Agenda Item No. 8

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT

ERIC GARCETTI
MAYOR

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August 27, 2020

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, California 90012

Attention: Armando Bencomo, Legislative Assistant

REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A LAND ACQUISITION AGREEMENT FOR A DEPARTMENT OF TRANSPORTATION BUS FACILITY

On behalf of the Los Angeles Department of Transportation (LADOT), the Department of General Services (GSD) requests authority to negotiate and execute a Land Acquisition Agreement (LAA), valid for a period of 18 months, and negotiate related documents to acquire the property at 740 and 800 111th Place (APNs 6071-022-009 and 6071-022-013, (collectively, "Property") as shown on Exhibit "A". LADOT intends to use the Property as a bus maintenance facility for transit service operations.

SUMMARY

On June 27, 2019, GSD requested authority from the Municipal Facilities Committee (MFC) to negotiate this purchase, subject to City Council approval. MFC directed GSD to return with a revised term sheet along with the results of the Phase II Environmental Site Assessment of the Property. The Phase II assessment has since been completed by Stantec Consulting Services Inc. (Stantec), and revealed significant concentrations of chemical contaminants considered hazardous to human health and indicative of the potential for vapor intrusion conditions to exist at the property. Stantec also recommended actions to remediate the site at a cost not to exceed $2.5 million.

Based on the Phase II results, the consultant recommended additional soil testing in previously inaccessible areas to pinpoint the source of the contamination. The Seller will not allow this testing until an agreement is entered into by the City. Under the terms of the LAA, this additional testing will be conducted during the City's due diligence period as described in the Section titled "LAA Deal Terms." Stantec's "Summary and Overview of

Due Diligence Site Assessment Reports" is dated October 31, 2019 and is attached as Exhibit "B." Stantec has also informed the City that they do not anticipate the cost of remediation being higher than $2.5 million even with any findings obtained from the recommended additional testing. If remediation costs do increase, LADOT will be required to secure funds to cover this increase.

LADOT has an ongoing Bus Facility Purchase Program designed to replace existing contractor-leased facilities with City-owned facilities. Purchasing this Property is anticipated to save the City nearly $1 million dollars per year in lease costs by moving Commuter Express and DASH buses from the leased 1201 Central Avenue yard, located in Compton. A City-owned and contractor-operated transit maintenance facility serving the southern and western parts of the City would reduce fuel and vehicle maintenance and depreciation costs as well.

The 2017 through 2020 budgets allocated $29 million in funding for this effort from the "Bus Facility Program," Fund 385, Account Number 94L446.

BACKGROUND

This Property contains a land area of approximately 231,438 square feet or 5.31 acres. It is improved with an approximately 119,988 square foot single-story manufacturing/ warehouse concrete structure on APN 6071-022-009 and an approximately 32,000 square foot single-story manufacturing/warehouse corrugated metal structure on APN 6071-022-013. Once acquired, the Property will become the Southern Yard for LADOT transit services serving the southern and western parts of the City and will allow LADOT to meet their electrification goals as set by the Mayor and Council.

The Property is now vacant with no tenant at the Property. The site will be delivered and kept vacant by the owner and therefore, no relocation benefits are anticipated.

APPRAISAL AND NEGOTIATED SALE PRICE

The Property was originally appraised on May 26, 2019 at a fair market value of $23.38 million with an "extraordinary assumption" that the soil was clean. See Exhibit "C." An updated appraisal with an effective date of December 20, 2019 concluded the same value assuming the soil was clean. See Exhibit "D." The appraisal was reviewed and accepted by Integra Realty Resources on June 11, 2019. (See Exhibit "E"). GSD has accepted both the appraisal and appraisal review reports.

The Phase II results and associated environmental remediation costs of $2.5 million suggest the property's fair market value to be approximately $20.88 million. However, the owner's sale price is $24 million "As Is." Although the Seller previously indicated that the sales price of $24.5 million was non-negotiable, the Seller has recently agreed to accept the purchase price of $24 million provided the City agrees to quarterly payments of $50,000 during the LAA period. These payments will be required up to the completion of City's CEQA review and filing of a "Notice of Determination." These terms will allow City and Seller to enter into The LAA for the 18 month period.

LADOT is fully aware of the premium sale price and desires to continue with the purchase as outlined in this report due to the Property's size, location, scarcity of similar sites and their necessity to secure a location for its bus maintenance facility.

Additionally, there are currently no other sites available in the marketplace meeting LADOT's criteria for a bus maintenance facility. No sites of this size have become available in the marketplace meeting DOT's, location, size, purchase price point, and other criteria for at least the past two years.

LADOT advises the 2017 through 2020 budgets allocated $29 million for this effort.

The City will recoup the purchase price overpayment of $3.12 million (purchase price of $24 million + $2.5 million environmental remediation less $23.38 million fair market value as if clean) in less than four years once the 1201 Central Avenue Yard is closed and annual lease costs of nearly $1 million are eliminated. Additionally, grant funds may be available to offset some of the remediation costs as discussed below. Purchase of the Property will also allow the City's current due diligence expenditure for environmental testing currently in excess of $200,000 to not go to waste

LAA DEAL TERMS

The conditions of the LAA include the following and will continue for up to an 18-month period:

- Purchase Price. The Purchase Price for the Property shall be $24 million. The City agrees to purchase the property "as-is". Fee simple title of the Property shall be delivered free and clear of all liens and debt.

- Earnest Money Deposit. Within 35 days from the opening of escrow, an Earnest Money Deposit in the amount of $500,000 shall be deposited by the City into escrow. The deposit will be fully refundable unless and until a CEQA investigation is complete and City Council approves the CEQA documents, and the City files a Notice of Determination ("CEQA Compliance"). After CEQA Compliance occurs, the deposit will become identifiable as Civil Code Section 1671 liquidated damages, to be held in escrow in the event of City's breach.

- Inspection Period. The City requires an 18-month Land Acquisition Agreement ("LAA") to hold the property in escrow while it completes its mandatory CEQA review. This 18-month period may be reduced at the discretion of the City. During this period, the Seller will cooperate with the City on additional environmental testing as may be needed in a timely and reasonable manner. The City may exit the agreement within this time period and be fully refunded its initial earnest money deposit.

- Additional Due Diligence. The City shall have 45 days after the receipt of the Due Diligence Materials including but not limited to copies of all written easements, covenants, restrictions, agreements, service contracts, and other documents that affect the Property in which to review Property documents, perform feasibility

studies, conduct additional site testing, including, but not limited to a site characterization and otherwise approve the physical and environmental condition of the Property in the exercise of the City's sole discretion.

- Close of Escrow. Up to 120 days after "CEQA Compliance" is complete.

- Closing Extension. The City and the Seller shall have the right to extend the close of escrow by one period of 15 days by giving five days written notice.

- Indemnity. The LAA will not include any indemnity clause. This will result in reliance on applicable laws should a dispute arise between the parties as agreement could not be reached with respective proposed indemnification language.

ENVIRONMENTAL

LA Sanitation and Environment (LASAN) Citywide Brownfields Program utilized Stantec to conduct Phase I and Phase II Environmental Site Assessments (ESAs) at the Property. Based on Phase II ESA results, Stantec has estimated environmental remediation cost in the amount not to exceed $2.5 million. Once the City owns the Property, remediation work will be conducted under a regulatory oversight agency that will most likely be the Los Angeles Regional Water Quality Control Board (LARWQCB). Funds have been approved and are identified in the Funding Section of this report. In addition, LASAN's Citywide Brownfields Program will help identify potential grant funding opportunities towards remediation to offset the $2.5 million estimated environmental remediation cost.

Stantec recommended further "site characterization" work in previously inaccessible areas to determine the source of the PCE contamination and to further establish a base line for contamination for the benefit of the City as the potential buyer (future ownership), during its due diligence escrow period.

As stated in the Summary Section of this Report, Stantec has informed the City that they do not anticipate the cost of remediation exceeding $2.5 million even with any findings obtained from the recommended additional testing. If costs do increase, LADOT will be required to secure those funds.

FUNDING

LADOT advises it anticipates that Federal Transit Administration (FTA) Section 5307 Grants will be used to upgrade the Site facility. The cost of the purchase may be used as the local match for any capital grants. It is with these benefits in mind that the department created the Bus Facility Purchase Program. LADOT has $29 million allocated in the 2017 to 2020 budgets for the purchase of bus maintenance facilities.

FISCAL IMPACT

There is no impact to the General Fund as this acquisition will be financed using Proposition A Funds. The 2017 through 2020 budgets allocated $29 million in funding for this effort from the "Bus Facility Program," Fund 385, Account Number 94L446.

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor:

1. AUTHORIZE GSD with the assistance of LADOT, LASAN and the City Attorney to negotiate, prepare, and execute documents necessary, including but not limited to the Land Acquisition Agreement to acquire the Property located at 740 and 800 111TH Place, APNs 6071-022-009 and 6071-022-013, for use as a Bus Maintenance Facility for the Department of Transportation's (LADOT) transit service for $24 million As-Is.

2. APPROVE "Bus Facility Program," Proposition A Fund 385, Account Numbers 94L446, 94N446, 94R446 and 94S446 of $24 million for the purchase price plus $100,000 towards closing costs, and up to $2.5 million towards environmental remediation

Tony M. Royster
General Manager

Attachments: Exhibit "A" - Property map
Exhibit "B" - Stantec's Summary of "Site Assessment Reports"
Exhibit "C" - May 8, 2019 Appraisal
Exhibit "D" - December 20, 2019 Appraisal Update
Exhibit "E" - June 11, 2019 Appraisal Review

EXHIBIT A

740, 800 EAST 111TH PLACE

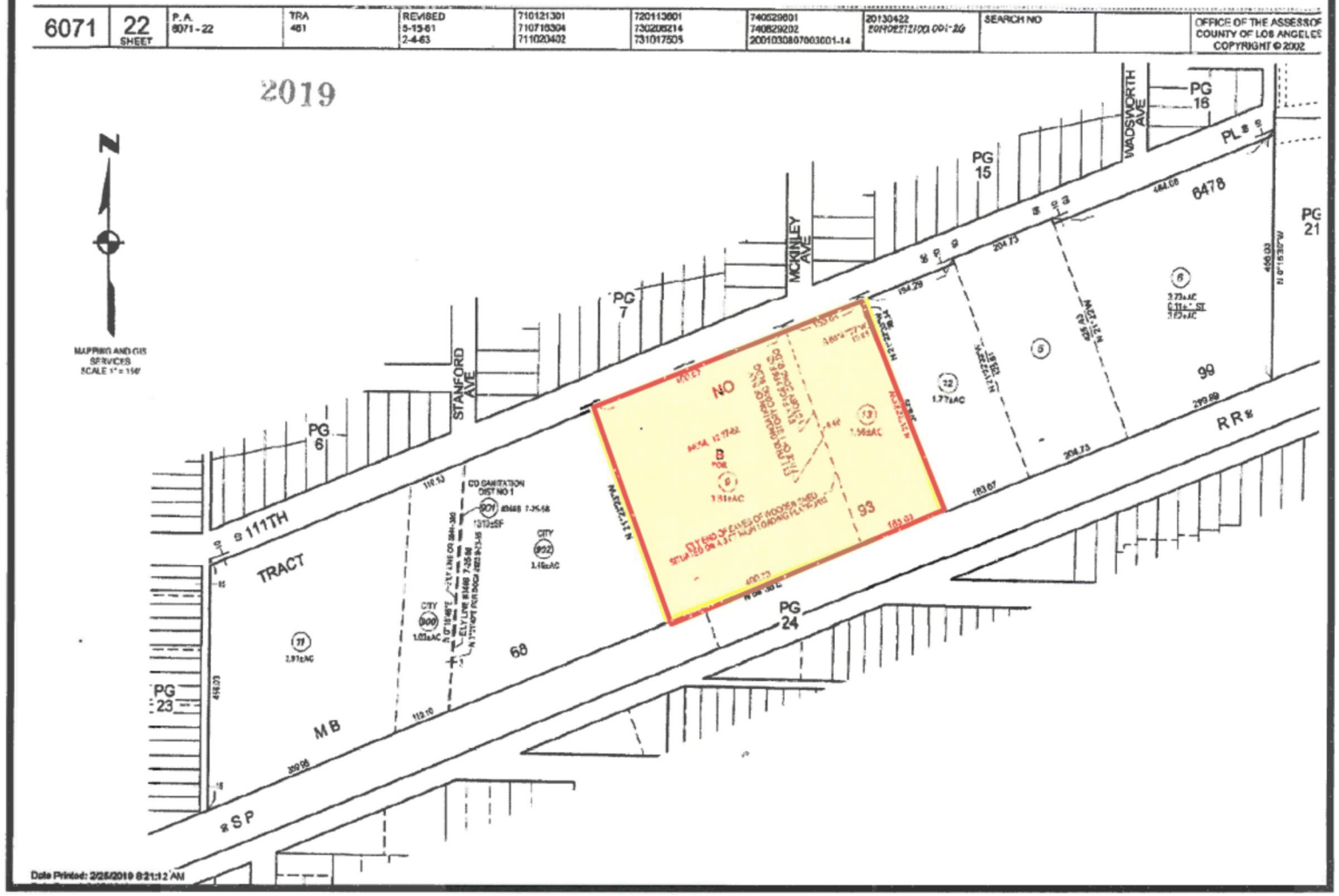

EXHIBIT B

Stantec

Stantec Consulting Services Inc.
290 Conejo Ridge Avenue, Thousand Oaks CA 91361-4972

October 31, 2019
File: 185804578

Attention: Ms. Colette Monell
Environmental Specialist II, Brownfields Program
Solid Resources Citywide Recycling Division
City of Los Angeles, LA Sanitation & Environment (LASAN)

Dear Ms. Monell,

Reference: Summary & Overview of Due Diligence Site Assessment Reports, 740 East & 800 East 111th Place, Los Angeles, California 90059

On behalf of the City of Los Angeles, Department of Public Works, Bureau of Sanitation and Environment (LASAN), Stantec Consulting Services Inc (Stantec) has prepared this summary letter report documenting the results of a Phase II Environmental Site Assessment (ESA) conducted between July 31, 2019 and August 15, 2019 at 740 East & 800 East 111th Place in Los Angeles, California (the "Property"). Based on the findings and results of the Phase II ESA, a follow up site assessment was conducted on 800 East 111th Place (only) between September 30, 2019 and October 10, 2019.

The assessments were completed as part of the City's due diligence purposes for the purchase of the Properties and was initiated in response to findings presented in Stantec's *Phase I Environmental Site Assessment* report dated June 18, 2019. The report identified *recognized environmental conditions* in connection with the Property which included the historic presence of fuel underground storage tanks, previous environmental case listings, and the current use of the Property for chemical storage with indications of release.

It is Stantec's understanding that the City of Los Angeles Department of General Services (GSD) is considering purchase of the Property for use as an electric bus facility, on behalf of the City of Los Angeles Department of Transportation (LADOT).

Phase II Environmental Site Assessment – 740 & 800 East 111th Place

The Phase II ESA consisted of a soil and sub-slab soil vapor investigation and was conducted at the Property to evaluate the potential for subsurface volatile organic compounds (VOCs), metals, and total petroleum hydrocarbons (TPH) to be present in concentrations that could potentially pose a risk to future users of the Property.

Soil Analytical Results Discussion

Some limited detections of VOCs and TPH were reported in shallow soil at the Property, however the detected concentrations in the areas assessed by Stantec are below their respective regulatory screening levels. Arsenic was reported in all but one sample at concentrations which exceed the commercial use screening levels maintained by the Department of Toxic Substances Control (DTSC). It should be noted

that all of the reported arsenic concentrations are generally within accepted background levels typical of southern California soils. Other impacts to soil at the Property may exist beyond the areas assessed by Stantec, however, portions of the property are currently inaccessible due to the current storage of waste, equipment and other debris.

Sub-Slab Soil Vapor Analytical Results Discussion

Significant concentrations of tetrachloroethene (PCE) were detected in sub-slab soil vapor collected at the Property. The commercial use soil vapor screening level derived for PCE is 66.7 micrograms per cubic meter (µg/m^3). This screening level was exceeded in seven of the 13 sub-slab soil vapor samples submitted for chemical analysis, indicating a potential for vapor intrusion to indoor air at both properties. In particular, concentrations of PCE reported from 800 East 111th Place ranged from 900 µg/m^3 to 1,200 µg/m^3.

Phase II Environmental Site Assessment Recommendations

Based on the detection of significant concentrations of PCE, a potentially carcinogenic chemical, in sub-slab soil vapor, Stantec recommended an additional assessment of the parcel located at 800 East 111th Place to further characterize and assist in identifying the likely source of the PCE detected in soil and soil vapor.

Additional Site Assessment – 800 E. 111th Place

An additional site assessment was conducted to further evaluate the VOCs (primarily PCE) detected in soil and soil vapor. The assessment consisted of the installation and sampling of seven dual-nested and three triple nested soil vapor probes at accessible locations across 800 East 111th Place (the Site).

Soil Analytical Results Discussion

The soil analytical results from the additional site assessment completed indicate low levels of VOCs including benzene, toluene and PCE are present in shallow soil. However, the concentrations of VOCs reported in soil were not detected at concentrations that exceed their respective regulatory screening level. Consistent with the prior soil sampling results and findings, it is Stantec's opinion that other impacts to soil at the Property may exist but are currently inaccessible based on the current storage of waste, equipment and other debris.

Soil Vapor Analytical Results Discussion

Significant concentrations of PCE were detected in soil vapor collected during the additional site assessment. The DTSC commercial use soil vapor screening level derived for PCE is 66.7 µg/m3. This screening level was exceeded in 15 of the 17 soil vapor samples submitted for chemical analysis indicating a potential for soil vapor intrusion to existing buildings and/or future development exists. Based on the detections, which include a maximum of 2,100 µg/m^3, the greatest concentrations of PCE appear to be centered along the southern boundary of the 800 East 111th Place address. The plume appears to extend to the north beneath the on-Site building, to the west beneath the building located at the 740 East 111th Place, and to the east beneath the Animo James B. Taylor Charter Middle School.

Reference: **Summary & Overview of Due Diligence Site Assessment Reports, 740 East & 800 East 111th Place, Los Angeles, California 90059**

CONCLUSIONS

Soil vapor at the Property is impacted with PCE, a potentially carcinogenic chemical, to a depth of at least 30 feet below ground surface at concentrations that are considered hazardous to human health and indicative of the potential for vapor intrusion conditions to exist at the property, as well as the nearby school property to the east of 800 E. 111th Place.

Based on the known historic use of 800 East 111th Place as an aircraft component and equipment supplier, and the known current use as a waste storage facility, there may have been an undocumented release of chemicals to soil at the Property. In addition, there is a documented release of solvents to soil and groundwater at the Lanzit Project located approximately 1,000 feet east of the Property. It is Stantec's opinion that the PCE detected in soil and soil vapor are the result of on-site releases to soil, which may extend to groundwater, as well as the potential comingling of solvent impacted groundwater sourced from the Lanzit Project located to the east of the 800 East property.

RECOMMENDATIONS

It is Stantec's understanding that GSD is considering purchase of the Property for use as an electric bus facility, on behalf of the LADOT. Based on the analytical data collected from the Property and presented in this letter report, and the planned future commercial use as an electric bus facility, Stantec has developed recommendations should the City acquire the Property comprised of both 740 East and 800 East 111th Place.

The following scope of work and estimate of probable cost is provided for planning purposes and is subject to change based on the completion of a more detailed site investigation to fully characterize the impacts to soil, soil vapor, and groundwater, in particular in the areas that were inaccessible during the two site assessments discussed above. In addition, the scope and costs provided are largely dependent upon regulatory agency involvement (if notified) and potential future changes in the regulatory framework. It is Stantec's opinion that there is a high potential for investigation activities to extend to the adjoining school property based on the distribution of PCE in soil vapor observed in the data collected.

The following recommendations and rough order of magnitude estimates of probable costs are provided for planning purposes. These estimates are based on Stantec's experience in the assessment, remediation, and mitigation of solvent plumes at similar sites. This assumes GSD proceeds to acquire both the properties located at 740 East and 800 East 111th Place and the results of Stantec's site assessment findings are reported to the Los Angeles Regional Water Quality Control Board (LARWQCB):

Reference: **Summary & Overview of Due Diligence Site Assessment Reports, 740 East & 800 East 111th Place, Los Angeles, California 90059**

Recommended Action	Estimate of Probable Cost
Request for Technical Workplan & Site Characterization	**$200,000**
Technical Workplan	
Permitting & Notifications	
Soil Sampling (likely 1, 3, 5 and 5 feet thereafter down to cap fringe/groundwater)	
Soil Vapor Sampling (likely nested probes at 5, 15, 30, 45 and 55)	
Groundwater Sampling (installation of a groundwater monitoring well network*). Groundwater is at an approximate depth of 60 feet bgs,	
Technical Reporting	
Preparation of a Feasibility Study, Remedial Action Plan, Pilot Testing, and Active Remediation	**$1,180,000**
Conceptual Site Model (Includes as-needed Updates)	
Determine Cleanup Goals/Human Health Risk Assessment (HHRA)	
Direct Source Removal & Disposal (i.e., excavation of hotspot impacted soil)	
Pilot Testing and Remediation – Subject to Technology Applied and Distribution of Contaminants Identified from Full Site Characterization - Groundwater Monitoring & Treatment, Remediation System Operation and Maintenance (for example, SVE/OS, ISCO, etc.), Remediation Well Installation, Remediation System Installation; (Assumes up to 3 Years of Active Remediation)	
Confirmation Soil and Soil Vapor Testing & Regulatory Agency Reporting:	

Reference: **Summary & Overview of Due Diligence Site Assessment Reports, 740 East & 800 East 111th Place, Los Angeles, California 90059**

Agency Liaison, Technical Reporting (Groundwater Monitoring and System Operation and Maintenance)	**$250,000**
Assumes Quarterly Groundwater Monitoring, Sampling and Regulatory Agency Reporting for a duration of up to 4 years.	
Request for No Further Action (NFA) Case Closure	**$15,000**
Technical Reporting and Public Comment	
Risk Reduction & Mitigation Measures (Engineering Controls)	**$855,000**
Risk reduction and mitigation measures (engineering controls) such as passive/active venting and/or a vapor barrier (chemically resistant to petroleum hydrocarbons and chlorinated solvents) should be incorporated into existing buildings and/or the design of future buildings to users of the Property. Subject to proposed redevelopment plans by the City as well as new construction install versus retrofit of existing buildings. There may also be potential third-party issues and risks to address due to soil vapor intrusion conditions that maybe impacting the adjacent school property. The school may need to consider the retrofit of a chemically resistant vapor barrier (i.e., Retro-Coat Floor Sealing product in existing buildings to mitigate the potential risk). Stantec has provided a budget for the application of a vapor barrier for an area of approximately 50,000 square feet. The area and resultant cost should be modified based on proposed redevelopment plans for occupied spaces as well as the potential need for mitigation measures at the adjacent school.	
Grand Total Estimate of Probable Cost	**$2,500,000**

ESTIMATE OF PROBABLE COST

For planning purposes and subject to the completion of the above-mentioned investigation to fully characterize the impacts to soil, soil vapor and groundwater, Stantec recommends GSD plan for up to **$2.5MM to** be withheld in an Escrow account to address environmental impacts at the Property. This would allow for open case, site characterization, remediation, closure activities. The total estimate of probable cost for the vapor barriers is subject to the City's proposed redevelopment plans, as well as the potential for retrofit of mitigation measures that maybe required for the adjacent school property.

The recommendation for the creation of an Escrow account would allow funds to be used to characterize and mitigate the environmental impacts identified in soil and soil vapor that may extend to groundwater.

Reference: **Summary & Overview of Due Diligence Site Assessment Reports, 740 East & 800 East 111th Place, Los Angeles, California 90059**

Should the recommended site characterization result in limited extent of impacts and remedial action (to include implementation of engineering controls), any funds unused to complete the corrective action would be returned to the seller.

Stantec is currently finalizing the results of the Phase II ESA and additional site assessment and will issue a combined detailed report to LASAN under a separate cover.

Stantec is proud to provide technical consulting services to LASAN. Please contact Mr. Lewis D. Simons at the contact information provided below with any questions.

Regards,

Stantec Consulting Services Inc.

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The Sales Comparison Approach is a common way of developing a market value "as is" estimate. It involves collecting and analyzing sales and listings of improved industrial propertycomparable to the subject. Such sales and listings are commonly called comparables or "comps." The appraiser adjusts prices to some common unit of comparison, such as price per acre or price per square foot, and then adjusts the prices for variances in market conditions, location, physical characteristics, available utilities, zoning, and other relevant variations as may be applicable in the analysis. Finally, the appraiser analyzes this information and arrives at an estimate of market unit value of the subject property. This unit value is then multiplied by the subjects' Rentable Building Area (RBA) to arrive at its market value.

An investigation of improved industrial real property disclosed various sales with similar highest and best uses to the subject property. In my research, I found the following to be the best available data for comparison. They range from 45,776 square feet to 122,718 square feet and were built between 1957 and 1986. I believe that these sales will be a reliable indication of the market value as is of the subject property .

SUMMARY OF IMPROVED INDUSTRIAL MARKET DATA								
No.	Location	Recorded Sale Date	Sale Price	Building Area (Sq. Ft.)	Price/ RBA	Land to Building Ratio	Year Built	Comments
1-I	17621 - 17623 Suzana Road Rancho Dominguez, CA	*Listing*	$14,334,480	66,672	$215.00	1.63:1	1977	APN: 7306-002-064 Doc No.: NA Grantor: India Hynes Grantee: NA Financing: NA Confirmed by: Brian McLoughlin, Voigt Realty Verification Date: 5/19
2-I	1441 East 16th Street Los Angeles, CA	*Listing*	$16,950,000	55,611	$304.80	1.18:1	1968	APN: 5130-013-049 Doc No.: NA Grantor: NHK Enterprises, LLC Grantee:NA Financing: NA Confirmed by: Michael Ha, Broker Verification Date: 5/19
3-I	13147 - 13151 Southwestern Ave Gardena, CA	3/19	$10,900,000	50,518	$215.76	2.1:1	1957	APN: 4061-013-001 Doc No.: 270972 Grantor: K and K Enterprises Grantee: 339 Exposition Place, LP Financing: $1,850,000 1st TD w/ California Bank and Trust; Terms & Conditions: NA Confirmed by: John McMillan, Newmark Knight Frank Verification Date: 5/19
4-I	1100 West Walnut Street Compton, CA	11/18	$11,100,000	60,040	$184.88	1.91:1	1969	APN: 7319-028-041 Doc No.: 1138501 Grantor: 1100 West Walnut, LLC Grantee: Terreno 1100 Walnut, LLC Financing: All cash Confirmed by: Casey Mungo, Dom Commercial Real Estate Verification Date: 5/19
5-I	13217 South Figueroa Street Los Angeles, CA	6/18	$21,000,000	122,718	$171.12	1.75:1	1974	APN: 6132-004-030 Doc No.: 631243 Grantor: Figueroa Industrial Building Grantee: Centerpoint Figueroa, LLC Financing: All cash Confirmed by: Rene Mexia, Major Properties Verification Date: 5/19
6-I	1920 South Acacia Ave Compton, CA	1/17	$7,100,000	45,776	$155.10	2.50:1	1970	APN: 7138-013-033 Doc No.: 0101712 Grantor: Appliance Recycling Centers of America Grantee: Terrano Acacia, LLC Financing: All cash Confirmed by: John Lassiter, Los Angeles Commercial Real Estate Services
Subject	740-800 East 111th Place Los Angeles, CA	*Listing*	$24,000,000	119,988	$200.02	1.98:1	1970	APN: 6071-022-009 & 013 Doc No.: NA Grantor: Watts Labor Community Action Cmte & 810 East 111th, LLC Grantee: NA Financing: NA Confirmed by: Appraiser Verification Date: 5/19

IMPROVED INDUSTRIAL COMPARABLE SALES MAP

Comparable 1-I is located approximately 5 miles southeast of the subject property on Rancho Dominguez. This is a 66,672 square foot industrial building with a land to building ratio of 1.63:1, trapezoidal shaped parcel, with corner access, level terrain, and all utilities in place. The Improvements were built in 1977 with an 18' height clearance, sprinklered, masonry construction with four loading docks and two drive-ins. This is an active listing with three-phase power, 65 parking spaces and is a single story structure. There is no real access but was built out for multi-tenancy.

Comparable 2-I is located approximately 6 miles north of the subject, on East 16th Street in Los Angeles. This comparable is an active listing with a 55,611 square foot industrial building with a land to building ratio of 1.18:1, trapezoidal shaped site, corner access, level terrain, and all utilities available. It has a 26-foot height clearance, built in 1968, no sprinklers, reinforced concrete, with six loading docks and one drive in, but no real access. There are 92 parking spaces and it has good proximity to freeway access at the I-10. It has three-phase power and is a single-user structure.

Comparable 3-I is located on Southwestern Avenue in Gardena, approximately 3 miles southwest of the subject. This is a 50,518 square foot industrial building with a land to building ratio of 2.11:1. The site is rectangular in shape, with good corner access, level terrain, and all utilities available. It has an average of 13-foot height clearance, built in 1957, masonry construction, and three loading docks. This is a single user industrial building and was purchased by the tenant. No information about the existing lease at the time of sale was made available to me. The property was initially listed at an asking price of $9,851,000 and ultimately sold 296 later for $10,900,000 or $216 per square foot.

Comparable 4-I is located on Walnut Street in Compton, approximately 4 miles south from the subject. This is 60,040 square foot industrial building with a land to building ratio of 1.91:1, rectangular shaped parcel with corner influence, level terrain, and all utilities in place. The building averages 24-foot height clearance built in 1969 with a wet sprinkling system and reinforced concrete structure with six loading docks. At the time of sale, the property was 38% leased on a short-term basis to one tenant. This property is adjacent to State Route 91 (Artesia Freeway). There is one drive-in with three phase power, 43 surface parking spaces for this single-story structure. It is a multi-tenant structure with rail service.

Comparable 5-I is located on South Figueroa Street in Los Angeles, approximately 1 ½ miles west from the subject. It includes a 122,718 square foot industrial building with a land to building ratio of 1.75:1. Its shape is rectangular with good interior access, level terrain, and has all utilities available. Ceiling clearance ranges from 18 to 22 feet, built in 1974, wet sprinkling system, reinforced concrete structure with 33 loading docks. There are 100 surface parking spaces.

Comparable 6-I is located on Acacia Avenue in Compton, approximately 4 miles southeast from the subject. This is a 45,776 square foot industrial building with a land to building ratio of 2.50:1. This is built on an irregular shaped parcel with interior access, level terrain, and all utilities are in place. It has an average ceiling height clearance between 20 and 23 feet and was built in 1970. It is a single story building with a sprinkling system, reinforced concrete, and six loading docks. It was originally listed for $7,850,000, but ultimately sold 111 days later for $7,100,000. This is a single-user building with three-phase power, and has 65 surface parking spaces.

Qualitative analysis recognizes the inefficiencies of real estate markets and the difficulty in expressing adjustments with mathematical precision. As such, I will utilize a relative comparison analysis in addition to a ranking analysis to arrive at a market value of the subject's land.

Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets. The appraiser analyzes comparable sales to determine whether the comparable property's characteristics are inferior, superior, or similar to those of the subject property. The appraiser must search the market diligently to obtain and analyze sufficient pertinent data to bracket the value of the subject property.

As stated earlier in the land valuation section, market trend paragraph, values for industrial improvements have been increasing steadily since 2014.

Following the market condition adjustment, all other adjustments in the following grid are represented by (+) inferior or (-) superior adjustments in comparison to the subject property.

COMPARABLE IMPROVED INDUSTRIAL SALE ADJUSTMENT GRID

	Comp 1-I	Comp 2-I	Comp 3-I	Comp 4-I	Comp 5-I	Comp 6-I
Sale Price/RBA	$215.00	$304.80	$215.76	$184.88	$171.12	$155.10
Real Property Rights Conveyed	0	0	0	0	0	0
Price After Adjustment	$215.00	$304.80	$215.76	$184.88	$171.12	$155.10
Financing Terms	0	0	0	0	0	0
Price After Adjustment	$215.00	$304.80	$215.76	$184.88	$171.12	$155.10
Condition of Sale (Motivation)	0	0	0	0	0	0
Price After Adjustment	$215.00	$304.80	$215.76	$184.88	$171.12	$155.10
Expenditures After Sale	0	0	0	0	0	0
Price After Adjustment	$215.00	$304.80	$215.76	$184.88	$171.12	$155.10
Market Conditions (Sale Date)	*Listing*	*Listing*	3/19	11/18	6/18	1/17
Market Adjustments	-5%	-5%	0%	2%	10%	29%
Price After Adjustment	$204.25	$289.56	$215.76	$188.57	$188.24	$200.08
Other Adjustments						
Location	0	-	- -	0	+	0
Physical Characteristics	-	-	+	0	-	0
Available Utilities	0	0	0	0	0	0
Zoning Density	0	0	0	0	0	0
Economic Characteristics	0	0	0	0	0	0
Total Other Adjustments	-	- -	-	0	0	0

After the market conditions adjustment is made, the square footage prices range from $126.01 to $289.56 per square foot.

Most weight was given to Comparables 1, 4, 5, and 6. The remaining comparables act as supporting data. Comparable 1 is weighted for its comparable location, available utilities, zoning, economic characteristics, shape, access, terrain, sprinkling system, and quality of construction. Upward adjustments are warranted for its lower ceiling clearance and fewer loading docks. Downward adjustments are warranted for its newer construction and smaller size. Overall, a slight downward

adjustment is warranted. Comparable 4 is weighted for its rectangular shaped site, corner influence, level terrain, all utilities in place, zoning, comparable land to building ratio, year built, sprinkling system, and reinforced concrete structure. In comparison, an upward adjustment is warranted for its fewer loading docks, and downward adjustments are warranted for its smaller rentable area and higher ceiling clearance. Overall, the adjustments are offsetting. Comparable 5 is weighted for its similar rectangular shaped site, interior access, level terrain, available utilities, comparable land to building ratio, size, ceiling clearance, sprinkling system, and reinforced concrete structure. But in comparison, an upward adjustment is warranted for its inferior location, but downward adjustments are warranted for its newer construction and higher number of loading docks. Overall, the adjustments are offsetting. Comparable 6 is weighted for its interior access, level terrain, available utilities, similar land to building ratio, comparable ceiling clearance, similar aging condition, sprinkling throughout, and reinforced concrete structure. In comparison, an upward adjustment is warranted for its inferior irregular shape and for its inferior number of loading docks. But a downward adjustment is warranted for its smaller size. Overall, the adjustments are offsetting.

The following is an overall comparison chart, which reflects ranking analysis of the beforementioned comparable improved sales versus the renovated subject property.

Adjusted values per RBA		
Comp No.	Overall Comparability	$ / Sq. Ft.
Comp 2-I	Superior	$289.56
Comp 3-I	Superior	$215.76
Comp 1-I	Superior	$204.25
Comp 6-I	Similar	$200.08
Subject	---	**$200.00**
Comp 4-I	Similar	$188.57
Comp 5-I	Similar	$188.24

It is my opinion that as of May 8, 2019, the market value as if the subject property, per Sales Comparison Approach is calculated as follows.

119,988 sq. ft. @ $200/sq. ft. = $ 23,997,600
Rounded: $23,998,000

Cost to Cure

During my inspections, I noticed that the built out office space is below market standards and I also noticed that many of the ceiling tiles were missing, that the floor coverings were in poor condition, restroom fixtures are not all properly functioning, ventilation system including the air conditioning is not working according to the tenants, and it is apparent to me that the whole built out office area is fully depreciated both economically and physically. Given that the comparable sales and rents all have functioning office built out space of at least 5% of the rentable building area (RBA), I will calculate the cost to cure the subject property to be the cost of building a rentable building area of just 5% of the total rentable building area. Please note, based on my measurements, the current office built out space measures 7,843 square feet, or 6.5% of the total rentable area. In estimating cost to cure, I will assume a built out office area of 5% of the total rentable building area, or 6,000 square feet.

Cost to Cure Using Marshall Valuation Service	
Occupancy	Office Built Out
Marshall Val. Section / Page	15/35
M&S Base Cost (per sq. ft.)	$66.00 /sf
Region	Western
Current Cost Multiplier	1.05
Local Multiplier	1.20
Subtotal	$83.16 /sf
Area	6,000 /sf
Subtotal	$498,960
Indirect Cost	10%
Subtotal	$548,856
Entrepreneurial Incentive	12%
Cost to Cure	$614,719

This amount of cost to cure, which includes entrepreneurial incentive, should be adequate in motivating any investor to replace the existing office built out space and furthermore, I did not include any demolition costs as I believe there is some salvage value to the current office space that will effectively offset demolition costs.

Two approaches to value applied in the subjects' analysis, yield these conclusions, before considering cost to cure:

Income Capitalization Approach:	$22,113,778
Sales Comparison Approach:	$23,997,600

The Sales Comparison Approach uses a number of value indicators, both physical and economic, including investors' strategies and attitudes reflected in documented market transactions. The Principle of Substitution, the basis of this approach, states that a prudent investor will pay no more to buy a property than the cost to buy a comparable substitute property. In the valuation of the subject property, the Sales Comparison was given less weight than the Income Capitalization Approach because there have been relatively few comparable sales over the past few years.

The Income Capitalization Approach depends on the Principle of Substitution and Anticipation. This approach postulates that the value of a property is derived from the gross income the property will produce during its economic life. Investors in the market predicate their decisions on economic factors oriented to the market and concern themselves with income and its durability. I weighted this approach because the property is typically purchased by investors for its income stream.

In adhering to the definition of fair market value and the highest price the market will bear before considering the cost to cure, I'm weighting the Sales Comparison Approach as a reliable method as a market indicator for both investor and owner occupant. Therefore, it is my opinion that the subjects' market value, before cost to cure is $23,997,600, and after deducting the cost to cure amount of $614,719, its fair market value is as follows:

FMV before Cost to Cure	$23,997,600
Less: Cost to Cure	$ 614,719
Fair Market Value	$23,382,881
Rounded:	$23,383,000

Please note that the subject property is currently listed for $24,000,000. As such, the only real difference between my opinion of value and the actual listing price is essentially concerning the cost to cure for the fully depreciated office build out space that is found, to some degree, in all other comparable sales and rentals.

Therefore, it is my opinion that the fair market value of the subject's fee simple interest, as of May 8, 2019, is as follows:

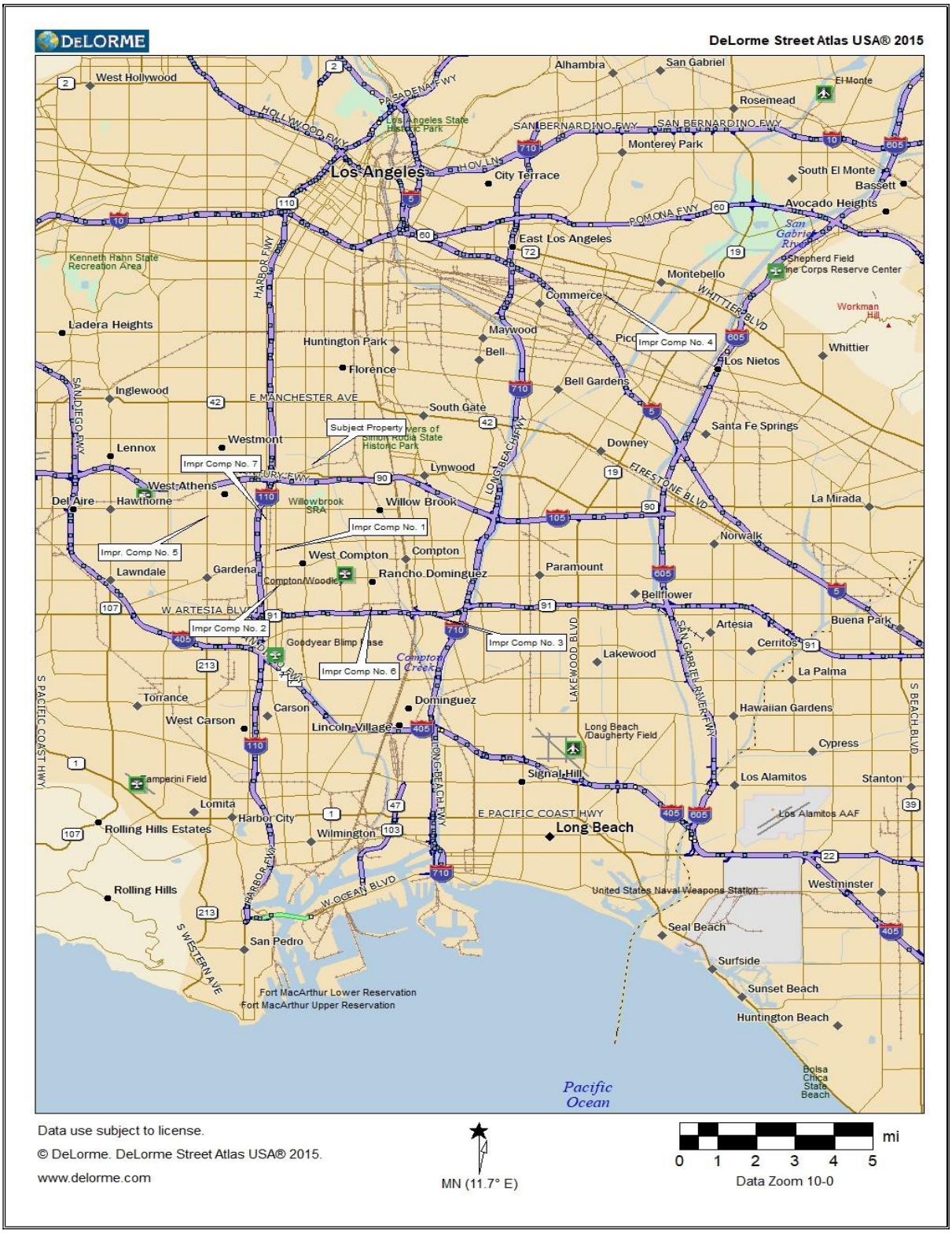
TWENTY-THREE MILLION THREE HUNDRED EIGHTY-THREE THOUSAND DOLLARS
$23,383,000

EXHIBIT D

The Sales Comparison Approach is a common way of developing a market value "as is" estimate. It involves collecting and analyzing sales and listings of improved industrial property comparable to the subject. Such sales and listings are commonly called comparables or "comps." The appraiser adjusts prices to some common unit of comparison, such as price per acre or price per square foot, and then adjusts the prices for variances in market conditions, location, physical characteristics, available utilities, zoning, and other relevant variations as may be applicable in the analysis. Finally, the appraiser analyzes this information and arrives at an estimate of market unit value of the subject property. This unit value is then multiplied by the subjects' Rentable Building Area (RBA) to arrive at its market value.

An investigation of improved industrial real property disclosed various sales with similar highest and best uses to the subject property. In my research, I found the following to be the best available data for comparison. They range from 50,518 square feet to 146,182 square feet and were built between 1955 and 1977. I believe that these sales will be a reliable indication of the subject's fair market value.

SUMMARY OF IMPROVED INDUSTRIAL SALES								
No.	Location	Recorded Sale Date	Sale Price	Building Area (Sq. Ft.)	Price/ RBA	Land to Building Ratio	Year Built	Comments
1-I	14601 South Broadway St. Gardena, CA	10/19	$12,300,000	61,500	$200.00	2.77:1	1966	APN: 6129-001-047 Doc No.: 1112161 Grantor: Sunproa, LLC Grantee: RLF II West, LLC Financing: All cash Confirmed by: Gary Blau, Commercial Property Group, Inc. Verification Date: 12/19
2-I	100 West Alondra Blvd Gardena, CA	9/19	$44,300,000	146,182	$303.05	3.67:1	1962	APN: 6125-017-800 Doc No.: 997338 Grantor: Pacific Bell Telephone Company Grantee: B8 Alondra Industrial Owner, LLC Financing: All cash Confirmed by: Recorded Deed Verification Date: 12/19
3-I	17621 - 17623 S. Susana Road Compton, CA	8/19	$12,750,000	66,672	$191.23	1.63:1	1977	APN: 7306-002-064 Doc No.: 878900 Grantor: Glass Spy Trust Grantee: Idil Susana Road, LLC Financing: All cash Confirmed by: Brian McLoughlin, Voigt Realty Verification Date: 12/19
4-I	2042 South Garfield Ave Commerce, CA	4/19	$11,230,000	56,726	$197.97	1.73:1	1955	APN: 6336-005-038 Doc No. 281069 Grantor: Kriser Real Estate Holdings, LLC Grantee: 2042 Garfield, LLC Financing: 1st TD w/ BofA for $8,824,000; Terms & Conditions: N/A Confirmed by: Jack Farshi, Buyer Verification Date: 12/19
5-I	13147 - 13151 South Western Ave Gardena, CA	3/19	$10,900,000	50,518	$215.76	2.1:1	1957	APN: 4061-013-001 Doc No.: 270972 Grantor: K and K Enterprises Grantee: 339 Exposition Place, LP Financing: $1,850,000 1st TD w/ California Bank and Trust; Terms & Conditions: NA Confirmed by: John McMillan, Newmark Knight Frank Verification Date: 5/19
6-I	1100 West Walnut Street Compton, CA	11/18	$11,100,000	60,040	$184.88	1.91:1	1969	APN: 7319-028-041 Doc No.: 1138501 Grantor: 1100 West Walnut, LLC Grantee: Terreno 1100 Walnut, LLC Financing: All cash Confirmed by: Casey Mungo, Dom Commercial Real Estate Verification Date: 5/19
7-I	13217 South Figueroa Street Los Angeles, CA	6/18	$21,000,000	122,718	$171.12	1.75:1	1974	APN: 6132-004-030 Doc No.: 631243 Grantor: Figueroa Industrial Builting Grantee: Centerpoint Figueroa, LLC Financing: All cash Confirmed by: Rene Mexia, Major Properties Verification Date: 5/19
Subject	740-800 East 111th Place Los Angeles, CA	*Listing*	$24,000,000	119,988	$200.02	1.98:1	1970	APN: 6071-022-009 & 013 Doc No.: NA Grantor: Watts Labor Community Action Cmte & 810 East 111th, LLC Grantee: NA Financing: NA Confirmed by: Appraiser Verification Date: 5/19



IMPROVED INDUSTRIAL COMPARABLE SALES MAP

Comparable 1-I is located approximately 2.6 miles south of the subject property in Gardena. This is a 61,500 square foot industrial building built in 1966 with a land to building ratio of 2.77:1, height limits are 14′ – 16′, sprinklered, with three dock-high doors and five drive-in docks. The parking is 3.25 per thousand square feet, and this is a single user building with high-powered three-phase electricity. The property was fully occupied at the time of sale by Lobostar, Inc. but they will be moving out at the end of January 2020.

Comparable 2-I is located on Alondra Boulevard in Gardena, approximately 3 ½ miles south of the subject property. This is a 146,182 square foot industrial building, built in 1962 and includes a land to building ratio of 3.67:1, two dock-high doors and four drive-in ramps. The parking ratio is 0.65 per thousand square feet as this is a single-user industrial building. This was an all-cash transaction, and although AT&T sold the property, they still occupy the site.

Comparable 3-I is located approximately on Susana Road in Compton, approximately 5 miles southeast of the subject property. This is a 66,672 square foot industrial building built in 1977 with a land to building ratio of 1.63:1, height allowance of 18′, four dock-high doors and two drive-in ramps. This is a single-user building with three-phase high power electricity. This property was initially listed for sale at $14,334,480 or $215 per square foot. The property sold in August 2019 for $12,750,000 or $191.23 per square foot.

Comparable 4-I is located on Garfield Avenue in Commerce, approximately 9 miles northeast of the subject. This is a 56,726 square foot single-user industrial building, built in 1955 with a land to building ratio of 1.73:1 and a height clearance of 19′. It is sprinklered, has four dock-high doors, and four interior ramps, and has a parking ratio of 0.56 per thousand square feet. The buyer intended to purchase the property for owner occupancy. The site is secured by perimeter fencing and the building is improved with skylights. There is also a five-ton crane located at the property.

Comparable 5-I is located on South Western Avenue in Gardena, approximately 3 miles southwest of the subject. This is a 50,518 square foot industrial building with a land to building ratio of 2.1:1. The site is rectangular in shape, with good corner access, level terrain, and all utilities available. It has an average of 13-foot height clearance, built in 1957, masonry construction, and three loading docks. This is a single user industrial building and was purchased by the tenant. No information about the existing lease at the time of sale was made available to me. The property was initially listed at an asking price of $9,851,000 and ultimately sold 296 days later for $10,900,000 or approximately $216 per square foot.

Comparable 6-I is located on Walnut Street in Compton, approximately 4 miles south from the subject. This is 60,040 square foot industrial building with a land to building ratio of 1.91:1, rectangular shaped parcel with corner influence, level terrain, and all utilities in place. The building averages 24-foot height clearance built in 1969 with a wet sprinkling system and reinforced concrete structure with six loading docks. At the time of sale, the property was 38% leased on a short-term basis to one tenant. This property is adjacent to State Route 91 (Artesia Freeway). There is one drive-in with three phase power, 43 surface parking spaces for this single-story structure. It is a multi-tenant structure with rail service.

Comparable 7-I is located on South Figueroa Street in Los Angeles, approximately 2 miles southwest from the subject. It includes a 122,718 square foot industrial building with a land to building ratio of 1.75:1. Its shape is rectangular with good interior access, level terrain, and has all utilities available. Ceiling clearance ranges from 18 to 22 feet, built in 1974, wet sprinkling system, reinforced concrete structure with 33 loading docks. There are 100 surface parking spaces.

Qualitative analysis recognizes the inefficiencies of real estate markets and the difficulty in expressing adjustments with mathematical precision. As such, I will utilize a relative comparison analysis in addition to a ranking analysis to arrive at a market value of the subject's land.

Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets. The appraiser analyzes comparable sales to determine whether the comparable property's characteristics are inferior, superior, or similar to those of the subject property. The appraiser must search the market diligently to obtain and analyze sufficient pertinent data to bracket the value of the subject property.

As stated earlier in the land valuation section, market trend paragraph, values for industrial improvements have been increasing steadily since 2014.

Following the market condition adjustment, all other adjustments in the following grid are represented by (+) inferior or (-) superior adjustments in comparison to the subject property.

COMPARABLE IMPROVED INDUSTRIAL SALE ADJUSTMENT GRID							
	Comp 1-I	Comp 2-I	Comp 3-I	Comp 4-I	Comp 5-I	Comp 6-I	Comp 7-I
Sale Price/RBA	$200.00	$303.05	$191.23	$197.97	$215.76	$184.88	$171.12
Real Property Rights Conveyed	0	0	0	0	0	0	0
Price After Adjustment	$200.00	$303.05	$191.23	$197.97	$215.76	$184.88	$171.12
Financing Terms	0	0	0	0	0	0	0
Price After Adjustment	$200.00	$303.05	$191.23	$197.97	$215.76	$184.88	$171.12
Condition of Sale (Motivation)	0	0	0	0	0	0	0
Price After Adjustment	$200.00	$303.05	$191.23	$197.97	$215.76	$184.88	$171.12
Expenditures After Sale	0	0	0	0	0	0	0
Price After Adjustment	$200.00	$303.05	$191.23	$197.97	$215.76	$184.88	$171.12
Market Conditions (Sale Date)	10/19	9/19	8/19	4/19	3/19	11/18	6/18
Market Adjustments	0%	0%	0%	0%	0%	2%	10%
Price After Adjustment	$200.00	$303.05	$191.23	$197.97	$215.76	$188.57	$188.24
Other Adjustments							
Location	0	0	0	0	-	+ +	0
Physical Characteristics	0	-	+	+ +	0	-	+
Available Utilities	0	0	0	0	0	0	0
Zoning Density	0	0	0	0	0	0	0
Economic Characteristics	0	0	0	0	0	0	0
Total Other Adjustments	0	-	+	+ +	-	+	+

After the market conditions adjustment is made, the square footage prices range from $188.24 to $303.05 per square foot.

Most weight was given to Comparables 1, 3, 4, 6, and 7. The remaining comparables act as supporting data. Comparable 1 was weighted for its comparable location, recent sale date, condition, building size, single-user occupancy, and equally powerful three-phase electricity. In comparison, a downward adjustment was warranted for its land to building ratio and an upward adjustment was warranted for its smaller height clearance. Overall, the adjustments are off-setting. Comparable 3 was weighted for its recent sale date, comparable location, comparable age – quality – and condition of the main structure, comparable size, land to building ratio, height clearance, single-user occupancy, and three-phase power. In comparison, an upward adjustment is warranted for its smaller land to building ratio. Comparable 4 was weighted for its recent sale date, comparable location, similar land to building ratio, height clearance, single-user occupancy, and comparable power. In comparison, an upward adjustment is warranted for its older structure in fair condition and smaller land to building ratio. Comparable 6 was weighted for its similar age, condition, quality of construction, size, land to building ratio, and electrical power. In comparison, an upward adjustment is warranted for its inferior location in Compton, and a downward adjustment is warranted for its higher height clearance. Finally, Comparable 7 was weighted for its comparable location, age, quality of construction, condition, size, land to building ratio, height clearance, similar number of

dock-high doors, and single-user occupancy. In comparison, an upward adjustment is warranted for its smaller land to building ratio.

The following is an overall comparison chart, which reflects ranking analysis of the beforementioned comparable improved sales versus the renovated subject property.

Adjusted values per RBA		
Comp No.	**Overall Comparability**	**$ / RBA**
Comp 2-I	Superior	$303.05
Comp 5-I	Superior	$215.76
Comp 1-I	Similar	$200.00
Subject	---	**$200.00**
Comp 4-I	Inferior	$197.97
Comp 3-I	Inferior	$191.23
Comp 6-I	Inferior	$188.57
Comp 7-I	Inferior	$188.24

It is my opinion that as of December 20, 2019, the fair market value of the subject property, per Sales Comparison Approach is calculated as follows.

119,988 sq. ft. @ $200/sq. ft. = $ 23,997,600
Rounded: $23,998,000

Cost to Cure

During my inspections, I noticed that the built out office space is below market standards and I also noticed that many of the ceiling tiles were missing, that the floor coverings were in poor condition, restroom fixtures are not all properly functioning, ventilation system including the air conditioning is not working according to the tenants, and it is apparent to me that the whole built out office area is fully depreciated both economically and physically. Given that the comparable sales and rents all have functioning office built out space of at least 5% of the rentable building area (RBA), I will calculate the cost to cure the subject property to be the cost of building a rentable building area of just 5% of the total rentable building area. Please note, based on my measurements, the current office built out space measures 7,843 square feet, or 6.5% of the total rentable area. In estimating cost to cure, I will assume a built out office area of 5% of the total rentable building area, or 6,000 square feet.

Cost to Cure Using Marshall Valuation	
Occupancy	Office Built Out
Marshall Val. Section / Page	15/35
M&S Base Cost (per sq. ft.)	$66.00 /sf
Region	Western
Current Cost Multiplier	1.05
Local Multiplier	1.20
Subtotal	$83.16 /sf
Area	6,000 /sf
Subtotal	$498,960
Indirect Cost	10%
Subtotal	$548,856
Entrepreneurial Incentive	12%
Cost to Cure	$614,719

This amount of cost to cure, which includes entrepreneurial incentive, should be adequate in motivating any investor to replace the existing office built out space and furthermore, I did not include any demolition costs as I believe there is some salvage value to the current office space that will effectively offset demolition costs.

Two approaches to value applied in the subjects' analysis, yield these conclusions, before considering cost to cure:

Income Capitalization Approach:	$22,113,778
Sales Comparison Approach:	$23,997,600

The Sales Comparison Approach uses a number of value indicators, both physical and economic, including investors' strategies and attitudes reflected in documented market transactions. The Principle of Substitution, the basis of this approach, states that a prudent investor will pay no more to buy a property than the cost to buy a comparable substitute property. In the valuation of the subject property, the Sales Comparison was given less weight than the Income Capitalization Approach because there have been relatively few comparable sales over the past few years.

The Income Capitalization Approach depends on the Principle of Substitution and Anticipation. This approach postulates that the value of a property is derived from the gross income the property will produce during its economic life. Investors in the market predicate their decisions on economic factors oriented to the market and concern themselves with income and its durability. I weighted this approach because the property is typically purchased by investors for its income stream.

In adhering to the definition of fair market value and the highest price the market will bear before considering the cost to cure, I am weighting the Sales Comparison Approach as a reliable method and as a market indicator for both investor and owner occupant. Therefore, it is my opinion that the subjects' market value, before cost to cure is $23,997,600, and after deducting the cost to cure amount of $614,719, its fair market value is as follows:

FMV before Cost to Cure	$23,997,600
Less: Cost to Cure	$ 614,719
Fair Market Value	$23,382,881
Rounded:	$23,383,000

Please note that the subject property was listed, as of May 8, 2019, for $24,000,000. I was able to confirm for this report, that the property is still available for sale, but without being able to confirm if the listing price has changed since confirming on May 8, 2019. As such, the only real difference between my opinion of value and most recent listing price is essentially concerning the cost to cure for the fully depreciated office build out space that is found, to some degree, in all other comparable sales and rentals.

Therefore, it is my opinion that the fair market value of the subject's fee simple interest, as of December 20, 2019, is the same amount as when I appraised the property on May 8, 2019, or:

TWENTY-THREE MILLION THREE HUNDRED EIGHTY-THREE THOUSAND DOLLARS
$23,383,000

EXHIBIT E

Integra Realty Resources
Los Angeles

Appraisal Review and Related Comments

Appraisal of 740 and 800 East 111th Place
Los Angeles, California
Report Prepared by Gary Valentine, MAI, AI-GRS, SR/WA, CCIM
of Valentine Appraisal & Associates

Prepared For:
David L. Roberts, SR/WA
Assistant Director
City of Los Angeles, General Services Department
111 East 1st Street, City Hall South
Los Angeles, California 90012

Effective Date of the Reviewed Appraisal:
May 8, 2019

IRR – Los Angeles
File Number: 121-2019-0217

Integra Realty Resources
Los Angeles

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June 11, 2019

David L. Roberts, SR/WA
Assistant Director
City of Los Angeles, General Services Department
111 East 1st Street, City Hall South
Los Angeles, California 90012

Re: Appraisal Review and Related Comments:

Appraisal of 740 and 800 East 111th Place
Los Angeles, California
Report Prepared by Gary Valentine, MAI, AI-GRS, SR/WA, CCIM of Valentine Appraisal & Associates

Sent via E-mail

IRR File No. 121-2019-0217

Dear Mr. Roberts:

This letter is presented to you as an appraisal review addressing specific issues concerning the appraisal report identified above. It is the intent of this review to address the applicability of the report, its analysis, and conclusions for its stated objective.

Overview and Scope of Work

Some of the relevant information for this assignment, presented in part to address the requirements of Standards Rule 3-5 of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is identified below.

- *Client and intended users of the appraisal review:* David L. Roberts, SR/WA, of the City of Los Angeles General Services Department is the client for this review; he and other members of the City of Los Angeles, General Services Department are the intended users of this review.
- *Purpose of the appraisal:* To determine fair market value of the properties.
- *Intended use of the appraisal:* To assist the client in negotiating the acquisition of the properties.
- *Purpose of the appraisal review:* To ensure that the report is in compliance with USPAP and that the fair market value conclusion is reasonable.

- *Work under review:* The work under review is the appraisal report completed by Gary Valentine, MAI, AI-GRS, SR/WA, CCIM of Valentine Appraisal & Associates (hereinafter "the Valentine Appraisal report"). The subject properties of the Valentine Appraisal report are:
    - A 166,780-square foot site improved with a single-story concrete tilt-up industrial building containing 119,988 square feet, built in 1956. The street address is 740 East 111th Place, Los Angeles. The property is also identified as Los Angeles County Assessor's Parcel No. 6071-022-009. The land is zoned M1-1, Light Manufacturing.
    - A 64,658-square foot site improved with a single story industrial building of metal construction containing 32,000 square feet, built in 1957. The street address is 800 East 111th Place, Los Angeles. The property is also identified as Los Angeles County Assessor's Parcel No. 6071-022-013. The land is zoned M1-1, Light Manufacturing.
- *Type and definition of value:* The appraisal under review uses fair market value as defined in the California Code of Civil Procedure, section 1263.320.
- *Interest appraised:* Fee simple interest.
- The date of the Valentine Appraisal report is May 26, 2019 and the effective date of value of the report is May 8, 2019. The highest and best use as improved conclusion is to assemble the two properties, demolish the improvements of 800 East 111th Place and replace the built-out office space of 740 East 111th Place with space for industrial warehouse use. The Valentine Appraisal report provided the following value conclusion:
    - Fair market value of fee simple interest: $23,383,000
- *The real estate which is the subject of the appraisal review:* The subjects of the Valentine Appraisal report are the properties identified as 740 and 800 East 111th Place , Los Angeles, California.
- *Effective date of the appraisal review:* The effective date of value of the appraisal review is May 8, 2019. The date of the appraisal review is June 11, 2019.
- *Summary of the scope of work:* I read the Valentine Appraisal report and performed sufficient analysis to understand the neighborhood location of the subject properties and the comparable data used in the Valentine Appraisal report. I reviewed published appraisal standards including the Uniform Standards of Professional Appraisal Practice; and considered the application of generally accepted appraisal procedures to the report. I reviewed the appraisal for arithmetical accuracy and internal consistency. I independently gathered comparable data relevant to the subject properties as of the date of value identified

in the Valentine Appraisal report, developed an opinion of fair market value, and prepared this report.

- *Use of the real estate as of the date of value:* As of the date of value APN 6071-022-009 was 100% occupied by a single tenant on a month-to-month basis at a rental rate of $0.35 triple net monthly per square foot of building area. As of the date of value the 32,000 square foot industrial building on APN 6071-022-013 was used for storage, with the office portion unoccupied.
- *Extraordinary assumptions of the appraisal:* Use of the extraordinary assumptions listed below may affect the assignment results. The appraisal of each property is subject to the following extraordinary assumptions:
    - The soil is clean without contamination.
    - The title is not clouded and is marketable.
    - There are no adverse conditions affecting the values of the properties.
    - The assemblage of the subject parcels is legally permissible.
- *Hypothetical condition(s) of the appraisal:*
    - The appraisal is subject to no hypothetical conditions.
- *Extraordinary assumptions of the review:* Use of the extraordinary assumptions listed below may affect the assignment results.
    - The review appraiser made no independent investigations regarding matters of title. Therefore, unless otherwise noted, the analyses, opinions, and conclusions set forth in this review appraisal are predicated on the assumption that title to the property is good and marketable and that the property is free and clear of any liens, easements or encumbrances.
- *Hypothetical condition(s) of the review:* None.

Compliance with USPAP

The appraisal report was found to be compliant with the Uniform Standards of Professional Appraisal Practice. Specifically, the appraiser adequately addressed the following issues in the report:

- Clearly and accurately set forth the appraisal in a manner that is not misleading.
- Contained sufficient information to enable the intended users to understand the report properly.

- Clearly and accurately disclosed any extraordinary assumption, hypothetical condition, or limiting condition that directly affects the appraisal and indicate its impact on value.
- Identified the client and any intended users, identified the intended use of the appraisal and identified the purpose of the assignment.
- Identified the location and physical, legal and economic attributes of the subject property.
- Identified the real property interest appraised.
- Identified the definition of value and its source.
- Identified the date of valuation and the date of the report.
- Described sufficient information to disclose the scope of work used to develop the appraisal.
- Described the information analyzed, the appraisal procedures followed, and the reasoning that supported the analyses, opinions and conclusions.
- Identified the use of the real estate as of the date of value and the use of the real estate reflected in the appraisal. Described and supported the appraiser's opinion of the highest and best use of the real estate.
- Identified and analyzed, to the extent relevant, the effect on value of trade fixtures that are not real property but are described in the appraisal.
- Identified any known easements, restrictions, or encumbrances.
- Described the improvements in a manner that is consistent with the observations of the review appraiser.
- Identified and analyzed any available current Agreement of Sale, option or listing of the property.
- Identified and analyzed any prior sales of the property that occurred within three years of the date of value.
- Adequately analyzed land sale comparable data as are available to estimate a land value conclusion.
- Adequately analyzed improved sale comparable data as are available to estimate a value conclusion.
- Adequately analyzed comparable rental data and/or potential earning capacity of the property to estimate the gross potential income of the property.

- Adequately analyzed comparable operating expense data as are available to estimate the operating expenses of the property.
- Adequately analyzed comparable data as are available to estimate capitalization rates.
- Adequately based projections of future income potential and expenses on reasonably clear and appropriate evidence.
- Reconciled the applicability of the valuation approaches used, and reconciled the quality and quantity of data presented and analyzed.
- Completed a report that does not contain numerous and/or significant arithmetic errors that materially affect the analysis or conclusions.
- Identified and supported an estimate of exposure time applicable to the property.
- Included a signed certification that stated that the appraiser had no present or prospective interest in the property and completed the report in compliance with USPAP.

Reviewer's Market Value Conclusion

Based on my review of the Valentine Appraisal report, independently-sourced comparable data, and analysis the Valentine Appraisal report market value opinion lies within the range of fair market value I concluded. It is my opinion that the following Valentine Appraisal report's fair market value conclusion is:

- Fair market value of fee simple interest: $23,383,000

The reader is referred to the attached Certification that is a part of this report. I appreciate the opportunity to be of service to you in this review assignment. If you have any questions or comments concerning the attached report, or the work file, please do not hesitate to call.

Respectfully submitted,

Integra Realty Resources – Los Angeles

Wm Larsen

William Larsen, SR/WA
Director
Certified General Real Estate Appraiser
California Certificate No. AG014297

Enclosures: Certification
General Assumptions and Limiting Conditions
Professional Qualifications of William Larsen, SR/WA