



Appraisal &
Consulting Group, LLC

SUMMARY APPRAISAL REPORT

Sumner (Helensview) School
8678 NE Sumner St.
Portland, OR 97220

EFFECTIVE DATE

June 26, 2012

PREPARED FOR

Mary Larson
Director of Business Services and Operations
Parkrose School District
10636 NE Prescott St.
Portland, OR 97220-2648

PREPARED BY

David Pietka, MAI
Appraisal & Consulting Group, LLC
1516 NE 37th Avenue, Suite 210
Portland OR 97232





Appraisal &
Consulting Group, LLC

August 10, 2012

Mary Larson
Director of Business Services and Operations
Parkrose School District
10636 NE Prescott St.
Portland, OR 97220-2648

RE: Sumner School
8678 NE Sumner Street
Portland, OR 97220

Dear Ms. Larson:

In accordance with your request, we have conducted an appraisal of the above captioned property. The property is valued using generally accepted appraisal principles and theory. The appraisal is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP), and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

At the request of the client, this appraisal report is presented in a summary appraisal format as defined by USPAP Standards Rule 2-2(b). This format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to estimate the As Is Market Value of the former Sumner Elementary School in the Parkrose School District in the city of Portland. The property is located on an 8.74-acre parcel zoned General Industrial (IG-2hx) with a total gross building area of 35,958 SF according to the school district (36,602 SF according to Multnomah County records). The school was originally built in 1956.

Please note that under the current zoning regulations, institutional uses for schools, colleges, medical centers, and religious institutions are not permitted. As the subject was built in 1956 prior to these use restrictions it remains a legal, non-conforming use that could be rebuilt if damaged by fire or other natural disaster.

Due to the special use nature of the improvements and the large site area, there are realistically three use/marketing scenarios as follows:

Scenario 1: Continued use of the entire site and school building, leased to or sold to an institutional user.

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Scenario 2: Demolition of the existing improvements and subsequent marketing as a redevelopment site totaling 8.74 acres of industrial land.

Scenario 3: Continued use of the school building leased to or sold to an institutional entity, located on a 5.0 acre site and 3.74 acres of “excess land” marketed for sale for redevelopment. This scenario assumes that the entire acreage is not required by the type of user occupying a former public school.

Please refer to Page 47 in the Analysis of Value discussion as to the relative merits and indicated values each scenario would provide.

The value conclusions are subject to the following extraordinary assumptions and hypothetical conditions:

Extraordinary Assumptions – Please note that due to the age of construction and visual inspection where “popcorn” ceilings and floor/ceiling tiles were observed, hazardous materials relating to asbestos and lead-based paint may be contained within the building. While a hazardous material report on the property was not available, the school district maintenance manger, Scott Wood, who accompanied the appraisers during the inspection, said these items have been identified/mitigated and do not represent a health risk to building occupants.

Scenario 3 is predicated upon the assumption that a partitioning of the site into two lots, one with the existing building and site improvements on 5.0 acres, and the other totaling 3.74 acres of vacant residential land available for redevelopment.

Hypothetical Conditions – The land value conclusion is based on the hypothetical condition (Scenario 2) that the site is considered vacant with all existing structures and site improvements demolished. This condition is necessary given that no formal demolition plan/cost estimate has been developed. Please note that demolition costs can be offset to an extent by recovery and reclamation of reusable or recyclable materials.

Additionally, a redevelopment of the site to an industrial use as allowed by the base zoning district (for both Scenario 2 and Scenario 3) would most probably require completion of the existing right-of-way for NE 87th Avenue (that is unimproved from NE Emerson St. north to NE Killingsworth) for truck/heavy traffic access rather than through the surrounding residential neighborhood. The extent of street improvements required would be ascertained when a development application is developed.

Donald R. Palmer, MAI, with first Real Estate Services, reviewed the report and provided appraisal management services regarding the assignment.

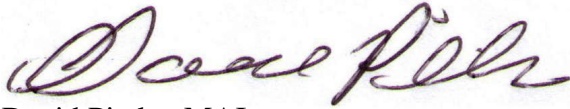
Ms. Mary Larson
Parkrose School District

August 10, 2012
Page 3

If questions arise concerning this report, please contact the undersigned. Thank you for the opportunity to be of service.

Sincerely,

APPRAISAL & CONSULTING GROUP, LLC

A handwritten signature in dark ink, appearing to read "David Pietka", written in a cursive style.

David Pietka, MAI
OR State Certified General Appraisal
No. C000180
Email: David.Pietka@acgrp LLC.com
Phone: 503.206.1071

A120011

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Executive Summary

Property Information

Name: Sumner School
Address: 8678 NE Sumner St.
Portland, OR 97220
Type: Special use school building
Tax ID: R318415 (1N2E21AB 100)
Owner of Record: School District No. 3M (Parkrose SD)

Property Description

Site Description—

Land Area: 8.74 AC (380,714 SF)
Topography: Level
Flood Zone: Zone X, outside the 500-year floodplain
Zoning: IG2hx –General Industrial 2 to provide areas where most industrial uses may locate, while other uses are restricted to prevent potential conflicts and to preserve land for industry, similar in character to existing development. The two overlay districts include the Aircraft Landing (h) and Portland Airport Noise (x) overlay districts.

Improvement Description—

Gross Building Area: 35,958 SF
Surface Parking: 58,000 SF
Year Built: 1956
Quality: Average
Condition: Average

Special Use – School Building

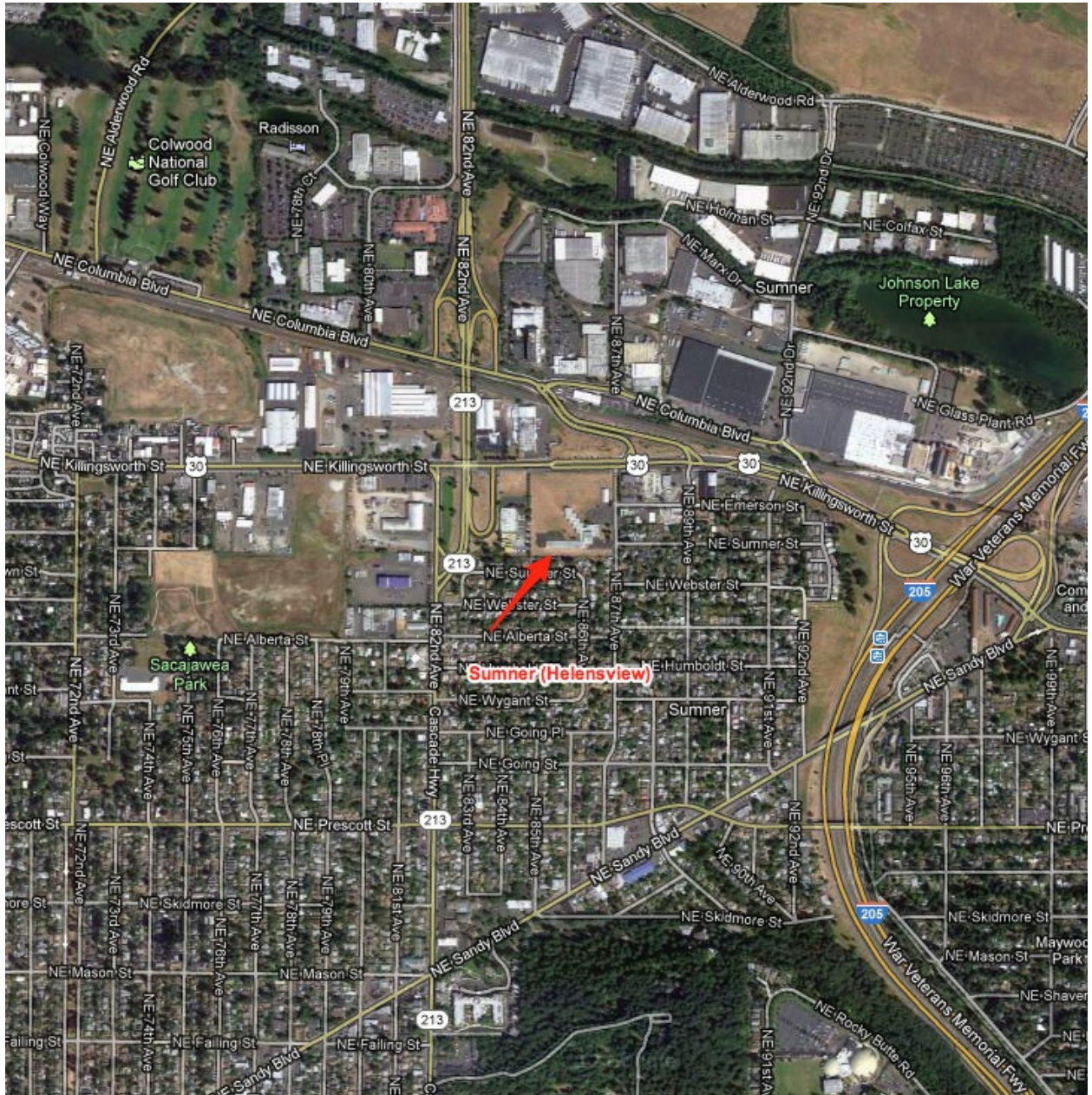
Highest & Best Use—

As Vacant: General Industrial use.
As-Improved: The existing use, a special use school building on 5.0 acres with the remaining 3.74 acres of “excess land” marketed for redevelopment (based on Scenario 3 generating the highest values.)

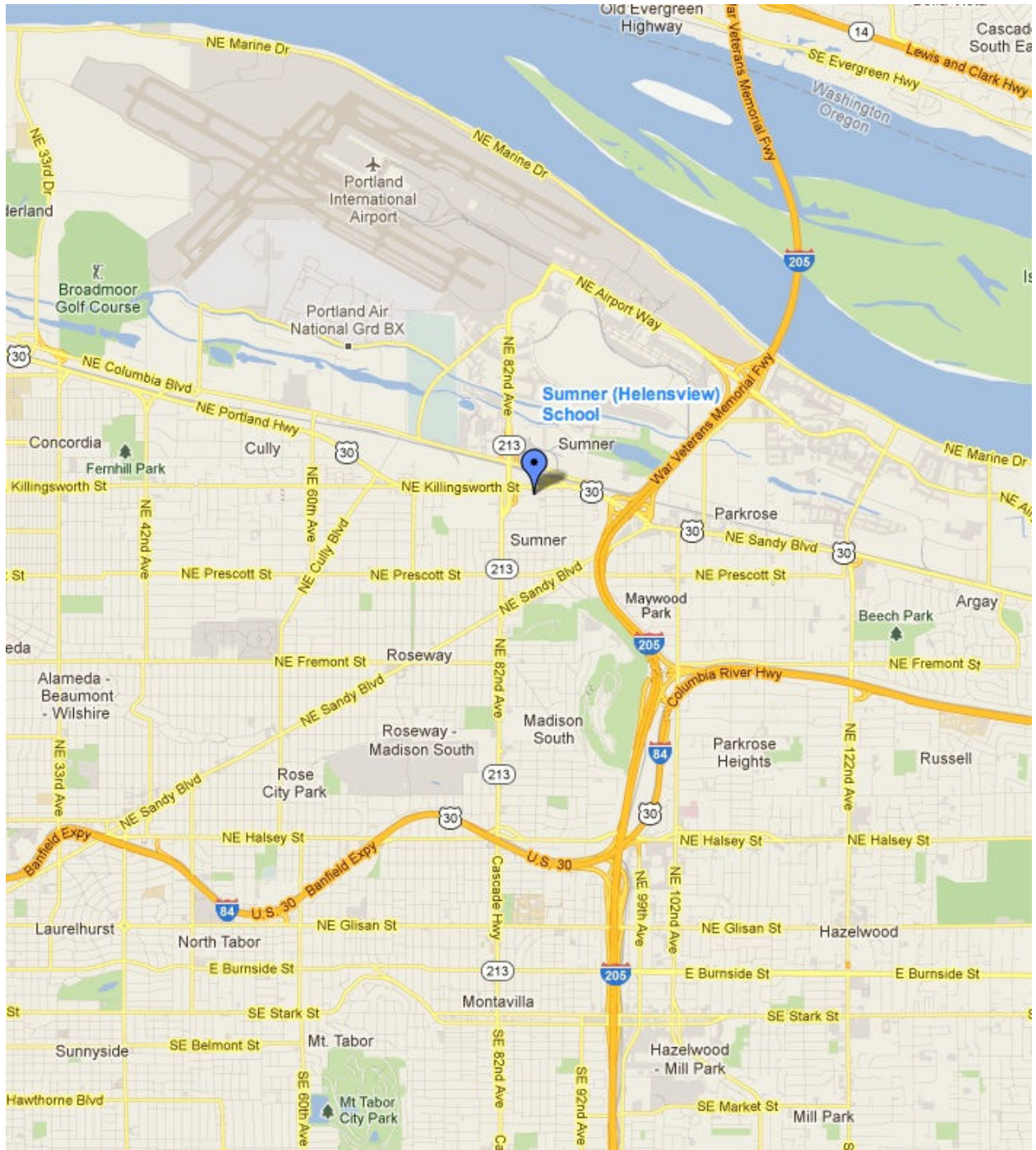
Valuation Summary

Date of Value: June 26, 2012
Interest Appraised: Fee Simple
Exposure/Marketing Time: 24 months or less
Market Value Indications: Please refer to Page 47 for a value discussion of each scenario.

Aerial Photograph



Local Area Map



Subject Photographs



Looking west on Summer, subject on left



Front entrance



Basketball/Activity building



East elevation



South elevation



SE elevation

Subject Photographs (continued)



Typical hallway



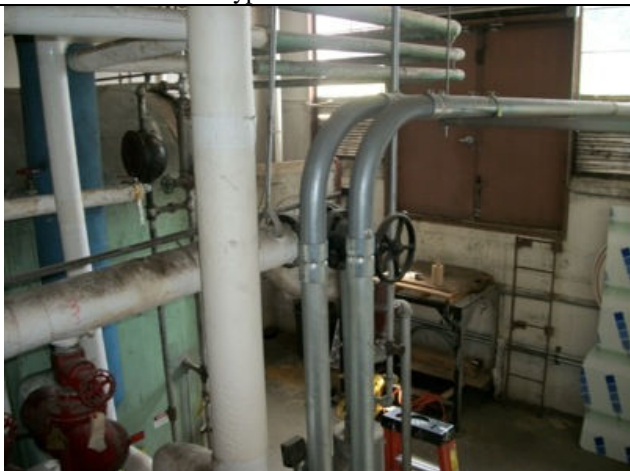
Typical hallway



Typical classroom



Gym/Stage



Boiler Room



Gym

Identification of Appraisal Assignment

Property Identification

The subject is a 35,958 SF school building built in 1956 with a site area of 8.74 acres at 8678 NE Sumner St in the Parkrose area in Portland, Oregon.

Legal Description

A metes and bounds legal description or current survey of the subject area to be acquired was not available. The assessor's tax roll description is: SECTION 21 1N 2E, TL 100 8.74 ACRES. The Assessor's parcel Number is R318415. The reference parcel number is 1N2E221AB 100. A preliminary title report was not provided.

Client Identification

The client of this specific assignment is the Parkrose School District, Mary Larson, Director of Business Services and Operation.

Purpose

The purpose of this assignment is to develop an opinion of the Market Values of the subject property's fee simple interest. Three development scenarios are offered each with a different market value determination. Scenario 1: Continued use of the building and site "as-is"; Scenario 2: Demolition for the entire building and site improvement and marketing the site in its entirety for redevelopment; and Scenario 3: Partition the site into two lots, one with the existing improvements on 5 acres with the remainder 5.39 acres becoming excess land.

Intended Use

The intended use of this appraisal is to assist the client with disposition decisions.

Intended User(s) of the Appraisal

Intended user of this report is the Parkrose School District.

Effective Dates of Value

Date of Report	August 10, 2012
Valuation Date (As-Is)	June 26, 2012

Personal Property

No personal property or intangible items are included in this valuation.

Deductions and Discounts

No deductions or discounts are utilized in this analysis.

Property and Sales History

If available in the normal course of business, analysis is required for all agreements of sale, options and listings of the subject property as of the effective date of this appraisal. In addition, all sales of the subject that occurred within the three years prior to the effective date of value are required.

Identification of Appraisal Assignment (continued)

Current Owner – The subject is currently recorded in the name of School District No. 3M (Parkrose Schools) according to the City of Portland and Multnomah county records.

Three-Year Sales History – The subject has not sold during the past three years.

Subject Sale Status – The subject is not currently listed for sale.

Current Lease (s) – The school has one tenant, the Multnomah Education Service District (MESD) that is operating the building as the Helensview Alternative School. The lease is a 10-year term that began in July 2003 and will terminate in July 2013. The initial rent level was \$90,000 per year, triple net, with annual increases based on CPI changes from the previous year but not to exceed 3% per year. The actual rent currently paid was not available, but was reported by Ms. Larson generally between \$3.00 and \$4.00/SF and is considered below market rent given the comparable lease rates for similar structures. The expense structure is “Triple Net” where the tenant pays all insurance, custodial and interior maintenance, utilities, and grounds maintenance. As both the Lessor and Lessee are government entities, no property taxes are assessed.

Please note that the lease includes a termination clause that allows either the Lessor or Lessee to terminate the agreement with a minimum of 180 days notice. The current lease is below market, which typically suggests that leasehold and lease fee values should be segregated. Due to the termination clause a prospective buyer’s decision would be based on the property as unencumbered by the lease, therefore this appraisal focused on the fee simple value.

Definition of Value

Given the scope and intended use of this assignment, the applicable value definition is “Market Value.”

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

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

¹ Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.

Identification of Appraisal Assignment (continued)

Property Rights Appraised

Fee Simple Estate – Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.²

Value Scenarios

In this analysis, the as is value is appraised and is defined below:

As Is Value – The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.³

Exposure/Marketing Time

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market."⁴ Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys. The following information was taken into consideration to develop an estimate of exposure time for the subject property: 1) Comparable sales; 2) Market participants; and 3) Surveys.

Very few comparable sales of special use school buildings have been closed in both Oregon and Washington in the past five years. Prospective buyers are limited to other school building type of uses such as charter schools, private colleges or training centers, and public and private social service organizations. Those few market sales indicate a wide range expose times from nine months to three years. Considering the physical characteristics and location of the subject property, a reasonable estimate of exposure time for the subject is up to two years.

Marketing Time is a similar concept to exposure time; however, it looks forward in time from the valuation date, and recognizes the time period necessary to sale a property, or a period of time to market the subject.

Exposure/Marketing Time Conclusion –The subject has limited investment appeal to the general marketplace but would appeal to a prospective school buyer as it has continued utility and the improvements are in average condition and quality. They have been well maintained over the years and no outstanding deferred maintenance was apparent during the inspection.

As vacant, there is average demand for industrial acreage. New construction has been relatively stagnant over the past three years and no new significant industrial/employment development is taking place.

² The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010.

³ *ibid.*

⁴ *ibid.*

Identification of Appraisal Assignment (continued)

Overall, demand for special use school buildings and industrial sites (as vacant) have remained low since the recession but some indications of upward economic trends are seen including reduced housing inventories and rising home prices. Considering the subject's location and development potential, an exposure period and marketing period of two years is concluded.

Scope of Work

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- ◆ The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- ◆ The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, access and exposure of the site.
- ◆ The appraisers completed a market analysis that included an overview of the local and expanded industrial market areas. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- ◆ The appraisers conducted Highest & Best Use analysis and conclusions were drawn for the Highest & Best Use of the subject property As Vacant and As Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."
- ◆ In order to select the appropriate valuation methodology, the appraisers considered the scope requirements and assessed the applicability of each traditional approach to value given the characteristics of the subject property and the intended use of the appraisal. As a result, this appraisal developed the Sales Comparison Approach to value for the hypothetical value of the site as if vacant with the improvements removed.

For the property As Improved, the Income Capitalization approach is most applicable as the subject is leased to an education-related entity and comparable rents from other special use buildings in the Portland Metropolitan area were found to support this analysis. Please note that the Sales Comparison approach is also normally used given the subject use and physical characteristics. However, very few comparable sales were found within a 100-mile radius to support a value conclusion. Those few sales and current listings are discussed in the Value conclusions section to provide support for the market value indicated by the Income Approach.

Given the age of the structure and the special use characteristics of the improvements, the Depreciated Cost Approach to value is not used. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.

- ◆ Given the variety of possible future use of the property depending upon the motivation of the property owner three scenario and value conclusions are developed: 1) Continued use of the

Scope of Work (continued)

entire site and improvements “as-is”; 2) Demolition of the existing structures and site improvements and marketing the site in its entirety for residential redevelopment’ and 3) Partitioning the site to two lots, one with 5.0 acres of land with the school building (continued use as leased) and the other with 3.74 acres of excess land available for redevelopment.

- ◆ Preparation of this appraisal in a Summary format as indicated in USPAP Standard 2.
- ◆ We are aware of the Competency Rule of USPAP and the authors of this report meet the standards.

Sources of Information

Item	Source
Tax Information	Multnomah County Assessor
Zoning Information	City of Portland Planning
Site Size Information	City of Portland/Multnomah County
Improved Size Information	Mary Larson and Scott Wood, Parkrose School District
Flood Map	FEMA
Demographics	US Census Data/Portland State University Population Center
Legal Description	Multnomah County Assessor
Comparables	Confirmed with market participants

Subject Property Inspection

Appraiser	Inspected	Extent	Date of Inspection
Rob K. Klever	Yes	Exterior	June 26, 2012
Donald R. Palmer, MAI	Yes	Exterior	June 26, 2012
David Pietka, MAI	No		

Rob K. Klever inspected the subject site and interior of the improvements with Donald R. Palmer, MAI on June 26, 2012. David Pietka, MAI did not inspect the subject but is familiar with the local area and City of Portland institutional and industrial markets.

Scott Wood, Maintenance Manager with Parkrose School District, accompanied the appraisers on the physical inspection.

Assumptions and Limiting Conditions

This appraisal is subject to the following assumptions and limiting conditions:

Extraordinary Assumptions – Please note that due to the age of construction and visual inspection where “popcorn” ceilings and floor/ceiling tiles were observed, hazardous materials relating to asbestos and lead-based paint may be contained within the building. While a hazardous material report on the property was not available, the school district maintenance manger, Scott Wood, who accompanied the appraisers during the inspection, said these items have been identified/mitigated and do not represent a health risk to building occupants.

Scenario 3 is predicated upon the assumption that a partitioning of the site into two lots, one with the existing building and site improvements on 5.0 acres, and the other totaling 3.74 acres of vacant industrial land available for redevelopment.

Hypothetical Conditions – The land value conclusion is based on the hypothetical condition (Scenario 2) that the site is considered vacant with all existing structures and site improvements demolished. This condition is necessary given that no formal demolition plan/cost estimate has been developed. Please note that demolition costs can be offset to an extent by recovery and reclamation of reusable or recyclable materials.

Additionally, a redevelopment of the site to an industrial use as allowed by the base zoning district (for both Scenario 2 and Scenario 3) would most probably require completion of the existing right-of-way for NE 87th Avenue (that is unimproved from NE Emerson St. north to NE Killingsworth) for truck/heavy traffic access rather than through the surrounding residential neighborhood. The extent of street improvements required would be ascertained when a development application is developed.

General Assumptions and Conditions

We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.

The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.

Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.

The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.

Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.

This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.

The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.

Assumptions and Limiting Conditions (continued)

The statements of value and all conclusions shall apply as of the dates shown herein.

The appraisers have no present or contemplated future interest in the property that is not specifically disclosed in this report.

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 authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which he or she is connected.

This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.

The liability of Appraisal & Consulting Group, LLC, its principals, agents, and employees is limited to the client. 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 appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.

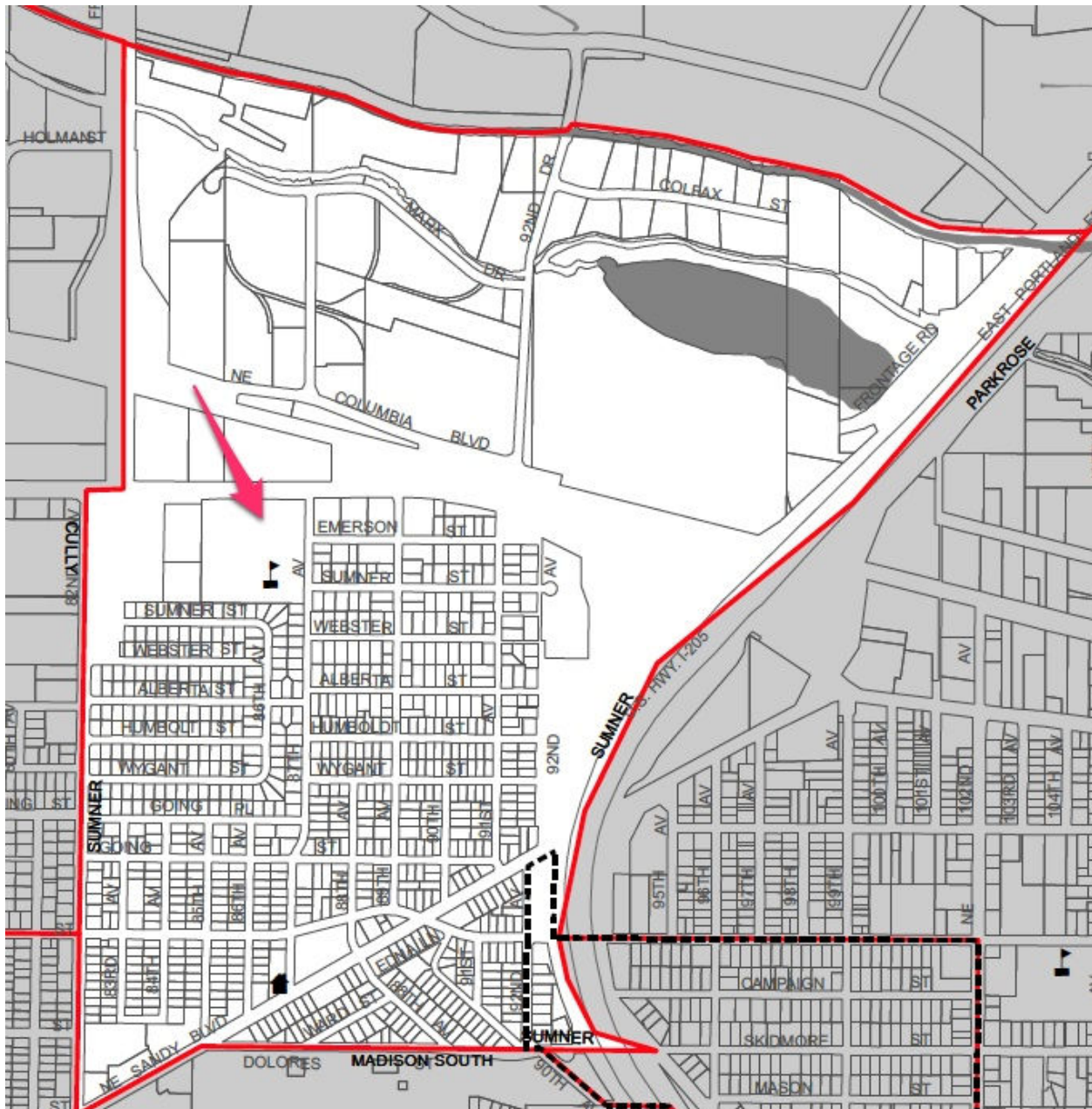
The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials that may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Appraisal & Consulting Group, LLC and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

An on-site inspection of the subject property was conducted. No evidence of hazardous materials on-site was noted other than the possible asbestos-containing materials previously noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no chemicals or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.

A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

Neighborhood Description

General – The Parkrose neighborhood is in the east portion of the city of Portland generally east of I-205 and north of NE Halsey Street up to the Columbia River. The school is in the Summer Neighborhood Association with South Madison neighborhood to the south, Parkrose to the east, and Cully to the west. The subject's immediate market is characterized as primarily single family residential with significant industrial uses in the north one-half of the neighborhood. The subject site is close to the intersections of I-205, NE 82nd, NE Killingsworth, NE Columbia Boulevard, and NE Sandy Boulevard. The general market area boundaries are NE 82nd Avenue to the west; NE Marine Drive and the Columbia River to the north; NE 148th Avenue to the east; and NE Halsey to the south. The immediate market/neighborhood boundaries are shown below:



This is an established, older neighborhood with good proximity to major traffic corridors and the Portland Airport. Historic farming activity continues on properties near the Columbia River.

Neighborhood Description (continued)

Industrial development is located primarily north of Columbia Boulevard (and along the Columbia Slough) with a mix of single-tenant and multi-tenant flex buildings and distribution warehouses. The Portland Development Commission (PDC) has proposed implementing an “enterprise zone” in this east Portland area that would freeze taxes at existing levels on new investments including new facilities and expansions for five years in an attempt to spur local development.

Commercial uses are concentrated along the major arterials, which include NE Airport Way, NE Sandy Boulevard, NE Killingsworth St., NE Columbia Boulevard, and NE 82nd Avenue. Given the built-up nature of the neighborhood, new construction is limited to redevelopment of underutilized parcels or new construction on in-fill lots.

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). Public transportation is available throughout the area including light rail approximately two miles southwest at the Gateway Transit Center. The following sections summarize factors pertinent to the social, economic, and physical development of the market area.

PARKROSE DEMOGRAPHICS (ZIP CODE 97220)	
Population	31,477
Population Growth Since 2000	6%
Annual Pop. Growth Proj. 2010-2015 (County)	0.65%
Population Density	6.27 pers/AC
Households	11,961
Household Avg. Size	2.6 ppl
Households with Children	28%
Annual Residential Turnover	17%
Greater than 5 Years Residency	29%
Median Year Residence	3.35
Households Owned	54.8%
Households Rented	39.5%
Households Vacant	5.7%

The local Parkrose neighborhood demographics are shown below. This neighborhood tends to reflect the general population trends of the larger area.

Neighborhood Description (continued)

SUMNER NEIGHBORHOOD DEMOGRAPHICS	
Population	2,137
Area	505
Population Density	4 PERS/AC
Households	1,072
Households Vacant	7%
Home Owners	617 (69%)
Renters	222 (25%)
Household Size	2.38 AVG.

Population – Portland has experienced an average population growth rate since 1990 relative to the State of Oregon, but slightly less than Washington and Multnomah Counties. This reflects the essentially built-out nature of land within the city with most vacant land available in suburban cities bounded by the Urban Growth Boundary. The following table illustrates historical population trends over the past 5 years:

Location	2007	2008	2009	2010	2011*	Annual Ch%
Portland	568,380	575,930	582,130	583,775	585,845	0.77%
Washington Co.	509,886	518,581	525,641	531,070	536,370	1.30%
Clackamas Co	372,270	376,660	379,845	376,780	381,775	0.64%
Multnomah Co.	710,025	717,880	724,680	735,334	741,925	1.12%
Portland MSA	2,159,720	2,191,785	2,217,325	2,230,578	2,246,083	1.00%
State of Oregon	3,739,359	3,784,182	3,815,775	3,837,300	3,857,625	0.79%

* following 2010 Census Verification - Portland State Population Research Center Estimates

Conclusion

The Parkrose area is making slow but steady progress as agricultural-use parcels transition to urban uses and redevelopment of under utilized properties continues. The local area has a well-rounded mix of commercial and industrial uses to provide a strong employment base, and housing is a mix of single-family detached and multi-family apartment projects.

Overall, the long-term outlook for the market area is good. However, the continued economic slowing is expected to lead to limited to no growth or increase in property values in the near-term.

Site Description

Size:	8.74 AC
Shape:	Rectangular
Topography:	Level
Utilities—	
Water:	Public Water
Sewer:	Sanitary Sewer
Electricity:	Yes
Natural Gas:	Yes
Cable/Telephone:	Yes
Adjacent Properties—	
North:	NE Killingsworth Street and industrial uses
South:	Single-family residential
East:	Broadway Cab Co. (along Killingsworth) and single family residential.
West:	Schetkey Northwest Sales (Heavy Equipment/Trucks)
Streets—	
NE Sumner:	2-lane local street with curbs and sidewalks along this frontage. The north side of the street is not improved to full street standards but has streetlights.
NE Killingsworth:	639 linear feet of street frontage on designated US Highway 30, with 5 lanes of traffic, 2 westbound and 3 eastbound along the subject frontage.
Access:	Average for school use but poor for industrial use as vacant. It is most probable that the platted right-of-way for NE 87 th Street, now unimproved except for a sidewalk, would have to be built to full street standards or wider to allow significant vehicle traffic directly from NE Killingsworth (right in/right out) rather than have truck traffic routed through the residential neighborhood as is now the case.
Exposure:	The site has average exposure from NE Sumner St but good exposure to NE Killingsworth if the access is developed.
Easements:	Standard ; easements in place are assumed to be standard utility agreements as no preliminary title report was provided. No detrimental easements are noted during the inspection.
Soils:	Adequate for existing use and for residential redevelopment given surrounding uses.

Site Description (continued)

Flood Zone:	Zone X ; the subject is located in Flood Zone X, which are areas outside the 500 year floodplain.
Earthquake Zone:	Zone 3 - medium risk area.
Zoning:	IG2hx , see zoning section following the Improvement Section for more details.
Site Rating:	Average to good for continued use as a school building as it is located in a single-family detached, residential neighborhood. Considering the As Vacant use for industrial redevelopment, this site would represent one of few, larger acreage parcels (above 1 acre in size) available in Portland. However, current economic factors in the economy do not support immediate industrial development. Near term development within 2 to 5 years is plausible.

Improvement Description

Introduction:	The information presented below is a basic description of the existing improvements consisting of a school building and site improvements. Reliance has been placed upon information provided by sources deemed dependable for this analysis and includes the appraiser's inspection. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.
Property Type/Design:	Special Purpose School Building
Year Built:	1956
No. of Buildings/Stories:	One story main building with a steel-frame covered recreational building (basketball).
Building Size:	The main building consists of office space, classrooms, activity rooms, gym, cafeteria and kitchen, restrooms, and boiler rooms totaling 35,958 SF reported by the school district. Please note that Multnomah County records identify the gross building area as 36,602 SF. There is 58,000 SF of paved surface parking, 6,800 SF of concrete area.
Site Coverage:	9.4% is building area, (35,958 SF ÷ 380,714 SF). Considering the paved areas and building footprint, there is 26.5% site coverage.
Quality/Condition:	The subject property is average quality and is in average condition for the property type. No areas of deferred maintenance were noted during the inspection and the building reflected on-going periodic maintenance.
Actual Age:	56 years
Effective Age:	30 years
Economic Life:	50 years
Remaining Life:	20 years
Foundation:	Reinforced concrete slab
Exterior Walls:	Concrete and masonry
Roof:	Built-up, 2-ply roof.
Heating and A/C:	The property has a gas-fired boiler providing central steam heat. Previously existing oil tanks were decommissioned when the boiler was converted to use natural gas.
Lighting:	Adequate fluorescent lighting.

Improvement Description (continued)

Electrical:	Assumed adequate for an institutional/school use.
Windows & Doors:	Aluminum framed windows. The exterior and interior doors are primarily wood doors in wood frames, most with windows.
Flooring:	A mix of commercial carpeting, vinyl squares and ceramic tile (restrooms). Please note that this type of flooring tile has been known to contain asbestos.
Ceiling:	“Popcorn” texture and acoustical ceiling tiles of the type that frequent contain asbestos.
Interior Walls:	Sheetrock and plaster.
Insulation:	Assumed to be standard and to code for both the walls and ceilings.
Plumbing:	Common restrooms in hallways. Each classroom has a sink.
Interior Finish:	The subject has average quality interior finish but it is somewhat dated. The interior does look to be well maintained. The build-out is typical for other school buildings in the area. This appraisal recognizes that the building could and will be used with the existing asbestos but the buyer and seller would recognize a cost for asbestos remediation.
Hazardous Materials:	During the inspection, it was reported by the maintenance manager, Mr. Scott Ward that asbestos-containing materials have been identified but mitigation measures, such as encapsulating, have been used to allow continued use of the building. There was no indication of any other toxic materials. This appraisal assumes that all other improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos and that the site is free and clear of all hazardous waste and toxic material. Please refer to the Assumptions and Limiting Conditions section regarding this issue. The cost to remediate the asbestos has not been addressed, nor have demolition costs to remove the building. As we are not experts in asbestos remediation, further research is advised regarding the cost of asbestos remediation/removal. If these costs are significant, the appraiser reserves the right to revise the value.
ADA Comment:	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
Summary:	The information presented above is a basic description of the subject’s improvements. Reliance has been placed upon information provided by: (1) a property inspection; (2)

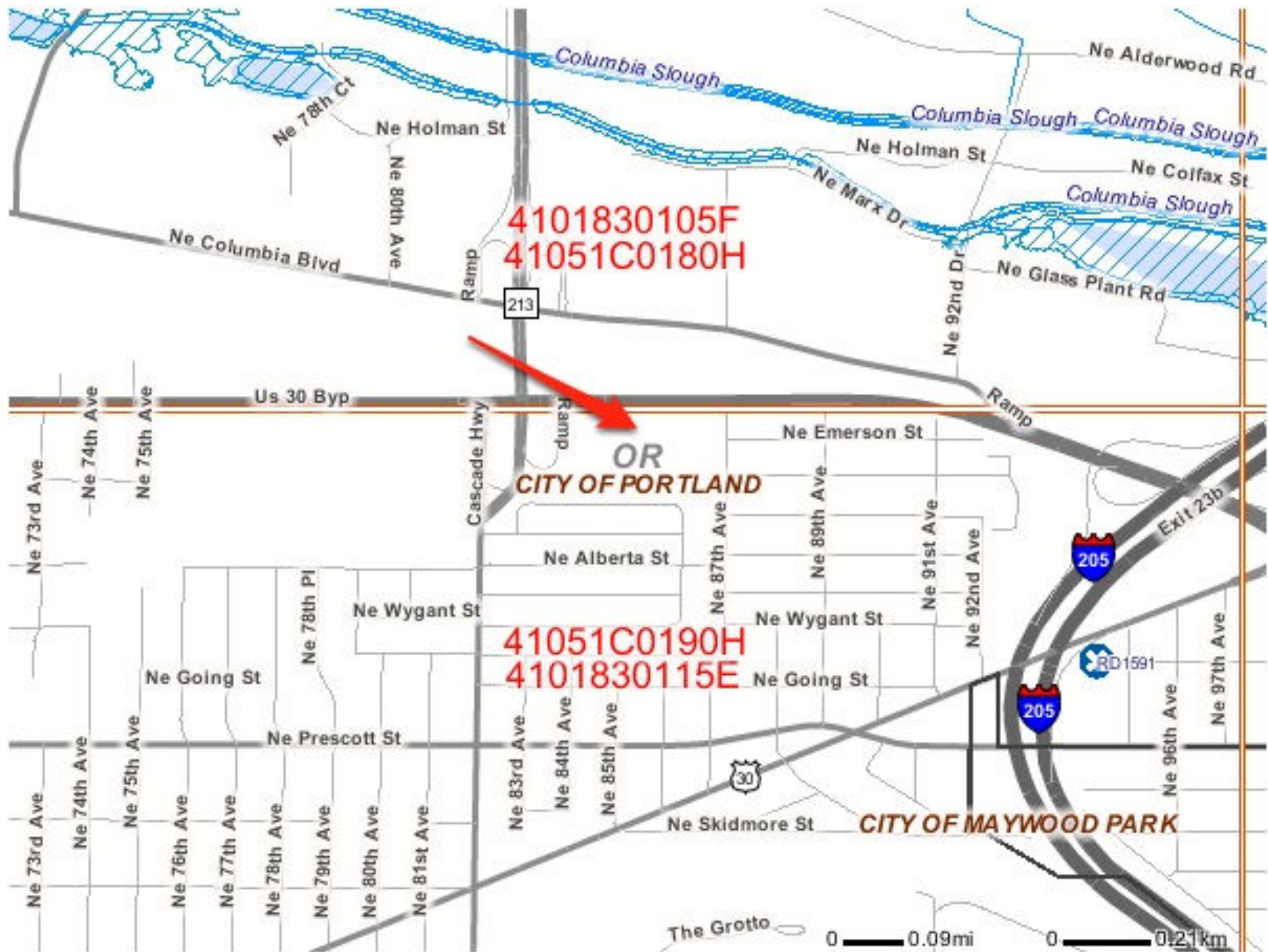
Improvement Description (continued)

county records; and (3) information provided from the subject property representatives, and the historic architectural drawings. It is assumed there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted.

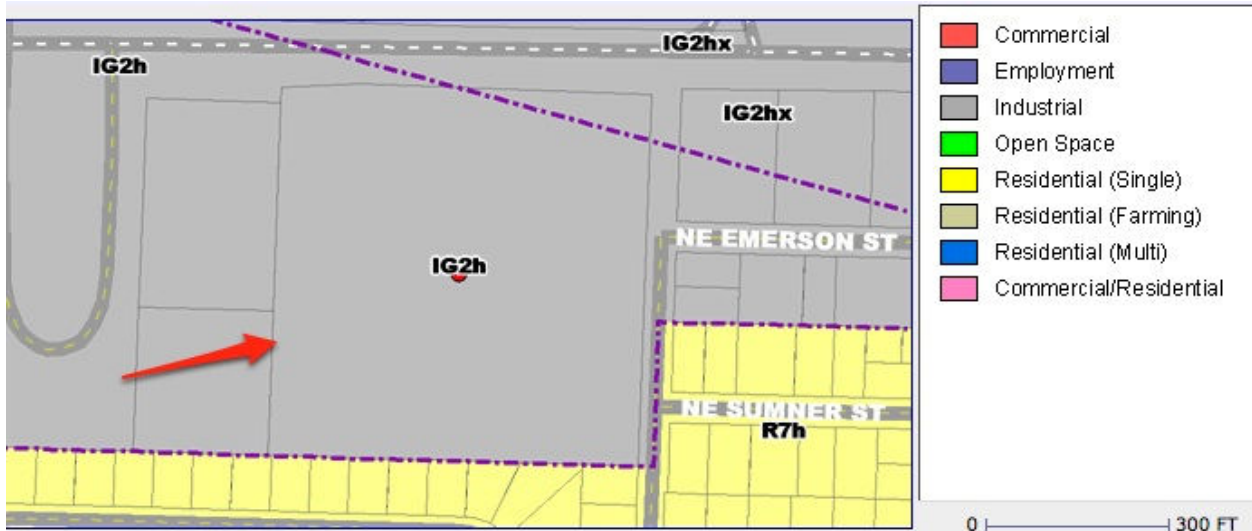
If questions arise regarding the integrity of the structure or its operational components, it may be necessary to consult additional professional resources.

The subject has an attractive and functional floor plan for its intended use as an educational facility. The construction is of average quality and has been well maintained. The complex continues to be functional for its intended school use.

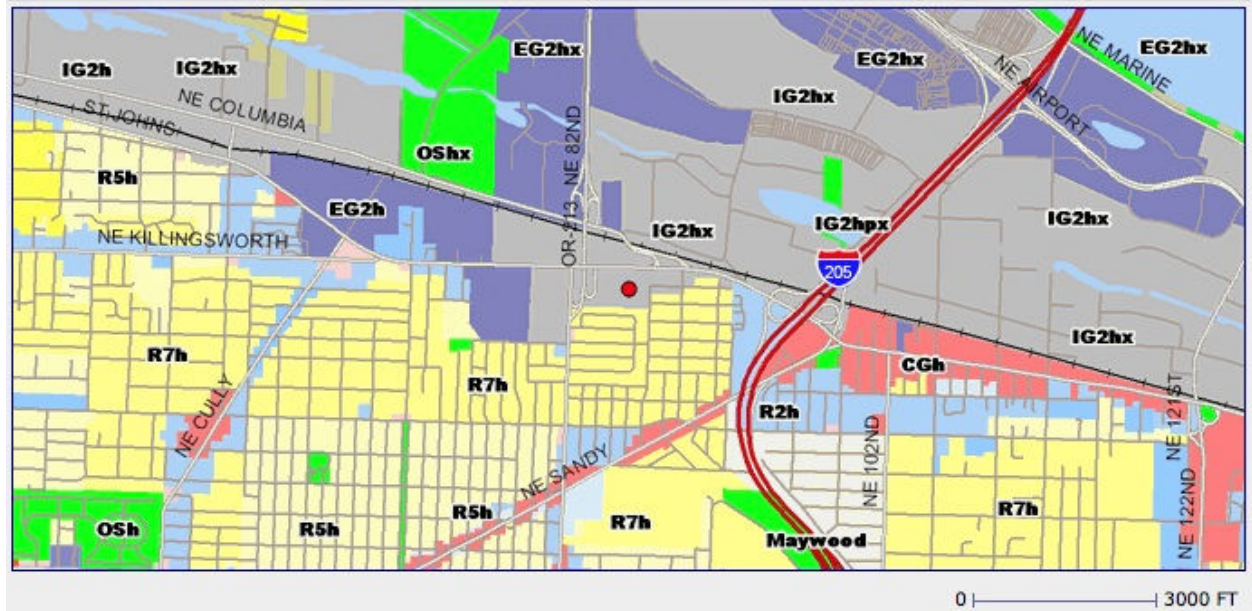
Flood Map



Zoning Map



Zone	IG2 (<u>General Industrial 2</u>)	Plan District	
Overlay	<u>h, x</u>	NRMP District	
Comp Plan	IS	Historical Resource Type	
Comp Plan Overlay		Historic District	
Zoning Map	<u>2539</u>	Conservation District	
Urban Renewal Area	n/a	<u>Wellhead Protection Area</u>	<u>No</u>



Zoning Information

The zoning characteristics for the subject property are summarized below.

Summary of Zoning—

Jurisdiction	City of Portland
Name of Zone	General Industrial 2 (IG2hx) Aircraft Landing Overlay and Portland International Airport Noise Impact Overlay
Permitted Uses	Manufacturing and production, warehouse and freight movement, wholesales sales, industrial service, railroad yards, waste-related, vehicle repair, self-storage, parks and open space, etc.
Condition Uses	Retail sales and service and office uses are a conditional or limited use within the zone.
Current Use	School Facility
Legally Permitted	No, Schools (Institutional Uses) are not permitted. The subject was built in 1956 prior to this zoning use restriction and is a legal, non-conforming use.
Setbacks:	25 feet to street lot line, 15 feet abutting a residential zone.
Maximum Site Coverage	85%
Maximum Building Height	No limit in the IG2 zone, but the “h” Aircraft Overlay limits building heights subject to FAA approval.
Maximum FAR	No limit
Comments	The zoning is flexible for an industrial use, and given the exposure characteristics, a conditional or limited retail use in conjunction with an industrial use is likely supported. The Portland International Airport Noise Impact overlay zone reduces the impact of aircraft noise on development within the noise impact area surrounding the Portland International Airport. The zone achieves this by limiting residential densities and by requiring noise insulation, noise disclosure statements, and noise easements.

Zoning Discussion and Conclusion

There are no pending or expected changes to the Portland Zoning Code. The existing use is expected to continue until the building is significantly renovated or the site is redeveloped. If the subject were unintentionally destroyed, it could be rebuilt.

Assessment & Tax Information

The subject's assessed values and property taxes for the current year are summarized in the following table:

Tax Information (2011/2012 Tax Year)

APN	RMV Land	RMV Imp.	RMV Total	AV	Taxes
R318415	\$528,770	\$1,607,930	\$2,136,700	\$0	\$0

* Property tax exemption equals RMV Total

As the Lessee is also a public/non-profit entity, the property tax exemption is still in effect.

Assessment & Taxation Description – In Oregon, Measure 50 was passed in the May 20, 1997 special election. This measure establishes the maximum assessed value of property in Oregon for the 1997/1998-tax year as 90% of the property's real market value in the 1995/96 tax year. Any increases in assessed value for tax years following 1997/1998 are limited to 3% per year.

Assessed value will be adjusted for new property or property improvements and certain other events. Certain local option taxes are permitted, if approved by voters. Measure 50 retains the existing total property tax rate for all property taxes, including local option taxes but excluding taxes for bonds at \$5 per \$1,000 of value for schools and \$10 per \$1,000 of value for non-school government. Due to Measure 50, tax comparables are not able to be utilized by Oregon assessors and are not applicable in this appraisal.

Market Analysis – As Improved

The following is an analysis of supply/demand trends in the Portland Institutional market as it relates to public and private schools from K-12 through professional/graduate schools.

There is a limited but diverse group of potential buyers including private or charter K-12 schools, private colleges or training centers, education service providers (such as the county service districts), social service organizations, and religious organizations, among others.

General Supply

The supply of vacant schools (church and institutional facility) properties available for purchase and/or lease is very limited. However, more school districts have been closing or considering closing facilities due to declining student enrollment. Several school districts in the area have experienced student population growth (such as North Clackamas, Sherwood, east Multnomah County districts, and western Washington County districts) and have built new facilities to accommodate that growth, particularly up to year 2008. However, with the economic and housing market decline over the past 5 years, most school populations have slowed or lost previous gains in student enrollment leaving older school buildings underutilized.

Charter Schools – There has been growth in charter schools that offer an alternative to standard public school instruction. According to the National alliance of Public charter Schools, there are over 1.4 million students enrolled in 4,600 charter schools throughout the nation. Oregon does not restrict the number of charter schools, and locally these institutions have located in former school buildings.

College Buildings – The extension campus of Washington State University has recently been built in Vancouver. The new 55,500 SF building includes classrooms, computer labs, and offices. The total cost is reported at \$16 million, or \$291/SF (excluding land). Another building that was recently completed in September 2009 is the new Clark College facility at Columbia Tech Center also in Vancouver. This 70,000 SF building offers many of the same courses that are offered at the downtown Vancouver location, and is further proof of growth in the higher education sector.

These buildings were developed based on the availability of funding and only for owner/users. However, the cost of new facilities under current institutional building codes is normally prohibitive for most user groups, increasing the demand for the existing stock of facilities.

Private Schools – The Portland Public School District has buildings that it does not use for public education, which are leased to a variety of organizations for a variety of uses, including private schools and day care centers. The school district's representative indicated that these facilities have historically been 100% occupied, with no vacant space available for use by other organizations.

There are currently 175 facilities licensed as private or parochial schools within Clackamas County (42 schools), Multnomah County (82 schools) and Washington County (51 schools). The number of schools in the same geographically area in 1992 was 149. This is an increase of approximately 17.5%, or just less than 1% per year over the last 18 years. This indicates slow but steady growth in the private school education sector.

Market Analysis – As Improved (continued)

General Demand

Portland Public Schools reported good demand for existing structure and many inquiries and applications for occupancy when space becomes available. This demand seems to wane when facilities available for lease are located a greater distance from the CBD. North Clackamas Schools have unused school buildings and several rural school districts, particularly in the southern Willamette Valley, have put unused schools on the market for sale.

Historical enrollment statistics for the 26 school districts in the area are provided below and show student enrollment growth in the 10-year period from 1999 to 2009 compared with figures over the last three years that show some significant differences:

SCHOOL DISTRICT		% Δ 99-09	3-YR POPULATION GROWTH			% Δ 09-11
			2009	2010	2011	
BANKS	SD 13	21.0%	1190	1152	1138	-4.4%
BEAVERTON	SD 48J	19.0%	37950	38737	39118	3.1%
CANBY	SD 086	-2.2%	4979	4892	4735	-4.9%
CENTENNIAL	SD 28J	13.1%	6619	6474	6252	-5.5%
COLTON	SD 53	-18.6%	667	633	613	-8.1%
CORBETT	SD 39	7.5%	912	970	1101	20.7%
DAVID DOUGLAS	SD 40	36.8%	10783	10831	10706	-0.7%
ESTACADA	SD 108	10.2%	2892	2716	2732	-5.5%
FOREST GROVE	SD 15	21.0%	6195	6190	6017	-2.9%
GASTON	SD 511J	-22.2%	478	465	463	-3.1%
GLADSTONE	SD 115	-13.3%	2078	2089	2102	1.2%
GRESHAM-BARLOW	SD 10J	7.8%	12219	12146	12126	-0.8%
HILLBORO	SD 1J	20.0%	20714	20827	20909	0.9%
LAKE OSWEGO	SD 7J	-5.5%	6722	6738	6766	0.7%
MOLALLA RIVER	SD 35	1.8%	2781	2785	2794	0.5%
NORTH CLACKAMAS	SD 12	23.8%	17530	17334	17152	-2.2%
OREGON CITY	SD 62	15.2%	8255	8250	8158	-1.2%
OREGON TRAIL (SANDY)	SD 046	-2.5%	4083	4074	4112	0.7%
PARKROSE	SD 3	-1.1%	3426	3435	3476	1.5%
PORTLAND	SD 1J	-17.6%	45768	45718	46190	0.9%
REYNOLDS	SD 7	27.4%	11077	11294	11330	2.3%
RIVERDALE	SD 51J	27.8%	552	576	574	4.0%
SCAPPOOSE	SD 1J	8.1%	2171	2254	2305	6.2%
SHERWOOD	SD 88J	77.7%	4748	4874	4959	4.4%
TIGARD-TUALATIN	SD 23J	13.3%	12686	12688	12691	0.0%
WEST LINN	SD 3J	14.6%	8373	8422	8479	1.3%

As illustrated above many urban school districts have experienced negative enrollment trends since 1999 and in particular since 2009. Districts with significant historical growth relating to new housing development, i.e. Beaverton, North Clackamas, Reynolds (Troutdale), Sherwood,

Market Analysis – As Improved (continued)

etc. represent suburban gains and the expense of Portland schools with the exception of the David Douglas School District that neighbors Parkrose schools.

Summary & Conclusions

Supply and demand factors that influence the competitive position of the subject property have been analyzed. The public school system and private schools are showing relatively stable enrollment. The percentage of children in private schools in the local market is at about the national average but public school enrollments have generally been dropping in the Portland area. The subject is an owner-user property and continued use as a school is supported by market data. However, the site has good locational factors supporting industrial uses, which alternately, decreases the desirability to some potential uses of the school buildings such as charter schools, which would prefer a more traditional residential neighborhood.

Highest & Best Use

The concept of Highest & Best Use is an essential component of the appraisal process when estimating market value. Essentially, Highest & Best Use analysis identifies the most profitable, competitive use to which the property can be put. It can be described as the foundation on which market value rests. The Appraisal of Real Estate defines Highest & Best Use 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.

The Highest & Best Use of both land as though vacant and property as improved must meet four criteria:

- ◆ Legally permissible
- ◆ Physically possible
- ◆ Financially feasible
- ◆ Maximally productive

A use that meets each of the criteria above results in the most profitable use of the subject and is concluded as the Highest & Best Use.

As Vacant Analysis

The As Vacant Analysis pertains to the subject as if it were vacant land with all of the site and building improvement removed. The goal of the analysis is to determine the best use for the land, the ideal type of improvement and when it should be built.

Permitted uses of the subject's General Industrial 2 (IG2hx) zoning were listed in the Zoning Analysis section. Please note that the current use as a school building is not an allowed use in this district but based on the age of the building it is a legal, non-conforming use. Regarding physical characteristics, the subject site is rectangular with 639 linear feet of frontage on NE Killingsworth St, (US Hwy 30) a major traffic corridor on the north city limits. Within a one-half mile radius are the intersections with I-205, NE Columbia Boulevard, NE Sandy Boulevard, NE 82nd Avenue, all major business and traffic corridors. The Portland Airport is just over one mile to the north on NE Airport Way.

The immediate area to the north and along NE Killingsworth includes industrial and highway-oriented retail (primarily large land uses requiring outside storage) development while the other surrounding sites to the south are strictly single-family residential. All utility services are available but access to NE Killingsworth must be constructed along the NE 87th St. right-of-way for industrial redevelopment to occur.

Based on our observations of land development trends for sites with similar zoning and physical characteristics as the subject and analysis of current supply/demand trends, the highest and best use of the subject site As-Vacant is industrial development when market conditions improve.

As-Improved Analysis

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject's improvements were constructed in 1956, and the subject site is zoned IG2hx General Industrial 2. School use is not a permitted or conditional use but is considered a legal, non-conforming use given the year built prior to these zoning restrictions.

The physical and locational characteristics of the property have been previously discussed in this report. The project is of average quality construction and in average condition, with adequate service amenities. The improvements have received adequate maintenance and reflect a range of ages, designs, and construction materials. The estimated remaining economic life is 20 years. The improvements are well located with respect to a built-up residential base the south and southeast and nearby transportation corridors and transportation systems. Overall, the school is functional for the intended educational use but has lessened desirability to some school/institutional users due to the industrial characteristics of the local area.

In addition to legal, physical and locational considerations, analysis of the subject property as improved requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's continued use "as-improved".

As shown in the following value analysis sections, the value of the land as vacant, before considerations of the costs of demolition including hazardous material removal is significantly below the value as improved. However, should land value return to pre-recession levels, the land value as vacant could surpass the as improved value even with demolition costs. It is possible that market conditions could reverse in the next two to five years. As the subject buildings remain attractive to leasing over a period of years, it supports the continued use as improved.

Expansion is not a viable alternative, as the income generated by leasing the space would not support the cost to construct. Similarly, renovation would not make the improvements significantly more attractive to renters, nor make them more willing to pay higher rents. Conversion is also not indicated, as there is no other use allowed in the zoning district that would support use of this size of a building with special use characteristics.

Based on these considerations, the highest and best use "as improved" for the subject property is continued use as a school or other similar use that would not trigger occupancy denials by the city from some other non-conforming use applications.

In addition to analysis of the comparable leased facilities, current listings and closed school sales, we have researched on-line school site criteria documents and contacted a construction management firm to help identify what nominal site size is applicable for this type of facility. We found a variety of site sizes with no clear standard. Given that the current and most probable future user would not be a traditional school that would require full athletic fields, an average site size of 5.0 acres for this school size and building configuration is concluded.

To maximize the property value, a school/institutional use on a 5-acre site with the remaining 3.74 acres partitioned for redevelopment is plausible. This is discussed further in Scenario 3 valuation.

Valuation Methods

In the application of the real estate appraisal process, there are three distinct methods to determine value: 1) Cost Approach; 2) Sales Comparison Approach; and 3) Income Capitalization Approach. One or more of these approaches are used in all estimations of value. Although all three approaches may be applicable to a property, one or more of the approaches may have greater significance. Therefore, each is defined below and a discussion of the applicable approaches utilized in this assignment is concluded.

Cost Approach

This approach is based on the understanding that market participants relate value to cost and no one would pay more for a property than it would cost to build a like quality property on a comparable site. As the subject was built in 1956, any estimate of the specific amount of depreciation is problematic. Additionally, this method is normally only used for new construction of this property type in the marketplace. Therefore, this approach is not applicable.

Sales Comparison Approach

The sales comparison approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by adjusting them to the subject property for varying physical, location and market characteristics in order to bracket the subject property on an appropriate unit value comparison. In active markets with sufficient sales data, this approach is an accurate measure of value that may best reflect market behavior. However in a slow market, this approach may have limited reliability due to a lack of data and unique characteristics that cannot be accounted for in the adjustment process.

Only three closed sales in the Portland area were found, two of which were for small structures less than 10,000 SF. The third was the former Whitaker Lakeside School that was sold in October 2009. As an insufficient amount of market data was available to provide a credible value estimate by this approach, this method is not used for the as improved value analysis.

The Sale Approach is used to analyze the site value as if totally vacant per Scenario 2. Four closed sales and one current listing of low-density residentially zoned land provides sufficient data for a viable value conclusion as if the property was building ready. Please note that demolitions cost would normally be deducted from the as vacant market value to conclude an “as-is” value. Generally these costs can be estimated using the Marsha Valuation Service cost analysis and can range from approximately \$4.00 to \$9.00 per square foot for “clean” properties. However, the removal of hazardous materials make this cost estimate problematic as it is not within the expertise of the appraisers to estimate the amount and extent of this material, which may require full abatement, spot removal, encapsulation or a combination thereof.

This land value conclusion is also applicable to Scenario 3, where 3.74 acres are partitioned and marketed for redevelopment with the existing improvements remaining on 5.0 acres. Demolition is not a consideration in this scenario.

Income Capitalization Approach

This approach is based on the premise that the present value of future benefits of property ownership can be measured. Specifically, the approach measures a property's income streams and resale value upon reversion, which are then capitalized into a current value. As the subject is currently leased to an educational authority (MESD) and is in the last year of a 10-year term lease (with renewal expected in October 2012) it has investment property characteristics and is earning annual income, this method is applicable. Sufficient market lease rate were available to support this value conclusion.

The Income Approach is applicable to Scenario 1 (continued use "as-is") on all 8.74 acres and Scenario 3 (continued use of the school building sited on only 5.0 acres) with excess land of 3.74.

Income Approach – Scenarios 1 & 3

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach.

Unit of Comparison

The analysis is conducted on a dollar per square foot per year basis, reflecting market behavior. This unit of comparison is typically used in this market. The market rent analysis is based on a triple net expense structure where the landlord pays professional management and structural maintenance, and the tenants pay directly or reimburse their proportionate share of all other operating expenses including taxes if applicable, insurance, utilities, and common area maintenance.

Selection of Comparables

A complete search of the area was conducted in order to find the most comparable properties in terms of location, tenancy, age, exposure, quality, and condition. The comparables in this analysis are the most reliable indicators of market rent for the subject available at the time of this appraisal.

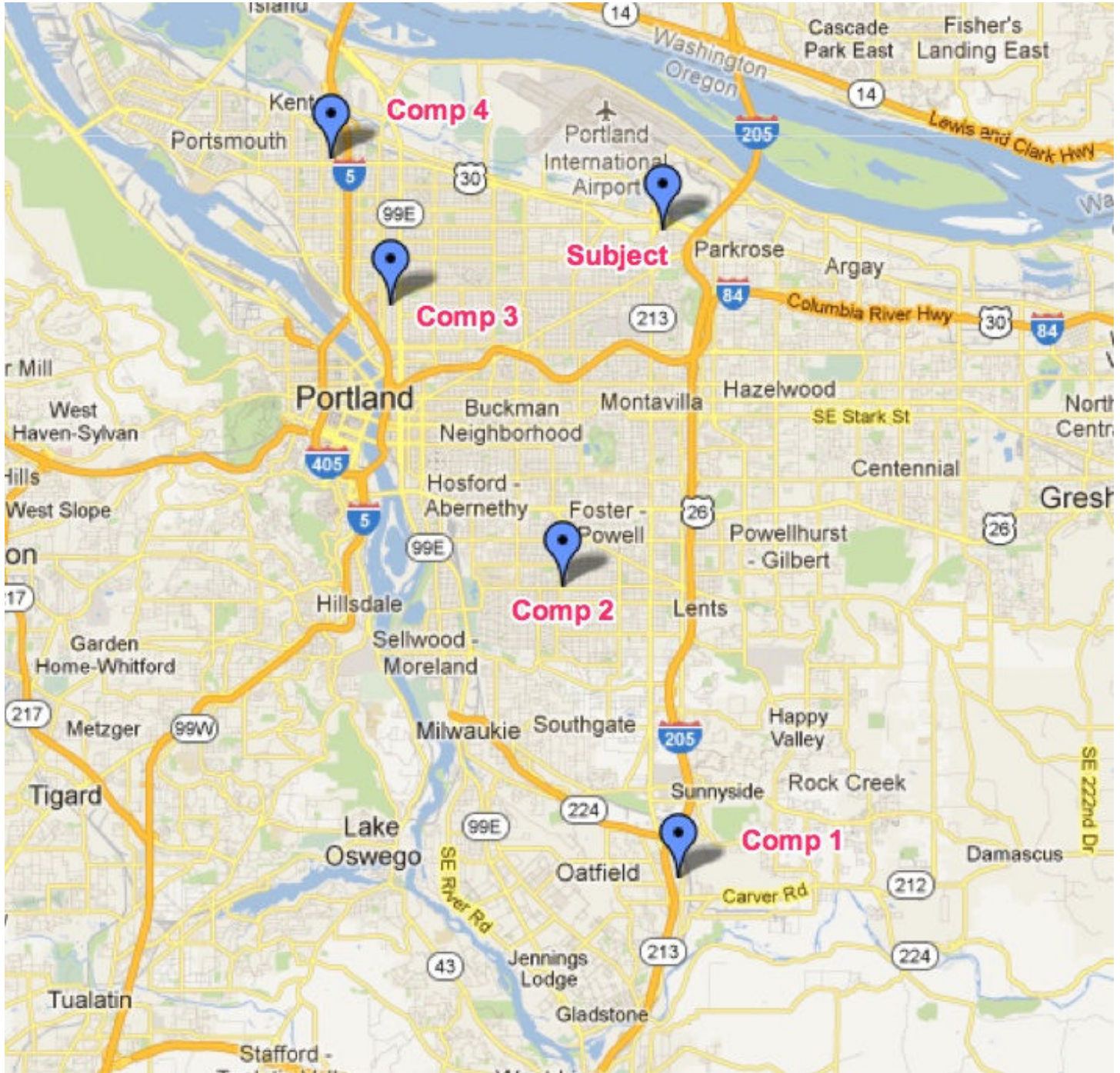
Presentation

The following presentation summarizes the comparables most similar to the subject property. The Rent Comparable Summation Table, Location Map, and photographs, followed by analysis of the rent comparables are presented on the following pages.

Rent Comparable Tabulation Chart

CHARACTERISTICS	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
Name:	Clackamas Elem. School	Our Lady of Sorrows	Immaculate Heart School	Kenton School
Address:	15301 92nd Avenue	5329 SE Woodstock	58 NE Morris St.	7528 N Fenwick St.
City	Clackamas, OR	Portland, OR	Portland, OR	Portland, OR
Bldg Size (SF)	51,000	30,798	15,160	33,450
Year Built	1930	1913	1929	1913
Construction	Masonry/Conc./Wood	Masonry	Masonry	Masonry
Condition	Average	Fair/Average	Average	Average
Quality	Average	Average	Average	Average
Tenant	Cascade Hts Charter School	Yumao Pre-School	Friends of the Children	De Le Salle School
Tenant Size (SF)	21,000	8,000	5,200	33,450
Lease Start	Sep-11	Jan-12	Current	Current
Lease Term (Yrs.)	6.5	3	10	10
Expense Structure	Triple Net	Triple Net	Triple Net	Triple Net
Rent per SF	\$5.00	\$7.50	\$7.60	\$9.57
COMMENTS:	Flat rent rate over the first term for a portion of the Clackamas Elementary School East of I-205, North of Hwy 212. Tenant option for 2, additional 5-year terms. Tenant has exclusive use of cafeteria, kitchen, library, gym/stage, and play areas/fields only for 6:30 AM to 4:30 PM, otherwise subject to community uses as determined by the school district. No termination clause until June 2014, then 24 to 30-month notice required.	This is the lease of 8,000 SF of classroom space to Yumao Pre-Schools as of January 2012. Previous tenant was Michael-El School at a combined rent rate of \$7.20/SF not including the gym and cafeteria, which were used on a day by day basis for additional rent. The previous tenant said they had outgrown the space and relocated at the end of 2011.	This is the lease of 5,200 SF of space to the Friends of Children school in a building affiliated with Immaculate Heart Catholic Church. The property contact stated that the rent is divided into two components (\$2,313/mo. and \$982/mo.). The contact stated that they lease only 5,200 SF of space, which is equivalent to \$7.60/SF.	This is the lease of the former Kenton School to De La Salle Catholic School. The former Board Chair indicated that the NRA was 33,450 SF and the lease rate was \$9.57/SF.

Rent Comparable Location Map



Rent Comparable Photographs



Comp. 1: Clackamas Elementary



Comp. 2: Our Lady of Sorrows



Comp.3: Immaculate Heart



Comp.4: Kenton/De La Salle

Market Rent Conclusion

The four rent comparables represent leases of school-use buildings for spaces ranging from 5,200 SF in the Immaculate Heart School to the entire 33,450 SF former Kenton School lease by De La Salle School. The indicated rent range is from \$5.00 per square foot per year to \$9.57 per square foot per year. All of the comparable leases were based on a “triple net” basis with the Lessor responsible for management and structural maintenance and Lessee responsible for property taxes if applicable, insurance, utilities, interior and common area maintenance.

Analysis of Comparables

Comparable 1 (\$5.00/SF) is 21,000 SF of area within the Clackamas Elementary School for the Cascade Heights Charter School. The building is older than the subject (built 1930) and has an inferior location east of I-205, south of Highway 212. The charter school has exclusive use of the building and grounds only from 6:30 AM to 4:30 PM, when it then becomes available to the public. Overall, this is a low rent indicator for the subject.

Comparable 2 (\$7.50/SF) is an 8,000 SF space rented within Our Lady of Sorrows School in SE Portland. The previous tenant “outgrew” the space and the new tenant (Jan 2012 lease) is a pre-school. The gym and cafeteria were not included in the lease but could be rented on a case by case basis separately. While the neighborhood is generally similar to the subject, its location on a well-travelled arterial is a detrimental factor. The small size of the leased area tends to put upward pressure on the rent per SF; so overall, this is a good rent indicator for the subject.

Comparable 3 (7.60/SF) is also a small space rented by a social service organization from Immaculate Heart School in NE Portland in a generally inferior neighborhood compared to the subject. As with Comparable 2, the small size of 5,200 SF puts upward pressure on the rent per SF. Overall, this is a good rent indicator for the subject.

Comparable 4 (\$9.57/SF) is the former Kenton School rented in its entirety by the De La Salle School in North Portland. The 33,450 SF building is similar to the subject in size but has an older construction date of 1913. While the neighborhood characteristics are similar to the subject, this rent appears on the high end of the range and is considered a high rent indicator.

The subject’s lease to the Multnomah Education Service District (MESD) is for a current annual amount of approximately \$140,000 and is in the last year of a 10-year lease that expires July 2013. The actual rent was reported by Ms. Larson as ranging from \$3.00 to \$4.00. While the lease term is for 10 years, there is a 180-day termination clause available by notice of either the Lessor or Lessee. The tenant pays all expenses. This is considered a below market rent.

Other leases in the school district include those within the Knott School building for the Morrison Center and Mt. Hood Community College. Both leases are in the 5th year of a 10-year term and both are for a current rent of \$7.17/SF.

Potential Gross Income (PGI) – Based on the above rent comparable analysis, a market rent of \$6.50 per square foot per year is concluded for the subject. When applied to the building improved size of 35,958 SF, this equates to a PGI of (35,958 SF x \$6.50/SF) \$233,727.

Income Approach – Scenarios 1 & 3 (continued)

Vacancy and Credit Loss (VAC) – This item accounts for the time period between occupants, as well as possible prolonged vacancies under slow market conditions. Based on current and perceived long-term market conditions and the subject's anticipated tenancy, a vacancy and credit loss of 5% of PGI (-\$16,686) is concluded.

Effective Gross Income (EGI) – The Effective Gross income is the PGI less the vacancy and credit loss or (\$233,727 - \$11,686) \$222,041.

Operating Expenses (OE) – The property owner is responsible for structural maintenance and incurred management costs. Management fee of 2% of EGI is concluded reflecting the minimal amount of interaction requires by the owner given the triple net expense structure. Similarly a 2% of EGI cost component for maintenance and repairs for long lived items not the responsibility of the lessee. Additionally, a reserve for replacement cost of 2% of EGI is concluded as essentially an escrow account contribution for structural maintenance and replacement. The maintenance and replacement fees are appropriate given the age and condition of the improvements. These three cost items total (\$4,441 x 3) \$13,322.

Net Operating Income (NOI) – The operating expenses of \$13,332 is subtracted from the EGI of \$222,041, resulting in an NOI of \$208,718.

Capitalization Rate – The appraisers searched for but were unable to locate any capitalization data for leased schools that have recently sold. General capitalization rates for older investment properties locally have ranged from 7.0% to 9.0% with more stable; risk adverse properties achieving the lower rate.

The PwC (Price Waterhouse Cooper) 1st quarter 2012 real estate investor survey reports the average overall capitalization rate decreased (inverse relationship to value) in 18 survey markets, increased in 7, and held steady in 6. These trends suggest that investors see much of the commercial real estate industry stabilizing. In the Pacific Region the apartment market achieves the lowest rates across the country at 5.21% with office market at an average of 7.32% in the Pacific Northwest. Warehouse cap rates are an average of 6.50% in the Pacific Region. Overall market cap rates for the Pacific Northwest range from 5.00% to 10.00% and average 7.09% in urban areas and 7.55% in the suburbs.

Band of Investment – Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through period amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information from lenders and the sales comparables indicates the following terms:

Income Approach – Scenarios 1 & 3 (continued)

BAND OF INVESTMENTS ASSUMPTIONS

Loan Amortization Period	25
Interest Rate	7.50%
Loan-to-Value Ratio	60%
Mortgage Constant	0.0887

BAND OF INVESTMENTS CALCULATION

Mortgage Component	60%	x	0.089	=	0.053
Equity Component	40%	x	0.080	=	0.032
Indicated Capitalization Rate					0.085
Capitalization Rate (rounded):					8.52%

Capitalization Rate Conclusion – As insufficient market data was available to extract a reliable cap rate, the band of investment technique rate conclusion of 8.52, rounded to 8.50 is used.

Direct Capitalization Conclusion

The summary chart below illustrates the Income Capitalization approach:

INCOME CAPITALIZATION SUMMATION TABLE				
	Size (SF)		Rent/SF/YR	Total
Annual Rental Income				
School Building	35,958	x	\$6.50	= \$233,727
Potential Gross Income				\$233,727
Less Vacancy & Credit Loss	5.0%			(\$11,686)
Effective Gross Income				\$222,041
Less Operating Expenses	Unit		\$/SF	Total
Management Fee	2% EGI		(\$0.12)	(\$4,441)
Maintenance/Repairs	2% EGI		(\$0.12)	(\$4,441)
Reserves for Replacement	2% EGI		(\$0.12)	(\$4,441)
			(\$0.37)	(\$13,322)
Net Operating Income				\$208,718
Net Operating Income				\$208,718
Divided By				÷
Capitalization Rate				8.50%
Market Value	As of June 26, 2010	R/O		\$2,455,508
				\$2,450,000
Indicated Market Value per SF				\$68

Value Conclusion – Income Capitalization Approach

As shown above the concluded market value is \$2,455,508, rounded to \$2,450,000. This equates to a per square foot value of \$68/SF. As discussed previously, those few sales and listings found locally are used to offer support for this value conclusion.

The former Whitaker Lakeside School on NE Columbia Boulevard in Portland sold for an adjusted \$95/SF in October 2009 to the Native American Youth and Family Center. However, the adjustment made for extensive deferred maintenance items included \$1 million in repairs before the purchase and \$3 million was needed following the purchase.

Brooks Elementary School is a 28,000 SF facility in Brooks, Oregon built in 1990 on 10 acres is now offered for sale at \$86.71/SF. While the location is inferior to the subject, the building is in better condition than the subject.

The Eldriedge School in Salem is listed for \$62.44/SF and is a smaller 13,517 SF school built in 1980 in 8 acres. Listing information indicates the property will not be available until June 2013 but shows the lengthened marketing times these types of properties entail.

Although limited in scope, these sales and listings offer support to our concluded “as-is” market value of \$2,450,000 used in Scenarios 1 and 3.

Sales Comparison Approach – Land Value Scenarios 2 & 3

The Sales Comparison Approach is based on the principle of substitution and states that no one would pay more for the subject property than the value of a similar property in the market. In this section, the value of the subject site is estimated by comparing it with sales of industrially zoned land located in the market area. Analysis is conducted on a per acre basis as is common for raw land parcels.

As previously discussed under Scenario 2, the hypothetical market value of the 8.74-acre site is concluded under the condition that the property's building improvements are demolished and the site is ready for redevelopment for industrial use. As no professional cost estimate to perform the demolition had been developed and given the presence of asbestos-containing building materials, our ability to reliably estimate these costs is hampered.

The concluded land market value is also applicable to the partitioned 3.74 acres assumed in Scenario 3. The difference is that in the later, no demolition costs are required as the vacant land is immediately available for industrial development (once the access to Killingsworth is improved) independent from the improved site.

Comparable Selection

A thorough search was made for industrially zoned parcels and sites of similar size and development potential in the area. The parameters of the survey were proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales and listings of sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales and current listings used represent the best comparables available for this analysis.

Five closed sales for properties from 1.88 AC to 19.51 AC were analyzed and indicate an adjusted price range from \$225,155/AC to \$265,095/AC. The Land Sales Summation chart, location map, and plat maps are on the following pages.

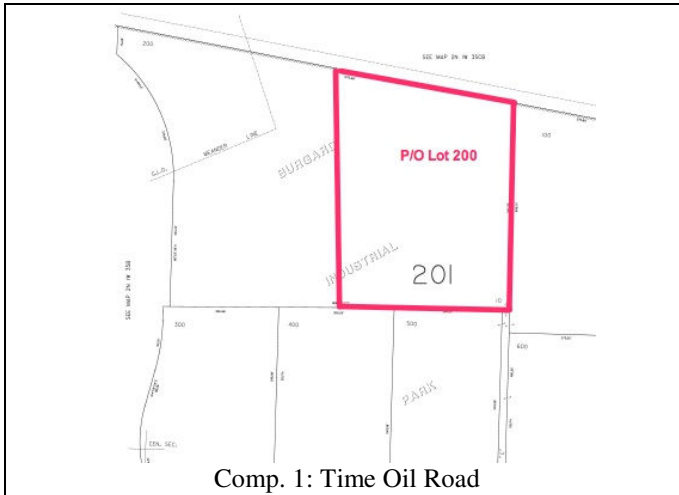
Value Adjustments to Comparable Sales

The adjustments are applied in a reasonable and consistent manner based on current market parameters. The adjustments made include grading and off-site improvement paid by the buyer on Comparable 5.

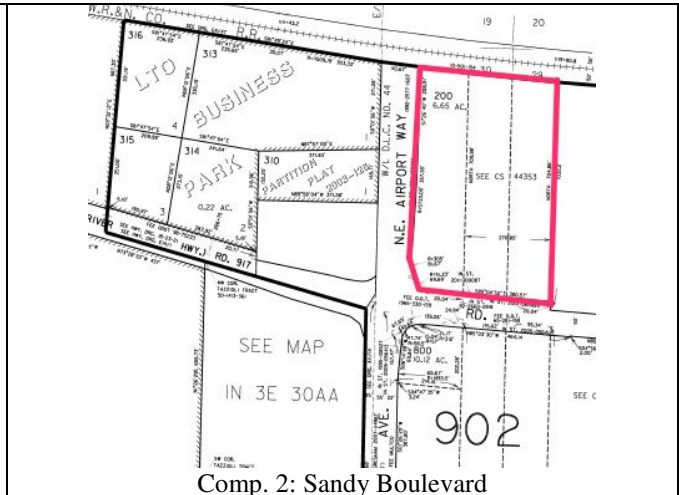
Land Sales Tabulation Chart

LOCATION	COMPARABLE 1	COMPARABLE 2	COMPARABLE 5	COMPARABLE 4	COMPARABLE 5
Address:	7400 NE Roselawn Road	NW South Rd & NW Thompson	14775-15035 SW Sunrise Lane	14101 SE 139th Ave.	NW Joss Rd & NW Brugger
City:	Portland	Portland	Tigard	Clackamas	Portland
County:	Multnomah	Washington	Washington	Clackamas	Washington
APN:	1N2E20AB 9200	1N1W27AB 1500, 2000	2S105DD 1100	2S2E02DD 100-116	1N1W18DA 701
PHYSICAL DATA					
Gross Site Size (acres):	3.90	2.63	19.43	3.00	3.41
Net Site Size (acres):	3.90	2.63	19.43	2.23	3.41
Zoning:	R5	R6	R7	VR 5/7 (Village Standard Lot)	R9
Potential Units:	29	16	79	16	24
Dwelling Units/AC Density:	7.5	6.1	4.1	7.2	7.0
Shape:	Rectangular	Rectangular	Rectangular	Rectangular	Rectangular
Topography:	Level with slopes at property lines	Level to slightly sloping	Level to sloping	Level with Conservation OS	Level
Access:	Average	Average	Average	Average	Average
Exposure:	Average	Average	Average	Average	Average
Water:	Public	Public	Public	Public	Public
Sewer:	Public	Public	Public	Public	Public
SALE DATA					
Buyer:	Listing	Rich Castrapel	Trust for Public Land	Talesin Homes	GW Land (West Hills Dev.)
Seller:	PYCO LLC	Noyes Deveopmnet	Sunrise Lane/JT Smith Cos.	REO Property	Blackrock Investments
Transaction Date:	9/1/2012	5/31/2012	5/13/2011	7/22/2011	9/13/2011
Transaction Status:	Current Listing	Recorded	Recorded	Recorded	Recorded
Transaction Price:	\$1,000,000	\$695,000	\$5,000,000	\$610,000	\$1,137,098
Analysis Price:	\$1,000,000	\$785,000	\$5,000,000	\$570,000	\$1,077,098
Adjustments:	Undetermined ROW possible	n/a	n/a	n/a	n/a
Recording Number:	n/a	12-044531 (TL 1500)	11-036014	n/a	11-063165
Financing:	n/a	Cash to seller	Cash to Seller	Cash to seller	Cash to Seller
Market Time:	n/a	n/a	n/a	116 DOM	n/a
ANALYSIS					
Price per Net Acre:	\$256,410	\$298,479	\$257,334	\$255,605	\$315,865
Price per SF:	\$5.89	\$6.85	\$5.91	\$5.87	\$7.25
Price per Unit:	\$34,483	\$49,063	\$63,291	\$35,625	\$44,879
CONFIRMATION					
Company:	Paris Group Realty (Zokoych)	The Sunset Group Doug Roake	Trust for Public Land	Legacy Realty	GW Land - Dan Grimberg
Phone:	503.230.1899	503.330.3712	503.228.6620	503.496.5190	503.641.7342
Source:	Seller's Broker	Seller's Broker	Buyer	Seller's Broker	Buyer
REMARKS					
	3.90 acres of former pit with filled soils that has been compacted and is ready for redevelopment. A 3.4-AC adjacent parcel (same property before LL adj.) was conveyed to Portland Parks by donation in 2006. The larger portion (19 AC) of the reclaimed pit to the west with Killingsworth frontage is zoned Employment/Industrial and is listed for \$289,473/AC.	Assemblage of two lots that partitioned off a residence leaving 2.63 acres of developable land. Buyer-paid preliminary approvals for a 16-lot subdivision in NW Portland. Site is level to slightly sloped but all usable after wetland mitigation. Price adjusted up \$80,000 for mitigation costs and \$10,000 for demolition costs.	Existing homes demolished prior to sale. Steep slopes at north boundary but area not quantified. Preliminary approvals for 79 lot subdivision not a consideration by buyer who facilitated a transfer to the City of Tigard for pars acquisition. Located on west slopes of Bull Mountain in area of above median value homes.	Approvals and infrastructure for a 16-lot subdivision Pfeifer Ridge but not final platted at time of sale. Bank owned real estate across the street from large public park. Land area reduced 0.77 AC for wetlands & conservation area. Price adjusted down \$2,500 for approvals.	Phase 4A as planned for Arbor Lakes subdivision, platted as Arbor Lakes No. 5., with approvals for 24 lots with final plat recordation in March 2012 (plat surveyed in October 2011.) Neighborhood of above median price level homes. Price adjusted down \$2,500 per lot for approvals.

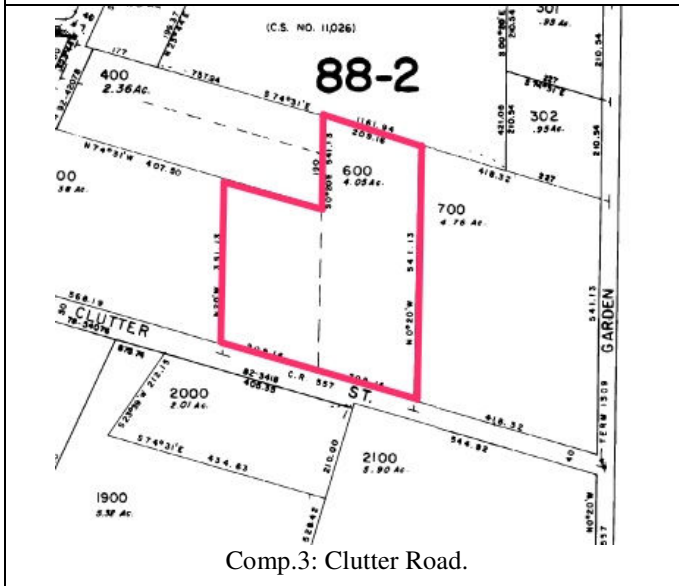
Land Sale Plat Maps



Comp. 1: Time Oil Road



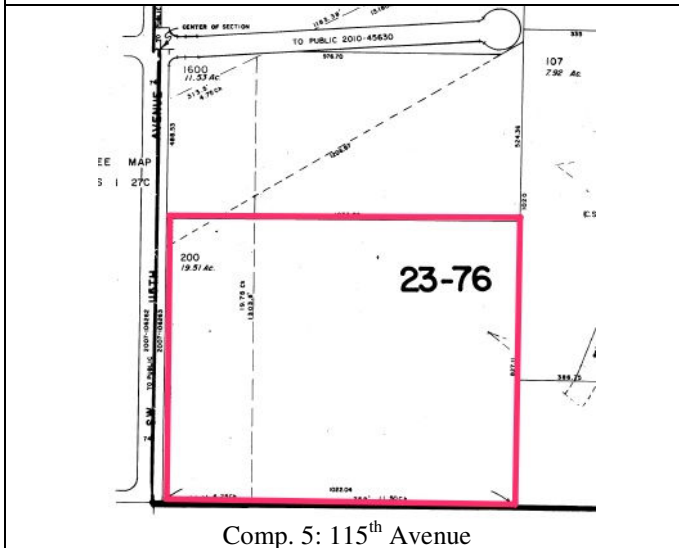
Comp. 2: Sandy Boulevard



Comp. 3: Clutter Road.



Comp. 4: Leveton Road



Comp. 5: 115th Avenue

Sales Comparison Approach – Land Value Scenarios 2 & 3 (continued)

Land Value Analysis

Comparable 1 (\$225,155/AC) is a March 2012 purchase of a 6.44-acre site in the Rivergate district near Smith and Bybee Lakes and was intended for warehouse/distribution uses. This area was considered excess land as part of a larger 13.62-acre lot that was improved. The buyer was the building tenant. Overall, this is a low value indicator for the subject as the site is in a generally inferior location.

Comparable 2 (\$261,905/AC) is an August 2011 purchase of a 5.25-net acre parcel in Gresham intended for a medical research facility. 1.61 acres of the larger lot were unusable due to right-of-way dedications and slope easements. This parcel had been on the market for several years but when relisted with a new broker at a competitive price, the property sold within 2 months. Overall this is a good value indicator for the subject.

Comparable 3 (\$240,741/AC) is a May 2011 purchase under contract by the adjacent landowner. The site is level and reported to have one foot of compressed gravel on the site. With secondary street exposure and inferior location, this is a low value indicator for the subject.

Comparable 4 (\$226,064/AC Adj.) is an August 2010 purchase of a 1.88-acre parcel in Tualatin in the Leveton Commons area. The site was advertised as shovel ready with all utilities available but is overall and inferior location. The smaller size limits some industrial uses. Overall, this is a low indicator for the subject.

Comparable 5 (\$265,095/AC Adj.) is an August 2010 purchase of a 19.51-acre parcel in Tualatin that represents excess land purchased by the intended owner/user of a build to suit structure under construction then on the larger lot. The buyer paid for grading and off-site improvement and the sales price is adjusted upwards \$425,000 for this work. Overall, this price level represents a good value indicator for the subject.

Land Value Conclusion

The comparables indicate a range of value from \$225,155/AC to \$265,095/AC. This correlates for a range of \$5.17/SF to \$6.09/SF on a per square foot basis as is also commonly used in the marketplace. The subject is best bracketed by Comparables 2, 3, and 5 forming a price range from \$240,741 to \$265,095 per acre. Therefore a per acre value of \$260,000 is concluded for the subject.

Given the subject location and physical characteristics, a “building ready” value, prior to any demolition costs and subsequent planning approvals is (8.74 AC x \$260,000) \$2,272,400, rounded to \$2,270,000 under Scenario 2.

Analysis of Value Conclusions

The fair market value of the subject could be represented by any one of the three scenarios, and is highly dependent on future conditions, which are not predictable at this time.

Scenario 1: This is the “as-is” situation with the existing improvements continuing to be operated as a school/institution property on all 8.74 acres. The value conclusion of **\$2,450,000** is reasonably supported by market rents and capitalization rates. Marketability of this use scenario is suspect, noting if the lease is not renewed in 2013 or the tenant vacates prior to July, it could take several years before a new user is located.

Sales Comparison Approach – Land Value Scenarios 2 & 3 (continued)

Scenario 2: The “as-vacant” situation with the improvements demolished and the site ready for residential redevelopment consistent with the base zoning district. The value conclusion of \$260,000 per acre is supported by the comparable land sales found in the market area. The total value conclusion of **\$2,270,000** (all 8.74 acres) does not reflect the probable future costs for demolition and removal of hazardous materials that has not, to date, been estimated.

Scenario 3: Under this assumption the site is partitioned into two lots: one with the existing improvements on 5.0 acres, and the other being the remaining 3.74 acres of vacant land that would be immediately available for industrial redevelopment. This scenario does not require demolition of the school building. In this assumption, the improved value remains \$2,450,000 and the excess land value is (3.74 AC x \$260,000) \$972,400. The total market value under this assumption is \$3,422,400, rounded to **\$3,425,000**.

Consultation and Final Value Conclusion

Presently the property is leased and generating income, allowing the client time to make appropriate disposition decisions. It should be noted that school properties are difficult to evaluate due to limited demand at this time in the market, along with limited demand residential development sites. This is clearly illustrated by the limited number of school sales and limited number of development site sales. In some respects, decisions regarding the property will more influenced by market issues, than value issues. Continued school/institutional use is not guaranteed, and the near term demand for the land as vacant is not strong.

The report presents three value scenarios. Available evidence clearly indicates that it is not time to demolish the improvements. The analyses also suggest that with some land use planning, a higher net value can be obtained through a partitioning of the property (if this proves feasible). Scenario 3 should be attempted to maximize the position of the school district. If it fails, the value would regress back to Scenario 1. If there were no demand for the school building, the value would regress back to the land only value, Scenario 2.

Also, full consideration should be given the future lease income if renewed at current levels (approximately \$140,000 per year), which could grows 5% per year with new lease terms. This is an excellent return at this time on a property that has weak marketability should the tenant vacate. The return could actually improve if Scenario 3 can be implemented without a decrease in the rent, as the school district would gain capital through the sale of land.

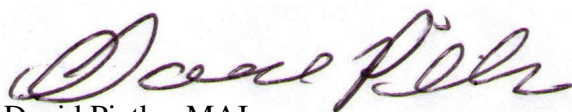
Finally, due to the recent recession, the reliability of value conclusions has decreased. In the 2002 to 2007 period, appraised values were typically within 5 to 10% of market value. In today’s market, given the issues discussed in this appraisal, the range has increased to 10 to 30%, and in the case of special purpose properties, many clients request values based on normal marketing periods of 12 to 24 months, and also a value assuming a six month sales period, with these values being 30 to 50% less than estimated market values.

This is a difficult market to appraise in, and a difficult market to make buy/ sell decisions. Use of appraisals without a full understanding of market conditions can lead to less than desired decisions. Many real estate owners are in a hold pattern, choosing not to sell unless necessary. The appraisers believe the school district is in an enviable position with a current income stream on a special use property that should allow the district to postpone a disposition decision in hope of better market conditions in 2 to 5 years.

Certification of Appraisal

We certify that, to the best of our knowledge and belief:

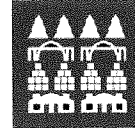
- ◆ The statements of fact contained in this report are true and correct.
- ◆ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- ◆ We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- ◆ We have performed no services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- ◆ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ◆ Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ◆ Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ◆ Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- ◆ I, David E. Pietka, MAI, have not made a personal inspection of the subject property of this report, but I am familiar with the market area and property type. My review of available pictures, graphics and mapping applications enable me to make an informed estimation of value for the subject property.
- ◆ Rob K. Klever inspected the interior and exterior of the subject with the property owner and provided significant real property appraisal assistance to the person signing this certification and as of the date of this report, he has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
- ◆ No one provided significant real property appraisal assistance to the person signing this certification.
- ◆ The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- ◆ The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- ◆ As of the date of this report, I, David E. Pietka, MAI, have completed the continuing education program of the Appraisal Institute.



David Pietka, MAI
OR State Certified General Appraisal
No. C000180

Addenda

- ◆ Engagement Letter
- ◆ Qualification of Appraisers
- ◆ Qualification of Appraisal & Consulting Group



Appraisal &
Consulting Group, LLC

May 8, 2012

Ms. Mary Larson
Director of Business Services and Operations
Parkrose School District
10636 NE Prescott
Portland, Oregon 97220-2648

RE: Thompson School, ^{14030 NE Sacramento} ~~13250 NE Thompson Court~~, Portland, Oregon
Knott School, 11456 NE Knott, Portland, Oregon
Sumner School, 8678 NE Sumner, Portland, Oregon

Dear Ms. Larson:

Thank you for considering Appraisal & Consulting Group for the appraisal assignment described on the attached Professional Service Agreement. If the terms of the proposal are acceptable to you, please sign and return a copy of the agreement to me as your approval to begin work on the appraisal. If engaged on this assignment, we request the following information:

- 1) A contact person and phone number to coordinate the inspection
- 2) Building plans, if available

If you have questions regarding this proposal, please contact me. We appreciate the opportunity to provide a proposal for this assignment.

Sincerely,

APPRAISAL & CONSULTING GROUP, LLC

David E Pietka, MAI

DEP:ays
PSA Template.Doc

1516 NE 37th Avenue, Suite 210
Portland, OR 97232

(503) 206-1071
(503) 281-6065 fax

www.CommercialAppraisalConsulting.com

Professional Service Agreement

Property Identification:

14030 NE
Sumner St

Thompson School 13250 NE Thompson Portland, OR	Knott School 11456 NE Knott Portland, OR	Sumner School 8678 NE Sumner Portland, OR
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Report Format:

The report will be prepared in a Summary report format consistent with the most recent copy of the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, the report will comply with the Appraisal Institute Code of Ethics.

Valuation Scenario & Scope of Work:

The report will present the As-Is Market Value of the Fee Simple Interest in the subject property. The scope of work will include the Sales Comparison for both schools and vacant land

Fee:

\$11,000

Delivery:

4 weeks from the date of the signed professional service agreement. The fee for this assignment includes an electronic copy of the report.

Payment:

Payment of the fee is due upon delivery of the report. Appraisal & Consulting Group, LLC reserves the right to charge a late fee of 1 percent per month, compounded monthly, for outstanding balances over 30 days.

Modification, Delay, or Cancellation:

Any modification or cancellation of this assignment shall be communicated and agreed upon in writing by both parties. If the assignment is cancelled prior to completion, the client will be billed for work completed prior to cancellation at a rate of \$ 225 per hour plus any expenses. Modifications to the agreed upon scope of work may result in a revision to the agreed upon fee. If the client delays completion of the assignment more than 30 days from the agreed upon delivery date, the fee may be renegotiated, and/or a bill for work completed to date may be sent.

Appraiser:

I, David Pietka, MAI, on behalf of Appraisal & Consulting Group, LLC, agree to the above terms, assuming a signed copy of this agreement is received within 5 business days.

Date:

May 8, 2012



David Pietka, MAI

Client:

By my signature below, I, Mary Larson on behalf of Parkrose School District, agree to the above stated terms and authorize Appraisal & Consulting Group, LLC, to prepare the above referenced appraisal.

Date:

5/9/12



Mary Larson
Parkrose School District

Purchase Order

PARKROSE SCHOOL DISTRICT
10636 NE PRESCOTT STREET
PORTLAND OR 97220

No. 121830

PHONE: (503) 408-2100 DELIVERIES NOT ACCEPTED AFTER 4:00 PM PO TERMS & CONDITIONS FOUND AT
FAX: (503) 408-2140 ALL DELIVERIES MUST HAVE PACKING SLIPS WWW.PARKROSE.K12.OR.US
TAX ID#: 93-6000833 PO NUMBER MUST APPEAR ON ALL INVOICES

P.O. Date: 05/18/2012

Questions ? DONNA THRAN (503) 408-2116

Ext: Account:

P.O. Issued To :

Ship To:

APPRAISAL & CONSULTING GROUP LLC
1516 NE 37TH AVENUE, SUITE 210
PORTLAND OR 97232

Parkrose School Dist #3
Attn: Becky Nino
10636 NE Prescott St
Portland OR 97220
(503) 408-2100

Contact:

Location: 150 - BUSINESS SERVICES

Phone: (503) 206-1071

Fax: (503) 281-6065

Project: Undesignated

Req# 2157

Reference:

Date Required: 05/25/2012

Award Number:

Line	Qty	Unit	Part#	Description	Account Number	Unit Price	Extended	Tax	Freight
1	0.33	EA		Appraisal of Property. District Contact: Scott Wood, scott_wood@parkrose.k12.or.us, 503-572-3681	205.2542.0389.800.000.000	11,000.00	3,630.00	0.00	0.00
1	0.33	EA		Appraisal of Property. District Contact: Scott Wood, scott_wood@parkrose.k12.or.us, 503-572-3681	205.2542.0389.810.000.000	11,000.00	3,630.00	0.00	0.00
1	0.34	EA		Appraisal of Property. District Contact: Scott Wood, scott_wood@parkrose.k12.or.us, 503-572-3681	205.2542.0389.820.000.000	11,000.00	3,740.00	0.00	0.00

APPROVAL SIGNATURES:

Sub-Total: 11,000.00

Freight: 0.00

Tax: 0.00

Total Amount: 11,000.00

NOTES:

Order Via: RETURN TO ORIGINATOR

ENTITY COPY

Friday, May 18, 2012

Page 1 of 1

David E. PIETKA, MAI

David has been a real estate appraiser, advisor and consultant in Portland and the Pacific Northwest since 1974.

In 1978, he co-founded Palmer Groth & Pietka (PGP VALUATION) and served as President for 23 years and on the Board of Directors many years. During 2006, David assisted PGP in its sale to Colliers International. In recent years he has enjoyed reviewing appraisals, consulting with clients and managing a portfolio of real estate properties.

He has taught real estate courses as a part-time instructor at Mt. Hood Community College, Portland Community College, Portland State University and seminars for Northwest Center for Professional Education. As a past member of the Portland Central City Plan Steering Committee, Portland Housing Advisory Committee, Chairperson of the City Demolition Delay and Density Task Force, Vice Chairman of the Mid County Sewer Project Cost Alternative Task Force, Hollywood Theatres, Portland Affordable Housing Preservation Trust, CSO Financing Alternatives Task Force, and DEQ Parking Ratio Technical Advisory Committee, David has been heavily involved in Portland planning and housing issues since 1985. David also served as President of the Mt. Hood Kiwanis Camp Board of Directors.

David Pietka was born in Eugene, Oregon in 1951. He attended high school in Eugene and participated in varsity sports at South Eugene High School. David graduated from the University of Oregon in 1973, with a degree in Business Finance. He attended the University of Wisconsin and received a Masters degree in Real Estate Appraisal and Investment Analysis in 1974. David has lived in Portland since 1974.

He has fun coaching youth track and field, managing track and cross-country events, and skiing with Jeff, Jackie and Maggie.

EDUCATION AND QUALIFICATIONS

Business Administration, BS, University of Oregon, 1973

MBA Real Estate Appraisal & Investment Analysis, MS, University of Wisconsin, 1974

REAL ESTATE EDUCATION AND QUALIFICATIONS

Numerous real estate coursework and continuing education since 1974

Currently certified under the continuing education program of the Appraisal Institute

BUSINESS EXPERIENCE

FIRST Real Estate Consulting, Inc.

Pietka Consulting, Inc.

PGP Valuation Inc – Co-Founder

Investment Property Owner & Developer

Foot Traffic – Founder

Alameda Fitness Center – Founder

The Mountain Shop

PROFESSIONAL AFFILIATIONS

MAI, Appraisal Institute

STATE CERTIFICATIONS

Oregon, State Certified General Appraiser, License No. C000180



**Appraisal &
Consulting Group, LLC**



Appraiser Certification and Licensure Board

State Certified General Appraiser

28 hours of continuing education required for renewal

David E Pietka
3514 NE US Grant PL
Portland, OR 97212

License No.: C000180

Issue Date: June 1, 2012

Expiration Date: May 31, 2014

A handwritten signature in blue ink, appearing to read 'R Keith', is written over a horizontal line.

Robert A Keith, Administrator



Appraisal & Consulting Group, LLC

Appraisal & Consulting Group, LLC, was formed in June 2012 to serve the appraisal needs of lenders, government agencies, and investors throughout the Pacific Northwest. With offices in Portland, Oregon, and Vancouver, Washington, our experienced appraisal team is:

“Ready, willing and able to serve you in a professional and timely manner”

David Pietka and David Groth, both MAIs with 35 years of experience, have brought together a group of highly experienced appraisers who will take full responsibility for inspections, gathering of information, analysis, and report preparation. With five other members of the group, our combined appraisal experience is over 100 years. Our appraisal experience covers all urban property types from single family to large multiple family complexes and from small retail properties to large motels, hotels, retail complexes, office buildings, and special purpose properties. In addition, we have two appraisers specializing in rural and resource properties as well as commercial properties on the coastal areas of Oregon and southwest Washington.

We look forward to serving you on a regular basis.

PORTLAND

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Portland, OR 97232

VANCOUVER

112 W 11th Street, Suite 100
Vancouver, WA 98660

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