

Appraisal Concerns

- 1) Transaction was approved by PVE City Council, PVHA and PVUSD on May 8, 2012. However, the appraisal was not begun until appraisal inspection on 5/28/12 and was not completed until June 21, 2012. **How could these public organizations perform their fiduciary duty without an independent appraisal?** Doing the appraisal after the fact has the effect of steering the answer
- 2) The email correspondence from Lugliani's consultant involved in the negotiation of the MOU and the person at the appraisal firm doing the appraisal shows attempt to influence and steer the appraisal outcome

"Howard, **I will be calling you with some minor changes to the appraisals** you provided us awhile back that will help us close this part of the deal."

- Email from Holly Agrusa (Jenkins & Hogan acting as City Attorney) to Howard Greenberg of Tri-Valley Appraisal Services

"**We think that it will be a stretch to value this land [Lots C & D] for \$500,000 but we will pay that regardless as that is the deal we are striking.** I will be happy to speak with you more about this but **PLEASE PLEASE THIS IS A HIGHLY CONFIDENTIAL MATTER AND HAS NOT YET GONE TO THE PUBLIC.**"

- Email from Frank Zerunyan to Ronald Buss, President Buss-Shelger Associates, a real estate consultancy

"I will talk to you later but it is **not wise to give the public a speculative price and accept what will amount to ¼ of the price.**"

- Email from Frank Zerunyan (Consultant to Lugliani and then Mayor of Rolling Hills Estates) to Holly Agrusa ((Jenkins & Hogan acting as City Attorney)

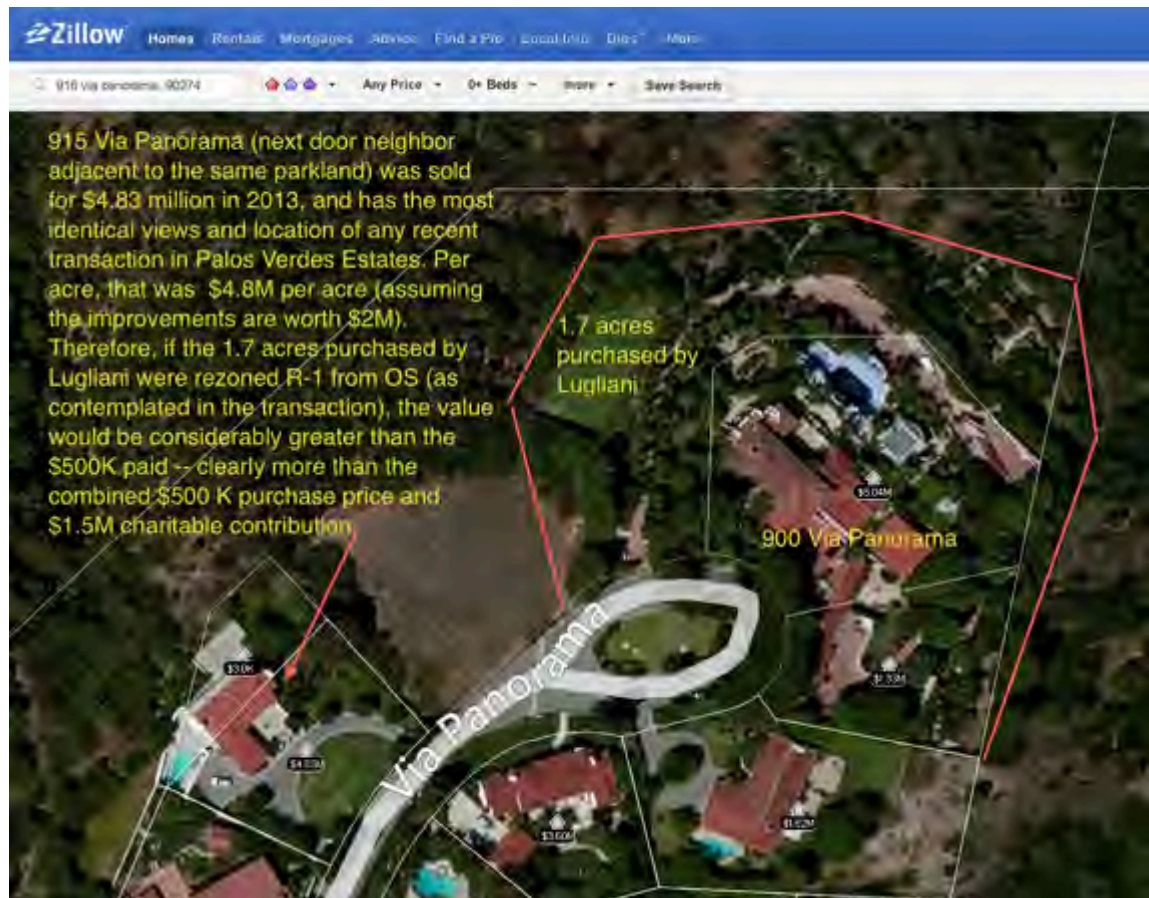
"Remember that the appraisals must be approved by the City and we **are happy to speak directly with Bolton to clarify that everyone is on the same page.** I know the appraisal issue is somewhat confusing, but **there is not sense in preparing them if they don't work or do not cover all the bases.**"

- Email from Holly Agrusa ((Jenkins & Hogan acting as City Attorney) to Frank Zerunyan (Consultant to Lugliani and Mayor of Rolling Hills Estates)

- 3) The Appraisal of Lot A by TriValley Appraisal Services set an unrealistically low value on the property acquired. The specific deficiencies in assumptions in the appraisal include:
 - Appraisal says: "Comps #1, #3 and #4 need to be adjusted lower by 90% from land value price per sq.ft. for having superior R1 zoning." *[Note it was explicitly stated in the MOU (and agreed by all parties) that R1 re-zoning was intended within six months of transaction closing.]*
 - Appraisal says: "Comp #5 is a bank REO land sale of 19.8 acres of open space land with ocean views in the City of Rolling Hills." *[Note: appraisal failed to*

note that the low selling price was because of concerns over build ability due to proximity to an active landslide area]

- Assuming Open Space zoning when the agreed MOU, correspondence of the parties and subsequent actions proved that the intent all along was for this acquired property to be converted to R1 Single Family Residential zoning (and hence 90% reduction in value from comparables is not warranted).
- One of the comparables (No. 5 in Rolling Hills Portuguese Bend slide area) had a depressed sale price because it was in an active and well-publicized landslide area and this was not mentioned in the appraisal.
- A prominent local real estate developer told us verbally that he would have paid over \$2 million for the property.
- 915 Via Panorama (next-door neighbor adjacent to the same parkland) was sold for \$4.83 million in 2013, and has the most identical views and location of any recent transaction in Palos Verdes Estates. Per acre, that was \$4.8M per acre (assuming the improvements are worth \$2M – which is generous because most neighbors expected the house to be torn down). Therefore, if the 1.7 acres purchased by Lugliani were rezoned R-1 from OS (as contemplated in the transaction, discussed in the emails and presented subsequently in a rezoning application in February 2013), the value would be considerably greater than the \$500K paid – clearly more than the combined \$500K purchase price and \$1.5M charitable contribution.



Panorama Parkland Purchased	915 Via Panorama
	

- 844 Via Del Monte in Palos Verdes Estates, is probably the second most comparable property in terms of views and steep slope which also exists on the parkland purchased by the Luglianis. 844 Via Del Monte (is assessed at \$2.1M for the land alone, since there are no improvements currently on the property.) Below is a photograph of the property with stakes to show the building that is currently in the permitting process. At .66 acres, this land value translates into \$3.2M per acre – implying a land value of \$5.4M for the Via Panorama parkland purchased by Lugliani (again assuming the rezoning as R1).

	Panorama Parkland Purchased	844 Via Del Monte
Street view		
View showing steepness is less on Panorama Parkland		