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August 3, 2016

**RE: Second Offer Letter  
North Truckee Drain Realignment Project  
APN: 034-392-01**

Estes Terminals, LLC  
c/o Angela J. Maidment, Vice President - Corporate Real Estate  
Real Estate Department  
Estes Express Lines  
3901 W. Broad Street  
Richmond, VA 23230

Dear Ms. Maidment:

As you are aware the City of Sparks (City) is acquiring easements necessary to complete construction of the North Truckee Drain Realignment Project in the City of Sparks, Washoe County, Nevada.

This letter is being sent as follow-up to our previous Second-Offer Letter dated July 20, 2016 to Estes Express Lines (Estes) to purchase property rights including a permanent storm drain easement, permanent access easement and temporary construction easement within portions of Estes property located at 1650 Kleppe Lane, Sparks, Nevada. Discussions between yourself and our agent, Steven Harris, have revealed some questions and confusion that hopefully will be addressed with this letter. Our understanding is there are two concerns: the total area of Temporary Construction Easement (TCE) differing from the TCE Compensation Area, and the reduction in value by reducing the time period of the TCE from five (5) to three (3) years.

To address the first concern, please refer to Mr. Schiffmacher's Appraisal dated December 3, 2015. In the cover letter of said appraisal, Mr. Schiffmacher lists a Temporary Construction Easement area of 67,396± square feet (sf). This represents the total area of the TCE, however a portion of that same area will also be encumbered by the Permanent Easement (PE). As such, only the "net" (Total TCE - PE = Net TCE). The methodology and calculations Mr. Schiffmacher used in determining this value area outlined beginning on page 70 of the appraisal. As outlined on page 72 the formula for determining the TCE compensation is:

**Net TCE (39,835 sf) X Rate of Return (9%) X Value (\$6/sf) X Easement Term = Value**

In the Appraisal Report and Original Offer, the recommended TCE compensation value was listed as \$107,554. This was for a five (5) year Easement Term. To address the second concern, the term of the TCE was reduced from five (5) years to three (3) years based upon the agreement reached in our May 17, 2016 teleconference. This reduces the TCE compensation value by a pro-rata amount to \$64,533. There was an inadvertent error in our Second Offer letter dated July 20, 2016 which incorrectly listed this as \$72,212.

On Friday, July 22<sup>nd</sup>, you provided an off-site parking and lost rental compensation request of \$160,200. Based on this new information and the three (3) year TCE term, the City proposes its revised offer as follows:

Permanent Easement Value	\$82,683
Temporary Construction Easement Value	\$64,533
Access Easement Value	\$26,786
Temporary Off-Site Parking – value to be provided	\$160,200
Total	\$334,201

The City has retained the services of Overland, Pacific & Cutler, Inc. to perform the negotiations on behalf of the City. Steven Harris is your primary contact. Please feel free to contact him directly at 1-800-400-7356 or by email at [sharris@opcservices.com](mailto:sharris@opcservices.com) regarding any questions concerning the project, the right-of-way plans or the acquisition details.

Sincerely,



John A. Martini, P.E.  
Community Services Director

Cc: Steven Harris, Project Manager  
Overland, Pacific & Cutler, Inc.

Estes easement calculation review

Parcel APN	034-392-01
Total Area (sf)	435600
Permanent Ease (sf)	27561
Access Easement	17857
Temporary Easement	67396
Temp outside permanent	39835

Square foot value	\$ 6.00		
Value of Property	\$ 2,613,600		
Permanent ease value	\$ 82,683	Value factor	0.5
Access Ease Value	\$ 26,786	Value factor	0.25
Value of Remainder	\$ 2,504,132	Temp years	3
Temporary easement	\$ 64,533	Return rate	9%
Parking Rental	\$ 160,200		

Compensation \$ 334,201

\* calculation review by Andrew Hummel, P.E., City of Sparks, 07/15/2016  
 based on Appraisal Report by Robert E. Schiffmacher, MAI (12/3/2016)

**Robert E. Schiffmacher MAI**  
REAL PROPERTY CONSULTANT

85 Keystone Avenue, Suite C  
Reno, Nevada 89503  
Phone (775)686-2622  
[rschiffmacher.ws@gmail.com](mailto:rschiffmacher.ws@gmail.com)

May 23, 2016

Mr. Andrew Hummel P.E.  
Utility Manager  
431 East Prater Way  
Sparks, NV 89431

RE: APN: 034-392-01, 1650 Kleppe (Estes Terminals LLC)

Dear Mr. Hummel,

At your request, I have completed the research necessary to update of my recent appraisal of the property referenced above and have prepared the following letter. In conformance with the Uniform Standards of Professional Practice, (2016-2017) this is considered a new appraisal assignment (Advisory Opinion 3) and a new appraisal report that:

**Incorporates by reference** the entire appraisal report identified as Robert E. Schiffmacher MAI appraisal number 15-048 Estes Terminals LLC containing 73 pages plus a 12 page addenda.

The Uniform Standards for Professional Practice requires the following conditions be met when all or portions of a prior appraisal report are incorporated by reference in an "update" appraisal assignment.

"This option can only be used if the original appraiser's firm and original intended users are involved, since the prior report was issued from that appraiser to those intended users, ensuring they have access to a copy. When this incorporation by reference option is used, the following items from the prior report must be specifically identified in the new report to avoid being misleading."

**PRIOR APPRAISAL REFERENCE**

- **Subject Property**
  - The land identified as assessor's parcel 034-392-01, 1650 Kleppe Lane (but excluding the improvements)
- **Client and intended users**
  - City of Sparks  
Mr. Andrew Hummel PE PLS  
Utility Manager  
431 Prater Way  
Sparks, NV 89431
- **Intended use**
  - This appraisal is intended for use by the City of Sparks. The intended use is to assist the City of Sparks in negotiating the voluntary acquisition of

the described easements. This appraisal may be used in the acquisition of the proposed easements through the use of eminent domain.

- **Appraiser**
  - Robert E. Schiffmacher, MAI  
Nevada Certified General License  
#A.0002492-CG  
85 Keystone Avenue, Suite C  
Reno, Nevada 89503
- **effective date of value or assignment results**
  - December 1, 2015
- **date of report, and**
  - December 3, 2015
- **interest(s) appraised**
  - The appraisal addressed the value of the underlying site and the value of easement interests in the larger parcel, as defined:
    - The larger parcel was been defined as the land identified as assessor's parcel 034-392-01 containing a gross land area of 10.00±ac. The property is improved with a 54 door cross dock transit terminal and associated paving, parking lot lighting, landscaping and perimeter fencing.
    - The property rights appraised involved the Fee Simple Estate of the underlying site, subject to existing easements and legal restrictions and the rights associated with the proposed permanent and temporary easements.

The purpose of this analysis is to develop an opinion of the property's current market value, as of May 23, 2016.

The scope of this assignment included

- A detailed review of the prior appraisal report
- A re-inspection of the subject,
- Research of current economic and market conditions
- A comparable sale search for the time period between the December 1, 2015 effective date of value of the original report and the May 26, 2016 date of value of this update and
- Preparation of this appraisal.

There are a number of economic factors that indicate that the local economy is continuing to recover from the recession that gripped the region and nation since late 2008. While not available in December 2015, the statistics to paint a more promising picture. They include a continuing drop in unemployment and corresponding increase in total employment. Total employment has finally surpassed the prior peak from 2007 and, as of March 2016 stood at 219,810 with unemployment at a recent low of 5.5%.

The number of residential building permits issued in 2015 increased to 1,994, up from 1,509, an increase of 32% from the prior year. The total value of residential permits increased from \$417,019,358 in 2014 to \$498,366,562 in 2015 which is an increase of 19%.

On the other hand, commercial building permits issued dropped from a total of 235 with a value of \$363,362,832 in 2014 to 189, with a value of \$227,962,121 in 2015. Total permit numbers dropped 19.57% and the value of the permits dropped 37%.

Retail sales have been increasing both locally and regionally and there continues to be optimism among market participants. In Washoe County, fiscal year to date retail sales are up nearly 10% from a year ago and they are up 4.7% state wide. However, retail vacancy rates remain high and rents have yet to recover completely. The same is true for the office and industrial markets.

My search for comparable sales since the original December 1, 2015 date of value revealed no transactions that would indicate that the improvement in the economy has translated into a measurable change in the value of the subject or the associated easements, as defined, since completion of the December 2015 appraisal.

Overall, my research and analysis of the market and the subject leads me to conclude that although there has been continued improvement in the local economy there is insufficient information available to suggest a change in the value of the subject in the six months since the December 1, 2015 date of value of the original appraisal report. As a result, the value conclusions and recommendation of just compensation set forth in the December 2, 2015 appraisal remain unchanged and are as follows.

**Value Conclusions and Recommendation of Compensation  
Acquisition of Permanent and Temporary Easements**

Value of the property in the before condition	\$2,613,600
27,561±sf Permanent Drainage Easement Using the "unit value" obtained in valuing the whole in the before condition derive the value of the "take"	\$82,683
17,857±sf Permanent Access Easement Using the "unit value" obtained in valuing the whole in the before condition derive the value of the "take"	\$26,786
Value of the remainder in the before condition (this is simply subtracting the value of the "take" from the value of the property in the before condition.	\$2,504,131
Value of the property in the after condition (this is a separate appraisal of the remainder after the acquisition - this included a highest & best analysis in the after)	\$2,613,600
Damage or Benefit Determination (this is done by subtracting the after value from the value of the remainder in the before condition)	\$0
Five Year Temporary Work Area Easement	\$107,554
<b>Value of/Recommendation for compensation for the 27,561±sf Permanent Storm Drain Easement and associated Access and Temporary Work Area Easements</b>	<b><u>\$217,023</u></b>

Sincerely,



Robert Schiffmacher, MAI  
Nevada Certified General Appraiser #A.0002492-CG

### APPRAISER'S CERTIFICATION

- 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 I have 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.
- 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 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 appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- My firm appraised the subject of this report once in the 3 year period immediately preceding the acceptance of this assignment.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional appraisal Practice.
- 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 have completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted,



Robert E. Schiffmacher, MAI  
Nevada Certified General Appraiser #A.0002492-CG