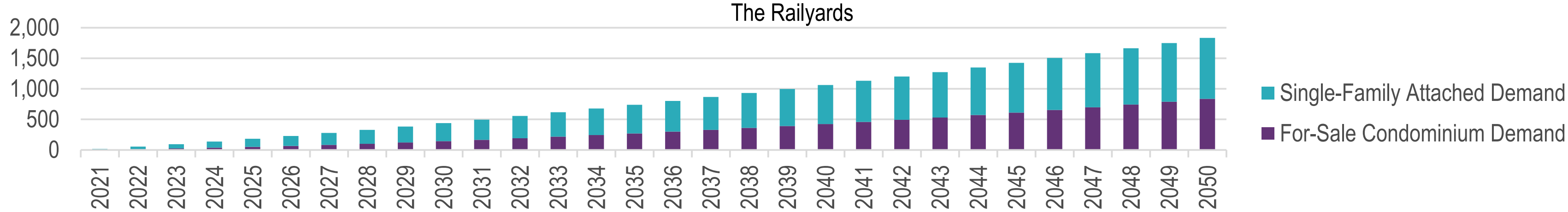
FOR-SALE CONDOMINIUM DEMAND

RCLCO
REAL ESTATE CONSULTING

RCLCO PROJECTS THAT THE RAILYARDS CAN SUPPORT NEARLY 1,840 ATTACHED AND CONDOMINIUM UNITS BY 2050

- RCLCO assumed The Railyards can capture up to 28% of demand for townhomes and condominiums in the Downtown Area, like it did in the case of rental apartments. While there is a relatively shallow pipeline of known townhome and condominium developments in the Downtown Area, it is likely that a portion of the residential units planned at other long-term development projects will deliver as for-sale, and the assumed capture appropriately reflects that other, currently unknown projects are likely to deliver over the mid to long term. For more information on the for-sale development pipeline that is known at this time, please see Exhibit II-4.
- This analysis suggests that The Railyards can support up to 1,000 townhomes and 840 multifamily condominiums by 2050. Condominium demand is projected to grow significantly over time, as the for-sale housing market in the Downtown area continues to evolve, and as retail and other amenities deliver at The Railyards.

Cumulative For-Sale Demand (Units), 2021-2050;
The Railyards



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Sacramento, CA, MSA Demand	6,881	9,821	10,269	10,147	9,811	9,533	9,330	9,142	9,103	8,869	8,563	8,447	8,217	7,801	7,532
% Multifamily	18%	19%	19%	19%	20%	20%	21%	21%	22%	22%	23%	23%	24%	24%	24%
Multifamily Demand	1,244	1,821	1,950	1,973	1,953	1,941	1,942	1,944	1,978	1,967	1,938	1,951	1,935	1,873	1,842
% For-Sale	3%	3%	4%	4%	5%	5%	6%	6%	7%	7%	8%	8%	9%	9%	10%
MSA Condo Demand	31	55	68	79	88	97	107	117	129	138	145	156	164	169	175
% in Downtown Area	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%
Downtown Area Condo Demand	18	31	39	45	50	55	61	66	73	78	83	89	93	96	99
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Condo Demand	5	9	11	12	14	15	17	18	20	22	23	25	26	27	28
Cumulative Condo Demand	5	14	24	37	51	66	83	101	121	143	166	191	216	243	271

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Sacramento, CA, MSA Demand	7,275	7,180	6,886	6,658	6,376	6,460	6,269	6,214	6,236	6,191	6,100	5,919	5,834	5,764	5,747
% Multifamily	25%	25%	26%	26%	27%	27%	28%	28%	29%	29%	29%	30%	30%	31%	31%
Multifamily Demand	1,812	1,822	1,778	1,750	1,705	1,757	1,733	1,746	1,781	1,796	1,798	1,771	1,772	1,777	1,798
% For-Sale	10%	11%	11%	12%	12%	13%	13%	14%	14%	15%	15%	16%	16%	17%	17%
MSA Condo Demand	181	191	196	201	205	220	225	236	249	260	270	275	284	293	306
% in Downtown Area	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%
Downtown Area Condo Demand	103	109	111	114	116	125	128	134	142	148	153	156	161	167	174
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Condo Demand	29	30	31	32	32	35	36	37	39	41	42	43	45	46	48
Cumulative Condo Demand	299	329	360	392	424	459	494	531	571	612	654	697	742	788	836

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Sacramento, CA, MSA Demand	6,881	9,821	10,269	10,147	9,811	9,533	9,330	9,142	9,103	8,869	8,563	8,447	8,217	7,801	7,532
% Single Family	82%	81%	81%	81%	80%	80%	79%	79%	78%	78%	77%	77%	76%	76%	76%
Single Family Demand	5,637	8,001	8,319	8,173	7,858	7,592	7,388	7,197	7,125	6,902	6,625	6,496	6,282	5,929	5,690
% Attached	4%	4%	4%	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	7%	7%
MSA SFA Demand	228	341	373	384	387	390	396	402	413	416	413	420	420	409	405
% in Downtown Area	28%	29%	29%	29%	29%	29%	29%	29%	30%	30%	30%	30%	30%	30%	30%
Downtown Area SFA Demand	65	97	107	111	112	114	116	118	122	123	123	126	126	124	123
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual SFA Demand	13	27	30	31	31	32	32	33	34	34	34	35	35	34	34
Cumulative SFA Demand	13	40	70	101	132	163	195	228	262	296	330	365	400	435	469

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Sacramento, CA, MSA Demand	7,275	7,180	6,886	6,658	6,376	6,460	6,269	6,214	6,236	6,191	6,100	5,919	5,834	5,764	5,747
% Single Family	75%	75%	74%	74%	73%	73%	72%	72%	71%	71%	71%	70%	70%	69%	69%
Single Family Demand	5,462	5,359	5,107	4,908	4,671	4,703	4,536	4,468	4,455	4,395	4,302	4,148	4,061	3,987	3,949
% Attached	7%	8%	8%	8%	8%	8%	9%	9%	9%	9%	10%	10%	10%	10%	10%
MSA SFA Demand	401	405	397	393	384	397	393	397	406	410	411	405	406	407	412
% in Downtown Area	31%	31%	31%	31%	31%	31%	31%	32%	32%	32%	32%	32%	32%	32%	33%
Downtown Area SFA Demand	123	124	123	122	120	124	123	125	129	130	131	130	131	132	134
% at The Railyards	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual SFA Demand	34	35	34	34	33	34	34	35	36	36	36	36	36	37	37
Cumulative SFA Demand	503	538	572	605	638	673	707	742	778	814	850	886	923	959	997

Source: Moody's Analytics; California Department of Transportation; CoStar; RCLCO

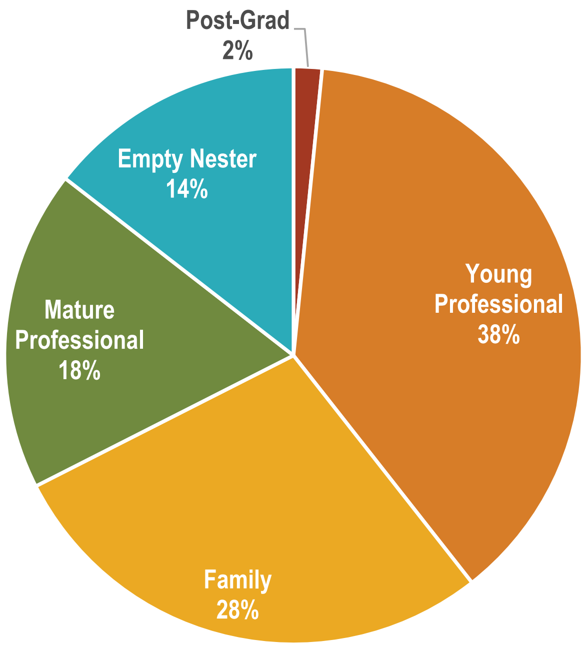
LIFE STAGES AND HOUSEHOLD TYPES

RCLCO
REAL ESTATE CONSULTING

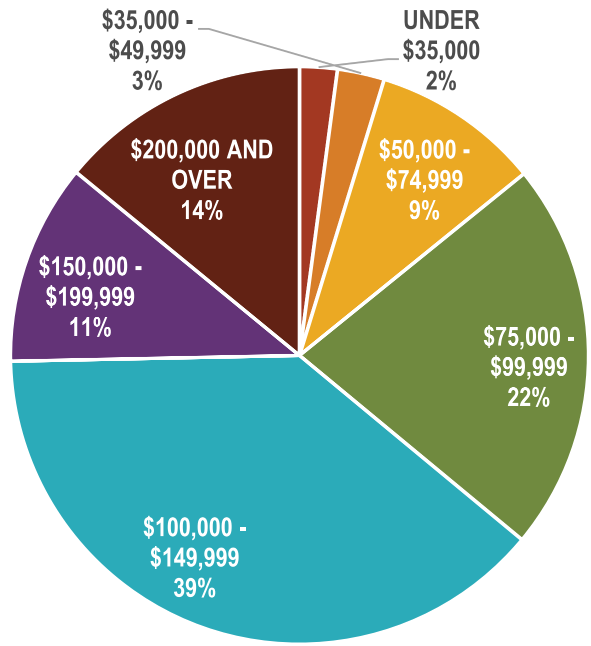
CONDOMINIUM DEMAND IN THE DOWNTOWN AREA STEMS FROM A DIVERSE MIX OF HOUSEHOLD TYPES, WITH AN EMPHASIS ON YOUNG PROFESSIONALS (38%) AND FAMILIES (28%)

- The remaining segments include mature professionals (18%) and empty nesters (14%), with a small number of post-graduates (2%). These segments point to a sizable number of young professionals and other first-time home buyers, some of whom may be concerned with affordability.
- Approximately 25% of demand for new condominium units is expected to come from households earning above $150,000 annually. RCLCO expects this share of the market to fuel the bulk of support for ultra-luxury, likely high-rise condominiums, whereas the remaining share of the market is likely to gravitate to more conventional, likely mid-rise condominiums.

Annual Condo Owner Demand for New Units by Lifestage, 2020-2025;
Downtown Area



Annual Condo Owner Demand for New Units by Income, 2020-2025;
Downtown Area



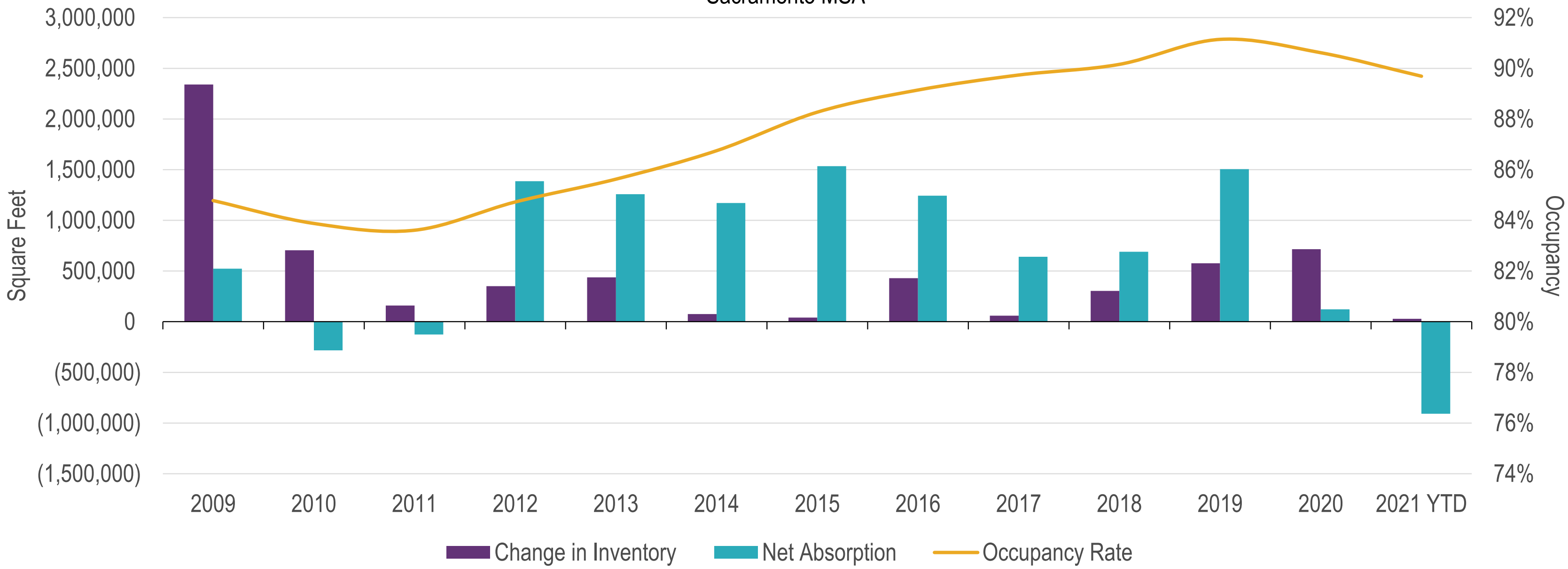
Source: Esri; American Community Survey PUMS; RCLCO

OFFICE MARKET ANALYSIS

LIMITED OFFICE DEVELOPMENT DURING THE MOST RECENT ECONOMIC CYCLE LED TO RISING OCCUPANCY RATES ACROSS THE SACRAMENTO MSA

- The Sacramento MSA added only 3.2 million square feet of office space between 2011 and 2020. Net absorption during the same time period totaled over 9.4 million square feet, causing occupancy rates to rise above 90% before the COVID-19 pandemic.
- According to CoStar, office rents in the Sacramento MSA are averaging $2.05 per square foot on a FSG basis as of June 2021. This number is up nearly 23% from rents in 2013, and it is up nearly 7% from pre-COVID levels.
- The COVID-19 pandemic has led to significant in-migration to Sacramento from the Bay Area, which brokers predict will have lasting positive effects on the local office market. There is growing belief within the market that technology companies will open satellite offices in Sacramento to be closer to their shifting workforces; in doing so, workers would be able to experience the “best of both worlds,” where they can benefit from lower housing costs, still be close to an office setting, and also maintain the ability to have a relatively short commute to headquarters when necessary.

Completions, Absorption, and Vacancy, 2009-2021 YTD;
Sacramento MSA

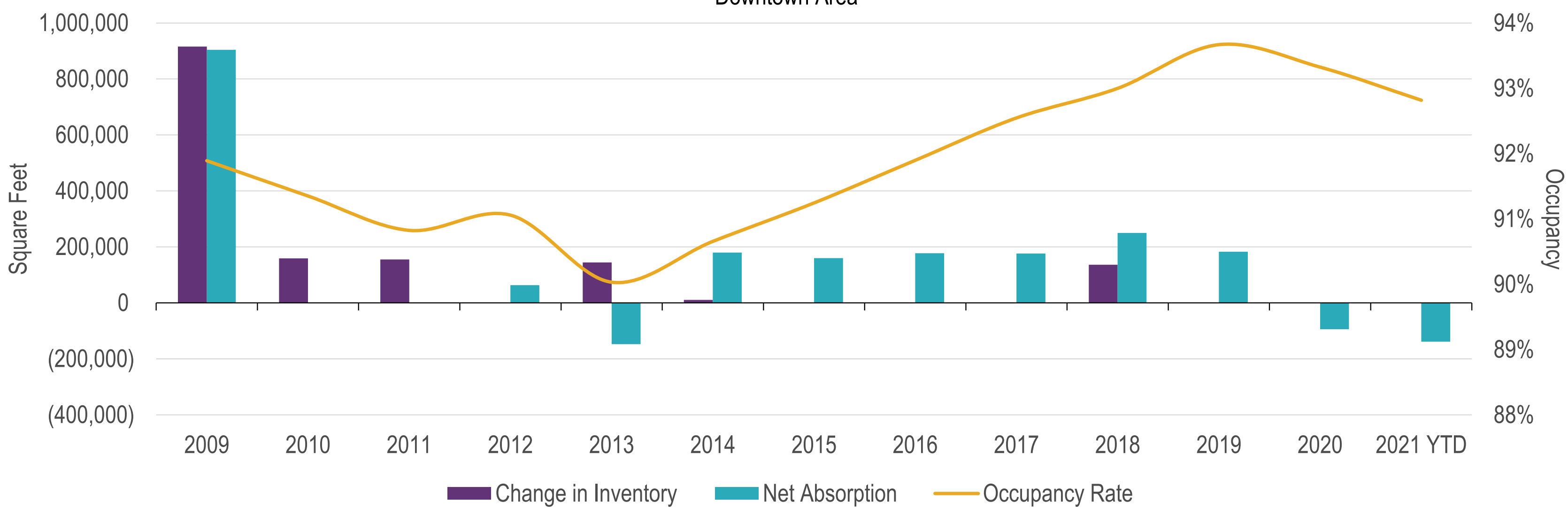


Source: CoStar; Broker Interviews; RCLCO

THERE HAS BEEN MINIMAL CONSTRUCTION ACTIVITY IN THE DOWNTOWN AREA, LIKELY DUE TO THE FACT THAT OFFICE RENTS HAVE HISTORICALLY NOT BEEN HIGH ENOUGH TO JUSTIFY NEW CONSTRUCTION

- Only 447,000 square feet of new office space has delivered in the Downtown Area over the past 10 years, even though the market absorbed 947,000 square feet during the same period. *Ice Blocks* was one of the few bright spots for new construction over the past decade, helping demonstrate office demand in a dynamic, mixed-use development.
  - While the mismatch between new development and net absorption points to supply constraints in the Downtown Area, brokers note that rents are generally not high enough to make high-rise construction work financially. As of June 2021, rents averaged $2.77 per square foot (FSG), below the $3.50 to $3.80 range they report as necessary to support new construction.
- The COVID-19 pandemic has hit the office market in the Downtown Area harder than it has hit the region as a whole, leading to negative net absorption in 2020 and thus far in 2021. However, it is important to note that these trends are not unique to Sacramento. Across the country, urban submarkets have experienced similar challenges, as the value of being "downtown" has declined, and as the number of restaurants, shops, and other locational amenities in central business districts has fallen during the pandemic. While brokers report that most tenant interest during the pandemic has been focused in the suburbs, they also expect to see interest shift back to the Downtown Area once businesses and governmental agencies return to the office, and once their return triggers the recovery of other urban amenities like retail and entertainment.

Completions, Absorption, and Vacancy, 2001-2021 YTD;
Downtown Area

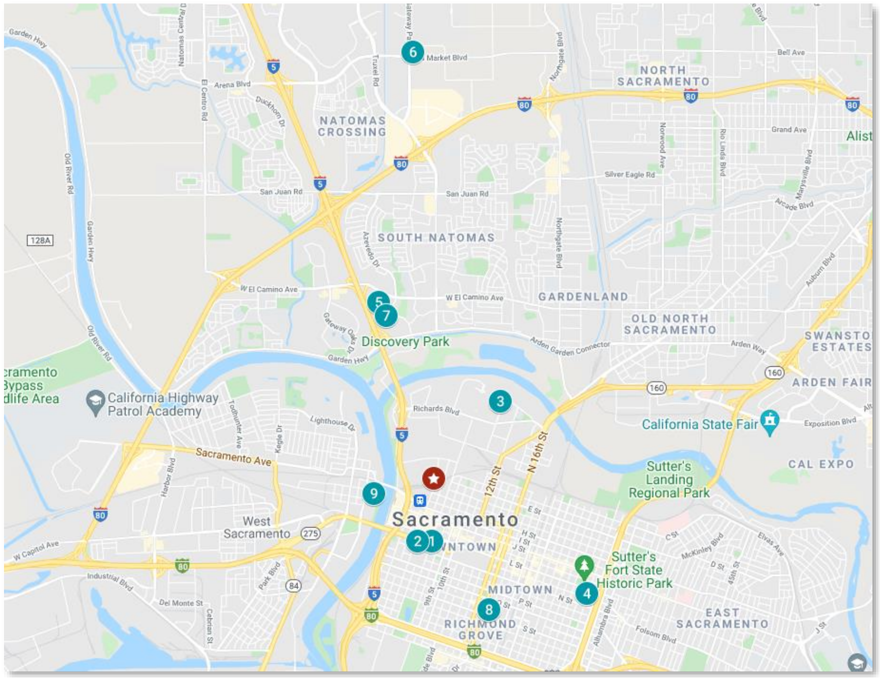


Source: CoStar; Broker Interviews; RCLCO

THE RAILYARDS SHOULD BE POSITIONED TO CAPITALIZE ON AN EVOLVING LOCAL OFFICE MARKET THAT HAS HAD LITTLE NEW SUPPLY IN THE PAST DECADE

- RCLCO surveyed a competitive set of nine buildings to better understand the office opportunity at The Railyards. In general, these buildings represent the newest and/or nicest product that is likely to compete with the site.
- During the pandemic, the lack of activity in urban submarkets has led to elevated vacancy rates in some office buildings. However, brokers note that occupancies are likely to improve as businesses and governmental agencies return to the office, with projects like The Railyards and attractions like the Golden 1 Center having the potential to further reignite interest in the Downtown Area as well.
- With the exception of *Ice Blocks*, speculative office development has largely been absent from the Downtown Area in recent years, as many developers have sought commitments from larger tenants before breaking ground. Further, many of the buildings in Downtown Sacramento are occupied by a single tenant or government agency, leaving little room for multi-tenant projects. The success of *Ice Blocks* prior to the pandemic suggests that there is room for more speculative development as the local economy rebounds.
- Existing high-rise properties are generally commanding rents in the range of $3.25 to $3.60 per square foot per month (FSG), with the low-rise *Ice Blocks* asking rents toward the bottom end of this range.
- Because the local landscape for office space is likely to change due to increased in-migration (e.g., a greater presence of technology firms), The Railyards is likely to be one of the few developments positioned to cater to a more campus-like feel.
- While still under construction, the *Richards Boulevard Office Complex* is slated to add 1,250,000 square feet and 4,250 California state employees to the River District, immediately north of The Railyards, when it delivers in 2024. Along with such buildings as the *California State Lottery Commission* and the *CalSTRS headquarters*, this development highlights that the "traditional" central business district is expanding to include redeveloping neighborhoods around The Railyards, and that government and other related users have historically played a significant role in establishing such areas as attractive office locations.

Competitive Set, June 2021;
Sacramento MSA



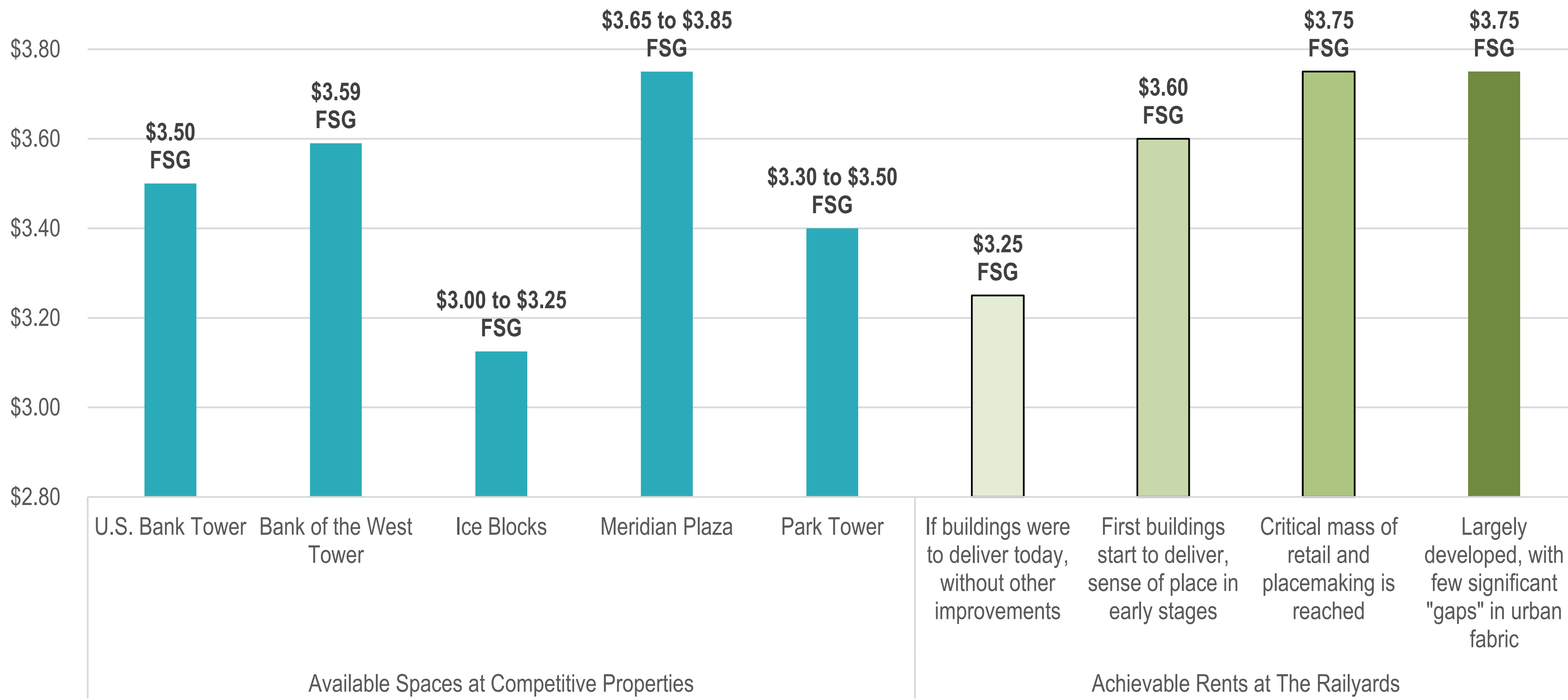
MAP KEY	PROPERTY NAME	YEAR BUILT	STORIES	SIZE (SF)	OCC. RATE	RENT/SF
1	U.S. Bank Tower	2008	25	380,000	74.6%	$3.50 (FSG)
2	Bank of the West Tower	2009	25	445,984	93.4%	$3.59 (FSG)
3	California State Lottery Commission	2011	6	155,000	100%	N/A
4	Sutter Capitol Pavilion	2013	4	144,744	100%	Withheld
5	2020 Gateway Tower	2009	12	325,477	100%	N/A
6	1747 N Market Blvd	2010	2	105,000	100%	Withheld
7	2555 Natomas Park Dr	2020	3	90,000	0.0%	Withheld
8	Ice Blocks	2018	4	136,412	95.5%	$3.00-$3.25 (FSG)
9	CalSTRS	2009	17	409,000	100%	N/A

Source: CoStar; Google Maps; RCLCO

OFFICE RENTS AT THE RAILYARDS ARE EXPECTED TO SEE THEIR LARGEST GAINS ONCE THERE IS A SENSE OF PLACE IN THE EARLY STAGES, WITH POTENTIAL TO STABILIZE AT THE TOP OF THE LOCAL MARKET

- If buildings were to deliver at The Railyards today, RCLCO anticipates they could achieve pricing in line with *Ice Blocks*, at roughly $3.25 per square foot (FSG). However, the establishment of placemaking elements and the delivery of anchors is likely to allow The Railyards to be competitive with new high-rises in Downtown Sacramento in the near term, ultimately achieving rents of $3.75 per square foot over the long term due to the anticipated quality of the product and its environment.

Rent Comparison, June 2021;
Sacramento MSA

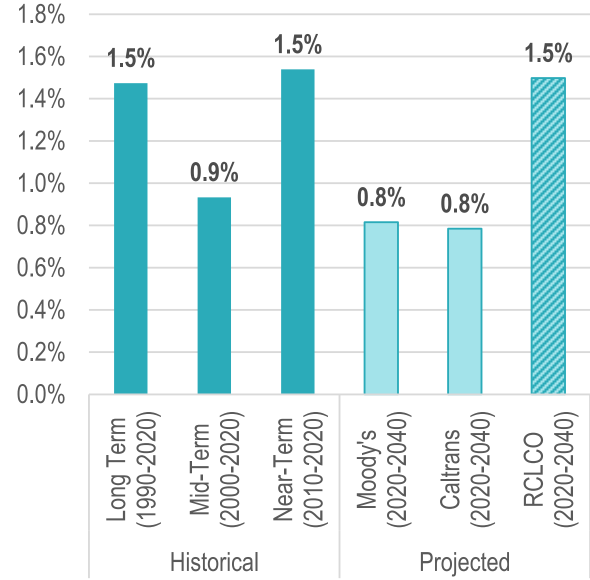


Source: CoStar; Loopnet; RCLCO

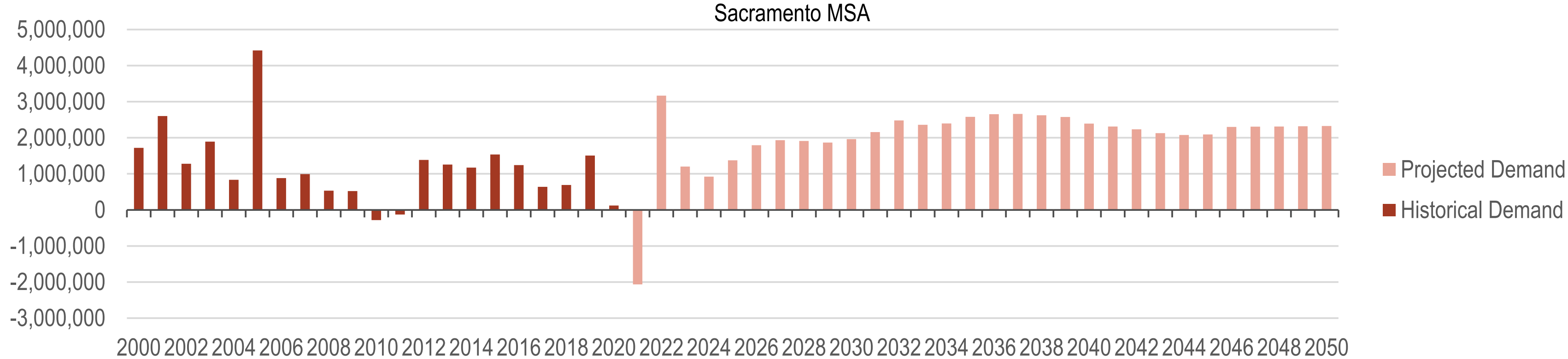
RCLCO PROJECTS THAT THE SACRAMENTO REGION CAN SUPPORT UP TO 2.0 MILLION SQUARE FEET ANNUALLY THROUGH 2040

- To forecast employment growth in the Sacramento MSA, RCLCO analyzed a series of growth projections, from both Moody's Analytics and the California Department of Transportation ("Caltrans"). Even considering a recovery from the COVID-19 pandemic, both sources project more moderate growth than recent and long-term historical averages, despite the likelihood that Sacramento will capture additional job growth coming out of the pandemic. As such, RCLCO developed its own forecast, assuming that the recovery will take place at the same pace Moody's predicts, but that growth will likely keep up with historical averages in the long-term.
- Building upon this forecast, RCLCO then evaluated shifting preferences toward work-from-home policies, as well as how they could impact demand for office. Overall, RCLCO assumes that the share of employees who require office space will likely decline, but that the amount of office square feet that employees will require will likely increase. Together, these dueling forces translate to a slight reduction in office demand, before taking into account any demand generated from growth in the employment base.
- While the bulk of absorption activity has historically occurred in the suburbs, RCLCO expects the Downtown Area will likely capture a growing share of demand as it continues to evolve, similar to the urban cores of other major metropolitan areas in the west, such as Seattle or Denver. Based on this assumption, RCLCO projects annual demand in the Downtown Area to increase substantially, with its capture of regional office absorption nearly doubling over the next 15 years, from 19.8% in 2021 to 38.6% by 2035.

Employment Growth by Data Source, 1990-2040;
Sacramento MSA



Annual Demand for Office Space, 2010-2050;
Sacramento MSA



Source: California Department of Transportation; Moody's Analytics; CoStar; RCLCO

RCLCO PROJECTS SUPPORT FOR NEARLY 3.5 MILLION SQUARE FEET OF OFFICE SPACE AT THE RAILYARDS THROUGH 2040

- Demand is expected to come from users who are moving within the market (in turnover) as well as users who are new to the market (from growth), with the increase over the long term being attributable to the greater tendency of these users to gravitate to the Downtown Area.
- Over the long term, RCLCO estimates The Railyards can capture 21% of office demand in the Downtown Area. This capture represents slightly less than the “fair share” of the pipeline that The Railyards represents, which is an appropriate assumption given the size of the project.
  - Today, 3.2 million square feet of office is under construction in the Downtown Area, with another 2.2 million square feet being planned (excluding The Railyards). Together, the Bridge District, River District, and Washington District have the potential to add more than 6.8 million square feet of space to this pipeline, suggesting future development is likely to exceed recent activity. For more information on this pipeline, see Exhibit III-6.
- Using this capture, RCLCO projects the cumulative office development potential at The Railyards to grow to approximately 3.5 million square feet by 2040. For more information on the forecast beyond this time frame, please see Exhibit VII-1.
- Looking at historical employment by economic sector and firm size, RCLCO estimates that between 5% and 10% of office demand could come from the types of users who prefer “creative” office space. This type of development includes co-working spaces, as well as other non-traditional office spaces that are attractive to smaller tenants (generally those with fewer than 20 employees) that are looking for appropriately sized footprints in architecturally interesting buildings.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
DEMAND FROM GROWTH																				
Beginning Demand (Occupied SF)	91,204	89,140	92,308	93,512	94,435	95,810	97,602	99,534	101,444	103,312	105,274	107,431	109,911	112,272	114,668	117,248	119,900	122,560	125,183	127,759
Net Absorption (Growth)	**-2,064**	**3,168**	**1,203**	**924**	**1,375**	**1,792**	**1,932**	**1,910**	**1,868**	**1,962**	**2,157**	**2,481**	**2,361**	**2,396**	**2,580**	**2,652**	**2,661**	**2,622**	**2,576**	**2,391**
Occupancy Rate	88%	90%	91%	90%	91%	93%	94%	96%	97%	99%	100%	102%	104%	106%	108%	110%	113%	115%	118%	120%
(Over)/Under Supply at 10% Vacancy	**(2,125)**	**(316)**	**586**	**83**	**1,156**	**2,646**	**4,276**	**5,885**	**7,451**	**9,112**	**10,967**	**13,146**	**15,205**	**17,299**	**19,577**	**22,229**	**24,890**	**27,512**	**30,088**	**32,480**
DEMAND FROM TURNOVER																				
Lease Expiration Rate	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
SF in Turnover Each Year	**13,029**	**12,734**	**13,187**	**13,359**	**13,491**	**13,687**	**13,943**	**14,219**	**14,492**	**14,759**	**15,039**	**15,347**	**15,702**	**16,039**	**16,381**	**16,750**	**17,129**	**17,509**	**17,883**	**18,251**
% Choose New Space	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Annual Demand from Turnover	**651**	**637**	**659**	**668**	**675**	**684**	**697**	**711**	**725**	**738**	**752**	**767**	**785**	**802**	**819**	**837**	**856**	**875**	**894**	**913**
DOWNTOWN AREA DEMAND POTENTIAL																				
Total MSA Demand from Growth & Turnover	**-1,413**	**3,805**	**1,863**	**1,591**	**2,049**	**2,477**	**2,629**	**2,621**	**2,592**	**2,700**	**2,908**	**3,248**	**3,146**	**3,198**	**3,399**	**3,489**	**3,517**	**3,498**	**3,470**	**3,304**
Capture Rate	19.8%	19.8%	19.8%	19.8%	19.8%	21.7%	23.6%	25.5%	27.3%	29.2%	31.1%	32.9%	34.8%	36.7%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%
Downtown Area Annual Demand Potential	**-280**	**754**	**369**	**316**	**406**	**537**	**620**	**667**	**708**	**788**	**904**	**1,070**	**1,095**	**1,174**	**1,311**	**1,346**	**1,357**	**1,349**	**1,339**	**1,274**
THE RAILYARDS DEMAND POTENTIAL																				
The Railyards Capture Rate			20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
The Railyards Annual Demand Potential			**77**	**66**	**85**	**109**	**122**	**129**	**134**	**147**	**166**	**193**	**195**	**207**	**229**	**244**	**255**	**263**	**270**	**265**
Cumulative Demand Potential			**77**	**143**	**227**	**336**	**458**	**587**	**721**	**868**	**1,033**	**1,227**	**1,422**	**1,629**	**1,858**	**2,102**	**2,357**	**2,620**	**2,890**	**3,155**
Cumulative Development Potential			**85**	**159**	**253**	**373**	**509**	**652**	**801**	**964**	**1,148**	**1,363**	**1,580**	**1,810**	**2,064**	**2,335**	**2,619**	**2,911**	**3,211**	**3,506**

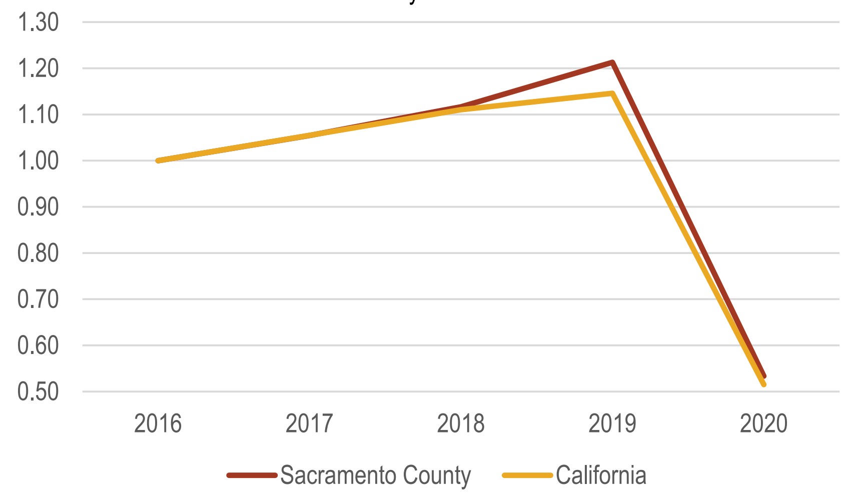
Source: Moody's Analytics; CoStar; RCLCO

HOSPITALITY MARKET ANALYSIS

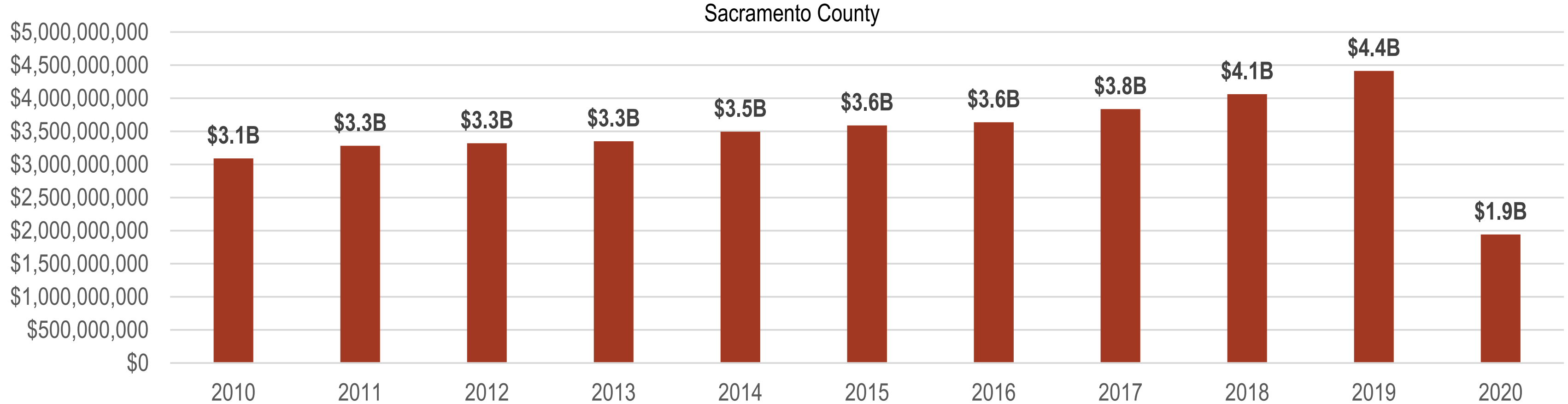
ALTHOUGH THE COVID-19 PANDEMIC HAS HIT THE TOURISM INDUSTRY ESPECIALLY HARD, TRAVEL-RELATED SPENDING IN SACRAMENTO HAD EXPERIENCED SIGNIFICANT GROWTH IN THE YEARS LEADING UP TO 2020

- Between 2016 and 2019, the amount of travel-related spending in Sacramento County grew from $3.6 billion to $4.4 billion, equivalent to an increase of 21.3%. This rate of growth far exceeds the state average of 14.6% during this same time span, with the entirety of this differential being attributable to elevated travel-related spending during 2018 and 2019, in particular. These trends highlight the extent to which local travel and tourism had grown in the years leading up to the COVID-19 pandemic.
- Indeed, the COVID-19 pandemic led to a drop in travel-related spending, which decreased from $4.4 billion in 2019 to $1.9 billion in 2020. However, this decline is no more severe than that which the State of California as a whole experienced during 2020, and there is reason to believe that travel and tourism will bounce back as more Americans are vaccinated, and as businesses continue to reopen.

Index of Travel-Related Spending, 2016-2020;
Sacramento County and State of California



Historical Travel-Related Spending, 2010-2020;
Sacramento County



Source: Visit California; Dean Runyan Associates, Inc.; RCLCO

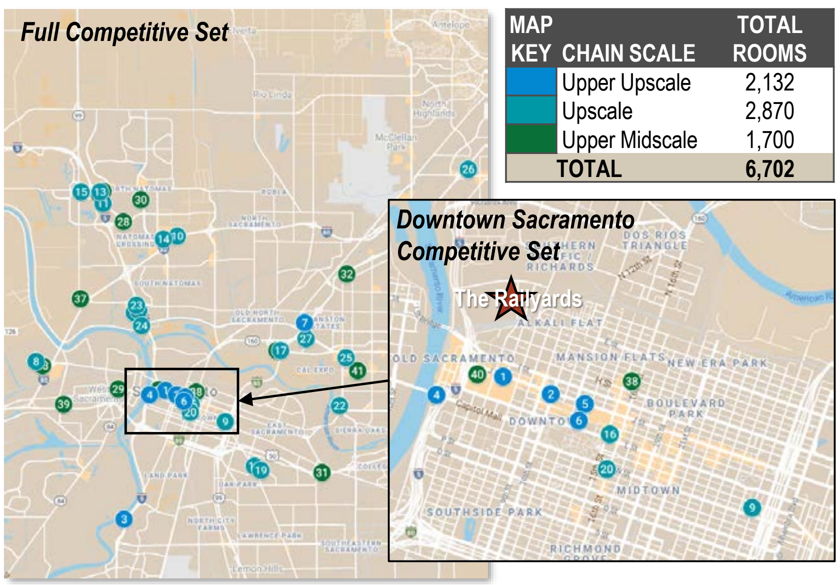
EXISTING HOTEL MARKET OVERVIEW

RCLCO REAL ESTATE CONSULTING

THE NEWEST AND HIGHEST-QUALITY HOTEL OPTIONS ARE SPREAD ACROSS THE REGION, WITH A GROWING NUMBER CONCENTRATING IN DOWNTOWN SACRAMENTO

- RCLCO evaluated the performance of the following hotels, looking specifically at the performance of those in Downtown Sacramento relative to the set as a whole. In general, these competitive sets reflect the newest and highest-quality hotel options available to visitors in Sacramento and West Sacramento.
- Of the 2,560 hotel rooms in the Downtown Sacramento competitive set (shown in bold in the table to the right), nearly two thirds were built after 2000. The bulk of these new hotels are upper upscale or upscale flags, with *Kimpton The Sawyer* and *The Fort Sutter* being the two newest deliveries.

Hotel Competitive Set, June 2021;
Sacramento, CA



MAP KEY	CHAIN SCALE	TOTAL ROOMS
	Upper Upscale	2,132
	Upscale	2,870
	Upper Midscale	1,700
	TOTAL	**6,702**

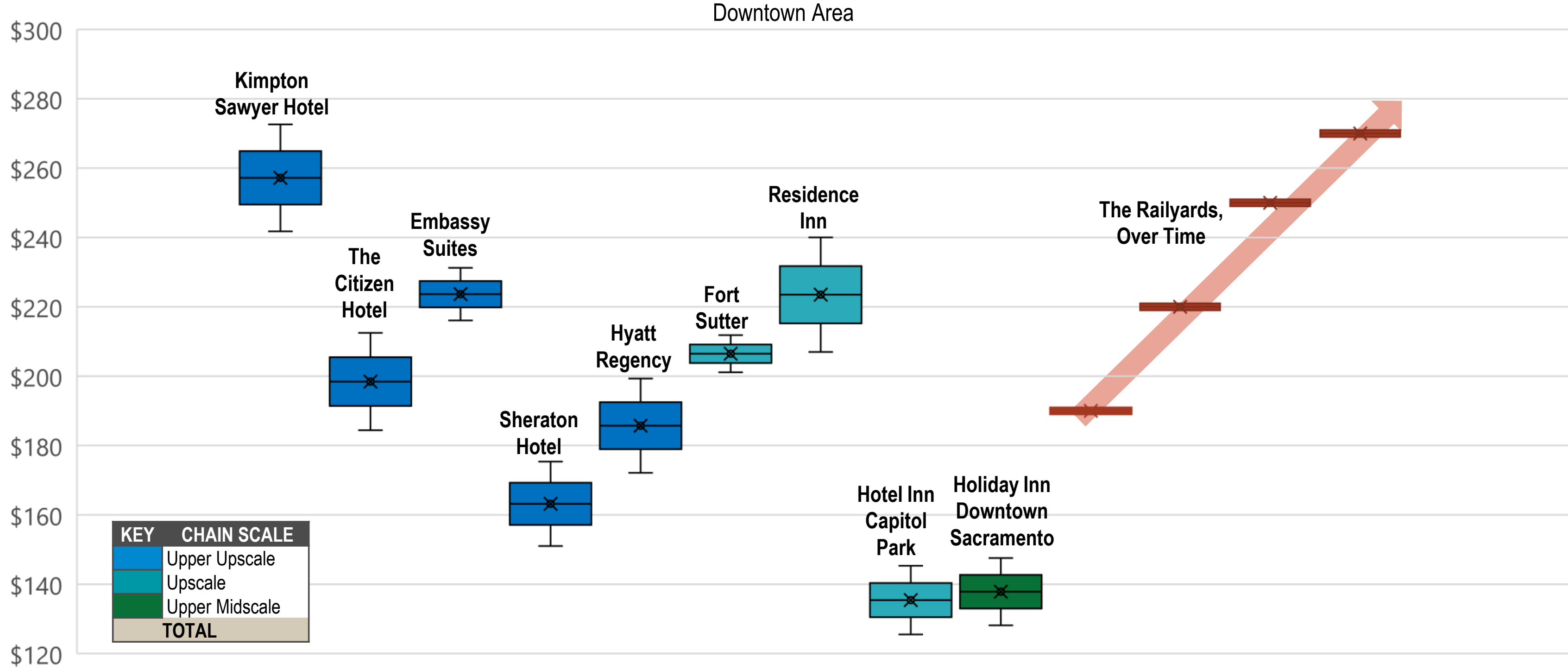
KEY	HOTEL	COMPETITIVE SET	OPENED	ROOMS
1	**Kimpton The Sawyer Hotel**	**Downtown Sacramento**	**2017**	**250**
2	**Autograph Collection The Citizen Hotel**	**Downtown Sacramento**	**2008**	**196**
3	Westin Sacramento	Full Competitive Set	2008	101
4	**Embassy Suites by Hilton Sacramento Riverfront**	**Downtown Sacramento**	**2002**	**242**
5	**Sheraton Hotel Grand Sacramento**	**Downtown Sacramento**	**2001**	**503**
6	**Hyatt Regency Sacramento**	**Downtown Sacramento**	**1988**	**505**
7	Hilton Sacramento Arden West	Full Competitive Set	1985	335
8	SpringHill Suites Sacramento - West Sacramento	Full Competitive Set	2021	97
9	**The Fort Sutter Sacramento, Tapestry Collection**	**Downtown Sacramento**	**2021**	**105**
10	element Sacramento Airport	Full Competitive Set	2020	107
11	Hilton Garden Inn Sacramento Airport Natomas	Full Competitive Set	2019	124
12	Ascend Collection Hotel Med Park	Full Competitive Set	2009	32
13	Homewood Suites by Hilton Sac. Airport Natomas	Full Competitive Set	2008	123
14	Staybridge Suites Sacramento Airport Natomas	Full Competitive Set	2007	117
15	Four Points by Sheraton Sacramento Intl Airport	Full Competitive Set	2007	100
16	**Residence Inn Sacramento Downtown**	**Downtown Sacramento**	**2007**	**235**
17	Courtyard Sacramento Cal Expo	Full Competitive Set	2006	152
18	SpringHill Suites Sacramento Natomas	Full Competitive Set	2005	96
19	Courtyard Sacramento Midtown	Full Competitive Set	2001	139
20	**Ascend Collection Hotel Inn Off Capitol Park**	**Downtown Sacramento**	**2000**	**37**
21	Hilton Garden Inn Sacramento South Natomas	Full Competitive Set	1999	153
22	Larkspur Landing Sacramento	Full Competitive Set	1998	124
23	Residence Inn Sacramento Airport Natomas	Full Competitive Set	1992	126
24	Courtyard Sacramento South Natomas	Full Competitive Set	1990	149
25	Residence Inn Sacramento Cal Expo	Full Competitive Set	1986	176
26	Crowne Plaza Sacramento Northeast	Full Competitive Set	1980	230
27	DoubleTree by Hilton Hotel Sacramento	Full Competitive Set	1977	448
28	TownePlace Suites Sacramento Airport Natomas	Full Competitive Set	2020	119
29	Home2 Suites by Hilton Sacramento West	Full Competitive Set	N/A	115
30	Wyndham Garden Hotel Sac. Airport Natomas	Full Competitive Set	2019	117
31	Hampton by Hilton Inn & Suites Sacramento at CSUS	Full Competitive Set	2018	116
32	Holiday Inn Express & Suites Sacramento	Full Competitive Set	2009	81
33	Hampton by Hilton Inn & Suites West Sacramento	Full Competitive Set	2009	110
34	Holiday Inn Express & Suites Sacramento Airport	Full Competitive Set	2006	100
35	Fairfield Inn Sacramento Cal Expo	Full Competitive Set	2006	75
36	Hampton by Hilton Inn Sacramento-North-Natomas	Full Competitive Set	2006	100
37	Fairfield Inn & Suites Sacramento Airport Natomas	Full Competitive Set	2005	93
38	**Holiday Inn Express Sacramento Convention Center**	**Downtown Sacramento**	**2003**	**132**
39	Holiday Inn Express West Sacramento Capitol Area	Full Competitive Set	2002	55
40	**Holiday Inn Sacramento Downtown Arena**	**Downtown Sacramento**	**1979**	**359**
41	Arden Star Hotel	Full Competitive Set	1972	128

Source: Smith Travel Research; CoStar; Business Journals; RCLCO

AT FULL BUILD OUT, THE RAILYARDS HAS THE POTENTIAL TO CHARGE TOP-OF-MARKET AVERAGE DAILY RATES

- The below graph displays the range of rack rates in the Downtown Sacramento competitive set from June 16th to Aug 14th, along with the projected supportable pricing for The Railyards as outlined on Page 11. On average, the rack rates for this time frame are in line with average daily rates ("ADRs") for 2020, and they therefore serve as good comparison points for the recommended pricing at The Railyards at present time.
- Initially, a hotel at the Railyards would likely be priced at a discount to hotels elsewhere in Downtown Sacramento, given the evolving amenity base nearby. However, as The Railyards develops and creates its own independent sense of place, RCLCO expects that the site can appeal to a larger target market and charge nightly rates at the top of the current competitive set, in line with the new *Kimpton Sawyer Hotel*. RCLCO therefore expects ADRs to rise over time, from the $190 that would be supportable today to the $270 seen at the *Kimpton Sawyer Hotel*.

Comparison of Achievable Average Daily Rates to Current Rack Rates, June 2021;
Downtown Area

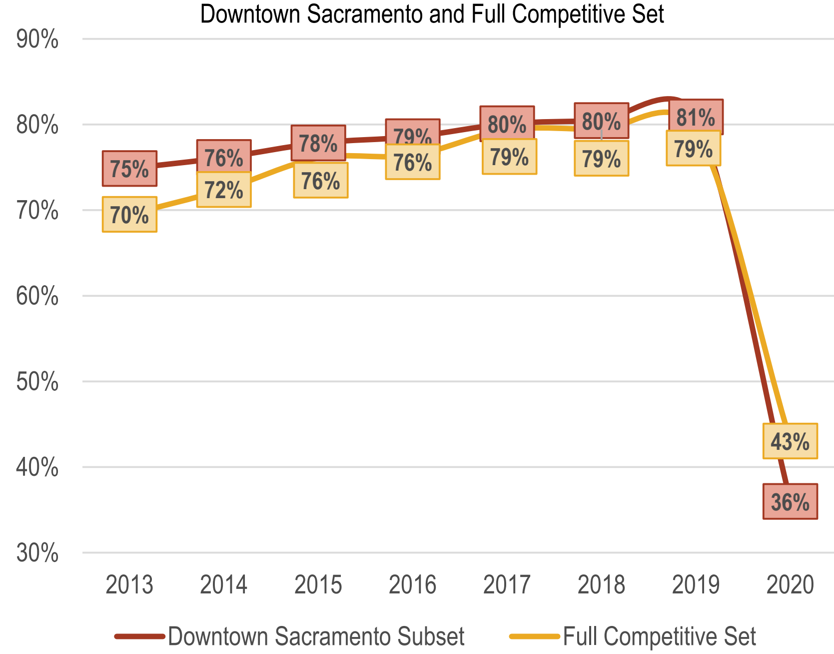


Source: Smith Travel Research; Google; RCLCO

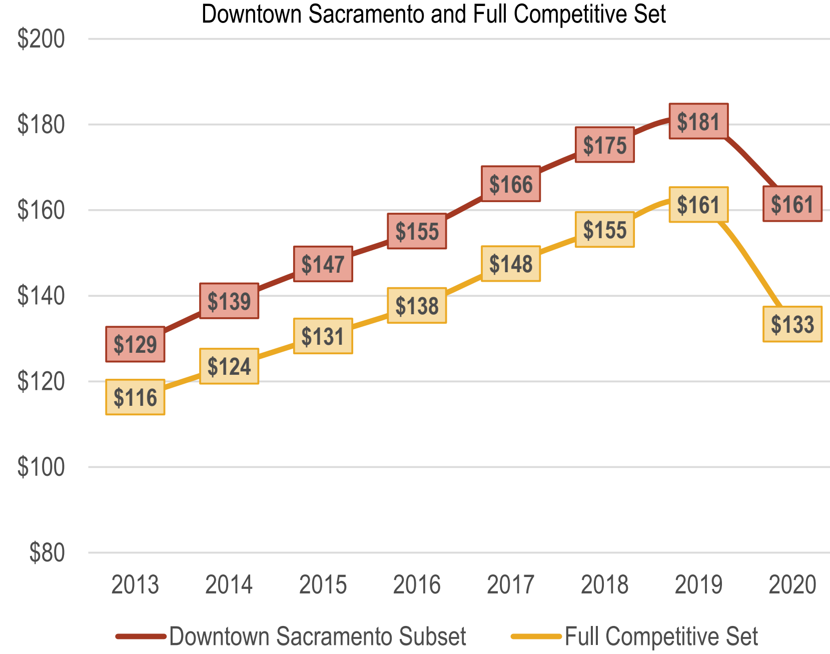
HOTELS IN DOWNTOWN SACRAMENTO HAVE HISTORICALLY OUTPERFORMED THEIR COUNTERPARTS IN THE SUBURBS, THOUGH THE COVID-19 PANDEMIC HAS HAD DISPROPORTIONATE IMPACTS ON THE DOWNTOWN HOSPITALITY MARKET

- Looking at the full competitive set, the hospitality market in Sacramento experienced significant growth preceding the pandemic, with an average occupancy rate of 72% from 2013 to 2019, and with average annual ADR growth of 7% during the same period.
- Relative to the market as a whole, Downtown Sacramento experienced particularly strong growth in the years leading up to the COVID-19 pandemic. Looking at the Downtown Sacramento competitive set, hotel supply increased by approximately 11% between 2013 and 2019, while demand grew at a faster rate of roughly 20% over the same period. As a result, occupancies increased from 75% to 81% and average daily rates ("ADRs") rose by 40%, the combination of which points to strong demand.
- Of course, the COVID-19 pandemic led to challenging market conditions in 2020, with occupancies experiencing steep declines in addition to falling ADRs. However, these conditions are likely to be temporary, and most market experts—including Smith Travel Research ("STR")—expect demand to return to pre-pandemic levels by the end of 2023.

Historical Occupancy Rate Comparison, 2013-2020;
Downtown Sacramento and Full Competitive Set



Historical ADR Comparison, 2013-2020;
Downtown Sacramento and Full Competitive Set



Source: Smith Travel Research; RCLCO

RECOVERY FROM COVID-19 PANDEMIC

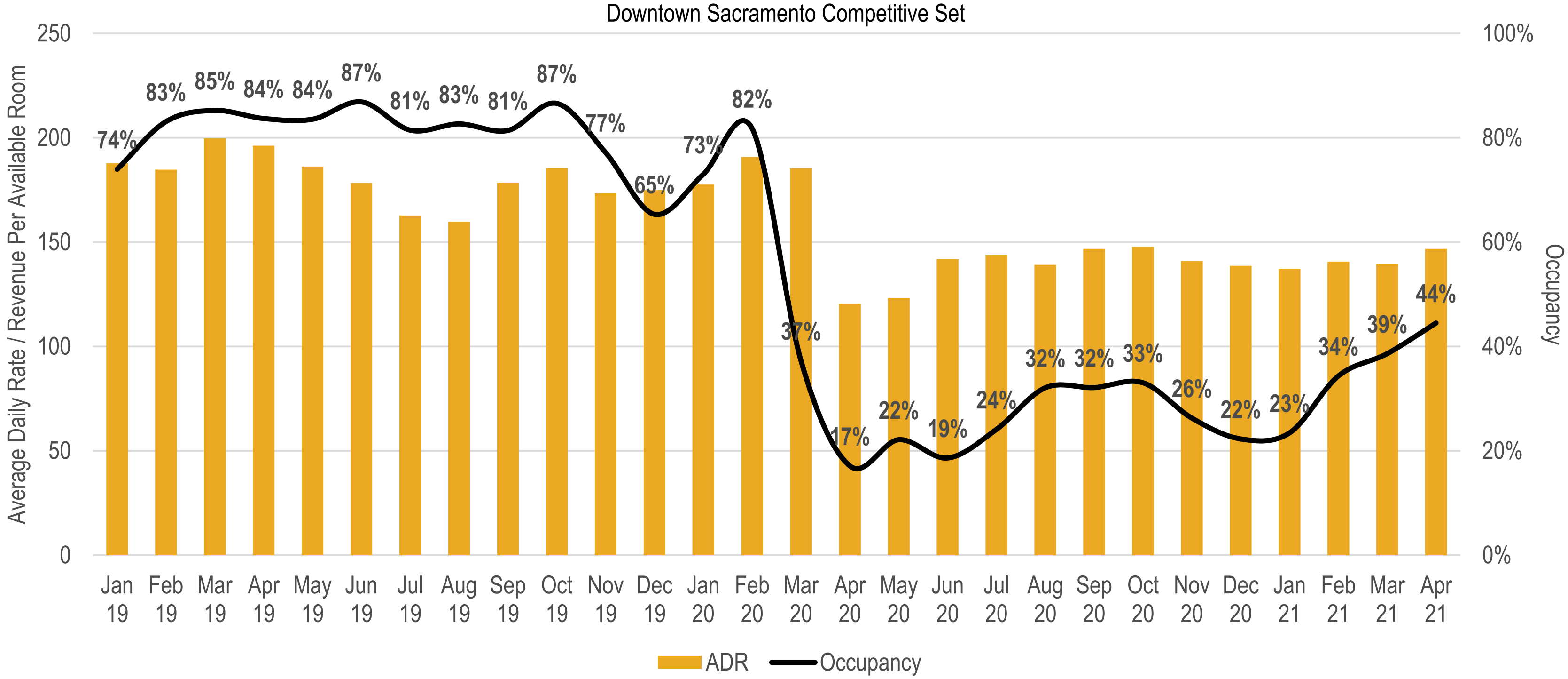
RCLCO REAL ESTATE CONSULTING

HOTELS IN DOWNTOWN SACRAMENTO HAVE STARTED TO SHOW SIGNS OF A RECOVERY FROM THE PANDEMIC, ALBEIT AT A SLOWER PACE THAN THEIR COUNTERPARTS IN THE SUBURBS

- Occupancy rates in Downtown Sacramento have steadily risen from 23% in January 2021 to 44% in April 2021. Although partially attributable to seasonal variations that occur in the market during any year, this change was much more pronounced than that which occurred during the same months of 2018 (69% to 85%) and 2019 (74% to 84%).
- Furthermore, hotels in Downtown Sacramento maintained an average occupancy rate of 44% in April 2021, down from 84% in April 2019 but up significantly from 17% in April 2020. Relative to the full competitive set, Downtown Sacramento has seen a more gradual recovery in terms of occupancies, likely because much of the hotel traffic in Downtown Sacramento is driven by office employment, which has yet to fully resume.

Hotel Market Occupancy and ADR by Month, 2019-2021

Downtown Sacramento Competitive Set



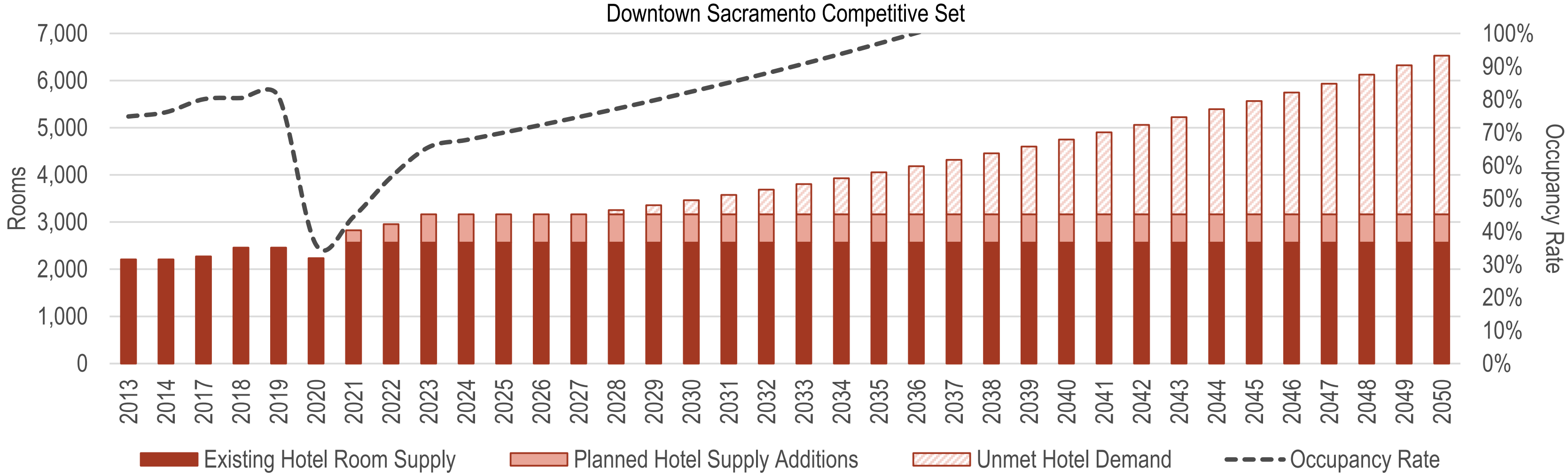
Source: Smith Travel Research; RCLCO

RCLCO
REAL ESTATE CONSULTING

RCLCO PROJECTS SUFFICIENT DEMAND TO SUPPORT UP TO 430 HOTEL KEYS BY 2030, GROWING TO 1,470 KEYS BY 2050

- RCLCO projects relatively moderate demand for less than 430 hotel rooms at The Railyards between now and 2030, after which a critical mass of retail and placemaking is assumed to have delivered. At that point, demand is projected to grow, as those elements not only differentiate the site from others in the market, but as they help attract new visitors to the area. In total, RCLCO projects support for 1,090 hotel rooms at The Railyards by 2040, increasing to 1,470 rooms by 2050.
- This analysis assumes that, within the Downtown Area, hotel demand will return to pre-pandemic levels by the end of 2023, and that it will then grow at a rate of 3.3% per year based on historical averages. For more information on the growth projected for the Downtown Sacramento market as a whole, please see the below graph.
- In order to determine the share of future demand that The Railyards will likely be able to capture, RCLCO not only considered existing hotels but also ones that are under construction or planned to deliver in the near future.
  - Today, three hotels with a combined total of 390 rooms are under construction in the Downtown Area, with another 265-room hotel planned to deliver in 2023. This pipeline points to significant competition for hotel guests in the near term, as most market experts do not expect the hospitality market to fully recover until the end of 2023.
  - For more information on this development pipeline, please refer to Exhibit V-1.
- Additionally, this projection assumes The Railyards will induce additional hotel demand beyond the market average, starting toward the end of the decade once a large portion of the mixed-use development is in place.

Downtown Sacramento Supply and Demand, 2013-2050;
Downtown Sacramento Competitive Set



Source: Smith Travel Research, RCLCO

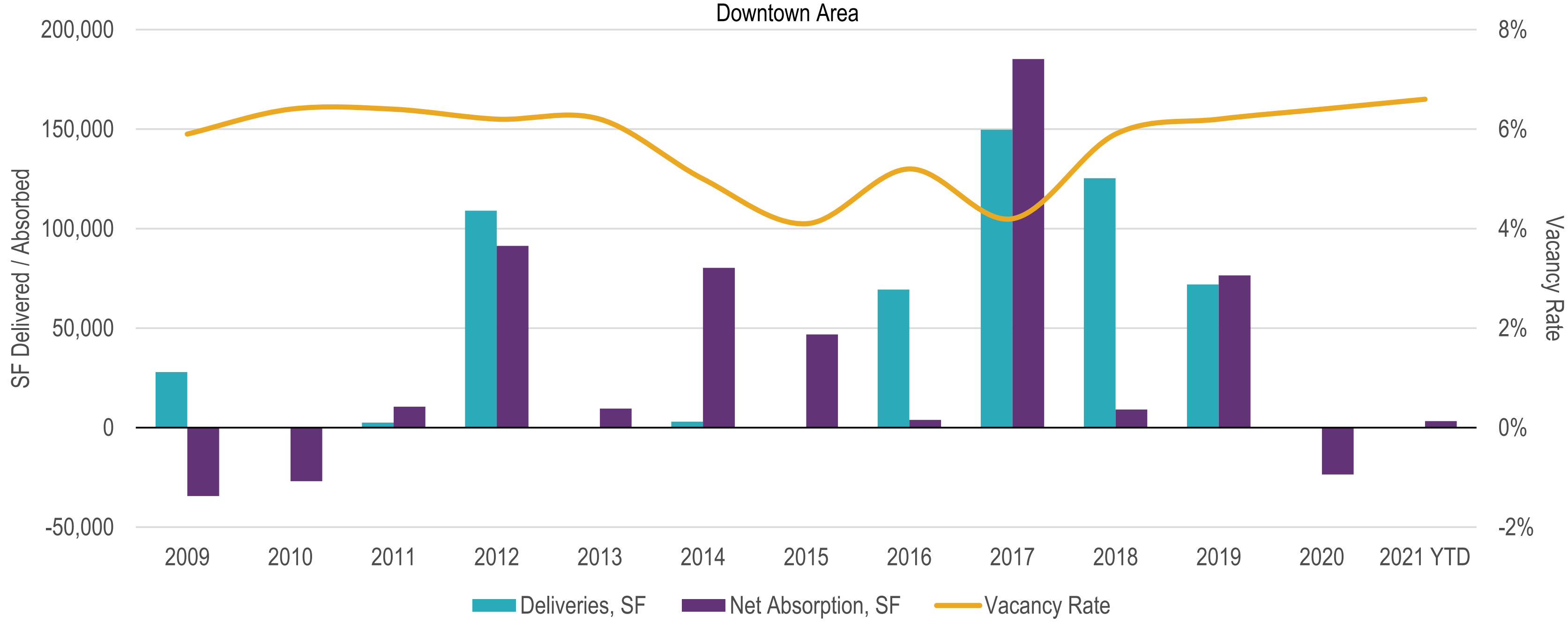
RETAIL MARKET ANALYSIS

RETAIL MARKET TRENDS

THE DOWNTOWN RETAIL MARKET HAS EXPANDED IN RECENT YEARS, WITH THE DELIVERY OF HIGHER-QUALITY OPTIONS

- The PMA, which RCLCO again defined as the Downtown Area, is the area from which The Railyards is likely to draw the largest amount of retail demand. This area includes households that are likely to visit the site for “daily needs” retail, in addition to “destination” uses that may attract households from other locations.
- Approximately 529,000 square feet of retail delivered in the Downtown Area between 2012 and 2019. During that period, the market absorbed 503,000 square feet of retail, suggesting that demand has historically kept up with supply. While the COVID-19 pandemic led to negative net absorption in 2020, the market appears to have stabilized, with slightly positive absorption as of June 2021. Moving forward, retail conditions are likely to improve even further, as employees return to the office over time.
- Importantly, retail rents in the Downtown Area have experienced meaningful growth as new supply has delivered, and as the market has urbanized. Between 2012 and 2020, average retail rents in the Downtown Area increased by 80%, from $1.15 per square foot to $2.06 per square foot. In comparison, retail rents in the MSA grew by just 10%, highlighting the emergence of the Downtown Area as a popular destination for shopping, dining, and entertainment needs.

Retail Completions, Net Absorption, and Vacancy Rate, 2008-2021;
Downtown Area



Source: CoStar; RCLCO

REGIONAL RETAIL DESTINATIONS

RCLCO REAL ESTATE CONSULTING

WHILE MOST LARGE-SCALE RETAIL HAS HISTORICALLY DELIVERED OUTSIDE OF THE URBAN CORE, NEW DEVELOPMENT IS PROVING A MARKET FOR URBAN PRODUCT

- Today, most of the newest and largest retail centers are located outside of Downtown Sacramento, in the surrounding suburbs. For example, the largest retail development—*Arden Fair*—is a regional shopping mall located approximately four miles to the northeast of the urban core, near several other suburban-style retail developments.
- In recent years, a handful of retail development projects have taken place near the urban core of Sacramento. These developments are well-occupied at top-of-market rents, demonstrating growing support for urban retail environments.
  - **Downtown Commons**: Located south of The Railyards, *Downtown Commons* is an outdoor shopping complex that was built in 1971 but redeveloped and rebranded in 2017. Also home to the Golden 1 Center, it has an entertainment focus, with such tenants as Century Theaters and Punch Bowl Social. *Downtown Commons* has been met with strong demand, and the retail component currently maintains a healthy occupancy rate of 93%.
  - **Shops @ Ice:** Another mixed-use development, the *Shops @ Ice* is part of the broader *Ice Blocks* development in the nearby neighborhood of Midtown. The retail component has a mix of boutiques, cafes, and restaurants, with recognizable names like Bonobos, Warby Parker, and West Elm. The center is well-occupied, with initial rents of $3.00 to $3.25 per square foot, and with available spaces currently being marketed at $3.40 per square foot.
  - **R Street Market**: Located next to *Shops @ Ice*, *R Street Market* is the only grocery-anchored shopping center in Downtown and Midtown Sacramento. Likely for this reason, in-line spaces are positioned at the top of the market.

Map of Select Retail Properties, June 2021;
Sacramento MSA

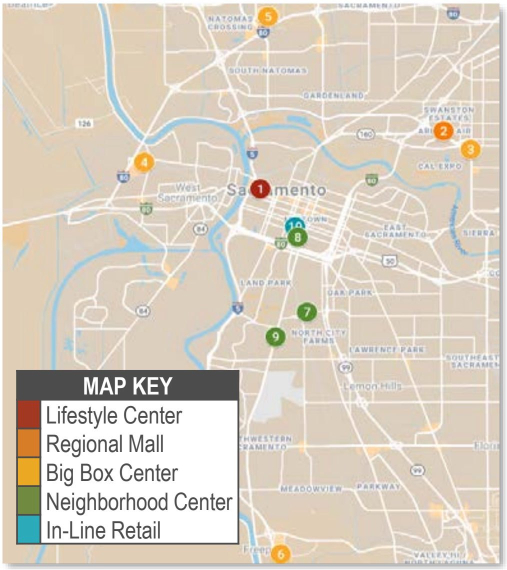


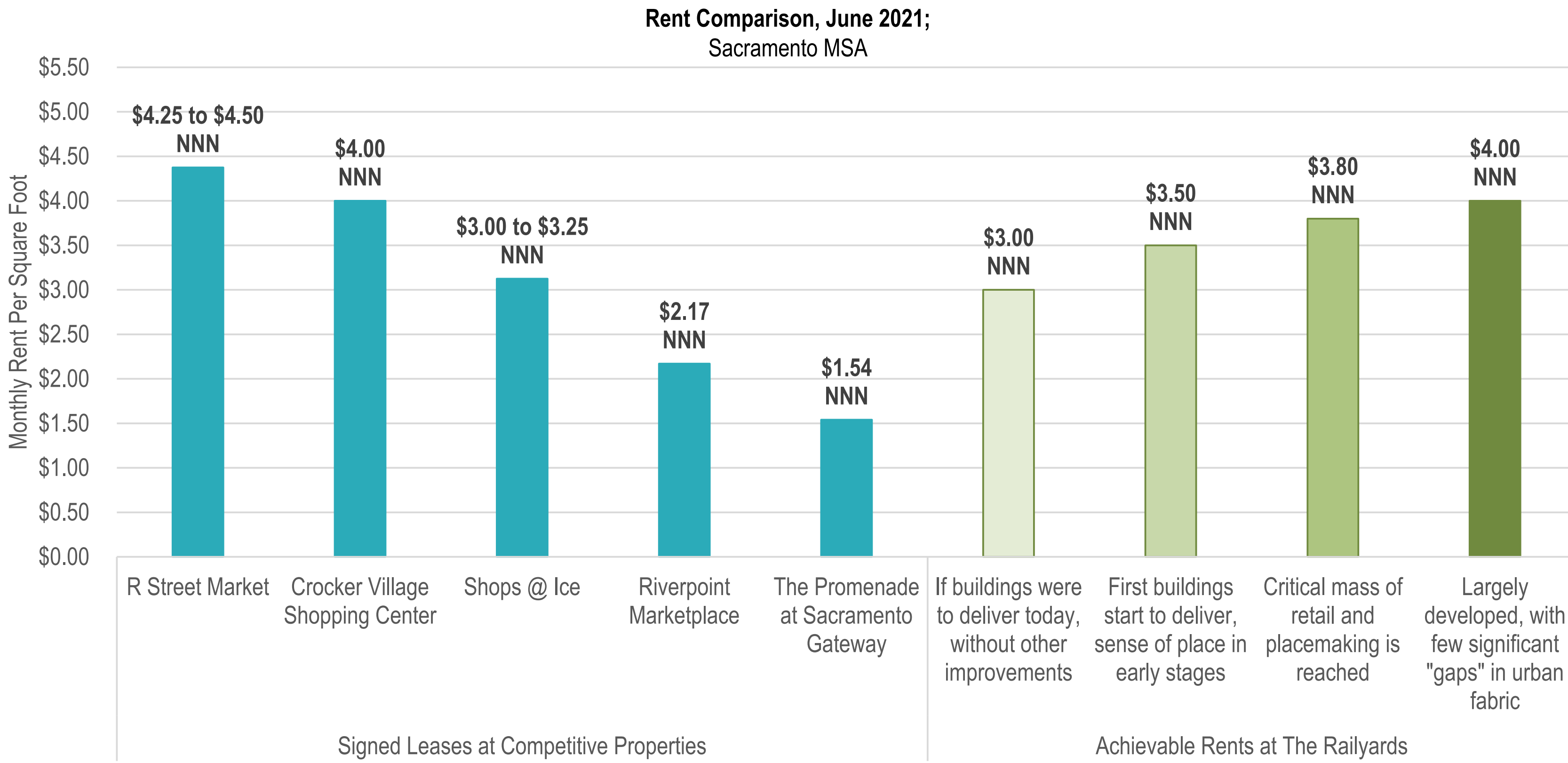
Table of Select Retail Properties, June 2021;
Sacramento MSA

KEY	PROPERTY NAME	SIZE (SF)	YEAR BUILT	YEAR RENO.	VACANCY RATE	RENT - SIGNED LEASES	RENT - AVAILABLE SPACES
1	Downtown Commons	630,000	2017		7.4%	N/A	N/A
2	Arden Fair	1,108,852	1957	2012	31.3%	N/A	N/A
3	Howe Bout Arden	370,977	1987	1994	7.1%	N/A	N/A
4	Riverpoint Marketplace	827,588	2007		0.7%	$2.17 NNN	N/A
5	The Promenate at Sacramento Gateway	552,291	2006		1.8%	$1.54 NNN	N/A
6	Delta Shores	937,138	2017		7.1%	N/A	N/A
7	Crocker Village Shopping Center	230,000	2019		22.0%	$4.00 NNN	N/A
8	R Street Market	114,872	2005		3.3%	$4.25 to $4.50 NNN	N/A
9	The Park	88,282	2020		11.9%	N/A	N/A
10	Shops @ Ice	50,000	2016		3.8%	$3.00 to $3.25 NNN	$3.40 NNN

Source: CoStar; Loopnet; Broker Websites; RCLCO

THE RAILYARDS IS POISED TO SEE MEANINGFUL RENT INCREASES OVER TIME, PARTICULARLY ONCE THE ENTERTAINMENT VENUE DELIVERS

- RCLCO anticipates that The Railyards can attain rents that are competitive with those which *Shops @ Ice* achieved during its early phases. However, The Railyards is likely to see pricing increases as it becomes a stronger location for retail, with future on-site development creating a customer base on residents and employees, and with the planned entertainment venue helping to attract visitors from across the region. For these reasons, RCLCO anticipates that The Railyards can achieve rents near the top of the market by the time it is fully developed.

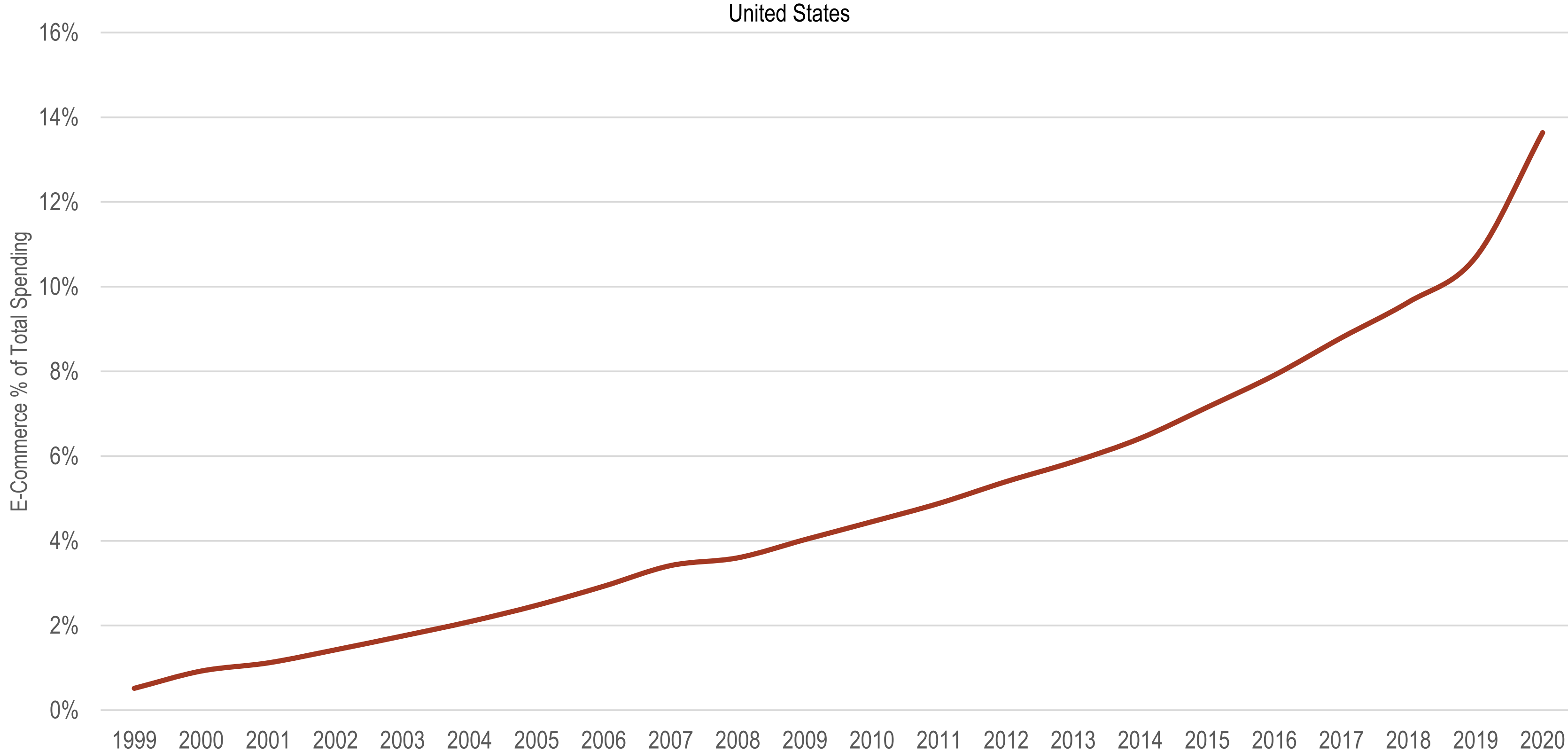


Note Above table displays signed leases and achievable rents for in-line tenants. RCLCO assumed an average discount of 50% for anchor tenants.
Source: CoStar; Loopnet; Broker Websites; RCLCO

THE COVID-19 PANDEMIC HAS ACCELERATED LONGSTANDING TRENDS TOWARD E-COMMERCE

- Between 2010 and 2019, the volume of e-commerce sales in the United States more than tripled, from $170 billion in 2010 to $579 billion in 2019. By 2019, e-commerce sales accounted for 10% of all retail transactions in the United States.
- E-commerce spending increased during the COVID-19 pandemic, to an estimated $763 billion in 2020, during which time it accounted for 14% of all retail transactions. Although the pandemic may have accelerated the shift towards e-commerce shopping, Americans have been transitioning toward a digital marketplace over the last two decades.

Annual E-Commerce Percent of Total Retail Sales, 1999-2020;
United States

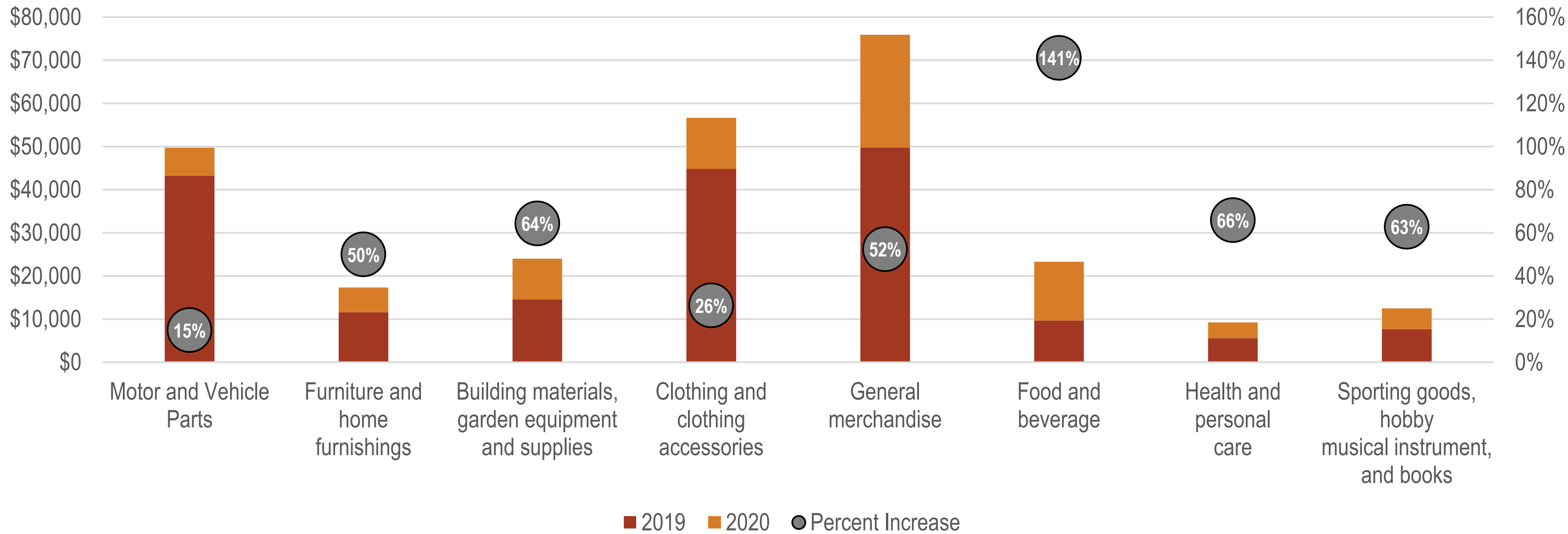


Source: RCLCO;U.S. Census Bureau

FOOD & BEVERAGE, HEALTH & PERSONAL CARE, AND VARIOUS OTHER HARD GOODS EXPERIENCED THE LARGEST GROWTH IN ONLINE PURCHASES SINCE THE START OF THE COVID-19 PANDEMIC

- Looking at the difference between 2019 and 2020 spending patterns, online Food & Beverage spending grew by 190%, the most significant shift among all product categories. This shift is likely attributable to the growing number of Americans who purchased groceries online during the pandemic.
- Health & Personal Care and Sporting Goods, Musical Instruments, & Books experienced substantial growth in online spending as well, at rates of 66% and 63%, respectively. Online spending on Building Materials. Garden Equipment, & Supplies increased at a similar rate (64%); however, this growth is likely due to the overall popularity of home improvement and gardening projects during the pandemic, and it is likely less reflective of changing spending habits.
- Overall e-commerce spending rose by 32% between 2019 and 2020, while overall retail spending rose by just 3%. Although likely an anomaly in terms of the magnitude of this change, 2020 saw an increasing number of Americans turn to e-commerce to accomplish their retail needs—a pattern which is likely to endure moving forward, even if the scale of change should moderate.

E-Commerce Sales (in Millions of Dollars) and Growth by Product Category, 2019-2020;
United States



Source: RCLCO; U.S. Census Bureau

DRIVERS OF RETAIL DEMAND AT SITE

RCLCO REAL ESTATE CONSULTING

THE RAILYARDS IS POISED TO DRAW RETAIL DEMAND FROM ACROSS THE REGION

- RCLCO identified seven target consumer groups when evaluating retail demand at The Railyards. Prospective consumers who already exist in the market today range from people who live near, work at, and/or visit the Downtown Area, to households that live in other parts of the region and could be attracted to The Railyards for specific purposes. Additionally, any on-site development will likely bolster this retail demand, generating additional households, employees, and visitors who will be more likely to shop at The Railyards given their proximity to the retail.

Summary of Users Likely to Shop at Site 2020-2050;
The Railyards

	HOUSEHOLDS IN DOWNTOWN AREA	HOUSEHOLDS IN 15-MINUTE DRIVE	HOUSEHOLDS IN 30-MINUTE DRIVE	HOUSEHOLDS AT RAILYARDS	EMPLOYEES IN DOWNTOWN AREA	EMPLOYEES AT RAILYARDS	HOTEL GUESTS IN DOWNTOWN AREA
							
Summary of Consumer Group	Households that live in Downtown Area, defined as two-mile radius from California State Capitol; likely to visit the site for "daily needs" retail	Households outside of Downtown Area but within 15-minute drive of site; likely to visit for dining and other occasional needs	Households that live elsewhere in the MSA, between 15 and 30 minutes from the site; likely to visit for specific "destination" purposes	Households that will live at The Railyards once housing is delivered; likely to visit the site for a range of retail needs	Employees in the Downtown Area; likely to visit the site for lunch during work or for errands afterwards	Employees that will work at The Railyards once office is developed; likely to visit the site for lunch during work or errands afterwards	Visitors staying in Downtown Area; many in town for work
Annual Spending On- Site	**$53.3M as of 2020** ($1,640 / Household)	**$36.4M as of 2020** ($200 / Household)	**$24.4M as of 2020** ($60 / Household)	**$18.7M as of 2030** ($6,790 / Household)	**$22.3M as of 2020** ($330 / Employee)	**$5.6M as of 2030** ($2,460 / Employee)	**$7.4M as of 2030** ($3.00 / Hotel Guest)
Supported Space	**114,800 SF in 2020, 153,200 SF by 2050**	**112,000 SF in 2020, 113,300 SF by 2050**	**88,600 SF in 2020 100,300 SF by 2050**	**0 SF in 2020, 139,900 SF by 2050**	**51,700 SF in 2020, 54,500 SF by 2050**	**0 SF in 2020, 86,200 SF By 2050**	**9,900 SF in 2020, 29,800 SF by 2050**
Primary Types of Retail	Grocery & Drug, Restaurants, Entertainment & Fitness	Entertainment & Fitness, Restaurants	Entertainment & Fitness, Restaurants	Grocery & Drug, Restaurants, Services	Restaurants, Grocery & Drug	Restaurants, Grocery & Drug	Restaurants, Entertainment & Fitness

Image Source: Google Images

Source: Esri; Consumer Expenditure Survey; ICSC; RCLCO

RCLCO PROJECTS SUPPORT FOR UP TO 713,000 SQUARE FEET OF RETAIL THROUGH 2050

- Relative to the urban cores of other cities in Western United States, the Downtown Area in Sacramento generates comparatively less retail spending considering the size of its workforce and household base, pointing to untapped opportunities for retail development in and around Downtown Sacramento. While a handful of projects that are being planned could meet some of these opportunities, these projects remain speculative, and The Railyards is likely a more competitive location given the anchors that are being planned on-site. For more information on larger-scale projects that are known at this time, please see Exhibit IV-11.
- To determine support for retail at The Railyards, RCLCO examined spending patterns by store type for the previously mentioned groups of people, as well as the likelihood that those people will shop at The Railyards. Using this approach, RCLCO projects demand for roughly 377,000 square feet of retail at The Railyards today, equivalent to 397,000 square feet of physical space when considering a stabilized occupancy rate of 95%.
  - This total includes demand for approximately 126,000 square feet of restaurants, 108,000 square feet of entertainment and fitness, 53,000 square feet of grocery and drug, 38,000 square feet of soft goods, 30,000 square feet of services, and 23,000 square feet of hard goods.
  - One reason for the significant amount of entertainment and fitness demand is that this analysis assumes the planned Live Nation entertainment venue would enable The Railyards to attract more entertainment-related spending than other retail destinations in the region, given its ability to draw visitors specifically for this purpose. Please note that the projected demand for entertainment and fitness includes demand for the planned entertainment venue.
- Down the line, future development at The Railyards and continued growth in the surrounding area is likely to bolster existing demand. Taking into account this growth, RCLCO projects demand for 455,000 square feet of space by 2030, with this total increasing to 563,000 square feet by 2040 and 677,000 square feet by 2050. Considering a stabilized occupancy rate of 95%, this cumulative demand potential translates to 713,000 square feet of development at The Railyards over the long term.
  - On a percentage basis, the types of retail that are likely to see the most growth in demand potential include grocery, drug, and services, given the number of households that are expected to move to The Railyards and broader Downtown Area over the long term. Meanwhile, hard and soft goods are projected to see the most moderate growth over the long term, given longstanding trends toward e-commerce.

Cumulative Retail Demand Potential (SF), 2020-2050;
The Railyards

STORE TYPE	2020	2025	2030	2040	2050
Grocery & Drug	52,800	64,800	82,200	124,900	171,700
Restaurants	125,500	135,800	147,000	175,600	206,200
Hard Goods	22,700	23,600	25,200	29,300	32,200
Soft Goods	37,900	37,100	37,200	37,500	35,500
Entertainment & Fitness	107,800	115,600	123,100	140,900	160,100
Services	30,300	34,500	40,300	55,100	71,500
TOTAL	**377,000 SF**	**411,400 SF**	**455,000 SF**	**563,300 SF**	**677,200 SF**
Supportable Development w/ 95% Stabilized Occ.	*397,000 SF*	*433,000 SF*	*479,000 SF*	*593,000 SF*	*713,000 SF*

Source: Esri; Consumer Expenditure Survey; ICSC; RCLCO

RCLCO
REAL ESTATE CONSULTING

DISCLAIMERS

CRITICAL ASSUMPTIONS

RCLCO REAL ESTATE CONSULTING

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

The COVID-19 Pandemic and 2020 recession underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be “stress tested” to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

APPENDIX: SUPPORTING EXHIBITS

LIST OF EXHIBITS

RCLCO
REAL ESTATE CONSULTING

LIST OF EXHIBITS

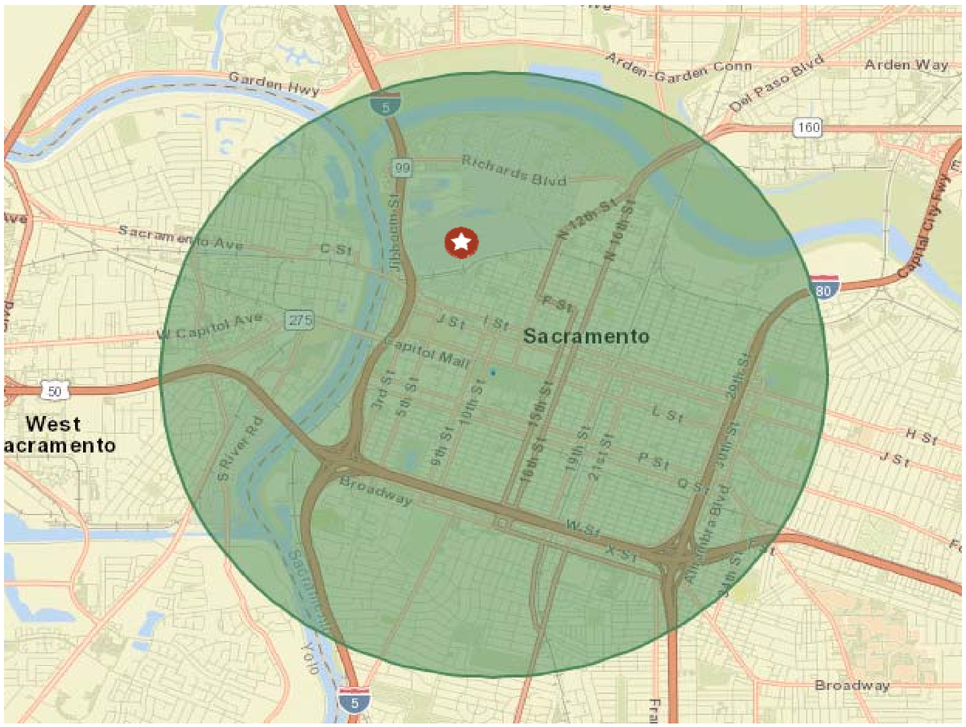
RCLCO REAL ESTATE CONSULTING

LIST OF EXHIBITS

I. RENTAL APARTMENT SUPPLY

Exhibit I-1

Map of Primary Market Area
Sacramento-Roseville-Arden Arcade MSA
June 2021



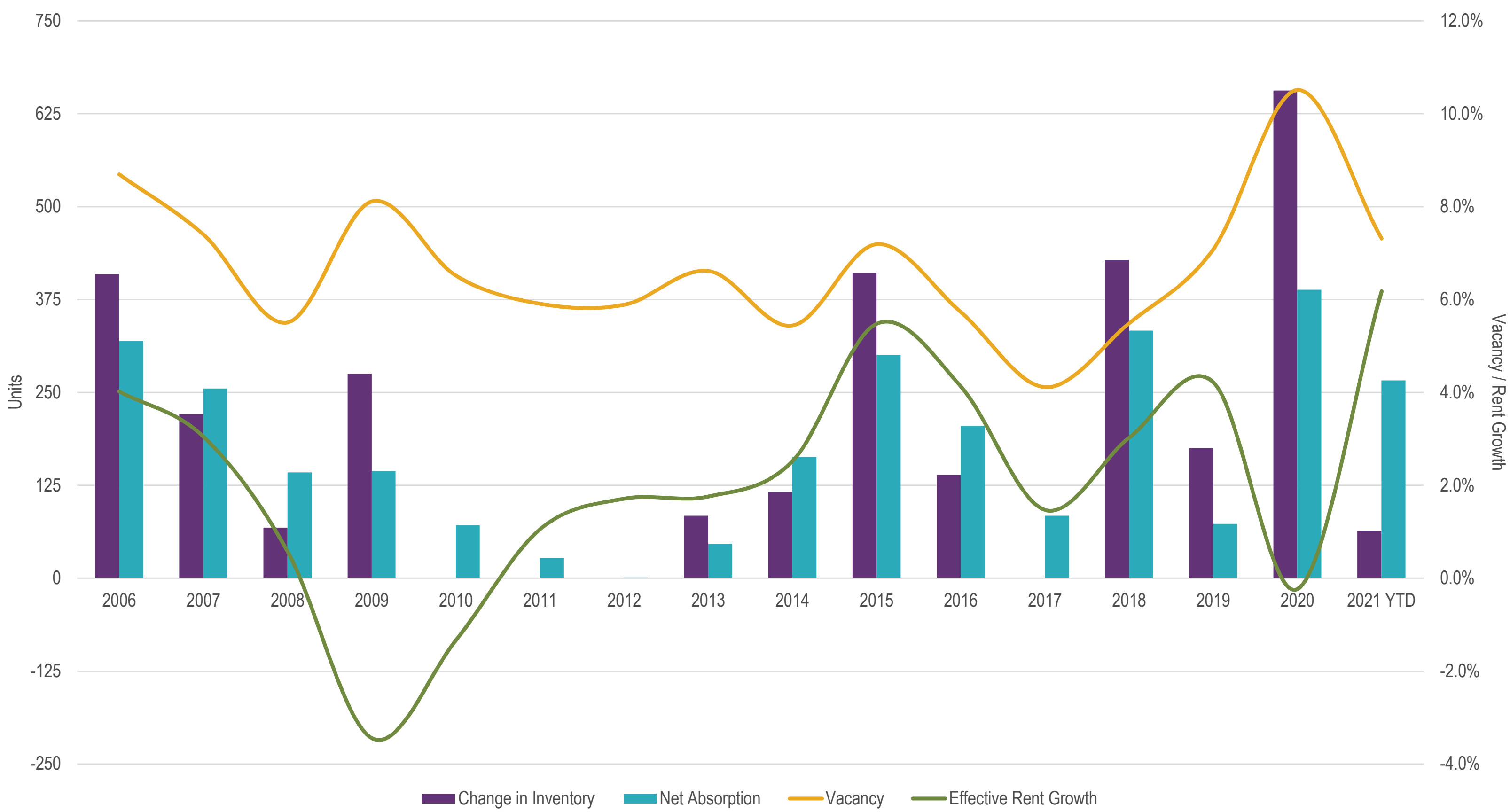
	PRIMARY MARKET AREA	SACRAMENTO-ROSEVILLE-ARDEN ARCADE MSA
CURRENT CHARACTERISTICS (2021 YTD)		
Properties	108	1,161
Units	6,524	119,275
Avg. Effective Rent	$1,805	$1,638
Vacancy	7.3%	3.5%
SHORT-TERM TRENDS (2016-2020)		
Avg. Rent Growth	2.5%	6.2%
Avg. Vacancy	6.8%	4.4%
Avg. Net Absorption	217	1,136
Avg. Completions	280	1,106
LONG-TERM TRENDS (2006-2020)		
Avg. Rent Growth	1.8%	3.4%
Avg. Vacancy	6.7%	5.5%
Avg. Net Absorption	170	831
Avg. Completions	199	653

SUBJECT SITE

Note: Includes market-rate properties with 20 units or more.
Note: 2021 YTD data is through June 2021.
Source: CoStar Group, Inc.; RCLCO

Exhibit I-2

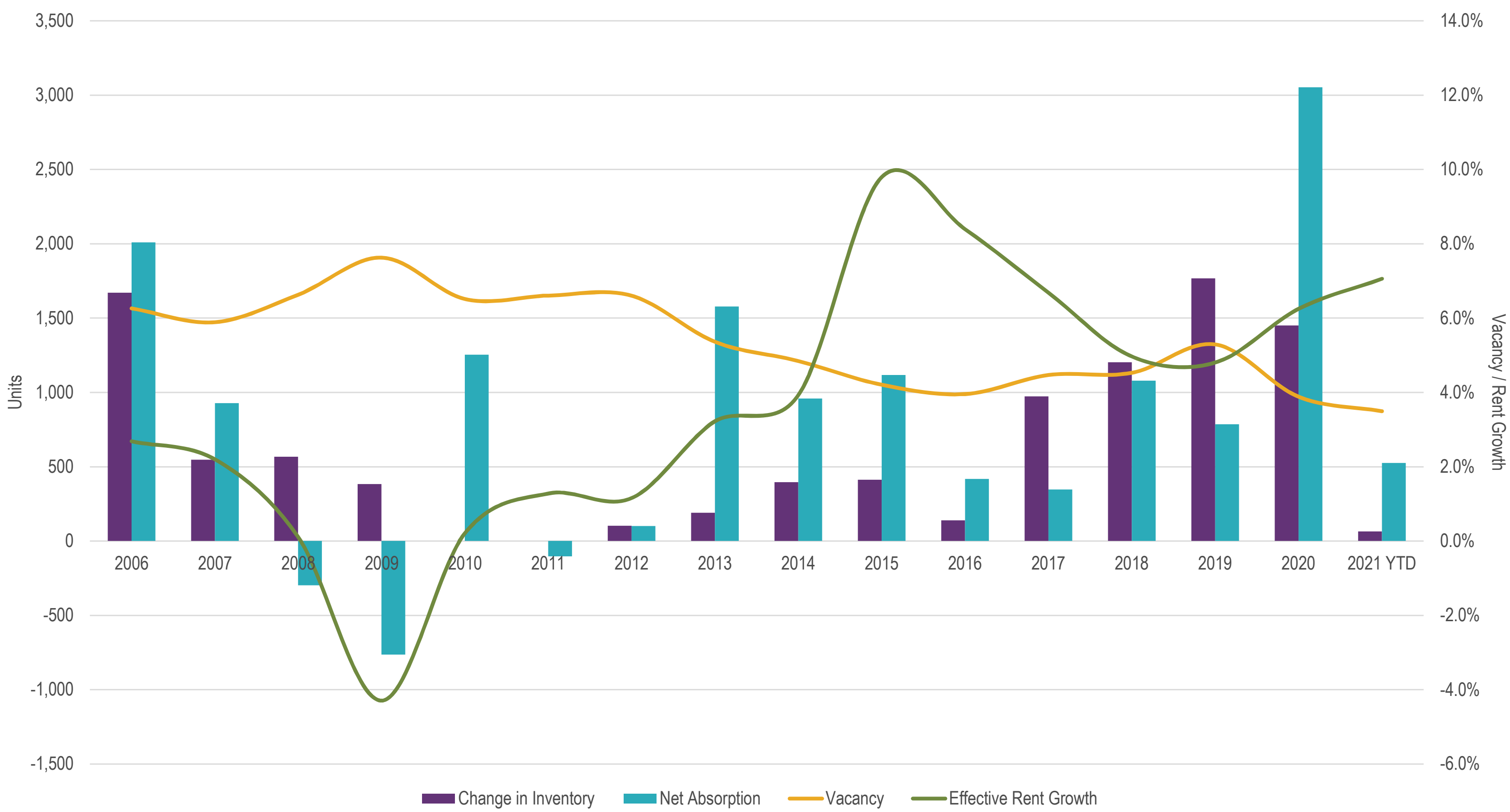
Completions, Absorption, Vacancy, and Rent Growth
Primary Market Area
2006-2021



Note: Includes market-rate properties with 20 units or more.
Note: 2021 YTD data is through June 2021.
Source: CoStar Group, Inc.; RCLCO

Exhibit I-3

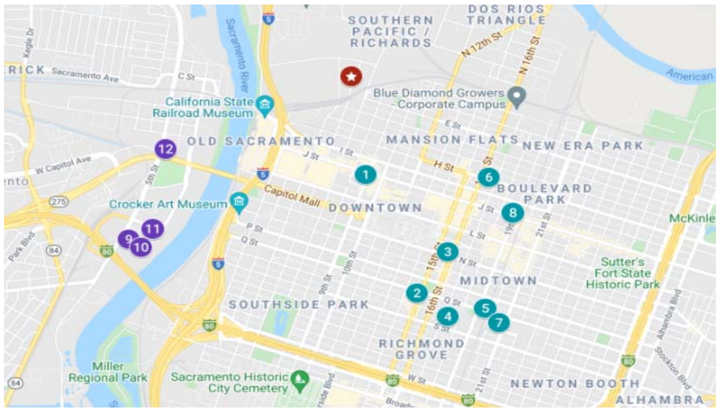
Completions, Absorption, Vacancy, and Rent Growth
Sacramento-Roseville-Arden Arcade MSA
2006-2021



Note: Includes market-rate properties with 20 units or more.
Note: 2021 YTD data is through June 2021.
Source: CoStar Group, Inc.; RCLCO

Exhibit I-4

Map of Comparable Apartment Communities
Competitive Market Area
June 2021



MAP KEY	COMMUNITY NAME	YEAR BUILT	MARKET RATE UNITS	OCC. RATE	AVERAGE SIZE (SF)	AVERAGE ASKING RENT	AVERAGE ASKING $/SF
1	800 J Loft	2006	180	92%	866	$2,196	$2.54
2	1430 Q Street	2020	75	93%	1,152	$3,444	$2.99
3	Eviva Midtown	2016	118	98%	828	$2,583	$3.12
4	Ice House Midtown	2017	142	96%	574	$1,950	$3.40
5	Q19	2018	68	98%	645	$2,060	$3.19
6	H16	2020	95	92%	642	$2,166	$3.37
7	The Press at Midtown Quarter	2020	277	73%	695	$2,366	$3.40
8	19J	2019	175	80%	543	$2,310	$4.26
9	The Edge	2021	64	59%	590	$1,825	$3.09
10	The Foundry	2019	69	96%	584	$1,742	$2.98
11	The Block	2021	52	65%	726	$2,174	$2.99
12	The Capitol Yards	2015	270	97%	897	$2,687	$2.99
	AVERAGE	2018	132	93%	740	$2,345	$3.17
	DOWNTOWN SACRAMENTO AVERAGE	2017	141	92%	720	$2,337	$3.24
	WEST SACRAMENTO AVERAGE	2019	114	97%	787	$2,364	$3.00

SUBJECT SITE

Note: Occupancy Average is calculated for stabilized properties only.
Source: Leasing agent interview; Property website; Axiometrics; CoStar; RCLCO

Exhibit I-5

Summary of Comparable Apartment Communities by Unit Type
Competitive Market Area
June 2021

MAP KEY	COMMUNITY	COMMUNITY CHARACTERISTICS		CONFIG.	MARKET RATE UNITS	UNIT MIX	UNIT SIZE (SF) RANGE	UNIT SIZE (SF) AVG.	ASKING RENT RANGE	ASKING RENT AVG.	ASKING RENT AVG./SF	CONCESSIONS	EFFECTIVE RENT RANGE	EFFECTIVE RENT AVG.	EFFECTIVE RENT AVG./SF
1	800 J Loft	Occupancy	92%		180	100%	547 - 1,362	866	$1,616 - $3,637	$2,196	$2.54	5%	$1,481 - $3,334	$2,094	$2.42
	800 J St	Year Built	2006	Studio	31	17%	547 - 632	591	$1,616 - $1,968	$1,762	$2.98	8%	$1,481 - $1,804	$1,615	$2.73
	Sacramento, CA 95814	Stories	7	1BR	93	52%	745 - 899	844	$2,028 - $2,261	$2,104	$2.49	3%	$1,888 - $2,261	$2,046	$2.42
		Total Units	225	2BR	56	31%	943 - 1,362	1,053	$2,100 - $3,637	$2,590	$2.46	6%	$2,100 - $3,334	$2,439	$2.32
2	1430 Q Street	Occupancy	93%		75	100%	660 - 2,220	1,152	$2,002 - $6,507	$3,444	$2.99	8%	$1,848 - $6,006	$3,179	$2.76
	1430 Q St	Year Built	2020	1BR	32	43%	660 - 1,400	857	$2,002 - $5,005	$2,518	$2.94	8%	$1,848 - $4,620	$2,325	$2.71
	Sacramento, CA 95811	Stories	8	2BR	41	55%	880 - 2,220	1,346	$2,503 - $6,507	$4,065	$3.02	8%	$2,310 - $6,006	$3,753	$2.79
		Total Units	75	3BR	2	3%	1,905 - 1,905	1,905	$5,506 - $5,506	$5,506	$2.89	8%	$5,082 - $5,082	$5,082	$2.67
3	Eviva Midtown	Occupancy	98%		118	100%	649 - 1,212	828	$2,276 - $3,145	$2,583	$3.12	0%	$2,276 - $3,145	$2,583	$3.12
	1531 N St	Year Built	2016	Studio	5	4%	754 - 754	754	$2,276 - $2,276	$2,276	$3.02	0%	$2,276 - $2,276	$2,276	$3.02
	Sacramento, CA 95814	Stories	5	1BR	73	62%	649 - 828	707	$2,298 - $2,458	$2,413	$3.41	0%	$2,298 - $2,458	$2,413	$3.41
		Total Units	118	2BR	40	34%	1,007 - 1,212	1,058	$2,860 - $3,145	$2,931	$2.77	0%	$2,860 - $3,145	$2,931	$2.77
4	Ice House Midtown	Occupancy	96%		142	100%	432 - 864	574	$1,700 - $2,500	$1,950	$3.40	0%	$1,700 - $2,500	$1,950	$3.40
	1710 R St	Year Built	2017	Studio	50	35%	432 - 432	432	$1,700 - $1,700	$1,700	$3.94	0%	$1,700 - $1,700	$1,700	$3.94
	Sacramento, CA 95811	Stories	6	Jr. 1BR	19	13%	610 - 610	610	$2,200 - $2,200	$2,200	$3.61	0%	$2,200 - $2,200	$2,200	$3.61
		Total Units	142	1BR	59	42%	576 - 720	615	$1,950 - $2,050	$1,960	$3.19	0%	$1,950 - $2,050	$1,960	$3.19
				2BR	14	10%	864 - 864	864	$2,450 - $2,500	$2,464	$2.85	0%	$2,450 - $2,500	$2,464	$2.85
5	Q19	Occupancy	98%		68	100%	495 - 1,146	645	$1,655 - $2,972	$2,060	$3.19	0%	$1,655 - $2,972	$2,060	$3.19
	1625 19th St	Year Built	2018	Studio	33	49%	495 - 532	515	$1,655 - $1,900	$1,833	$3.56	0%	$1,655 - $1,900	$1,833	$3.56
	Sacramento, CA 95811	Stories	4	1BR	26	38%	644 - 674	666	$2,035 - $2,095	$2,058	$3.09	0%	$2,035 - $2,095	$2,058	$3.09
		Total Units	68	2BR	9	13%	969 - 1,146	1,064	$2,847 - $2,972	$2,900	$2.73	0%	$2,847 - $2,972	$2,900	$2.73
6	H16	Occupancy	92%		95	100%	492 - 1,068	642	$1,740 - $3,385	$2,166	$3.37	2%	$1,696 - $3,341	$2,113	$3.29
	731 16th St	Year Built	2020	Studio	42	44%	492 - 569	519	$1,740 - $1,939	$1,825	$3.51	2%	$1,696 - $1,895	$1,781	$3.43
	Sacramento, CA 95814	Stories	6	1BR	36	38%	640 - 694	656	$2,050 - $2,300	$2,174	$3.31	2%	$2,006 - $2,256	$2,130	$3.25
		Total Units	95	2BR	12	13%	948 - 1,068	1,016	$2,999 - $3,385	$3,145	$3.09	1%	$2,955 - $3,341	$3,101	$3.05
				Other	5	5%	670 - 724	681	$2,605 - $2,715	$2,616	$3.84	8%	$2,388 - $2,489	$2,398	$3.52
7	The Press at Midtown Quarter	Occupancy	73%		277	100%	423 - 1,326	695	$1,780 - $4,485	$2,366	$3.40	8%	$1,632 - $4,111	$2,169	$3.12
	1714 21st St	Year Built	2020	Studio	89	32%	423 - 629	527	$1,780 - $2,286	$1,952	$3.70	8%	$1,632 - $2,096	$1,789	$3.39
	Sacramento, CA 95811	Stories	4	1BR	134	48%	605 - 1,089	692	$2,005 - $3,480	$2,299	$3.32	8%	$1,838 - $3,190	$2,107	$3.05
		Total Units	277	1BR+	3	1%	936 - 936	936	$3,535 - $3,535	$3,535	$3.78	8%	$3,240 - $3,240	$3,240	$3.46
				2BR	44	16%	850 - 1,213	929	$2,699 - $4,195	$2,994	$3.22	8%	$2,474 - $3,845	$2,745	$2.96
				3BR	7	3%	1,326 - 1,326	1,326	$4,485 - $4,485	$4,485	$3.38	8%	$4,111 - $4,111	$4,111	$3.10
8	19J	Occupancy	80%		175	100%	277 - 920	543	$1,155 - $3,919	$2,310	$4.26	8%	$1,059 - $3,592	$2,118	$3.90
	19th St & J St	Year Built	2019	Studio	89	51%	277 - 450	371	$1,155 - $1,876	$1,562	$4.21	8%	$1,059 - $1,720	$1,432	$3.86
	Sacramento, CA 95811	Stories	11	1BR	86	49%	518 - 920	721	$2,195 - $3,919	$3,084	$4.28	8%	$2,012 - $3,592	$2,827	$3.92
		Total Units	175												

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Exhibit I-5

Summary of Comparable Apartment Communities by Unit Type
Competitive Market Area
June 2021

MAP KEY	COMMUNITY	COMMUNITY CHARACTERISTICS		CONFIG.	MARKET RATE UNITS	UNIT MIX	UNIT SIZE (SF) RANGE	UNIT SIZE (SF) AVG.	ASKING RENT RANGE	ASKING RENT AVG.	ASKING RENT AVG./SF	CONCESSIONS	EFFECTIVE RENT RANGE	EFFECTIVE RENT AVG.	EFFECTIVE RENT AVG./SF
9	The Edge	Occupancy	59%		64	100%	476 - 717	590	$1,615 - $1,995	$1,825	$3.09	8%	$1,480 - $1,829	$1,673	$2.83
	490 Mill St	Year Built	2021	Studio	21	33%	476 - 476	476	$1,615 - $1,615	$1,615	$3.39	8%	$1,480 - $1,480	$1,480	$3.11
	West Sacramento, CA 95691	Stories	4	1BR	43	67%	579 - 717	646	$1,840 - $1,995	$1,927	$2.98	8%	$1,687 - $1,829	$1,767	$2.73
		Total Units	64												
10	The Foundry	Occupancy	96%		69	100%	504 - 672	584	$1,599 - $1,899	$1,742	$2.98	0%	$1,599 - $1,899	$1,742	$2.98
	998 Riverfront St	Year Built	2019	Studio	36	52%	504 - 504	504	$1,599 - $1,599	$1,599	$3.17	0%	$1,599 - $1,599	$1,599	$3.17
	West Sacramento, CA 95691	Stories	4	1BR	33	48%	672 - 672	672	$1,899 - $1,899	$1,899	$2.83	0%	$1,899 - $1,899	$1,899	$2.83
		Total Units	69												
11	The Block	Occupancy	65%		52	100%	570 - 1,064	726	$1,750 - $2,629	$2,174	$2.99	0%	$1,750 - $2,629	$2,174	$2.99
	965 Bridge St	Year Built	2021	Studio	5	10%	570 - 570	570	$1,750 - $1,750	$1,750	$3.07	0%	$1,750 - $1,750	$1,750	$3.07
	West Sacramento, CA 95691	Stories	3	1BR	42	81%	697 - 757	705	$1,983 - $2,216	$2,170	$3.08	0%	$1,983 - $2,216	$2,170	$3.08
		Total Units	52	2BR	5	10%	1,064 - 1,064	1,064	$2,629 - $2,629	$2,629	$2.47	0%	$2,629 - $2,629	$2,629	$2.47
12	The Capitol Yards	Occupancy	97%		270	100%	522 - 1,560	897	$1,612 - $3,553	$2,687	$2.99	0%	$1,612 - $3,553	$2,687	$2.99
	777 5th St	Year Built	2015	Studio	40	15%	522 - 598	589	$1,612 - $2,163	$1,942	$3.29	0%	$1,612 - $2,163	$1,942	$3.29
	West Sacramento, CA 95605	Stories	3	1BR	91	34%	652 - 916	713	$2,298 - $2,588	$2,410	$3.38	0%	$2,298 - $2,588	$2,410	$3.38
		Total Units	270	2BR	127	47%	898 - 1,159	1,065	$2,411 - $3,254	$3,047	$2.86	0%	$2,411 - $3,254	$3,047	$2.86
				3BR	12	4%	1,550 - 1,560	1,554	$3,333 - $3,553	$3,461	$2.23	0%	$3,333 - $3,553	$3,461	$2.23

Source: Leasing agent interview; Property website; Axiometrics; CoStar; RCLCC

Page 2 of 2

Exhibit I-6

Unit Features and Amenities at Comparable Apartment Communities
Competitive Market Area
June 2021

MAP KEY	1	2	3	4	5	6	7	8	9	10	11	12	SUBJECT SITE
PROPERTY NAME	800 J Loft	1430 Q Street	Eviva Midtown	Ice House Midtown	Q19	H16	The Press at Midtown Quarter	19J	The Edge	The Foundry	The Block	The Capitol Yards	Subject Site
YEAR BUILT	2006	2020	2016	2017	2018	2020	2020	2019	2021	2019	2021	2015	
OCCUPANCY	92%	93%	98%	96%	98%	92%	73%	80%	59%	96%	65%	97%	
AMENITIES													
Swimming Pool							X						
Jacuzzi-Spa												X	
BBQ-Grilling Area	X	X	X	X		X	X	X	X	X	X	X	X
Lounge-Clubhouse	X	X	X	X	X		X	X	X	X	X	X	X
Outdoor Seating	X	X	X	X		X		X	X	X	X	X	X
Rooftop Deck/Amenity		X		X		X	X	X	X		X		X
Fitness Center	X	X	X	X	X	X	X	X				X	X
Fitness and Exercise Studio		X					X	X		X	X		X
Fitness Classes											X		
Business Center					X		X	Co-Working					Co-Working
Media-Game Room	X						X						
Controlled Access	X	X	X	X	X	X			X	X	X		X
Concierge Services	Partial					None			None	None			None
Bike Storage	X	X	X	X	Room	Room/repair station		X	Rack	Room/repair station	Rack		X
Bike Repair										X	X	X	X
Pet Friendly	X	X	X	X	X	X	X	X	X	X	X	X	X
Dog Run/Relief Area						X						X	X
Pet Wash		X		X	X	X	X						X
Sports Courts										X	X		
Playground													
Packages		Locker	Locker		Locker	Locker	Room	Locker		Locker			Locker

Page 1 of 3

Exhibit I-6

Unit Features and Amenities at Comparable Apartment Communities
Competitive Market Area
June 2021

MAP KEY	1	2	3	4	5	6	7	8	9	10	11	12	SUBJECT SITE
PROPERTY NAME	800 J Loft	1430 Q Street	Eviva Midtown	Ice House Midtown	Q19	H16	The Press at Midtown Quarter	19J	The Edge	The Foundry	The Block	The Capitol Yards	Subject Site
YEAR BUILT	2006	2020	2016	2017	2018	2020	2020	2019	2021	2019	2021	2015	
OCCUPANCY	92%	93%	98%	96%	98%	92%	73%	80%	59%	96%	65%	97%	
UNIT FEATURES													
Fully-Appointed Kitchen	X	X	X	X	X	X	X	X	X	X	X		X
Appliance Type	Stainless	Stainless	Stainless	White	Stainless	Stainless		Stainless	White	Black	Stainless	Stainless	Stainless
Appliance Utility	Electric	Gas	Electric	Electric	Electric	Electric	Electric	Electric	Electric	Electric	Electric	Electric	Electric
Countertops	Granite	Quartz	Quartz	Quartz	Granite	Quartz	Quartz	Quartz	Granite	Quartz	Quartz	Quartz	Quartz or Other Stone
Washer/Dryer In Unit	Full Size	Full Size	X	Full Size	Full Size	Full Size	Full Size	S	Full Size	Full Size	Full Size	Full Size	Full Size
Washer/Dryer Type	Stacked		Stacked			Stacked		Stacked			Stacked		Stacked
Air Conditioning	Central	Central	Central	Central	Central	Central	Central		Central	Central	Central		Central
Ceiling Fans	X	X	X				X						X
Living Area Flooring	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style
Kitchen Area Flooring	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style
Bedroom Flooring	Carpet	Hardwood-Style	Carpet	Hardwood-Style	Carpet	Carpet	Carpet	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Carpet	Hardwood-Style
Bathroom Flooring	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style	Hardwood-Style
Wooden Cabinets-Doors	X	X	X										
Walk-In Closets	S	X		S	S	S	S	S			X		S
Double Vanity		S				S					S		
Ceiling Height			9 Feet			>9 Feet							9 Feet
Balcony Patio	S	X	S	S	S	S	S	S			X		S
USB Outlets						X							
Alarm System					X								
Electronic Locks	X	X		X		X	X	X			X		X
Smart Home Technology					X		X	X			X		X

KEY	
X	Available in all units
S	Available in select units

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Exhibit I-6

Unit Features and Amenities at Comparable Apartment Communities
Competitive Market Area
June 2021

MAP KEY	1	2	3	4	5	6	7	8	9	10	11	12	SUBJECT SITE
PROPERTY NAME	800 J Loft	1430 Q Street	Eviva Midtown	Ice House Midtown	Q19	H16	The Press at Midtown Quarter	19J	The Edge	The Foundry	The Block	The Capitol Yards	Subject Site
YEAR BUILT	2006	2020	2016	2017	2018	2020	2020	2019	2021	2019	2021	2015	
OCCUPANCY	92%	93%	98%	96%	98%	92%	73%	80%	59%	96%	65%	97%	
FEES													
Extra On-site Storage	X	X				X					X		X
Extra On-site Storage Fee (min)		60-100				$50							$60
Extra On-site Storage Fee (max)													
Bike Storage Fee													
Pet Deposit	$500	$500		$500		$500	$500		$500	$500	$500	$500	$500
Pet Fee (min)	$35	$25		$50		$50	$50		$25	$50	$25	$35	$50
Pet Fee (max)						$60	$100					$70	
Amenity Fee													
Application Fee	$59	$55		$45		$52					$52		
PARKING													
Parking Type	Garage	Garage	Garage	Garage	Surface	Surface/Garage	Surface		Garage/Covered	Garage & Surface	Garage	Garage	Garage
Additional Parking Space Fee		250	225	250	250	175-275	175	175	125	125		145	200

Source: Leasing agent interview; Property website; Axiometrics; CoStar; RCLCC

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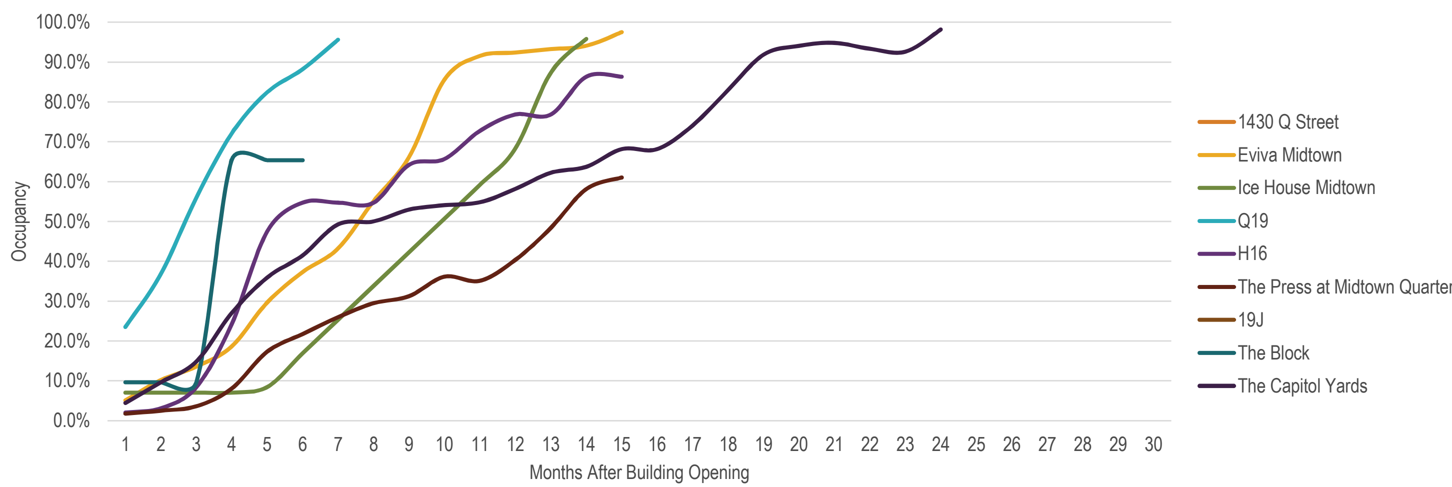
Exhibit I-7

Lease-Up History
Competitive Market Area
June 2021



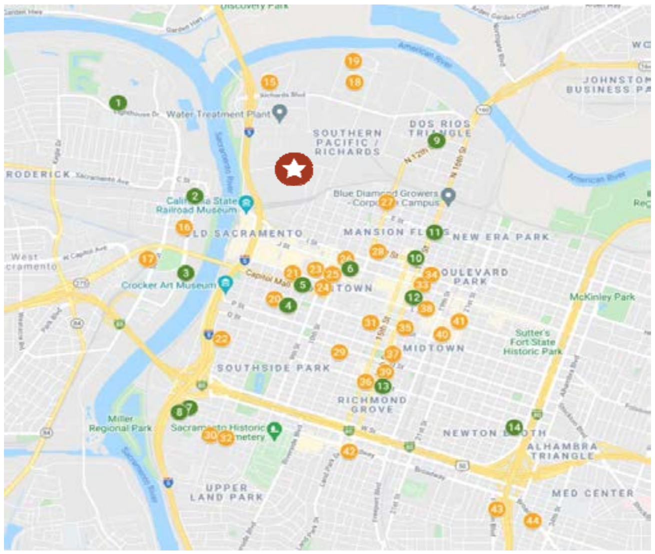
MAP KEY	COMMUNITY NAME	TOTAL UNITS	YEAR BUILT	AR LAST RENOVAT	OCCUPANCY	LEASE-UP PERIOD (MONTHS)	AVG. MONTHLY ABSORPTION
2	1430 Q Street	75	2020	N/A	93.0%	In Lease-Up	N/A
3	Eviva Midtown	118	2016	N/A	98.3%	15	7.7
4	Ice House Midtown	142	2017	N/A	95.8%	14	9.7
5	Q19	68	2018	N/A	98.0%	7	9.3
6	H16	95	2020	N/A	91.6%	In Lease-Up	5.5
7	The Press at Midtown Quarter	277	2020	N/A	72.9%	In Lease-Up	11.3
8	19J	175	2019	N/A	80.1%	In Lease-Up	N/A
11	The Block	52	2021	N/A	65.4%	In Lease-Up	5.7
12	The Capitol Yards	270	2015	N/A	97.0%	24	11.0

Note: Excludes communities where lease-up history is not available.
Source: Axiometrics; RCLCO

RCLCO
REAL ESTATE CONSULTING

Exhibit I-8

Map of Rental Development Pipeline
Primary Market Area
June 2021



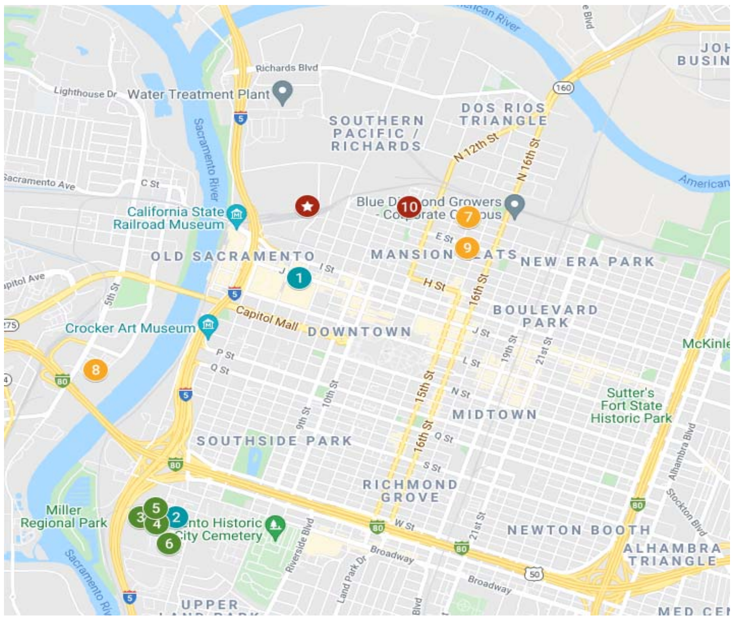
MAP KEY	PROJECT	DEVELOPER	EST. OPENING	TOTAL UNITS
	UNDER CONSTRUCTION			
1	The Strand	MBK Rental Living	2022	406
2	301 D Street	American National Investments	2022	40
3	West	CA Ventures	2022	286
4	Sacramento Commons I	Weidner Apartment Homes	2022	218
5	The Frederic	Shorenstein Properties LLC	2021	162
6	Anthem Cathedral Square	Anthem Properties Group Ltd	2022	153
7	Maven Broadway	29th Street Capital	2021	444
8	Log Pond Lane	29th Street Capital	2021	84
9	Mirasol Village	McCormack Baron Salazar	2023	58
10	Mansion Apartments	SKK Developments	2022	186
11	Eleanor	SKK Developments	2021	95
12	17 Central	D & S Development, Inc.	2022	111
13	1629 S St	Sutter Capital Group	2022	47
14	Newton	HK3 Development LLC	2022	38
				2,328
	PLANNED/PROPOSED			
15	Former Hawthorn Suites by Wyndham Sacramento	Ezralow Co.	Not Available	281
16	Washington Commons	Urban Development	2023	35
17	Delta Lane	Alliant Strategic Development	2023	124
18	Township Nine I	29th Street Capital	2023	150
19	Township Nine II	29th Street Capital	Not Available	786
20	Sacramento Commons Future Phases	Weidner Apartment Homes	Not Available	218
21	701 L Street	DBP Realty Partners	Not Available	58
22	S3	TriCap Development	2023	190
23	800 K Street	CFY Development, Inc	2023	148
24	Hilton Canopy Hotel	Venture Oaks Real Estate Group	Not Available	50
25	10K	Mohanna Development	2023	218
26	The Metropolitan	Saca Developments & SKK Developments	Not Available	190
27	Alkali Flats on 12th	Alex Leon	Not Available	24
28	1220 H Street	Not Available	Not Available	137
29	Q Art Lofts	Urban Development + Partners	2023	51
30	The Market Club	CSI Construction Co.	2023	22
31	14 N	D & S Development, Inc	2024	99
32	Maven on Fifth Street	29th Street Capital	2023	308
33	17th & J	SKK Developments	Not Available	74
34	Cascade	D&S Development	Not Available	206
35	Former Jefferson School	Cresleigh Homes	Not Available	60
36	Mid Fifteen	Anthem Properties Group Ltd	2023	137
37	16 Powerhouse II	Demmon Partners	Not Available	23
38	1116 18th Street	SKK Developments	2023	25
39	1619 R Street	Not Available	Not Available	104
40	Tribute Building	Heller Pacific, Inc	Not Available	54
41	2025 L Street	Pappas Investments	Not Available	93
42	2500 16th Street	Not Available	Not Available	53
43	2617 Franklin Boulevard	Campus Plaza Associates	Not Available	39
44	Oak Park Place	Artishuk Development & Holdings	2023	21
				3,978
	OTHER LONG-TERM PLANNED DEVELOPMENT			
Bridge District[1]				4,518
Washington District[2]				3,225
				7,743

[1] *Assumes 5,210 total units at buildout. Total excludes Edge, The Block, 980 Central, The Foundry, Rivermark, and Habitat, all of which have already delivered, and West, which is in the above pipeline.*
[2] *Assumes 3,300 total units at buildout. Total excludes 301 D Street and Washington Commons, both of which are in the above pipeline*
Source: CoStar; Axiometrics; RCLCO

II. FOR-SALE SUPPLY

Exhibit II-1

Map of Competitive Set Communities
Downtown Area
June 2021



MAP KEY	PROPERTY	YEAR BUILT	TOTAL UNITS	AVG. PRICE	AVG. SIZE	AVG. $/SF
1	The Residences at the Sawyer	2018	45	$1,487,000	1,525	$975
2	Central Lofts at The Mill	2021	24	$397,000	1,027	$387
3	Garden Villas at The Mill at Broadway	2020	30	$412,000	1,027	$401
4	Cottages at The Mill at Broadway	2018	72	$448,000	1,076	$416
5	Lane Homes at The Mill at Broadway	2018	46	$359,000	814	$441
6	Courts at The Mill at Broadway	2019	37	$386,000	1,023	$377
7	Icon @ 14&C	2020	21	$605,000	1,626	$372
8	Ro Homes	2020	19	$584,000	1,595	$366
9	14E Mansion Flats	2020	12	$584,000	1,529	$382
10	Creamery at Alkali Flat	2017	122	$666,000	1,888	$353

Condominium
Single-Family Condominium
Townhome
Single-Family Detached

Source: Community websites; interviews with sales agents; Redfin; Zillow; RCLCO

Exhibit II-2

List of Competitive Set Communities
Downtown Area
June 2021

MAP KEY	PROPERTY	YEAR BUILT	PRODUCT TYPE	TOTAL UNITS	UNIT MIX	UNIT SIZE RANGE	AVG. SIZE	UNIT PRICE RANGE	AVG. PRICE	AVG. $/SF
1	The Residences at the Sawy	2018	Condominium	45	100%	798 - 3,323	1,525	$620,000 - $4,100,000	$1,487,000	$975
	500 J St		1BR	6	13%	798 - 936	833	$620,000 - $821,000	$730,000	$876
	Sacramento, CA 95814		2BR	38	84%	1,368 - 2,125	1,587	$980,000 - $3,750,000	$1,538,000	$969
			3BR	1	2%	3,323 - 3,323	3,323	$4,100,000 - $4,100,000	$4,100,000	$1,234
2	Central Lofts at The Mill	2021	Condominium	24	100%	658 - 1,461	1,027	$310,000 - $490,000	$397,000	$387
	Cleat Ln		1BR	8	33%	658 - 658	658	$310,000 - $310,000	$310,000	$471
	Sacramento, CA 95818		2BR	8	33%	961 - 961	961	$390,000 - $390,000	$390,000	$406
			3BR	8	33%	1,461 - 1,461	1,461	$490,000 - $490,000	$490,000	$336
3	Garden Villas at The Mill at E	2020	Single-Family Condominium	30	100%	626 - 1,061	1,027	$288,000 - $428,500	$412,000	$401
	252 Log Pond Ln		2BR	30	100%	927 - 1,061	1,027	$397,236 - $428,500	$412,000	$401
4	Cottages at The Mill at Broac	2018	Single-Family Condominium	72	100%	625 - 1,378	1,076	$303,500 - $556,000	$448,000	$416
	457 Crate Ave		1BR	6	8%	625 - 1,015	918	$303,500 - $448,500	$404,000	$440
	Sacramento, CA 95818		2BR	54	75%	1,014 - 1,045	1,028	$416,000 - $500,000	$442,000	$430
			3BR	12	17%	1,374 - 1,378	1,374	$483,000 - $556,000	$496,000	$361
5	Lane Homes at The Mill at Bı	2018	Single-Family Condominium	46	100%	625 - 1,050	814	$279,500 - $423,500	$359,000	$441
	370 1st Ave		1BR	28	61%	625 - 801	698	$279,500 - $399,000	$332,000	$476
	Sacramento, CA 95818		2BR	18	39%	924 - 1,050	994	$337,000 - $423,500	$400,000	$402
6	Courts at The Mill at Broadw	2019	Single-Family Condominium	37	100%	550 - 1,436	1,023	$285,000 - $488,000	$386,000	$377
	410 Tailoff Ln		1BR	9	24%	550 - 1,435	773	$285,000 - $479,000	$328,000	$424
	Sacramento, CA 95818		2BR	28	76%	900 - 1,436	1,104	$355,000 - $488,000	$405,000	$367
7	Icon @ 14&C	2020	Townhome	21	100%	1,540 - 1,917	1,626	$550,000 - $680,000	$605,000	$372
	1330 C St		2BR	16	76%	1,540 - 1,618	1,584	$550,000 - $601,000	$586,000	$370
	Sacramento, CA 95814		3BR	5	24%	1,662 - 1,917	1,761	$650,000 - $680,000	$665,000	$378
8	Ro Homes	2020	Townhome	19	100%	1,588 - 1,615	1,595	$557,500 - $605,000	$584,000	$366
	985 Central Street		2BR+	19	100%	1,588 - 1,615	1,595	$557,500 - $605,000	$584,000	$366
	Sacramento, CA 95691									
9	14E Mansion Flats	2020	Townhome	12	100%	1,521 - 1,555	1,529	$550,000 - $647,207	$584,000	$382
	1412 E St		2BR+	12	100%	1,521 - 1,555	1,529	$550,000 - $647,207	$584,000	$382
	Sacramento, CA 95814									
10	Creamery at Alkali Flat	2017	Single-Family Detached	122	100%	1,683 - 2,349	1,888	$550,000 - $825,500	$666,000	$353
	1011 D St		2BR	24	20%	1,721 - 1,818	1,771	$611,500 - $730,000	$659,000	$372
	Sacramento, CA 95814		3BR	83	68%	1,683 - 2,349	1,844	$550,000 - $825,500	$659,000	$357
			4BR	15	12%	2,275 - 2,349	2,318	$659,000 - $773,000	$718,000	$310

Source: Community websites; interviews with sales agents; Redfin; Zillow; RCLCC

Exhibit II-3

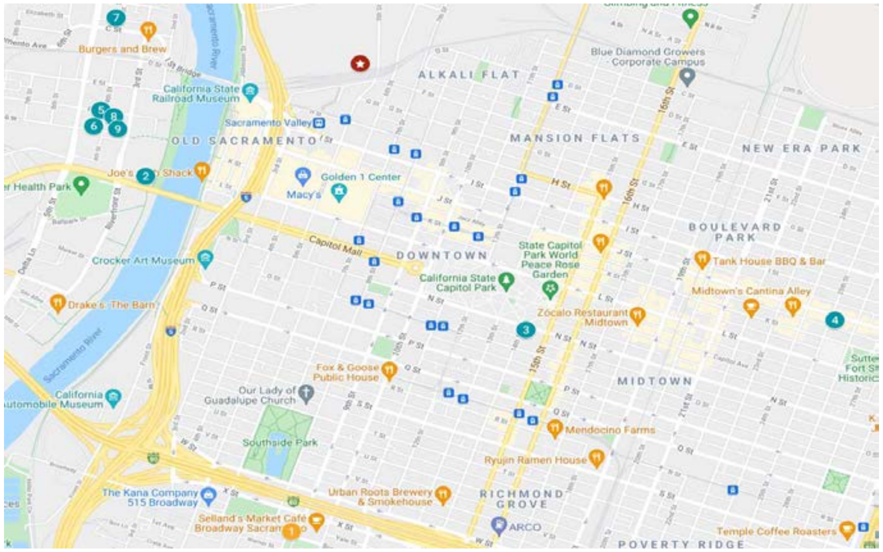
Amenities at Competitive Set Communities
Downtown Area
June 2021

MAP KEY	1	2	3	4	5	6	7	8	9	10
PROPERTY	The Residences at the Sawyer	Central Lofts at The Mill	Garden Villas at The Mill at Broadway	Cottages at The Mill at Broadway	Lane Homes at The Mill at Broadway	Courts at The Mill at Broadway	Icon @ 14&C	Ro Homes	14E Mansion Flats	Creamery at Alkali Flat
PRODUCT TYPE	Condominium	Condominium	Single-Family Condominium	Single-Family Condominium	Single-Family Condominium	Single-Family Condominium	Townhome	Townhome	Townhome	Single-Family Detached
AMENITIES										
Swimming Pool	X									
Jacuzzi/Spa	X									
BBQ/Grilling Area	X	X	X	X	X	X				
Lounge-Clubhouse	X	X	X	X	X	X		The Barn (Retail)		
Outdoor Seating	X	X	X	X	X	X		X		X
Rooftop Deck/Amenity	X									
Fitness Center	X							Waterfront Yoga		
Fitness and Exercise Studio										
Business Center										
Media-Game Room	X	X	X	X	X	X				
Security-Patrol	X									
Concierge Services	X									
Bike Storage		X	X	X	X	X				
Bike Repair										
Pet Friendly	X	X	X	X	X	X	X	X	X	X
Dog Run/Relief Area		X	X	X	X	X				X
Pet Wash										
Sports Courts		X	X	X	X	X				
Sauna/Steam Room										
Guest Suite	X									
Community Park		X	X	X	X	X		X		X
Playground		X	X	X	X	X				

Source: Community websites; interviews with sales agents; Redfin; Zillow; RCLCO

Exhibit II-4

For-Sale Pipeline
Downtown Area
June 2021



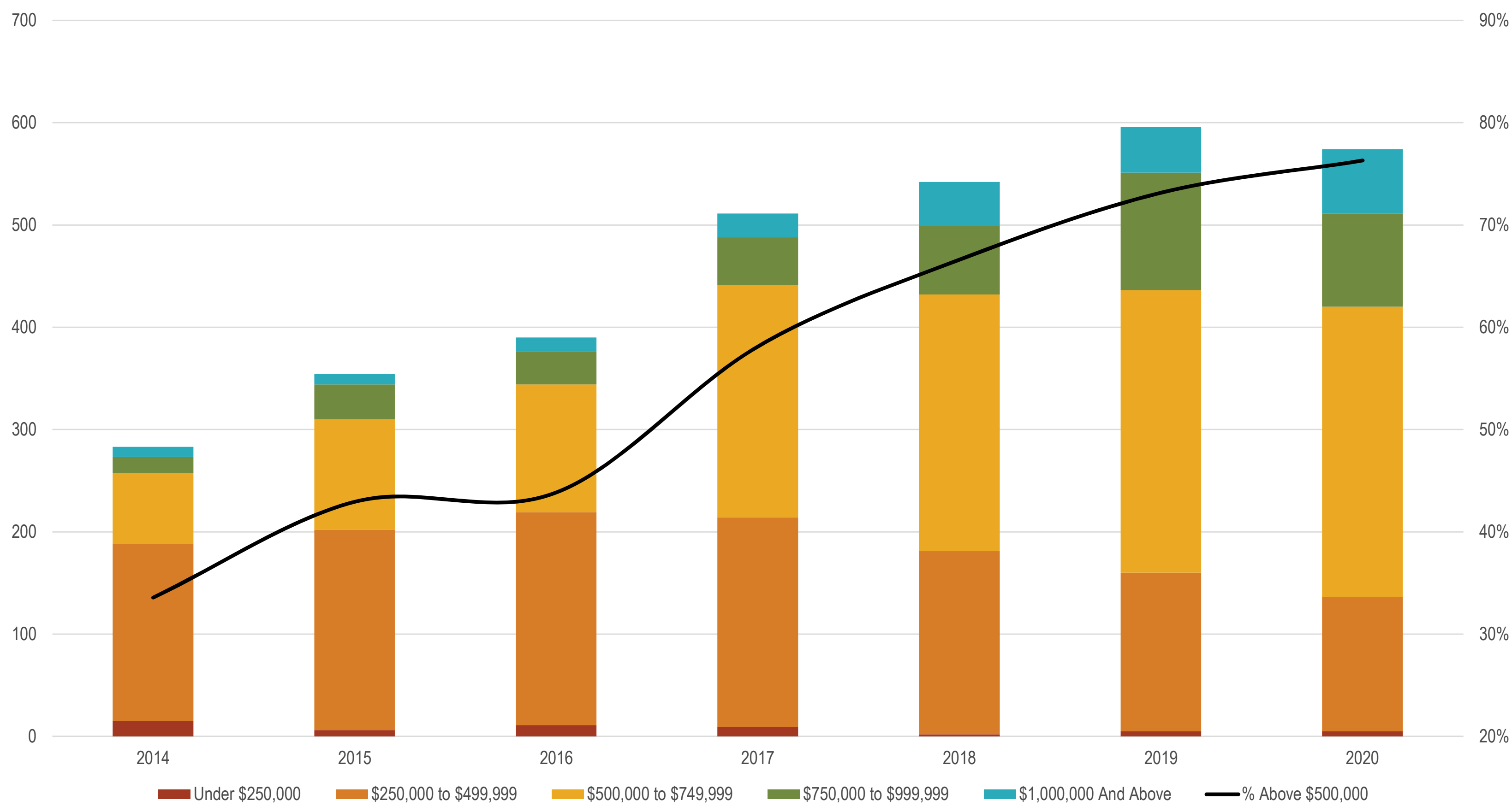
MAP KEY	PROJECT NAME	PRODUCT TYPE	STATUS	EST. DELIVERY	UNITS	DEVELOPER
1	9B	Townhome	Under Construction	2021	17	Indie Capital LLC
2	River One	Condominium	Planned	2023+	57	Fulcrum Property
3	Vantage Condominiums	Condominium	Planned	TBD	86	TBD
4	Yamanee	Condominium	Planned	TBD	134	Polatnick Properties
5	The Savoy	Townhome	Planned	TBD	22	NGC
6	Icon West Sac	Townhome	Planned	TBD	25	NGC
7	218 4th Street Townhomes	Townhome	Planned	TBD	25	NGC
8	The Kierland	Townhome	Planned	TBD	16	NGC
9	Washington Commons Cohousing	Condominium	Planned	TBD	35	Urban Development Partners
OTHER LONG-TERM PLANNED DEVELOPMENT						
	The Bridge District[1]				4,446	
	The Mill at Broadway[2]				N/A	
	Sacramento Commons[3]				816	
	Township Nine[4]				1,864	
	The Washington District[5]				2,281	

Under Construction
Planned

Source: Community websites; interviews with sales agents; Redfin; Zillow; RCLCO

Exhibit II-5

Volume and Price Distribution of All Sales
Primary Market Area
2014-2020

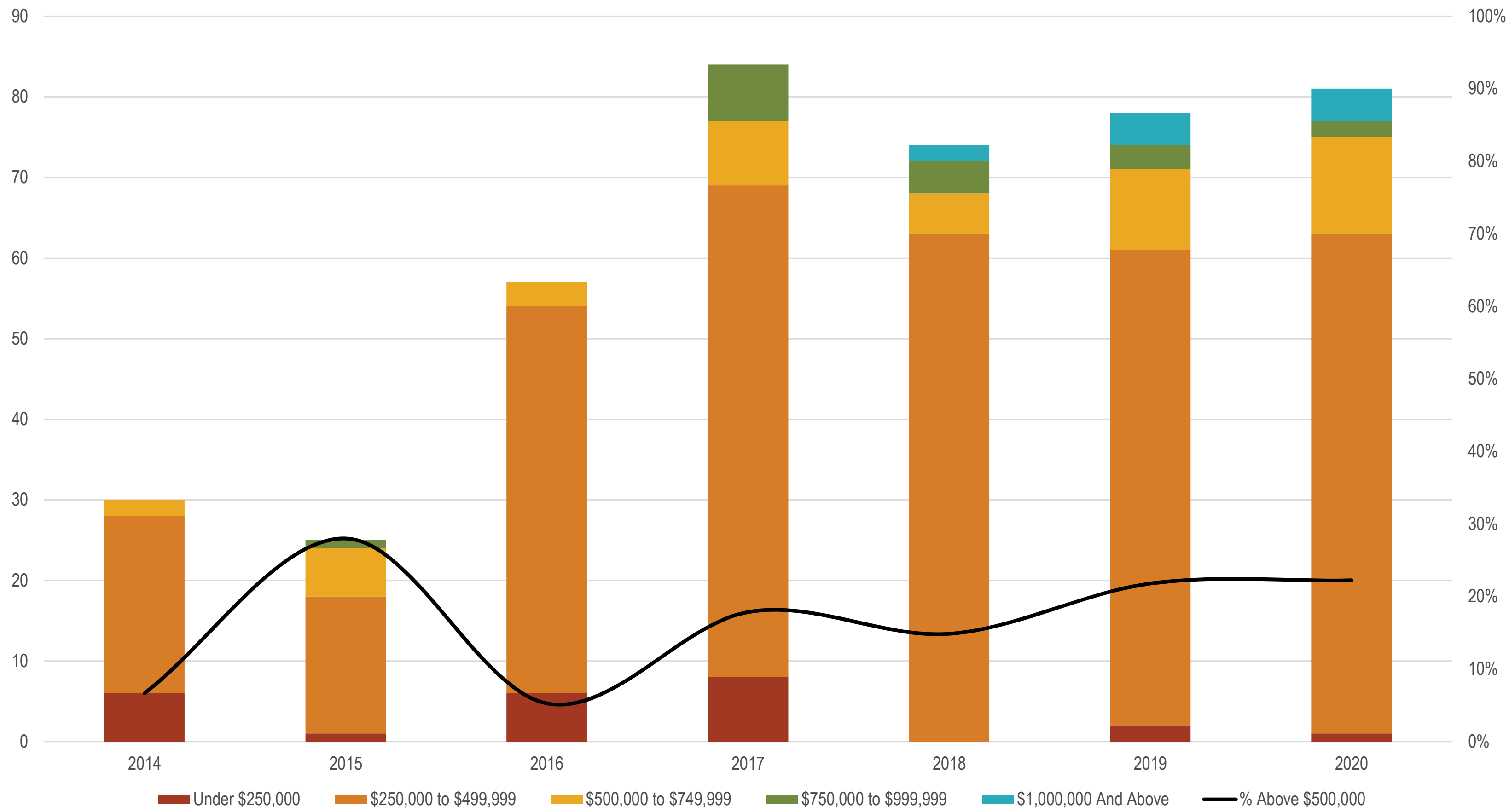


Note: Above chart includes data from the following zip codes: 95605, 95691, 95811, 95814, 95816, and 95818.

Source: RealQuest; RCLCO

Exhibit II-6

Volume and Price Distribution of Condominium Sales
Primary Market Area
2014-2020



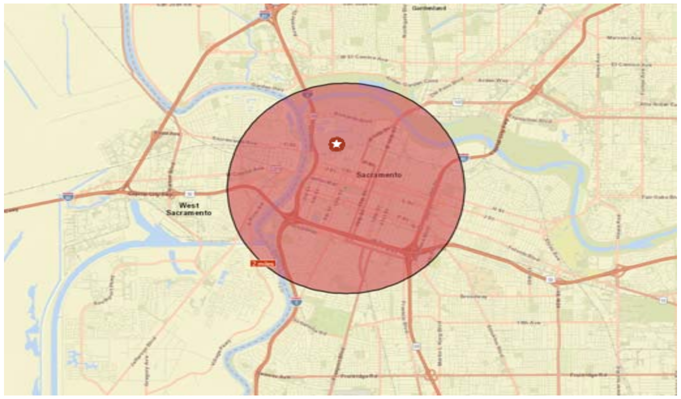
Note: Above chart includes data from the following zip codes: 95605, 95691, 95811, 95814, 95816, and 95818.

Source: RealQuest; RCLCO

III. OFFICE SUPPLY

Exhibit III-1

Map of Office Employment Cores
Downtown Area and Sacramento MSA
June 2021



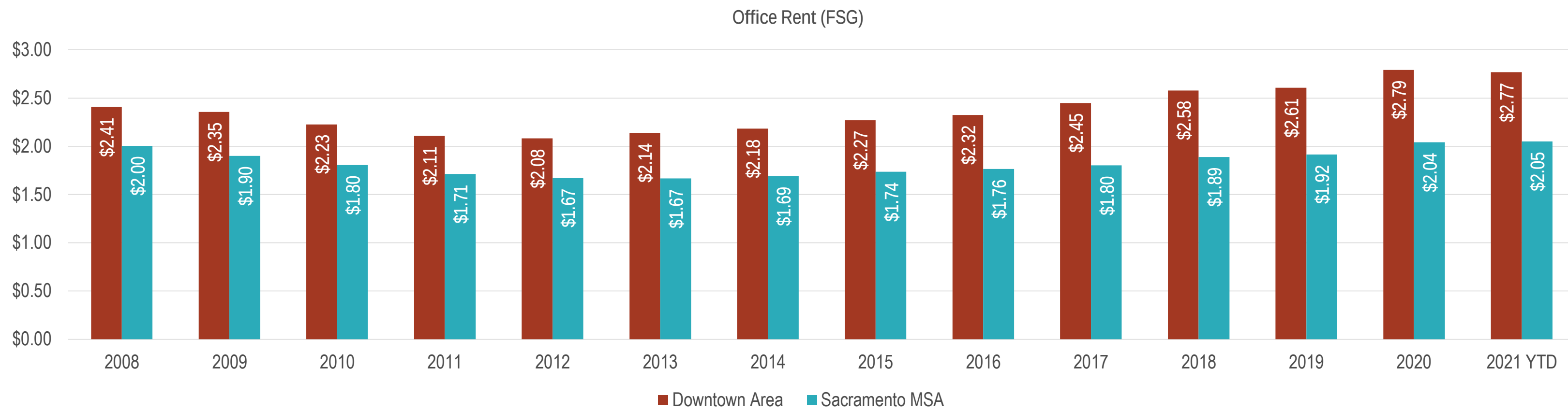
MAP KEY	CLUSTER NAME	# OF BUILDINGS[1]	TOTAL SF	AVERAGE BUILDING SF	AVG LEASE RATE[2]	AVG VACANCY	10-YEAR COMPLETIONS	10-YEAR ABSOPTION
	Downtown Area	489	27,307,181	55,843	$2.77	7.2%	446,981	977,734
	Sacramento Railyards							
	Sacramento MSA	3,098	100,676,952	32,497	$2.05	10.3%	3,118,549	8,853,221

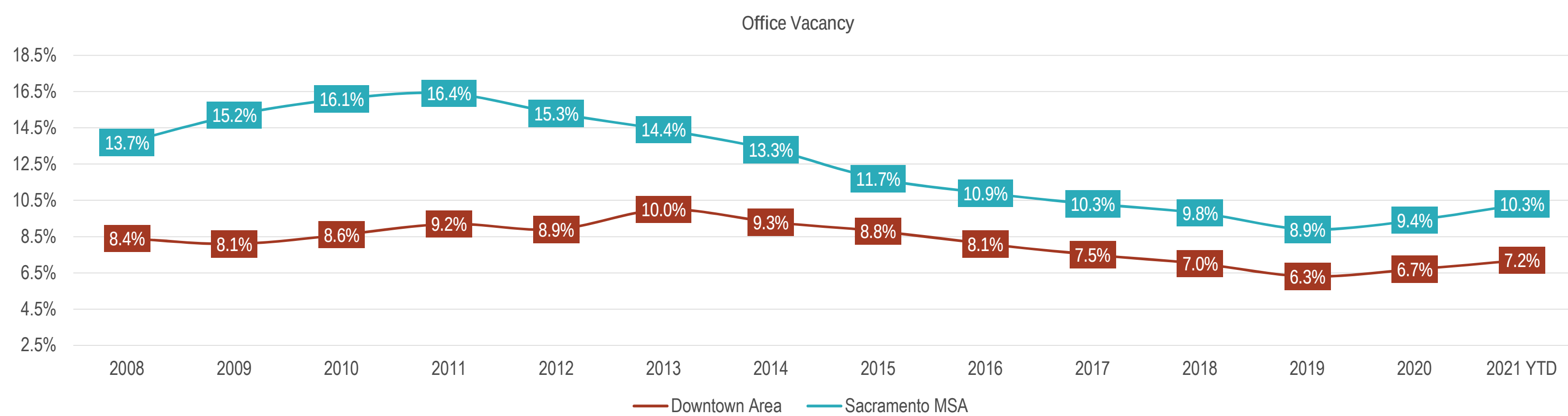
[1] *Properties profiled represent existing office buildings over 5k square feet*
[2] *Total average rate calculated using Full-Service Gross (FSG) rent on a monthly basis.*

Source: CoStar; RCLCO

Exhibit III-2

Full Service Office Rents and Vacancy
Downtown Area and Sacramento MSA
2008 - 2021 YTD





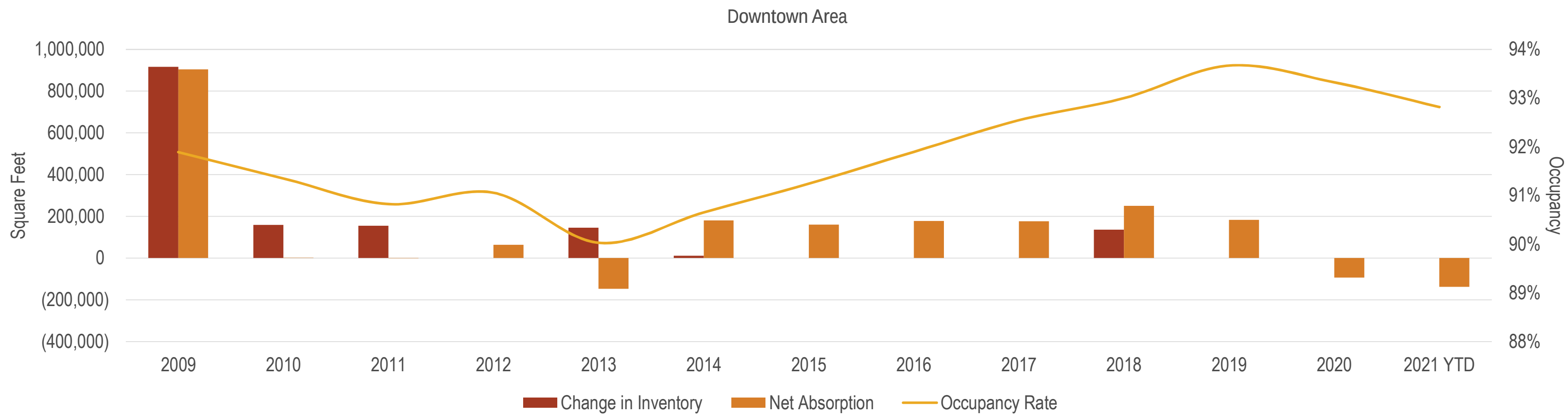
Source: CoStar Group; RCLCO

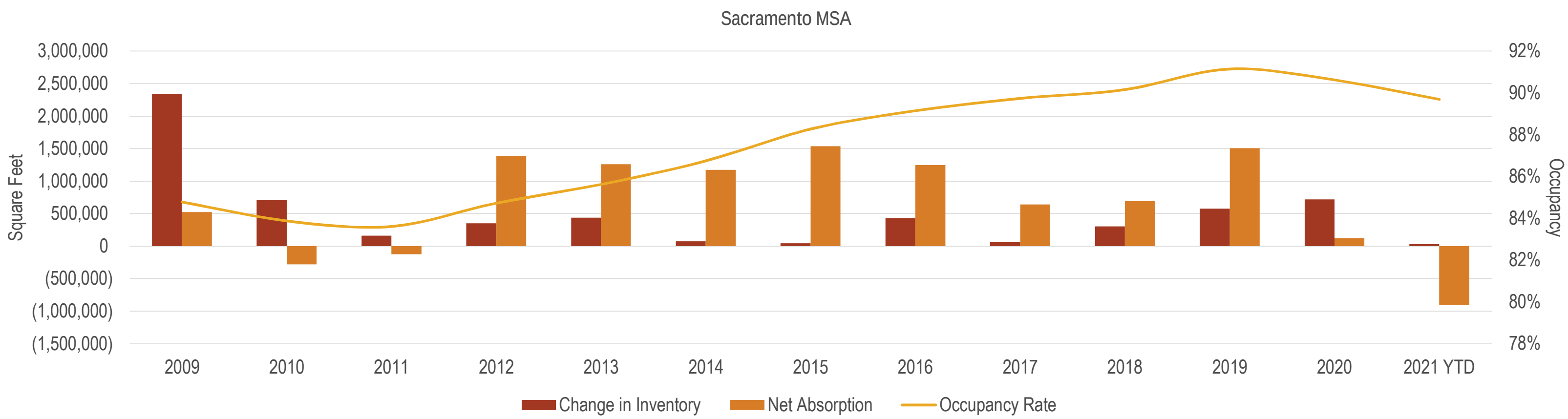
EXHIBITS

RCLCO
REAL ESTATE CONSULTING

Exhibit III-3

Office Real Estate Trends
Downtown Area and Sacramento MSA
2009 - 2021 YTD

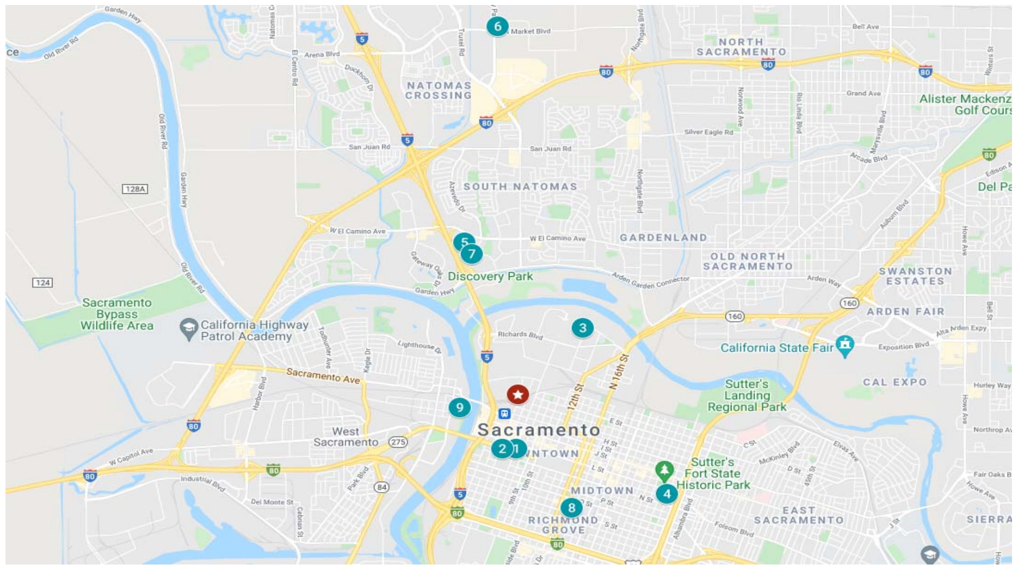




Source: CoStar; RCLCO

Exhibit III-4

Summary of Selected Office Buildings
Sacramento MSA
June 2021

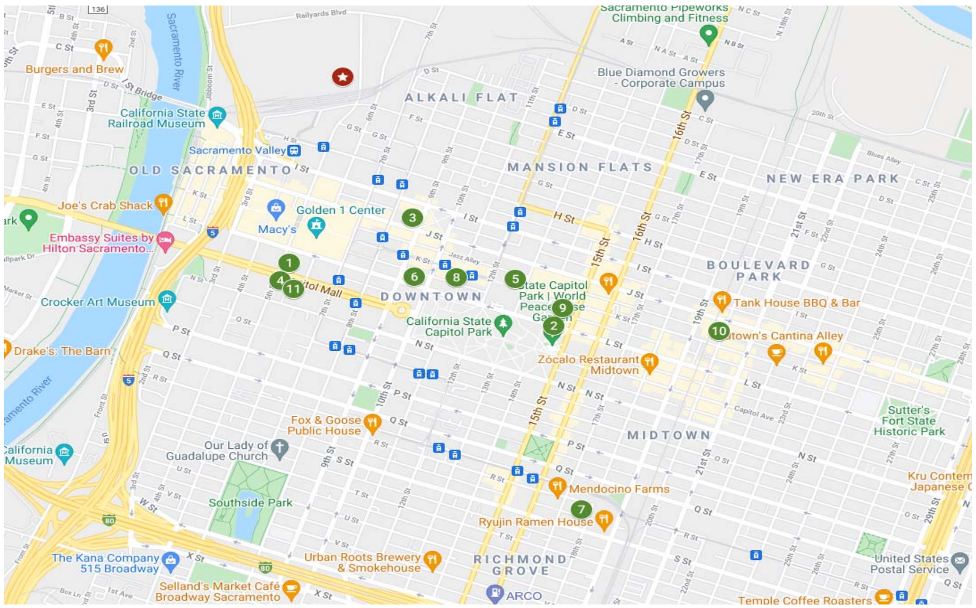


MAP KEY	PROPERTY NAME	PROPERTY ADDRESS	YEAR BUILT	YEAR RENOVATED	PROPERTY CLASS	NUMBER OF STORIES	SIZE (SF)	AVAILABLE SPACE (SF)	OCCUPANCY RATE	RENT/SF
1	U.S. Bank Tower	621 Capitol Mall	2008	N/A	A	25	380,000	96,665	74.6%	$3.50 (FSG)
2	Bank of the West Tower	500 Capitol Mall	2009	N/A	A	25	445,984	32,597	93.4%	$3.59 (FSG)
3	California State Lottery Commission	700 N 10th St	2011	N/A	A	6	155,000	0	100.0%	N/A
4	Sutter Capitol Pavilion	2725 Capitol Ave	2013	N/A	B	4	144,744	0	100.0%	Withheld
5	2020 Gateway Tower	2020 W El Camino Ave	2009	N/A	A	12	325,477	2,587	100.0%	N/A
6	1747 N Market Blvd	1747 N Market Blvd	2010	N/A	A	2	105,000	0	100.0%	Withheld
7	2555 Natomas Park Dr	2555 Natomas Park Dr	2020	N/A	A	3	90,000	60,000	0.0%	Withheld
8	Ice Blocks	1600-1610 R St	2018	N/A	A	4	136,412	6,151	95.5%	$3.00 -$3.25 (FSG)
9	CalSTRS	100 Waterfront Pl	2009	N/A	A	17	409,000	198,639	100.0%	N/A
	Sacramento Railyards									

Source: Google Maps; CoStar; RCLCO

Exhibit III-5

Asking Office Lease Rates (Direct)
Downtown Area
June 2021



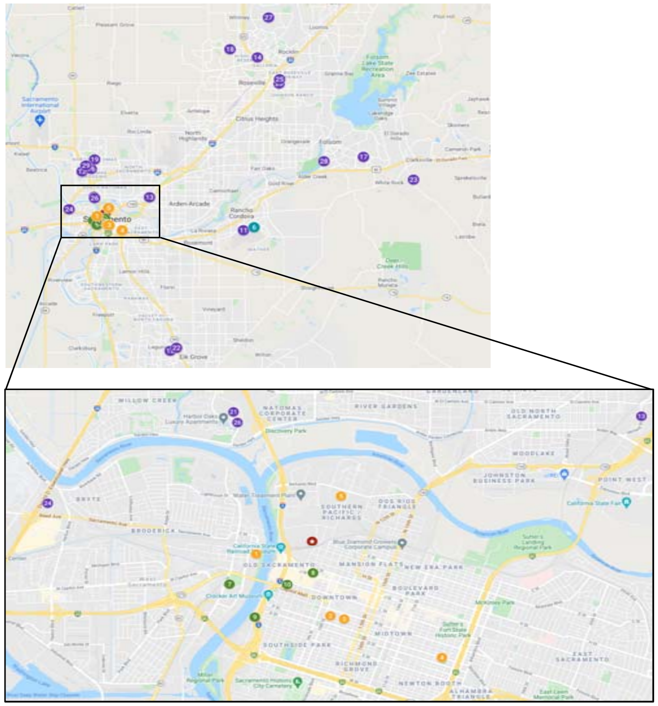
MAP KEY	PROPERTY	YEAR BUILT/ RENOV.	BLDG CLASS	SF	ANNUAL RENT/SF	MONTHLY RENT/SF	LEASE TYPE
1	Plaza Five Fifty Five	1970	A	8,420	$39.00	$3.25	FSG
	Plaza Five Fifty Five	1970	A	4,620	$45.00	$3.75	FSG
	Plaza Five Fifty Five	1970	A	1,813	$45.00	$3.75	FSG
	Plaza Five Fifty Five	1970	A	1,804	$37.80	$3.15	FSG
	Plaza Five Fifty Five	1970	A	1,445	$54.00	$4.50	FSG
2	Meridian Plaza	2003	A	4,344	$46.20	$3.85	FSG
	Meridian Plaza	2003	A	1,880	$43.80	$3.65	FSG
	Meridian Plaza	2003	A	1,655	$44.40	$3.70	FSG
	Meridian Plaza	2003	A	1,525	$46.20	$3.85	FSG
	Meridian Plaza	2003	A	1,289	$46.20	$3.85	FSG
3	Park Tower	1992	A	5,511	$42.00	$3.50	FSG
	Park Tower	1992	A	5,174	$42.00	$3.50	FSG
	Park Tower	1992	A	3,778	$39.60	$3.30	FSG
	Park Tower	1992	A	3,432	$42.00	$3.50	FSG
	Park Tower	1992	A	3,327	$42.00	$3.50	FSG
4	Bank of the West Tower	2009	A	11,392	$43.20	$3.60	FSG
	Bank of the West Tower	2009	A	6,190	$43.20	$3.60	FSG
	Bank of the West Tower	2009	A	5,379	$43.20	$3.60	FSG
	Bank of the West Tower	2009	A	3,173	$43.20	$3.60	FSG
	Bank of the West Tower	2009	A	2,760	$43.20	$3.60	FSG
5	Esquire Plaza	1999	A	5,072	$43.20	$3.60	FSG
	Esquire Plaza	1999	A	4,899	$42.00	$3.50	FSG
	Esquire Plaza	1999	A	3,108	$42.00	$3.50	FSG
	Esquire Plaza	1999	A	3,079	$43.20	$3.60	FSG
	Esquire Plaza	1999	A	2,879	$42.00	$3.50	FSG
6	Capitol Place	1988	A	3,010	$42.00	$3.50	FSG
	Capitol Place	1988	A	1,005	$42.00	$3.50	FSG
7	Ice Shed	2017	A	3,230	$40.80	$3.40	FSG
8	The Regis Building	1911/1984	B	5,273	$39.60	$3.30	FSG
	The Regis Building	1911/1984	B	5,275	$35.40	$2.95	FSG
9	1414 K Street	1925/2009	A	2,231	$37.80	$3.15	FSG
	1414 K Street	1925/2009	A	1,556	$37.80	$3.15	FSG
10	MARRS Building	1975/2006	A	13,265	$34.20	$2.85	FSG
	MARRS Building	1975/2006	A	2,101	$35.40	$2.95	FSG
11	520 Capitol Mall	1963/2003	A	3,970	$34.80	$2.90	FSG
	520 Capitol Mall	1963/2003	A	1,665	$35.40	$2.95	FSG
	520 Capitol Mall	1963/2003	A	1,349	$34.80	$2.90	FSG
Total/Avg.				141,878	$34.20 - $54.00	$2.85 - $4.50	

Sacramento Railyards

Note: Only includes the 5 largest spaces in each building, where applicable. Excludes office spaces smaller than 1,000 square feet.
Source: Loopnet; RCLCO

Exhibit III-6

Map of Office Development Pipeline
Sacramento MSA
June 2021



MAP KEY	PROJECT	EST. OPENING	TOTAL OFFICE SF	LIKELIHOOD OF DELIVERY	APPLICABLE SF
	UNDER CONSTRUCTION				
1	CalSTRS Expansion	2022	275,000	100%	275,000
2	Capitol Annex Expansion	2021	472,000	100%	472,000
3	California Department of General Services	2022	360,000	100%	360,000
4	California Natural Resources Agency	2022	875,000	100%	875,000
5	Richards Boulevard Office Complex	2024	1,250,000	100%	1,250,000
6	California Military Department HQ	2021	285,000	100%	285,000
	Total		3,517,000	100%	3,517,000
	PLANNED/PROPOSED				
7	Bridge District - Early Phases	N/A	800,000	25%	200,000
8	Vanir Tower	N/A	100,000	25%	25,000
9	The Docks Project	N/A	500,000	25%	125,000
10	Tower 301	N/A	800,000	25%	200,000
11	Mather Commerce Center	N/A	338,000	54%	182,250
12	Parkview Business Park	N/A	834,880	25%	208,720
13	Harvard Park Phase II	N/A	253,750	50%	126,875
14	Highland Pointe Business Park	N/A	118,000	50%	59,000
15	Laguna Springs Corporate Center	N/A	110,000	50%	55,000
16	Innovate Corporate Center	N/A	313,650	25%	78,413
17	Dignity Health	2024	65,000	100%	65,000
18	Roseville Office Park	N/A	600,000	25%	150,000
19	Centerpointe at Natomas Crossing	N/A	135,000	50%	67,500
20	1513 Eureka Rd	N/A	77,100	50%	38,550
21	Natomas West -B	N/A	64,144	25%	16,036
22	Laguna Pointe	N/A	72,000	25%	18,000
23	The Pointe	N/A	144,000	38%	54,000
24	Riverpoint North Corporate Center	N/A	110,000	50%	55,000
25	Stone Point Corporate Center	N/A	260,000	25%	65,000
26	2050 Venture Oaks Way	N/A	327,000	50%	163,500
27	Placer Creek Office	N/A	500,000	50%	250,000
28	103 Woodmere Rd	N/A	55,000	25%	13,750
29	Centene Campus	N/A	730,200	59%	429,075
	Total		7,307,724	36%	2,645,669
	OTHER LONG-TERM PLANNED DEVELOPMENT				
	Bridge District - Potential Later Phases[1]		4,200,000	25%	1,050,000
	River District - Potential Later Phases[2]		1,394,000	25%	348,500
	The Washington District - Potential Later Phases[3]		1,253,000	25%	313,250
	Total		6,847,000	25%	1,711,750

MAP KEY

	AREA	TOTAL OFFICE SF	LIKELIHOOD OF DELIVERY	TOTAL APPLICABLE SF
	Downtown Area Under Construction	3,232,000	100%	3,232,000
	Sacramento MSA Under Construction	285,000	100%	285,000
	Downtown Area Planned/Proposed	2,200,000	25%	550,000
	Sacramento MSA Planned/Proposed	5,107,724	41%	2,095,669
	Other Long-Term Planned Development	6,847,000	25%	1,711,750
	Sacramento Railyards			

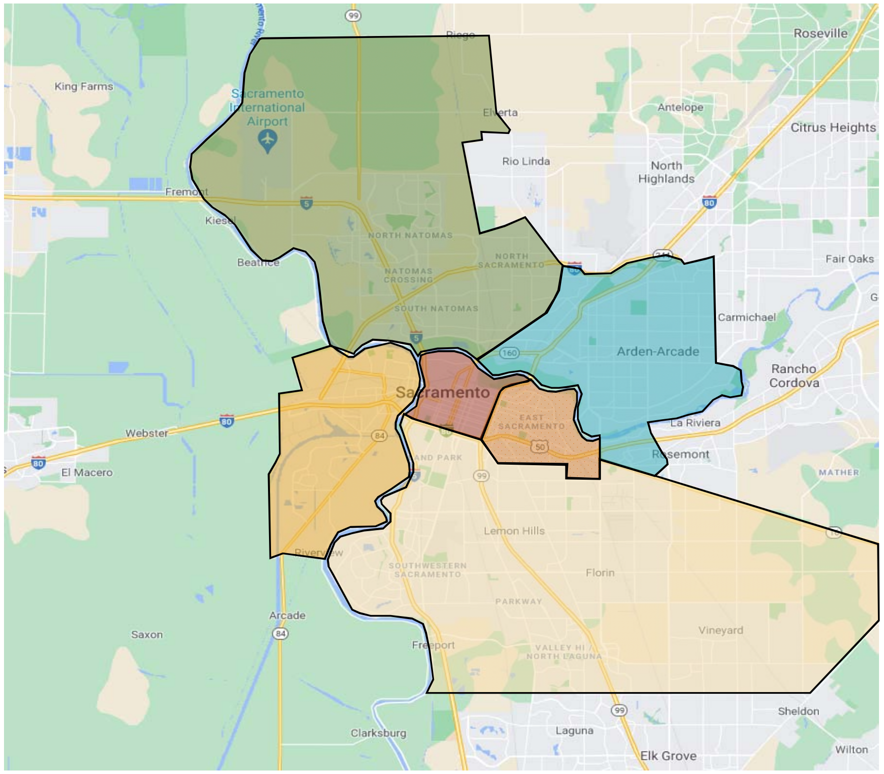
[1] *Assumes 5.0 million SF at buildout. Excludes 800,000 SF of known projects in the above pipeline.*
[2] *Assumes approximately 4.0 million SF at buildout. Total excludes Richards Boulevard Office Complex in the above pipeline, plus approximately 1.3 million SF of existing office space.*
[3] *Assumes 2.4 million total SF at buildout. Total excludes CalSTRS building in the above pipeline, plus five existing buildings in the area totaling 872,000 SF.*

Source: CoStar; Downtown Sacramento Partnership; BizJournals; Developer Websites; RCLCO

IV. RETAIL SUPPLY

Exhibit IV-1

Primary Retail Submarkets
Sacramento, CA
June 2021



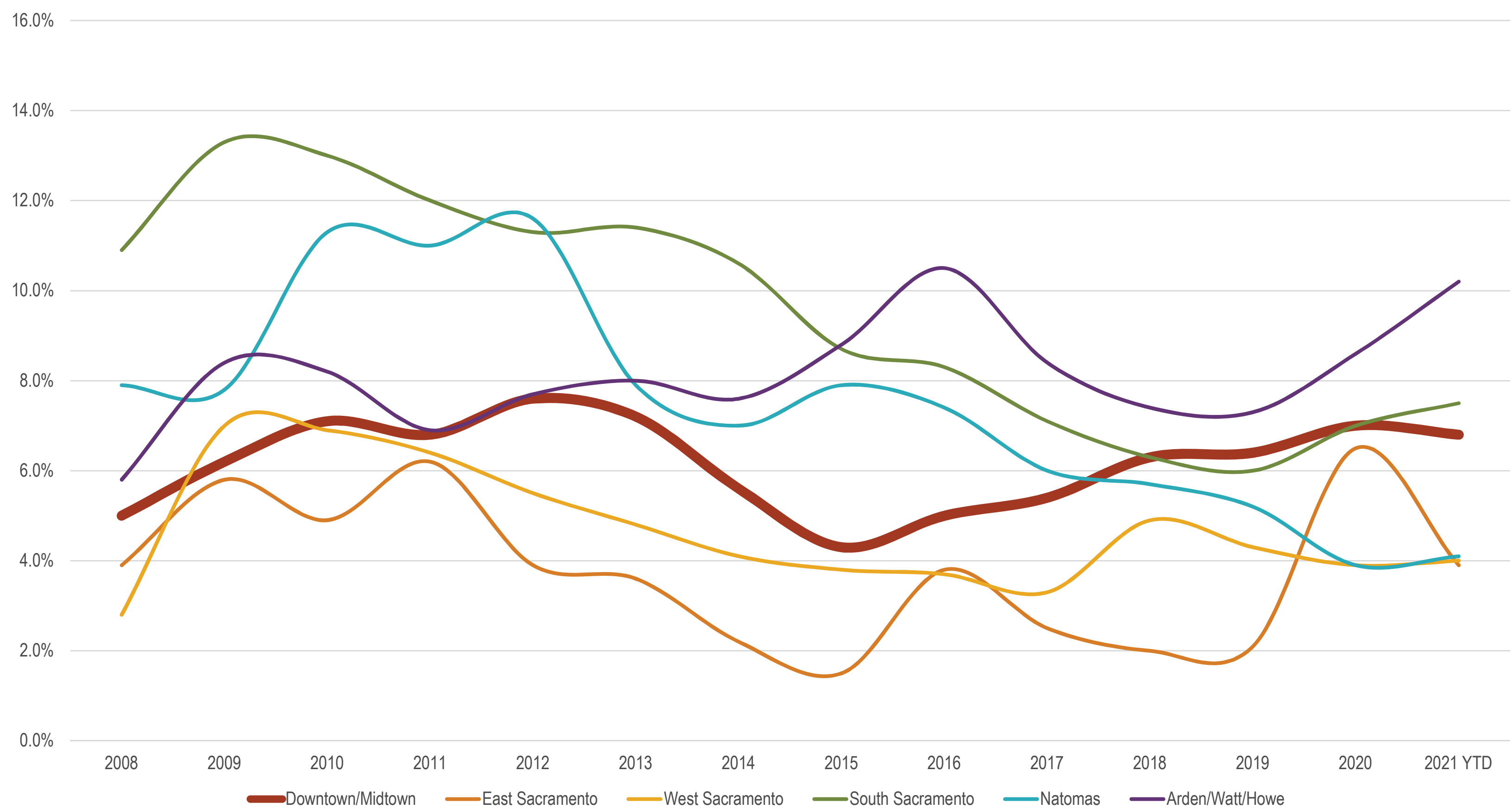
COMPARISON BY SUBMARKET				
KEY	SUBMARKET	INVENTORY (SF)	VANCANCY RATE	RENT (NNN)
	Downtown/Midtown	4,448,627	6.8%	$2.22
	East Sacramento	2,030,820	3.9%	$1.50
	West Sacramento	2,394,444	4.0%	$0.94
	South Sacramento	13,883,095	7.5%	$1.47
	Natomas	3,972,057	4.1%	$1.81
	Arden/Watt/Howe	11,723,892	10.2%	$1.49
TOTAL SUBMARKETS		38,452,935	7.5%	$2.00

Note: Data shown above reflects all space, regardless of direct/sublet status.

Source: CoStar; RCLCO

Exhibit IV-2

Historical Vacancy Rates
Relevant Retail Submarkets
2008-2021

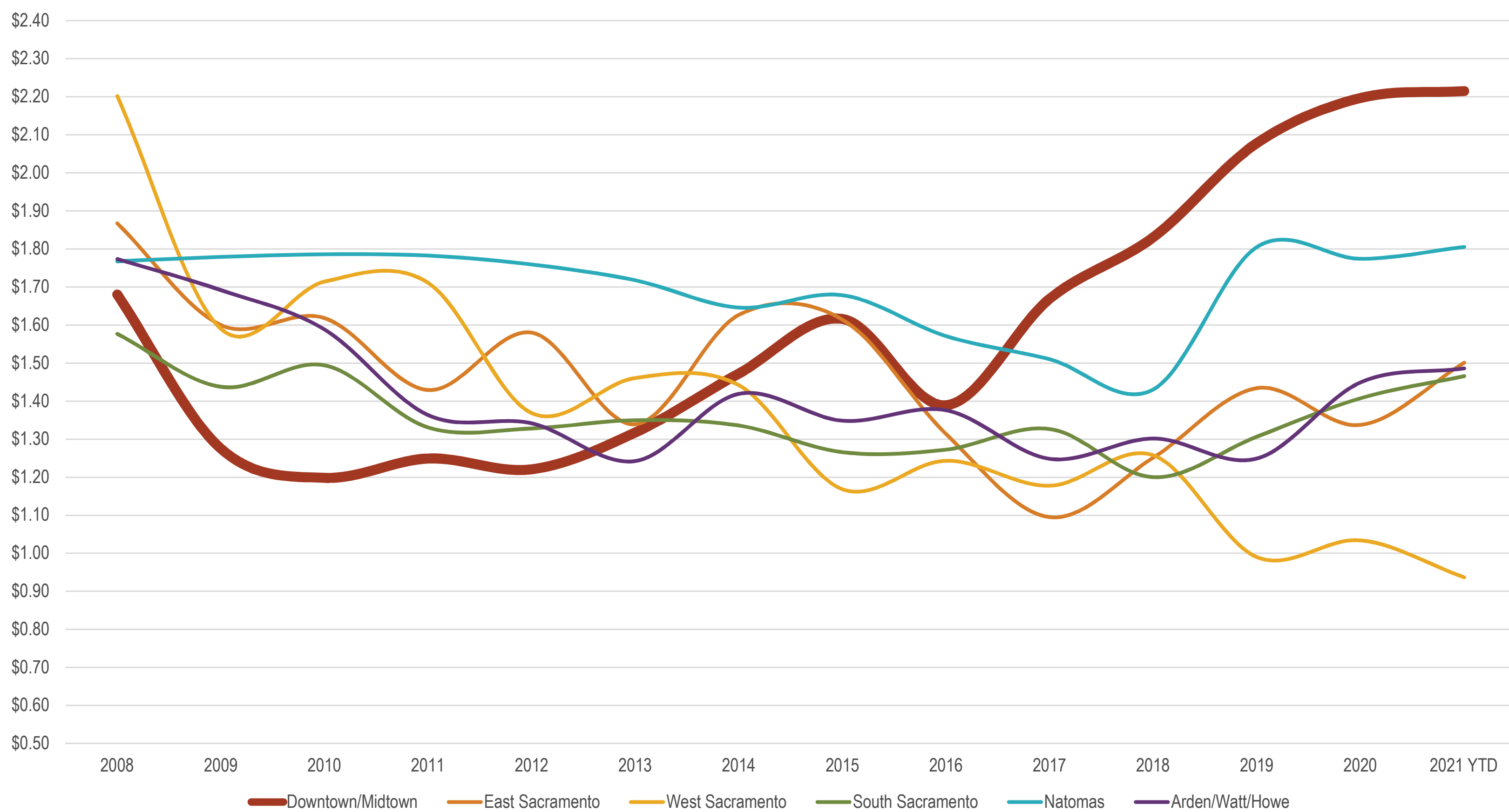


Note: Data shown above reflects all space, regardless of direct/sublet status.

Source: CoStar

Exhibit IV-3

Historical NNN Retail Rents
Relevant Retail Submarkets
2008-2021

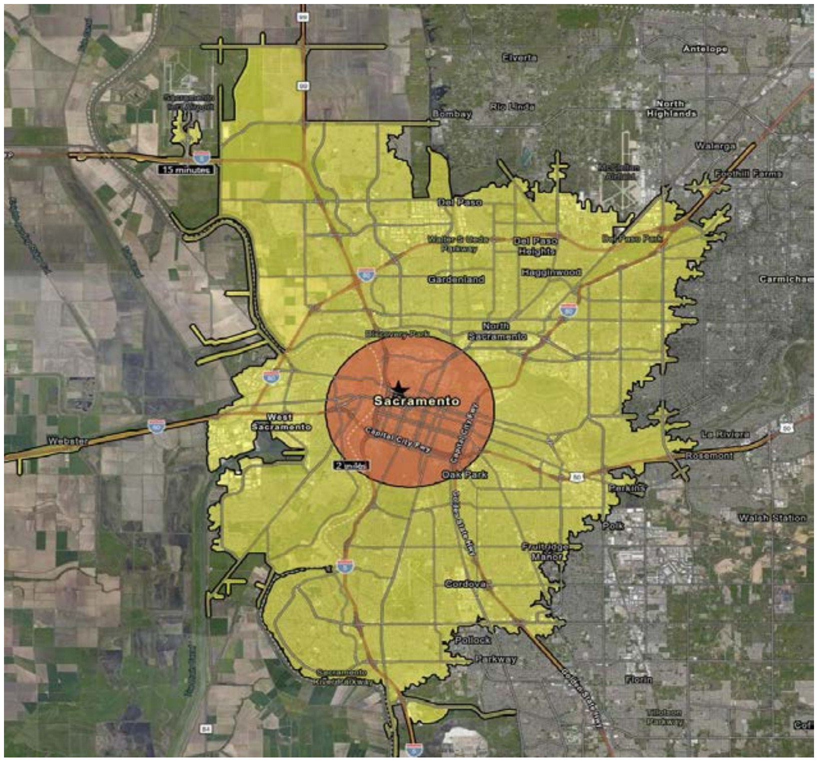


Note: Data shown above reflects all space, regardless of direct/sublet status.

Source: CoStar

Exhibit IV-4

Map of Retail Geographies
Sacramento, CA
June 2021



MAP KEY

Retail PMA
(Downtown Area)

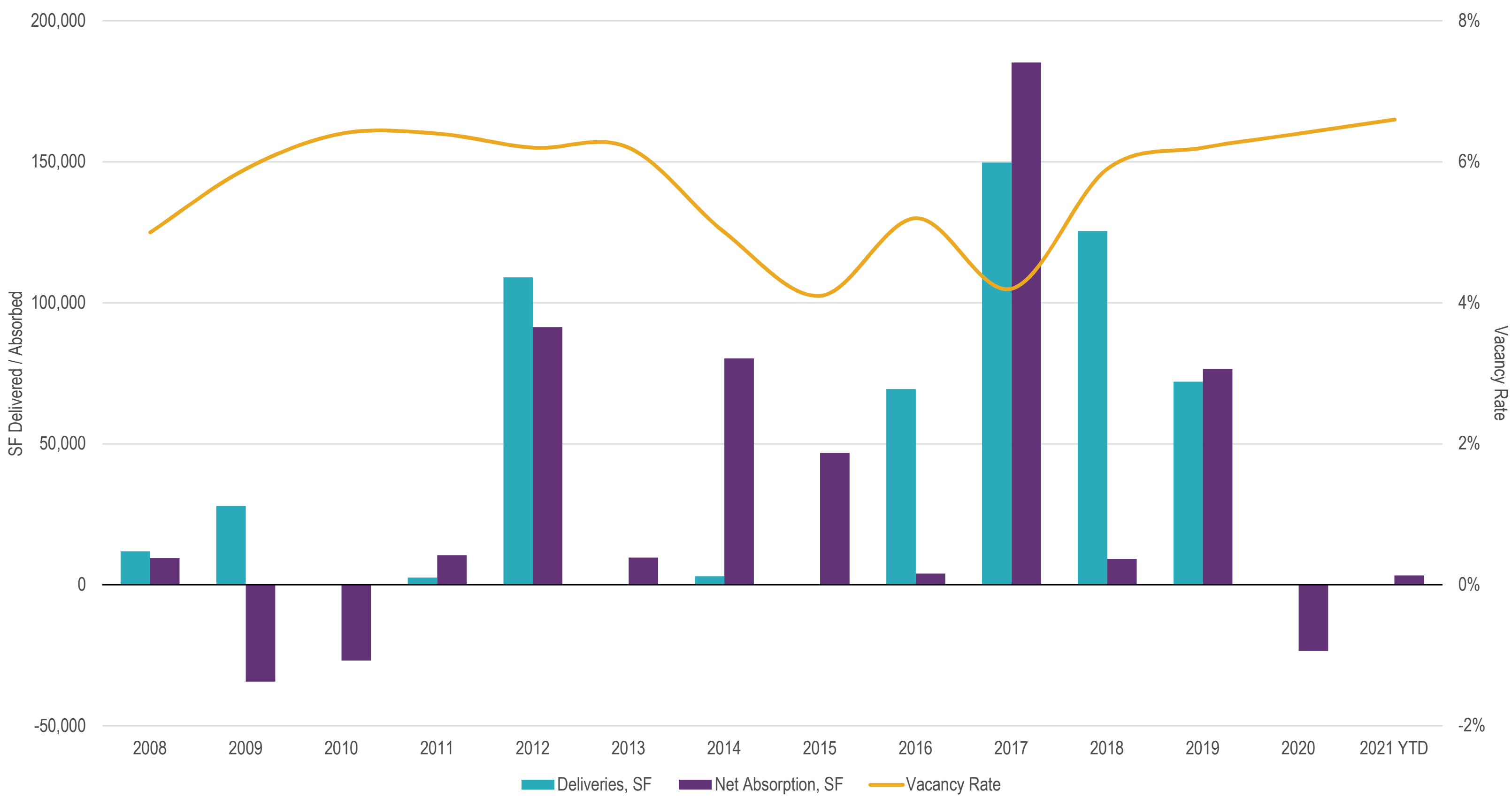
Retail SMA
(15-Minute Drive From Subject Site)

★ Subject Site

Source: Esri; RCLCO

Exhibit IV-5

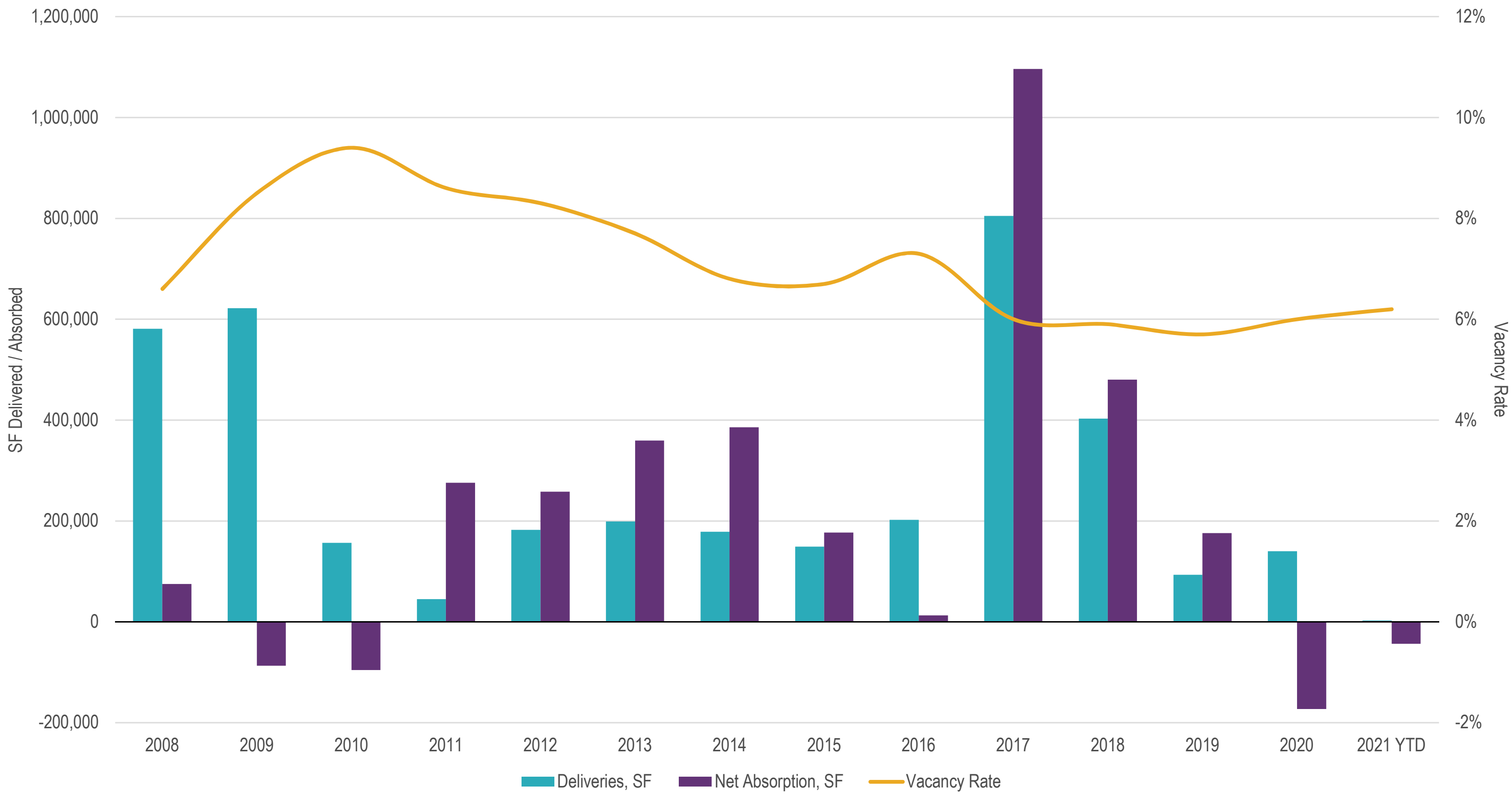
Retail Completions, Net Absorption, and Vacancy Rate
Downtown Area
2008-2021



Note: Above graph displays both direct and sublet net absorption, vacancies, etc.
Source: CoStar

Exhibit IV-6

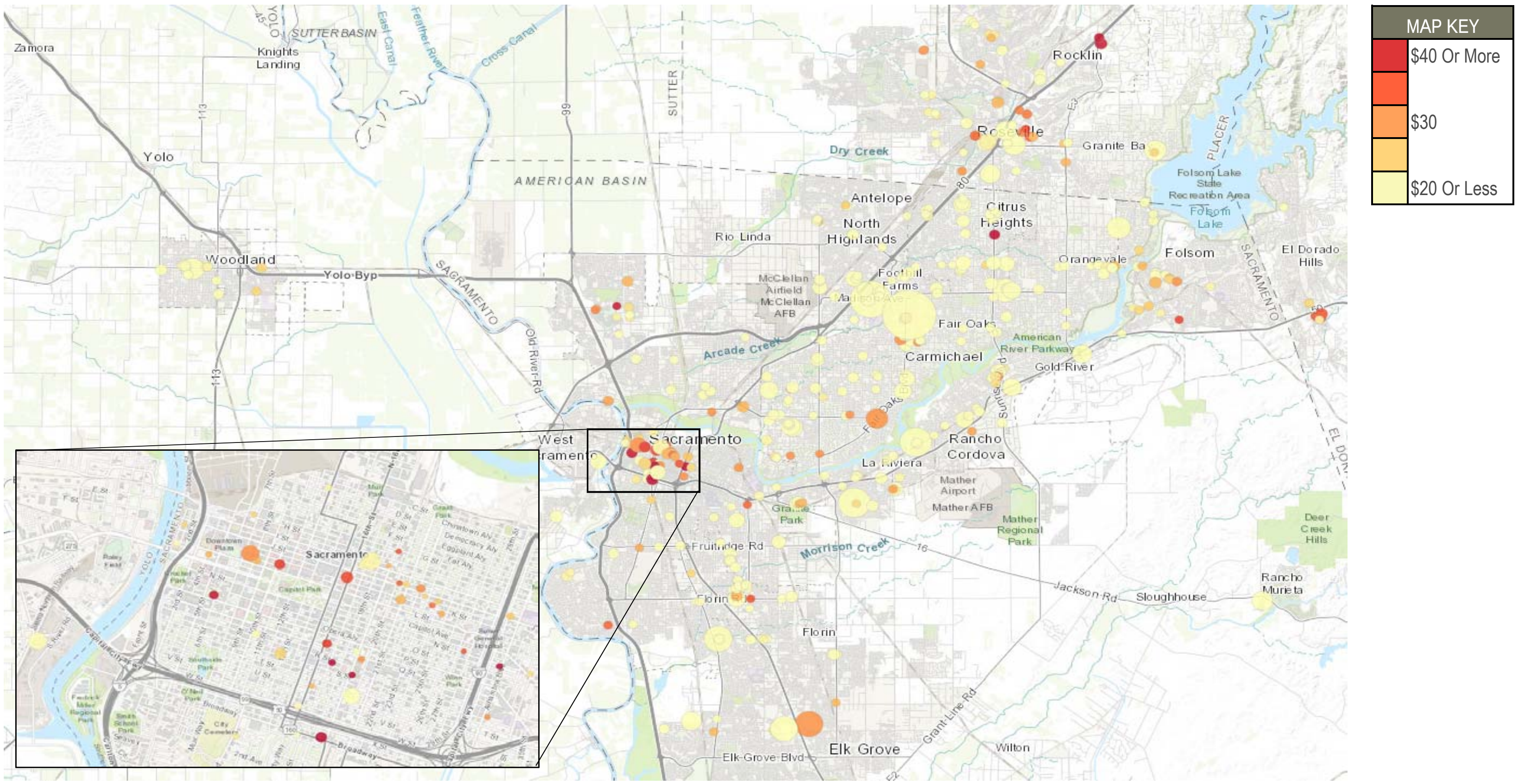
Retail Completions, Net Absorption, and Vacancy Rate
15-Minute Drive From Subject Site
2008-2021



Note: Above graph displays both direct and sublet net absorption, vacancies, etc.
Source: CoStar

Exhibit IV-7

Map of Available Retail Spaces by Rent and Size
Sacramento, CA
June 2021

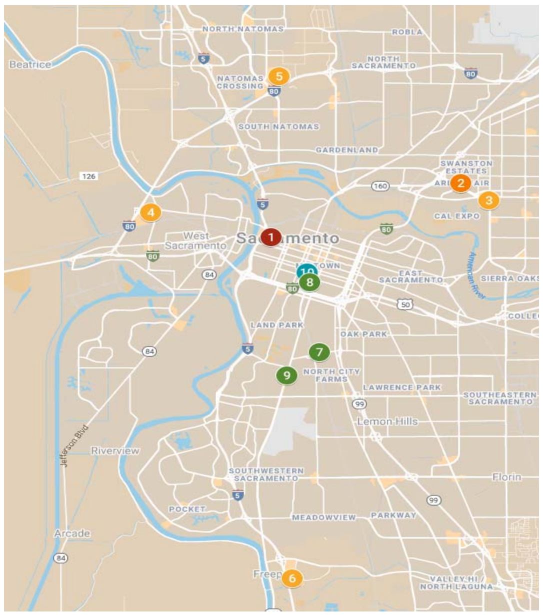


Note: Size of circle denotes amount of space, from smallest to largest.

Source: CoStar; RCLCO

Exhibit IV-8

Map of Competitive Retail Properties
Sacramento, CA
June 2021



MAP KEY	PROPERTY NAME	SIZE (SF)	YEAR BUILT	YEAR RENOVATED	VACANCY RATE	RENT - SIGNED LEASES	RENT - AVAILABLE SPACES
1	Downtown Commons	630,000	2017		7.4%	N/A	N/A
2	Arden Fair	1,108,852	1957	2012	31.3%	N/A	N/A
3	Howe Bout Arden	370,977	1987	1994	7.1%	N/A	N/A
4	Riverpoint Marketplace	827,588	2007		0.7%	$2.17 NNN	N/A
5	The Promenate at Sacramento Gateway	552,291	2006		1.8%	$1.54 NNN	N/A
6	Delta Shores	937,138	2017		7.1%	N/A	N/A
7	Crocker Village Shopping Center	230,000	2019		22.0%	$4.00 NNN	N/A
8	R Street Market	114,872	2005		3.3%	$4.25 to $4.50 NNN	N/A
9	The Park	88,282	2020		11.9%	N/A	N/A
10	Shops @ Ice	50,000	2016		3.8%	$3.00 to $3.25 NNN	$3.40 NNN

MAP KEY
Lifestyle Center
Regional Mall
Big Box Center
Neighborhood Center
In-Line Retail

Source: CoStar; Loopnet; Property Websites; RCLCO

Exhibit IV-9

List of Competitive Retail Properties
Sacramento, CA
June 2021

MAP KEY	PROPERTY NAME	CENTER TYPE	SIZE (SF)	YEAR BUILT	ANCHOR TENANT SF	NON-ANCHOR TENANT SF	VACANT SF	VACANCY RATE	RENT - SIGNED LEASES	RENT - AVAILABLE SPACES	ANCHOR TENANTS	SELECTED OTHER TENANTS
1	Downtown Commons 405 K St Sacramento, CA 95814	Lifestyle Center	630,000	2017	433,500	196,500	46,650	7.4%	N/A	N/A	Macy's; Century Theaters; 24 Hour Fitness	Urban Outfitters; Punch Bowl Social; Insomnia Cookies; Burger Lounge; Echo & Rig Butcher and Steakhouse; Champaigne Fizz Bubbles Bar
2	Arden Fair 1689 Arden Way Sacramento, CA 95815	Regional Mall	1,108,852	1957 Ren. 2012	710,470	398,382	346,926	31.3%	N/A	N/A	JCPenney; Macy's; Nordstrom (Closed 2020); Sears (Closed 2021)	Apple Store; Bath & Body Works; Disney; Oakley; Sephora
3	Howe Bout Arden 2100 Arden Way Sacramento, CA 95825	Big Box Center	370,977	1987 Ren. 1994	208,945	162,032	26,363	7.1%	N/A	N/A	Nordstrom Rack; Home Goods; Michaels; The Container Store; Century Theaters; Burlington	LOFT Outlet; Mattress Firm; BonChon Chicken; California Fish Grill; Pinkberry Yogurt; Pounch Line Comedy Club; Howe Bout Nails
4	Riverpoint Marketplace 795 Ikea Ct West Sacramento, CA 95605	Big Box Center	827,588	2007	652,000	175,588	5,872	0.7%	$2.17 NNN	N/A	Ikea; Walmart; The Home Depot	Ross Dress for Less; Petco; America's Tire; Community Business Bank; Sketchers; Five Guys
5	The Promenate at Sacramento Gateway 3642 N Freeway Blvd Sacramento, CA 95834	Big Box Center	552,291	2006	448,680	103,611	9,765	1.8%	$1.54 NNN	N/A	Target; Barnes & Noble; Bed Bath & Beyond; Michaels; TJ Maxx; Old Navy; Burlington Coat Factory; Ashley Furniture	Big 5; Ulta; Diaso; Five Below; Five Star Nails; Panera Bread; Panda Express
6	Delta Shores 8270 Delta Shores Cir S Sacramento, CA 95832	Big Box Center	937,138	2017	711,538	225,600	66,452	7.1%	N/A	N/A	RC Willey; Walmart Supercenter; At Home; Floor & Décor; Hobby Lobby; Regal Cinemas; Dick's Sporting Goods; Ross Dress for Less	Old Navy; PetSmart; Ulta Beauty; Bath & Body Works; Xfinity; Pieology; Firehouse Crawfish; Panera Bread; Sleep Train
7	Crocker Village Shopping Center 3700 Crocker Dr Sacramento, CA 95814	Neighborhood Center	230,000	2019	136,616	93,384	50,502	22.0%	$4.00 NNN	N/A	Safeway; Pet Supplies; City Sports; Available x2	Peet's Coffee; Nekter; Tasty Dumpling; Great Clips; Firehouse Subs; The Joint; Baskin Robbins
8	R Street Market 1814 S St Sacramento, CA 95811	Neighborhood Center	114,872	2005	52,000	62,872	3,750	3.3%	$4.25 to $4.50 NNN	N/A	Safeway	UPS; Wells Fargo; Melody Salon; Verizon; Sport Clips Haircuts
9	The Park 4740 Freeport Blvd Sacramento, CA 95822	Neighborhood Center	88,282	2020	55,000	33,282	10,462	11.9%	N/A	N/A	Raley's	Chase; The Habit Burger Grill; OrangeTheory; Buckhorn BBQ; Jamba Juice
10	Shops @ Ice 1715 R St Sacramento, CA 95811	In-Line Retail	50,000	2016	10,992	39,008	1,918	3.8%	$3.00 to $3.25 NNN	$3.40 NNN	West Elm	Title Boxing Club; Warby Parker; Bonobos; Pressed Juicery; Pure Barre; Milk Money

Source: CoStar; Loopnet; Property Websites; RCLCC

Exhibit IV-10

Historical Absorption of Select Retail Deliveries
Sacramento, CA
2012-2020

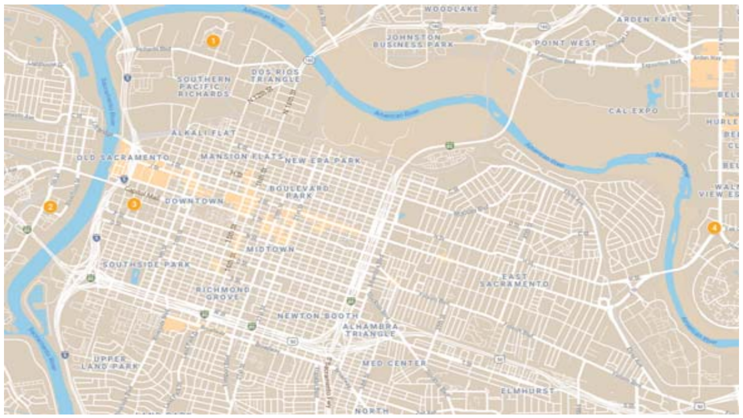
	2012	2013	2014	2015	2016	2017	2018	2019	2020				
INVENTORY													
Delta Shores						507,751	743,629	743,629	743,629				
Crocker Village Shopping Center							96,968	109,914	109,914				
The Park									88,282				
CHANGE IN INVENTORY													
Delta Shores						507,751	235,878						
Crocker Village Shopping Center							96,968	12,946					
The Park									88,282				
OCCUPIED SPACE													
Delta Shores						454,663	702,999	699,870	697,784				
Crocker Village Shopping Center							68,665	89,281	93,981				
The Park									88,282				
CHANGE IN OCCUPIED SPACE													
Delta Shores						454,663	248,336	-3,129	-2,086				
Crocker Village Shopping Center							68,665	20,616	4,700				
The Park									88,282				
PERCENT OF NEW SPACE ABSORBED										YEAR 1	YEAR 2	YEAR 3	YEAR 4
Delta Shores						90%	95%	94%	94%	90%	95%	94%	94%
Crocker Village Shopping Center							71%	81%	86%	71%	81%	86%	
The Park									100%	100%			
										87%	88%	90%	94%

Note: Above table represents data from CoStar, and totals may not match those listed on Exhibit IV-8 and Exhibit IV-9.

Source: RCLCO

Exhibit IV-11

Map of Select Under Construction and Planned Retail Properties
Downtown Area
June 2021



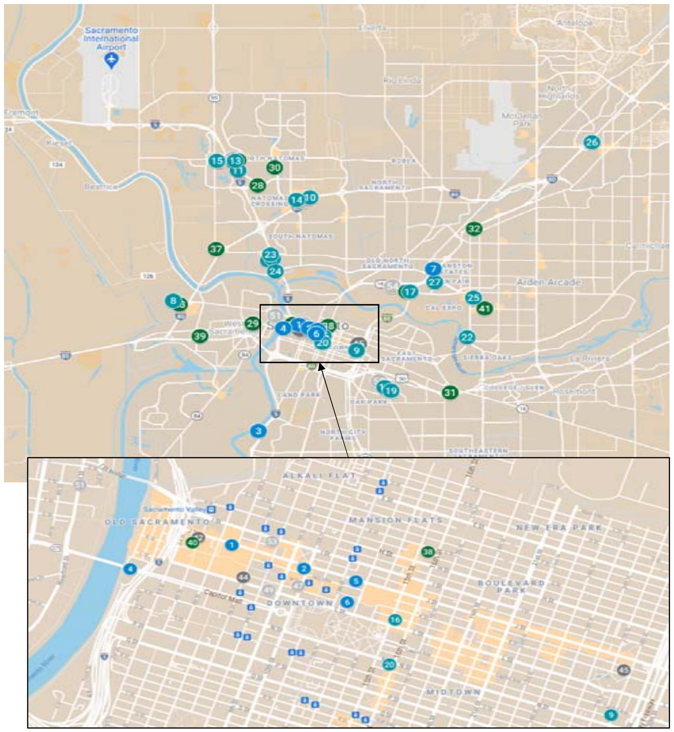
MAP KEY	PROPERTY NAME	STATUS	ESTIMATED DELIVERY	SIZE (SF)	ASKING RENT
1	River District - 29th St Capital Development	Planned	Unknown	100,000	Unknown
2	Bridge District - Master Plan	Planned	Unknown	500,000	Unknown
3	Sacramento Commons - Neighborhood Support/Retail	Planned	Unknown	74,122	Unknown
4	The Boulevard	Planned	2023	57,000	Unknown

Source: CoStar; Loopnet; Property Websites; RCLCO

V. HOTEL SUPPLY

Exhibit V-1

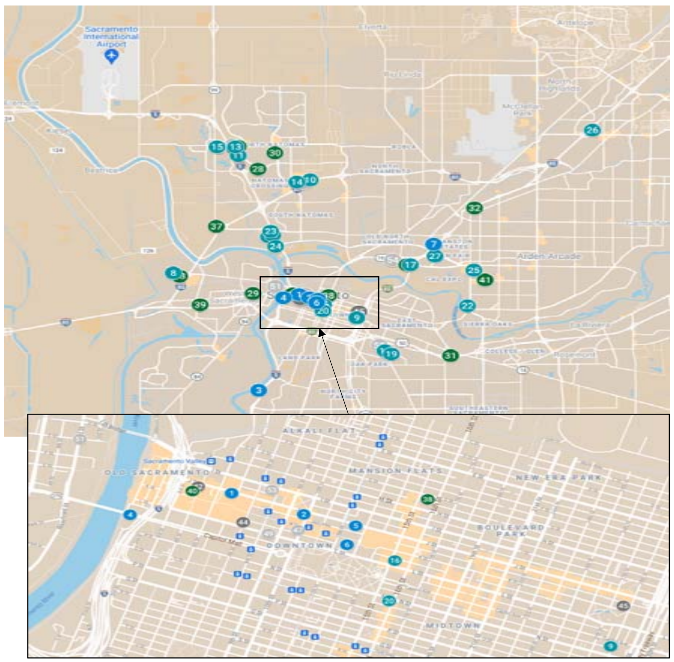
List of Existing, Under Construction, and Proposed Hotels
Sacramento, CA Metropolitan Area
June 2021



MAP KEY	HOTEL	CLASS	COMPETITIVE SET	YEAR OPENED	ROOMS	AVG. RACK RATE
	EXISTING					
1	Kimpton The Sawyer Hotel	Upper Upscale	Downtown Sacramento Subset	2017	250	$240
2	Autograph Collection The Citizen Hotel	Upper Upscale	Downtown Sacramento Subset	2008	196	$194
3	Westin Sacramento	Upper Upscale	Full Competitive Set	2008	101	N/A
4	Embassy Suites by Hilton Sacramento Riverfront Promenade	Upper Upscale	Downtown Sacramento Subset	2002	242	$223
5	Sheraton Hotel Grand Sacramento	Upper Upscale	Downtown Sacramento Subset	2001	503	$153
6	Hyatt Regency Sacramento	Upper Upscale	Downtown Sacramento Subset	1988	505	$177
7	Hilton Sacramento Arden West	Upper Upscale	Full Competitive Set	1985	335	$142
8	SpringHill Suites Sacramento - West Sacramento	Upscale	Full Competitive Set	2021	97	N/A
9	The Fort Sutter Hotel Sacramento, Tapestry Collection by Hilton	Upscale	Downtown Sacramento Subset	2021	105	$203
10	element Sacramento Airport	Upscale	Full Competitive Set	2020	107	$176
11	Hilton Garden Inn Sacramento Airport Natomas	Upscale	Full Competitive Set	2019	124	$194
12	Ascend Collection Hotel Med Park	Upscale	Full Competitive Set	2009	32	$117
13	Homewood Suites by Hilton Sacramento Airport Natomas	Upscale	Full Competitive Set	2008	123	$165
14	Staybridge Suites Sacramento Airport Natomas	Upscale	Full Competitive Set	2007	117	$170
15	Four Points by Sheraton Sacramento International Airport	Upscale	Full Competitive Set	2007	100	$149
16	Residence Inn Sacramento Downtown @ Capitol Park	Upscale	Downtown Sacramento Subset	2007	235	$220
17	Courtyard Sacramento Cal Expo	Upscale	Full Competitive Set	2006	152	$129
18	SpringHill Suites Sacramento Natomas	Upscale	Full Competitive Set	2005	96	$153
19	Courtyard Sacramento Midtown	Upscale	Full Competitive Set	2001	139	$150
20	Ascend Collection Hotel Inn Off Capitol Park	Upscale	Downtown Sacramento Subset	2000	37	$131
21	Hilton Garden Inn Sacramento South Natomas	Upscale	Full Competitive Set	1999	153	$158
22	Larkspur Landing Sacramento	Upscale	Full Competitive Set	1998	124	$133
23	Residence Inn Sacramento Airport Natomas	Upscale	Full Competitive Set	1992	126	N/A
24	Courtyard Sacramento South Natomas	Upscale	Full Competitive Set	1990	149	$156
25	Residence Inn Sacramento Cal Expo	Upscale	Full Competitive Set	1986	176	$130
26	Crowne Plaza Sacramento Northeast	Upscale	Full Competitive Set	1980	230	$108
27	DoubleTree by Hilton Hotel Sacramento	Upscale	Full Competitive Set	1977	448	$155
28	TownePlace Suites Sacramento Airport Natomas	Upper Midscale	Full Competitive Set	2020	119	$178
29	Home2 Suites by Hilton Sacramento West	Upper Midscale	Full Competitive Set	N/A	115	N/A
30	Wyndham Garden Hotel Sacramento Airport Natomas	Upper Midscale	Full Competitive Set	2019	117	$154
31	Hampton by Hilton Inn & Suites Sacramento at CSUS	Upper Midscale	Full Competitive Set	2018	116	$131
32	Holiday Inn Express & Suites Sacramento Northeast Cal Expo	Upper Midscale	Full Competitive Set	2009	81	$117
33	Hampton by Hilton Inn & Suites West Sacramento	Upper Midscale	Full Competitive Set	2009	110	$164
34	Holiday Inn Express & Suites Sacramento Airport Natomas	Upper Midscale	Full Competitive Set	2006	100	$155
35	Fairfield Inn Sacramento Cal Expo	Upper Midscale	Full Competitive Set	2006	75	$119
36	Hampton by Hilton Inn Sacramento-North-Natomas	Upper Midscale	Full Competitive Set	2006	100	N/A
37	Fairfield Inn & Suites Sacramento Airport Natomas	Upper Midscale	Full Competitive Set	2005	93	$133
38	Holiday Inn Express Sacramento Convention Center	Upper Midscale	Downtown Sacramento Subset	2003	132	N/A
39	Holiday Inn Express West Sacramento Capitol Area	Upper Midscale	Full Competitive Set	2002	55	$139
40	Holiday Inn Sacramento Downtown Arena	Upper Midscale	Downtown Sacramento Subset	1979	359	$127
41	Arden Star Hotel	Upper Midscale	Full Competitive Set	1972	128	$124

Exhibit V-1

List of Existing, Under Construction, and Proposed Hotels
Sacramento, CA Metropolitan Area
June 2021



MAP KEY	HOTEL	CLASS	COMPETITIVE SET	YEAR OPENED	ROOMS	AVG. RACK RATE
	PIPELINE					
42	The Exhange Sacramento	Upper Upscale		2021	100	
43	Home2 Suites West Sacramento	Upper Midscale		2021	115	
44	Hyatt Centric	Upper Upscale		2021	162	
45	Hyatt House	Upscale		2022	128	
46	Holiday Inn Sacramento Airport Area	Upper Midscale		N/A	120	
47	10K Hotel & Residences	TBD		N/A	205	
48	Fairfield Inn	Upper Midscale		N/A	111	
49	Canopy by Hilton	Upper Upscale		2023	265	
50	aloft Hotel Sacramento North Natomas	Upscale		N/A	131	
51	Autograph Collection	Upper Upscale		N/A	197	
52	Hyatt House/Hyatt Place	Upscale		N/A	201	
53	AC Hotels by Marriott	Upscale		N/A	179	
54	Hilton Garden Inn Sacramento Cal Expo	Upscale		N/A	121	
55	Element Sacramento Med Center	Upscale		N/A	151	

MAP KEY		TOTAL ROOMS	DISTRIBUTION OF ROOMS
	Upper Upscale	2,132	32%
	Upscale	2,870	43%
	Upper Midscale	1,700	25%
	TOTAL EXISTING	6,702	100%
	Under Construction	505	
	Planned / Proposed	1,681	
	TOTAL PIPELINE	2,186	

Note: Pricing data from June 16, 2021 to August 14, 2021.
Source: Smith Travel Research; RCLCO

Exhibit V-2

Definition of the Chain Scale
Smith Travel Research
June 2021

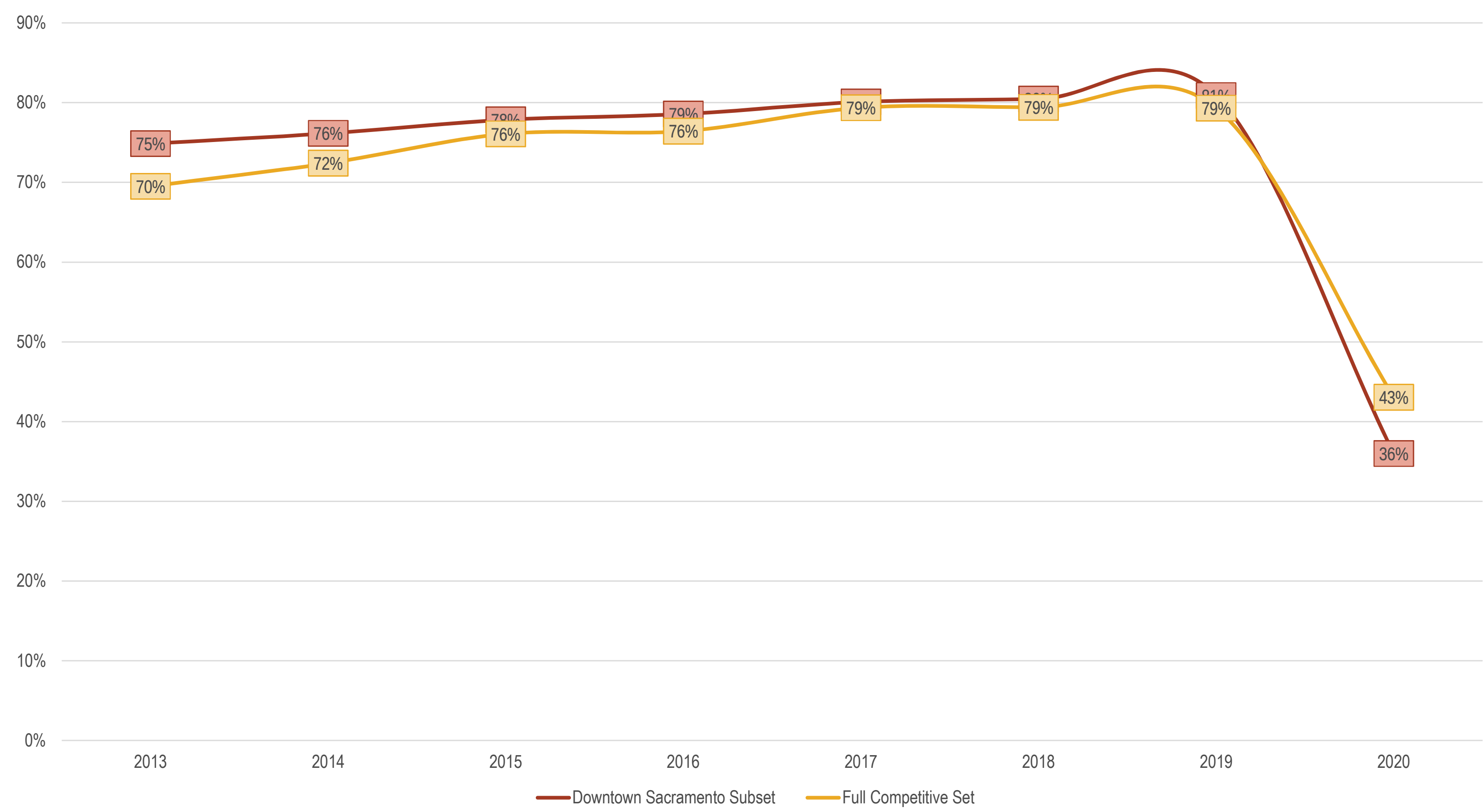
Chain Scale Definition	Chain scale segments are a method by which branded hotels are grouped based on the actual average room rates (ADR). Independent hotels, regardless of their average room rates, are included as a separate chain scale category. The chain scale segments are: Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, Economy, and Independents.

EXAMPLES					
ECONOMY	MIDSCALE	UPPER MIDSCALE	UPSCALE	UPPER UPSCALE	LUXURY
Affordable Suites of America	3 Palms Hotels & Resorts	Aqua Hotels & Resorts	AC Hotels by Marriott	Ace Hotel Group	21c Museum Hotels
America`s Best Inns	A Victory Hotels	Ayres	aloft Hotels	Affinia	AKA
Americas Best Value Inn	AmericInn	Best Western Executive Residency	APA Hotel	Alila Hotels & Resorts	Aman Resort Services Ltd
AmeriVu I & S	Avid Hotels	Best Western Plus	Ascend Collection	Autograph Collection	Andaz
Budget Host	Baymont Inn & Suites	Boarders Inn & Suites	Aston Hotels	Bridgestreet	Belmond
Budget Suites of America	Best Western	Boulders Inn & Suites	Best Western Premier	Canopy by Hilton	COMO Hotels & Resorts
Budgetel	Candlewood Suites	BW Signature Collection	BW Premier Collection	Club Med	Conrad
Country Hearth Inn	ClubHouse	Centerstone Hotels	Cambria hotel & suites	Club Quarters	Destination Hotels
Days Inn	Crystal Inn	Chase Suites	Canad Inns	Curio Collection by Hilton	Dorchester Collection
Downtowner Inns	FairBridge Inn	Clarion	Citadines	Disney's Deluxe Resorts	Doyle Collection
Econo Lodge	Generator Hostel	Cobblestone	citizenM Hotels	Dolce Hotels & Resorts	Edition
Extended Stay America	GuestHouse	Comfort Inn	Coast Hotels USA	Dream Hotels	Fairmont
E-Z 8	Hawthorn Suites by Wyndham	Comfort Suites	Courtyard	Embassy Suites by Hilton	Firmdale Hotels
Family Inns Of America	ibis Styles	Country Inn & Suites	Crowne Plaza	Fireside Inn & Suites	Four Seasons
Good Nite Inn	InnSuites Hotels	Disney's Value Resorts	Dazzler Hotels	Gaylord Entertainment	Grand Hyatt
Great Western	Loyalty Inn	DoubleTree Club	Delta Hotels	Graduate Hotels	InterContinental
GreenTree Inns	MainStay Suites	Drury Inn	Disney's Moderate Resorts	Hard Rock	JW Marriott
HomeTowne Studios by Red Roof	Oak Tree Inn	Drury Inn & Suites	DoubleTree by Hilton	Hilton	Langham
Howard Johnson	Palace Inn	Drury Plaza Hotel	Eaton	Hilton Grand Vacations	Loews
InTown Suites	Quality Inn	Fairfield Inn	element	Hotel Indigo	Lotte Hotels & Resorts
Jameson Inn	Ramada	Glo Hotel	Eurostars Hotel	Hotel Nikko	Luxury Collection
Key West Inn	Red Lion Inn & Suites	GrandStay Hotels	EVEN Hotels	The Hoxton	Mandarin Oriental Hotel Group
Knights Inn	Rode Inn Motels	Hampton by Hilton	Four Points by Sheraton	Hyatt	Mantis Collection
Lite Hotel	Signature Inn	Holiday Inn	Grand America Hotels & Resort	Hyatt Centric	Miraval
Master Hosts Inns	Sleep Inn	Holiday Inn Express Hotel	Great Wolf Lodge	Hyatt Regency	Mokara
Masters Inn	Tru by Hilton	Home2 Suites by Hilton	Hilton Garden Inn	Instinct Hotel	Montage Hotels
Microtel Inn & Suites by Wyndham	Uptown Suites	Isle of Capri	Homewood Suites by Hilton	Joie De Vivre	Nobu Hotels
Motel 6	Vagabond Inn	La Quinta Inns & Suites	Hotel RL	Kimpton	Park Hyatt
National 9	Vista	Lexington	Hyatt House	Le Meridien	Red Carnation
Passport Inns	Wingate by Wyndham	Mama Shelter	Hyatt Place	Lyric Suites	Ritz-Carlton
Pear Tree Inn		MOXY	Iberostar Hotels & Resorts	Magnolia Hotel	RockResorts
Red Carpet Inns		My Place Hotels	Innside by Melia	Margaritaville	Rosewood
Red Roof Inn		OHANA Hotels	Larkspur Landing	Marriott	Sixty Hotels
Rodeway Inn		Oxford Suites	Legacy Vacation Club	Marriott Conference Center	Sofitel Luxury Hotels
Scottish Inns		Park Inn	Mantra	Millennium Hotels	St Regis
Select Inn		Red Lion Hotel	Melia	Mint House	Taj Group
Studio 6		Shilo Inn	Miyako Hotels	New Otani Hotels	The Peninsula Hotel
Suburban Extended Stay Hotels		Sonesta ES Suites	NH Hotels	Oakwood Apartments	The Unbound Collection
Super 8		The Red Collection	Novotel Hotels	Omni	Thompson Hotel
SureStay		TownePlace Suites	Prince Hotels	Outrigger Resorts	Trump International
SureStay Collection		Trademark Hotel Collection	Radisson	Pan Pacific Hotel Group	Valencia Group
SureStay Plus		Tryp by Wyndham	Residence Inn	Pestana	Viceroy
Travelodge		Wyndham Garden Hotel	RIU Hotel	Pullman	W Hotel
Value Place		Yotel	Room Mate Hotels	Radisson Blu	Waldorf Astoria
WoodSpring Suites			Sandman Signature	Radisson RED	
			Sonesta Hotel	Renaissance	
			Springhill Suites	Sheraton Hotel	
			Staybridge Suites	Silver Cloud	
			Stoney Creek	St. Giles Hotels	
			Tapestry Collection by Hilton	Starhotels	
			Travel Inn Hotel	Swissotel	
			Vacation Condos by Outrigger	Time Hotels	
			Vib	Tribute Portfolio	
			Westmark	Virgin Hotels	
			Wyndham Hotels	Warwick Hotels	
			Wyndham Vacation Resort	Westin	
				Wyndham Grand Hotels	

Source: Smith Travel Research

Exhibit V-3

Comparison of Historical Occupancy Rates
Downtown Sacramento Subset and Full Competitive Set
2013-2020

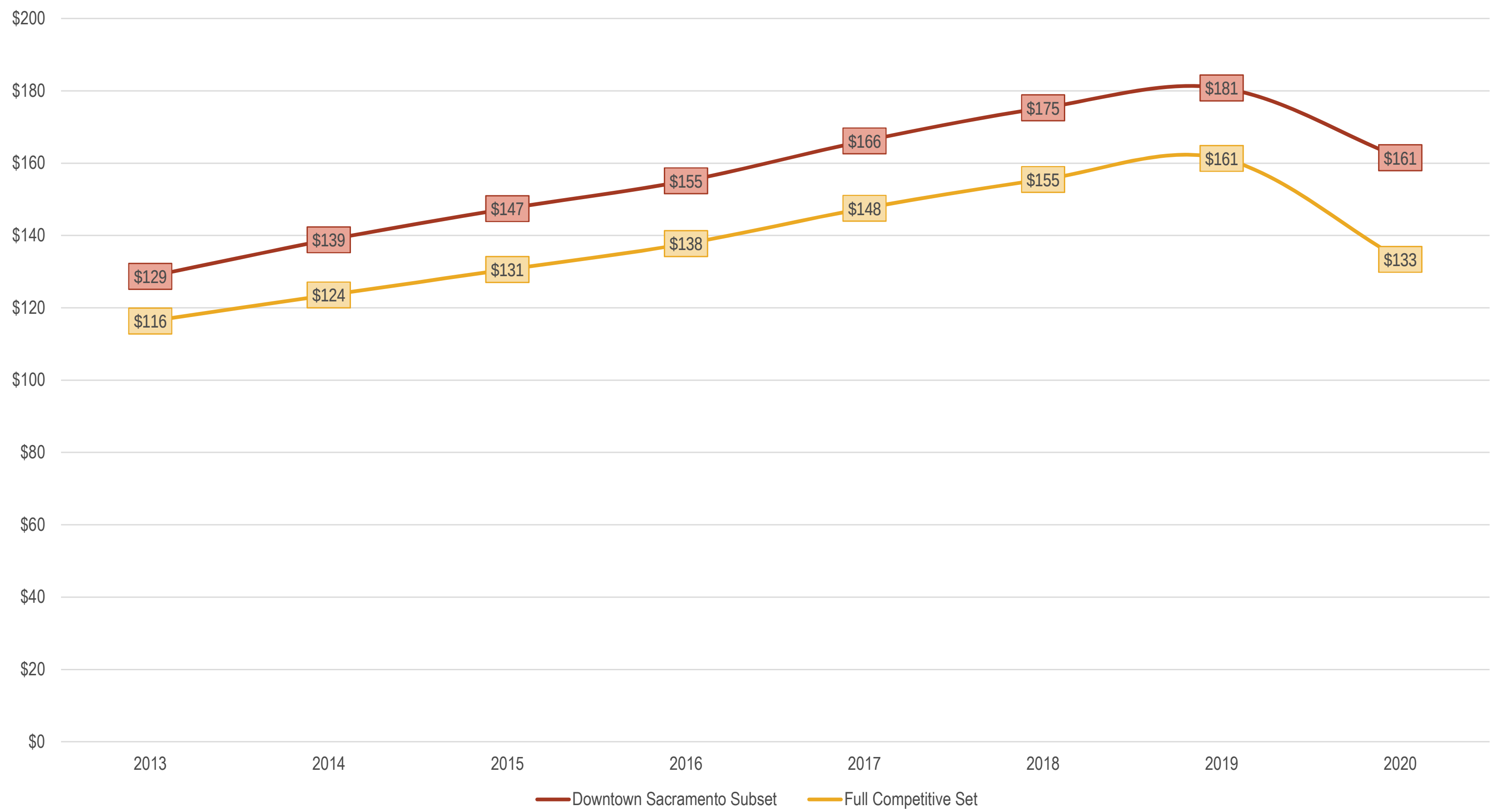


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-4

Comparison of Historical Average Daily Rates
Downtown Sacramento Subset and Full Competitive Set
2013-2020

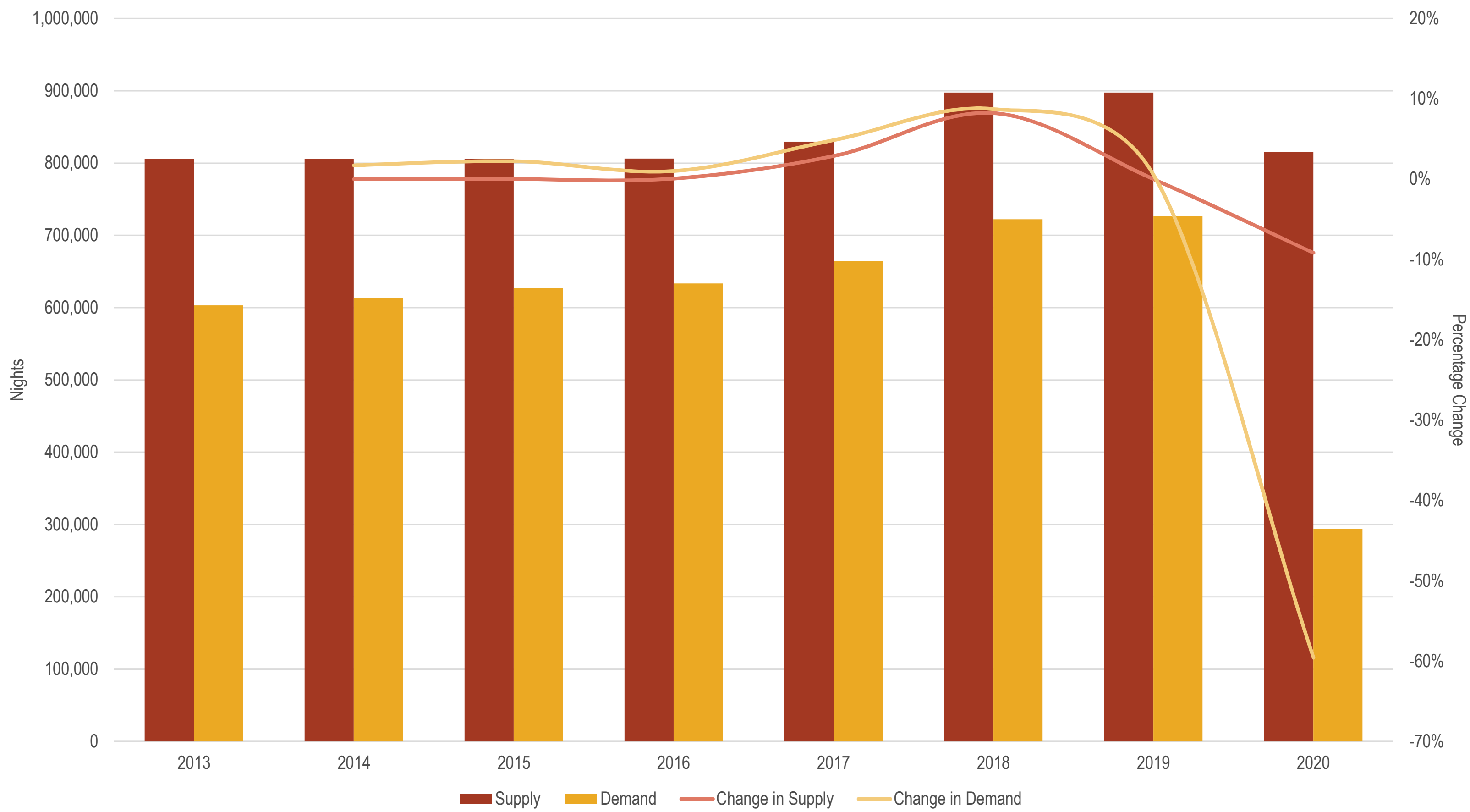


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-5

Hotel Supply and Demand
Downtown Sacramento Subset
2013-2020

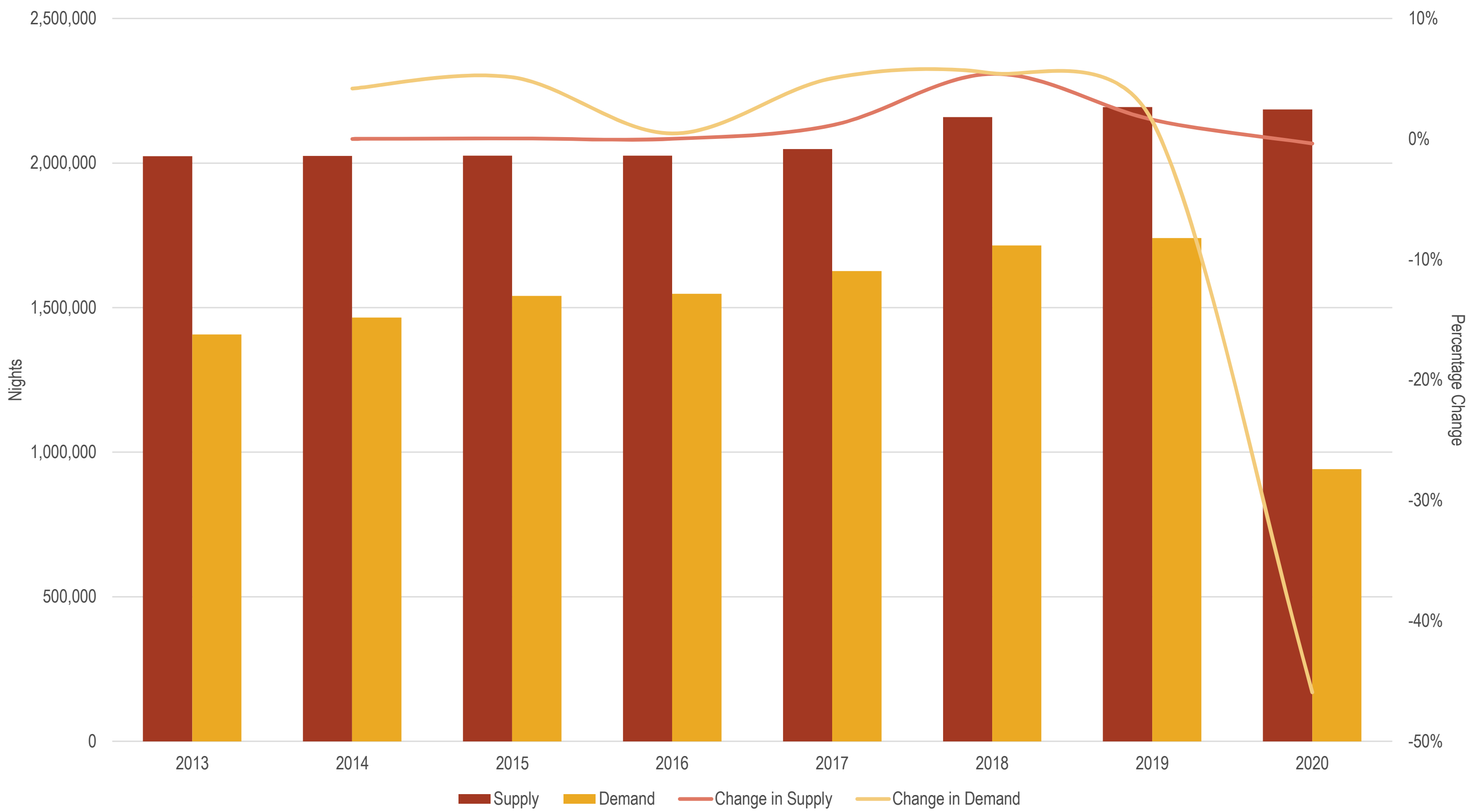


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-6

Hotel Supply and Demand
Full Competitive Set
2013-2020

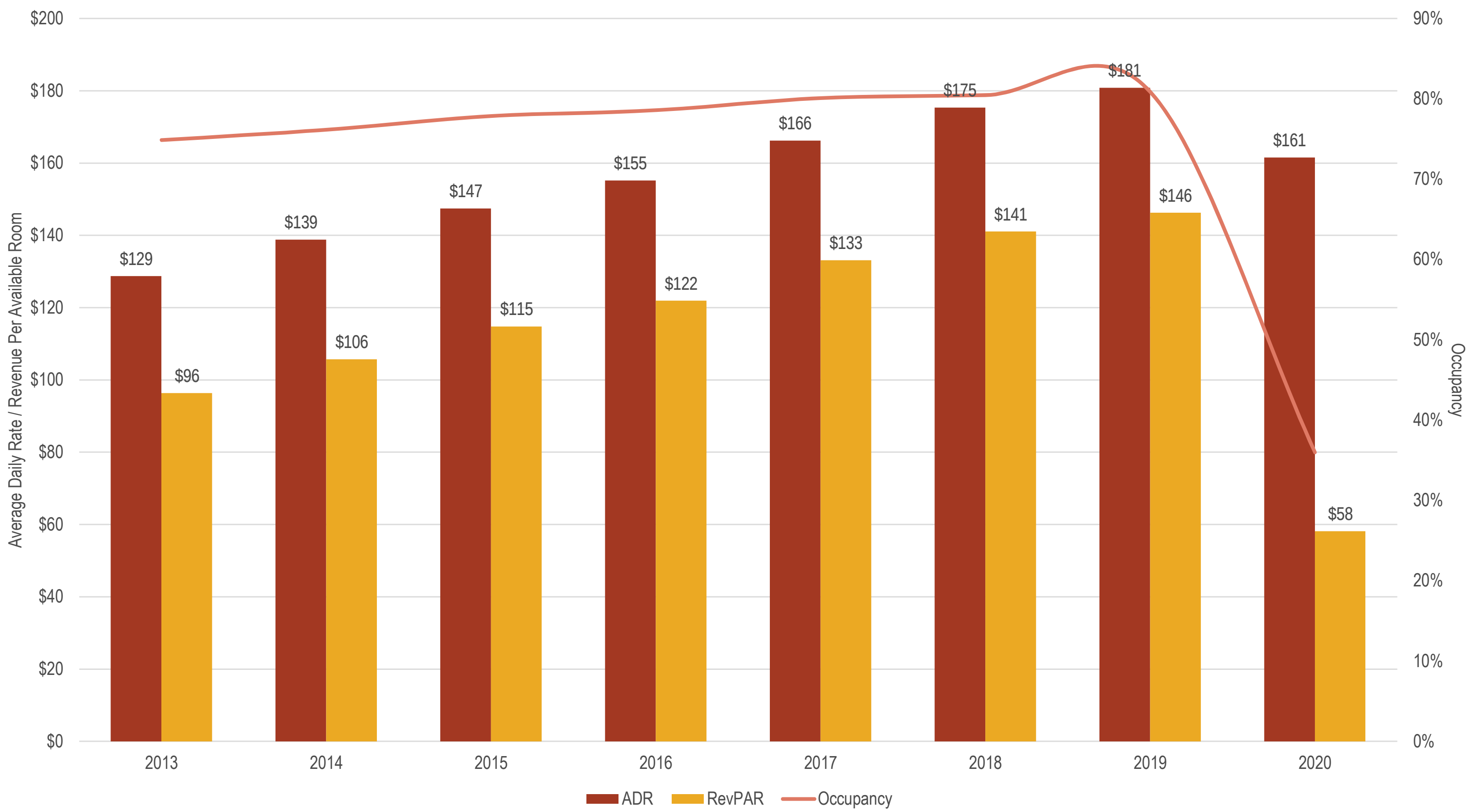


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-7

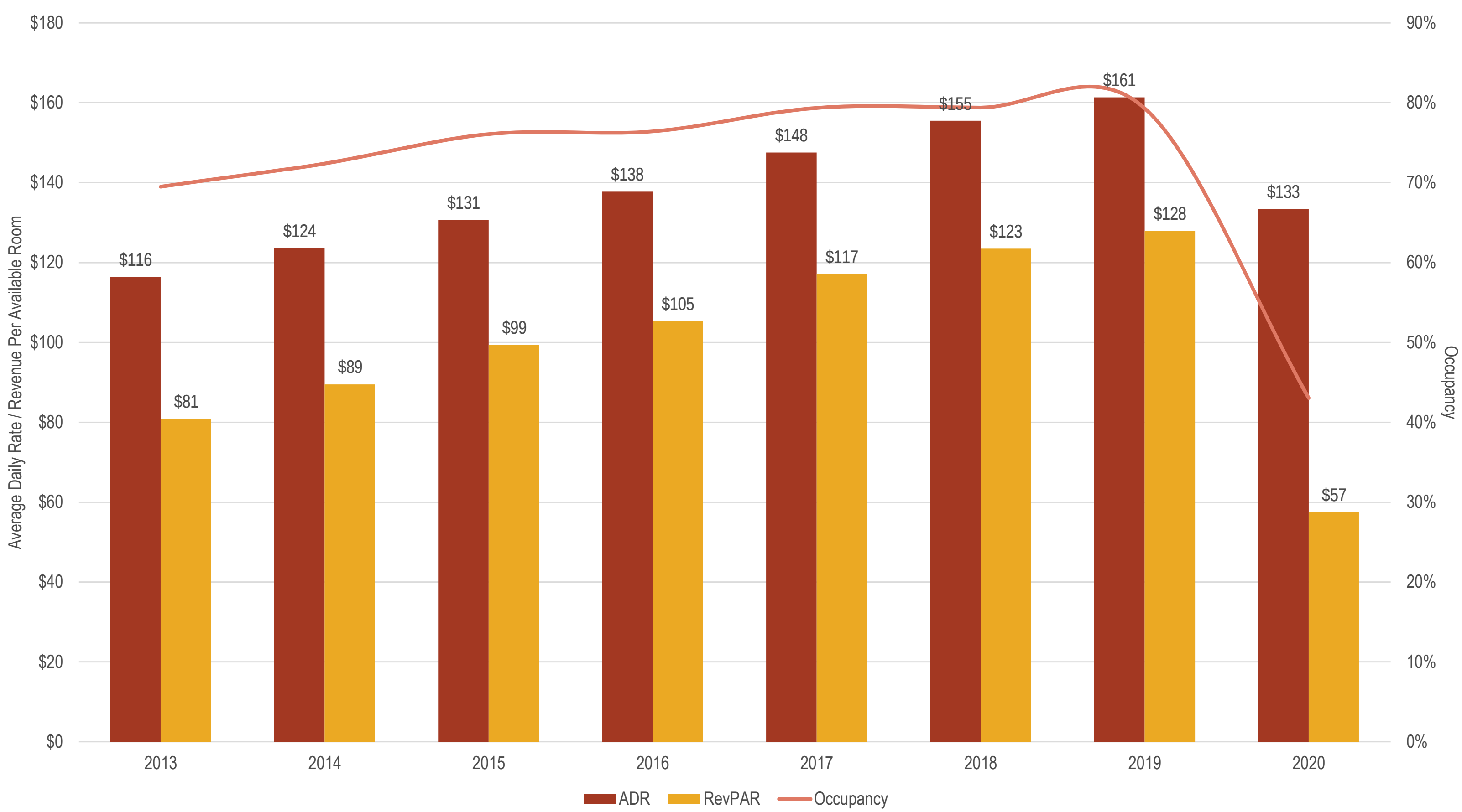
Hotel Average Daily Rate and Revenue Per Available Room
Downtown Sacramento Subset
2013-2020



Note: For more information on hotels included in competitive set, please see Exhibit V-1
Source: Smith Travel Research; RCLCO

Exhibit V-8

Hotel Average Daily Rate and Revenue Per Available Room
Full Competitive Set
2013-2020

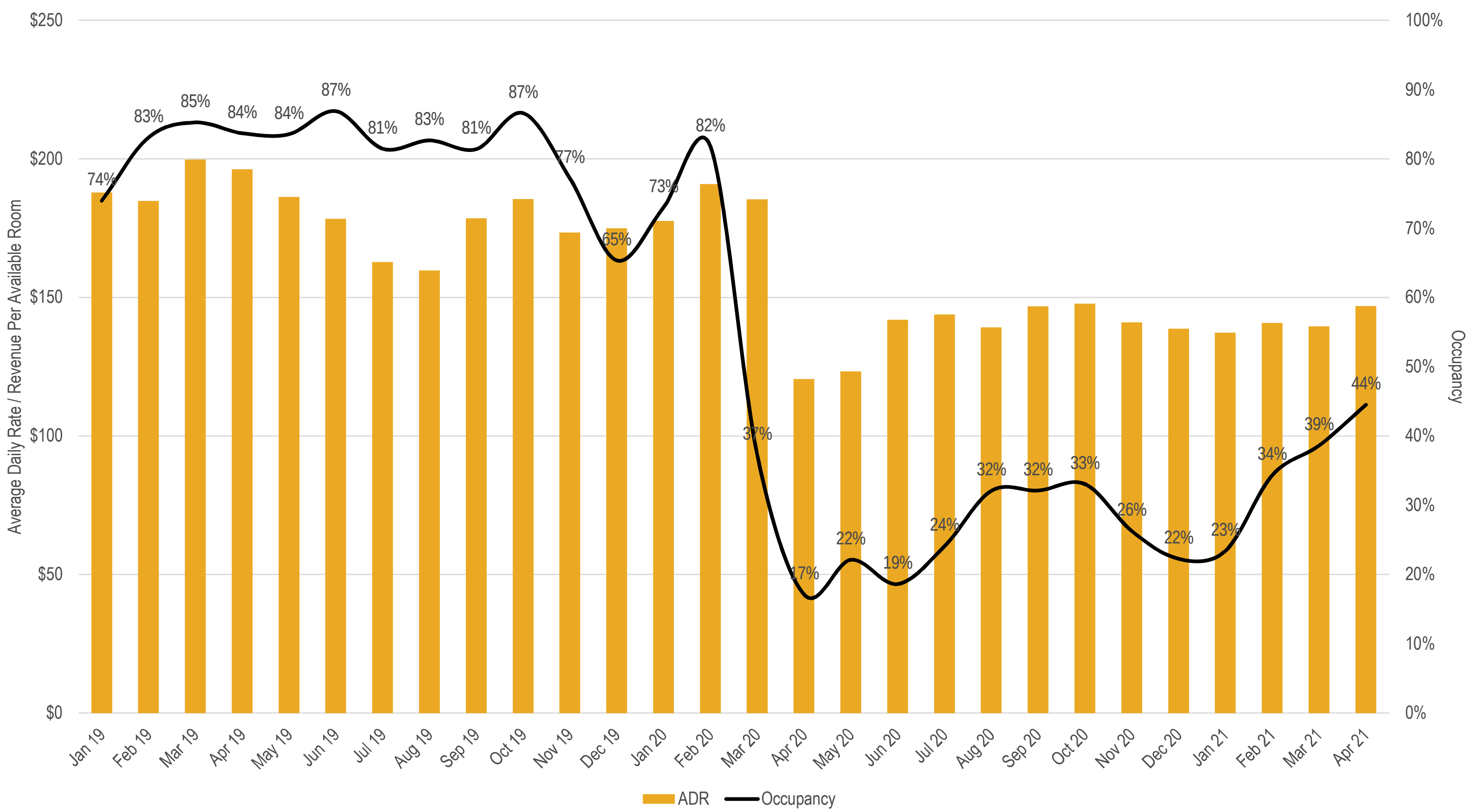


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-9

Hotel Average Daily Rate and Revenue Per Available Room by Month
Downtown Sacramento Subset
January 2019 - April 2021

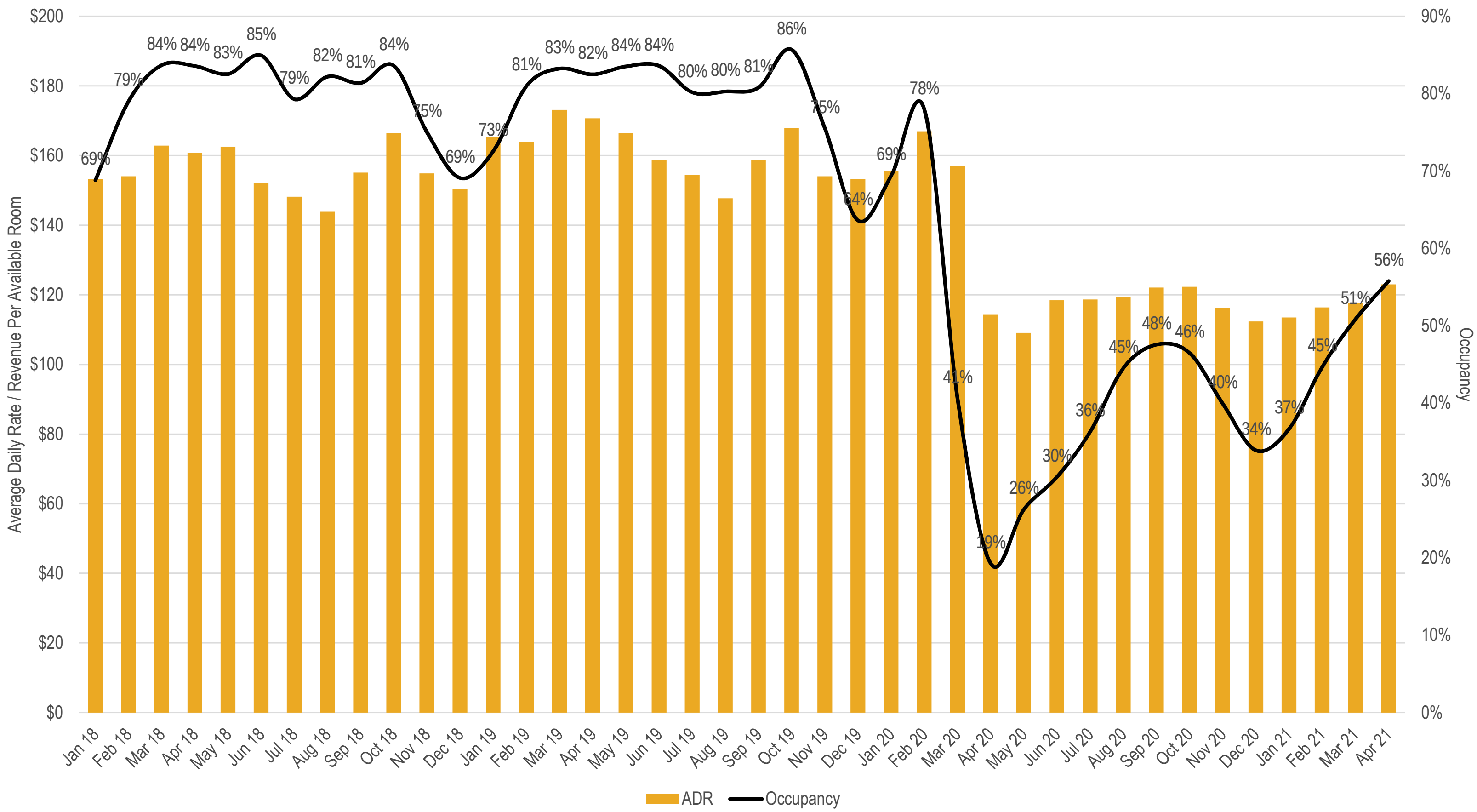


Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

Exhibit V-10

Hotel Average Daily Rate and Revenue Per Available Room by Month
Full Competitive Set
January 2018 - April 2021



Note: For more information on hotels included in competitive set, please see Exhibit V-1

Source: Smith Travel Research; RCLCO

VI. RESIDENTIAL DEMAND

Exhibit VI-1

Long-Term Residential Demand Model
Sacramento, CA, MSA
2021-2050

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SACRAMENTO, CA, MSA															
Total Population	2,408,899	2,436,291	2,464,006	2,490,496	2,516,276	2,541,069	2,565,226	2,588,463	2,611,582	2,634,804	2,656,825	2,677,853	2,697,729	2,716,636	2,735,090
Total Households	835,412	844,765	854,545	864,209	873,553	882,631	891,517	900,224	908,893	917,340	925,495	933,540	941,366	948,796	955,969
Residents per Household	2.88	2.88	2.88	2.88	2.88	2.88	2.88	2.88	2.87	2.87	2.87	2.87	2.87	2.86	2.86
Annual Household Growth	6,553	9,354	9,780	9,664	9,344	9,079	8,886	8,706	8,669	8,447	8,155	8,045	7,826	7,430	7,173
Vacancy/Obsolesence Rate	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Historical & Projected Housing Demand	6,881	9,821	10,269	10,147	9,811	9,533	9,330	9,142	9,103	8,869	8,563	8,447	8,217	7,801	7,532
% Multifamily 0.46%	18.1%	18.5%	19.0%	19.4%	19.9%	20.4%	20.8%	21.3%	21.7%	22.2%	22.6%	23.1%	23.5%	24.0%	24.5%
% Single Family	81.9%	81.5%	81.0%	80.6%	80.1%	79.6%	79.2%	78.7%	78.3%	77.8%	77.4%	76.9%	76.5%	76.0%	75.5%
Multifamily Demand	1,244	1,821	1,950	1,973	1,953	1,941	1,942	1,944	1,978	1,967	1,938	1,951	1,935	1,873	1,842
Single Family Demand	5,637	8,001	8,319	8,173	7,858	7,592	7,388	7,197	7,125	6,902	6,625	6,496	6,282	5,929	5,690
% Rental Apartments	97.5%	97.0%	96.5%	96.0%	95.5%	95.0%	94.5%	94.0%	93.5%	93.0%	92.5%	92.0%	91.5%	91.0%	90.5%
% For-Sale Condominiums	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
Rental Apartment Demand	1,213	1,766	1,882	1,894	1,865	1,844	1,835	1,828	1,849	1,829	1,793	1,795	1,771	1,704	1,667
For-Sale Condominium Demand	31	55	68	79	88	97	107	117	129	138	145	156	164	169	175
% Single Family Detached	96.0%	95.7%	95.5%	95.3%	95.1%	94.9%	94.6%	94.4%	94.2%	94.0%	93.8%	93.5%	93.3%	93.1%	92.9%
% Single Family Attached	4.0%	4.3%	4.5%	4.7%	4.9%	5.1%	5.4%	5.6%	5.8%	6.0%	6.2%	6.5%	6.7%	6.9%	7.1%
Single Family Detached Demand	5,409	7,660	7,946	7,789	7,472	7,202	6,992	6,796	6,712	6,486	6,211	6,077	5,863	5,520	5,284
Single Family Attached Demand	228	341	373	384	387	390	396	402	413	416	413	420	420	409	405
DOWNTOWN AREA															
Capture of Rental Apartment Demand	36.2%	37.2%	38.3%	39.3%	40.4%	41.4%	42.4%	43.5%	44.5%	45.6%	46.6%	47.7%	48.7%	49.8%	50.8%
Rental Apartment Demand	439	657	720	745	753	763	779	795	824	834	836	856	863	848	847
Capture of For-Sale Condominium Demand	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%
For-Sale Condominium Demand	18	31	39	45	50	55	61	66	73	78	83	89	93	96	99
Capture of Single-Family Attached Demand	28.4%	28.5%	28.7%	28.8%	29.0%	29.1%	29.3%	29.4%	29.5%	29.7%	29.8%	30.0%	30.1%	30.3%	30.4%
Single Family Attached Demand	65	97	107	111	112	114	116	118	122	123	123	126	126	124	123
SUBJECT SITE - BASELINE															
Capture of Rental Apartment Demand[1]	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Rental Apartment Demand	122	182	200	207	209	212	216	221	229	231	232	237	239	235	235
Cumulative Rental Apartment Demand	122	304	504	711	919	1,131	1,347	1,568	1,797	2,028	2,260	2,498	2,737	2,972	3,207
Capture of For-Sale Condominium Demand	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual For-Sale Condominium Demand	5	9	11	12	14	15	17	18	20	22	23	25	26	27	28
Cumulative For-Sale Condominium Demand	5	14	24	37	51	66	83	101	121	143	166	191	216	243	271
Capture of Single-Family Attached Demand	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Single-Family Attached Demand	13	27	30	31	31	32	32	33	34	34	34	35	35	34	34
Cumulative Single-Family Attached Demand	13	40	70	101	132	163	195	228	262	296	330	365	400	435	469

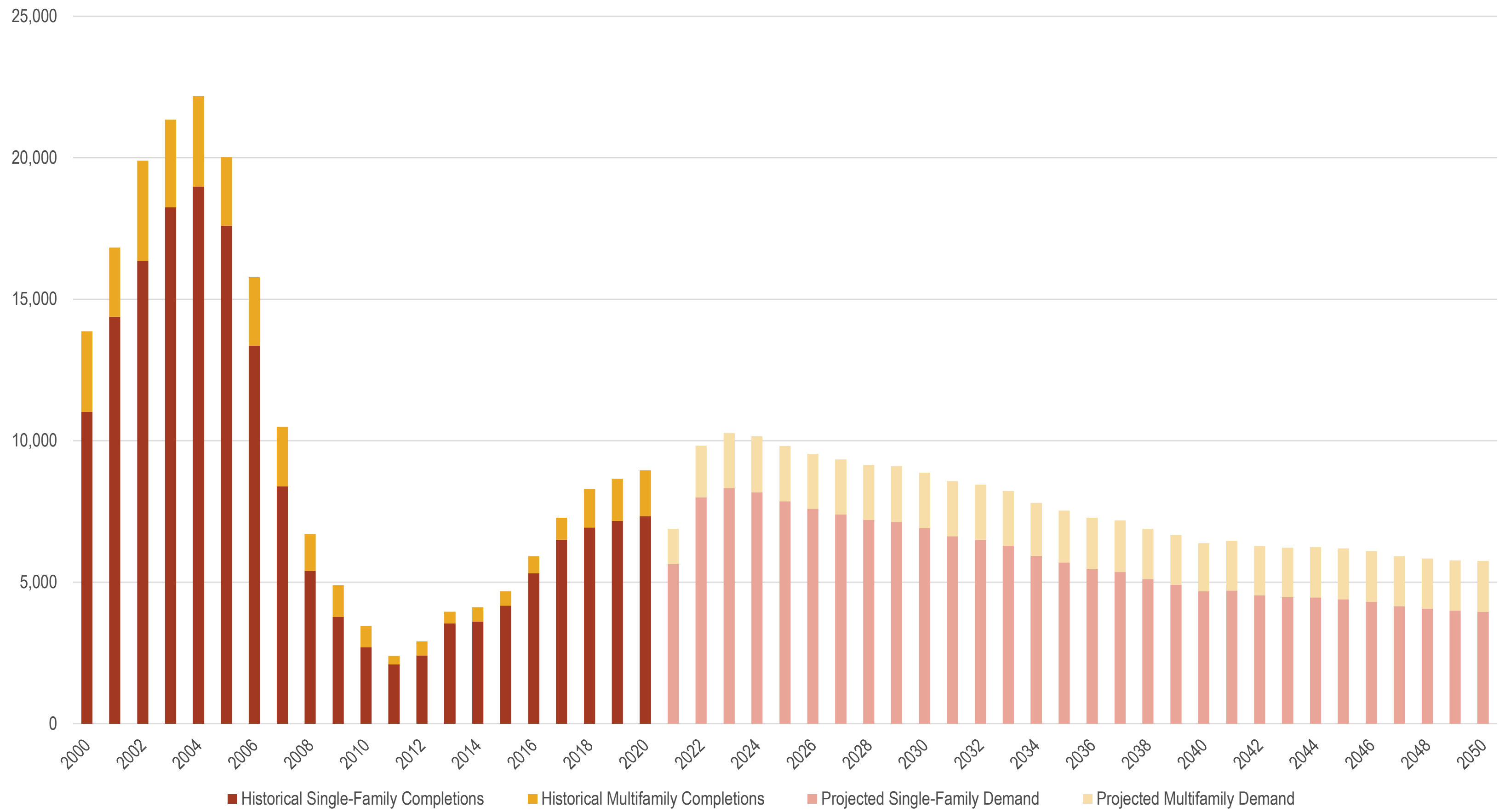
	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
SACRAMENTO, CA, MSA															
Total Population	2,752,431	2,768,757	2,784,536	2,800,190	2,815,085	2,830,218	2,844,758	2,858,848	2,872,348	2,884,739	2,896,346	2,907,109	2,917,061	2,926,095	2,934,614
Total Households	962,897	969,736	976,293	982,634	988,707	994,859	1,000,830	1,006,748	1,012,687	1,018,584	1,024,393	1,030,030	1,035,586	1,041,076	1,046,550
Residents per Household	2.86	2.86	2.85	2.85	2.85	2.84	2.84	2.84	2.84	2.83	2.83	2.82	2.82	2.81	2.80
Annual Household Growth	6,929	6,838	6,558	6,341	6,073	6,152	5,971	5,918	5,939	5,896	5,810	5,637	5,556	5,490	5,474
Vacancy/Obsolesence Rate	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Historical & Projected Housing Demand	7,275	7,180	6,886	6,658	6,376	6,460	6,269	6,214	6,236	6,191	6,100	5,919	5,834	5,764	5,747
% Multifamily 0.46%	24.9%	25.4%	25.8%	26.3%	26.7%	27.2%	27.6%	28.1%	28.6%	29.0%	29.5%	29.9%	30.4%	30.8%	31.3%
% Single Family	75.1%	74.6%	74.2%	73.7%	73.3%	72.8%	72.4%	71.9%	71.4%	71.0%	70.5%	70.1%	69.6%	69.2%	68.7%
Multifamily Demand	1,812	1,822	1,778	1,750	1,705	1,757	1,733	1,746	1,781	1,796	1,798	1,771	1,772	1,777	1,798
Single Family Demand	5,462	5,359	5,107	4,908	4,671	4,703	4,536	4,468	4,455	4,395	4,302	4,148	4,061	3,987	3,949
% Rental Apartments	90.0%	89.5%	89.0%	88.5%	88.0%	87.5%	87.0%	86.5%	86.0%	85.5%	85.0%	84.5%	84.0%	83.5%	83.0%
% For-Sale Condominiums	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%	13.5%	14.0%	14.5%	15.0%	15.5%	16.0%	16.5%	17.0%
Rental Apartment Demand	1,631	1,630	1,583	1,549	1,500	1,537	1,508	1,511	1,532	1,536	1,528	1,497	1,489	1,484	1,493
For-Sale Condominium Demand	181	191	196	201	205	220	225	236	249	260	270	275	284	293	306
% Single Family Detached	92.7%	92.4%	92.2%	92.0%	91.8%	91.6%	91.3%	91.1%	90.9%	90.7%	90.5%	90.2%	90.0%	89.8%	89.6%
% Single Family Attached	7.3%	7.6%	7.8%	8.0%	8.2%	8.4%	8.7%	8.9%	9.1%	9.3%	9.5%	9.8%	10.0%	10.2%	10.4%
Single Family Detached Demand	5,061	4,953	4,710	4,515	4,287	4,306	4,143	4,071	4,050	3,985	3,892	3,743	3,656	3,580	3,537
Single Family Attached Demand	401	405	397	393	384	397	393	397	406	410	411	405	406	407	412
DOWNTOWN AREA															
Capture of Rental Apartment Demand	51.9%	52.9%	54.0%	55.0%	56.1%	57.1%	58.2%	59.2%	60.2%	61.3%	62.3%	63.4%	64.4%	65.5%	66.5%
Rental Apartment Demand	846	863	854	852	841	878	877	894	923	941	952	949	959	972	993
Capture of For-Sale Condominium Demand	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%	56.8%
For-Sale Condominium Demand	103	109	111	114	116	125	128	134	142	148	153	156	161	167	174
Capture of Single-Family Attached Demand	30.5%	30.7%	30.8%	31.0%	31.1%	31.3%	31.4%	31.6%	31.7%	31.8%	32.0%	32.1%	32.3%	32.4%	32.6%
Single Family Attached Demand	123	124	123	122	120	124	123	125	129	130	131	130	131	132	134
SUBJECT SITE - BASELINE															
Capture of Rental Apartment Demand[1]	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Rental Apartment Demand	235	239	237	236	233	244	243	248	256	261	264	263	266	270	276
Cumulative Rental Apartment Demand	3,442	3,682	3,919	4,155	4,388	4,632	4,875	5,123	5,379	5,641	5,905	6,168	6,434	6,704	6,980
Capture of For-Sale Condominium Demand	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual For-Sale Condominium Demand	29	30	31	32	32	35	36	37	39	41	42	43	45	46	48
Cumulative For-Sale Condominium Demand	299	329	360	392	424	459	494	531	571	612	654	697	742	788	836
Capture of Single-Family Attached Demand	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Annual Single-Family Attached Demand	34	35	34	34	33	34	34	35	36	36	36	36	36	37	37
Cumulative Single-Family Attached Demand	503	538	572	605	638	673	707	742	778	814	850	886	923	959	997

[1] *Assumes slightly less than a "Fair Share" capture of demand, based on the planned 6,000 units at the subject site and considering the number of under construction, planned and proposed, and other long-term planned units in the Downtown Area*

Source: RCLCO; Moody's Analytics; Redfin; California Department of Transportation

Exhibit VI-2

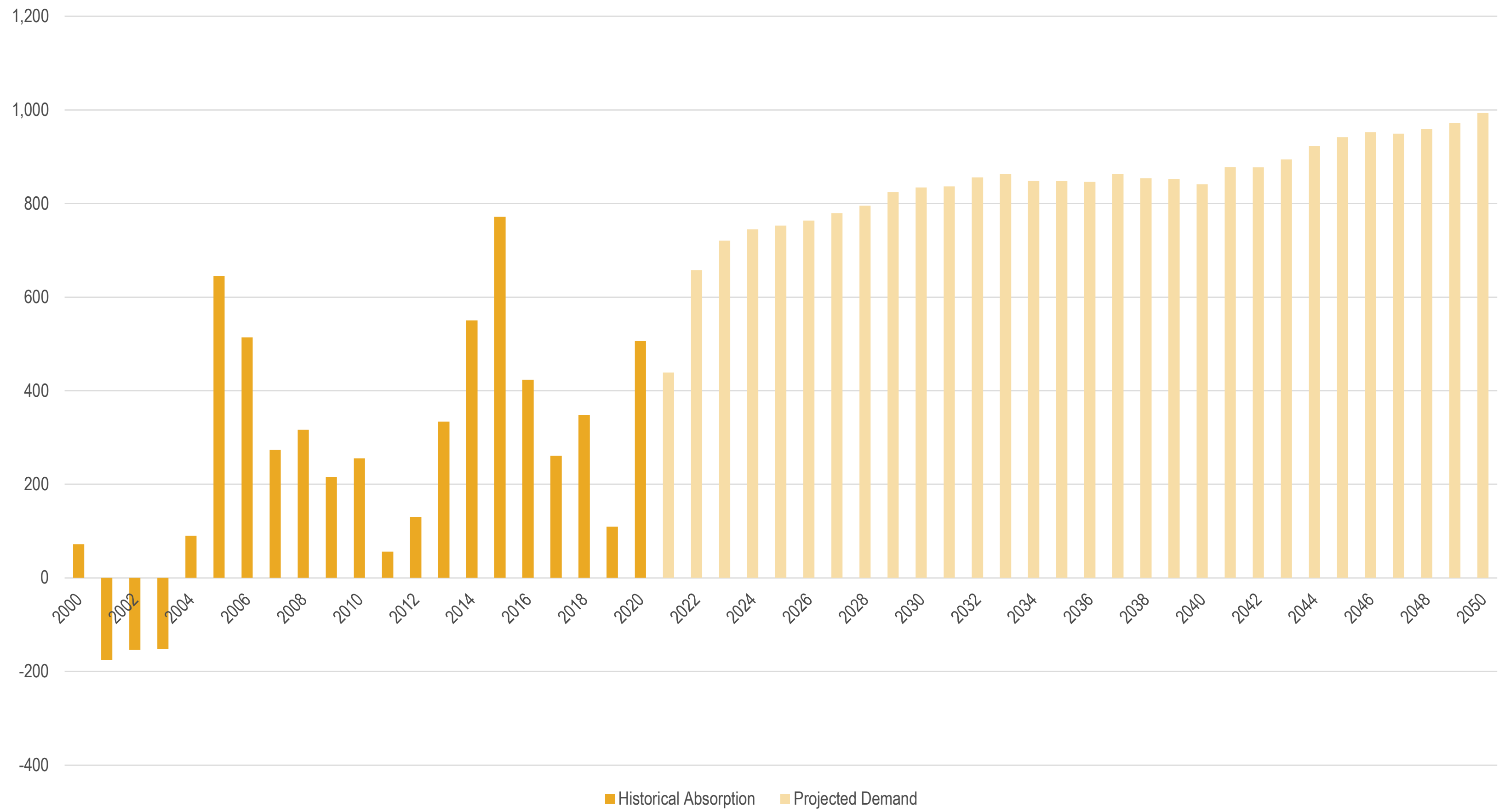
Historical Completions and Projected Demand
Sacramento, CA, MSA
2000-2050



Source: RCLCO; Moody's Analytics; Redfin; California Department of Transportation

Exhibit VI-3

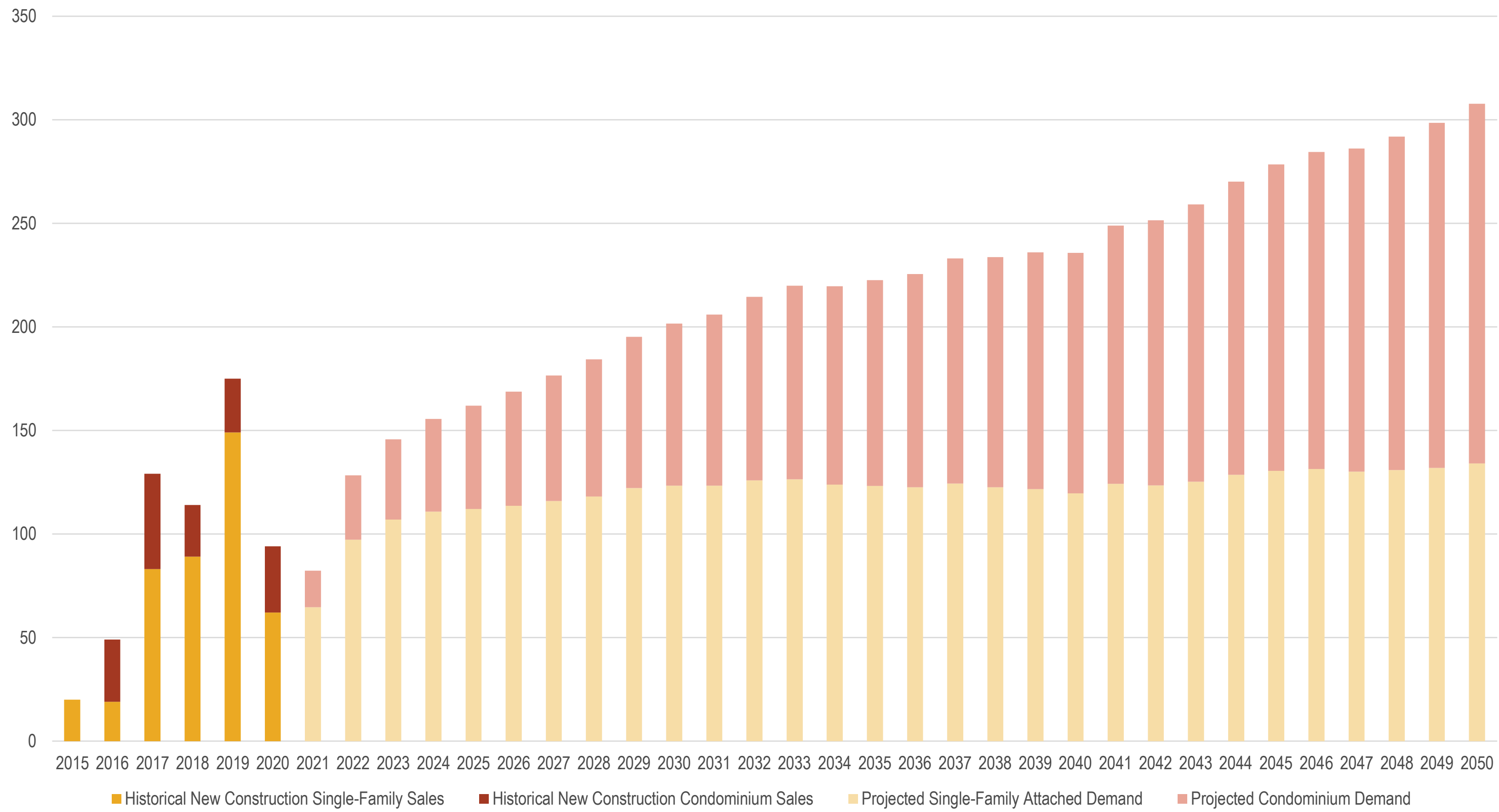
Historical and Projected Rental Apartment Absorption
Downtown Area
2000-2050



Source: RCLCO; Moody's Analytics; Redfin; California Department of Transportation

Exhibit VI-4

Historical and Projected For-Sale Housing Absorption
Downtown Area
2015-2050



Note: For the purposes of historical data, "Downtown Area" is defined as the following zip codes: 95605, 95691, 95811, 95814, 95816, and 95818. Please note that "Historical New Construction Single-Family Sales" includes both attached and detached product.
Source: RealQuest; RCLCO

Exhibit VI-7

Annual Condo Owner Demand for New Units by Age and Income
Downtown Area
2020-2025

	AGE					
INCOME	UNDER 25	25-34	35-54	55-64	65+	TOTAL
UNDER $35,000	0%	1%	1%	0%	1%	2%
$35,000 - $49,999	0%	1%	1%	0%	0%	3%
$50,000 - $74,999	1%	4%	3%	1%	1%	9%
$75,000 - $99,999	1%	8%	9%	2%	1%	22%
$100,000 - $149,999	1%	19%	14%	3%	1%	39%
$150,000 - $199,999	0%	4%	5%	1%	0%	11%
$200,000 AND OVER	0%	5%	7%	1%	0%	14%
TOTAL	4%	42%	39%	10%	5%	100%

Conventional Market Segment
Ultra-Luxury Market Segment

Source: Esri; American Community Survey PUMS; RCLCO

Exhibit VI-8

Annual Condo Owner Demand for New Units by Lifestyle and Economic Segment
Downtown Area
2020-2025

ECONOMIC SEGMENT	LIFESTAGE: POST-GRAD	LIFESTAGE: YOUNG PROFESSIONAL	LIFESTAGE: FAMILY	LIFESTAGE: MATURE PROFESSIONAL	LIFESTAGE: EMPTY NESTER	TOTAL
WORKFORCE	1%	2%	3%	1%	1%	9%
MARKET RATE	1%	11%	16%	8%	5%	41%
LUXURY	0%	24%	9%	9%	8%	51%
TOTAL	2%	38%	28%	18%	14%	100%

Source: Esri; American Community Survey PUMS; RCLCO

Exhibit VI-5

Annual Multifamily Renter Demand for New Units by Age and Income
Downtown Area
2020-2025

	AGE					
INCOME	UNDER 25	25-34	35-54	55-64	65+	TOTAL
UNDER $50,000	4%	9%	7%	4%	5%	28%
$50,000 - $74,999	3%	8%	6%	4%	2%	23%
$75,000 - $99,999	2%	8%	6%	2%	1%	19%
$100,000 - $149,999	2%	9%	6%	2%	1%	19%
$150,000 AND OVER	0%	6%	4%	1%	1%	11%
TOTAL	10%	39%	29%	12%	9%	100%

Source: Esri; American Community Survey PUMS; RCLCO

Exhibit VI-6

Annual Multifamily Renter Demand for New Units by Lifestage and Economic Segment
Downtown Area
2020-2025

	LIFESTAGE					
ECONOMIC SEGMENT	POST-GRAD	YOUNG PROFESSIONAL	FAMILY	MATURE PROFESSIONAL	EMPTY NESTER	TOTAL
WORKFORCE	4%	7%	6%	7%	9%	33%
MARKET RATE	5%	16%	4%	8%	8%	41%
LUXURY	1%	12%	1%	8%	4%	26%
TOTAL	9%	35%	11%	24%	21%	100%

Source: Esri; American Community Survey PUMS; RCLCO

VII. OFFICE DEMAND

Exhibit VII-1

Sacramento Railyards Capture of Office Demand Potential
Sacramento MSA
2020-2050

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Beginning Supply (Inventory SF)		100,649	101,406	102,916	103,251	104,836	105,171	105,506	105,842	106,177	106,512	106,847	107,182	107,518	107,853	108,188
Deliveries: Recently Completed		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deliveries: Planned & Proposed [1]		757	1,510	335	1,585	335	335	335	335	335	335	335	335	335	335	335
Ending	100,649	101,406	102,916	103,251	104,836	105,171	105,506	105,842	106,177	106,512	106,847	107,182	107,518	107,853	108,188	108,523
DEMAND FROM GROWTH [2]																
Beginning Demand (Occupied SF)		91,204	89,140	92,308	93,512	94,435	95,810	97,602	99,534	101,444	103,312	105,274	107,431	109,911	112,272	114,668
Net Absorption (Growth)		-2,064	3,168	1,203	924	1,375	1,792	1,932	1,910	1,868	1,962	2,157	2,481	2,361	2,396	2,580
Ending	91,204	89,140	92,308	93,512	94,435	95,810	97,602	99,534	101,444	103,312	105,274	107,431	109,911	112,272	114,668	117,248
Occupancy Rate	90.6%	87.9%	89.7%	90.6%	90.1%	91.1%	92.5%	94.0%	95.5%	97.0%	98.5%	100.2%	102.2%	104.1%	106.0%	108.0%
Cumulative (Over)/Under Supply at 10% Vacancy	620	(2,125)	(316)	586	83	1,156	2,646	4,276	5,885	7,451	9,112	10,967	13,146	15,205	17,299	19,577
DEMAND FROM TURNOVER																
Lease Expiration Rate [3]		14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
SF in Turnover each Year		13,029	12,734	13,187	13,359	13,491	13,687	13,943	14,219	14,492	14,759	15,039	15,347	15,702	16,039	16,381
% Choose New Space [3]		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Annual Demand from Turnover		651	637	659	668	675	684	697	711	725	738	752	767	785	802	819
DOWNTOWN AREA DEMAND POTENTIAL																
Total MSA Demand from Growth & Turnover		-1,413	3,805	1,863	1,591	2,049	2,477	2,629	2,621	2,592	2,700	2,908	3,248	3,146	3,198	3,399
Capture Rate [4]		19.8%	19.8%	19.8%	19.8%	19.8%	21.1%	22.3%	23.6%	24.8%	26.1%	27.3%	28.6%	29.8%	31.1%	32.3%
PMA Annual Demand Potential		-280	754	369	316	406	522	587	618	644	704	795	928	938	994	1,099
SUBJECT SITE DEMAND POTENTIAL																
Subject Site Capture Rate[5]				20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Subject Site Annual Demand Potential		0	0	77	66	85	109	122	129	134	147	166	193	195	207	229
Cumulative Demand Potential		0	0	77	143	227	336	458	587	721	868	1,033	1,227	1,422	1,629	1,858
Cumulative Development Potential[6]		0	0	85	159	253	373	509	652	801	964	1,148	1,363	1,580	1,810	2,064

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Beginning Supply (Inventory SF)	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523
Deliveries: Recently Completed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deliveries: Planned & Proposed [1]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523	108,523
DEMAND FROM GROWTH [2]															
Beginning Demand (Occupied SF)	117,248	119,900	122,560	125,183	127,759	130,150	132,463	134,696	136,826	138,901	140,990	143,290	145,597	147,909	150,229
Net Absorption (Growth)	2,652	2,661	2,622	2,576	2,391	2,313	2,233	2,129	2,075	2,090	2,300	2,306	2,313	2,319	2,326
Ending	119,900	122,560	125,183	127,759	130,150	132,463	134,696	136,826	138,901	140,990	143,290	145,597	147,909	150,229	152,554
Occupancy Rate	110.5%	112.9%	115.4%	117.7%	119.9%	122.1%	124.1%	126.1%	128.0%	129.9%	132.0%	134.2%	136.3%	138.4%	140.6%
Cumulative (Over)/Under Supply at 10% Vacancy	22,229	24,890	27,512	30,088	32,480	34,792	37,026	39,155	41,230	43,320	45,620	47,926	50,239	52,558	54,884
DEMAND FROM TURNOVER															
Lease Expiration Rate [3]	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
SF in Turnover each Year	16,750	17,129	17,509	17,883	18,251	18,593	18,923	19,242	19,547	19,843	20,141	20,470	20,800	21,130	21,461
% Choose New Space [3]	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Annual Demand from Turnover	837	856	875	894	913	930	946	962	977	992	1,007	1,024	1,040	1,056	1,073
DOWNTOWN AREA DEMAND POTENTIAL															
Total MSA Demand from Growth & Turnover	3,489	3,517	3,498	3,470	3,304	3,242	3,180	3,092	3,052	3,082	3,307	3,330	3,353	3,376	3,399
Capture Rate [4]	33.6%	34.8%	36.1%	37.3%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%
PMA Annual Demand Potential	1,171	1,225	1,262	1,295	1,274	1,251	1,226	1,192	1,177	1,189	1,276	1,284	1,293	1,302	1,311
SUBJECT SITE DEMAND POTENTIAL															
Subject Site Capture Rate[5]	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Subject Site Annual Demand Potential	244	255	263	270	265	261	255	248	245	248	266	268	269	271	273
Cumulative Demand Potential	2,102	2,357	2,620	2,890	3,155	3,416	3,671	3,919	4,165	4,412	4,678	4,946	5,215	5,486	5,759
Cumulative Development Potential[6]	2,335	2,619	2,911	3,211	3,506	3,795	4,079	4,355	4,627	4,903	5,198	5,495	5,794	6,096	6,399

[1] *Refer to Exhibit III-6.*
[2] *Refer to Exhibit III-3.*
[3] *Assumes leases expire every seven years, and that 5% of tenants seek new space.*
[4] *Assumes a near-term capture similar to that which Downtown Area has historically realized, gradually building to a long-term capture similar to those demonstrated by the urban cores of other cities such as Denver and Seattle.*
[5] *Assumes subject site captures its slightly less than its "fair share" of total office square footage in the pipeline as outlined on Exhibit III-6, in order to reflect that the subject site is a larger development project than most others in the Downtown Area.*
[6] *Assumes stabilized occupancy rate of 90%.*

Source: Bureau of Labor Statistics; Moody's Economy.com; DBEDT; CoStar Group, Inc.; RCLCO

Exhibit VII-2

Historical and Forecasted Employment By Industry
Sacramento MSA
2016-2050

			2016	2017	2018	2019	2020	FORECAST>>> 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
TOTAL EMPLOYMENT [1]																				
Natural Resources			0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Construction			55.0	58.6	64.5	69.4	70.1	79.1	82.9	83.9	84.7	84.3	82.8	81.2	79.8	79.0	78.5	77.9	77.2	77.3
Manufacturing			36.2	35.7	36.0	36.8	35.9	35.7	36.0	35.6	34.9	33.6	32.4	31.3	30.1	29.0	27.7	26.3	24.6	23.1
Trade, Transp. & Utilities			152.4	155.3	159.8	161.3	156.1	165.3	169.5	170.6	170.1	168.7	167.9	167.1	166.1	165.2	163.6	161.0	157.5	154.8
Information			13.8	12.6	12.4	11.9	10.1	9.8	10.0	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.0	10.0
Financial Activities			52.0	52.6	53.6	52.5	51.8	52.7	55.6	56.6	56.4	56.5	58.1	60.8	63.8	66.9	70.2	74.2	78.8	83.3
Prof. & Business Services			128.5	132.4	136.0	137.4	132.4	137.3	141.6	141.3	141.5	143.7	146.6	149.4	152.0	154.6	157.3	160.4	163.9	167.4
Edu. & Health Services			146.4	153.7	159.8	166.6	162.8	165.9	176.2	182.8	186.6	189.0	192.1	195.3	198.5	201.3	203.7	205.9	207.8	209.3
Leisure & Hospitality			99.8	103.3	106.2	109.6	83.6	79.6	87.4	92.5	97.6	103.6	108.9	113.6	118.4	122.7	127.0	131.5	136.6	141.1
Other Services			31.7	33.0	34.2	35.4	30.6	31.1	34.0	35.6	37.2	39.9	40.8	41.3	41.9	42.5	43.1	43.6	44.0	44.3
Government			234.6	235.2	238.0	241.4	235.4	234.1	238.5	242.8	247.5	252.0	256.6	261.0	265.1	269.6	274.6	279.8	285.1	289.6
Total			950.9	972.8	1,000.9	1,022.7	969.3	991.1	1,032.5	1,052.4	1,067.2	1,082.1	1,097.0	1,111.8	1,126.7	1,141.5	1,156.4	1,171.2	1,186.1	1,201.0
Growth			32.4	21.9	28.0	21.9	-53.4	21.8	41.3	19.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
OFFICE-USING EMPLOYMENT [2]	HISTORICAL % USING UTILIZING	PROJECTED % OFFICE-UTILIZING																		
Natural Resources	5.0%	3.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	5.0%	3.5%	2.7	2.9	3.2	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.0	2.9	2.8	2.8	2.7	2.7	2.7
Manufacturing	5.0%	3.5%	1.8	1.8	1.8	1.8	1.8	1.6	1.5	1.4	1.4	1.3	1.2	1.2	1.1	1.0	1.0	0.9	0.9	0.8
Trade, Transp. & Utilities	10.0%	5.0%	15.2	15.5	16.0	16.1	15.6	13.0	12.1	11.3	10.6	10.2	9.9	9.5	9.2	8.9	8.5	8.0	7.9	7.7
Information	60.0%	50.0%	8.3	7.5	7.4	7.1	6.1	5.5	5.4	5.4	5.3	5.3	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0
Financial Activities	70.0%	55.0%	36.4	36.8	37.5	36.8	36.2	33.5	34.1	33.8	33.1	32.9	33.5	34.8	36.1	37.5	39.0	40.8	43.3	45.8
Prof. & Business Services	80.0%	65.0%	102.8	105.9	108.8	109.9	106.0	101.0	101.1	98.6	97.3	98.0	99.2	100.3	101.3	102.1	103.1	104.3	106.5	108.8
Edu. & Health Services	30.0%	25.0%	43.9	46.1	48.0	50.0	48.8	46.2	47.8	48.6	49.0	49.3	49.8	50.2	50.7	51.0	51.3	51.5	51.9	52.3
Leisure & Hospitality	10.0%	17.5%	10.0	10.3	10.6	11.0	8.4	10.5	12.5	14.0	15.2	16.5	17.6	18.7	19.8	20.8	21.9	23.0	23.9	24.7
Other Services	10.0%	7.5%	3.2	3.3	3.4	3.5	3.1	2.8	2.9	3.0	3.0	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Government	40.0%	32.5%	93.9	94.1	95.2	96.6	94.2	86.1	85.2	84.8	85.1	85.9	86.8	87.6	88.3	89.1	90.0	90.9	92.6	94.1
Total			318.2	324.4	331.9	336.3	323.6	303.6	306.2	304.2	303.4	305.8	309.6	313.8	317.8	321.7	325.8	330.5	338.1	345.4
Growth			11.1	6.1	7.5	4.4	-12.7	-20.0	2.6	-2.0	-0.9	2.5	3.8	4.2	4.1	3.9	4.1	4.7	7.6	7.3
OCCUPIED OFFICE SPACE [3]	HISTORICAL SF/EMPLOYEE	PROJECTED SF/ EMPLOYEE																		
Natural Resources	270	325	6	6	6	7	8	8	8	8	8	8	8	7	7	7	7	7	7	7
Construction	270	325	742	792	870	937	988	1,012	1,035	1,026	1,022	1,009	983	956	932	915	901	887	879	880
Manufacturing	270	325	489	482	486	497	506	456	450	436	421	403	385	368	352	336	318	299	280	263
Trade, Transp. & Utilities	270	325	4,115	4,192	4,316	4,356	4,398	3,812	3,650	3,464	3,309	3,208	3,119	3,028	2,935	2,842	2,737	2,615	2,560	2,516
Information	270	325	2,238	2,036	2,002	1,921	1,709	1,604	1,638	1,653	1,657	1,656	1,651	1,650	1,651	1,650	1,645	1,638	1,629	1,620
Financial Activities	270	325	9,822	9,943	10,121	9,930	10,211	9,838	10,289	10,398	10,312	10,293	10,558	11,021	11,533	12,037	12,592	13,258	14,084	14,898
Prof. & Business Services	270	325	27,754	28,599	29,368	29,672	29,856	29,645	30,480	30,317	30,284	30,701	31,269	31,816	32,315	32,792	33,296	33,885	34,623	35,368
Edu. & Health Services	270	325	11,862	12,447	12,948	13,492	13,765	13,566	14,418	14,950	15,244	15,434	15,681	15,929	16,176	16,390	16,570	16,732	16,882	17,008
Leisure & Hospitality	270	325	2,695	2,790	2,867	2,958	2,355	3,086	3,765	4,287	4,746	5,158	5,546	5,920	6,310	6,684	7,070	7,479	7,770	8,027
Other Services	270	325	855	890	924	955	862	816	878	909	940	1,005	1,023	1,029	1,039	1,048	1,056	1,063	1,072	1,080
Government	270	325	25,342	25,400	25,701	26,073	26,531	25,279	25,679	26,046	26,475	26,919	27,362	27,792	28,177	28,595	29,066	29,552	30,110	30,590
Total			85,920	87,578	89,609	90,798	91,188	89,123	92,292	93,495	94,419	95,793	97,585	99,517	101,427	103,295	105,258	107,414	109,895	112,256
Net Absorption			3,006	1,658	2,031	1,189	390	-2,064	3,168	1,203	924	1,375	1,792	1,932	1,910	1,868	1,962	2,157	2,481	2,361
% Shift to New Normal							21.4%	21.4%	14.3%	10.7%	7.1%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%		
Forecast Average SF per Employee			270.0	270.0	270.0	270.0	281.8	293.6	301.4	307.3	311.3	313.2	315.2	317.1	319.1	321.1	323.0	325.0	325.0	325.0
REPORTED OFFICE MARKET PERFORMANCE [4]																				
Inventory			98,992	99,052	99,356	99,933	100,649													
Occupied Space			88,246	88,886	89,577	91,082	91,204													
Vacancy Rate			10.9%	10.3%	9.8%	8.9%	9.4%													
Occupied Space per Office-Using Employee			277.3	274.0	269.9	270.8	281.8													
Net Absorption			1,243	640	690	1,506	122													
Actual Net Absorption per New Employee			112	104	92	342	-10													
VARIANCE																				
Occupied Space			-2.6%	-1.5%	0.0%	-0.3%	0.0%													

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
TOTAL EMPLOYMENT [1]																	
Natural Resources	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Construction	78.0	78.5	78.8	79.0	79.5	79.8	80.2	80.9	81.7	82.4	82.9	83.0	82.4	81.7	81.1	80.3	79.6
Manufacturing	21.5	19.7	17.8	15.8	13.9	12.1	10.6	9.2	7.7	6.3	4.8	3.4	3.0	2.7	2.4	2.1	1.9
Trade, Transp. & Utilities	152.0	148.9	146.2	143.3	140.7	138.6	137.2	136.1	134.8	133.9	133.1	132.8	130.6	128.3	126.1	123.8	121.6
Information	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.4	8.3	8.2
Financial Activities	88.3	94.3	100.2	105.5	111.5	118.1	124.5	130.9	137.4	143.9	150.8	157.8	164.7	171.8	179.1	186.6	194.3
Prof. & Business Services	171.1	175.1	179.7	184.5	188.8	192.4	195.4	198.3	200.6	202.2	203.3	204.3	206.6	208.8	210.9	212.9	214.8
Edu. & Health Services	210.0	209.3	207.2	204.3	200.9	197.1	193.7	190.3	186.5	182.5	177.8	173.1	171.3	169.5	167.7	165.8	163.8
Leisure & Hospitality	145.9	151.1	157.1	163.8	170.1	176.2	181.8	187.4	193.5	200.3	207.7	215.1	221.9	228.8	235.8	242.9	250.1
Other Services	44.5	44.6	44.4	44.1	43.7	43.4	43.5	43.7	43.7	43.9	44.1	44.2	44.3	44.4	44.4	44.4	44.4
Government	294.2	298.9	304.1	310.0	316.3	322.6	328.4	333.6	339.1	344.8	350.7	356.5	360.4	364.2	367.8	371.3	374.6
Total	1,215.8	1,230.7	1,245.5	1,260.4	1,275.2	1,290.1	1,305.0	1,319.8	1,334.7	1,349.5	1,364.4	1,379.3	1,394.1	1,409.0	1,423.8	1,438.7	1,453.5
Growth	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
OFFICE-USING EMPLOYMENT [2]																	
Natural Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.8
Manufacturing	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Trade, Transp. & Utilities	7.6	7.4	7.3	7.2	7.0	6.9	6.9	6.8	6.7	6.7	6.7	6.6	6.5	6.4	6.3	6.2	6.1
Information	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1
Financial Activities	48.6	51.9	55.1	58.0	61.3	65.0	68.5	72.0	75.6	79.2	82.9	86.8	90.6	94.5	98.5	102.6	106.9
Prof. & Business Services	111.2	113.8	116.8	119.9	122.7	125.0	127.0	128.9	130.4	131.5	132.1	132.8	134.3	135.7	137.1	138.4	139.6
Edu. & Health Services	52.5	52.3	51.8	51.1	50.2	49.3	48.4	47.6	46.6	45.6	44.5	43.3	42.8	42.4	41.9	41.4	40.9
Leisure & Hospitality	25.5	26.5	27.5	28.7	29.8	30.8	31.8	32.8	33.9	35.0	36.3	37.6	38.8	40.0	41.3	42.5	43.8
Other Services	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Government	95.6	97.2	98.8	100.8	102.8	104.8	106.7	108.4	110.2	112.1	114.0	115.9	117.1	118.4	119.5	120.7	121.8
Total	352.8	360.7	368.9	377.1	385.1	393.1	400.4	407.5	414.4	421.0	427.3	433.8	440.8	447.9	455.1	462.2	469.3
Growth	7.4	7.9	8.2	8.2	8.1	7.9	7.4	7.1	6.9	6.6	6.4	6.4	7.1	7.1	7.1	7.1	7.2
OCCUPIED OFFICE SPACE [3]																	
Natural Resources	6	6	6	6	5	5	5	4	4	4	3	3	3	2	2	2	2
Construction	887	892	896	899	904	908	913	920	929	937	943	944	937	930	922	914	905
Manufacturing	245	224	203	179	158	138	120	104	88	71	55	39	35	31	27	24	22
Trade, Transp. & Utilities	2,470	2,420	2,375	2,328	2,287	2,252	2,229	2,211	2,191	2,176	2,163	2,157	2,122	2,085	2,049	2,012	1,976
Information	1,608	1,592	1,575	1,559	1,543	1,524	1,508	1,494	1,479	1,462	1,445	1,428	1,409	1,390	1,370	1,350	1,329
Financial Activities	15,785	16,854	17,902	18,857	19,926	21,115	22,252	23,399	24,554	25,724	26,953	28,214	29,440	30,704	32,007	33,349	34,731
Prof. & Business Services	36,139	36,982	37,957	38,982	39,875	40,636	41,283	41,894	42,384	42,723	42,940	43,163	43,642	44,103	44,548	44,976	45,386
Edu. & Health Services	17,060	17,002	16,834	16,598	16,320	16,013	15,737	15,458	15,156	14,828	14,448	14,061	13,921	13,775	13,624	13,468	13,307
Leisure & Hospitality	8,298	8,597	8,932	9,313	9,673	10,019	10,338	10,659	11,006	11,390	11,813	12,232	12,619	13,012	13,411	13,815	14,224
Other Services	1,085	1,086	1,083	1,075	1,065	1,059	1,060	1,064	1,066	1,069	1,074	1,079	1,081	1,082	1,083	1,083	1,083
Government	31,070	31,576	32,122	32,747	33,409	34,074	34,688	35,240	35,822	36,425	37,047	37,654	38,067	38,466	38,850	39,219	39,572
Total	114,652	117,231	119,883	122,544	125,166	127,742	130,134	132,447	134,680	136,809	138,884	140,974	143,274	145,580	147,893	150,212	152,538
Net Absorption	2,396	2,580	2,652	2,661	2,622	2,576	2,391	2,313	2,233	2,129	2,075	2,090	2,300	2,306	2,313	2,319	2,326
Forecast Average SF per Employee	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0

[1] Projected employment based on long-term average (1990-2020) employment growth in the Sacramento MSA, applying the projected distribution of growth by industry from Moody's Analytics.
[2] Projects office-using employment by estimate share of each industry's employment that requires or occupies office space. Assumes 15% reduction in office space utilization post-pandemic, based on CBRE research on share of office workers projected to work remotely following the pandemic.
[3] Translates office-using employment to occupied space by applying a square feet per employee estimate. An average of 270 SF/Employee historically and that each new office-using employee, beginning in 2021, adds an additional 325 SF of occupied office space.
[4] Reported historical trends by CoStar for leased office space in buildings with at least 5,000 square feet.

Source: CoStar; Moody's Analytics; RCLCO

Exhibit VII-3

Capture Rate Analysis
Downtown Area and Sacramento MSA
June 2021

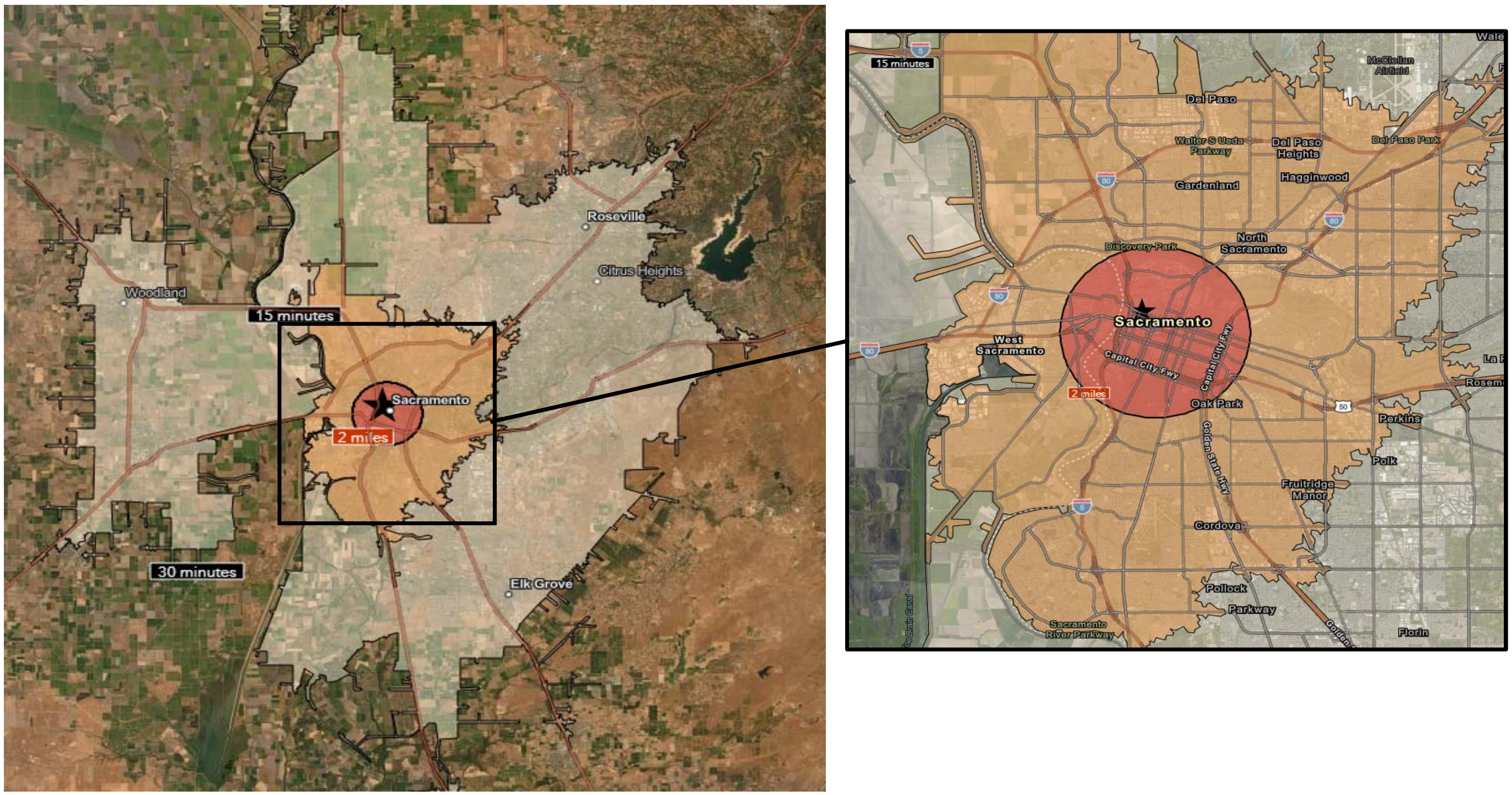
	DOWNTOWN AREA	SACRAMENTO MSA	WEIGHT
RBA (2020)			
Total	27,307,181	100,648,677	
Capture (%)	27.1%	100%	25.0%
OCCUPIED SPACE (2020)			
Total	25,484,360	91,204,106	
Capture (%)	27.9%	100%	25.0%
AVG. NET ABSORPTION (2011 - 2020)			
Total	94,736	942,539	
Capture (%)	10.1%	100%	25.0%
AVG. SUPPLY ADDITIONS (2011 - 2020)			
Total	44,698	315,027	
Capture (%)	14.2%	100%	25.0%
WEIGHTED AVERAGE CAPTURE	19.8%	100.0%	100%

Source: CoStar Group; RCLCO

VIII. RETAIL DEMAND

Exhibit VIII-1

Map of Primary Market Area
Downtown Area
June 2021



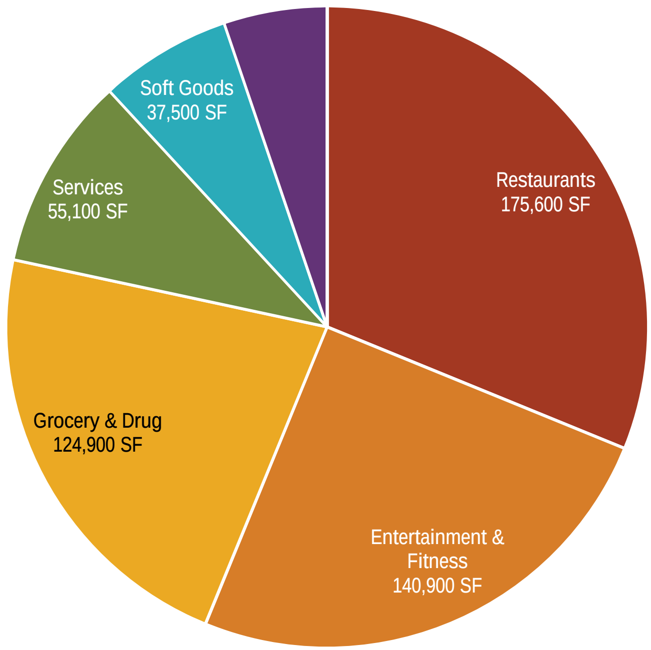
Source: Esri

Exhibit VIII-2A

Summary of Demand
Subject Site
2020-2050

STORE TYPE	2020	2025	2030	2040	2050
Grocery & Drug	52,800	64,800	82,200	124,900	171,700
Restaurants	125,500	135,800	147,000	175,600	206,200
Hard Goods	22,700	23,600	25,200	29,300	32,200
Soft Goods	37,900	37,100	37,200	37,500	35,500
Entertainment & Fitness	107,800	115,600	123,100	140,900	160,100
Services	30,300	34,500	40,300	55,100	71,500
TOTAL	377,000 SF	411,400 SF	455,000 SF	563,300 SF	677,200 SF
Supportable Development w/ 95% Stabilized Occupancy	*397,000 SF*	*433,000 SF*	*479,000 SF*	*593,000 SF*	*713,000 SF*

Retail Demand - 2040
Subject Site



Source: Esri; Consumer Expenditure Survey; ICSC; RCLCO

Exhibit VIII-2B

Retail Demand
Subject Site
2020-2050

HOUSEHOLDS - DOWNTOWN AREA

	SPENDING PER HOUSEHOLD[1]					% OF SPENDING NOT ONLINE[2]					ANNUAL RETAIL EXPENDITURES				
STORE TYPE	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050
Grocery & Drug	$7,812	$7,798	$7,785	$7,758	$7,731	97.7%	96.8%	96.0%	94.3%	92.6%	$247,357,285	$266,169,421	$286,390,419	$331,480,046	$383,545,190
Restaurants	$3,753	$3,747	$3,740	$3,727	$3,714	96.1%	94.6%	92.7%	88.8%	84.9%	$116,862,226	$124,971,137	$132,849,821	$149,925,712	$168,868,741
Hard Goods	$3,605	$3,599	$3,593	$3,580	$3,568	79.3%	73.0%	66.8%	54.2%	41.6%	$92,701,991	$92,650,555	$91,913,440	$87,899,990	$79,537,309
Soft Goods	$2,151	$2,148	$2,144	$2,136	$2,129	73.2%	64.7%	56.3%	39.3%	22.3%	$51,054,858	$48,999,392	$46,219,855	$38,040,328	$25,477,811
Entertainment & Fitness	$452	$451	$450	$449	$447	100.0%	100.0%	100.0%	100.0%	100.0%	$14,649,354	$15,901,147	$17,259,906	$20,335,664	$23,959,531
Services	$727	$725	$724	$722	$719	100.0%	100.0%	100.0%	100.0%	100.0%	$23,550,568	$25,562,973	$27,747,338	$32,691,984	$38,517,778
Auto & Gas	$5,633	$5,623	$5,614	$5,594	$5,575	98.0%	97.8%	97.5%	97.0%	96.5%	$178,985,417	$193,767,585	$209,769,128	$245,840,422	$288,106,250
TOTAL DEMAND POTENTIAL	$24,133	$24,091	$24,049	$23,966	$23,882						$725,161,699	$768,022,210	$812,149,907	$906,214,146	$1,008,012,610

	CAPTURE OF SPENDING[3]	ANNUAL RETAIL CAPTURE AT SUBJECT SITE					SALES / SF THRESHOLD[4]	TOTAL RETAIL SPACE DEMANDED				
STORE TYPE		2020	2025	2030	2040	2050		2020	2025	2030	2040	2050
Grocery & Drug	10.0%	$24,735,729	$26,616,942	$28,639,042	$33,148,005	$38,354,519	$600 / SF	41,200	44,400	47,700	55,200	63,900
Restaurants	12.5%	$14,607,778	$15,621,392	$16,606,228	$18,740,714	$21,108,593	$450 / SF	32,500	34,700	36,900	41,600	46,900
Hard Goods	5.0%	$4,635,100	$4,632,528	$4,595,672	$4,394,999	$3,976,865	$350 / SF	13,200	13,200	13,100	12,600	11,400
Soft Goods	10.0%	$5,105,486	$4,899,939	$4,621,986	$3,804,033	$2,547,781	$400 / SF	12,800	12,200	11,600	9,500	6,400
Entertainment & Fitness	12.5%	$1,831,169	$1,987,643	$2,157,488	$2,541,958	$2,994,941	$200 / SF	9,200	9,900	10,800	12,700	15,000
Services	10.0%	$2,355,057	$2,556,297	$2,774,734	$3,269,198	$3,851,778	$400 / SF	5,900	6,400	6,900	8,200	9,600
Auto & Gas	0.0%	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL		$53,270,318	$56,314,742	$59,395,149	$65,898,907	$72,834,477		114,800	120,800	127,000	139,800	153,200

EMPLOYEES - DOWNTOWN AREA

	SPENDING PER EMPLOYEE[5]					% OF SPENDING NOT ONLINE[2]					ANNUAL RETAIL EXPENDITURES				
STORE TYPE	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050
Grocery & Drug	$1,983	$1,983	$1,983	$1,983	$1,983	100.0%	100.0%	100.0%	100.0%	100.0%	$134,221,711	$125,046,541	$125,407,079	$132,923,600	$141,198,076
Restaurants	$1,368	$1,368	$1,368	$1,368	$1,368	100.0%	100.0%	100.0%	100.0%	100.0%	$92,578,836	$86,250,303	$86,498,982	$91,683,469	$97,390,752
Hard Goods	$864	$864	$864	$864	$864	100.0%	100.0%	100.0%	100.0%	100.0%	$58,468,991	$54,472,149	$54,629,205	$57,903,514	$61,508,000
Soft Goods	$1,334	$1,334	$1,334	$1,334	$1,334	100.0%	100.0%	100.0%	100.0%	100.0%	$90,290,766	$84,118,641	$84,361,175	$89,417,528	$94,983,757
Entertainment & Fitness	$179	$179	$179	$179	$179	100.0%	100.0%	100.0%	100.0%	100.0%	$12,144,372	$11,314,203	$11,346,825	$12,026,919	$12,775,593
Services	$284	$284	$284	$284	$284	100.0%	100.0%	100.0%	100.0%	100.0%	$19,219,789	$17,905,956	$17,957,583	$19,033,907	$20,218,765
Auto & Gas	$1,891	$1,891	$1,891	$1,891	$1,891	100.0%	100.0%	100.0%	100.0%	100.0%	$128,026,322	$119,274,658	$119,618,554	$126,788,128	$134,680,672
TOTAL DEMAND POTENTIAL	$7,902	$7,902	$7,902	$7,902	$7,902						$534,950,787	$498,382,452	$499,819,403	$529,777,065	$562,755,614

	CAPTURE OF SPENDING[3]	ANNUAL RETAIL CAPTURE AT SUBJECT SITE					SALES / SF THRESHOLD[4]	TOTAL RETAIL SPACE DEMANDED				
STORE TYPE		2020	2025	2030	2040	2050		2020	2025	2030	2040	2050
Grocery & Drug	5.0%	$6,711,086	$6,252,327	$6,270,354	$6,646,180	$7,059,904	$600 / SF	11,200	10,400	10,500	11,100	11,800
Restaurants	12.5%	$11,572,354	$10,781,288	$10,812,373	$11,460,434	$12,173,844	$450 / SF	25,700	24,000	24,000	25,500	27,100
Hard Goods	1.0%	$584,690	$544,721	$546,292	$579,035	$615,080	$350 / SF	1,700	1,600	1,600	1,700	1,800
Soft Goods	2.0%	$1,805,815	$1,682,373	$1,687,223	$1,788,351	$1,899,675	$400 / SF	4,500	4,200	4,200	4,500	4,700
Entertainment & Fitness	6.3%	$759,023	$707,138	$709,177	$751,682	$798,475	$200 / SF	3,800	3,500	3,500	3,800	4,000
Services	5.0%	$960,989	$895,298	$897,879	$951,695	$1,010,938	$200 / SF	4,800	4,500	4,500	4,800	5,100
Auto & Gas	0.0%	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL		$22,393,958	$20,863,145	$20,923,298	$22,177,377	$23,557,916		51,700	48,200	48,300	51,400	54,500

HOUSEHOLDS - 15-MINUTE DRIVE FROM SUBJECT SITE

	SPENDING PER HOUSEHOLD[1]					% OF SPENDING NOT ONLINE[2]					ANNUAL RETAIL EXPENDITURES				
STORE TYPE	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050
Grocery & Drug	$7,686	$7,649	$7,612	$7,536	$7,458	97.7%	96.8%	96.0%	94.3%	92.6%	$1,391,177,943	$1,419,501,116	$1,447,641,319	$1,503,054,004	$1,556,703,173
Restaurants	$3,619	$3,602	$3,584	$3,548	$3,512	96.1%	94.6%	92.7%	88.8%	84.9%	$644,097,536	$653,140,788	$658,086,472	$666,212,567	$671,673,232
Hard Goods	$3,717	$3,699	$3,681	$3,644	$3,607	79.3%	73.0%	66.8%	54.2%	41.6%	$546,363,128	$517,797,500	$486,873,182	$417,676,811	$338,294,169
Soft Goods	$2,080	$2,070	$2,060	$2,039	$2,018	73.2%	64.7%	56.3%	39.3%	22.3%	$282,176,122	$256,799,090	$229,591,748	$169,506,615	$101,619,393
Entertainment & Fitness	$441	$438	$436	$432	$428	100.0%	100.0%	100.0%	100.0%	100.0%	$81,634,630	$84,024,126	$86,444,802	$91,363,670	$96,353,070
Services	$711	$707	$704	$697	$690	100.0%	100.0%	100.0%	100.0%	100.0%	$131,680,219	$135,534,580	$139,439,236	$147,373,585	$155,421,705
Auto & Gas	$5,747	$5,719	$5,691	$5,634	$5,576	98.0%	97.8%	97.5%	97.0%	96.5%	$1,043,727,659	$1,071,445,965	$1,099,399,727	$1,155,798,308	$1,212,421,189
TOTAL DEMAND POTENTIAL	$24,001	$23,885	$23,768	$23,531	$23,289						$4,120,857,237	$4,138,243,164	$4,147,476,484	$4,150,985,560	$4,132,485,931

	CAPTURE OF SPENDING[3]	ANNUAL RETAIL CAPTURE AT SUBJECT SITE					SALES / SF THRESHOLD[4]	TOTAL RETAIL SPACE DEMANDED				
STORE TYPE		2020	2025	2030	2040	2050		2020	2025	2030	2040	2050
Grocery & Drug	0.0%	$0	$0	$0	$0	$0	$600 / SF	0	0	0	0	0
Restaurants	3.0%	$19,322,926	$19,594,224	$19,742,594	$19,986,377	$20,150,197	$450 / SF	42,900	43,500	43,900	44,400	44,800
Hard Goods	0.5%	$2,731,816	$2,588,987	$2,434,366	$2,088,384	$1,691,471	$350 / SF	7,800	7,400	7,000	6,000	4,800
Soft Goods	1.5%	$4,232,642	$3,851,986	$3,443,876	$2,542,599	$1,524,291	$400 / SF	10,600	9,600	8,600	6,400	3,800
Entertainment & Fitness	10.0%	$8,163,463	$8,402,413	$8,644,480	$9,136,367	$9,635,307	$200 / SF	40,800	42,000	43,200	45,700	48,200
Services	1.5%	$1,975,203	$2,033,019	$2,091,589	$2,210,604	$2,331,326	$200 / SF	9,900	10,200	10,500	11,100	11,700
Auto & Gas	0.0%	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL		$36,426,050	$36,470,629	$36,356,905	$35,964,331	$35,332,591		112,000	112,700	113,200	113,600	113,300

HOUSEHOLDS - 30-MINUTE DRIVE FROM SUBJECT SITE

	SPENDING PER HOUSEHOLD[1]					% OF SPENDING NOT ONLINE[2]					ANNUAL RETAIL EXPENDITURES				
STORE TYPE	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050
Grocery & Drug	$8,904	$8,932	$8,960	$9,017	$9,075	97.7%	96.8%	96.0%	94.3%	92.6%	$3,698,472,443	$3,807,619,555	$3,919,688,080	$4,152,842,507	$4,398,447,004
Restaurants	$4,207	$4,220	$4,233	$4,260	$4,287	96.1%	94.6%	92.7%	88.8%	84.9%	$1,718,157,523	$1,757,908,444	$1,787,907,876	$1,846,950,830	$1,904,246,782
Hard Goods	$4,494	$4,508	$4,522	$4,551	$4,580	79.3%	73.0%	66.8%	54.2%	41.6%	$1,515,866,139	$1,449,497,680	$1,375,771,019	$1,204,345,255	$997,534,282
Soft Goods	$2,407	$2,415	$2,422	$2,438	$2,453	73.2%	64.7%	56.3%	39.3%	22.3%	$749,348,490	$688,074,026	$620,970,093	$467,822,818	$286,809,824
Entertainment & Fitness	$533	$535	$536	$540	$543	100.0%	100.0%	100.0%	100.0%	100.0%	$226,661,691	$235,388,806	$244,451,897	$263,638,240	$284,330,273
Services	$860	$863	$866	$871	$877	100.0%	100.0%	100.0%	100.0%	100.0%	$365,739,127	$379,821,115	$394,445,233	$425,404,132	$458,792,597
Auto & Gas	$6,722	$6,743	$6,764	$6,807	$6,851	98.0%	97.8%	97.5%	97.0%	96.5%	$2,801,717,360	$2,901,920,487	$3,005,685,855	$3,224,410,714	$3,458,951,682
TOTAL DEMAND POTENTIAL	$28,126	$28,214	$28,303	$28,483	$28,666						$11,075,962,773	$11,220,230,114	$11,348,920,053	$11,585,414,495	$11,789,112,445

	CAPTURE OF SPENDING[3]	ANNUAL RETAIL CAPTURE AT SUBJECT SITE					SALES / SF THRESHOLD[4]	TOTAL RETAIL SPACE DEMANDED				
STORE TYPE		2020	2025	2030	2040	2050		2020	2025	2030	2040	2050
Grocery & Drug	0.0%	$0	$0	$0	$0	$0	$600 / SF	0	0	0	0	0
Restaurants	0.5%	$8,590,788	$8,789,542	$8,939,539	$9,234,754	$9,521,234	$450 / SF	19,100	19,500	19,900	20,500	21,200
Hard Goods	0.0%	$0	$0	$0	$0	$0	$350 / SF	0	0	0	0	0
Soft Goods	0.5%	$3,746,742	$3,440,370	$3,104,850	$2,339,114	$1,434,049	$400 / SF	9,400	8,600	7,800	5,800	3,600
Entertainment & Fitness	4.5%	$10,199,776	$10,592,496	$11,000,335	$11,863,721	$12,794,862	$200 / SF	51,000	53,000	55,000	59,300	64,000
Services	0.5%	$1,828,696	$1,899,106	$1,972,226	$2,127,021	$2,293,963	$200 / SF	9,100	9,500	9,900	10,600	11,500
Auto & Gas	0.0%	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL		$24,366,002	$24,721,514	$25,016,951	$25,564,610	$26,044,108		88,600	90,600	92,600	96,200	100,300

HOUSEHOLDS - SUBJECT SITE

	SPENDING PER HOUSEHOLD[1]					% OF SPENDING NOT ONLINE[2]					ANNUAL RETAIL EXPENDITURES				
STORE TYPE	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050	2020	2025	2030	2040	2050
Grocery & Drug	$0	$8,344	$8,868	$9,270	$9,307	97.7%	96.8%	96.0%	94.3%	92.6%	$0	$9,926,514	$23,385,260	$52,946,140	$84,258,251
Restaurants	$0	$4,009	$4,261	$4,454	$4,472	96.1%	94.6%	92.7%	88.8%	84.9%	$0	$4,660,670	$10,847,876	$23,947,106	$37,097,544
Hard Goods	$0	$3,851	$4,092	$4,278	$4,295	79.3%	73.0%	66.8%	54.2%	41.6%	$0	$3,455,307	$7,505,208	$14,039,956	$17,472,972
Soft Goods	$0	$2,298	$2,442	$2,553	$2,563	73.2%	64.7%	56.3%	39.3%	22.3%	$0	$1,827,382	$3,774,090	$6,076,047	$5,597,035
Entertainment & Fitness	$0	$483	$513	$536	$538	100.0%	100.0%	100.0%	100.0%	100.0%	$0	$593,017	$1,409,361	$3,248,144	$5,263,495
Services	$0	$776	$825	$862	$866	100.0%	100.0%	100.0%	100.0%	100.0%	$0	$953,345	$2,265,714	$5,221,775	$8,461,690
Auto & Gas	$0	$6,017	$6,394	$6,685	$6,711	98.0%	97.8%	97.5%	97.0%	96.5%	$0	$7,226,362	$17,128,735	$39,267,224	$63,291,965
TOTAL DEMAND POTENTIAL	$0	$25,776	$27,395	$28,638	$28,751						$0	$28,642,596	$66,316,244	$144,746,392	$221,442,952

	CAPTURE OF SPENDING[3]	ANNUAL RETAIL CAPTURE AT SUBJECT SITE					SALES / SF THRESHOLD[4]	TOTAL RETAIL SPACE DEMANDED				
STORE TYPE		2020	2025	2030	2040	2050		2020	2025	2030	2040	2050
Grocery & Drug	50.0%	$0	$4,963,257	$11,692,630	$26,473,070	$42,129,125	$600 / SF	0	8,300	19,500	44,100	70,200
Restaurants	33.3%	$0	$1,553,557	$3,615,959	$7,982,369	$12,365,848	$450 / SF	0	3,500	8,000	17,700	27,500
Hard Goods	10.0%	$0	$345,531	$750,521	$1,403,996	$1,747,297	$350 / SF	0	1,000	2,100	4,000	5,000
Soft Goods	20.0%	$0	$365,476	$754,818	$1,215,209	$1,119,407	$400 / SF	0	900	1,900	3,000	2,800
Entertainment & Fitness	50.0%	$0	$296,508	$704,680	$1,624,072	$2,631,747	$200 / SF	0	1,500	3,500	8,100	13,200
Services	50.0%	$0	$476,672	$1,132,857	$2,610,888	$4,230,845	$200 / SF	0	2,400	5,700	13,100	21,200
Auto & Gas	0.0%	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL		$0	$8,001,001	$18,651,465	$41,309,603	$64,224,270		0	17,600	40,700	90,000	139,900

Exhibit VIII-2B

Retail Demand
Subject Site
2020-2050

EMPLOYEES - SUBJECT SITE

STORE TYPE	Spending per Employee[5] 2020	2025	2030	2040	2050	% of Spending Not Online[2] 2020	2025	2030	2040	2050
Grocery & Drug	$1,983	$1,983	$1,983	$1,983	$1,983	100.0%	100.0%	100.0%	100.0%	100.0%
Restaurants	$1,368	$1,368	$1,368	$1,368	$1,368	100.0%	100.0%	100.0%	100.0%	100.0%
Hard Goods	$864	$864	$864	$864	$864	100.0%	100.0%	100.0%	100.0%	100.0%
Soft Goods	$1,334	$1,334	$1,334	$1,334	$1,334	100.0%	100.0%	100.0%	100.0%	100.0%
Entertainment & Fitness	$179	$179	$179	$179	$179	100.0%	100.0%	100.0%	100.0%	100.0%
Services	$284	$284	$284	$284	$284	100.0%	100.0%	100.0%	100.0%	100.0%
Auto & Gas	$1,891	$1,891	$1,891	$1,891	$1,891	100.0%	100.0%	100.0%	100.0%	100.0%
TOTAL DEMAND POTENTIAL	$7,902	$7,902	$7,902	$7,902	$7,902					

STORE TYPE	Annual Retail Expenditures 2020	2025	2030	2040	2050	Capture of Spending[3]
Grocery & Drug	$0	$1,219,127	$4,486,776	$16,196,882	$29,564,926	50.0%
Restaurants	$0	$840,887	$3,094,734	$11,171,728	$20,392,278	50.0%
Hard Goods	$0	$531,070	$1,954,507	$7,055,605	$12,878,925	25.0%
Soft Goods	$0	$820,105	$3,018,248	$10,895,621	$19,888,286	25.0%
Entertainment & Fitness	$0	$110,307	$405,963	$1,465,493	$2,675,033	50.0%
Services	$0	$174,572	$642,481	$2,319,302	$4,233,530	50.0%
Auto & Gas	$0	$1,162,855	$4,279,676	$15,449,268	$28,200,271	0.0%
TOTAL DEMAND POTENTIAL	$0	$4,858,922	$17,882,384	$64,553,899	$117,833,248	

STORE TYPE	Annual Retail Capture at Subject Site 2020	2025	2030	2040	2050	Sales / SF Threshold[4]	Total Retail Space Demanded 2020	2025	2030	2040	2050
Grocery & Drug	$0	$609,563	$2,243,388	$8,098,441	$14,782,463	$600 / SF	0	1,000	3,700	13,500	24,600
Restaurants	$0	$420,444	$1,547,367	$5,585,864	$10,196,139	$450 / SF	0	900	3,400	12,400	22,700
Hard Goods	$0	$132,767	$488,627	$1,763,901	$3,219,731	$350 / SF	0	400	1,400	5,000	9,200
Soft Goods	$0	$205,026	$754,562	$2,723,905	$4,972,071	$400 / SF	0	500	1,900	6,800	12,400
Entertainment & Fitness	$0	$55,153	$202,982	$732,746	$1,337,516	$200 / SF	0	300	1,000	3,700	6,700
Services	$0	$87,286	$321,240	$1,159,651	$2,116,765	$200 / SF	0	400	1,600	5,800	10,600
Auto & Gas	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL	$0	$1,510,240	$5,558,166	$20,064,509	$36,624,686		0	3,500	13,000	47,200	86,200

HOTEL GUESTS

STORE TYPE	Spending per Visitor per Day 2020	2025	2030	2040	2050	% of Spending Not Online[2] 2020	2025	2030	2040	2050
Grocery & Drug	$2.0	$2.0	$2.0	$2.0	$2.0	100.0%	100.0%	100.0%	100.0%	100.0%
Restaurants	$20.0	$20.0	$20.0	$20.0	$20.0	100.0%	100.0%	100.0%	100.0%	100.0%
Hard Goods	$0.0	$0.0	$0.0	$0.0	$0.0	100.0%	100.0%	100.0%	100.0%	100.0%
Soft Goods	$2.0	$2.0	$2.0	$2.0	$2.0	100.0%	100.0%	100.0%	100.0%	100.0%
Entertainment & Fitness	$5.0	$5.0	$5.0	$5.0	$5.0	100.0%	100.0%	100.0%	100.0%	100.0%
Services	$1.0	$1.0	$1.0	$1.0	$1.0	100.0%	100.0%	100.0%	100.0%	100.0%
Auto & Gas	$5.0	$5.0	$5.0	$5.0	$5.0	100.0%	100.0%	100.0%	100.0%	100.0%
TOTAL DEMAND POTENTIAL	$35	$35	$35	$35	$35					

STORE TYPE	Annual Retail Expenditures 2020	2025	2030	2040	2050	Capture of Spending[3]
Grocery & Drug	$2,379,647	$4,349,295	$4,919,447	$6,059,752	$7,200,057	10.0%
Restaurants	$23,796,474	$43,492,952	$49,194,475	$60,597,521	$72,000,567	10.0%
Hard Goods	$0	$0	$0	$0	$0	10.0%
Soft Goods	$2,379,647	$4,349,295	$4,919,447	$6,059,752	$7,200,057	10.0%
Entertainment & Fitness	$5,949,119	$10,873,238	$12,298,619	$15,149,380	$18,000,142	10.0%
Services	$1,189,824	$2,174,648	$2,459,724	$3,029,876	$3,600,028	10.0%
Auto & Gas	$5,949,119	$10,873,238	$12,298,619	$15,149,380	$18,000,142	0.0%
TOTAL DEMAND POTENTIAL	$41,643,830	$76,112,665	$86,090,331	$106,045,662	$126,000,993	

STORE TYPE	Annual Retail Capture at Subject Site 2020	2025	2030	2040	2050	Sales / SF Threshold[4]	Total Retail Space Demanded 2020	2025	2030	2040	2050
Grocery & Drug	$237,965	$434,930	$491,945	$605,975	$720,006	$600 / SF	400	700	800	1,000	1,200
Restaurants	$2,379,647	$4,349,295	$4,919,447	$6,059,752	$7,200,057	$450 / SF	5,300	9,700	10,900	13,500	16,000
Hard Goods	$0	$0	$0	$0	$0	$350 / SF	0	0	0	0	0
Soft Goods	$237,965	$434,930	$491,945	$605,975	$720,006	$400 / SF	600	1,100	1,200	1,500	1,800
Entertainment & Fitness	$594,912	$1,087,324	$1,229,862	$1,514,938	$1,800,014	$200 / SF	3,000	5,400	6,100	7,600	9,000
Services	$118,982	$217,465	$245,972	$302,988	$360,003	$200 / SF	600	1,100	1,200	1,500	1,800
Auto & Gas	$0	$0	$0	$0	$0	$400 / SF	0	0	0	0	0
TOTAL DEMAND POTENTIAL	$3,569,471	$6,523,943	$7,379,171	$9,089,628	$10,800,085		9,900	18,000	20,200	25,100	29,800

SUBJECT SITE TOTAL DEMAND

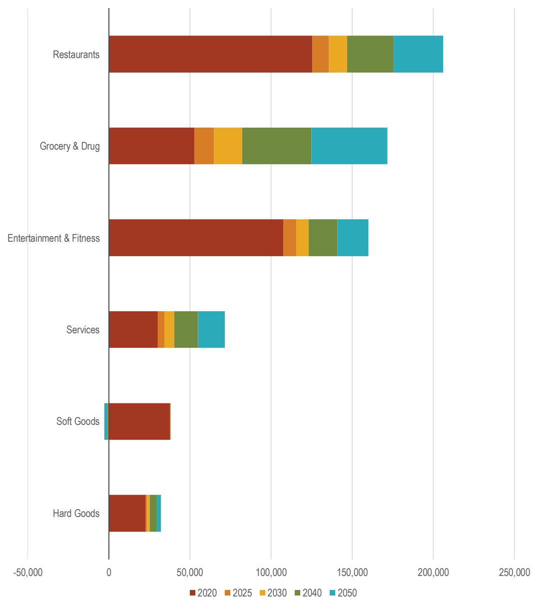
STORE TYPE	2020	2025	2030	2040	2050
Grocery & Drug	52,800	64,800	82,200	124,900	171,700
Restaurants	125,500	135,800	147,000	175,600	206,200
Hard Goods	22,700	23,600	25,200	29,300	32,200
Soft Goods	37,900	37,100	37,200	37,500	35,500
Entertainment & Fitness	107,800	115,600	123,100	140,900	160,100
Services	30,300	34,500	40,300	55,100	71,500
Auto & Gas	0	0	0	0	0
	377,000	411,400	455,000	563,300	677,200

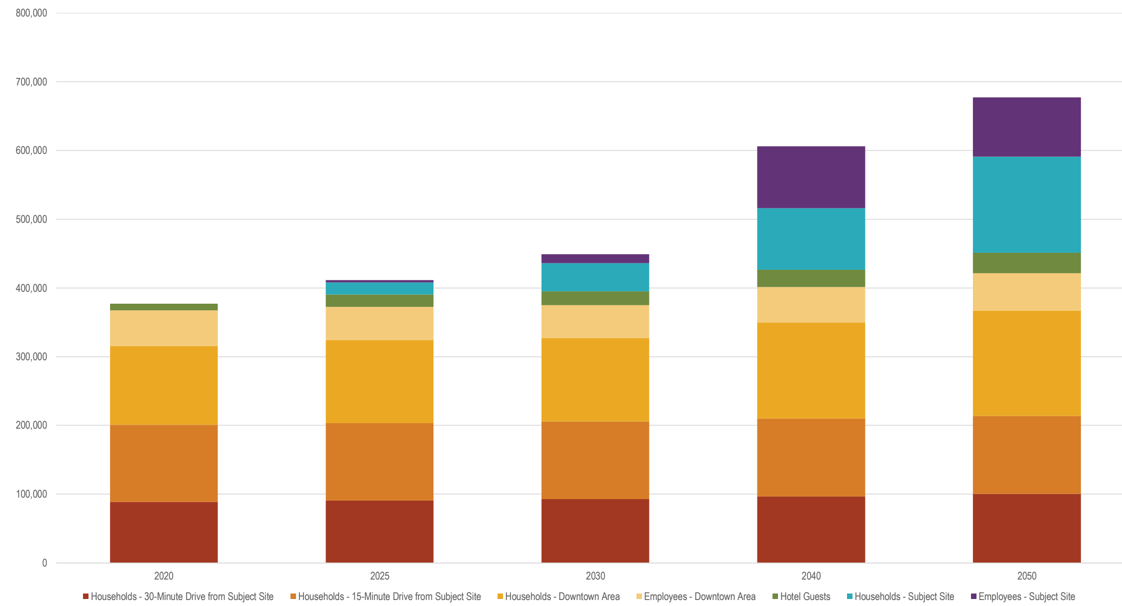
[1] *Based on 2018-2019 Consumer Expenditure data, adjusting for the likely income levels within the area and at the subject site*
[2] *Based on 2018-2019 Consumer Expenditure data*
[3] *RCLCO assumption; site capture is based on competing locations in the market and likelihood of households to make store type expenditures at the property.*
[4] *RCLCO*
[5] *Based on 2012 ICSC office worker spending data*

Source: Esri; Consumer Expenditure Survey; ICSC; RCLCO

Exhibit VIII-2C

Retail Demand by Type and Year
Subject Site
2020-2050





2020

TYPE OF RETAIL	Households - Downtown Area	Employees - Downtown Area	Households - 15-Minute Drive from Subject Site	Households - 30-Minute Drive from Subject Site	Households - Subject Site	Employees - Subject Site	Hotel Guests	TOTAL
Grocery & Drug	41,200	11,200	0	0	0	0	400	52,800
Restaurants	32,500	25,700	42,900	19,100	0	0	5,300	125,500
Hard Goods	13,200	1,700	7,800	0	0	0	0	22,700
Soft Goods	12,800	4,500	10,600	9,400	0	0	600	37,900
Entertainment & Fitness	9,200	3,800	40,800	51,000	0	0	3,000	107,800
Services	5,900	4,800	9,900	9,100	0	0	600	30,300
Auto & Gas	0	0	0	0	0	0	0	0
TOTAL	114,800	51,700	112,000	88,600	0	0	9,900	377,000

2025

TYPE OF RETAIL	Households - Downtown Area	Employees - Downtown Area	Households - 15-Minute Drive from Subject Site	Households - 30-Minute Drive from Subject Site	Households - Subject Site	Employees - Subject Site	Hotel Guests	TOTAL
Grocery & Drug	44,400	10,400	0	0	8,300	1,000	700	64,800
Restaurants	34,700	24,000	43,500	19,500	3,500	900	9,700	135,800
Hard Goods	13,200	1,600	7,400	0	1,000	400	0	23,600
Soft Goods	12,200	4,200	9,600	8,600	900	500	1,100	37,100
Entertainment & Fitness	9,900	3,500	42,000	53,000	1,500	300	5,400	115,600
Services	6,400	4,500	10,200	9,500	2,400	400	1,100	34,500
Auto & Gas	0	0	0	0	0	0	0	0
TOTAL	120,800	48,200	112,700	90,600	17,600	3,500	18,000	411,400

2030

TYPE OF RETAIL	Households - Downtown Area	Employees - Downtown Area	Households - 15-Minute Drive from Subject Site	Households - 30-Minute Drive from Subject Site	Households - Subject Site	Employees - Subject Site	Hotel Guests	TOTAL
Grocery & Drug	47,700	10,500	0	0	19,500	3,700	800	82,200
Restaurants	36,900	24,000	43,900	19,900	8,000	3,400	10,900	147,000
Hard Goods	13,100	1,600	7,000	0	2,100	1,400	0	25,200
Soft Goods	11,600	4,200	8,600	7,800	1,900	1,900	1,200	37,200
Entertainment & Fitness	10,800	3,500	43,200	55,000	3,500	1,000	6,100	123,100
Services	6,900	4,500	10,500	9,900	5,700	1,600	1,200	40,300
Auto & Gas	0	0	0	0	0	0	0	0
TOTAL	127,000	48,300	113,200	92,600	40,700	13,000	20,200	455,000

2040

TYPE OF RETAIL	Households - Downtown Area	Employees - Downtown Area	Households - 15-Minute Drive from Subject Site	Households - 30-Minute Drive from Subject Site	Households - Subject Site	Employees - Subject Site	Hotel Guests	TOTAL
Grocery & Drug	55,200	11,100	0	0	44,100	13,500	1,000	124,900
Restaurants	41,600	25,500	44,400	20,500	17,700	12,400	13,500	175,600
Hard Goods	12,600	1,700	6,000	0	4,000	5,000	0	29,300
Soft Goods	9,500	4,500	6,400	5,800	3,000	6,800	1,500	37,500
Entertainment & Fitness	12,700	3,800	45,700	59,300	8,100	3,700	7,600	140,900
Services	8,200	4,800	11,100	10,600	13,100	5,800	1,500	55,100
Auto & Gas	0	0	0	0	0	0	0	0
TOTAL	139,800	51,400	113,600	96,200	90,000	90,000	25,100	563,300

2050

TYPE OF RETAIL	Households - Downtown Area	Employees - Downtown Area	Households - 15-Minute Drive from Subject Site	Households - 30-Minute Drive from Subject Site	Households - Subject Site	Employees - Subject Site	Hotel Guests	TOTAL
Grocery & Drug	63,900	11,800	0	0	70,200	24,600	1,200	171,700
Restaurants	46,900	27,100	44,800	21,200	27,500	22,700	16,000	206,200
Hard Goods	11,400	1,800	4,800	0	5,000	9,200	0	32,200
Soft Goods	6,400	4,700	3,800	3,600	2,800	12,400	1,800	35,500
Entertainment & Fitness	15,000	4,000	48,200	64,000	13,200	6,700	9,000	160,100
Services	9,600	5,100	11,700	11,500	21,200	10,600	1,800	71,500
Auto & Gas	0	0	0	0	0	0	0	0
TOTAL	153,200	54,500	113,300	100,300	139,900	86,200	29,800	677,200

Source: Esri; Consumer Expenditure Survey; ICSC; RCLCO

IX. HOTEL DEMAND

Exhibit IX-1

Hotel Demand Analysis
Downtown Sacramento Subset
2021-2050

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SUPPLY															
Beginning Room Nights	815,180	983,310	1,030,030	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410
Change in Room Nights	168,130	46,720	77,380	0	0	0	0	0	0	0	0	0	0	0	0
Ending Room Nights	983,310	1,030,030	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410
DEMAND															
Demonstrated Demand Growth Rate	*49.2%*	*33.0%*	*24.8%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*
Beginning Demand Nights	293,375	437,588	581,801	726,014	750,086	774,956	800,650	827,197	854,623	882,959	912,235	942,481	973,730	1,006,015	1,039,371
Demonstrated Demand Growth	144,213	144,213	144,213	24,072	24,870	25,695	26,546	27,427	28,336	29,276	30,246	31,249	32,285	33,356	34,462
Ending Demand Nights	437,588	581,801	726,014	750,086	774,956	800,650	827,197	854,623	882,959	912,235	942,481	973,730	1,006,015	1,039,371	1,073,832
Historical & Projected Occupancies	44.5%	56.5%	65.6%	67.7%	70.0%	72.3%	74.7%	77.2%	79.7%	82.4%	85.1%	87.9%	90.8%	93.9%	97.0%
Target Occupancy	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*
UNMET DEMAND															
Demand at Target Occupancy (Nights)	737,483	772,523	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558
Unmet Demand (Nights)	0	0	0	0	0	0	0	24,066	52,402	81,677	111,924	143,173	175,458	208,813	243,275
Unmet Demand (Available Room Nights)	0	0	0	0	0	0	0	32,088	69,869	108,903	149,231	190,897	233,944	278,418	324,366
Unmet Demand (Rooms)[1]	0	0	0	0	0	0	0	88	191	298	409	523	641	763	889
SUBJECT SITE CAPTURE OF DEMAND															
Fair Share Capture of Market Demand[2]	0.0%	0.0%	0.0%	0.0%	4.5%	4.5%	4.5%	6.6%	8.7%	10.8%	12.9%	15.0%	15.0%	15.0%	15.0%
Subject Site Capture of Demand (Nights)	0	0	0	0	35,199	36,366	37,572	56,693	77,040	98,675	121,659	146,060	150,902	155,906	161,075
Subject Site Capture of Demand (Rooms)	0	0	0	0	96	100	103	155	211	270	333	400	413	427	441
Supported Room Supply (Based on Market Demand, at Target Occupancy)[3]	0	0	0	0	129	133	137	207	281	360	444	534	551	570	588
Induced Demand Growth Rate (Beyond 3.3% Market Average)							+0.2%	+0.4%	+0.6%	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%
Subject Site Induced Demand (Nights)							1,693	5,192	10,614	18,084	25,801	33,773	42,011	50,521	59,313
Subject Site Induced Demand (Rooms)							5	14	29	50	71	93	115	138	163
Supported Room Supply (Based on Induced Demand, at Target Occupancy)[4]	0	0	0	0	0	0	6	19	39	66	94	123	153	185	217
Total Demand at Subject Site	0	0	0	0	129	133	143	226	320	427	539	657	705	754	805

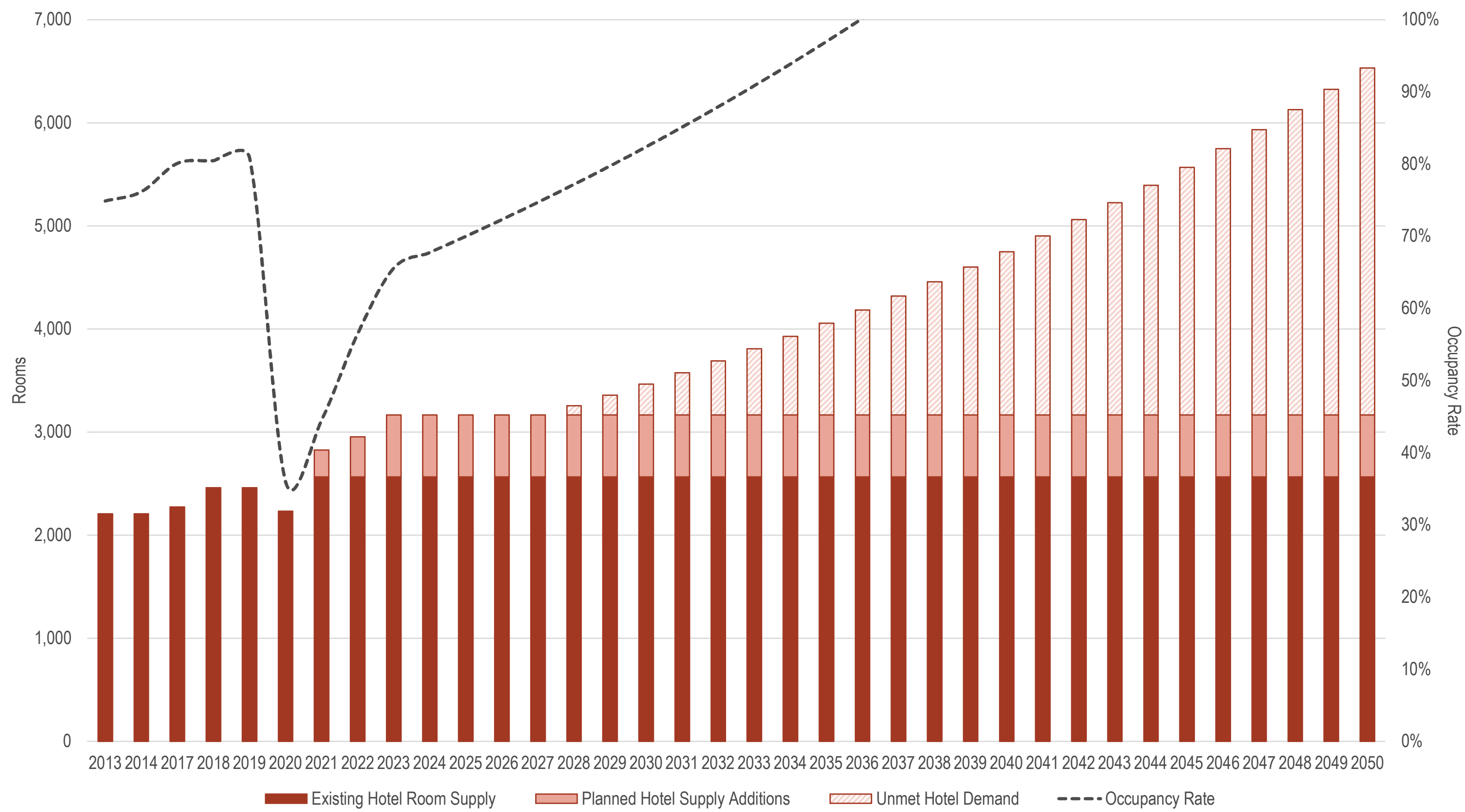
	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
SUPPLY															
Beginning Room Nights	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410
Change in Room Nights	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Room Nights	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410	1,107,410
DEMAND															
Demonstrated Demand Growth Rate	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*
Beginning Demand Nights	1,073,832	1,109,436	1,146,221	1,184,225	1,223,490	1,264,056	1,305,967	1,349,268	1,394,004	1,440,224	1,487,976	1,537,312	1,588,283	1,640,945	1,695,352
Demonstrated Demand Growth	35,604	36,785	38,004	39,264	40,566	41,911	43,301	44,736	46,220	47,752	49,336	50,971	52,661	54,407	56,211
Ending Demand Nights	1,109,436	1,146,221	1,184,225	1,223,490	1,264,056	1,305,967	1,349,268	1,394,004	1,440,224	1,487,976	1,537,312	1,588,283	1,640,945	1,695,352	1,751,563
Historical & Projected Occupancies	100.2%	103.5%	106.9%	110.5%	114.1%	117.9%	121.8%	125.9%	130.1%	134.4%	138.8%	143.4%	148.2%	153.1%	158.2%
Target Occupancy	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*
UNMET DEMAND															
Demand at Target Occupancy (Nights)	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558	830,558
Unmet Demand (Nights)	278,879	315,664	353,668	392,932	433,498	475,410	518,710	563,447	609,667	657,419	706,754	757,726	810,387	864,794	921,006
Unmet Demand (Available Room Nights)	371,839	420,885	471,557	523,910	577,998	633,879	691,614	751,262	812,889	876,559	942,339	1,010,301	1,080,516	1,153,059	1,228,008
Unmet Demand (Rooms)[1]	1,019	1,153	1,292	1,435	1,584	1,737	1,895	2,058	2,227	2,402	2,582	2,768	2,960	3,159	3,364
SUBJECT SITE CAPTURE OF DEMAND															
Fair Share Capture of Market Demand[2]	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Subject Site Capture of Demand (Nights)	166,415	171,933	177,634	183,523	189,608	195,895	202,390	209,101	216,034	223,196	230,597	238,242	246,142	254,303	262,734
Subject Site Capture of Demand (Rooms)	456	471	487	503	519	537	554	573	592	611	632	653	674	697	720
Supported Room Supply (Based on Market Demand, at Target Occupancy)[3]	608	628	649	670	693	716	739	764	789	815	842	870	899	929	960
Induced Demand Growth Rate (Beyond 3.3% Market Average)	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%	+0.7%	+0.5%	+0.3%						
Subject Site Induced Demand (Nights)	68,397	77,782	87,479	97,497	107,847	118,540	127,378	134,226	138,943	138,943	138,943	138,943	138,943	138,943	138,943
Subject Site Induced Demand (Rooms)	187	213	240	267	295	325	349	368	381	381	381	381	381	381	381
Supported Room Supply (Based on Induced Demand, at Target Occupancy)[4]	250	284	320	356	394	433	465	490	508	508	508	508	508	508	508
Total Demand at Subject Site	858	912	968	1,027	1,087	1,149	1,205	1,254	1,297	1,323	1,350	1,378	1,407	1,437	1,467

[1] *Reflects total unmet demand in Downtown Sacramento, assuming the hospitality market continues to grow at the same pace that it did from 2014 through 2019*
[2] *Per direction from the City of Sacramento, the subject site will be unable to accommodate a hotel earlier than 2025.*
[3] *Represents the amount of existing and unmet demand in Downtown Sacramento that the subject site could capture, based on occupied room nights.*
[4] *Represents the amount of induced demand generated at the subject site; assumes mixed-use development at the site enables the local hospitality market to grow at the same pace that it did from 2015 through 2019, which coincides with the period of highest growth.*

Source: Smith Travel Research; RCLCO

Exhibit IX-2

Unmet Demand
Downtown Sacramento Subset
2014-2050



Source: Smith Travel Research; RCLCO

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