

FINAL REPORT
CONFIDENTIAL AND PRIVILEGED

APPRAISAL REPORT

UNION PACIFIC RAILROAD
SANTA CRUZ AND DAVENPORT BRANCH LINES
(WATSONVILLE JUNCTION TO DAVENPORT)

APRIL 20, 2006
BASED ON MARKET DATA OF MARCH 1, 2004
AGI FILE NO.: 03-10-105

VOLUME ONE

PREPARED FOR

SANTA CRUZ REGIONAL TRANSPORTATION COMMISSION (SCCRTC)

PREPARED BY

ARTHUR GIMMY INTERNATIONAL

Arthur Gimmy International

April 26, 2006

Santa Cruz County Regional Transportation Commission
1523 Pacific Ave
Santa Cruz, CA 95060-3911

Attention: Executive Director

Re: Valuation of the Santa Cruz and Davenport
Branch Rail Lines of Union Pacific

Ladies and Gentlemen:

In accordance with your authorization in early December, 2003 we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form a valuation based upon the following methodologies:

- A. Across the Fence
- B. Net Liquidation Value
- C. Corridor Value

The detailed specifications for the work are set forth in a contract dated November 29, 2003, a copy of which is included in the Addenda of this report. Details and amendments were fleshed out in the RFP and response (in the Addenda) as well as at the first coordination meeting following award of the contract. It is our understanding that the opinions of value will be utilized to assist the SCCRTC in the acquisition and funding of the right-of-way. This appraisal has been prepared as a full narrative that meets the requirements of Standards 2 and 6 of the Uniform Standards of Professional Appraisal Practice (USPAP), Public Utilities Code Section 7551.3, and Guidelines for CalTrans Right-of-Way Review Process for Rail Projects dated September 20, 1990 (the "Red Book"), and the Uniform Relocation and Field Property Acquisition Act and its regulations. Departures from standard practice have been made at the request of client in using 2004 market data and incomplete title and engineering data.

Based on the investigations and analyses undertaken and our experience in the analysis and valuation of railroad corridors throughout the greater San Francisco Bay Area, we have formed the opinions, subject to the limiting conditions set forth in this report, that as of March 1, 2004, the appraised values of the real estate are:

Across The Fence (not including salvage value):	\$9,666,000
Net Liquidation Value (salvage value at zero):	\$6,500,000
Corridor Value:	\$6,500,000
Final Conclusion – "Fair and Reasonable Price":	\$6,500,000

The narrative appraisal report that follows sets forth the identification of the property, property rights appraised, assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, results of our investigation and analyses and the reasoning leading to the conclusions set forth.

Should you desire a quick reference to the most important information, I direct your attention to the "Introduction" and "Executive Summary" sections of this report.

Respectfully submitted,

ARTHUR GIMMY INTERNATIONAL

A handwritten signature in cursive script, reading "Arthur E. Gimmy".

Arthur E. Gimmy, MAI

President

State Certification No. AG009703

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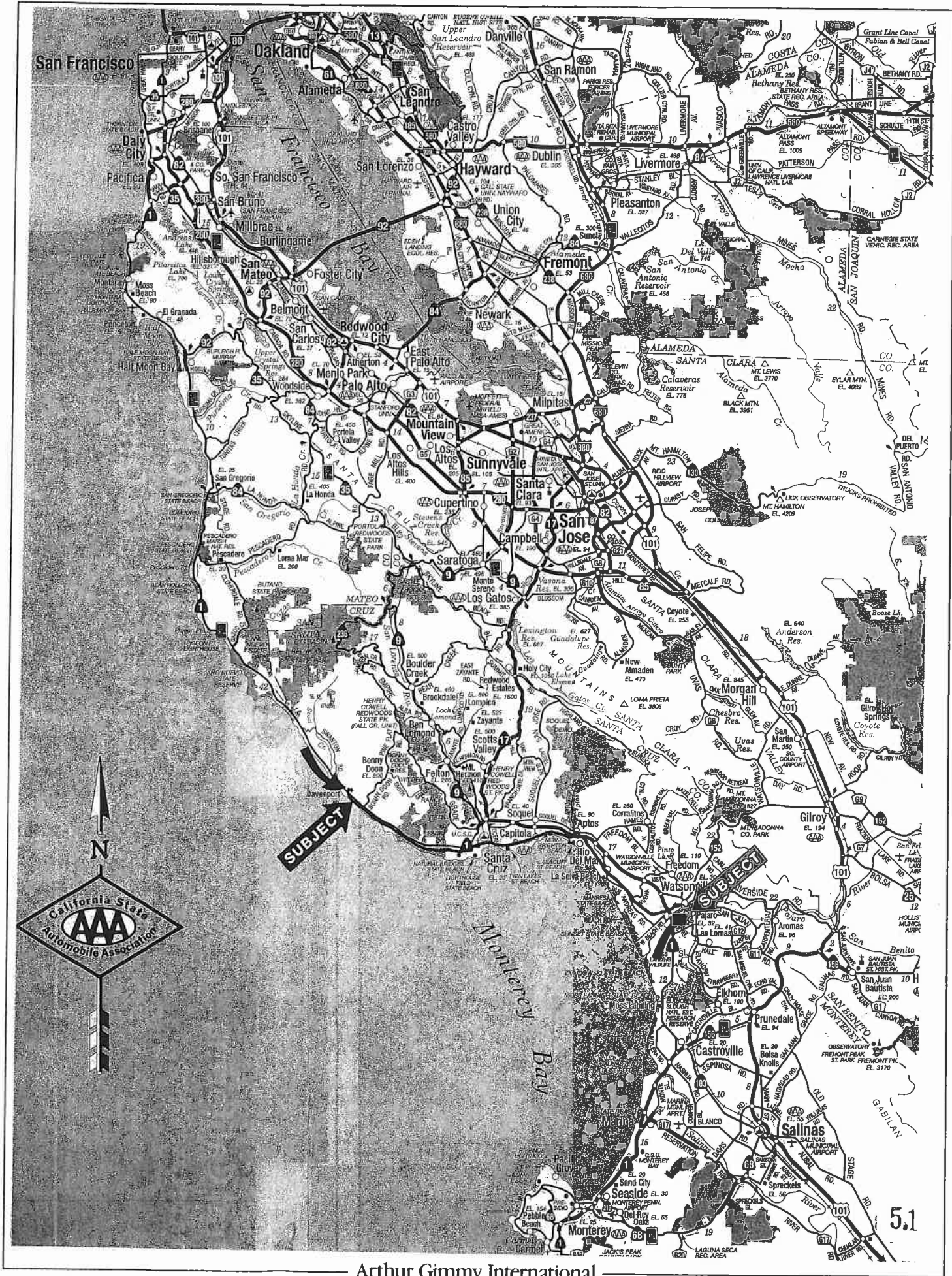
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REGIONAL MAP



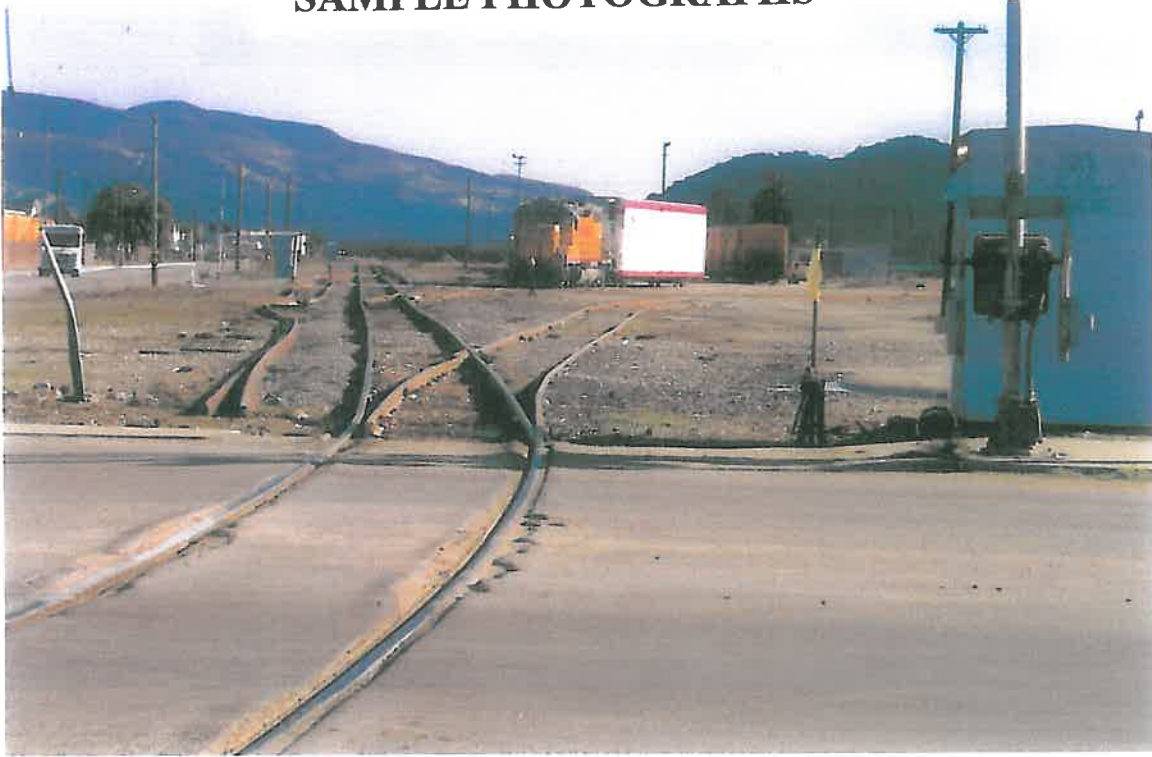


Big Trees and Roaring Creek Train turning from W to N at the “Wye” in Santa Cruz, looking SE



Big Trees and Roaring Creek Train at high speed of 4/5 mph completing turn to N at the “Wye” in Santa Cruz

SAMPLE PHOTOGRAPHS



Watsonville Junction looking East across Salinas Rd w/ RR Ave to Left (Sale property begins on WS of Salinas Rd from point of picture).



RR looking NW from WS of Salinas Rd (area to R behind red fence is leaseable land included in the sale).

SAMPLE PHOTOGRAPHS



Capitola trestle looking east from Prospect Ave.

SAMPLE PHOTOGRAPHS



RR looking W from near Ranger Station in Wilder Ranch State Park



RR looking E from near Ranger Station in Wilder Ranch State Park

EXECUTIVE SUMMARY

Property Name: Union Pacific Railroad: Santa Cruz and Davenport Branch Lines

Location: From Watsonville Junction to Davenport

Property Rights Appraised: Fee Simple (except where stated otherwise)

Date of Value: March 1, 2004

Land Area: 93.09 acres (of fee land qualified for title insurance)

Length: 31.48 miles

Improvements: Various trestles and bridges, ballast, track and ties, crossings and other equipment in place.

Zoning: Varies by location and jurisdiction

Highest and Best Use: Liquidation of the land as soon as it is legally possible

Value Conclusion: Across-the-Fence Value: \$9,666,000
 Net Liquidation Value: \$6,710,000
 Corridor Value: \$6,710,000

Final Conclusion: "Fair and Reasonable Price": \$6,710,000

INTRODUCTION

Background

The Santa Cruz and Davenport Branch Rail Lines (Property) from the mainline Union Pacific Railroad Junction near Watsonville runs through a Wye junction in Santa Cruz with the Big Trees Branch (now owned by others) which once connected to San Francisco. The Davenport Branch once terminated at Davenport Landing but now ends on the property of the Lone Star Cement Company. The northern terminus for purposes of this appraisal and the proposed sale is defined as the northwesterly limit of UP ownership of the main track shown on Map V89-8 and V89-9 as approximately station 623+43.53. The southern boundary of the Property in this appraisal is the west side of Salinas Road south of Watsonville. For many years Southern Pacific Railroad Co. and (currently) Union Pacific Railroad has run and is running regularly scheduled freight trains over the entire length of the rail line (RR) described above at least several times per week. In recent years the Santa Cruz Big Trees and Pacific Railroad has run passenger service between Santa Cruz and Olympia. The Santa Cruz County Regional Transportation Commission has coordinated an effort to acquire the Property for continuing the existing freight services while expanding to include passenger and other uses currently known as the Rail-Trail Plan.

Property Identification

The Property to be acquired is most of the portion of the UP Santa Cruz and Davenport Branch Rail Lines commencing at a point on the west side of Salinas Rd. south of Watsonville and running to a point approximately 3,350' north of Highway 1 near Davenport according to the latest iteration of the Property as of January 2006. Except for the right to maintain a single track throughout this length, the Property is not continuous due to numerous title defects, intermittent sales by Southern Pacific and Union Pacific of the underlying fee and a variety of breaks and conflicts with public roads and official mapping sources. While we relied primarily on a variety of Union Pacific valuation maps, ambiguities, contradictions, and omissions required us to study County Assessor's maps and other sources to resolve these problems, and to measure and scale all parts of the Property to determine, as accurately as possible, the length and area of the property being appraised. Please note that some of this product is beyond our scope of work and expertise and we cannot certify the accuracy of any areas as this must be done by civil engineers and we urge the readers to obtain these services. Where footnotes could be found to explain Valuation Map areas and they were similar to our findings, we used the Valuation Map designations. However, where our measurements conflicted and appeared reliable, we concluded to the "scaled results." Our result for the gross length of the line is 166,234 feet, or 31.48 miles of track. While most of this distance is owned in fee, numerous exceptions exist. Some track is placed on easements and some in public ways. Much lacks insurable title. Along San Andreas Rd there may be no recorded basis for title or use. Near Davenport, it may be subject to a license, according to Gooch at UP (though promised documents were never shown to us).

In accord with our scope of work, we subtracted appropriate areas for all public roads and waterways. These subtractions are specified as relevant and the net square footage in each

segment is specified in a summary sheet in this report. The overall right-of-way is highly variable in width, ranging from zero in public streets and ambiguous easements to over 100 feet wide at several places. Some fee areas appear subject to licenses and rights of others which have not been fully defined to us. In this regard, we rely on the title report dated January 9, 2005 and two supplements dated January 9, 2005 and March 25, 2005 and a legal analysis by SCCRTC's attorneys (see addenda) which were transmitted to us late in 2005.

The net area of the fee parcels which are qualified for title insurance and not subject to reversion, after subtractions for public roads and waterways is 4,055,041 sq. ft. or 93.09 acres.

“As Is”; Environmental Conditions

With the exception of environmental issues which may be separately discussed herein, the Property will be acquired “as is” (but assuming that the Property is free of environmental contamination). We assume that SCCRTC will be obtaining from Union Pacific an appropriate level of indemnification protection against potential liabilities arising from the environmental condition of the Property. We are not aware of any environmental problems except as noted below. There is always some potential for contamination of the ballast. Although not a problem for rail reuse, it might be a cost (land value offset) if preparing for liquidation sale. In the NLV analysis more specific discussion will address this risk. Similar costs may relate to correcting or sealing off areas, such as bike trails, to be developed.

Longitudinal Encumbrances

To our knowledge the Property is not uniformly encumbered with any exclusive easements, licenses or leases of this type. However, there are indications that the Property near Davenport may have been sold to Lone Star Cement Co. Union Pacific made verbal representations that it was believed to be a “license”, but failed to provide documentation. We noted that State Highway One near that point is partly installed on a “license” from the railroad. Our requests to Union Pacific for documentary definition of such rights has gone unanswered. In such cases, we have made the most reasonable analysis consistent with our contract, USPAP and other regulations governing this analysis. Title work was provided to us, but it did not clarify these matters and did not deal at all with V89-7, V89-8 and V89-9. The title company denied insurance to parcel V89-6, No. 1, which we believe has the same title history as the significant parcels on the sheets (above) not analyzed.

There are physical signs of farm roads and public uses at many places along the right-of-way. Many parts are regularly used as pedestrian thoroughfares, both longitudinally and transversely.

We are informed and rely on the assertion that there will be no reservations in the transfer of the railroad property to SCCRTC for the purpose of later leasing or granting easements for fiber optics or other uses. A partial oil, gas, and mineral (O.G.M.) reservation is common in this area, but does not affect regular uses, and has no value effect.

Transverse Easements and Encumbrances

The Property is burdened by a wide variety of encumbrances of this type which fall into two categories. First are public roads and waterways, which are separately subtracted from the total area of ownership in the valuation section as each segment and parcel of the Property is discussed. On the following page is a list of public roads (from south to north) and waterways. These encumbrances are netted out 100% from the area being valued on the basis that they are unusable for development for any kind.

LIST OF PUBLIC ROADS AND WATERWAYS WITHIN R/W

Monterey County (Pajaro)

1. Pajaro River Flood Area @ County Line

City of Watsonville

2. Walker Street

3. Errington Road

4. Lee Road

Santa Cruz County to La Selva Beach

5. Watsonville Slough

6. Harkins Slough

7. Buena Vista Drive

8. San Andreas Road

9. Unnamed Lane (accessing many properties)

10. Spring Valley Road

La Selva Beach (County)

11. San Andreas Road

Rio Del Mar (County)

12. Club House Drive

13. Rio Del Mar Blvd

Aptos (County)

14. Highway 1

15. Soquel Drive

16. Trout Gulch Road

17. Aptos Creek Road

18. Soquel Drive

19. Highway 1

Seacliff (County)

20. State Park Drive

21. Estates Drive

22. New Brighton Drive

City of Capitola

23. New Brighton Park Road

24. Grove Lane

25. Monterey Avenue

26. Capitola Avenue

27. Riverview Avenue

28. Soquel Creek (tidal)

29. Wharf Road

30. 47th Avenue

31. 41st Avenue

32. 38th Avenue

Live Oak Area (Santa Cruz County)

33. 30th Avenue

34. 17th Avenue

35. 7th Avenue

City of Santa Cruz

36. Santa Cruz Small Craft Harbor

37. Seabright Avenue

38. E. Cliff Drive

39. San Lorenzo River

40. Beach Street

41. W. Cliff Drive

42. California Street

43. Bay Street

44. Lennox Street

45. Palm Street

46. Dufour Street

47. Bellevue Street

48. Younglove Avenue

49. Seaside Street

50. Rankin Street

51. Almar Avenue

52. Fair Avenue

53. Swift Street

54. Natural Bridges Drive

55. Shaffer Road

Santa Cruz County (to Cement Plant)

56. Scaroni Road (S. crossing)

57. Scaroni Road (N. crossing)

58. Highway 1

59. Old Highway link to Highway 1

(North of track crossing)

Recognition, however, is given to the potential advantages of waterways and public road frontages in valuing the adjoining land. The above list above does not include adjacent or abutting access roads.

The second category of transverse encumbrances includes private crossing rights, drainage, and pipeline easements. These were studied for their general density and negative impact on probable potential developments (if any). Where an impact was concluded, an appropriate discount was estimated. Due to map omissions and ambiguities in this case, a complete and final tabulation of these matters would require analyses by engineers and title experts. For precision, if desired, such analyses are recommended and in this case, urgently needed.

Our method of analyzing these matters is to estimate their general diminution of potential development and future use of the Property. In many cases, for example, cross easements for sewer and water mains might have little impact on development value if they do not substantially change the overall density or arrangement of future buildings on the property (depending on proposed uses). Overall, the profusion of such easements and encumbrances will have some negative effect on value and this is considered in the net liquidation value analysis in this report. Generally, depending on the widths and configuration of the line, access points, and the highest and best uses in liquidation, discounts after other analyses might run as high as 10% or as low as zero.

Date of Value

The valuation date is March 1, 2004.

Date of Appraisal

Market work was completed in March 2004.

This appraisal was conducted between the months of December, 2003 and revised and reanalyzed pursuant to supplementary agreements into April 2006.

Appraisal Staff and Inspection

The assignment was completed under the direction of Arthur E. Gimmy, MAI, assisted by Charles R. Baumbach, Senior Associate. The property was inspected in detail several times during the months stated above. In addition, re-inspections of certain parts were conducted as needed at various times during the same months.

Definition of Appraised Value

Appraised value, for the purpose of this assignment, is defined in the "Red Book" as "Fair and Reasonable Price," which is "a price wherein there is a reasonable balance between the value of what is given and what is received in the acquisition of rights to the railroad right-of-way."

Other Definitions

Non-Operating Right-of-Way is defined as "any property (commercial, industrial, residential, agricultural, etc.), that is not utilized for rail operating purposes at the time of valuation/acquisition. Non-Operating Right-of-Way can be property owned by a rail operator that is

utilized for support of the operating right-of-way (e.g., administrative offices, storage areas, etc.). The valuation of this type of property can be established by ordinary appraisal methods.

Operating Right-of-Way is “property owned by a railroad and necessary for railroad transportation purposes, over which property rights are to be acquired by a public agency. These are the properties and rights which another railroad would likely acquire to continue the freight/passenger traffic service; and if not acquired, would have to be replaced with substitute properties/rights to continue that service. A railroad owner’s fee or easement title to right-of-way is currently improved with rail, ties and ballast, and ancillary improvements to run train operations on that line. It may include station sites and the parking lots. Valuation of this type of property requires special procedures.” The special procedures mentioned above will be discussed and described in the “Valuation Methodology” chapter of this report.

Across-the-Fence Value (ATF) is defined by the Appraisal Institute as “a means of estimating the price or value of land adjacent to or ‘across the fence’ from a railroad, pipeline, highway or other corridor real estate; as distinguished from valuing the right of way as a separate entity.” It is not a value as such, but rather a very generalized procedure which results in a number for beginning calculations and further analysis and adjustment to come to a value conclusion

Net Liquidation Value (NLV) is defined by AGI as the estimated price received from the right-of-way when the assembled whole is not the highest and best use, derived from an analysis of costs, revenues and timing associated with the breakup and sale of the right-of-way in separate parcels.

Corridor Theory Value (CTV) is defined as the estimated value of an assembled right-of-way which reflects the value of the underlying land (the ATF conclusion) sometimes enhanced by the fact that the costs of assembling it have been avoided (e.g., engineering, acquisition, legal, management and overhead). Its use is dependent on an economic basis (including market factors) which would motivate investors or developers to assemble the existing corridor currently at a cost in excess of NLV.

Property Rights Appraised

One of the purposes of the appraisal is to estimate the “fair and reasonable price” of the fee simple interest in the Property as described herein.

Fee Simple is defined by the Appraisal Institute as absolute ownership unencumbered by any other interest or estate subject only to the limitations of eminent domain, escheat, police power, and taxation.

An easement is defined by the Appraisal Institute as “an interest in real property that conveys use, but not ownership, of a portion of an owner’s property. Access or right-of-way easements may be acquired by private parties or public utilities.”

Highest and Best Use

The traditional basis for evaluation of the highest and best use, or most probable use of real property consists of analysis and investigations into four primary areas: 1) physical suitability for an intended use; 2) legal permissibility of that use; 3) current market demand for the intended use; and 4) the potential impact on the right-of-way of surrounding development.

Fundamentally, a highest and best use evaluation is an economic analysis, which expresses its conclusions in terms of greatest profit or economic return to the land, after deduction of an appropriate rate of return to any profitable improvements on it.

The confluence of traditional valuation theory for rail rights-of-way and the only recently identified need to value intact rail lines or corridors creates the valuation framework in which we analyze and evaluate the subject property; a framework which focuses most significantly upon the use of the right-of-way, either continuing as a corridor, or ultimately disassembled into component parcels for alternative re-use.

It seems obvious to us, that if the right-of-way is an economically viable corridor in demand by more than one potential purchaser – i.e. the most probable use for rail purposes or similar uses, then the appropriate valuation method is the income approach and/or the across-the-fence method, with adjustments (up or down), recognizing the values (if any) inherent in the enhancement factor: avoided costs, time, and opportunity cost. Alternatively, if the highest and best use of a right-of-way is to break the line up, then the net liquidation value method is most appropriate; a method which recognizes the costs and time it takes to break up the right-of-way, as well as the significant discounts that might have to be offered to some adjacent property owners in order to induce them to buy the segmented parts.

Analysis

The circumstances of the Property herein, and the fact that it is an operating railroad with continuing legal, regulatory, and business demands upon it, make it a technical corridor. But it is specially limited in various ways: selloff of various underlying fee lands with minimal reservations of rights of passage and use, varying standards of width, lack of probable demand for alternative or supplemental corridor uses on an economic basis, a limited and declining demand for freight use, very low speed limits based on physical conditions as well as competing adjacent uses, which diminish appeal for efficient passenger service, missing evidence of title and uncertain title encumbrances. These shortcomings demand 1) a clear current economic justification for a corridor and, 2) a serious comparison with NLV.

Finally, we have found no economic or trends studies which would justify the assemblage of the Property in its present form and certainly not at values anywhere near At-The-Fence values. Based on an analysis of GCV (Going Concern Value) by others, there is a positive but limited value to the present freight operation, only to a shortline contractor with no responsibility for maintenance or replacement of RR improvements. There is also evidence that passenger rail uses on a limited basis (without subsidy) are feasible under present circumstances although the return

to the property would be limited. Again, there is no accommodation for replacement of rails and other basic improvements as they wear out.

Therefore, it is likely that the highest and best use, based heavily upon legal and technical requirements for continued use as a corridor must be determined largely by the NLV analysis.

Conclusion

In summary, the highest and best use of this property is a technical corridor with very limited long-term economic potential as a corridor in accord with USPAP principles of economics which largely exclude public interest value (PIV). Potential future transportation planning on a regular basis would have no effect currently on this issue.

Thus, we conclude that net liquidation value (NLV) will provide the primary basis for analysis, and as modified and balanced by potentially offsetting influences, either positive or negative, will produce the "Fair and Reasonable Price" defined by the "Red Book."

Severance Damage

No allowance has been made for severance damage since the UP branch operations here are considered to be compensated through the going concern value analysis.

Assumptions and Standard Limiting Conditions

1. The legal or other descriptions furnished to the appraiser are assumed to be correct, and the title is assumed to be marketable.
2. The appraiser assumes no responsibility for legal matters.
3. Report exhibits are only visual aids. All sizes indicated for land and improvements are from indicated sources and assumed to be correct.
4. Unless otherwise noted herein, it is assumed there are no detrimental easements, encumbrances, encroachments, liens, zoning violations, building code violations, or environmental violations, etc. affecting the subject property.
5. Information, estimates, and opinions furnished to the appraiser are obtained from sources considered reliable; however, no liability for their accuracy can be assumed by the appraiser.
6. It is assumed that there are no hidden or unapparent conditions in the land or improvements that render the property more or less valuable or that would reduce its utility, development potential, or marketability. All improvements are assumed to be structurally sound unless otherwise noted. No responsibility is assumed for hidden or undisclosed conditions or for arranging for engineering studies that may be required to discover any defects or uniquely favorable conditions.

7. Where the discounted cash flow analysis is utilized to estimate NLV, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may well vary from the projections and such variation may be material.
8. The appraiser is not required to give testimony or appear in court, or at public hearings, or at any special meeting or hearing with reference to the property appraised herein by reason of preparation of this report, unless arrangements have been made prior to preparation of this report.
9. Possession of this report does not carry with it the right of publication. It shall be used for its intended purpose only and by the parties to whom it is addressed. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which it is connected, and any reference to the Appraisal Institute, or MAI designation.
10. Property values are influenced by a large number of external factors. The information contained in the report comprises the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effective date of the appraisal.
11. The value is estimated under the assumption that there will be no international or domestic political, economic or military actions that will seriously affect property values on a local or nationwide basis.
12. The liability of Arthur Gimmy International, its owner and staff is limited to the Client only and to the amount of the fee actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraiser is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), Client will hold appraisers completely harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

Special Conditions

- 1) Except where noted otherwise herein, the "Property" or "subject property" (except for easements of record) is owned in fee simple by U.P. Railroad Co. and is not subject to any rights of reversion.
- 2) The "Property" has not been "abandoned" or reverted to others in any sense, and that U.P. Railroad has full power to convey title thereto.
- 3) The map notes indicating easements and licenses to the benefit of others are tabulated in this report. Due to the ambiguous nature of many map notes and the quality of the maps, we assume no responsibility for the accuracy or completeness of these tabulations and urge the client to obtain the expert advice of lawyers, engineers and title examiners for this purpose. Nevertheless, we have attempted to draw reasonable and fair conclusions wherever adequate information was available. However, should more accurate information become available, we reserve the right to adjust our analysis and conclusions accordingly.
- 4) This analysis assumes that seller, U.P. will not reserve any rights to lease income or development easements or continuing rights of any kind except for 50% of O.G.M. without rights of surface access or disruption.

Experience of Appraisal Firm

Since 1965, Arthur Gimmy International, a California-based corporation, has been involved in the analysis and valuation of all types of real property interests and intangible assets throughout the United States. Each year the firm appraises over \$1 billion worth of property rights. The Corte Madera and Newport Beach offices have a large staff of highly experienced appraisers with specialties in special purpose projects, ranches, resorts and hotels, recreational properties such as golf courses, healthcare developments, major government installations, senior housing, investment portfolios and litigation assignments.

The firm specializes in the appraisal of railroad rights-of-way. Previous assignments have included portions of the BART system in Alameda, Contra Costa, San Mateo and San Francisco Counties, the NWP Right-of-Way extending from San Rafael (Marin County) on the south to Willits (Mendocino County) on the north, the Peninsula Commute Corridor (CalTrain) between San Francisco and Gilroy, the NWP Right-of-Way extending from Novato to Napa Junction, the Santa Cruz Branch Line which runs along the Pacific Coast through most of Santa Cruz County, the Altamont Commuter line extending from Stockton to Fremont, the Vasona Corridor which runs between San Jose and Los Gatos, the BART extension from Fremont to San Jose just purchased from Union Pacific Railroad, and the Monterey Branch Line extending from Castroville to Sand City, California.

Qualification data for Arthur E. Gimmy, MAI and Charles R. Baumbach, Senior Associate are included in the Addenda of this report.

LOCAL AND REGIONAL ANALYSIS

(As of mid-2004)

Introduction

The Property, except for about one mile within the Pajaro area of Monterey County, lies entirely within Santa Cruz County. It proceeds from the south boundary running generally near the coast through the incorporated cities of Watsonville, Capitola, and Santa Cruz to the cement plant at the unincorporated town of Davenport.

A variety of unincorporated towns and service districts with sewer and water systems exist between La Selva Beach and Santa Cruz. Thus this area, with minor exceptions is basically urban.

By contrast, the areas north of Santa Cruz and between La Selva Beach and Watsonville to the south, are basically rural. Zoning, availability of services and values largely reflect these distinctions.

The Pajaro area' in Monterey County is almost totally a functioning part of Watsonville and Santa Cruz County. Therefore, we have not specially analyzed Monterey County but included summary demographics of both counties (and the three incorporated cities) at the end of this chapter.

Location

Santa Cruz County is located on the Central California Coast. It lies 65 miles south of San Francisco and 35 miles north of Monterey. The principal cities are Santa Cruz (population 54,593), Watsonville (population 44,265), Scotts Valley (population 11,385) and Capitola (population 10,050). Its principal industries are tourism, agriculture, manufacturing and high-tech. The average rainfall is 31 inches per year and the average of sunny days is 300. As in the majority of the state, most of the rainfall occurs between November and April.

History

Spanish missionaries established Mission Santa Cruz in 1791 and Christianized the native Ohlone Indians. In 1848 the timber business boomed and in the same year the first foundry was established to cast picks for gold mining and plows for farmers. The first mercantile store opened in Santa Cruz in 1851. Toward the end of the 1800's the agriculture industry began with such crops as strawberries, artichokes, brussel sprouts and flowers. In 1902, Big Basin, in the northern part of the County became the first state park in California. The Santa Cruz Beach Boardwalk was built in 1907.

County Economics and Trends

Santa Cruz County's recent economic studies, published in 2003 show general failure to meet past goals. Primary goals for 2004 (less unemployment, unemployment at or below the State rate, and increased access to affordable housing) are all believed to have failed.

Following this discussion, are eight pages from the "Santa Cruz County Community Assessment Project", which detail and illustrate this situation. Sadly, the data is often no more recent than 2001 and 2002. Topics covered include Goals, Retail Sales, Agricultural Production, and Tourism.

Except for agriculture, which is vigorous but follows its own pattern, other sectors tend to mimic and follow the patterns of the San Jose Metropolitan Area to which the area is adjunct.

Commercial development continues as low interest rates remain available. But it is spotty, depending on local opportunities. Downtown Santa Cruz continues to renew itself, the Santa Cruz Safeway will soon be rebuilt and expanded, new housing and commercial development is coming to downtown Aptos, there is talk of a big-box retail development in Santa Cruz. Tourism is strengthening but often commercial land is purchased for residential development, the star-performer category in recent years.

Industrial development is weak and reflective of San Jose. Much of the Santa Cruz industrial area is being converted to residential (or commercial) uses. Most industrial development is oriented to Watsonville, where agriculture is a viable anchor. Some other expanding businesses find it a good place to locate. Land prices appear at best flat.

Residential development is limited by planning and political resistance despite obvious demand. Most residential development is infill on existing lots, or density rebuilding on existing lots, and conversion of commercial or industrial land to residential uses. Single family housing prices have risen to 20 to 40% per year during 2003 and 2004. The best data reference for finished available lot values is by abstracting a site price as a percentage of completed average home values. A summary of median home prices for 2003 and 2004 is contained at the end of this chapter by statistical areas within the county.

A Summary of Santa Cruz County's Economy, 2003

Our Goals

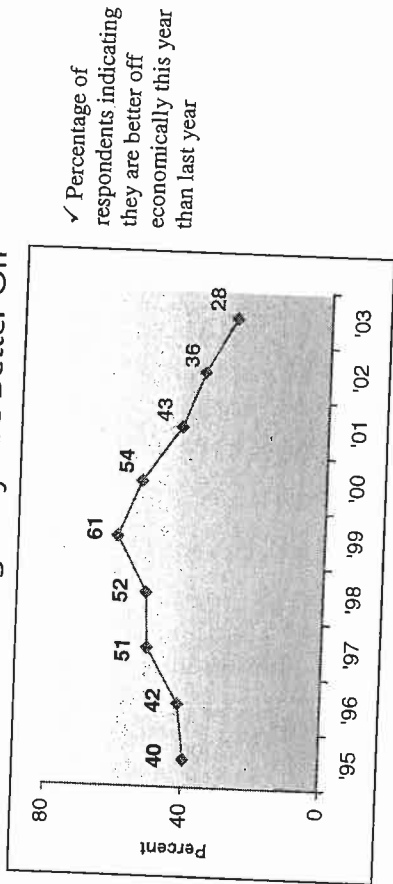
By the Year 2004, the number of jobs in Santa Cruz County will increase in proportion to the workforce.

By the Year 2004, the County's unemployment rate will be at or below the State rate.

By the Year 2004, more residents of Santa Cruz County will have access to housing they can afford.

For the fourth consecutive year, fewer respondents said that they are better off economically than the year before. At 27.5%, this is the lowest percentage reporting that they are "better off" since 1995. The most common reasons cited by survey respondents are "increases in the cost of living" (20.5%) and "less income" (20.4%). People ages 25-44 were more likely to feel they were better off than those 65 and older. Those earning \$35,000 or more per year were more likely to indicate they were better off than those earning less.

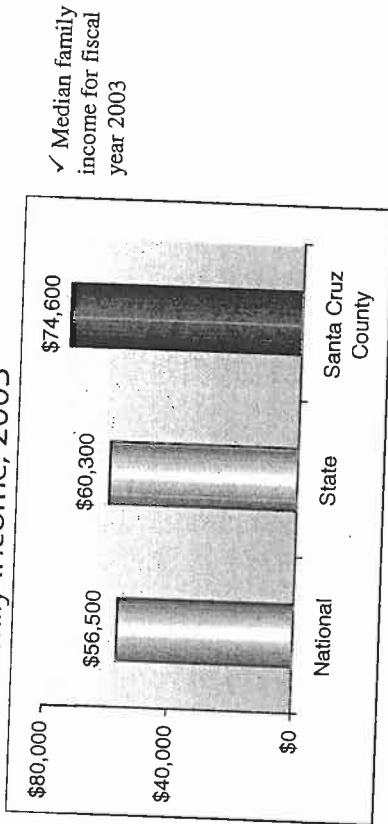
Residents Reporting They Are Better Off



The TANF/CalWORKs program saw an 8.8% reduction in the number of recipients in 2002; the number of children (under age 16) was reduced by 16% while the number of adults (age 16+) increased by 12.2%. Almost six times as many female adults (908) received TANF aid as male adults (152). There was a 37.8% increase in recipients aged 16-20 and a 22.7% increase in recipients aged 55 and over. The ethnicity of recipients saw a 33.3% increase in Asian/Pacific Islanders, a slight decline in Caucasians (-1.8%) and increases in Hispanic (5.5%) and African American (9.8%) recipients. "Other" ethnicities declined by 28.6%. The total number of participants with active status in the County's Welfare to Work program declined 8% in 2003.

The U.S. Department of Housing and Urban Development's calculations of median family income for Santa Cruz County for FY 2003 grew by 8.1% to \$74,600.

Median Family Income, 2003



Per capita personal income for 2001 dropped by 2.6% in 2001 to \$36,865, the first annual decline since 1994. Statewide and national figures showed small increases, 0.9% and 2.2% respectively.

Wages tracked by the California Employment Development Department in 2002 for the 17 job categories included in the CAP increased an average of 6.0% across all categories, with the largest

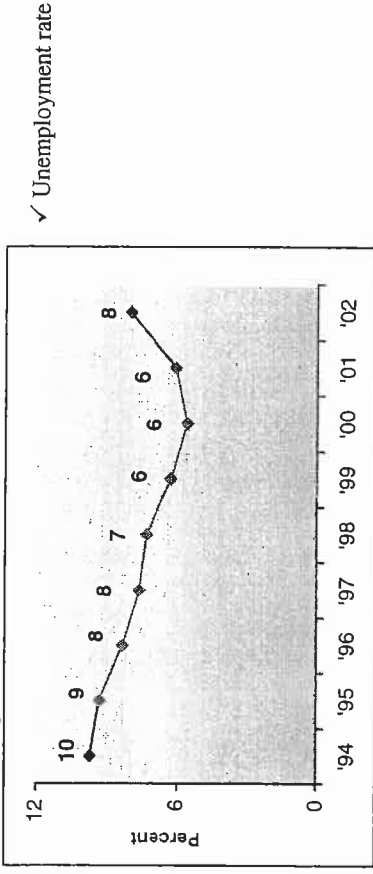
increases for child care workers, general and operations managers, and arts, design, entertainment, sports and media occupations. The lowest increases were for restaurant cooks, data entry keyers, accountants and auditors.



Overall job growth in the county dropped by 2.1% in 2002, with the greatest losses in “information technology” (-15.4%), “manufacturing” (-11.2%), and “wholesale trade” (-8.6%). The labor force declined by 0.4%. Statewide, total employment saw a 0.9% decrease, while the labor force increased by 1.3%.

Reflecting today’s tight economy, Santa Cruz County’s unemployment rate rose 1.9 points (31.1% increase), from 6.1% in 2001 to 8.0% in 2002. This rate is higher than both the state and national rates of 6.7% and 5.8% respectively. The highest local rate of unemployment in 2002 was experienced in Watsonville (16.5%, a 3.7% net change).

Unemployment Rate



Once again, survey respondents indicated that they were less optimistic about finding work in the area, with 61.5% indicating that they feel they have opportunities to find work in this area, compared to 65.3% saying “yes” to this question in 2002. Of those who felt they didn’t have job opportunities, nearly 52% of the survey respondents cited the lack of jobs, and 12% cited low-paying jobs as key factors. In non-farm industries, only “education and health services” and “government” posted increases, of 5.5% and 3.0% respectively, while “information” and “manufacturing” industries posted the greatest losses, at 15.4% and 11.2% respectively. A 6.4% increase in employment by the County’s farm industries from 2001 to 2002 contrasted with California’s farm sector with a 0.9% decline.

During 2001, Santa Cruz County saw a slight drop in taxable retail sales (1.4%), while Santa Clara County saw a nearly 14% drop in sales. Monterey and San Benito Counties each saw an approximately 5% increase in taxable sales. Statewide, taxable retail sales dropped by 0.1%. Locally, while other county jurisdictions saw overall reductions in sales in 2001, or very modest increases (Capitola, 0.3% increase), Watsonville saw a nearly 9% increase in taxable sales.

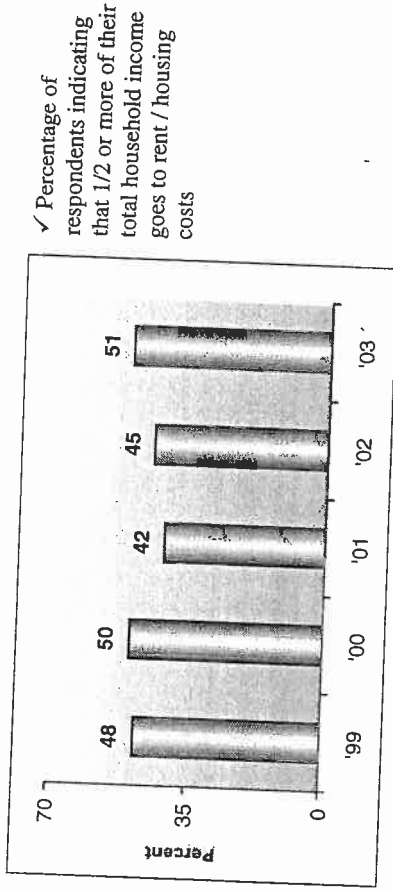
Local businesses saw sales trends that were in some cases similar to statewide trends, while other industries varied. "Farm implement dealers," for example, saw a 10.5% increase in sales locally, while statewide, these businesses saw a 3.0% decline. The largest area of growth in the County was in "general merchandise," with a 27.6% increase.

Local building activity saw a 6.8% increase in building permit valuation in 2002 (residential and non-residential). Multi-family housing permits increased by nearly 117%, while single family (6.7%) and additions/alterations (3.3%) permits increased more modestly. The County residential permit valuation total increased by 21% over 2001. The number of multi-family permits increased by nearly 154%, while single family permits increased by only 1.5%.

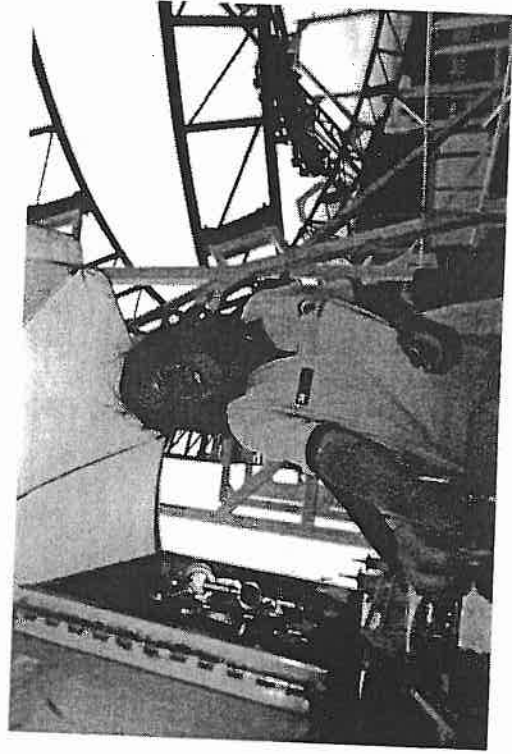
The value of non-residential permits dropped by more than 37% in 2002. Specifically, the value of commercial permits dropped by 83.9%, the value of industrial permits dropped to essentially zero from \$932,000 in 2001, and the value of additions/alterations dropped by more than 19%. The value of "other non-residential permits" increased by more than 21%.

The California Association of Realtors calculated that 17.2% of households in Santa Cruz County were able to afford a median-priced home in 2002. This was somewhat better than San Francisco (13.5%) and worse than Santa Clara County (24.4%). Statewide, 28.8% of households could afford a median-priced home, while the national rate was 56.7%. In 2003, the average local rents dropped by 7.8% for a studio unit, 13.1% for a 1-bedroom unit, and 12.9% for a 2-bedroom unit during the last year.

Affordable Housing



When asked, "Does half or more of your total household take-home pay go to housing costs?," nearly 51% of the survey respondents indicated "yes." Twenty percent of respondents indicated that they spend 75% or more of their total household take-home pay on housing costs.



Retail Sales

Taxable sales are a measure of consumer spending and confidence, because purchases (luxuries, in particular, but also other purchases ranging from restaurants to new homes) are the first expenditures to dip when confidence declines.

Annual Taxable Sales by Jurisdiction, Santa Cruz County (in thousands \$)

Jurisdiction	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Capitola	\$326,874	\$363,732	\$366,477	\$380,811	\$398,322	\$427,333	\$463,310	\$464,914	0.3
Santa Cruz	345,553	499,232	550,962	605,283	634,138	725,287	828,500	809,628	-2.3
Scotts Valley	131,485	158,168	164,688	167,624	164,906	167,366	184,736	176,661	-4.4
Watsonville	274,265	291,177	307,070	317,738	340,271	397,891	445,077	484,801	8.9
Unincorporated/ Unallocated	584,235	616,399	698,533	781,953	829,234	906,755	1,000,719	945,278	-5.5
County Total	\$1,780,923	\$1,928,708	\$2,087,730	\$2,253,409	\$2,366,871	\$2,624,632	\$2,922,942	\$2,881,282	-1.4

Annual Taxable Sales by County and State (in thousands \$)

County	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Monterey	\$2,981,207	\$3,161,181	\$3,437,830	\$3,643,016	\$3,858,997	\$4,280,676	\$4,897,051	\$5,101,569	4.2
San Benito	257,401	282,592	328,365	357,785	380,829	421,941	475,986	501,089	5.3
Santa Clara	19,633,186	22,585,949	25,260,854	26,951,487	27,488,815	30,348,644	37,303,662	32,133,247	-13.9
Santa Cruz	1,780,923	1,928,708	2,087,730	2,253,409	2,366,871	2,624,632	2,922,942	2,881,282	-1.4
State	\$285,974,711	\$300,956,449	\$321,076,250	\$341,091,634	\$358,858,378	\$394,736,245	\$441,854,412	\$441,517,560	-0.1

Source: California State Board of Equalization, Report of Taxable Sales in California, 2003.

Figures shown in thousands of dollars.

QUALITY OF LIFE INDICATOR 2

Retail Sales

Retail sales provide a measure of total taxable transactions per person by type of business.

Per Capita Taxable Sales, Santa Cruz County by Business Type

Type of Business	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Apparel stores group	\$256	\$248	\$261	\$267	\$263	\$260	\$312	\$315	1.0
General merchandise group	903	1,055	1,091	1,100	1,170	978	1,333	1,340	0.5
Specialty stores group	682	762	803	911	937	1,035	1,175	1,119	-4.8
Food stores selling all types of liquor	323	306	333	346	343	360	376	406	8.0
All other food stores	194	196	189	197	194	215	235	247	5.1
Packaged liquor stores	97	104	106	106	105	115	123	125	1.6
Eating and drinking group	834	846	889	928	960	1,013	1,090	1,129	3.6
Household and home furnishings	134	125	134	150	174	200	236	214	-9.3
Household appliance dealers	37	38	43	109	121	133	153	149	-2.6
Second-hand merchandise	15	17	18	14	14	14	15	16	6.7
Farm implement dealers	18	15	N/A	N/A	17	20	19	21	10.5
Farm and garden supply stores	103	112	110	127	115	120	114	119	4.4
Fuel and ice dealers	19	18	36	14	17	20	20	22	10.0
Building material group	592	619	677	770	794	894	931	918	-1.4
Automotive group	1,171	1,244	1,366	1,453	1,537	1,684	1,941	1,980	2.0
Mobile Homes, trailers and campers	6	4	3	5	13	16	19	16	-15.8
Boats, motorcycles and planes	50	60	71	70	93	112	147	149	1.4
Retail stores total	5,434	5,767	6,132	6,571	6,865	7,465	8,239	8,285	0.6
Business and personal services	377	402	445	471	479	498	588	558	-5.1
All other outlets	1,847	1,818	1,993	2,074	2,093	2,266	2,513	2,303	-8.4
Total all outlets	\$7,458	\$7,986	\$8,570	\$9,116	\$9,437	\$10,228	11,340	\$11,146	-1.7

Source: California State Board of Equalization, Report of Taxable Sales in California, 2003; California Department of Finance, E1 City / County Population Estimates, with annual percentage change, Sacramento, CA May 2003.

Per capita taxable sales figures are derived by dividing taxable sales by the total population for a given area.

Retail Sales

Per Capita Taxable Sales, California by Business Type

Type of Business	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Apparel stores group	\$334	\$327	\$342	\$350	\$350	\$338	\$373	\$385	3.2
General merchandise group	1,054	1,062	1,071	1,108	1,158	1,254	1,329	1,358	2.2
Specialty stores group	832	888	967	1,026	1,080	1,204	1,330	1,265	-4.9
Food stores selling all types of liquor	315	316	330	336	333	341	355	358	0.8
All other food stores	135	135	138	147	148	165	178	183	2.8
Packaged liquor stores	54	54	54	54	54	58	60	61	1.7
Eating and drinking group	772	794	826	857	897	956	1,028	1,060	3.1
Household and home furnishings	159	163	172	180	199	233	268	265	-1.1
Household appliance dealers	136	144	129	112	116	120	127	118	-7.1
Second-hand merchandise	12	12	12	13	14	15	15	15	0.0
Farm implement dealers	48	52	55	59	66	69	67	65	-3.0
Farm and garden supply stores	50	53	57	59	59	58	60	59	-1.7
Fuel and ice dealers	12	11	12	12	12	13	15	14	-6.7
Building material group	431	419	437	475	513	587	652	696	6.7
Automotive group	1,503	1,576	1,691	1,740	1,784	2,044	2,376	2,457	3.4
Mobile Homes, trailers and campers	19	18	18	20	23	26	28	28	0.0
Boats, motorcycles and planes	37	39	43	43	45	51	65	69	6.2
Retail stores total	5,885	6,062	6,354	6,692	6,849	7,582	8,326	8,457	1.6
Business and personal services	438	456	485	515	562	599	643	640	-0.5
All other outlets	2,673	2,868	3,076	3,243	3,303	3,501	3,846	3,605	-6.3
Total all outlets	\$8,996	\$9,386	\$8,607	\$10,350	\$10,714	\$11,632	\$12,815	\$12,702	-0.9

Source: California State Board of Equalization, Annual Report of Taxable Sales in California, 2003; California Department of Finance, E1 City / County Population Estimates, with annual percentage change, Sacramento, CA May 2003.

¹ Figure revised.

Per capita taxable sales figures are derived by dividing taxable sales by the total population for a given area.

QUALITY OF LIFE INDICATOR 5

Agricultural Production

Agriculture is a key employment industry in Santa Cruz County.

Annual Crop Production Value (in millions \$)

Crops	1994	1995	1996	1997	1998	1999	2000	2001	2002	% Change
Berries	\$120.2	\$108.3	\$108.7	\$122.2	\$100.1	\$175.3	\$180.8	\$175.0 ¹	\$153.2	-12.5
Tree and Vine Fruits	9.0	11.5	12.2	19.2	10.0	16.0	10.6	14.0 ¹	12.5	-10.7
Vegetables	58.8	60.6	57.1	61.9	52.5	42.6	66.9	59.6	55.6	-6.7
Nursery / Ornamental Crops	43.8	51.8	53.0	73.1	56.7	64.6	76.6	75.0	61.0	-20.0
Animal Products	2.2	2.8	2.8	2.2	2.4	2.7	2.9	3.1	2.3	-25.8
Field Crops	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.3	50.0
Total Crops Value	234.0	235.0	244.0	278.7	221.8	301.3	338.0	326.9¹	284.9	-12.8
Timber Farming	12.6	11.0	11.5	10.5	8.9	7.9	14.0	4.7	4.1	-12.8
Total Production Value	\$246.5	\$246.1	\$255.4	\$289.2	\$230.8	\$309.2	\$352.0	\$365.1 ¹	\$289.0	-20.8

Top Agricultural Crops by Production Value (in millions \$)

Crops	1994	1995	1996	1997	1998	1999	2000	2001	2002	% Change
Strawberries	\$93.7	\$79.0	\$83.5	\$91.8	\$72.3	\$139.9	\$126.5	\$118.6 ¹	\$107.4	-9.4
Iceberg Lettuce	24.5	27.1	23.9	28.7	19.0	13.9	30.0	24.8	14.8	-40.3
Raspberries	23.8	27.1	20.3	24.8	24.4	29.4	44.4	44.9	37.9	-15.6
Roses, Cut Hybrid Tea	18.6	21.1	15.7	14.9	13.0	11.3	11.2	10.3	N/A ²	-
Timber Farming	12.6	11.0	11.5	10.5	8.9	7.9	14.0	4.7	4.1	-12.8
Apples	8.7	11.0	11.1	17.0	9.3	14.5	8.7	10.1 ¹	9.2	-8.9
Lettuce, Leaf & Romaine	8.0	6.6	6.0	9.1	4.7	5.3	11.7	9.9	15.0	51.5
Cut Field Flowers	7.7	6.7	11.5	11.5	7.4	15.8	15.6	11.4	8.8	-22.8
Brussels Sprouts	7.6	5.7	6.1	4.1	7.2	6.6	5.6	5.7	5.6	-1.8
Landscape Plants	N/A	N/A	21.6	25.5	14.3	22.8	23.2	25.9	17.9	-30.9

Source: County Agricultural Commissioner, Santa Cruz County Crop Report, 2003.

¹ Figures revised.

² Figures for roses were not available at the time of printing.

Tourism

The transient occupancy tax measures the taxes levied on out-of-town visitors for lodging. Santa Cruz is a popular destination for weekend and holiday travel, which have substantial economic impacts.

Santa Cruz County

Category	1993	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Travel Spending ¹	\$327.4	\$330.0	\$348.7	\$397.2	\$428.1	\$445.6	\$497.3	\$517.3	\$512.0	-1.0
Earnings Generated ¹	109.4	110.3	118.1	134.4	145.8	153.1	170.9	176.7	174.4	-1.3
Local Tax Receipts ¹	8.5	8.5	9.1	10.7	11.2	11.8	13.1	13.9	13.3	-4.3
State Tax Receipts ¹	\$14.6	\$14.7	\$15.7	\$18.0	\$19.4	\$20.1	\$22.1	\$22.8	\$22.7	-0.4
Total employment (# of jobs)	7,720	7,820	8,110	8,940	9,340	9,360	9,700	9,360	8,840	-5.6

¹ in millions of dollars

Dean Runyan Associates has improved the manner and form in which data are reported. Changes include reporting of earnings rather than payroll.

Transient Occupancy Tax by Jurisdiction

City / Area	1993	1994	1995	1996	1997	1998	1999	2000	2001	% Change
Capitola ²	\$216.1	\$232.1	\$241.0	\$262.3	\$260.1	\$286.4	\$300.8 ³	\$340.8 ³	\$512.4	50.4
Santa Cruz ²	2,392.1	2,176.5	2,227.9	2,570.6	2,710.9	2,716.4	3,174.7 ³	3,541.4 ³	3,900.9	10.2
Scotts Valley ²	89.8	89.2	91.1	98.1	98.2	101.1	105.3 ³	392.1 ³	581.4	48.3
Watsonville ²	279.0	212.0	223.7	223.8	272.7	281.4	381.6 ³	486.4 ³	590.3	21.4
Unincorporated ²	1,866.2	2,071.3	2,113.3	2,362.2	2,709.0	3,117.5	3,305.5 ³	3,841.1 ³	4,081.9	6.3
County Total²	\$4,843.2³	\$4,781.1	\$4,897.0	\$5,517.0	\$6,050.9	\$6,502.8	\$7,267.9³	\$8,601.8³	\$9,666.9	12.4

Source: California State Controller's Office, Local Government Annual Financial Reports, 2003.

² in thousands of dollars

³ Figure revised.

Santa Cruz County

Demographics & Socio-economic Characteristics

(from 2000 US Census except as noted)

POPULATION	
1990*	229,734
2000	255,602
2003 (estimate)**	259,800
unincorporated**	134,700
2020 (projection)**	370,600
SEX, 2000	
Male	127,579
Female	128,023
RACE & HISPANIC ORIGIN, 2000	
Race	
White	191,931
Black/African American	2,477
American Indian/Alaska Native	2,461
Asian	8,789
Pacific Islander	382
Other race	38,391
Two or more races	11,171
Hispanic origin, total	
Mexican	68,486
Mexican	58,290
Puerto Rican	572
Cuban	232
Other Hispanic	9,392
AGE, 2000	
Under 5 years	15,544
18 years and over	194,861
21 years and over	180,520
65 years and over	25,487
85 years and over	3,845
Median age	35.0 years
EDUCATIONAL ATTAINMENT, 2000	
0-8 years of school	16,018
High school graduates or higher	83.2%
Bachelor's degree or higher	34.2%
INCOME & POVERTY, 1999	
Per capita income	\$26,396
Median household income	\$53,998
Median family income	\$61,941
Persons in poverty	29,383
HOUSEHOLDS, 2000	
Total households	91,139
With persons under 18	31,665
With persons over 65	18,173
Family households	57,132
Single person households	22,905
Receiving public assistance	2,495
Receiving social security	19,469
Persons per household	2.71
Persons per family	3.25
Institutionalized population	2,174
LABOR & EMPLOYMENT, 2000	
Total civ. labor force, 2002***	143,700
Unemployment rate	8.0%
Employed persons 16 years and over by occupation:	
Managers & professionals	52,088
Service occupations	19,187
Sales and office occupations	30,256
Farming, fishing, & forestry	4,802
Construction and maintenance	11,489
Production and transportation	11,558
Self-employed persons	14,990

* 1990 data from 1990 Census

** California Dept. of Finance, Demographic Research Unit

*** California Employment Development Dept.

General Information

County seat:	Santa Cruz
Address:	701 Ocean St. Room 520 95060
Telephone:	831-454-2000
Internet:	www.co.santa-cruz.ca.us
Incorporated:	February 18, 1850
Form of government:	General law
Land area (sq. miles):	445.2
Water area (sq. miles):	161.9

Voters & Government Officials

REGISTERED VOTERS	
Total, September, 2003	129,901
Democrats	66,551
Republicans	29,680

LEGISLATIVE DISTRICTS	
(see appendix A for names of legislators; re-apportioned in 2001)	
Congressional:	14, 17
State Senatorial:	11, 15
State Assembly:	27-28

COUNTY OFFICIALS, 2004	
Exec./Adminstr./Mgr.:	Susan Mauricello
Assessor:	Gary Hazelton
County Clerk:	Richard Bedal
District Atty.:	Bob Lee
Treas./Fin. Dir.:	Richard Bedal
Pub. Works Dir.:	Tom Bolich

BOARD OF SUPERVISORS, 2004	
District 1:	Jan Beautz
District 2:	Ellen Pirie
District 3:	Mardi Wormhoudt
District 4:	Tony Campos
District 5:	Mark Stone

Public Safety

Sheriff:	Mark Tracy
Sworn officers, 2002, total	347
sheriff's dept.	132
Total crimes, 2002	10,208
Total violent crimes, 2002	1,099
Total property crimes, 2002	2,193

Housing & Construction

HOUSING UNITS	
Total, 2003**	100,198
Single family units	72,550
Multiple family units	20,396
Mobile homes	7,252
Occupied	92,419
Vacancy rate	7.8%
Median value, 2000	
Single family home	\$377,500
Median rent, 2000	\$924

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMIT	
2000	207
2001	214
2002	229

County Finance

(fiscal year ending June 30, 2001)

FINANCING SOURCES	
Total	\$297,147,115
Taxes	55,781,635
Special benefits assessment	0
Licenses, permits & franchises	7,403,642
Fines, forfeitures & penalties	7,776,474
Revenue from use of money & property	7,982,010
Aid from other governmental agencies	169,694,710
Charges for current services	34,430,424
Miscellaneous revenues	13,272,728
Other financing sources	805,492
FINANCING USES	
Total	\$291,736,737
General	27,312,050
Public protection	79,088,759
Public ways & facilities	10,439,947
Health	79,438,317
Sanitation	0
Public assistance	81,232,328
Education	3,102,318
Recreation & cultural services	5,441,330
Debt service	5,681,688

Education

(school year 2002-2003 except as noted)

County Superintendent of Schools:	
	Diane Siri
Address:	809 Bay Ave., Suite H Capitola, 95010
Telephone:	831-476-7140
Number of school districts	13
Total enrollment	39,427
Pupil/teacher ratio	19.3
High school graduates, 2002	2,435

CAT/6 Scores: Percent scoring at or above 50th National Percentile Rank	
3rd grade reading	37%
3rd grade math	49%
7th grade reading	48%
7th grade math	48%
11th grade reading	48%
11th grade math	47%
Enrollment, grade 12	2,808
average SAT verbal scores	514
average SAT math scores	533
percent taking test	36.54%

County Library

Santa Cruz City-Co. Public Library	
Address:	1543 Pacific Ave. Santa Cruz, 95060-3873
Telephone:	831-420-5600
Director:	Anne Turner

Operating expenditure per capita	\$45.49
Holdings per capita	2.5
Number volumes owned, 2002	467,184

Monterey County

Demographics & Socio-economic Characteristics

(from 2000 US Census except as noted)

POPULATION

1990*	355,660
2000	401,762
2003 (estimate)**	415,800
unincorporated**	103,800
2020 (projection)**	590,700

SEX, 2000

Male	207,941
Female	193,821

RACE & HISPANIC ORIGIN, 2000

Race

White	224,682
Black/African American	15,050
American Indian/Alaska Native	4,202
Asian	24,245
Pacific Islander	1,789
Other race	111,782
Two or more races	20,012
Hispanic origin, total	187,969
Mexican	162,318
Puerto Rican	1,698
Cuban	299
Other Hispanic	23,654

AGE, 2000

Under 5 years	31,248
18 years and over	287,712
21 years and over	268,645
65 years and over	40,299
85 years and over	4,699
Median age	31.7 years

EDUCATIONAL ATTAINMENT, 2000

0-8 years of school	46,033
High school graduates or higher	68.4%
Bachelor's degree or higher	22.5%

INCOME & POVERTY, 1999

Per capita income	\$20,165
Median household income	\$48,305
Median family income	\$51,169
Persons in poverty	51,692

HOUSEHOLDS, 2000

Total households	121,236
With persons under 18	52,697
With persons over 65	28,994
Family households	87,931
Single person households	25,748
Receiving public assistance	4,793
Receiving social security	29,772
Persons per household	3.14
Persons per family	3.65
Institutionalized population	13,361

LABOR & EMPLOYMENT, 2000

Total civ. labor force, 2002***	198,600
Unemployment rate	10.5%
Employed persons 16 years and over by occupation:	
Managers & professionals	47,818
Service occupations	27,601
Sales and office occupations	38,069
Farming, fishing, & forestry	18,333
Construction and maintenance	13,947
Production and transportation	18,219
Self-employed persons	14,747

* 1990 data from 1990 Census

** California Dept. of Finance, Demographic Research Unit

*** California Employment Development Dept.

General Information

County seat:	Salinas
Address:	Courthouse 240 Church St, 93901
Telephone:	831-755-5115
Internet:	www.co.monterey.ca.us

Incorporated:	February 18, 1850
Form of government:	General law
Land area (sq. miles):	3,322.0
Water area (sq. miles):	449.1

Voters & Government Officials

REGISTERED VOTERS

Total, September, 2003	150,802
Democrats	71,396
Republicans	51,040

LEGISLATIVE DISTRICTS

(see appendix A for names of legislators; re-apportioned in 2001)

Congressional:	17
State Senatorial:	12, 15
State Assembly:	27, 28

COUNTY OFFICIALS, 2004

Exec./Adminstr./Mgr.:	Sally Reed
Assessor:	Steven Vagnini
County Clerk:	Steven Vagnini
District Atty.:	Dean Flippo
Treas./Fin. Dir.:	Louis G. Solton
Pub. Works Dir.:	Scott Hennessy

BOARD OF SUPERVISORS, 2004

District 1:	Fernando Armenta
District 2:	Louis Calgagno
District 3:	Butch Lindley
District 4:	Edith Johnsen
District 5:	Dave Potter

Public Safety

Sheriff:	Mike Kanalakis
Sworn officers, 2002, total	713
sheriff's dept.	344
Total crimes, 2002	14,543
Total violent crimes, 2002	1,953
Total property crimes, 2002	3,916

Housing & Construction

HOUSING UNITS

Total, 2003**	135,551
Single family units	94,475
Multiple family units	35,351
Mobile homes	5,725
Occupied	124,854
Vacancy rate	7.9%
Median value, 2000	
Single family home	\$265,800
Median rent, 2000	\$776

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMIT

2000	593
2001	344
2002	233

County Finance

(fiscal year ending June 30, 2001)

FINANCING SOURCES

Total	\$397,089,452
Taxes	75,001,452
Special benefits assessment	0
Licenses, permits & franchises	12,262,339
Fines, forfeitures & penalties	9,079,831
Revenue from use of money & property	8,936,821
Aid from other governmental agencies	229,991,768
Charges for current services	48,247,989
Miscellaneous revenues	13,497,277
Other financing sources	71,975

FINANCING USES

Total	\$392,620,786
General	62,098,888
Public protection	116,023,247
Public ways & facilities	24,093,378
Health	74,791,046
Sanitation	173,763
Public assistance	102,667,890
Education	5,093,035
Recreation & cultural services	6,042,433
Debt service	1,637,106

Education

(school year 2002-2003 except as noted)

County Superintendent of Schools:

Address:	William Barr 901 Blanco Circle Salinas, 93912
Telephone:	831-755-0300
Number of school districts	25
Total enrollment	73,812
Pupil/teacher ratio	20.4
High school graduates, 2002	3,483

CAT/6 Scores: Percent scoring at or above 50th National Percentile Rank

3rd grade reading	26%
3rd grade math	42%
7th grade reading	37%
7th grade math	39%
11th grade reading	42%
11th grade math	38%

Enrollment, grade 12	4,038
average SAT verbal scores	464
average SAT math scores	473
percent taking test	36.48%

County Library

Monterey County Free Library

Address:	26 Central Ave. Salinas, 93901-2628
Telephone:	831-755-5838
Director:	Robert McElroy

Operating expenditure per capita	\$25.15
Holdings per capita	1.61
Number volumes owned, 2002	326,091

Demographics & Socio-economic Characteristics

(from 2000 US Census except as noted)

POPULATION

1980*	9,095
1990*	10,171
2000	10,033
2003 (estimate)**	10,150

SEX, 2000

Male	4,766
Female	5,267

RACE & HISPANIC ORIGIN, 2000

Race	
White	8,412
Black/African American	117
American Indian/Alaska Native	57
Asian	401
Pacific Islander	20
Other race	555
Two or more races	471
Hispanic origin, total	
Mexican	949
Puerto Rican	35
Cuban	16
Other Hispanic	267

AGE AND NATIVITY, 2000

Under 5 years	488
18 years and over	8,187
21 years and over	7,822
65 years and over	1,420
85 years and over	222
Median age	38.4 years
Native born	8,985
Foreign born	1,219

EDUCATIONAL ATTAINMENT, 2000

0-8 years of school	192
High school graduates or higher	91.3%
Bachelor's degree or higher	34.6%

INCOME & POVERTY, 1999

Per capita income	\$27,609
Median household income	\$46,048
Median family income	\$59,473
Persons in poverty	706

HOUSEHOLDS, 2000

Total households	4,692
With persons under 18	1,138
With persons over 65	1,067
Family households	2,279
Single person households	1,738
Receiving public assistance	103
Receiving social security	1,117
Persons per household	2.11
Persons per family	2.79

LABOR & EMPLOYMENT, 2000

Total civ. labor force, 2002***	6,630
Unemployment rate	5.9%
Employed persons 16 years and over by occupation:	
Managers & professionals	2,450
Service occupations	1,033
Sales and office occupations	1,366
Farming, fishing, & forestry	22
Construction and maintenance	538
Production and transportation	462
Self-employed persons	659

* 1980, and 1990 data from 1980 and 1990 Census
 ** California Dept. of Finance, Demographic Research Unit
 *** California Employment Development Dept.

General Information

Address:	420 Capitola Ave. 95010
Telephone:	831-475-7300
Internet:	www.ci.capitola.ca.us
Elevation:	NA
Land Area (sq. miles):	1.6
Water Area (sq. miles):	0.1
Incorporated:	January 11, 1949
Type of government:	General law

Voters & Officials

REGISTERED VOTERS

Total, September, 2003	5,313
Democrats	2,707
Republicans	1,241

LEGISLATIVE DISTRICTS

(see appendix A for names of legislators; re-apportioned in 2001)

Congressional:	17
State Senatorial:	11
State Assembly:	27

LOCAL OFFICIALS, 2004

Mayor:	Stephanie Harlan
Mgr/Admstr:	Richard Hill
Clerk:	Pamela Greeninger
Treas/Fin. Dir.:	Bob Begun/Michele Braucht
Attorney:	John Barisone

Public Library

Name & Address:	Capitola Branch Library† 2005 Wharf Rd. Capitola, CA 95010
Branch Librarian:	Wendy Smith
Telephone:	831-420-5329
†Branch of County Library	
Number volumes owned, 2002	NA
Operating expenditure per cap, 2002	\$NA
Holding per capita, 2002	NA

Public Safety

POLICE	
Chief:	Richard Ehle
Sworn officers, 2002	21
Total crimes, 2002	985
Total violent crimes, 2002	67
Total property crimes, 2002	130
FIRE	
Chief:	Bruce Clark
Firefighters:	M/Vol.

Housing & Construction

HOUSING UNITS	
Total, 2003**	5,383
Single family units	2,487
Multiple family units	2,246
Mobile homes	650
Occupied	4,757
Vacancy rate	11.6%
Median rent, 2000	\$973
Med. single fam. home val., 2000	\$397,600

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMIT

2000	11
2001	21
2002	17

Municipal Finance

(fiscal year ending June 30, 2001)

REVENUES

Total	\$11,290,400
Taxes	6,845,400
Special benefits assessment	0
Licenses & permits	193,800
Fines & forfeitures	282,700
Revenue from use of money & property	361,700
Intergovernmental	1,930,200
Current service charge	1,186,700
Other revenues	489,900
Other financing sources	0

EXPENDITURES

Total	\$11,500,100
General government	2,434,300
Public safety	3,964,100
Transportation	2,034,000
Community development	996,800
Health	0
Culture & Leisure	2,070,900
Public utilities	0
Other	0

School System

(school year 2002-2003 except as noted)

SCHOOL DISTRICT

Santa Cruz City High	
Superintendent:	Alan Pagano
Address:	2931 Mission St. Santa Cruz, 95060
Telephone:	831-429-3800
Grade plan:	K-12
Enrollment	5,157
High school graduates	1,051
Full time teachers	215.7
F/T administrators	21.8
Pupil/teacher ratio	23.9
Average class size	28.8
Per pupil expenditure, 2001-2002	\$NA
CAT/6 Scores: Percent scoring at or above 50th National Percentile Rank	
3rd grade reading	NA%
3rd grade math	NA%
7th grade reading	62%
7th grade math	62%
11th grade reading	57%
11th grade math	13%
Enrollment, grade 12	1,039
average SAT verbal scores	549
average SAT math scores	570
percent taking test	39.36%

OTHER SCHOOL DISTRICTS FOR THIS CITY

(see appendix B for information on these districts)
 Soquel Union Elementary
 Santa Cruz City Elementary

Santa Cruz

SANTA CRUZ COUNTY

Demographics & Socio-economic Characteristics

(from 2000 US Census except as noted)

POPULATION

1980*	41,483
1990*	49,040
2000	54,593
2003 (estimate)**	55,600

SEX, 2000

Male	27,180
Female	27,413

RACE & HISPANIC ORIGIN, 2000

Race	
White	42,984
Black/African American	945
American Indian/Alaska Native	469
Asian	2,677
Pacific Islander	72
Other race	4,990
Two or more races	2,456
Hispanic origin, total	
Mexican	7,184
Puerto Rican	170
Cuban	77
Other Hispanic	2,060

AGE AND NATIVITY, 2000

Under 5 years	2,664
18 years and over	45,130
21 years and over	39,715
65 years and over	4,663
85 years and over	703
Median age	31.7 years
Native born	46,139
Foreign born	8,225

EDUCATIONAL ATTAINMENT, 2000

0-8 years of school	1,868
High school graduates or higher	89.1%
Bachelor's degree or higher	44.4%

INCOME & POVERTY, 1999

Per capita income	\$25,758
Median household income	\$50,605
Median family income	\$62,231
Persons in poverty	8,350

HOUSEHOLDS, 2000

Total households	20,442
With persons under 18	5,513
With persons over 65	3,433
Family households	10,401
Single person households	5,986
Receiving public assistance	550
Receiving social security	3,746
Persons per household	2.44
Persons per family	2.98

LABOR & EMPLOYMENT, 2000

Total civ. labor force, 2002***	31,940
Unemployment rate	7.0%
Employed persons 16 years and over by occupation:	
Managers & professionals	13,381
Service occupations	4,782
Sales and office occupations	6,983
Farming, fishing, & forestry	250
Construction and maintenance	2,257
Production and transportation	1,991
Self-employed persons	3,605

* 1980, and 1990 data from 1980 and 1990 Census
 ** California Dept. of Finance, Demographic Research Unit
 *** California Employment Development Dept.

General Information

Address:	809 Center St. 95060
Telephone:	831-420-5030
Internet:	www.ci.santa-cruz.ca.us
Elevation:	20 ft.
Land Area (sq. miles):	12.5
Water Area (sq. miles):	3.1
Incorporated:	March 31, 1866
Type of government:	Chartered

Voters & Officials

REGISTERED VOTERS

Total, September, 2003	33,042
Democrats	18,546
Republicans	4,367

LEGISLATIVE DISTRICTS

(see appendix A for names of legislators; re-apportioned in 2001)

Congressional:	17
State Senatorial:	11
State Assembly:	27

LOCAL OFFICIALS, 2004

Mayor:	Scott Kennedy
Mgr/Admstr:	Richard Wilson
Clerk:	Leslie Cook
Treas/Fin. Dir.:	David Culver
Attorney:	John Barisono

Public Library

Name & Address:	Santa Cruz Public Library 1543 Pacific Ave. 95060-3873
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Director:	Anne Turner
Telephone:	831-420-5600

Number volumes owned, 2002	467,184
Operating expenditure per cap, 2002	\$45.49
Holding per capita, 2002	2.5

Public Safety

POLICE

Chief:	Howard Skerry
Sworn officers, 2002	95
Total crimes, 2002	3,596
Total violent crimes, 2002	460
Total property crimes, 2002	738

FIRE

Chief:	Ron Prince
Firefighters:	Paid

Housing & Construction

HOUSING UNITS

Total, 2003**	21,737
Single family units	14,126
Multiple family units	7,171
Mobile homes	440
Occupied	20,663
Vacancy rate	4.9%
Median rent, 2000	\$941
Med. single fam. home val., 2000	\$411,900

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMIT

2000	44
2001	50
2002	70

Municipal Finance

(fiscal year ending June 30, 2001)

REVENUES

Total	\$122,539,324
Taxes	32,514,344
Special benefits assessment	0
Licenses & permits	516,644
Fines & forfeitures	1,291,141
Revenue from use of money & property	7,759,740
Intergovernmental	12,636,573
Current service charge	45,476,738
Other revenues	5,598,130
Other financing sources	14,590,194

EXPENDITURES

Total	\$112,359,331
General government	5,682,827
Public safety	24,891,027
Transportation	12,037,030
Community development	6,311,456
Health	34,346,120
Culture & Leisure	14,717,101
Public utilities	14,373,770
Other	0

School System

(school year 2002-2003 except as noted)

SCHOOL DISTRICT

Santa Cruz City High	
Superintendent:	Alan Pagano

Address:	2931 Mission St. Santa Cruz, 95060
Telephone:	831-429-3800
Grade plan:	K-12
Enrollment	5,157
High school graduates	1,051
Full time teachers	215.7
F/T administrators	21.8
Pupil/teacher ratio	23.9
Average class size	28.8
Per pupil expenditure, 2001-2002	\$NA
CAT/6 Scores: Percent scoring at or above 50th National Percentile Rank	
3rd grade reading	NA%
3rd grade math	NA%
7th grade reading	62%
7th grade math	62%
11th grade reading	57%
11th grade math	13%
Enrollment, grade 12	1,039
average SAT verbal scores	549
average SAT math scores	570
percent taking test	39.36%

OTHER SCHOOL DISTRICTS FOR THIS CITY

(see appendix B for information on these districts)

Bonny Doon Union Elementary
Happy Valley Elementary
Live Oak Elementary
Santa Cruz City Elementary
Soquel Union Elementary

SANTA CRUZ COUNTY

Watsonville

Demographics & Socio-economic Characteristics

(from 2000 US Census except as noted)

POPULATION

1980*	23,543
1990*	31,099
2000	44,265
2003 (estimate)**	47,700

SEX, 2000

Male	22,240
Female	22,025

RACE & HISPANIC ORIGIN, 2000

Race	
White	19,036
Black/African American	334
American Indian/Alaska Native	768
Asian	1,455
Pacific Islander	53
Other race	20,328
Two or more races	2,291
Hispanic origin, total	
Mexican	33,254
Puerto Rican	29,953
Cuban	39
Other Hispanic	25
	3,237

AGE AND NATIVITY, 2000

Under 5 years	4,100
18 years and over	29,228
21 years and over	26,922
65 years and over	3,802
85 years and over	576
Median age	27.4 years
Native born	24,819
Foreign born	19,656

EDUCATIONAL ATTAINMENT, 2000

0-8 years of school	8,746
High school graduates or higher	49.1%
Bachelor's degree or higher	8.7%

INCOME & POVERTY, 1999

Per capita income	\$13,205
Median household income	\$37,617
Median family income	\$40,293
Persons in poverty	8,361

HOUSEHOLDS, 2000

Total households	11,381
With persons under 18	6,248
With persons over 65	2,724
Family households	8,865
Single person households	2,005
Receiving public assistance	659
Receiving social security	3,118
Persons per household	3.84
Persons per family	4.26

LABOR & EMPLOYMENT, 2000

Total civ. labor force, 2002***	17,630
Unemployment rate	16.5%
Employed persons 16 years and over by occupation:	
Managers & professionals	2,899
Service occupations	3,093
Sales and office occupations	3,438
Farming, fishing, & forestry	2,940
Construction and maintenance	1,707
Production and transportation	3,208
Self-employed persons	928

* 1980, and 1990 data from 1980 and 1990 Census
 ** California Dept. of Finance, Demographic Research Unit
 *** California Employment Development Dept.

General Information

Address:	P.O. Box 50,000 95077
Telephone:	831-728-6005
Internet:	www.ci.watsonville.ca.us
Elevation:	29 ft.
Land Area (sq. miles):	6.4
Water Area (sq. miles):	0.1
Incorporated:	March 30, 1868
Type of government:	Chartered

Voters & Officials

REGISTERED VOTERS

Total, September, 2003	11,826
Democrats	7,260
Republicans	2,360

LEGISLATIVE DISTRICTS

(see appendix A for names of legislators; re-apportioned in 2001)

Congressional:	17
State Senatorial:	15
State Assembly:	28

LOCAL OFFICIALS, 2004

Mayor:	Judy Doering-Nielsen
Mgr./Admstr:	Carlos Palacios
Clerk:	Lorraine Washington
Treas./Fin. Dir.:	Linda Downing
Attorney:	Alan Smith

Public Library

Name & Address:	Watsonville Public Library 310 Union St. 95076-4695
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Director:	Deborah Barrow
Telephone:	831-728-6040

Number volumes owned, 2002	115,130
Operating expenditure per cap, 2002	\$32.24
Holding per capita, 2002	2.3

Public Safety

POLICE

Chief:	Terry Medina
Sworn officers, 2002	61
Total crimes, 2002	2,268
Total violent crimes, 2002	322
Total property crimes, 2002	404

FIRE

Chief:	Ben Evans
Firefighters:	M/Paid

Housing & Construction

HOUSING UNITS

Total, 2003**	12,656
Single family units	8,052
Multiple family units	3,704
Mobile homes	900
Occupied	12,316
Vacancy rate	2.7%
Median rent, 2000	\$742
Med. single fam. home val., 2000	\$224,700

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMIT

2000	112
2001	136
2002	82

Municipal Finance

(fiscal year ending June 30, 2001)

REVENUES

Total	\$54,716,789
Taxes	17,365,192
Special benefits	
assessment	314,980
Licenses & permits	439,345
Fines & forfeitures	581,444
Revenue from use of	
money & property	4,487,287
Intergovernmental	6,467,764
Current service charge	24,786,306
Other revenues	274,471
Other financing sources	0

EXPENDITURES

Total	\$49,986,307
General government	3,254,968
Public safety	14,018,977
Transportation	6,119,477
Community development	3,125,843
Health	10,588,775
Culture & Leisure	7,045,376
Public utilities	5,832,891
Other	0

School System

(school year 2002-2003 except as noted)

SCHOOL DISTRICT

Pajaro Valley Unified	
Superintendent:	Mary Anne Mays

Address:	294 Green Valley Rd. Watsonville, 95076
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Telephone:	831-786-2100
Grade plan:	K-12
Enrollment	19,661
High school graduates	1,009
Full time teachers	1,083.0
F/T administrators	81.8
Pupil/teacher ratio	18.2
Average class size	26.4
Per pupil expenditure, 2001-2002	\$NA
CAT/6 Scores: Percent scoring at or above 50th National Percentile Rank	
3rd grade reading	22%
3rd grade math	36%
7th grade reading	31%
7th grade math	32%
11th grade reading	39%
11th grade math	65%
Enrollment, grade 12	1,213
average SAT verbal scores	470
average SAT math scores	495
percent taking test	33.31%

OTHER SCHOOL DISTRICTS FOR THIS CITY

(see appendix B for information on these districts)

None

DESCRIPTION OF THE RAIL PROPERTY

This chapter includes a narrative description of the existing railroad right-of-day, which runs from a point on the westerly side of Salinas Rd at its south end where it crosses out of the railroad yards, generally called Watsonville Junction lying on the easterly side of Salinas Rd at that point. In its 31.48 mile course from this beginning to its northerly ending, 3,350 feet north of Highway One at Davenport, it passes through parts of Monterey County at its southerly end, the Cities of Watsonville, Capitola and Santa Cruz (all in Santa Cruz County) with unincorporated County areas lying between each city and north of Santa Cruz.

The property is unusual in containing numerous grade changes, curves and a variety of widths ranging from zero where it passes along the centers of several city streets, to over 150 feet. Its most notable characteristic might be lack of uniformity, as defined by grade changes, curves, wide variations in adjoining uses and even variations in ownership and use aspects. These characteristics contribute to the need for maximum speed limits ranging from 10 to 20 miles per hour but contribute to its charm, appeal for certain purposes and quaint panorama.

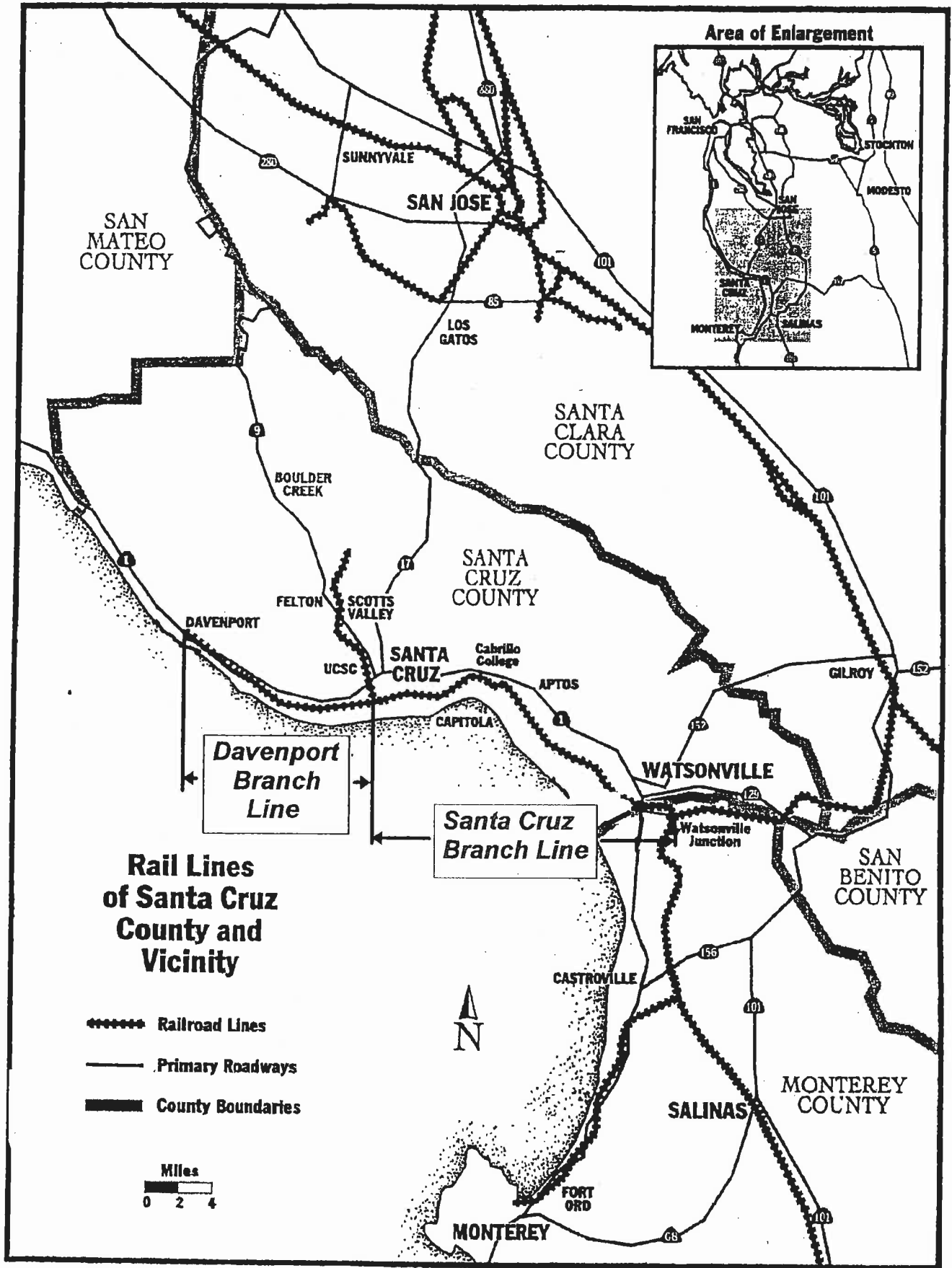
We were provided with 35 large railroad valuation sheets of various vintages for parts of lines V-22, V-42 (apparently, in part at least, the predecessor of V-72) V-72, and V-89. As these maps did not appear to be fully updated, and did not contain clear data presentation, we were forced to consult and rely upon over 200 assessor's maps as well as Thomas Bros. and AAA road maps. Only by this process could we identify, place and account for various streets and public ways.

Based on this data and many days of scaling and comparing, we initially determined that the probable fee land area being sold in this transaction, net of easements, licenses or other limited estates, was 10,268,456 sq. ft. or 235.73 acres. Recently, after close to two years we received a title report which questions U.P.'s title and will not insure many of the parcels originally included. Also, easements, reversions and other problems were identified. This final report removes all such problem-parcels from the valuation even though they are necessary to SCCRTC and will remain in the sale. The remaining areas with marketable title total 4,055,041 sq. ft., or 93.09 acres. This area does not include areas in public streets and waterways nor does it include private areas previously sold by the railroad where they hold only a right of passage based on an easement or other legal device. Such areas will be discussed separately in the body of this report.

For appraisal purposes, we have divided the property into 8 segments which have sufficient homogeneity or jurisdictional and planning administration on one or both sides of the right-of-way to enable us to estimate across-the-fence (ATF) land values and Net Liquidation Value (NLV) in the most efficient and accurate manner.

Segment One, in Monterey County begins on the east side of Salinas Rd and extends to the County line in the middle of the Pajaro River flood plain, a track distance of 3,495 feet (0.66 miles). It does not go to the actual "Watsonville Junction," some distance east.

Except for properties adjacent to Salinas Rd, which are flexible industrial/commercial uses, all of the adjoining land on the west side of the railroad is agricultural and irrigated. On the east side of



SOURCE: Santa Cruz County Regional Transportation Commission November 1995

the railroad beginning with the adjacent commercial property along Salinas Rd, there is a section of industrial uses followed by a school, then a residential neighborhood, another industrial area and finally a flood control levee with a floodway area to the County Line. There are two public street accesses ending at the railroad as well as the Salinas Rd access at the end of the segment. A private access and legal easement crossing which has the appearance of a street may have acquired public use rights but we do not confirm such a conclusion in this analysis.

The track is almost level throughout this segment although it crosses several trestles over low, shallow areas at several points. Since relatively new houses have been built in those low areas, it is probable that if the trestles were removed, an alternative use would be housing at that point. Our determination of the usable area of property in this segment, excluding the flood control levee and floodway behind it to the County Line, is 87,900 sq. ft. or 2.02 acres, based on RR Map Schedule (accepted as a default) and new title report as amended.

Segment Two proceeds from the County Line into Santa Cruz County and at the north bank of the Pajaro River enters the City of Watsonville. The segment proceeds through the City of Watsonville to the west city limits thereof. Although a small portion at the beginning of this segment is not technically in the City, we have treated all of it as being within the jurisdiction of the City of Watsonville, because the excluded part is in the river floodway and not usable. The track distance is 9,840 feet or 1.86 miles.

Beginning at the south boundary of Watsonville, the line runs for some distance straight down the middle of Walker St and is presumed to contain no property ownership. The nature of its right to pass along the public street appears to be an easement.

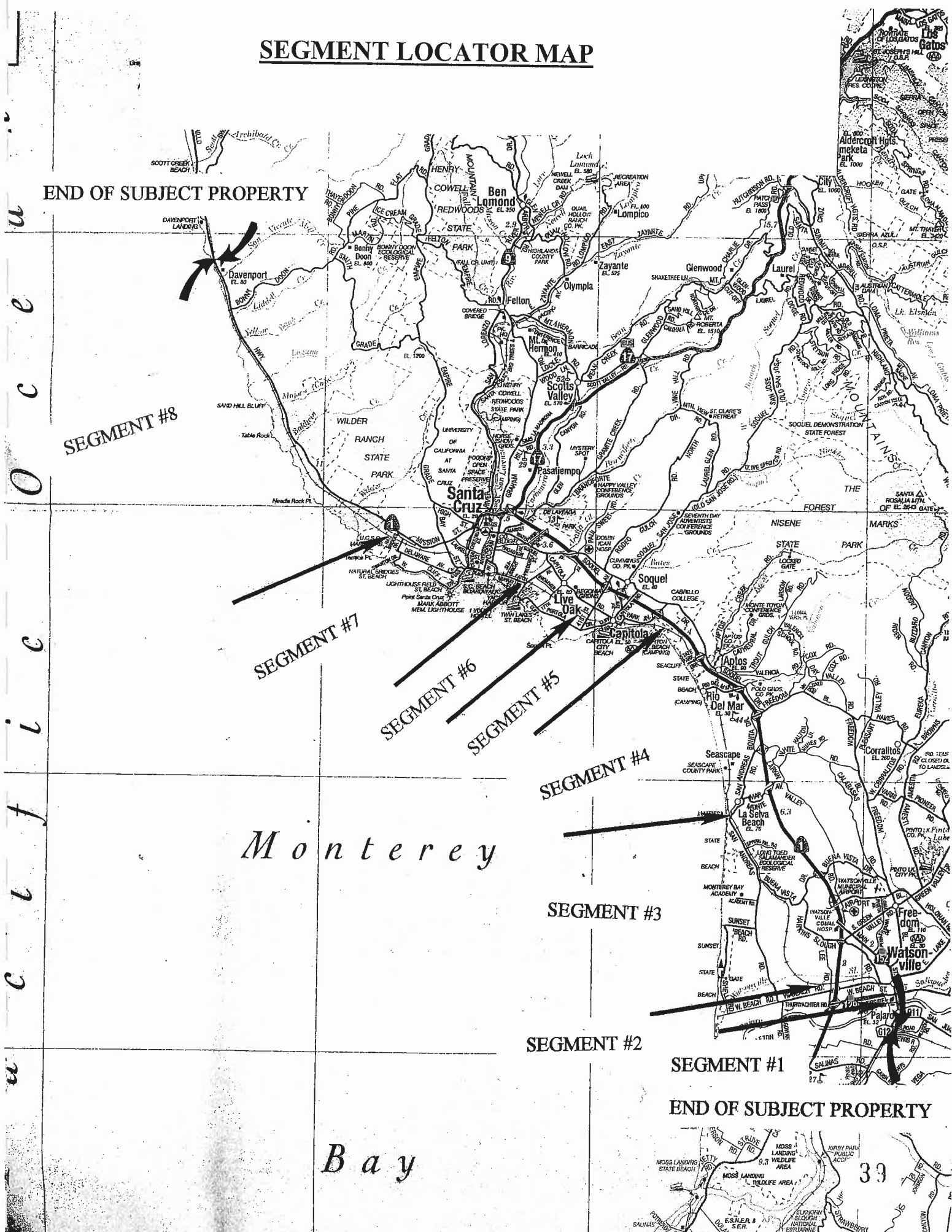
For a distance after leaving Walker St, as it curves past the former Watsonville Depot to proceed west, the former railroad property was sold in 2001 and an easement retained for the purpose of "maintaining the single existing track." No other rights were retained by this easement.

From there to the end of the City, the track is zoned Industrial and the uses on the south side are industrial except for a hotel that was given entitlements on the west side of Highway One. Land uses on both sides of Walker St are mixed-industrial and commercial. There is a triangular scrap of land on the southwest corner of Walker and West Beach St, which belongs to the railroad and is unbuildable. As a scrap of land, it has some nominal value and possibly someone might someday put a hot dog stand on it or some similar use. It is the only fee parcel in this segment with insurable title.

After the sole track easement described above, there are some industrial uses on the north side of the track, followed by agricultural uses all of the way to the end of this segment. Most of the north boundary of the line along the agricultural area is a City Limits line. Area along the north side of the line is also in the Watsonville Sphere of Influence.

That part of the line proceeding in a westerly direction and not in the public street, is crossed by Errington Rd, Highway 1 and Lee Rd. Highway One provides no access to the railroad property as it is contained on an overpass. However, the other two roads are at track grade and provide direct access to the railroad.

SEGMENT LOCATOR MAP



END OF SUBJECT PROPERTY

SEGMENT #8

SEGMENT #7

SEGMENT #6

SEGMENT #5

SEGMENT #4

SEGMENT #3

SEGMENT #2

SEGMENT #1

END OF SUBJECT PROPERTY

Monterey

Bay

33

The terrain is nearly flat throughout this segment. The area of insurable fee land involved, excluding the sole track easement, is 1,263 sq. ft. or 0.03 acres, all zoned Industrial.

Segment Three begins at the westerly boundary of Watsonville and proceeds to San Andreas Rd in the unincorporated town of La Selva Beach. It contains a track distance of 29,684 feet or 5.62 miles. Much of this segment is basically rural but contains a variety of exceptions. At the south end, the track proceeds for over two miles through low slough country at first, crossing the Watsonville Slough and the Harkens Slough, then rising into rolling uplands along Gallighan Slough and passing between the Watsonville City dump to the west and the County recycling and disposal site to the east. In this area, there is little legal access of which we are aware, and most uses are open space or farming; ranging from grazing to irrigated crops such as berries.

The track then passes along Buena Vista Dr, which provides direct access thereto from the public road. Railroad and assessor's maps contradict each other, and are unclear about boundary locations along this area.

The track then crosses Buena Vista Dr and proceeds along the easterly side of San Andreas Rd to a point several hundred feet north of Spring Valley Rd where it departs from the public road and independently continues northwesterly. From Buena Vista Dr for more than half way to Spring Valley Rd, the track is along or within the Santa Cruz Long-Toed Salamander Ecological Preserve.

There is also mapping conflict as to the ownership in a part of this area; it appears that there are clear breaks in the railroad ownership and that part of the track lies in the public road right-of-way. San Andreas Rd and the railroad run diagonally toward Monterey Bay ranging at Buena Vista Dr approximately two miles from the Bay until the south end of La Selva Beach where both are in view of the bay and there is immediate public access to the beaches. The shoreline from a point west of Buena Vista Dr to La Selva Beach is public park called Manresa State Beach. Accordingly, the area on the westerly side of San Andreas Rd (across the street from the track) has a number of small, rural cottages and homesites. Between the track and San Andreas Rd and between Spring Valley Rd and Sand Dollar Dr is a commercial bed-and-breakfast operation with tennis courts and modest gardens. The only public roads crossing the right-of-way in this segment are Buena Vista Dr; an undersized, unnamed private lane through the Salamander Reserve, which accesses many interior properties; Spring Valley Rd and San Andreas Rd at the north end of the segment. Due to mapping uncertainties along the Salamander Reserve, it might be said that San Andreas Rd crosses or contains a railroad track, although they are physically parallel.

The track is low and nearly level near the south end ranging in elevation from 5.73 feet to 9.2 feet, when it begins a varying, but relatively steady climb in elevation about 1 mile short of the north end of the segment (where it appears to be at an elevation of about 60 feet above sea level). Despite the changes in elevation, the terrain through which it passes is for the most part consistent with no steep cuts or fill. Two exceptions occur: along the rolling hill area between the County Dump properties and; an area north of Spring Hill Rd beginning at the bed-and-breakfast location for a short distance to the north; each of these areas has steep cut banks on one side. Our determination of the insurable fee land in this segment is 940,403 sq. ft. or 22.05 acres. Because

of the poor mapping and apparent contradictions, the buyer and all readers are warned to obtain a determination by a civil engineer and not to rely on this informal estimate which is beyond our qualifications.

Segment Four begins at San Andreas Rd at the edge of La Selva Beach and proceeds to the easterly city limits of the City of Capitola. This area is generally suburban rather than rural and includes the unincorporated towns, in order from south to north: La Selva Beach, Seascape, Rio Del Mar, Aptos and Seacliff. The track distance involved is 30,946 feet or 5.86 miles.

Generally the uses along the track are largely residential, both permanent single-family as well as multi-family. There are a number of exceptions. There is undeveloped land between La Selva Beach and Seascape, which for various reasons, is unlikely to be developed.

A number of parks and golf courses along the line are as follows: Manresa State Beach to the west in La Selva Beach; Seascape County Park to the west in the Seascape area; the Seascape Golf Club to the east across Sumner Ave in the Seascape/Rio Del Mar area; Aptos Village County Park along the north side of the line near downtown Aptos; and New Brighton State Beach on both sides of the line in part and to the north side in part adjoining the City of Capitola. There are commercial uses on both sides of the line along Soquel Dr in downtown Aptos as well as east and west of State Park Dr where it is crossed by the railroad.

Public roads crossing the railroad in this segment include San Andreas Rd at the south boundary of the segment, Clubhouse Dr, Rio Del Mar Blvd, Highway One (twice), Soquel Dr (twice), Trout Gulch Rd, Aptos Creek Rd, State Park Dr, Estates Dr, and New Brighton Dr. In addition to access provided by streets crossing the track, the line may be reached by other streets which abut but do not cross the railroad. Two streets which share extensive parallel frontage with the railroad are Sumner Ave in the Seascape/Rio Del Mar area and Poplar St in the Seacliff area.

For some distance from the south end of the segment, the track parallels the shoreline. This is most notable in the La Selva Beach area where it is closest to the ocean and contains direct ocean views from elevations ranging from approximately 50 feet to over 100 feet. These view areas contain some steep cuts in the bluff, both above and below the track, cross several bridges, and appear to lack convenient access. The estimated insurable fee area of this segment owned by the railroad is 145,784 sq. ft., or 3.35 acres.

Segment Five represents the passage of the railroad through the City of Capitola beginning at the easterly city limits thereof and ending at the western city limits. The most unique feature of this segment is a dramatic, high trestle over part of the downtown area and the tidal portion of Soquel Creek directly overlooking the Capitola wharf and Monterey Bay. The track distance of this segment is 13,823 feet, or 2.62 miles.

From the south end, the track passes through a part of New Brighton State Beach where the parkland is on both sides. It reaches Park Ave and proceeds along the bay side of Park Ave nearly a mile to Monterey Ave. Through almost half of this distance, New Brighton State Beach Park is on the bay side of the track. For the remainder, single-family homes are adjacent to the track on the bay side. On the inland side across the street are a variety of single-family and multi-

family homes and condominium complexes. From Monterey Ave to the end of the segment, is a changing array of residential and commercial uses and one large city park. The residential uses range from a number of old motor home parks to new and old homes along Prospect Ave where direct views of the bay are available and small building sites have been sold for over \$1,000,000. The railroad at this point passes along or near Cliff Dr and has its own dramatic harbor and bay views. Streets which cross the right-of-way include New Brighton Park Rd, Grove Lane, Monterey Ave, Capitola Ave, Riverview Ave, Wharf Road, 47th Ave, 41st Ave, and 38th Ave.

Beginning at the south end of this segment in New Brighton Beach State Park at an elevation of something over 90 feet, the track declines gradually to 65 feet, then rises up to about 84 feet, before a series of inclines and declines during the balance of the segment. The track level at the huge trestle across downtown Capitola is at an elevation of 49 feet. The other notable change in elevation is from the trestle along Cliff Dr along which it rises to approximately 63 feet above sea level. Grade differentials at the sides of the track bed are not significant through most of the segment. However, along the northerly part of its path adjacent to Park Ave, it lies 8-10 feet below the street, with some steep slopes below the track bed. However, as the track leaves the park, the lower gradient differential is increasingly moderated, until in fact, other homes are between the track bed and the bay at almost the same level. From that point to Monterey Ave, the track is variably higher or lower than Park Ave but not by a substantial difference in elevation and an established neighborhood of homes is adjacent to it on the bay side. North of the Cliff Dr area, the surrounding terrain is pretty much in concert with the track level. The insurable fee land area in this segment is calculated at 163,392 sq. ft., or 3.75 acres.

Segment Six runs from the west city limits of Capitola to the east city limits of Santa Cruz. It lies in an unincorporated area of the County known as the Live Oak Neighborhood. The track length of this segment is 9,337 feet, or 1.77 miles.

The uses along the track in this segment are a varied mixture of residential (including motor home parks and older, modest single-family residences), industrial and commercial uses, and municipal facilities and parks. Nearly the entire south side of the track between 7th and 17th Aves is occupied by public uses including the Twin Lakes Park, the Twin Lakes State Beach (park), the Simpkins Family Swim Center and the Shoreline Middle School with an extensive campus. On the inland side of the track in the same area is a mixture of commercial uses at the ends of the track and an industrial area on the west side of 17th Ave. Some undeveloped land appears to exist along Rodeo Gulch, between 24th and 30th Aves (but is designated for open space).

Variations in terrain between the track levels and surrounding land are almost non-existent except for a few blocks between 7th Ave and the Santa Cruz City limits where the track level is depressed as much as 8-10 feet below the surrounding area. Uses on the bay side are older cottage-type dwellings while the use on the inland side is a PG&E industrial yard.

The area of insurable fee land owned by the railroad in this segment is calculated as 133,667 sq. ft., or 3.07 acres.

Segment Seven begins at the east city limits of the City of Santa Cruz and proceeds to the west city limits thereof. In this segment, it goes through a variety of neighborhoods, crosses two

significant bridges, one over the San Lorenzo River, then along Beach St which also fronts the Santa Cruz Beach Boardwalk, until it proceeds within the municipal street. During this transit between the San Lorenzo River and Washington St, the railroad has reportedly sold the land, and any retention of titled land is very small and appears located completely within the existing municipal street. Just west of West Cliff Dr, this segment intersects a wye track configuration, which connects this line with the Big Trees Railroad Line (no longer owned by UP) which proceeds northerly to the unincorporated town of Olympia.

The track length of this segment is 19,913 feet, or 3.77 miles. The track runs along the north side of Murray St from the City limit to an underpass beneath East Cliff Dr. There are commercial or industrial uses on both sides of Murray St from the city limits to, and including, the properties on the west side of Seabright Ave. The remainder of the area on both sides of Murray Ave and the railroad to the San Lorenzo River is residential.

On the west side of the San Lorenzo River, the railroad passes partly through properties sold to the owners of the Santa Cruz Beach Boardwalk and partly in the public right-of-way of Beach St. This is a neighborhood of commercial and hotel uses and parking lots to serve these uses.

Beginning again at Washington St, the railroad is on lands of its own. There are commercial uses on both sides of the railroad between Washington St and West Cliff Dr where the wye connection with the Santa Cruz Big Trees and Pacific Railway is located. Adjacent to the subject track on the north side beginning at the wye is the Neary Lagoon Wildlife Refuge and then the city wastewater treatment plant. On the south side of the track is Bay St and on the south side of Bay St is a residential area.

The track then proceeds westerly through a residential area until Almar Ave where a primarily industrial area begins. Between Almar and Fair Ave, mixed industrial and commercial uses are present on the north side of the track. At this location, Safeway is in the process of expanding its older store in a shopping center containing other retailers. The city appears agreeable to zoning flexibility to allow the introduction of discount retailers as well as new housing. A zoning change was recently granted on the north side of the track running to Mission St and between Shaffer Rd and Moore Creek for the construction of a many-unit apartment complex, which has recently been completed and is now fully occupied.

The last property on the south side of the track and adjacent to the west city limits is the University of California at Santa Cruz, Long Marine Lab Facility. Streets that cross the railroad in this segment include Seabright Ave, East Cliff Dr, Beach St, West Cliff Dr, California St, Bay St, Lennox St, Palm St, DuFour St, Bellevue St, Younglove Ave, Seaside St, Rankin St, Almar Ave, Fair Ave, Swift St, Natural Bridges Dr and Shaffer Rd.

The track level throughout this segment is at or near the grade of surrounding land with two exceptions. One exception is Murray St as it approaches East Cliff Dr and is ramped up in order to become East Cliff Dr and pass above the railroad grade. At this point the railroad track level for about 200 feet is increasingly below the grade of Murray Ave. West of the downtown area where the track is adjacent to Bay St, it is perhaps 10 feet lower than Bay St at the wye although

equal to the land on the other side of it, and proceeds to rise until it is equal with Bay St at California St. The land area included in this segment is 618,847 sq. ft., or 14.21 acres.

Segment Eight begins at the west city limits of the City of Santa Cruz and proceeds to the end of the property being sold, which is described by SCCRTC as the north end of the UP track. The actual track length is estimated to be 31.48 miles from the beginning of the sale property at the eastern boundary of Salinas Rd. The track length of this segment is 46,216 ft, or 8.75 miles.

Nearly all of this segment passes through open-space designated farm land or Wilder Ranch State Park. It is estimated that the park land constitutes slightly more than half the distance of this segment and open space more than 40%. Other uses are estimated at slightly under 10%. There are two exceptions: the track north of Highway One at the north end is adjacent to the cement company plant and Old Highway One and perhaps 1,100 linear feet of right-of-way (say, 126,000 sq. ft. of land) south of Highway One to the part of the right-of-way sold to Fred Bailey in 1987. An irregular parcel that may have been sold to or encumbered by the cement company, lies along Highway One nearly across from the commercial downtown Davenport area. This is an irregular parcel, which both County and Coastal Commission planners acknowledged might have the "possibility" for related development although it is General Plan open space. The title company will not insure this parcel south of Highway 1 and did not analyze the area north of Highway 1.

It should be noted that portions of the original right-of-way in this area appear granted to the State of California by license agreement, "for highway purposes and drain ditches." As this license agreement is almost certainly the equivalent of a sale of the fee, and Union Pacific stated to us that they thought this area was under license to the cement company but failed to produce the relevant document, it is impossible to know whether this parcel is in fact available for development, even potentially.

It should be noted that just south of this parcel, the railroad retained only an easement 35 feet wide for its right-of-way, and a so-called "warehouse" exists on part of the remainder of the property sold by the railroad on the ocean side of Highway One. The facts support the idea that other development at Davenport might be allowed by planners. At the same time, the 35' right-of-way easement reserved may establish a standard for less carefully drafted easements retained in other sales on this line. As we have not been able to obtain title work or documents requested, this analysis is conditioned on a variety of assumptions which will be specifically stated elsewhere in this report. When UP was addressed regarding the sale of the 1,100 foot Davenport portion of the RR to the cement company, its executives "thought" it was "only a license."

This segment, although running along current Highway One as well as parts of Old Highway One at various points, has few roads crossing it. They are: Scaroni Rd (twice) and Highway One near the north end of the right-of-way, and a connector between Highway 1 and "Old Highway" further north.

The right-of-way generally parallels Highway One until it crosses it near the north end. Elevations vary between approximately 43 feet near the south end to 88 feet at the north end, with rising and falling grades between these levels throughout the length of the segment. There

are a number of depressed cuts carrying the track in this segment and an unusual number of creeks and drainages crossed by the track via bridges and trestles. A partial list of drainages (from south to north) is as follows: Wilder Creek, Baldwin Creek, Majors (Coja) Creek, Laguna Creek, Yellowbank Creek, Liddell Creek and San Vicente Creek. The total insurable fee area of railroad land in this segment is 1,943,795 sq. ft., or 44.62 acres.

RAILROAD SEGMENT DETAIL AND ANALYSIS
**(Including listed modifications from 2004 Administrative Draft due to Title Report and
Summaries of Parcels Affected)**

SEGMENT SUMMARY TABLE

No.	Jurisdiction	Track Length	Net Land Area (with insurable title)	Legal Parcels* (with insurable title)	ATF Values**	Price per Sq. Ft. (Rounded)
1	Monterey Co.	3,495' (0.66 mile)	87,900 sq. ft. (2.02 acres)	3	\$497,000	\$5.65
2	City of Watsonville	9,840' (1.86 miles)	1,263 sq. ft. (0.03 acres)	1	\$7,000	\$5.50
3	Santa Cruz Co.	29,684' (5.62 miles)	960,403 sq. ft. (22.05 acres)	11	\$1,575,000	\$1.64
4	Santa Cruz Co.	30,946' (5.86 miles)	145,784 sq. ft. (3.35 acres)	7	\$621,000	\$4.26
5	City of Capitola	13,823' (2.62 miles)	163,392 sq. ft. (3.75 acres)	4	\$395,000	\$2.42
6	Santa Cruz Co.	9,337' (1.77 miles)	133,667 sq. ft. (3.07 acres)	2	\$468,000	\$3.50
7	City of Santa Cruz	19,913' (3.77 miles)	618,847 sq. ft. (14.21 acres)	74	\$4,159,000	\$6.72
8	Santa Cruz Co.	46,216' (8.74 miles)	1,943,785 sq. ft. (44.62 acres)	21	\$1,944,000	\$1.00
	Totals	166,254 (31.48 miles)	4,055,041 sq. ft. (93.09 acres)	123	\$9,666,000	\$2.38 Ag.

*Legal parcels can directly affect value. The interpretation and certification of them can depend on interpretation of historical uses. In this analysis, we have confined ourselves to direct evidence of the type which almost certainly would result in legal parcel boundaries: separate historic parcelization, public road crossings and watercourses, rancho boundaries, governmental boundaries, and recorded parcel maps. We have not speculated even though a good title expert would likely identify more legal parcels than shown in the limited evidence available to us (RR maps and assessor's maps primarily). Legal parcelization has been somewhat limited in the last three years by new amendments to the State Map Act whenever someone contemplates lotline adjustment (four are allowed currently without conforming to the Map Act and local planning requirements other than safety factors out of a given contiguous assemblage). Legal interpretations of each element are important.

**ATF values were originally analyzed in traditional fashion. However, due to the drastic revisions based on a long-delayed title report, this reference is now largely meaningless. Nevertheless, we have applied the raw per-sq.-ft. values to the revised areas with title insurance to complete this summary column. NLV us now much more significant as a value reference.

**SCCRTC RAILROAD LAND ANALYSIS
SUMMARY OF CHANGES AFTER TITLE ANALYSIS**

Segment	Before		After	
	<u>Legal Parcels</u>	<u>Square Footage</u>	<u>Legal Parcels</u>	<u>Square Footage</u>
1	6	139,731	3	87,900
2	6	250,043	1	1,263
3	26	1,907,613	11	960,403
4	32 to 36	1,900,093	7	145,784
5	23	839,278	4	163,392
6	10	425,749	2	133,667
7	101	1,008,171	74	618,847
8	<u>22</u>	<u>3,799,490</u>	<u>21</u>	<u>1,943,785</u>
Total	Say 228	10,270,168 (235.77 acres)	123 (-46.05%)	4,055,041 (93.09 acres) (-60.52%)

**TITLE REPORT – SECOND SUP. REPORT PART II
 PARCELS INCLUDED IN THE SALE BUT DEEMED OF NOMINAL OR ZERO VALUE
 FOR LACK OF MARKETABILITY
 (NO TITLE INSURANCE AND NO EVIDENCE OF TITLE)***

Title Co. Item	RR Parcel #	Part of our Segment #	Value	Comments
2 nd Sup. Report – Part II (No item No's)	V72-6, No. 12	1	-0-	In river bottom "Missing documentation"
	V72-5, No. 1	3		Part of trestle @ 288 + 95
	V72-5, No. 5	3		
	V72-5, No. 10	3		Same as reversion list (may be a contradiction)
	V72-4, No. 5	3		Along San Andreas Rd.
	V72-4, No. 11	3		Along San Andreas Rd.
	V72-4, No. 13	3		Along San Andreas Rd.
	V72-5, No. 12	3		Same as reversion list (may be contradiction)
	V72-5, No. 14	Error? Not on RR Map Sked.		
	V72-3, No. 16	4		Trestle @ Valencia cr. @ Aptos Center
	V72-1, No. 21	7		No record per RR Map Schedule
	V72-1, No. 22	6,7		
	V72-1, No. 30	6,7		Strip along Murray Ave (6) Some in Marina x-ing (7)
	V22-11, No. 12	7 (crosses through Wye)		Near corner of Pacific & Bay (skateboard park?)
	V89-1, No. 35	7		8,970 sq. ft. (prob. only an easement at best. At pumping station).
	V89-1, No. 36	7		Little scraps – some are part of the Wye
	V89-1, No. 40			
	V89-3, No. 5	8		138,085 sq. ft. per schedule

*This list is based on the lack of title evidence which we are informed will not receive title insurance (see Supplement dated March 25, 2005 – Part II). Other parcels may also be refused title insurance and should be removed from the valuation when identified.

**PARCELS INCLUDED IN THE SALE BUT DEEMED OF NOMINAL OR ZERO VALUE
BECAUSE UNSALEABLE ON LIQUIDATION AS EASEMENTS OR LESSER RIGHTS
(BASED ON PRELIMINARY TITLE REPORT AND SUPPLEMENTS)**

Prelim. Report (Pg 2) "Legal Descr." Item #	R.R. Parcel No.	Part of our Segment #	Comments
2	V72-6, No. 2	2	Sold by UP with very limited retained easement
3	V72-6, No. 3	2	Sold by UP with very limited retained easement
8	V72-6, No. 50	2	
19	V72-4, No. 1; V72-3, No. 12	4	
43	V72-2, No. 8	4	Franchise only
45	V72-2, No. 10	4	
48	V72-2, No. 13	4	
54	V72-1, No. 13	7	Included right to maintain embankments 12' beyond easement area
56 (ii)	V72-1, No. 15	7	Easement only – part amusement park
57 (iii)	V72-1, No. 16	7	Easement only – part amusement park
70	V89-1, No. 6	7	
106	V89-4, No. 2	8	
111	V89-6, No. 1 & V89-7, No. 1	8	Part is retained easement only (3.14 acres or original 6.719 acres)
112	V89-6, No. 3	8	Includes right to allow overflow site 3 rd party land
First Supplemental Report dated Jan. 9, 2005 "Amended I"			
4	V72-6, No. 38 & V72-6, No. 39	2	[Part A – Item 4 shows right to cross by T-Ps at will] – Easement only
7	V72-6, No. 44	2	Easement connects mainline & spur to Beach St.
Second Supplement Report dated March 25, 2005 lists various parcels for which inadequate title or no title is found	Reader should study	Most or all	Some easements, some fees, some not determinable. All are assumed in the sale but entered with a market value of \$0 due to lack of title insurance.
Not shown in title report but shown on RR Maps	V72-6, No. 43.	2	May have been sold with No. 2 and No. 3 RR Maps still show it but are unreliable.

**PARCELS INCLUDED IN THE SALE AND DEEMED OF NO VALUE BECAUSE THEY
CONTAIN REVERSION CLAUSES WHICH, IF EFFECTIVE,
WOULD HAVE NO LIQUIDATION VALUE**

Title Co. Item	RR Parcel #	Part of our Segment #	Value	Comments
Exception, No. 4	V72-5, No. 12	3		Also shown in list of <u>NO</u> evidence
Exception, No. 5	V72-5, No. 10	3		Also shown in list of <u>NO</u> evidence
Exception, No. 5	V72-5, No. 11	3		
Exception, No. 32	V72-2, No. 1	5,6		Part in Capitola, Part W thereof
Exception, No. 32	V72-1, No. 26	6		
Exception, No. 38	V72-2, No. 13	4		
Exception, No. 55	V72-1, No. 18	7		
Exception, No. 56	V72-1, No. 13	7		Probably also in street
Exception, No. 57	V72-1, No. 14	7		Probably also in street
Exception, No. 57	V72-1, No. 9	7 (Maybe in Wye)		

* These should be analyzed by a competent attorney and measured by an engineer, and if title insurance is issued for a fee simple estate, these parcels may be added to valuation herein.

Cross-reference Table
Landtitleguru.com – Part I Parcels in R.R. Order
(No Title insurance to be issued on
these parcels per SCCRTC)*

Guru Item #	RAILROAD PARCEL NO.	SEGMENT NO.
4	V72-6-No. 1	2
5	V72-6-No. 7	1
13	V72-6-No. 36	2
13	V72-6-No. 38	2
4	V72-5-No. 8	2, 3
38	V72-4-No. 1	4
38	V72-4-No. 2	4
15, 28	V72-4-No. 3	4
2	V72-4-No. 6	4
2	V72-4-No. 7	4
37, 19, 37, 38	V72-4-No. 15	4
11, 17	V72-3-No. 1	4
17, 18,20,25,27,43	V72-3-No. 2	4
32	V72-3-No. 8	4
17	V72-3-No. 9	4
26	V72-3-No. 10	4
3	V72-3-No. 11	4
21, 22	V72-2-No. 2	5
12, 42	V72-2-No. 4	5
1	V72-2-No. 5	5
21	V72-2-No. 7	5
17	V72-2-No. 12	4
17	V72-2-No. 13	4
22	V72-2-No. 18	5
36	V72-1-No. 18	7
29	V72-1-No. 22	7
34	V72-1-No. 23	6
29	V72-1-No. 30	7
41	V89-1-No. 4	8
35	V89-1-No. 8	8
9	V89-1-No. 31	8
41	V89-1-No. 36	8
41	V89-1-No. 37	8
7	V89-4-No. 1	8
15	V89-4-No. 3	8
14	V89-5-No. 3	8
8, 14	V89-6-No. 1	8

*According to Luis Mendez, no Title Insurance (T.I.) will be issued on these parcels enumerated in Part I (above). Without T.I., these parcels would be unmarketable and will be valued at zero.

TITLE REPORT -- SECOND SUP. REPORT -- PART I
LIST OF PARCELS EXCLUDED FROM VALUATION FOR LACK OF RECORDED
TITLE EVIDENCE OR OTHER AMBIGUITY ABOUT NATURE OF TITLE, IF ANY

Title Co. Item	RR Parcel #	Part of our Segment #	Comments
1	V72-2, No. 5	5	Capitola hill on WS of Soquel Cr.
2	V72-4, No. 6 and 7	3	
3	V72-3, No. 11	4	
4	V72-5, No. 8	2,3	
4	V72-6, No. 1	2	
5	V72-6, No. 7	1	
6	V72-2, No. 4	5	Capitola Hill on WS of Soquel Cr.
7	V89-4, No. 1	8	
8	V89-6, No. 1	8	
9	V89-1, No. 31	7	Swift Ave to Natural Bridge Dr/est. 214,273 sq. ft.
10	V89-1, No. 31	7	Swift Ave to Natural Bridge Dr/est. 214,273 sq. ft.
11	V72-3, No. 1	4	
12	V72-2, No. 4	5	
13	V72-6, No. 1, 36 & 38	3, 2	
14	V89-5, No. 3	8	
14	V89-6, No. 1	8	
15	V89-4, No. 3	8	
16	V72-5, No. 8	8	
17	V72-2, No. 12 & 13	4	
17	V72-3, No. 1, 2, & 9	4	
18	V72-3, No. 2	4	
19	V72-4, No. 15	4	
20	V72-3, No. 2	4	
21	V72-2, No. 2 & 7	5	
22	V72-2, No. 2 & 18	5	
23	V72-2, No. 5	5	
24	V72-2, No. 2	5	
25	V72-3, No. 2	4	
26	V72-3, No. 10	4	
27	V72-3, No. 2	4	
28	V89-4, No. 3	8	
29	V72-1, No. 22 & 30	7	
30	V72-2, No. 2	5	
31	V72-5, No. 8	3, 2	
32	V72-3, No. 8	4	
33	V72-5, No. 8	3, 2	

34	V72-1, No. 23	6	
35	V89-1, No. 8	8	
36	V72-1, No. 18	7	
37	V72-4, No. 15	4	
38	V72-4, No. 1, 2 & 15	4	
39	V72-2, No. 5	5	
40	V72-2, No. 12	4	
41	V89-1, No. 4, 36 & 37	8	
42	V72-2, No. 4	5	
43	V72-3, No. 2	4	

In the event that Title Insurance is issued assuring fee title, those so treated may be added back to the appraisal.

PARCEL ANALYSIS SHEETS

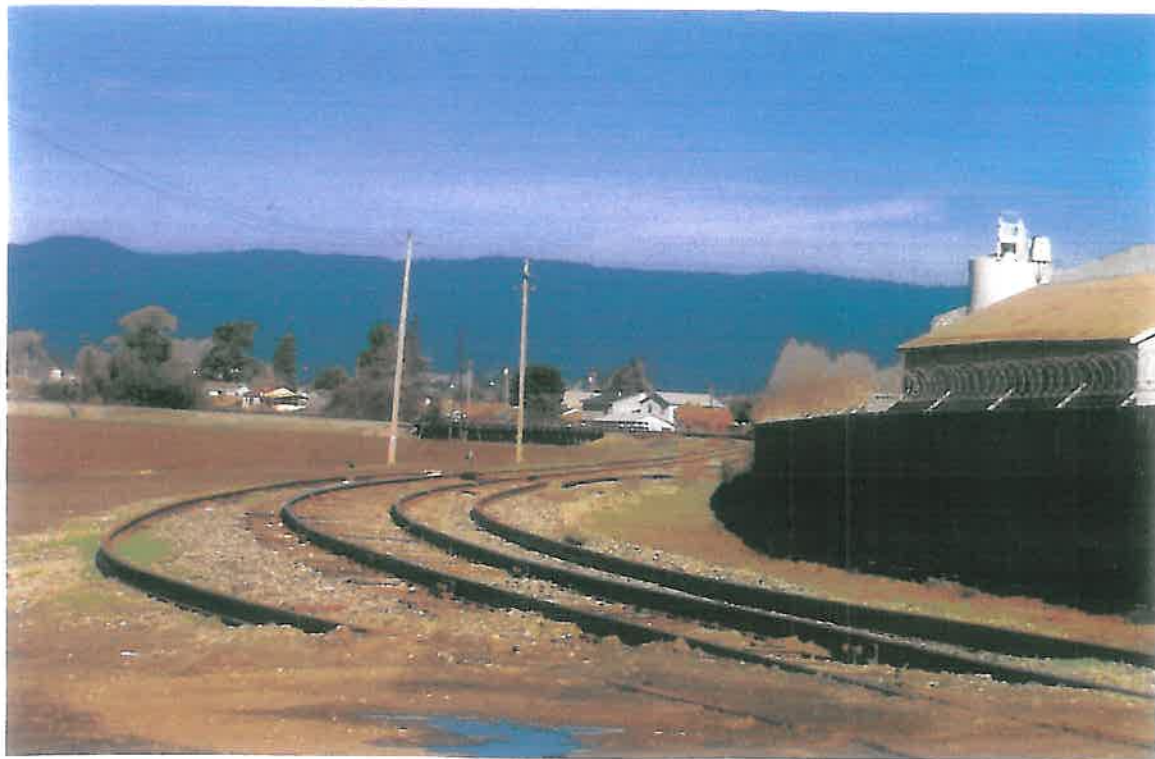
Segment 1 – Monterey County (Map V-72/6)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
1	Possibly	29 + 75 / 35 + 50	575'	No. 8 (Part)	40	23,000 sq ft	“
1	Yes	35 + 50 / 42 + 60	710'	No. 8 (Part)	40	28,400 sq ft	“
1	Yes	42 + 60 / 49 + 90	730'	No. 8 (Part)	50	36,500 sq ft	“
0	No	49 + 90 / County Line	605'	No. 7,8 & 12 (Parts)	N/A	-0-	In Waterway
3 Legal Parcels				Total Area For Segment 1		87,900 sq ft (2.02 acres)	UP Ledger (see Note)

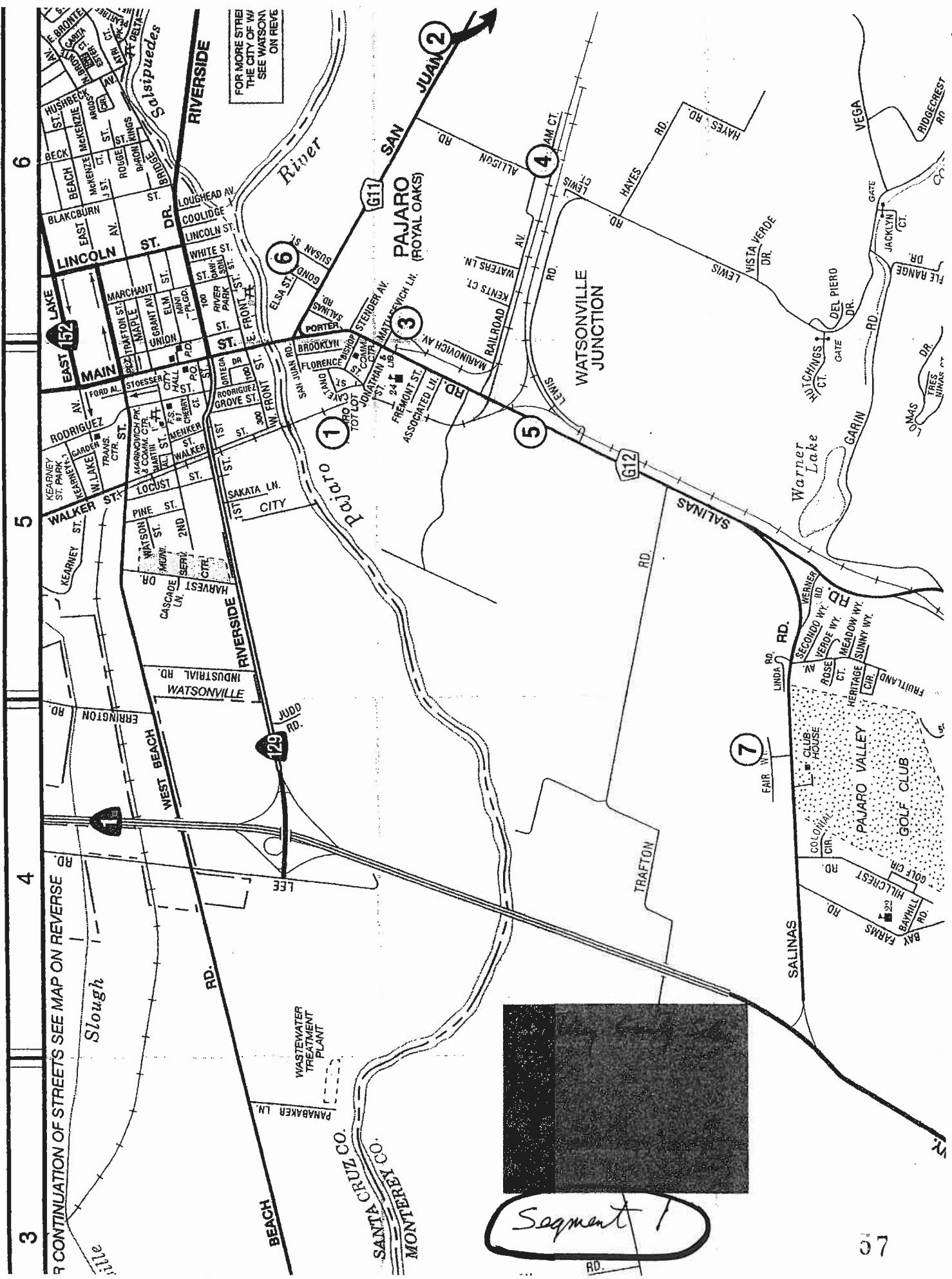
Note: Union Pacific Maps on which the above calculations are based contain numerous ambiguities and notes which are not always revealing. Map table shows acreage that neither agrees with our measurements nor UP's Ledger List for Parcels 7 and 8 above. Without engineering verification which has not been made available to us, we must default to the lowest acreage which is 3.885 acres from the Ledger List presented by UP at April 27th meeting. From this amount, we subtract the amount of 29,500 sq. ft. (from station 49 + 90 to 52 + 80) which is in the public flood project waterway as is Parcel 12. On this default basis the original net area is 139,731 sq. ft. (3.2078 acres). However, after removing Parcel No. 7 (no title), development options are limited and the net saleable area is 87,900 sq. ft, with much diminished access and limited independent development opportunity.



RR looking N from easements crossing at Watsonville Berry Cooler. Industrial and Residential uses to Right, Agricultural uses to left.



Zoomed view of above showing trestle crossing end of Florence St (access). Two other public street access points along the line portion above.



FOR MORE STREETS
THE CITY OF WATSONVILLE
SEE WATSONVILLE
ON REVERSE

CONTINUATION OF STREETS SEE MAP ON REVERSE

Segment 1

Segment 2 – City of Watsonville (Map V-72/5,6, and S-6a)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
0		County Line 55 + 95 / 97 + 44	4,149'	No. 6, 3 and No. 2 (Part) Sheet 6	N/A	0	Assessor's Office – They are all easements or are in public street or waterway
1	Yes	Triangle on Corner of Walker and Beach Rd		No. 4 (Sheet 6)		1,263 sq ft	Per Map Schedule
1 Legal Parcel				Total Fee Area		1,263 sq ft (0.03 acres)	



RR looking E across Errington Rd (spur to right leads to system of spur tracks on easements – not part of the sale). Watsonville City limits on L side of R/W; county agr. To Left, county industrial uses to Right



RR looking across Errington Rd toward Hwy 1 overcrossing in background. Watsonville City limits to R of R/W; city industrial uses to Left, County agr. to right.

Segment 3 (Map V-72/ Sheets 5 and 4)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
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Liquidation Parcel 3-B
Sheet 5

1	Unknown	184 + 36 / 196+65	1,221'	No. 9	20'	24,665 sq ft	Valuation Map Schedule
1	Unknown	196 + 65 / 210 + 80	1,415'	No. 7	50' plus extra side	91,500 sq ft	Scaled Extra area = 268' x 83' on one side of right of way
1	Unknown	210 + 80 / 215 + 68	435' Avg.	No. 6 to Rancho Los Corralitos Boundary	100'	50,318 sq ft	2.59 acres (112,820 sq ft) x 44.6% Per Valuation Map & Schedule
1	Unknown	215 + 68 / 221 + 06	541' Avg.	No. 6 to Rancho San Andreas Boundary	100'	62,503 sq ft	2.59 acres (112,820 sq ft) x 55.4% Per Valuation Map & Schedule
1	Unknown	221 + 06 / 238 + 50	1,744'	No. 4 N. of Rancho Boundary	50'	87,200 sq ft	
1	Unknown	239 + 40 / 257 + 05	1,765'	No. 4	25'	44,125 sq ft	Scaled
1	Unknown	239 + 40 / 257 + 05	1,765'	No. 2	Irregular* 25 to 75'	109,871 sq ft	Scaled
1	Unknown	257 + 05 / 267 + 25	1,020'	No. 3	Irregular 67.4'	61,245 sq ft	Valuation Map Schedule
1	Unknown	267 + 25 / 288 + 50	2,125'	No. 2	149.5'	317,688 sq ft	Scaled

Liquidation Parcel 3-D
Sheet 4

1	Yes	359 + 25 / 359 + 50	1,025'	No. 9	44 to 96'	83,000 sq ft	See calculation on Valuation Map (Assessor Maps disagree)
1	Yes	369 + 50 / 386 + 14	1,664'	No. 8	Generally 18'	28,288 sq ft	See calculation on Valuation Map (Assessor Maps disagree)
<u>11 Legal Parcels</u>				<u>Tot-al Area</u>		<u>960,403 sq ft</u> <u>(22.05 acres)</u>	

*weighted

average

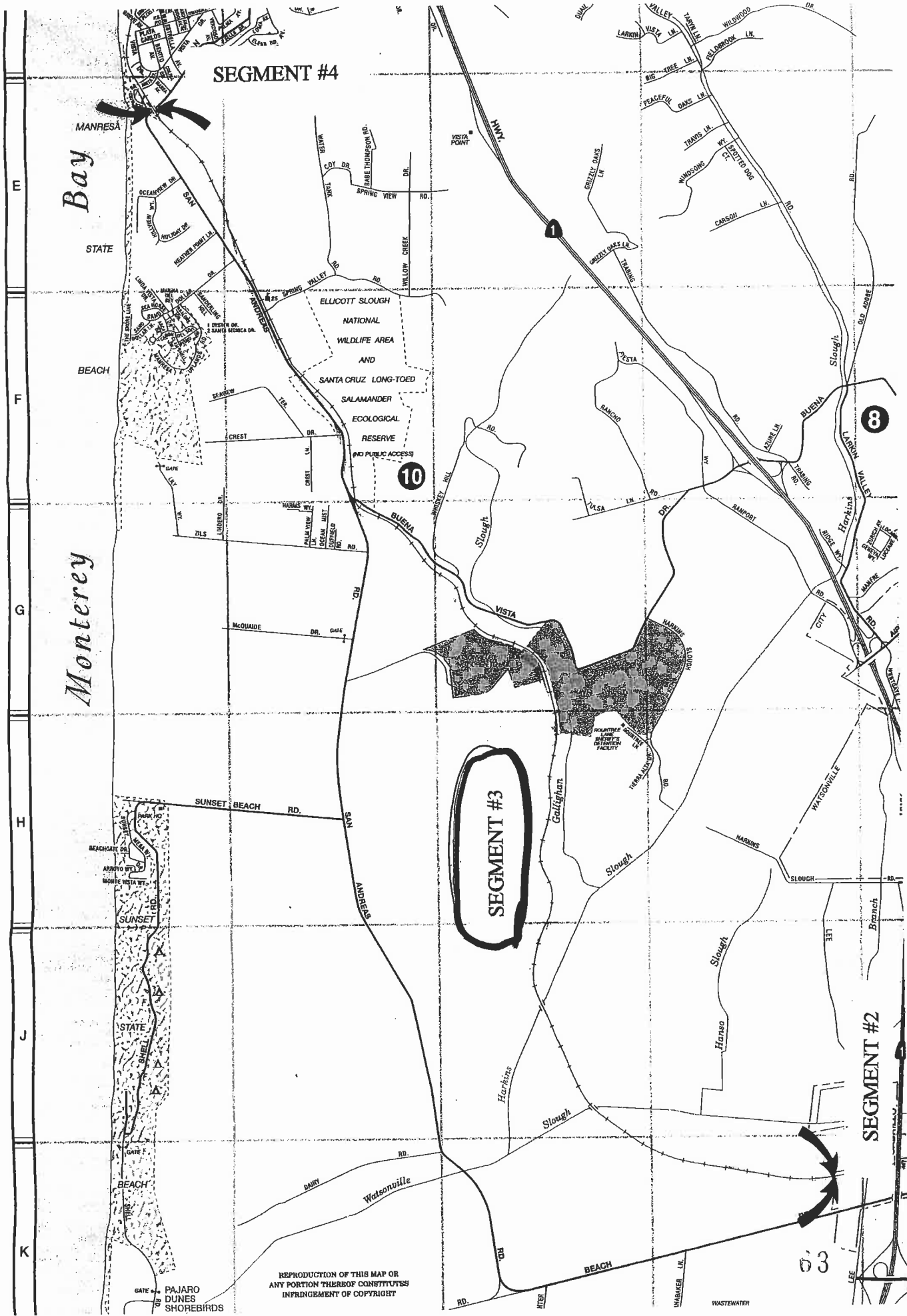
applied



RR looking N across Buena Vista Rd with San Andreas Rd about 6' higher beyond stop sign at left. Federal Wildlife Refuge begins about 29% of the way to Spring Valley Rd.



RR looking across Spring Valley Rd w/ San Andreas Rd adjacent to Right. Recreational/Open Space zoning allows this type of commercial activity.



SEGMENT #4

Bay
Monterey

SEGMENT #3

SEGMENT #2

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13

Segment 4 (Map V-72, Sheets 4,3, and 2)

Legal Parcels	Independent Access	From / To	Length	Map Parcel	Width	Fee Area	Sources & Comments
------------------	-----------------------	-----------	--------	------------	-------	----------	--------------------

Liquidation Parcel 4-A (no insurable parcels in this segment parcel)
Sheet 4

Liquidation Parcel 4-B (no insurable parcels in this segment parcel)
Sheet 3

Liquidation Parcel 4-C (no insurable parcels in this segment parcel)

Liquidation Parcel 4-D (no insurable parcels in this segment parcel)

Liquidation Parcel 4-E

1	Yes	650 + 66 / 655 + 71	454' +/-	No. 7 (Part)	0 to 60' irregular	28,000 sq ft	(Commercial!) Allocation of Map Schedule.
0		655 + 71 / 656 + 36	--	No. 15	Appears completely in street	0	(Commercial!) --
1	Yes	658 + 71 / 664 + 07	546'	No. 7 (Part)	30 to 50' say 40'	17,651 sq ft	Scaled
1	Yes	Right Triangle (100' x 50')	100'	No. 6	0 to 50'	1,568 sq ft	Scaled
1	Yes	Irregular (50' x 10') ?	325'	No. 20	0 to 13 say 7	2,275 sq ft	Estimated
1	Yes	Irregular (100' x 20') x (275' x 35')	425'	No. 5	20 to 30' say 25'	10,625 sq ft	Scaled
1	Yes	Right Triangle (188' x 437')	200'	No. 4	0 to 35'	4,107 sq ft	Scaled

Liquidation Parcel 4-F (no insurable parcels in this segment parcel)

Liquidation Parcel 4-G (no insurable parcels in this segment parcel)

Liquidation Parcel 4-H (no insurable parcels in this segment parcel)

Sheet 2

Liquidation Parcel 4-I

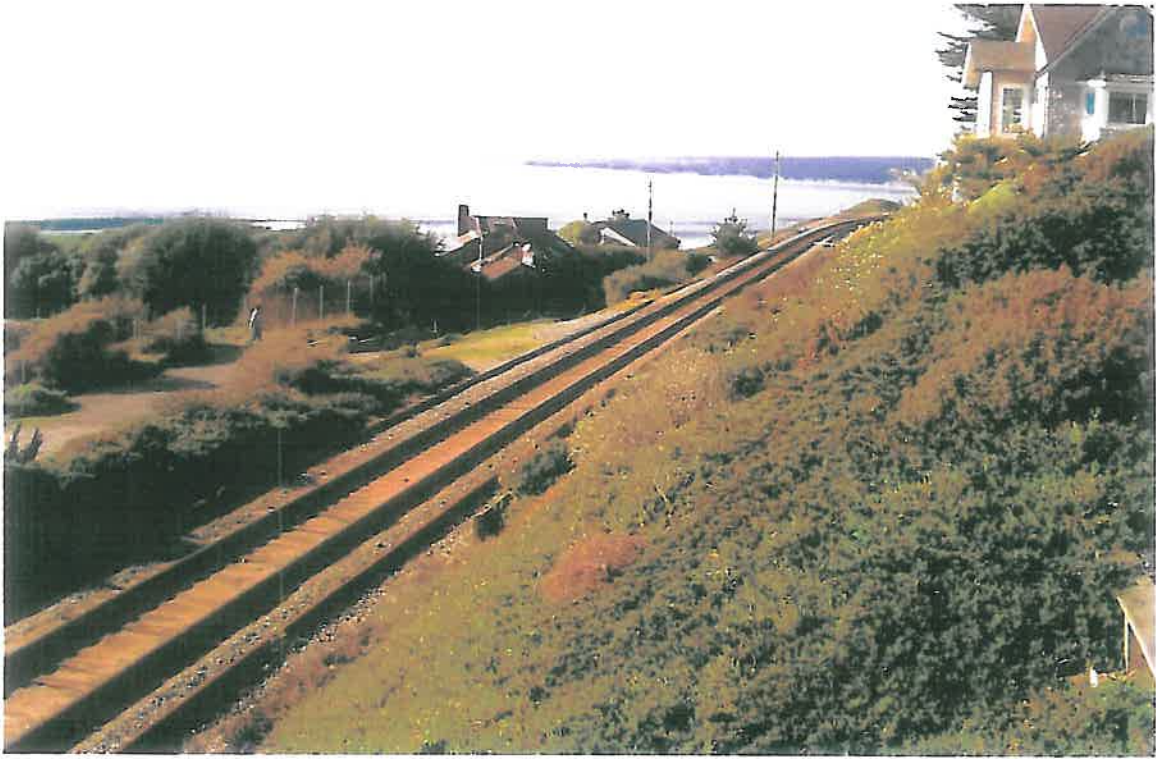
0	Cont. above	Matchmark 720 + 00/ 721 + 26	125'	(No. 1 continued) No. 14*	35'	4,410 sq ft	(Above parcel continued) Scaled
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Liquidation Parcel 4-J

1	No	733 + 15 / 748 + 00 (Capitola City Limits)	1,485'	No. 11	50 +/-	77,148 sq ft	Per Map Schedule
7 Legal Parcels minimum							145,784 sq ft (3.35 acres)
Total Area							

Note: New Brighton State Park is on both sides of RR from Borregas Creek (Rancho Aptos & Rancho Soquel Augmentation boundary) RR Station #733 + 15 to almost New Brighton Road, then picks up along NS of RR somewhere to West (depending on map viewed) and runs along the one side until past the end of Pine Tree Lane where park is again on both sides until RR joins Park Ave (a little past Kennedy Dr) and stays on one side until about one-half way between Coronado and Cabrillo Streets.

*Though this renumbered Sheet 2 parcel appears to share the same title history as V72-3, No. 1, it was not excluded by the title report. While this appears to be a contradiction, the document analysts may have good cause. We are accurately following their conclusions.



RR looking from end of Anita Way (slope, houses on ocean side at gentle slope appear to assure stability).



RR looking S from Park at Playa Blvd and Vista Blvd.



RR looking SE across entrance to Seascapes Resort at Seascapes Blvd
(Summer Ave to Left along RR).



RR looking NW across entrance to Seascapes Resort at Seascapes Blvd
(Summer Ave to Right along RR).



RR looking East across Mar Vista Dr. (apartments and condos both sides)



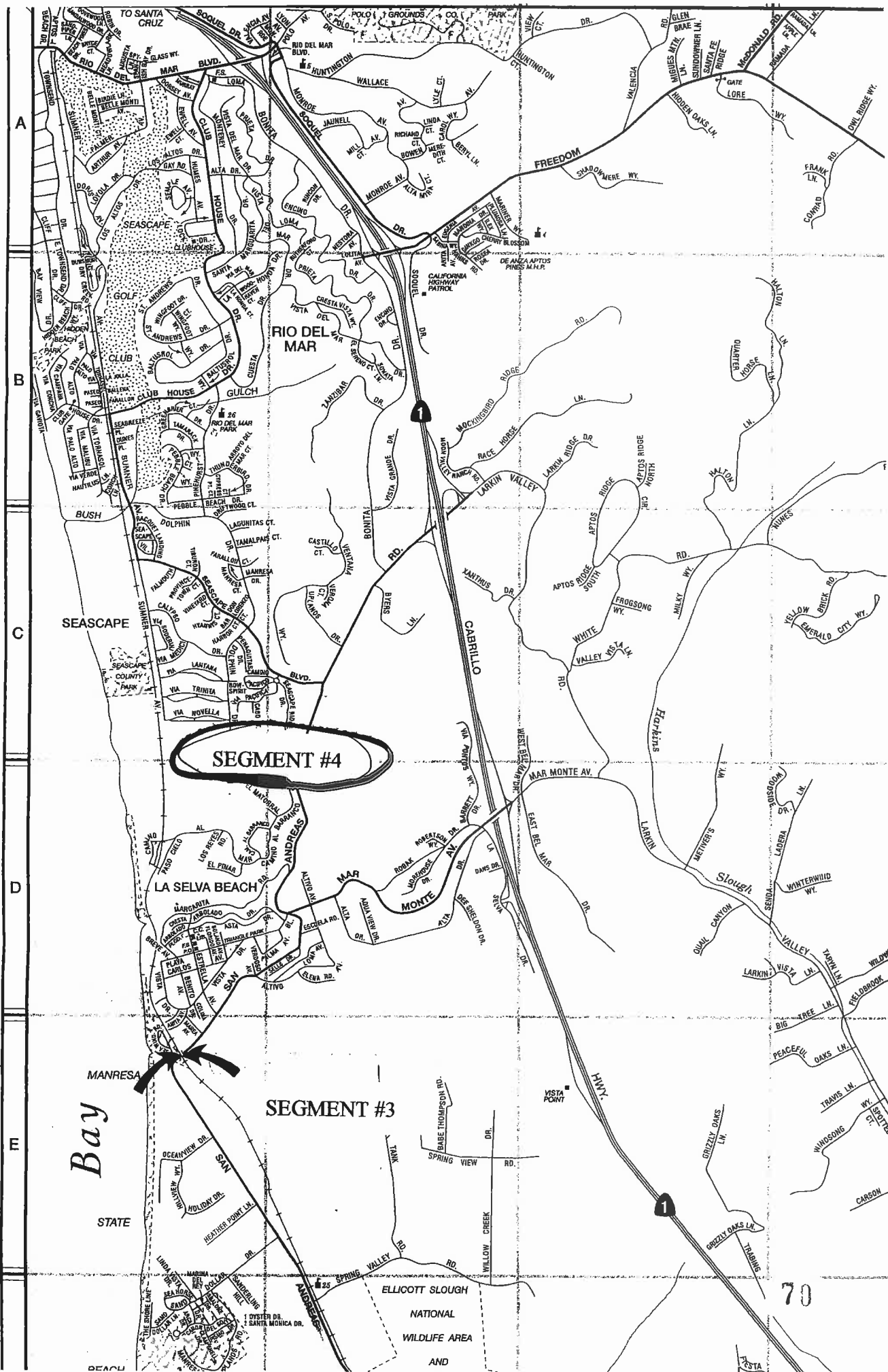
RR looking West across Mar Vista Dr
(old house on Right, Poplar St frontage along left side) – 35' wide R/W.



RR looking West across New Brighton Dr.
(State Park to right and private residences to left for over 1,000 feet)



RR looking east from New Brighton Dr.
(State Park on both sides – New Brighton Dr.)



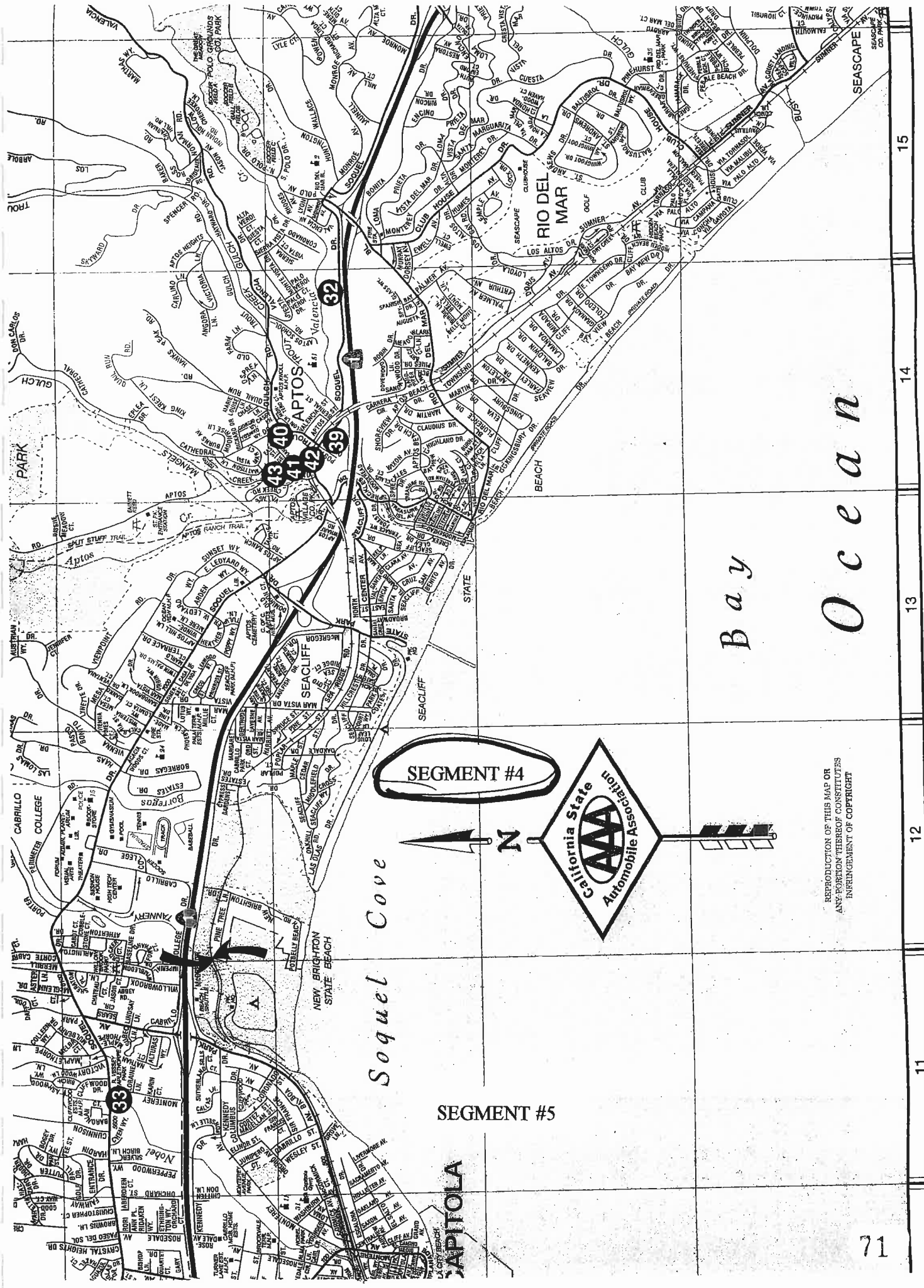
SEGMENT #4

SEGMENT #3

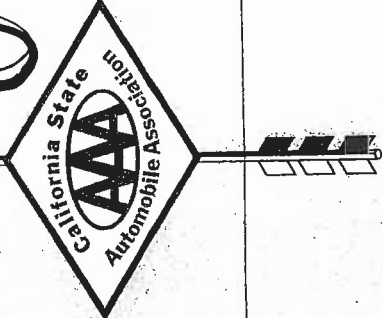
Bay
STATE

ELICOTT SLOUGH
NATIONAL
WILDLIFE AREA
AND

70



SEGMENT #4



Soquel Cove

SEGMENT #5

CAPITOLA

Bay
Ocean

15

14

13

12

11

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Segment 5 – (City of Capitola) (Map V-72, Sheet 2)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
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Liquidation Parcel 5-A

Sheet 2 – Continued

1 or 2	Yes	792+70/805+00 est.		No. 17	Irregular	70,435 sq ft	Per Map Schedule*
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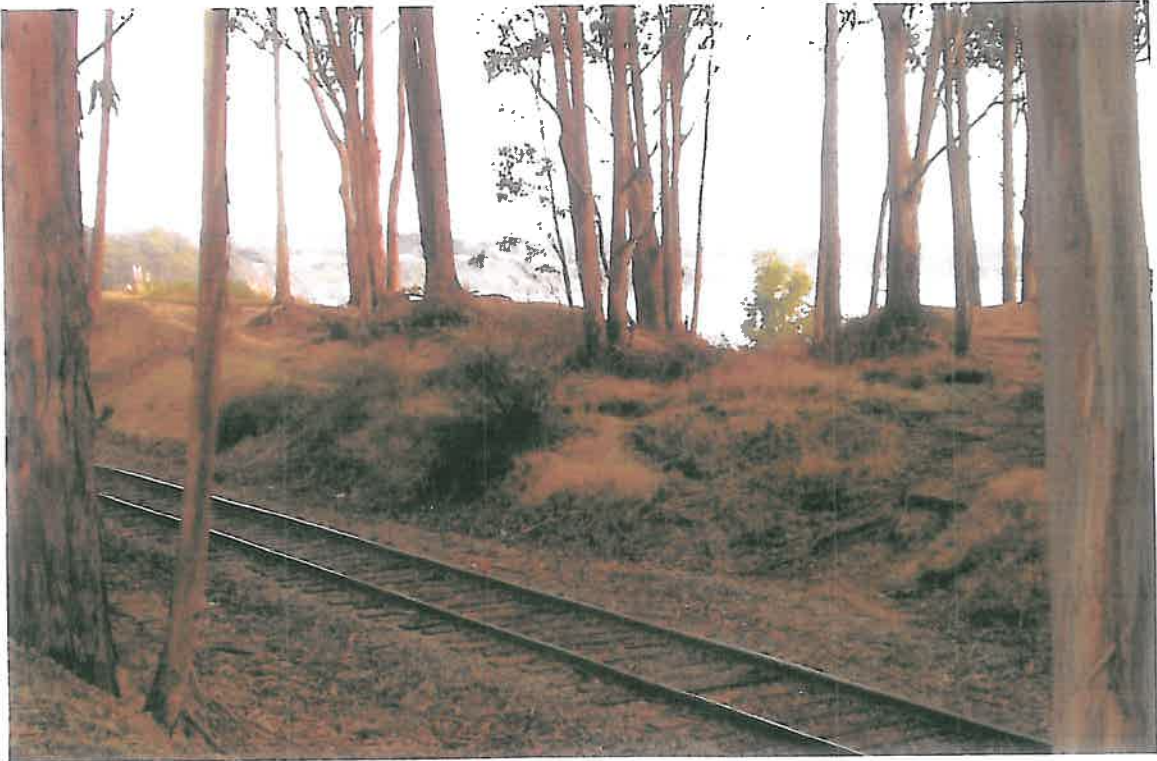
Liquidation Parcel 5-B

1	Yes	846 + 75 / 855 + 40	±865'	No. 6	Irregular	57,368 sq ft	Per Map Schedule (to 49 th Ave)
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Liquidation Parcel 5-C

1	Yes	867 + 40 / 879 + 27	1,187'	No. 3	30'	35,589 sq ft	Per Map Schedule
3 or 4 Legal Parcels						Total Area	163,392 sq ft (3.75 acres)

* Net of subtraction of area of Grove Lane and part of Parcel 17 noted on Sheet 2 as Parcel "C"



RR along Park Ave, Capitola, looking SW from Coronado St.



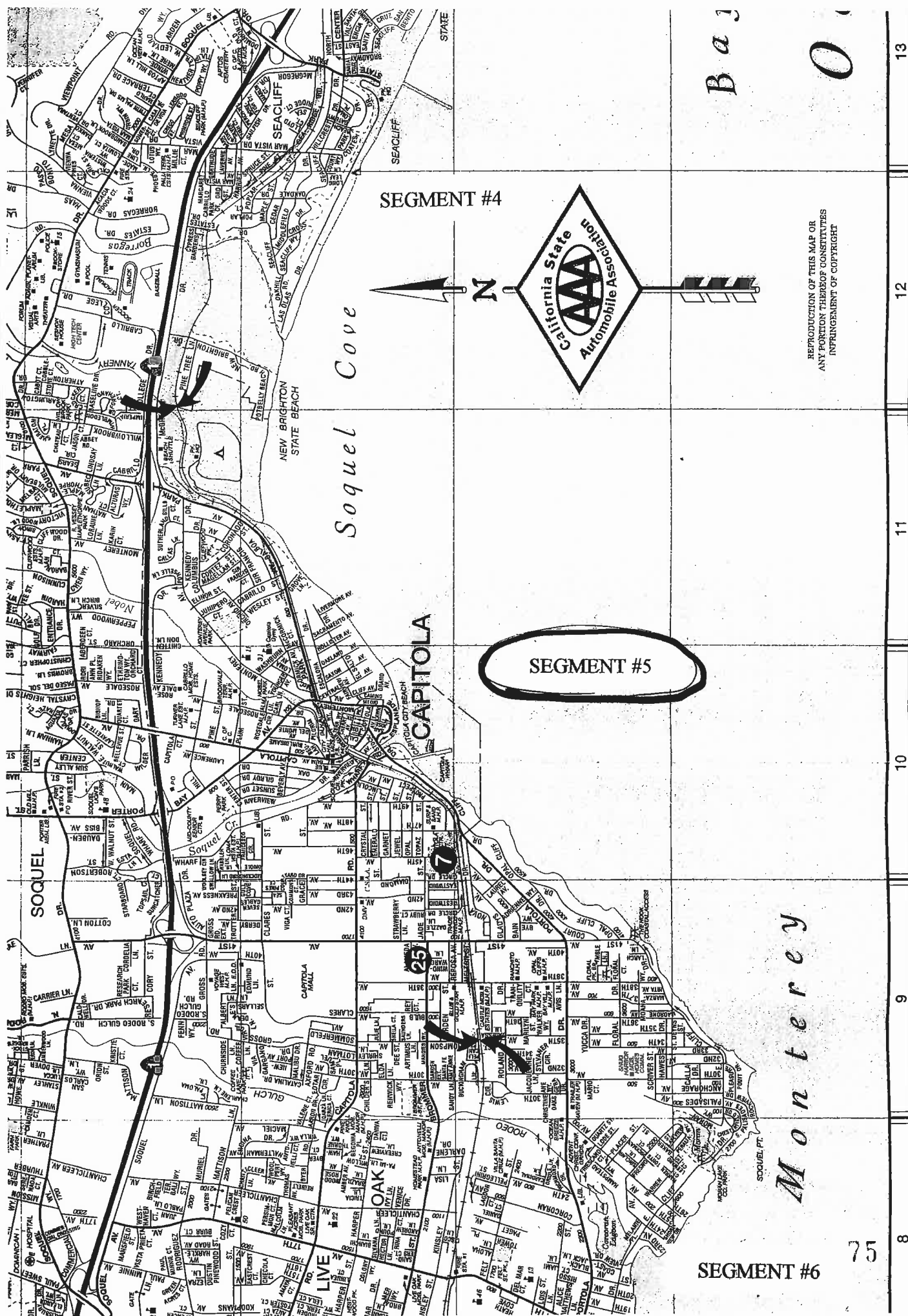
RR along Park Ave near Cabrillo St, New Brighton State Park no longer adjacent, gradients more gentle, and houses are between RR and beaches to right of picture.



RR looking East from point where Cliff Dr (to right) has houses between it and the shore – Rr is below houses to left and at or near the road grade which is gentle here.



30th Ave looking south across tracks (Live Oaks area)



SEGMENT #4

Soquel Cove

NEW BRIGHTON
STATE BEACH

CAPITOLA

SEGMENT #5

SOQUEL

Monterey

SEGMENT #6

75

B a j
O

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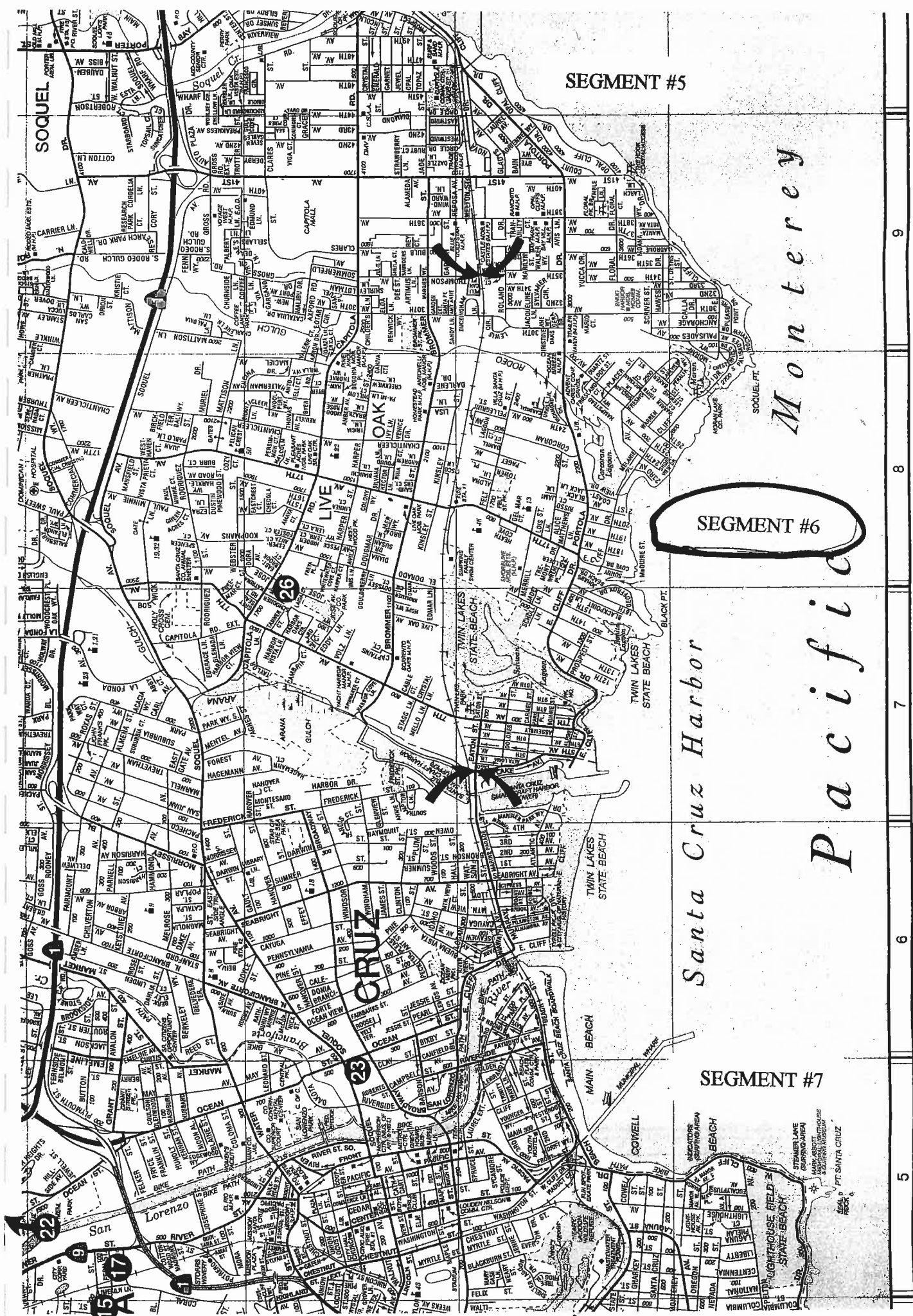
13
12
11
10
9
8

Segment 6 – (Live Oak Area) (Map V-72, Sheets 2 and 1)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
Sheet 1							
1	?? Yes	912 + 18 / 931 + 70	1,952'	No. 25	0 to 35 to 109	75,751 sq ft	Map Schedule
1	Yes	921 + 82 / 940 + 35	1,850'	No. 24	0 to 40	57,916 sq ft	Map Sched. Less Road
2 Legal Parcels				Total Area		133,667 sq ft (3.07 acres)	



RR looking west across 17th Ave



SEGMENT #5

Monterey

SEGMENT #6

Santa Cruz Harbor

Pacific

SEGMENT #7

5
6
7
8
9

Segment 7 – City of Santa Cruz (Map V-72, Sheet 1 and V-89, Sheets 1 and 2)

Legal Parcels	Independent Access	From / To	Length	Map Parcel	Width	Fee Area	Sources & Comments
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**Liquidation Parcel 7-A
Sheet 1 (Map V-72)**

1	Yes	1012 + 08 / 1021 + 68	900'	No. 19	66	15,120 sq ft	Scaled
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Liquidation Parcel 7-B

2	Yes @ Bay St. only		+/- 550'	No. 8 (Wye area)		17,982 sq ft	Bay St to Map V-89 Per Map Schedule
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**Liquidation Parcel 7-C
Sheet 1 (Map V-89)**

1	Yes	21 + 29 on Big Trees Line/ 25 + 90 on main line		No. 1	Variable	22,869 sq ft	Commercial & Residential Map Schedule
2	(Bay St.) Yes	8 + 00 / 25 + 90 (on main line)	1,790'	Nos 2, 3, (Parts) And segments thereof	Variable	48,895 sq ft	Commercial & Residential Estimated and Scaled
1	Yes	25 + 90 / 31 + 29	539'	No. 5	40'	21,560 sq ft	Scaled
2	Unknown Exc. at end	32 + 79 / 39 + 69	690'	No. 7, No. 32	40'	27,600 sq ft	Scaled
5	Yes	(Bay St to Allen)	182'	No. 9	55' – 60'	10,575 sq ft	Map Schedule
4	Yes	(Alley to Lennox St.)		No. 10	Triangle	6,750 sq ft	Map Schedule
8	Yes	(Corner – Lennox & Palm St's)		No. 11, 12 & 13	Triangle	14,660 sq ft	Map Schedule
2	Yes	(Palm St to DuFour Ave)		No. 14, 15	100'	25,800 sq ft	Map Schedule
7	Yes	(DuFour to Bellevue Ave's)		No. 16, 17	80'	20,707 sq ft	Map Schedule
7	Yes	(Bellevue to Young Love Ave)		No. 18, 19, 20 & 21	65' – 75'	19,412 sq ft	Map Schedule
3	Yes	(Corner – Seaside and Young Love Ave's)		No. 22, 23	Triangle	12,500 sq ft	Map Schedule
1	Yes	(Corner – Rankin St and Seaside Ave)		No. 24	Triangle	326 sq ft	Map Schedule
6	Yes	(Corner – Rankin St and Seaside Ave to Almar Ave)		No. 25, 26	100'	26,960 sq ft	Remnant – Map Schedule

Liquidation Parcel 7-D

3	(at ends) Yes	(Almar to Fair Ave's)	375'	No. 27, 28, 29	100'	74,030 sq ft	Map Schedule
16 or more	Yes	(Fair to Swift Ave's)	780'	No. 38	10' - 50'	24,012 sq ft	Map Schedule
Sheet 2							
1	(at end) Yes	109 + 75 / 116 + 25 (Nat. Bridges Dr to Rancho Boundary)	650'	No. 1	100' and 150'	80,239 sq ft	Map Schedule net of 2,000 Sq ft for road widening
1	(at end) Yes	116 + 25 / 124 + 11 (Rancho Bound. To ES of Shaffer Rd)	786'	No. 2 (Part)	150' to 100'	82,350 sq ft	Scaled
1	(at end) Yes	124 + 63 / 131 + 28 (WS Shaffer Rd to City Limit)	665'	No. 2 (Part)	100'	66,500 sq ft	Scaled
74 or more Legal Parcels in this Segment (Including subtotal from Map V-72)							
Total Segment Area						618,847 sq ft (14.21 acres)	



RR looking east from Seabright Ave (City of Santa Cruz)



RR looking west across Seabright Ave.



RR trestle across San Lorenzo River looking east from east end of amusement park.



RR looking west from San Lorenzo River Trestle along amusement park.



RR looking east across Pacific to Beach St.



RR looking west from Pacific Street and under W. Cliff Dr bridge. Wye to right behind bridge.



RR looking SW from Palm (access) toward Dufour.



RR looking NE from Bellevue toward Dufour.



View to NE from RR at Shaffer at new Apt. complex.



RR looking west from Shaffer (access) toward West City limit.

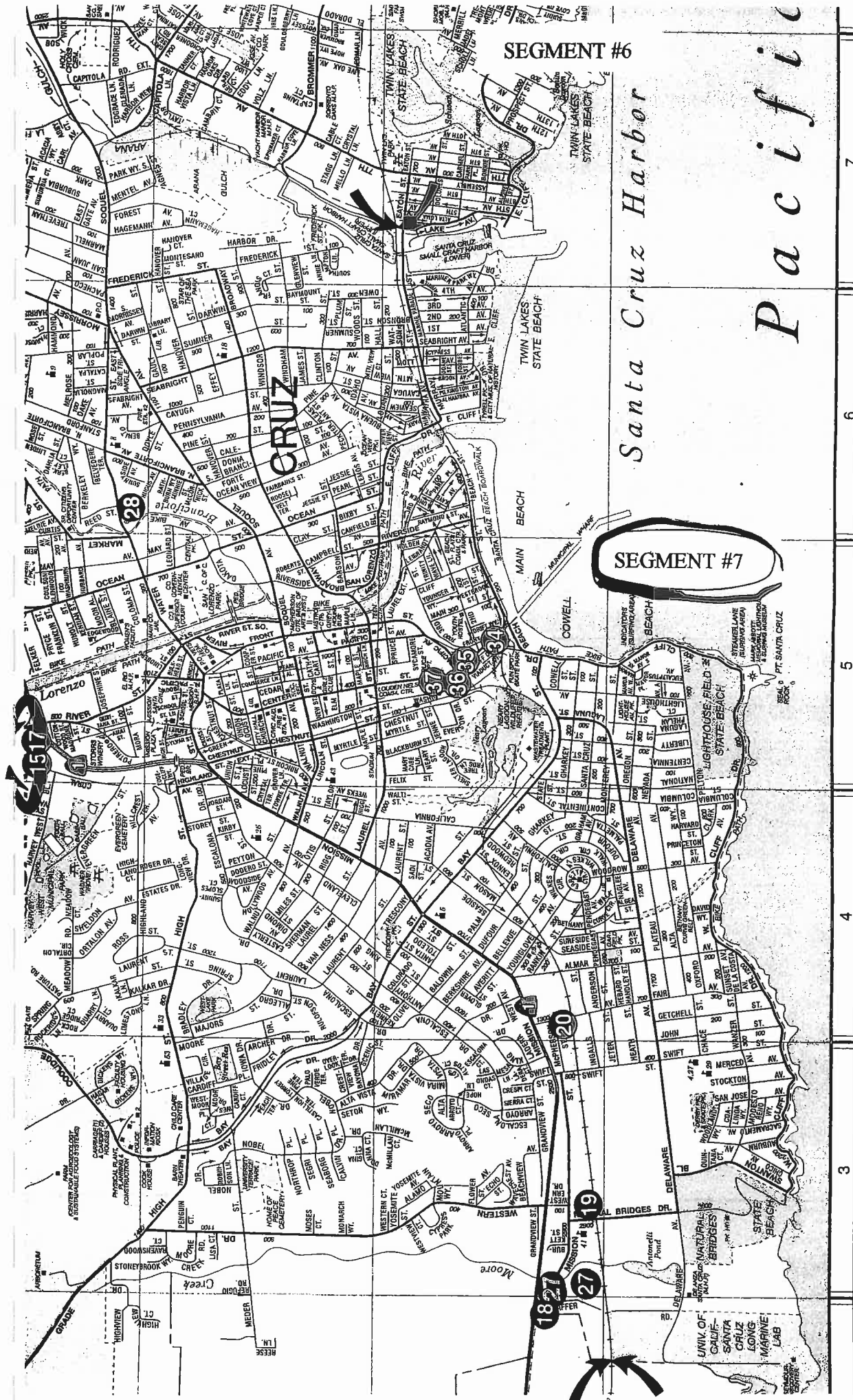
SEGMENT #6

Santa Cruz Harbor

Pacific

SEGMENT #7

CRUZ



7

6

5

4

3

Segment 8 (Santa Cruz to end of line @ Davenport Plant) (Map V-89, Sheets 2 through 9)

<u>Legal Parcels</u>	<u>Independent Access</u>	<u>From / To</u>	<u>Length</u>	<u>Map Parcel</u>	<u>Width</u>	<u>Fee Area</u>	<u>Sources & Comments</u>
Liquidation Parcel 8-A							
Sheet 2 (cont'd)							
1		131-28 / 150 + 20 Santa Cruz N. City Limit to end of parcel	1,892'	No. 2 (Part)	150' and 100'	199,825 sq ft	Scaled
1	Unknown*	150 + 20 / 212 + 00	6,180'	No. 3	Varies from 43' - 180'	365,640 sq ft	Scaled
Sheet 3							
0	No*	(Previous Parcel cont'd) 212 + 00 / 243 + 27	3,127'	No. 1 (continuation Of No. 3 above)	100' to 0'	289,200 sq ft	Scaled (part being retained by UP)
1	No*	253 + 66 / 279 + 58	2,592'	No. 3	100' - 150'	278,610 sq ft	Per Map Schedule
1	No*	279 + 58 / 312 + 45	3,287'	No. 4	100'	326,308 sq ft	Per Map Schedule
Sheet 4							
4 (S. of Scaroni Rd)	Yes (some)	312 + 45 / 362 + 39	5,827' Incl. part of Scaroni Rd	Part of No. 4** Part of No. 5		Less ± 84,000 sq ft shown in Segment 8-B Net area = 175,399 sq ft	Per Map Schedule (Maps too ambiguous to understand or check for accuracy).
Liquidation Parcel 8-B (Btwn N. & S. Scaroni Roads: includes parts of RR Parcels 2, 4 & 5 on Sheet 4 above and below)							
0	Yes	363 + 14 / 373 + 88		No. 4** & 5 (part)		84,000 sq. ft.	Portion of V89-4, No. 4&5 estimated to be btwn N. & S. Scaroni Road.
2 Btwn N. & S. Scaroni Rds)	(Hwy 1) Yes	363 + 14 / 373 + 88	1,216'	No. 2 (part)	35' - 100'	6,485 sq ft	Estimated Part of No. 2

Liquidation Parcel 8-C
Sheet 4 (continued)

1	Yes	373+88/382+88	900'	No. 2 (part)	100'	90,000 sq ft	Scaled
<u>Sheet 5</u>							
0	(Hwy 1) Yes	413 + 00 / 414 + 10	110'	No. 1		7,318 sq ft	Per Map Schedule
1	(Hwy 1) Yes	414 + 10 / 424 + 60	1,050'	No. 2	110+/-	121,000 sq ft	Estimated

Liquidation Parcel 8-D
Sheet 6

Sheet 7

0	Yes	588+22/611+28	1,306'	No. 2	50'	-0- (all in county road)	
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Sheet 8

Sheet 9

22 Legal Parcels	Total Segment Area	1,943,785 sq ft (44.62 acres)
------------------	--------------------	----------------------------------

* There may be legal access points to these parcels but maps did not show convincing evidence.

** RR Map Schedule (Sheet 4) states "no record at hand" but title report did not exclude it from title insurance coverage. Areas and allocations of RR Parcels V89-4, No. 4 and 5 cannot be scaled without engineering help.

Note: Title report excluded Parcel No. 1 of sheet 6 from insurance coverage. Parcel No. 1 is the only fee land on Sheet 6 not disposed of. The title report did not deal with Sheets 7, 8 and 9 but Parcel No. 1 on these sheets is to be included in the sale to SCCRTC (to station 623+44L, the north end of UP ownership or control). Although we were not provided Sheet 9, the Map Schedules for Sheets 6, 7 & 8 show that UP chain of title is the same for Parcel No. 1 on each. Accordingly, if insurance is being denied for Parcel No. 1 on Sheet 6, it would equally be denied for the parcels on Sheets 7, 8 & 9 which came to UP ownership or control by the same title chain from the same owners. Thus, we have equally excluded them from the liquidation valuation. The only other Parcel (No. 2 on Sheet 7) appears to be entirely in the county road and while it probably has no value in liquidation, it is also presumably part of the sale per instructions of Attorney for SCCRTC.



RR looking from ¼-mile north of Ranger Station in Wilder Ranch State Park.



RR looking SE across north crossing of Scaroni Rd (Hwy 1 adjacent in background)



RR looking south across Hwy 1 at cement plant north of Davenport.



RR looking NW from hwy 1 to end of sale ("250' north of highway")

AGENCIES AFFECTING THIS ANALYSIS

Introduction

The railroad property being appraised in this analysis spans parts of two Counties (Monterey and Santa Cruz) and three incorporated Cities (Watsonville, Capitola and Santa Cruz, all in Santa Cruz County). Each of these jurisdictions has planning agencies which oversee the general direction as well as the specific entitlements related to development in their respective areas.

Two State agencies (The Coastal Commission and CALTRANS) have potentially significant involvement in the use and/or development of the railroad property, which is the subject of this analysis. The State Parks and Recreation Department has extensive holdings along this railroad, particularly in Segment 8, and might be significant in determining future uses adjoining its properties. Other State, County, and City agencies as well as local or regional utility districts could have a bearing on future uses of the railroad property, but do not have obvious roles for purposes of this analysis.

Public attitudes and political pressure have traditionally been a significant factor in Santa Cruz County decision-making. Thus, a simple analysis of institutional plans, policies and regulations is often insufficient to predict alternative uses of the railroad property. Such factors will be considered as appropriate in the liquidation value analysis of this report.

Each of the agencies and jurisdictions named above were contacted for purposes of making this analysis.

City and County Planning Agencies

Land use designations and potentials are most simply indexed through zoning maps and general plan land use maps and the accompanying narrative codes and explanations. Fine points and specific questions are then resolved by interviews with agency personnel in order to reach conclusions in this analysis. This was done in case, and as necessary will be referenced in the net liquidation value analysis. Generally, each of the agencies in Santa Cruz County is favorable to the SCCRTC plans to operate and expand the functions of the railroad property.

California Coastal Commission

Where this State Agency has designated jurisdiction overlapping with County or City jurisdictions, a Local Coastal Plan (LCP) is negotiated and agreed upon between the State agency and the local jurisdiction. After joint approval, the local jurisdiction is given the lead power in processing applications and approvals. The State agency, however, retains power to intervene independently under certain conditions, which seem largely in the States' discretion. In addition, the LCP must be renegotiated and reapproved periodically within a specified number of years. Often, this provides an additional reason for the Coastal Commission to act independently when the prior LCP has technically expired.

As near as we can determine, neither the Monterey portion of the railroad property nor the City of Watsonville portion are within the jurisdiction of the Coastal Commission. However, throughout the rest of the line between Watsonville and Davenport, there are at least certain locations which are politically sensitive, probably within the jurisdictional definition of the Coastal Commission, and are likely to involve action by the Coastal Commission regardless of the status of the various LCP's. Based on our discussions with planners and others, these sensitive areas might include portions of the railroad property as follows: The Watsonville Slough area (if any habitat were to be affected), the Long Toed Salamander Ecological Reserve along San Andreas Rd, possibly some of the area in Capitola along Park Ave overlooking New Brighton State Beach Park area, a short section of the line along Cliff Dr in Capitola, and all of Segment 8 of the line, which both the County and the Coastal Commission consider a top priority for open space and farming preservation. The one exception in Segment 8, which might have development potential, is approximately 1,100 feet across Highway One from Davenport.

Utility Agencies

With some exceptions, we did not receive any reports of sewer and water limitations. But, each area is unique in its circumstances. The two unincorporated towns at the extremes of the railroad branch line, Pajaro in Monterey County and Davenport at the north end of the line, each have sewer and water systems, which are physically available for limited developments. In the case of Davenport, the capacity and condition of the systems limit what might be done, but new cash infusion by a developer might be looked upon favorably.

The three incorporated Cities, Watsonville, Capitola and Santa Cruz, each contain functioning sewer and water systems which are available for development.

Much of the unincorporated Santa Cruz County area between Watsonville and the City of Santa Cruz has been developed with a variety of subdivisions and water and sewer systems. Where these exist, they appear to be available for modest additions in most cases. However, nearly all of Segment 3 (from Watsonville to La Selva Beach) is basically rural (except for occasional subdivisions, which may have their own wells and package plants), and would require individual wells and sewage disposal systems to qualify for any development. There is also an undeveloped area along the railroad between La Selva Beach and Sumner Ave in the Seascape area. We were advised that this area is designated for open space and is undevelopable and/or is too steep or otherwise inaccessible, and cannot be considered developable. With the exceptions described above, most of the railroad property is theoretically developable if divisible into appropriate sites meeting other County standards for the proposed highest and best uses.

Considering the County's and Coastal Commission's desires for Segment 8, with the possible exception of 1,000 feet adjacent to Davenport, only existing legal lot configurations can be considered for any development purposes. Those would be limited to one dwelling per legal parcel, according to general legal principles of minimum use, the denial of which would be deemed a condemnation. However, such minimum use must also meet reasonable County requirements for water supply, ground percolation standards, and other safety standards. Also, the number of legal parcels is limited by the recent amendments to the Subdivision Map Act. Accordingly, the legal parcel analysis will be especially significant in determining value in Segment No. 8.

HIGHEST AND BEST USE

According to The Appraisal of Real Estate, a publication of The Appraisal Institute, Highest and Best Use is defined as follows:

“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.”

For a property to be utilized to its Highest and Best Use, the use must meet certain criteria, namely, (1) a use that is physically possible, (2) a use that is legally permissible, (3) a use that is financially feasible, and (4) that use which is maximally productive. In determining the Highest and Best Use of a property, these criteria are usually considered sequentially.

Physically Possible Uses

The subject site as a former railroad corridor is not usually typical of other sites in the neighborhood. It could be larger or smaller but one must always address its shape. Development of the site must also address utilities, need for fill, excavation or pilings, potential for assemblage, etc.

Legally Permissible Uses

In the broad spectrum of potential uses of a property, the most restrictive parameter is often the legal limitations, both public (zoning and building codes, master plan, etc.) and private (easements, use covenants, reversions, etc.). For our purposes, we have referred to zoning and general plan designations first and in a very few cases considered the likelihood of flexibility or change. These matters are discussed as relevant throughout the report. In this case, regardless of economic infeasibility, the property carries a legal duty, probably an economic liability.

Financially Feasible Uses

Of the possible uses determined by the two discussions above (legally permitted and physically possible), those to be considered further must be likely to produce an income, or return, equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization. All those potentially showing a positive return are regarded as financially feasible. Considerations of supply and demand and location are often critical. In this type of collective analysis, highly precise calculations are not attempted. But as relevant, some specific numerical studies are utilized especially for discounting purposes.

Maximally Productive Uses

Of the financially feasible uses, the use that produces the highest residual land value is the Highest and Best Use. A determination is most typically made by comparing the residual value effect on the land of alternative uses. In this case, there are only a few instances of alternatives. In each case they are mentioned and discussed in the analysis.

Fundamentally, a highest and best use evaluation is an economic analysis, which expresses its conclusions in terms of greatest profit or economic return to the land, after deduction of an appropriate rate of return to any profitable improvements on it.

The confluence of traditional valuation theory for rail rights-of-way and the only recently identified need to value intact rail lines or corridors creates the valuation framework in which we analyze and evaluate the subject property; a framework which focuses most significantly upon the use of the right-of-way, either continuing as a corridor, or alternatively disassembled into component parcels.

It seems obvious to us, that if the right-of-way is a corridor – i.e. the most probable use for rail purposes or similar uses, then the appropriate beginning point is often the across-the-fence method, with enhancement, recognizing the values inherent in the enhancement factor: avoidance of costs, time, and opportunity cost. Alternatively, if the highest and best use of a right-of-way is to break the line up, then the net liquidation value method is most appropriate; a method which recognizes the costs and time it takes to break up the right-of-way, as well as the significant discounts that may occur for example, to induce adjacent property owners to buy the segmented parts.

In this case, there is no market or economic evidence of corridor value because it is elemental that there be other potential buyers and uses than a single pending sale to provide a market for the Property as assembled.

Analysis

Highest and Best Use is somewhat entangled with other theories of value which may or may not be applicable and may or may not relate to “fair market value,” the most typical measure for real estate appraisers, or to “fair and reasonable price,” the final objective of this analysis. Corridor value is such a theory.

Corridor value in this case is an elusive and potentially misleading concept, which can only be translated to a “fair and reasonable price” by reference to economic principles and USPAP. This property is clearly a corridor since it is a functioning, intact railroad (assembled and in place). As a technical corridor, some advocates claim that the land alone should be valued as the present cross-the-fence (ATF) value, plus a factor of increase for the avoided cost of assemblage if it were to be assembled now. USPAP requires reference to economic value and rejects public uses as a basis of value. Other analysts say that corridor value has no reasonable meaning unless there is a current demand by more than one potential buyer and that a corridor value could be any amount higher than liquidation value by as little as \$1.00. Some analysts simply say the test is the maximum amount that the seller could reasonably attain in the market place.

The “Red Book” standard of value with which we are concerned in this analysis is “fair and reasonable price,” which can accommodate special factors related to this type of property and not usual to real estate appraisal practice. Such factors here may involve the “going concern value” and both the “functioning” and/or “salvage value” of the railroad improvements.

In this case, according to Wilbur Smith Associates¹, which recently completed an analysis of this line, the probable going concern value is relatively small, \$610,000 (after corrections by us to conform with a direct capitalization of stabilized income in accord with the analysts stated assumptions rather than relying on the \$845,000 conclusion of a ten-year discounted cash flow). The going concern value analysis is the value of the business to a short line operator, which would maintain the line. It is suggested that this would not include major capital replacements. The owner could expect only nominal annual rents, beginning at \$6,100 in 2005. There is no foreseeable growth potential and if the main customer (in Davenport) with 90% of the traffic were to close, the railroad beyond Watsonville would likely be abandoned according to the analyst. It should be noted that this was an "income approach," one of the three approaches typical of income-producing real estate, and also the most basic approach to valuing business opportunities.

According to Woodside Consulting Group, the valuation of the railroad improvements shows a depreciated value in continued railroad use of \$33,300,000 (if operated at Class I standards) and \$22,200,000 (if operated at Class II standards). It should be noted that Class I in this rating system is the slowest operation whereas higher class numbers refer to higher speeds. Since this branch line is archaic by most modern standards, and is limited to speeds of 10 miles per hour maximum, it is operated at Class I standards (very slowly) and thereby has suffered less depreciation and has a higher depreciated cost value due to a theoretical longer life.

According to Woodside Consulting Group, the net salvage value of the improvements with bridges and trestles left in place is \$419,000. A net salvage value of the improvements with all to be removed is a -\$217,000, a negative figure.

It should be noted that the depreciated current replacement cost is a "cost approach," one of the three approaches typical in real estate appraisal and does not represent what the owner could receive in the market from a typical investor/buyer (if any exist for this property). Based on lack of probable growth of railroad use of this branch line (and a long-term decline in such uses), and the insignificant positive cash flow (substantially negative if replacement costs for continuing operation are considered), no investor would purchase this asset for a return on investment. The depreciated value of improvements in use, as a sub-analysis of a cost approach, only has application in a vigorous market where there is a clear demand for the asset. Further note should be taken of the contrast between the depreciated value of assets in use and the salvage value in this case, which is negative. Replacement cost is vastly greater than the depreciated value reported.

Current ATF value is estimated at \$9,666,000. No buyer could, or would, purchase this railroad at this price (or more) on an economic basis since the economic return as analyzed by Wilbur Smith Associates is insufficient to provide for return of capital at this level; much less provide any economic incentive which is essential to any rational investment. Therefore, no rational buyer would assemble this railroad, in this place currently for economic reasons. And the advocates of ATF value plus avoided costs are thereby refuted in this case. As a corridor, this "dog can't hunt."

¹ Based on a direct capitalization at the stated 10% rate rather than on unnecessary 10 year DCF, which contained deviations from its own definitions.

Thus, despite the fact that there may also be a theoretical, analytical number of \$33,000,000 as the depreciated value of railroad improvements on a functioning Class II basis, as analyzed by Woodside Consulting Group, there is no current or probable economic return that would justify a price based on either land value alone on an ATF basis, not to mention the implied additional value of railroad improvements.

The depreciated value of railroad improvements assuming perpetual existence and function is simply a partial analysis as determined herein. A full analysis needs to take account of external and internal obsolescence in addition to simply amortizing current replacement cost as if there is sufficient cash flow to replace the assets, provide a profit, and continue the operation indefinitely. There appears to be no demand and no economic reason for a business or railroad operator to pay anything close to the cost of land assemblage and depreciated current replacement cost. And there is no future planned or probable expansion that could change this conclusion without engaging in the most fantastic and speculative dreaming. Even the disruptions in title along the Branch Line limit the completeness of the "corridor" for any other uses than maintenance of the "existing single-track" (see deed reservation of easement in addenda). This "corridor" is like a string of beads where the string is a single track with no other use possible without additional leasing, purchasing, and/or obtaining approvals not now in existence. We note that the liquidation value of the improvements, if removed to get to land value, is negative.

The principle that a fair price should not exceed more than a seller could obtain elsewhere, becomes highly relevant in this situation. The foundation of a value analysis has to be NLV. This amount is \$6,710,000 without subtracting the net negative value of the railroad improvements, <-\$217,000> (if all improvements were removed). Although we speculated elsewhere that Capitola might want to retain its icon trestle despite cost and risk elements to the contrary, since it is customary to assume clearance of all such improvements in liquidation, the NLV value will be \$6,500,000 (rounded).

Conclusion

Highest and Best Use of this property is a technical corridor use only because it is legally required and technically functioning. Its economic value however must be determined from the starting point of NLV. Liquidation would be the highest and best use but for the legal obligation to continue the present function based on historic costs. Final determination of a "fair and reasonable price" will be accomplished at the end of this analysis.

VALUATION THEORY

Evolution of Railroad Valuation Theory

Since the formation of the nation's rail system in the second half of the nineteenth century, railroad right-of-way valuation has depended substantially on the simplest and best-understood of all valuation techniques, the Market or Sales Comparison Approach. Adapted for application to the railroad's unique circumstances, a methodology evolved which was called the "Across-the-Fence" method. This methodology was well suited to the appraisal problems encountered when assembling new rights-of-way for rail lines. In this methodology, the rail right-of-way was valued as an equivalent of the unit land value immediately adjacent to it, or "across-the-fence". This was the methodology that the rail companies used when buying a new right-of-way, paying the adjacent farmer, homesteader, or landowner a price approximately equal to the average value of the land before construction of the railroad. Generally, no attempt was made to purchase land based upon the value of the railroad enterprise, i.e. the profits it would generate, or upon the value of the land after the railroad had been constructed. Many of these basic practices were subsequently codified in state law and upheld by the courts as constitutional and appropriate. Until the decline of the nation's railroad system in the 1960's, the Across-the-Fence method of valuation for rail right-of-way was the accepted norm.

In later years, however, railroads began to confront the value of their real estate assets, both rail and non-rail, and there was growing awareness that the traditional across-the-fence appraisal methodology was not well-suited to the valuation of existing assembled rail rights-of-way. The inadequacies of the traditional across-the-fence methodology became quite clear during the process of appraising the bankrupt Penn-Central Railroad, when a special court of review identified an alternative method of valuation now commonly called Net Liquidation Value. This net liquidation method (NLV) attempted to recognize that (particularly) for un-profitable rail lines - those without sufficient rail business demand to permit profitable operations - the rail right-of-way might best be broken up into pieces and sold off to third parties, most often the adjacent land owner. Almost simultaneously, there was a growing awareness that for a profitable rail line, the across-the-fence valuation method did not adequately value the assembled right-of-way because it failed to acknowledge all of the other costs associated with assembling the continuous parcel of land, including administrative costs such as title work, engineering surveys, appraisals, legal and closing costs, and perhaps most importantly, the time it took to assemble the property. These additional costs, or the value attached to a right-of-way which reflects these costs, were called a "continuity factor" or an "enhancement" factor, which is referred to as the Corridor Theory in this report. Consequently, by the middle of the 1970's, appraisers, railroads, and the courts began to acknowledge three different value standards for rail rights-of-way; across-the-fence, corridor and net liquidation value.

Rail Corridor Theory

The identification of enhancement or continuity factors affecting the value of a rail right-of-way was driven primarily by the recognition that rail lines had alternative uses that supported value for the right-of-way. In their article "Valuation of Transportation/Communication Corridors,"

authors Seymour and Dolman identified the following listing of alternative uses for existing rail corridors: newly formed short line railroads; highways; pipelines; cables - coaxial, fibre-optic, and television; parks; playgrounds; bridle paths; bikeways; walking paths; gardens; and utility lines, among others. They discussed rail rights-of-way as transportation, energy, and communications corridors and identified four conditions which must exist for a property to experience "special enhancement" or "plottage": 1) the property must be unique, 2) it must contain special benefits, 3) added value must arise out of the avoidance of cost, and 4) there must be economic demand for the special use. They emphasized in their article that it is the activity at the ends of the corridor, which is the primary influence on value - the linkage between two points and that the activity along the corridor is far less significant as a value determinant. Also significant factors are the presence of competing corridors, and the avoidance of cost (as a basis of value).

Certainly, some rail rights-of-way do not demonstrate the combination of attributes to be properly considered a "corridor" as defined by Seymour and Dolman. Generally, the subject rail right-of-way does not demonstrate the economic characteristics these authors cite as necessary to support the application of an enhancement or plottage factor to the across-the-fence value estimate.

Our review of related railroad and railroad right-of-way valuation literature indicates that the Seymour article still stands as the most prominent and timely article on corridor valuation. Not surprisingly, there are also arguments made against the concept of a rail right-of-way as a corridor, which would not permit application of an enhancement or plottage factor. In a lecture on the subject, author Seymour identifies four basic arguments used against the corridor theory for rail rights-of-way: 1) a legal argument - which relies on certain ICC rulings and practices and mandates an NLV methodology, 2) lack of continuity - that street and other crossings break the continuity of the rail right-of-way for any other purpose, 3) that absence of continuous clear fee simple title breaks the chain of continuity, and 4) that lack of profitability by a rail operation mandates NLV valuation, because a rail line is not the highest and best use.

In addition to the various articles in appraisal literature, there have been several rulings and practices which have emerged and influenced the valuation of rail rights-of-way, whether profitable or not. One of these theories is that the value estimated is the value to the (selling) railroad, and not the value to the buyer. However, cost avoidance, as a basis of value to the buyer, has been acknowledged. And the "Red Book" definition appears to seek a balance between the value to both seller and buyer as "Fair Price." In the 1983 article Valuing Rights-of-way: Lessons from "The Rail Case," authors Perlik and Johnson note that the Special Court established by the 1973 Regional Rail Reorganization Act (the legislation forming Conrail and Amtrak) "raises the caution that, on different facts, the valuation award (assuming condemnation) could be affected by the demonstrated likelihood of another governmental purchase ...in the absence of the "taking" for which compensation is being determined."

Lease Income and Valuation

We have provided no lease information. We are informed that all leases are terminable on thirty days notice and such income is insignificant. Based on this information, we have made no effort to speculate or analyze an enhancement to value from this source.

In total, the income is insufficient to provide a basis for significant value at any reasonable rate of capitalization and, thus, is insufficient to ground an Income Approach analysis.

SCOPE AND PROCESS OF MARKET DATA INQUIRY

Introduction

As is typical of railroad valuations, particularly those involving urban areas, there is a wide variety of uses involved. Accordingly, it is necessary to obtain sufficient comparable sales, if possible, within each of the relevant use-categories. In general, these categories in this analysis include agricultural, residential, industrial, commercial, and public uses such as park and open space. The public use category is relevant considering the numerous instances where the RR passes through or along public parks; as well as the numerous assertions that no development would be allowed in certain locations. Some planners seem not to have considered that the railroad is private property and interpret public utility zoning as a "public use" status. Although the Appraisal Institute does not generally accept the idea of a non-economic public value and requires an alternative highest and best use, the principle is controversial and it seemed prudent to search not only for equivalent park and open space sales which might define a market for this purpose, but also to designate an alternative conventional non-public use. Accordingly, in this special circumstance, we have pursued and identified transactions of both types.

Transaction Search

Initially, we sought and received the assistance of the Santa Cruz County Assessor's Office to identify recent transactions with proximity to the subject railroad Property. Generally, we sought sales from 2000 to early 2004 (the date of our study) with reasonable proximity to the RR property. After reviewing and plotting the sales received in this way, we felt that in some categories more data was needed and enlarged our search. In other cases, we discarded older sales if more recent transactions appeared sufficient in themselves.

Additional research on our part from a variety of databases resulted in a preliminary list of over 90 sales. This list was pared down depending on verification and the elimination of aberrant factors. We also did an independent analysis of improved sales along the RR line for the year 2003 to seek both trend insights as well as to confirm nearby values based on historic developer cost ratios of 25% for ready building sites.

As we continued to interview brokers, farm and water experts, planners, and other professionals familiar with each use-type and market therefore, we were able to develop a sense of background from which we could determine whether we had sufficient data or not. Thus, we were able to be more selective in the choice of sales on which we relied. A combination of the vetting process (verification and confirmation) and selection of the most reliable sales, reduced the total number of sales on which we actually relied. Nevertheless, we have produced larger tabulations for the contribution they may make to understanding the context of value relative to a difference in location, terrain or other factors. This is indirectly helpful in corroborating the sales selected by establishing their conceptual position in terms of more distant or different sales.

While the foregoing research was continuing, we interviewed relevant staff of planning departments, urban renewal, and other governmental entities to obtain an understanding of the

policy directions, political desires and processes which would encourage, discourage, or allow certain choices at different locations.

We resolved many re-use issues by seeking clear statements from planners and other jurisdictional managers. Where it was not possible to get a clear result, we reasoned to our own probable result and later sought to apply risk factors as discounts as appropriate in some of these cases. In several cases, due to the existence of apparent legal parcels, we assumed the minimum usage of a legal parcel to be a single family home and proposed an alternative analysis on that basis. In this analysis, recent State Map Act amendments (limiting lotline adjustments to four without applying Map Act requirements) were applied to limit such potentials as appropriate.

Across-the-Fence (ATF) value was determined largely by simply assigning generally known land-values for nearby uses. Where adjacent sales were actually available, we could assign value directly without an intermediary reasoning process. Where comparable sales were not adjacent, we reasoned to adjacent value from other comparable sales by the traditional process. All sales were identified as to whether or not they were literally "across the fence" by abutting the Property. Where there were no "across-the-fence" sales, we considered across the street and in-the-neighborhood acceptable for this purpose. Sale size is not necessarily relevant depending on the nearby sizes of properties rather than the assembled railroad.

The Net Liquidation Value (NLV) was determined by a more precise examination of parcelization, planning factors, available utilities, and other factors including possible political resistance or encouragement. We tried to anticipate and discount for likely political resistance to development.

Individual sales sheets, assessor's maps, and pictures were assembled for each of the sales on which we relied. These provide the primary market data for our reasoning and conclusions. The reasoning is expressed throughout the appraisal and specifically on segment and parcel sheets. The conclusions from the various sheets were then assembled and produced as a summary for each respective final conclusion (ATF and NLV).

In the case of the NLV analysis, the preliminary conclusions from the parcel sheets are subjected to further analysis and discounting to account for time to carry out the process as well as other factors that necessarily enter into the selling process including selling expenses and developer incentives. This is presented in a discount cash flow format (DCF).

The final result of the DSC became the foundation for the "Fair and Reasonable Price" concept defined by "The Redbook" for this purpose. This allows us to adjust to a final conclusion taking account of remaining general ambiguities or uncertainties (if any).

SEGMENT COMPARABLE SALES SUMMARY TABLES
(TOGETHER WITH LOCATION AND ZONING INFORMATION)

MONTEREY COUNTY LAND SALES

No.	Next to RR ? (Type)	Location (APN)	Lot Size	Special Conditions	Sale Date	Price Doc. #	Price/sq. ft.	Comments
1	Yes (Irrigated Agric.)	WS of RR from near County line (117-221-033)	80.72 acres	Partial Interest	11-30-99	\$164,000 (#88039)		?? deed for partial interest
2	Yes (Irrigated Agric.)	NS of UP mainline on SS of San Juan Rd (117-421-007)	22 acres	Partial Interest	2-13-02	\$330,000 for ½ int. (#15018)	\$0.68/sq. ft. for 100% (partial int. adjustment)	
3	Yes (Spur fm Junct.) (Industrial)	300' East of Salinas Rd by private shared access (117-291-034)	1 acre		9-28-00	\$560,000 (#61755)	\$12.86	\$10.35/sq. ft. after time adjust. (small-site)
4	Yes (Industrial) (Land Parcel in Energy Cir.)	NEC of RR and Allison Rd. (117-403-099)	0.88333 acre (38,478 sq ft)	Assessor Allocation	7-10-02	\$109,000 Allocation (#64222)	\$2.83	(Small-site)
5	Yes (Across Street) (Commercial)	514 Salinas Rd (117-271-003)	65,720 sq ft Net		12-11-98	\$658,500 (#87079)	\$10.00	Gross area includes ½ of San Juan Rd. - \$8.60 after time adj. (superior w/ commercial structure)
6	No (Residential Lot)	Gonda St. (117-372-046)	5,280 sq ft		1-17-03	\$100,000 (#6848)	\$18.93 (\$4.73 for ATF)	Adjust down 50% for entitlement, planning and infrastructure costs - Use 25% for ATF
7A	No (Rural Site)	Easement to Salinas Rd. (117-071-003)	0.621 acre (27,051 sq ft)		5-1-03	\$100,000 (#50147)	\$3.70	No downward adjustments for planning & utilities
7B	No (Rural Site)	Easement to Salinas Rd. (117-071-003)	0.621 acre (27,051 sq ft)	Prior Sale 27 months before Mkt. Rising 0.5%/mo.	2-7-01	\$89,000 (#8714)	\$3.29	Comparison shows market rising at 0.5% per month

Time Adjustments:

Agriculture:
Up 6% per year

Industrial/Commercial:
Up 6%/year to 4/00 then down 6%/year

Residential:
Up 0.5%/mo. (See 7A & 7B)

AGRICULTURAL, COASTAL AND OTHER SPECIALIZED LAND SALES

No.	Next to RR?	Location (APN)	Lot Size	Special Conditions	Sales Date	Price (Doc #)	Price/ sq. ft.	Comments
1	Yes - Includes RR	3500 Highway 1 (Davenport) (058-121-04) (Bailey to Steltenpohl)	3.14 acres gross 2.478 acres net of RR easement	Subject to RR easement <u>General Plan</u> shows commercial	8-29-02			Treat as Vis. Serv. "Warehouse/Storage" (631,995 Bank Loan) Bailey to Steltenpohl)
2	Yes (along RR - both sides: 4+ miles)	Coast Dairies & Land, Inc. (Many APN's)	7,000 +/- acres (5 miles of coastline)	Price includes corporation sale plus price of option for purchase	7-25-87	\$45,000,000 +/-	\$0.14 (\$6.428/acre)	For sale many years - Purchased for open space on part sale, part donation basis.
3A	Yes But farm income and dramatic appeal	Sand Hill Bluff 5515 Coast Rd (059-023-07 & 08)	26 + 121 = 147 acres 6,403,320 sq ft	Buyer then spent 4 years and \$500,000 to get house permit and was still in process at 4/04	10-28-99 12-04	2,850,000 (#6907) <u>Resale currently for open space @ +\$10,000,000</u>	\$0.45/sq ft (\$19,388/acre) <u>\$1.56/sq ft (\$68,000 per acre)</u>	Partly irrigated. Application for bldg permit rejected and being appealed. 2 legal parcels <u>Resale is not including donation</u>
4	No	3050 Coast Rd (corner Dimeo) (059-121-09)	505,375 sq ft (11.6 acres)	Land residual based on old improvement ratio. Shows value of \$616,660 (\$1.22/sq ft for land)	8-30-02	\$1,100,000 (#61622)	\$1.22/sq ft (land residual)	Very long Hwy 1 frontage. - 43.99% improved at value of \$376,000. Sold by mushroom growers.
5	No	Bonny Doon Rd (080-181-059)	(20 acres) 871,200 sq ft		11-26-03	\$950,000 (#3465)	\$1.09/sq ft	Southern exposure in Redwoods - Listed at \$879,000 - Plans & well incl. - Bldg permit promised.
6	No	592 Swanton Rd, Davenport (057-213-036)	(5.35 acres) 233,046 sq ft		1-27-03	\$300,000 (#23435)	\$1.29/sq ft	270° views incl. Ocean - unpaved access - mutual water supply - has old house

7	Yes	Jade St. Park Site at 47 th Ave, Capitola (034-551-02)	(9.632 acres) 419,570 sq ft	Zoned Public Facility – Proposed transfer between School Dist. & Park Dist.	Est. 1-03 (offer) (claims much higher)	\$1,925,000	\$4.58/sq ft (Litigation – case dropped)	General Plan Desig.: Parks and Open Space Improved playing fields and support structures.
8	No	204 Bollinger Pl. (between Larkin Valley Rd and Buena Vista Dr) (049-471-03)	(22 acres) 958,320 sq ft		3-5-03	\$581,500 (#65232)	\$0.61/sq ft	Future Watsonville Annexation area. Rented to raspberry grower, netting owner \$18,000/year
9	No	1466 Riverside Dr, Watsonville rural (110-161-003)	(13.6 acres) (592,416 sq ft)	Sale Pending	Listing 20-5-03	\$499,950 (ASK) (Not Available)	\$0.84/sq ft based on asking price	Irrigated Rowcrop land, zoned Commercial w/ good Hwy frontage.
10	No but, access road crosses RR	1022 San Andreas Rd. (046-361-04)	22 acres (958,320 sq ft)	Sale Pending	Listing 10-21-03	\$599,000 (ASK) (Not Available)	\$0.63/sq ft based on asking price	Access by ¼ mile unpaved 20' R/W shared ag. well

Conclude to Values for Park @ \$1.00 - \$3.00/sq ft rural and \$2.00-\$5.00/sq ft urban park raw. (Consider development alternatives).

INDUSTRIAL LAND SALES

No.	Next to RR?	Location (APN)	Lot Size	Special Conditions	Sales Date	Price (Doc #)	Price/ sq. ft.	Comments
11	No	375 Technology Dr., Watsonville (015-101-67)	48,352 sq ft	Confirmed - Assessor	11-13-02	\$375,000 (#83167)	\$7.76 (\$6.85 time- adjusted)	
12	No	Watsonville (015-010-50 and 015-011- 63)		Confirmed - Assessor	1-7-03	\$ Per Assessor (#62394)	\$4.99 (\$4.50 time adjusted)	Highway 1 visibility (on frontage road)
13	No	352 Ford St Watsonville (018-091-17)	9,854 sq ft per Assessor	(QC Deed) Confirmed - Assessor	9-20-02	\$85,000 (#66257)	\$8.03 (\$7.53 time adjusted)	Land size, price and raw unit price per County Assessor
14	No	290 Riverside Dr Watsonville (017-621-09)	127,948 sq ft		2-8-02	\$910,000 (#10268)	\$7.11 (\$5.74 time adjusted)	
15	1/2 Block	Encinal Ct, Fern St at end, Santa Cruz (001-045-28)	10,000 sq ft for both	Confirmed - Assessor	8-6-02	\$311,000 (#55427)	\$31.10	Each lot has its own \$545,000 house listing on Encinal (lot 4,500-6,500 sq ft) St frontage or can be used as one
16	NOT USED							
17	200' East of RR	SS of Fern St btwn RR and River St Santa Cruz (008-162-04)	5,000 sq ft	Confirmed - Assessor	5-20-02	\$185,400 (#36416)	\$37.08	Residential Lot value probably
18	375' North of RR	SWC Highway 1 and Shaffer Santa Cruz (003-321-04)	81,000 sq ft (1.86 acres)		7-31-02	\$355,000 (#54151)	\$4.38	Modified to multi-family apt. complex in accord w/ urban renewal plan
19	Yes	N Side of RR running East from Natural Bridges Dr (003-021-17)	25x1,1100' strip 27,750 sq ft	RR Sale	11-1-00	\$125,000	\$4.50	
20	50' North of RR	1213 Fair Ave (003-043-07)	Unimproved lot in group of 3 - Parking lot 14,640 sq ft		12-11-02	\$150,00 (Assessor allocation of price)	\$10.13	Assessor allocation of price among 3 parcels w/ the other 2 improved

Watsonville - Down 10%/year from 4-00 Santa Cruz - Down 6% from 4-00

Trend: Unclear - probably declining in most areas unless there is commercial potential. Santa Cruz and Watsonville are flexible to commercial alternatives.

RESIDENTIAL DEVELOPMENT LAND SALES

No.	Next to RR?	Location (APN)	Lot Size	Special Conditions	Sale Date	Price (Doc. #)	Price/Unit	Price/sq ft of land	Comments
21	No	Minto Rd & Meidl Ave N. of Watsonville (051-511-35)	300,000 sq ft (6.89 acres)		COE 12-31-03	\$700,000 (#126128)		\$2.33	25-35 units intended - 1/2 SFR's
22	No	Ocean Street Extension (outside of City of Santa Cruz) (060-141-11 thru 26)	450,460 sq ft (10.4 acres, gross)		COE 12-29-03	\$950,000 (#125220)		\$2.10	Next to Santa Cruz water Treatment Plant - Part in future sheet.
23	No	348 Soquel Ave., Santa Cruz (005-302-04)	4,861 sq ft +	Prelim. approval for 4 resid. and 1 commercial unit	1-4-03 COE 3-10-03	\$250,000 (#21922)		\$51.43	4 lots predicted - 2 lots involved it seems
24	NOT USED								
25	No	3912 Alameda Ave., Capitola (034-164-45)	10,124 sq ft	Sold with approval to construct 8 new units	COE 3-28-00	\$500,000 (#14437)		\$49.39	Existing house demolished by buyer for new construction
26	No	Jose Ave and Capitola Rd (NWC) (now 026-701-1 thru 16)	116,575 sq ft (2.68 acres)	Sold with approval for 16 SFR lots	COE 11-16-00	\$2,050,000 (#60055)	\$128,125	\$17.58	
27	Yes	ES of Shaffer & NS of RR. (003-311-04 & 05)	377,534 sq ft (8.7 acres)		8-8-02	\$3,000,000 (#56217)		\$7.85	Rezoned from Industrial to Multi- Residential (apts)
28	No	630-718 Water, Santa Cruz (010-031-76)	55,170 sq ft	Seller Finance	9-2-03	\$955,000 (#88247)		\$17.31	Rezoned from Commercial to Residential

-- Only sales 1 and 2 involve SFR lots without planning approval. Sales 3 thru 6 involve multifamily or mixed use (entitled) with varying density. The RR involves some but very little of this type of land use.

-- Note that finished ready lot sales run 1/4 or more of neighborhood home prices; but RR has few entitled, finished lots; but has some legal parcels.

-- Conclude to 3 levels for Raw development land : Low Density at \$2.00/sq ft Medium Density @ \$5.00/sq ft and High Density @ \$10.00/sq ft

COMMERCIAL LAND SALES

No	Next to RR?	Location (APN)	Lot Size	Special Conditions	Sale Date	Price (Doc #)	Price/sq ft	Comments
31								
32	No	Monterey Ave & Soquel Dr. (037-191-29)	79,115 sq ft		6-12-03	\$984,550 (#57093)	\$12.44	
33	No	9041 Soquel Dr (037-191-29)	32,365 sq ft		3-1-01	\$150,000 (#10424)	\$4.63	
34	Yes	35 Pacific Ave., Santa Cruz (004-091-25)	14,590 sq ft (.335 acre)	Confirmed - City	1-12-01	\$900,600 (#)	\$61.72	Depot Site Area - Private "Funspot" skateboard, etc park sold to city
35	Yes	101 Pacific Ave., Santa Cruz (004-311-01)	21,003 sq ft (.482 acre)	Confirmed - City	5-31-00	\$990,000 (#)	\$47.14	Depot Site Area ("Filice Property")
36	Yes	SPTC Depot Site - 123 Washington St., Santa Cruz (004-311-17, 18, & 19) Part (005-161-17)	273,835 sq ft (6.286 acres)	Confirmed - City	8-31-99	\$3,200,000 (#)	\$11.69	
37	Yes	123 Center St., Santa Cruz (005-162-08 & 31)	29,688 sq ft (0.567 acre)	Confirmed - City	6-25-03	\$955,000 (#61133)	\$32.17	Depot Site Area (Williams Property)
38	Yes	150 Chestnut St., Santa Cruz (005-161-21)			5-15-01	(#28603)		Depot Site Area
39	Across Street	8060 Soquel Ave. (041-042-44 & 43)	Est. 150,000 gr. Est. 50,000 net		2-27-04	\$680,000 (#12251)	\$4.50 gr. \$13.00 net	4-way stop sign corner for access in downtown Apts - Some steep and unusable
40*	Nearby	448 Granite Way (041-011-03)	50,479 sq ft		12-27-02	(#97338)		Condos or Apts (possibly mixed use coming) - former RR prop. In downtown Apts - Seller financed

*Not a sale unless planners say it's part of a pending project

41	Nearby	Irregular parcel btwn Soquel Dr and Cathedral Way and btwn. Trout Gulch Rd and Aptos Creek Road (041-011-20)	251,140 sq ft		7-12-02 (resale 1-22-03? -- Doc # 6578)	\$1,600,000 (#49390)	\$6.37	Former RR property -- many foundations and easements -- condos/apts coming. (Second sale may only be change of name)
42	Yes	8037 Soquel Dr. (041-011-24)	25,130 sq ft		5-1-00	\$330,000 based on a 10% int. sold @ \$33,000 (#21016)	\$13.13	Includes small & old house largely depreciated (teardown) selling plants and sandwiches.
43	Nearby	Aptos Creek rd about 500' North of Soquel Dr. (041-011-09)	33,312 sq ft gr. 23,122 sq ft net		11-9-01	\$25,000 (#71178)	\$5.41-for net usable \$3.75 for gross area	Inefficient shaped lot.

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT NO. 1 (MONTEREY COUNTY)

VALUATION MAP : _____ **SHEETS :** V-72/6

THOMAS GUIDE PAGE(S) : 1015

LOCATION : W.S. of Salinas/Monterey Road to County line (center line of Pajaro River).

STATIONS : 20 + 50 to 55 + 95

AVERAGE EFFECTIVE WIDTH : 39.98' **TRACK LENGTH:** 3,495' (0.66 miles)

NET AREA : 139,731 sq ft after subtraction of area between Pajaro River Project Area Boundary and County Line (3.2078 acres).

ZONING MAP PAGE : "Pajaro" - Area is not in Coastal Zone

ZONING : EAST / INLAND SIDE : Industrial (HI), Public Use (PQP), Residential (HDR/B-6 and /8), and RC/40 near River.

WEST / OCEAN SIDE : Agricultural (F/40), RC/40 near river and Industrial (HI).

SPECIAL CONSTRAINTS : Nearly all in flood zone A

HIGHEST AND BEST NON-CORRIDOR USE : Residential and Industrial as per adjoining uses and general plan.

COMMENTS: Segment includes (1) 210' trestle near Florence St. and another bridge and trestle in the river flood project area. Salinas Road street frontage is estimated to be 150 feet. There appear to be 2 public street frontage points in addition to the Salinas Road frontage.

COMPARABLE SALES (From Monterey County Sales List)

No.	Location (APN)	Date	Lot Size	Price	Price/Sq Ft
3	300' East of Salinas Rd by private shared access (117-291-034)	9-28-00	1 acre	\$560,000	\$12.86
5	514 Salinas Rd (117-271-003)	12-11-98	65,720 sq ft Net	\$658,500	\$10.00

6	Gonda St. (117-372-046)	1-17-03	5,280 sq ft	\$100,000	\$18.93 (\$4.73 for ATF)
7A	Easement to Salinas Rd. (117-071-003)	5-1-03	0.621 acre (27,051 sq ft)	\$100,000	\$3.70

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 2 (CITY OF WATSONVILLE)

VALUATION MAP : _____ **SHEETS :** V-72/6, S-6,S6a, and V72/5

THOMAS GUIDE PAGE(S) : 1015

LOCATION : Centerline of Pajaro River (County Line) to west boundary of Watsonville (660' west of Lee Rd.)

STATIONS : 55 + 95 to 154 + 35

AVERAGE EFFECTIVE WIDTH : 30.36' **TRACK LENGTH:** 9,840' (1.86 miles)

NET AREA : 250,043 sq ft after subtraction of area in Pajaro River flood project and areas located in public streets or where the underlying fee has been sold (5.74 acres).

ZONING MAP PAGE : One-page map for whole city; similarly for land use diagram of General Plan.

ZONING : **EAST / INLAND SIDE :** General Industrial (IG) except for area in County jurisdiction and used for irrigated agriculture.

WEST / OCEAN SIDE : General Industrial (IG) except for one parcel on west side of Hwy 1 Zoned CV (Visitor Commercial) containing a 10-year old hotel.

SPECIAL CONSTRAINTS : Part of RR west of Hwy 1 is in coastal zone.

HIGHEST AND BEST NON-CORRIDOR USE : "Industrial" accords with General Plan (even in county jurisdiction, which is in Sphere of influence) although flexibility for some commercial uses seems likely.

COMMENTS : Sphere of influence includes area on inland side 600' beyond City Limits and on other side of track, extending about 1,260' toward ocean beyond Lee Rd.

COMPARABLE SALES

No.	Location (APN)	Date	Sq. Ft	Price	Price/Sq Ft
11	375 Technology Dr., Watsonville (015-101-67)	11-13-02	48,352	\$375,000	\$7.76 (\$6.85 time- adjusted)
12	Watsonville (015-010-50 and 015-011-63)	1-7-03	--	\$ Per Assessor	\$4.99 (\$4.50 time adjusted)

				(#62394)	
13	352 Ford St Watsonville (018-091-17)	9-20-02	9,854 sq ft per Assessor	\$85,000 (#66257)	\$8.03 (\$7.53 time adjusted)
14	290 Riverside Dr Watsonville (017-621-09)	2-8-02	127,948 sq ft	\$910,000 (#10268)	\$7.11 (\$5.74 time adjusted)

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 3 (WATSONVILLE TO LA SELVA BEACH)

VALUATION MAP: SHEETS : V-72/5 and 4

THOMAS GUIDE PAGE(S) : 1015, 1014, and 994

LOCATION : West boundary of Watsonville to La Selva (South side of San Andreas Road).

STATIONS : 154 + 35 to 451 + 19

AVERAGE EFFECTIVE WIDTH : 64.26' **TRACK LENGTH:** 29,684 (5.62 miles)

NET AREA : 1,907,613 sq ft (43.79 acres)

ZONING MAP PAGE : San Andreas and La Selva

ZONING : EAST / INLAND SIDE : Agricultural, Federal Wildlife Refuge, KOA (Recreation), Public Facility, Agriculture
 WEST / OCEAN SIDE : Agricultural, Federal Wildlife Refuge, Agriculture, Rural Residential

SPECIAL CONSTRAINTS : Little or no access between Watsonville city limits and Buena Vista Ave, same area contains substantial slough areas and county recycling and landfill areas, but RR on high ground. Six legal parcel development potential near Watsonville.

HIGHEST AND BEST NON-CORRIDOR USE : Rural Residential, visitor-serving lodging facilities, Agricultural.

COMMENTS : All in Coastal Zone (Hwy 1 is boundary)

COMPARABLE SALES

No.	Location (APN)	Date	Sq. Ft.	Price	Price/Sq Ft
8	204 Bollinger Pl. (between Larkin Valley Rd and Buena Vista Dr) (049-471-03)	3-5-03	(22 acres) 958,320 sq ft	\$581,500 (#65232)	\$.061
9	1466 Riverside Dr, Watsonville rural (110-161-003)	Listing 2-5-03	(13.6 acres) (592,416 sq ft)	\$499,950 (ASK) (Not Available)	\$0.84 based on asking price

10	1022 San Andreas Rd. (046-361-04)	Listing 10-21-03	22 acres (958,320 sq ft)	\$599,000 (ASK) (Not Available)	\$0.63 based on asking price
6 (Monterey Land Sale)	Gonda St. (117-372-046)	1-17-03	5,280 sq ft	\$100,000 (#6848)	\$18.93 (\$4.73 for ATF)
7A (Monterey Land Sale)	Easement to Salinas Rd. (117-071-003)	5-1-03	0.621 acre (27,051 sq ft)	\$100,000 (#50147)	\$3.70

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 4 (LA SELVA BEACH TO CAPITOLA)

VALUATION MAP: _____ **SHEETS :** V-72/4,3, and 2

THOMAS GUIDE PAGE(S) : 994, 974, and 973

LOCATION : South side of San Andreas Road to city limits of Capitola.

STATIONS : 451 + 19 to 760 + 65 (est.)

AVERAGE EFFECTIVE WIDTH : 61.4' **TRACK LENGTH:** 30,946' (5.86 miles)

NET AREA : 1,900,093 sq ft (43.62 acres)

ZONING MAP PAGE : La Selva and Aptos

ZONING : EAST / INLAND SIDE : Urban residential LD*, Parks*, Open Space*, Agriculture**, Urban Residential LD, Urban Residential HD, Commercial, Urban Residential HD, Recreation, Urban Residential LD, Recreation, Urban Residential MD, Recreation, Urban Residential LD, Recreation, Open Space, Commercial, Park, Commercial, Visitor Accommodation, Commercial, Urban Residential MD, Urban Residential LD, LT Industrial, Commercial, Park

WEST / OCEAN SIDE : Parks*, Urban Residential LD, Open Space*, Agriculture**, Recreation, Visitor Accommodation, Urban Residential HD, Urban Residential LD, Urban Residential MD, Open Space, Commercial, Office, Urban Residential MD, Commercial, Urban Residential MD, Urban Residential LD, Park, Urban Residential LD

SPECIAL CONSTRAINTS : On Aptos Map, RR is designated public facility. All in Coastal Zone Except downtown Aptos (NS of Hwy 1)

HIGHEST AND BEST NON-CORRIDOR USE : Resort and Rural Residential, Suburban Residential, Commercial in Aptos, Industrial next to Capitola.

COMMENTS : Some ocean views near La Selva Beach, good development potential along Sumner Ave.

COMPARABLE SALES

No.	Location (APN)	Date	Sq. Ft.	Price	Price/Sq Ft
3A	Sand Hill Bluff 5515 Coast Rd (059-023-07 & 08)	10-28-99 <hr/> 12-04	26 + 121 = 147 acres 6,403,320 sq ft	2,850,000 (#6907) <hr/> Resale currently for open space @ ±\$10,000,000	\$0.45/sq ft (\$19,388/acre) <hr/> \$1.56/sq ft (\$68,000 per acre)
7	Jade St. Park Site at 47 th Ave, Capitola (034-551-02)	(9.632 acres) 419,570 sq ft	Est. 1-03 (offer) (claims much higher)	\$1,925,000	\$4.58/sq ft (Litigation – case dropped)
21	Minto Rd & Meidl Ave N. of Watsonville (051-511-35)	COE 12-31-03	300,000 sq ft (6.89 acres)	\$700,000 (#126128)	\$2.33
22	Ocean Street Extension (outside of City of Santa Cruz) (060-141-11 thru 26)	COE 12-29-03	450,460 sq ft (10.4 acres, gross)	\$950,000 (#125220)	\$2.10
26	3912 Alameda Ave., Capitola (034-164-45)	COE 3-28-00	10,124 sq ft	\$500,000 (#14437)	\$49.39
32	Monterey Ave & Soquel Dr. (037-191-29)	79,115 sq ft	6-12-03	\$984,550 (#57093)	\$12.44
33	9041 Soquel Dr (037-191-29)	32,365 sq ft	3-1-01	\$150,000 (#10424)	\$4.63
39	8060 Soquel Ave. (041-042-44 & 43)	Est. 150,000 gr. Est. 50,000 net	2-27-04	\$680,000 (#12251)	\$4.50 gr. \$13.00 net
41	Irregular parcel btwn Soquel Dr and Cathedral Way and btwn. Trout Gulch Rd and Aptos Creek Road (041-011-20)	251,140 sq ft	7-12-02 (resale 1-22-03? – Doc # 6578)	\$1,600,000 (#49390)	\$6.37

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 5 (CITY OF CAPITOLA)

VALUATION MAP : _____ **SHEETS :** V-72/2

THOMAS GUIDE PAGE(S) : 973

LOCATION : East city limits to west city limits of Capitola (east side of 30th Ave).

STATIONS : 760 + 65 to 898 + 88

AVERAGE EFFECTIVE WIDTH : 60.72' **TRACK LENGTH:** 13,823' (2.62 miles)

NET AREA : 839,278 sq ft (19.27 acres)

ZONING MAP PAGE : Zoning and General Plan Maps are each on a single page. (RR is Separately designated Public Facility (PF) and VS from 47th Ave to east city limit.

ZONING : EAST / INLAND SIDE : Park, Residential (various densities), VS, Residential Mobile Home, C-SR, and Industrial - In redevelopment area west of 47th.

WEST / OCEAN SIDE : Various residential and visitor residential (including R-MH) to west of 47th some in residential area.

SPECIAL CONSTRAINTS : Strong desire to preserve or reproduce old buildings and to preserve old view areas unchanged. In Coastal Zone.

HIGHEST AND BEST NON-CORRIDOR USE : Residential Use (Part), visitor serving facility (part) and industrial (part).

COMMENTS : Good water views west of Soquel Creek and along part of Park Ave. Sphere of influence extends to the east along Highway 1 frontage road (industrial area) and west to Rodeo Creek (industrial area). This segment entirely in the Coastal Zone.

COMPARABLE SALES

No.	Location (APN)	Date	Sq. Ft.	Price	Price/Sq Ft
7	Jade St. Park Site at 47 th Ave, Capitola (034-551-02)	Est. 1-03 (offer) (claims much higher)	419,570 sq ft (9.632 acres)	\$1,925,000	\$4.58/sq ft (Litigation – case dropped)

11	375 Technology Dr., Watsonville (015-101-67)	11-13-02	48,352 sq ft	\$375,000 (#83167)	\$7.76 (\$6.85 time- adjusted)
12	Watsonville (015-010-50 and 015-011-63)	1-7-03		\$ Per Assessor (#62394)	\$4.99 (\$4.50 time adjusted)
23	348 Soquel Ave., Santa Cruz (005-302-04)	1-4-03 <u>COE</u> 3-10-03	4,861 sq ft +	\$250,000 (#21922)	\$51.43 (Ready 5-unit lot)
25	3912 Alameda Ave., Capitola (034-164-45)	COE 3-28-00	10,124 sq ft	\$500,000 (#14437)	\$49.39
26	San Jose Ave and Capitola Rd (NWC) (now 026-701-1 thru 16)	COE 11-16-00	116,575 sq ft (2.68 acres)	\$2,050,000 (#60055)	\$17.58
27	ES of Shaffer & NS of RR. (003-311-04 & 05)	8-8-02	377,534 sq ft (8.7 acres)	\$3,000,000 (#56217)	\$7.85
28	630-718 Water, Santa Cruz (010-031-76)	9-2-03	55,170 sq ft	\$955,000 (#88247)	\$17.31
39	8060 Soquel Ave. (041-042-44 & 43)	2-27-04	Est. 150,000 gr. Est. 50,000 net	\$680,000 (#12251)	\$4.50 gr. \$13.00 net
41	Irregular parcel btwn Soquel Dr and Cathedral Way and btwn. Trout Gulch Rd and Aptos Creek Road (041-011-20)	7-12-02 (resale 1-22- 03? - Doc # 6578)	251,140 sq ft	\$1,600,000 (#49390)	\$6.37

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 6 (LIVE OAK AREA)

VALUATION MAP : _____ **SHEETS:** V-72/2 and 1

THOMAS GUIDE PAGE(S) : 973 and 972

LOCATION : West city limits of Capitola to east city limits of Santa Cruz.

STATIONS : 898 + 88 to 992 + 25

AVERAGE EFFECTIVE WIDTH : 45.60' **TRACK LENGTH:** 9,337' (1.77 miles)

NET AREA : 425,749 sq ft (9.77 acres)

ZONING MAP PAGE : Live Oak

ZONING : EAST / INLAND SIDE : Urban Residential MD, HD, Commercial/Ind., Open Space, Park, Office Comm./Industrial, Residential LD, MD, Public Facility

WEST / OCEAN SIDE : LD Residential, Open Space, MD Resid., Industrial, Public Facility, Park, Commercial/Lt. Industrial, HD Residential

SPECIAL CONSTRAINTS : Probably not in Coastal Zone between El Dorado Ave and about Thompson Ave. Portion west of El Dorado Ave is in the Coastal Zone.

HIGHEST AND BEST NON-CORRIDOR USE : HD Residential, Commercial/Industrial, LD and MD Resid.

COMMENTS : Sphere of Influence of City of Capitola extends to Rodeo Creek (east portion of this segment)
Sphere of Influence of City of Santa Cruz extends to 7th Ave on north side of RR and to Twin Lakes State Beach on south side (west portion of this segment).

COMPARABLE SALES

No.	Location (APN)	Date	Sq Ft	Price	Price/Sq Ft
7	Jade St. Park Site at 47 th Ave, Capitola (034-551-02)	Est. 1-03 (offer) (claims much higher)	419,570 sq ft (9.632 acres)	\$1,925,000	\$4.58/sq ft (Litigation – case dropped)
11	375 Technology Dr., Watsonville (015-101-67)	11-13-02	48,352 sq ft	\$375,000 (#83167)	\$7.76 (\$6.85 time-adjusted)

12	Watsonville (015-010-50 and 015-011-63)	1-7-03		\$ Per Assessor (#62394)	\$4.99 (\$4.50 time adjusted)
23	348 Soquel Ave., Santa Cruz (005-302-04)	1-4-03 COE 3-10-03	4,861 sq ft +	\$250,000 (#21922)	\$51.43 (Ready 5-unit lot)
25	3912 Alameda Ave., Capitola (034-164-45)	COE 3-28-00	10,124 sq ft	\$500,000 (#14437)	\$49.39
26	San Jose Ave and Capitola Rd (NWC) (now 026-701-1 thru 16)	COE 11-16-00	116,575 sq ft (2.68 acres)	\$2,050,000 (#60055)	\$17.58
27	ES of Shaffer & NS of RR. (003-311-04 & 05)	8-8-02	377,534 sq ft (8.7 acres)	\$3,000,000 (#56217)	\$7.85
32	Monterey Ave & Soquel Dr. (037-191-29)	6-12-03	79,115 sq ft	\$984,550 (#57093)	\$12.44
41	Irregular parcel btwn Soquel Dr and Cathedral Way and btwn. Trout Gulch Rd and Aptos Creek Road (041-011-20)	7-12-02 (resale 1- 22-03? - Doc # 6578)	251,140 sq ft	\$1,600,000 (#49390)	\$6.37

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 7 (CITY OF SANTA CRUZ)

VALUATION MAP : **SHEETS :** V-72/1, V-89/1 (at W.S. of Bay St.) and V89/2

THOMAS GUIDE PAGE(S) : 972, 992, and 991

LOCATION : East to west city limits of Santa Cruz.

STATIONS : 992 + 25 to 1062 + 61 (W.S. of Bay St.) and 2 + 73 to 131 + 28 (on V/89/1)

AVERAGE EFFECTIVE WIDTH : 46.7 **TRACK LENGTH:** 19,913' (3.77 miles)

NET AREA : 929,870 sq ft (21.35 acres)

ZONING MAP PAGE : General Plan Land Use Element, Pages 99 through 139.

ZONING : EAST / INLAND SIDE : Residential (Low, Low Medium, High) Commercial near downtown, Industrial from Almar to Natural Bridges and west of Shaffer.

WEST / OCEAN SIDE : Residential (Low, Low Medium, High) Commercial near downtown, Industrial from Almar to Antonelli Road.

(Note: Redevelopment areas cover downtown and west side (Industrial) west of Almar Ave on both sides of RR - normal zoning is suspended in such areas.)

SPECIAL CONSTRAINTS : Coastal Zone (see comments below for location); area west of city limits to Wilder State Park appears designated for open space (restricted to agriculture and grazing).

HIGHEST AND BEST NON-CORRIDOR USE : Any of the uses above under zoning depending on Specific location.

COMMENTS : Average width equals net area divided by track length. Net area is independently summed from individual parts not including public streets and waterways. West city limits is (503' west currently of "old" city limits on map. "Sphere of Influence" is the same as city limit on the west, but extends beyond city limit on the east to Twin Lakes State Beach south of the RR and to 7th Ave north of the RR. Coastal Zone includes the RR except between approximately between Bay and California St's to Natural Bridges Dr (with possible inclusions between DuFour St and to slightly west of Almar Ave).

COMPARABLE SALES

No.	Location (APN)	Date	Sq. Ft	Price	Price/Sq Ft
7	Jade St. Park Site at 47 th Ave, Capitola (034-551-02)	Est. 1-03 (offer) (claims much higher)	419,570 sq ft (9.632 acres)	\$1,925,000	\$4.58/sq ft (Litigation – case dropped)
17	SS of Fern St btwn RR and River St Santa Cruz (008-162-04)	5-20-02	5,000 sq ft	\$185,400 (#36416)	\$37.08
18	SWC Highway 1 and Shaffer Santa Cruz (003-321-04)	7-31-02	81,000 sq ft (1.86 acres)	\$355,000 (#54151)	\$4.38
19	N Side of RR running East from Natural Bridges Dr (003-021-17)	11-1-00	25x1,1100' strip 27,750 sq ft	\$125,000	\$4.50
20	1213 Fair Ave (003-043-07)	12-11-02	Unimproved lot in group of 3 - Parking lot 14,640 sq ft	\$150,00 (Assessor allocation of price)	\$10.13
22	Ocean Street Extension (outside of City of Santa Cruz) (060-141-11 thru 26)	450,460 sq ft (10.4 acres, gross)	COE 12-29-03	\$950,000 (#125220)	\$2.10
27	ES of Shaffer & NS of RR. (003-311-04 & 05)	8-8-02	377,534 sq ft (8.7 acres)	\$3,000,000 (#56217)	\$7.85
28	630-718 Water, Santa Cruz (010-031-76)	9-2-03	55,170 sq ft	\$955,000 (#88247)	\$17.31
34	35 Pacific Ave., Santa Cruz (004-091-25)	1-12-01	14,590 sq ft (.335 acre)	\$900,600 (#_____)	\$61.72
35	101 Pacific Ave., Santa Cruz (004-311-01)	5-31-00	21,003 sq ft (.482 acre)	\$990,000 (#_____)	\$47.14
36	SPTC Depot Site – 123 Washington St., Santa Cruz (004-311-17, 18, & 19) Part (005-161-17)	8-31-99	273,835 sq ft (6.286 acres)	\$3,200,000	\$11.69
37	123 Center St., Santa Cruz (005-162-08 & 31)	6-25-03	29,688 sq ft (0.567 acre)	\$955,000 (#61133)	\$32.17

SANTA CRUZ BRANCHLINE - WATSONVILLE JUNCTION TO DAVENPORT

INDIVIDUAL SEGMENT SUMMARY

SEGMENT 8

VALUATION

MAP : _____ **SHEETS :** V-89/2

THOMAS GUIDE PAGE(S) : 991, 971, 970, and 950

LOCATION : West city limits of Santa Cruz to end of line between Hwy 1 and Cement Plant Road.

STATIONS : 131 + 28 to 593 + 12 ("250' north of Highway 1")

AVERAGE EFFECTIVE WIDTH : 82.38' **TRACK LENGTH:** 46,122' (8.74 miles)

NET AREA : 3,799,460 sq ft (87.2 acres)

ZONING MAP PAGE : Bonny Doon, North Coast

ZONING : EAST / INLAND Agriculture, Park, Agriculture, Urban Commercial, Mountain
SIDE : Residential (Cement Plant)

WEST / OCEAN Agriculture, Park, Agriculture, several park spots, Urban Commercial near
SIDE : the RR at Davenport.

SPECIAL CONSTRAINTS : Coastal Zone includes whole segment

HIGHEST AND BEST NON-CORRIDOR USE : Commercial at Davenport, visitor-serving facilities, agric.

COMMENTS : Coastal Commission expresses high priority to prevent any buildings in this segment except possibly in commercial area at Davenport.

COMPARABLE SALES

No	Location (APN)	Date	Sq. Ft.	Price	Price/Sq Ft
3A	Sand Hill Bluff 5515 Coast Rd (059-023-07 & 08)	10-28-99	26 + 121 =	2,850,000	\$0.45/sq ft
		12-04	147 acres 6,403,320 sq ft	(#6907) Resale currently for open space @ ±\$10,000,000	(\$19,388/acre) \$1.56/sq ft (\$68,000)

4	3050 Coast Rd (corner Dimeo) (059-121-09)	8-30-02	505,375 sq ft (11.6 acres)	\$1,100,000 (#61622)	\$1.22/sq ft (land residual)
5	Bonny Doon Rd (080-181-059)	11-26-03	(20 acres) 871,200 sq ft	\$950,000 (#3465)	\$1.09/sq ft
6	592 Swanton Rd, Davenport (057-213-036)	1-27-03	(5.35 acres) 233,046 sq ft	\$300,000 (#23435)	\$1.29/sq ft

ATF APPRAISAL

ATF theory is premised on the fact that the value of a specialized property like a railroad must be similar to that of the land through which it passes. In some cases, ATF theory is utilized by the courts as a substitute for more detailed comparable sale analysis where the property has a specific function but is unusual in shape or configuration and not readily susceptible of disassembly. In this case, due to the numerous factors cited earlier, the Santa Cruz branchline by itself is not a productive property at this time although its width and other characteristics make it possible to disassemble and sell it in a variety of small pieces for various purposes. But for existing regulatory legally mandated continuance of the present use, once separated from the UP system, liquidation would be the result based on economic theories. Only because of possible surplus revenue over cost due to distance transport of coal from Utah to Davenport, might UP maintain this branch without loss. Once this possible surplus is separated as is currently proposed, the branch is likely to incur regular (and potentially huge losses on occasion) as is suggested by the "shortline GCV" facts which do not directly analyze the whole ownership in jeopardy. Accordingly, the ATF appraisal is the beginning point of value orientation from which one moves logically to the NLV analysis.

Across-The-Fence Value Estimate

Following the appraiser's inspection of the right-of-way, review of valuation maps and zoning maps, and selection of the most appropriate segmentation, generalized areas are valued using the traditional Sales Comparison Approach, which estimates the value of the segments through direct comparison with other nearby properties (by proximity and by use) which have sold in the recent past. A departure from traditional Sales Comparison Approach methods lies in the specialized nature of the assembled right-of-way in these cases which have somewhat undecided and non-specific comparative uses. Thus, a specific parcelization is not attempted except for a liquidation analysis and the ATF values are necessarily more generalized and may even include probabilities related to different comparative uses. In our valuation analysis we utilized land transactions generally within approximately one-half mile of the subject Property. In some cases we included sales at greater distances either because there were no nearby sales of like property or as a part of our original research to develop a feeling of the validity of the sales nearby. In the latter cases, we relied only on the most appropriate sales. Accordingly, while we have provided a raw list of over 50 transactions, we have relied on approximately half that many to support our conclusions. Those sales relied upon in each segment are noted on each segment sheet. Sales maps and individual sales sheets are included in the Addenda together with an assessor's parcel map identifying each sale parcel.

For a simplified example, if our analysis identified a segment or area containing say 200,000 square feet in a largely industrial neighborhood, our first step is to reach a unit Across-the-Fence value estimate based upon nearby land sales. This sales comparison approach valuation would be typical insofar as it would value the parcel based upon recent sales adjusted for typical appraisal considerations: cash equivalency, time, location, physical conditions, utilities, etc. Parcel size is not a significant basis for adjustment in this type of analysis unless it appears that most of the sales are unusually small or unusually large compared with the reasonable range of

acquisition prices which might have gone into a current theoretical assemblage of the subject Property. Our valuation analysis might reach a conclusion of, say, \$5 per square foot indicating an ATF value for the parcel of \$1,000,000. This is \$5 per square foot x 200,000 square feet. These ATF values for each segment are then summed to indicate the basic Across-the-Fence value of the right-of-way. For convenience and analytic purposes, we have divided the right-of-way into segments of relatively homogenous land use on each side of the track or relatively uniform governmental planning and control area. Thus, each segment is defined by a common pattern of adjacent land use, type or style of development, or a significant boundary, such as a county or city line, freeway or arterial, topographic feature or some other attribute which might change the value of the land use in the area. Where the railroad property requires subdivision and/or new utility extensions, it is treated as raw land even though finished lots may be adjacent. The sum of these base ATF values for each segment is then the total ATF value for the right-of-way. In this case, the sum of \$26,960,000 was our initial conclusion of ATF value herein, based on assumptions that UP had fee title to most of the property.

The following pages contain details of the original calculations for each segment followed by an overall summary. In a prior chapter were Segment Summary Sheets together with photographs, location and zoning maps. Detailed individual sale sheets are located in the Addenda for those sales relied upon.

In this analysis, we now have actual title work plus GCV information and improvement values as well as salvage values. Our original analysis did not simply assume fee ownership. We went to extensive trouble to obtain documentary evidence from U.P.R.R., though nothing was produced for us. We also engaged in direct documentary research and discovered numerous conflicts between RR maps and assessor's maps and even obtained information which showed that UP had sold land and retained only the right "to maintain the single existing track." In other cases, we found evidence that UP held no fee title. Where these indications were known to us we removed all value from the relevant parcels.

Now that we have a title report, the number of RR parcels has been so drastically reduced that total land area has dropped from 235.77 acres to 93.09 acres (more than a 60% reduction) and the number of legal parcels has dropped from ± 228 to ± 123 (nearly 50%). Much of the untitled land is probably technically reduced to an easement by adverse possession which is likely to have little re-use potential and is probably unmarketable. Worst of all, access to remaining fee parcels through untitled parcels is unclear at best, uses that might combine parcels which adjoin are diminished, and legal-parcel based lotline adjustments (which require adjoining parcels) have lost the higher values implied by their legal advantage. Thus, the loss in value far exceeds the simple reduction in the area or number of legal parcels. Also, the inter-relationship of contiguous parcels, which in some way is enhancement or plottage value is also gone.

In addition to the gaps and limited uses in easements, the title gaps put the final blow to any hope of corridor enhancement theories. Similarly, the lack of integrity in the shape of the land negates the court justification for ATF in the first place, since what is left is largely a series of separated parcels with no cohesive overall shape, strung together only by a physical track. Instead of a generalized reference to adjoining land values, we now have a need for a parcel-by-parcel

approach. We removed all of the parcels without insurable title and applied typical area values to these unattached parcels and concluded to a remaining ATF of \$9,666,000.

However, the collateral evidence that there is not enough rental value in the whole assembled line to pay for replacement cost of the improvements over time leaves a total lack of incentive to any typical investor to create this assemblage or buy it except for liquidation purposes. In this way, both ATF and Corridor Value concepts are meaningless in this case.

The Rails-to-Trails Act gives SCCRTC some unique power not available to private business to cure some of the title problems, although this does not change the economic value shortfall and presumably cannot be used to later create private value where there was none. But there are still gaps in ownership and where easements don't allow trails and someone else holds the fee interest, it is at best uncertain that there is a solution for some parcels short of purchase (or condemnation) despite the Rails-to-Trails Act.

Our revised ATF figure of \$9,666,000 is deemed of little importance where compared to the NLV value which is based on solid economic principles more applicable in this case.

DETAIL OF ORIGINAL ATF CALCULATIONS

Segment # 1

Area: 139,731 sq ft

Industrial/Commercial:	53% (74,057 sq ft) @ \$7.50/sq ft =	\$555,431
Public Use/Residential:	31% (43,317 sq ft) @ \$5.00/sq ft =	\$216,583
Agricultural/Recreational:	16% (22,357 sq ft) @ \$0.75/sq ft =	\$ 16,768
Total		\$788,781
	Say	\$790,000

Segment # 2

Area: 250,043 sq ft (All Industrial) @ \$5.50/sq ft =
(Little access or visibility, agric. on one side)

\$1,375,237
Say \$1,375,000

Segment #3

Area 1,907,613 sq ft

84% w/little or no access & slough dominance @ \$1.00/sq ft =	\$1,602,395
16% w/access and development potential @ \$5.00/sq ft =	\$1,526,090
Total	\$3,128,485
	Say \$3,130,000

Segment # 4

Area: 1,900,093 sq ft

451+78 to 512+38 – Low Density Residential (22%) x \$2.00 =	\$ 836,041
512+38 to 649+60 – Med. Density Residential (46%) x \$5.00 =	\$4,370,214
649+60 to 672+40 – Commercial (5%) x \$10.00 =	\$ 950,047
676+40 to 735+15 – Med. Residential (16%) x \$5.00 =	\$1,520,074
735+15 to 710+65 – Park (11%) x \$2.00 =	\$ 418,020
Total	\$8,094,396
	Say \$8,095,000

Segment # 5

Area: 839,278 sq ft

760+65 to 825+26:

Park or Low Density Resid. - 486,781 sq ft (58%) x \$2.00 = \$ 973,562

826+00 to 838+96:

Commercial or Hi-Density Resid. - 58,749 sq ft (7%) x \$8.00 = \$ 469,996

840+21 to 898+88:

Low Density Residential – 293,747 sq ft (35%) x \$2.00 = \$ 587,495

Total **Say \$2,030,000**

Segment # 6

Area: 425,749 sq ft

Hodge Podge of Low to High Density Residential,

Industrial and spot Commercial uses: Say \$3.50/sq ft average = \$1,490,122

Say \$1,490,000

Segment # 7

Area: 929,870 sq ft

993+00 to 1021+68:

Comm./Med. To Hi-Density Resid. 137,069 sq ft (15%) x \$8 = \$1,096,551

West end of Map V-72/1 – Commercial 35,459 sq ft (4%) x \$15 = \$ 531,884

21+29 on Big Trees Line and 8 to 25+90 on Main:

Commercial or Residential 173,256 sq ft (19%) x \$10 = \$1,732,560

25+90 to 39+69 – Park 26,677 sq ft (3%) x \$2 = \$ 53,354

40+37 to Almar St. – Low Density Resid. 120,435 sq ft (13%) x \$2 = \$ 240,871

Almar St. to City Limits – Industrial 436,973 sq ft (47%) x \$6 = \$2,621,843

Total 929,869 sq ft \$6,250,063

Say **\$6,250,000**

Segment # 8

Area: 3,799,460 sq ft – All Park/Farm/Open Space @ \$1.00/sq ft = \$3,799,460

Say **\$3,800,000**

Grand Total All Segments (ATF) = \$26,960,000

Current Final ATF Result with Title Status Known \$9,666,000

NLV APPRAISAL

Introduction

Net liquidation value is a basic and traditional analysis associated with right-of-way valuations. Its purpose is to determine through reasonable analysis a conclusion of value if the right-of-way corridor as an assembled whole is not the economic highest and best use. In this case, alternative corridor uses are not apparent and could not be accomplished without great additional cost due to ownership and title gaps and related use limitations. Its economic highest and best use is liquidation and its existing use is maintained largely by regulatory requirements only and there is no market demand for it in this use. The net liquidation value is derived from an analysis of costs, revenues and timing associated with the break up and sale of the right-of-way in separate parcels. It is not simply limited to selling the parts to the adjoining owner but includes the alternatives that many adjoining owners might not be interested in buying and in many cases the most probable buyer is not an adjoining owner, particularly where independent development is possible and a parcel has sufficient width, depth and location to meet a market demand for some use. In other cases, where the width of the right-of-way is adequate for the purpose (and appropriate access is available), a piece of the right-of-way might be independently developed. In some cases existing legal parcels make immediate sales possible upon certification.

In this appraisal, the right-of-way is a relatively non-uniform collection of separated parcels of varying widths and shapes. Some of the right-of-way is situated along existing developed paved roads.

The net liquidation value analysis requires a more detailed study than the segment analysis utilized in the ATF estimates. While the ATF valuation provided us with generalized values for generalized uses, the net liquidation value requires us first to note differences in right-of-way widths where relevant, planning and safety requirements regarding access, traffic flows, and emergency needs, as well as natural obstructions or bridges which might create costs or benefits in relationship to potential independent development as opposed to mere discounted sales to adjoining owners.

The analytical process was derived from a detailed physical inspection of the right-of-way (together with RR valuation and zoning map study) and from interviews with planning officials, from which we developed a generalized parcelization which totals 32 parcels that are detailed in individual parcel sheets in this chapter. The parcel sheets are cross-referenced by segment and by segment sheet to valuation map sheets, and station numbering designations. A variety of further details, measurements, and judgments regarding value and highest and best use are included. Parcel-specific adjustments are also made as to each parcel.

With regard to each parcel, a rating system of 1 to 3 was utilized to judge marketability. Parcels with independent development potential obviously have the best marketability potential since the market is not limited to adjoining or nearby users. These parcels were all rated 1 unless various uncertainties including planning approval and development time would cause part or all of a

given project to be pushed into the future. Obviously if they had road frontage and legal parcelization in place, they probably suffered the least discounting.

This parcelization, although more detailed than the segmenting process sufficient for the determination of ATF values by use, is in no way a final plan or complete strategy or formula for the ultimate breakup. This analysis is intended to approximate the method typically used by a potential developer in preparing a bid price, but is not intended to address the infinite range of opinions or possibilities which might arise nor predict an exclusive outcome. The rating system allows us to generalize about probabilities of uses, strategies and timing of sales. In some cases joint ventures with occasional adjoining owners might give value to long sections by creating new access or other benefits to one or both parties. For our purposes, it was a convenience to apply the results of the marketing rating system to time categories so that we could allocate revenues by years according to general probabilities. The market is currently strong only in the residential category. Agriculture-related industry is healthy. Industrial uses are flat and recovering but weak. Commercial uses are generally weak with some spot-exceptions.

A summary of the results of this rating effort is contained after the individual parcel sheets and shows an adjusted theoretical base value or revenue of all parcels of about \$11,300,000 after various site-specific discounts. The summary also shows an allocation of these revenues as if they were revenues by year during a three-year marketing plan or sell off in liquidation. These have been utilized in a discounted cash flow analysis in which we assume that there will be a six-month to one-year planning documentation, parcelization and recording process, but that the three-year marketing process will begin immediately. As a part of the discounted cash flow analysis (to be described later), a number of other costs and discounts are appropriate. These normally include legal and engineering costs, time discounting, efficiency discounts, reluctance discounts (as explained above, however, this one will not apply here), and even a remnant discount. The latter accommodates the probabilities of achieving a quick sale toward the end of three years when it is good business to lower prices and move the remaining inventory rather than continuing the costs of the marketing effort, especially with regard to odd and undesirable scraps or situations of reluctance of adjoining owners and unlikely other potential buyers. We note that a recent liquidation of U.P. Railroad property in San Jose had reportedly proceeded more quickly and with less cost and discounts than those projected herein. The discounts applied here are deemed appropriate to this location and other relevant considerations.

Definitions and Special Considerations

There are a wide variety of special considerations which are described below. In this case due to the generalized nature of this special type of property and analysis, departures from normal practice with regard to an individual typical property are customary, allowable and necessary. In some cases such as burdening easements, in the absence of a specific final parcel analysis, it is necessary to generalize in order to conclude to a discount factor for the impacts of such easements which, without full details of final parcelization, cannot be precisely known. In other cases, matters have been handled by definitions in the engagement documents for this assignment.

There is no income approach as such in this analysis because the annual income is at best negligible compared with the overall highest and best use as indicated. Without complete and specific information as to such income, it is impossible for us to make any judgment about whether some vague income might apply to a given parcel and provide a basis for a higher value than that developed by the sales comparison approach. In any event, the results, if any, would be minimal.

It is our understanding that there are no longitudinal easements and that the sale of the property will include no reservations for future longitudinal easements. Thus we have not sought to add or subtract any value factor for their actual or potential existence but we assume that to the extent we have discerned existing easements, we consider their impact in reducing the developability of the land. In many and most cases these easements can be accommodated (as beneath a roadway or setback area) and would have no effect on our analysis. However, we recognize that there is in some instances a burden on the fee interest due to the easements and made a generalized overall discount for this factor without knowing which can be avoided and which will have some impact.

Grading and fill characteristics identified a need in some cases for leveling the area of the right-of-way to compare it with sales utilized which constitutes the starting point for the liquidation valuation. While these needs are minor in this case, they exist in several locations and we have accommodated them in the individual parcel sheet values.

Drainage impacts can vary. As far as we are aware and could observe, only the Pajaro area might be subject to flooding and a variety of easements, trestles and bridges appear to accommodate drainage crossing the Property at other points. These facts were considered in the values assigned.

The foregoing considerations are applied as necessary in the actual analysis. The following pages contain details on the individual parcelization of the Property which will form the basis for the projection of revenue in the final portion of the NLV appraisal process. Ahead of the summary worksheets there is a summary table by parcel, coded by ATF segments which show the individual parcel analyses and marketability allocation to the probability of sales by year.

LIQUIDATION PARCEL ANALYTIC METHOD

A. Review all Sources

1. RR Maps
2. Assessor's Maps
3. Street Maps
4. Zoning and/or General Plan Maps
5. Sales and ATF Calculation Details
6. Detailed Segment Summary Tables
7. Pictures
8. Title Report
9. Legal Opinions

B. Process

1. Confirm Legal Parcel Analysis*
2. Confirm Areas and calculate for different use-potentials
3. Eliminate Legal Parcel potential under new laws, as pertinent
4. Confirm zoning or planning and market details as possible and practical
5. Consider and select highest and best uses (may need alternative calculations)
6. Note associated risks (access, grade separation, planning and political uncertainty, legal and other special costs, etc.)
7. Assign preliminary values and calculate conclusions
8. Conclude marketability ratings

C. Repeat All Steps Above For Each Liquidation Parcel

* Note regarding Legal Parcel Analysis: We studied and relied upon the Miller, Owen & Trost Legal Parcel Memorandum dated September 29, 2005 as well as the North American Preliminary Title Report originally dated January 9, 2005 as subsequently amended and supplemented. Both memoranda presumably included reading and interpretation of basic title documents. Apparently, the title company mainly responded to RR parcel designations while the lawyers sometimes found several legal parcels within a single RR Parcel. There seemed to be various inconsistencies but we found very few legal parcels which made a significant value difference and relied primarily on whether or not tile insurance would be issued. We tried to incorporate the wisdom of both sources and feel we are generally consistent therewith.

CHART OF SITE-SPECIFIC CHANGES AND DISCOUNTS

Variable Site-Specific Changes

Segment Sheet	Rounded Preliminary Value	Marketability	Parcel Cert. and Lotline Adj.	Remnant and/or Reluctances	Risk Re: Access Assumption	Risk Re: Planning Permits and Politics	Grading, Cleaning and other site costs	Result
1	\$278,000	2				10%		\$250,200 All Year 2 -0-
2A	\$13,000	3		50%				\$6,500 All Year 3
B	-0-							-0-
3A	-0-							-0-
B	\$850,000	1 & 2 equally	5%					\$807,500 Part Year 1 & 2 (\$403,750) – 50% each
C	-0-							-0-
D	\$300,000	1	5%		10%	10%		\$225,000
E	-0-							-0-
F	-0-							-0-
4A	-0-							-0-
B	-0-							-0-
C	-0-							-0-
D	-0-							-0-
E	\$692,000	2				80%		\$138,400 All year 2
F	-0-							-0-
G	-0-							-0-
H	-0-							-0-
I	\$9,000	1						\$9,000
J	\$275,000	2	15%			50%		\$96,250 All year 2

CHART OF SITE-SPECIFIC CHANGES AND DISCOUNTS

Variable Site-Specific Changes

Segment Sheet	Rounded Preliminary Value	Marketability	Parcel Cert. and Lotline Adj.	Remnant and/or Reluctances	Risk Re: Access Assumption	Risk Re: Planning Permits and Politics	Risk Re: Grading, Cleaning and other site costs	Result
5A	\$423,000	2	5%			40%		\$232,650
B	\$1,000,000	1	5%			50%		\$450,000
C	\$142,000	2	10%	25%				\$92,000
6	\$468,000	1 & 2	10%			40%		\$234,000
7A	\$121,000	2				50%		\$60,500
B	\$270,000	1 & 2	5%		50%			\$121,500
C	\$242,000	2	5%			5%		\$217,800
	\$2,100,000	1	5%			15%		\$1,680,000
D	\$133,000	1,2,3				15%		\$133,000
	\$1,564,000	1,2,3						\$1,564,000
8A	\$4,087,000	1,2&3 Equally						\$4,087,000
B	\$300,000	1	5%			50%		\$135,000
C	\$846,000	1,2 Equally	5%				5%	\$761,400
D	\$0			(all in public roads or lacking marketable title)				\$0
Total	\$14,113,000	(Rounded)						

Liquidation Parcel Identification and Summary

Parcel 1	Location:	20+50 to 49+90
	Street Frontage:	Access at Florence Ave; and at Fremont St
	Width:	50' to 135' (but only 50' is titled)
	Length:	2,210' (incl. Fremont St area)
	Adjoining Uses:	Industrial/Commercial, Public School facility, Agricultural and Residential

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Industrial/Commercial; Public facility; Residential
Total Sq Ft:	87,900 ¹ (Fee area qualified for title insurance)
Independent Use Potential:	Uncertain: Access at Fremont St. and Florence Ave.
Preliminary Base Value/Sq Ft:	Public facility @ \$5/sq ft = \$177,500 + \$50,000 each for two residential sites at raw value. Total of \$277,500.
Marketability (1-3):	No lotline adjustment potential (only one parcel) but dedication of streets at Florence St and Fremont St and partial sale to school make a potential approval possible.
Adjustments:	10% for planning and legal costs ²
Total Preliminary Value:	\$278,000 (rounded)

*Topo, Drainage, Land Use, Shape

¹ Areas defaulted to lowest of scaling or Map Schedule (whichever is less). This avoids overstating the value; and survey or engineering determination should be made and corrections made as needed. We are not engineers or surveyors.

² No lotline adjustments. Cash buyer would demand seller share planning costs and risk before closing. Time to work through process deemed at least one year. Fifty foot width conformed with nearby PUD standards, but title work shows some titles too defective for insurance and remaining titled area does not meet planning standards for the most part.

Liquidation Parcel Identification and Summary

Parcel 2-A	Location:	Corner of Walker and Beach Rd
	Street Frontage:	150 ±
	Width:	0' to 15' ± (Long Narrow Triangle)
	Length:	140' ±
	Adjoining Uses:	Industrial, Commercial

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Scrap Remnant - Not Buildable - Hot Dog Stand - Advertising signs? Awkward long, narrow triangle.
Total Sq Ft:	1,263 sq ft per Map Schedule (scaled is less). Total fee area qualified for title insurance.
Independent Use Potential:	Very limited but on a commercial corner
Preliminary Base Value/Sq Ft:	\$10.00 per Sq Ft
Marketability (1-3):	3 - Probably not marketable at all at base value (unless to adjoining owner)
Adjustments:	Treat as remnant: market at full price, expect much less – 50%
Total Preliminary Value:	\$13,000

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 2-B	Location:	102+68 to 154+35 (city limit)
	Street Frontage:	200' (50' at end of each)
	Width:	40' to 50'
	Length:	1,988'; 1,754'; 685'; 660'
	Adjoining Uses:	Ag in county (but sphere of influence) and Industrial on other side – RR partly along city limit.

Restrictions on Joinder to adjacent property*: None (may be best opportunity)

Highest and Best Use:	Industrial
Total Sq Ft:	-0- (Total fee land qualified for title insurance).
Independent Use Potential:	Somewhat limited by shape with access at Errington and at Lee Rd. [Possible access to Beach Rd by old RR spur easement.]
Preliminary Base Value/Sq Ft:	\$5.50 per sq ft
Marketability (1-3):	Not certifiable or marketable.
Adjustments:	N/A
Total Preliminary Value:	-0- All easements except for fee parcels which lack title evidence and cannot be insured.
Comments:	

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 3 - A	Location:	154+35 to 178+57
	Street Frontage:	50' at assumed public access at 178+57
	Width:	50'
	Length:	2,422 ¹
	Adjoining Uses:	Agricultural

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Agricultural residential site
Total Sq Ft:	-0- (after subtracting parcels which will not have title insurance or are subject to reversion).
Independent Use Potential:	Many possibilities from simple residential to greenhouse
Preliminary Base Value/Sq Ft:	\$150,000 per residential site (add size bonus of 50%)
Marketability (1-3):	Not certifiable or marketable. No liquidation value.
Adjustments:	5% for parcel certification; dependent on access assumption (reduce value 30% for this risk)
Total Preliminary Value:	-0-
Comments:	One of two legal parcels subject to reversion and the other has defective title and will not be issued title insurance. Reversion exception may be curable but we do not wish to speculate on cost or time required, but without clear title, there is no market of cash buyers except at nominal value (especially with the access uncertainty).

*Topo, Drainage, Land Use, Shape

¹ Minimum County lot size in this area is one acre, but exceptions can be made.

Liquidation Parcel Identification and Summary

Parcel No. 3-B	Location:	178+57 to 331+50
	Street Frontage:	None
	Width:	to 150'
	Length:	15,293'
	Adjoining Uses:	Farming, Slough, County Dump, City Dump, Open Space

Restrictions on Joinder to adjacent property*: Some grade separations

Highest and Best Use:	Farming, Rural Homesites (if access can be found), Open Space
Total Sq Ft:	849,115 sq ft (after removing parcels subject to reversion or lacking evidence of title).
Independent Use Potential:	Part accessible; part probably inaccessible
Preliminary Base Value/Sq Ft:	Inaccessible parcels (849,115 sq ft @ \$1.00/sq ft = \$849,115)
Marketability (1-3):	2 & 3 to adjoining owners
Adjustments:	5% for parcel certification
Total Preliminary Value:	\$850,000 (rounded)
Comments:	There are at least 8 legal parcels in this group but questionable public access. Without title work to the contrary, we assume that although these parcels can be separately sold without planning approvals, they have little market value without access, except to adjoining owners who might resell them <u>with</u> access. Only one lotline adjustment is needed to bring each parcel to minimum 1-acre lot size if water and percolation requirements can be met.

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 3-C	Location:	331+50 to 358+58
	Street Frontage:	1,400'± along Buena Vista ¹
	Width:	50' to 70'
	Length:	2,730'
	Adjoining Uses:	Rural Residential, & undeveloped

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	2 Rural homesites (rural industrial potential is possible)
Total Sq Ft:	-0- (None of this liquidation parcel qualifies for title insurance).
Independent Use Potential:	Excellent; long Buena Vista Rd frontage
Preliminary Base Value/Sq Ft:	\$150,000 per homesite parcel
Marketability (1-3):	Not certifiable or marketable.
Adjustments:	5% for parcel certification and lotline adjustment if needed; 10% estimated risk of meeting the homesite requirements; 50% risk regarding losses to public road.
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

¹ Warning: Assessor Maps and RR Maps disagree in this area. Unknown amount of RR land may in fact be in Buena Vista Rd. However, relying mainly on the RR Maps and noting that there are two legal parcels with more than sufficient road frontage and area for two modern qualifying homesites, we conclude to the value of two such sites: there is plenty of frontage for a lotline adjustment if needed. Reader is cautioned to obtain independent title and survey verification. We are not title experts, engineers, or surveyors and could not confirm the accuracy of this information.

Liquidation Parcel Identification and Summary

Parcel No. 3-D	Location:	359+25 to 386+14
	Street Frontage:	2,689' ±
	Width:	varies from 0-97'
	Length:	2,689' ±
	Adjoining Uses:	National Wildlife Area

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Two Rural Homesites (two legal parcels need lotline adjustment)
Total Sq Ft:	111,288 ¹ (Area held in fee which qualifies for title insurance).
Independent Use Potential:	Excellent - Long road frontage, adequate area, subject to other planning standards
Preliminary Base Value/Sq Ft:	\$150,000 per homesite parcel
Marketability (1-3):	1
Adjustments:	5% for parcel certification and lotline adjustment (one needed); 10% estimated risk of meeting the homesite requirements; 10% est. risk of available site area not in San Andreas Road.
Total Preliminary Value:	\$300,000
Comments:	There are discontinuities in RR ownership along San Andreas Rd per RR maps. No engineering information was made available to us. There are various mapping ambiguities.

*Topo, Drainage, Land Use, Shape

¹ Warning: Assessor Maps and RR Maps disagree in this area. Unknown amount of RR land may in fact be in San Andreas Rd. However, relying mainly on the RR Maps, we estimate that there is sufficient road frontage and area to conclude to the value of two modern qualifying homesites (subject to other planning requirements). Reader is cautioned to obtain independent verification. We are not title experts, engineers or surveyors and could not confirm the accuracy of this information.

Liquidation Parcel Identification and Summary

Parcel No. 3-E	Location:	386+14 to 404+30 (Spring Hill Rd.)
	Street Frontage:	1,816'
	Width:	0 to 90+' (average \pm 50')
	Length:	1,816'
	Adjoining Uses:	KOA Campground

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Rural Homesites or sale to KOA adjoining
Total Sq Ft:	-0- (None of this liquidation parcel qualifies for title insurance).
Independent Use Potential:	Excellent - Long road frontage
Preliminary Base Value/Sq Ft:	\$150,000 per homesite (possible premium for sale to KOA)
Marketability (1-3):	Not certifiable or marketable.
Adjustments:	5% for parcel certification and lotline adjustment (neither needed for sale to KOA), 50% risk of loss to public road.
Total Preliminary Value:	-0-

Note: Most of RR Parcel No. 7 at this point appeared to be in public road according to RR Map V72-4. This entire area needs to be analyzed, measured, and possibly surveyed by a civil engineer.

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 3-F	Location:	404+90 to 451+19
	Street Frontage:	870' "officially" ¹
	Width:	50'
	Length:	4,629'
	Adjoining Uses:	Vacated country roads and farms
Restrictions on Joinder to adjacent property*: Generally none, but there are some grade separations at various points.		
Highest and Best Use:	Rural Residential sites	
Total Sq Ft:	-0- (None of this liquidation parcel qualifies for title insurance).	
Independent Use Potential:	Excellent (870' of functioning road along side & vacated road along the remainder)	
Preliminary Base Value/Sq Ft:	\$150,000 per homesite parcel (same \$150,000 for part adjacent to School site)	
Marketability (1-3):	Not certifiable or marketable.	
Adjustments:	5% for parcel certification and lotline adjustment if desired as to homesites plus 10% estimated risk of meeting the homesite requirements	
Total Preliminary Value:	-0-	

*Topo, Drainage, Land Use, Shape

¹ From Spring Valley Rd north along San Andreas Rd. However, the earlier San Andreas Rd continued along the RR along this entire parcel until it was "vacated" in the 1940's. However, assessor's maps show it as still in existence. Public Works researched its status. It is nearly certain that potential public access of 60' width exists along this entire parcel - an opportunity for transportation planners or subdividers. The County only vacated responsibility for public maintenance but specifically reserved the road area for continued private access. This indicates a potential for at least five rural homesites if successful in subdividing according to minimum lot size.

Liquidation Parcel Identification and Summary

Parcel No. 4-A	Location:	451+78 to 512+38
	Street Frontage:	Access: end of Sumner Rd and also Anita Ave
	Width:	40' to 95'
	Length:	6,060'
	Adjoining Uses:	Homes, Parks, Industrial

Restrictions on Joinder to adjacent property*: None (although grade difference at Anita Ave must be accommodated).

Highest and Best Use: 2 homesites north of San Andreas, one on each side of Anita Ave., balance for park etc (all with dramatic views). Except prescriptive scraps of no value.

Total Sq Ft: -0- (total area available for valuation)

Independent Use Potential: Probable - appears to be in services district boundary, appears to have soil stability with access – small homesites allowed.

Preliminary Base Value/Sq Ft: \$500,000 per homesite

Marketability (1-3): 2

Adjustments: 5% for parcel certification and lotline adjustment if needed; 50% for planning risk and expense re: homesites, grading, etc.

Total Preliminary Value: -0-

Comments: There appear to be at least 9 mostly scraplike legal parcels in this larger parcel. But new Map Act amendments limits lotline adjustments. The two designations above can be accomplished within this limitation. However, lot utility and value may depend upon the availability of building permits. We have entered a 50% discount against the two homesites to reflect possible political resistance as well as other uncertainties. Probably, one would have to donate much of RR Parcel V72-4, No. 3, to the community to get two view sites near Anita Ave. Note that the entire R/W north of Leonards Gulch is an easement only according to the title company except for a variety of scraps which are almost certainly unusable, inaccessible and of no value. If V72-3, No. 12 (same as V72-4, No. 1) was in fee, there might have been a possibly valuable single site at the end of Sumner Ave but the area appears to be an easement only..

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-B	Location:	512+38 to Seascape Blvd (541+95) - 3 legal parcels, no change needed; 541+95 to 568+10 (Clubhouse Dr) - 1 legal parcel; 568+10 to 632+05 (Rio Del Mar Blvd)
	Street Frontage:	11,967 along Sumner
	Width:	40' to 100'
	Length:	11,967
	Adjoining Uses:	SFR's, PUD's, Resorts

Restrictions on Joinder to adjacent property*: Generally none - however, some (minimal) grading in a few places; and some tree removal.

Highest and Best Use:	There appear to be 6 legal parcels w/no lotline adj. OR Planned Subdivision (about 80 SFR sites)
Total Sq Ft:	-0- (total area available for valuation)
Independent Use Potential:	Outstanding with road along one side of most of R/W.
Preliminary Base Value/Sq Ft:	\$175,000/legal parcel OR \$5/sq ft for medium density raw land
Marketability (1-3):	"1" and "2" - (50% each for legal parcels OR "3" - for PUD
Adjustments:	5% for legal parcel certification OR 50% for planning risk & delay; 5% for grading/clearing costs
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-C	Location:	632+05 to 645+75
	Street Frontage:	None
	Width:	43' to 60' (mostly 60')
	Length:	1,370' to Hwy 1 overcrossing
	Adjoining Uses:	PUD Condos, SFR's, Commercial Recreation

Restrictions on Joinder to adjacent property*: Steep cut near Rio Del Mar Blvd. – good road frontage with little grade differential later but only along private roads – uncertain access.

Highest and Best Use:	PUD units, SFR's, Commercial Recreation, Park
Total Sq Ft:	-0- (total area available for valuation)
Independent Use Potential:	Questionable - Good street access on both sides but only by private PUD streets - sale to competing side-owners likely; small subdivision seems likely if side-owners agree
Preliminary Base Value/Sq Ft:	\$2.00
Marketability (1-3):	2
Adjustments:	5% for parcel certification (1 legal parcel); 5% for minor grading (may not be necessary); 10% re: access problems
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-D	Location:	647+74 to 650+66
	Street Frontage:	90 ± (Soquel Dr)
	Width:	60'
	Length:	292' (mostly bridged) (About 75' of track length between bridges)
	Adjoining Uses:	Highway One, Soquel Dr

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Independent homesite or sale to steep adjoining property
Total Sq Ft:	-0- (total area available for valuation)
Independent Use Potential:	Access by bridge over Soquel Dr & Valencia Creek - Legal parcels not relevant - issues involve slopes and bridge
Preliminary Base Value/Sq Ft:	\$175,000 homesite value
Marketability (1-3):	2
Adjustments:	90% planning and appeal risk
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-E	Location:	650+66 to 672+40
	Street Frontage:	Much but maps are unreliable
	Width:	0 to 60'
	Length:	2,123 (track length)
	Adjoining Uses:	commercial, residential, park, office

Restrictions on Joinder to adjacent property*: No physical grade problems with minor exceptions

Highest and Best Use:	Commercial and office (but most too narrow for typical independent development)
Total Sq Ft:	All maps highly unreliable without survey - (64,226 sq ft est.)
Independent Use Potential:	Most of 6 Legal Parcels have good access.
Preliminary Base Value/Sq Ft:	\$10.00
Marketability (1-3):	2 - Hot development area currently (parking is a need and various commercial stands possible)
Adjustments:	80% planning risk
Total Preliminary Value:	\$692,000 (rounded)

Note: This area should be calculated and possibly surveyed by a civil engineer.

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 4-F	Location:	676+23 to 681+85
	Street Frontage:	30' at Broadway 55' at State Park Dr
	Width:	55'
	Length:	562'
	Adjoining Uses:	Hospital, Med. Density SFR's, Mobile Home Park

Restrictions on Joinder to adjacent property*: None (small grade differential – lower on Bay side).

Highest and Best Use:	All adjoining uses, but esp. Neighborhood Commercial and Hospital
Total Sq Ft:	-0- (total area available for valuation)
Independent Use Potential:	Limited - access only at end and at Broadway
Preliminary Base Value/Sq Ft:	\$10/sq ft for mobile homes or commercial (55 x, say, 300' = 16,500 sq ft) \$5/sq ft for med. density residential for balance of property (14,410 sq ft)
Marketability (1-3):	2
Adjustments:	30% Planning Risk (incl minor grade separation on one side); 10% adjoining Owner Risk (hospital opportunity minimizes) for remaining part (not incl commercial 16,580 sq ft)
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-G	Location:	682+35 to 708+40 (Mar Vista Dr)
	Street Frontage:	100' (50' at each end)
	Width:	50'
	Length:	2,605'
	Adjoining Uses:	Condos, SFR's, Commercial at State Park Dr

Restrictions on Joinder to adjacent property*: Minor grade differential

Highest and Best Use:	Commercial at State Park Dr, Condo's at Mar Vista Dr, Lot expansion to adjoining owners could add units to properties as well as parking, etc.)
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Total Sq Ft:	-0- (total area available for valuation)
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Independent Use Potential:	Limited to end access parcels to be approved
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Preliminary Base Value/Sq Ft:	\$5/sq ft for residential (122,750 sq ft) \$10/sq ft for end parcel at State Park Dr (150x50 = 7,500 sq ft)
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Marketability (1-3):	1 & 2 (50% each)
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Adjustments:	20% for planning risk and correction of minor grade sep. 10% for reluctance discount to adjoining owners ¹
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Total Preliminary Value:	-0-
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*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

¹ Two sides might compete, and there are numerous condo bldg's on one side which likely could use more parking and/or yard space and might compete with each other and SFR's for adjoining extensions to the side.

Liquidation Parcel Identification and Summary

Parcel No. 4-H	Location:	709+00 to 726+76 (Ords Gulch)
	Street Frontage:	50' at Estates Dr; 785' along Poplar St
	Width:	35' along Poplar to 721+26 60' to 150' west of 721+26
	Length:	1,776
	Adjoining Uses:	SFR's

Restrictions on Joinder to adjacent property*: Minor grade differences.

Highest and Best Use:	Zoning is low density residential but 35' width would need a PUD
Total Sq Ft:	-0- (total area available for valuation)
Independent Use Potential:	Excellent if PUD allowed along Poplar St
Preliminary Base Value/Sq Ft:	\$3/sq ft as PUD area
Marketability (1-3):	2
Adjustments:	50% for planning and political risk re: PUD site
Total Preliminary Value:	-0-

*Topo, Drainage, Land Use, Shape

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-I	Location:	726+76 to 733+15
	Street Frontage:	100' (50' on each side of Estates Dr)
	Width:	50' (to near 100' at Ords Gulch)
	Length:	639' (incl 50-70' road width at Estates Dr)
	Adjoining Uses:	SFR on SS; Condos on NS west of Estates Dr; light industrial east of Estates Dr

Restrictions on Joinder to adjacent property*: Large grade separation (up to 12') on SS of R/W east of Estates Dr.

Highest and Best Use:	SFR sites (2)
Total Sq Ft:	4,410** (total area available for valuation)
Independent Use Potential:	Poor; Does not meet minimum size for rural lots but if a legal parcel, there is a very slim chance of design to meet health and water supply needs.
Preliminary Base Value/Sq Ft:	\$2.00 per sq. ft.
Marketability (1-3):	1
Adjustments:	
Total Preliminary Value:	\$9,000

*Topo, Drainage, Land Use, Shape

** This may be a title analysis error since it appears to be an extension of V72-3, No. 1, which was listed for denial of title insurance.

Note: Analysis completed prior to title report is largely left in place even though current information eliminates Liquidation Value.

Liquidation Parcel Identification and Summary

Parcel No. 4-J	Location:	733+15 to 760+65
	Street Frontage:	200' (100' on each side of New Brighton Dr)
	Width:	50' to 100'
	Length:	2,750' (incl 50' New Brighton Dr)
	Adjoining Uses:	Park on NS, and SFR's on SS to 748+00 ¹

Restrictions on Joinder to adjacent property*: None

Highest and Best Use: SFR site assumed accessible by easement (no reversion evident in title report).

Total Sq Ft: 77,148 (V72-2, No. 10 is only an easement according to Title Co.) [Estimated fee land with title insurance.]

Independent Use Potential: No access except for easement from New Brighton Dr.

Preliminary Base Value/Sq Ft: \$275,000 for secluded estate site.

Marketability (1-3): 1

Adjustments: 5% to certify and assure legal access

Total Preliminary Value: \$275,000

Special Note: Area in this parcel west of and including New Brighton Dr is in the Capitola Sphere of Influence and is designated "Industrial" to McGregor Dr (Highway I frontage Rd).

*Topo, Drainage, Land Use, Shape

¹RR maps et al contradict one another. Assessor maps show 95' on east side of New Brighton Dr. New Brighton Dr is marked "Private" although it looks like and has been open to public use for many years. The reader is advised to consult a title expert or lawyer in this matter before relying on this analysis. We believe the New Brighton Dr. access belongs to this property but an increase in density of use might be challenged.

Liquidation Parcel Identification and Summary

Parcel No. 5-A	Location:	760+65 to 825+46 (City Limit to Monterey Ave)
	Street Frontage:	\pm 4,300 along Park Ave (781+60 to 825+21) plus 340' frontage at Beach Shuttle
	Width:	Generally 60' (to over 200' at Nos 17 & 18)
	Length:	6,456'
	Adjoining Uses:	Park, Shuttle, Residential (R-LM, R-M and R-H), and Hotel

Restrictions on Joinder to adjacent property*: Some varying grade separation between Park Ave and New Brighton State Beach for 300' to 400' on each side of Coronado St. Downgrade could be handled by engineering design to provide unobstructive visitor-serving lodging or residential multi-family if the geology is stable.

Highest and Best Use:	1) Visitor Serving @ Beach Shuttle site (say 435'x60' call it 26,000 sq ft) 2) Visitor Serving between Coronado and \pm 792+00 (Unknown risks; default to Park Value) and remainder in park. 3) Residential LM to M between \pm 792+00 and Monterey Ave. (5 legal parcels nominally, but only one has insurable title)
Total Sq Ft:	70,435 sq ft (estimated fee land with title insurance – part of "3" above)
Independent Use Potential:	Good to Excellent except where Park is on both sides
Preliminary Base Value/Sq Ft:	1) Visitor-serving w/o geological risk = \$8/sq ft (26,000 sq ft) 2) Default to Park and remainder @ \$2/sq ft (153,681 sq ft) 3) Monterey to \pm 792+00 (329,000 sq ft) @ \$6/sq ft
Marketability (1-3):	1), 2) rated as "2" 3) rated as "2"
Adjustments:	5% for certification; 40% regarding planning risks as to 3)**

Total Preliminary Value:

\$423,000 (rounded)

Comments:

The entire RR property from the east city limits to 38th Ave seems to carry the General Plan designation of PF/VS though this may be an effort to fit planning names to what is there, but re-use possibilities might include lodging, etc., as "visitor serving." West of 30th Ave., adjoining designations seem to apply.

*Topo, Drainage, Land Use, Shape

** Planning risk less than 50% because of lotline adjustment flexibilities (there may be four legal parcels west of Grove Lane and three more between Grove Lane and Parkway Dr.)

Warning: Many area allocations have been scaled and estimated. Since we are not engineers, all areas should be analyzed and possible surveyed by a civil engineer before relying on them.

Liquidation Parcel Identification and Summary

Parcel No. 5-B	Location:	826+06 to 855+40 (Monterey Ave to 49 th Ave)
	Street Frontage:	Varies – There is a long frontage along Cliff Dr and Prospect.
	Width:	0 to 50'
	Length:	2,934' (incl. Width of Capitola Ave, Wharf Rd, and Soquel Creek)
	Adjoining Uses:	1) Public Parking Lot, R-M Resid.(5-10 units per acre) 2) Trestle (incl River and Soquel Wharf Rd), Civic Center, V-S uses, Park 3) R-LM and V-S uses

Restrictions on Joinder to adjacent property*: Trestle area (incl River and Wharf Rd) may be permanently committed to trestle as city symbol and icon. Portion between Wharf Rd and 49th probably has unusable areas near Wharf Rd due to steep hillside.

Highest and Best Use:	1) Fee parking lot or V-S uses 2) V-S uses (though city might prefer trestle icon – about ½ usable) 3) Residential or V-S uses
Total Sq Ft:	57,368 sq ft (May be subject to scenic or other easements) ¹ – part “3” above
Independent Use Potential:	Limited except for four legal parcels between Prospect & Cliff Dr
Preliminary Base Value/Sq Ft:	1) \$8/ sq ft (30,700 sq ft) 2) \$4/sq ft (14,000 sq ft assuming ½ useable) 3) \$1,000,000/legal parcel
Marketability (1-3):	1) 2; 2) 2; 3) 1

¹ Warning: Reader is cautioned to obtain the necessary title work, legal analysis and engineering calculations to determine what is being sold. This analysis assumes all is usable as stated above.

Adjustments: 1) 50% planning risk
2) Assume city would buy for preservation but say 50% planning risk
3) 5% for certification of 1 parcel and 50% risk in bldg permit process

Total Preliminary Value: \$1,000,000

Comment: There are at least 7 legal parcels, all but 4 boundaries defined by public street crossings. Thus there is lotline adjustment potential within the new Map Act amendments in three instances. Thus, four legal parcels between 49th and Soquel Wharf Rd, and two between Monterey Ave and Capitola can be certified without full planning process by lotline adjustments in accord with the analysis above. However, there is only one legal parcel with insurable title evidence.

*Topo, Drainage, Land Use, Shape

Warning and note to all readers: There are parts of RR Parcels V72-2, No. 4, No. 5, No. 6 and No. 7 between Wharf Rd and 47th Ave. We are informed that these would constitute four legal parcels subject to lotline adjustments without submitting to local planning processes except in terms of health and safety. We are informed by SCCRTC staff that no title insurance will be issued on No. 4, No. 5 & No. 7. Still, there is one legal parcel available with exquisite views, access and a value potential of \$1,000,000 regardless of size. However, the RR maps are confusing and unclear both in narrative notes and portrayals. It is imperative that a civil engineer be hired to complete this determination before anyone relies on this information.

Liquidation Parcel Identification and Summary

Parcel No. 5-C	Location:	855+65 to 898+88 (49 th Ave to W. City Limit)
	Street Frontage:	(4 streets crossing plus one abutting) 570' along Cliff Dr between 49 th & 47 th
	Width:	Varies from 32' to 75'
	Length:	4,323'
	Adjoining Uses:	Mobile home park, School Site, Sports Park, Regional Commercial, and Medium Density Residential

Restrictions on Joinder to adjacent property*: None, though city limits runs along side of RR on one side or the other at times.

Highest and Best Use: The adjoining uses indicated above which conform to the General Plan. On the one remaining RR Parcel, the favored uses will be Commercial and Mobile Home Park and Sports Park, but the parcel lacks street access.

Total Sq Ft: 35,589 sq ft (estimated fee land with title insurance and no reversion jeopardy)

Independent Use Potential: Poor

Preliminary Base Value/Sq Ft: \$4 per sq ft for each use

Marketability (1-3): 1, 2, & 3 (1/3 per year)

Adjustments: 10% for certificate and planning; 25% for reluctance discount

Total Preliminary Value: \$142,000 (rounded)

Comment: There is only one legal parcel and no potential adjustment strategy..

*Topo, Drainage, Land Use, Shape

Note: City Sphere of Influence extends to centerline of Rodeo Creek (\pm 912+18). Sphere of Influence Uses in General Plan: Industrial on north side and Low-Medium Residential on south side.

Warning: Title and engineering (mapping) work needed to ascertain RR Parcel 4, Map V-72/2. We are not engineers, surveyors or title experts.

Liquidation Parcel Identification and Summary

Parcel No. 6	Location:	898+88 to 993+00
	Street Frontage:	30 th , 17 th and 7 th Ave cross RR) – At least 10 streets about the RR
	Width:	Generally: 40' – re: titled parcels
	Length:	9,412'
	Adjoining Uses:	Various Residential densities, Light Industrial/Commercial, parks, open space, and public facilities

Restrictions on Joinder to adjacent property*: Generally none. Even a grade differential as line approaches Santa Cruz appears an advantage for PUD residential development (as a parking basement) in a high-density residential planning area with numerous public accesses.

Highest and Best Use:	Varied: Low, medium and high density residential, and light industry with probable planning flexibility.
Total Sq Ft:	133,667 sq ft (only V72-2, No 24 & 25 have title insurance)
Independent Use Potential:	Access at Live Oak, El Dorado and Paget St and possibly at Kinsley St, Chantleer Ave, Tower Place and Corcoran St)
Preliminary Base Value/Sq Ft:	\$3.50/sq ft
Marketability (1-3):	Half 1, Half 2
Adjustments:	10% for parcel cert. and planning – 40% planning risk (40' width limits planning potential to a maximum of 10 lots if all factors are favorable.
Total Preliminary Value:	\$468,000 (rounded)
Comment:	Only two legal parcels, on each side of 17 th Ave. There is not potential for lotline adjustment strategies based on the two legal parcels; Possible commercial or industrial uses on each side of 17 th Ave.

*Topo, Drainage, Land Use, Shape

- It appears that RR is not in the Coastal Zone from the west city limits of Capitola to El Dorado St and is in the zone from El Dorado St to Santa Cruz City limits.
- Track length of \pm 1,300' from west city limits of Capitola (898+88) to Rodeo Creek (Rancho Boundary @ \pm 911+88) is in Capitola Sphere of Influence although also under the jurisdiction of County planning department (but this area lacks clear title due to reversion) – See Parcel Sheet No. 5-C

Liquidation Parcel Identification and Summary

Parcel No. 7-A	Location:	992+25 to 1021+68 (WS of City Marina to ES of E. Cliff Dr)
	Street Frontage:	Two streets cross the R/W; Murray St is along one side for the whole length
	Width:	56' (one legal parcel with title)
	Length:	2,943' (track)
	Adjoining Uses:	Commercial/Industrial; Residential

Restrictions on Joinder to adjacent property*: None except grade differential approaching E. Cliff Dr (it can be handled by design).

Highest and Best Use:	LM – Low/Medium Density Residential
Total Sq Ft:	15,120 sq ft (RR Map total appears historic and not updated). Only RR Parcel No. 19 is in fee and will qualify for title insurance.
Independent Use Potential:	Excellent (along Murray St)
Preliminary Base Value/Sq Ft:	\$8/ sq ft
Marketability (1-3):	2
Adjustments:	50% for planning risk and partial dedication
Total Preliminary Value:	\$121,000 (rounded)
Comment:	All but one parcel (V72-1, No. 19) lack clear title. There are no possible lotline adjustment strategies without adjoining legal parcels.

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 7-C	Location:	RR Map V89-1: approx 21 + 27 to 67+36 (Almar Ave)
	Street Frontage:	Extensive; many corner lots; 10 different streets (see maps); full and partial platted city lots.
	Width:	40' to 100'
	Length:	4,146' (track)
	Adjoining Uses:	Park, Residential

Restrictions on Joinder to adjacent property*: None

Highest and Best Use: (1.) Park So. of California St (remote possibility of residential development – otherwise one site may be possible)
(2.) Ready residential lots (many lotline adjustments possible)

Total Sq Ft: 258,614 sq ft

Independent Use Potential: Outstanding – Nearly all north of California saleable now; remainder problematic

Preliminary Base Value/Sq Ft: 1) Area along Bay St may not be usable except for park - \$2/sq ft
2) \$100,000/site (20 such sites) + \$50,000 each for lot split probability (2 sites)

Marketability (1-3): 1) as to ready sites
2) as to area south of California St (120,929 sq ft)

Adjustments: 5% parcel certi. As to all; 5% planning risk as to 1); 15% planning risk as to 2)

Total Preliminary Value: \$2,342,000 (1. = \$242,000; 2. = \$2,100,000)

Comment: There are four legal parcels SE of California (1 to 3 of which might require a lotline adjustment). But all are unlikely usable except for park due to access and slope problems. West of California St, there are 20 independently saleable parcels w/o further needed approvals, which by lotline adjustments (consolidation of parts of old, small lots) would meet current standards. In two cases, there is probable lot split potential but this process would require following a Map Act planning process.

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 7-D	Location:	67+97 to 131+28 (Almar Ave to City limits)
	Street Frontage:	R/W crossed by Almar, Fair, Swift, Natural Bridges Dr and Shaffer Rd
	Width:	0' to 100'
	Length:	6,331' (track)
	Adjoining Uses:	Industrial, Commercial, Multi- Family Residential

Restrictions on Joinder to adjacent property*: None

Highest and Best Use:	Industrial, Commercial, Residential
Total Sq Ft:	327,131 sq ft
Independent Use Potential:	Varies (poor near City limits); Good elsewhere
Preliminary Base Value/Sq Ft:	\$6/sq ft (260,631 sq ft) -- \$2/sq ft (66,500 sq ft) W. of Shaffer due to shape and lack of access.
Marketability (1-3):	1,2,3 – 1/3 each year
Adjustments:	None
Total Preliminary Value:	\$1,697,000: \$133,000 plus \$1,564,000 (rounded)

*Topo, Drainage, Land Use, Shape

Liquidation Parcel Identification and Summary

Parcel No. 8-A	Location:	131+28 to 362+39; (Santa Cruz City limits to S. Scaroni Rd)
	Street Frontage:	Scaroni Rd and Hwy 1 @ No. end; other Hwy 1 frontage near Baldwin Creek on north side
	Width:	43' to 150'
	Length:	23,111'
	Adjoining Uses:	Park, Farms, Public Hwy & Roads, SFR rural residential on Old Hwy

Restrictions on Joinder to adjacent property*: Varies – generally none

Highest and Best Use:	Park and Farm use
Total Sq Ft:	1,634,982 – at least 8 legal parcels (not including 84,000 sq ft of RR Parcels NO. 4 & 5 allocated to Segment Parcel 8-B following).
Independent Use Potential:	At north end at Scaroni Road & Hwy 1 – otherwise not unless title work showed other access. Parcels V89-4, No. 4 (part) and 5 by lotline adjustment constitute 2 ready saleable parcels over 1-acre with road access.
Preliminary Base Value/Sq Ft:	\$2.00 generally.
Marketability (1-3):	1/3 = 1; 1/3 = 2; 1/3 = 3
Adjustments:	
Total Preliminary Value:	\$4,087,000
Comment:	Legal parcels may facilitate sale and disposal of the property in liquidation in this instance but are unlikely to add value here.

*Topo, Drainage, Land Use, Shape

Warning: Engineering, legal, survey, and/or title research should be independently obtained by the reader before relying on the analysis herein. We are not engineers, lawyers, surveyors or title experts.

Liquidation Parcel Identification and Summary

Parcel No. 8-B	Location:	363+14 to 373+5 (S. Scaroni Rd to N. Scaroni Rd)
	Street Frontage:	No. and So. Scaroni Rd and Hwy 1
	Width:	40' to 100'
	Length:	±1,100'
	Adjoining Uses:	Farm and Hwy 1

Restrictions on Joinder to adjacent property*: Varies – generally none

Highest and Best Use:	Park, small farm or rural residence
Total Sq Ft:	Est. approx. two acres (90,645 sq ft) incl. 2 or more legal parcels. [Note this area includes approx. 84,000 sq ft of RR Parcels No. 4 & 5 borrowed from Segment 8-A above].
Independent Use Potential:	Excellent (direct access to Scaroni Rd and/or Hwy 1)
Preliminary Base Value/Sq Ft:	\$150,000 ea. For two legal parcels of approx. 1 acre – Note: the areas must be certified by an engineer. We are not engineers. The RR maps are not reliable in this instance.
Marketability (1-3):	1
Adjustments:	5% to certify parcels; 50% risk of quality for septic tank and well
Total Preliminary Value:	\$300,000

*Topo, Drainage, Land Use, Shape

Warning: Engineering, legal, survey and or title research should be independently obtained by the reader before relying on the analysis herein. We are not engineers, lawyers, surveyors or title experts. We are certified appraisers only, estimating values based on incomplete evidence afforded to us, physical observations, valuation experience and market research.

Liquidation Parcel Identification and Summary

Parcel No. 8-C	Location:	373+80 to 565+24 (N. Scaroni Rd to legal parcel ending at S. boundary of Rancho San Vicente)
	Street Frontage:	Nearly this whole parcel abuts Hwy 1 or Old Hwy
	Width:	0' to 125'
	Length:	19,144' (track length)
	Adjoining Uses:	Agriculture, Park, Highway

Restrictions on Joinder to adjacent property*: Despite long boundary with Hwy 1, grade separations at some points might involve loss of utility of some land (and some costs) to develop access.

Highest and Best Use:	Agriculture or Park, rural residential farm, possible park support (visitor-serving)
Total Sq Ft:	218,318 (estimated fee land with title insurance)
Independent Use Potential:	Excellent
Preliminary Base Value/Sq Ft:	\$2.50 plus \$150,000 ea for 2 legal parcels
Marketability (1-3):	1
Adjustments:	5% to create access by ramps; 5% for parcel certification – only one lotline adjustment is possible due to title status and parcel configuration (and it involves contradiction noted below).
Total Preliminary Value:	\$846,000 incl. legal parcels bonus of \$300,000 (rounded)
Comment:	There are only two legal parcels with Title Insurance. Both have highway access but no potential for lotline adjustments.

*Topo, Drainage, Land Use, Shape

Note: Title report, 2nd Supplement, Part 1 lists V89-4, No. 3 which SCCRTC informs us excludes Title Insurance (T.I.) due to some title deficiency. Luis Mendez confirmed this fact but neither the lawyers for SCCRTC (who didn't return my calls), nor the title company answered my inquiry. Parcel V89-5, No. 1 is legally part of the same parcel as V89-4, No. 3 but is not excluded from T.I. Thus, we excluded the former, above, though this seems a contradiction. As we are suddenly pushed to give a conclusion, we warn the reader to obtain independent certification of the underlying facts herein and make appropriate adjustments. The status herein conforms with the title reports and SCCRTC interpretation.

Liquidation Parcel Identification and Summary

Parcel No. 8-D	Location:	565+24 to 623+44 (end of UP map strip)
	Street Frontage:	This entire parcel is believed to abut Hwy 1 or Old Hwy
	Width:	75' to 150'
	Length:	Track (incl. Hwy 1 crossing): 5,820'
	Adjoining Uses:	Farming and cement plant

Restrictions on Joinder to adjacent property*: None at boundary – but track is partly in a ditch through part of the property. It is impossible to locate property and highway ownership boundaries.

Highest and Best Use:	Park according to County General Plan; Industrial No. of Hwy 1, possibly highway commercial near Davenport and industrial area.
Total Sq Ft:	0 sq ft – None of the parcels in this segment appear to have marketable title.
Independent Use Potential:	Excellent
Preliminary Base Value/Sq Ft:	
Marketability (1-3):	N/A
Adjustments:	
Total Preliminary Value:	\$0

*Topo, Drainage, Land Use, Shape

Warning: Reader is cautioned to obtain engineering, survey, legal advice and title research as there are indications that the cement plan may own the parcel. UP executives said they thought the cement plant had only a “license” but failed to provide it to us. In other matters, UP’s descriptions proved incorrect. We note that Hwy 1 adjacent is located partly on a RR “license” but probably has no remaining value.

Special Note: Our 2004 analysis was based on a northern boundary of the sale being 250’ north of Highway 1. In January, 2006, Trost in a conference call asked us to include the RR property to its end north of Highway 1. This analysis includes that added area. However, this includes parcels on RR Maps V89-7, V89-8 and V89-9, none of which are mentioned in the title report. They also appear not to have marketable title because the main track parcels on these sheets are from the same deeds as V89-6, No. 1 as analyzed by the Title Co and denied title insurance..

DISCOUNTED CASH FLOW ANALYSIS

In order to reflect the cost of the liquidation and time that it would take to market the individual parcels, we have used a typical cash flow analysis (DCF) to indicate a net present value which is the major element of the NLV value estimate. The analysis used here is identical to that which would apply to a residential or commercial land subdivision. In fact, it is entirely appropriate to consider the liquidation of the rail corridor as a "subdivision project" valuation model.

This type of valuation is also referred to as a "residual" analysis, because the value of the underlying land, in this case the corridor in its as-is condition, is a function of the stream of net income resulting from the sale of divisible parcels. Our analysis first forecasted revenue from the sale of the parcels (properly discounted for various risks and uncertainties associated with specific parcels), now deducts the expenses associated with the management and sale of the parcels, and then discounts the indicated future cash flows to a present value at a suitable discount rate.

In this form of analysis, the developer's (liquidator's) profit is treated as an expense or cost of development. The cash flows, after deduction of liquidation profit, are truly attributed only to the real property interest, and not to the entrepreneurial enterprise of converting the property into many parcels.

It should be noted at this point that there are seemingly a large number of already existing "legal parcels" based upon public road separations and traditional title analysis. These separations only need certification, a process which for the obvious ones should take no longer than 60 days and raise no issues.

The transverse crossings of public roads are obvious boundaries, (all are stated in the preceding analysis). Former public roads, later abandoned are also believed to create legal boundaries.

Another group of unquestionable classic legal parcel boundaries are evident from historical boundaries of farms, ranches, and other public and private ownerships which cross the Property and require no lotline adjustment or interpretation. The items in this group can define certifiable boundaries presumably by merely filing the relevant maps and related official documents.

A final category of legal parcels is indicated from various deeds to and from the predecessor railroads. Some are based on right-of-way relocations.

In our analysis we made minimal assumptions in estimating the applicable number of legal parcels. We also respected the new law limiting lotline adjustments to four in any one contiguous area without filing a subdivision map. Finally, we sought to simplify the analysis and projections herein without enlarging or distorting the results on a speculative basis. Final judgments in these matters require detailed legal and title analysis by appropriate experts, and will almost certainly result in a greater number than determined by us from map study.

Revenue from Sale of NLV Parcels

The revenue from the sale of NLV parcels assumes no escalation in land value over the assumed absorption period due to inflation or other market conditions. Holding the present value conclusions constant is usually deemed good analytical practice, and is considered a negative offset in the selection of a discount rate.

Absorption Period

Perhaps one of the most difficult judgments to make in this evaluation is the forecast of the time it will take to sell all parcels, including the time it will take to complete any replatting of the corridor (where necessary) into parcels that may be sold. Not only is there a consideration of the total length of time it will take to sell, but also the pattern of sales within the total expected time to sell. The literature on railroad liquidation value generally references a focused selling effort of one to three years.

A reliable forecast of the sell out time is, in itself, a detailed and complex analysis, made all the harder by the numerous agencies and cities which might have some form of jurisdiction in the matter. We anticipate that in uncertain cases, buyers would condition an offer on some proven level of entitlement or require a high discount.

We have assumed that the date of value reflects the political consensus to liquidate and that an efficient planning, engineering and legal team will complete the platting and release of year 1 disposal parcels within six months and that a widespread coordinated commercial real estate team will be in place to market during the first six months. Thus, we have chosen an absorption period of three years, based upon the assumption that barring a catastrophic market change, most salable properties can be moved in three years. If not, they should be declared remnants, heavily discounted and presumably thereby moved.

Further, we have used a very straightforward pattern of assumed sale, by parcel. The pattern of sale is based on the marketability rating factor applied to each designated larger NLV parcel. It seems to be a highly rational approach reflecting actual market experience. In this case, it assumes the sale in year one of about 48% of the best/most desirable and ready parcels, and assumes a sale in each of the following years of declining percentages of the original inventory. There are, of course, an almost infinite number of possible combinations of NLV parcel sales. Our goal here is to select a pattern of sales which is reasonable, and not try to identify individual transactions.

We have one outstanding comparable liquidation example where Union Pacific Railroad had, during 2002-03, been liquidating 2.5 miles of right-of-way between Highway 87 and West San Carlos Avenue in San Jose. We do not cite this as evidence of value, but rather, absorption time. In much less than one year, the broker had reported offers on all 13 parcels at or above ATF value. Sales are conducted with all entitlement and other risk on the buyer with a 60-day due diligence period. After an estimated eight months, two-thirds of the parcels were reported under contract or had contracts out. We think our subject-situation (more rural, more complicated in the

number and nature of agencies, jurisdictions, and issues) requires somewhat different assumptions as detailed.

Our analysis results in net sales revenue of about \$5,400,000 in the first year, about \$4,000,000 in the second year and over \$1,900,000 in the third year for a total of over \$11,300,000 projected.

Liquidation Cost

Liquidation costs include five basic categories of expense: 1) direct costs; 2) sales commissions and marketing; 3) project overhead; 4) real estate tax expense during the absorption period; and 5) liquidator profit.

Despite no hard information on special direct costs, and in addition to special costs already deducted, it is clear that there may be other unusual special costs which go beyond typical real estate selling expenses. Clearly these might include possible survey and civil engineering fees, unusual legal expenses and special negotiating and planning costs to compensate for "white hole" planning status (to the extent these were not already deducted as site-specific costs). We think these costs similar in amount to subdividers overhead and conclude accordingly at 5%.

Sales commission and marketing costs are forecast at 6%, a reasonable percentage for a special purpose and business type property of this size and volume. This category of expense represents promotional and brokerage costs, as well as some negotiation and documentation cost.

Project overhead is forecast at 5% of sales, a typical allowance for subdivision developments (even though most actual subdivision costs are absent in this case or would be born by a buyer).

Real estate tax expense will be incurred by the liquidator, assuming that the property is to be held as part of the private sector. In the first 12 months of ownership, the taxes will be approximately 1% of the total net present value as shown in summary as "Net Adjusted Revenue." For calculation purposes, we expect there may be no taxes during the preparation and platting period. But assuming taxation starts on day one and averages halfway between beginning and ending inventory we can calculate the tax as shown in the summary. The tax will decline down to zero at the point when all the parcels are sold.

Following our standard practice with residential and commercial land subdivisions, we have estimated the compensation of the liquidator at 10% of net sales revenue as a profit margin. This profit margin compensates the liquidator for the conversion and sale of the corridor into a variety of parcels (but is not the same as a full-fledged subdivision and in about half the line we have specifically looked at raw land value, before entitlements) as the appropriate ATF judgment. This deduction is separate from sales commissions and/or discount rate.

Discount Rate Selection

We have considered the Surface Transportation Board cost of capital for 2003 (see addenda) in concluding to 9.5% for this purpose. It is not adjusted for piece escalation since that time.

Indicated Net Liquidation Value

As shown in the Net Liquidation Value or DCF analysis presented on the following page, the net present value of the anticipated cash flows discounted at 9.5% equals \$6,710,000 which is less than 50% of the \$14,113,000 preliminary parcel values (summed in the "Chart of Site-Specific Changes and Discounts," a few pages into the NLV Appraisal chapter. before site-specific discounting, sale costs, and time discounting. It is just under 70% of ATF value but this indicator is less relevant than normal as the title defects, gaps, and discontinuities in the line were discovered. It should be noticed that recent sales of surplus U.P. R/W near downtown San Jose, described elsewhere herein, was reportedly accomplished much faster and cheaper than the estimated discounts and costs in this section. However, our estimates are intended to be neither optimistic nor pessimistic, and we think fairly account for the most usual strategy and recognize differences between the San Jose liquidation and market and average overall characteristics of this Property and its local market.

Salvage Value

The foregoing analysis has dealt only with the real property addressed in a liquidation context. However, the property contains a variety of other assets which may have a salvage value which should be considered in an overall price for the property in its "as is" condition. These assets include ties, rails, ballast, bridges, and crossing equipment. Valuation of these items is a specialized skill beyond those of this contractor. Accordingly, SCCRTC contracted with Woodside Consulting, Inc. a nationally known expert for this purpose. Their report and an explanation letter are maintained in our work file. Their conclusions are described and discussed elsewhere in this report and will be mentioned in the final reconciliation and conclusion report.

Going Concern Value (GCV)

Determination of GCV for a railroad is also a specialized skill beyond those of this contractor. SCCRTC contracted with Wilbur Smith Associates for this purpose. Their analysis covered only the value to a shortline operator and did not address the cost of replacement of improvements which is a legal obligation of the owner unless the sale includes a guarantee by the seller to assure a stop-loss in this respect. When we were hired in this case, such terms were expected (see January 06, 2004 email memo in the addenda of this report, which states, "UP likely would be responsible to maintain, repair and replace the trackage as necessary for continued freight operations."). Nevertheless, there is sufficient information in the Wilbur Smith Associates and Woodside Consulting reports from which we can estimate this factor in the event that no assurances have been obtained (as now appears to be the situation, as announced December 2, 2004). These matters will be mentioned in the final reconciliation and conclusion chapter.

SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS

<u>Project Revenues</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
	\$5,389,000	\$3,978,000	\$1,934,000	\$11,301,000
Less Remnant Discount (5%)	<u>269,000</u>	<u>199,000</u>	<u>97,000</u>	
Net Adj. Revenues	\$5,120,000	\$3,779,000	\$1,837,000	
 <u>Projected Costs</u>				
Adm., Legal, etc. (5%)	\$256,000	\$188,950	\$91,850	
Commissions & Mktg. (6%)	307,200	226,740	110,220	
Overhead (5%)	\$256,000	\$188,950	\$91,850	
Property Taxes	<u>86,000</u>	<u>39,000</u>	<u>9,500</u>	
Total Projected Costs	\$905,200	\$643,640	\$303,420	
Liquidation Profit as Cost (10%)	<u>512,200</u>	<u>377,900</u>	<u>183,700</u>	
Net Cash Flows	\$3,702,800	\$2,757,460	\$1,349,880	
 Discount Factor @ 9.5%	 .9132	 .834	 .7617	
 N.P.V.'s of Cash Flows	 \$3,381,397	 \$2,299,722	 \$1,028,204	 <u>\$6,710,000</u> (rounded)

TAX CALCULATION

Beginning Inventory	\$11,300,000	\$5,900,000	\$1,900,000
Sales (Gross)	\$5,400,000	\$4,000,000	\$1,900,000
Average Inventory	\$8,600,000	\$3,900,000	\$950,000
Tax (@1%)	\$86,000	\$39,000	\$9,500

RECONCILIATION AND CONCLUSION

Direct Findings

Highest and Best Use:

Railroad Corridor

[Note: This is based solely on the technical, legal fact that the property is being operated as a railroad and must continue to do so until termination of the use by the Surface Transportation Board (STB).]

Going-Concern Value (GCV):

\$845,000 (Wilbur Smith Report)

[Note: This analysis, done by Justin Fox of Wilbur Smith Company, pertained only to the business of a shortline operator and does not address either long-term catastrophic risk or replacement of RR improvements for continuing the freight operations indefinitely. Based on the stated assumptions involved, it appears to us that the going concern value for this limited user is closer to \$600,000 based on a 10% direct capitalization of \$60,000/year as incentive to operate the business. At best, it will pay only a nominal \$6,000/year to the owner, which is insufficient to replace the improvements, cover risk, and maintain the service without subsidy.]

Depreciated Value of the RR
Improvements:

\$22,000,000 (Class 2)

\$33,000,000 (Class 1) (Redwood Consulting Report)

[This RR is presently operated as a Class 1 (light traffic and low speeds). Any increase in traffic or speeds will reduce the value of the improvements-in-use since their life will be shortened and the economic formula reduces the value thereby. But these conclusions are only meaningful if the RR is profitable. If not, their value reverts to Salvage.]

Salvage Value of Improvements:

\$400,000 (if bridges and trestles left in place), or
<-\$200,000> (if bridges and trestles have to be removed)
(Redwood Consulting report)

[Most of the bridges and trestles are obsolete and if replaced would be constructed differently. It is unclear on liquidation if these structures would be allowed to stay. We think only the Capitola trestle might be desired as a municipal icon despite costs of liability insurance and maintenance. For practical purposes, the salvage value is of no significance to this analysis and we have used zero as a conclusion.

Generally, all improvements must be cleared anyway to get to Net Liquidation Value (NLV) of the land.]

Across the Fence (ATF) Value:

\$9,666,000 (This report by Arthur Gimmy International)
[This number is not a value as such, but rather a reference summary of nearby values from which analysts and others might reason. It is similar to a Cost Approach basis to determine land value and is subject to the economic requirement that there be a market demand currently to assemble the property for this purpose in this way. There does not seem to be an economic basis for the assemblage of this property at this time. A nominal and probably uncertain rent of \$6,000/year until the improvements collapse is almost proof in itself that there is no market for this property as assembled. The number is especially meaningless in this case because it assumed the property was owned in fee. Now that the title work is back, there are many non-fee parcels, no evidence-of-title parcels, and defective-title parcels in addition to physical gaps between parcels claimed in some way.]

Net Liquidation Value (NLV):

\$6,500,000 (This report by Arthur Gimmy International) Our scope of work requires us to discount this conclusion if there is a measurable delay in achieving a cash payout. We have already done so in terms of a 3-year selloff and a 6-month set-up time. Any additional discount for delay would be speculative considering the Miller, Owen & Trost memorandum and attachments.

[This is a complicated but sound analysis to determine the worth of a railroad property where there is no economic or market basis for its continued use. However, the liquidation value is not reliable or meaningful unless (and until) the railroad is legally free to be liquidated. The value may be subject to discounting for time (and costs) needed to achieve liquidation status.]

Corridor Value:

\$6,500,000 (This report by Arthur Gimmy International)
[Is at most the same as NLV when there is insufficient economic incentive to motivate investors to purchase for a return on investment by operating the railroad.]

Conclusions

The only reliable and useful value reference herein is the Net Liquidation Value. Each of the other analyses shows that there is almost certainly only negative value to the RR as an operating entity including the need to replace improvements. The GCV analysis shows that a shortline operator might make a temporary profit, but the railroad owner will not.

Our conclusion of NLV value was originally premised and conditioned on the assumption as originally announced to us that the seller (U.P.) would somehow retain the legal obligation to the STB and its freight clients to maintain the improvements or to see to it that the obligations were terminated at the seller's expense.

Although these continuing obligations were brought up many times and are largely a matter of legal definition and negotiation, we have been provided nothing of substance except a memorandum that these matters would be handled. However, a press release received in 2004 as our first draft report was being finished seems to announce that SCCRTC is not only buying the assets but the continuing freight obligations and that the seller, Union Pacific, will be released from its obligation.

Our early conclusion of NLV value was based on the instruction that the land was owned in fee, and on a current availability of the RR for liquidation or on appropriate legal guarantee by UP or others that the freight obligation (including maintenance of improvements) will not fall on SCCRTC.

Now that title work has been produced, our conclusion of NLV, with all improvements removed, cannot be over \$6,500,000. No other assets of economic significance are apparent. There are still questions regarding mapping ambiguities and land areas which require the attention of a civil engineer. Again, we urge this important analysis to be obtained.

However, our final conclusion of "Fair and Reasonable Price" according to the "Red Book" is based on the further consideration of several other factors:

- 1) Recent track improvements by UP give SCCRTC a short-term breathing space to determine how they will financially operate the railroad on a permanent basis.
- 2) Net Liquidation Value will probably increase over time at a rate equal to or greater than the inflation component of the discount rate for discounting a future NLV remainder when it is time to terminate the RR use. This might be likely by reference to recent past rates whereby the time value of money is low while Santa Cruz County land values (for residential use) were rising rapidly. Though rates change and values for different uses change, it is not unreasonable that the future liquidation value will equal the present liquidation value if discounted for time as a future interest.
- 3) It is also not unreasonable to conclude that SCCRTC is or shortly will be able to provide the means to operate the RR indefinitely and that if unable to do so, will be able to liquidate it at a future value equivalent to today's value even after discounting. Thus, the current NLV of \$6,500,000 is also a "Fair and Reasonable Price" as of March 1, 2004.

CERTIFICATION

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

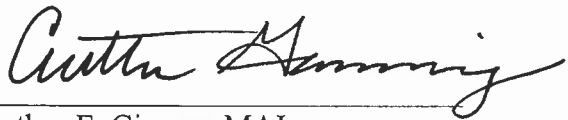
- 1) The statements of fact contained in this appraisal report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and correct.
- 2) The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analysis, opinions, and conclusion.
- 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) My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- 5) My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 6) A personal inspection of the property that is the subject of this report was made by us (and a hiline inspection by Charles Baumbach) in January through September 2004.
- 7) We relied on and commented on legal opinions, GCV and Salvage value opinions of others noted specifically in the body of this report.
- 8) The report and analysis, 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 Appraisal Practice of the Appraisal Institute.
- 9) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 10) As of the date of this report, Arthur E. Gimmy, MAI had completed the requirements of the continuing education program of the Appraisal Institute.
- 11) I have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see Appraiser's Qualifications included in the Addenda to this report for additional information about work and educational experience.

12) Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion subject to the assumptions and limiting conditions set forth in this report that as of March 1, 2004, the Net Liquidation Value (NLV) of the Santa Cruz Branch Line railroad was:

SIX MILLION FIVE HUNDRED THOUSAND (\$6,500,000) DOLLARS

ARTHUR GIMMY INTERNATIONAL

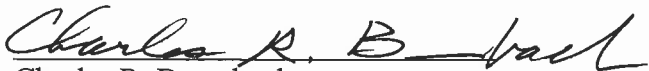
Appraisal Prepared and Reviewed by:



Arthur E. Gimmy, MAI

President

State Certification No. AG009703



Charles R. Baumbach

State Certification No. AG001732

