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 11 Facsimile: +1-213-612-2499

12 Attorneys for Debtor and Defendant  
 City of Stockton, California

14 UNITED STATES BANKRUPTCY COURT  
 15 EASTERN DISTRICT OF CALIFORNIA  
 16 SACRAMENTO DIVISION

18 In re:  
 19 CITY OF STOCKTON, CALIFORNIA,  
 20 Debtor.

Case No. 12-32118  
 Chapter 9  
 Adv. No. 2013-02315

21 WELLS FARGO BANK, NATIONAL  
 22 ASSOCIATION, FRANKLIN HIGH  
 23 YIELD TAX-FREE INCOME FUND,  
 24 AND FRANKLIN CALIFORNIA  
 HIGH YIELD MUNICIPAL FUND,

Plaintiffs,

v.

26 CITY OF STOCKTON, CALIFORNIA,  
 27 Defendant.

**SUBMISSION BY THE CITY OF  
 STOCKTON OF REBUTTAL EXPERT  
 REPORT OF RAYMOND F. SMITH**

1 Pursuant to paragraph 32 of the Order Governing The Disclosure And Use Of Discovery  
2 Information And Scheduling Dates, Etc. [Dkt. Nos. 1224 (Case), 16 (Proceeding)] (as amended  
3 by paragraph 8 of the Order Modifying Order Governing The Disclosure And Use Of Discovery  
4 Information And Scheduling Dates, Etc. [Dkt. Nos. 1242 (Case), 18 (Proceeding)]), the City of  
5 Stockton, California hereby submits the Rebuttal Expert Report of Raymond F. Smith, MAI, a  
6 copy of which is attached hereto as Exhibit A.

7 Dated: April 7, 2014

MARC A. LEVINSON  
Orrick, Herrington & Sutcliffe LLP

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By:           /s/ Marc A. Levinson            
MARC A. LEVINSON  
Attorneys for Debtor and Defendant  
City of Stockton, California

# Exhibit A

THE BRAMWELL - SMITH COMPANY

Real Estate Appraisal, Consultation and Litigation Support

Raymond F. Smith, MAI

H. Rich Bramwell, MAI  
(1927 - 2002)

3781 Hatchers Circle

Stockton, CA 95219

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[raymondsmith@bramwell-smith.com](mailto:raymondsmith@bramwell-smith.com)

[www.bramwell-smith.com](http://www.bramwell-smith.com)

April 4, 2014

Marc A. Levinson  
Orrick, Herrington & Sutcliffe LLP  
400 Capitol Mall, Suite 3000  
Sacramento, CA 95814-4497

Re: **Review of Frederick Chin Appraisal Report of Swenson Golf Course, Van Buskirk Golf Course,  
Van Buskirk Community Center and Oak Park, Stockton, California**

Dear Mr. Levinson:

According to our mutual agreement, I have completed a review of the March 26, 2014 appraisal of the above referenced properties prepared by Frederick Chin, MAI and submit my findings in the attached report.

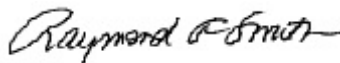
My report and all matters contained therein were prepared solely for use by Orrick, Herrington & Sutcliffe LLP on behalf of the City of Stockton in the City of Stockton's Chapter 9 case, including the litigation matter entitled Wells Fargo et al v. City of Stockton, California. No responsibility is assumed for possession, use, or reliance on either the factual data or conclusions of my report by anyone else or for any other purpose. The report is to be employed only in its entirety.

Your attention is specifically directed to the "Limiting Conditions and Assumptions" and "Certification" located at the end of my report.

My hourly rate is \$250.

If you should have any questions, please give me a call so that I can be of further assistance.

Respectfully,



Raymond F. Smith, MAI  
CA State Certification General #AG005994

***Review of Frederick Chin Appraisal of Real Property in Stockton, California***

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**Qualifications**

My Curriculum Vitae and a listing of the cases in which I have testified or been deposed during the last four years are attached collectively as Exhibit 1.

**Facts or Data Reviewed**

Exhibit 2 lists the documents and data I reviewed in preparing this Review.

**Reviewer's Client and Intended User of Review Report**

Orrick, Herrington & Sutcliffe LLP

**Intended Use of Review Report**

City of Stockton Chapter 9 case, including the litigation matter entitled Wells Fargo et al v. City of Stockton, California.

**Purpose of the Review Assignment**

To develop and report a credible opinion as to the quality of the referenced appraisal report.

**Effective Date of Reviewer's Opinions and Conclusions**

April 4, 2014

**Reviewer's Scope of Work**

A desk review of the referenced appraisal report including, but not limited to, the following:

- Developing an opinion as to whether the analyses are appropriate in the context of the requirements applicable for that work, whether the opinions and conclusions are credible within the context of the requirements applicable for that work, and reasons for any disagreement.
- Develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable for that work, and reasons for any disagreement.

**Subject of Appraisal under Review**

- Swenson Golf Course, 6803 Alexandria Place, Stockton, California
- Van Buskirk Golf Course, 1740 Houston Avenue, Stockton, California
- Van Buskirk Community Center, 714 Houston Avenue, Stockton, California
- Oak Park, located within the blocks bounded by Alpine Avenue, Fulton Street, Sutter Street and the Union Pacific Railroad, Stockton, California

**Property Interest of Appraisal under Review**

Fee simple interest and possessory interest<sup>1</sup>

**Valuation Date of Appraisal under Review**

March 26, 2014

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<sup>1</sup>The term possessory interest referenced in the Chin appraisal was considered synonymous with the term leasehold interest herein.

***Review of Frederick Chin Appraisal of Real Property in Stockton, California***

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**Report Date of Appraisal under Review**

March 26, 2014

**Appraiser(s) Who Completed Appraisal under Review**

Fredrick Chin, MAI

**Rebuttal to Foundations of Mr. Chin's Appraisal**

Mr. Chin correctly identifies that the component parts of the appraised property are together subject to a common lease agreement between the City of Stockton and the Stockton Public Financing Authority not to extend beyond September 1, 2048, with a single rental amount that is not segregated or allocated between the parts (page 23). Mr. Chin also identifies the property interest to be appraised as a possessory interest, a broader term inclusive of a leasehold interest. A fee simple interest analysis was also sometimes completed as a preliminary step to a possessory interest conclusion. Mr. Chin further references that his value conclusions are to reflect the fair market value of these property interests.

An appraisal of the fair market value of the possessory (leasehold) interest in the subject property must by definition consider the most probable price that this interest should sell for as of a specified date, in a competitive market, after reasonable exposure, with cash or cash equivalent terms, and assuming the buyer and seller are each acting prudently, knowledgeably, in self interest and without duress. Because a knowledgeable buyer of a possessory interest in the subject would be buying the right to receive an expected net cash flow from the property, an appraisal by necessity must evaluate the net income which would be derived from this interest, as well as any capital expenditures necessary to achieve this income. The method which best reflects investor thinking in this kind of appraisal assignment, and therefore the generally accepted method in appraisal practice, is discounted cash flow analysis. Sales of possessory interests in similar properties would also by their nature incorporate these critical bottom line issues, if such sales could be confirmed.

Significantly, counter to the existing lease agreement for the appraised property, and counter to the typical methodology of knowledgeable sellers and buyers, Mr. Chin:

- segregated the four parts of the appraised property for individual valuation;
- provided value conclusions assuming term extensions beyond September 1, 2048;
- did not evaluate and capitalize the net cash flow that a potential buyer would expect to receive over the remaining term of the subject lease; and
- did not account for capital expenditures necessary to achieve expected net income.

**Rebuttal to Mr. Chin's Golf Course Valuation (pages 35-42)**

- This rebuttal is separate from overriding concerns presented in the previous "Rebuttal to Foundations of Mr. Chin's Appraisal" section.
- Income Approach - Fee Simple Interest
  - Gross income multiplier (GIM) was the only unit of comparison employed by Mr. Chin in his Income Approach for the golf courses. Careful application of the GIM method is necessary in appraisal work, as GIM's can vary depending on the mix of department revenues and relative profitability of each income source, and how GIM's are derived from the sales data. If information about profitability is

***Review of Frederick Chin Appraisal of Real Property in Stockton, California***

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lacking or uneven, or the method of derivation is not known, this method can become unreliable. Capitalization of expected net income better accounts for variances in department revenues and profitability.

- Mr. Chin projected significantly higher revenue for both golf courses than historically substantiated, under the assumption that capital expenditures would be required to maximize value. While projected higher revenue is possible, Mr. Chin did not analyze what capital improvements would be necessary to achieve this revenue increase, or make any deductions to account for the cost of such improvements in his valuation.
- Sales Comparison - Fee Simple Interest
  - The average price/round for the Swenson Golf Course was projected by Mr. Chin at \$25-\$31<sup>2</sup>, which was at the bottom of the range in relation to the comparable data. This low ranking was consistent with the course ratings for Swenson. In contrast to these rankings, Mr. Chin's concluded units of value for Swenson were from the middle rather than the lower end of the \$72,222 to \$150,222 per hole range (page 41). This contradiction was not explained in Mr. Chin's report.
  - The reasoning for Mr. Chin's value conclusion for the Van Buskirk Golf Course was entirely lacking in this approach, with no analysis presented.
  - As with the Income Approach, Mr. Chin did not analyze what capital improvements would be necessary to achieve the concluded value.
- Mr. Chin's methodology and conclusions relative to discounting a fee simple value in order to conclude possessory interest value were unsupported (pages 41-42).
- Exhibit A to this review report summarizes necessary capital improvement projects for the two subject golf courses for the 2011-2015 year period, with a total projected cost of \$9,001,900. Exhibit B shows that, of this amount, \$386,236 has been expended to-date, leaving a remaining balance of ±\$8,615,000. This capital improvement figure provided strong evidence that Mr. Chin's estimate of the fair market value of the fee simple interest in the two golf courses (\$2,850,000) was unwarranted, in light of a capital cost that is more than triple the concluded value.

**Rebuttal to Mr. Chin's Oak Park Valuation (pages 43-45)**

- This rebuttal is separate from overriding concerns presented in the previous "Rebuttal to Foundations of Mr. Chin's Appraisal" section.
- Mr. Chin inappropriately divorced the Oak Park Ice Arena from rest of Oak Park, appraising the Ice Arena as if it were a separate legal parcel and not giving any consideration to the value impact of the remainder of the property. Notably, Mr. Chin reported (page 9) that Oak Park improvements were old and suffered from significant deferred maintenance. Further, he reported that the park had suffered an aggregate operating deficit of ±\$843,000 over the three previous years. No analysis was presented by Mr. Chin to suggest that the park as a whole could achieve a positive cash flow, with or without capital improvement expenditures.
- Mr. Chin's estimate of the fair market value of the fee simple interest in the Ice Arena via the sales comparison approach was entirely unjustified in light of his exclusion of the rest of the park which, as a

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<sup>2</sup>Notably, the average price for Swenson on the previous page was inconsistently projected at \$24, purportedly reflecting Chin-confirmed enhancements that would increase per round revenue from the \$19.10 to \$21.49 range experienced over the previous five years.

***Review of Frederick Chin Appraisal of Real Property in Stockton, California***

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whole, has experienced a substantial operating loss in recent years.

- As a side note, as with his golf course valuation, Mr. Chin's possessory interest discount methodology and conclusion were unsupported.

**Rebuttal to Mr. Chin's Community Center Valuation (pages 46-47)**

- This rebuttal is separate from overriding concerns presented in the previous "Rebuttal to Foundations of Mr. Chin's Appraisal" section.
- Mr. Chin's Cost Approach for the Van Buskirk Community Center did not give consideration to external obsolescence. This absence gave rise to the question whether Mr. Chin actually estimated the "fair market value" or the "use value" of the community center, the latter of which would disregard the highest and best use of the improvements as well as monetary amount that might be realized from a sale. As the community center is not revenue generating (page 10), and lacking analysis of market demand for the improvements or analysis of sales of similar community centers, Mr. Chin's analysis was insufficient to give a reader confidence in his opinions and conclusions. Mr. Chin's remarks in the "Appraisal Comments" section of his report (page 56, last paragraph) indicates that he was aware of the relevant appraisal principles in the valuation of the community center, although his Cost Approach narrative was wanting as to the application of these principles.

**Rebuttal to Mr. Chin's Valuation Assuming Possessory Interest Perpetually (page 48-49)**

- This rebuttal is separate from overriding concerns presented in the previous "Rebuttal to Foundations of Mr. Chin's Appraisal" section.
- Mr. Chin assumed, but did not properly analyze and support, the reasonable probability of changes to general plan and zoning designations of the appraised property to allow "residential, commercial or mixed uses" (page 48). Further, Mr. Chin's unsubstantiated assumption (page 12) that the City of Stockton would want to maximize taxes and other revenues by converting the subject park and recreation properties to residential, commercial or industrial use failed when tested. Were this assumption correct, it would be the City's goal to convert all such properties to for-profit ventures to maximize taxes and revenues. Mr. Chin's assumption ignores one of the main functions of a city - to create and maintain community facilities for the common good of its citizenry. Thus, while Mr. Chin's assumption about general plan and zoning changes may be possible in theory, it was not supported as reasonably probable in his report. Significantly, Mr. Chin's comments regarding the June 3, 2008 American Appraisal (page 57, first paragraph) indicate he was aware that his general plan and zoning change assumption was improper by criticizing the land values in the American Appraisal for being based on residential zoned sales, when the subject property was not residentially zoned.
- Mr. Chin did not consider the deed restrictions in place for the Van Buskirk Golf Course and Community Center (page 20) which limits use of this part of the appraised property to public recreation and public park purposes.
- Apart from these foundational concerns, Mr. Chin's presentation and analysis of sales data in this part of his report was insufficient to allow a reader to have confidence in his value conclusions.

**Conclusion as to Appropriateness of Analysis**

- The overriding concern about the appropriateness of Mr. Chin's analysis is that:
  - counter to the existing lease agreement in place for the appraised property, Mr. Chin segregated the



***Review of Frederick Chin Appraisal of Real Property in Stockton, California***

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four parts of the property for individual valuation, and provided value conclusions assuming term extensions beyond the maximum September 1, 2048 date; and,

- counter to the typical methodology of knowledgeable sellers and buyers, Mr. Chin did not evaluate and capitalize the net cash flow that a potential buyer would expect to receive over the remaining term of the subject lease, and did not account for capital expenditures necessary to achieve expected net income.
- Other significant concerns about the appropriateness of Mr. Chin's analysis are documented in preceding sections of this review report.

**Conclusion as to Credibility of Opinions and Conclusions**

The credibility of Mr. Chin's opinions and conclusions are brought into serious question, first, in light of overriding problems with the foundation of his analysis as just discussed, and second, in context of many other deficiencies in the application of appraisal principles and appraisal practice as expressed herein.

**Conclusion as to Appropriateness of Appraisal Report**

Concerns about the appropriateness of Mr. Chin's analysis, and the credibility of his opinions and conclusions, are compounded in many parts of the appraisal by insufficient information about sales data, and insufficient explanation concerning his rationale for value conclusions. These concerns and inadequacies, taken as a whole, bring into question the appropriateness of his appraisal report, which has an appearance of being misleading.

**Limiting Conditions and Assumptions of Review Report**

This appraisal review and the conclusions presented herein are expressly subject to the following conditions and assumptions:

- This desk review did **not** include a field inspection of the subject property or other properties referred to in the appraisal.
- This review constitutes a limited assignment and should not be construed as an appraisal of the subject property.

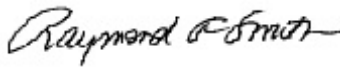
**Review of Frederick Chin Appraisal of Real Property in Stockton, California**

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**Certification**

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

- *The statements of fact contained in this report are true and correct.*
- *The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.*
- *I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.*
- *My engagement for this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.*
- *My compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in this review or from its use.*
- *My analyses, opinions, and conclusions were developed, and this review report was prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.*
- *Apart from serving as a consultant to Seevers Jordan Ziegenmeyer in 2013, I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.*
- *I did not make a personal inspection of the subject of the work under review.*
- *No one provided significant assistance to the person signing this certification.*
- *The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
- *As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.*



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Raymond F. Smith, MAI  
State Certificate General AG005994

# Exhibit 1

**THE BRAMWELL-SMITH COMPANY**

*Real Estate Appraisal, Consultation and Litigation Support*

Raymond F. Smith, MAI

*H. Rich Bramwell, MAI  
(1927 - 2002)*

3781 Hatchers Circle

Stockton, CA 95219

Office: 209-478-5422

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[raymondsmith@bramwell-smith.com](mailto:raymondsmith@bramwell-smith.com)

[www.bramwell-smith.com](http://www.bramwell-smith.com)

**PROFESSIONAL QUALIFICATIONS**

***RAYMOND F. SMITH, MAI***

California State Certified General Appraiser

**EDUCATION:**

California State University, Fresno - B.A. (English major/Business minor), 1976

Appraisal Institute (qualifying courses for MAI designation):

Real Estate Appraisal Principles - 1986

Basic Valuation Procedures - 1986

Standards of Professional Practice - 1987, 1994

Capitalization Theory and Techniques, Part A - 1987

Capitalization Theory and Techniques, Part B - 1988

Case Studies in Real Estate Valuation - 1989

Report Writing and Valuation Analysis - 1989

**PROFESSIONAL AFFILIATIONS:**

MAI Member of Appraisal Institute

**APPRAISAL EXPERIENCE:**

1997- Principal, The Bramwell-Smith Company, Stockton, California  
present

1986- Staff Appraiser, The Bramwell Company, Stockton, California  
1996

1985- Staff Appraiser, American Real Estate Group, Stockton, California  
1986

1981- Property Tax Appraiser, San Joaquin County Assessor, Stockton, California  
1985

1978- Staff Appraiser, First Savings and Loan Association, Fresno & Stockton, California  
1981

1978- Property Tax Appraiser, Fresno County Assessor, Fresno, California  
1978

**PROFESSIONAL QUALIFICATIONS**

**RAYMOND F. SMITH, MAI**

*(Continued)*

**SPECIALIZED EXPERIENCE:**

Consultation/appraisal work with potential or expected litigation:

- Commercial property in Stockton, California (Partnership dispute/2012-1025)
- Transitional land near Ceres, California (Eminent domain/2011-1021)
- Industrial property near Stockton, California (Eminent domain/2011-1020)
- Commercial property in Escalon, California (Eminent domain/2011-1019)
- Industrial property near Stockton, California (Eminent domain/2011-1018)
- Residential property near Stockton, California (Eminent domain/2011-1015)
- Transitional property near Lodi, California (Contract dispute/2011-1012)
- Transitional property near Modesto, California (Eminent domain/2011-1007)
- Industrial property in Stockton, California (Eminent domain/2010-1001)
- Transitional property in Terminous, California (Eminent domain/2010-995)
- Transitional property near Tracy, California (Eminent domain/2010/994)
- Agricultural property near Stockton, California (Contract dispute/2010-992)
- Agricultural property near Riverbank, California (Contract dispute/2009-990)
- Commercial property near Stockton, California (Eminent domain/2009-988)
- Agricultural property near Flag City, California (Eminent domain/2009-983)
- Residential properties in Stockton, California (Contract dispute/2009-981)
- Agricultural property near Tracy, California (Eminent domain/2009-980)
- Residential lots in Thornton, California (Parcel split dispute/2009-979)
- Agricultural land in San Joaquin County (Eminent domain/2009-974)
- Development land in Stockton, California (Eminent domain/2009-968, 976 & 977)

**PROFESSIONAL QUALIFICATIONS**

***RAYMOND F. SMITH, MAI***

*(Continued)*

**PARTIAL CLIENT LIST:**

- Allison Cherry Lafferty of Kroloff, Belcher, Perry & Christopherson
- Bank of Agriculture and Commerce
- Bank of Stockton
- Bradford J. Dozier
- Carl Thompson
- Centro Mart
- Ceres Unified School District
- City of Lathrop
- City of Lodi
- City of Stockton
- Downey Brand
- Ericksen Arbuthnot
- Gary Funamura of Trainor Fairbrook
- Goodwill Industries
- Grupe Company
- Jeanne M. Zolezzi of Herum Crabtree Brown
- John L. Cammack of Michael and Cammack
- Joseph H. Fagundes of Cassel Malm Fagundes
- KB Homes
- Krider Construction
- Larry C. Larsen, Law Office of Gregory D. Thatch
- Libhart, Cook and Rosek
- Mark Adams of Mayall, Hurley, Knutsen, Smith & Green
- Michael D. Hakeem of Hakeem Ellis and Marengo
- Michael Thornton & F. Gale Connor of Nossaman LLP
- National Covenant Properties
- Neumiller and Beardslee
- Orrick, Herrington & Sutcliffe
- Rishwain and Rishwain
- San Joaquin County Public Works Department
- Steven D. Klein
- Stockton East Water District
- Stockton Unified School District
- Terry Allen of Berliner-Cohen
- Thomas H. Terpstra
- Todd A. Amspoker of Price, Postel & Parma
- Tri-Counties Bank
- Unigard Insurance
- Wendel, Rosen, Black & Dean
- William T. Lappas

**SUMMARY OF TESTIMONY EXPERIENCE (SINCE 2010)**  
***Raymond F. Smith, MAI***

<b>Property Identification</b>	<b>Parties</b>	<b>Case</b>	<b>Court or Arbitrator</b>	<b>Date Testified</b>	<b>Action #</b>	<b>Comments</b>
Agricultural property in San Joaquin County (990)	Rivertree v. Reed Leasing Group	Contract dispute	San Joaquin Superior Court	2010 & 2011	184356	Deposition & trial
Agricultural property in San Joaquin County (1009)	R. Lawson Enterprises v. Dole Fresh Vegetables	Contract dispute	San Joaquin Superior Court	2011	31798	Deposition
Commercial property in San Joaquin County (954)	BAPH3 v. Mila Padilla	Contract dispute	San Joaquin Superior Court	2011	32859	Deposition & trial
Transitional property in San Joaquin County (1012)	Lodi Victor Ventures v. SJ Delta College	Contract dispute	San Joaquin Superior Court	2011	230949	Deposition
Transitional property in San Joaquin County (995)	State of California v. Paul Johnson	Eminent domain (road construction)	San Joaquin Superior Court	2012	262897	Deposition
Transitional property in Stanislaus County (1007)	State of California v. HAJ Ranch	Eminent domain (road construction)	Stanislaus Superior Court	2012	655665	Deposition & trial
Residential property in San Joaquin County (1026)	Coca v. Adams	Property line dispute	San Joaquin Superior Court	2012 & 2014	258341	Deposition
Church property in San Joaquin County (1041)	State of California v. 1 <sup>st</sup> Thessalonians Church	Eminent domain (road construction)	San Joaquin Superior Court	2013	274032	Deposition

# Exhibit 2



Documents Considered

- Expert Report of Frederick E. Chin, MAI, CRE.
- Golf Fund 5-Year Financial Projections (CTY251982).
- Golf Course Capital Improvement Needs (CTY251983).
- Memorandum from Susan Wren to Ken Hopper, Val Toppenberg, and Laurie Montes, Subject: Golf Program Information, dated August 28, 2013 (CTY257951-CTY257977).
- Memorandum from Susan Wren to Laurie Montes and Adolfo Cruz, Subject: Golf Program White Paper, dated March 26, 2013 (CTY257909-CTY257918).
- Lease Agreement dated September 1, 2009 by and between the Stockton Public Financing Authority and the City of Stockton.
- City of Stockton – Community Services – Recreation Oak Park Financial Summary for fiscal years ending June 30, 2010, 2011, 2012, 2013 (CTY251202).
- Oak Park Activities spreadsheet prepared by K. Beltz dated 9/24/13 (CTY251200-CTY251201).
- Land Comps 100+ Acres with the caption Land Advisors Organization (FRK-FC0000001-FC0000002).
- A Practical Tool to Assist in Analyzing Risk Associated with Income Capitalization Approach Valuation or Investment Analysis by William Weaver, Phd and Stuart Michelson, Phd, The Appraisal Journal, October 2003.
- Valuation of a Leased Fee Interest by Thomas Rodgers, MAI, The Appraisal Journal, January 1989.
- Investor's Perspective on Single-Tenant Net Lease Transactions by John W. Lammert, MAI, RM, The Appraisal Journal, July 1997.

# Exhibit A

EXHIBIT 6: GOLF COURSE CAPITAL IMPROVEMENT PROGRAM NEEDS

COMMUNITY SERVICES DEPARTMENT  
 Updated Summary of Capital Improvement Projects  
 2010-2015  
 March, 2010

Div	Account	GOLF	2011	2012	2013	2014	2015	Totals	COMMENTS
GOLF	000-0000	Golf Course Pro-Shop & Clubhouse Repair	\$ -	\$ 103,000	\$ 93,000	\$ 92,000	\$ -	\$ 288,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Golf Course Pro-Shop & Clubhouse Roof Repair	\$ 374,000	\$ -	\$ -	\$ -	\$ -	\$ 374,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Swenson Golf Course Cart Path Installation	\$ -	\$ -	\$ 146,800	\$ 2,250,200	\$ -	\$ 2,397,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Swenson Golf Course Perimeter Fence Renovation	\$ -	\$ 176,600	\$ 168,400	\$ -	\$ -	\$ 345,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Van Buskirk Golf Course Cart Path Installation	\$ -	\$ -	\$ -	\$ 114,800	\$ 2,282,200	\$ 2,397,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Van Buskirk Golf Course Irrigation Replacement	\$ -	\$ 287,000	\$ 2,548,000	\$ -	\$ -	\$ 2,835,000	Updated PW estimates 3/1/2010
GOLF	000-0000	Van Buskirk Golf Course Perimeter Fence Renovation	\$ -	\$ 182,950	\$ 182,950	\$ -	\$ -	\$ 365,900	Updated PW estimates 3/1/2010
<b>TOTAL</b>			\$ 374,000	\$ 749,550	\$ 3,139,150	\$ 2,457,000	\$ 2,282,200	\$ 9,001,900	

EXHIBIT A

# Exhibit B

**CONFIDENTIAL AND PRIVILEGED**

**MEMORANDUM**

August 28, 2013

TO: Ken Hopper, RPA Appraisals  
Val Toppenberg, Economic Development Advisor  
Laurie Montes, Deputy City Manager

FROM: Susan Wren, Program Manager

**SUBJECT: GOLF PROGRAM INFORMATION**

Below and attached, please find the information of, or status on, your request regarding the City of Stockton Golf program and properties.

The only items pending from your cursory list are the detailed income statements from 2008-09, 2009-10, and 2010-11, which I hope to compile for you next week in a format similar to the most recent 2 years reports attached.

Plans, blueprints, drawings and as-builts are available for your review in the Public Works Department file room, where I am available to escort you, at your convenience, next week.

Do not hesitate to contact me if you need more information, or have any questions.

Sincerely,



SUSAN WREN, CPA, CIA  
PROGRAM MANAGER  
COMMUNITY SERVICES-RECREATION

**EXHIBIT B**

CTY257951

August 28, 2013

1. Plans and specifications for currently improved properties.
  - a. Available for viewing in the Public Works Dept.- appointment set for Tuesday afternoon, September 3 - contact Susan Wren
2. Copies of leases or operational agreements.
  - a. Kemper Sports, Inc. agreement – attached
  - b. Yamaha Credit Corp agreement - attached
3. Income and Expenses Statements for the past five (5) years.
  - a. Years ended June 30, 2012 and 2013 – attached
  - b. Years ended June 30, 2009 - 2001, in progress
4. Rounds of play at each golf course for past five (5) years

	2012-13	2011-12	2010-11	2009-10	2008-09
Swenson	54,492	59,669	53,450	57,637	55,864
VanBuskirk	24,316	27,047	24,300	29,830	27,095
Total	78,808	86,716	77,750	87,467	82,959

## Notes:

Approximately 20% to 25% of total rounds are member or discounted for youth programs.  
 2010-11 CAFR lists total rounds of 76,850 instead of 77,750

5. Major capital improvements made during the past five (5) years.
  - a. \$342,566 spent between fiscal 2010-11 and 2012-13 for project (301-7892), Golf pro-shop, club house and roof repairs, the bulk of which included:
    - i. \$219,909 for Roofs on both course pro-shops and snack bar structures
    - ii. \$59,343 in City Public Works Dept. staff
    - iii. \$13,193 for air conditioning and evaporative cooler units for both course pro-shop and snack bar structures
    - iv. \$50,000 remaining expenditures for lead based paint clean up, kitchen appliance replacements, and miscellaneous project costs
  - b. \$43,670 spent between fiscal 2011-12 and 2012-13 for project (301-7895), including:
    - i. \$11,672 carpets at both courses
    - ii. \$18,565 painting at both courses
    - iii. \$9,110 City Public Works Dept. staff costs
    - iv. \$1,458 tile work in pro-shops of both courses
    - v. \$1,960 project site services
    - vi. \$905 other project services and materials

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6. Person to contact.
  - a. *Susan Wren, Program Manager, 209-937-8154*
  
7. Property deficiencies - Information regarding the existence, if any, of contamination, soil problems, etc.
  - a. *None reported or on file*
  
8. Any other information that might assist us in appraising the property.
  - a. *Deed restrictions on the Van Buskirk property - attached*

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