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Americans with Disabilities Act ("ADA"): In compliance with the ADA, if you need special assistance to participate in the meeting, please contact the Office of the City Clerk at (323) 583-8811. Notification of at least 24 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Agenda
Regular Meeting of the Vernon Housing Commission
Wednesday, March 9, 2016, 6:00 p.m.
Council Chambers
4305 Santa Fe Avenue
Vernon, CA 90058



Michael Hughes, Chairperson
Melissa Ybarra, Vice Chairperson
Hector Garcia, Commissioner
John Kriste, Commissioner
Steven Froberg, Commissioner
Kyle Cooper, Commissioner
Steven Florman, Commissioner

CALL TO ORDER & FLAG SALUTE

CHANGES TO THE AGENDA

PUBLIC COMMENT - At this time the public is encouraged to address the Vernon Housing Commission on any matter that is within the subject matter jurisdiction of the Commission. The public will also be given a chance to comment on matters which are on the posted agenda during Commission deliberation on those specific matters.

MINUTES

1. [Corrected Minutes of the Regular Vernon Housing Commission Meeting held September 9, 2015.](#)
2. [Minutes of the Regular Vernon Housing Commission Meeting held December 9, 2015.](#)
3. [Minutes of the Special Vernon Housing Commission Meeting held February 10, 2016.](#)

NEW BUSINESS

4. Amendments to Section 2 of Form Residential Lease Relating to “Term”

Recommendation:

- A. Find that the proposed amendments to the form Residential Lease are exempt from the California Environmental Quality Act (“CEQA”), because such amending of a lease is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Approve amendments to Section 2 of the form Residential Lease relating to the “Term” of the Lease.

PUBLIC HEARING

5. Public Hearing Regarding Preliminary 5-Year Market Rent Schedule for all City-Owned Housing Units in Vernon

Recommendation:

- A. Find that the review of the Preliminary 5-Year Market Rent Schedule is exempt from the California Environmental Quality Act (“CEQA”), because such review is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Hold a public hearing on the Preliminary 5-Year Market Rent Schedule to obtain oral and written testimony.
- C. Hold a discussion regarding the Preliminary 5-Year Market Rent Schedule based on any testimony provided during the public hearing.
- D. Provide direction to staff regarding what the Commission would like to consider for adoption or further discussion at the special Housing Commission meeting slated for April 6, 2016.

DISCUSSION AND POSSIBLE DIRECTIVES TO STAFF

6. [Review of existing transitional/financial hardship procedures and discussion regarding potential modifications to said procedures.](#)

(Item Attachment: *Vernon Housing Commission Appeal Procedures for Existing Tenants Experiencing Transitional Hardship, Adopted July 18, 2012*)

7. Update on City Housing Budget.

8. [Creation of a Permanent Relocation Priority Interest List for the Six Tenants in Non-remodeled City-owned Housing Units. \(Staff Report distributed on March 7, 2016\).](#)

Recommendation:

- A. Find that the creation of a Permanent Relocation Priority Interest List for tenants in non-remodeled units is exempt from the California Environmental Quality Act (“CEQA”), because the creation of such a list is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Authorize staff to create a Permanent Relocation Priority Interest List for the six tenants in non-remodeled City-owned housing units, related to the 2016 Housing Remodel Project currently under consideration by the City Council.

ORAL REPORTS, PRESENTATIONS & COMMENTS FROM STAFF AND COMMISSION MEMBERS

- 9. Quarterly Housing Report to be presented by Public Works, Water & Development Services Staff.
- 10. Brief reports, announcements, or directives to staff from the Commissioners and Commission Officers.
- 11. Upcoming Meetings:
 - A. Special Vernon Housing Commission Meeting, April 6, 2016 at 6:00 p.m.
 - B. Next regular meeting: June 8, 2016 at 6:00 p.m.

SECOND PUBLIC COMMENT - The public is encouraged to address the Vernon Housing Commission on any matter that is within the subject matter jurisdiction of the Commission.

ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Vernon City Hall, located at 4305 Santa Fe Avenue, Vernon, California, and on the City's website, not less than 72 hours prior to the meeting set forth on this agenda. Dated this 3rd day of March, 2016.

By: _____
Maria E. Ayala, CMC
Secretary

CORRECTED MINUTES OF THE REGULAR VERNON HOUSING COMMISSION MEETING HELD WEDNESDAY SEPTEMBER 9, 2015, IN THE COUNCIL CHAMBER OF THE CITY HALL LOCATED AT 4305 SANTA FE AVENUE, VERNON, CALIFORNIA

MEMBERS PRESENT: Michael Hughes, Melissa Ybarra, Steven Froberg, John Kriste, and Kyle Cooper

Correction: Original Minutes indicated Comm. Henry Haskell was present at the meeting. Comm. Haskell is was no longer a member of the Vernon Housing Commission.

MEMBERS ABSENT: Steven Florman and Hector Garcia

The meeting was called to order by Chairperson Hughes at 6:00 p.m. Vice Chairperson Ybarra led the flag salute.

CHANGES TO THE AGENDA

Maria Ayala, City Clerk, announced that there were no changes to the agenda.

PUBLIC COMMENT

Chairperson Hughes announced that this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission. The public will also be given a chance to comment on matters which are on the posted agenda during Commission deliberation on those specific matters.

No public comment provided.

INTRODUCTORY BUSINESS

- 1. Introduction of newly appointed Commissioners Steven Florman and Kyle Cooper (Business Representative Seats).**

Members present conducted self-introductions.

MINUTES

- 2. Minutes of the Regular Vernon Housing Commission Meeting held June 10, 2015, to be received and filed.**

It was moved by Ybarra and seconded by Cooper to approve the Minutes listed above. Motion carried, 5-0.

NEW BUSINESS

3. Approval and Adoption of Proposed Guidelines Regarding Tenant and Landlord Responsibilities and Tenant Do's and Don'ts.

Recommendations:

- A. Find that approval and adoption of the proposed Guidelines Regarding Tenant and Landlord Responsibilities and Tenant Do's and Don'ts are exempt under the California Environmental Quality Act ("CEQA") because such is not a "project" as that term is defined in the CEQA Guidelines section 15378, and even if it were a project, it would still be exempt in accordance with Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Approve and adopt the proposed Guidelines Regarding Tenant and Landlord Responsibilities and Tenant Do's and Don'ts.

Deputy City Administrator Kristen Enomoto presented the item and outlined the proposed changes to the Guidelines Regarding Tenant and Landlord Responsibilities and presented the proposed Tenant Do's and Don'ts.

In response to Vice Chairperson Ybarra, Director of Public Works, Water and Development Services Kevin Wilson reported on satellite, lawn and landscaping installation requirements. Subsequent changes to the proposed were made concerning the same.

It was moved by Ybarra and seconded by Cooper to approve proposed items as amended. Motion carried, 5-0.

4. Approval and Adoption of Proposed Procedures for Tenants under First Responder Priority.

Recommendations:

- A. Find that approval and adoption of the proposed procedures for tenants under first responder priority is exempt under the California Environmental Quality Act ("CEQA") because such is not a "project" as that term is defined in the CEQA Guidelines Section 15378, and even if it were a project, it would still be exempt in accordance with Section 15061(b)(3), the general rule that CEQA only applies to projects that may have an effect on the environment; and
- B. Approve and adopt the proposed procedures for tenants under first responder priority.

Deputy City Administrator Kristen Enomoto reported on City Council's consideration regarding the first responders and provided an update on the current status.

Proposed procedures for annual certification for first responder tenants was presented.

It was moved by Ybarra and seconded by Froberg to approve and adopt the Procedures for Tenants under First Responder Priority. Motion carried, 5-0.

DISCUSSION AND POSSIBLE DIRECTIVES TO STAFF

5. Preliminary Discussion Regarding Potential Market Rent for Units to be Remodeled in Fiscal Year 2015/2016.

Recommendations

- A. Find that discussion of market rent is exempt under the California Environmental Quality Act (“CEQA”) because such is not a “project” as that term is defined in the CEQA Guidelines section 15378, and even if it were a project, it would still be exempt in accordance with Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Hold a preliminary discussion regarding potential market rent for units to be remodeled in fiscal year 2015/2016.

Deputy City Administrator Kristen Enomoto provided an update on the item and City Council’s current consideration on the same.

Legal Counsel Stuart Leviton provided further reporting.

At 6:45 p.m., Leviton advised that Vice Chairperson Ybarra is a resident that would be impacted by this item and recommended that she recuse herself from the discussion. Ybarra recused herself from the dais and sat in the meeting as a member of the public.

The remaining Commission members held considerable dialog regarding this item. No action on this item was taken.

ORAL REPORTS & COMMENTS FROM STAFF AND COMMISSION MEMBERS

- 6. Update on the sale of three City-owned housing units in Huntington Park.

Deputy City Administrator Kristen Enomoto provided the update.

- 7. Quarterly housing report to be presented by the Director of Public Works, Water & Development Services.

Director of Public Works, Water and Development Services Kevin Wilson presented the reporting.

Chairperson Hughes and Vice Chairperson Ybarra provided feedback.

In response to Commissioner Cooper, Wilson clarified the types of repair calls.

8. Report on the completion and grand opening of Vernon Villages Park Apartments by the Director of Public Works, Water & Development Services.

Director of Public Works, Water and Development Services Kevin Wilson conducted the presentation.

9. Brief reports, announcements, or directives to staff from the Commissioners and Commission Officers.

Vice Chairperson Ybarra commended staff on the agenda material.

SECOND PUBLIC COMMENT

Chair Hughes announced that this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission.

No public comment provided.

With no further business, at 7:35 p.m. the meeting was adjourned.

Michael Hughes
Chairperson

ATTEST:

Maria E. Ayala, CMC
Secretary

MINUTES OF THE REGULAR VERNON HOUSING COMMISSION
MEETING HELD WEDNESDAY DECEMBER 9, 2015,
IN THE COUNCIL CHAMBER OF THE CITY HALL LOCATED AT
4305 SANTA FE AVENUE, VERNON, CALIFORNIA

MEMBERS PRESENT: Michael Hughes, Melissa Ybarra, Hector Garcia, Steven Froberg,
John Kriste, and Steven Florman

MEMBERS ABSENT: Kyle Cooper

The meeting was called to order by Chairperson Hughes at 6:05 p.m.; who also led the flag salute.

CHANGES TO THE AGENDA

Chairperson Hughes confirmed that there were no changes to the agenda.

PUBLIC COMMENT

Chairperson Hughes announced that this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission. The public will also be given a chance to comment on matters which are on the posted agenda during Commission deliberation on those specific matters.

No public comment provided.

INTRODUCTORY BUSINESS

- 1. Self-introduction of newly appointed Commissioner Steven Florman (Business Representative Seat).**

Commissioner Florman conducted his self-introduction.

MINUTES

- 2. Minutes of the Regular Vernon Housing Commission Meeting held September 9, 2015, to be received and filed.**

It was moved by Ybarra and seconded by Garcia to receive and file the September 9, 2015 Minutes. Motion carried, 6-0.

DISCUSSION AND POSSIBLE DIRECTIVES TO STAFF

- 3. Discussion Regarding 2016 Rent Setting Process and Timeline.**

Recommendations

- A. Find that discussion of market rent is exempt from the California Environmental Quality Act (CEQA), in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Hold a discussion regarding the 2016 rent setting process and timeline, and provide direction to City staff on the same.

Deputy City Administrator Kristen Enomoto clarified that no recusal was needed for Vice Chairperson Ybarra nor any other Vernon resident on the Commission for this item.

Enomoto reported on the previous housing appraisal process and initial rent setting and provided an update on the current housing stock.

The Commission held some discussion and directed staff to use the same appraisal firms as the last time.

Enomoto and Legal Counsel Stuart Leviton responded to inquiries and provided general guidance as the Commission held some discussion.

The Commission proposed the following timeline to address the rent setting process:

- Special meeting in February to discuss the appraisal survey results.
- Regular March Meeting to conduct a public hearing.
- Special meeting in April to discuss any changes.
- Regular June meeting proposed adoption of new rental rates.

Staff was directed to schedule and prepare for meetings accordingly.

DECEMBER LOTTERY AND WAIT LIST

- 4. In accordance with Section 3, Random Selection of Potential New Leasees, of the Vernon Housing Commission Lease-Up Procedures for New Tenants, separate lottery drawings of all Expression of Interest Forms and Unit-to-Unit Transfer Request Forms received during the 2015 calendar year up to 5:00 p.m. on December 8, 2015, will be conducted to create a wait list for all units that become available December 9, 2015 or later.**

In response to Vice Chairperson Ybarra, Deputy City Administrator Kristen Enomoto advised that staff will be providing an update to the housing stock during oral reports and clarified the use and application of the wait list.

Deputy City Clerk Ana Barcia announced that no unit-to-unit transfer forms had been received, and that 49 entries, after the removal of duplicates, are included in the lottery.

The Commission conducted the lottery. Any vacancy that opens from this day forth will utilize the list created this day.

ORAL REPORTS & COMMENTS FROM STAFF AND COMMISSION MEMBERS

Chairperson Hughes and Commissioner Kriste thanked City Administrator Mark Whitworth for his leadership in Vernon.

5. Update on the sale of three City-owned housing units in Huntington Park.

Deputy City Administrator Kristen Enomoto provided an update on the sale of the Huntington Park units.

6. Quarterly housing report to be presented by Public Works, Water & Development Services Staff.

Public Works Water and Development Services Department Administrative Secretary Anthony Zarate conducted the presentation.

In response to Vice Chairperson Ybarra's concerns, Deputy City Administrator Kristen Enomoto reported on the condition of the vacated units and on the City Council's direction concerning the same.

7. Brief reports, announcements, or directives to staff from the Commissioners and Commission Officers.

Deputy City Administrator Kristen Enomoto reported on the recent walk-through of vacant units with some of the Commission members.

In response to Chairperson Hughes, Enomoto reported on the tenant selection process for Vernon Village Park Apartments in compliance with the applicable agreement.

Vice Chairperson Ybarra expressed concerns over the condition in which one of the units was left after vacation.

Enomoto advised that Commissioner Cooper had noted a sense of community and ownership during her participation in the recent walk-through. Chairperson Hughes echoed the remarks.

8. Next regular meeting: March 9, 2016 at 6:00 p.m.

Staff will be communicating proposed dates for the special meetings in February and April per earlier discussions.

SECOND PUBLIC COMMENT

Chair Hughes announced that this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission.

No public comment provided.

With no further business, at 7:15 p.m. it was moved by Ybarra and seconded by Froberg to adjourn the meeting.

Michael Hughes
Chairperson

ATTEST:

Maria E. Ayala
Secretary

MINUTES OF THE SPECIAL VERNON HOUSING COMMISSION
MEETING HELD WEDNESDAY FEBRUARY 10, 2016, IN THE
COUNCIL CHAMBER OF THE CITY HALL LOCATED AT
4305 SANTA FE AVENUE, VERNON, CALIFORNIA

MEMBERS PRESENT: Michael Hughes, Melissa Ybarra, Henry Haskell, Steven Froberg,
John Kriste, and Kyle Cooper.

MEMBERS ABSENT: Steven Florman and Hector Garcia

The meeting was called to order by Chair Hughes at 6:05 p.m. Commissioner Ybarra led the flag salute. City Clerk Maria E. Ayala conducted roll call.

CHANGES TO THE AGENDA

Deputy City Administrator Kristen Enomoto, noted she had reformatted 3 pages, starting with Page 3 of the Himes Market Rental Report to be consistent with 2011 Report. The pages were reformatted to be consistent with 2011 report.

City Clerk Maria E. Ayala announced that there were no changes to the agenda.

PUBLIC COMMENT

Chair Hughes announced this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission. The public will also be given a chance to comment on matters which are on the posted agenda during Commission deliberation on those specific matters.

No public comment provided.

DISCUSSION AND POSSIBLE DIRECTIVES TO STAFF

1. **Review of 2016 Market Rent Data and Development of a Preliminary Market Rent Schedule for City-Owned Housing Units in Vernon**

Recommendation:

Items A-D:

- A. Find that the review and development of market rent data and schedules is exempt from the California Environmental Quality Act (“CEQA”), in accordance with CEQA Guidelines Section 15601(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Review 2016 market rent data provided by qualified, independent appraisers.

- C. Review the market rent growth rate from 2011 to 2016.
- D. Develop a 3 to 5 year preliminary market rent schedule to be disseminated to all residents and made available to the public at-large for the purpose of soliciting feedback on the proposed schedule at an upcoming public hearing.

Interim City Administrator, A.J. Wilson, introduced himself to the Commission and the public, as the new Interim City Administrator. He spoke on industry and market rental rates, and aligning city-owned property value with privately-owned property; and further referencing the 2011 market rate report as a baseline, and recommending a future adjustment in five years (2021).

Mr. James Himes (Consultant Himes & Himes) referenced Page 3 of their 2016 Market Rental Report, discussed the summary of scheduled rents (passed out at the meeting) showing projected rents if the unit was recently remodeled. Size of unit, parking, garages, location and amenities were considered.

Ms. Hee K. Yi (Consultant Gold Coast Market) provided an overview of their 2016 Rental Report noting they used Housing and Urban Development (HUD) guidelines to determine Gold Coast's assessment.

Deputy City Administrator Kristen Enomoto discussed in detail various methodologies and scenarios, such as the existing renter's rate, based upon incremental rate increases versus the higher rate a new tenant would pay. Charts and graphs within the data reflect potential cases.

Mr. Wilson, Ms. Enomoto, and Special Legal Counsel Stuart Leviton provided additional information and responses to questions. Recommended Items A through D were thoroughly discussed.

Mr. Wilson summarized what is being proposed is to adopt a market table, provide five years to catch up to market value, and reflect current property conditions.

It was moved by Ybarra and seconded by Froberg to approve proposed item, (best described as the Growth Rate Factor Approach, Recommendation D), and manually adjust the 5-year number for existing tenants to be the same amount for new tenants. Motion carried, 5-0.

ORAL REPORTS & COMMENTS FROM STAFF AND COMMISSION MEMBERS

- 2. Brief reports, announcements, or directives to staff from the Commissioners and Commission Officers.

Ms. Enomoto announced the City's February 16 meeting on Parks Needs Assessment.

Special Vernon Housing Commission Meeting Minutes
February 10, 2016

Chair Hughes also spoke on the topic and explained the County's consideration of proposing a bond for local parks, and trying to gain as much input from the community as possible.

Ms. Enomoto also reported on the sale of the Huntington Park units.

3. Next regular meeting: ~~June 8, 2016~~ March 9, 2016 at 6:00 p.m.

Deputy City Administrator Kristen Enomoto clarified the meeting date for the next regular Commission Meeting.

:

The main item at the meeting will be the Public Hearing, to provide the opportunity for the residents and community to give input on the proposed Preliminary Market Rent Schedule.

4. Special Meeting Scheduled for April 6, 2016 at 6:00 p.m.

A special meeting will be held in April for the purpose of reviewing and determining what action to be taken.

5. Next regular meeting: June 8, 2016 at 6:00 p.m.

SECOND PUBLIC COMMENT

Chair Hughes announced that this was the time allotted for public comment and inquired whether anyone in the audience wished to address the Commission.

Marisa Olguin, Representative from the City of Vernon Chamber of Commerce requested the City provide clarification on the revised annual budget to separate the housing funds by expenditures and revenue. It was noted housing funds are part of the general fund, but do not reflect an allocated line item.

With no further business, at 7:45 p.m. the meeting was adjourned.

Michael Hughes
Chair

ATTEST:

Maria E. Ayala, CMC
Secretary



STAFF REPORT

CITY ADMINISTRATION

DATE: March 9, 2016

TO: Honorable Vernon Housing Commission

FROM: A.J. Wilson, Interim City Administrator/Commission Director
Originator: Kristen Enomoto, Deputy City Administrator

RE: Amendments to Section 2 of Form Residential Lease Relating to "Term"

Recommendations

- A. Find that the proposed amendments to the form Residential Lease are exempt from the California Environmental Quality Act ("CEQA"), because such amending of a lease is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Approve amendments to Section 2 of the form Residential Lease relating to the "Term" of the Lease.

Background

In an effort to effectively and efficiently implement any changes in rents that may be established by the Housing Commission ("Commission"), as well as further streamline and standardize the lease-up and lease renewal process for new and existing tenants, staff recommends the Commission approve amendments to Section 2 – "Term" of the form Residential Lease ("Lease") to read as follows:

TERM: The term of this Lease shall begin on _____ ("Commencement Date") and shall continue until _____, 20__ ("Expiration Date"). The term of the Lease shall be for a period of one (1) year.

- A. At the end of any term, at Tenant's option, so long as Tenant is not in breach of any material obligation under this Lease, Tenant may extend Tenant's tenancy for a period of one year.

If Tenant wishes to extend Tenant's tenancy, at least 30 days prior to the expiration of the current term, Tenant shall give Landlord written notice of Tenant's intent to extend Tenant's tenancy. Thereafter, Tenant shall execute a new lease incorporating the then current terms and conditions of tenancy at the then applicable rental rate.

- B.** Unless Tenant has executed a new lease or has obtained prior approval by Landlord to holdover for a specified period, Tenant shall vacate the Premises upon expiration of this Lease and shall promptly remove all personal property. Approval to holdover shall only be granted in cases of extraordinary circumstances and, during the holdover period, Tenant shall be charged 1.25 times the then current market rent for the Premises that Landlord would charge a new tenant for the Premises.

If approved by the Commission, staff would use the updated form Lease for any new tenancies commencing on or after the approval date, as well as for all existing tenants effective August 1, 2016, or any later effective date of any new rent schedule adopted by the Commission.

A copy of the full Lease showing the proposed amendments in redline format is attached hereto.

Fiscal Impact

There is no direct fiscal impact associated with the proposed amendments to the form Residential Lease.

Attachment(s)

1. Full Copy of Form Residential Lease with Proposed Amendments to Section 2 – “Term”

Attachment 1

Full Copy of Form Residential Lease with
Proposed Amendments to Section 2 – “Term”

RESIDENTIAL LEASE

THIS RESIDENTIAL LEASE (the "Lease") is dated as of _____, 20__, and is entered into between the CITY OF VERNON, a California municipal corporation ("Landlord") and _____ (collectively, "Tenant").

1. **PROPERTY:**

- A. Landlord rents to Tenant and Tenant rents from Landlord, the property located at _____, California (the "Premises").
- B. The Premises are for the sole use as a personal residence by the Tenant and following named person(s) only: _____

(the "Authorized Occupants"). Occupancy shall be limited to no more than two persons per bedroom, plus one additional person.

2. **TERM:** The term of this Lease shall begin on _____ ("Commencement Date") and shall continue until _____, 20__ ("Expiration Date"). The term of the Lease ~~may not shall~~ be for a period ~~longer than of~~ one (1) year.

- A. At the end of any term, at Tenant's option, so long as Tenant is not in breach of any material obligation under this Lease, Tenant may ~~renew the term of the Lease~~ extend Tenant's tenancy for a period ~~not to exceed of~~ one year. If Tenant wishes to ~~renew the Lease for a specified term~~ extend Tenant's tenancy, at least 30 days prior to the expiration of the current term, Tenant shall give Landlord written notice of Tenant's intent to ~~renew the Lease, and the length of the renewal, not to exceed one (1) year~~ extend Tenant's tenancy. Thereafter, Tenant shall execute a new lease incorporating the then current terms and conditions of tenancy at the then applicable rental rate.
- B. ~~If Tenant remains in occupancy after the Expiration Date, or any extension thereof, and Landlord accepts the monthly rent (other than past due rent), then the Lease shall continue as a month-to-month tenancy on the terms of this Lease terminable by either party upon at least 60 days' prior written notice. Unless Tenant has executed a new lease or has obtained prior approval by Landlord to holdover for a specified period,~~ Tenant shall vacate the Premises upon expiration of this Lease and shall promptly remove all personal property. Approval to holdover shall only be granted in cases of extraordinary circumstances and, during the holdover period, Tenant shall be charged 1.25 times the then current rent for the Premises that Landlord would charge a new tenant for the Premises.

3. **RENT; RENT ADJUSTMENT:** The capitalized term "Rent" shall mean all monetary obligations of Tenant to Landlord under this Lease, except the security deposit.

- A. Tenant agrees to pay monthly rent in the amount of \$ _____ per month, subject to adjustment as described in Section 3B below, in advance on the 1st day of each calendar month, by personal check, money order, or cashier's check to

City of Vernon at 4305 Santa Fe Avenue, Vernon, CA 90058 (or at any other location subsequently specified by Landlord in writing to Tenant). If any payment is returned for non-sufficient funds ("NSF") or because tenant stops payment, then, after that Landlord may by written notice to Tenant require Tenant to pay all future Rent by cashier's check.

- B. It is Landlord's policy to charge Tenant "market" rent. As such, Landlord reserves the right to adjust the Rent to reflect Landlord's current assessment of "market" Rent. Notwithstanding the foregoing, Landlord may not adjust the Rent more than once in any 12 month period of time.

4. SECURITY DEPOSIT:

- A. Concurrently with Tenant's execution of this Lease, Tenant shall pay one month's rent to Landlord as a security deposit.
- B. All or any portion of the security deposit may be used, as reasonably necessary, to: (i) cure Tenant's default in payment of Rent (which includes late charges, NSF fees or other sums due); (ii) repair damage, excluding ordinary wear and tear, caused by Tenant or by a guest or licensee of Tenant; and (iii) clean the Premises, if necessary, upon expiration or earlier termination of the tenancy. **SECURITY DEPOSIT SHALL NOT BE USED BY TENANT IN LIEU OF PAYMENT OF LAST MONTH'S RENT.** If all or any portion of the security deposit is used during the tenancy, Tenant agrees to reinstate the total security deposit within five (5) days written request to Tenant. Within 21 days after Tenant vacates the Premises, Landlord shall: (1) furnish Tenant an itemized statement indicating the amount of any security deposit received and the basis for its disposition and supporting documentation as required by California Civil Code Section 1950.5(g); and (2) return any remaining portion of the security deposit to Tenant.
- C. After giving or receiving notice of termination of a tenancy, or before the end of this Lease, Tenant has the right to request that an inspection of the Premises take place prior to termination of the Lease or rental. If Tenant requests such an inspection, Tenant shall be given an opportunity to remedy identified deficiencies prior to termination, consistent with the terms of this Agreement. Any repairs or alterations made to the Premises as a result of this inspection (collectively, "Repairs") shall be made at Tenant's expense. Repairs may be performed by Tenant or through others, who have adequate insurance and licenses and are approved by Landlord. The work shall comply with applicable law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following all Repairs may not be possible. (iii) Tenant shall: (a) obtain receipts for Repairs performed by others; (b) prepare a written statement indicating the Repairs performed by Tenant and the date of such Repairs; and (c) provide copies of receipts and statements to Landlord prior

to termination. This Section does not apply, however, when the tenancy is terminated pursuant to California Code of Civil Procedure § 1161 (2), (3) or (4).

- D.** The security deposit will not be returned until all Tenants and occupants have vacated the Premises and all keys have been returned. Any security deposit returned by check shall be made jointly to all Tenants named in this Lease.
- E.** No interest will be paid on the security deposit.
- 5. INITIAL PAYMENTS; FIRST AND LAST MONTH'S RENT AND SECURITY DEPOSIT:** Upon execution of this Lease, Tenant shall pay the first partial month's rent (if applicable), first full month's rent, last month's rent (equal to one full month of rent) and the security deposit to Landlord by personal check, cashier's check, or money order.
- 6. LATE CHARGE; RETURNED CHECKS:**
- A.** Tenant acknowledges that either late payment of monthly rent or issuance of a returned check may cause Landlord to incur costs and expenses, the exact amounts of which are extremely difficult and impractical to determine. These costs may include, but are not limited to, processing, enforcement and accounting expenses. If any installment of Rent due from Tenant is not received by Landlord within **five (5) calendar days** after the date due, or if a check is returned, Tenant shall pay to Landlord, respectively, an additional sum of five percent (5%) of the Rent due as a late charge and \$25.00 as a NSF fee for the first returned check and \$35.00 as a NSF fee for each additional returned check, all of which shall be deemed additional Rent.
- B.** Landlord and Tenant agree that these charges represent a fair and reasonable estimate of the costs Landlord may incur by reason of Tenant's late or NSF payment. Any late charge or NSF fee due shall be paid with the current installment of Rent. Landlord's acceptance of any late charge or NSF fee shall not constitute a waiver as to any default of Tenant. Landlord's right to collect a late charge or NSF fee shall not be deemed an extension of the date monthly rent is due under Section 3A above or prevent Landlord from exercising any other rights and remedies under this Agreement and as provided by law.
- 7. PARKING:** If the Premises consist of an apartment, Tenant shall have two assigned parking spaces, specifically the two spaces labeled with the corresponding address of the Premises, and Tenant shall park only in such assigned spaces. Parking areas are to be used for parking properly licensed and operable motor vehicles, but not for trailers, boats, campers, buses or trucks (other than pick-up trucks). Parking areas used by Tenant are to be kept clean, and vehicles leaking oil, gas or other motor vehicle fluids shall not be permitted. Mechanical work or storage of inoperable vehicles is not permitted.
- 8. STORAGE:** If the Premises consist of an apartment, Tenant shall have the right to use storage unit labeled with the corresponding address of the Premises. Tenant shall store only personal property Tenant owns, and shall not store property claimed by another or in

which another has any right, title or interest. Tenant shall not store any improperly packaged food or perishable goods, or any flammable materials, explosives, hazardous materials or wastes or other inherently dangerous material, or any illegal substances.

9. **UTILITIES:** Tenant shall pay for all utilities. If any utilities are not separately metered, Tenant shall pay Tenant's proportional share, as reasonably determined and directed by Landlord. If utilities are separately metered, Tenant shall place utilities in Tenant's name as of the Commencement Date. Tenant shall pay any cost for conversion from existing utilities service provider.
10. **CONDITION OF PREMISES:** Tenant represents and warrants that Tenant has examined the Premises and, all appliances, landscaping and fixtures, including smoke detector(s) and carbon monoxide detectors, and Tenant acknowledges these items are in good and operable condition.
11. **MAINTENANCE:**
 - A. Tenant shall properly use, operate and safeguard the Premises, including maintaining any landscaping and appliances, and all mechanical, electrical, gas and plumbing fixtures, and keep them and the Premises clean, sanitary and well ventilated. Tenant shall be responsible for checking and maintaining all smoke detectors and carbon monoxide detectors and any additional phone lines beyond the one line and jack that Landlord shall provide and maintain. Tenant shall immediately notify Landlord's Building Maintenance Department of any problem, malfunction or damage. Tenant shall be charged for all repairs or replacements caused by Tenant, pets, guests or licensees of Tenant, excluding ordinary wear and tear. Tenant shall be charged for all damage to Premises resulting from failure to report a problem in a timely manner. Tenant shall be charged for repair of drain blockages or stoppages, unless caused by defective plumbing parts or tree roots invading sewer lines.
 - B. Tenant shall maintain, repair as necessary and water the garden, landscaping, trees and shrubs.
 - C. Tenant's failure to maintain any item for which Tenant is responsible shall give Landlord the right to hire someone to perform such maintenance, and Tenant shall reimburse Landlord for Landlord's actual cost thereof, as additional Rent, within ten (10) days after written demand.
12. **NEIGHBORHOOD CONDITIONS:** Tenant is advised to satisfy him or herself as to neighborhood or area conditions, including schools, proximity and adequacy of law enforcement, crime statistics, proximity of registered felons or offenders, fire protection, other governmental services, availability, adequacy and cost of any wired, wireless internet connections or other telecommunications or other technology services and installations, proximity to commercial, industrial or agricultural activities, existing and proposed transportation, construction and development that may affect noise, view, or traffic, airport noise, noise or odor from any source, wild and domestic animals, other

nuisances, hazards, or circumstances, cemeteries, facilities and condition of common areas, conditions and influences of significance to certain cultures and/or religions, and personal needs, requirements and preferences of Tenant.

13. **PETS:** Unless otherwise provided in California Civil Code § 54.2, Tenant may keep no more than two dog(s) and/or three cat(s) on the Premises as pets, subject to Landlord's separate Pet Agreement attached hereto as Exhibit "A", which must be signed by Tenant and is incorporated herein by reference. Except as expressly so provided herein, no other animal or pet shall be kept on or about the Premises without Landlord's prior written consent.
14. **WATERBEDS:** If the Premises were constructed on or after January 1973, then Tenant may use a waterbed in the Premises provided: (i) Tenant obtains a replacement value \$100,000 waterbed insurance policy and delivers a copy to Landlord; (ii) the waterbed does not exceed the floor load for the Premises; (iii) the waterbed is held together by a pedestal or frame; (iv) the Tenant installs, maintains and moves the waterbed in accordance with the manufacturer's retailer's standards; (v) the Tenant gives Landlord at least 24 hours' prior written notice of Tenant's intention to install, move or remove (as applicable) the waterbed and arranges for a Landlord representative to be present when this occurs; (vi) the waterbed has a label certifying that it conforms to construction standards imposed by the State Bureau of Home Furnishings; and (vii) the waterbed was constructed after January 1, 1973.
15. **SMOKING:** If smoking occurs on the Premises, Tenant is responsible for all damage caused by the smoking including, but not limited to, stains, burns, odors and removal of debris; and Tenant acknowledges that in order to remove odor caused by smoking, Landlord may need to take certain actions such as replacing carpet and drapes and painting entire premises regardless of when these items were last cleaned or replaced. Such actions and other necessary steps will impact the return of any security deposit.
16. **RULES/REGULATIONS:**
 - A. Tenant shall comply with the Rules and Regulations attached hereto as Exhibit "B"
 - B. Tenant agrees to comply with all other Landlord rules and regulations that are delivered to Tenant. Tenant shall not, and shall ensure that guests and licensees of Tenant shall not, disturb, annoy, endanger or interfere with other tenants (if any) or neighbors, or use the Premises for any unlawful purposes, including, but not limited to, using, manufacturing, selling, storing or transporting illicit drugs or other contraband, or violate any law or ordinance, or commit a waste or nuisance on or about the Premises.
17. (If checked) **CONDOMINIUM; PLANNED UNIT DEVELOPMENT:**

The Premises is a unit in a condominium, planned unit development, common interest subdivision or other development governed by a homeowners' association ("HOA"). The name of the HOA is _____ . Tenant agrees to

comply with all HOA covenants, conditions and restrictions, bylaws, rules and regulations and decisions, and Landlord has provided or shall provide Tenant with copies of them. Tenant shall reimburse Landlord for any fines or charges imposed by HOA or other authorities due to any violation by Tenant, or the guests or licensees of Tenant.

18. **EQUIPMENT; ALTERATIONS; REPAIRS:** Unless otherwise required by law, without Landlord's prior written consent: (i) Tenant shall not make any repairs, alterations or improvements in or about the Premises including: painting, wallpapering, adding or changing locks, installing antenna or satellite dish(es), placing signs, displays or exhibits, or using screws, fastening devices, large nails or adhesive materials; (ii) Landlord shall not be responsible for the costs of alterations or repairs made by Tenant; (iii) Tenant shall not deduct from Rent the costs of any repairs, alterations or improvements; and (iv) any deduction made by Tenant shall be considered unpaid Rent.

Any equipment, fixtures, or improvements (including, without limitation, water treatment and water filtration equipment) installed by the Landlord (whether purchased by the Landlord or the Tenant) shall remain the property of the Landlord and shall remain on the Premises after the expiration or earlier termination of the Lease. Any equipment, fixtures, or improvements (including, without limitation, fencing) shall only be installed by the Tenant after written approval by the Landlord and shall become the property of the Landlord at the expiration or earlier termination of the Lease. The Landlord may require the Tenant to remove any such equipment, fixtures, or improvements (whether installed by the Landlord or the Tenant) and restore the Premises to their original condition at the Tenant's expense.

Any appliances installed or placed in the Premises by the Landlord shall remain the property of the Landlord and shall not be removed by the Tenant.

19. **KEYS; LOCKS:**

- A. Tenant acknowledges receipt of (or Tenant will receive prior to the Commencement Date):

- _____ key(s) to the Premises
- _____ remote control device(s) for garage door/gate opener(s)
- for apartments and condominiums, _____ key(s) to mailbox
- for apartments and condominiums, _____ key(s) to common area(s)
- for apartments, _____ key(s) to storage unit(s)

- B. If Tenant re-keys existing locks or opening devices (with or without Landlord's consent), Tenant shall immediately deliver copies of all keys to Landlord. Tenant shall pay all costs and charges related to loss of any keys or opening devices. Tenant may not remove locks, even if installed by Tenant.

20. **ENTRY:**

- A. Tenant shall make Premises available to Landlord or Landlord's representative for the purpose of entering to make necessary repairs, or improvements, or to supply necessary or agreed services, or to show Premises to prospective or actual purchasers, tenants, mortgagees, lenders, appraisers, or contractors.
- B. Landlord and Tenant agree that 24-hour written notice shall be reasonable and sufficient notice, except that 48-hour written notice is required to conduct an inspection of the Premises prior to the Tenant moving out, unless the Tenant waives the right to such notice. Notice may be given orally to show the Premises to actual or prospective purchasers provided Tenant has been notified in writing within 120 days preceding the oral notice that the Premises are for sale and that oral notice may be given to show the Premises. No notice is required: (i) to enter in case of an emergency; (ii) if the Tenant is present and consents at the time of entry or (iii) if the Tenant has abandoned or surrendered the Premises. No written notice is required if Landlord and Tenant orally agree to an entry for agreed services or repairs.

21. **SIGNS:** Tenant authorizes Landlord to place FOR SALE/LEASE signs on the Premises.

22. **ASSIGNMENT AND SUBLETTING:** Tenant shall not sublet all or any part of Premises, or assign or transfer this Lease or any interest in it. Any assignment, transfer or subletting of Premises or this Agreement or tenancy, by voluntary act of Tenant, operation of law or otherwise, shall terminate this Lease.

23. **JOINT AND SEVERAL OBLIGATIONS:** If there is more than one Tenant, each one shall be completely responsible for the performance of all obligations of Tenant under this Lease, jointly and severally with every other Tenant, whether or not in possession.

24. **LEAD-BASED PAINT (If checked):** The Premises were constructed prior to 1978. In accordance with federal law, Landlord gives and Tenant acknowledges receipt of the disclosures on the attached Exhibit "C" and a federally approved lead pamphlet.

25. **PERIODIC PEST CONTROL (If checked):** Landlord has entered into a contract for periodic pest control treatment of the Premises and shall give Tenant a copy of the notice originally given to Landlord by the pest control company.

26. **MEGAN'S LAW DATABASE DISCLOSURE:** Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Landlord is not required to check this website. If Tenant wants further information, Tenant should obtain information directly from this website.)

27. **MOLD AND MILDEW WARNING NOTICE:** Mold and mildew may be injurious to one's health; therefore, Tenant acknowledges that: (a) Tenant has inspected the Premises, and every part thereof, at the outset of the tenancy; (b) Tenant has found no signs of moisture, mold or mildew therein; (c) Tenant shall: (i) keep the Premises well-ventilated, clean and dry any signs of mold or mildew from all surfaces, (ii) promptly notify Landlord of any dampness (from leaks, overflows, water intrusion, etc.); and (iii) promptly notify Landlord of any mold, as well as any malfunction of ventilation, air conditioning or heating systems. Tenant shall be liable for any costs, expenses, injuries, damages and claims that may result from any failure to perform the foregoing duties.
28. **TOXIC SUBSTANCE WARNING:** Landlord is required to give you notice that areas on this property contain or may contain one or more of some 700 + toxic substances and chemicals substances, such as swimming pool disinfectant, cleaning substances, automobile exhaust fumes, barbeque or second-hand cigarette smoke, laundry room fluids or emissions, lead paint, asbestos, etc., known to the State of California to cause cancer, reproductive toxicity, birth defects and reproductive harm.
29. **TENANT'S OBLIGATIONS UPON VACATING PREMISES:**
- A. Upon the expiration or earlier termination of this Lease, Tenant shall: (i) give Landlord all copies of all keys or opening devices to Premises, including any mailboxes, pools, gates, common areas and all garage door openers; (ii) vacate and surrender Premises to Landlord, empty of all personal property and persons; (iii) vacate any/all parking and/or storage space; (iv) clean and deliver Premises to Landlord in good and broom-clean condition; (v) remove all debris; and (vi) give written notice to Landlord of Tenant's forwarding address.
- B. All alterations/improvements made by or caused to be made by Tenant, with or without Landlord's consent, shall become the property of Landlord upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord, as additional Rent, within ten (10) days after written demand for costs of restoration of the Premises to the condition they were in prior to any alterations/improvements that were not approved in writing by Landlord.
30. **TEMPORARY RELOCATION:** Subject to local law, Tenant agrees, upon demand of Landlord, to temporarily vacate Premises for a reasonable period, to allow for fumigation (or other methods) to control wood destroying pests or organisms, or other repairs to Premises. Tenant agrees to comply with all instructions and requirements necessary to prepare Premises to accommodate pest control, fumigation or other work, including bagging or storage of food and medicine, and removal of perishables and valuables. Tenant shall only be entitled to a credit of Rent equal to the per diem Rent for the period of time Tenant is required to vacate Premises. Unless Landlord expressly agrees in writing to pay relocation benefits, Tenant hereby waives any and all rights it may have to relocation benefits under California law.
31. **DAMAGE:** If, by no fault of Tenant, Premises are totally or partially damaged or destroyed by fire, earthquake, accident or other casualty that render Premises totally or

partially uninhabitable, either Landlord or Tenant may terminate this Agreement by giving the other written notice and Rent shall be abated as of the date Premises become totally or partially uninhabitable. If the Premises is an apartment unit or condominium, then Landlord may terminate this Lease upon written notice to Tenant if damage to the apartment or condominium complex occurs which will cost in excess of 20% of the replacement cost of the complex to repair. If this Lease is not terminated, Landlord shall promptly repair the damage, and Rent shall be reduced based on the extent to which the damage interferes with Tenant's reasonable use of Premises. If damage occurs as a result of an act of Tenant or Tenant's guests, only Landlord shall have the right of termination, and no reduction in Rent shall be made.

- 32. **INSURANCE:** Tenant's or guest's personal property and vehicles are not insured by Landlord, manager or, if applicable, HOA, against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. Tenant is advised to carry Tenant's own insurance to protect Tenant from any such loss or damage. Tenant shall comply with any requirement imposed on Tenant by Landlord's insurer to avoid: (i) an increase in Landlord's insurance premium (or Tenant shall pay for the increase in premium); or (ii) loss of insurance.
- 33. **WAIVER:** The waiver of any breach shall not be construed as a continuing waiver of the same or any subsequent breach.
- 34. **NOTICES:** Notices may be served at the following address, or at any other location subsequently designated:

Landlord: City of Vernon
4305 South Santa Fe Avenue
Vernon, CA 90058
Attn: City Clerk

Tenant: To the Premises

- 35. **TENANT ESTOPPEL CERTIFICATE:** Tenant shall execute and return, from time to time, a tenant estoppel certificate delivered to Tenant by Landlord, containing such information regarding this Lease and the Premises as Landlord may request, within five (5) business days. Failure to comply with this requirement shall be deemed Tenant's acknowledgment that the tenant estoppel certificate is true and correct, and may be relied upon by Landlord and a lender or purchaser.
- 36. **TENANT REPRESENTATIONS; CREDIT REPORTS:** Tenant warrants that all statements in Tenant's rental application are accurate, and Tenant hereby authorizes Landlord to obtain Tenant's credit report periodically during the tenancy in connection with the modification or enforcement of this Lease. Landlord may cancel this Lease: (i) before occupancy begins, upon disapproval of the credit report(s); or (iii) at any time, upon discovering that material information in Tenant's application is false. A negative credit report reflecting on Tenant's record may be submitted to a credit reporting agency if Tenant fails to fulfill the terms of payment and other obligations under this Agreement.

37. MEDIATION:

A. Subject to Section 37B below, Landlord and Tenant agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction, before resorting to court action. Mediation fees, if any, shall be divided equally between Landlord and Tenant. If, for any dispute or claim to which this Section applies, any party commences an action without first attempting to resolve the matter through mediation, or refuses to mediate after a request has been made, then that party shall not be entitled to recover its attorneys' fees, even if they would otherwise be available to that party in any such action.

B. The following matters are excluded from mediation: (i) an unlawful detainer action; (ii) any matter within the jurisdiction of a probate, small claims or bankruptcy court; (iii) an action for injunctive relief; (iv) an action for attachment.

38. ATTORNEYS' FEES: In any action or proceeding arising out of this Lease, the prevailing party between Landlord and Tenant shall be entitled to reasonable attorneys' fees and costs, except as provided in Section 37A above.

39. ENTIRE CONTRACT; SEVERABILITY; AMENDMENTS: All understandings between the parties are incorporated in this Lease. The terms are intended by the parties as a final, complete and exclusive expression of their agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Lease is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed except in writing.

40. TERMINATION OF EXISTING LEASE (If checked): Upon the Commencement Date, the existing Lease between Landlord and Tenant dated _____ shall terminate.

41. LANDLORD IS ACTING IN ITS PROPRIETARY CAPACITY (NOT GOVERNMENTAL CAPACITY): In entering into this Lease, Landlord is acting in its proprietary capacity as a party to a contract, and not in its governmental capacity; consequently, nothing in this Lease shall be construed to modify or waive Landlord's rights in its governmental capacity, all of which are hereby reserved.

42. INDEMNITY: Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, liabilities, Leases, damages, costs and expenses arising from, or relating to, any act or omission by Tenant or any Authorized Occupant, or guest, licensee, contractor, sublessee or assignee of Tenant, in, on or about the Premises.

43. TIME OF ESSENCE: Time is of the essence of each and every provision of this Lease in which time is a factor.

44. **EXECUTION IN COUNTERPARTS:** Counterpart originals of this Lease may be executed, each of which, and all of which together, shall constitute one and the same agreement.
45. **POSSESSORY INTEREST TAX:** Landlord hereby informs Tenant that a form of property tax called a “possessory interest tax” may apply to Tenant’s interest under this Lease. Tenant shall pay all such possessory interest taxes, as assessed to Tenant, before they become delinquent, and may submit proof of payment of such tax to Landlord for prompt reimbursement.
46. **WAIVER OF RELIEF FROM FORFEITURE:** To the extent not prohibited by law, Tenant hereby waives and agrees not to assert any rights or benefits under California Code of Civil Procedure Section 1179 permitting a court to relieve a tenant from forfeiture of a Lease and restore him to or her to tenancy in the case of “hardship”.
47. **COMMISSION AUTHORITY TO AMEND:** The Vernon Housing Commission (“VHC”) shall have the authority (but not any obligation) to amend this Lease on behalf of the City provided the amendment is express, in writing and executed by the VHC Director and the Tenant.
48. **Compliance With Laws:** Neither Tenant, nor Tenant’s guests or invitees, shall violate any law or commit or permit any waste, damage to, or nuisance in or about, the Premises, or in any way annoy any other tenant, or operate any business in or about the Premises, or do or keep anything in or about the Premises that will obstruct the common areas or usage thereof, or increase Landlord’s insurance premiums.
49. **Non-Curable Breach of Agreement:** The following, by way of illustration and not limitation, shall constitute a non-curable breach of this Agreement: (a) Police raid upon the Premises resulting in the arrest and conviction of Tenant for possession/sale/storage of any illegal narcotic/controlled substance/chemical or herbal contraband, in or about the Premises, or for aiding and abetting any family member, occupant, guest or visitor in any such activity; (b) Misrepresentation or material omission on Tenant’s Rental Application vitiating the tenancy.
50. **Priority Right to Purchase Housing Units for Tenants Who First Leased a Housing Unit on or before July 7, 2011:** If Tenant first Leased and occupied the Premises on or before July 7, 2011, regardless of the effective date of this Lease, and if the Premises is offered for sale, Tenant shall have a priority right to purchase the Premises, subject, however, to the California Attorney General approving of this grant of a priority right. If the California Attorney General does not approve of the granting of this priority right, no such priority right shall exist.

(Continued on Next Page)

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Lease as of the date first written above.

LANDLORD:

CITY OF VERNON,
a California municipal corporation

By: _____
Mark C. Whitworth
City Administrator and VHC Director

ATTEST:

Maria E. Ayala, City Clerk

TENANT:

Print Name: _____

Print Name: _____

EXHIBIT "A"
PET AGREEMENT

(Attached; to be completed by Tenant, and executed and dated by Tenant and Landlord.)

PET AGREEMENT

LANDLORD: _____

TENANT: _____

PREMISES: _____

DOG(S): _____ CAT(S): _____

Breed(s): _____ Breed(s): _____

Name(s): _____ Name(s): _____

Tenant, in consideration of this agreement which is incorporated into the rental agreement, shall abide by the following terms, each of which is material:

1. **Pet(s) allowed:** The only pet(s) which the tenant shall keep on the premises are described above.
2. **Repair and/or Replacement:** Tenant shall either, at the sole election of the landlord, repair in a workmanlike manner or reimburse the landlord for the costs of said repair, upon a demand contained in a three day notice to perform or quit, any damages to the premises or its furnishings and improvements, caused by the pet(s).
3. **Dogs:** Dogs must be neutered. Dogs must be leashed, at all times, outside the premises. Dogs shall not be allowed to defecate on or about the premises. Any such defecation must be immediately removed and either wrapped or bagged. Unwrapped defecation shall not be placed in any trash container. Dogs must not bark or howl or in any way become a nuisance or threat to the other tenants of the premises. Dogs shall be kept free of fleas and tenant is responsible for the costs of any and all flea infestation treatment which may be required, at the sole discretion of the landlord. Tenant represents that their dog(s) is/are housebroken.
4. **Cats:** Cats must be neutered. Cats must be kept inside the premises at all times unless the premises is a single family dwelling. A litter box must be maintained inside the premises and it must be kept clean. Litter must be bagged before being placed into trash.
5. **Feeding:** No pet may be fed outside the dwelling unit except if the unit is a single family dwelling, or fed over any uncovered carpeting.
6. **Laws and ordinances:** Tenant shall obey all pertinent laws and ordinances.

7. **Breach of Covenant:** The breach of any covenant of this agreement, following the service of a three day notice to perform or quit on the tenant, shall be deemed a material breach of the rental agreement and will entitle the landlord to restitution of the premises, and such other damages as may be recoverable pursuant to the terms of the rental agreement.
8. **Unattended Pet:** No pet shall be left unattended for more than twenty-four hours. When tenant is on vacation or away from the premises for more than twenty-four hours, the pet must be taken to a pet care facility. Strangers to the tenancy shall not be allowed to enter the premises to care for the pet.
9. **Abandonment of Pet:** Any pet left at the premises following either voluntary vacation by the tenant or lockout pursuant to court order shall be deemed abandoned. The landlord has no responsibility for the care, feeding, and maintenance of the pet, and may immediately turn the pet over to any local animal control authority.
10. **Complete Agreement:** This is the complete agreement between the parties concerning pet(s).
11. **Modification of Agreement:** This agreement may only be modified by an agreement in writing signed by both parties.
12. **Waiver:** The acceptance of rent by the landlord from the tenant after a breach or purported breach of this agreement shall not be considered a waiver of any covenant herein.
13. **Indemnity and Hold Harmless:** The tenant shall indemnify the landlord and hold the landlord harmless from any and all damages, inconveniences, and nuisance which may be caused by the pet, and will reimburse landlord for all expenses occasioned thereby.
14. **Liability insurance covering injuries or damages caused by Tenant's pet(s),** with a minimum limit per incident as specified by Landlord, showing Landlord as an additional insured, shall be purchased by Tenant and kept in effect during the tenancy on Landlord's demand.

 Tenant

 Date

 Tenant

 Date

 Landlord

 Date

EXHIBIT "B"
RULES AND REGULATIONS

1. Landlord is not responsible for providing any security, and shall not be responsible for fire, theft of personal property, including jewelry, money, apparel or other items in the Premises, storage areas, carports, garages, common area or mailboxes.
2. No unnecessary noise is allowed at any time. All musical instruments, television sets, radios, stereos, etc. are to be played only at a volume that does not disturb neighbors and other residents.
3. All appliances including garbage disposal and dishwasher are to be operated only in accordance with factory recommendations, instructions delivered to you or posted instructions.
4. No alterations may be done without prior written consent from Landlord. Any drapes and carpets must be given good care and kept free of spots, burns and other damage. Notwithstanding the foregoing, if a Tenant paints a unit, upon move-out, the Tenant must re-paint the unit in its original color, or will be held financially liable for the cost of re-painting the unit.
5. Cost of repairs to or stoppage of, waste pipes or drains, water pipes, plumbing fixtures or overflow therefrom caused by negligent or improper usage, or the introduction of foreign articles or materials into the system, will be the responsibility of and must be paid for by the Tenant.
6. With respect to apartments and condominiums, no rugs, towels, articles of clothing or other such items are to be draped over the rails of balconies, and no mops or rugs are to be shaken from same or through window openings.
7. The storage of gasoline or other combustibles is prohibited.
8. Residents are responsible for the conduct of their licensees, guests and contractors and the adherence to these rules at all times. Intoxication, disorderly conduct, objectionable language or other disturbance by residents or visitors are not permitted.
9. No trash or other material may be accumulated that will create a hazard or be in violation of any health, fire or safety ordinance or regulation. Premises must be kept clean and sanitary and free from objectionable odors.
10. Vehicles parked in violation of the Lease may be towed away at the Tenant's expense.
11. If the Premises consists of an apartment or condominium unit, no personal belongings, including bicycles, equipment or other items may be placed in halls, stairways or any common areas except in areas where expressly allowed by posted signage.

EXHIBIT "C"
EPA LEAD BASED PAINT DISCLOSURE FORM

(Attached; to be completed by Landlord, and executed and dated by Tenant.)

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure

(a) Presence of lead-based and/or lead-based paint hazards (check (i) or (ii) below):

(i) ___ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii) ___ Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check (i) or (ii) below):

(i) ___ Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii) ___ Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessee's Acknowledgment (initial)

(c) ___ Lessee has received copies of all information listed above.

(d) ___ Lessee has received the pamphlet *Protect Your Family from Lead in Your Home*.

Agent's Acknowledgment (initial)

(e) ___ Agent has informed the lessor of the lessor's obligations under 42. U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Premises: _____

Lessor: City of Vernon By: _____ Date: _____

Lessee Date Lessee Date



STAFF REPORT CITY ADMINISTRATION

DATE: March 9, 2016

TO: Honorable Vernon Housing Commission

FROM: A.J. Wilson, Interim City Administrator/Commission Director
Originator: Kristen Enomoto, Deputy City Administrator

RE: Public Hearing Regarding Preliminary 5-Year Market Rent Schedule for all City-Owned Housing Units in Vernon

Recommendations

- A. Find that the review of the Preliminary 5-Year Market Rent Schedule is exempt from the California Environmental Quality Act ("CEQA"), because such review is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Hold a public hearing on the Preliminary 5-Year Market Rent Schedule to obtain oral and written testimony.
- C. Hold a discussion regarding the Preliminary 5-Year Market Rent Schedule based on any testimony provided during the public hearing.
- D. Provide direction to staff regarding what the Commission would like to consider for adoption or further discussion at the special Housing Commission meeting slated for April 6, 2016.

Background

At a special meeting held on February 10, 2016, the Housing Commission ("Commission") developed a Preliminary 5-Year Market Rent Schedule ("Rent Schedule") for all City-owned housing units in Vernon. The Rent Schedule was developed based on written reports and oral

presentations from two of the three independent, qualified appraisers utilized by the Commission in 2011 to determine initial market rents for all units.

With comparative data now available, the Commission focused its attention on the growth rate expressed when comparing the 2011 appraisal results to the 2016 appraisal results. One appraiser indicated an average growth rate of 18% over the 5-year period, while the other appraiser indicated an average growth rate of 25% over the same 5-year period. The Commission elected to apply the average of those two rates, approximately 22%, to the existing rates established in 2011, in order to determine what market rents should be today. Additionally, the Commission applied a growth rate projection of 22% to said rates over the next five years (or 4.4% per year) in an effort to ensure rents would remain at market levels over the next five years.

In order to avoid potential tenant turnover (and the additional associated costs) that may result from a sharp increase in rents, the Commission developed a “smoothing” approach or “catch-up” rate for existing tenants. Under the Commission’s proposal, existing tenants would remain at their current rents and see a combined 8.8% increase (4.4% “catch-up” rate + 4.4% growth rate projection) each of the next five years. Rents for new tenants would be set at the current market rates (approximately 22% higher than current rates for existing tenants), and increase by the 4.4% growth rate projection each of the next five years. Under this proposal, both existing and new tenants would arrive at the same market rent for the same unit by 2021.

Fiscal Impact

Based on the projected August 1, 2016 effective date of the Preliminary 5-Year Rent Schedule, the housing stock could expect to generate approximately \$314,036 (full occupancy of existing tenants) to \$367,630 (full occupancy of new tenants) in the first year. This does not account for any vacancies or loss of revenue during turnover, nor does it factor in additional rent values that may apply to any of the seven units currently under remodel consideration by the City Council. Using this approach, the range of rental income that could be generated over the following four years is as follows:

- Year 2: \$341,671 to \$383,806
- Year 3: \$371,738 to \$400,693
- Year 4: \$404,451 to \$418,324
- Year 5: \$436,730 to \$436,730

At full occupancy under the current rental rates, the housing stock would generate approximately \$288,636 in annual revenue, not accounting for any vacancies or loss of revenue during turnover.

Attachment(s)

1. Sample Letter to Tenants re Public Hearing w/attachments
2. February 10, 2016 Housing Commission Staff Report re Review of 2016 Market Rent Data
3. Growth Rate Comparison Charts Presented at February 10, 2016 Housing Commission Meeting

Attachment 1

Sample Letter to Tenants
re Public Hearing w/attachments



4305 Santa Fe Avenue, Vernon, California 90058
Telephone (323) 583-8811

[Date]

[Tenant Name and Address]

Re: March 9, 2016 Public Hearing Regarding Preliminary 5-Year Market Rent Schedule

Dear [Tenant Name]:

Over the past five years, the Vernon City Council and the Vernon Housing Commission (the “Commission”) have adopted many policies and procedures regarding City-owned housing that have directly impacted you as a tenant of City-owned housing. We recognize that the amount of rent charged for City-owned housing may be the most important decision the Commission makes and the one that has and will continue to have the greatest impact on you.

The Commission is currently reviewing rents for all City-owned housing and is in the process of determining necessary adjustments to ensure that all units are charged market rents. A Preliminary 5-Year Market Rent Schedule covering the period of August 1, 2016 – July 31, 2021 was recently developed by the Commission based on current market data and is presently under consideration by the Commission. We write to you to provide some background on the Commission’s rent-setting process and to invite you to provide your comments on this process either in writing or at a public hearing scheduled for March 9, 2016 (See Attachment 1 – Notice of Public Hearing).

Background

In 2011, as part of the City’s good governance reforms, the City Council adopted a policy that all rents charged for City-owned housing must be set at a “market” rate. Thereafter, the Commission, being charged with setting rents for City-owned housing, established a rent schedule for all City-owned housing that reflected what the Commission concluded were “market” rates based on information available to the Commission in 2011/2012. The 2011/2012 Market Rent Schedule remains in effect today.

After nearly five years, and acknowledging a general trend of increasing market rents in Los Angeles County, the Commission is again reviewing rents for all City-owned housing and is in the process of establishing a new rent schedule. As part of this process, the Commission held a meeting on February 10, 2016 to develop and begin consideration of a Preliminary 5-Year Market Rent Schedule, with a proposed effective date of August 1, 2016, for all City-owned housing units.

Exclusively Industrial

The next step in this process is to hold a public hearing on March 9, 2016, at which time you will be given an opportunity to provide your input and feedback directly to the Commission.

Basis for Determining New 5-Year Market Rent Schedule(s)

At the February 10 meeting, the Commission considered updated market rent data covering the period 2011 – 2016. Based on input from two expert appraisers, the Commission evaluated data suggesting that “market” rents for the City of Vernon have increased in a range of 18% - 25% over this period. Based on this data, the Commission concluded that current rents are 22% below market for the existing City-owned housing units in their current condition.¹

Although the Commission is mindful of the policy that it must set rents at a “market” rate, the Commission is also mindful of another City policy that it be guided by best practices of a private landlord. The Commission does not believe that it would be a best practice to impose an immediate 22% for existing tenants.

For more information relating to the Commission’s discussion, or to review the appraisal reports, please refer to the February 10, 2016 Vernon Housing Commission Agenda Packet available on the City’s website (<http://www.cityofvernon.org/government/public-meetings/vernon-housing-commission/agendas-minutes>) and at the City Clerk’s Office.

Setting Rents for Existing Tenants

Recognizing that a 22% increase would have a significant financial impact on existing tenants, and potentially cause tenants to vacate their units, the Preliminary 5-Year Market Rent Schedule for Existing Tenants established by the Commission includes both a “catch-up” rate adjustment of approximately 4.4% per year over the next 5-year period (2016 – 2021), and a “prospective” rate adjustment of approximately 4.4% per year over the same 5-year period to help ensure that existing tenants arrive at full market rents by the completion of the 5-year period in 2021.

Under this scenario, existing tenants in their current units would remain at their current rents through July 31, 2016, and see their first rent increase of 8.8% effective August 1, 2016, with an additional rent increase of 8.8% on August 1 of each of the following four years (See Attachment 2 – Preliminary 5-Year Market Rent Schedule for Existing Tenants).

Any existing tenant who obtains a housing unit different than the one he/she currently occupies, whether through the semi-annual lottery or unit-to-unit transfer process, would be considered a prospective/new tenant and would be subject to the market rent schedule for prospective/new tenants described below.

Setting Rents for Prospective/New Tenants

¹ The Commission is in the process of setting rents for housing units in their present condition. Any improvements and/or remodeling to any particular unit likely will require additional rent increases to be determined at the time of the completion of the improvements/remodeling.

In light of the fact that prospective tenants will have the benefit of knowing the market rent for a particular unit before deciding whether to lease the unit, the Commission determined that vacant units do not warrant a “catch-up” rate period and should be set at full market rates immediately and prior to leasing the unit to a new tenant. As such, the Preliminary 5-Year Market Rent Schedule for Prospective Tenants established by the Commission sets rents for vacant units at the current full market rate, and includes only the “prospective” rate adjustment of approximately 4.4% per year over the next 5-year period (2016 – 2021) to ensure that rents for said units remain at market rates.

The City currently has one vacant unit. Under this scenario, the monthly rent for said unit would increase immediately by 22% and be set at \$1,042. A new tenant that leased said unit would see his/her first rent increase (above the increased starting rent) of 4.4% (\$1,088/month) effective August 1, 2016, with an additional rent increase of 4.4% on August 1 of each of the following four years (See Attachment 3 – Preliminary 5-Year Market Rent Schedule for Prospective/New Tenants).

Full Market Rents for All Units by 2021

As both versions of the Preliminary 5-Year Market Rent Schedule illustrate, both existing tenants and prospective/new tenants would arrive at the same market rent for the same unit by August 1, 2021. However, because existing tenants start at a lower rate than prospective/new tenants would, existing tenants would pay less in total rent over the next five-year period than new tenants would for the same unit over the same period of time (See Attachment 4 – Growth Rate Comparison for Existing and Prospective/New Tenants for [insert address]).

The Housing Commission and City staff welcome and encourage your attendance and participation at the public hearing on Wednesday, March 9, 2016, at 6:00 p.m. in the City Council Chambers at Vernon City Hall.

If you have any questions or require further information, please contact Kristen Enomoto at (323) 583-8811, ext. 398, or kenomoto@ci.vernon.ca.us.

Sincerely,

A.J. Wilson
Interim City Administrator/Interim Housing Commission Director

Attachments

1. Notice of Public Hearing
2. Preliminary 5-Year Market Rent Schedule for Existing Tenants
3. Preliminary 5-Year Market Rent Schedule for Prospective/New Tenants
4. Growth Rate Comparison for Existing and Prospective/New Tenants for [insert address]

cc: Anthony Zarate, City Housing
Maria Ayala, City Clerk

Attachment 1

Notice of Public Hearing



NOTICE OF PUBLIC HEARING REGARDING PROPOSED MARKET RENTAL RATES FOR ALL HOUSING UNITS OWNED BY THE CITY OF VERNON

The Vernon Housing Commission will conduct a Public Hearing, which you may attend.

PLACE: Vernon City Hall
City Council Chambers
4305 Santa Fe Avenue
Vernon, CA 90058

DATE & TIME: Wednesday, March 9, 2016, at 6:00 p.m. (or as soon thereafter as the matter can be heard)

PURPOSE: To obtain testimony regarding the Preliminary 5-Year Market Rent Schedule for all housing units owned by the City of Vernon.

DOCUMENTS FOR REVIEW: Preliminary 5-Year Market Rent Schedules for Existing and Prospective/New Tenants;
February 9, 2016 Vernon Housing Commission Agenda Packet and Related Meeting Materials

ORAL COMMENTS: Any interested person may attend the hearing and make an oral presentation to the Vernon Housing Commission at the time of the hearing.

WRITTEN COMMENTS: Any interested person may submit written comments prior to the hearing. Written comment forms are available at the Commission Secretary/City Clerk's Office and on the Vernon Housing Commission page of the City of Vernon's website (<http://www.cityofvernon.org/government/public-meetings/vernon-housing-commission>)

Please send written comments to:
Kristen Enomoto, Deputy City Administrator
City of Vernon
4305 Santa Fe Avenue
Vernon, CA 90058
Email: kenomoto@ci.vernon.ca.us

If you challenge the adoption/approval of the Preliminary 5-Year Market Rent Schedule for all housing units owned by the City of Vernon, or any provision thereof in court, you may be limited to raising only those issues you or someone else raised at the hearing described in this notice or in written correspondence delivered to the City of Vernon at, or prior to, the meeting.

The hearing may be continued, adjourned, cancelled, or rescheduled to a stated time and place without further notice of a public hearing.

Dated: _____

Maria E. Ayala, City Clerk

Attachment 2

Preliminary 5-Year Market Rent Schedule for Existing Tenants

Preliminary 5-Year Market Rent Schedule for Existing Tenants

Proposed Effective Date: 8/1/2016

| Unit Address | Unit Type Bed/Bath | Current Market Rent | Year 1 8/1/2016 | Year 2 8/1/2017 | Year 3 8/1/2018 | Year 4 8/1/2019 | Year 5 8/1/2020 |
|-----------------------------|-----------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Apartments: | | | | | | | |
| *3376 E. 50th | 2bed/1bath | \$ 839 | \$ 913 | \$ 993 | \$ 1,081 | \$ 1,176 | \$ 1,269 |
| 3378 E. 50th | 2bed/1bath | \$ 839 | \$ 913 | \$ 993 | \$ 1,081 | \$ 1,176 | \$ 1,269 |
| 3380 E. 50th | 1bed/1bath | \$ 696 | \$ 757 | \$ 824 | \$ 896 | \$ 975 | \$ 1,053 |
| 3382 E. 50th | 1bed/1bath | \$ 696 | \$ 757 | \$ 824 | \$ 896 | \$ 975 | \$ 1,053 |
| 3384 E. 50th | 1bed/1bath | \$ 696 | \$ 757 | \$ 824 | \$ 896 | \$ 975 | \$ 1,053 |
| 3386 E. 50th | 1bed/1bath | \$ 696 | \$ 757 | \$ 824 | \$ 896 | \$ 975 | \$ 1,053 |
| 3388 E. 50th | 2bed/1bath | \$ 839 | \$ 913 | \$ 993 | \$ 1,081 | \$ 1,176 | \$ 1,269 |
| 3390 E. 50th | 2bed/1bath | \$ 839 | \$ 913 | \$ 993 | \$ 1,081 | \$ 1,176 | \$ 1,269 |
| Single Family Homes: | | | | | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,164 | \$ 1,266 | \$ 1,378 | \$ 1,499 | \$ 1,631 | \$ 1,761 |
| 3349 Fruitland | 2bed/1bath | \$ 968 | \$ 1,053 | \$ 1,146 | \$ 1,247 | \$ 1,356 | \$ 1,465 |
| 3353 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,212 | \$ 1,319 | \$ 1,435 | \$ 1,561 | \$ 1,686 |
| 3357 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,212 | \$ 1,319 | \$ 1,435 | \$ 1,561 | \$ 1,686 |
| **3361 Fruitland | 3bed/1bath | \$ 1,043 | \$ 1,135 | \$ 1,235 | \$ 1,343 | \$ 1,462 | \$ 1,578 |
| **3365 Fruitland | 2bed/1bath | \$ 914 | \$ 994 | \$ 1,082 | \$ 1,177 | \$ 1,281 | \$ 1,383 |
| | | | | | | | |
| **4321 Furlong | 3bed/1bath | \$ 1,000 | \$ 1,088 | \$ 1,184 | \$ 1,288 | \$ 1,401 | \$ 1,513 |
| 4322 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,165 | \$ 1,268 | \$ 1,379 | \$ 1,501 | \$ 1,621 |
| **4323 Furlong | 2bed/1bath | \$ 854 | \$ 929 | \$ 1,011 | \$ 1,100 | \$ 1,197 | \$ 1,292 |
| **4324 Furlong | 2bed/1bath | \$ 854 | \$ 929 | \$ 1,011 | \$ 1,100 | \$ 1,197 | \$ 1,292 |
| **4325 Furlong | 2bed/1bath | \$ 854 | \$ 929 | \$ 1,011 | \$ 1,100 | \$ 1,197 | \$ 1,292 |
| 4326 Furlong | 2bed/1bath | \$ 925 | \$ 1,006 | \$ 1,095 | \$ 1,191 | \$ 1,296 | \$ 1,400 |
| 4327 Furlong | 2bed/1bath | \$ 925 | \$ 1,006 | \$ 1,095 | \$ 1,191 | \$ 1,296 | \$ 1,400 |
| **4328 Furlong | 2bed/1bath | \$ 854 | \$ 929 | \$ 1,011 | \$ 1,100 | \$ 1,197 | \$ 1,292 |
| 4329 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,165 | \$ 1,268 | \$ 1,379 | \$ 1,501 | \$ 1,621 |
| 4330 Furlong | 3bed/1bath | \$ 1,089 | \$ 1,185 | \$ 1,289 | \$ 1,403 | \$ 1,526 | \$ 1,648 |
| | | | | | | | |
| 3550 Vernon | 3bed/1bath | \$ 1,114 | \$ 1,212 | \$ 1,319 | \$ 1,435 | \$ 1,561 | \$ 1,686 |
| 3560 Vernon | 2bed/1bath | \$ 985 | \$ 1,072 | \$ 1,166 | \$ 1,269 | \$ 1,380 | \$ 1,490 |
| | | | | | | | |

*Unit assigned to Fire Department

** Units not remodeled in 2007/2008

Attachment 3

Preliminary 5-Year Market Rent Schedule for Prospective/New Tenants

**Preliminary 5-Year Market Rent Schedule for Prospective/New Tenants
Proposed Effective Date: Upon Adoption by Vernon Housing Commission**

| Unit Address | Unit Type Bed/Bath | Potential 2016 Market Rent Reflecting 22% Growth Rate Since 2011 | Year 1 8/1/2016 | Year 2 8/1/2017 | Year 3 8/1/2018 | Year 4 8/1/2019 | Year 5 8/1/2020 |
|-----------------------------|-------------------------------|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Apartments: | | | | | | | |
| *3376 E. 50th | 2bed/1bath | \$ 1,024 | \$ 1,069 | \$ 1,116 | \$ 1,165 | \$ 1,216 | \$ 1,269 |
| 3378 E. 50th | 2bed/1bath | \$ 1,024 | \$ 1,069 | \$ 1,116 | \$ 1,165 | \$ 1,216 | \$ 1,269 |
| 3380 E. 50th | 1bed/1bath | \$ 849 | \$ 886 | \$ 925 | \$ 966 | \$ 1,009 | \$ 1,053 |
| 3382 E. 50th | 1bed/1bath | \$ 849 | \$ 886 | \$ 925 | \$ 966 | \$ 1,009 | \$ 1,053 |
| 3384 E. 50th | 1bed/1bath | \$ 849 | \$ 886 | \$ 925 | \$ 966 | \$ 1,009 | \$ 1,053 |
| 3386 E. 50th | 1bed/1bath | \$ 849 | \$ 886 | \$ 925 | \$ 966 | \$ 1,009 | \$ 1,053 |
| 3388 E. 50th | 2bed/1bath | \$ 1,024 | \$ 1,069 | \$ 1,116 | \$ 1,165 | \$ 1,216 | \$ 1,269 |
| 3390 E. 50th | 2bed/1bath | \$ 1,024 | \$ 1,069 | \$ 1,116 | \$ 1,165 | \$ 1,216 | \$ 1,269 |
| Single Family Homes: | | | | | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,420 | \$ 1,483 | \$ 1,548 | \$ 1,616 | \$ 1,687 | \$ 1,761 |
| 3349 Fruitland | 2bed/1bath | \$ 1,181 | \$ 1,233 | \$ 1,287 | \$ 1,344 | \$ 1,403 | \$ 1,465 |
| 3353 Fruitland | 3bed/1bath | \$ 1,359 | \$ 1,419 | \$ 1,481 | \$ 1,546 | \$ 1,615 | \$ 1,686 |
| 3357 Fruitland | 3bed/1bath | \$ 1,359 | \$ 1,419 | \$ 1,481 | \$ 1,546 | \$ 1,615 | \$ 1,686 |
| **3361 Fruitland | 3bed/1bath | \$ 1,272 | \$ 1,328 | \$ 1,387 | \$ 1,448 | \$ 1,512 | \$ 1,578 |
| **3365 Fruitland | 2bed/1bath | \$ 1,115 | \$ 1,164 | \$ 1,215 | \$ 1,269 | \$ 1,325 | \$ 1,383 |
| **4321 Furlong | 3bed/1bath | \$ 1,220 | \$ 1,274 | \$ 1,330 | \$ 1,388 | \$ 1,449 | \$ 1,513 |
| 4322 Furlong | 3bed/1bath | \$ 1,307 | \$ 1,364 | \$ 1,424 | \$ 1,487 | \$ 1,552 | \$ 1,621 |
| **4323 Furlong | 2bed/1bath | \$ 1,042 | \$ 1,088 | \$ 1,136 | \$ 1,186 | \$ 1,238 | \$ 1,292 |
| **4324 Furlong | 2bed/1bath | \$ 1,042 | \$ 1,088 | \$ 1,136 | \$ 1,186 | \$ 1,238 | \$ 1,292 |
| **4325 Furlong | 2bed/1bath | \$ 1,042 | \$ 1,088 | \$ 1,136 | \$ 1,186 | \$ 1,238 | \$ 1,292 |
| 4326 Furlong | 2bed/1bath | \$ 1,129 | \$ 1,178 | \$ 1,230 | \$ 1,284 | \$ 1,341 | \$ 1,400 |
| 4327 Furlong | 2bed/1bath | \$ 1,129 | \$ 1,178 | \$ 1,230 | \$ 1,284 | \$ 1,341 | \$ 1,400 |
| **4328 Furlong | 2bed/1bath | \$ 1,042 | \$ 1,088 | \$ 1,136 | \$ 1,186 | \$ 1,238 | \$ 1,292 |
| 4329 Furlong | 3bed/1bath | \$ 1,307 | \$ 1,364 | \$ 1,424 | \$ 1,487 | \$ 1,552 | \$ 1,621 |
| 4330 Furlong | 3bed/1bath | \$ 1,329 | \$ 1,387 | \$ 1,448 | \$ 1,512 | \$ 1,578 | \$ 1,648 |
| 3550 Vernon | 3bed/1bath | \$ 1,359 | \$ 1,419 | \$ 1,481 | \$ 1,546 | \$ 1,615 | \$ 1,686 |
| 3560 Vernon | 2bed/1bath | \$ 1,202 | \$ 1,255 | \$ 1,310 | \$ 1,367 | \$ 1,428 | \$ 1,490 |

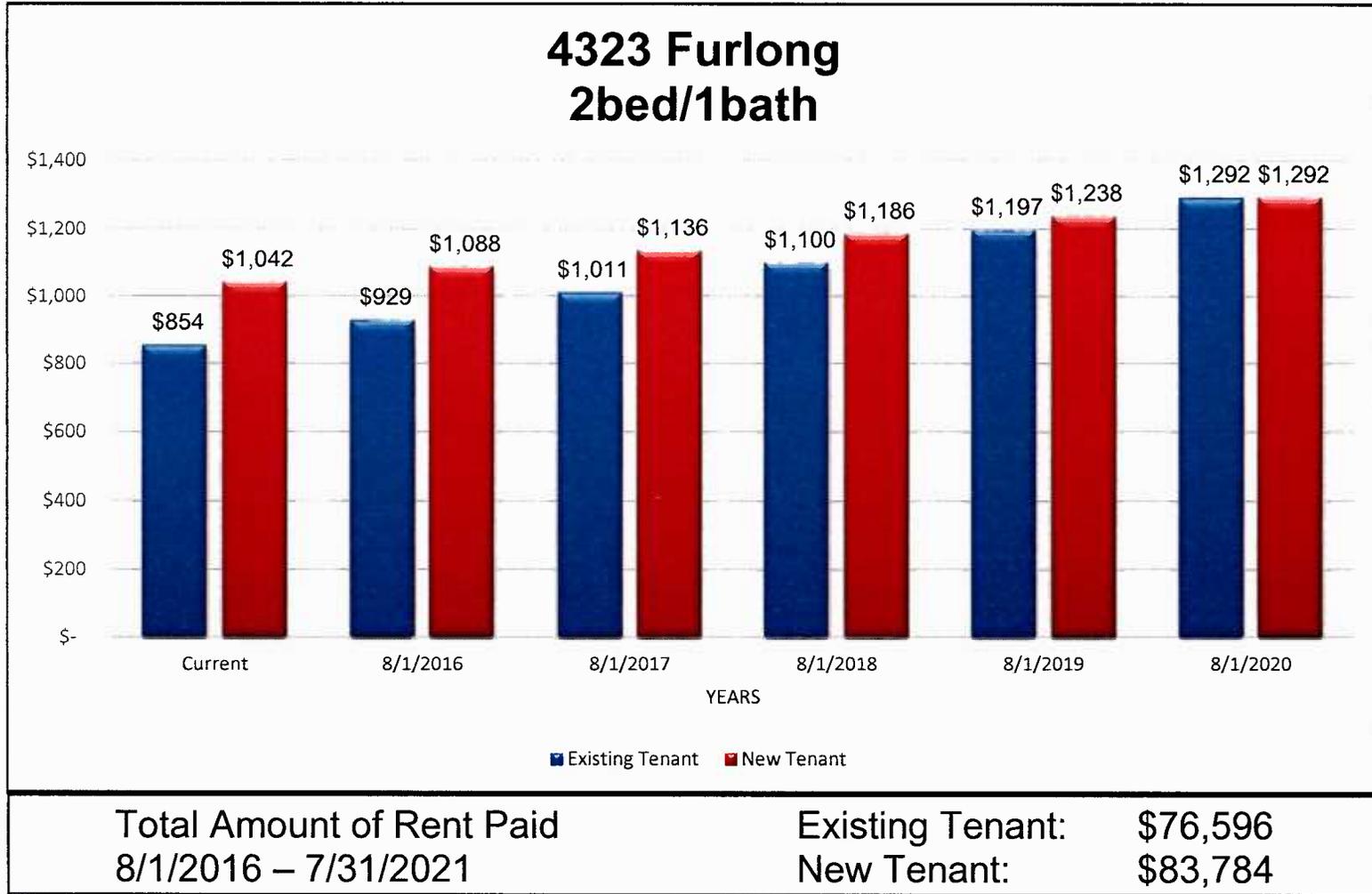
*Unit assigned to Fire Department

** Units not remodeled in 2007/2008

Attachment 4

Growth Rate Comparison for Existing and Prospective/New Tenants for 4323 Furlong Place

Growth Rate Comparison for Existing and New Tenants



Attachment 2

February 10, 2016 Housing Commission Staff
Report re Review of 2016 Market Rent Data

RECEIVED

FEB 04 2016

CITY CLERK'S OFFICE



STAFF REPORT

CITY ADMINISTRATION

DATE: February 10, 2016

TO: Honorable Vernon Housing Commission

FROM: A.J. Wilson, Interim City Administrator/Commission Director *AJW/KE*
Originator: Kristen Enomoto, Deputy City Administrator

RE: Review of 2016 Market Rent Data and Development of a Preliminary Market Rent Schedule for City-Owned Housing Units in Vernon

Recommendations

- A. Find that the review and development of market rent data and schedules is exempt from the California Environmental Quality Act ("CEQA"), in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Review 2016 market rent data provided by qualified, independent appraisers.
- C. Review the market rent growth rate from 2011 to 2016.
- D. Develop a 3 to 5-year preliminary market rent schedule to be disseminated to all residents and made available to the public at large for the purpose of soliciting feedback on the proposed schedule at an upcoming public hearing.

Background

The City of Vernon owns twenty-six (26) residential properties within the City's boundaries and four (4) residential properties in Huntington Park, two of which are vacant and being held for temporary relocation purposes should the Council decide to move forward with a potential remodel project, two of which are in escrow, and a former fifth of which was recently sold. As such, the only units being addressed as part of the 2016 rent setting process are the 26 units in Vernon, eight (8) of which are apartments in a single complex, and the remaining eighteen (18) of which are single family homes.

The Vernon Housing Commission (“Commission”) first and last established market rents for all City-owned housing units in February 2012. At that time, the City’s housing stock (31 units in total) consisted of one unit assigned to the City’s Fire Department, several vacant units, approximately one-third that were occupied by tenants under 5-year leases expiring November 2014 at the earliest and September 2015 at the latest, and approximately half that were occupied by tenants under month-to-month tenancies.

In an effort to create some level of parity between the 5-year lessees and the month-to-month tenancies when implementing market rents that were substantially higher than the then current rents, the Commission established a four-year, stair-stepped implementation plan for the month-to-month tenants so that they would arrive at the full 2012 market rent level around the same time the 5-year leases were set to expire and also be subject to the full 2012 market rent.

In trying to remain sensitive to the significant impact the market rent implementation schedule would have on the month-to-month tenants (nearly half the population), the Commission elected not to include any annual escalation factor in the implementation schedule. As such, current rents for City-owned units remain at levels that were established based on 2011/2012 market data.

As of August 1, 2015, all Vernon units had reached the full 2012 market rent level as indicated in the “current rent” column on the attached 2016 Comprehensive Rental Data Points Schedule (“Data Schedule”) (Attachment 1).

2011 and 2016 Independent Appraisal Reports

Similar to the approach taken in 2011/2012 to determine and establish market rents for City-owned units, and consistent with Section 2 of the Vernon Rental Housing Policy (“VRHP”) (Attachment 2), the City commissioned market rent studies from two of the three independent, qualified appraisers utilized in 2011/2012 – Gold Coast Appraisals, Inc. (“Gold Coast”) and Himes and Himes, Inc. (“Himes”). In 2011/2012, Gold Coast was determined by the Commission to have the most appropriate credentials to appraise the housing in Vernon, and its study results were therefore selected as the basis for rent setting, while Himes’ analysis of negative location impacts, ranging from 15%-30%, was determined to be the most accurate and appropriate. As such, the Gold Coast results were adjusted slightly to remove the minor adversity factor of \$20 applied by Gold Coast to all Vernon units, and then decreased by approximately 30% to establish the 2012 market rents for all units within Vernon.

Both appraisers used largely, if not entirely, the same assumptions and methodology in conducting and preparing the 2016 rent studies. A couple key differences in the 2016 rent study scope were the inclusion of two additional market rent adjustments for the seven non-remodeled units to indicate what the market rents for those units would be if they were remodeled to either of the two proposed scopes of work depicted on the City of Vernon Housing Remodel Cost Estimate (Attachment 3), and specific adjustments for appliances.

The 2016 Gold Coast report is included herewith in its entirety (Attachment 4). Additionally, the survey results have been consolidated into the attached Data Schedule for easy review. In the

2016 study, Gold Coast applied a flat \$45 adversity adjustment to each unit type, irrespective of size or other conditions, which equates to approximately a 2% - 4% adversity factor, rather than the 30% adversity factor the Commission applied in 2011. For a comparable 2016 rate based on the Commission's 2011 methodology, \$45 should be added to each suggested rate, and then the rate should be discounted by 30%.

The 2016 Himes report is also included herewith in its entirety (Attachment 5). However, the Himes report failed to reflect certain of the aforementioned key elements in the rent summary table on pages 3 and 20 of the report and the summary table is unclear in several respects. As such, the data as currently presented could not be incorporated into the attached Data Schedule as of the dissemination of this staff report on February 4, 2016. We are awaiting the updated/corrected summary table and, once received, will incorporate that data into the attached Data Schedule and provide the Commission with an updated copy.

Both appraisers are scheduled to attend the February 10th Commission meeting to present, in summary form, the results of their studies and attempt to answer any questions the Commission members may have.

Growth Rate Factor Approach

Although Section 2 of the VRHP requires the Commission to set rents at a "market" rate, there is no single measure of what constitutes a "market" rate for the housing units. The VRHP permits the Commission to consider multiple sources of information to determine a "market" rate. Per the VRHP, when setting rents, the Commission may also consider how a private landlord might act under similar circumstances.

In addition to the updated appraisals discussed above, the Commission may want to consider the increase in comparable rental rates since 2011, and potentially apply the same or a similar factor to current Vernon rents over a specified period of time.

Comparing the 2011 Gold Coast study results to the 2016 study results indicates approximate growth rates of 20% - 35% for all Vernon units, and an average increase of approximately 25% over the five-year period. A column depicting the application of a growth rate factor of 25% to all current Vernon rents has been included in the attached Data Schedule.

By way of comparison, the City of Los Angeles, under its rent stabilization ordinance, permits a minimum 3% and maximum 8% rental increase per year depending on the applicable measure of inflation. Had the Commission applied the minimum 3% rental increase each year for the past five years, this would equate to an approximately 16% rental rate increase over this period. A maximum 8% increase would have equaled an approximate 41% increase over this period.

As a further point of consideration, the Growth Rate Factor Approach takes into account the fact that rental rates are not set in a vacuum and that what constitutes a "market" rate adjustment for existing tenants may be different than what constitutes a "market" rental rate for new tenants. Regardless of a theoretical "market" rate, if a landlord raises rents too much, tenants will vacate units, and the landlord will incur additional costs associated with tenant turnover. As such, a

landlord may consider an appropriate “market” adjustment in rent for existing tenants that may be different from (and possibly lower than) what a landlord may want to set as a “market” rate for a new tenant following a voluntary vacating of a unit. From a net economic standpoint, it may be that by setting a rental increase at a lower rate than what otherwise may be dictated by the “market,” a landlord will benefit by avoiding excessive transition costs.

Additionally, the Commission should consider implementing an annual escalation schedule tied to an appropriate index or anticipated growth factor over a multi-year period to avoid significant “catch-up” periods every three to five years.

Vernon Village Park Apartments

In July 2015, Vernon Village Park (“VVP”) opened its doors to many new residents in Vernon. Vernon Village Park is a privately developed, owned, and operated LEED Silver apartment complex at the Southeast end of Vernon bordering Maywood. The complex is exclusively for low-income persons/families as defined by applicable regulations, and features 45 one-, two-, and three-bedroom units with balconies and patios, on-site laundry facilities, a community building with kitchen, outdoor barbecue area, edible gardens, and a Vernon Police Department substation.

While Vernon Village Park units are not a true market data point for Vernon’s City-owned units, given that it is the only other housing located within the City’s boundaries, it seems worth including as a general reference point. A few key differences between the two sets of units are that rents for VVP units are set according to affordable housing criteria, while rents for City-owned units are established pursuant to a market-based approach, VVP units have significantly more on-site amenities than any of the City-owned units, and VVP units are proximal to many common amenities in the neighboring city of Maywood.

Current rents at Vernon Village Park range from \$517 to \$896 for a one-bedroom unit, \$517 to \$1,058 for a two-bedroom unit, and \$599 to \$1,247 for a three-bedroom unit.

Preliminary Market Rent Schedule and Public Hearing

In an effort to keep to the previously established schedule for the 2016 rent setting process, it is recommended that the Commission make its best effort to establish a preliminary market rent schedule at the February 10th Commission meeting based on the review and analysis of the data points and related information provided herein and at the meeting. City staff will have resources on-hand to facilitate the preparation of such a schedule.

A formal public hearing could then be scheduled for the regular March 9th Commission meeting as originally planned, and the preliminary schedule could be disseminated to all Vernon residents and made broadly available to the public at large well in advance of the public hearing for the purpose of soliciting feedback on the proposed schedule at or as part of the public hearing.

Fiscal Impact

The fiscal impact associated with any proposed changes in market rents can be determined and provided once the Commission has had an opportunity to process and discuss all related data points and develop a preliminary market rent schedule.

Attachment(s)

1. 2016 Comprehensive Rental Data Points Schedule
2. Vernon Rental Housing Policy
3. City of Vernon Housing Remodel Cost Estimate
4. 2016 Gold Coast Market Rental Report
5. 2016 Himes & Himes Market Rental Report

Attachment 1

2016 Comprehensive Rental Data Points Schedule

2016 Comprehensive Rental Data Points Schedule

| Unit Address | Unit Type Bed/ Bath | Current Market Rent | 2016 Gold Coast Rent Report Data | | | Potential 2016 Market Rent Reflecting 25% Growth Rate Since |
|-----------------------------|------------------------|------------------------|----------------------------------|-----------------|-------------------|--|
| | | | As Is | Minimal Remodel | Extensive Remodel | |
| Apartments: | | | | | | |
| *3376 E. 50th | 2bed/1bath | \$ 839.00 | \$ 1,439.00 | | | \$ 1,048.75 |
| 3378 E. 50th | 2bed/1bath | \$ 839.00 | \$ 1,439.00 | | | \$ 1,048.75 |
| 3380 E. 50th | 1bed/1bath | \$ 696.00 | \$ 1,167.00 | | | \$ 870.00 |
| 3382 E. 50th | 1bed/1bath | \$ 696.00 | \$ 1,167.00 | | | \$ 870.00 |
| 3384 E. 50th | 1bed/1bath | \$ 696.00 | \$ 1,167.00 | | | \$ 870.00 |
| 3386 E. 50th | 1bed/1bath | \$ 696.00 | \$ 1,167.00 | | | \$ 870.00 |
| 3388 E. 50th | 2bed/1bath | \$ 839.00 | \$ 1,439.00 | | | \$ 1,048.75 |
| 3390 E. 50th | 2bed/1bath | \$ 839.00 | \$ 1,439.00 | | | \$ 1,048.75 |
| Single Family Homes: | | | | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,164.00 | \$ 1,982.00 | | | \$ 1,455.00 |
| 3349 Fruitland | 2bed/1bath | \$ 968.00 | \$ 1,726.00 | | | \$ 1,210.00 |
| 3353 Fruitland | 3bed/1bath | \$ 1,114.00 | \$ 1,957.00 | | | \$ 1,392.50 |
| 3357 Fruitland | 3bed/1bath | \$ 1,114.00 | \$ 1,957.00 | | | \$ 1,392.50 |
| **3361 Fruitland | 3bed/1bath | \$ 1,043.00 | \$ 1,775.00 | \$ 1,985.00 | \$ 2,027.00 | \$ 1,303.75 |
| **3365 Fruitland | 2bed/1bath | \$ 914.00 | \$ 1,519.00 | \$ 1,729.00 | \$ 1,771.00 | \$ 1,142.50 |
| | | | | | | |
| **4321 Furlong | 3bed/1bath | \$ 1,000.00 | \$ 1,707.00 | \$ 1,917.00 | \$ 1,959.00 | \$ 1,250.00 |
| 4322 Furlong | 3bed/1bath | \$ 1,071.00 | \$ 1,889.00 | | | \$ 1,338.75 |
| **4323 Furlong | 2bed/1bath | \$ 854.00 | \$ 1,547.00 | \$ 1,757.00 | \$ 1,799.00 | \$ 1,067.50 |
| **4324 Furlong | 2bed/1bath | \$ 854.00 | \$ 1,547.00 | \$ 1,757.00 | \$ 1,799.00 | \$ 1,067.50 |
| **4325 Furlong | 2bed/1bath | \$ 854.00 | \$ 1,552.00 | \$ 1,762.00 | \$ 1,804.00 | \$ 1,067.50 |
| 4326 Furlong | 2bed/1bath | \$ 925.00 | \$ 1,729.00 | | | \$ 1,156.25 |
| 4327 Furlong | 2bed/1bath | \$ 925.00 | \$ 1,729.00 | | | \$ 1,156.25 |
| **4328 Furlong | 2bed/1bath | \$ 854.00 | \$ 1,547.00 | \$ 1,757.00 | \$ 1,799.00 | \$ 1,067.50 |
| 4329 Furlong | 3bed/1bath | \$ 1,071.00 | \$ 1,895.00 | | | \$ 1,338.75 |
| 4330 Furlong | 3bed/1bath | \$ 1,089.00 | \$ 1,914.00 | | | \$ 1,361.25 |
| | | | | | | |
| 3550 Vernon | 3bed/1bath | \$ 1,114.00 | \$ 1,957.00 | | | \$ 1,392.50 |
| 3560 Vernon | 2bed/1bath | \$ 985.00 | \$ 1,701.00 | | | \$ 1,231.25 |

*Unit assigned to Fire Department

** Units not remodeled in 2007/2008

Attachment 2

Vernon Rental Housing Policy

Vernon Rental Housing Policy (“VRHP”)

Pursuant to Ordinance 1183, the Vernon Housing Commission (“VHC”) recommends to the Vernon City Council (“VCC”) that the VCC adopt the following Rental Housing Policy, to be applied to all housing owned by the City of Vernon and leased to the public.

1. **Fair Housing**: The City of Vernon is committed to managing its City-owned housing at the highest levels of fairness and impartiality. At a minimum, the City of Vernon shall comply with all applicable federal and state fair housing laws, including the federal Fair Housing Act, as amended, 42 U.S.C. 3601 et seq., and the California Fair Employment and Housing Act, Cal. Gov’t Code § 12955 et seq. (“FEHA”).

2. **“Market” Rents**: Subject to the provisions of paragraph six below, all rents charged by the City of Vernon shall be based on a “market” valuation, as determined by multiple independent sources. In setting a “market” value, the VHC should remain sensitive to the unique industrial and commercial character of the City of Vernon, including various environmental realities that are inherent in the City of Vernon. The VHC should also remain sensitive to the limited number of residential resources that the City of Vernon provides, as compared to other locales. Finally, to the extent reasonably practicable, when setting a “market” value for any particular rental unit, an individualized assessment of the particular rental unit shall be taken into account.

3. **Length of Tenancy**: All new leases shall be for a term of one (1) year. Renewal(s) of leases shall be for a term no longer than one (1) year, without limitation on the number of renewals, so long as a leasee is in good standing.

4. **Renewal of Existing Leases**: Per Ordinance 1183, any lease for a term or month-to-month tenancy in effect as of the effective date of Ordinance 1183 shall have a right to renew his or her lease or tenancy consistent with the terms and conditions established by the VRHP. Any month-to-month tenancy shall also have the right to convert such tenancy into a lease for a term, consistent with the requirements of section three above. ▶▶▶▶▶▶▶▶

5. **Terms and Conditions:** The terms and conditions of all tenancies shall be neutral, fair and reasonable, and shall be based on appropriate standards for private residential tenancies. To the extent reasonably practicable, terms and conditions should take into account any factors that may be present in the City of Vernon and that may not be present elsewhere. All leases for City-owned residences shall contain a right of first refusal to purchase the residence if the residence is offered for sale.

6. **Transition for Existing Tenants:** To the extent any existing tenancy is not in compliance with the VRHP, the VHC shall adopt procedures to bring all such tenancies into compliance. To avoid undue hardship on existing tenants, transitional procedures shall allow for a reasonable period of time to achieve full compliance with the VRHP. To the extent any individual leasee has a particularized hardship, the VHC shall adopt procedures to allow an individual leasee to appeal to the VHC so that any particularized hardship may be addressed in an equitable manner and to avoid any undue hardship for any particular leasee.

7. **Implementation:** The VHC shall promulgate such procedures as may be appropriate and/or necessary to implement and maintain the VRHP.

Attachment 3

City of Vernon Housing Remodel Cost Estimate

City of Vernon Housing Remodel Cost Estimate

| # | Task | Estimated Lump Sum Cost | Minumum Improvements | Additional cost if improved in 2 phases |
|----|--|-------------------------|----------------------|---|
| 1 | Install new carpet flooring with padding | \$ 2,000.00 | \$ 2,000.00 | \$ 2,000.00 |
| 2 | Replace drainage system to property line | \$ 5,000.00 | | |
| 3 | Replace water heating system | \$ 1,000.00 | \$ 1,000.00 | |
| 4 | Re-pipe water lines from meter to fixtures | \$ 4,000.00 | | |
| 5 | Re-pipe gas line | \$ 2,000.00 | | |
| 6 | Install computer, telephone and television cabling from designated rooms to exterior box | \$ 1,000.00 | | |
| 7 | Replace all interior receptacles, switches and plate covers | \$ 1,000.00 | | |
| 8 | Patch, paint and texture walls and ceiling | \$ 4,000.00 | \$ 4,000.00 | \$ 4,000.00 |
| 9 | Replace exterior crawl space screens and side vents | \$ 500.00 | | |
| 10 | Replace all interior doors | \$ 1,000.00 | | |
| 11 | Replace all door molding | \$ 500.00 | | |
| 12 | Install insulated vinyl siding over the exterior of the house | \$ 8,000.00 | | |
| 13 | Install new door bell | \$ 200.00 | | |
| 14 | Design and Install automatic irrigation system | \$ 2,500.00 | | |
| 15 | Remove and replace lawn | \$ 3,000.00 | | |
| 16 | Install a mow strip along perimeter of the house | \$ 500.00 | | |
| 17 | Construct new brick planter | \$ 3,500.00 | | |
| 18 | Replace all windows with retrofit vinyl dual panel low E windows | \$ 5,000.00 | | |
| 19 | Replace roof system | \$ 9,000.00 | | |
| 20 | Replace HVAC system | Completed | Completed | |
| 21 | Remove and replace window casing | \$ 500.00 | | |
| 22 | Replace window treatments with 1" vinyl wood blinds | \$ 1,000.00 | | |
| 23 | Install recessed lighting | \$ 2,000.00 | | |
| 24 | Replace baseboards DMF baseboard | \$ 1,000.00 | | |
| 25 | Remodel bathroom to meet ADA requirements | \$ 10,000.00 | \$ 10,000.00 | |
| 26 | Remodel Kitchen to meet ADA requirements | \$ 10,000.00 | \$ 10,000.00 | |
| 27 | Reconfigure laundry room to meet ADA requirements | \$ 5,000.00 | \$ 5,000.00 | |
| 28 | Exterior light fixtures | \$ 200.00 | | |
| 29 | Additional electrical improvements | \$ 8,000.00 | | |
| 30 | Lead abatement | \$ 5,000.00 | \$ 5,000.00 | |
| 31 | Garage Vinyl | \$ 2,000.00 | | |
| 32 | Garage doors | \$ 1,000.00 | | |
| | Subtotal | \$ 99,400.00 | \$ 37,000.00 | \$ 6,000.00 |
| | Appliances | | | |
| 33 | Kitchen appliances | \$ 3,500.00 | \$ 3,500.00 | |
| 34 | Laundry appliances | \$ 1,500.00 | \$ 1,500.00 | |
| | Grand Total | \$ 104,400.00 | \$ 42,000.00 | \$ 6,000.00 |

Attachment 4

2016 Gold Coast Market Rental Report



10016 Pioneer Blvd., Suite 110
Santa Fe Springs, CA 90670
Phone (562) 651-1058
FAX (562) 651-1068
corporate@goldcoastappraisals.com

January 21, 2016

Kristen Enomoto
City of Vernon
4305 Santa Fe Ave.
Vernon, CA 90058

Dear Ms. Enomoto,

At your request, I completed my analysis of the monthly rental rates for the following residential properties:

| Type | Street Location | City Location |
|----------------------------|----------------------|---------------|
| 1 and 2 Bedroom Apartments | 50 th St. | Vernon |
| 2 and 3 Bedroom Houses | Furlong Pl. | Vernon |
| 2 and 3 Bedroom Houses | Vernon Ave. | Vernon |
| 2 and 3 Bedroom Houses | Fruitland Ave. | Vernon |

Regardless of who pays for the attached market rental report, it has been prepared for our client: the City of Vernon. As specified by the client, the purpose of the appraisal is to estimate an "As Is" and "As Hypothetical as Remodeled" current fair market rental rate for the above mentioned properties. The client intends to use this report in negotiating a rental rate for the tenants at these locations.

The attached Rental Report has been prepared in accordance with the reporting requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

This Rental Report may not be used or relied upon by anyone other than the above-mentioned client for any purpose whatsoever, without the express written consent of the appraiser. If the client provides anyone else with a copy of this report, such as a borrower, etc., that person(s) may not be entitled to rely upon its contents when making any decisions about the property. As such the following limiting condition applies:

Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, new, sales, or other media without the written consent and appeal of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute or the MAI, SRA designation. Furthermore, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of any one, but the client, the client shall make such party(s) aware of all the assumptions and limiting conditions of the assignment.

Should you have any questions regarding the analysis or conclusions found in the attached report, please contact me.

Sincerely,



Hee K. Yi

Certified General Appraiser

AG 035644

Expires 11/16/2016

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Client

The City of Vernon
4305 Santa Fe Ave.
Vernon, California 90058

Appraiser

Hee K. Yi
Gold Coast Appraisals Inc.
10016 Pioneer Blvd., Suite 110
Santa Fe Springs, California 90670

Effective Date the Assignment

The effective date of this assignment is January 19, 2016. The buildings were inspected on January 19, 2016. The appraiser made exterior inspections of the properties. All properties were viewed from the street.

Date of Report

Hee K. Yi wrote this report January 21, 2016.

Competency Provision

Hee K. Yi has the necessary educational background and field experience to perform this assignment, her qualifications are found in the addenda. She is a California Certified General Appraiser (AG035644).

Confidentiality

The appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment. Disclosure of confidential information is permissible to professional peer review committees, except when such disclosure to a committee would violate applicable law or regulation. Confidential Information means information that is either identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or classified as confidential or private by applicable law or regulation.

Fair Rental Report

This Rental Report complies with the reporting requirements set forth under Uniform Standards of Professional Appraisal Practice (USPAP) as well as those promulgated by the Appraisal Institute. As such, it presents a summary of the data, reasoning, and analyses that were used in the appraisal process to develop an opinion of a current monthly rental rate.

Intended User

The City of Vernon is the intended user of this report.

Intended Use

The City of Vernon intends to use this report in negotiating a monthly rental rate for the houses that are owned by the City of Vernon.

Real Estate Locations

| Type | Street Location | City Location |
|----------------------------|----------------------|---------------|
| 1 and 2 Bedroom Apartments | 50 th St. | Vernon |
| 2 and 3 Bedroom Houses | Furlong Pl. | Vernon |
| 2 and 3 Bedroom Houses | Vernon Ave. | Vernon |
| 2 and 3 Bedroom Houses | Fruitland Ave. | Vernon |

Overview of the Assignment

Because nearly every house is owned by the City of Vernon, there are no rental properties within the City boundaries that can be surveyed to ascertain a market rental rate. City employees that need to be housed in proximity to their work location can opt to obtain housing in the cities and communities that are adjacent to Vernon. Huntington Park, South Gate, Maywood, East Los Angeles, Los Angeles, Bell, Lynwood, and City of Commerce have apartment and housing stock that is similar to the Vernon located houses. Therefore, the survey of rental units in these communities are used in this analysis.

Scope of the Assignment

The appraiser performed the following tasks in order to ascertain the "As Is" and "As Hypothetical as remodeled" current market monthly rental rate as of January 19, 2016. The client provided the scope of work about the remodeling of the properties. Gold Coast Appraisals conducted the prior rental surveys as of November 17, 2011 and August 25, 2015. The staff

of Gold Coast Appraisals inspected the interior and exterior of the properties on November 17, 2011 and August 25, 2015, thus the interior information of the properties was obtained from the prior rental survey reports of Gold Coast Appraisals.

For the assignment the appraiser:

- Viewed the exterior of all the rental properties;
- Viewed all of the properties from the public thoroughfares;
- Reviewed the descriptions of City owned residential properties;
- Utilized internet rental sites and multiple listing leasing information to obtain rental rates;
- Selected leased or for lease properties that have physical characteristics that are similar to the subject properties;
- Conducted an exterior inspection of each rent comparable;
- Reviewed all the pertinent information available for each rental;
- Contacted owners and leasing agents to verify physical characteristics of the rentals;
- Analyzed the data making adjustments for the superior or inferior characteristics that impact rental rates;
- Made positive or negative adjustments for those characteristics that impact rents;
- Reconciled the adjusted rents and reached a final rent conclusion for each location;
- **The seven units 4321, 4323, 4324, 4325 & 4328 on Furlong Pl. and 3361 & 3365 on Fruitland are not currently remodeled. Based on the request by the client, "As Hypothetical as Remodeled" market rental rate is based on the scope of remodeling costs which are provided by the client. These market rental rates are based on the "Hypothetical Condition" that the units are already remodeled as of the date January 19, 2016 which is the effective date of this analysis.**

Definition of Market Rent

The most probable rent which a property will bring in a competitive and open market under all conditions requisite to a fair rent, the owner and tenant, each acting prudently, knowledgeably and assuming the rental rate is not affected by undue stimulus whereby:

Vernon's residential properties consist of 18 single family homes and one apartment building all of which are owned by the City and occupied by City employees. These properties are located adjacent to City owned facilities and are surrounded by privately owned industrial uses.

Because Vernon lacks the infrastructure to service local residents, they must utilize facilities found in the surrounding Cities of Maywood, East Los Angeles, Huntington Park, Bell and City of Commerce. Access to these adjacent cities is via Atlantic Blvd., Slauson Ave., Bandini Blvd., Soto St., Alameda St., Santa Fe Ave. and Washington Blvd. Vernon is also conveniently located to the Long Beach and Santa Ana freeways which provide residents and business access not only to the surrounding communities but to the Central Business District of Los Angeles and the Ports of Los Angeles and Long Beach.

Zoning

The properties that reside in the City of Vernon are zoned for manufacturing uses.

Property Descriptions

8 Unit Apartment Building

This 8 unit 1960 built two story apartment building is located at 3376-3390 E. 50th St. in the City of Vernon. The building is adjacent to a City owned facility. All of the units were completely remodeled in 2008. Each unit has carpeting, tile flooring and window treatments. The kitchens are equipped with wood cabinets, granite counter tops, a refrigerator, stove, garbage disposal and a dishwasher. The bathrooms have a tub with an overhead shower, vanity, and tile wainscoting surrounding the tub. Each unit has central heating and air conditioning. Units are serviced by energy efficient hot water on demand units. The units have access to individual storage spaces. A common laundry room is available for use by the tenants. Two secured open parking stalls per unit are located in the adjacent lot at the rear of the building. Pedestrian access to the building is via a security gate. The tenants pay for electricity and gas while the city pays for water and trash.

All the units were remodeled 7 years ago, therefore, all the units are currently considered in average condition.

| Unit # | Bedrooms | Baths | Sq. Ft. | Remodeled |
|--------|----------|-------|---------|-----------|
| 3380 | One | One | 742 | 2008 |
| 3386 | One | One | 752 | 2008 |
| 3382 | One | One | 742 | 2008 |
| 3384 | One | One | 742 | 2008 |
| 3388 | Two | One | 883 | 2008 |
| 3378 | Two | One | 883 | 2008 |
| 3376 | Two | One | 883 | 2008 |
| 3390 | Two | One | 883 | 2008 |

Furlong Place Houses

Ten 1941 built one story houses are located at 4321 to 4330 Furlong Place, in the City of Vernon. These homes reside on a small cul-de-sac street that is adjacent to a City owned facility.

Based on the "Hypothetical Assumption", five houses (4321, 4323, 4324, 4325, and 4328) will be remodeled in 2016. The other houses (4322, 4326, 4327, 4329, and 4330) were remodeled in 2008. The 2008 remodeled unit is used in adjustment grid and considered in good condition. The 2016 remodeled houses are adjusted upward in Rent Conclusion section for superior condition than the 2008 remodeled properties. Each house has window treatments, hardwood and tile flooring. The kitchens are equipped with wood cabinets, granite counter tops, a refrigerator, stove, garbage disposal, a dishwasher and dryer/washer. The bathrooms have a tub with an overhead shower, vanity, and tile wainscoting surrounding the tub. Each unit has central heating air conditioning and hot water tanks. The houses are equipped with a laundry room. The houses have access to individual storage spaces that are located in their fenced rear yards. Each house has an assigned street parking stall and one covered space in the adjacent city parking garage. The tenants pay for all utilities and trash pick-up.

The house at 4330 Furlong Place has a 230 square foot additional detached storage room that has electricity but no heat or water. Its' rent is adjusted upward to reflect the second storage unit.

| Unit # | Bedrooms | Baths | Sq. Ft. | Remodeled |
|---------------|-----------------|--------------|----------------|------------------|
| 4321 | Three | One | 1,258 | 2016 |
| 4322 | Three | One | 1,258 | 2008 |
| 4323 | Two | One | 1,067 | 2016 |
| 4324 | Two | One | 1,067 | 2016 |
| 4325 | Two | One | 1,079 | 2016 |
| 4326 | Two | One | 1,067 | 2008 |
| 4327 | Two | One | 1,067 | 2008 |
| 4328 | Two | One | 1,067 | 2016 |
| 4329 | Three | One | 1,273 | 2008 |
| 4330 | Three | One | 1,259 | 2008 |

Vernon Avenue Houses

Two one story homes located at 3550 and 3560 Vernon Ave. in the City of Vernon were constructed in 1957 and 1941 respectively. One home has a 2 car garage while the other has a one car garage and a 1 car carport. Both homes were completely remodeled in 2007 and contain the same physical characteristics as the Furlong Pl. properties. The tenants pay for all utilities and trash pick-up.

| Unit # | Bedrooms | Baths | Sq. Ft. | Remodeled |
|---------------|-----------------|--------------|----------------|------------------|
| 3550 | Three | One | 1,305 | 2007 |
| 3560 | Two | One | 931 | 2007 |

Fruitland Ave Houses

Six one story houses are located at 3345-3365 Fruitland Ave. in the City of Vernon. Five of the houses were constructed 1957 and one was constructed in 1941. Based on the "Hypothetical Assumption", two houses (3361, 3365) will be remodeled. The other houses (3345, 3349, 3353, and 3357) were remodeled in 2008. They have the same physical characteristics as the Furlong Pl. properties. Five of the houses have 2 car garages and one has a one car garage. The tenants pay for all utilities and trash pick-up.

| Unit # | Bedrooms | Baths | Sq. Ft. | Remodeled |
|--------|----------|-------|---------|-----------|
| 3345 | Three | Two | 1,305 | 2008 |
| 3349 | Two | One | 931 | 2008 |
| 3353 | Three | One | 1,305 | 2008 |
| 3357 | Three | One | 1,305 | 2008 |
| 3361 | Three | One | 1,305 | 2016 |
| 3365 | Two | One | 931 | 2016 |

The appraiser assumed that all of the properties were in rent ready condition and that they did not suffer from any major deferred maintenance or any significant code violations.

Rental Analysis

For this assignment a rental grid is provided as a benchmark rent for each housing type for Vernon located properties. Then a base rent is assigned to each property type. The rental conclusion for each individual property is further adjusted based the characteristics that differ from the base housing type. Thus there will be four grids:

- One Bedroom Apartment-Vernon
- Two Bedroom Apartment-Vernon
- Two Bedroom House-Vernon
- Three Bedroom House-Vernon

Rent Comparability Grid

| Subject | | | Rental 1 | | Rental 1 | | Rental 3 | | Rental 4 | |
|----------------|------------------------------------|----------------|------------------|---------------|-------------------|---------------|-------------------|---------------|------------------|---------------|
| | One Bedroom One Bath | Data | 3372 MLK Jr. | | 6923 Miles Ave #B | | 8994 Virginia Ave | | 2415 E 53rd St | |
| | Apartment Building | on | Lynwood | | Huntington Park | | South Gate | | Los Angeles | |
| | Vernon | Subject | | | | | | | | |
| A. | Rents Charged | | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| | Monthly Rent | | \$985 | | \$1,095 | | \$1,050 | | \$1,050 | |
| | Rent Concessions | | | | | | | | | |
| | Effective Rent & Rent/ Sq. Ft. | ▼ | \$985 | 1.41 | \$1,095 | 2.13 | \$1,050 | 1.75 | \$1,050 | 1.14 |
| B | Design, Location, Condition | | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| | Year Built | 1960 | 1956 | | 1932 | | 1948 | | 1924 | |
| | Condition | Good | Average | \$30 | Good | | Average | \$30 | Average | \$30 |
| | Proximity to Adversity | Y | N | (\$45) | N | (\$45) | N | (\$45) | N | (\$45) |
| C | Unit Equipment/ Amenities | | | | | | | | | |
| | # Bedrooms | 1 | 1 | | 1 | | 1 | | 1 | |
| | # Baths | 1 | 1 | | 1 | | 1 | | 1 | |
| | Unit Interior Sq. Ft. | 742 | 700 | \$16 | 515 | \$89 | 600 | \$55 | 920 | (\$69) |
| | AC: Central/ Wall | Central | N | \$10 | Y | | N | \$10 | N | \$10 |
| | Range/ refrigerator | Y/Y | Y/N | \$48 | Y/N | \$48 | N/N | \$85 | N/N | \$85 |
| | Microwave/ Dishwasher | Y/Y | N/N | \$32 | N/N | \$32 | N/N | \$32 | N/N | \$32 |
| | Washer/Dryer | Laundry room | L | | L | | L | | L | |
| D | Site Equipment/ Amenities | | | | | | | | | |
| | Parking | Open | Carport | (\$25) | Open | | Open | | Open | |
| | Extra Storage | Y | N | \$25 | N | \$25 | N | \$25 | N | \$25 |
| | Security | Y | Y | | Y | | Y | | Y | |
| | Clubhouse/ Meeting Rooms | N | N | | N | | N | | N | |
| | Pool/ Recreation Areas | N | N | | N | | N | | N | |
| E | Utilities | | | | | | | | | |
| | Tenant Paid Heat | Y | Y | | Y | | Y | | Y | |
| | Tenant Paid Cooling | Y | Y | | Y | | Y | | Y | |
| | Tenant Paid Cooking | Y | Y | | Y | | Y | | Y | |
| | Tenant Paid Hot Water | Y | Y | | Y | | Y | | Y | |
| | Tenant Paid Electric | Y | Y | | Y | | Y | | N | (\$13) |
| | Tenant Paid Water/Sewer | N | N | | N | | N | | N | |
| | Tenant Paid Trash | N | N | | N | | N | | N | |
| F | Adjustments Recap | | Pos | Neg | Pos | Neg | Pos | Neg | Pos | Neg |
| | # Adjustments B to D | | 6 | 2 | 4 | 1 | 6 | 1 | 5 | 2 |
| | Sum Adjustments B to D | | \$161 | (\$70) | \$194 | (\$45) | \$237 | (\$45) | \$182 | (\$114) |
| | Sum Utility Adjustments | | | | | | | | | (\$13) |
| | | | Net | Gross | Net | Gross | Net | Gross | Net | Gross |
| | Net/ Gross Adjmts B to E | | \$91 | \$231 | \$149 | \$239 | \$192 | \$282 | \$55 | \$309 |
| G | Adjusted & Market Rents | | Adj. Rent | | Adj. Rent | | Adj. Rent | | Adj. Rent | |
| | Adjusted Rent | | \$1,076 | | \$1,244 | | \$1,242 | | \$1,105 | |
| | Adj Rent/Last rent | | | 109% | | 114% | | 118% | | 105% |
| | Estimated Market Rent | \$1,167 | \$1.57 | ← | | ← | | | | |

Y=Yes; N= No

Rent Comparability Grid

| Subject | | Rental 1 | | Rental 2 | | Rental 3 | | Rental 4 | |
|----------------------|--------------------------------|--------------------|--------|--------------------|--------|---------------------------------|--------|--------------------|---------|
| Two Bedroom One Bath | | 1235 1/2 E 50th St | | 6039 Sheila St #39 | | 7723 Walker Ave #4 | | 7847 Gilliland Ave | |
| Apartment Building | | Los Angeles | | Los Angeles | | Bell Gardens | | Bell Gardens | |
| Vernon | | Subject | | | | | | | |
| A. | Rents Charged | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| | Rent | \$1,300 | | \$1,400 | | \$1,250 | | \$1,400 | |
| | Rent Concessions | None | | None | | None | | None | |
| | Effective Rent & Rent/ Sq. Ft. | \$1,300 | 1.78 | \$1,400 | 2.20 | \$1,250 | 1.74 | \$1,400 | 1.40 |
| B | Design, Location, Condition | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| | Year Built | 1960 | | 1953 | | 1958 | | 1958 | |
| | Condition | Good | | Good | | Average | \$30 | Good | |
| | Proximity to Adversity | Y | | N | (\$45) | N | (\$45) | N | (\$45) |
| C | Unit Equipment/ Amenities | | | Data | \$ Adj | | | | |
| | # Bedrooms | 2 | | 2 | | 2 | | 2 | |
| | # Baths | 1 | | 1 | | 1 | | 1 | |
| | Unit Interior Sq. Ft. | 883 | | 731 | \$59 | 636 | \$96 | 720 | \$64 |
| | AC: Central/ Wall | Central | | N | \$10 | Wall | \$5 | N | \$10 |
| | Range/ refrigerator | Y/Y | | Y/N | \$48 | Y/N | \$48 | Y/Y | |
| | Microwave/ Dishwasher | Y/Y | | N/N | \$32 | N/N | \$32 | N/N | \$32 |
| | Washer/Dryer | laundry room | | L | | L | | L | |
| | | | | | | | | Hookup | (\$5) |
| D | Site Equipment/ Amenities | | | Data | \$ Adj | | | | |
| | Parking | Open | | Open | | Open | | Carport | (\$15) |
| | Extra Storage | Y | | N | \$25 | N | \$25 | N | \$25 |
| | Security | Y | | N | \$5 | N | \$5 | N | \$5 |
| | Clubhouse/ Meeting Rooms | N | | N | | N | | N | |
| | Pool/ Recreation Areas | N | | N | | N | | N | |
| E | Utilities | | | Data | \$ Adj | | | | |
| | Tenant Paid Heat | Y | | Y | | Y | | Y | |
| | Tenant Paid Cooling | Y | | Y | | Y | | Y | |
| | Tenant Paid Cooking | Y | | Y | | Y | | Y | |
| | Tenant Paid Hot Water | Y | | Y | | Y | | Y | |
| | Tenant Paid Electric | Y | | Y | | Y | | Y | |
| | Tenant Paid Water/Sewer | N | | N | | N | | N | |
| | Tenant Paid Trash | N | | N | | N | | N | |
| F | Adjustments Recap | Pos | Neg | Pos | Neg | Pos | Neg | Pos | Neg |
| | # Adjustments B to D | 6 | 1 | 6 | 1 | 6 | 2 | 4 | 4 |
| | Sum Adjustments B to D | \$179 | (\$45) | \$211 | (\$45) | \$166 | (\$60) | \$147 | (\$111) |
| | Sum Utility Adjustments | | | | | | | | |
| | | Net | Gross | Net | Gross | Net | Gross | Net | Gross |
| | Net/ Gross Adjmts B to E | \$134 | \$224 | \$166 | \$256 | \$106 | \$226 | \$36 | \$258 |
| | Adjusted & Market Rents | Adj. Rent | | Adj. Rent | | Adj. Rent | | Adj. Rent | |
| | Adjusted Rent | \$1,434 | | \$1,566 | | \$1,356 | | \$1,400 | |
| | Adj Rent/Last rent | | 110% | | 112% | | 108% | | 100% |
| | Estimated Market Rent | \$1,439 | | \$1.63 | | ← Estimated Market Rent/ Sq. Ft | | | |

Rent Comparability Grid

| Subject | | Rental 1 | | Rental 2 | | Rental 3 | | Rental 4 | |
|--|---------|--------------------------|---------------------------------|-------------------------|--------|-------------------------|--------|---------------------------------|---------|
| Two Bedroom One Bath House on Vernon Subject | | 10805 Osgood Ave Lynwood | | 5143 Fostoria St Cudahy | | 3308 Euclid Ave Lynwood | | 6461 Foster Bridge Bell Gardens | |
| A. Rents Charged | | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| Rent | | \$1,800 | | \$1,503 | | \$1,500 | | \$1,700 | |
| Rent Concessions | | None | | None | | None | | None | |
| Effective Rent & Rent/ Sq. Ft. | | \$1,800 | 2.38 | \$1,503 | 1.67 | \$1,500 | 2.10 | \$1,700 | 2.36 |
| B. Design, Location, Condition | | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj | Data | \$ Adj |
| Year Built | 1941 | 1926 | | 1945 | | 1963 | | 1941 | |
| Condition /Street Appeal | Good | Excellent | (\$70) | Good | | Good | | Good | |
| Proximity to Adversity | Y | N | (\$45) | N | (\$45) | N | (\$45) | N | (\$45) |
| Structure | | SFR | | Triplex | \$30 | Duplex | \$30 | Duplex | \$30 |
| C. Unit Equipment/ Amenities | | | | | | | | | |
| # Bedrooms | 2 | 2 | | 2 | | 2 | | 2 | |
| # Baths | 1 | 1 | | 1 | | 1 | | 1.5 | (\$50) |
| Unit Interior Sq. Ft. | 1067 | 756 | \$121 | 900 | \$65 | 714 | \$138 | 720 | \$135 |
| AC: Central/ Wall | Central | N | \$10 | N | \$10 | N | \$10 | N | \$10 |
| Range/ refrigerator | Y/Y | Y/Y | | Y/N | \$48 | N/N | \$85 | Y/N | \$48 |
| Microwave/ Dishwasher | Y/Y | N/Y | \$12 | N/N | \$32 | N/N | \$32 | N/N | \$32 |
| Washer/Dryer | Y/Y | N/N | \$35 | N/N | \$35 | N/N | \$35 | N/N | \$35 |
| Fireplace | N | Y | (\$5) | N | | N | | N | |
| D. Site Equipment/ Amenities | | | | | | | | | |
| Parking | Open | 1 car gar | (\$25) | 1 car gar | (\$25) | Open | | 2 car gar | (\$50) |
| Extra Storage | Y | N | \$25 | N | \$25 | N | \$25 | Y | |
| Security | N | N | | N | | N | | N | |
| Clubhouse/ Meeting Rooms | N | Bonus room | (\$10) | N | | N | | N | |
| Pool/ Recreation Areas | N | N | | N | | N | | N | |
| E. Utilities | | | | | | | | | |
| Tenant Paid Heat | Y | Y | | Y | | Y | | Y | |
| Tenant Paid Cooling | Y | Y | | Y | | Y | | Y | |
| Tenant Paid Cooking | Y | Y | | Y | | Y | | Y | |
| Tenant Paid Hot Water | Y | Y | | Y | | Y | | Y | |
| Tenant Paid Electric | Y | Y | | Y | | Y | | Y | |
| Tenant Paid Water/Sewer | Y | Y | | N | (\$64) | N | (\$64) | N | (\$64) |
| Tenant Paid Trasnj | Y | Y | | N | (\$24) | N | (\$24) | N | (\$24) |
| F. Adjustments Recap | | Pos | Neg | Pos | Neg | Pos | Neg | Pos | Neg |
| # Adjustments B to D | | 5 | 5 | 7 | 2 | 7 | 1 | 6 | 3 |
| Sum Adjustments B to D | | \$203 | (\$155) | \$245 | (\$70) | \$355 | (\$45) | \$290 | (\$145) |
| Sum Utility Adjustments | | | | | (\$88) | | (\$88) | | (\$88) |
| | | Net | Gross | Net | Gross | Net | Gross | Net | Gross |
| Net/ Gross Adjmts B to E | | \$48 | \$358 | \$87 | \$403 | \$222 | \$488 | \$37 | \$523 |
| G. Adjusted & Market Rents | | Adj. Rent | | Adj. Rent | | Adj. Rent | | Adj. Rent | |
| Adjusted Rent | | \$1,848 | | \$1,590 | | \$1,722 | | \$1,757 | |
| Adj Rent/Last rent | | | 103% | | 106% | | 115% | | 103% |
| Estimated Market Rent | \$1,729 | \$1.62 | ← Estimated Market Rent/ Sq. Ft | | | | | | |

Y=Yes; N=No

Rent Comparability Grid

| Subject | | Rental 1 | | Rental 2 | | Rental 3 | | Rental 4 | | Rental 5 | |
|--|----------------|--------------------------------|--|----------------------------|--------------|---------------------------------|--------------|--------------------------------|--------------|--------------------------------|--------------|
| Three Bedroom One Bath House Vernon | | 1409 S Eastern Ave Commerce | | 6489 Via Verde Commerce | | 10801 Cassina Ave South Gate | | 2164 E 103rd St Los Angeles | | 7127 Watcher St Los Angeles | |
| A. Rents Charged | | | | Data \$ Adj | | | | | | | |
| Rent | | \$1,800 | | \$2,150 | | \$2,050 | | \$1,950 | | \$2,200 | |
| Rent Concessions | | None | | None | | None | | None | | None | |
| Effective Rent & Rent/ Sq. Ft. | | \$1,800 | 1.08 | \$2,150 | 1.35 | \$2,050 | 1.72 | \$1,950 | 1.15 | \$2,200 | 1.52 |
| B. Design, Location, Condition | | Data \$ Adj | | Data \$ Adj | | Data \$ Adj | | Data \$ Adj | | Data \$ Adj | |
| Year Built | 1960 | 1999 | | 2002 | | 1949 | | 2004 | | 2008 | |
| Condition | Good | Good | | Good | | Good | | Good | | Good | |
| Proximity to Adversity | Y | N | (\$45) | N | (\$45) | N | (\$45) | N | (\$45) | N | (\$45) |
| C. Unit Equipment/ Amenities | | | | Data \$ Adj | | | | | | | |
| # Bedrooms | 3 | 3 | | 3 | | 3 | | 3 | | 3 | |
| # Baths | 1 | 3 | (\$80) | 3 | (\$80) | 1 | | 2.5 | (\$100) | 2.5 | (\$100) |
| Unit Interior Sq. Ft. | 1305 | 1674 | (\$144) | 1590 | (\$111) | 1193 | \$44 | 1690 | (\$150) | 1449 | (\$56) |
| AC: Central/ Wall | Central | C | | C | | N | \$10 | N | \$10 | C | |
| Range/ refrigerator | Y/Y | Y/N | \$48 | Y/N | \$48 | N/N | \$85 | Y/N | \$48 | Y/N | \$48 |
| Microwave/ Dishwasher | Y/Y | N/N | \$32 | Y/Y | | N/N | \$32 | N/N | \$32 | Y/Y | |
| Washer/Dryer | Y/Y | N/N | \$35 | N/N | \$35 | N/N | \$35 | N/N | \$35 | Y/Y | |
| Fireplace | N | N | | N | | N | | N | | N | |
| D. Site Equipment/ Amenities | | | | Data \$ Adj | | | | | | | |
| Parking | Open | 2 car gar | (\$50) | Garage | (\$50) | Garage | (\$50) | 1car gar | (\$25) | Garage | (\$50) |
| Extra Storage | Y | N | \$25 | N | \$25 | N | \$25 | Y | | N | \$25 |
| Security | N | N | | N | | N | | Y | (\$5) | Y | (\$5) |
| Clubhouse/ Meeting Rooms | N | N | | N | | N | | N | | N | |
| Pool/ Recreation Areas | N | N | | N | | Y | (\$10) | N | | N | |
| E. Utilities | | | | Data \$ Adj | | | | | | | |
| Tenant Paid Heat | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Cooling | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Cooking | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Hot Water | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Electric | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Water/Sewer | Y | Y | | Y | | Y | | Y | | Y | |
| Tenant Paid Trash | Y | Y | | Y | | Y | | Y | | Y | |
| F. Adjustments Recap | | Pos Neg | | Pos Neg | | Pos Neg | | Pos Neg | | Pos Neg | |
| # Adjustments B to D | | 4 | 4 | 3 | 4 | 6 | 3 | 4 | 5 | 2 | 5 |
| Sum Adjustments B to D | | \$140 | (\$319) | \$108 | (\$286) | \$231 | (\$105) | \$125 | (\$325) | \$73 | (\$256) |
| Sum Utility Adjustments | | | | | | | | | | | |
| | | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross |
| | | (\$179) | \$459 | (\$178) | \$394 | \$126 | \$336 | (\$200) | \$450 | (\$183) | \$329 |
| G. Adjusted & Market Rents | | Adj. Rent | | Adj. Rent | | Adj. Rent | | Adj. Rent | | Adj. Rent | |
| Adjusted Rent | | \$1,621 | | \$1,972 | | \$2,176 | | \$1,750 | | \$2,017 | |
| Adj Rent/Last rent | | | 90% | | 92% | | 106% | | 90% | | 100% |
| Estimated Market Rent | \$1,907 | \$1.46 | ← Estimated Market Rent/ Sq. Ft | | | | | | | | |

Y=Yes; N=No

Rental Conclusion

| Address | Street | City | Bedrooms/ Bathrooms | Sq. Ft. | Monthly | | | Adjustments | | | | | Monthly Market Rent | Grade of Remodeling |
|---------|----------------|--------|------------------------|---------|-------------------|-----------|---------|-------------|--------|---------------|------------|----------|------------------------|------------------------|
| | | | | | Benchmark Rent | Remodeled | Size | Extra bath | Garage | Extra storage | Appliances | | | |
| 3380 | E. 50th St. | Vernon | 1/1 | 742 | \$ 1,167 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,167 | |
| 3388 | E. 50th St. | Vernon | 2/1 | 883 | \$ 1,439 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,439 | |
| 3386 | E. 50th St. | Vernon | 1/1 | 752 | \$ 1,167 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,167 | |
| 3378 | E. 50th St. | Vernon | 2/1 | 883 | \$ 1,439 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,439 | |
| 3376 | E. 50th St. | Vernon | 2/1 | 883 | \$ 1,439 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,439 | |
| 3382 | E. 50th St. | Vernon | 1/1 | 742 | \$ 1,167 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,167 | |
| 3384 | E. 50th St. | Vernon | 1/1 | 742 | \$ 1,167 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,167 | |
| 3390 | E. 50th St. | Vernon | 2/1 | 883 | \$ 1,439 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,439 | |
| 4321 | Furlong Pl. | Vernon | 3/1 | 1258 | \$ 1,907 | \$ 70 | \$ (18) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,959 | Extensive |
| 4321 | Furlong Pl. | Vernon | 3/1 | 1258 | \$ 1,907 | \$ 28 | \$ (18) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,917 | Minimum |
| 4321 | Furlong Pl. | Vernon | 3/1 | 1258 | \$ 1,907 | \$ (30) | \$ (18) | \$ - | \$ - | \$ - | \$ - | \$ (152) | \$ 1,707 | As Is |
| 4322 | Furlong Pl. | Vernon | 3/1 | 1258 | \$ 1,907 | \$ - | \$ (18) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,889 | |
| 4323 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,799 | Extensive |
| 4323 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 28 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,757 | Minimum |
| 4323 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ (30) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (152) | \$ 1,547 | AS Is |
| 4324 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,799 | Extensive |
| 4324 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 28 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,757 | Minimum |
| 4324 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ (30) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (152) | \$ 1,547 | AS Is |
| 4325 | Furlong Pl. | Vernon | 2/1 | 1079 | \$ 1,729 | \$ 70 | \$ 5 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,804 | Extensive |
| 4325 | Furlong Pl. | Vernon | 2/1 | 1079 | \$ 1,729 | \$ 28 | \$ 5 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,762 | Minimum |
| 4325 | Furlong Pl. | Vernon | 2/1 | 1079 | \$ 1,729 | \$ (30) | \$ 5 | \$ - | \$ - | \$ - | \$ - | \$ (152) | \$ 1,552 | As Is |
| 4326 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,729 | |
| 4327 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,729 | |
| 4328 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,799 | Extensive |
| 4328 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ 28 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,757 | Minimum |
| 4328 | Furlong Pl. | Vernon | 2/1 | 1067 | \$ 1,729 | \$ (30) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (152) | \$ 1,547 | As Is |
| 4329 | Furlong Pl. | Vernon | 3/1 | 1273 | \$ 1,907 | \$ - | \$ (12) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,895 | |
| 4330 | Furlong Pl. | Vernon | 3/1 | 1259 | \$ 1,907 | \$ - | \$ (18) | \$ - | \$ - | \$ - | \$ 25 | \$ - | \$ 1,914 | |
| 3350 | Vernon Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ - | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 1,957 | |
| 3360 | Vernon Ave. | Vernon | 2/1 | 931 | \$ 1,729 | \$ - | \$ (53) | \$ - | \$ 25 | \$ - | \$ - | \$ - | \$ 1,701 | |
| 3345 | Fruitland Ave. | Vernon | 3/2 | 1305 | \$ 1,907 | \$ - | \$ - | \$ 25 | \$ 50 | \$ - | \$ - | \$ - | \$ 1,982 | |
| 3349 | Fruitland Ave. | Vernon | 2/1 | 931 | \$ 1,729 | \$ - | \$ (53) | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 1,726 | |
| 3353 | Fruitland Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ - | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 1,957 | |
| 3357 | Fruitland Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ - | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 1,957 | |
| 3361 | Fruitland Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ 70 | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 2,027 | Extensive |
| 3361 | Fruitland Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ 28 | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ - | \$ 1,985 | Minimum |
| 3361 | Fruitland Ave. | Vernon | 3/1 | 1305 | \$ 1,907 | \$ (30) | \$ - | \$ - | \$ 50 | \$ - | \$ - | \$ (152) | \$ 1,775 | AS Is |
| 3365 | Fruitland Ave. | Vernon | 2/1 | 931 | \$ 1,729 | \$ 70 | \$ (53) | \$ - | \$ 25 | \$ - | \$ - | \$ - | \$ 1,771 | Extensive |
| 3365 | Fruitland Ave. | Vernon | 2/1 | 931 | \$ 1,729 | \$ 28 | \$ (53) | \$ - | \$ 25 | \$ - | \$ - | \$ - | \$ 1,729 | Minimum |
| 3365 | Fruitland Ave. | Vernon | 2/1 | 931 | \$ 1,729 | \$ (30) | \$ (53) | \$ - | \$ 25 | \$ - | \$ - | \$ (152) | \$ 1,519 | AS Is |

Adjustment to the Benchmark Rent

| | |
|----------------------------------|------------------------------------|
| Adjustment for Extensive remodel | \$70 |
| Adjustment for Minimum remodel | \$28 |
| Adjustment fo non-remodel(AS IS) | (\$30) |
| Size adjustment | \$0.39 per sq. ft. |
| Garage Adjustment | \$50 for 2 Cars and \$25 for 1 Car |
| Additional storage | \$25 |
| Additional bath | \$50 per additional |

Adjustments for Appliances

| | |
|---|-------|
| Refrigerator | \$48 |
| Range | \$37 |
| Microwave | \$12 |
| Dishwasher | \$20 |
| Dryer/Washer | \$35 |
| Total Adjustmentf for no Appliances (As IS) | \$152 |

Explanation of Adjustments

Remodeling Adjustment

The following is an example of the difference between before and after remodeling. Based on our research, living size does not significantly impact the difference of rental rates for remodeling but rather it is a total dollar difference. The information is derived from the website of MLS and Rent.com.

| Street Address | City | Bed/Bath | Living Size(SF) | Remodeled | Rent | Difference |
|---------------------------|-----------|------------|-----------------|-----------|---------|------------|
| 16040 Leffingwell Rd. #18 | Whittier | 2bed/2bath | 960 | Yes | \$1,700 | |
| 16040 Leffingwell Rd. #22 | Whittier | 2bed/2bath | 960 | No | \$1,575 | \$125 |
| 13801 Paramount Blvd. | Paramount | 1bed/1bath | 769 | Yes | \$1,618 | |
| 13802 Paramount Blvd. | Paramount | 1bed/1bath | 769 | No | \$1,523 | \$95 |
| 10330 Downey Ave. | Downey | 3bed/3bath | 1540 | Yes | \$2,200 | |
| 11000 Woodruff Ave. | Downey | 3bed/3bath | 1541 | No | \$2,150 | \$50 |

As shown above, the difference of rental rates for remodeling is \$50 to \$125. A \$100 adjustment to rent is appropriate when comparing non remodeled units to remodeled units. However, the benchmark rental rate is derived from 2008 remodeled unit thus the slightly lower \$70 adjustment is applied to the seven units (4321, 4323, 4324, 4325, 4328 on Furlong Pl. and 3361, 3365 on Fruitland Ave.) which will be remodeled. Based on the request by the client, the market rental rates are based on the scope of remodeling costs which are provided by the client. The remodeling costs of extensive and minimum are \$104,400 and \$42,000 respectively. The cost for minimum remodeling is 40% of the cost for extensive remodeling. Therefore, the adjustment of \$70 applied for extensive remodeling and \$28(40% of \$70) applied for minimum remodeling.

Adjustments of Kitchen Appliances

Based on the website (rentafridge.com), the rental rate per month for refrigerators which have a similar price of the refrigerator which is provided by the City of Vernon is \$48. Since there is not enough data for rental rates of other appliances, the concluded adjustments of stove, dishwasher, and microwave are derived from the rental rate of refrigerator based on their prices, which are provided by the client.

| | Refrigerator | Range | Microwave | Dishwahser |
|------------|--------------|--------|-----------|------------|
| Price | \$ 1,600 | \$ 750 | \$ 400 | \$ 650 |
| Adjustment | \$ 48 | \$ 37 | \$ 12 | \$ 20 |

According to the website, the rental rate of a side by side washer and dryer is \$35. Therefore, the adjustment of \$35 is applied for washer/dryer.

All the units were remodeled in either 2007/2008 or 2016 thus the adjustments are already included in the benchmark rental rates.

Utility Adjustment

The adjustments of Utilities are based on the Los Angeles Housing Authority Utility Allowances grid.

Proximity to Adversity (favorable & unfavorable)

The subject units have unfavorable features because they are located adjacent to industrial buildings which have noise and odor issues, and their distance to parks and schools. These features make the subject inferior to the comparables in location.

The following are some examples of different rental rates with favorable and unfavorable features. The radius was expanded to Los Angeles County to find samples of the differences. The information is obtained from office managers and MLS.

Example 1

These two units are located within same apartment complex and address is 14500 MaNab Ave., Bellflower.

| Features | Bed/Bath | Sq.ft. | Rental | Difference |
|-------------|------------|--------|---------|------------|
| Favorable | 2bed/1bath | 900 | \$1,725 | \$45 |
| Unfavorable | 2bed/1bath | 900 | \$1,680 | |

Example 2

The data is obtained from the website of MLS.

Range of Living Size: 1,750 to 1,950 sq.ft.

Location: West Hollywood

Bed/Bath: 1bed/1bath

| Features | Median | Difference | Average | Difference |
|-------------|---------|-------------|---------|-------------|
| Favorable | \$1,860 | \$60 (3.3%) | \$1,873 | \$48 (2.6%) |
| Unfavorable | \$1,800 | | \$1,825 | |

Based on the above analyze, \$45 is appropriate for the difference of favorable and unfavorable features.

Adjustment of Sq.Ft.

The following are some examples of the difference of rental rate per square feet. It is obtained from the website of Rent.com

Example 1

Location: Same apartment complex in San Pedro

| Bed/Bath | Sq.ft. | Rental | Difference |
|----------|--------|---------|-------------------|
| 0/1bath | 1,731 | \$2,195 | \$0.35 per sq.ft. |
| 0/1bath | 974 | \$1,925 | |

Example 2

Location: Same apartment complex in Pico Rivera

| Bed/Bath | Sq.ft. | Rental | Difference |
|----------|--------|---------|-------------------|
| 1/1 | 758 | \$1,477 | \$0.39 per sq.ft. |
| 1/1 | 581 | \$1,407 | |

Example 3

Location: Same apartment complex in Los Angeles

| Bed/Bath | Sq.ft. | Rental | Difference |
|----------|--------|---------|-------------------|
| 0/1 | 670 | \$1,915 | \$0.44 per sq.ft. |
| 0/1 | 343 | \$1,770 | |

The adjustment of \$0.39 per sq.ft. is applied.

Adjustment of Bath

The data is obtained from the website of MLS.

Example 1

Range of Living Size: 1,200 to 1.950 sq.ft.

Location: Inglewood

| Bed/Bath | Average Rental Rate | Difference |
|------------|---------------------|------------|
| 2bed/2bath | \$1,649 | \$49 |
| 2bed/1bath | \$1,600 | |

Example 2

Range of Living Size: 1,400 to 1.600 sq.ft.

Location: Long Beach

| Bed/Bath | Average Rental Rate | Difference |
|------------|---------------------|------------|
| 2bed/2bath | \$1,528 | \$64 |
| 2bed/1bath | \$1,464 | |

The adjustment of \$50 is applied to the comparables which have an additional bath.

Adjustment for Structure (2 bedroom house)

There are not enough 2 bedroom single family house comparables in neighboring cities thus duplexes and triplexes are used for this analysis. However, the units which are used in the grid are all detached units and have their own front yards. The \$30

upward adjustment is applied to the duplex and triplex comparables because rental rates of duplexes and triplexes are lower than single family houses. Their lower rent is attributable to lack of yard utility and lack of privacy.

Photographs of several of the subject properties along with photographs of the rent comparables are found in the addendum of this report.

If you have any questions regarding this analysis please contact me.

Sincerely,



Hee K. Yi

Certified General Appraiser

AG 035644

Expires 11/16/2016

Addendum

Certification

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion and the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Practice.
8. I made an exterior inspection of the property that is the subject of this report.
9. No one else provided professional assistance to the person signing this report.
10. I am competent to complete this report in accordance with the competency provision of USPAP.



Hee K. Yi
Certified General Appraiser
AG 035644
Expires 11/16/2016

Assumptions and Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

1. As agreed upon with the client prior to the preparation of this appraisal, this is a Narrative Report.
2. This is a Summary Narrative Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
4. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
7. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in this appraisal report.

11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and interim use improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of hazardous waste and/or toxic materials would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
15. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
16. Neither all nor any part of the contents of this report (especially any conclusions, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

Qualifications

Hee K. Yi
10016 Pioneer Blvd. Suite 110
Santa Fe Springs, CA 90670
(714) 329-8336
e-mail:corporate@goldcoastappraisals.com

Qualifications

- Ten years experience in commercial real estate appraisal industry in the Southern California region; consultation, rental survey and analysis, feasibility studies, desk review and report writing.
- Assesses properties and all real estate value types for purchase and refinance lending purposes as well as claims, tax re-assessments, liquidation and foreclosure, probate cases, new constructions, and renovations.
- Exceptional ability to simultaneously manage complex appraisal projects while meeting rigorous performance standards and demanding schedules.
- Excellent project management, business, and interpersonal skills with the experience required to remain highly focused and exceptionally productive in fast-paced settings.
- Possesses intricate experiences and knowledge of Asian-American Community and its banking and lending industries in the Southern California region. Fluent in Korean language and culture.

Key Achievements

- Appraised large hotels and motels in the following cities: Pasadena, Escondido, Cathedral City Bakersfield and various small motels in the cities of Los Angeles and Long Beach.
- Appraised an industrial land in Riverside with Eminent Domain Issues.
- Valued Commercial land for the city of Long Beach.
- Analyzed and appraised special use purpose (church) and office/retail mixed uses in Los Angeles County.
- Appraised small and large multi-family properties in Los Angeles, Orange, Riverside and San Bernardino Counties.
- Performed valuations for property settlement in divorce proceedings.
- Completed fair rental valuations for tenants' rights attorneys.
- Completed Fair Market Rental reports for HUD and private parties.
- Appraised foreclosure and problem loan properties.
- Appraised all types of properties for Federal Estate Tax Returns.
- Appraised 12 medical buildings of Alta Med Health Services Corp. in Los Angeles County.
- Low income housing for Restore Neighborhood Rehabilitation (City of Los Angeles).
- Low income housing for City of Santa Ana.

Professional Experience

| | |
|-----------------------------|-----------------|
| Gold Coast Appraisals, Inc. | 2005 to Present |
| JM United Appraisals Inc. | 2004 - 2005 |

Areas of Special Competence

- | | | |
|---|---|---|
| <input type="checkbox"/> Industrial Land | <input type="checkbox"/> Residences | <input type="checkbox"/> Offices |
| <input type="checkbox"/> Commercial Land | <input type="checkbox"/> Apartments (1-4) | <input type="checkbox"/> Single Tenant Industrial |
| <input type="checkbox"/> Residential Land | <input type="checkbox"/> Apartments (5-100) | <input type="checkbox"/> Multi-Tenant Industrial |
| <input type="checkbox"/> Industrial Construction | <input type="checkbox"/> Cooperatives | <input type="checkbox"/> Shopping Centers |
| <input type="checkbox"/> Commercial Construction | <input type="checkbox"/> Condominiums | <input type="checkbox"/> Auto Service Centers |
| <input type="checkbox"/> Residential Construction | <input type="checkbox"/> Low Income Housing | <input type="checkbox"/> Special Purpose Properties |

Education

College Degree

BA Kyung Hee University, Seoul Korea

Appraisal Courses and Seminars

- 2005 Fundamental of Real Estate Appraisals
- 2005 Legal Consideration
- 2005 USPAP Courses
- 2005 Math & Regulations for Appraisal
- 2006 USPAP Update
- 2007 Income Approach
- 2007 Sales Approach
- 2007 Residential Income
- 2010 Capitalization Rate
- 2008 USPAP Update
- 2010 USPAP Update
- 2011 Highest and Best Use
- 2012 2-4 unit multi-family dwelling
- 2012 Expert Witness
- 2012 FHA/VA Appraising
- 2012 Advanced Residential Applications & Case Studies

License

Certified General Real Estate Appraiser, License #AG035644, Expires 11/16/2016
Verification Call: OREA (916) 322-2500

Probate Referee (2015 -2019) – Orange County

Subject Photographs



3376-3390 East 50th Street, Vernon



East 50th Street, Street Scene



4322 Furlong Place, Vernon



4326 Furlong Place, Vernon



4327 Furlong Place, Vernon



4329 Furlong Place, Vernon



4330 Furlong Place, Vernon



Furlong Place, Street Scene



3550 Vernon Avenue, Vernon



3560 Vernon Avenue, Vernon



Vernon Avenue, Street Scene



3345 Fruitland Avenue, Vernon



3349 Fruitland Avenue, Vernon



3353 Fruitland Avenue, Vernon



3357 Fruitland Avenue, Vernon



Fruitland Avenue, Street Scene

Rental Photographs



3372 Martin L. King Jr. Blvd, Lynwood



6923 Miles Ave, Huntington Park



8994 Virginia Ave, South Gate



2415 E. 53rd St, Los Angeles



1235 1/2 E. 50th St, Los Angeles



6039 Sheila St, Los Angeles



7723 Walker Ave, Bell Gardens



7847 Gilliland Ave, Bell Gardens



10805 Osgood Ave, Lynwood



5143 Fostoria St, Cudahy



3308 Euclid Ave, Lynwood



6461 Foster Bridge Blvd, Bell Gardens



1409 S Eastern Ave, Commerce



6489 Via Verde, Commerce



10801 Cassina Ave, South Gate



2164 E 103rd St, Los Angeles



7127 Watcher St, Los Angeles

Attachment 5

2016 Himes & Himes Market Rental Report

Himes and Himes, Inc.

REAL ESTATE APPRAISERS

1628 FOX GLEN DR. • DIAMOND BAR • CALIFORNIA 91765

JAMES R. HIMES, MAI
GLORIA HIMES, SRA

TELEPHONE (626) 331-0091

FAX (626) 332-1321

EMAIL: HIMES@EARTHLINK.NET

RECEIVED

FEB 01 2016

CITY ADMINISTRATION

January 22, 2016

File No. 2818

City of Vernon
4305 Santa Fe Avenue
Vernon, California 90058

Attention: Kristen Enomoto

Re: Fair Market Rent Value Analysis for
City of Vernon Owned Residential Properties
Purchase Order 011.0007398

Appraisal Services

\$5,000

Tax ID: 95-3736052

HIMES AND HIMES, INC.



James R. Himes, MAI
Cert. No. AG002864

APPRAISAL REPORT
FAIR RENT VALUE ANALYSIS
RESIDENTIAL PROPERTIES
CITY OF VERNON

Prepared by: Himes and Himes, Inc.
James R. Himes, MAI

Date of Value: January 22, 2016

Himes and Himes, Inc.

REAL ESTATE APPRAISERS

1028 FOX GLEN DR. • DIAMOND BAR • CALIFORNIA 91765

JAMES R. HIMES, MAI
GLORIA HIMES, SRA

TELEPHONE (626) 331-0091
FAX (626) 332-1321
EMAIL: HIMES@EARTHLINK.NET

January 22, 2016
File No. 2818

City of Vernon
4305 Santa Fe Avenue
Vernon, California 90058

Attention: Kristen Enomoto

Re: Fair Market Rent Value Analysis for
City of Vernon Owned Residential Properties
Personal Services Contract Himes and Himes, Inc. 1-11-16

Dear Ms. Enomoto:

At your request, I have prepared a Fair Market Rent Analysis for City-owned residential property located in the City of Vernon. In the report are descriptions of the properties being valued.

The intended client is the City of Vernon Housing Commission, and the intended use is to assist the client in determining fair market rent for the City's fee simple ownership in residential properties. The date of value is January 22, 2016. The report format is consistent with an appraisal report per USPAP Standard Rule 2.

Extraordinary assumptions are that title is free and clear, that remodeling for seven of the buildings are consistent with the remodeling plan prepared by the City of Vernon Housing Commission of which a copy is included in this report. All other valued units were remodeled in 2007/2008.

I have viewed the exterior of all of the appraised buildings and the interior of some buildings, as reported in an earlier appraisal made for these properties in December 2011 for the same client. I have assumed that the condition of all buildings will be typical to those buildings viewed in 2011 and generally would be good or recently remodeled. Should any of these assumptions prove to be untrue, there could be an affect on the reported fair market rent values.

Following this letter is a summary of the scheduled rent conclusions for each of the twenty-six rentals, of which eighteen are detached single family dwellings and eight are within an apartment building.

Your attention is drawn to the Summary and to the contents of the report.

Sincerely

Himes and Himes, Inc.

A handwritten signature in blue ink that reads "James R. Himes". The signature is written in a cursive style with a large initial "J" and "H".

James R. Himes, MAI
Cert. No. AG002864

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FAIR RENT VALUE SUMMARY

| ADDRESS | <u>UNIT</u> | <u>S.F.</u> | <u>BASE</u> | <u>RENT</u> | = | <u>BASE RENT</u> | <u>GARAGE</u> | = | <u>Sch.</u> | <u>Mo. Rent</u> |
|----------------|--------------------|--------------------|--------------------|--------------------|----------|-------------------------|----------------------|----------|--------------------|------------------------|
| Furlong Pl. | 1,067 | | \$1.50 | = | \$1,600 | | -\$150 | | \$1,450 | \$1,450 |
| | 1,079 | | \$1.50 | = | \$1,619 | | -\$150 | | \$1,469 | RD \$1,450 |
| | 1,259 | | \$1.50 | = | \$1,889 | | -\$150 | | \$1,739 | RD \$1,750 |
| | 1,273 | | \$1.50 | = | \$1,910 | | -\$150 | | \$1,760 | RD \$1,750 |
| Min. Remodel | 1,067 | | \$1.35 | = | \$1,440 | | -\$150 | | \$1,290 | RD \$1,300 |
| | 1,079 | | \$1.35 | = | \$1,456 | | -\$150 | | \$1,306 | RD \$1,300 |
| | 1,258 | | \$1.35 | = | \$1,698 | | -\$150 | | \$1,548 | RD \$1,550 |
| VERNON AVE. | 931 | | \$1.50 | = | \$1,397 | | | | \$1,397 | RD \$1,400 |
| | 1,305 | | \$1.50 | = | \$1,958 | | | | \$1,958 | RD \$1,950 |
| FRUITLAND AV | 931 | | \$1.50 | = | \$1,397 | | | | \$1,397 | RD \$1,400 |
| | 1,305 | | \$1.50 | = | \$1,958 | | | | \$1,958 | RD \$1,950 |
| | 1,447 | | \$1.50 | = | \$2,171 | | | | \$2,171 | RD \$2,150 |
| Min. Remodel | 931 | | \$1.35 | = | \$1,256 | | | | \$1,256 | RD \$1,250 |
| | 1,305 | | \$1.35 | = | \$1,762 | | | | \$1,762 | RD \$1,750 |
| 50TH ST. APTS. | | | | | | | | | | |
| | 1 BED | | | | \$ 875 | | +\$150 | | \$1,025 | \$1,025 |
| | 2 BED | | | | \$ 980 | | +\$150 | | \$1,130 | RD \$1,125 |

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.,
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have or have not made a personal inspection of the property that is the subject of this report.
- 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 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 James R. Himes, have completed the continuing education program for Designated Members of the Appraisal Institute.


Signature
Cert. No. AG002864

1-22-16
Date

APPRAISAL PROBLEM

PROPERTY APPRAISED: Residential property owned by the City of Vernon has been identified in the report as twenty-six rental units, located of Furlong Place, Vernon Avenue, and Fruitland Avenue, and an eight-unit apartment building located on 50th Street. Addresses for the twenty-six units are noted on the Scheduled Fair Market Rent Summary following the letter of transmittal, and with the descriptions in the report.

INTENDED CLIENT: The City of Vernon Housing Commission.

INTENDED USE: To assist the City of Vernon Housing Commission in determining fair market rent for City-owned housing. The term "Fair Market Rent" is defined in the Addenda section.

PURPOSE FOR THE APPRAISAL: To estimate fair market rent for various City owned residential units.

INTEREST APPRAISED: Fair rent value. I have assumed the City has a fee simple interest in all rent surveyed properties.

APPRAISAL DATES: The date of value is January 22, 2016, and report preparation date is January 23, 2016.

HIGHEST AND BEST USE: The fair market rent properties identified in this report are assumed to be highest and best use for the various sites. This opinion is consistent with the purpose for the appraisal, ownership by an agency of the City of Vernon, and the underlying residential zoning according the Vernon Planning Department.

REPORT FORMAT: The report is consistent with an appraisal report identified in USPAP Standards Rule 2.

LIMITING CONDITIONS AND DEFINITIONS: Definitions of pertinent terms are included in the Addenda section with standard limiting conditions. It is recommended that the reader and user of the report be familiar with the limiting conditions and use the report accordingly. The report is intended to be used only by the City of Vernon Housing Commission.

EXTRAORDINARY ASSUMPTIONS: Extraordinary assumptions are that title is free and clear, that remodeling for seven of the buildings is complete and consistent with the remodeling plan prepared by the City of Vernon Housing Commission of which a copy is included in this report, and is similar to remodeling made on other appraised units in the years 2007 and 2008.

I have assumed that living areas for all residential units identified by the client are correct. Some on-site measurement was made for the December 2011 appraisal which

proved to be consistent with City reported building areas. The City also provided a floor plan for the apartment building which was used to estimate unit size.

SCOPE OF WORK: The scope of work identifies the type and extent of research and analysis relied upon to produce a credible estimate of fair market rent value considering the use of the report.

The client provided a list of City-owned properties to be considered for this rent survey. The list included addresses, type of living unit, bed and bath counts, living area square footage, type of parking, construction date, and remodeling dates. The City also noted that seven of the buildings being appraised for fair rent value are scheduled for remodeling in 2016 with two potential remodeling plans included in the report. A description of remodeling that took place in 2007/2008 is also included in the report.

Public records were reviewed using the RealQuest on-line system to determine lot sizes for the single family properties and to confirm building ages and living areas. Generally, the public records information supports the City supplied information, which was used for this analysis. In instances where the City did not report lot sizes, on-site measurement was made to determine the approximate land areas.

Information used to estimate fair market rent values rely upon a search of the multiple listing service and property management companies. Studies were made to determine rent differences between those properties more influenced by surrounding industrial uses and properties more removed from that influence.

Many single family rent data include covered parking. The subject Furlong Place rentals have no covered parking. A survey based in interviews with local leasing agents provided evidence of the rent value for a covered parking space.

The earlier 2011 appraisal includes information relating to the affect the industrial influence has on market value, not necessarily fair rent value. A separate search was made to identify this influence by comparing sales prices affected by the industrial locations with those removed from industrial locations. Results of that survey have been used in this analysis.

City sources were used for "City Data" information and to confirm that subject residential uses were legal.

EXPOSURE TIME: This term is defined in USPAP 2016-2017 as "estimated length of time that 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 review of multiple listing records indicates residential take from about one week to 1.5 month between listing date and contract date. I believe one month would be reasonable in this market.

CITY DATA

Vernon is located immediately southeast of the City of Los Angeles a few miles south of the Los Angeles Civic Center. Other surrounding cities include Huntington Park, Maywood, Bell, and the city of Commerce. Vernon incorporated in 2005 and has a total land area of about 5.2 square miles. It is virtually an exclusive industrial use city consisting almost entirely of warehouses and factories, with main industries being food service manufacturing, metal working, and manufacture of glass and plastic equipment. There are approximately 55,000 daytime skilled workers employed by about 1,800 businesses located in the City.

Vernon has an extremely small permanent residential population which probably exceeds about 200 as of date of value. This would include residents at the recently opened 45-unit Vernon apartment project which has subsidized rentals. The city maintains its own fire and police departments, health department specializing in industrial issues, Municipal owned housing for some city employees and a light and power department. Services are tailored towards the industrial nature of the city. Reportedly, Vernon produces a \$250,000,000 flow of revenue every year, much from city owned utilities.

Vernon is within the Los Angeles Unified School District. Vernon city elementary school is located in the city on the south side of Pacific Avenue, across from city owned homes on Furlong Place. Other schools serving the city include Holmes Avenue elementary school in Los Angeles, and George Washington Carver middle school, Gage middle school, and Huntington Park High School, all located in a neighboring city.

Vernon is home to nationally known businesses such as Bon Appetit Bakery, Papa Cantella's Sausage Company, and Farmer John meat packing. True Religion, a designer of luxury jeans and apparel, is located in the city, as are several rendering plants, food processors, smelters, and metal working companies.

SUBJECT IMPROVEMENT DESCRIPTIONS

The subject properties consist of twenty-six residential rental units located in the City of Vernon. Included are eighteen detached single family dwellings and an eight-unit apartment building. Rental units are located on Furlong Place, Vernon Avenue, Fruitland Avenue, and the apartment building at 50th Street and Downey Road, all being in the City of Vernon.

All units are situated in non-typical residential neighborhoods being subject to negative locational influences relating to abutting industrial uses, heavy truck traffic, adjacent water or power facilities, and proximity to railroad lines. All of these factors were recognized as being negative influence for residential uses. In addition, typical residential support uses such as neighborhood shopping, parks and playgrounds, , churches, and entertainment uses are not conveniently located in close proximity.

Single family dwellings scheduled for total remodeling during the summer of 2016 include 3361 and 3365 Fruitland Avenue, and five properties on Furlong Place with addresses at 4321, 4323, 4324, 4325, and 4328. Eleven of the appraised single family dwellings and the apartment building were remodeled in 2007/2008. Following the improvement descriptions is the scheduled remodeling plan that applies to the earlier 2007/2008 dates and proposed remodeling in 2016.

Generally, the remodeling made in 2007/2008 was extensive with new electrical and plumbing systems, removal and replacement of all interior finishes, including wall, ceiling, and floor finishes, light fixtures, light switches and plugs, interior and exterior doors, new lighting systems, new dual pane windows, the roofing systems, complete remodel of the kitchen and bathrooms with high quality finishes and new appliances, new central air cooling and forced air heating systems, exterior vinyl siding, and automatic irrigation systems. The proposed 2016 remodel plan is similar.

FURLONG PLACE: Ten detached single family homes located on both sides of Furlong Place, which is a cul-de-sac street extending north from Pacific Avenue to the Vernon City Hall complex. Furlong Place is a typical residential street paved two lanes with curb, gutter, and sidewalk. Pacific Avenue is a heavily traveled east/-west street paved four lanes. Surrounding uses include an elementary school across Pacific Avenue, City Hall complex to the north, and industrial uses to the west.

Homes were built in 1941, are of average quality wood frame construction, have composition roof cover, and are situated on sites of about 4,000 to 4,500 s.f. Five of these homes were remodeled in 2007/2008, and the remaining five will be remodeled with two-plan alternatives in 2016. All have living and dining rooms, kitchens and laundry rooms. Each home has a single on-street assigned parking place and an assigned parking stall in the adjacent City Hall parking structure. Following is a summary of the homes with an asterisk for proposed remodeling.

| <u>Address</u> | <u>House Size</u> | <u>No. Bedrooms</u> | <u>No. Bathrooms</u> | <u>Total Remodeled</u> |
|---------------------|-------------------|---------------------|----------------------|------------------------|
| *4321 Furlong Place | 1,258 | 3 | 1 | Yes |
| 4322 Furlong Place | 1,258 | 3 | 1 | Yes |
| *4323 Furlong Place | 1,067 | 2 | 1 | Yes |
| *4324 Furlong Place | 1,067 | 2 | 1 | Yes |
| *4325 Furlong Place | 1,079 | 2 | 1 | Yes |
| 4326 Furlong Place | 1,067 | 2 | 1 | Yes |
| 4327 Furlong Place | 1,067 | 2 | 1 | Yes |
| *4328 Furlong Place | 1,067 | 2 | 1 | Yes |
| 4329 Furlong Place | 1,273 | 3 | 1 | Yes |
| 4330 Furlong Place | 1,259 | 3 | 1 | Yes |

VERNON AVENUE: Two detached single family homes located along the south side of Vernon Avenue west of Downey Road. These homes are abutted to the east and south by City water facilities with a large water tank to the south. Along Vernon Avenue east and west of the homes are heavy industrial uses. Vernon Avenue is a heavily traveled truck route in the City which is paved with four driving lanes with curb, gutter, and sidewalk.

The homes are of wood frame construction on raised foundation and have composition roof cover and vinyl siding. Both homes were completely remodeled and updated in 2007 with a complete list of the of the typical remodeling and updating following in this section. The homes are situated on site sizes of about 7,200 square feet. 3550 Vernon Avenue is a three-bedroom one bathroom floor plan, and 3560 Vernon Avenue is a two-bedroom one bathroom floor plan. Both have living rooms, dining rooms, kitchen, and laundry rooms with good quality appliances in place including a range/over, microwave, oven, garbage disposal, dishwasher, refrigerator, and a washer and dryer. 3550 Vernon Avenue has detached two-car garage containing about 400 square feet. 3560 Vernon Avenue has a detached one-car garage containing about 200 square feet and a carport. Following is a summary of the homes located on Vernon Avenue.

| <u>Address</u> | <u>Year Built</u> | <u>House Size</u> | <u>No. Bedrooms</u> | <u>Total Remodeled</u> |
|--------------------|-------------------|-------------------|---------------------|------------------------|
| 3550 Vernon Avenue | 1,957 | 1,305 | 3 | Yes |
| 3560 Vernon Avenue | 1,941 | 931 | 2 | Yes |

FRUITLAND AVENUE: Six detached single family homes located along the north side of Fruitland Avenue west of Downey Road. These homes are abutted to the north by a City water facility with three large water tanks located at the rear of the properties. Along Fruitland Avenue east and west of these homes are heavy industrial uses, with a City Fire Station being located at the northwest corner with Downey Road. Fruitland Avenue is a heavily traveled truck route in the City which is paved with two driving lanes and concrete curb, gutter, and sidewalk.

All of these homes are of wood frame construction on raised foundations and have composition roof cover. Site sizes for these homes are about 5,800 square feet,. Four of the six homes were completely remodeled in 2007 and 2008 with the other two scheduled for 2016. Four of the homes have three bedrooms with one having two baths and the other three having one bath. Other homes have two bedrooms and one bathroom. Five have two-car garages and one has a single garage. All have living and dining rooms, kitchens and laundry rooms. It is assumed that two units will be remodeled in 2016 per one of two plans. Following is a summary of the homes.

| <u>Address</u> | <u>Year Built</u> | <u>House Size</u> | <u>No. Bedrooms</u> | <u>No. Bathrooms</u> | <u>Parking</u> | <u>Total Remodel</u> |
|------------------------|-------------------|-------------------|---------------------|----------------------|----------------|----------------------|
| 3345 Fruitland Avenue | 1,957 | 1,447 | 3 | 2 | G2 | Yes |
| 3349 Fruitland Avenue | 1,941 | 931 | 2 | 1 | G1 | Yes |
| 3353 Fruitland Avenue | 1,957 | 1,305 | 3 | 1 | G2 | Yes |
| 3357 Fruitland Avenue | 1,957 | 1,305 | 3 | 1 | G2 | Yes |
| *3361 Fruitland Avenue | 1,957 | 1,305 | 3 | 1 | G2 | Yes |
| *3365 Fruitland Avenue | 1,957 | 931 | 2 | 1 | G2 | Yes |

* To be remodeled in 2016.

50TH STREET: These properties are located at the southwest corner of 50th Street and Downey Road. Both streets are heavily traveled truck routes with Downey Road being paved four lanes and 59th Street paved two lanes. Both have concrete curb, gutter, and sidewalk. A heavily traveled rail line abuts the east side of Downey Road. Heavy industrial use properties are located to the north and east, and a power sub-station is adjacent to the west. To the south is a large lawn area and City Fire Station building.

Improvements include a two-story apartment building containing eight units and an eight-car garage structure with attached laundry room. The improvements were built in 1960 and are of wood frame construction with composition roof cover and vinyl siding. Four of the units are one bedroom one bathroom floor plans, and four are two-bedroom one bathroom floor plane. All have living rooms, dining rooms, and kitchen with good quality appliances including a range/over, garbage disposal, dishwasher, and refrigerator. The entire property was remodeled and updated.

Parking is provided by an asphalt paved lot located south of the building. The lot is striped, lighted, fenced, and security by electronic steel rolling gate and pedestrian door with intercom and key pad access in each unit. The eight garage spaces have roll-up doors, but are not available for car parking. They are assigned one space per apartment unit for storage use. This type of amenity is atypical for apartment units in the area. Following is a summary of the units located on 50th Street.

| <u>Address</u> | <u>Size (s.f.)</u> | <u>Bedrooms</u> | <u>Bathrooms</u> | <u>Remodel</u> |
|------------------|--------------------|-----------------|------------------|----------------|
| 3376 50th Street | 883 | 2 | 2 | Yes |
| 3378 50th Street | 883 | 2 | 2 | Yes |
| 3380 50th Street | 742 | 1 | 1 | Yes |
| 3382 50th Street | 742 | 1 | 1 | Yes |
| 3384 50th Street | 742 | 1 | 1 | Yes |
| 3386 50th Street | 742 | 1 | 1 | Yes |
| 3388 50th Street | 883 | 2 | 2 | Yes |
| 3390 50th Street | 883 | 2 | 2 | <u>Yes</u> |

FAIR RENT VALUE ANALYSIS

The City of Vernon owns residential properties including detached single family housing, identified as homes located on Furlong Place, Fruitland Avenue, Vernon Avenue, and an eight-unit two-story apartment property located on 50th Street at Downey Road. For purposes of this appraisal, I have assumed that all properties valued have been remodeled are soon to be remodeled in 2016, per a current remodeling plan. The purpose of this report is to estimate what the current fair rent value is for these properties, based upon the remodeling and assumed remodeling plan.

The analysis recognizes that residential rentals located in Vernon have a heavy negative impact caused by the industrial nature of that city. All of the city owned residential properties abut industrial uses, front on streets heavily impacted by truck traffic, and are subject to rail usage and noises. These properties do not have typical residential amenities such as proximity to shopping, churches, and parks.

MARKET CONDITIONS: The market conditions for residential rentals notes that the single family detached house rentals reported for the 2016 appraisal are higher than those reported for the 2011 appraisal, supporting the opinion that the market has been improving over the past four to five years.

The Los Angeles Business Journal publishes changes in real estate market conditions including the average apartment square foot rent for the Los Angeles region, which includes the subject region. Data taken from that publication indicates that the rental market has been improving after the 2008 to 2012 recession. The 2011 rentals were slightly less than the late 2008 rentals, and did not begin to change until about 2013 when there was a modest increase to slightly over \$2 per square foot for the region. By mid-2014, the square foot price for the region had increased to about \$2.05 and by the end of 2015, it was near \$2.17 per square foot, or about 8% higher than the 2014 rentals which in turn were about 5% higher than the 2013 rentals.

The manager of Brabant Realty & Management Inc. reports their firm controls over five hundred apartment units in the Hunting Park area and presently have less than 1% vacant. He believes apartment rents have changed on a square foot basis by almost 10% over the past year.

Typical single family residential rentals in this region do include appliances. Apartment rental appliances are typically inferior to the subject appliances. An interview with the Brabant Realty & Management Inc. indicates the appliance contribution to rent would be about \$100 or \$25 per month for range/oven, refrigerator, dishwasher, and laundry. We recognize \$100 per month as being the appliance contribution to rent. Interviews with three leasing companies in the region all report that the benefit of covered parking, versus uncovered parking, would be from \$100 to \$150 per month per unit. This data has

also been used in the various rent values. Interviewed companies include Century 21 All Stars, Alfa Investment, and Prudential Real Estate.

The scheduled fair rent values for the various appraised properties recognized improving market conditions per data previously noted. Typical rents determined from the various groups of rentals were adjusted positive 5% to 10% to reflect fair market rent.

NEGATIVE IMPACT ANALYSIS: This study recognizes that Vernon residential properties have a negative impact per the non-complimentary industrial development that prevails throughout the city and abuts the properties. Several methods were used to identify the negative impact on Vernon property rentals. These include a sales pairing technique reported in the 2011 appraisal prepared for these properties that has been included in this study. Also, I have analyzed single family residential rentals used in this current report to measure the impact between rentals located in negative impacted areas, such as the City of Commerce, versus rentals located in non-impacted areas in the cities of Bell, Bell Gardens, Hunting Park, and South Gate.

On the following page, is a summary of sales data used for the locational pairings analysis that originally reported in 2011. I have used sales of single family dwellings in impacted areas, identified as the subject on the sales grid, and compared them to non-impacted areas identified as Data Nos. A through C on the sales grid. This study shows that the impacted properties sell for 10% to slightly over 30% lower than non-impacted properties. It would appear that the most severe impacted properties could be discounted over 30% from prices paid for non-impacted homes.

The second study relies upon a pairing of single family house rentals having impacted locations compared to non-impacted locations. Following in the report is a single family residential rental data grid identifying eleven properties of which the first five are located in the City of Commerce, and recognized as having some degree of negative impact due to the industrial nature of the city with the remaining six rentals having locations in the general area but removed from the industrial influences. Sales Nos. 1 through 5 were recognized as having some degree of impact due to the industrial nature of the City of Commerce but not as severe as the impact found at any of the subject properties. The first five sales are City of Commerce properties with rents typically being from \$1.35 to \$1.71 per square foot, per month, with the highest indicator being an asking rent. The typical rental for that group is \$1.50 per square foot, and the mean average is \$1.52 per square foot.

Rentals Nos. 6 through 11 are homes that are removed from the impacted conditions. The six rentals have rents at about \$1.60 to \$1.75 per square foot per month, with typical rentals being about a \$1.65 and the mean average being \$1.65 per square foot per month.

Comparing the two rental groups indicates that the non-impact properties will rent for about 10% more than the impacted properties. It is noted that the actual subject property negative impact would be more severe than is demonstrated in this fair rent value pairing study.

LOCATIONAL PAIRINGS: NEGATIVE IMPACT ON VALUE

| <u>Data</u> | <u>Address</u> | <u>City</u> | <u>Year</u> <u>Built</u> | <u>House</u> <u>Size (sf)</u> | <u>Site</u> <u>Size (sf)</u> | <u>Sale</u> <u>Date</u> | <u>Sale</u> <u>Price</u> | <u>Square Foot</u> <u>Price</u> | |
|-------------|---------------------|-------------|-----------------------------|----------------------------------|---------------------------------|----------------------------|-----------------------------|------------------------------------|---|
| Subject | 5708 Maywood Avenue | Maywood | 1936 | 956 | 3,962 | 5/27/2011 | \$170,000 | \$177.82 | Fronts To Industrial Uses RR Tracks 1 Block |
| A | 3758 E. 54th Street | Maywood | 1928 | 964 | 4,113 | 2/18/2011 | 225,000 | 233.40 | Typical Residential Street |
| B | 3539 E. 57th Street | Maywood | 1963 | 969 | 3,625 | 10/5/2010 | 200,000 | 206.40 | Typical Residential Street |
| | Pairing | | | | \$ Difference | % Difference | | | |
| | Data A vs Subject: | \$225,000 | Less | \$170,000 | \$55,000 | 32% | | | |
| | Data B vs Subject: | \$200,000 | Less | \$170,000 | \$30,000 | 18% | | | |
| | | | | | | | | | |
| Subject | 3747 E. 52nd Street | Maywood | 1923 | 858 | 6,146 | 5/20/2011 | \$210,000 | \$244.75 | Backs To Industrial Uses |
| A | 3627 E. 53rd Street | Maywood | 1922 | 824 | 6,134 | 7/20/2011 | 232,000 | 281.55 | Typical Residential Street |
| B | 3705 E. 54th Street | Maywood | 1940 | 920 | 6,803 | 9/1/2010 | 265,000 | 288.04 | Typical Residential Street |
| C | 3537 E. 54th Street | Maywood | 1941 | 965 | 5,724 | 4/1/2011 | 250,000 | 259.07 | Typical Residential Street |
| | Pairing | | | | \$ Difference | % Difference | | | |
| | Data A vs Subject: | \$232,000 | Less | 210,000 | \$22,000 | 10% | | | |
| | Data B vs Subject: | \$265,000 | Less | 210,000 | \$55,000 | 26% | | | |
| | Data C vs Subject: | \$250,000 | Less | 210,000 | \$40,000 | 19% | | | |
| | | | | | | | | | |
| Subject | 4805 Nobel Street | Commerce | 1957 | 1,168 | 4,726 | 12/7/2010 | \$242,000 | \$207.19 | Fronts To 710 Freeway On-Ramp & Industrial |
| A | 5031 Harbor Street | Commerce | 1947 | 1,144 | 4,013 | 10/7/2010 | 285,000 | 249.13 | Typical Residential Street |
| B | 5027 Harbor Street | Commerce | 1939 | 1,043 | 4,077 | 6/11/2010 | 290,000 | 278.04 | Typical Residential Street |
| C | 5029 Gafford Street | Commerce | 1946 | 1,004 | 4,130 | 11/1/2010 | 280,000 | 278.88 | Typical Residential Street |
| | Pairing | | | | \$ Difference | % Difference | | | |
| | Data A vs Subject: | \$285,000 | Less | 242,000 | \$43,000 | 18% | | | |
| | Data B vs Subject: | \$290,000 | Less | 242,000 | \$48,000 | 20% | | | |
| | Data C vs Subject: | \$280,000 | Less | 242,000 | \$38,000 | 16% | | | |
| | | | | | | | | | |
| Subject | 6033 Bartmus Street | Commerce | 1942 | 960 | 6,042 | 3/19/2010 | \$225,000 | \$234.38 | Backs To 5 Freeway |
| A | 2536 Gaspar Avenue | Commerce | 1944 | 996 | 5,156 | 2/18/2010 | 255,000 | 256.02 | Typical Residential Street |
| B | 2503 Gaspar Avenue | Commerce | 1944 | 965 | 6,031 | 9/17/2010 | 245,000 | 253.89 | Typical Residential Street |
| | Pairing | | | | \$ Difference | % Difference | | | |
| | Data A vs Subject: | \$255,000 | Less | \$225,000 | \$30,000 | 13% | | | |
| | Data B vs Subject: | \$245,000 | Less | 225,000 | \$20,000 | 9% | | | |
| | | | | | | | | | |
| Subject | 6029 Bartmus Street | Commerce | 1942 | 1,072 | 6,115 | 7/2/2010 | \$255,000 | \$237.87 | Backs To 5 Freeway |
| A | 2585 Fidelia Avenue | Commerce | 1942 | 1,075 | 5,692 | 2/8/2010 | 280,000 | 260.47 | Typical Residential Street |
| | Pairing | | | | \$ Difference | % Difference | | | |
| | Data A vs Subject : | \$280,000 | Less | \$255,000 | \$25,000 | 10% | | | |

The two studies demonstrate that there is a negative discount applicable for locations within industrial impact areas. The comparable sales pairing had discounts ranging from 2% to 30%, and the fair rent value discounts approached 10%. The subject property conditions are inferior to all of the discounted studies. I believe that the highest discount reflected by this analysis would be the most applicable for the subject rentals, and I have applied a negative 30% discount to fair market rent evidence for purposes of scheduling the "as is" rent for the subject properties.

SINGLE FAMILY RESIDENTIAL RENT VALUE: This group of properties includes Furlong Place, Fruitland Avenue, and Vernon Avenue single family detached dwellings. It is noted that the Furlong Place rentals have no covered parking and rely upon a single on-street space plus a single space in the abutting Vernon City Hall parking garage. The Vernon Avenue and Fruitland Avenue properties have garages. In all instances, the assignment values recognize existing remodeling and assumes that non-remodeled subjects as of date of value will be extensively remodeled in 2016, per two remodeling plans included in the report. The result is that the subject units will typically be as good or superior to all the rental data, excepting the rentals that reflect relatively recent construction.

All un-remodeled single family dwellings will be remodeled in 2016 per two plan alternatives. A copy of the proposal follows in the report and has two cost columns, one headed "estimated lump sum quote" as \$104,000 and the other is headed "minimum improvements" with a per unit cost of \$42,000. The "lump sum" cost is extensive like the 2007/2008 work. The "minimum improvements" allows for new carpet, water heater, paint and wall texture, remodeled kitchens, laundry rooms, and baths, and lead abatement. It notes that central air conditioning has already been replaced.

A fair market rent grid is shown on the following page. This grid represents data used for estimating subject fair rent value. It has twelve rental properties listed with all located in the general City of Vernon region. Rentals are found in the City of Commerce Data Nos. 1 through 5; in the city of Bell, Data Nos. 8 and 9; in the city of Bell Gardens Data No. 6; and in the city of South Gate Data Nos. 7, 10, 11, and 12. Generally, units located in Commerce were recognized as being impacted or at least somewhat impacted by the industrial nature of that city, being similar to Vernon, and Data Nos. 6 through 12 recognized as being non-impacted rentals as they are in the region but removed from direct negative industrial influences.

Data included on the grid includes addresses, building ages and size, monthly rents, square foot rents, and the date the lease was finalized. It is noted that all the data is reasonably current per lease dates in 2014 and 2015, excepting Data No. 3 which was leased in 2013. Reference is made to the Market Conditions statement included previously which recognizes that rents have increased over the past two years.

For value purposes, I have used gross rents paid per square foot of living area as the primary guide. Impacted Data Nos. 1 through 5 have an overall rent range of about \$1.40

SINGLE FAMILY RENT DATA

| <u>No.</u> | <u>Address</u> | <u>Year Built</u> | <u>House Size</u> | <u>Bed/Bath</u> | <u>Garage</u> | <u>A/C</u> | <u>Mo. Rent</u> | <u>S.F. Rent</u> | <u>Date</u> |
|------------|--|-------------------|-------------------|-----------------|---------------|------------|-----------------|------------------|-------------|
| 1 | 4423 Tuttle Remodel/Yes Commerce | 1948 | 1,900 | 4/1 | No | No | \$2,400 | \$ 1.71 | Asking |
| 2 | 4921 Leonis Remodel/Partial Commerce | 1953 | 992 | 2/1 | Yes | Wall | \$1,500 | \$ 1.51 | 9/14 |
| 3 | 7153 Watcher Remodel/Newer Commerce | 2007 | 1,340 | 3/2 | Yes | Central | \$2,150 | \$ 1.60 | 9/13 |
| 4 | 6489 Via Verde Remodel/Newer Commerce | 2002 | 1,590 | 3/2.5 | Yes | Central | \$2,150 | \$ 1.35 | 10/15 |
| 5 | 6232 Darwell Remodel/No Rear House Commerce | 1958 | 1,000 | 2/1 | Yes | No | \$1,450 | \$ 1.45 | 1/14 |
| 6 | 5910 Lanto Remodel/Yes Bell Gardens | 1941 | 1,400 | 4/2 | No | No | \$2,43900 | \$2.07 | 1/16 |
| 7 | 6304 Palm Remodel/Yes Bell | 1930 | 1,044 | 3/1 | No | No | \$1,950 | \$ 1.87 | 7/15 |
| 8 | 6303 River Remodel/Yes Bell | 1924 | 1,296 | 3/1 | Yes | No | \$2,075 | \$1.60 | 2/15 |
| 9 | 5626 Gotham Remodel/Yes Bell | 1976 | 1,150 | 3/1 | Yes | No | \$1,800 | \$ 1.57 | 3/15 |
| 10 | 8936 Alexander Remodeled/No South Gate | 1941 | 908 | 2/1 | Yes | No | \$1,600 | \$ 1.76 | 11/14 |
| 11 | 8614 Evergreen Remodel/Yes South Gate | 1940 | 1,307 | 3/1 | Yes | No | \$1,950 | \$ 1.49 | 10/15 |
| 12 | 6005 Wilson Remodel/No South Gate | 194 7 | \$1,086 | 3/1 | No | No | \$1,900 | \$1.75 7/14 | |

to \$1.70 per square foot, with the highest indicator being an asking rent. This data is slightly dated. The typical rental appears to about \$1.50 per square foot per month, and the mean average rent is about \$1.52 per square foot per month. Gross rent for units most similar in size to the subject relate to Data Nos. 2 and 5 with rents at \$1,450 to \$1,500 per month with some negative impact.

Non-impacted rentals Data Nos. 6 through 12 have unadjusted monthly square foot rents from about \$1.50 to slightly over \$2 per square foot, and unadjusted gross rents for homes most similar in size to the subject at \$1,600 to \$1,950 per month for Data Nos. 7, 9, 10, and 12, with most being remodeled space. This group would be superior to the subject being removed from industrial influence.

All the data should be adjusted slightly to reflect the improving residential rental market in the subject region estimated to be at least 5% per year. In this instance, with the exception of Data No. 3, the adjustments should recognize a time frame of about one to two years.

Considering market conditions and the data reported, separating the impacted rentals from the non-impacted rentals, I believe fair market rent for non-impacted properties would be about maximum \$2.10 to \$2.15 per square foot. This would recognize that the most extensive remodeling makes the subject units superior to the rentals excepting those constructed after the year 2000. It is at the high end of the market and recognizes the improving market conditions over the past two years.

Therefore, the base subject fair rent value, as of date of value, would be based upon a beginning point of \$2.15 per square foot, recognizing extensive remodeling discounted by 30% to reflect negative industrial use impact, which would be greater at the subject properties than for any of the rent data used. This leaves a base rental of \$1.51 per square foot of house size rounded to \$1.50 for comparison purposes.

Other adjustments applied to the single family rentals recognize that the Furlong Place properties have no covered parking, and a negative adjustment \$150 per month was made. This leaves a rent range of \$1,450 to \$1,760 for the various units, before rounding, for the maximum remodeling. For minimum remodeling, the base rent would be based on \$1.35 per square foot less the parking adjustment.

The Vernon Avenue and four Fruitland Avenue single family dwellings were remodeled in 2007/2008 and have garages. Their fair rent values would be based upon \$1.50 per square foot assuming maximum remodeling. No garage adjustment needed. The two remaining un-remodeled Fruitland Avenue homes fair rent value would be the same based upon the most extensive 2016 remodeling. Assuming minimum remodeling, the base rent would be \$1.35 per square foot. Following are comments regarding minimum remodeling in 2016.

Assuming the minimum remodeling plan is used, I believe the remodeled units would still be superior to most comparable data. Per this condition, I believe the rent data would

support a non-impacted rental of \$1.90 per square foot before any adjustments. Deducting 30% for the industrial negative impact leaves an amount of about \$1.33 rounded to \$1.35 per square foot.

APARTMENT FAIR RENT VALUE: The subject apartments on 50th Street were built in the 1960s and were totally remodeled in 2007/2008. Parking is per an open, paved lot located behind the residences, attached to each residence is what could have been a single garage but cannot be used for parking due to the way the property has developed. Therefore, it has been recognized as being usable for attached storage, which is not typical in the apartment market, and therefore would require a positive adjustment. Also, appliances typical to the subject apartments are not commonly found in this rental region, and a positive adjustment should be made. While the typical apartment rental would have some appliance benefit, it would not be to the same extent that is found in the subject properties per age of the appliances and quality. Therefore, a \$50 per month positive adjustment has been made for subject superior appliances. The second adjustment is a positive adjustment of \$100 per month to reflect the benefit of the on-site and enclosed storage available to each subject unit.

On the following page is an Apartment Fair Rent Value grid which identifies nine rentals located in small buildings in the subject region. These buildings typically have from three to eight dwelling units, each being older residential properties than the subject. Parking is mixed, with about half having no covered parking, and the other half having covered parking. The remodeling condition is also mixed, with five of the units having some degree of remodeling, to reflect those being in good condition and the others being in average condition.

The dates of rent data are relatively current, and considering the market conditions previously noted for this region, I believe at least a 5% positive adjustment should be applied to the various rental data to reflect the improving market as of date of value. This is not reflected on the rent grid.

Considering the time of the rent data and the totally remodeled condition of the subject property, I believe base rent, before any adjustment, would be \$1,250 per month for the one-bedroom unit, and \$1,450 per month for two beds. This would make some provision for the positive change in market conditions. Adjustments include 30% for the industrial location leaving \$875 for one bed, and \$980 for two beds.. Other adjustments are a positive \$100 for storage and \$50 for superior appliances. After all adjustments, the one-bedroom monthly rent is \$1,025, and the two-bed rent is \$1,125, rounded. Following is the fair rent value summary.

APARTMENT FAIR RENT DATA

| <u>No.</u> | <u>Address</u> | <u>1 Bed Rent</u> | <u>2 Bed Rent</u> | <u>Approximate S.F.</u> | <u>S.F. Rent</u> | <u>Parking</u> | <u>Condition</u> | <u>Year Built</u> |
|------------|----------------------------------|-----------------------|-----------------------|-----------------------------|----------------------|----------------|------------------|-----------------------|
| 1 | 2810 Seville, Huntington Park | | \$1,175 | 800 | \$1.47 | No | Remodeled | 1924 |
| 2 | 6211 Seville Huntington Park | | \$1,325 | 1,000 | \$1.30 | G1 | Good | |
| 3 | 4505 Brocton #C Bell | \$1,050 | | 600 | \$1.75 | No | Remodeled | 1940 |
| 4 | 4505 Bromton #B Bell | \$1,250 | | 680 | \$1.84 | No | Remodeled | 1940 |
| 5 | 6708 Heliotrope Bell | \$850 | | 600 | \$1.42 | C1 | Average | 1950 |
| 6 | 6427 Otis #2 Bell | | \$1,100 | 800 | \$1.38 | No | Remodeled | 1937 |
| 7 | 8448 Victoria South Gate | | \$1,300 | 800 | \$1.63 | C1 | Good | 1964 |
| 8 | 3281 Minnesota South Gate | \$985 | | 685 | \$1.45 | No | Average | 1948 |
| 9 | 7851 Gilliland Bell Gardens | | \$1,400 | 1,000 | \$1.40 | C1 | Remodeled | 1958 |

Lease dates in 2014 and 2015

Buildings have three to eight dwelling units

Typically owners pay water and trash

Data No. 3, 4, 7, and 9 have kitchen and/or laundry appliances

None of these data have negative industrial district impact

The subject has uncovered parking

Subject units have attached on-site personal storage space

FAIR RENT VALUE SUMMARY:

| ADDRESS | UNIT S.F. X | S.F. RENT | = | BASE RENT | GARAGE = | Sch. Mo. Rent | |
|-----------------------|------------------------|----------------------|----------|------------------|-------------------------------|--------------------------|------------|
| Furlong Pl. | 1,067 | \$1.50 | = | \$1,600 | -\$150 | \$1,450 | \$1,450 |
| | 1,079 | \$1.50 | = | \$1,619 | -\$150 | \$1,469 | RD \$1,450 |
| | 1,259 | \$1.50 | = | \$1,889 | -\$150 | \$1,739 | RD \$1,750 |
| | 1,273 | \$1.50 | = | \$1,910 | -\$150 | \$1,760 | RD \$1750 |
| Min. Remodel | 1,067 | \$1.35 | = | \$1,440 | -\$150 | \$1,290 | RD \$1,300 |
| | 1,079 | \$1.35 | = | \$1,456 | -\$150 | \$1,306 | RD \$1,300 |
| | 1,258 | \$1.35 | = | \$1,698 | -\$150 | \$1,548 | RD \$1,550 |
| VERNON AVE. | 931 | \$1.50 | = | \$1,397 | | \$1,397 | RD \$1,400 |
| | 1,305 | \$1.50 | = | \$1,958 | | \$1,958 | RD \$1,950 |
| FRUITLAND AV | 931 | \$1.50 | = | \$1,397 | | \$1,397 | RD \$1,400 |
| | 1,305 | \$1.50 | = | \$1,958 | | \$1,958 | RD \$1,950 |
| | 1,447 | \$1.50 | = | \$2,171 | | \$2,171 | RD \$2,150 |
| Min. Remodel | 931 | \$1.35 | = | \$1,256 | | \$1,256 | RD \$1,250 |
| | 1,305 | \$1.35 | = | \$1,762 | | \$1,762 | RD \$1,750 |
| 50TH ST. APTS. | | | | | STORAGE APPLIANCES | | |
| | 1 BED | | | \$ 875 | +\$150 | \$1,025 | \$1,025 |
| | 2 BED | | | \$ 980 | +\$150 | \$1,130 | RD \$1,125 |

Exhibit A
City of Vernon Housing Remodel Cost Estimate

| # | Task | Estimated Lump Sum Cost | Minumum Improvements | Additional cost if improved in 2 phases |
|----|--|-------------------------|----------------------|---|
| 1 | Install new carpet flooring with padding | \$ 2,000.00 | \$ 2,000.00 | \$ 2,000.00 |
| 2 | Replace drainage system to property line | \$ 5,000.00 | | |
| 3 | Replace water heating system | \$ 1,000.00 | \$ 1,000.00 | |
| 4 | Re-pipe water lines from meter to fixtures | \$ 4,000.00 | | |
| 5 | Re-pipe gas line | \$ 2,000.00 | | |
| 6 | Install computer, telephone and television cabling from designated rooms to exterior box | \$ 1,000.00 | | |
| 7 | Replace all interior receptacles, switches and plate covers | \$ 1,000.00 | | |
| 8 | Patch, paint and texture walls and ceiling | \$ 4,000.00 | \$ 4,000.00 | \$ 4,000.00 |
| 9 | Replace exterior crawl space screens and side vents | \$ 500.00 | | |
| 10 | Replace all interior doors | \$ 1,000.00 | | |
| 11 | Replace all door molding | \$ 500.00 | | |
| 12 | Install insulated vinyl siding over the exterior of the house | \$ 8,000.00 | | |
| 13 | Install new door bell | \$ 200.00 | | |
| 14 | Design and Install automatic irrigation system | \$ 2,500.00 | | |
| 15 | Remove and replace lawn | \$ 3,000.00 | | |
| 16 | Install a mow strip along perimeter of the house | \$ 500.00 | | |
| 17 | Construct new brick planter | \$ 3,500.00 | | |
| 18 | Replace all windows with retrofit vinyl dual panel low E windows | \$ 5,000.00 | | |
| 19 | Replace roof system | \$ 9,000.00 | | |
| 20 | Replace HVAC system | Completed | Completed | |
| 21 | Remove and replace window casing | \$ 500.00 | | |
| 22 | Replace window treatments with 1" vinyl wood blinds | \$ 1,000.00 | | |
| 23 | Install recessed lighting | \$ 2,000.00 | | |
| 24 | Replace baseboards DMF baseboard | \$ 1,000.00 | | |
| 25 | Remodel bathroom to meet ADA requirements | \$ 10,000.00 | \$ 10,000.00 | |
| 26 | Remodel Kitchen to meet ADA requirements | \$ 10,000.00 | \$ 10,000.00 | |
| 27 | Reconfigure laundry room to meet ADA requirements | \$ 5,000.00 | \$ 5,000.00 | |
| 28 | Exterior light fixtures | \$ 200.00 | | |
| 29 | Additional electrical improvements | \$ 8,000.00 | | |
| 30 | Lead abatement | \$ 5,000.00 | \$ 5,000.00 | |
| 31 | Garage Vinyl | \$ 2,000.00 | | |
| 32 | Garage doors | \$ 1,000.00 | | |
| | Subtotal | \$ 99,400.00 | \$ 37,000.00 | \$ 6,000.00 |
| | Appliances | | | |
| 33 | Kitchen appliances | \$ 3,500.00 | \$ 3,500.00 | |
| 34 | Laundry appliances | \$ 1,500.00 | \$ 1,500.00 | |
| | Grand Total | \$ 104,400.00 | \$ 42,000.00 | \$ 6,000.00 |

REMODEL COST ESTIMATES FOR 2016

EXHIBIT "C"

2007/2008 REMODEL SCOPE OF WORK SAMPLE

FURLONG PLACE

GENERAL

- All work to be performed in a professional manner and conform to American Institute of Architect standard specifications.
- Contractor shall obtain all required construction permits. The City will not charge any fees for such permits, however any cost to prepare plans and specifications for Building Department approval shall be borne by the contractor.
- Repairs may be required for termite damage, the contractor shall include in the bid a \$1000.00 allowance towards materials and labor to perform the repair work
- All demolition debris shall be hauled away by the contractor.
- Contractor shall be solely responsible for all required field measurements.
- Remove and replace all or any remaining galvanized water piping with type L copper water piping to property line.
- Install R-30 Kraft Batt. ceiling insulation through attic area.
- Remove existing heating system and patch walls and flooring.
- Remove and replace all interior carpet and padding?
- Replace drainage system to property line with ABS piping except vent lines.
- Computer, telephone and television cabling shall be run from designated rooms to exterior 24" x 24" x 6" weatherproof boxes with a minimum 1 1/2" conduit up to roof with a weather head. Furnish and install all necessary cable, jack, device and plates for computer, telephone and television cabling. Telephone and computer cabling to be CAT 5 and television cabling to be RG6U. Provide a dedicated 120 volt circuit into one of the weather-proof boxes.
- Install a complete 5-ton (15 Seer rated) HVAC system, make all necessary provisions to wire new air conditioning unit to new electrical panel.
- Upgrade electrical house panel to 200 amp. Square D brand.
- Replace all electrical wiring, including a ground wire throughout interior and exterior of house to meet electrical code requirements. Provide necessary receptacles, switches and plate covers for complete electrical installation.
- At all areas where finishes are to be removed and replaced with new finishes materials which include but are not limited to paint, and flooring, heavy preparation work is assumed to be required to prepare sub surfaces for new finishes as specified.
- City will furnish all appliances; Include in your bid the cost for the installation of gas stove, refrigerator, over the range microwave, dishwasher, washing machine and gas dryer.
- Wall, ceiling and trim paint to be different colors as selected by the City.
- All painted surfaces to receive 1 coat of primer and 2 coats of finish.
- Replace exterior crawl space screens and side vents.
- All unit locks to be keyed alike.
- All interior doors to be replaced with six (6) panel type door, prepped and painted and all associated attachments and materials necessary to provide a complete installation.
- All existing door moldings to be removed and replaced.
- Furnish and install all necessary conduits, boxes, wiring, devices and homeruns for

additional receptacles as required by current or local electrical codes.

- Non-conforming work shall be modified, replaced, or redone by the Contractor at no change in Contractor Price or Contractor Time

EXTERIOR

- Lead abatement may be required. The contractor shall place in his bid a \$2000.00 allowance for such work and preparation of a work plan. Actual cost will be paid on a time and material basis.
- Install insulated reinforced premium vinyl siding over the exterior of the house and rear building including fascia.
- Enclose eaves and porch overhang with insulated reinforced premium vinyl siding.
- Tear-off existing roof and install new roofing system. Include new Certain Teed Landmark Series Premium shingles (color to be selected by the City), roof sheathing and associated metal flashings for complete installation.
- Install new doorbell and associated accessories for complete installation.
- Any remaining wood trim or exposed metals shall be scraped of loose paint, patched and sealed with 1 coat of primer and 2 coats of finish.
- Design and install automatic irrigation system for proper lawn and planter watering.
- Remove and replace lawn areas with marathon sod or equivalent.
- Install mow strip along perimeter of exterior house where none currently exist.
- Replace all windows with retrofit vinyl dual pane low E windows, bathroom window to have obscure glazing.
- Replace electric weather head to code.
- Remove and dispose of existing rain gutters and down spouts and replace with seamless aluminum rain gutters and down spouts.
- Protect in place side entrance gate.
- Replace crawl space screens and side vents.
- Replace front door with pre-hung architectural oval pane fiberglass door include new hardware and lockset.
- Provide and install all necessary conduits, boxes, wiring, switches and lighting fixture at south and west exterior elevation for new light fixture.
- Install (1) GFCI receptacle at rear of house. Provide all necessary conduits, boxes and wiring.

LIVING ROOM

- Texture walls and ceiling.
- Patch and paint walls and ceiling.
- Remove and replace window casing.
- Replace window treatments with 2" vinyl faux wood blinds.
- Remove and replace carpet and padding.
- Install into walls necessary conduits and boxes for the complete installation of cabling for television, telephone and computer outlets.
- Install (9) recessed lighting with dimmer switch through ceiling area. Furnish and install all necessary conduits, boxes, devices, wiring and homeruns.

- Install all necessary conduits, boxes and receptacles for additional receptacles in order to meet electrical code spacing requirements.
- Replace baseboards with 5 W" high painted MDF baseboards.
- Install new entry light fixture.

BATHROOM

- Remove and dispose of all existing interior finishes.
- Install new medicine cabinet to match base cabinets if surface mounted.
- Install new toilet.
- Remove and replace window casing.
- Replace window blinds with 2" vinyl faux wood blinds.
- Install hardwood (birch) or equivalent cabinets with granite countertop.
- Install under counter mounted porcelain sink
- Install new ceramic tile floor over new hardi-backer board sub-floor.
- Install GFCI electrical outlets and add necessary conduits, boxes and receptacles to meet electrical code spacing requirements.
- Install new light and fan fixture combo.
- Install new light fixture above sink area.
- Texture walls and ceiling.
- Patch and paint walls and ceilings.
- Install new six (6) panel door with hardware and lockset.
- Remove and install new maple linen cabinet above toilet area.
- Replace shower enclosure with fiberglass tub/ shower enclosure, with glass shower door enclosure, new plumbing fixture and install tile above shower enclosure to ceiling.
- Replace towel rack, soap dish and toilet paper holder.

HALLWAY

- Texture walls and ceiling.
- Patch and paint walls and ceiling.
- Remove and replace carpet and padding.
- Replace baseboards with 5 W" high painted MDF baseboard.
- Remove and replace entire section of hallway cabinets with new maple cabinets. Provide all necessary hardware and attachments.
- Install necessary conduits, boxes and wiring for the installation of a hardwired smoke alarm.
- Install attic access panel for HVAC system.
- Install necessary conduits, boxes, wiring and receptacle outlet as required by code.
- Remove and replace lighting fixture with recessed can lighting.

DINING ROOM

- Texture walls and ceiling.
- Paint walls and ceiling.
- Patch and refinish hardwood flooring.

- Replace window blinds with 2" horizontal faux wood blinds.
- Remove and replace carpet and padding?
- Remove existing heating system and patch floor and wall.
- Replace baseboards with 5 W" high painted MDF baseboard.
- Replace lighting fixture.
- Install additional receptacles as required by code.

KITCHEN

- Remove all interior finishes including cabinets, counters, and flooring.
- Install new custom maple cabinets with melamine interiors.
- Install new granite countertop.
- Install new under counter mount stainless steel double bowl sink with faucet w/spray, soap dispenser and hp garbage disposal.
- Texture walls.
- Patch and paint walls and ceiling.
- Remove and replace window casings.
- Replace window treatments with 2" vinyl faux wood blinds.
- Replace lighting fixture above sink area with recessed can lighting fixture.
- Replace lighting fixture.
- Install new 5 W" high MDF baseboards.
- Remove and replace door leading into laundry room area with six (6) panel door.
- Install GFCI circuits and install necessary conduits, boxes and receptacles for additional receptacles to meet electrical code spacing requirements.
- Purchase and install (1) Whirlpool or equivalent stainless steel microwave above stove. Microwave to be vented outside, provide all necessary ducting. Install (1) 120 volt receptacle for microwave power connection.
- Purchase and install (1) Whirlpool or equivalent stainless steel stove
- Purchase and install (1) Whirlpool or equivalent stainless steel dishwasher and provide necessary electrical and plumbing connections for proper operation.
- Install new ceramic tile floor over new hardi-backer board sub-floor with proper threshold transition strip.
- Furnish and install new flush mounted icemaker water box and associated water supply lines for refrigerator water line connection.

LAUNDRY ROOM

- Remove and install new exterior door with window and associated hardware and lockset.
- Install 2" vinyl faux wood blind.
- Remove all existing cabinets and replace with custom new maple cabinets.
- Patch and paint walls and ceiling.
- Texture walls and ceiling.
- Replace light fixture.
- Install new ceramic tile floor over new hardi-backer board sub-floor.
- Replace baseboard with 5 W" high painted MDF baseboard.

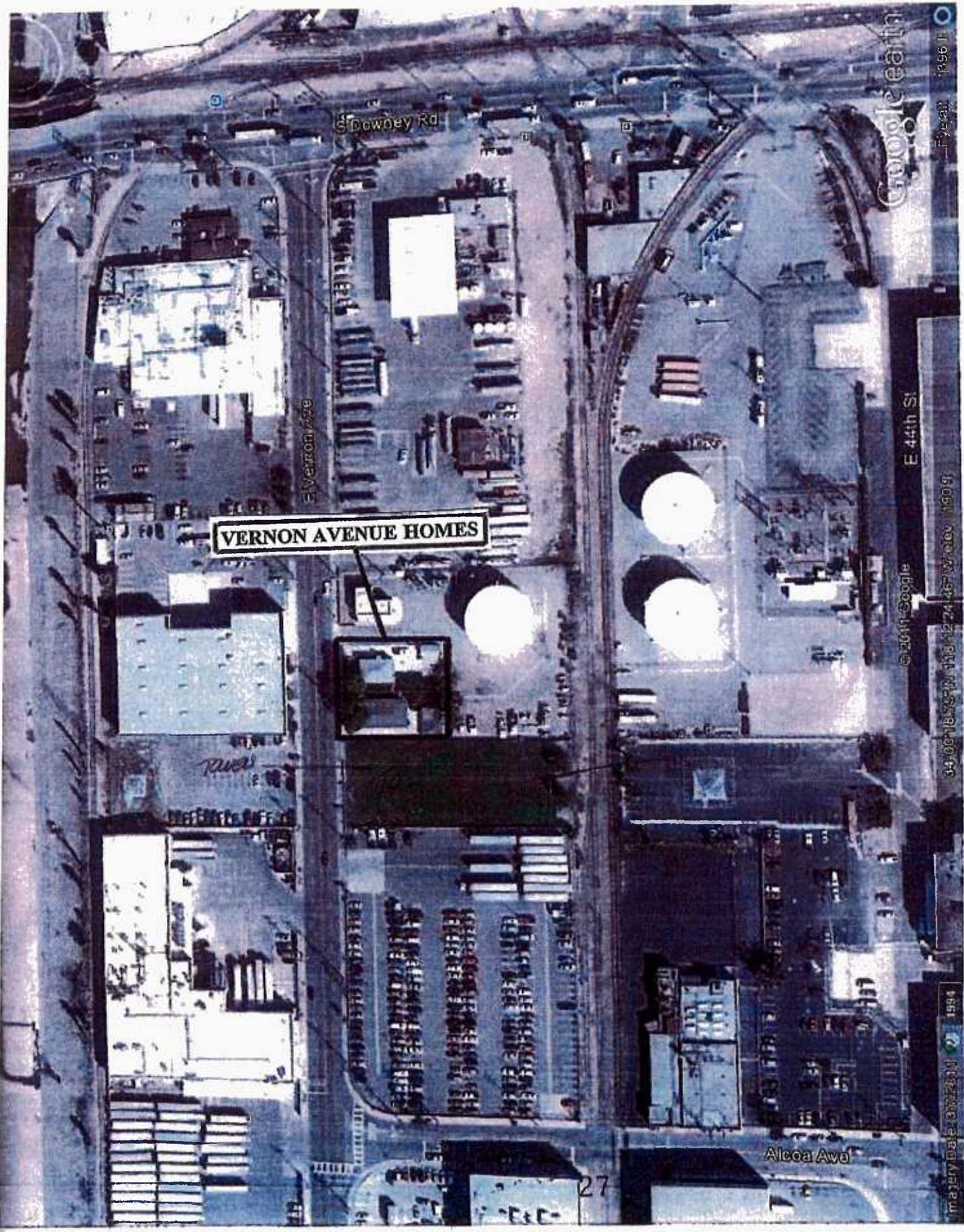
- Replace receptacles, switches and plate covers.
- Remove and relocate existing water heater, gas line and water supply lines to exterior of house. Construct new concrete pad and install water heater in an enclosed metal shed with approved seismic restraint and vent ducting. Location to be determined.
- Install new metal dryer vent with wall cap.
- Remove and replace door and hardware leading into hallway.

BEDROOMS (3)

- Patch and paint walls and ceiling.
- Texture walls and ceilings and closets.
- Remove and replace window casings.
- Replace window treatments with 2" vinyl faux wood blind.
- Patch and refinish floors.
- Remove and replace carpet and padding.
- Install into walls necessary conduits and boxes for the installation cabling of television, telephone and computer outlets.
- Replace baseboards with 5 Y." high painted MDF baseboard.
- Replace lighting fixture, including closet. Furnish and install all necessary conduits, boxes, wiring and devices for new light switch installation in closet area.
- Remove existing closet/drawer assembly, patch, paint walls and ceiling and replace with conventional mirrored closet doors.
- Replace closet door with six (6) panel door.
- Install necessary conduits, boxes and wiring for the installation of a hardwired smoke alarm.
- Replace receptacles, switches and plate covers
- Install additional receptacles so that maximum spacing complies with current electrical code requirements.

SUBMITTALS FOR CITY APPROVAL

- Appliances (Whirlpool or equivalent)
- Plumbing fixtures (Kohler or equivalent)
- Paint colors (Dunn Edwards or equivalent)
- Carpet (based on a cost of \$25.00 a square foot including carpet padding)
- Ceramic tile (based on a tile cost of \$3.50 per square foot)
- Lighting fixtures (based on a light fixture cost of \$75.00 each)
- Kitchen and bathroom fixtures shall be a minimum value of \$175.00
- Windows (Milgard or equivalent)
- Window treatments.
- Cabinet layout.
- Granite or equivalent.
- Vinyl siding (Alcoa or equivalent).
- HVAC system (Carrier or equivalent).



VERNON AVENUE HOMES

S Downey Rd

E Vernon Ave

E 44th St

Google Earth

1996 II

Pittsburgh

© 2019 Google

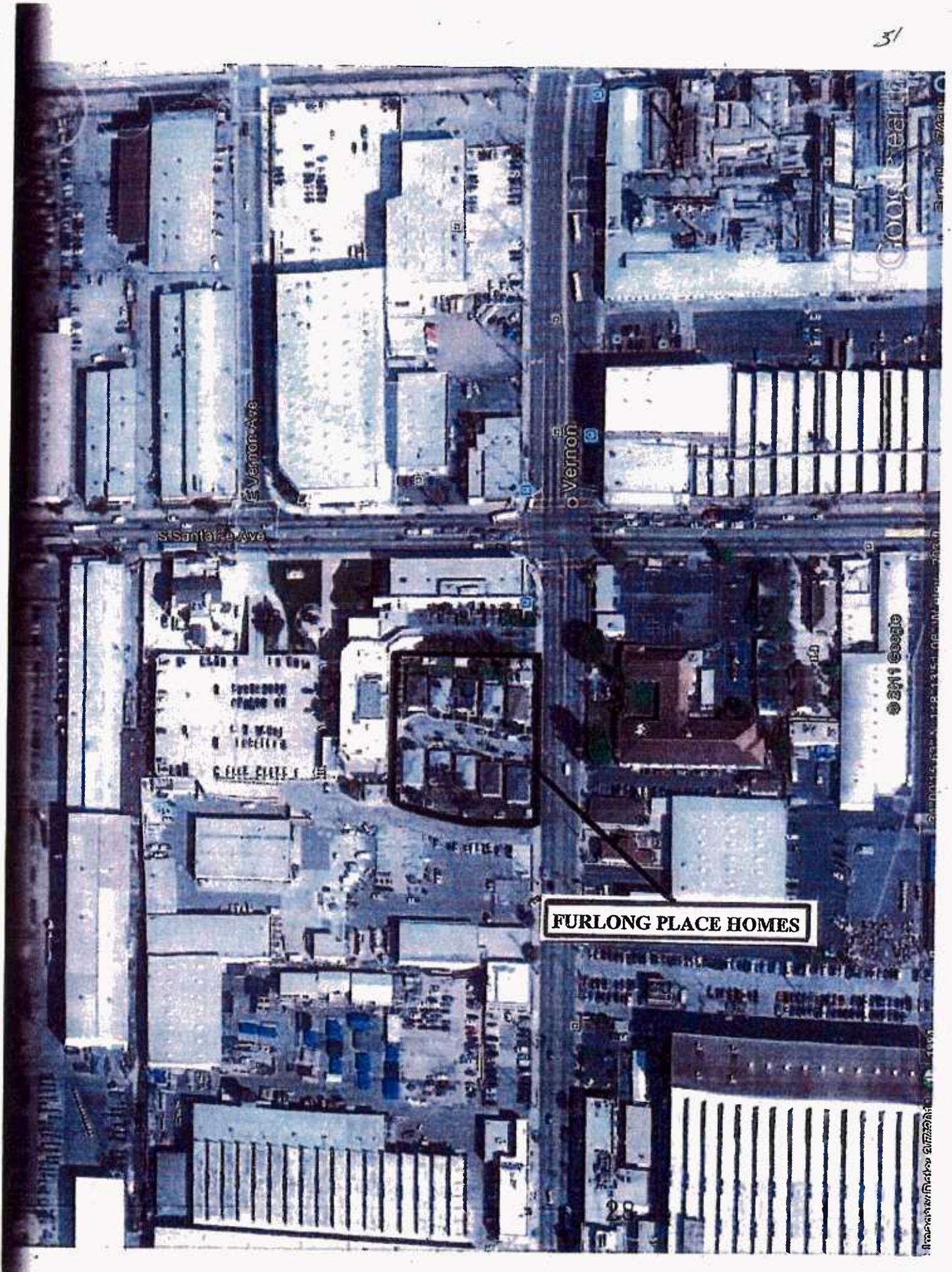
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1984

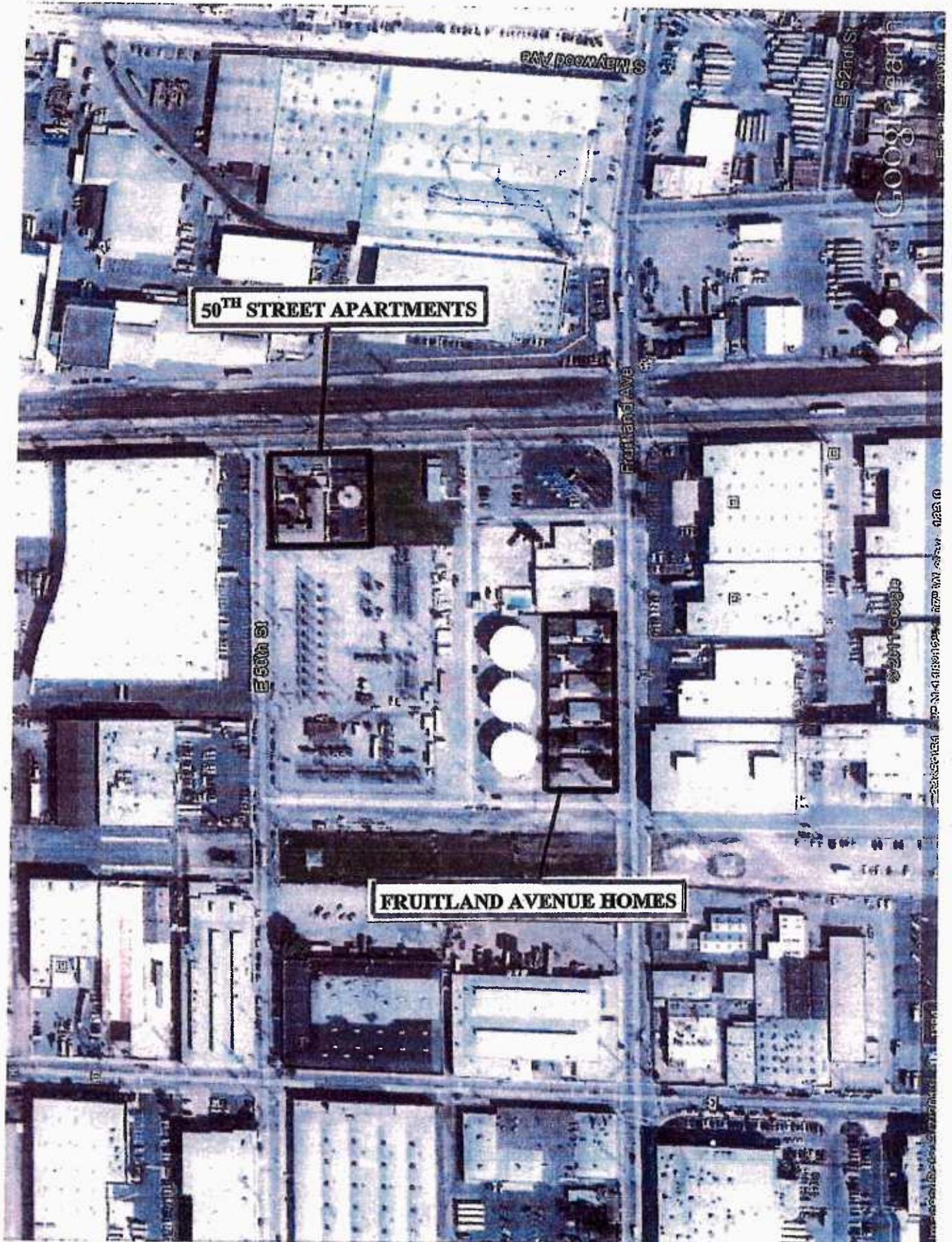
Imagery Date: 3/17/2019

Alcoa Awa

27



FURLONG PLACE HOMES



FRUITLAND AVENUE HOMES

50th STREET APARTMENTS



4325 Furlong Place



4321 Furlong Place



4327 Furlong Place



4323 Furlong Place

30

40



4328 Furlong Place



4329 Furlong Place



4326 Furlong Place



4330 Furlong Place



3345 Fruitland Avenue



4324 Furlong Place



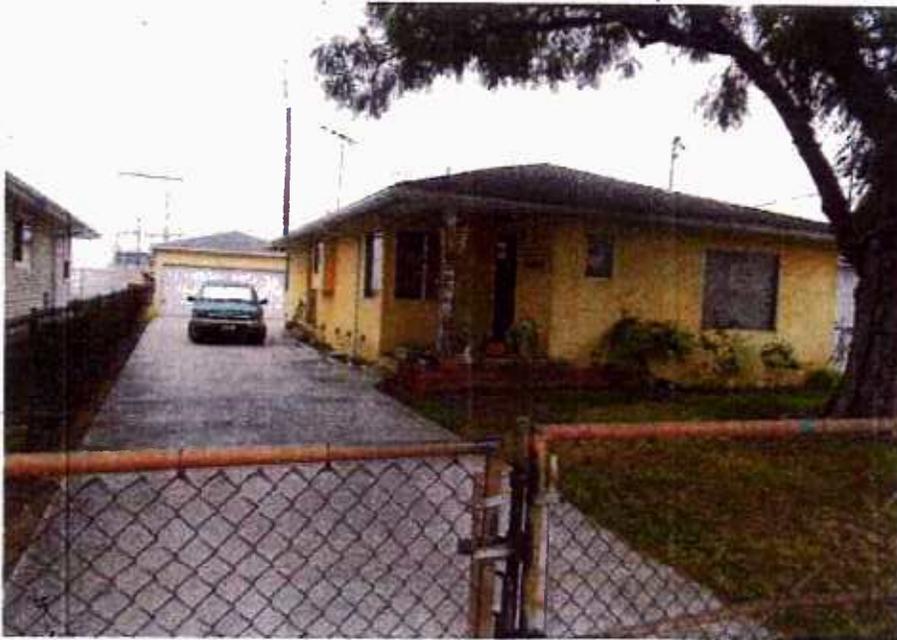
3349 Fruitland Avenue



4322 Furlong Place

32

32



3361 Fruitland Avenue



3353 Fruitland Avenue



3365 Fruitland Avenue



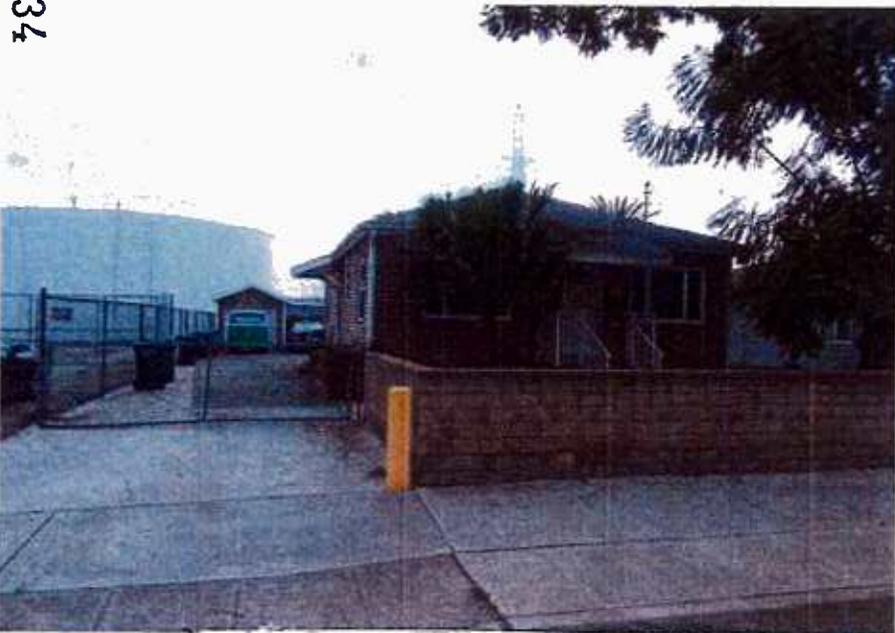
3357 Fruitland Avenue



3550 Vernon Avenue



50th Street Apartments



3560 Vernon Avenue



50th Street Apartments

DEFINITIONS

1. The term "Highest and Best Use" as used herein, is defined in The Dictionary of Real Estate Appraisal, 4th Edition, published by the Appraisal Institute as: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."
2. The term "Market Rent" as used herein, is defined as: "The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements." Definition taken from The Dictionary of Real Estate Appraisal, 5th Edition, published by the Appraisal Institute.
3. The term "Fee Simple Estate" as used herein, is defined as: "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." Definition taken from The Dictionary of Real Estate Appraisal, 5th Edition, published by The Appraisal Institute.
4. The term "Real Property" is considered to be synonymous with the term "real estate" for this appraisal. Defined as: "Physical land and appurtenances attached to the land, for example structures. An identified parcel or tract of land, including improvements, if any. All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of the real estate is endowed." Definition taken from The Dictionary of Real Estate Appraisal, 4th Edition, published by The Appraisal Institute.
5. The term "Market Area" as used herein, is defined as: "The area associated with the subject property that contains its direct competition", taken from The Dictionary of Real Estate Appraisal, 5th Edition, published by the Appraisal Institute.
6. The term "Cash-Equivalent Price" is defined in The Dictionary of Real Estate Appraisal, 5th Edition, published by the Appraisal Institute, as: "The price of a property with above or below market financing expressed in terms of the price that would have been paid in an all cash transaction."

7. The term "Extraordinary Assumption" as defined in The Dictionary of Real Estate Appraisal, 5th Edition as: "An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis."
8. The term "Hypothetical Condition" as defined in The Dictionary of Real Estate Appraisal, 5th Edition as: "That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations:

1. One (or more) of the signatories of this appraisal report is a Member (or Candidate) of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate. Therefore, except herein after provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media. for public communication without the prior written consent of the signatories of this appraisal report.
2. The date of value to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. Further, the dollar amount of any value opinion herein rendered is based on the purchasing power of the United States dollar existing on that date.
3. This report assumes no responsibility for matters which are legal in nature.
4. No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
5. No survey of property boundaries has been made. All areas and dimensions used were taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
6. Information, estimates and opinions furnished to the appraiser and referred to in this report were obtained from sources considered reliable and believed to be true and correct. Verification was made when feasible. It is suggested that the client consider independent verification as a pre-requisite to any transaction involving a sale, a lease or any other commitment of funds within respect to the property appraised.
7. The appraiser assumes no responsibility for economic or physical factors which may affect the opinions herein stated occurring at some date after the date of the letter of transmittal.

8. The appraiser reserves the right to make such adjustments to the valuation herein reported as may be required by consideration of additional data or more reliable data that may become available.
9. Maps, plats and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from this report.
10. No soil report for the subject property was available for review. Therefore, values expressed herein are based upon the land being usable with no extensive adverse soil conditions.
11. No evaluation has been made of mineral rights.
12. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures including contamination issues, that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.

It is assumed that there are no structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment and appliances are in good working order and that all electrical components and the roofing are in good condition and the site and improvements are free of contamination of any type, unless noted elsewhere in this appraisal.

The appraiser is not a building or environmental inspector. The appraiser provides an opinion of value. The appraiser does not guarantee that the property is free of defects' or environmental problems. The appraiser performs an inspection of visible and accessible areas only. Mold may be present in areas the appraiser cannot see. A professional building or environmental inspection is recommended.

If the client has any questions regarding these items, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise needed to make such inspections or analysis. The appraiser assumes no responsibility for these items.

13. This appraisal should not be construed as a report on the physical items that are part of any property described in the appraisal report. Although the appraisal may contain information about these physical items "including their adequacy and/or condition", it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed report on these physical items. The appraiser(s) is not a construction, engineering, or architectural expert, and any opinion given on these matters in this report should be considered tentative in nature and is subject to modification upon receipt of additional information from appropriate experts. It should be noted that comments regarding condition rely upon a casual

inspection only and unless otherwise noted, no detailed inspection was made. The client is advised to seek appropriate expert opinion before committing any funds or any other commitment of funds, including a lease, with respect to the property appraised.

14. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated.
15. The property is appraised assuming that all applicable zoning and use regulations and restrictions are complete, unless otherwise stated.
16. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entity or organization have been, can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.
17. This appraisal report has been prepared for the exclusive benefit of the client identified in the letter of transmittal or on the front page of an appraisal form. It may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his/her own risk.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. A specific compliance report and/or analysis of subject property compliance has not been conducted nor submitted in the appraisal process unless otherwise stated. Any non-compliance with one or more requirements of the Act may negatively impact the valuation. Without detailed source documents, we have not considered possible non-compliance with ADA in estimating the property value.
19. **LIMITS OF LIABILITY:** The liability of Himes and Himes, Inc. and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraisers nor the appraisal firm are in any way to be responsible for any costs incurred to discover or correct any physical, financial and/or legal deficiencies of any type present in the subject property. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in the event of a lawsuit brought by a lender, a partner or part owner in any form of ownership, a tenant or any other party, the client will hold the appraiser(s) and the appraisal firm completely harmless in any such action with respect to any an all awards or settlements of any type in such lawsuits.
20. **LIQIDATED DAMAGES:** The client and any third parties agree that in no event shall liquidated damages resulting from the appraisal exceed the fee received whether by penalty, suit, events transpiring or events which fail to transpire by reason of this report's delivery or contents.

21. **TESTIMONY:** The contract for each appraisal, consultation, or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraiser(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or in any other hearing as a result of having prepared the appraisal, either in full, or in part, except under separate and special arrangements at an additional fee. If testimony or a deposition is required because of any subpoena, the client shall be responsible for any additional time, fees and charges regardless of the issuing party. Neither the appraiser(s) nor those assisting in the preparation of the report are required to engage in post appraisal consultation with the client or other third parties, except under a separate and special arrangement and at an additional fee.

22. **SPECIAL OR EXTRAORDINARY ASSUMPTIONS:** The acceptance and/or use of the appraisal report by the client or any third party constitutes acceptance of the assumptions and limiting conditions set forth in the preceding paragraphs. The appraiser's liability extends only to the specified client, not to subsequent parties or users. The appraiser's liability is limited to the amount of the fee received for the services rendered.

QUALIFICATIONS OF JAMES R. IDMES

Real Estate Appraiser

PROFESSION Real Estate Appraiser with office at 1628 Fox Glen Drive, Diamond Bar, California 91765909-861-4537

EDUCATION Graduate of San Jose State College, 1960; business major
California Real Estate Certification from Mount San Antonio College
Saddle back Community College Instructor; Real Estate Appraisal

MEMBER The Appraisal Institute (MAI/SRA)
International Right of Way Association
Pacific West Assoc. of Realtor (Affiliate)

EXPERIENCE Past forty-five years devoted to real estate appraising throughout Southern California. Assignments include appraising for condemnation, tax purposes, real estate loans, estimating value for buyers and sellers, and multi-parcel projects for redevelopment, easements and rights o way for highway, school and utility company purposes.

Employed by the Verne Cox Company from 1961 to 1974. Self employed since that time.

QUALIFICATIONS Expert of valuation in the Superior Courts of the State of California within the Counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, Imperial and Ventura, and San Diego, San Diego Federal District Court, United States Tax Court, Los Angeles. California "Certified General" No. AG002864 through June 10,2016.

Corporate Clients
Arrowhead Lake Association
Big Bear Properties
California Teachers Association
Chevron U.S.A.
Chrysler Realty Corporation
Coldwell Banker Relocation Services, Inc.
Equitable Relocation Services, Inc.
Ford Motor Company, Dealership, Real Estate
General Motors Acceptance Corporation
In-N-Out

COrporate Clients Continued:

Larwin Company
Merrill Lynch Relocation Management, Inc.
McDonald's Corporation
Pepsi Cola
San Gabriel Valley Tribune
Shell Oil Company
Southern California Edison Company
Southern Pacific Land Company
Svenson and Clark, Accounting

Financial Institutions

American City Bank
Bank of America
California State Bank
Citizens Business Bank
Federal Deposit Insurance Corporation
Federal Reserve Bank, San Francisco
First Federal Savings and Loan of San Gabriel Valley
First National Bank of Chicago
Foothill Independent Bank
Horne Federal Savings and Loan Association
Mortgage Guaranty Insurance Corporation
Pomona First Federal Savings and Loan
Republic Bank, Dallas
Wells Fargo Bank
Union Bank
Upland National Bank
U.S. Mortgage, Las Vegas, Nevada
U. S. Savings Bank, Las Vegas, Nevada

Law Firms

Adorno, Yoss, Alvarado & Smith
Allison, MacKenzie, Hartman, Sournbeniotis & Russell, Carson City
Andersen, Keleher and Spata, Manhattan Beach
Asaro, Keagy, Freeland and McKinley, San Diego
Best; Best and Krieger; Riverside
Brown, Winfield & Canzoneri, Inc., Los Angeles
Burke, Williams, Sorensen LLP
Crawford, Bacon, Bangs and Briesemeister, Los Angeles
Crowell, Susich, Owen & Tackes, Ltd., Carson City, Nevada
Demetriou, Del Gurcio, Springer and Meyer, Los Angeles
Robert Ebner, West Covina
Laura Wightman FitzSimmons, Las Vegas, Nevada
Freedman, Peterson and Stoffe, Irvine

Public Agencies - Schools Continued:

City of Orange
City of Norco
City of Perris
City of Pomona Redevelopment Agency
City of Riverside
City of Rosemead Redevelopment Agency
City of South El Monte
City of South Gate
City of Stanton
City of Temecula
City of Temple City
City of Upland
City of Vernon
City of Walnut .
City of West Covina
City of Yorba Linda
County of Los Angeles Flood Control District
County of Los Angeles County Counsel
County of Riverside
County of Riverside Flood Control District
County of San Bernardino Real Property
County of San Bernardino Flood Control District
Desert Sands Unified School District
Hawthorne School District
Inland Valley Development Agency
Los Angeles County Metropolitan Transportation Authority
Pomona Unified School District
Rancho California Water District
Regional Transportation Commission of Washoe County
San Gabriel Unified School District
San Geronio Pass Water District
Santiago Canyon Water District
Southern California Edison Company
Southern California Metropolitan Water District
Southern California Water Company
Suburban Water Svstems
Upper San Gabriel Valley Municipal Water District
Walnut Unified School District

Public Agencies - Schools Continued:

City of Orange
City of Norco
City of Perris
City of Pomona Redevelopment Agency
City of Riverside
City of Rosemead Redevelopment Agency
City of South El Monte
City of South Gate
City of Stanton
City of Temecula
City of Temple City
City of Upland
City of Vernon
City of Walnut .
City of West Covina
City of Yorba Linda
County of Los Angeles Flood Control District
County of Los Angeles County Counsel
County of Riverside
County of Riverside Flood Control District
County of San Bernardino Real Property
County of San Bernardino Flood Control District
Desert Sands Unified School District
Hawthorne School District
Inland Valley Development Agency
Los Angeles County Metropolitan Transportation Authority
Pomona Unified School District
Rancho California Water District
Regional Transportation Commission of Washoe County
San Gabriel Unified School District
San Geronio Pass Water District
Santiago Canyon Water District
Southern California Edison Company
Southern California Metropolitan Water District
Southern California Water Company
Suburban Water Svstems
Upper San Gabriel Valley Municipal Water District
Walnut Unified School District

Attachment 3

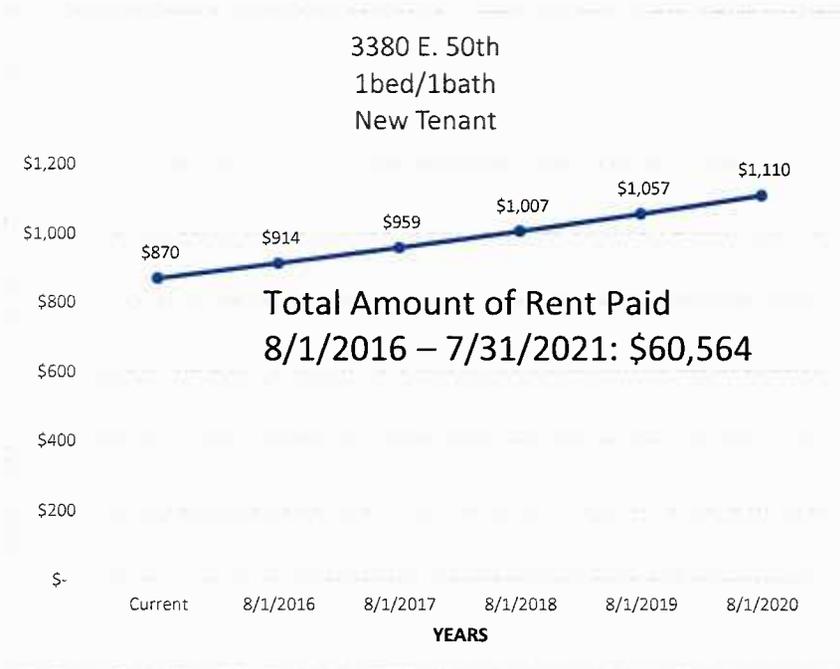
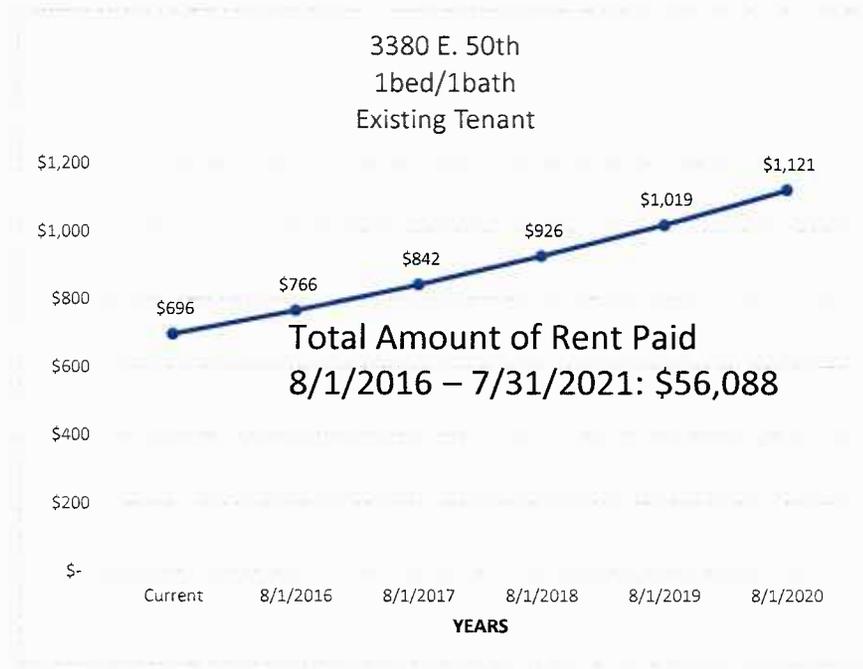
Growth Rate Comparison Charts Presented at
February 10, 2016 Housing Commission Meeting

Current Rent & Potential 2016 Market Rent Reflecting 25% and 22% Growth Rates

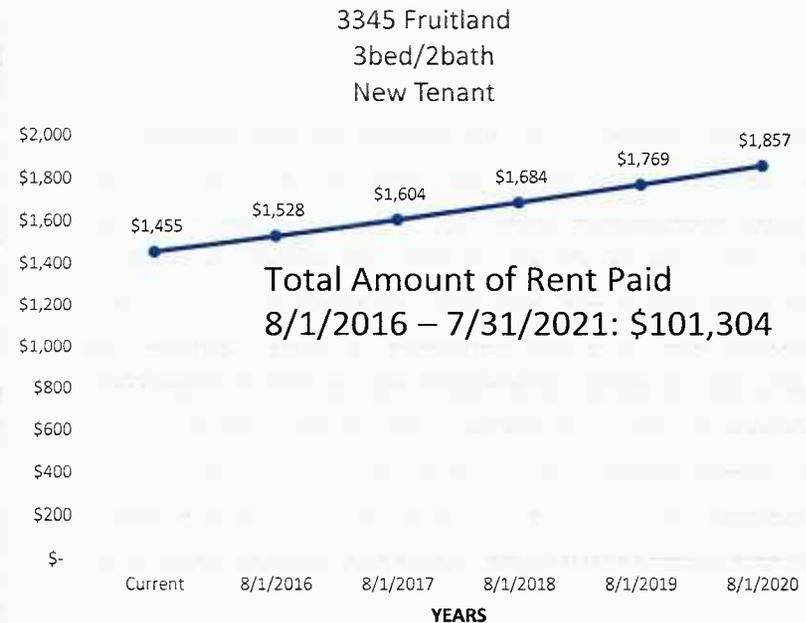
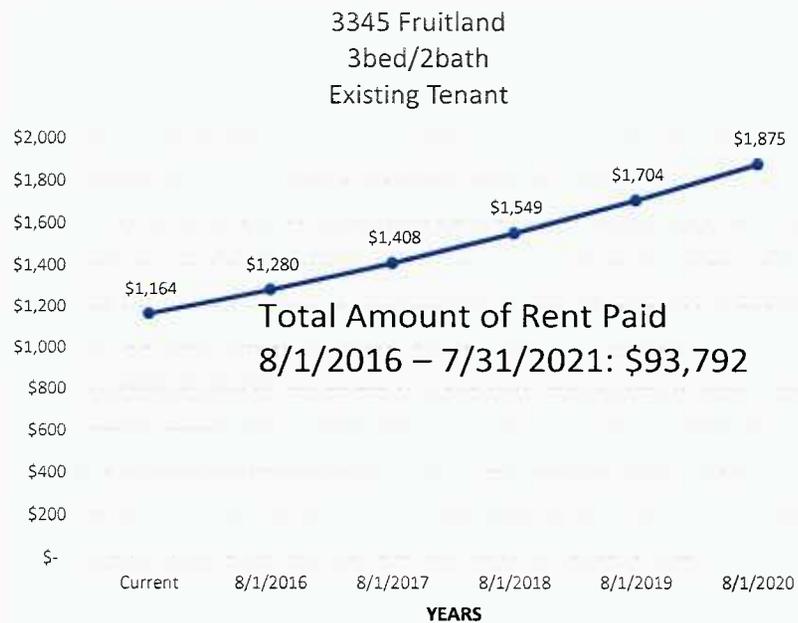
| Unit Address | Unit Type Bed/Bath | Current Market Rent | Potential 2016 Market Rent Reflecting 25% Growth Rate Since |
|-------------------------------------|-----------------------|------------------------|--|
| Apartments: | | | |
| *3376 E. 50th | 2bed/1bath | \$ 839 | \$ 1,049 |
| 3378 E. 50th | 2bed/1bath | \$ 839 | \$ 1,049 |
| 3380 E. 50th | 1bed/1bath | \$ 696 | \$ 870 |
| 3382 E. 50th | 1bed/1bath | \$ 696 | \$ 870 |
| 3384 E. 50th | 1bed/1bath | \$ 696 | \$ 870 |
| 3386 E. 50th | 1bed/1bath | \$ 696 | \$ 870 |
| 3388 E. 50th | 2bed/1bath | \$ 839 | \$ 1,049 |
| 3390 E. 50th | 2bed/1bath | \$ 839 | \$ 1,049 |
| Single Family Homes: | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,164 | \$ 1,455 |
| 3349 Fruitland | 2bed/1bath | \$ 968 | \$ 1,210 |
| 3353 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,393 |
| 3357 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,393 |
| **3361 Fruitland | 3bed/1bath | \$ 1,043 | \$ 1,304 |
| **3365 Fruitland | 2bed/1bath | \$ 914 | \$ 1,143 |
| **4321 Furlong | 3bed/1bath | \$ 1,000 | \$ 1,250 |
| 4322 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,339 |
| **4323 Furlong | 2bed/1bath | \$ 854 | \$ 1,068 |
| **4324 Furlong | 2bed/1bath | \$ 854 | \$ 1,068 |
| **4325 Furlong | 2bed/1bath | \$ 854 | \$ 1,068 |
| 4326 Furlong | 2bed/1bath | \$ 925 | \$ 1,156 |
| 4327 Furlong | 2bed/1bath | \$ 925 | \$ 1,156 |
| **4328 Furlong | 2bed/1bath | \$ 854 | \$ 1,068 |
| 4329 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,339 |
| 4330 Furlong | 3bed/1bath | \$ 1,089 | \$ 1,361 |
| 3550 Vernon | 3bed/1bath | \$ 1,114 | \$ 1,393 |
| 3560 Vernon | 2bed/1bath | \$ 985 | \$ 1,231 |
| *Unit assigned to Fire Department | | | |
| ** Units not remodeled in 2007/2008 | | | |

| Unit Address | Unit Type Bed/Bath | Current Market Rent | Potential 2016 Market Rent Reflecting 22% Growth Rate Since |
|-------------------------------------|-----------------------|------------------------|--|
| Apartments: | | | |
| *3376 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 |
| 3378 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 |
| 3380 E. 50th | 1bed/1bath | \$ 696 | \$ 849 |
| 3382 E. 50th | 1bed/1bath | \$ 696 | \$ 849 |
| 3384 E. 50th | 1bed/1bath | \$ 696 | \$ 849 |
| 3386 E. 50th | 1bed/1bath | \$ 696 | \$ 849 |
| 3388 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 |
| 3390 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 |
| Single Family Homes: | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,164 | \$ 1,420 |
| 3349 Fruitland | 2bed/1bath | \$ 968 | \$ 1,181 |
| 3353 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,359 |
| 3357 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,359 |
| **3361 Fruitland | 3bed/1bath | \$ 1,043 | \$ 1,272 |
| **3365 Fruitland | 2bed/1bath | \$ 914 | \$ 1,115 |
| **4321 Furlong | 3bed/1bath | \$ 1,000 | \$ 1,220 |
| 4322 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,307 |
| **4323 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 |
| **4324 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 |
| **4325 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 |
| 4326 Furlong | 2bed/1bath | \$ 925 | \$ 1,129 |
| 4327 Furlong | 2bed/1bath | \$ 925 | \$ 1,129 |
| **4328 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 |
| 4329 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,307 |
| 4330 Furlong | 3bed/1bath | \$ 1,089 | \$ 1,329 |
| 3550 Vernon | 3bed/1bath | \$ 1,114 | \$ 1,359 |
| 3560 Vernon | 2bed/1bath | \$ 985 | \$ 1,202 |
| *Unit assigned to Fire Department | | | |
| ** Units not remodeled in 2007/2008 | | | |

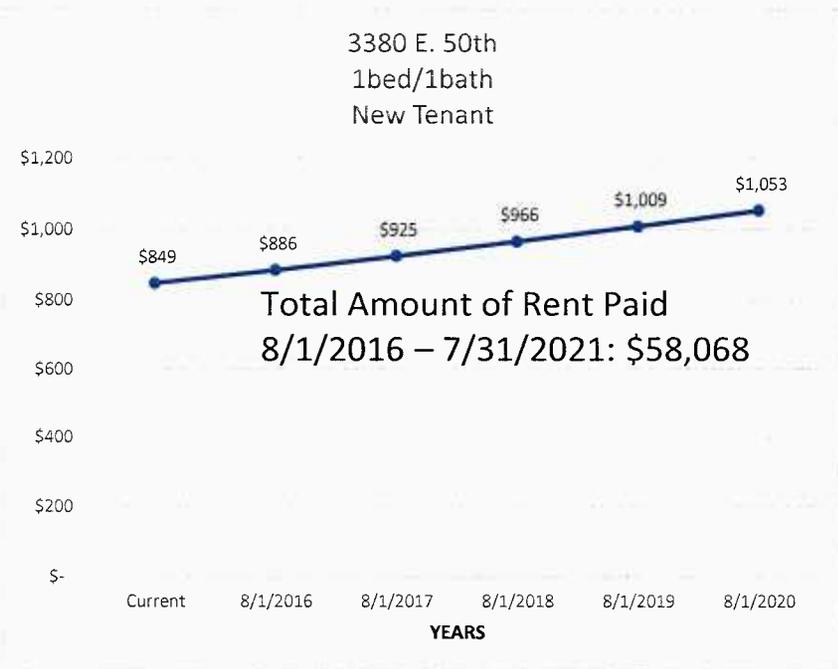
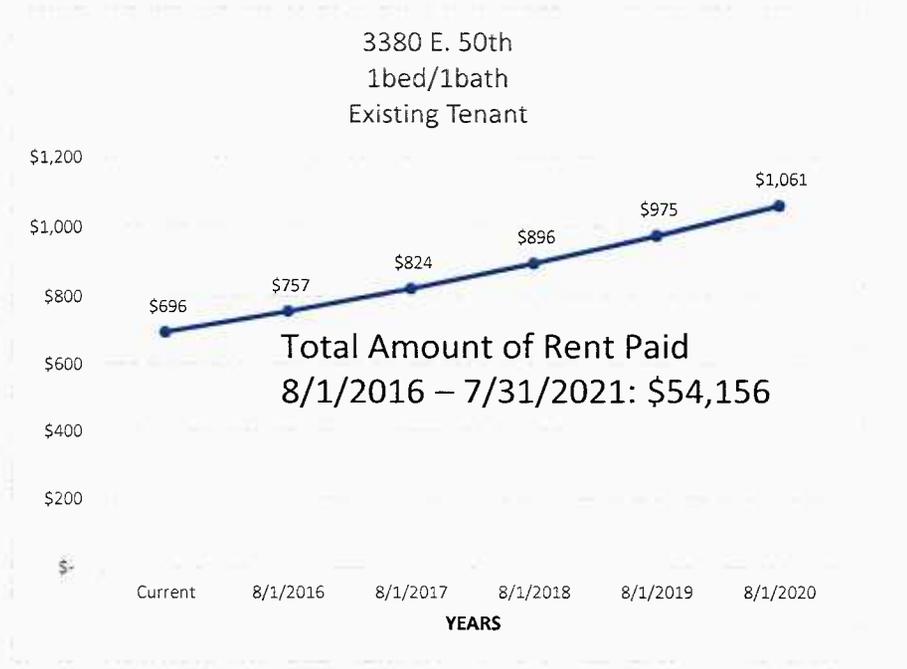
Growth Rate Comparison Using 25% Factor



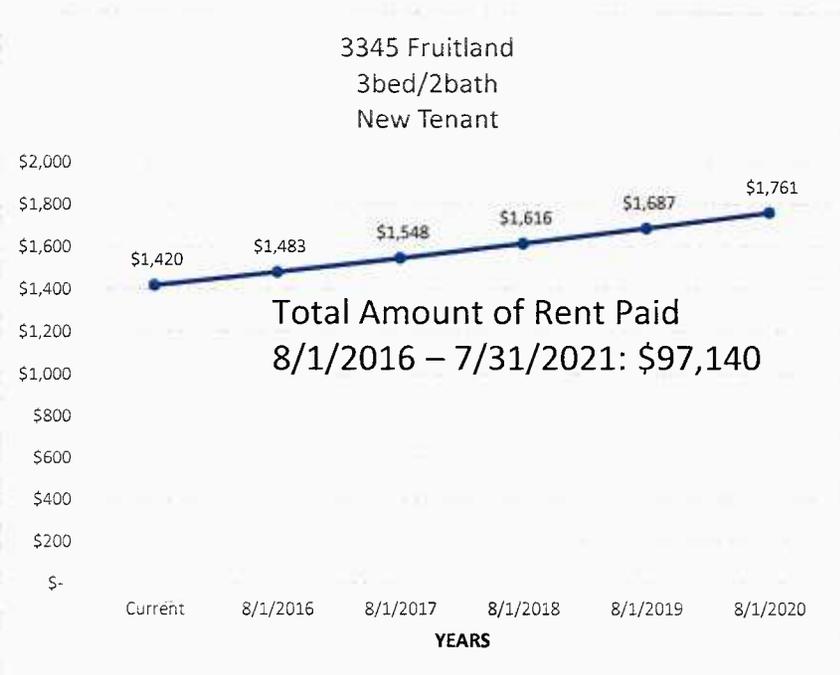
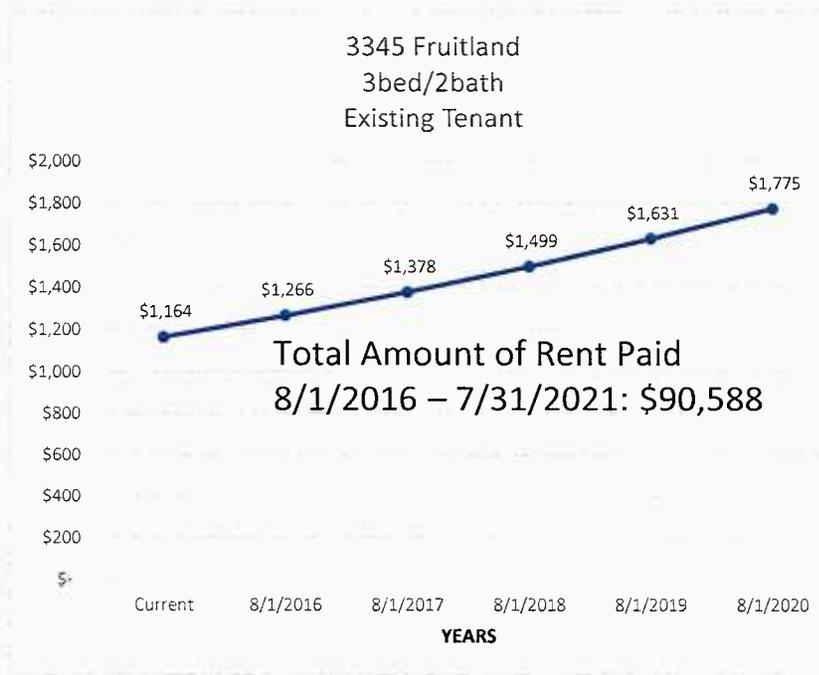
Growth Rate Comparison Using 25% Factor



Growth Rate Comparison Using 22% Factor



Growth Rate Comparison Using 22% Factor



Potential Market Rate Implementation Schedule Using 22% Factor

| Unit Address | Unit Type Bed/Bath | Current Market Rent | Potential 2016 Market Rent Reflecting 22% Growth Rate Since | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | |
|-----------------------------|-----------------------|------------------------|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | | | 8/1/2016 | 8/1/2016 | 8/1/2017 | 8/1/2017 | 8/1/2018 | 8/1/2018 | 8/1/2019 | 8/1/2019 | 8/1/2020 | 8/1/2020 |
| Apartments: | | | | | | | | | | | | | |
| | | | | Existing | New |
| **3376 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 | \$ 913 | \$ 1,069 | \$ 993 | \$ 1,116 | \$ 1,081 | \$ 1,165 | \$ 1,176 | \$ 1,216 | \$ 1,279 | \$ 1,269 |
| 3378 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 | \$ 913 | \$ 1,069 | \$ 993 | \$ 1,116 | \$ 1,081 | \$ 1,165 | \$ 1,176 | \$ 1,216 | \$ 1,279 | \$ 1,269 |
| 3380 E. 50th | 1bed/1bath | \$ 696 | \$ 849 | \$ 757 | \$ 866 | \$ 824 | \$ 925 | \$ 896 | \$ 966 | \$ 975 | \$ 1,009 | \$ 1,061 | \$ 1,053 |
| 3382 E. 50th | 1bed/1bath | \$ 696 | \$ 849 | \$ 757 | \$ 866 | \$ 824 | \$ 925 | \$ 896 | \$ 966 | \$ 975 | \$ 1,009 | \$ 1,061 | \$ 1,053 |
| 3384 E. 50th | 1bed/1bath | \$ 696 | \$ 849 | \$ 757 | \$ 866 | \$ 824 | \$ 925 | \$ 896 | \$ 966 | \$ 975 | \$ 1,009 | \$ 1,061 | \$ 1,053 |
| 3386 E. 50th | 1bed/1bath | \$ 696 | \$ 849 | \$ 757 | \$ 866 | \$ 824 | \$ 925 | \$ 896 | \$ 966 | \$ 975 | \$ 1,009 | \$ 1,061 | \$ 1,053 |
| 3388 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 | \$ 913 | \$ 1,069 | \$ 993 | \$ 1,116 | \$ 1,081 | \$ 1,165 | \$ 1,176 | \$ 1,216 | \$ 1,279 | \$ 1,269 |
| 3390 E. 50th | 2bed/1bath | \$ 839 | \$ 1,024 | \$ 913 | \$ 1,069 | \$ 993 | \$ 1,116 | \$ 1,081 | \$ 1,165 | \$ 1,176 | \$ 1,216 | \$ 1,279 | \$ 1,269 |
| Single Family Homes: | | | | | | | | | | | | | |
| 3345 Fruitland | 3bed/2bath | \$ 1,164 | \$ 1,420 | \$ 1,266 | \$ 1,483 | \$ 1,378 | \$ 1,548 | \$ 1,499 | \$ 1,616 | \$ 1,631 | \$ 1,687 | \$ 1,775 | \$ 1,761 |
| 3349 Fruitland | 2bed/1bath | \$ 968 | \$ 1,161 | \$ 1,053 | \$ 1,233 | \$ 1,146 | \$ 1,287 | \$ 1,247 | \$ 1,344 | \$ 1,356 | \$ 1,403 | \$ 1,476 | \$ 1,465 |
| 3353 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,359 | \$ 1,212 | \$ 1,419 | \$ 1,319 | \$ 1,481 | \$ 1,435 | \$ 1,546 | \$ 1,561 | \$ 1,615 | \$ 1,698 | \$ 1,686 |
| 3357 Fruitland | 3bed/1bath | \$ 1,114 | \$ 1,359 | \$ 1,212 | \$ 1,419 | \$ 1,319 | \$ 1,481 | \$ 1,435 | \$ 1,546 | \$ 1,561 | \$ 1,615 | \$ 1,698 | \$ 1,686 |
| **3361 Fruitland | 3bed/1bath | \$ 1,043 | \$ 1,272 | \$ 1,135 | \$ 1,328 | \$ 1,235 | \$ 1,387 | \$ 1,343 | \$ 1,448 | \$ 1,462 | \$ 1,512 | \$ 1,590 | \$ 1,578 |
| **3365 Fruitland | 2bed/1bath | \$ 914 | \$ 1,115 | \$ 994 | \$ 1,164 | \$ 1,062 | \$ 1,215 | \$ 1,177 | \$ 1,269 | \$ 1,281 | \$ 1,325 | \$ 1,393 | \$ 1,383 |
| **4321 Furlong | 3bed/1bath | \$ 1,000 | \$ 1,220 | \$ 1,088 | \$ 1,274 | \$ 1,184 | \$ 1,330 | \$ 1,268 | \$ 1,386 | \$ 1,401 | \$ 1,449 | \$ 1,525 | \$ 1,513 |
| 4322 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,307 | \$ 1,165 | \$ 1,364 | \$ 1,268 | \$ 1,424 | \$ 1,379 | \$ 1,487 | \$ 1,501 | \$ 1,552 | \$ 1,633 | \$ 1,621 |
| **4323 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 | \$ 929 | \$ 1,088 | \$ 1,011 | \$ 1,136 | \$ 1,100 | \$ 1,186 | \$ 1,197 | \$ 1,238 | \$ 1,302 | \$ 1,292 |
| **4324 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 | \$ 929 | \$ 1,088 | \$ 1,011 | \$ 1,136 | \$ 1,100 | \$ 1,186 | \$ 1,197 | \$ 1,238 | \$ 1,302 | \$ 1,292 |
| **4325 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 | \$ 929 | \$ 1,088 | \$ 1,011 | \$ 1,136 | \$ 1,100 | \$ 1,186 | \$ 1,197 | \$ 1,238 | \$ 1,302 | \$ 1,292 |
| 4326 Furlong | 2bed/1bath | \$ 925 | \$ 1,129 | \$ 1,006 | \$ 1,178 | \$ 1,095 | \$ 1,230 | \$ 1,191 | \$ 1,284 | \$ 1,296 | \$ 1,341 | \$ 1,410 | \$ 1,400 |
| 4327 Furlong | 2bed/1bath | \$ 925 | \$ 1,129 | \$ 1,006 | \$ 1,178 | \$ 1,095 | \$ 1,230 | \$ 1,191 | \$ 1,284 | \$ 1,296 | \$ 1,341 | \$ 1,410 | \$ 1,400 |
| **4328 Furlong | 2bed/1bath | \$ 854 | \$ 1,042 | \$ 929 | \$ 1,088 | \$ 1,011 | \$ 1,136 | \$ 1,100 | \$ 1,186 | \$ 1,197 | \$ 1,238 | \$ 1,302 | \$ 1,292 |
| 4329 Furlong | 3bed/1bath | \$ 1,071 | \$ 1,307 | \$ 1,165 | \$ 1,364 | \$ 1,268 | \$ 1,424 | \$ 1,379 | \$ 1,487 | \$ 1,501 | \$ 1,552 | \$ 1,633 | \$ 1,621 |
| 4330 Furlong | 3bed/1bath | \$ 1,089 | \$ 1,329 | \$ 1,185 | \$ 1,387 | \$ 1,289 | \$ 1,448 | \$ 1,403 | \$ 1,512 | \$ 1,526 | \$ 1,578 | \$ 1,660 | \$ 1,648 |
| 3550 Vernon | 3bed/1bath | \$ 1,114 | \$ 1,359 | \$ 1,212 | \$ 1,419 | \$ 1,319 | \$ 1,481 | \$ 1,435 | \$ 1,546 | \$ 1,561 | \$ 1,615 | \$ 1,698 | \$ 1,686 |
| 3560 Vernon | 2bed/1bath | \$ 985 | \$ 1,202 | \$ 1,072 | \$ 1,255 | \$ 1,166 | \$ 1,310 | \$ 1,269 | \$ 1,367 | \$ 1,380 | \$ 1,428 | \$ 1,502 | \$ 1,490 |

Vernon Housing Commission
Appeal Procedures for Existing Tenants Experiencing Transitional Hardship
Adopted July 18, 2012

Pursuant to Ordinance 1183 and the Vernon Rental Housing Policy (“VRHP”), the Vernon Housing Commission (“VHC”) hereby adopts the following appeal procedures for existing tenants who experience a particularized hardship in complying with the VRHP. The appeal procedures stipulated below shall apply only to existing tenants whose tenancies were in effect as of July 8, 2011.

1. Definition of “Hardship” Generally: Something that causes or entails significant difficulty in complying with the VRHP.
2. Definition of “Financial Hardship”: A “Financial Hardship” shall exist if a leasee’s monthly gross household income is less than two times the then current rent for the unit he/she currently leases. “Gross Household Income” shall include all income from all leasees and authorized occupants of a housing unit.
3. Appeal Procedures for Tenant Experiencing Financial Hardship:
 - a. Financial Hardship Application Form: Leasee shall complete and submit an application form that contains sufficient financial information from which the VHC may evaluate the leasee’s financial condition. The VHC Director shall create an appropriate form for this purpose. A copy of leasee’s and any authorized occupant(s)’ most current federal and state income tax returns must be attached to said application, or if the tax returns are unavailable, provide an explanation as to why the tax returns are unavailable. Both leasees and authorized occupants also must submit the most recent three months of pay stubs or equivalent documentation of current wages, if any. To the extent legally permissible, the VHC shall maintain the confidentiality of the Financial Hardship Application and any documentation submitted in support of it.

Verification/Relief: If the VHC confirms that a leasee suffers a Financial Hardship, the leasee’s rent shall be adjusted such that the leasee shall be charged rent equivalent to one-half of the combined monthly gross household income of all individuals occupying the housing unit.
 - b. Recertification: Prior to each prospective lease renewal, leasee must re-certify any Financial Hardship by submitting to the VHC a new Financial Hardship Application Form and the required supporting documentation (tax returns and pay stubs). No recertification of Financial Hardship may be found unless all required supporting documentation is provided, or a separate certification that some or all of the supporting documentation does not exist (no wages) and need not exist (not required to file tax returns).
4. Priority to Lease More Affordable Unit: An existing leasee with a Financial Hardship shall have a priority over new lessees on any more affordable unit that becomes available, and shall be required to move to such unit upon availability in order to

maintain eligibility for a Financial Hardship finding by the VHC. Refusal to move to a more affordable unit shall result in the immediate discontinuation of any Financial Hardship accommodation. Lessee shall continue to have priority in leasing a more affordable unit so long as a Financial Hardship exists and is verified at the time the lessee desires to move to a more affordable unit.

5. Other Transitional Hardships: Any transitional hardship other than a Financial Hardship experienced by an existing lessee in complying with the VRHP shall be explained in writing and submitted to the VHC. Such writing shall contain sufficient detail to explain clearly the existing hardship and the relief being sought.

6. The VHC shall promptly consider all transitional hardships on a case by case basis. The VHC Director shall make a recommendation to the VHC regarding whether to grant an accommodation, and if an accommodation is recommended, the nature and scope of the accommodation. The VHC shall make the final decision as to whether any accommodation is granted, and if so, the nature and scope of any such accommodation. Although the VHC shall not be required to call a special meeting solely for the purpose of considering a hardship, all hardship considerations shall be considered by the VHC as promptly as is reasonably possible.



Vernon Housing Commission Financial Hardship Application Form

Pursuant to the Vernon Housing Commission's Appeal Procedures for Existing Tenants Experiencing Transitional Hardship, adopted on July 18, 2012, the named leasee below, who resides at the address indicated below, hereby applies for a rent reduction based on his/her financial hardship.

Name(s) of Leasee(s): _____

Address of Leasee(s): _____

Brief Description of Financial Hardship (Why do you need relief?):

Combined Gross Monthly Income of all named leasee(s) and authorized occupants: \$_____

How much do you believe you can pay in monthly rent? \$_____

How long do you believe you will need relief? _____

Required Documentation. Please submit the following documents along with this Application:

1. Most current federal and state tax returns for each named leasee and authorized occupant.
2. Pay stubs or equivalent documentation for the past three months for each named leasee and each authorized occupant.
3. Any other documentation you want the Vernon Housing Commission to consider regarding your Application.

If you are not submitting either required tax returns and/or pay stubs, please explain why not:



Vernon Housing Commission Financial Hardship Application Form

Certification

I/We, _____ (name/s), the named leasee(s)
for the unit located at _____ (address),
hereby certify that the information provided on this Application is true and correct. I/We further
certify that the documents I/we have provided in connection with this Application are true and
correct copies of the originals of said documents.

I/We declare under penalty of perjury under the laws of the State of California that the foregoing
is true and correct.

Executed this _____ day of _____ at Vernon, California.

(Signature)

(Print Name)

(Signature)

(Print Name)

Submit the completed Application, Required Documentation, and Certification to:

**Vernon Housing Commission
4305 Santa Fe Avenue
Vernon, CA 90058
Attn: Commission Director/City Administrator**



RECEIVED

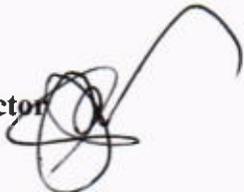
MAR 07 2016

CITY CLERK'S OFFICE

STAFF REPORT CITY ADMINISTRATION

DATE: March 9, 2016

TO: Honorable Vernon Housing Commission

FROM: A.J. Wilson, Interim City Administrator/Commission Director
Originator: Kristen Enomoto, Deputy City Administrator 

RE: Creation of a One-Time Relocation Priority Interest List for the Six Tenants in Non-remodeled City-owned Housing Units

Recommendation:

- A. Find that the creation of a One-Time Relocation Priority Interest List for tenants in non-remodeled units is exempt from the California Environmental Quality Act ("CEQA"), because the creation of such a list is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines Section 15378, and that even if such were a project, it would be exempt in accordance with CEQA Guidelines Section 15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Authorize staff to create a One-Time Relocation Priority Interest List for the six tenants in non-remodeled City-owned housing units, related to the 2016 City Housing Remodel Project currently under consideration by the City Council.

Background

Two tenants in two separate City-owned properties recently notified City Housing staff that they will be vacating their units as of March 31, 2016. Both of the units were remodeled in 2007/2008.

There is currently one tenant on the Unit-to-Unit Transfer List established at the December 2015 lottery that has expressed potential interest in leasing one of the units.

It has come to staff's attention that the additional vacancy creates a special, one-time opportunity to further expedite the Commission's market rent policy objective, and could further ease the

logistical demands related to the 2016 City Housing Remodel Project. As such, it is recommended that the Commission authorize staff to create a One-Time Relocation Priority Interest List for the six tenants in non-remodeled units to provide an option for said tenants to permanently relocate to one of the soon-to-be vacant units, as well as to any other previously remodeled unit that may become available before the 2016 City Housing Remodel Project commences, or before the affected tenant would need to be relocated as part of said project.

If authorized to proceed, below are generally the steps that staff proposes to follow:

1. Notify all six tenants of the one-time, special opportunity to relocate to the vacant 2007/2008 remodeled unit and enter into a new one-year lease for said unit at the then current full market rate.
2. Conduct a lottery of all interested subject tenants to establish the priority interest list.
3. Once any adjustments in rents have been adopted by the Commission, perform the lease-up process for the tenant who is first on the priority list.
4. Provided there are remaining tenants on the priority list, keep the list active until any 2016 remodel work commences, and follow steps 1 through 3 for any additional 2007/2008 remodeled units that may become available during that period.

It is proposed that the opportunity to join the One-Time Relocation Priority List be offered only once to all six subject tenants and be utilized only as it relates to the 2016 City Housing Remodel Project.

Fiscal Impact

Provided at least one of the six tenants in non-remodeled units elected the relocation option, two units would immediately achieve full market rent (the one the subject tenant vacates and the one he/she moves into). Additionally, the City would avoid any relocation costs in order to perform any remodel work on that unit.

Attachment(s)

None.