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253.272.5555

December 15, 2022

Ms. Maria Salas  
Salas Financial  
9320 Chesapeake Drive, Suite 116  
San Diego, California 92123

Re: Appraisal of a commercial property located at:  
11006 Pacific Avenue South, Tacoma, Washington 98444

File #22-275

Dear Ms. Salas,

In fulfillment of the agreement outlined in the letter of engagement dated December 1, 2022, I am pleased to present the attached report of my appraisal of the fee simple estate in the above referenced parcel of real estate, as of December 5, 2022. In accordance with your request, I have inspected the above-mentioned property, which is legally described in this report for the purpose of estimating the "as is" market value. "As is" market value reflects the value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared. The report sets forth my opinion of market value, but without supporting data and reasoning which form the basis of my opinion. The opinion of value reported is qualified by certain definitions, limiting conditions and certifications which are set in this report.

This report was prepared for Salas Financial. It is intended only for use by your internal management, your auditor and appropriate regulatory authorities.

The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

I certify that to the best of my knowledge the information in this report is correct, that nothing relevant has knowingly been withheld, and that I have no present or contemplated future interest in the subject property.

It is my opinion that the following report conforms to the format recommendations as set forth by the Appraisal Institute, but this report is not intended to conform to our interpretation of all applicable sections of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), the Resolution Trust Corporation (RTC), nor the Uniform Standards of Professional Appraisal Practice (USPAP). The USPAP are recognized throughout the United States as generally accepted standards of appraisal practice. As this report was not ordered by an institutional lender or correspondent thereof, it may not be acceptable for financial use in connection with a federally related transaction.

Based on the information contained in this report and other information retained in my files, the appraiser's opinion of market value of the subject property as December 5, 2022, is \$1,325,000. Said value estimate is subject to the attached Assumptions and Limiting Conditions.

Sincerely,

PUGET SOUND APPRAISAL



Anthony J. Colombini  
Washington State Certification #1101934

# Table of Contents

I. Introduction.....	i
Subject Photographs.....	ii
Subject Photographs.....	iii
Subject Photographs.....	iv
Subject Photographs.....	v
Subject Photographs.....	vi
Subject Photographs.....	vii
Subject Photographs.....	viii
Subject Photographs.....	ix
Subject Photographs.....	x
Subject Photographs.....	xi
Subject Photographs.....	xii
Subject Photographs.....	xiii
Assumptions and Limiting Conditions.....	xiv
Summary of Facts and Conclusions.....	xvi
II. FACTUAL DATA.....	17
A. GENERAL INFORMATION.....	17
Legal Description.....	17
Scope of Work.....	17
Market Value Definition.....	18
Market Value "As Is" Definition.....	19
Prospective Value Estimate Definition.....	19
Extraordinary Assumption.....	20
Hypothetical Condition.....	20
Definition of Insurable Value.....	21
Definition of Market Rent.....	21
Definition of Contract Rent.....	21
Property Rights Appraised.....	21
Identification of Client.....	22
Intended Use of Report.....	22
Intended User of Report.....	22
Statement of Ownership and Recent History.....	23
Date of Appraisal.....	23
Date of Inspection.....	23
Appraisal Conditions.....	23
Concluded Value.....	24
CERTIFICATION.....	25

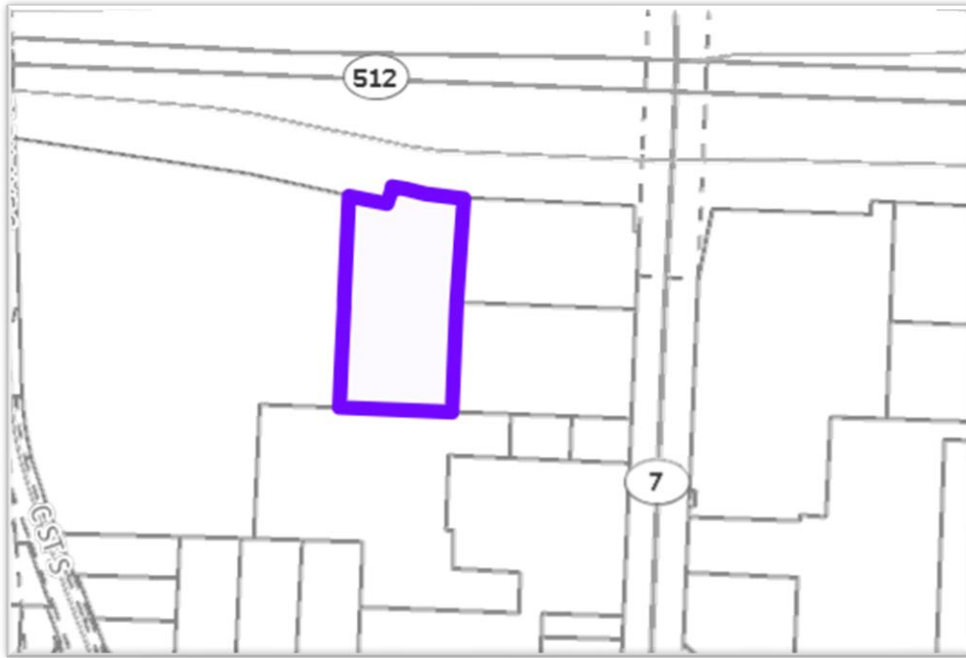
## **I. INTRODUCTION**

An appraisal is a statement of opinion, supported by reasons and evidence. Its accuracy depends upon the basic competence and integrity of the appraiser and on the soundness and skill by which the appraiser processes the data. Its worth is influenced by the availability of pertinent data. The appraiser's opinion must be unbiased, as he does not make the market, but rather interprets the market. Defined, an appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.

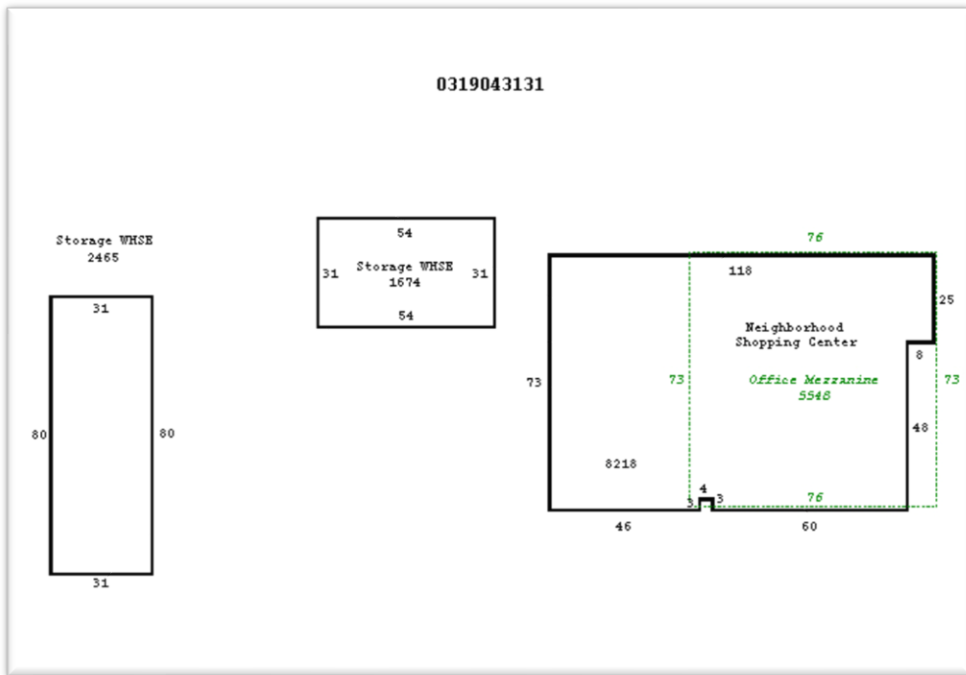
The property under appraisal is a generally rectangular-shaped parcel of land located at 11006 Pacific Avenue South, Tacoma, Pierce County, State of Washington. It is primarily comprised of an 8,218 square foot wood framed commercial building. It is a mixed-use building comprised of seven commercial suites, a 1,100 square foot apartment unit, and a common-use swimming pool. The improvements were built in 1958 and are in average condition. Additionally, there is a 2,465 square foot warehouse that was built in 1958 with a maximum truss height of ten feet and is strictly used as storage; and a 1,674 square foot garage storage unit with two roll-up doors. All improvements are located on a 60,984 square foot site, with approximately half of the site being utilized. The site has access to all public utilities, is at street grade, level, and has good access to State Highways 7 and 512.

In accordance with the written instruction and authorization of Ms. Maria Salas, I have undertaken an appraisal analysis to estimate the market value of the herein described property, under the guidelines as established by the Uniform Standards of Professional Appraisal Practice and in accordance with the regulations as promulgated by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

**Subject Photographs**



Subject Property  
Plat Map



Subject Property  
Dimensions

**Subject Photographs**



Subject Property  
South and East Elevations



Subject Property  
South and East Elevations

**Subject Photographs**



Subject Property  
North and East Elevations



Subject Property  
South and East Elevations

**Subject Photographs**



Subject Property  
Commercial Suite, Entry



Subject Property  
Commercial Suite, Storage



**Subject Photographs**



Subject Property  
Commercial Suite, Storage



Subject Property  
Commercial Suite, Church

**Subject Photographs**



Subject Property  
Commercial Common Area, Pool



Subject Property  
Commercial Suite, Dry Sauna

**Subject Photographs**



Subject Property  
Restroom

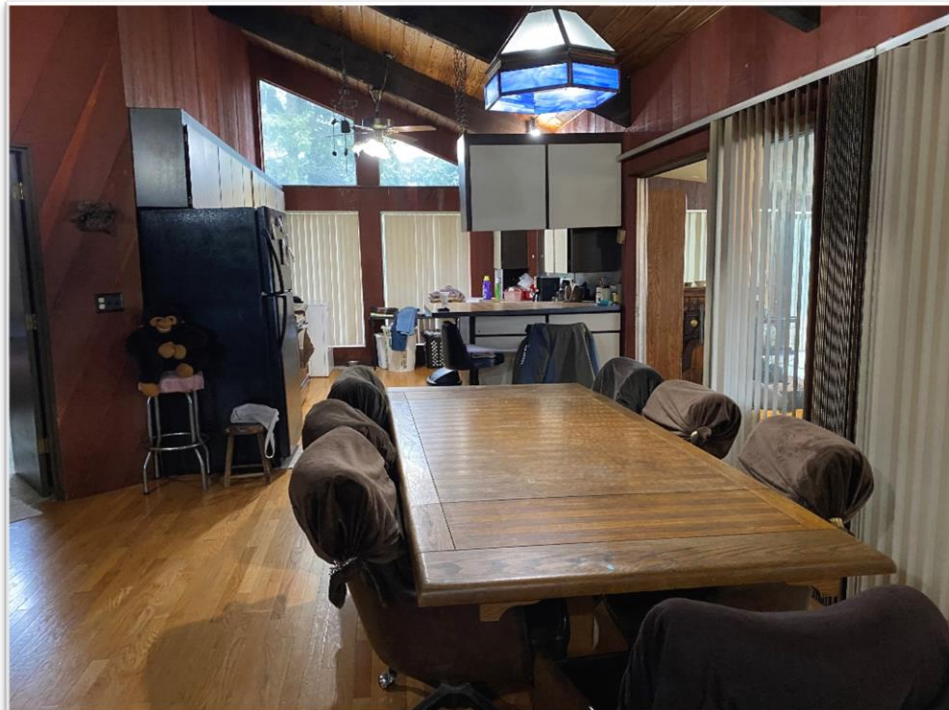


Subject Property  
Apartment Unit, Living Room

**Subject Photographs**



Subject Property  
Apartment Unit, Bedroom

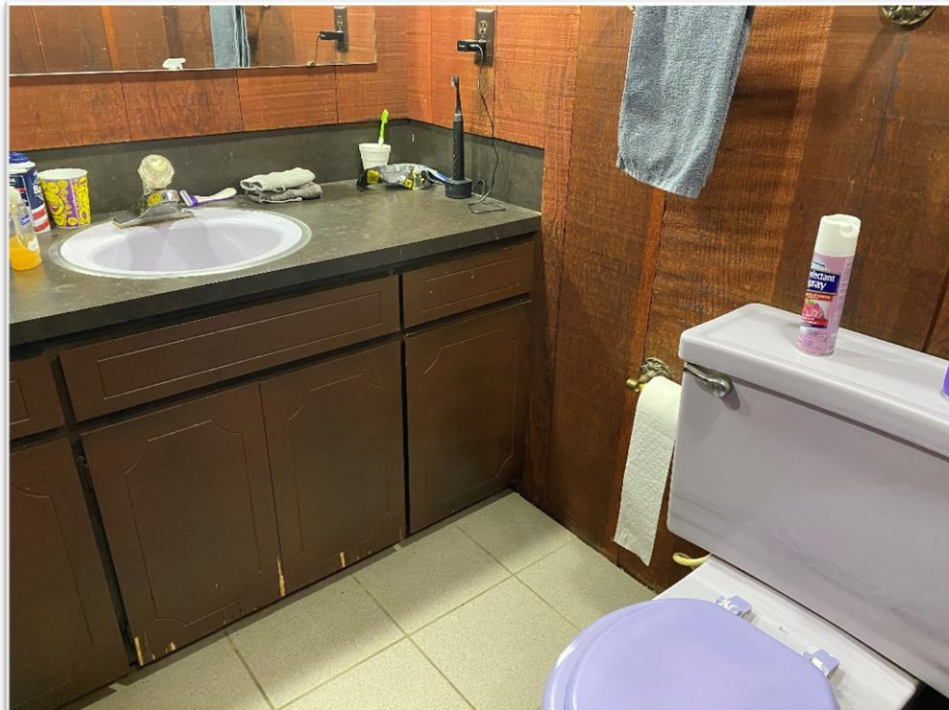


Subject Property  
Apartment Unit, Dining Room

**Subject Photographs**



Subject Property  
Apartment Unit, Kitchen



Subject Property  
Apartment Unit, Bathroom

**Subject Photographs**

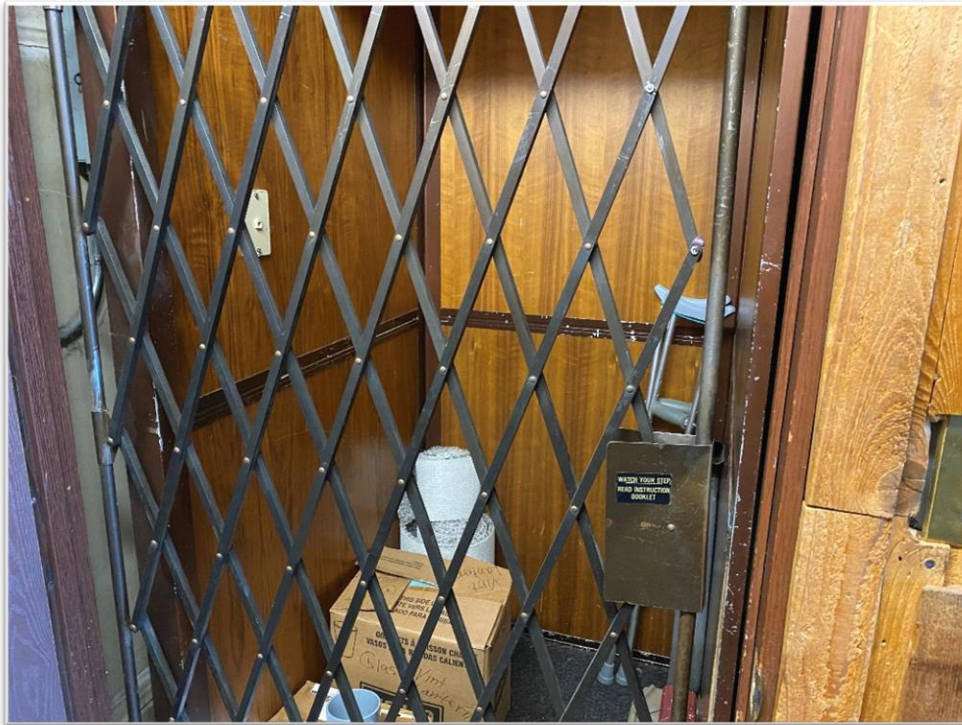


Subject Property  
Apartment Unit, Office/Rec Area



Subject Property  
Apartment Unit, Deck

**Subject Photographs**

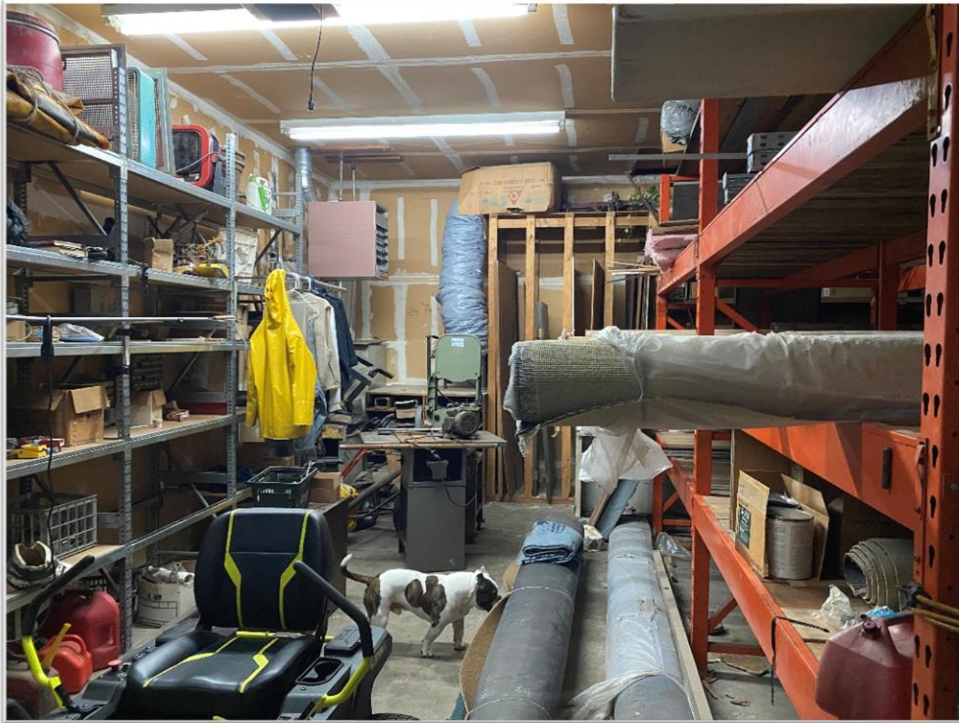


Subject Property  
Elevator



Subject Property  
Storage Garage

**Subject Photographs**



Subject Property  
Storage Garage



Street Scene  
Excess/Surplus Land; Parking Area



## **Assumptions and Limiting Conditions**

The legal description of the property under review, although furnished by reliable sources and assumed to be correct, has not been investigated and no responsibility is taken for its correctness.

No land surveys were ordered or made by the appraiser, and the site dimensions and areas were taken from maps and data supplied by the client or available county records and are assumed correct.

This report is based on the premise that the title to the property is good and merchantable and that there are no liens, clouds or encumbrances against the title. No responsibility or liability is assumed for matters, which are legal in nature, nor is any opinion on the title rendered herewith.

The appraisal of any value pertaining to oil or mineral rights has not been considered as a part of this report.

Soil stability and bearing capacity are assumed to be sufficient to permit development; however, no specific soil bearing tests were either furnished or made a part of this report.

The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures or proposed structures which would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for engineering, which might be required to discover such factors.

If the water supply is other than a public source, it is assumed that the subject's water supply is adequate and consistent with Pierce County, and Washington State regulations. It is further assumed that the use and maintenance is governed by a mutual maintenance and water agreement.

Any maps, sketches or photographs included in this report are for illustrations and as an aid in visualizing the property only.

No guarantee is made as to the accuracy of the estimates or opinions furnished by others, which have been used in making this appraisal. It is further assumed that the opinions, estimates and data contained in this report are accurate.

Possession of this report or any portion or copy thereof, does not carry with it the rights to publication, nor may the same be used for any purpose by any but the client without the prior written consent of the appraiser and, in any event, only in its entirety. The appraiser by reason of this appraisal is not required to give testimony or attendance in court or at any governmental hearing with reference to the property appraised, unless arrangements have been made, therefore.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the SRA, SRPA, SREA, MAI or RM designations) shall be disseminated to the public through advertising media, public relations media, news media, or any other public means of communications, without the prior written consent and approval of the author.

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, heavy metals, carcinogenic and identified non-carcinogenic chemicals, PCB's, UST's or LUST's, or other potentially hazardous materials may affect the value of the property. The 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. The value and conclusions expressed within this report assume the subject property can pass a Phase I Environmental Risk Report.

Note is made of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property.

There is no contingent relationship between the fee for this report and the value reported. The purpose of this appraisal is to estimate market value of the property as of December 5, 2022.

## **Summary of Facts and Conclusions**

Property Location: 11006 Pacific Avenue South  
Tacoma, Washington 98444

Property Type: Commercial/Mixed-Use Building

Date of Appraisal: December 15, 2022

Date of Inspection: December 5, 2022

Date of Value: December 5, 2022

Property Rights Appraised: Fee Simple

Tax Parcel Number: 0319043131

Site Size: 60,984 Square Feet

Improvement Size: 8,218 Square Feet, 1,674 Square Feet, and 2,465 Square Feet

Estimated Opinion of Value: \$1,325,000

## **II. FACTUAL DATA**

### **A. GENERAL INFORMATION**

#### **Legal Description**

No title report was ordered by or furnished to the appraiser's office; therefore, public information has been relied upon for the information contained herein. The following identification number was furnished by the Pierce County Assessor's Office: 0319043131. Should current title report information be revealed, the appraiser reserves the right to change, alter, and/or modify any portion of this report, including the expressed value conclusion, as the appraiser deem necessary and/or appropriate.

#### **Scope of Work**

The Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation defines scope of work as "the type and extent of research and analysis in an assignment". It further states that the scope of work is acceptable "when it meets or exceeds the expectations of parties who are regularly intended users for similar assignments and what an appraiser's peers' actions would be in performing the same or a similar assignment". Regarding the subject property, this involved the following steps:

- 1) The property was inspected on December 5, 2022. The extent of the inspection included a complete walk through of the site and improvements. Pertinent data utilized within this report was obtained from MetroScan, Multiple Listing Service, CoStar Comps, Commercial Brokers Association, and the property owner.
- 2) Regional, city, county, and neighborhood data was based on information available from [www.factfinder.census.gov](http://www.factfinder.census.gov). The neighborhood section was based upon a physical inspection of the area as well as data from Pierce County.
- 3) The subject property data was based upon information obtained from Pierce County. Other subject property data was compiled from the public records and from a physical inspection of the site.
- 4) In estimating the highest and best use for the property, an analysis was made of data compiled in the three steps noted above. In addition, the appraiser identified and analyzed the effect on use and value of existing land use regulations, investigated

reasonably probable modifications of such land use regulations, performed a study of the market activity in the subject area along with a study of economic supply and demand, the physical adaptability of the real estate and market area trends to help determine the economic feasibility of the existing improvements.

- 5) In developing approaches to value, the market data used was collected from the Puget Sound Appraisal office files, other appraisers, realtors or persons knowledgeable of the subject property marketplace, and the municipal offices in the greater Pierce County area.
- 6) To develop the opinion of value, the appraiser undertook an appraisal of the subject property and reported his findings and conclusions in a restricted appraisal report containing information which limits use of the report to the client and warns that the appraiser's opinion and conclusions set forth in the report may not be understood properly without additional information in the appraiser's work file. This report states the appraisal methods and techniques employed, the value opinions and conclusions reached, and references the work file. The appraiser the Sales Comparison Approach to value.
- 7) After assembling and analyzing the data defined in this scope of the appraisal, a final opinion of market value was made.

### **Market Value Definition**

According to the Uniform Standards of Professional Appraisal Practice, effective January 1, 2020, and regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 between July 5, 1990 and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). Market value is defined as:

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

- 1) buyer and seller are typically motivated;
- 2) both parties are well informed or well advised, and acting in what they consider their own best interests;

- 3) a reasonable time is allowed for exposure in the open market;
- 4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition of market value is commonly used in connection with mortgage lending by a number of government agencies and others. It is designed to provide an accurate and reliable measure of the economic potential of property involved in federally related transactions.

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

### **Market Value "As Is" Definition**

According to *The Dictionary of Real Estate Appraisal*, Sixth Edition, published by the Appraisal Institute, 2015, market value "as-is" is defined as follows:

"The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."

### **Prospective Value Estimate Definition**

According to *The Dictionary of Real Estate Appraisal*, Sixth Edition, published by the Appraisal Institute, 2015, prospective value estimate is defined as follows:

"A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in

connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.”

### **Extraordinary Assumption**

The term “Extraordinary Assumption” is defined in USPAP as:

“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser 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.”

Standards Rule 1-2(f) of the 2020-2023 Uniform Standards for Appraisal Practice states that “an extraordinary assumption may be used in an assignment only if: it is required to properly develop credible opinions and conclusions; the appraiser has a reasonable basis for the extraordinary assumption; use of the extraordinary assumption results in a credible analysis, and; the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.”

Standards Rule 2-2(a)(x) of the 2020-2023 Uniform Standards for Appraisal Practice requires that the appraiser must “clearly and conspicuously state all extraordinary assumptions; and state that their use might have affected the assignment results”.

No extraordinary assumptions are incorporated into this analysis.

### **Hypothetical Condition**

The term “Hypothetical Condition” is defined in USPAP on the following page as:

“That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assumed 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”.

Standards Rule 2-2(a)(x) of the 2020-2023 Uniform Standards for Appraisal Practice requires that the appraiser must “clearly and conspicuously state all hypothetical conditions; and state that their use might have affected the assignment results”.

No hypothetical conditions are incorporated into this analysis.

### **Definition of Insurable Value**

Insurable value, as defined in *The Appraisal of Real Estate*, Fourteenth Edition, by the Appraisal Institute, 2013, is:

“The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of noninsurable items (e.g., land value) from market value.”

No insurable value was requested or provided for this appraisal.

### **Definition of Market Rent**

Market rent, as defined in *The Appraisal of Real Estate*, Fourteenth Edition, by the Appraisal Institute, 2013, is:

“Market rent is the rental income that a property would most probably command in the open market.”

### **Definition of Contract Rent**

Contract rent, as defined in *The Appraisal of Real Estate*, Fourteenth Edition, by the Appraisal Institute, 2013, is:

“Contract rent is the actual rental income specified in a lease.”

### **Property Rights Appraised**

The property rights are appraised as if unencumbered fee simple estate. Fee simple estate is defined in *The Appraisal of Real Estate*, Fourteenth Edition, by the Appraisal Institute, 2013, on the following page:



"A fee simple estate implies 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."

### **Identification of Client**

The term "Client" is defined in USPAP as:

"The party or parties who engage an appraiser (by employment or contract) in a specific assignment."

Puget Sound Appraisal has been retained by Ms. Maria Salas, who is herein identified as the client.

### **Intended Use of Report**

The term "Intended Use" is defined in USPAP as:

"The use or uses of an appraiser's reported appraisal, appraisal review or appraisal consulting report opinions and conclusions, by the appraiser on the basis of communication with the client at the time of the assignment."

The intended use of this appraisal report is to aid and assist the client in establishing market value for the subject property as of December 5, 2022. Additionally, it is intended only for use by Salas Financial, their internal management, auditor, and appropriate regulatory authorities. Any party receiving a copy of this report does not, consequently, become a party to the appraiser-client relationship.

### **Intended User of Report**

USPAP defines the term "Intended User" on the following page as:

"The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment."

The intended user of this report is the aforementioned client; Salas Financial.

### **Statement of Ownership and Recent History**

As previously stated, no title report was ordered by or furnished to the appraiser's office; therefore, public information has been relied upon for the information contained herein. If the information is other than as indicated, the appraiser reserves the right to revise this analysis as needed. The title to the subject property is vested in MRR Keller LLC 1. Ownership of MRR Keller LLC 1 was transferred to Bella Harbor Development LLC in February 2022.

### **Date of Appraisal**

The date on which this value estimate is valid is December 5, 2022.

### **Date of Inspection**

The date the property was last inspected was December 5, 2022.

### **Appraisal Conditions**

Appraisal standards for federally related transactions require consideration of the following:

#### **Compliance with Standards Rule 2-2 USPAP, 2020-2023 Edition**

Standards Rule 2-2 of the Uniform Standard of Professional Appraisal Practice, 2020-2023 Edition, requires the appraiser to identify which of two report options they are using to prepare the appraisal report for the subject property, an appraisal report, or restricted report format. Based on the needs of the client, the appraiser has prepared a restricted appraisal report completed under the rules of Standard 2-2 (b) of the USPAP, 2020-2023 Edition.

#### **Competency**

The appraiser signing this report herein state that he is competent and sufficiently well versed in analyzing, appraising, and rendering market value of properties of the subject type and characteristics.

### Prohibited Influences

The appraisal assignment was not based upon a requested minimum, specific valuation or approval of a loan. Employment of the appraiser was not conditioned upon the appraisal producing a specific value or value opinion within a given range. Neither employment nor compensation is based upon approval of any related loan application.

### **Concluded Value**

The Sales Comparison Approach to value, which is the process by which a market value estimate is derived by analyzing the market activity of similar properties and comparing these properties to the subject property. This valuation methodology is based on the premise that the market value of a property is directly related to the prices of comparable competitive properties. The value of a property in the market is set by the availability of substitute properties of similar utility and desirability. Value is sustained when the relationships between land and the improvements on land, and between property and its environment are in balance. Externalities such as the neighborhood and the economy can affect the property value either positively or negatively.

The Sales Comparison Approach is applicable when there is sufficient data on recent market transactions to indicate value patterns. Changes in economic conditions, zoning regulations, income tax laws, and the availability of financing may limit the reliability of the approach. To apply the Sales Comparison Approach, the appraiser considers data from sales, contracts, offers, refusals, and listings of competitive properties, as available. This approach employs the use of a direct comparison of similar properties which have recently sold through the analysis of comparison common to all of the sales, i.e., price paid per unit, price per room, price per square foot, et cetera. The unit or units of comparison relied on in the final estimate of value in this approach is determined by the degree of correlation obtained between the sales and their similarity to the subject property. The value estimate in the Sales Comparison Approach will be based on a value developed from the sales with the price per square foot being the unit of comparison utilized, as it is felt that it shows the greatest degree of correlation between the subject and the comparable sale properties.

The appraiser's opinion of the market value of the subject property as of December 5, 2022, is \$1,325,000. This value opinion is subject to the Assumptions and Limiting Conditions contained in this report.



Anthony J. Colombini, State Certification #1101934

## **CERTIFICATION**

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 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.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report. The research and collection of comparable data and valuation analysis was an effort Anthony J. Colombini. The composition of the narrative portion of this report was prepared solely by Anthony J. Colombini.
- PS Appraisal, LLC, is doing business as (dba) Puget Sound Appraisal.
- No one provided significant professional assistance to the person signing this report.



Anthony J. Colombini  
State Certification #1101934