

BOARD OF REGENTS  
BRIEFING PAPER

**Agenda Item Title: Acquisition of Real Property (a Tri-plex) Located  
at 160, 170, and 172 E. 9<sup>th</sup> Street, Reno**

**BACKGROUND & POLICY CONTEXT OF ISSUE:**

**Location of Property:** 160, 170, and 172 E. 9<sup>th</sup> Street, near the main entrance to the University (see Exhibits 1 and 2).

**Zoning:** Multi-family with a maximum density of 30 units per acre.

**Property Description:** The lot is approximately 4,900 square feet or .11 acre. The existing structure, built in 1953, contains approximately 2,183 square feet. The structure is a tri-plex residential building, with three, one bedroom, one bathroom units (see Exhibit 3).

**Appraised Value:** The property's current market value, as determined by the comparison sales approach, is \$450,000 (see Exhibits 4a and 4b).

**Other:** No mineral or water rights are associated with this property.

**Intended Use:** Rental property. The property has been well maintained and is currently rented to stable tenants, so the status quo will be maintained.

**SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

Requesting Board of Regents approval to purchase real property (a tri-plex) located at 160, 170 and 172 E. 9<sup>th</sup> Street, Reno at the appraised value of \$450,000.

**IMPETUS (WHY NOW?):**

Property is available now.

Property is directly across from the main entrance to the University and within the Campus Master Plan.

Property is on the high priority property acquisition list.

**BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- Seller motivated.
- Property is offered at appraised value.
- Property is within the Campus Master Plan.
- Acquisition is consistent with the University's Strategic Plan and Campus Master Plan.

**POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

Requires expenditure of Property Acquisition Account funds.

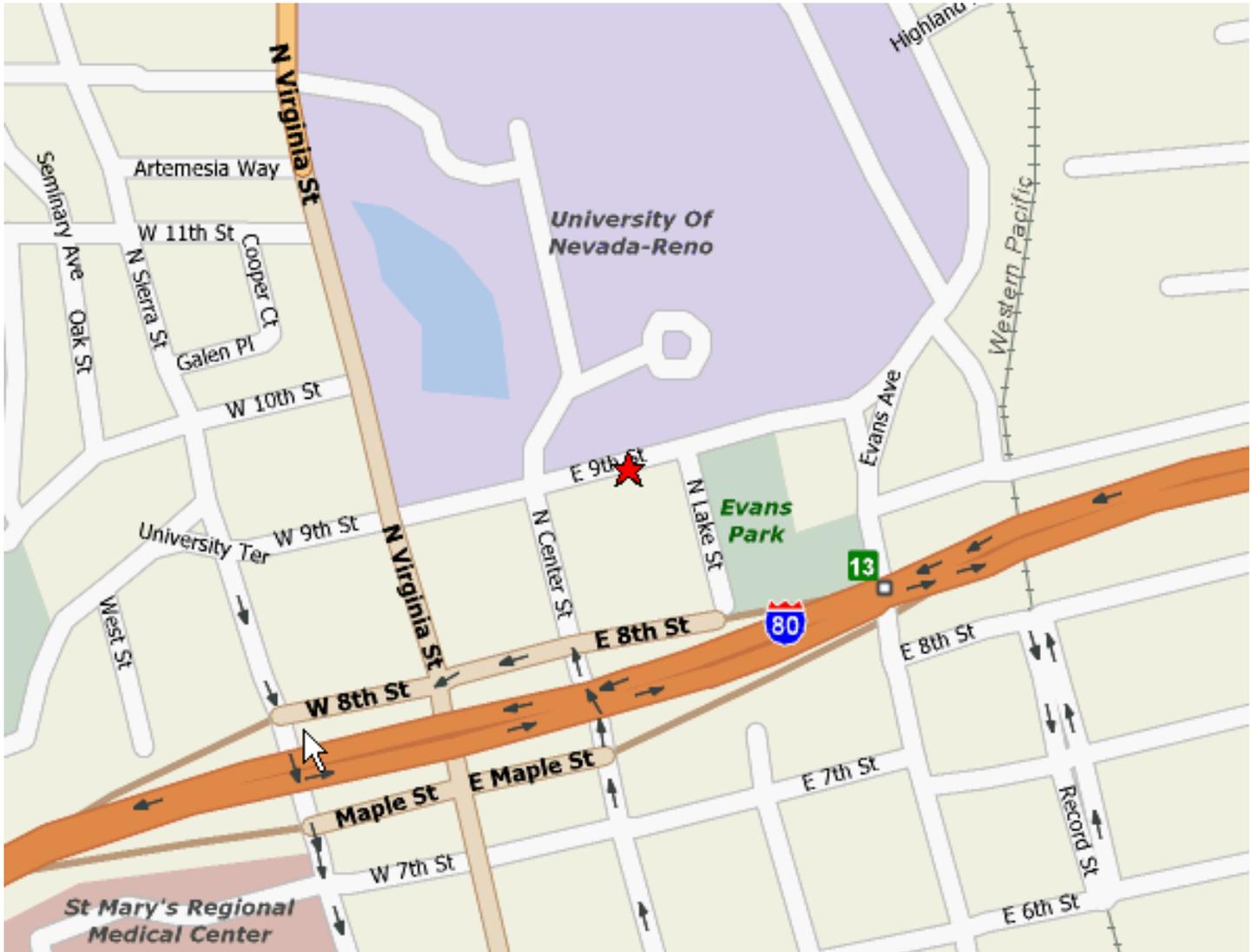
**ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

Pass on this opportunity to acquire the property and purchase it at a future date for an even higher price.

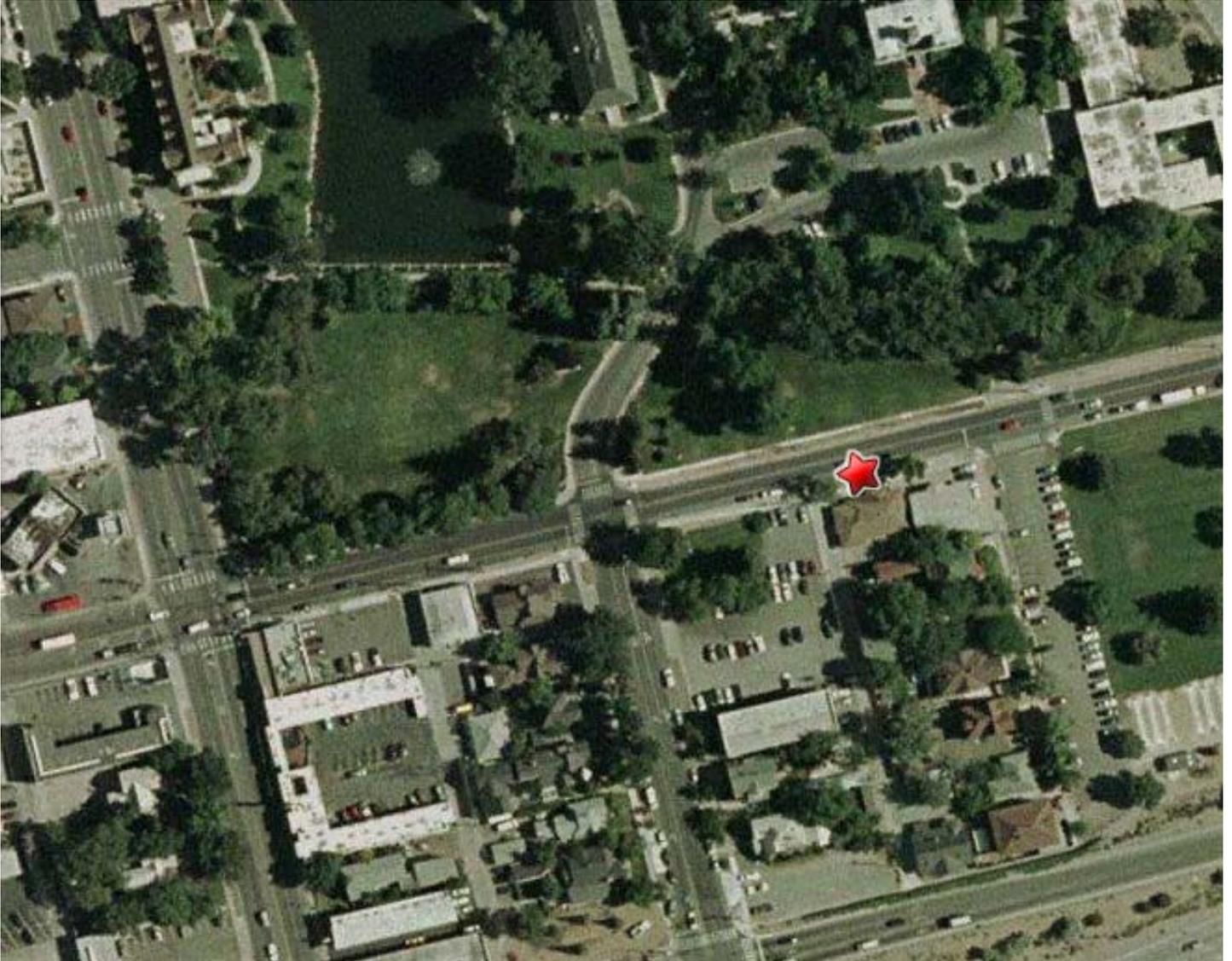
**COMPLIANCE WITH BOARD POLICY:**

- X Consistent With Current Board Policy: Title # 4 Chapter # 10 Section # 1.9
- Amends Current Board Policy: Title # \_\_\_\_\_ Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
- Amends Current Procedures & Guidelines Manual: Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
- X Other: Procedures & Guidelines Manual, Chapter 5, Section 3 Preparation and Approval of NSHE Contracts and NRS 278.480.
- X Fiscal Impact: Yes  No \_\_\_\_\_  
Explain: Expenditure of \$450,000 from property acquisition account.

Exhibit 1



**Exhibit 2**



**SUBJECT PHOTOGRAPHS**



**Front View of Tri-Plex, Looking Southerly**



**Rear View, Looking Northeasterly**



**Side View, Looking Northeasterly**

**EXECUTIVE SUMMARY  
APPRAISAL 160, 170, AND 172 E. 9<sup>TH</sup> STREET  
RENO, NEVADA**

Appraisal submitted by Carter-Ott Appraisal, Inc.

**Estimated Value:** \$450,000

**Owner of Record:** Solution Concepts Company LLC, a Nevada Limited Liability Company as to an undivided 66 2/3% interest and Keith Quinn Kellison, Trustee of the Keith Quinn Kellison Trust dated the 20th day of March 2000, and any amendments thereto, as to an undivided 33 1/3% interest.

**Land Area:** 4,900 square feet or .11 acre

**Interest Appraised:** Fee Simple

**Zoning:** Multi-family with a maximum density of 30 units per acre, lying within the City of Reno's designated "West University Neighborhood Planning Overlay District" or WUNP.

**Improvements:** A 2,183 + sq. ft. Tri-plex, residential building with three, one bedroom, one bathroom units. The building was constructed in 1953.

**Quality/Condition:** At the date of inspection, the conditions of the building and site improvements was good. Overall, the units have been well maintained.

**Highest and Best Use:** Current Use

**APPRAISAL REPORT OF**  
**A TRI-PLEX PROPERTY**  
**LOCATED AT**  
**160 EAST 9<sup>TH</sup> STREET**  
**IN RENO, NEVADA**  
**WASHOE COUNTY ASSESSOR'S PARCEL NUMBER**  
**(APN) 007-222-18**  
  
**(Summary Format)**

**Prepared For:**  
  
**BCN Real Estate Office**  
**University of Nevada, Reno**

# ***Carter-Ott Appraisal, Inc.*** ***Real Estate Appraisers and Consultants***

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6170 Ridgeview Court, Suite E • Reno, NV 89519 • (775) 827-4550 • fax (775) 827-4555

December 15, 2006

Ms. Sally Walker Porterfield  
BCN Real Estate Office  
University of Nevada, Reno  
Reno, NV 89557

Re: Appraisal report of multi-family property located at 160 East 9th Street in Reno, Nevada, designated as Washoe County Assessor's Parcel Number (APN) 007-222-18.

Dear Ms. Porterfield:

We have conducted an analysis in the form of a "Summary Appraisal Report" which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summarized discussions of data, reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion of value.

The function and intended use of the appraisal is to provide our opinion of the property's market value for UNR's potential purchase of the property. The intended users of this appraisal are the UNR Real Estate Department and owner of the property.

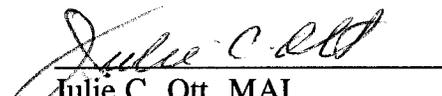
The subject parcel is located directly south of the southern boundary of the "University of Nevada Regional Center Plan," which was adopted in April of 2005. The subject is more specifically located within the City of Reno's "West University Neighborhood Planning Overlay District" and has a multi-family zoning designation.

Given the examination and study made, it is our opinion that as of December 11, 2006, the date of the most recent property visit, the subject property had the following "as is" market value of the fee simple interest:

**FOUR-HUNDRED, FIFTY THOUSAND DOLLARS**  
**\$450,000**



Werner L. Ott  
Certified General Appraiser  
State of Nv, Lic. No. A.0002167-CG  
Expiration: 12/31/2007



Julie C. Ott, MAI  
Certified General Appraiser  
State of Nv, Lic No. A.0000748-CG  
Expiration: 8/31/2008

06-106

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**ADDENDA**

Appraisers' Qualifications  
Limiting Conditions  
Photographs of Building Sales  
Sales Location Map

**SUBJECT PHOTOGRAPHS**



**Front View of Tri-Plex, Looking Southerly**



**Rear View, Looking Northeasterly**



**Side View, Looking Northeasterly**

**SUBJECT PHOTOGRAPHS**



**Typical Interior (Living Room) Finish**



**Typical Bathroom Finish**



**Typical Kitchen Finish**

**SUBJECT PHOTOGRAPHS**



**View, Looking Easterly Along East Ninth Street**



**View, Looking Westerly Along East Ninth Street**

**EXECUTIVE SUMMARY**

**Location:** 160, 170, and 172 East 9th Street  
Reno, Nevada

**Assessor's Parcel Nos.:** 007-222-18  
Washoe County

**Land Area:** 4,900 square feet or .11 acre

**Improvements:** A 2,183 ± sq.ft. Tri-plex, residential building with three, one bedroom, one bathroom units. The building was constructed in 1953.

**Owner of Record:** Solution Concepts Company LLC, a Nevada Limited Liability Company as to an undivided 66 2/3% interest and Keith Quinn Kellison, Trustee of the Keith Quinn Kellison Trust dated the 20<sup>th</sup> day of March 2000, and any amendments thereto, as to an undivided 33 1/3% interest.

**Zoning:** Multi-family with a maximum density of 30 units per acre, lying within the City of Reno's designated "West University Neighborhood Planning Overlay District" or WUNP.

**Highest and Best Use:** Current Use

**Interest Appraised:** Fee Simple

**Purpose of Appraisal:** To estimate the market value of the subject for a potential sale to UNR

**Date of Report:** December 15, 2006

**Market Value Date:** December 11, 2006

**Estimated Value:** \$450,000

**Estimated Exposure Time:** Within 6 months

## PERTINENT DEFINITIONS

**Market Value:** means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1.) Buyer and seller are typically motivated;
- 2.) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- 3.) A reasonable time is allowed for exposure in the open market;
- 4.) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5.) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with sale.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C - Appraisals, 34.42 Definitions [f].)

## PROPERTY RIGHTS APPRAISED

All units are currently rented; however, because rentals are on month-to-month tenancies, the fee simple interest is valued.

**Fee Simple Estate** is defined as:

Absolute ownership unencumbered by any other interest or estate; subject only to the four powers of government.

(Source: *The Dictionary of Real Estate Appraisal*, Appraisal Institute, Fourth Edition - 2002, Page 113.)

## PROPERTY OWNERSHIP, HISTORY AND CURRENT STATUS

The subject property is under the ownership of Solution Concepts Company LLC, a Nevada Limited Liability Company and the Keith Quinn Kellison Trust as noted on page 1. Other than an ownership entity change in 2000, the property has not sold within the last five years.

**SCOPE of Work (Evaluation Development and Reporting Process)**

The scope of this assignment has included the following:

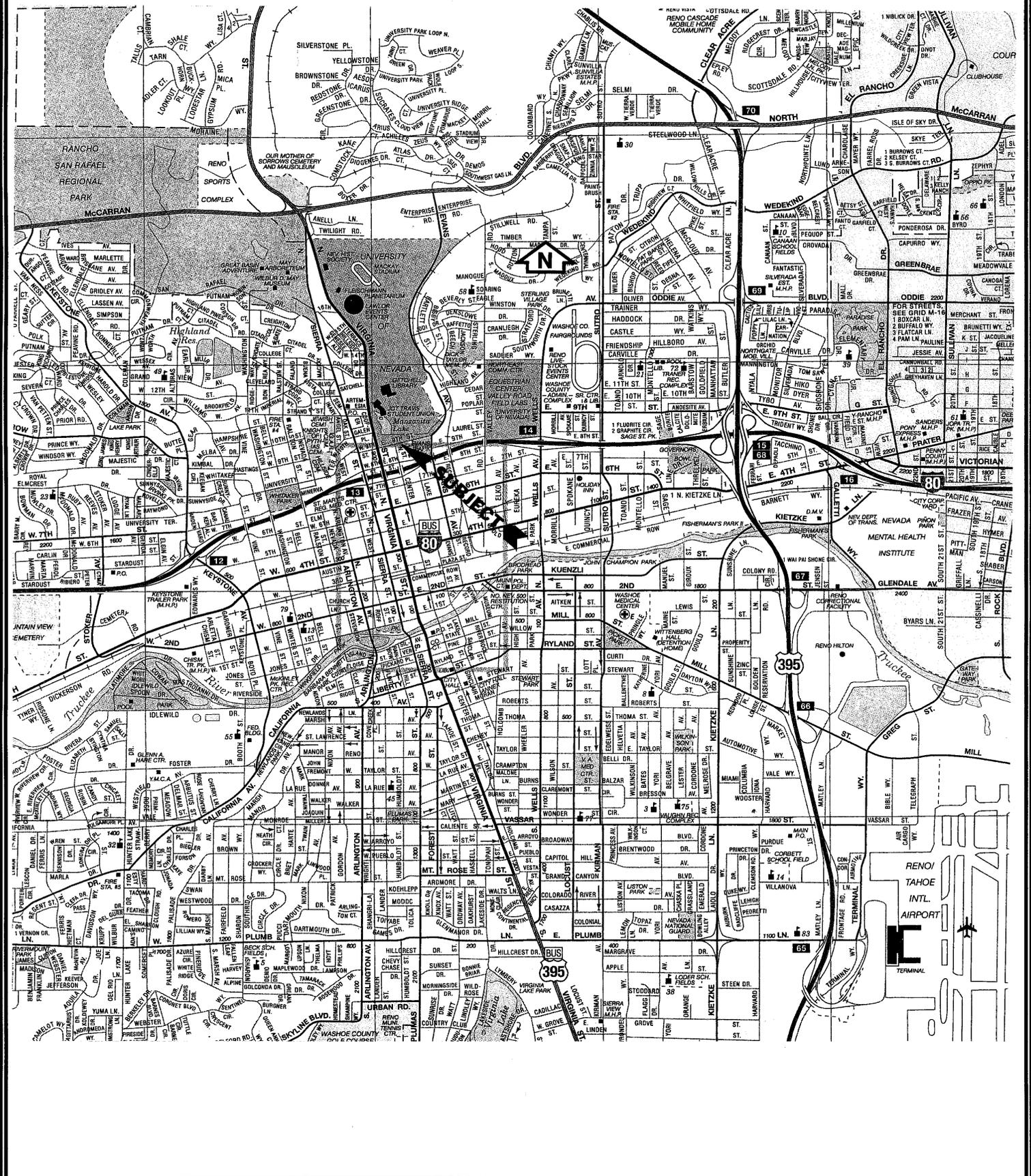
- 1.) An visit to the property on December 11, 2006, accompanied by the owner representative, Mr. Keith Kellison; an inspection and research of the surrounding market area.
- 2.) Interviews with brokers, property owners and managers, as well as relevant public agencies or governing bodies.
- 3.) Research of public records and discussions with individuals in order to find building sales and rentals judged comparable to the subject.
- 4.) The sales comparison approach is used as the primary method for establishing value. The cost approach is not used based on the older age of the building, difficulty in estimating depreciation along with the lack of similarly zoned and sized land sales, given the in-fill nature of the subject location. The income approach is also not used based on the market reliance on the sale comparison approach.

**SPECIAL LIMITING CONDITIONS, EXTRAORDINARY ASSUMPTIONS, AND  
HYPOTHETICAL CONDITIONS**

In addition to the limiting conditions noted in the Addenda, the following limiting conditions are highlighted below:

- 1) No copy of a preliminary title report was received. It is assumed the subject is affected by typical public utility and access easements.
- 2) Per prior agreement with the client, this is a summary report. As such, information is presented in a summarized format with supporting documentation and information found in this appraiser's file. Any reader should be aware that the appraisal is limited to the use by UNR and the property owner for estimating the value and/or negotiating a sales price with between UNR and the property owner. If this appraisal is used for bank or other lending institution, than a direct engagement from the lender and a different report format could likely be required.
- 3) As noted, only one approach to value, considered to be the most applicable, is used, which is the sales comparison approach.
- 4) Any potential buyer should be made aware of the subject's current zoning and should contact City officials for any planned use as well as setback, density and parking requirements.

# Location Map



## PROPERTY DATA

### Location Summary

The subject property is located on the south side of East Ninth Street on the block bound by North Center Street to the west and Lake Street to the east. The subject parcel is located across the street and directly south of the entrance to the UNR campus and Morrill Hall.

The subject is located several blocks from a full interchange to Interstate 80 to the east and west. The subject is located within the down town Reno and University of Reno areas. The subject is surrounded by a mix of uses including the university, multi-family uses, offices, small retail or service stations and larger casino properties which are several blocks south of the subject. However, the biggest influence for the subject neighborhood is the university given the demand for student housing.

The subject parcel is located in the City of Reno's WUNP or West University Neighborhood Planning Overlay District. Some of the allowable uses and zoning will be discussed below.

### Parcel Description and Size

The subject parcel is designated as Washoe County Assessor's Parcel Number 007-222-18. Per the most recent document recorded for the subject, the property is legally described as:

*Commencing at the intersection of the Southerly line of East 9 Street, with the Westerly line of Lake Street; thence, Westerly along said Southerly line of East 9<sup>th</sup> Street, 70 feet to the true point of the beginning; thence Southerly parallel with said Westerly line of Lake Street 70 feet; thence Westerly parallel with said Southerly line of East 9<sup>th</sup> Street, 70 feet to the easterly line of the alley described in Deed to the City of Reno, Page 51, Washoe County, Nevada, records; thence Northerly along the Easterly line of the said alley, 70 feet to said Southerly line of East 9<sup>th</sup> Street, thence Easterly along said Southerly line of East 9<sup>th</sup> Street, 70 feet to the true point of the beginning.*

The parcel is square in shape with approximately 70 feet of frontage on East Ninth Street and a depth of approximately 70 feet. The total area is approximately 4,900 sq. ft. or .11 acre.

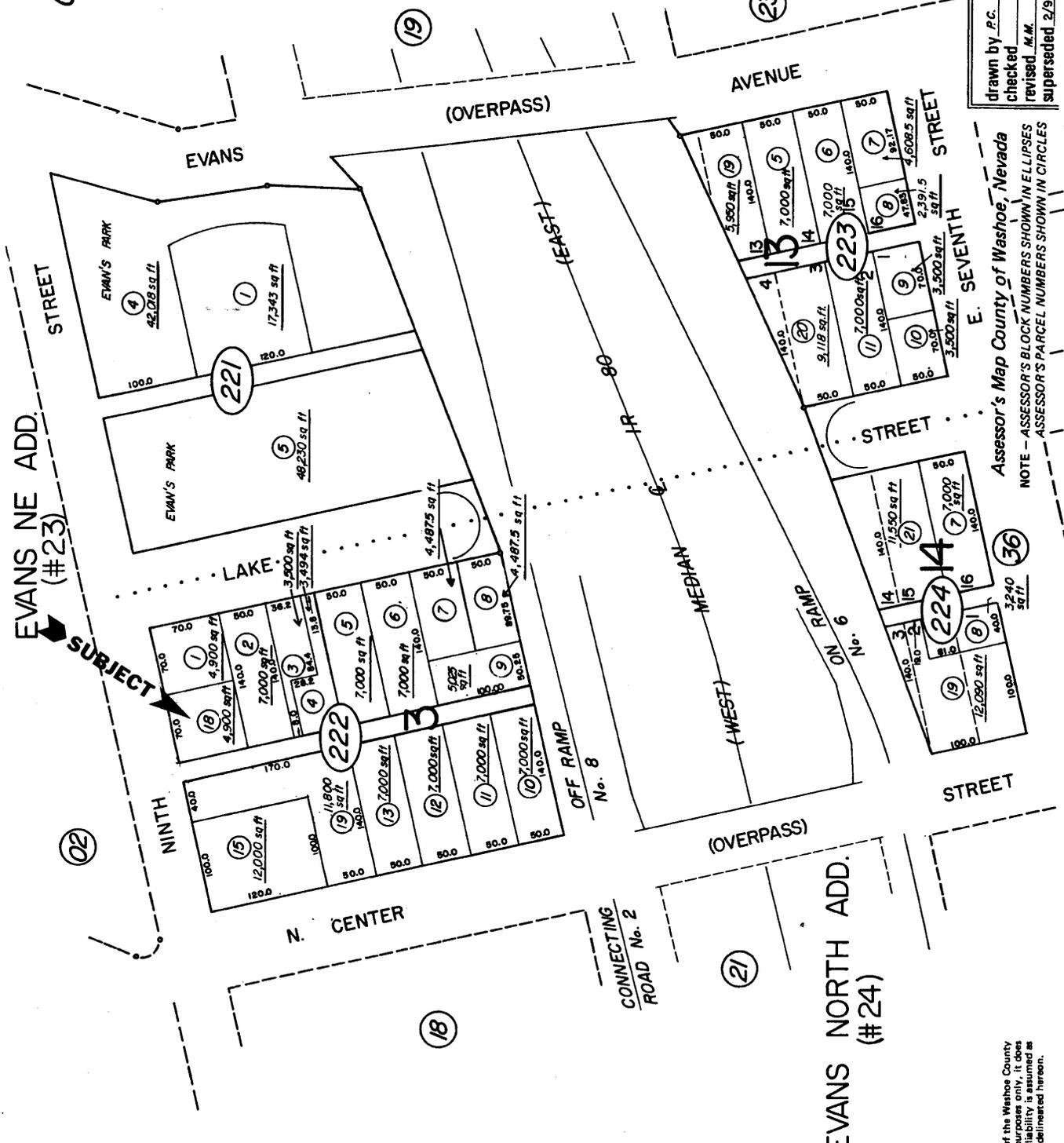
Per FEMA Community panel number 32031C2875E, dated 9/94, the subject parcel is located in flood zone X, unshaded, which is not in a flood area.

# Assessor's Parcel Map

07-22



drawn by P.C. 7/87  
checked  
revised M.M. 2/75 5/85 4/88  
superseded 2/92 6/94



Assessor's Map County of Washoe, Nevada  
NOTE - ASSessor's BLOCK NUMBERS SHOWN IN ELLIPSES  
ASSessor's PARCEL NUMBERS SHOWN IN CIRCLES

NOTE: This Map is prepared for the use of the Washoe County Assessor for Assessment and illustrative purposes only. It does not constitute a survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data delineated hereon.

### **Zoning**

The subject parcel is located within the City of Reno's WNUP West University Neighborhood Planning Overlay District. The subject has a zoning designation of MF-30. This zoning permits multi-family dwellings, single family detached dwellings and single family Attached/Condominium or town house units along with a limited number of light commercial uses. The permitted maximum density is one dwelling unit per 1,450 sq. ft. of lot area with minimum usable open space of 100 sq.ft. per dwelling unit required. The height limitation is 35 feet or a maximum of 3 stories. A site plan review is required for multi-family or "for sale" housing developments if more than 4 units are built. Notwithstanding the above general uses and those specified in the citywide Summary Land Use Tables in Section 18.08.201 of the City of Reno's land use codes, there are several modifications and/or supplemental standards applicable to the West University Neighborhood Plan. These supplemental standards are noted in Section 18.08.198 as item (2). For example, the code specifies that restaurants with alcohol are allowed in the MF30 zoning district on properties fronting Ninth Street. Also, multi-family development in excess of 30 units per acre is allowed in the MF30 zoning district.

### **Parking**

According to City of Reno Zoning Code , required parking for a multi-family complex outside of the immediate down town area is 2 spaces per unit. The subject's rear yard is accessed from the alley to the west. This yard could potentially accommodate four cars, if the cars were parked in tandem. In addition, the owners of the property can purchase parking permits at a minimal fee in order to allow tenant (or owner) parking along East 9<sup>th</sup> and surrounding nearby streets. Given the year when the subject was constructed and more stringent parking codes today, the parking is grand-fathered as legal, but is non-conforming with current zoning.

### **Easements**

It is assumed that subject parcel is affected by typical access and right-of-way easements for power, utilities, and road ways. An alley is situated on the west side of the parcel with access from E. Ninth Street to the north and E. Eighth Street to the south.

### **Utilities**

Utilities that serve the property include: Electricity and Natural Gas - Sierra Pacific Power Company; Water - Truckee Meadows Water Authority; Sewer - City of Reno.

### **Assessment and Taxes**

In Nevada the assessed value is 35% of the Assessor's estimated fair market value. In actual practice, land value is based on the Assessor's estimate of fair market value, and improvement value is based on replacement cost new less 1-1/2% per year for depreciation down to a minimum of 25% of the estimated replacement cost. The tax rate in the area is \$3.6463 per \$100 of assessed valuation.

Washoe County has assessed the land at \$18,985 for a full taxable value of \$54,243 or \$11.07 per sq.ft. of land area. Improvements are assessed at \$11,343 or a full taxable value of \$32,410 equivalent to \$14.84 per sq.ft. of above ground building area. Taxes are \$981.30 and have been paid in full. It is not uncommon that the assessor's appraised value is less than the market value, due to the value methodology used and old age of improvements. In light of the improvements made and increasing land values in the area, it is likely that the assessed values will increase over coming years.

### **Improvements**

The subject property consists of a single story building that is divided into three, almost identical one bedroom, one bathroom units. According to Washoe County Assessor's records, the building was constructed in 1953. The building contains approximately 2,183 sq.ft., with each unit containing about 728 sq.ft.

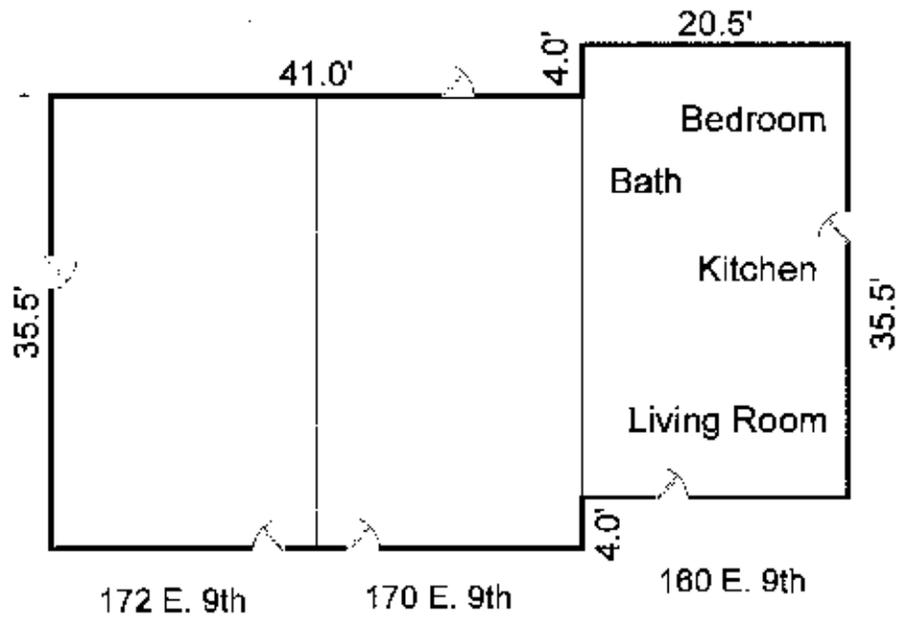
A sketch of the building footprint, based on Washoe County Assessor's data, is shown on the following page.

The building is frame constructed with wood siding and a gabled composition roof. The foundation is concrete with a crawl space. A covered overhang is situated on the front entry to each of the units.

The units typically consist of a living room, a hallway with several closets, a rest room with toilet, sink, and tub/shower combination, bedroom and a kitchen.

Walls are painted sheetrock; floors are hardwood in the living area and bedrooms, with vinyl tile flooring in the kitchens and bath rooms. There are several ceiling mounted incandescent light fixtures.

Tri-plex - All Units 1 bedroom, 1 bathroom



East Ninth St., Reno, NV

The kitchens include wood cabinets and formica counters with dual, stainless steel sinks. There are no dishwashers nor disposals. Each of the units has a separate door (in addition to the front door), accessing the side of rear of each unit.

Each unit has a natural, forced air heating system, and the heating and electricity is individually metered. The units also have window mounted air conditioning units. All windows, are single pane in wood casement frames.

Each rest room has a toilet, sink with built-in cabinet and a tub/shower combination with ceramic tile wainscot.

Site improvements are minimal, consisting of some gravel and dirt in the front yard with very few shrubs. A wood fence separates the subject parcel from the parcel to the immediate south.

**Quality/Condition:** At the date of inspection, the condition of the building and site improvements was good. According to the owner, the roof was overlaid by the previous owner and appeared to be in average condition. Overall, the units have been well maintained.

## HIGHEST AND BEST USE

Highest and best use is defined as:

the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value.

(Source: The Appraisal of Real Estate, Twelfth Edition, Page 305).

The four criteria the highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum productivity.

### **As If Vacant**

The subject is zoned MF30 or multi-family and lies's within the City of Reno's West University Neighborhood Planning Overlay District. As noted, numerous uses are allowed under this zoning which include both residential and some commercial uses. In light of this zoning and location, being across the street from UNR and close proximity to downtown Reno, the highest and best use "as if" vacant is for a development which conforms to this zoning, and one that complements the surrounding area. Thus, the development of a small multi-family or commercial property would be viable assuming all City requirements are met. Alternatively, the assemblage with adjacent parcels allowing more parking for a higher intensive commercial use could be considered viable for the site.

### **As Improved**

The subject property has historically been used as a multi-family residential property. Based on the sales analyzed in the valuation section (to follow), it is apparent that the current multi-family residential use is its highest and best use. The subject property could also be used for some type of supporting university use and/or a use that would be complimentary to the university, given its close proximity. This assumes that any zoning approvals or a change in use would be approved by the City of Reno. Overall, based on the good condition of the subject property, the highest and best use is the current use as the improvements add value to the subject parcel.

## **VALUATION**

### **APPRAISAL PROCESS**

Normally, an appraiser has three methods of estimating the value of a property, which are known as the cost approach, the sales comparison approach, and the income approach.

The three approaches are analyzed as to their credibility for equating this property's value, and the approach that is considered to carry the most weight is the basis of value for this property.

The cost approach considers the value of the vacant land by comparing land sales using the sales comparison approach plus estimated construction costs for the building (new), less depreciation. The sales comparison approach considers market sales of buildings. The income approach is analyzed based on market rents and expenses achievable on the property.

Given the age of the building, land size, and in-fill location, the cost approach is not used nor considered applicable. Furthermore, given the lack of comparable rentals and scope of this appraisal, the income approach is also not utilized. The sales comparison approach is the primary applicable approach to value.

### **SALES COMPARISON APPROACH**

The sales comparison approach is a technique in which the market value estimate is predicated upon prices paid in actual market transactions or current listings, the former fixing the lower limit of value in a static or advancing market (pricewise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit of value in any market.

It is a process of correlation and analysis of similar recently sold properties. The reliability of this technique is dependent upon (a) the degree of comparability of each property with the property under appraisal, (b) the time of the sale, (c) the verification of the sale data, and (d) the absence of unusual conditions affecting the sale.

### **SALES COMPARISON APPROACH**

The sales comparison approach is a technique in which the market value estimate is predicated upon prices paid in actual market transactions or current listings, the former fixing the lower limit of value in a static or advancing market (pricewise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit of value in any market.

It is a process of correlation and analysis of similar recently sold properties. The reliability of this technique is dependent upon a) the degree of comparability of each property with the property under appraisal, b) the time of the sale, c) the verification of the sale data, and d) the absence of unusual conditions affecting the sale.

In order to value the tri-plex building, a portion of a standard uniform residential appraisal report, or Freddie Mac (FHLMC) Form 71B is utilized to compare the comparable sales to the subject building. Three sales and one listing are noted. Photographs and a location map for the sales are included in the addenda.



### **Sales Summary**

Given the lack of tri-plex sales in the immediate vicinity of the subject, it was necessary to use a sale out of the immediate area, a sale with an additional unit and a dated sale. However, a current listing is also included. It is not uncommon to have limited multi-family sales that are similar in design, location, unit type and construction given the size of the Reno / Sparks market, in addition to the owner / investor retainment of such properties.

**Sale No. 1** is located northwest from the subject at 210 West Eleventh Street within close proximity of the University. Although the building consists of four units with a mixture of two studios and two, 1 bedroom, 1 bath units, it is considered as a comparable given its location. The studios are located on the lower level which is built below the ground level, classified as basement from the County Assessor; however, larger windows and full door entries were apparent from an exterior inspection. On a per unit basis, upward adjustments are made for condition and unit type (having 2 studios) when comparing to the subject. Sale No.1 having four units shows the lowest price per unit at \$100,000, which is typical when comparing a larger complex to a smaller property with less units; considering this size differential and basement configuration, an upward adjustment would be required on both a per unit and per sq.ft. basis.

**Sale No. 2** is located on Kirman Avenue, just under 2 miles southeast of the subject and includes a duplex with a smaller single family house. The house, built in 1959 is approximately 800 square feet having 2 bedrooms and 1 bathroom. The duplex building has 1,000 square feet, with each unit having 500 square feet and containing one bedroom and one bathroom. The duplex was built in 1957. Condition was considered similar to the subject, but the inferior location would warrant an upward adjustment, with the detached building design an offsetting factor. Overall, the indicated per unit value of \$148,000 would be comparable to that estimated for the subject.

**Sale No. 3**, 621 N. Center Street, is also located within the subject's neighborhood, approximately 3 blocks south of the university. This tri-plex was built in 1955 having about 2,500 square feet with two, 1 bedroom / 1 bathroom units and one, 2 bedroom / 1 bathroom unit. The brick construction is considered slightly superior to the subject; however, the subject offers a closer proximity to the University. This building has since been removed; however, the purchaser was motivated by the assemblage of several parcels on a single block, and the purchase was based on the multi-family use at the time. Overall a slight downward adjustment would be estimated to compare to the subject because of its larger building and unit sizes and superior construction.

**Listing No. 4** is located southeast of the subject on East Arroyo, an area dominated by multi-family properties. This parcel consists of a duplex and single family residence that is currently listed for sale at \$415,000 and is shown as a pending listing. An upward adjustment would be required for its inferior location; however, a downward adjustment is required for the existence of the garage. In spite of the listing status, overall upward consideration is made due to the location.

Prior to adjustments, the sales ranged from \$183 to \$240 per sq.ft. and \$100,000 to \$153,000 per unit. Upon considering the adjustments above, primarily for location, condition, size and construction, the sales provide an adjusted range at \$138,000 to \$151,000 per unit. Overall, given the subject's good condition and very good location across from UNR, the value of the subject would be weighted towards the middle to upper range or \$150,000 per unit. This is equivalent to approximately \$206 per sq.ft., which is supported by the sales.

#### Income Analysis

While the subject is an income producing property, the data researched shows that very little economic sense is made from the financial indicators derived. The majority of buyers of small multi-family complexes look at the price per sq.ft. and the price per unit indicators. In addition, tax benefits (derived from accounting depreciation) and the opportunity for value appreciation have been driving demand and have kept investment values stable.

The owner has indicated that the subject units have been renting at below \$600 per unit per month. All tenants are on a month to month basis and pay their own utilities. Based on research of one bedroom units in the area, and given the size and location of the subject units, it is estimated that the subject units could be rented for \$700 per unit per month. Upon multiplying this "potential rent" by the three units and annualizing this number, the resulting potential gross income is \$25,200. Factoring a minimal vacancy and expenses totaling 25% results in an estimated net operating income of \$18,900. Based on the value estimated above by the sales comparison approach, this results in an annual gross income multiplier of 17.9 and an estimated capitalization rate of 4.2%. These financial indicators fall within the range of the comparables surveyed.

**RECONCILIATION AND FINAL CONCLUSION**

Given the intended use and scope of this appraisal, the sales comparison approach was the primary methodology used to estimate a value for the subject. Several sales of multi-family units were considered with three specific sales and one listing isolated and compared to the subject property. Comparisons were made based on differences among the sales and subject, primarily due to location, condition and size, resulting in a reliable range. Unlike the single family residential market that has slowed significantly in Reno/Sparks over the last year, the market for small multi-family properties, especially those located in strong locations, has still remained strong.

Thus, based on the data studied, it is the appraiser's opinion that the property has an estimated market value of the fee simple interest, as of December 11, 2006 of:

**FOUR-HUNDRED, FIFTY-THOUSAND DOLLARS**  
**\$450,000**

The value above is based on the specific limiting conditions noted on page 4 and the general conditions included in the addenda.

Given the established and future growth prospects for the subject area along with analyzing historical sales, it is estimated that the exposure time for the subject would be in a 6 month range.

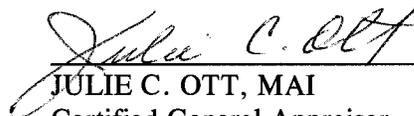
## CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Furthermore, the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
7. My analyses, opinions, and conclusions were developed and this report was prepared in conformity the Uniform Standards of Professional Appraisal Practice.
8. I personally inspected the subject property.
9. No one provided significant professional assistance to the person signing this report.
10. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional ethics and the Standards of Professional Practice of the Appraisal Institute.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. In accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice (USPAP), we have verified that my knowledge and experience is sufficient to allow me to competently complete this appraisal unless stated otherwise in this report.



Werner L. Ott  
Certified General Appraiser  
State of Nevada, License No. A.0002167-CG  
Expires 12/31/07



JULIE C. OTT, MAI  
Certified General Appraiser  
State of Nevada, License No. A.0000748-CG  
Expires 8/31/2008

**A D D E N D A**

QUALIFICATIONS OF WERNER L. OTT

STATE OF NEVADA CERTIFIED GENERAL APPRAISER A.0002167-CG

**EDUCATION**

Ohlone College - Fremont, California - 1983 through 1985  
 California State University, Sacramento - 1985 through 1987.  
 Bachelor of Science Degree majoring in Business Administration  
 with a concentration in Real Estate and Land Use.

**APPRAISAL EDUCATION**

**Appraisal Institute Courses:**

Course 400 - National USPAP Update	2006
Appraising from Blueprints and Specifications	2005
Analyzing Distressed Real Estate	2005
Subdivision Valuation	2005
Appraisal Consulting	2003
Appraising Small Residential Income Properties	2003
Internet Search Strategies for R.E. Appraisers	2001
Data Confirmation & Verification	2000
Income Valuation of Small Mixed-Use Properties	1999
Standards of Professional Practice, Part C	1997
Experts on Trial	1997
Electronic Commerce	1997
Alternative Residential Reporting	1996
Appraisal Procedures 120	1994
Appraisal Principles 110	1993

**Other Real Estate Courses:**

Professional & Technical Compliance w/ USPAP I & II	2001
Fair Housing	1998
Real Estate Appraisal - American River College	1991
Contemporary Land Use - CSUS	1987
Property Investment/Valuation - CSUS	1986
Financial Aspects of Land - CSUS	1986
Regulation of Land - CSUS	1986

**WORK EXPERIENCE:**

**1992-Present**    **Owner/Appraiser - Carter-Ott Appraisal, Inc. - Reno, NV.** Appraise income producing properties including: industrial buildings, office buildings, apartments, mobile home parks; appraise vacant land, single family dwellings and various special use properties.

**1988-1992**    **Cal Sierra Construction, Inc. - Sacramento, Ca.** Engineering Estimator. Estimated off-site improvements, specializing in sewer, storm, and water mains. Assembled bid proposals as a General Contractor for jobs ranging in size from \$50,000 to \$3,500,000.

**1986-1987**    **Real Estate Land Use Institute - (CSUS).** Chosen to be a Intern for the following public and private firms.

**Winncrest Homes** (Sacramento, CA), Intern - Assisted Vice President in developing and organizing a home buyers' data base and various marketing strategies. Aided in scheduling of public utilities for subdivision improvements.

**Werner L. Ott Qualifications, continued**

**1986-1987**      **County of Sacramento**, Planning Department, Intern - Researched/Organized Williamson Land Act Study for the County of Sacramento. Researched and monitored the Trip Reduction Management Program for Alternative Transportation.

**1983-1985**      **Student - Part Time Work: Shapell Industries of Northern California, Inc.** (Milpitas, California) Assistant to office and field personnel for a bay area home-builder.

**PARTIAL LIST OF CLIENTS:**

Associated Mortgage	Bank of America - Commercial Appraisal Group
Bennett Financial	Continental Funding
CTX Mortgage	Department of Housing and Urban Development
Nevada State Bank	Cetus Mortgagae
Countrywide	Wells Fargo Banks
Oakridge Financial	Morgan Financial
Provident Funding	Resolution Trust Corporation
Stevenson Financial	U.S. Bank
First Horizon Home Loans	Various Local Attorneys / Accountants

**REFERENCES:**

Available upon request.

**QUALIFICATIONS OF JULIE C. OTT, MAI**  
**STATE OF NEVADA CERTIFIED GENERAL APPRAISER NO. A.0000748-CG**

**BACKGROUND**

Born (1960) and raised in Reno, Nevada. Graduate Wooster High School.

**EDUCATION**

University of California at Davis - 1978 through 1980

University of Oregon, Eugene - 1980 through 1982. B.A., Business Administration with major in Real Estate.

University of Wisconsin, Madison - 1986 through 1987. Master of Science in Real Estate Appraisal and Investment Analysis. *Studies included course work in urban economics, real estate market research, development, finance and feasibility.*

**APPRAISAL EDUCATION:****Sponsored by American Institute of Real Estate:**

Valuation Modeling	2005
Course 400 - National USPAP Update	2005
Course 400 - National USPAP Update	2004
Land Valuation Adjustment Procedures and Assignments	2003
USPAP Update Course	2003
Appraisal Consulting	2002
Course 410 - Uniform Standards of Professional Appraisal Practice	2002
Mark-to-Market: The Next FIRREA	2002
Water Rights in Nevada	2001
Appraisers as Financial Institutions	2001
State of Valuation Profession	2001
Case Studies in Commercial Highest and Best Use	2000
Course 430 - Standards of Professional Practice, Part C	2000
Appraising Local Retail Properties	1999
Litigation Valuation Skills	1998
California's Condemnation Process	1998
Ethics - USPAP Statements	1998
Ethics - USPAP Advisory Opinions	1998
New Industrial Valuation Seminar	1997
Federal and State Law Workshop	1996
Business Valuation Seminar	1996
Demonstration Appraisal Report Writing	1995
Course 410- 420: Standards & Professional Practice	1995
Course 440: Advanced Applications	1993
Course 2-2:- Report Writing	1985
Course IA-2: Basic Valuation Procedures	1983
Course 1B-A: Capitalization Techniques	1983
Course 1B-B: Capitalization Techniques	1983
Elective - Real Estate Investment Analysis	1983
Course 1A-1: Real Estate Appraisal Principles	1982

**Other Courses:**

Supporting Sales Comparison Adjustments	2000
Effective Court Testimony	1998
Wisconsin Real Estate Conferences	(1993/1995)
URAR Form Course	1993
Nevada Law	1992
Intern Appraiser & the Law	1992

**QUALIFICATIONS OF JULIE C. OTT (Continued)**

**STATE LICENSES/CERTIFICATION:**

Certified General Appraiser, State of Nevada - No. A.0000748-CG (Expires 8/31/2006)

DBE Certification through Nevada Unified Certification Program and Airport Authority of Washoe County:  
Certification No.: NV00253UCPN - Expires December 31, 2006.

**PROFESSIONAL AFFILIATIONS:**

Designated Member- The Appraisal Institute - MAI, #12023

**OFFICES HELD:**

President - Reno-Carson-Tahoe Chapter of the Appraisal Institute - 2005

Vice President - Reno-Carson-Tahoe Chapter of the Appraisal Institute - 2004

Secretary - Reno-Carson-Tahoe Chapter of the Appraisal Institute - 1999 to 2003

**WORK EXPERIENCE:**

1992 - Present **Carter-Ott Appraisal, Inc.** - Owner/Appraiser. *Appraise income producing properties including shopping centers, retail buildings, industrial buildings, office buildings, apartments, mobile home park, vacant land and various special use properties. Conduct market studies on various property types.*

1988-1992 **Alex. Brown Kleinwort Benson Realty Advisors, Inc.** 1988-1992, Assistant Vice President, Investments (1990-1992); Financial Analyst in the Acquisitions Department (1988-1989). The company (now LaSalle Advisors) is a pension fund advisory firm which purchases and manages property through out the U.S. for public pension fund clients. *Responsibilities included financial analysis, underwriting, market analysis of properties to be purchased or financed, and presentation to investment committees for approval.*

1984-1986 **Coldwell Banker Commercial** - Staff Appraiser (San Francisco). *Conducted appraisals and market studies of income producing property types including industrial buildings, research and development buildings, shopping centers, office buildings and multi-family complexes (primarily 150+ units). All jobs were located in vicinity of northern and southern California area.*

1982-1984 **Carter and Associates** - Appraiser (Reno) *Conducted single family residential and multi-family residential appraisals. Assisted Mr. Carter in the research and completion of small income producing property appraisals for offices and industrial buildings.*

**LIST OF CLIENTS:**

Affinity Bank  
Bank of America - Commercial Appraisal Group  
Business Bank of Nevada  
California Bank and Trust  
Colonial Bank  
First Independent Bank of Nevada  
First National Bank of Nevada  
Government Services Administration  
Heritage Bank  
Nevada Department of Rural Housing  
Nevada Security Bank  
Nevada State Bank  
Northern Nevada Bank  
Reno Sparks Convention and Visitors Authority (RSCVA)  
Sonoma National Bank  
Sun West Bank  
U.S. Bank  
Wells Fargo Bank  
Various Individuals and Attorneys

## LIMITING CONDITIONS AND ASSUMPTIONS

1. **LIMIT OF LIABILITY**

If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraisers are in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offerings or stock offerings in real estate, client agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, client will hold Appraisers completely harmless in any such action.

2. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use.

The Bylaws and Regulations of The Appraisal Institute requires each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; except as hereinafter provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of appraiser.

3. **CONFIDENTIALITY:**

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the Appraisers and/or officer of the firm. The Appraisers and firm shall have no responsibility if any such unauthorized change is made.

The Appraisers may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by The Appraisal Institute as it may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

4. **TRADE SECRETS:**

This appraisal was obtained from Carter-Ott Appraisal, Inc. or related companies and/or its individuals or related independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4).

5. **INFORMATION SUPPLIED BY OTHERS:**

Information (including projections of income and expenses) provided by informed local sources, such as governmental agencies, financial institutions, realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others, is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable. To the best of our judgement and knowledge, all such information is considered appropriate for inclusion. In some instances, an impractical and uneconomic expenditure of time would be required in attempting to furnish absolutely unimpeachable verification. The value conclusions set forth in the appraisal report are subject to the accuracy of said data. It is suggested that the client consider independent verification as a prerequisite to any transaction involving a sale, a lease, or any other commitment of funds in respect to the subject property.

6. **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE:**  
The contract for appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The Appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena relating to this appraisal, the client or issuing party shall be responsible for any additional time, fees, and charges regardless of issuing party.

7. **EXHIBITS:**  
The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose as of the date of the photos. Site plans are not surveys unless shown from separate surveyor.

8. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE HIDDEN COMPONENTS, SOIL:**  
No responsibility is assumed for matters legal in character or nature, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the Appraisers.

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential for settlement, drainage, and such (seek assistance from qualified architect and/or engineer) nor matters concerning liens, title status, and legal marketability (seek legal assistance), and such. The lender and owner should inspect the property before any disbursement of funds; further it is likely that the lender or owner may wish to require mechanical or structural inspections by qualified and licensed contractor, civil or structural engineer, architect, or other expert.

The Appraisers have inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural, or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm, however, subsidence in the area is unknown. The Appraiser(s) do not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent conditions of the property site, subsoil, or structures or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment may be made by us as to adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment which is assumed standard for subject age and type.

If the Appraisers have not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

The Appraisers assume no responsibility for any costs or consequences arising due to the need, or the lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance program should be contacted to determine the actual need for Flood Hazard Insurance.

9. **LEGALITY OF USE:**

The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

10. **COMPONENT VALUES:**

The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

11. **AUXILIARY AND RELATED STUDIES:**

No environmental or impact studies, special market study or analysis has been required or made unless otherwise specified in an agreement for services or in the report.

12. **DOLLAR VALUES, PURCHASING POWER:**

The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

13. **INCLUSIONS:**

Furnishing and equipment or personal property or business operations except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. In some property types, business and real estate interests and values are combined.

14. **PROPOSED IMPROVEMENTS, CONDITIONED VALUE:**

Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal to be completed in good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

15. **VALUE CHANGE, DYNAMIC MARKET, INFLUENCES, ALTERATION OF ESTIMATE BY APPRAISER:**

The estimated market value, which is defined in the report, is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value or investment value or value in use is a reflection of such benefits and Appraisers' interpretation of income and yields and other factors derived from general and specific client and market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market and value is naturally dynamic.

The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners of occupants of the properties in the vicinity of the property appraised.

Appraisal report and value estimate subject to change if physical or legal entity or financing different than that envisioned in this report.

16. **MANAGEMENT OF THE PROPERTY:**

It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management; neither inefficient nor superefficient.

17. **CONTINUING EDUCATION CURRENT:**

The Appraisal Institute conducts a voluntary program of continuing education for its designated members; MAI Designates who meet the minimum standards of this program are awarded periodic educational certification and; MAI(s) signing the report is/are currently under this program.

18. **FEE:**  
The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself.
19. **AUTHENTIC COPIES:**  
The authentic copies of this report are signed in blue ink.
20. **INSULATION AND TOXIC MATERIALS:**  
Unless otherwise stated in this report, the Appraiser(s) signing this report have no knowledge concerning the presence or absence of toxic materials and/or urea-formaldehyde foam insulation in existing improvements; if such is present the value of the property may be adversely affected and re-appraisal at additional cost necessary to estimate the effects of such.
21. **REVIEW:**  
Unless otherwise noted herein, review Appraisers have reviewed the report only as to general appropriateness of technique and format, and has not necessarily inspected the subject or market comparable properties.
22. **CHANGES, MODIFICATIONS:**  
The Appraisers and/or owners of Carter-Ott Appraisal Associates reserve the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us when the report was finished.
23. **AFTER TAX ANALYSIS AND/OR VALUATION:**  
Any "after" tax income or investment analysis and resultant measures of return on investment are intended to reflect only possible and general market considerations, whether as part of estimating value or estimating possible returns on investment at an assumed value or price paid; note that the Appraiser(s) does not claim expertise in tax matters and advises client and any other using the appraisal to seek competent tax advice as the Appraisers are in no way to be considered tax advisors or investment advisors.
24. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES RECOGNITION OF THE ABOVE CONDITIONS. THE APPRAISERS LIABILITY EXTENDS TO THE STATED CLIENT, OR USERS TO WHICH THE CLIENT HAS PROVIDED AUTHORIZATION.**

**COMPARABLE SALES PHOTOGRAPHS**



**Sale No. 1 – 210 West Eleventh Street, Reno, NV**



**Sale No. 2 – 1305 Kirman Street, Reno, NV**

COMPARABLE SALES PHOTOGRAPHS



**Sale No. 3 – 621 N. Center Street, Reno, NV**



**Pending Sale No. 4 – 137 East Arroyo Street, Reno, NV**

Borrower	BCN Real Estate Office, UNR						
Property Address	160 East Ninth Street						
City	Reno	County	Washoe	State	NV	Zip Code	89501
Lender/Client	N/A		Address				N/A

