



***Gil Kuhn Appraisals***

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January 6, 2015

Olive Franklin



RE: 17777 Eel River Road, Potter Valley, CA

Pursuant to your request, an analysis of the above referenced property has been performed. The purpose of this analysis is to ascertain the physical characteristics and background of the property and combine those with the available and appropriate sales of like kind properties in the attempt to render a credible estimate of Fair Market Value. This is the sole purpose of this analysis.

This analysis is performed without a physical inspection as the area and topography are well known to this appraiser. The subject is located in the northern Potter Valley area known as Van Arsdale, in the Eel River canyon. The topography is steep, upsloping from M-6, the former Louisiana Pacific Logging Road to the ridge top. That road has only been recently opened to the access point near the subject after being closed

covered in trees and brush. It was logged approximately 20 years ago and what trees remain will not be of harvestable size or quality for at least another 20 years. The property does have road easements that allow others to cross the land to connect to their properties rather than using Mid Mountain Road in central eastern Potter Valley as the main access point. Some property owners have placed locked gates on those other easement access roads making passage near impossible. That leaves access to those properties only possible via the subject, thus compromising its privacy. The road through the subject is in fair to poor repair and routine access by conventional vehicle would be problematic.

This is raw, rural land with no development; no power (electricity) with seasonal water only. Water is from two seasonal springs that flow into small streams and run to the river but are not a year around source. They dry up in spring and remain dry until the fall rains. There are two water storage tanks on site that are filled by the seasonal springs. But again, this 5000 gallon impoundment is not sufficient to allow for a year around source of water. In fact, at the normal rate of water use per person per day at 110 gallons, this volume is only a 45 day supply.

This is recreational use land given the lack of merchantable timber. Its access is difficult, its location is semi remote and its appeal is thus limited by these issues. It is not unlike other areas in this very rural county where large blocks of land have been logged and then split into smaller parcels and sold for "backwoods" recreational land uses. Some have been turned into residential use where water or power (or both) were available. But the subject has no such availability. There is no public electric power accessible. There are only seasonal springs on the property with limited production capabilities. What surface water exists

well was explored in the recent past but the cost was prohibitive and its rate of success was speculative. The development potential for the subject is minimal at best. It has a total land mass of 260 acres but that mass really equates to one large "campsite". It has no other practical use in its "as is" condition other than for recreational purposes. Even if the desire was to develop to the status of residential use, there is no infrastructure to support such a use and the location, access and topography tend to preclude the reasonable and economic development necessary to create the suitable environment for such a use. It is for all intents and purposes, "what you see is what you get", a steep, wooded, primitive hillside parcel with an ingress/egress road (an easement shared by other area landowners) in questionable condition, immature timber and seasonal creeks. In its current primitive state, it lacks privacy due to the easement use of the road, it lacks the essentials for development (sustainable water and electrical power) and the appeal to the market for the absence of developmental capabilities. It's one and likely only appealing feature is the small frontage on the Eel River and the well known "Hippie Rock", a swimming hole that is accessed via this frontage. Hardly a private area, it does allow the subject direct river access, again for recreational purposes.

A primitive, rural, semi remote property has limited market appeal. It is difficult to sell due to the limited appeal and lack of developmental potential. It is difficult to finance so that even if it were offered for sale the most likely sales terms would be an all cash sale or a sale involving seller financing. This is not the kind of property that would be eligible for conventional lender financing. These types of property are generally purchased with discretionary funds and during the recession, up to and

typically used for other purposes (ie. normal living expenses). This is not likely the type of property that would lure a wealthy buyer as it has very little to offer in terms of use, enjoyment or development.

Given the primitive nature and location of the subject, there has been little in the way of sales data in the past several years of subject similar properties. In fact, since 2012, throughout southern and central Mendocino County and all of Lake County (the subject is very near the Mendocino/Lake County border) for parcels of 100 acres or larger (eliminating vineyard lands), there have been only 28 sales. 28 sales in 24 months is an absorption rate of 1.16 sales per month. These properties do not sell readily. Some take literally years to sell. The range of sales prices of those 28 sales was from \$92,000 to \$812,500. The only sales breaking the \$1,000,000 mark were vineyard lands, either producing vineyards or land suitable for vineyard planting. As mentioned previously, subject similar properties were typically once a part of larger holdings that had the timber harvested years ago and then subdivided into smaller parcels for primitive recreational and/or residential use. This is the whole genesis of the Mid Mountain Road area of Potter Valley and its evolution. It began in the late 1950's and early 1960's with the "back to the earth" movement where one could live a self sustaining lifestyle on a rural parcel. This of course was considering one could develop an adequate and sustainable source of water and power as solar power at that time was in its infancy. As time passed, more people were drawn to this life style but never in significantly large numbers. Many similar parcels simply remained unsold as the holding costs were minimal to the owners and the appeal to the real estate market was minimal as well.

marketability such primitive properties have to the general real estate market. Without the ability to economically and practically develop such properties, they will remain of limited appeal to those who want to create their own "wilderness". In the analysis of such properties, physical size is not of essential importance. Parcels of smaller mass but possessing superior amenities like availability of (sustainable) water, power, general development, ease of access, developed road systems on site, other natural resources, all these issues and more will dictate the property value much more than merely physical mass. As property mass grows, the cost/price per acre is reduced. This is why a small parcel can sell for thousands of dollars per acre while a large parcel can sell for a few hundred dollars per acre. From the 28 available sales found from the noted market area, at 100 acres or more and selling since January, 2012, the best of that data is compared to the subject as follows:

Sale 1: [REDACTED], Potter Valley: This property is located near the top of Mt. Sanhedrin in the Mendocino National Forest (Lake County), bordering the Sanhedrin Wilderness area. It has standing timber, abundant springs and gentle topography but it is very remote. It contains 160 acres, zoned TPZ (like the subject) and is totally undeveloped. It sold on October 13, 2013 for \$160,000 in an all cash transaction after 227 days of market exposure (MLS#21303911, DOC#10607). The indicated value per acre for this parcel is \$1000/AC.

Pillsbury (Lake County), this 280 acre parcel is referred to as "North Glade" and sits just SW of the Snow Mountain Wilderness area. It has abundant springs, a pond and a live year round creek (Rice Creek). It has never been offered for sale before, being held by the descendents of the original patent holder. The topography is gentle, mostly in a huge, open meadow with some standing timber but mostly oaks. It is totally undeveloped including access road. A forest service road could connect this parcel to the outside world but at time of sale an easement was being worked on over the neighboring property for vehicle access. At time of sale, the only access was by foot, a mile +/- hike. It sold on May 20, 2013 for \$220,000 in an all cash transaction after 443 days of market exposure (MLS#21204066, DOC#7739). The indicated value per acre for this parcel is \$786/AC.

Sale 3: [REDACTED] This sale is also in Lake County and located between Lake Pillsbury and Upper Lake off Deer Valley Road in the Mendocino National Wilderness. It is secluded and private but accessible by vehicle. It has 160 acres, zoned TPA (as are all sales and subject), with topography similar to the subject, steep wooded hills with some open areas. This site has abundant water with one developed spring supplying a 2500 gallon holding tank. It sports two year around, spring fed ponds and history of good water production. It sold on March 22, 2013 for \$285,000 in a seller financed transaction after 282 days of market exposure (MLS#21301648,DOC#4409). The indicated value per acre from this parcel is \$1781/AC.

(Mendocino County), this parcel is 240 acres of rolling to steep topography covered in trees and brush. It is totally undeveloped, with no discovery or evidence of springs or any water source, nor were soils test performed as per broker. Accessed via vehicle over developed private roads and through multiple locked gates, this property is not necessarily distant from town but it certainly has remote access. It sold on August 8, 2013 for \$360,000 in an all cash transaction after just 76 days of market exposure (MLS#21312159, DOC#13547). The indicated value per acre from this parcel is \$1500/AC.

The common thread between these four sales, all were purchased for recreational purposes, as a place to go and camp, ride off road vehicles or horses or just to get away. They were not purchased as residential home sites. All but sale 4 has developed or developable water sources, to superior levels versus the subject. None have developed electrical power. All are a bit more difficult to access in terms of distance from main roads or communities than is the subject. Only sale 4 has similar topography to the subject but it is more rolling and less severe than that of the subject. The range of indicated values from these sales is \$786/acre for a property with no vehicle access at time of sale but abundant water and gentle topography to \$1000/acre for a significantly more remote parcel with springs and standing timber to \$1500/acre for a rugged parcel of similar size with no development that is close to town to \$1781/acre for a smaller parcel with vehicle access and abundant, developed water. The subject is much more like sale 4 in terms of size, topography and lack of development however, the subject has noted seasonal springs versus sale 4 having superior year around access and total privacy. The other sales provide superior

internal coverage, limited privacy, lack of a sustainable water source, lack of available public power and lack of merchantable timber, in the opinion of this appraiser, the final value for the property known as 17777 Eel River Road, Potter Valley, CA is \$1000/acre or \$260,000 (Two Hundred Sixty Thousand Dollars).

I trust you will find this analysis complete and in keeping with the original request. If you have any questions, comments or concerns, please advise. Thank you for allowing me to be of service to your family in this matter.

Yours,

A handwritten signature in blue ink, appearing to be 'Gil Kuhn', with a long horizontal line extending to the right.

Gil Kuhn

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 each acting in what he considers his own best interest; (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 the sale. (Source: FDIC Interagency Appraisal and Evaluation Guidelines, October 27, 1994.)

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost, of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgement.

## **STATEMENT OF LIMITING CONDITIONS AND CERTIFICATION**

**CONTINGENT AND LIMITING CONDITIONS:** The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is valued on the basis of it being under responsible ownership.
2. Any sketch provided in the appraisal report may show approximate dimensions of the improvements and is included only to assist the reader of the report in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
4. Any distribution of valuation between land and improvements in the report applies only under the existing program of utilization. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
5. The appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous waste, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. This appraisal report must not be considered an environmental assessment of the subject property.
6. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
7. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and any applicable federal, state or local laws.
8. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
9. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.
10. The appraiser is not an employee of the company or individual(s) ordering this report and compensation is not contingent upon the reporting of a predetermined value or direction of value or upon an action or event resulting from the analysis, opinions, conclusions, or the use of this report. This assignment is not based on a required minimum, specific valuation, or the approval of a loan.

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 my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. Unless otherwise indicated, I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. Unless otherwise indicated, I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice that were in effect at the time this report was prepared.
9. Unless otherwise indicated, I have made a personal inspection of the interior and exterior areas of the property that is the subject of this report, and the exteriors of all properties listed as comparables.
10. Unless otherwise indicated, no one provided significant real property appraisal assistance to the person(s) signing this certification (if there are exceptions, the name of each individual providing significant real property appraisal assistance is stated elsewhere in this report).

**ADDRESS OF PROPERTY ANALYZED:** 17777 Eel River Road, Potter Valley, CA

**APPRAISER:**

Signature:   
 Name: Gil Kuhn  
 Title: Owner Gil Kuhn Appraisals  
 State Certification #: AR007455  
 or State License #:  
 State: CA Expiration Date of Certification or License: 10-24-2016  
 Date Signed: January 6, 2015

**SUPERVISORY or CO-APPRAISER (if applicable):**

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 State Certification #: \_\_\_\_\_  
 or State License #: \_\_\_\_\_  
 State: \_\_\_\_\_ Expiration Date of Certification or License: \_\_\_\_\_  
 Date Signed: \_\_\_\_\_