

# **Gridley City Council – Regular City Council Meeting Agenda**

Monday, May 17, 2021; 6:00 pm

Gridley City Hall, 685 Kentucky Street, Gridley, CA 95948

*“Our purpose is to continuously enhance our community’s vitality and overall quality of life. We are committed to providing high quality, cost-effective municipal services and forming productive partnerships with our residents and regional organizations. We collectively develop, share, and are guided by a clear vision, values, and meaningful objectives.”*

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## **Notice of Temporary City Council Meeting Procedures**

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Act, Governor Gavin Newsom’s Emergency Declaration related to COVID-19, and Governor Newsom’s Executive Order N-29-20 issued March 17, 2020 that allows attendance by City Council, City staff and the public to participate and conduct the meeting by teleconference and to participate in the meeting to the same extent as if they were present. Comments from the public on agenda items will be accepted until 4 pm on May 17, 2021, via email to [jmolinari@gridley.ca.us](mailto:jmolinari@gridley.ca.us) or via the payment/document drop box at Gridley City Hall and will be conveyed to the Council for consideration. The Mayor and Council appreciate the public’s adaptation and patience during this crisis.

You may attend via teleconference:

- Dial 1-888-204-5987
- Enter the Access Code 5767603#

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**CALL TO ORDER** - Mayor Johnson

**ROLL CALL** - Recording Secretary

**PLEDGE OF ALLEGIANCE** Council Member Sanchez

**INVOCATION** - None

**PROCLAMATIONS**

**INTRODUCTION OF NEW OR PROMOTED EMPLOYEES** – None

**VERBAL UPDATE**

- Update on Council Chambers Streaming Platform – Administrator Harr

**COMMUNITY PARTICIPATION FORUM** - *Members of the public may address the City Council on matters not listed on the agenda. The City Council may not discuss nor take action on any community participation item brought forward by a member of the community. Comments are requested to be limited to three (3) minutes.*

## CONSENT AGENDA

1. City Council minutes dated April 29, 2021
2. City Tree Mistletoe Inspection Program
3. Selection of Volunteer Planning Commissioner

## ITEMS FOR COUNCIL CONSIDERATION

4. Approval of City Administrator Employment Agreement
5. Review of The Potential Purchase of Property to Be Added to the Existing City of Gridley Corporation Yard Located at 235 Virginia Street (APN 010-123-010)
6. Purchase of 25 Power Poles

**CITY STAFF AND COUNCIL COMMITTEE REPORTS** - *Brief updates from City staff and brief reports on conferences, seminars, and meetings attended by the Mayor and City Council members, if any.*

**POTENTIAL FUTURE CITY COUNCIL ITEMS** - (Appearing on the Agenda within 30-90 days):

|   |           |
|---|-----------|
| General Plan Amendment and Rezone – Dhami               | 6/7/2021  |
| Consideration of property purchase at 57 E Gridley Road | 6/21/2021 |
| CJIS Radio Compliance Program for Police Dept           | 6/21/2021 |
| Bernard Annexation/GPA/RZ/TSM/MND                       | 7/6/2021  |

**CLOSED SESSION - None**

**ADJOURNMENT** – adjourning to a Regular meeting on June 7, 2021.

**NOTE 1: POSTING OF AGENDA-** This agenda was posted on the public bulletin board at City Hall at or before 6:00 p.m., May 14, 2021. This agenda along with all attachments is available for public viewing online at [www.gridley.ca.us](http://www.gridley.ca.us) and at the Administration Counter/Police Department Lobby in City Hall, 685 Kentucky Street, Gridley, CA.

**NOTE 2: REGARDING UNSCHEDULED MATTERS** – In accordance with state law, it shall be the policy of this Council that no action shall be taken on any item presented during the public forum or on unscheduled matters unless the Council, by majority vote, determines that an emergency situation exists, or, unless the Council by a two-thirds vote finds that the need to take action arose subsequent to the posting of this agenda.

## **Gridley City Council – Special Meeting Minutes**

Thursday, April 29, 2021; 12:30 pm  
Gridley City Hall, 685 Kentucky Street, Gridley, CA 95948

*“Our purpose is to continuously enhance our community’s vitality and overall quality of life. We are committed to providing high quality, cost-effective municipal services and forming productive partnerships with our residents and regional organizations. We collectively develop, share, and are guided by a clear vision, values, and meaningful objectives.”*

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- Enter the Access Code 5767603#

### **CALL TO ORDER**

**Mayor Johnson called the meeting to order at 12:52 pm.**

### **ROLL CALL**

#### **Council Members**

Present:

Johnson, Farr, Calderon, Sanchez, Torres

Absent:

None

Arriving after roll call:

None

#### **Staff present:**

Rodney Harr, Police Chief

Tony Galyean, City Attorney

### **PLEDGE OF ALLEGIANCE**

**Council Member Torres led the Pledge of Allegiance.**

### **INVOCATION - None**

### **PROCLAMATIONS - None**

### **INTRODUCTION OF NEW OR PROMOTED EMPLOYEES - None**

## **COMMUNITY PARTICIPATION FORUM**

**Mayor Johnson opened the forum and seeing no one present wishing to speak, closed it.**

## **CONSENT AGENDA - None**

## **CLOSED SESSION**

1. Public Employment (GC: 54957)  
Position: City Administrator

**Council came out of Closed Session at 5:02 pm with no reportable action.**

## **CITY STAFF AND COUNCIL COMMITTEE REPORTS -None**

## **ADJOURNMENT**

**With no items for further discussion, Council adjourned to the next regularly scheduled meeting on May 3, 2021.**

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**Rodney Harr, Interim City Clerk**

**City Council Agenda Item #2**  
Staff Report

**Date:** May 17, 2021  
**To:** Mayor and Council  
**From:** Public Works Director Ross Pippitt  
**Subject:** City Tree Mistletoe Inspection Program

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|          |           |
|----------|-----------|
| <b>X</b> | Regular   |
|          | Special   |
|          | Closed    |
|          | Emergency |

**Recommendation**

Staff respectfully requests Council approve a City Tree Mistletoe Inspection Program that will allow the Public Works Department to inspect trees on City property twice a year and to prune or remove trees with mistletoe, as necessary.

**Background**

Mistletoe is a parasite that if allowed to grow, will damage, and potentially kill its host tree. Mistletoe produces a berry that birds consume and then excrete the living seeds that adhere to any branches that they land on, spreading the mistletoe to other trees. Depending on the severity of the growth, pruning or complete removal of the tree may be required. Removing and replacing trees would be very costly to the City. By inspecting the trees twice a year we can prevent removing the trees and just prune away the affected limbs. The Public Works Department will inspect trees in City parks, storm retention and downtown areas.

**Financial Impact**

Possible replacement trees.

**Compliance with City Council Strategic Plan or Budget Goals**

This recommendation is consistent with our ongoing effort to provide a safe and attractive City and Park areas for the enjoyment of the Public.

**City Council Agenda Item #3**  
Staff Report

**Date:** May 17, 2021  
**To:** Mayor and City Council  
**From:** Rodney Harr, Police Chief / Interim City Administrator  
**Subject:** Selection of Volunteer Planning Commissioner

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|          |           |
|----------|-----------|
| <b>X</b> | Regular   |
|          | Special   |
|          | Closed    |
|          | Emergency |

**Recommendation**

City staff respectfully requests the Mayor and City Council authorize staff to advertise for the volunteer City Planning Commissioner vacancy and then schedule brief interviews during a future Council meeting. In compliance with the Brown Act, the Council will not take action to appoint the candidates until a subsequent Council meeting.

**Background**

Mel Dewsnap has resigned, leaving one Planning Commissioner vacancy. It is recommended that we advertise to fill the vacancy. The City will advertise and utilize social media including our Recreation and Police Facebook pages. The use of Facebook resulted in a strong response in the past recruitments.

In keeping with Section 2.12.030 of the Gridley Municipal Code, the Planning Commission is comprised of five members appointed by the City Council. At least four members shall be registered voters of the City. One member may be chosen from the registered voters who reside within a distance of one-half mile from city limits as measured from the nearest point of city limits to the nearest edge of the property of said resident being considered.

Interested applicants will be asked to complete the attached application. Appointment of a new Commissioner is expected to occur at the July 6<sup>th</sup> Council Meeting. The new Commissioner will receive an orientation by the City Planner prior to their initial Planning Commission meeting on July 21, 2021.

**Financial Impact**

There are no financial impacts associated with this Agenda item.

**Compliance with City Council Strategic Plan or Budget Goals**

Active utilization of diverse community volunteers enhances our community's success and quality of life.

**Attachments**

- Planning Commission Application
- Mel Dewsnap resignation

# APPLICATION FOR APPOINTMENT TO VOLUNTEER GRIDLEY PLANNING COMMISSION

## APPLICANT INFORMATION

Name \_\_\_\_\_

Address \_\_\_\_\_, Gridley, CA 95948

Home Phone \_\_\_\_\_ Work/Cell Phone \_\_\_\_\_

Current Employer \_\_\_\_\_ E-mail \_\_\_\_\_

Are you at least 18 years of age? Yes ☐ No ☐

## EMPLOYMENT HISTORY

|   |   |  |
|---|---|--|
| <p>Month/Year Worked</p> <p>From: _____</p> <p>To: _____</p> <p>No. of People Supervised</p> <p>_____</p> <p>Hours per Week _____</p> | <p>Your Title</p> <p>_____</p> <p>Duties _____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>Employer</p> <p>_____</p> <p>Address</p> <p>_____</p> <p>Supervisor</p> <p>_____</p> <p>Reason for Leaving</p> <p>_____</p> |
| <p>Month/Year Worked</p> <p>From: _____</p> <p>To: _____</p> <p>No. of People Supervised</p> <p>_____</p> <p>Hours per Week _____</p> | <p>Your Title</p> <p>_____</p> <p>Duties _____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>Employer</p> <p>_____</p> <p>Address</p> <p>_____</p> <p>Supervisor</p> <p>_____</p> <p>Reason for Leaving</p> <p>_____</p> |
| <p>Month/Year Worked</p> <p>From: _____</p> <p>To: _____</p> <p>No. of People Supervised</p> <p>_____</p> <p>Hours per Week _____</p> | <p>Your Title</p> <p>_____</p> <p>Duties _____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>Employer</p> <p>_____</p> <p>Address</p> <p>_____</p> <p>Supervisor</p> <p>_____</p> <p>Reason for Leaving</p> <p>_____</p> |

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### COVER LETTER AND RESUME

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Please attach a one-page cover letter and a resume of no more than two pages to this application.

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### SUPPLEMENTAL QUESTIONS

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Please respond to the following questions regarding your interest in the volunteer position of Planning Commissioner for the City of Gridley on separate pages using no more than 3 pages total:

1. Why are you interested in serving as a volunteer Gridley City Planning Commissioner?
2. Please explain your current and past community involvement and/or service on city, nonprofit, or public boards, committees, task forces, or commissions and how this has contributed to the Gridley community. Please address its relevance to the position of Gridley City Planning Commissioner.
3. How would you like Gridley to develop in the next 5 to 20 years?
4. Describe your thoughts about annexation of property within the City's sphere of Influence; the ideal types of business and industrial development within the City; and the types of commercial and housing development best suited for Gridley's long-term future.
5. Are you aware of any conflicts of interest that you may have if appointed as a Gridley City Planning Commissioner? If so, please provide additional background.
6. Is there anything else that you may wish to add that would help us get to know you a little better?

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Please return this form, your cover letter, resume and answers to the supplemental questions to the City Clerk at Gridley City Hall at 685 Kentucky Street, Gridley, CA 95948 no later than 4:00 pm on Friday, January 3, 2020. Applications received after 4:00 pm will not be accepted. The application and any correspondence should be addressed to the Mayor and City Planning Commissioners

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**MEMO**

**5/3/2021**

To: Gridley City Council and Planning and Zoning Chair  
Gridley, California 95948

From: Mel Dewsnap  
2153 Jacob St  
Gridley, California 95948

Subject: **Resignation** (Planning and Zoning Commission)

Because of family needs out of state, I hereby tender my resignation as a Gridley Planning and Zoning commissioner. Our home is on the market and we anticipate moving by the middle of June when the school year ends. I will continue to serve if needed until our departure date. It has been a pleasure to serve, even for a short period of time.

Respectfully,



Mel Dewsnap  
2153 Jacob St  
Gridley, CA 95948

**City Council Agenda Item #4**  
Staff Report

**Date:** May 17, 2021  
**To:** Mayor and Council  
**From:** Rodney Harr, Police Chief / Interim City Administrator  
**Subject:** Approval of City Administrator Employment Agreement

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|          |           |
|----------|-----------|
| <b>X</b> | Regular   |
|          | Special   |
|          | Closed    |
|          | Emergency |

**Recommendation**

Staff respectfully requests Council approve the attached Employment Agreement with Cliff Wagner for the position of City Administrator with the City of Gridley.

**Background**

The City of Gridley Council tasked the Interim City Administrator with recruiting a City Administrator for the City of Gridley. At Council's direction, the City hired the recruitment firm of Bob Murray & Associates to assist in the recruitment process. Gary Phillips, Executive Vice President of Bob Murray & Associates worked closely with City Council to develop a list of competent and qualified City Administrator candidates. After two interviews by City Council and a third interview by a Community Citizen panel, a complete background check and medical clearance, the City selected Cliff Wagner as their new City Administrator.

The attached City Administrator Employment Agreement has been developed and reviewed by the City Council in closed session. The employment agreement has been reviewed and accepted by candidate Cliff Wagner. City Council needs only to adopt the agreement at this point.

**Financial Impact**

The fiscal impact for the entire compensation of the City Administrator position is included in the 2020/2021 proposed budget.

**Compliance with City Council Strategic Plan or Budget Goals**

This recommendation is consistent with our ongoing effort to be responsive and transparent regarding all business transactions and financial matters.

**City of Gridley**  
**Employment Agreement**  
**City Administrator**

This Employment Agreement (hereinafter called the “Agreement”) made and entered into for reference purposes on May 17, 2021, by and between the City of Gridley, California, a general law city, (hereinafter called the “City”) and Cliff Wagner, City Administrator (hereinafter called the “Employee”) with respect to employment as the City Administrator of Gridley, California. The start date will be June 1, 2021.

1. Appointment of the City Administrator:

The City Council of the City of Gridley seeks to hire the Employee as the City’s Administrator to serve and perform such duties at such times and places and in such a manner as the City may from time to time direct. Furthermore, the City Council of the City of Gridley is the sole appointing body of the position of City Administrator, as per the adopted City ordinance(s), resolution(s) and City policy manual.

2. At Will Employment:

Employee is an “at will” employee who shall serve at the pleasure of the City Council. Accordingly, the City Council may terminate Employee’s employment at any time, with or without cause. The provision may not be altered except by a written instrument by Employee, and formally approved by the City Council, which specifically references this Agreement and section.

3. Term of Agreement:

The Employee acknowledges that he serves in the position of City Administrator at the discretion and pleasure of the Gridley City Council. The parties of this agreement may terminate the Agreement pursuant to the provisions of paragraphs 6 and 7 below.

4. Duties and Responsibilities:

- a) Employee shall serve as the City Administrator of the City of Gridley and he shall be vested with the powers, duties and responsibilities set forth in the City’s adopted job description for City Administrator and shall be responsible for directing, administering and coordinating the administrative functions of the City of Gridley.
- b) Employee agrees to devote his productive time, ability and attention to the City business. For the duration of this Agreement, Employee shall not hold secondary employment, unless it is vocational training as it relates to City management and cannot be done to encumber any City time, resources or facilities. The secondary employment must be so de minimis that it is transparent that it is for the continuing education of the Employee and to benefit the leadership and education of the Employee as the City Administrator. The de minimis secondary employment shall not constitute interference with or a conflict of interest with his responsibilities under the Agreement. The City Council shall be the sole body that authorizes any de minimis secondary employment.

- c) As an exempt employee and subject to City resolution regarding administrative leave, the Employee shall not receive any overtime or compensation for work performed outside of normal business hours.

5. Hours of Work:

It is recognized that the Employee must devote a great deal of time outside the normal office hours on business for the City, and to that end the Employee shall be allowed to establish an appropriate work schedule. The Employee will normally work 80 hours per (two week) pay period.

6. Performance Evaluation:

The City shall review the performance of the Employee initially upon the six-month (6) anniversary of start date and then annually thereafter subject to a process, form, criteria, and format for the evaluation which shall be mutually agreed upon by the City and Employee. The process at a minimum shall include the opportunity for both parties to: (1) prepare a written evaluation, (2) meet and discuss the evaluation, and (3) adopt an appropriate improvement plan and/or goals.

7. Termination of Employment and Severance:

- a) **Per Section Two (2) of this Agreement – At Will Employment** - Employee understands and acknowledges that Employee serves at the pleasure and discretion of the City Council and that Employee may be terminated at any time for any reason (or no reason at all) by the City Council. Except upon the event that the City terminates Employee's employment for being guilty of: a crime, the commission of an act of moral turpitude, the commission of any act constituting an abuse of Employee's public office under the laws of the State of California or the performance of an act of gross negligence (any of which shall be deemed as being reason(s) to terminate Employee's employment under this Agreement as being "for cause"), then, in all such other circumstances of Employee's termination, Employee shall receive three (3) month's severance pay. This severance payment will be made in three (3) monthly installments to the Employee beginning at the date of termination. Employee understands and acknowledges that in the event City terminates Employee's employment with City "for cause" as defined above, Employee will not be eligible to receive said three (3) month severance pay.
- b) In a like manner, nothing in this contract shall interfere with the right of the Employee to resign at any time.
- c) Prior to payment by the City of any Severance, and as an express condition to receiving such Severance or Supplemental Severance, Employee shall sign and deliver to the City a waiver in the form of a release that fully releases the City (including employees, officers and agents) from any and all claims by Employee.

8. Compensation Benefits:

- a) Employee shall be paid a base salary of \$10,833.33 (\$130,000 per year) effective as of the adoption date of this Agreement and the start date of Employee's employment with the City. The salary shall be payable in installments at the same time the other management employees of the City are paid.
- b) Consideration shall be given on an annual basis to increase compensation based upon the evaluative process discussed in **Section Six (6) – Performance Evaluation** above.
- c) City shall not at any time during the term of this contract reduce the salary, compensation, or other benefits of the City Administrator below the initial offer of compensation, except to the degree of such reduction for all management employees of the City.
- d) Retirement: Employee shall continue to pay the Employee's Public Employees' Retirement System (PERS) contribution of seven-percent (7%) effective the first pay period after the adoption of this agreement.
- e) Sick Leave/Vacation/Holidays: Sick leave, vacation and holiday accruals and their use shall be the same as provided to Management employees of the City as stated in Resolution 2016-R-011. However, as an exception and in recognition of the Employee's long-term professional service, the Employee shall receive sick leave, vacation and holiday accruals at the level of 21 years of service (200 hours per year).
- f) Health, Dental and Vision: City agrees to pay insurance premiums for health, dental and vision plans Employee participates in, including coverage for his family.
- g) Professional Memberships: Subject to approval by the City, the City agrees to provide for membership in any trade appropriate and position appropriate associations and/or organizations. The Employee is also authorized participation in two (2) annual conferences and meetings of organizations, which provide professional information to Employee relative to his performance as City Administrator of the City of Gridley. Attendance and participation in any conference(s) or symposium(s) shall be subject to City Council approval, availability of funds and within the fiscal year's budget.
- h) Cell Phone Allowance: City agrees to provide a cell phone allowance to the Employee in an amount not to exceed \$75 per month or, in the alternative to such cell phone allowance, to provide Employee with a cell phone sourced by and paid for by the City which such phone will remain the property of the City.
- i) Administrative Leave: Per current resolution there is available to the Employee one hundred twenty (120) hours of paid administrative leave each fiscal year. All unused administrative leave shall be paid out at the standard hourly rate. There shall be no accrual of administrative leave from one fiscal year to another. For the initial fiscal year of this employment agreement, the Employee shall be provided 80 hours towards fiscal year 2021/2022 after which the full 120 hours shall be available in subsequent fiscal years.

j) Car Allowance: City agrees to provide the Employee with a vehicle for use.

9. Indemnification

- a) Beyond that required under Federal, State or Local Law, Employer shall defend, save harmless and indemnify Employee against any claim or demand or other legal action arising out of an alleged act or omission occurring in the performance of Employee's duties as City Administrator or resulting from the exercise of judgment or discretion in connection with the performance of program duties or responsibilities, unless the alleged acts or omissions include or involve allegations of intentional, willful or wanton conduct which, if established by a preponderance of the evidence, would support Employee's termination for cause. Employee may request and the Employer shall not unreasonably refuse to provide to Employee independent legal representation at Employer's expense of Employer's choosing. Legal representation, provided by Employer for Employee, shall extend until a final determination of the legal action including any appeals brought by either party. The litigation expense payments and indemnification obligations shall continue beyond Employee's service to the Employer as long as litigation is pending. Any settlement of any claim must be made with prior approval of the Employer in order for indemnification, as provided in this Section, to be available.
- b) Employee recognizes that Employer shall have the right to compromise or settle any claim or suit. If the compromise or settlement is of a personal nature to Employee, Employee may request that the settlement include a statement that the Employee denies any wrongdoing. Further, Employer agrees to pay Employee reasonable travel expenses when Employee serves as a witness, advisor or consultant to Employer regarding pending litigation if the Employee is no longer employed by the Employer.

10. Notices:

Notices pursuant to this Agreement shall be given by depositing in the custody of the United States Postal Service, postage prepaid, addressed as follows:

The City: Mayor and City Council  
685 Kentucky Street  
Gridley, CA 95948

Employee:

Alternatively, notice required pursuant to this Agreement may be personally served in the same manner as is applicable to civil judicial practice. Notice shall be deemed given as of the date of personal service or as of the date of deposit of such written notice in the course of transmission in the United States Postal Service.

11. Other Terms and Conditions of Employment:

The City, only upon agreement with the Employee, shall fix any such other terms and conditions of employment, as it may determine from time to time, provided such terms and conditions are not inconsistent with or in conflict with the provisions of the Agreement, The Gridley Municipal Code, or any other law.

12. General Provisions:

This Agreement sets forth and establishes the entire understanding between the City and the Employee relating to the employment of the Employee by the City. Any prior discussions or representations by or between the parties are merged into and rendered null and void by this Agreement. The parties by mutual written agreement may amend any provision of this agreement during the life of the agreement. Such amendments shall be incorporated and made a part of this agreement.

This agreement shall be binding upon and inure to the benefit of the successors, assigns, heirs at law and personal representative of the Employee.

If any provisions, or any portion thereof, contained in this Agreement is held to be unconstitutional, invalid, or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable. Shall not be affected, and shall remain in full force and effect.

IN WITNESS WHEREOF, the City has caused this Agreement to be signed and executed in its behalf by its Mayor, and duly attested by person named below, and Employee has signed and executed this Agreement, on the day and year written below.

Employee:

For City of Gridley:

\_\_\_\_\_  
Cliff Wagner Date

\_\_\_\_\_  
Bruce Johnson, Mayor Date

Approved as to Form:

Attest:

\_\_\_\_\_  
Anthony E. Galyean Date  
City Attorney

\_\_\_\_\_  
City Clerk Date

**City Council Agenda Item #5**  
**Staff Report**

**Date:** May 17, 2021

**To:** Mayor and City Council

**From:** Ross Pippitt, Director, Public Works Department  
Donna Decker, Planning Director

|          |           |
|----------|-----------|
| <b>X</b> | Regular   |
|          | Special   |
|          | Closed    |
|          | Emergency |

**Subject:** Review of The Potential Purchase of Property to Be Added to the Existing City of Gridley Corporation Yard Located at 235 Virginia Street (APN 010-123-010)

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**Recommendation**

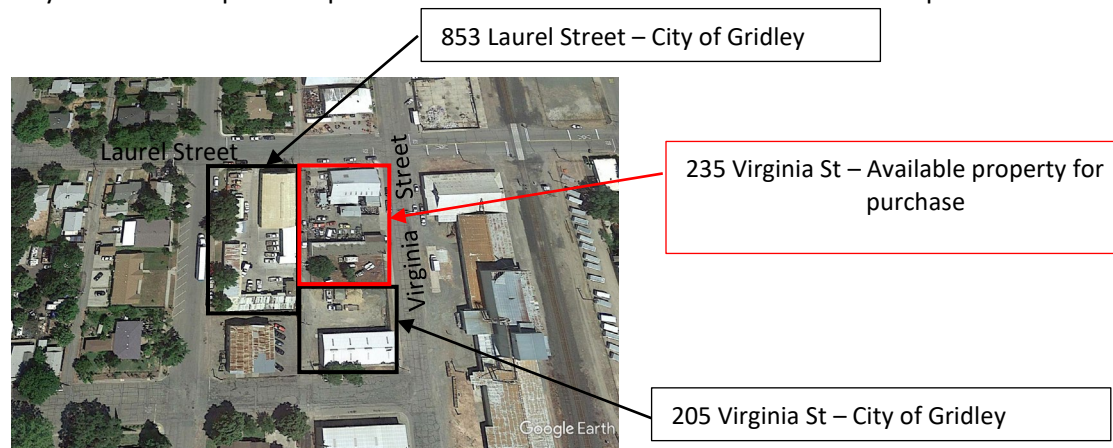
Staff recommends the City Council consider the appraisal received for the property at 235 Virginia Street.

**Background**

On February 1, 2021, the City Council authorized staff to proceed with an appraisal of the property to determine if the City may have continued interest in order to expand the limited Public Works Corporation Yard located on Laurel Street contiguous to the parcel being considered.

**Discussion**

The City of Gridley Department of Public Works Corporation Yard is currently located at 853 Laurel Street. The City has ownership of two parcels in that location where Public Works staff operate from as shown in Figure 1.



**Figure 1: Location Map**

The City retained the services of Jodi White, J. White Appraisals & Consulting, to appraise the property for Fair Market Value in order to proceed with a negotiation to purchase it should the City Council determine it would like to proceed. The purchase of the property would afford the City with additional area to better store equipment, park City vehicles and general maintenance needs of equipment.

**Fiscal Impact**

The fiscal impact would be the purchase of the property. 0

**Compliance with City Council Strategic Plan or Budget Goals**

The City Council and City staff are committed to provide the best possible financial practices, the highest possible transparency regarding all financial transactions, and attracting and retaining the most effective, customer focused workforce possible.

**Attachment** - Appraisal Report for 235 Virginia Street



## **ATTACHMENT 1**

## **APPRAISAL OF REAL PROPERTY**

Property Address:  
235 Virginia Street, Gridley, CA 95948



Effective Date of the Appraisal:  
March 25, 2021

Date of Report: May 7, 2021

Prepared For:  
The City of Gridley

Prepared By:  
Jodi L. White  
Certified General Real Estate Appraiser  
BREA Lic. AG 044936

May 7, 2021

Rodney Harr, Acting City Administrator  
City of Gridley  
685 Kentucky Street, Gridley, CA 95948

Subject: Market Value Appraisal of 235 Virginia Street, Gridley, CA 95948

Mr. Harr,

As requested, I have prepared a market value appraisal of the above referenced property. The property is also referred to throughout the appraisal report as "the subject". The subject consists of a 7,280± square foot light industrial facility situated on a 0.52± acre site.

The purpose of the appraisal is to develop an opinion of the fee simple market value of the subject as of the effective date, March 25, 2021. This is also the date of the site visit.

The client and intended user of the appraisal is the City of Gridley. The city is interested in possibly purchasing the subject in order to expand their existing Public Works facility which is adjacent to the west. The intended use of the appraisal is internal guidance in establishing a purchase offer/price based on the appraised market value.

The appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Foundation. To report the assignment results, the narrative Appraisal Report option set forth in Standards Rule 2-2(a) of the 2020/2021 edition of USPAP is utilized.

The value conclusion shown in this letter is made part of the attached appraisal and is not for use without the full body of the report and all addenda exhibits. Based on the data gathered and analyzed in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed herein, the fee simple market value as of March 25, 2021 is \$350,000.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,



Jodi L. White  
BREA License AG 044936  
Certified General Real Estate Appraiser

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### **PROPERTY ANALYSIS**

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|---------------------------------|--|

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

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|                                  |  |
|----------------------------------|--|
| Property Address:                | 235 Virginia Street, Gridley, Butte County, CA 95948   |
| Assessor's Parcel Number:        | 010-123-010  |
| Owner of Record:                 | Kevin L & Justina L Pickering, Trustees of the Pickering Trust   |
| Census Tract / Block:            | 35.02/2  |
| Site Area:                       | 0.52± Acres; 22,651± Sq. Ft.   |
| Improvements:                    | Two Light Industrial Structures Containing Approximately 7,280± Sq. Ft.  |
| Current Use:                     | Vacant Light Industrial  |
| Highest and Best Use:            | Light Industrial or Light Commercial   |
| Intended User:                   | City of Gridley  |
| Intended Use:                    | The intended use is guidance to assist the city in negotiating a purchase based on the appraised value. No other parties other than the intended users may use or rely on the information, opinions, and conclusions contained in this report. |
| Property Interest Appraised:     | Fee Simple   |
| Effective Date of the Appraisal: | March 25, 2021   |
| Date of Report:                  | May 7, 2021  |
| Final Value Conclusion:          | \$350,000  |

## GENERAL INFORMATION

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### IDENTIFICATION OF THE SUBJECT

Neither a legal description nor preliminary title report were available for this assignment. The Butte County Assessor identifies the subject as Parcel #010-123-010. The street address is 235 Virginia Street, Gridley, CA 95948. Without a legal description it is not possible to identify the presence of easements or encroachments that may affect the subject parcel and the client is advised to obtain a preliminary title report or metes and bounds survey to satisfy any concerns.

### CURRENT OWNERSHIP AND SALES HISTORY

USPAP requires appraisers to report the current ownership and analyze any sales transactions, listings or pending sales occurring within a three-year period immediately preceding the effective date of the appraisal. The subject has been owned by the Pickering Trust for longer than the preceding three-year period. There have been no transfers, listings or pending sales within the preceding three year period.

### APPRAISAL PROBLEM / PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to develop an opinion of the fee simple market value as of the effective date of the appraisal, which is March 25, 2021. The appraisal is valid only as of the stated effective date.

### REPORT FORMAT

The Appraisal Report option set forth in Standard 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) is utilized in this assignment. In this narrative reporting option, the depth of discussion contained in this report is specific to the needs of the client and the intended use of this appraisal. After thorough research and analysis of the subject and market data, the Appraisal Report is intended to adequately summarize or explain the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions set forth in the report. Some information is briefly summarized, other data is presented in chart form. A more in-depth narrative discussion is included where appropriate and all supporting documentation is retained in the appraiser's files.

### APPLICABLE REQUIREMENTS

This appraisal is intended to conform to the requirements of the following:

- 2020/2021 Edition of Uniform Standards of Professional Appraisal Practice (USPAP)

### DISCLOSURE OF PRIOR SERVICES

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property within the three years preceding the effective date of the appraisal; including valuation, consulting, property management, brokerage, or any other services. To that extent, I have never appraised the subject property or provided any other services for the subject of this report.

### REAL PROPERTY RIGHTS VALUED & DEFINITION OF PROPERTY RIGHTS APPRAISED

The interest valued is the fee simple estate of the subject property described herein.

The fee simple estate 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."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois

## GENERAL INFORMATION

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### DEFINITION OF MARKET VALUE

The proposed buyer is a municipality that will use the subject for expansion of its existing public works facility. The property is not for sale and the property owner is not under any need to sell the property. For these reasons, the definition of Fair Market Value used in this analysis, as defined by the California Code of Civil Procedure, Section 1263.320 is as follows:

"(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable. "

### SCOPE OF THE APPRAISAL

To determine the appropriate scope of work for this assignment, consideration is given to the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. For this analysis the following tasks were completed but are not limited to:

- Identification of the property interest to be appraised, appraisal problem, intended use and user of the appraisal
- Conducted site visit on March 25, 2021 with subsequent drive by of the subject and comparable data through May 1, 2021.
- Photographed the interior and exterior of subject building, measured the exterior of the building and photographed the site and site improvements
- Reviewed permit activity and verified zoning regulations with the City of Gridley Building and Planning Departments
- Reviewed the City of Gridley zoning map, general plan and LAFCO's Gridley Municipal Services Review and Sphere of Influence Plan (updated 2010)
- Factual data collection for the subject and comparable data related to zoning, flood status, permit activity, real estate taxes and development activity in the market. Data obtained or reviewed from public agencies including the Assessor, Tax Collector, City Planning and Building Departments, FEMA, local MLS, and other proprietary sources for information
- These documents are assumed to be accurate and complete. Copies of these documents have been retained in the appraiser's files and some are included as exhibits in the Addenda
- Completed a market investigation of the subject neighborhood, identified and photographed comparable sales, listings and pending sales
- The type and extent of the research and analysis is detailed in the individual sections of the report, including steps taken to identify and verify comparable sales data. Although every effort is made to confirm the arm's length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.
- Highest and Best Use Analysis
- Valuation analysis of all appropriate data and approaches to value
- Reconciliation of the approaches used to develop the concluded market value
- Final value conclusion, preparation and formulation of the report

## GENERAL INFORMATION

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### REGIONAL AREA DESCRIPTION

The subject is located in the Northern Sacramento Valley region of the State of California. The regional area is comprised of all or portions of Butte, Tehama, Glenn, Shasta, Colusa, Sutter, Yuba and Yolo Counties. The subject property is specifically located in Butte County and within the limits of the City of Gridley. The appraiser assumes the reader is familiar with the general physical and demographic characteristics of the North Valley region and no additional discussion of the region is included here.

STATE MAP WITH BUTTE COUNTY IN RED





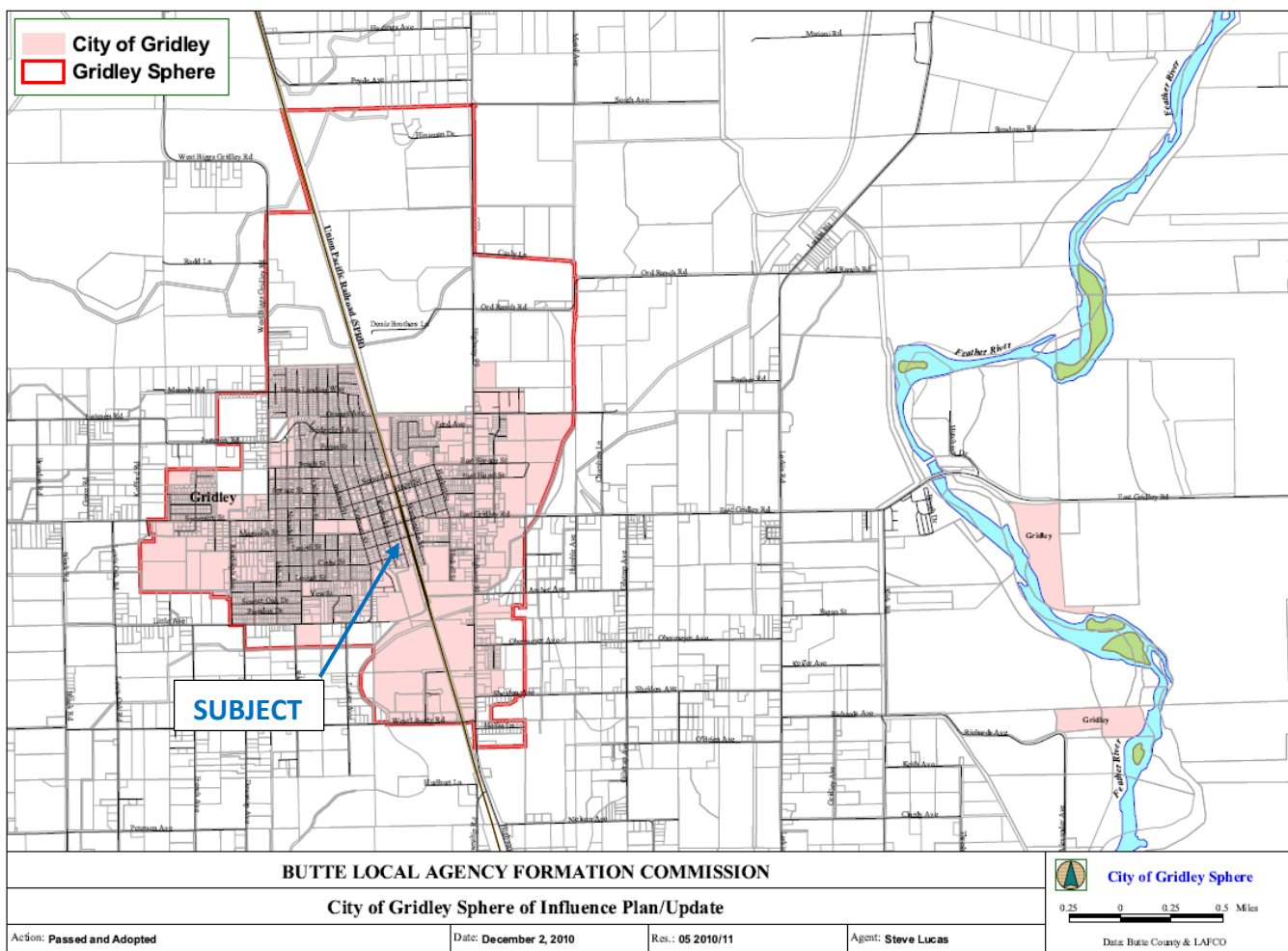
REGIONAL MAP / BUTTE AND SURROUNDING COUNTIES



## GENERAL INFORMATION

### LOCATION & MARKET TRENDS IN THE NEIGHBORHOOD

According to the Butte County LAFCO's Municipal Services Review and Sphere of Influence Plan, the City of Gridley has adequate municipal services to provide for the current and anticipated population growth and to serve the build out of the existing sphere of influence (SOI). The city has seen a decrease in population of approximately 52 residents since review was approved in 2010. Gridley is a small city surrounded by agricultural land and foothills. It provides all the necessary services for its residents and has good access via State Hwy 99 to the employment centers, commercial and retail services and higher education opportunities located in Chico. State Hwy 99 is currently being widened and improved through Gridley. Some of the newest commercial projects completed in Gridley include an Autozone, Dollar General, a 57-unit apartment complex and a large industrial building. These factors suggest that the character of Gridley will remain largely unchanged over the near term, with stable to improving unemployment rates and slow to moderate increases in property values.



## DESCRIPTION AND ANALYSIS OF THE LAND

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### INTRODUCTION

The subject land consists of one legal parcel located at the southwest corner of Virginia Street and Laurel Street. An alley extends along the subject's western boundary. This location is on the south end of the downtown Gridley core and the immediate area is characterized by light industrial and industrial uses. The Southern Pacific Railroad extends just east of the subject.

### PHYSICAL CHARACTERISTICS: Lot Size, Access/Frontage, Shape and Topography

The parcel contains approximately 0.52± acres or 22,651± square feet of land area. It is rectangular with approximately 195 feet of frontage on Virginia Street and 100 feet of frontage on Laurel Street. The topography is level and at grade with surrounding streets.

### SITE DRAINAGE / STREET IMPROVEMENTS

Storm drains are present and assumed adequate. Curbs, gutters, sidewalks and streetlights in place on both Virginia and Laurel Streets.

### UTILITIES

All municipal utilities are at the site. Electricity and gas are provided by Pacific Gas & Electric Company and there are overhead powerlines along Laurel Street and the alley at the western boundary of the subject site. California Water Company is the water provider and the parcel is connected to sewer.

### FLOOD HAZARD

The subject property is located in Zone X, an area of 0.2% chance annual flood hazard; as identified on F.E.M.A. Flood Insurance Rate Map, Community Panel No. 06007C01125E, dated 1/6/2011. A copy of the flood map is included as an exhibit in the Addenda.

### ZONING ANALYSIS

The subject is zoned M-1, Limited Industrial. According to the city municipal code, "the purpose of the M-1 district is to preserve areas for light industrial and heavy commercial uses which are generally inappropriate in restricted and general commercial districts". This is a fairly wide-ranging zoning classification that permits all light industrial, research and manufacturing uses, machine and welding shops, cabinet and woodworking shops, tool & equipment manufacturing and microbreweries, amongst others. Utility services yards, and other public and quasi-public uses are among a few conditional uses. The subject is legally conforming. A copy of the zoning code has been retained in the appraisers' files.

### ENVIRONMENTAL HAZARDS

An environmental assessment report was not provided for review. No obvious signs of contamination on or near the subject were observed during a physical inspection of the site. However, the area is developed with industrial uses and the client is advised to obtain an environmental assessment to satisfy any concerns. This report assumes that the property is not adversely affected by environmental hazards.

### EASEMENTS AND ENCROACHMENTS

The appraisal assumes there are no easements or encroachments on the site that would have a negative impact on its development potential. Overhead power lines were observed along Laurel Street and the alley, and there may be typical easements for utilities along the perimeter of the site.

## DESCRIPTION AND ANALYSIS OF THE LAND

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### CONCLUSION OF SITE ANALYSIS

The subject is an average industrial/commercial site and there are no known factors that would limit the site's development according to its highest and best use.

### REAL ESTATE ASSESSMENT AND TAX SUMMARY

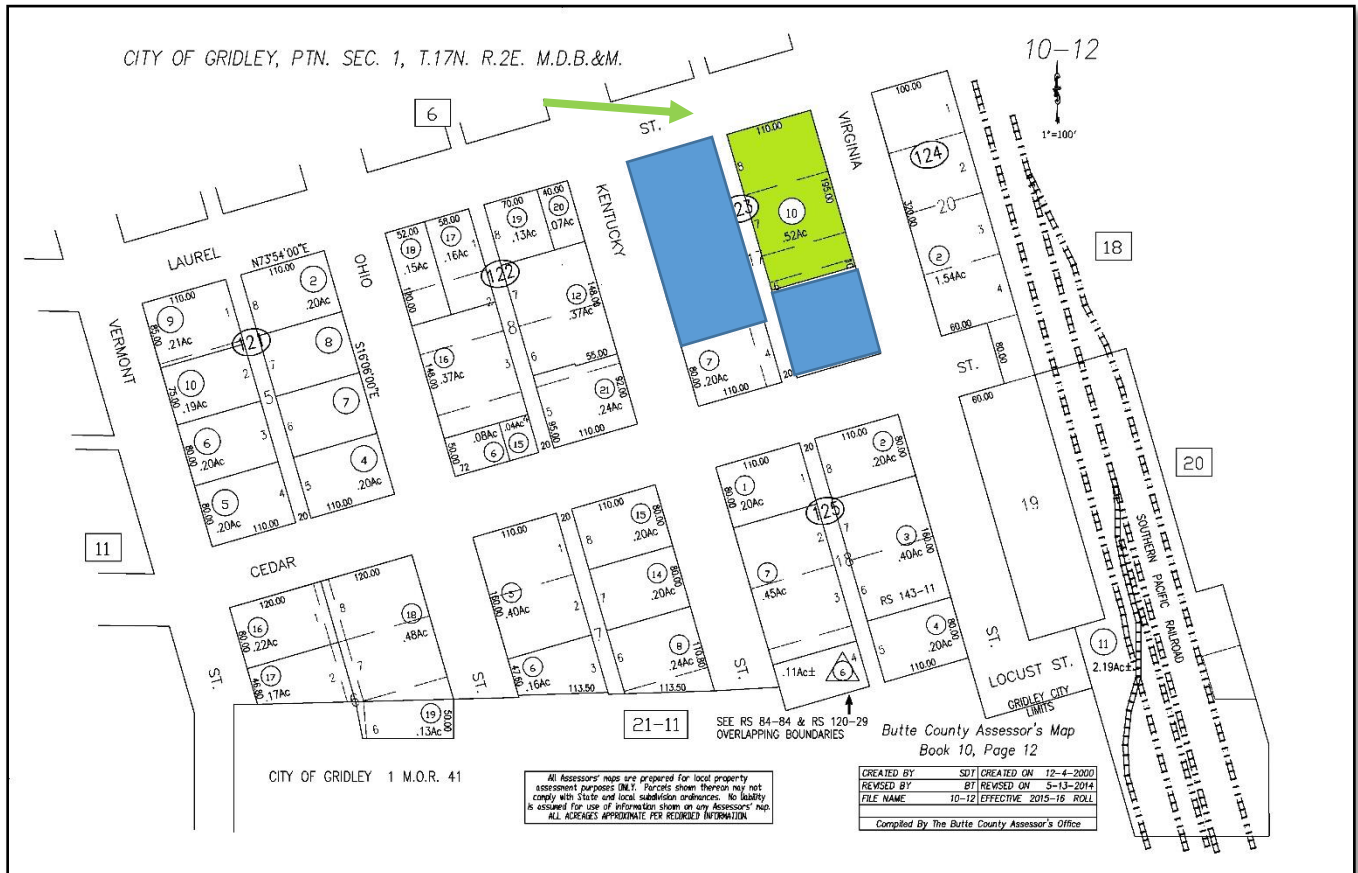
In California, assessed values are set in relation to provisions of state law and are not necessarily indicative of market value. Taxes are calculated at 1% of assessed value plus any special assessments or levies. Tax increases are restricted to a maximum of 2% per year plus the market value of any new construction or improvements. Properties are generally re-assessed to reflect the value change when a change in ownership occurs. An approximate tax burden, assuming a sale or change of ownership has occurred, may be calculated by multiplying the appraised value or a pending transaction price by the current tax rate of 1.050 plus direct charges.

In the Income Capitalization Approach, the real estate taxes are estimated and based on an assumed sale at the appraised value. A summary of the 2020 / 2021 assessments and taxes is presented on the below.

| 2020/2021 REAL ESTATE ASSESSMENT & TAX SUMMARY |            |                   |                   |             |
|--|------------|-------------------|-------------------|-------------|
| Parcel #                                       | Land Value | Improvement Value | Total Assessments | Total Taxes |
| 010-123-010                                    | \$31,556   | \$132,600         | \$164,156         | \$2,182     |
| Current Tax Rate:                              |            | 1.050             | Status:           | Paid        |

## DESCRIPTION AND ANALYSIS OF THE LAND

The parcel map presented below illustrates the shape and location of the subject with respect to surrounding properties. The subject is highlighted in green. The potential buyer is the City of Gridley, who owns the adjacent parcels in blue. The public works department would expand their facility, creating almost an entire city block. As a note, on the date of the inspection, city vehicles were parked in the alley that separates them from the subject. The subject owner indicated the city uses the alley for overflow parking. This could potentially create an evacuation or emergency service issue if there were a fire.





## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

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### INTRODUCTION

The following description is based on a field inspection, a review of available public records and information obtained from the property owner. It is for descriptive purposes and should not be construed as a building inspection or a complete summary of mechanical systems or structural components. It is assumed that there are no hidden defects and all structural components are functional and operational, unless otherwise noted.

The subject site is improved with a total of 7,280 square feet of light industrial warehouse space. There are two buildings including a 1960s vintage light industrial building and storage building.

Building 1 is the main building, containing approximately 5,030± square feet of warehouse space. It was used as an auto body repair shop for over 30 years. This building features a clear span construction with three overhead doors and four man doors. A low quality office, enclosed lean-to parts area and a very minimal restroom are located on the perimeter of the warehouse. The restroom is barely large enough to accommodate an old toilet and sink. The office measures about 20' x 20'. Overall, it is nearing the end of the typical life span for this building type in terms of actual age; although it will likely continue to function as a basic storage warehouse space for a number of years. If used for another use or leased to a third party, certain minimum upgrades would likely be required to the plumbing and electrical in the restroom.

Building 2 was added at a later date. It is a storage building containing approximately 2,250± square feet. It is divided into eight bays (labeled A through H), each with an overhead door. This building has a wood frame, clad with metal panels. The roof was recovered in 2020. The structure is set on a concrete pad. Bays A & B have a window (one broken at time of site visit); the other units have just the overhead door. The building has no heating or cooling. There is no plumbing and only Units A & B have electrical. It was previously being used for vehicle storage for the related auto body shop.

Basic construction components for Building 1 are listed below.

### BASIC CONSTRUCTION COMPONENTS:

|                          |                                       |
|--------------------------|---------------------------------------|
| Property Type:           | Light Manufacturing/Storage Warehouse |
| No. of Stories:          | 1                                     |
| Structural Construction: | Wood Frame                            |
| Foundation:              | Reinforced concrete slab              |
| Roof Type/Cover:         | Metal, Hip                            |
| Exterior Walls:          | Metal Panels                          |

### Warehouse Features:

|                         |  |
|-------------------------|--|
| Roll Up Doors:          | 2 Rollup, 1 Garage style overhead door |
| Recessed Loading Docks: | None                                   |

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## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

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|                               |   |
|-------------------------------|---|
| Heating/AC:                   | Reznor heater (in working condition), swamp cooler (not in use)                         |
| Plumbing:                     | 1 restroom with toilet and sink (not ADA compliant)                                     |
| Electrical:                   | 1 meter/amperage and phase unknown  |
| Skylights:                    | Yes   |
| Insulation:                   | None  |
| Clear Span or Column Spacing: | Clear Span  |
| Mezzanine:                    | None  |
| <b>Office Finishes:</b>       |   |
| Heating:                      | Wall unit   |
| Interior Walls:               | Drywall with paint and wall paper covering  |
| Ceiling:                      | T-Bar Acoustical Tiles  |
| Windows:                      | 1 Single pane with metal frame  |
| Floor Covering:               | Concrete  |
| Lighting:                     | Fluorescent   |
| Site Improvements/Parking:    | Partial perimeter fencing – 6' chain link with 3-strand barbed-wire and a swinging gate |

### Conclusion

The subject improvements are in fair condition overall. The yard area is overgrown with weeds and debris from the prior use.



TYPICAL EXTERIOR FACING SOUTH ON LAUREL STREET

## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

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TYPICAL EXTERIOR VIEW OF BUILDING 1, FACING SOUTHEAST ON LAUREL STREET



VIEW OF BUILDING 1 FACING WEST ON VIRGINIA STREET



VIEW OF SUBJECT AT THE SOUTHWEST CORNER OF VIRGINIA & LAUREL STREETS



## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

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FACING SOUTH ALONG SUBJECT'S WESTERN BOUNDARY/ALLEY & PUBLIC WORKS SHOWN



VEHICLE STORAGE BAYS/BUILDING 2 LOCATED ALONG THE SOUTHERN PORTION OF THE OVERALL PARCEL



REAR VIEW OF VEHICLE STORAGE BUILDING AND 2<sup>ND</sup> YARD AREA

## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

---



FACING WEST AT YARD AREA BETWEEN THE TWO SUBJECT BUILDINGS



INTERIOR VIEW OF UNIT A/BUILDING 2



BUILDING 1 WAREHOUSE INTERIOR/ILLUSTRATES ROOF STRUCTURE



## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

---



NORTH SIDE OF WAREHOUSE



TYPICAL WAREHOUSE VIEW



ENCLOSED LEAN-TO/PARTS STORAGE

## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

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OFFICE



RESTROOM DOOR AT SWC OF BUILDING



RESTROOM



## DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS

---



YARD AREA FACING THE VEHICLE STORAGE BUILDING



VIEW FACING NORTHWEST AT THE ALLEY AND GRIDLEY PUBLIC WORKS FACILITY



OVERALL VIEW OF SUBJECT FACING NORTHWEST ALONG VIRGINIA STREET

### INTRODUCTION

The highest and best use determination is critical to the appraisal of any property. It helps to ensure the selection of appropriate comparable properties for use in all the approaches to value and drives the overall valuation process. The highest and best use analysis also aids in the determination of those uses that will produce the highest net return to the land. The analysis considers the best and most productive use of the site both “As Vacant” and “As Improved”.

The Dictionary of Real Estate Appraisal, Sixth Edition defines highest and best use as: The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value”. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.

### Highest and Best Use As Vacant

The highest and best use of the land “As Vacant: refers to the best use of the site if it were a vacant lot as of the effective date of the appraisal.

The highest and best use of the subject, “As Vacant”, is for a light manufacturing or industrial use developed to the highest density permitted by zoning.

### Highest and Best Use As Improved:

The site is developed to its maximum potential with a floor area ratio indicated at 32%. The structures and site improvements are in fair condition but can probably function as storage space in its current condition. The property was used for vehicle storage and auto body repair for over 30 years before the current owner was able to locate a larger building to accommodate his business. There are few if any other similar buildings available for sale or lease on the multiple listing service and the owner has received a number of offers to purchase the building over the past 12 to 18 months. In fact, on the date of the site visit, I was approached by a gentleman inquiring if the building was for sale and he was speaking with the property owner as I finished the inspection. For these reasons, the highest and best use “As Improved” is for continued light industrial/commercial service use until such time that a redevelopment or major renovation of the existing buildings is warranted.

### INTRODUCTION

There are three generally accepted approaches available in the valuation of real property. These are the Sales Comparison Approach, the Income Capitalization Approach and the Cost Approach. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued; and the quality of information available. The final estimate of value considers the result of each approach used in the report. If more than one approach has been found to be applicable to the subject property, a correlation or reconciliation of indicated values is performed to establish a final value. The different approaches are briefly discussed and defined below.

The sales comparison approach is a method of establishing market value by comparing the subject property to similar properties that have recently sold or are listed for sale, in an effort to determine the most probable price at which the subject would likely sell if offered on the open market.

The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition defines the sales comparison approach as:

“The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available”.

The income capitalization approach uses a set of procedures through which a value indication is derived for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways, known as the direct capitalization method and the discounted cash flow method. Depending on the property type and investment qualities of the property, either one or both methods may be used in the Income Approach.

The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition defines the income capitalization approach as:

“Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income”.

The cost approach is based on the principle of substitution that a purchaser would most likely not pay more for a property than the cost of obtaining an equally desirable site, plus the cost of replacing equally desirable and useful improvements. This assumes no costly delay is involved in making the substitution. This approach has practical application when a property is new and where the improvements are special purpose in nature.

In the following analysis, the Sales Comparison Approach and Income Capitalization Approaches are developed. Investors of this property type generally do not make purchase decisions based on the cost approach unless the project represents new or very recent construction, or is in the pre-development phase. Therefore, omitting the cost approach is not a limiting condition on the value.

### INTRODUCTION

The sales comparison or market valuation approach is primarily based on the principal of substitution, which states that a typical buyer in a market will pay no more for a property than what he or she could pay for a reasonable substitute. It is also based on the principle of supply and demand. In the sales comparison approach, the market value of the subject property is derived through a comparison of similar properties utilizing appropriate units of comparison and then applying adjustments (where appropriate), for differences in transactional and property data between the comparable data and the subject. The most relevant and commonly used unit of comparison for this property type is the value per square foot. The initial research focused on transactions occurring within the following parameters:

- Transaction Date: January 2018 to May 2021
- Location: Gridley, Oroville, Chico, Willows, Orland
- Size: The initial data ranged in size from approximately 2,500± square feet to 60,000± square feet.
- The search yielded approximately twelve properties which were given initial consideration. The comparable data selected for direct comparison are bracketed and supported by the initial data considered for the analysis which exhibited unit values that extended from \$20 to \$50 per square foot, rounded. Three sales were identified in the Chico market in the 10,000 square foot range having unit values between \$90 and \$110 per square foot. These properties are far newer and far superior to the subject overall, and were discarded from further review.
- After further review and confirmation, five sales were selected for direct comparison with the subject. These sales are located in Gridley, Oroville and Chico. The selected sales range in size from 5,270 square feet to 16,220± square feet. Prior to adjustment, the data exhibit unit values that extend from \$34 to \$43 per square foot of building area with a pre-adjusted average and median indicated at \$39 per square foot.
- The comparable data are summarized on the next page. The sales are arrayed in descending order by sale price.



## SALES COMPARISON APPROACH

| SUMMARY OF COMPARABLE SALES           |  |                |               |            |                                 |            |                   |
|---------------------------------------|--|----------------|---------------|------------|---------------------------------|------------|-------------------|
| Comp #                                | Address  | Sale/List Date | Building Size | Year Built | SITE AREA & FLOOR<br>AREA RATIO | Sale Price | Value Per Sq. Ft. |
| 1                                     | 801 Washington Street, Gridley   | 11/27/2018     | 16,220        | 1955       | 1.19 Acres / 32% FAR            | \$550,000  | \$34              |
|                                       | Comments: Older industrial building purchased "as is" condition. The buyer moved his auto repair business in and remodeled it to their specifications which included adding a paint booth. The building is larger than the subject but this characteristic is offset by its superior construction quality and condition. The transaction reflects an arm's length private transaction between unrelated, knowledgeable parties. Overall, market conditions have improved throughout the county since this sale occurred. However, it is included because the lack of more recent data in the immediate market required the search to be extended back in time and to encompass all of Butte and Glenn Counties.  |                |               |            |                                 |            |                   |
| 2                                     | 5625 Baggett Marysville Rd,<br>...   | 3/20/2020      | 12,114        | 1986       | 5.32 Acres / 5% FAR             | \$525,000  | \$43              |
|                                       | Comments: This industrial property consists of three metal warehouses with multiple roll up doors. Each is 50ft x 80ft and two are connected by a breezeway. One building has two restrooms and there is one office with a private entrance door. The warehouse space features 12 ft to 16 ft walls to trusses. 3 phase power throughout. Set up for precision machinery. Situated on a 5 acre parcel with two septic tanks in place. Sold for 5% below list price after 16 days on the market. The building is larger than the subject but this characteristic is offset by its superior construction quality and condition.  |                |               |            |                                 |            |                   |
| 3                                     | 744 Orange Street, Chico   | 2/26/2019      | 11,400        | 1946       | 0.59 Acres / 44% FAR            | \$450,000  | \$39              |
|                                       | Comments: Industrial property located on the outskirts of downtown Chico, in an area zoned for light industrial and mixed uses, including multi-family. Improvements include a 1950s vintage light industrial/warehouse containing 9,000 square feet. It is divided into two units that share one minimal restroom located on the building exterior. One side of the building has been a tire installation and smog center for more than 30 years. The other half of the building serves as storage warehouse for an online auction retailer. There is also second storage building containing 2,400 square feet. At the time of sale, there were two tenants in the main building and the smaller building was being used for storage by the tire installer. The seller was a trust wishing to dispose of assets and the buyer is an investor. The tenants remained in place. The property is located adjacent to the Southern Pacific Railroad and is in a flood zone. The sale price was based on an appraised value and the property was on the market for 24 days prior to a contract. The site might warrant a redevelopment at some point and is located in an area of other redevelopment. |                |               |            |                                 |            |                   |
| 4                                     | 2641 S. 5th Avenue, Oroville   | 2/8/2019       | 6,600         | 1970       | 0.86 Acres / 18% FAR            | \$259,000  | \$39              |
|                                       | Comments: Three unit warehouse each with roll up doors and small office. Two units are 1,800 square feet each, one is 3,000 square feet. Rents ranged from \$0.29 to \$0.31 per sq. ft at the time of sale. Metal building with metal siding/roofs. This property sold for the asking price after 229 days on the market. Overall this sale provides a good indication of value for the subject but requires an upward adjustment for continued market appreciation since the date of this transaction and the slightly superior market conditions in Oroville.  |                |               |            |                                 |            |                   |
| 5                                     | 195 Virginia Street, Gridley   | 4/12/2021      | 6,540         | 1998       | 0.20 Acres / 75% FAR            | \$245,000  | \$37              |
|                                       | Comments: Sale of a steel frame & metal panel warehouse located on the subject street. Features 3 roll up doors, metal awning at rear of building, small fenced area. Purchased by local company for expansion of business. This transaction reflects an arm's length, private sale between unrelated parties that were knowledgeable of the market.   |                |               |            |                                 |            |                   |
| PRE-ADJUSTED COMPARABLE<br>INDICATORS |  | AVERAGE        | 10,575        | 1971       |                                 | \$405,800  | \$39              |
|                                       |  | MEDIAN         | 11,400        | 1970       |                                 | \$450,000  | \$39              |
| SUBJECT                               | 235 Virginia Street, Gridley   |                | 7,280         | 1960s      |                                 |            |                   |

## SALES COMPARISON APPROACH

---

COMPARABLE 1 – 801 WASHINGTON STREET, GRIDLEY



COMPARABLE 2 – 5625 BAGGETT-MARYSVILL ROAD, OROVILLE



COMPARABLE 3 – 744 ORANGE STREET, CHICO



COMPARABLE 4 – 2641 S 5<sup>TH</sup> AVENUE, OROVILLE



COMPARABLE 5 – 195 VIRGINIA STREET



### Analysis and Adjustment of Comparable Data

In the sales comparison approach, the comparable properties are compared to the subject and adjusted to account for material differences that affect value. Comparable properties are analyzed and when warranted, are adjusted up or down based on various elements of comparison. The comparable data are compared to the subject based on either a qualitative, (ranking method), or quantitative analysis of the data utilizing market extracted dollar or percentage adjustments. Adjustments are typically considered for the following factors, generally in this order:

- Effective Sale Price: Addresses any significant expenditures immediately following the sale
- Real Property Rights Transferred: Differences between Fee Simple or Leased Fee Interest
- Financing Terms: Whether or not transaction is a cash sale, or financing is market rate
- Conditions of Sale: Accounts for listing status, private transactions not exposed to market, etc
- Market Conditions: Measure of market appreciation, decline or stability in a market or submarket
- Location: Adjusts for physical location within a market, rent levels, access and exposure qualities
- Zoning and Use: Permitted uses and density differences
- Size: Accounts for inverse relationship often seen between unit value and building size

## SALES COMPARISON APPROACH

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- Effective Age/Physical Condition/Quality of Construction: Adjusts for differences in quality of materials used in structural, mechanical and finishes, physical or other forms of depreciation between comparable data and subject
- Site Characteristics: Physical and density differences between comparables and subject
- Economic Characteristics: Accounts for differences in occupancy and operating posture between comparables and subject

### SUMMARY OF ANALYSIS AND CONCLUSION OF VALUE BY THE SALES COMPARISON APPROACH

The adjustment grid is presented on the next page. The transactional characteristics are listed at the top of the chart. Adjustment categories are found along the left side of the chart, and the final adjusted sale prices and unit values are presented along the bottom of the chart. The comparable data are similar to the subject with respect to effective sales price, real property rights conveyed, financing terms or conditions of sale. No adjustments are required for these transactional characteristics. Comparables 1, 3 and 4 are adjusted upward to account for market appreciation occurring since these sales closed in 2018 and 2019.

With respect to adjustments for differences in physical characteristics, no adjustments are necessary for zoning or economic characteristics. Comparable 3 is located in Chico and this sale was adjusted downward to account for its superior location. Comparables 1, 2 and 3 are larger than the subject. Typically there is an inverse relationship between building size and unit values. An adjustment of \$5 per square foot is extracted from the data and applied to the difference in size between the comparables and the subject. Comparables 1, 2 and 5 are superior to the subject to varying degrees with respect to age/condition and quality of construction. They are adjusted downward based on a review of Corelogic, (formerly Marshall & Swift Valuation Manual) and other proprietary sources, for base construction costs and typical rates of depreciation. Finally, Comparables 2, 3, 4 and 5 are adjusted for differences in site characteristics.

After refinement, the comparable data exhibit a relatively consistent range of adjusted unit values, extending from \$39 to \$43 per square foot, rounded. The data required minor net adjustments overall, ranging from negative -1.0% to 14% of the initial sales price. The comparable data are reasonable alternatives to the subject and are generally similar overall and are given equal valuation weight. For these reasons, a unit value within the adjusted range is well-supported by the comparable sales.

The definition of market value used in this analysis states essentially that the highest sales price that is reasonably supported should be applied to the subject when neither party is under duress to buy or sell. Furthermore, there is a lack of alternatives available in the Gridley market, which suggests a unit value at the upper end of the range, based on the principle of substitution. For these reasons, the unit value is concluded at the high end of the refined range, or \$43 per square foot. Extending the unit value by the subject's 7,280± square feet, results in a property value of \$313,040, rounded. This value is within the pre-adjusted and adjusted values exhibited by the comparable data.

The Sales Comparison Approach is reconciled at \$313,040, as shown at the bottom of the adjustment grid on the next page.

| SUMMARY AND ADJUSTMENT GRID OF COMPARABLE SALES |   |                                     |                                      |  |                              |                              |
|---|---|-------------------------------------|--------------------------------------|--|------------------------------|------------------------------|
| Comparable Sale No.                             | Subject                                   | Comparable No. 1                    | Comparable No. 2                     | Comparable No. 3                       | Comparable No. 4             | Comparable No. 5             |
| Address   | 235 Virginia Street, Gridley              | 801 Washington Street, Gridley      | 5625 Baggett Marysville Rd, Oroville | 744 Orange Street, Chico               | 2641 S. 5th Avenue, Oroville | 195 Virginia Street, Gridley |
| APN   | 010-123-010                               | 010-250-034                         | 035-470-010                          | 004-263-006                            | 035-260-031                  | 010-125-002                  |
| Recorded Date of Sale                           | N/A                                       | 11/27/2018                          | 3/20/2020                            | 2/26/2019                              | 2/8/2019                     | 4/12/2021                    |
| Sale Price                                      | N/A                                       | \$550,000                           | \$525,000                            | \$450,000                              | \$259,000                    | \$245,000                    |
| Rentable Building Area                          | 7,280                                     | 16,220                              | 12,114                               | 11,400                                 | 6,600                        | 6,540                        |
| Grantor   | Pickering Trust                           | Enest & Tina L Hard                 | RM Pierce Living Trust               | Peter Priel Trust                      | Dick Family Trust            | Ford Justeson Partnership    |
| Grantee   | N/A                                       | Pickering Trust                     | E Electric Ents Inc                  | 12 Buildings, LLC                      | MBM Investments              | Apex Enterprises Inc         |
| Recorded Doc #                                  | N/A                                       | 2018-39154                          | 2020-11400                           | 2019-0012163                           | 2019-9021                    | 2021-16569                   |
| UNIT VALUE PER SQ. FT.                          | N/A                                       | \$34                                | \$43                                 | \$39                                   | \$39                         | \$37                         |
| ELEMENTS OF COMPARISON AND ADJUSTMENT           |   |                                     |                                      |  |                              |                              |
| TRANSACTION CHARACTERISTICS                     |   |                                     |                                      |  |                              |                              |
| Effective Sales Price/Expenditures After Sale   | N/A                                       | Similar                             | Similar                              | Similar                                | Similar                      | Similar                      |
| Property Rights Conveyed                        | Fee Simple                                | Similar                             | Similar                              | Similar                                | Similar                      | Similar                      |
| Financing                                       | Assume Cash or Equivalent                 | Similar                             | Similar                              | Similar                                | Similar                      | Similar                      |
| Conditions of Sale                              | Assume Arm's Length                       | Similar                             | Similar                              | Similar                                | Similar                      | Private Sale                 |
| - Adjustment (%)                                | N/A                                       | 0%                                  | 0%                                   | 0%                                     | 0%                           | 5%                           |
| - Adjustment (\$)                               | N/A                                       | \$0                                 | \$0                                  | \$0                                    | \$0                          | \$12,250                     |
| Market Conditions (Time)                        | Effective Date: 3/25/2021                 | Market Appreciation                 | Similar                              | Market Appreciation                    | Market Appreciation          | Similar                      |
| - Adjustment (%)                                | N/A                                       | 10%                                 | 0%                                   | 2.5%                                   | 2.5%                         | 0.0%                         |
| - Adjustment (\$)                               | N/A                                       | \$55,000                            | \$0                                  | \$11,250                               | \$6,475                      | \$0                          |
| Adjusted Sale Price                             | N/A                                       | \$605,000                           | \$525,000                            | \$461,250                              | \$265,475                    | \$257,250                    |
| Adjusted Price/Sq. Ft.                          | N/A                                       | \$37                                | \$43                                 | \$40                                   | \$40                         | \$39                         |
| PHYSICAL CHARACTERISTICS                        |   |                                     |                                      |  |                              |                              |
| Location  | Average                                   | Similar                             | Similar                              | Superior                               | Similar                      | Similar                      |
| - Adjustment (%)                                | N/A                                       | 0%                                  | 0%                                   | -5%                                    | 0%                           | 0%                           |
| Zoning  | M-1, Limited Industrial                   | Split M-1 & C-1/DMUoverlay          | M-2/Similar                          | IOMU with overlays/Similar             | M-2/Similar                  | M-1/Similar                  |
| Access & Exposure                               | Good/Good                                 | Similar                             | Similar                              | Similar                                | Similar                      | Similar                      |
| Size  | 7,280                                     | Larger                              | Larger                               | Larger                                 | Similar                      | Similar                      |
| - Adjustment (%)                                | N/A                                       | 11.1%                               | 6.9%                                 | 6.7%                                   | 0.0%                         | 0.0%                         |
| - Adjustment (\$)                               | N/A                                       | \$67,050                            | \$36,255                             | \$30,900                               | \$0                          | \$0                          |
| Age / Physical Condition & Construction Quality | Fair to Average Condition/Average Quality | Superior                            | Superior                             | Similar                                | Similar                      | Superior                     |
| - Adjustment (%)                                | N/A                                       | -7.5%                               | -7.5%                                | 0%                                     | 0%                           | -7.5%                        |
| - Adjustment (\$)                               | N/A                                       | (\$45,375)                          | (\$39,375)                           | \$0                                    | \$0                          | (\$19,294)                   |
| Site Characteristics                            | Typical FAR of 32%                        | Similar/Typical FAR of 31%          | Larger Yard Area/5% FAR              | Inferior/Typical FAR of 44%/Flood Zone | Larger/Typical FAR 18%       | Inferior/75% FAR             |
| - Adjustment (%)                                | N/A                                       | 0%                                  | 0.0%                                 | 2.5%                                   | 0.0%                         | 15%                          |
| - Adjustment (\$)                               | N/A                                       | \$0                                 | \$0                                  | \$11,531                               | \$0                          | \$38,588                     |
| Economic Characteristics                        | Vacant/Owner Occupied                     | Similar                             | Similar                              | Similar                                | Similar                      | Superior                     |
| - Adjustment (%)                                | N/A                                       | 0%                                  | 0%                                   | 0%                                     | 0%                           | -5%                          |
| FINAL ADJUSTED VALUES                           |   |                                     |                                      |  |                              |                              |
| Adjusted Sales Price                            | N/A                                       | \$626,675                           | \$521,880                            | \$480,619                              | \$265,475                    | \$263,681                    |
| Unit Value/Sq. Ft.                              | N/A                                       | \$39                                | \$43                                 | \$42                                   | \$40                         | \$40                         |
| Number of Adjustments                           | 0   | 3                                   | 2                                    | 4                                      | 2                            | 4                            |
| Gross Adjustment                                | N/A                                       | \$76,675                            | (\$3,120)                            | \$19,088                               | \$6,475                      | (\$19,906)                   |
| % Net Adjustment                                | N/A                                       | 13.94%                              | -0.59%                               | 6.80%                                  | 2.50%                        | 7.63%                        |
| SUBJECT VALUE CONCLUSIONS                       |   | ADJUSTED COMPARABLE SALE INDICATORS |                                      |  |                              |                              |
| Unit Value (\$/Sq. Ft.)                         | \$43                                      | ADJUSTED AVERAGE \$ /SQ. FT.        |                                      |  | \$41                         |                              |
| VALUE INDICATION                                | \$313,040                                 | ADJUSTED MEDIAN \$/SQ. FT.          |                                      |  | \$40                         |                              |
| ROUNDED   | \$313,040                                 |                                     |                                      |  |                              |                              |

### INTRODUCTION

The income capitalization approach is used to estimate a value for the property based upon its ability to generate a net income stream. This approach is based on the economic principle that the value of an income producing property is the present worth of the anticipated future benefits. The annual cash flow or net operating income is converted into a present value using a discounting or income capitalization process. The methods of capitalization are based on inherent assumptions concerning the quality, durability and pattern of the income stream.

The subject is vacant and was formerly an owner occupied business for many years. The most probable buyer of this property type is an owner user or single tenant investor. For these reasons, a direct capitalization of the subject's potential gross income is the most appropriate method of valuation in the income capitalization approach. The first step in this method is to estimate the potential gross income (PGI) that could be achieved by the subject. This is accomplished by estimating the market rent that could be expected for the subject space. If there is a lease in place, the contract rental rate is compared to the market rent estimate. If the subject rental rates are found to be bracketed or supported by the comparable data, the contract income is typically used as the basis of the potential gross income in the As Is valuation. Market rental rates are applied to any vacant units.

If the subject is vacant, owner occupied or has an internal, related entity lease in place, the market rent estimate is used as the basis of PGI. A deduction for vacancy and credit loss is deducted from the PGI. Then the operating expenses are deducted to indicate the net income (NOI). In the final step, the net income is capitalized into an indication of value through the use of a market-extracted capitalization rate (OAR). The OAR is derived from sales, and developed through a review of investor surveys, and broker interviews.

### ECONOMIC PROFILE/BASIS OF POTENTIAL GROSS INCOME (PGI)

The subject is vacant and was formerly owner occupied. For these reasons, the estimate of potential gross income is based on market rent. Note: The subject is not an investment grade property and many of the sales used for direct comparison and in the initial search involved properties purchased for owner occupancy. For these reasons, the income capitalization approach is developed primarily in support of the sales comparison approach.

### Market Rent Survey

Because many of the buildings in the Gridley market are owner-occupied, rental data for light industrial properties is relatively limited. For this reason, the search for comparable space includes Gridley, Biggs, Chico, Oroville and Live Oak. The rental data bracket the subject in terms of leasable area and represent basic warehouse and storage warehouse space with similar market appeal. Typical lease terms range from 1 to 5 years and most include annual rent escalations of 0% to 3%. Renewal options vary. Most space is being leased "As Is" without significant tenant improvement allowances. Leases are typically structured on a gross basis like the subject.



## INCOME CAPITALIZATION APPROACH

Rental rates at the comparable properties range from \$0.35 to \$0.53 per square foot per month. The average rental rate is indicated at \$0.48 per square foot per month. Based on a review of the comparable data, market rent is estimated at \$0.48 per square foot per month.

| SUMMARY OF RENT COMPARABLES         |                             |              |               |                           |            |                       |                               |                          |               |                              |
|-------------------------------------|-----------------------------|--------------|---------------|---------------------------|------------|-----------------------|-------------------------------|--------------------------|---------------|------------------------------|
| Comp #                              | Address                     | Lease Year   | Year Built    | Building Size             | Suite Size | Lease Type            | Monthly Rent                  | Monthly Rent Per Sq. Ft. | Estimated CAM | Total Gross Rent Per Sq. Ft. |
| 1                                   | 926 W 8th Street, Chico     | Listing 2021 | 1946          | 9,000                     | 4,500      | Gross                 | \$2,400                       | \$0.53                   | \$0.00        | \$0.53                       |
| 2                                   | 4248 Lincoln Blvd, Oroville | 6/1/2020     | 1986          | 4,500                     | 4,500      | NNN                   | \$2,300                       | \$0.51                   | \$0.00        | \$0.51                       |
| 3                                   | 2725 State Hwy 32, Chico    | 3/3/2020     | 1976          | 15,000                    | 2,560      | Gross                 | \$1,280                       | \$0.50                   | \$0.00        | \$0.50                       |
| 4                                   | 195 Humboldt Avenue #A      | 6/19/2020    | 1945          | 13,758                    | 5,600      | NNN                   | \$2,800                       | \$0.50                   | \$0.02        | \$0.52                       |
| 5                                   | 2620 S 7th Avenue           | 1/1/2019     | 1978          | 40,000                    | 20,000     | Gross                 | \$7,000                       | \$0.35                   | \$0.00        | \$0.35                       |
| <b>TOTAL SQUARE FEET SURVEYED</b>   |                             |              | <b>82,258</b> | <b>COMP AVERAGE RENT:</b> |            | <b>\$0.48</b>         | <b>CONCLUDED MARKET RENT:</b> |                          |               | <b>\$0.48</b>                |
| <b>AVERAGE SUITE SIZE (SQ. FT.)</b> |                             |              | <b>7,432</b>  |                           |            | Per Sq. Ft. Per Month |                               |                          |               | Per Sq. Ft. Per Month        |

### Potential Gross Income (PGI)

Potential gross income is based on market rent applied to the gross building area. As shown in the next chart, PGI is estimated to be \$41,933 at 100% occupancy.

| CALCULATION OF POTENTIAL GROSS INCOME (PGI) |   |                 |              |                 |
|---|---|-----------------|--------------|-----------------|
| UNIT SIZE (SQ FT)                           |   | MARKET RENT PSF | MONTHLY RENT | ANNUAL RENT-PGI |
| 7,280                                       | X | \$0.48          | \$3,494      | = \$41,933      |

### Vacancy & Collection Loss

From an investment standpoint it is reasonable to make a deduction for downtime between tenants and any collection loss that may occur. In the following analysis, vacancy is deducted at 6% and collection loss is deducted at 1% for a total deduction of 7% of PGI overall.

### Effective Gross Income (EGI)

EGI is calculated by subtracting the vacancy and collection loss estimate from the PGI and is calculated at \$38,998 in the forecast year.

### Operating Expenses and Expense Ratio

Typical expenses that are the responsibility of the landlord include real estate taxes, building insurance, management and administrative fees and replacement reserves for structural maintenance and repairs. Tenants typically pay for utilities and trash collection directly. The ratio of expenses to income varies based on the size and tenancy but the typical range extends from 20% to 30% for similar properties with a similar lease structure. Older buildings and multi-tenant properties often have expense ratios on the high end of this range or higher, depending on the physical condition of the property.

## INCOME CAPITALIZATION APPROACH

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In the direct capitalization analysis, the forecast expenses include real estate taxes at a level that assumes a sale at the appraised value multiplied by the tax rate. Building insurance and replacement reserves are based on a review of market comparables. Management fees for lease administration and associated costs are estimated at the market rate of 5% of EGI. Operating expenses are estimated to be 23% of EGI or \$8,930 overall.

### Net Operating Income

After deducting the operating expenses from effective gross income, the net annual income is estimated to be \$30,068 in the forecast year.

### Direct Capitalization

The last step is to capitalize the net income by an appropriate overall capitalization rate. To provide an estimate of the market value of the subject property, a direct capitalization method using an overall rate is utilized. The overall capitalization rate (OAR) is the ratio of net operating income, to the cash equivalent sales price as of the date of sale. The OAR is a reflection of the present value of anticipated future benefit and is intended to represent the annual rate of return necessary to attract investment capital. The selection of the appropriate overall rate is estimated based on a review of rates extracted from industrial sales in the northern California region, and a review of national industry surveys.

| CAPITALIZATION RATE SURVEY OF COMPARABLE SALES |                       |                      |                     |                   |                                   |                                |
|--|-----------------------|----------------------|---------------------|-------------------|-----------------------------------|--------------------------------|
| <u>Sale #</u>                                  | <u>Address</u>        | <u>Building Size</u> | <u>Date of Sale</u> | <u>Sale Price</u> | <u>Sale Price<br/>Per Sq. Ft.</u> | <u>Capitalization<br/>Rate</u> |
| 1  | 2700 Hegan Lane       | 56,800               | December 2018       | \$4,250,000       | \$75                              | 5.30%                          |
| 2  | 607-611 Country Drive | 23,700               | January 2017        | \$1,575,000       | \$66                              | 6.70%                          |
| 3  | 15 Commerce Court     | 6,500                | September 2019      | \$807,500         | \$124                             | 7.50%                          |
| 4  | 2638 Aztec Court      | 32,651               | Listing 2020        | \$3,480,000       | \$107                             | 7.43%                          |
| 5  | 3023 Esplanade        | 23,693               | 7/27/2020           | \$1,275,000       | \$54                              | 7.74%                          |
|  |                       |                      |                     |                   | AVERAGE                           | 6.9%                           |
|  |                       |                      |                     |                   | MEDIAN                            | 7.43%                          |



## INCOME CAPITALIZATION APPROACH

| SUMMARY OF PUBLISHED CAPITALIZATION RATE SURVEYS                       |                                    |                     |
|--|------------------------------------|---------------------|
| Industry Survey/Source   | Property Type                      | Capitalization Rate |
| CBRE 4Q2020 US Cap Rate Survey<br>Special Report                       | Office-Single Tenant Net Lease     | 6.40%               |
|  | Retail/Grocery Anchored            | 6.20%               |
|  | Industrial                         | 6.00%               |
|  | Multi-Family (California)          | 3.5% to 4.5%        |
| Stan Johnson/Real Capital Analytics<br>4Q2020 Year End Cap Rate Survey | Office-All                         | 6.30%               |
|  | Office-Single Tenant Net Lease     | 6.26%               |
|  | Retail Net Lease                   | 6.10%               |
|  | Industrial-Single Tenant Net Lease | 6.0% to 6.1%        |
| NAR Commercial Real Estate Market<br>Trends & Outlook - April 2021     | Office Class A                     | 6.50%               |
|  | Office Class B/C                   | 7.20%               |
|  | Retail Strip Center                | 7.10%               |
|  | Retail Free Standing               | 6.80%               |
|  | Industrial Warehouse               | 6.80%               |
|  | Multi-Family Class A               | 5.70%               |
| The Boulder Group 1Q2021 Net<br>Lease Research Survey                  | Office-Single Tenant Net Lease     | 6.95%               |
|  | Retail Net Lease                   | 5.91%               |
|  | Industrial-Single Tenant Net Lease | 6.71%               |
| Co Star/Kidder Matthews 1 Q2021<br>Sacramento Trends                   | Office                             | 6.0%                |
|  | Retail                             | 5.8%                |
|  | Industrial                         | 6.3%                |
|  | Multi-Family                       | 5.5%                |
| ALTERNATIVE INVESTMENT   |                                    |                     |
| 10 Year Treasury Notes   | 15-Apr-21                          | 1.570%              |

*Compiled by J White Appraisals & Consulting*

The first chart summarizes a limited number of market sales in the immediate region from which capitalization rates were able to be extracted. As shown, the range extends from a low of 5.3% to a high of 7.74%. The most recent transactions indicate a range from 7.43% to 7.74% and illustrate an increasing trend in the immediate market. National trends in capitalization rates for industrial properties included in the investor surveys generally reflect rates for investment grade buildings. Typically, California submarkets consistently report overall rates at the low end of the range. As shown in the previous chart, industry published surveys are reporting capitalization rates ranging from 6.0% to 7.0% nationally for all industrial class types. Industry publications are forecasting a stable trend through 2021. This range is

## INCOME CAPITALIZATION APPROACH

generally lower than the capitalization rates extracted from comparable sales in the north state region which is to be expected given the lack of investment sales overall.

### Conclusion of Income Capitalization Approach

Based on the preceding analysis, an overall capitalization rate of 7.5% concluded as appropriate for the subject. The concluded overall rate is applied to the estimated net operating income, resulting in a preliminary value indication of \$400,902. The preliminary value is based on the assumption that the subject is leased at market rent. Because the subject is vacant, a reasonable deduction from the preliminary value is necessary to account for the rent loss and lease up costs associated with marketing the property and preparing it for lease. Based on a review of similar marketing times in the Gridley and Oroville area, rent loss is based on a 9-month lease up plus about \$10,000 to make any necessary repairs or upgrades. Total rent loss/lease up costs are estimated to be \$45,000, rounded, resulting in a final value indication of \$355,902. Calculations are presented in following chart.

| SUMMARY OF INCOME CAPITALIZATION APPROACH - DIRECT CAPITALIZATION METHOD |  |                      |                       |
|--|--|----------------------|-----------------------|
| Property Address:  | 235 Virginia Street, Gridley, CA                               |                      |                       |
| Property Size (Sq. Ft.)  | 7,280  |                      |                       |
| Forecast Year:   | May 2021 to April 2022   |                      |                       |
| Income Applied:  | <u>    X    </u> Market Rent or <u>    _    </u> Contract Rent | <u>Annual Income</u> |                       |
| Potential Gross Annual Income:   |  |                      | \$41,933              |
| Less: Vacancy (5%) & Collection Loss (1%):                               |  |                      | <u>\$2,935</u>        |
| Effective Gross Annual Income:   |  |                      | \$38,998              |
| Deduct: - Operating Expenses (Gross Lease Structure):                    |  |                      |                       |
| <u>Expense Category:</u>   | <u>Expense Paid By</u>   | <u>% E.G.I.</u>      | <u>Annual Expense</u> |
| Real Estate Taxes  | Landlord   | 9.49%                | \$3,700               |
| Insurance  | Landlord   | 6.41%                | \$2,500               |
| Management Fees/Administrative   | Landlord   | 5.00%                | \$1,950               |
| Trash Collection   | Tenant   | 0.00%                | \$0                   |
| Utilities-Electricity, Gas, Water  | Tenant   | 0.00%                | \$0                   |
| <u>Reserves for Capital Expenses</u>                                     | Landlord   | <u>2.00%</u>         | <u>\$780</u>          |
| Total Expenses:  | % EGI =  | 23%                  | <u>\$8,930</u>        |
| Net Income:  |  |                      | \$30,068              |
| Capitalization Rate:   |  |                      | <u>7.50%</u>          |
| Preliminary Value Indication   |  |                      | \$400,902             |
| Less: Leasing Costs & Rent Loss for 9 Months                             |  |                      | \$45,000              |
| FINAL VALUE INDICATION   |  |                      | \$355,902             |

## RECONCILIATION AND SUMMARY OF FINAL VALUE

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### INTRODUCTION

The final estimate or reconciliation of value considers the result of each valuation approach used in the report. If more than one approach has been found to be applicable to the subject property, a correlation or reconciliation of indicated values is performed to establish a final value. This is based on the applicability of the approach to the property type being valued, and the quality of information available for use in the approach.

| Reconciliation & Final Value Summary |                  |
|--------------------------------------|------------------|
| Sales Comparison Approach            | \$313,040        |
| Income Capitalization Approach       | \$355,902        |
| Cost Approach                        | N/A              |
| <b>Final Reconciled Value</b>        | <b>\$350,000</b> |

There are strengths and weaknesses inherent in both approaches to value. Both provide a credible and supported indication of value for the subject. Based on the preceding analysis and considering the definition of market value used in this valuation, the Fee Simple Market Value of the subject is reconciled \$350,000.

### EXPOSURE TIME

USPAP defines exposure time as “An opinion based on supporting market data, the length of time that the property interest being appraised would have been offered on the local market prior the hypothetical consummation of the sale at market value on the effective date of the appraisal.”

In this instance, exposure time is estimated to be 6 to 9 months.

## APPRAISER CERTIFICATION

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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 are 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. Furthermore, I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
4. I have never appraised the property that is the subject of this report.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I personally inspected, photographed and measured the subject of this report.
9. No one other than the persons signing this Certification provided significant professional contribution to this appraisal.
10. As of the date of this report, I, Jodi L. White, am a California State Certified General Real Estate Appraiser.
11. I have experience appraising properties similar to the subject and am in compliance with the Competency Rule of USPAP.

May 7, 2021



Jodi L. White, BRE Lic. #AG 044936  
Certified General Real Estate Appraiser

## ASSIGNMENT CONDITIONS

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This appraisal report and valuation are subject to the following Assumptions and or Limiting Conditions:

1. The title is assumed to be good and marketable. The appraised value(s) assumes the property is free and clear of any and all liens or encumbrances unless otherwise stated. The property is appraised as though under responsible ownership and competent management and is available for its highest and best use.
2. I have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered scaled accurately for size. The appraisal covers the property as described in the report, and the area and dimensions set forth are assumed to be correct.
3. Unless otherwise agreed to in writing, I am not required to give testimony, respond to any subpoena, or attend any court or governmental or other hearing with reference to the property.
4. Any distribution of the valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal shall be used separately or out of context.
5. The appraisal assumes that there are no hidden, unapparent or undisclosed conditions of the property, subsoil, or structures, which would render it more or less valuable.
6. Information and opinions furnished by and obtained from third party sources are believed to be reliable, true and correct. However, no warranty is given for its accuracy, nor has it been independently verified.
7. An appraisal is inherently subjective and represents my opinion as to the value of the property appraised.
8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser(s), professional designations, reference to any professional appraisal organizations, or the firm with which the appraisal is connected), shall be disseminated through advertising media, social media, public relations media, news media or any other means of communications, without the prior written consent and approval of the person(s) signing this report.
9. The appraisal report is prepared for the exclusive benefit of the client, its subsidiaries or affiliates. It may not be used or relied upon by any other party.

## ASSIGNMENT CONDITIONS

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10. No environmental studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements, (existing or proposed), meet the ADA accessibility guidelines. I claim no expertise in ADA issues and render no opinion regarding compliance of the subject with ADA regulations.

**EXTRAORDINARY ASSUMPTION:** an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

- None required.

**HYPOTHETICAL CONDITION:** a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.

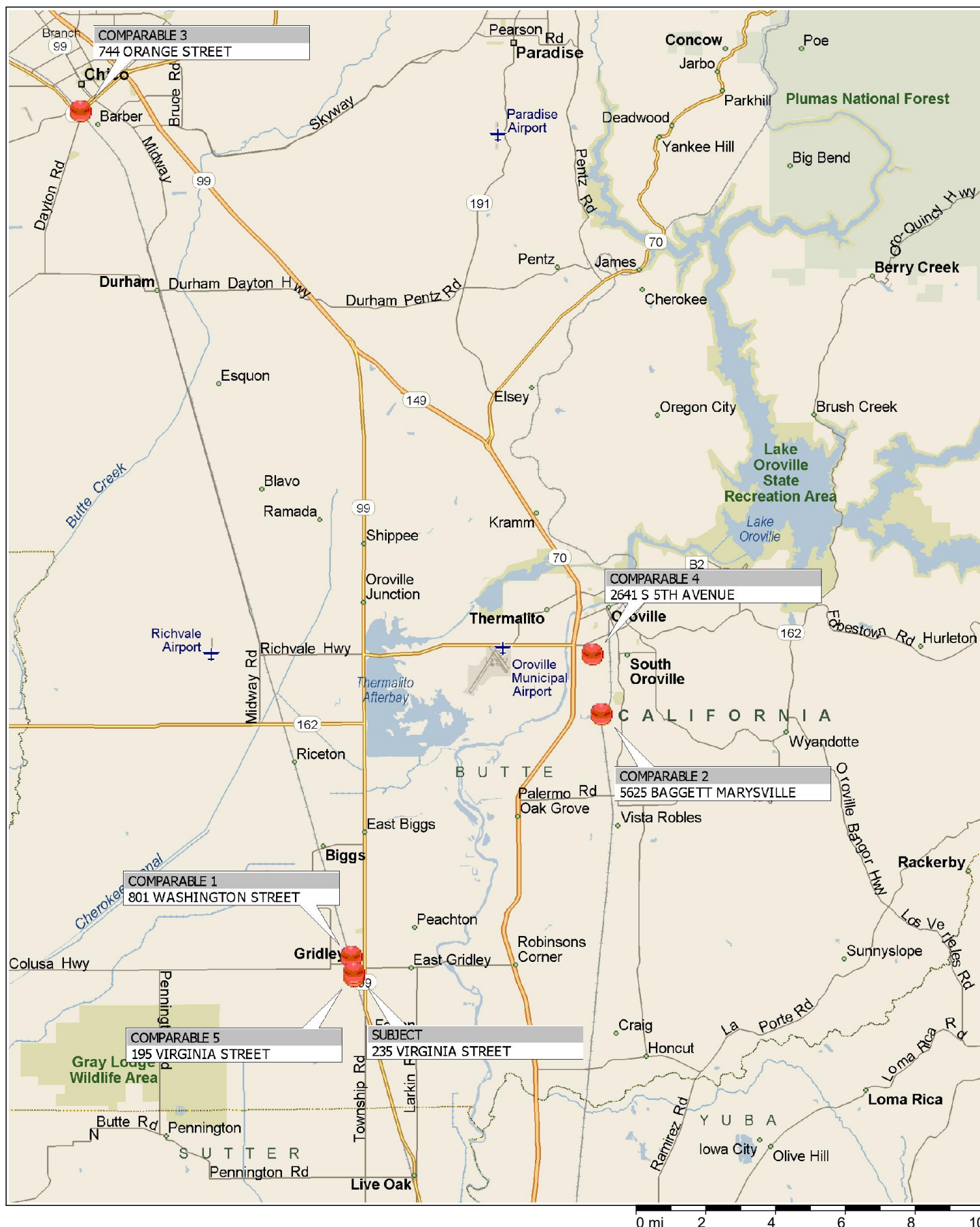
- None required.

**JURISDICTIONAL EXCEPTION:** An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a portion or part of USPAP.

- None required.

**ADDENDA**

# COMPARABLE SALES MAP





# Property Detail Report

For Property Located At :

**235 VIRGINIA ST, GRIDLEY, CA 95948-3033**



**Owner Information**

Owner Name: **PICKERING**  
 Mailing Address: **27 CASTLE CREEK DR, OROVILLE CA 95966-7605 R004 C/O PICKERING KEVIN L & JUSTINA L TRUSTEES**  
 Vesting Codes: **// RT**

**Location Information**

Legal Description: **LOT 8, 7 AND PTN OF LOT 6 1 M.O.R. 41**  
 County: **BUTTE, CA** APN: **010-123-010-000**  
 Census Tract / Block: **35.02 / 2** Alternate APN:  
 Township-Range-Sect: Subdivision:  
 Legal Book/Page: Map Reference: **/**  
 Legal Lot: **8** Tract #:  
 Legal Block: School District: **GRIDLEY**  
 Market Area: School District Name: **GRIDLEY UNION HIGH**  
 Neighbor Code: **010** Munic/Township:

**Owner Transfer Information**

Recording/Sale Date: **/** Deed Type:  
 Sale Price: 1st Mtg Document #:  
 Document #:

**Last Market Sale Information**

Recording/Sale Date: **11/07/2003 / 10/27/2003** 1st Mtg Amount/Type: **\$117,600 / PRIVATE PARTY**  
 Sale Price: **\$118,000** 1st Mtg Int. Rate/Type: **/ FIXED**  
 Sale Type: **FULL** 1st Mtg Document #: **78865**  
 Document #: **78864** 2nd Mtg Amount/Type: **/**  
 Deed Type: **GRANT DEED** 2nd Mtg Int. Rate/Type: **/**  
 Transfer Document #: Price Per SqFt:  
 New Construction: Multi/Split Sale:  
 Title Company: **MID-VALLEY TITLE & ESCROW**  
 Lender: **PRIVATE INDIVIDUAL**  
 Seller Name: **TROST R & C TRUST**

**Prior Sale Information**

Prior Rec/Sale Date: **00/1983 /** Prior Lender:  
 Prior Sale Price: **\$52,000** Prior 1st Mtg Amt/Type: **/**  
 Prior Doc Number: **2806383** Prior 1st Mtg Rate/Type: **/**  
 Prior Deed Type: **DEED (REG)**

**Property Characteristics**

Year Built / Eff: **/** Total Rooms/Offices  
 Gross Area: Total Restrooms:  
 Building Area: Roof Type:  
 Tot Adj Area: Roof Material:  
 Above Grade: Construction:  
 # of Stories: Foundation:  
 Other Improvements: **Building Permit** Exterior wall:  
 Basement Area:

Garage Area:  
 Garage Capacity:  
 Parking Spaces:  
 Heat Type:  
 Air Cond:  
 Pool:  
 Quality:  
 Condition:

**Site Information**

Zoning: **M1** Acres: **0.52** County Use: **COMMERCIAL - SERVICE (CC)**  
 Lot Area: **22,651** Lot Width/Depth: **x** State Use:  
 Land Use: **MISC COMMERCIAL SERVICES** Commercial Units: Water Type:  
 Site Influence: Sewer Type: Building Class:

**Tax Information**

Total Value: **\$164,156** Assessed Year: **2020** Property Tax: **\$2,182.34**  
 Land Value: **\$31,556** Improved %: **81%** Tax Area: **003024**  
 Improvement Value: **\$132,600** Tax Year: **2020** Tax Exemption:  
 Total Taxable Value: **\$164,156**

# Transaction History Report

For Property Located At

**235 VIRGINIA ST, GRIDLEY, CA 95948-3033**

## TRANSACTION HISTORY

### History Record #: 1

Finance:

**Mtg Recording Date:** 09/17/2009**Mtg Loan Type:** PRIVATE PARTY**Date:****Mtg Document #:** 34640**Mtg Rate Type:****Document Type:** DEED OF TRUST**Mtg Term:****Lender:** PRIVATE INDIVIDUAL**Mtg Rate:****Loan Amount:** \$62,820**Borrower Vesting:** HW //**ARM Rider****Pre-payment****Indicator:****Penalty Indicator:****Initial Rate Reset****Interest Only****Cap:****Indicator:****Payment Option****Negative****Indicator:****Amortization****ARM Rate Change****Indicator:****Frequency:****ARM Index Type:****ARM Maximum %****ARM Initial Rate****Rate:****Change Date:****ARM Rate Change****ARM Rate Change****Margin:****Limit:****ARM Rate Change****ARM Payment****Interval:****Change Date:****Borrower 1:** PICKERING KEVIN L**Borrower 2:** PICKERING JUSTINA L**Borrower 3:****Borrower 4:**

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### History Record #: 2

**Sale:**  
**Sale Recording Date:** 11/07/2003 **Sale Price:** \$118,000  
**Sale Date:** 10/27/2003 **Sale Price Type:** FULL  
**Rec. Document #:** 78864 **Multi/Split Sale:**  
**Document Type:** GRANT DEED **Other Document #:**  
**Title Company:** MID-VALLEY TITLE & ESCROW  
**Buyer:** PICKERING KEVIN L & JUSTINA L  
**Seller:** TROST R & C TRUST  
**Finance:**  
**Mtg Recording Date:** 11/07/2003 **Mtg Loan Type:** PRIVATE PARTY  
**Mtg Document #:** 78865 **Mtg Rate Type:** FIXED  
**Document Type:** DEED OF TRUST **Mtg Term:**  
**Lender:** PRIVATE INDIVIDUAL **Mtg Rate:**  
**Loan Amount:** \$117,600 **Borrower Vesting:** HW // JT  
**ARM Rider** **Pre-payment**  
**Indicator:** **Penalty Indicator:**  
**Initial Rate Reset** **Interest Only**  
**Cap:** **Indicator:**  
**Payment Option** **Negative**  
**Indicator:** **Amortization**  
**ARM Rate Change** **Indicator:**  
**Frequency:** **ARM Index Type:**  
**ARM Maximum %** **ARM Initial Rate**  
**Rate:** **Change Date:**  
**ARM Rate Change** **ARM Rate Change**  
**Margin:** **Limit:**  
**ARM Rate Change** **ARM Payment**  
**Interval:** **Change Date:**  
**Borrower 1:** PICKERING KEVIN L  
**Borrower 2:** PICKERING JUSTINA L  
**Borrower 3:**  
**Borrower 4:**

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**History Record #: 3**

**Sale:**  
**Sale Recording Date:** 07/09/1997 **Sale Price:**  
**Sale Date:** **Sale Price Type:**  
**Rec. Document #:** 25578 **Multi/Split Sale:**  
**Document Type:** GRANT DEED **Other Document #:**  
**Title Company:**  
**Buyer:** TROST R & C TRUST  
**Seller:** TROST RONALD E & CAROL E

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**History Record #: 4**

**Sale:**  
**Sale Recording Date:** 00/1983 **Sale Price:** \$52,000  
**Sale Date:** **Sale Price Type:** FULL  
**Rec. Document #:** 2806383 **Multi/Split Sale:**  
**Document Type:** DEED (REG) **Other Document #:**  
**Title Company:** LAKESIDE SETTLEMENT SVCS L  
**Buyer:** TROST RONALD E & CAROL E  
**Seller:**

## PROFESSIONAL EXPERIENCE

I have been a Certified General Real Estate Appraiser providing real estate appraisals and consulting services for over 20 years. I began my career in 1999 with a national but independently owned appraisal firm in Orlando, Florida before moving to Chico in 2010. Appraisals have been completed for the following partial list of clients: the State of California Department of General Services, CAL FIRE, the City of Chico, and the City of Willows; as well as lending institutions such as Five Star Bank, Sierra Central Credit Union, Northern California National Bank, Tri Counties Bank, Golden Valley Bank, Rabobank, Bank of America, SunTrust, Wachovia, KeyBank, Teachers Insurance & Annuity Association, attorneys for estate and tax planning, and property owners. References available upon request.

### Professional Licenses Held:

California State Certified General Real Estate Appraiser –License AG#044936, Years Held: 2011-2022 (Current)

Florida State Certified General Real Estate Appraiser – License RZ#2949, Years Held: 2002-2012 (Expired)

### California Appraisals / J White Appraisals & Consulting, Chico, CA

April 2014 to Present

Full-service appraisal firm serving a wide variety of clients in the Northern Sacramento Valley Area. Properties appraised include industrial properties, multiple family developments, professional and medical office buildings, retail buildings, and commercial and agricultural land. Service areas include Butte, Glenn, Yuba, Sutter, Tehama, Plumas, Lassen, Shasta and Colusa Counties.

### Office of Scott S. Hamm, MAI, Real Estate Appraiser, Chico, CA

December 2010 to April 2014

Valuation Analyst/Fee Appraiser with local commercial appraisal and brokerage firm. Completed commercial appraisals of a variety of commercial properties banks and other lending institutions, family trusts, attorneys and the State of California. Service areas included Butte, Glenn, Sutter, Tehama, Colusa, Shasta and Plumas Counties.

### Integra Realty Resources-Orlando, Senior Analyst/Appraiser, Orlando, FL

July 1999 to December 2010

Senior analyst / Fee appraiser with a full service, national real estate valuation and consulting firm. Prepared narrative appraisals for a wide variety of clients including institutional REIT's, lending agencies, county and state agencies, and property owners. Properties appraised included proposed and existing projects, mixed-use developments, multiple family developments, shopping centers, office buildings, industrial buildings and all types of vacant land. Experience appraising fee simple, leased fee, leasehold and partial ownerships as well as other mortgage positions throughout the State of Florida.

## APPRAISAL EDUCATION

- Uniform Standards of Professional Appraisal Practice (USPAP) Required Every Two Years
- Principles of Real Estate Appraisal
- The Appraisal of Residential Properties
- Basic Income Capitalization
- Advanced Sales Comparison Approach & Cost Approach
- Advanced Report Writing
- Chapter 475 II FS
- Advanced Income Capitalization
- Uniform Appraisal Standards for Federal Land Acquisitions
- Introduction to Expert Witness Testimony
- Appraising Small Apartment Properties
- Appraisal of Owner-Occupied Commercial Properties
- Land and Site Valuation
- Appraisal Review for Commercial Appraisers
- Appraisal of Land Subject to a Ground Lease
- Appraisal of Assisted Living Facilities
- Appraisal of Self Storage Facilities
- Appraisal of Fast Food Facilities
- Karh's Guide to Argus Seminar
- Dyna (Realm) Cash Flow & Lease Analysis





Business, Consumer Services & Housing Agency  
BUREAU OF REAL ESTATE APPRAISERS  
REAL ESTATE APPRAISER LICENSE

**Jodi L. White**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 044936

Effective Date: January 12, 2020  
Date Expires: January 11, 2022

  
Jim Martin, Bureau Chief, BREA

3051018



**City Council Agenda Item #6**  
Staff Report

**Date:** May 17, 2021  
**To:** Mayor and City Council  
**From:** Danny Howard, Electric Utility Director  
**Subject:** Purchase of 25 Power Poles

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|          |           |
|----------|-----------|
| <b>X</b> | Regular   |
|          | Special   |
|          | Closed    |
|          | Emergency |

**Recommendation**

Staff respectfully requests the City Council for an early approval to order 25 power poles on next year's budget for our rotten pole replacement program.

**Background**

The purpose of this recommendation is to start the process in ordering these power poles to receive them as quick as possible. It is a 5-6 week deliver time. We currently have (4) 45' poles, which is our most used pole and we will need additional poles for our rotten pole replacement program, new construction and any emergencies that come up.

**Fiscal Impact**

Estimated total - \$20,000

(5) 35' poles

(15) 45' poles

(5) 50' poles

**Compliance with City Council Strategic Plan or Budget Goals**

This recommendation is consistent with our ongoing efforts to provide a well maintained and reliable electric grid for the City of Gridley residential and commercial customers.

**Attachments - None**