



Ventura Appraisal Consulting Corporation

December 2, 2013

Mr. Sudhir Pardiwala, PE
Executive Vice President
Raftelis Financial Consultants, Inc.
201 S. Lake Avenue, Suite 301
Pasadena, CA 91101

Re: City of Ventura
Water and Sewer Rights of Way
Supplemental Report

Dear Mr. Pardiwala:

I understand that the Water Rates Advisory Committee of the City of Ventura had an additional question regarding our November 19th report on the fair rental values of the use of public rights of way by the two city enterprise districts- the city water system and the city sewer system. The question posed was: How did this firm arrive at its fair use valuation analyses?

Keep in mind that there is no market for easements and rental of public rights of way. It is necessary to consider an approach to fair use rental value which is rational, reasonable and supportable. That is what this firm did.

The streets in Ventura have been in place for many decades. They are not being acquired today. Further, under both the State Subdivision Map Act and the subdivision policies of the City of Ventura, the City does not acquire and build new streets unless it is under particular circumstances. Further, any new development within the city limits, it is the City's requirements that the developer must improve and dedicate all public streets to the City. Thereafter, the City uses its allocation of gas taxes and other income such as franchise fees to maintain, repair and/or replace all city streets.

If the City were acquiring these rights of way through currently zoned and developed land within the city limits today, the prices that would be very high. Zoned and developed vacant parcels vary in price based on their highest and best use. For example; developed **residentially zoned** vacant land would generally be in the market value range of **\$20-\$30 per square foot (\$871,000-\$1,310,000 per acre)**; developed, **vacant commercially zoned** property would probably fall within a range of **\$18-\$30 per square foot (\$734,000 - \$1,310,000 per acre)**; and vacant, **industrially zoned** and developed land would likely be **\$9-\$15 per square foot (\$392,000 - \$654,000 per acre)**. The many miles of public streets extend through a multitude of different types of properties such as residential, commercial and industrial. The

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“across the fence” valuation approach to valuing streets is not considered appropriate as it is used when dealing with abandonment of railroad rights of way.

Of course, none of the streets are zoned or valued on the above basis unless they are being widened at which point the adjacent land use would establish the value of the street widening portion. Instead, what this firm did to arrive at the value of streets is similar to the formula which the City of Ventura Quimby Act ordinance requires for in lieu park dedication fees for new developments in the city. The value of the property is determined at a particular point along the development continuum after City approval of a tentative tract map but before actual development and approval of the final tract map. Based on that analysis, this firm concluded that the value of the street rights of way is \$5.00 per square foot or approximately \$218,000 per acre. That was the underlying basis of our further calculation of fair use value which was predicated on a reasonable rental rate on the size of the “easements” necessary for the pipelines for both the sewer and water systems. These pipelines are precluded from sharing the same easement according to law and therefore, we considered both systems separately.

If you have any further questions, or if it would be helpful to speak directly with the Water Rates Advisory Committee at their next meeting on December 11, I would be available to do so.

Sincerely yours,
VENTURA APPRAISAL
CONSULTING CORPORATION



Lindsay F. Nielson, SCREA
President

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