

FAIR USE VALUE REPORT

For the

CITY OF VENTURA

**Water and Sewer Rights of Way
In Ventura Public Streets**

Ventura, California



November 19, 2013

Prepared For:

**Sudhir Pardiwala, PE
Raftelis Financial Consultants, Inc.
Pasadena, California**

Ventura Appraisal Consulting Corporation



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November 19, 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
Determination of Fair Use Values
Water and Sewer Rights of Way

Dear Mr. Pardiwala:

This firm has been retained by your financial consulting firm to undertake an analysis of certain rights of way utilized by the Ventura water and sewer systems in public streets throughout the city of Ventura. This is to assist in determination of the reasonable and supportable use costs that would be attributable to these two public utilities which are considered separate enterprise entities by the City of Ventura.

As part of our investigation we have consulted with Shana Epstein, the manager of the Water and Sewer Departments and with Joe McDermott PE, Division Manager and Principal Engineer of the Capital Improvements Design and Land Development Engineering Department of the City of Ventura. We have consulted the City's General Plan and other resource documents from the city. Certain calculations for the repair, replacement and maintenance of public streets in the city have also been reviewed.

Valuation Analysis and Problem:

This study is separated between the water system and the sewer system which, by law, use separate rights of way. These two pipeline systems are required to be separated by 10' either horizontally or vertically. The pipelines can not share the same rights of way. As a result, each system will be valued independently.

This firm has been provided the total length of both systems in lineal feet. We have, based on over 45 years of appraising numerous pipeline rights of way, determined that the appropriate width of easements for buried pipelines is five feet (5'). This allows for the width of the trench plus adequate excess area to allow necessary service equipment. It is then a simple calculation to determine the total area and, consequently, the value of the easements utilized .

In addition to the calculation of the value of easements rights within city streets, calculation of the reasonable assessment of the contributory allocation by these two utilities to the repair, maintenance and replacement of the city streets was made. This analysis was prepared by the City's engineering department but was supplemented by input from this firm to come to a contributory valuation for the street component of the overall calculation of reasonable rental for use of public streets within the city. The final conclusion would be the fair use value for the utilization of public streets by these two public utilities.

Water System:

According to the Ventura Utility Atlas there are 380 miles of main water lines and 114 miles of lateral pipelines for a total of 494 miles of buried water pipelines in public streets. This calculates to 2,608,320 lineal feet. Utilizing a 5' width as the reasonable width for these water pipeline easements, the total surface area of the entire water distribution system is 13,041,600 square feet or 299.4 acres.

In order to compute a value for the pipeline easements, this firm has considered the value of the easement predicated on equating the street values as though they were part of undeveloped lands that have had tentative track approval but without the actual offsite street improvements constructed. This is the same formula that the City of Ventura uses when determining the developer's contribution under its Quimby fee analysis. Street rights of way are donated to the City as a condition of approval. It is this firm's opinion, based on our numerous appraisals both for development and Quimby fee calculations that the fee value of streets, in their as is state with only tentative tract approvals under the Subdivision Map Act, is \$5.00 per square foot (\$218,600 per acre). Further, the value of an underground buried pipeline easement is generally considered to be 10% of fee value.

This valuation analysis for water system pipeline easements can be shown as follows:

- 1) 13,041,600 sq. ft. @ \$5.00/ sq.ft. = **\$65,208,000 for the fee value of the total easement area**
- 2) \$65,208,000 @ 10% of fee value = **\$6,520,800 for the fair market value of the water pipeline easements**

To determine the fair rental value attributable to the above value calculation of the water pipeline easements, this firm is relying on the fair market rates of return for vacant land in the Ventura area which have ranged from approximately 5% to 8% per annum. For this study, we are using a 5% per annum for the rate of return that the City could reasonably expect as proposed pipeline easement the total area of the easement is 10,929,600 square feet or 250.9 acres. Three feet is necessary for the actual trench in which the pipeline is laid, but the five foot wide easement allows a small additional area on either side of the trench for access for equipment.

Utilizing the same analysis that this firm used above for the water system, that is, \$5.00 per square foot for the value of the street in its tentative tract approval condition similar to the Quimby fee valuation process, the following valuation of the sewer easement can be made;

- 1) 10,929,600 square feet @ \$5.00 per sq.ft. = **\$54,648,000 fee value of easement area**
- 2) \$54,648,000 @ 10% of fee value = **\$5,464,800 fair market value of the sewer pipeline easement**

To determine the fair rental value of the easement area for the sewer system, this firm will utilize the same 5% rate of return that was used for the water utility analysis above. This results in the following calculation for annual fair rental value of these easements;

\$5,464,800 fair market value of easements @ 5% per annum = \$273,500 (r) annual rental for use of easements in public streets for the sewer system facilities.

The second aspect of the sewer easements in the city streets is the necessity for contribution for the repairs, maintenance and replacement for use of the public streets. Once again this firm is relying on the analysis provided by the City engineer, however, we are utilizing the width of 5' for the sewer easements. In addition, the City's engineering staff has determined that due to higher standards and deeper depths of the sewer system, the costs of repaving the streets runs slightly higher than water pipeline repairs.

Based on the length of the sewer pipelines, but utilizing the same standards for street replacement and width of streets, the proportionate costs for pavement replacement of the main sewer lines is determined to be: main lines - **\$236,700 per year**; for lateral lines - **\$25,700 per year** and street repairs for estimated 15 street cuts a year for repairs and replacement of sewer lines or **\$2,250 per year**.

This totals **\$264,500** for the contributory value to street pavement replacement and/or repairs attributable to the sewer system. The total annual fair rental value for the Ventura Sewer system for use of the public streets rights of way is:

FIVE HUNDRED THIRTY EIGHT THOUSAND DOLLARS

(\$538,000 per annum rental)

In summary, it is this firm's opinion that the fair use and rental value for each of the following utilities for use of the City of Ventura's streets is:

Water System - \$550,500 per year

Sewer System - \$538,000 per year

It must be noted that this is not a complete real estate appraisal but is an economic study of an appropriate basis for the use of public streets by these two utilities. It is an analysis that is suited to the needs of the client for purposes of a reasonable basis for adjustment for the use of public streets.

If, after review of this report, you wish to discuss it in more detail, we would be available to do so. Thank you for this opportunity to be of service to the City of Ventura once again.

Sincerely yours,

VENTURA APPRAISAL
CONSULTING CORPORATION

Lindsay F. Nielson, SCREA
President

William U. Arnold, SCREA
Appraiser

LFN/WUA:me

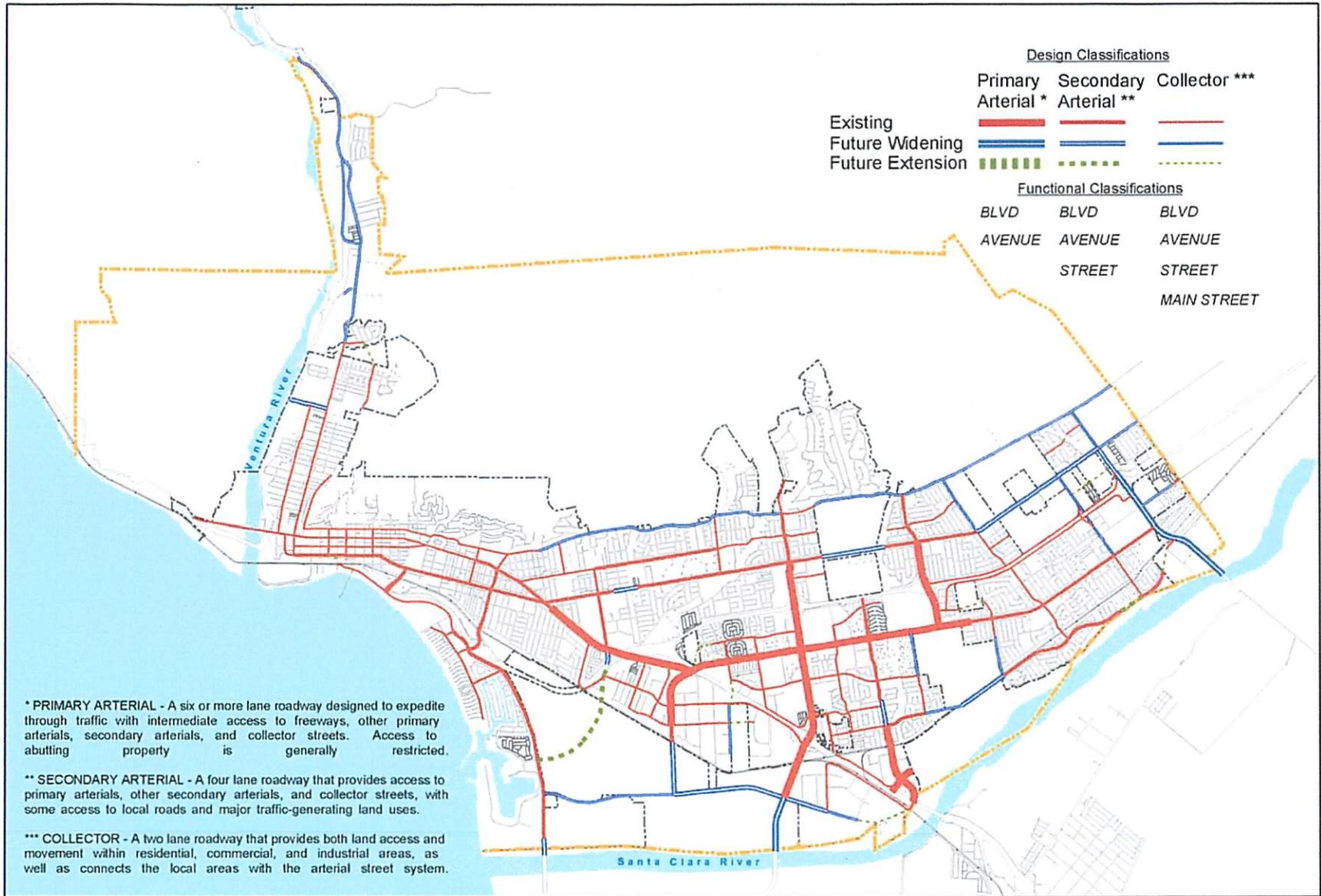


Figure 4-3
Roadway Classification Plan

- - - City Limits
- - - Planning Boundary

Note: Future extensions shown are conceptual in nature, unless a specific alignment has been approved by the City Council.



Ventura Appraisal Consulting Corporation

LINDSAY F. NIELSON, B.A., J.D. **Appraisal Qualifications**

Born 1940 in Manila, Philippine Islands. Raised in Palm Springs, California. Attended University of Redlands and UCLA, graduating with Honors in 1962. Earned Certificate in Real Estate from UCLA Extension in 1966 with area of concentration in Real Estate Appraising. Awarded Juris Doctor law degree in July 1975. State of California- General Appraisal Certification #AG0 22318.

Hired by Financial Savings and Loan Association, Culver City, as a staff appraiser in 1963. Appraisal work was primarily single family and multiple-residential properties.

Employed by Hoffman, Vance and Worthington, Land Management, Ventura, 1965, where in addition to appraisal duties, responsibilities included management and leasing of major agricultural, commercial and residential properties, including the development of a shopping center in Ventura.

Formed own Appraisal and Real Estate Consulting firm in 1972.
Incorporated business as Ventura Appraisal Consulting Corporation in 1975.

Formed Real Estate Arbitration Mediation Services, a company for resolution of real estate disputes.

Member of California State Bar since 1975. Acted as a Court appointed Receiver and/or Referee regarding real estate matters in over 450 cases.

Special Education Courses Relative to Appraisal Profession:

Principles of Real Estate Appraisal
Advanced Real Estate Appraisal
Real Estate Investment Analysis
Real Estate Finance
Real Estate Appraisal for Investment Purposes
Legal Aspects of Real Estate
Real Estate Finance - Advanced
Income Tax Factors of Real Estate Investment
Condemnation Appraising and Eminent Domain
Ethics and Practice of Real Estate Appraising
Earned Juris Doctor law degree in 1975 - Ventura College of Law
Completed Certificate Program - Pepperdine University Law School Institute of Arbitration and Mediation

1.



Ventura Appraisal Consulting Corporation

Have attended educational seminars of the International Right of Way Association and the American Institute of Real Estate Appraisers and Society of Real Estate Appraisers. Attended numerous courses on real estate law. Have been an Instructor in real estate appraisal, law and practice at Ventura College of Law, Ventura Community College and Ventura Unified School District Adult Education. Lifetime Teaching Credential, State of California Community Colleges.

Types of Appraisals Made:

Residential - single-family units and multiple-dwelling units, recreational properties, special use properties including cemeteries, lakes, mining properties, debris basins, dams

Commercial and investment properties

Ranches - pasture lands, croplands, orchard properties- citrus, olives, pistachios

Eminent Domain - pipelines, electrical transmission lines, public roads, tunnel easements, freeways, flood control improvements, drainage channels, school and park sites, sewer easements, redevelopment projects and development rights.

Miscellaneous - lumber yards and industrial lands, industrial feasibility study, service station sites and gravel properties, estate appraisals, tax allocations, outdoor advertising billboards, cemeteries, unique valuation problems, minority interests, real estate fraud, casualty losses, leaseholds and property tax appeals. Have testified as an expert witness in state and Federal courts.

Appraisals Made in the Following Counties & States:

Ventura, Los Angeles, Santa Barbara, Kern, San Benito, San Luis Obispo, Riverside, Fresno, San Bernardino, Tulare, Monterey, Alameda, Madera and Stanislaus, California.

Appraisal assignments include assignments in the states of Florida, Idaho, Nevada and Hawaii.

Partial List Of Appraisal Clients:

Standard Oil Company, Bugle Boy Industries, Ojai Valley Inn, Kinko's Corporation, Insurance Company of North America, Kaiser-Aetna, Southern California Edison Company, Cal-Mat Company, Cities of Ventura, Oxnard, Thousand Oaks, Simi Valley, Fillmore, Santa Barbara, Camarillo and Ojai, County of Ventura, Ventura County Flood Control District, Bank of America, Bank of A. Levy, Crocker Bank, Texaco, Limoneira Company, 3-M National Advertising, Ventura, Ojai and Oxnard Redevelopment Agencies, Valley Oaks School District, Timber School District, Ventura Unified School District, Conejo Park and Recreation District, REIT of California, Ventura Port District, US Corps of Engineers, US Department of Justice, US Department of Air Force and many attorneys and landowners in the Ventura and Southern California area and others.

Civic and Professional Organizations:

Member, International Right of Way Association
Former Director, Society of Real Estate Appraisers, Chapter 180
Former Commissioner, Ventura Redevelopment Agency
Former Commissioner, Ventura Housing Authority



Ventura Appraisal Consulting Corporation

Member, 1972 Ventura County Grand Jury (Chairman of Fiscal and Audit Committee)
Member, Urban Land Institute
Member, National Association of Housing Redevelopment Officials (NAHRO)
Member and Panelist, American Arbitration Association
Member, Tax Assessment Appeals Board, County of Ventura (1974-1976)
Ventura County Assessment Hearing Officer (1976-1978)
Member of Adjunct Faculty, Ventura College of Law Instructor - Real Property; Property Transactions
Part-time Faculty Member, Ventura Community College Instructor - Real Estate Principals
Member, California Receiver's Forum

President and Director of Ventura County Taxpayer's Association (1992)
President, Turning Point Foundation (Mental Health Assistance)
Interim President, Weiss Global Corporation per Court order 1993
President of Farmont Corporation (2000 Acre Development in Ojai)
President, Shiells Ranch Co.
President of Rancho Matilija Mutual Water Company
President of Ventura Appraisal Consulting Corporation

Directorships; Faria Family Foundation, Community Hospital Foundation, VJF Ranch Co. and Director and Corporate Council for Center for Internee Rights - a Human Rights Organization concerned about the rights of Civilian Prisoners of War in World War II. Director of Legacy Corporation (Parent Corporation of Ventura/Santa Barbara Colleges of Law) and currently Trustee of Ventura and Santa Barbara Colleges of Law

Qualified as Expert Witness in Superior Court, State of California
Qualified as Expert Witness in Federal District Court
Qualified as Expert Witness in Bankruptcy Court
Qualified as Expert Witness in United States Tax Court
Qualified as General Services Administration (Federal) Appraiser
Court Appointed Referee and Receiver in over 400 business and real estate matters for Superior Court, Ventura County including the following: Ahmanson Corporation where I completed the development of a 108 lot subdivision in Simi Valley; Boy's Market where I operated a market for one year pending litigation; FDIC for major land developments taken over from defunct banks; CCF and Equivest Investments where we disposed of approximately 15 properties throughout California pursuant to Court Order; appointed Trustee for numerous trusts per Superior Court Order; and, disposed of approximately \$300,000,000 worth of real estate pursuant to Court Order. Operated numerous business pendente lite as a receiver.
Judge Pro Tempore, Ventura County Superior Court for over 20 years
Appointed Member, "Blue Ribbon Commission"-1992- to establish Ventura County Supervisor's and elected officials compensation rates and benefits.
Appointed Member, Ventura County Commission regarding Excess County-Owned Real Estate
Founding Member "The Great Ventura Philosophical and Chowder Society"
Automobile Club of Southern California – Former member of Advisory Board Representing Ventura County (2001-2008)

3.



Ventura Appraisal Consulting Corporation

Appointed as the Citizen Member of the Ventura County Treasury Oversight Committee overseeing County of Ventura's \$2 billion investment portfolio

Articles and Cases Published:

"Windbreak Condemnations - An Approach to Value" - February, 1970 - California Citrograph

Ventura County Flood Control vs. Security Pacific Bank, 15 Cal.App.3d 996

This was a condemnation action involving the capitalization of future earnings to determine severance damages which previously had been disallowed by California Courts.

Estate of Elizabeth G. Hughan, Deceased vs. Commissioner, United States Tax Court (Docket #23221-88.) T.C. Memo 1991-275 (filed June 17, 1991) Case reported in CCH Dec 47,413(M) - This case involved Special Use Valuation for farm land located adjoining a metropolitan area. It considered the impact on valuation by the spillover effect of Los Angeles County on Ventura County's agricultural lands.

"This Land is Your Land- No More" published in the International Right of Way Journal, (June 2008) critical of the U.S. Supreme Court decision in the Kelo case dealing with eminent domain law and the "Takings" clause in the 5th Amendment to the U.S. Constitution.

(4/30/12)

Ventura Appraisal Consulting Corporation

WILLIAM U. ARNOLD, JR.

Appraisal Qualifications

Born 1948 in Ventura, California.

Attended San Diego State University, graduating in 1974.

Hired by the firm of Hoffman, Vance and Worthington in 1974. Responsibilities included management and leasing of an 8-acre shopping center, consisting of approximately 20,000 sq. ft. of office space and 50,000 sq. ft. of commercial space. Duties also included management and leasing of 10,000 acres of agricultural land in Ventura County. Appraisal duties involved primarily the valuation of agricultural, industrial and commercial properties in Ventura County.

In 1980 started William Arnold & Associates. At the same time became affiliated with Ventura Appraisal Consulting Corporation. William Arnold & Associates is an appraisal, management and real estate firm. Primary emphasis is on real estate appraisal. Appraisals include industrial, commercial, agricultural and residential assignments.

In 1998 awarded General Accredited Appraiser (GAA) designation by the National Association of Realtors Appraisal Section.

Special Educational Courses Relative to Appraisal Profession:

- Principle and Practices of Real Estate
- Real Estate Finance
- Real Estate Appraisal
- Real Estate Appraisal, Advanced
- Legal Aspects of Real Estate
- California and Federal Income and Estate Taxes Affecting Real Estate
- Society of Real Estate Appraisers Courses 101, R2 & 201
- Have attended educational seminars of the American Society of Farm Managers and Rural Appraisers, and the Society of Real Estate Appraisers.

Qualified Expert Witness * Superior Court * Ventura County * State of California

Qualified Expert Witness * Federal Bankruptcy Court

Certified General Real Estate Appraiser * Number AG010037 * State of California

Licensed Real Estate Broker * Number 00619009 * State of California

Member - National Association of Realtors - Appraisal Section and Realtor

Member - California Association of Realtors & Ventura County Coastal Association of Realtors