

AN APPRAISAL REPORT

OF

**THE MARKET VALUE OF A 12,143.1 SQUARE FOOT PORTION OF
LAND FROM THE SUBJECT LARGER PARCEL, AS VACANT, FOR A
POTENTIAL TRADE OF PROPERTY INTEREST RIGHTS**

LOCATED

**WEST OF CRAYCROFT ROAD, ON THE NORTH BANK OF THE
RILLITO RIVER, PIMA COUNTY, ARIZONA**

FOR

**PIMA COUNTY PUBLIC WORKS
REAL PROPERTY SERVICES
MR. THOMAS KRAL**

**OWNERSHIP: GREGORY HUTCHINSON AND PAMELA PERRY
LIVING TRUST, BARRIO HOLDINGS LLC, AND DANNER
TRUST**

**TAX PARCEL NUMBERS: 109-26-003H AND PORTIONS OF 109-26-
003D AND 109-26-004D
SECTION 26, TOWNSHIP 13 SOUTH, RANGE 14 EAST**

**EFFECTIVE DATE OF APPRAISAL
FEBRUARY 11, 2025**

**EFFECTIVE DATE OF REPORT
FEBRUARY 12, 2025**

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
Tucson, Arizona

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

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February 12, 2025

Mr. Thomas Kral, MAI, SRA
Chief Real Estate Appraiser
Pima County Public Works
Real Property Services
201 North Stone Avenue, Sixth Floor
Tucson, Arizona 85701-1207

RE: An appraisal report of the market value of a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, for a potential trade of property interest rights.

Ownership: Gregory Hutchinson and Pamela Perry Living Trust,
Barrio Holdings LLC, and Danner Trust
Tax Parcel Nos.: 109-26-003D; -004D; and -003H (portions of)
Effective Date of Appraisal: February 11, 2025
Date of Report: February 12, 2025

Dear Mr. Kral:

In response to your authorization, we have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value of a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, for a potential trade of property interest rights

This report is intended for use only by the intended user, Mr. Thomas Kral, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the market value of a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, for a potential trade of property interest rights. Additionally, the appraiser has estimated the market lease rate for a 2,700 square foot portion of the subject property to be leased back to the subject property owner for use in the potential multifamily development on the subject property. It is not intended for any other use.

As of the date of value, there were \$18,569.26 in delinquent tax payments, interest, and penalties due on the subject property tax parcel number 109-26-003H for tax years 2022 through the first portion of 2024. This is considered to be a liability against the subject property and, if passed on to a potential purchaser of the property, it would have the effect of decreasing the value of the property by an equal amount. This has *not* been taken into consideration in estimating the market value of the subject property; thus, the appraisal assumes that all delinquent taxes (and interest) are paid in full.

We have formed the opinion that, as of the effective date of appraisal, February 11, 2025, and subject to the assumptions and limiting conditions set forth herein, based on a six to twelve-month marketing period, a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, has a market value of:

ONE HUNDRED SIX THOUSAND FIVE HUNDRED DOLLARS
(\$106,500)

We have formed the opinion that, as of the effective date of appraisal, February 11, 2025, and subject to the assumptions and limiting conditions set forth herein, based on a six to twelve-month marketing period, the opinion of the annual ground lease rate of 2,700 square feet of land area within the subject property, as vacant, has an annual market lease rate of:

ONE THOUSAND SIX HUNDRED FIFTY FOUR DOLLARS
(\$1,654)

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP). As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above. The appraisers are not responsible for unauthorized use of this report.

Mr. Thomas Kral
Pima County Public Works
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Hypothetical Condition: The subject larger parcel is currently improved with single-family residences and related yard uses. Because the property rights being valued as part of a potential property interest trade with the adjacent property does not impact the existing site improvements on the subject larger parcel, this appraisal is based on the hypothetical condition that the subject property is vacant land, with no value or given to any of the existing site improvements. Per USPAP, the use of this Hypothetical Condition may have impacted the assignment results.

Respectfully submitted,



Thomas A. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 30139
Designated Supervisory Appraiser DS007



Dan Orłowski
Certified General Real Estate Appraiser
Certificate Number 32195

C258583

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PART I - GENERAL INFORMATION

CLIENT

Pima County Real Property Services

APPRAISERS

Thomas A. Baker, MAI, SRA
Dan Orłowski

SUBJECT PROPERTY

The subject property is an identified larger parcel containing 20.82 acres (906,919 square feet) of land, as vacant, located west of Craycroft Road, along the north bank of the Rillito River.

SUBJECT LARGER PARCEL

The subject larger parcel is an identified land area containing portions of three separate properties that are part of a planned multifamily development located on the land area of the identified subject larger parcel. This subject larger parcel has been rezoned from SR to SP (Specific Plan) after a successful plan amendment and rezoning of the property. Only the areas identified in the conceptual plan of the multifamily development plan are part of the subject larger parcel. The areas of the subject parcels not being included in the identified subject larger parcels have not been rezoned and have a different highest and best use compared to the land area identified as the subject larger parcel (See Exhibits).

LARGER PARCEL

Larger Parcel, as defined in the Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, page 105, is "In governmental land acquisitions and in valuation of charitable donations of partial interests in property such as easements, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. In most states, unity of ownership, contiguity, and unity of use are the three conditions that establish the larger parcel for the consideration of severance damages. In federal and some state cases, however, contiguity is sometimes subordinated to unitary use."

ZONING

The subject larger parcel is zoned SP (ENDEAVOUR Spirited Living Specific Plan) – under the Pima County Zoning Code. The subject property was rezoned from SR to SP on March 7, 2023. The Endeavour Spirited Living Specific Plan allows for the development of a multifamily use on the subject larger parcel consisting of 177-units and an age restriction of 55+ and supporting Endeavour development will be age-restricted to adults aged 55+ with a central country club-style gathering space featuring dining, bar & grill, and coffee bar. Endeavour will also be adding public parking and amenity space at The Loop/Craycroft Trailhead in partnership with the County.

TAX PARCEL NUMBERS

109-26-003H and portions of tax parcel numbers 109-26-003D, 109-26-004D,

FULL CASH VALUE

109-26-003D:	\$1,512,675 (2025)	- Total land area with improvements
109-26-004D:	\$305,140 (2025)	- Total land area with improvements
109-26-003H:	<u>\$631,662 (2025)</u>	- Total land area with improvements
Total:	\$2,449,477 (2025)	- Total land area with improvements

The development of full cash values is based on mass appraisal models as set by the State of Arizona. They are for tax assessment purposes only and cannot be equated with market value as utilized in this appraisal. Thus, they serve only as a point of comparison with other properties.

LIMITED CASH VALUE

109-26-003D:	\$1,195,546 (2025)	- Total land area with improvements
109-26-004D:	\$305,140 (2025)	- Total land area with improvements
109-26-003H:	<u>\$485,464 (2025)</u>	- Total land area with improvements
Total:	\$1,986,150 (2025)	- Total land area with improvements

Limited Cash Value is the basis for primary property taxes. It is a legislatively established value based on a mathematical formula that limits the amount of increase in any given year.

REAL ESTATE TAXES

109-26-003D:	\$13,393.19 (2024)	- Total land area with improvements
109-26-004D:	\$4,273.20 (2024)	- Total land area with improvements
109-26-003H:	<u>\$5,786.81 (2024)</u>	- Total land area with improvements
Total:	\$23,453.20 (2024)	- Total land area with improvements

DELINQUENT TAXES

As of the date of value, there were \$18,569.26 in delinquent tax payments, interest, and penalties due on the subject property tax parcel number 109-26-003H for tax years 2022 through the first portion of 2024. This is considered to be a liability against the subject property and, if passed on to a potential purchaser of the property, it would have the effect of decreasing the value of the property by an equal amount. This has *not* been taken into consideration in estimating the market value of the subject property; thus, the appraisal assumes that all delinquent taxes (and interest) are paid in full.

INTEREST APPRAISED

Fee Simple Interest, as defined in The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, page 73, is “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.”

INTENDED USE OF REPORT

This report is intended for use only by the intended user, Mr. Thomas Kral, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the market value of a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, for a potential trade of property interest rights. Additionally, the appraiser has estimated the market lease rate for a 2,700 square foot portion of the subject property to be leased back to the subject property owner for use in the potential multifamily development on the subject property. It is not intended for any other use.

MARKET VALUE DEFINITION

Market value, as utilized in this appraisal, and as defined in The Appraisal of Real Estate, 15th Edition, published by the Appraisal Institute, 2020, page 48, is:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

LEGAL DESCRIPTION

A portion of the Northeast Quarter of the Southeast Quarter of Section 26, Township 13 South, Range 14 East, G&SRB&M, Pima County, Arizona. The client will provide a full legal description of the property.

OWNERSHIP

According to public records of the Pima County Assessor, title to the subject larger parcel is in the name of the Craycroft Trust, Gregory Hutchinson and Pamela Harris, and Barrio Holdings, LLC.

SALES HISTORY

Parcel 109-26-003D: Documents 2023-0960183, dated April 6, 2023 was an internal transfer of ownership and not a market sale transaction of the property.

Parcel 109-26-004D: Document 2024-3270191, dated November 22, 2024 and Document 2024-3270191, dated November 22, 2024 were recordings involving the sale of this portion of the subject larger parcel, as improved, with a reported sale price of \$601,000. Document 2024-0810606, dated November 22, 2024, was a recording of an internal transfer of ownership and not a market sale transaction of the subject property. Document 2022-3040306, dated October 31, 2023, was a recording of an internal transfer of ownership and not a market sale transaction of the subject property.

Parcel 109-26-003H: Document 2022-3040308, dated October 31, 2023, was a recording of an internal transfer of ownership and not a market sale transaction of the subject property.

There were no other known sales or transfers involving the properties making up the subject larger parcel that have occurred within the last five years prior to the date of value. However, the subject larger parcel is currently in escrow and the sale price was requested by the seller's representative to be held confidential.

Additionally, Pima County is currently in discussions for a property interest trade for a 12,143.1 square foot portion of land at the southeast corner of the subject larger parcel (located on tax parcel number 109-26-003H).

ASSUMPTIONS AND LIMITING CONDITIONS

Subject to those assumptions and limiting conditions contained in the "*Assumptions and Limiting Conditions*" section of this report.

HYPOTHETICAL CONDITION

The subject larger parcel is currently improved with single-family residences and related yard uses. Because the property rights being valued as part of a potential property interest trade with the adjacent property does not impact the existing site improvements on the subject larger parcel, this appraisal is based on the hypothetical condition that the subject property is vacant land, with no value or given to any of the existing site improvements. Per USPAP, the use of this Hypothetical Condition may have impacted the assignment results.

CERTIFICATION

See Exhibits

EFFECTIVE DATE OF APPRAISAL

February 11, 2025

DATE OF INSPECTION

February 11, 2025

PART II - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP as the "amount and type of information researched and the analysis applied in an assignment." According to the scope of work rule as defined by USPAP, "For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

- 1) identify the problem to be solved;
- 2) determine and perform the scope of work necessary to develop credible assignment results; and
- 3) disclose the scope of work in the report."

This appraisal assignment has been completed in response to authorization by Mr. Thomas Kral for Pima County, in a contract executed by Mr. Thomas A. Baker, MAI, SRA for Baker, Peterson, Baker and Associates, Inc. The assignment includes appraisal of the property herein described, and the preparation of a report which describes the property being appraised, analyzes appropriate data, and offers an opinion of the market value of the property as of the effective date specified in the report. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the standards of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and to those specifications provided by the client.

This report is intended for use only by the intended user, Mr. Thomas Kral, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the market value of a 12,143.1 square foot portion of land from the subject larger parcel, as vacant, for a potential trade of property interest rights. Additionally, the appraiser has estimated the market lease rate for a 2,700 square foot portion of the subject property to be leased back to the subject property owner for use in the potential multifamily development on the subject property. It is not intended for any other use. The purpose of the appraisal is to estimate the market value and a market lease rate of the land area, as vacant, of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property.

The exact nature of, and interest in, the subject property is defined elsewhere in this report. The appraisal provides an opinion of the market value of the subject property using the sales comparison approach, which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed, and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS® Commercial Property Information Services, Real Estate Daily Comps, Tucson Multiple Listing Service (MLS), and the Pima County Real Estate Research Council), the neighborhood and the site.

An opinion of the "highest and best use" of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated, which may impact upon the marketability of the property.

In the sales comparison approach, there was a thorough search for sale and listing data considered directly competitive to the subject property, as vacant. This data was confirmed with one or more parties related to the transaction and (in the case of sales) by review of deeds and records of the Pima County Assessor. The analysis then compared each sale considered a reliable indicator of the value to the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

The sales comparison approach provided an opinion of the market value of the subject property to arrive at a final opinion of market value of the entire subject property, with the easement interest determined by information obtained from market data and market participants. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. The appraiser's file retains supporting documentation.

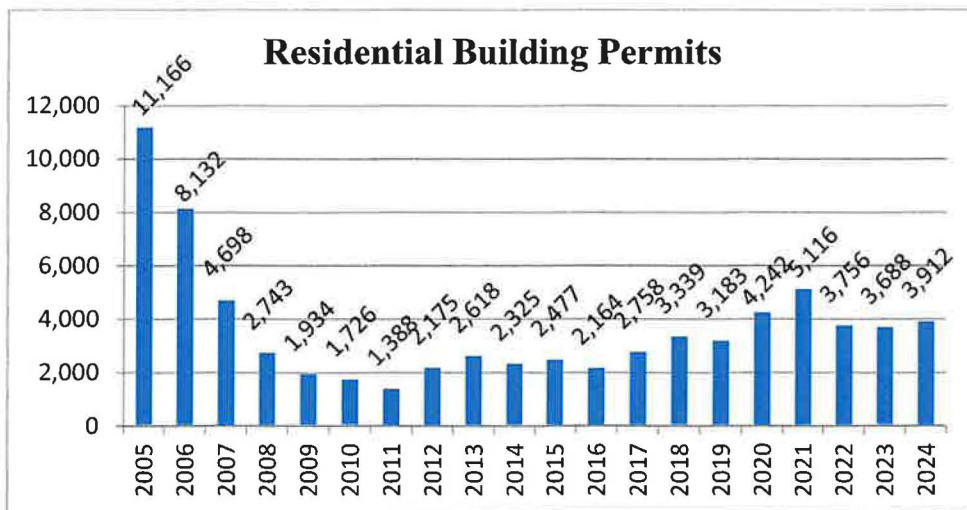
Hypothetical Condition: The subject larger parcel is currently improved with single-family residences and relegated yard uses. Because the property rights being valued as part of a potential property interest trade with the adjacent property does not impact the existing site improvements on the subject larger parcel, this appraisal is based on the hypothetical condition that the subject property is vacant land, with no value or given to any of the existing site improvements. Per USPAP, the use of this Hypothetical Condition may have impacted the assignment results.

PART III - DESCRIPTION OF REAL ESTATE APPRAISED

TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the MAP AZ dashboard, in 2020, the estimated population of the Tucson metropolitan area was 1,044,675 persons, while the 2020 US Census indicated the population of the City of Tucson was 542,629.

Starting in 2006, fewer single-family residential permits were issued due to the oversupply of lots and residential homes on the market at that time. According to the United States Census Bureau, Building Permits Survey, the Building permit activity declined steadily in the Tucson Metropolitan area declined from a peak in 2005 of 11,166 to a low of 1,388 in 2011 for all new single-family residential construction residential building permits. The number of permits remained mostly stable starting in 2013 and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019 but increased somewhat in 2020 and 2021 due to strong demand. During this time there was strong demand for residential properties due to low inventory; however, as interest rates rose during 2022, the number of permits declined in 2022 and again slightly in 2023. Due to higher interest rates, increase construction costs, and low inventory, residential demand has slowed compared to mid-2020 through mid-2022, with fewer sales and more limited construction. Construction remained more limited in 2023. The 2024 data is through November and indicates a slight increase in the number of permits compared to 2023.



Office Market

Overall, the Pima County *office market* experienced net positive absorption of 6,926 square feet in the Fourth Quarter 2024, according to *CoStar*. This compares to net positive absorption of 37,242 square feet in the Third Quarter 2024, net negative absorption of 74,503 square feet in the Second Quarter 2024, net negative absorption of 361,648 square feet in the First Quarter 2024, net positive absorption of 10,851 square feet in the Fourth Quarter 2023, net positive absorption of 96,875 square feet in the Third Quarter 2023, net positive absorption of 251,756 square feet in the Second Quarter 2023, net negative absorption of

58,442 square feet in the First Quarter 2023, net negative absorption of 192,488 square feet in the Fourth Quarter 2022, net positive absorption of 154,710 square feet in the Third Quarter 2022, net negative absorption of 208,714 square feet in the Second Quarter 2022, net positive absorption of 155,957 square feet in the First Quarter 2022, net positive absorption of 101,299 square feet in the Fourth Quarter 2021, net positive absorption of 50,194 square feet in the Third Quarter 2021, net negative absorption of 115,636 square feet in the Second Quarter 2021, and net positive absorption of 39,475 square feet in the First Quarter 2021.

The following figure shows trends in the vacancy rates for office properties in Pima County through the Fourth Quarter 2024. The vacancy rate peaked in late 2013 and then declined through 2017. The vacancy rate remained mostly stable in 2018 and 2019 before increasing from early 2020 through mid-2021. The vacancy rate has fluctuated slightly since that time and most recently has remained mostly stable in 2024, with a vacancy rate of 10.5% in the Fourth Quarter 2024.



No new buildings were completed in the Fourth Quarter 2024. This compares to one new building containing 10,000 square feet in the Third Quarter 2024, one new building containing 4,000 square feet in the Second Quarter 2024, no new buildings in the First Quarter 2024 and Fourth Quarter 2023, four new buildings containing 42,138 square feet in Third Quarter 2023, no new buildings in Second Quarter 2023, two new buildings containing 22,000 square feet in First Quarter 2023, two new buildings containing 27,988 square feet in Fourth Quarter 2022, one new building containing 18,500 square feet in Third Quarter 2022, two new buildings containing 50,695 square feet in the Second Quarter 2022, two new buildings containing 145,228 in the First Quarter 2022, no new buildings in the Third and Fourth Quarters 2021, three new buildings containing 64,037 square feet in the Second Quarter 2021, and three new buildings containing 120,000 square feet in the First Quarter 2021.

Market conditions for office properties stabilized around 2013 and remained slow but stable through 2019. Market conditions for office properties had started to slowly improve, primarily for office properties in high demand areas, smaller suites or buildings in many areas of Tucson, and newer office buildings in good condition. Demand remains limited for older and obsolete office buildings in particular. Covid-19 impacted work from home trends with changes in office demand. It is not yet known to what extent recent work from home trends will permanently impact office demand.

Retail Market

Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007 and later remained stable and then slowly improved. In recent years, demand had increased for many types of retail properties and remained stable for less desirable retail uses. In March 2020, the Covid-19 pandemic impacted the world. After pausing in the immediate emergence of Covid-19, demand again increased for many retail property types and remained more stable for other property types. More recently demand remained stronger for some property types and more stable for others due to factors such as higher inflation and interest rates. The following shows trends in the vacancy rate for retail properties in the Tucson market through the Fourth Quarter 2024, according to *Costar*.



This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined from that time through 2018. The retail vacancy rate increased slightly from late 2018 through mid-2021 and then declined slightly in late 2022. The vacancy rate has remained generally stable and was 5.6% in the fourth quarter 2024.

There was net positive absorption of 210,351 square feet in the Fourth Quarter 2024, according to CoStar. This compares to net positive absorption of 5,029 square feet in the Third Quarter 2024, net positive absorption of 55,481 square feet in the Second Quarter 2024, net negative absorption of 24,151 square feet in the First Quarter 2024, net negative absorption of 197,191 square feet in the Fourth Quarter 2023, net positive absorption of 68,887 square feet in the Third Quarter 2023, net positive absorption of 123,740 square feet in the Second Quarter 2023, net positive absorption of 154,412 square feet in the First

Quarter 2023, net negative absorption of 92,641 square feet in the Fourth Quarter 2022, net positive absorption of 37,997 in the Third Quarter 2022, net positive absorption of 188,357 in the Second Quarter 2022, net positive absorption of 136,992 in the First Quarter 2022, net positive absorption of 16,529 square feet in the Fourth Quarter 2021, net positive absorption of 15,561 square feet in the Third Quarter 2021, net negative absorption of 113,376 in the Second Quarter 2021, and net positive absorption of 128,317 square feet in the First Quarter 2021.

In the Fourth Quarter 2024, two new retail buildings containing 162,300 square feet were completed. This compares to two new buildings containing 4,056 square feet in the Third Quarter 2024, six new buildings containing 19,511 square feet in the Second Quarter 2024, six new buildings containing 17,570 square feet in the First Quarter 2024, four new buildings containing 13,410 square feet in the Fourth Quarter 2023, nine new buildings containing 36,063 square feet in Third Quarter 2023, ten new buildings containing 61,885 square feet in Second Quarter 2023, 16 new buildings containing 102,757 square feet in the First Quarter 2023, nine new buildings containing 39,787 square feet in Fourth Quarter 2022, 12 new buildings containing 85,737 square feet in Third Quarter 2022, five new buildings containing 20,933 square feet in Second Quarter 2022, 12 new buildings containing 42,569 square feet in the First Quarter 2022, six new buildings containing 31,734 square feet in the Fourth Quarter 2021, six new buildings containing 25,861 square feet in the Third Quarter of 2021, six new buildings containing 21,331 square feet in the Second Quarter of 2021, and 13 new buildings containing 83,318 square feet in the First Quarter 2021.

Prices and rents are stable or increasing in high demand areas or for high demand property types, although there remains limited demand for older retail properties in low demand areas. Since mid-2022, market conditions have remained increased slightly or remained generally stable for many properties as interest rates have risen.

Industrial Market

Tucson experienced rapid industrial growth from the late 70's to the mid-80s. Since then, there has been more limited new industrial development with a recent increase in mid-2020 through mid-2024. Most recently in Tucson, one new building containing 50,000 square feet was completed in the Fourth Quarter 2024, according to CoStar. This compares to no new buildings in the Third Quarter 2024, one new building containing 12,500 square feet in the Second Quarter 2024, four new buildings containing 40,000 square feet in the First Quarter 2024, one new building containing 244,889 square feet in the Fourth Quarter 2023, six new buildings containing 1,544,476 square feet in Third Quarter 2023, three new buildings containing 135,324 square feet in Second Quarter 2023, one new building containing 4,200 square feet in First Quarter 2023, two new buildings containing 230,539 square feet in the Fourth Quarter 2022, two new buildings containing 305,545 square feet in Third Quarter 2022, one new building containing 60,437 square feet in Second Quarter 2022, one new building containing 50,000 square feet in the First Quarter 2022, one new building containing 240,000 square feet in the Fourth Quarter 2021, two new buildings containing 377,702 square feet in the Third Quarter 2021, one new building containing 39,290 square feet

completed in Second Quarter 2021, and one new building containing 12,237 square feet completed in the First Quarter 2021. Many of the buildings constructed in recent years are larger buildings.

The following chart shows trends in the industrial vacancy rate in Tucson from 2010 through Fourth Quarter 2024, according to CoStar.



There was net positive absorption of 167,818 square feet in the Fourth Quarter 2024. This compares to net positive absorption of 84,426 square feet in the Third Quarter 2024, net positive absorption of 18,240 square feet in the Second Quarter 2024, net negative absorption of 191,497 square feet in the First Quarter 2024, net positive absorption of 301,143 square feet in the Fourth Quarter 2023, net positive absorption of 122,351 square feet in Third Quarter 2023, net negative absorption of 135,128 square feet in Second Quarter 2023, net positive absorption of 391,361 square feet in the First Quarter 2023, net positive absorption of 421,204 square feet in the Fourth Quarter 2022, net positive absorption of 147,791 square feet square feet in the Third Quarter 2022, net positive absorption of 376,723 square feet in the Second Quarter 2022, and a net negative absorption of 284,298 square feet in the First Quarter 2022, according to *CoStar*.

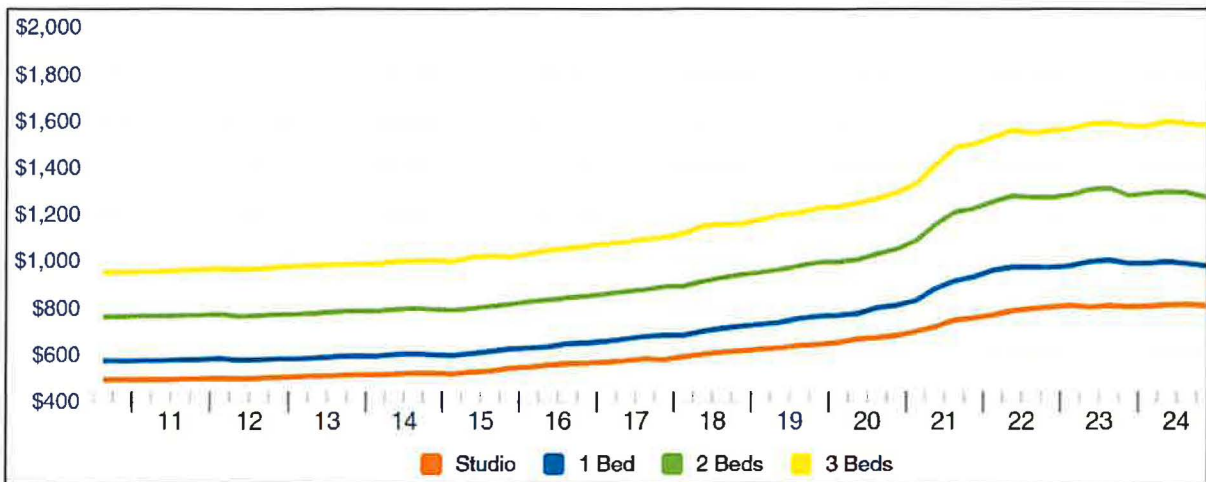
Overall, the industrial vacancy rate increased through mid-2012. The vacancy rate declined from late 2012 through the first part of 2019 before increasing somewhat through mid-2020 before declining again through late 2021 with a general decline though 2022. Most recently there was an increase from early 2023 and it was generally level at 6.6% in the second quarter 2024. In March 2020, the Covid-19 pandemic led to a shutdown of many businesses; however, the industrial market experienced strong demand during that time with changes in supply chains leading to increased demand for industrial properties. From mid-2020 through mid-2022 there were rising prices and rental rates, with limited available supply of modern space, and new construction started during that time. Demand has recently slowed somewhat due to rising interest rates and construction costs, as well as the overall uncertainty in the market.

Multi-Family Market

The following is the overall vacancy rate for apartments in Tucson through 2024. Vacancy rates for apartment properties in the Tucson Metropolitan area gradually declined through 2019 and then declined more quickly in 2020. Vacancy rates have increased since late 2021 and were generally stable in the first part of 2024 before increasing in mid-2024.

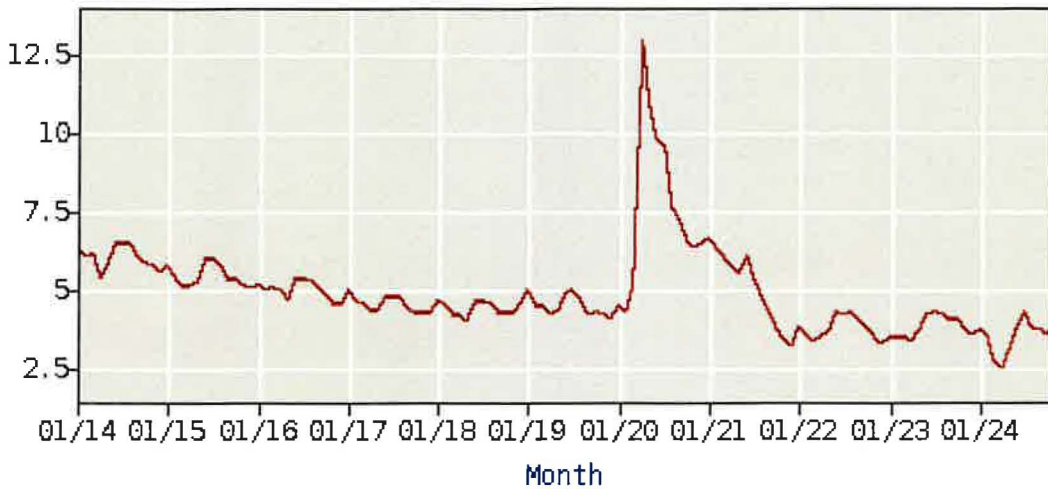


The following is the average effective rental rate per unit type for apartment properties through the Fourth Quarter 2024 in the Tucson market, according to CoStar. There was a significant increase in rents for all unit types in the first three quarters of 2021 followed by a general stabilization. The average rent was generally stable with minimal fluctuations in 2023 and 2024.



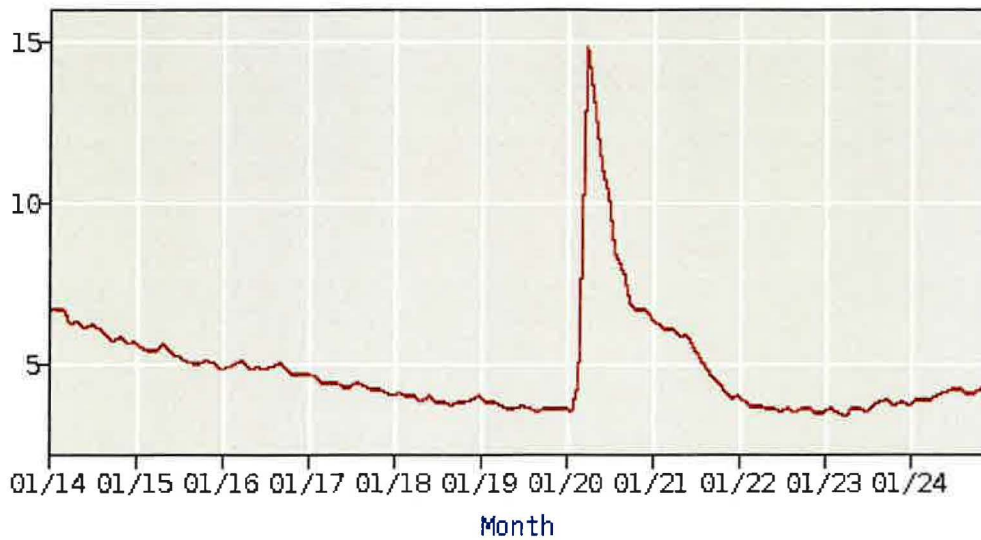
Market conditions for multi-family properties has increased significantly since mid-2020, with rapidly increasing rents, decreasing vacancy rates, and increased sales prices, with new construction and renovations during that time due to strong demand for apartments. Demand has slowed since mid-2022 recently due to increased interest rates as well as stabilization of rents and increasing vacancy rates.

According to the Bureau of Labor Statistics, the (not seasonally adjusted) unemployment rate for metropolitan Tucson was as follows:



This data shows that the unemployment rate in the Tucson metropolitan area had slowly been declining since early 2011. There was a slow steady decline in the unemployment rate over several years. However, the unemployment rate (not seasonally adjusted) was stable in 2019 with an increase early in the year. Due to the shutdown of many businesses due to Covid-19, unemployment began to increase significantly in mid-March 2020. The unadjusted unemployment rate was 4.3% in February 2020 and 5.2% in March 2020. This increased to a peak of 13% in April 2020, then declined slightly to 10.9% in May 2020 and 9.6% in July 2020. The unemployment rate declined to 7.7% in August 2020 and 6.6% in October 2020. The unemployment rate declined to 6.4% in January 2021, 3.9% in December 2021, and 3.4% in March 2022. The unemployment rate was 4.3% in August 2022, 3.3% in December 2022, 3.8% in August 2023, 3.6% in February 2024, and 3.6% in October 2024.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate also increased through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined and is below 2007 levels. The seasonally adjusted unemployment rate was 3.5% in February 2020 and 4.4% in March 2020. This increased to a peak of 14.8% in April 2020, then declined slightly to 13.2% in May 2020 and 10.2% in July 2020. The unemployment rate declined to 8.4% in August 2020 and 6.9% in October 2020. The unemployment rate declined to 6.4% in January 2021, 3.9% in December 2021, and 3.7% in March 2022. The unemployment rate was 3.6% in August 2022, 3.5% in December 2022, 3.7% in August 2023, 3.9% in February 2024, and 4.1% in December 2024.



Overall, the commercial real estate markets reveal that in early to mid-2020, most investors held a cautionary outlook due to the uncertainty of the government conditions and Covid-19. Market conditions have improved for many property types since that time, starting as early as mid-2020. Market conditions were uncertain for some commercial property types, while demand remained for many other property types that are less impacted by Covid-19. Market conditions for single-family and multi-family properties has increased significantly in that time frame, while demand for many commercial uses, particularly those most impacted by Covid-19, were uncertain and stable for longer but increased for many other commercial uses. As interest rates increased starting in mid-2022, demand slowed and market conditions became more uncertain for most property types, with slower demand through quarters of 2024. There remains limited supply on the market for most property types. The long-term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

MARKET AREA

The market area of the subject property is located to the northeast of the central business district of Tucson, Arizona. Generally, market area boundaries include River Road to the north, Grant Road to the south, Tanque Verde/Sabino Canyon Road to the east, and Swan Road to west. The market area is governed by both Pima County and the City of Tucson and is located in the Tucson Unified School District.

Existing property types located in the market area include multi-family apartment complexes, single family homes, townhouses, churches, hospitals, and commercial uses normally located along main traffic arterial roadways. There is vacant land available in the area for development or for redevelopment, ranging from commercial sites along Grant Road to smaller "infill" residential sites located in established residential neighborhoods. Single family residential homes range in price from \$400,000 to over \$1,000,000, with the highest valued homes located in the northern portion of the market area, within the lower foothills of the Catalina Mountains and in the Tucson Country Club gated neighborhood. Multi-family apartment uses range from duplex developments to 500 units in size.

Commercial developments in the area are located primarily along Grant Road and Tanque Verde Road, with additional commercial development on River Road at the intersections of River Road and Craycroft and Camp Lowell Road and Swan Road. Grant Road and Tanque Verde Road are characterized by strip commercial development with neighborhood shopping centers that are typically located at major section-line intersections. The market area also contains two sub-neighborhoods comprised mainly of medical-dental office and hospital uses. A significant commercial development in the subject market area includes the Tucson Medical Center (TMC) at the northwest corner of Grant Road and Craycroft Road. This significant use has an impact on the surrounding the subject market area is located on the east side of Tucson, which is predominated by residential uses.

Newer developments in the subject market area include commercial development at the southeast corner of River Road and Craycroft Road, including a QuikTrip C-Store and the BASIS school on River Road, east of Craycroft Road, and a Whole Foods store in the River Road shopping plaza at the northeast corner of River Road and Craycroft Road. There is also a Class-A apartment complex as part of development at the corner of Craycroft Road and River Road. Overall, the market area is considered to be well-located and stable with a limited amount of available vacant land for additional development. Favorable influences affecting the market area include its relatively central location at the base of the Catalina Foothills school district with good access to public services and transportation routes.

SITE DESCRIPTION

The subject larger parcel is an irregularly shaped property with a depth of approximately 700 feet along the western border, a length of approximately 1,370 feet along the southern border adjacent to The Loop multi-use path, and a depth of approximately 435 feet along the eastern border. The site has approximately 210 feet of frontage on the River House Trail alignment; however, that portion of the River House Trail alignment has a topography that is too steep to be used for a vehicular access point to the subject larger parcel. The total area of the subject larger parcel totals 906,919 square feet (20.82 acres), per the recent rezoning approval of the

subject property from SR zoning to a Specific Plan zoning. The topography of the subject larger parcel is mostly level sloping gently to the south towards the Rillito River. However, there is a two-acre portion of the subject larger parcel that fronts along the River House Road alignment that is steeply sloping and is not useable for any potential building developments of the subject larger parcel and is identified as “upland” open space in the rezoning approval of the subject property; therefore, the subject property has a useable area of approximately 18.82 acres. There is a small wash channel that runs in a southerly direction near the center of the site; however, this wash area is not considered to substantially impact the subject as this area would be left as open space, with crossings only required in several places for planned driveway uses. There are distant mountain views from the subject property due to its lower foothills location. Soil conditions appear to be typical of the area. Properties bordering the subject property include single family residences on large lots to the north, the Rillito River, and a school use on the south side of the Rillito River, a recreational site with parking lot for The Loop multiuse path owned by the Pima County Flood Control District to the east, and a property with a number of small casitas, and single-family residences on large lots to the west.

Currently, the only direct vehicular access to the subject larger parcel is from Craycroft Road by use of a narrow dirt easement that runs across the northern borders of the adjacent properties and enters the subject larger parcel at the northeast corner of the property. This existing easement is not wide enough to support access for the proposed multifamily development on the subject larger parcel. The property owner is attempting to secure an easement across the adjacent site to the east to allow for a driveway from Craycroft as well as an easement from the adjacent property to the west to secure a secondary access point from Camino Blanco, located to the northwest of the subject larger parcel. Craycroft Road is a four-lane asphalt paved roadway with center turn lane, concrete curbs, sidewalks, but no streetlights in the area of the subject. Craycroft Road has a 2024 traffic count of 19,565 vehicles per day according to the Pima Association of Governments traffic count information. The Southern portion of Craycroft Road becomes a bridge that spans the Rillito River in the area of the subject. River House Road and Camino Blanco are both two-lane residential roadways with no traffic counts available.

Public utilities available to the property include electric (Tucson Electric Power), telephone (Century Link), water (Tucson Water), and sewer (Pima County). Any development of the site would require an engineering study to determine the availability and adequacy of utilities. According to FEMA Flood Insurance Rate Map 04019C0694L, dated June 16, 2011, the majority of the subject larger parcel is located within the FEMA 500-year floodplain Zone X-shaded, which is not considered to have a negative impact on the subject property. Additionally, a small portion of the site at the southeast portion is located within the 100-year FEMA Special Flood Hazard 100-Year Floodplain Zone A, with potential flow depths of approximately 1-foot, according to information from the Pima County GIS map. The area located within the 100-year FEMA floodplain is also not considered to have a negative impact on the subject property as this is not where any potential building pads would be located. The Rillito River is bank protected in the area of the subject larger parcel. The

property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property.

ZONING

The subject larger parcel is zoned SP (ENDEAVOUR Spirited Living Specific Plan) – under the Pima County Zoning Code. The subject property was rezoned from SR to SP on March 7, 2023. The Endeavour Spirited Living Specific Plan allows for the development of a multifamily use on the subject larger parcel consisting of 177-units and an age restriction of 55+ and supporting Endeavour development will be age-restricted to adults aged 55+ with a central country club-style gathering space featuring dining, bar & grill, and coffee bar. Endeavour will also be adding public parking and amenity space at The Loop/Craycroft Trailhead in partnership with the County.

The subject property, as vacant, can be developed with a multifamily development as detailed in the ENDEAVOUR Spirited Living Specific Plan or can be developed with single-family residences (one on each of the existing parcel numbers), or can split to allow a fourth lot to allow a fourth single-family residence on the property without having to create a subdivision.

COMPREHENSIVE PLAN

This property is located in an area designated as Low Intensity Urban 1.2 (LIU 1.2) according to the Pima County Comprehensive Plan. The purpose of this designation is to “designate areas for low density residential and other compatible uses; to provide incentives for clustering residential development and providing natural open space; and to provide opportunities for a mix of housing types throughout the region.” Only land area zoned and planned for residential use, or natural or cluster open space areas, shall be included in gross density calculations. The maximum residential gross density is 1.2 residences per acre (RAC) or 2.5 to 4.0 residences per acre with 30 percent cluster open space. Allowable zonings under the LIU 1.2 designation are GC, SR, SR-2, SH, CR-1, CR-2, CR-3, CR-4, CR-5, CMH-1 and MR.

At the time the subject property was successfully rezoned from SR to a Specific Plan on March 7, 2023, the Comprehensive Plan was also amended for the area of the subject property to allow for a 177-unit multifamily development. After the plan amendment, the Specific Plan zoning of the subject property is consistent with the amended Comprehensive Plan.

MARKET PROFILE - MULTIFAMILY

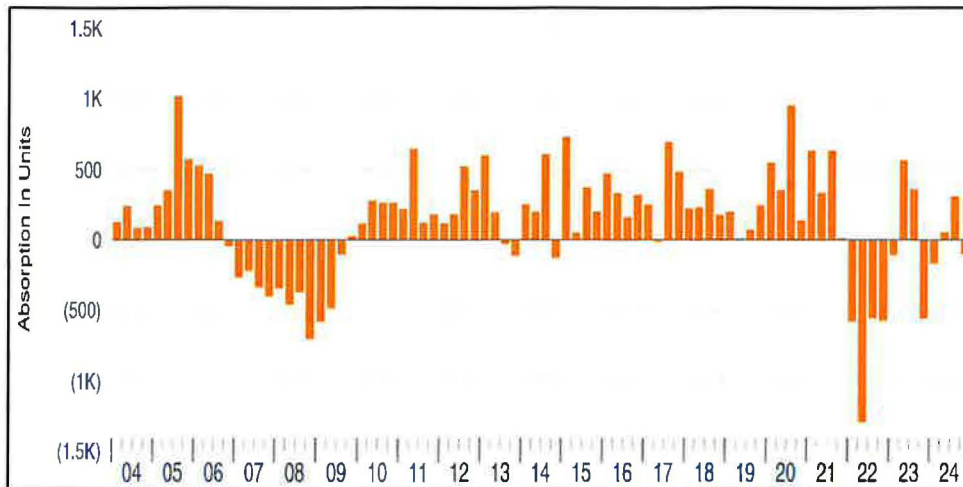
The following is the multifamily vacancy rates for the Pima County market according to CoStar. This data indicates that the vacancy rate increased substantially from 2006 to a peak in late-2009. Beginning in 2010, the vacancy rate began to decline, continuing through mid-2021. Vacancy rates increased sharply at the end of 2021 and has continued through the end of 2024.

Vacancy Rate, Pima County



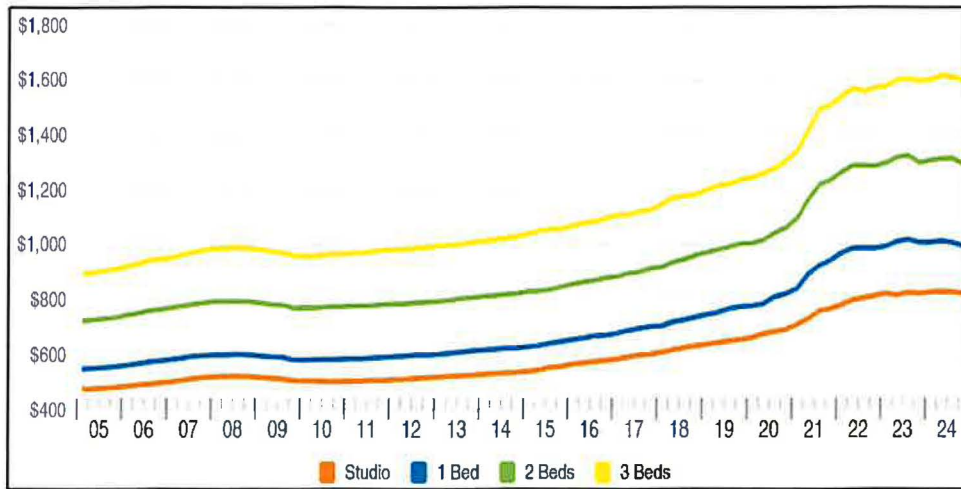
The following is the multifamily unit net absorption for the Pima County market, according to Costar. There has been a net-positive unit absorption for nearly all quarters from 2010 through the end of 2021. The Tucson market area experienced negative absorption in all of 2022 and a mix of net positive and net negative absorptions from 2023 through the end of 2024.

Multifamily Net Absorption, Pima County



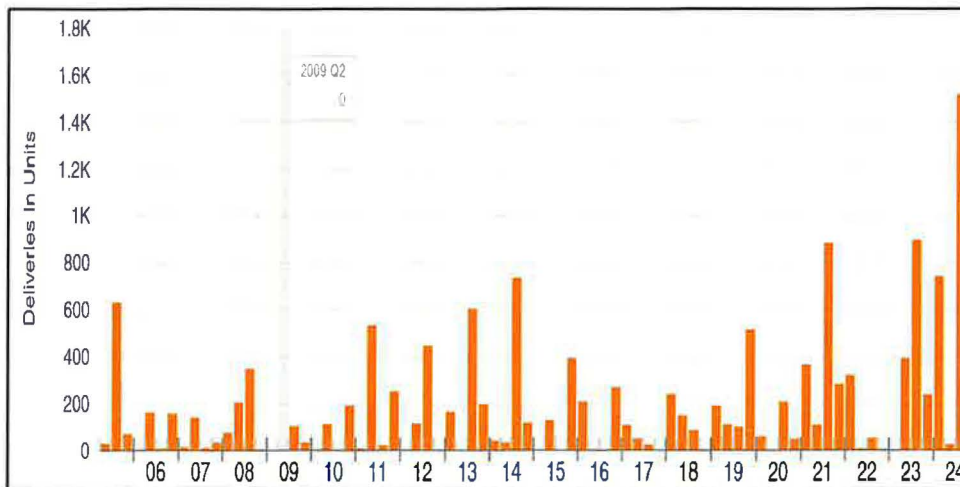
The following is the effective rent by unit type for multifamily properties in the Pima County market, according to Costar. This data indicates that rents have gradually increased between 2010 and 2019, with a sharp increase occurring in all unit types from 2021 through 2022. The effective rents stabilized in the beginning of 2023 and remained mostly stable through the end of 2024, which indicates that rental rates may have reached a high point due to the leveling off of rents for all unit types.

Multifamily Asking Rent By Unit Type, Pima County



The following is the multifamily property new construction deliveries in the Pima County market, according to Costar. From 2011 through 2014, there was an increase in multifamily construction deliveries compared to some of the previous years, primarily due to new student housing and low density high-end apartments. There was a substantial increase in new construction deliveries during 2023 has continued through 2024.

Multifamily New Construction Deliveries, Pima County



Market conditions for apartment properties had improved for the last several years. Tucson has a large number of older apartments constructed before 1980 with small, aging units. In the last few years, there has been some new construction, primarily of student housing near downtown and the University of Arizona, and some high-end, low-density complexes throughout Tucson, particularly in the northwest. There has also been some renovation of older apartment complexes, which allows for increases in rents for these renovated units. Market conditions for apartments started to stabilize after the previous recession. After this, there was an increase in prices for most property types and capitalization rates declined. Market conditions have improved and there is demand for new Class A apartments in good locations. Demand will continue to remain strong with greater demand for Class A apartment complexes in good locations. There has been an increase in Class A multifamily developments beginning in 2011 through 2017. There are several Class A multifamily developments currently under construction or planned for construction. From mid to late 2020 through early to mid-2022, there was an increase in demand for multifamily properties, with limited supply and rising prices. There were limited units available in the market with strong demand for rental units, with rapidly rising rental rates. There was an increase in demand for multifamily properties of all sizes, with many older complexes purchased to renovate and/or raise rents to market rents. Recently demand has slowed by both purchasers and tenants due to the increase in interest rates, increased inflation, and the recent significant increase in rents. Capitalization rents have increased since spring 2022 due to the increase in interest rates, which has led to a decline in sales prices. Due to this there is limited supply of apartments available for purchase and fewer sales of multifamily properties. New construction has slowed for many properties that were planned but had not yet started construction due to high construction costs, high interest rates, and slowing rental rate growth. Rental rates have stabilized with vacancy slightly increased. The long-term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

EXPOSURE/MARKETING TIME

Marketing time, as utilized in this appraisal, is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

¹

The reasonable *exposure time* is the period a property is on the market until a sale is consummated and as utilized in this appraisal, is defined as:

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. ²

The reasonable exposure and marketing time is estimated to be six to twelve months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property.

HIGHEST AND BEST USE

The Seventh edition of The Dictionary of Real Estate Appraisal (Appraisal Institute; 2022, p. 88), defines highest and best use as: “The reasonably probable use of property 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.” An analysis of market data supports the conclusion of highest and best use.

Highest and Best Use as Vacant

Legal Considerations

The subject larger parcel is zoned SP (Endeavour Spirited Living Specific Plan) – under the Pima County Zoning Code. The subject property was rezoned from SR to SP on March 7, 2023. The Endeavour Spirited Living Specific Plan allows for the development of a multifamily use on the subject larger parcel consisting of 177-units and an age restriction of 55+ and supporting Endeavour development will be age-restricted to adults aged 55+ with a central country club-style gathering space featuring dining, bar & grill, and coffee bar. Endeavour will also be adding public parking and amenity space at The Loop/Craycroft Trailhead in partnership with the County. Additionally, at the time the subject property was

1. The Dictionary of Real Estate Appraisal (Appraisal Institute, Sixth Edition, 2015), p. 140

2. Ibid, p. 83

successfully rezoned from SR to a Specific Plan on March 7, 2023, the Comprehensive Plan was also amended for the area of the subject property to allow for a 177-unit multifamily development. After the plan amendment, the Specific Plan zoning of the subject property is consistent with the amended Comprehensive Plan.

The subject property, as vacant, can be developed with a multifamily development containing up to 177 units as detailed in the Endeavour Spirited Living Specific Plan.

Physical Considerations

The subject larger parcel is an irregularly shaped property with a depth of approximately 700 feet along the western border, a length of approximately 1,370 feet along the southern border adjacent to The Loop multi-use path, and a depth of approximately 435 feet along the eastern border. The site has approximately 210 feet of frontage on the River House Trail alignment; however, that portion of the River House Trail alignment has a topography that is too steep to be used for a vehicular access point to the subject larger parcel. The total area of the subject larger parcel totals 906,919 square feet (20.82 acres), per the recent rezoning approval of the subject property from SR zoning to a Specific Plan zoning. The topography of the subject larger parcel is mostly level sloping gently to the south towards the Rillito River. However, there is a two-acre portion of the subject larger parcel that fronts along the River House Road alignment that is steeply sloping and is not useable for any potential building developments of the subject larger parcel and is identified as “upland” open space in the rezoning approval of the subject property; therefore, the subject property has a useable area of approximately 18.82 acres. There is a small wash channel that runs in a southerly direction near the center of the site; however, this wash area is not considered to substantially impact the subject as this area would be left as open space, with crossings only required in several places for planned driveway uses. There are distant mountain views from the subject property due to its lower foothills location. Soil conditions appear to be typical of the area. Properties bordering the subject property include single family residences on large lots to the north, the Rillito River, and a school use on the south side of the Rillito River, a recreational site with parking lot for The Loop multiuse path owned by the Pima County Flood Control District to the east, and a property with a number of small casitas, and single-family residences on large lots to the west.

Currently, the only direct vehicular access to the subject larger parcel is from Craycroft Road by use of a narrow dirt easement that runs across the northern borders of the adjacent properties and enters the subject larger parcel at the northeast corner of the property. This existing easement is not wide enough to support access for the proposed multifamily development on the subject larger parcel. The property owner is attempting to secure an easement across the adjacent site to the east to allow for a driveway from Craycroft as well as an easement from the adjacent property to the west to secure a secondary access point from Camino Blanco, located to the northwest of the subject larger parcel. Craycroft Road is a four-lane asphalt paved roadway with center turn lane, concrete curbs, sidewalks, but no streetlights in the area of the subject. Craycroft Road has a 2024 traffic count of 19,565 vehicles per day according to the Pima Association of Governments traffic count

information. The Southern portion of Craycroft Road becomes a bridge that spans the Rillito River in the area of the subject. River House Road and Camino Blanco are both two-lane residential roadways with no traffic counts available.

Public utilities available to the property include electric, telephone, water, and sewer. Any development of the site would require an engineering study to determine the availability and adequacy of utilities. According to FEMA Flood Insurance Rate Map 04019C0694L, dated June 16, 2011, the majority of the subject larger parcel is located within the FEMA 500-year floodplain Zone X-shaded, which is not considered to have a negative impact on the subject property. Additionally, a small portion of the site at the southeast portion is located within the 100-year FEMA Special Flood Hazard 100-Year Floodplain Zone A, with potential flow depths of approximately 1-foot, according to information from the Pima County GIS map. The area located within the 100-year FEMA floodplain is also not considered to have a negative impact on the subject property as this is not where any potential building pads would be located. The Rillito River is bank protected in the area of the subject larger parcel. The property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property.

The physical characteristics of the subject larger parcel would allow for the development of a 177-unit multifamily use as allowed under the Specific Plan zoning of the subject property, with the site having a useable land area of approximately 18.8 acres as the conditions of rezoning require approximately two acres of land area on the northern portion of the property be left as natural open space. However, the potential development of a 177-unit multifamily development would require the subject property owner to successfully secure an access easement across the Pima County owned property to the east of the subject larger parcel.

Financial Feasibility

The subject property owner recently completed a Pima County Comprehensive Plan amendment and successfully rezoned the subject larger parcel from an SR zoning to a Specific Plan zoning to allow the development of a 177-unit age-restricted multifamily development.

Due to the large land area of the subject property and the current strong demand for multifamily uses in the area of the subject property, it would be financially feasible to develop the subject property with a 177-unit multifamily development as allowed under the Specific Plan zoning. Additionally, an access easement across the adjacent property to the east from Craycroft Road would be required to provide sufficient access to the subject property to support the potential multifamily development on the subject larger parcel.

Maximally Productive

Therefore, the most Maximally Productive and Highest and Best Use of the subject property, as vacant, would be to develop the subject property with a 177-unit multifamily development as allowed under the subject property's Specific Plan zoning.

PART IV - SUMMARY OF ANALYSIS AND VALUATION

SALES COMPARISON APPROACH

The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property.

This analysis uses those sales most relevant as indicators of value of the subject property, adjusting for dissimilarities such as terms of sale, site size, location, number of potential lots, zoning, and site utility. Sales used in this approach must contain these elements; 1) both parties are typically motivated; 2) both parties are well-informed; 3) a reasonable market exposure time is allowed; 4) payment is made in cash or its equivalent; and 5) financing reflects terms typically available and not affected by special or unusual terms. The summary below illustrates the comparable sales used in this report.

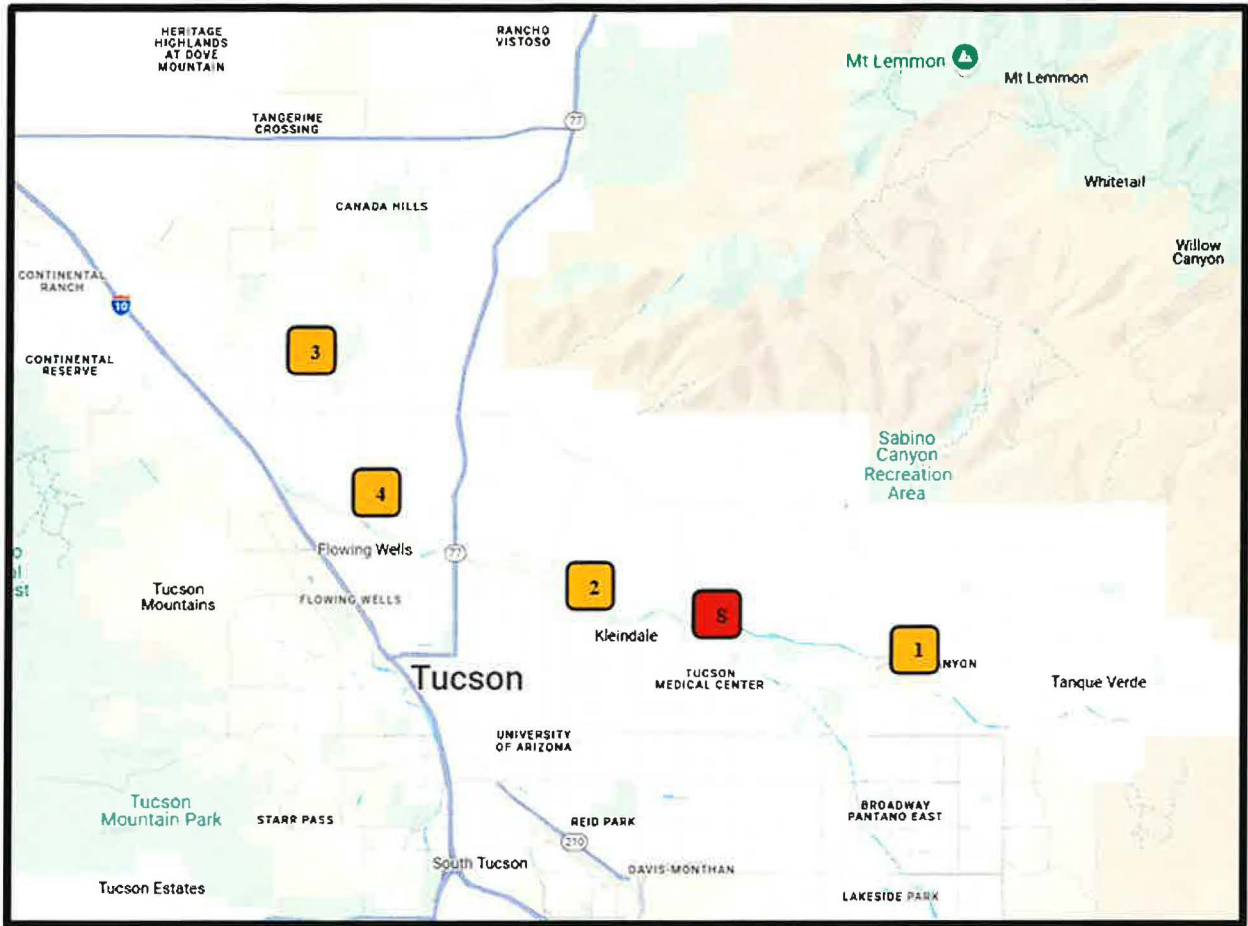
The appraiser completed a thorough search for similar properties to the subject property as part of the sales comparison approach analysis. The appraiser was unable to locate any sales that occurred after 2021 that would be similar in location, views, use, and physical characteristics that would be considered comparable to the subject property with the four comparable sales utilized in the analysis of the subject property being the most similar comparable properties to the subject.

Table of Comparable Land Sales

Sale No.	Sale Date	Property Location	Sale Price	Site Size (Sq. Ft.)	Site Size (Acres)	Price/SF	Zoning
1	03/21	West side of Bear Canyon Drive, north of Tanque Verde Drive	\$9,500,000	979,676	22.5	\$9.70	R3
2	05/21 - 03/23	South side of River Road, East of Hacienda Del Sol	\$3,471,558	341,510	7.8	\$10.17	PAD-41
3	12/21	Northwest corner of Cortaro Farms Road and Shannon Road	\$3,000,000	409,448	9.4	\$7.33	CB-1
4	12/21	Southeast corner of La Cholla Boulevard and Fountains Avenue	\$3,700,000	503,186	11.6	\$7.35	TR
Subject Property				819,799*	18.82*		SP

*Developable land area out of the total subject 20.8 acres, not inclusive of the 2.0 acre "Upland" open space requirement

COMPARABLE LAND SALES LOCATION MAP



- Subject:** West of Craycroft Road, on the north side of Rillito River
- Sale 1: West side of Bear Canyon Drive, north of Tanque Verde Drive
- Sale 2: South side of River Road, east of Hacienda Del Sol
- Sale 3: Northwest corner of Cortaro Farms Road and Shannon Rd
- Sale 4: Southeast corner of La Cholla Boulevard and Fountains Avenue

LAND COMPARABLE NUMBER ONE (SALE)

ID: R3 0100 8274

LOCATION: West side of Bear Canyon Drive, north of Tanque Verde Road

LEGAL DESCRIPTION: A portion of the Southwest Quarter of the Northwest Quarter of Section 34, Township 13 South, Range 15 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: 114-51-2060 and 114-51-1960 (now 114-51-206A)

RECORD DATA: Fee number 20210811115

DATE OF SALE: March 22, 2021

SELLER: C. Thomas Mason III, as Successor Trustee of The Charles T. Mason, Jr. Revocable Trust, dated June 18, 1986, and as Successor Trustee of the C. Thomas Mason III Trust, Dated December 4, 2018

BUYER: Mason Ranch Apartments, LP, an Arizona Limited Partnership

CONFIRMED BY: Ross McCallister, buyer (520-404-3400)
SRB; February, 2023

LAND DESCRIPTION: This site is a mostly rectangular shaped property with 600.56 feet of frontage on Bear Canyon Road on the eastern property line. The site has a depth of about 1,300 feet on the northern property line and a length of about 475 feet on the western property line. Bear Canyon Road is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks on the east side of the road, but no streetlights in the vicinity of this property. Bear Canyon Road has a 2021 traffic count of 7,267 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. The topography is somewhat sloping in westerly direction. Utilities available to the property include water and electric. The nearest public sewer point that can be accessed was about 3,600 feet away from the property and the buyer estimated the cost at about \$1,100,000 to bring sewer to the property. According to FEMA Flood Insurance Rate Map 04019C1720M, dated September 28, 2012, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside

the 0.2 percent annual chance floodplain. An unnamed wash with erosion hazard setback of 25 feet crosses the property in east-west direction.

LAND SIZE: 16.11 acres, or about 701,752 square feet

ZONING: SR, rezoned R-3, City of Tucson
The buyer paid to rezone the property from SR to R-3 zoning

REPORTED SALE PRICE: \$4,400,000

PRICE PER SQ. FT.: \$6.27

MARKETING TIME: Not available

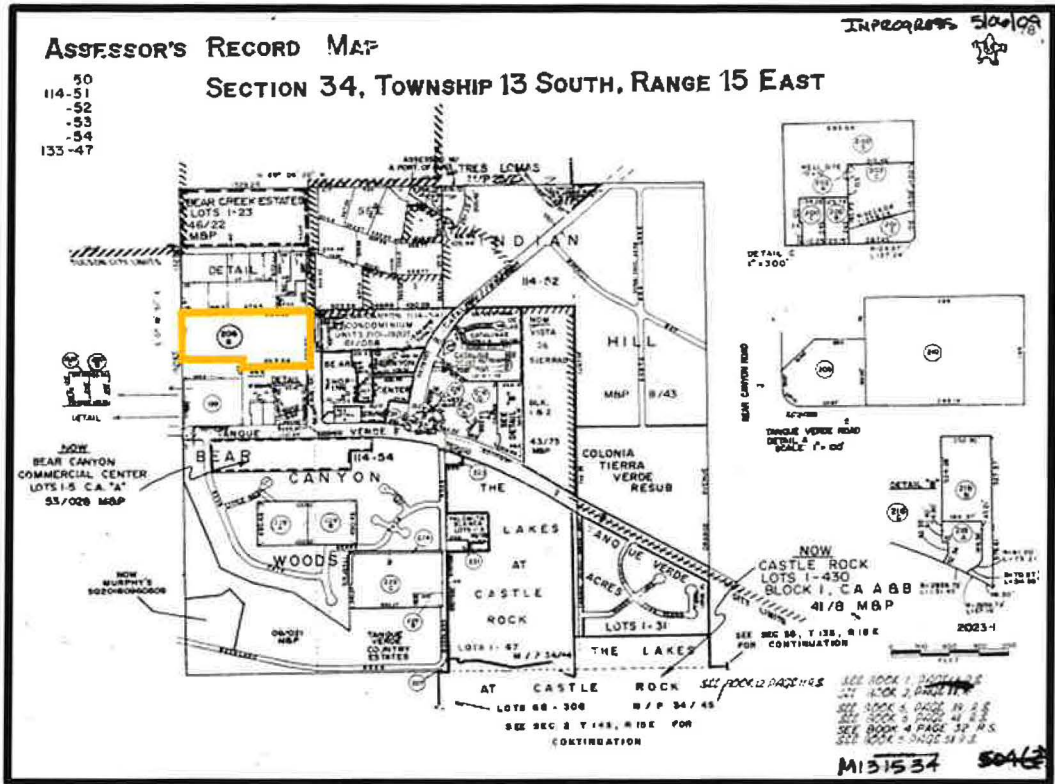
TERMS OF SALE: The terms of sale included a down payment in the amount of \$1,250,000 (28.4%), with the seller carrying a note for the remaining balance. This is considered to be at market terms.

PRIOR SALE: Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: To develop a multi-family housing complex

COMMENTS: The buyer rezoned the property to R-3 zoning and hoped to obtain 256 units on the property. The buyer also purchased an adjacent property in a separate transaction about a year later, which would allow development of more units.



(property lines are estimate)



LAND COMPARABLE NUMBER TWO (SALE)

ID: PAD 0036 8583

LOCATION: South side of River Road, east of Hacienda Del Sol

LEGAL DESCRIPTION: A portion of Section 20, Township 13 South, Range 14 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCELS: 108-24-004A, 108-24-026K, 108-24-003E, and 108-24-026J

RECORD DATA: 2021-2421089, 2021-1470810, 2021-2530748, and 2023-30830602

DATE OF SALE: May 27, 2021; August 30, 2021; September 1, 2021; and March 24, 2023

SELLER: The Kingman Trust, Robert C. Dowling, Albert S. Coit, and Joseph E. Kokroko

BUYER: 2850-3030 East River LLC

CONFIRMED BY: Affidavit, Assessor

LAND DESCRIPTION: This is an irregular shaped property located on the south side of River Road, east of Hacienda Del Sol. The property has approximately 988 feet of frontage on River Road along the northern border, a depth of approximately 340 feet along the western border, and a depth of approximately 405 feet along the eastern border. The southern border of the property fronts along the Rillito River linear park multi-use path. River Road is a four-lane, asphalt paved roadway with a center turn lane, but no concrete curbs or sidewalks in the vicinity of the property. River Road has a 2023 traffic count of 29,022 vehicles per day in the area of the property. Direct access to the property is from River Road. All public utilities are available to the property. There is a sewer line easement running in a north/south direction across the western portion of the site. According to FEMA Flood Insurance Rate Map 04019C1695L, dated June 16, 2011, the vast majority of the site is located within FEMA Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. A very small portion of the site along the southern border is located within FEMA Zone X

(shaded) which are areas of 500-year flood; however, the 500-year flood area along the southern border would not impact the developability of the property.

LAND SIZE: 341,210 square feet (7.8 acres)

ZONING: PAD-41 (River Terrace)

REPORTED SALE PRICE: \$3,471,558

PRICE PER SQ. FT.: \$10.17

MARKETING TIME: N/A

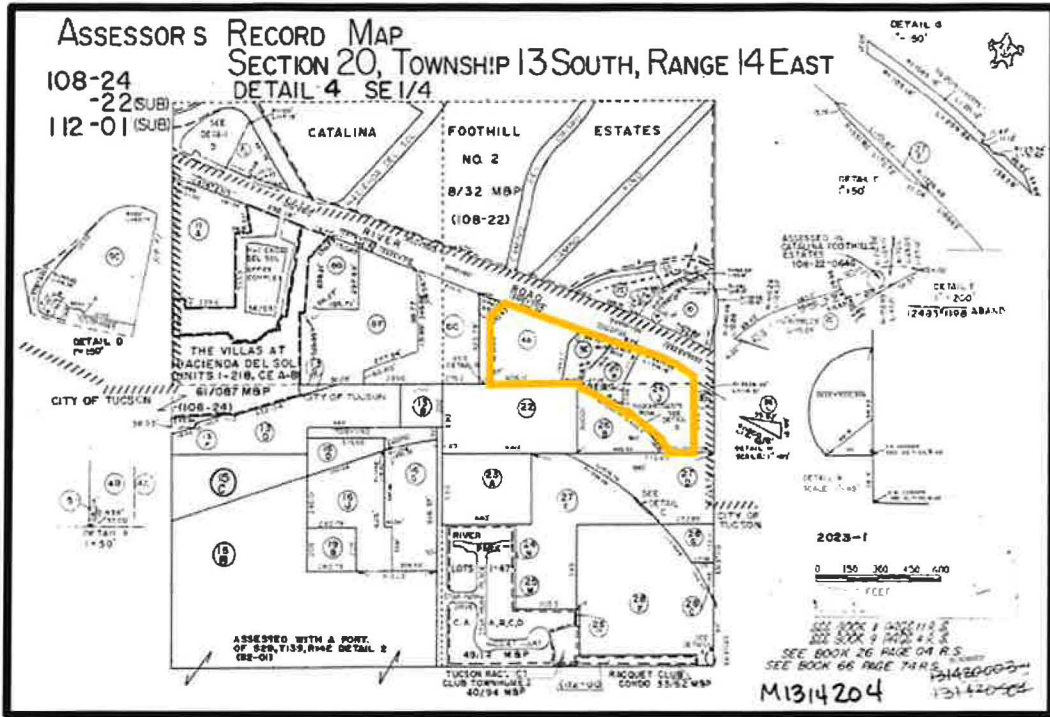
TERMS OF SALE: This purchase involved a single buyer who purchased four adjacent properties with each purchase being an all cash to the seller transaction.

PRIOR SALE: Records of the Pima County Assessor indicate that no market transactions have occurred within three years of the date of the purchases.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: Investment with plans to develop the property with a multifamily development

COMMENTS: The buyer purchased each of the four parcels from separate sellers, with four single family residences on the property (one residence on each parcel). The development of the site would require the demolition of existing residences on the site prior to any multifamily development on the property.



LAND COMPARABLE NUMBER THREE (SALE)

ID: CB1 0152 8073A

LOCATION: Northwest corner of Cortaro Farms Road and Shannon Road

LEGAL DESCRIPTION: Portion of Lot 1501, Casas Adobes Country Club Estates, Pima County, Arizona.

STATE TAX PARCELS: 225-32-002F and 225-32-002G

RECORD DATA: 2021-3490691

DATE OF SALE: December 15, 2021

SELLERS: FCI Constructors, Inc

BUYER: Cabana Coraro, LLC

CONFIRMED BY: Rick Borane, listing broker, (520-495-2240)
DFO; January, 2022

LAND DESCRIPTION: The site is mostly rectangular parcel located at the northwest corner of Cortaro Farms Road and Shannon Road. The site has approximately 580 feet of frontage on Cortaro Farms Road along the southern border and approximately 775 feet of frontage on Shannon Road along the western border. The site contains a total gross area of 409,448 square feet (9.39 acres), per the Pima County Assessor's information. The site has direct access Shannon Road at the northeastern portion of the site as the balance of the property is substantially above grade of both Cortaro Farms Road and Shannon Road. Other than the edges of the site which border the roadways, the main buildable portion of the site is mostly level. The intersection of Cortaro Farms Road and Shannon Road is a traffic light-controlled intersection. Cortaro Farms Road is a four-lane asphalt paved road with center median, left and right turn lanes at the intersection with Shannon Road, concrete curbs, sidewalks on the south side of the road only, and no streetlights in the area of the subject. Cortaro Farms Road has a 2020 traffic count of 11,732 vehicles per day according to the Pima County Associations of Governments. Shannon Road is a four-lane asphalt paved road with center turn lane, left and right turn lanes at the intersection with Cortaro Farms Road,

concrete curbs, but no sidewalks or streetlights in the area of the subject. Shannon Road has a 2020 traffic count of 7,211 vehicles per day to the north of this site, according to the Pima County Associations of Governments. Properties bordering the property include a multifamily develop that wraps around the north and west side of the site, a casita style multifamily use on the south side of Cortaro Farms Road from the site and single-family residences located on the east side of Shannon Road from the site. All public utilities are available in the site the property include electric, telephone, water, and sewer. According to FEMA Flood Insurance Rate Maps 04019C1660L, dated June 16, 2011, the site is located outside of a FEMA 100-year floodway in Zone X.

LAND SIZE: 409,448 square feet (9.39 acres)

ZONING: CB1 – Pima County

REPORTED SALE PRICE: \$3,000,000

PRICE PER SQ. FT.: \$7.33

MARKETING TIME: 357 Days

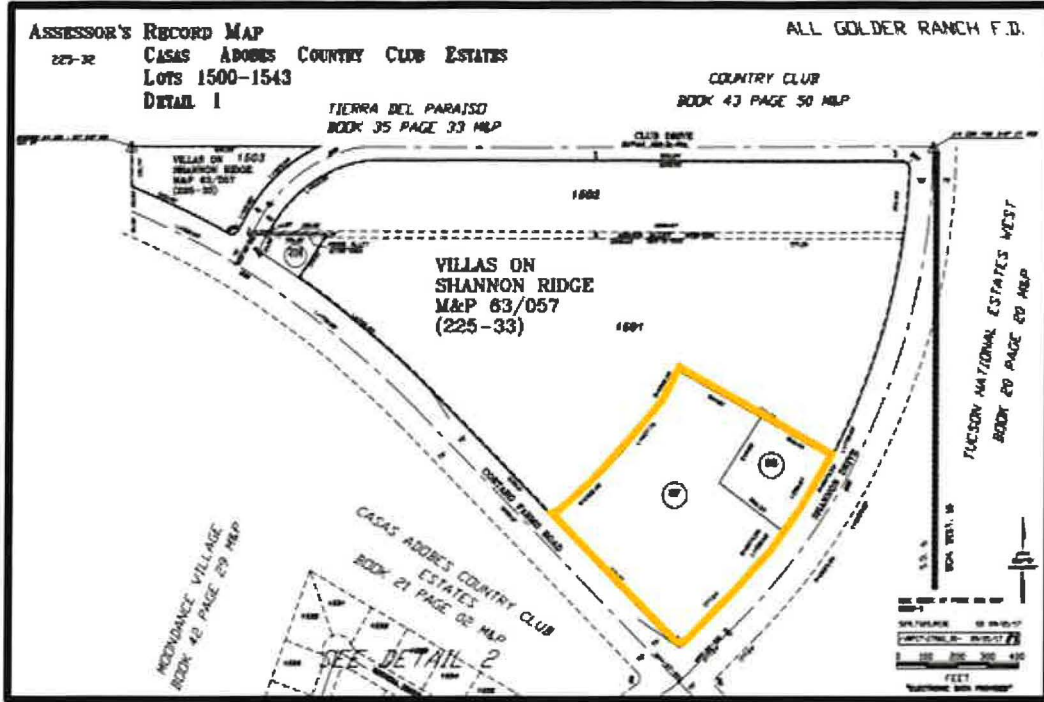
TERMS OF SALE: This was an all cash to the seller transaction

PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of this sale.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: Investment short term with and developed with multifamily use in the future.

COMMENTS: The broker did not indicate any extraordinary costs and was unsure of the number of units planned for the site.



LAND COMPARABLE NUMBER FOUR (SALE)

ID: TR 0112 8073A

LOCATION: Southeast corner of La Cholla Boulevard and Fountains Avenue

LEGAL DESCRIPTION: Portion of the southwest quarter of the southwest quarter of Section 10, Township 13 South, Range 13 East, G&SRB&M, Pima County, Arizona.

STATE TAX PARCEL: 102-13-004D

RECORD DATA: Fee number 2021-3410771

DATE OF SALE: December 7, 2021

SELLER: Rhodock Holdings, LLC

BUYER: Aerie Northwest, LLC

CONFIRMED BY: Affidavit

LAND DESCRIPTION: This site is an irregular shaped property with approximately 485 feet of frontage on La Cholla Boulevard along the western property boundary and a depth of approximately 865 feet along the northern property boundary. Direct access to the site is from La Cholla Boulevard. La Cholla Boulevard is a six-lane, asphalt-paved roadway with a concrete median, concrete curbs, sidewalks, but no streetlights in the vicinity of this property. La Cholla Boulevard has a 2020 traffic count of 23,738 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. Fountains Avenue is a two-lane, asphalt-paved roadway with a left turn lane at the intersection with La Cholla Boulevard, concrete curbs, sidewalk on the north side of the street, but no streetlights in the vicinity of this property. The property has direct access from both La Cholla Boulevard and Fountains Avenue. The topography is somewhat level, gaining in elevation on the northern end of the site. There are minor washes crossing the site. All utilities are available to the site. According to FEMA Flood

Insurance Rate Map 04019C1667L, the site is located in Zone X (unshaded) for most of the site, with approximately 30% of the site located within the FEMA 500-year floodplain Zone X-shaded.

LAND SIZE: 503,186 square feet or 11.55 acres

ZONING: TR (Pima County)

REPORTED SALE PRICE: \$3,700,000

PRICE PER SQ. FT.: \$7.35

MARKETING TIME: N/A

TERMS OF SALE: This was an all cash to the seller transaction.

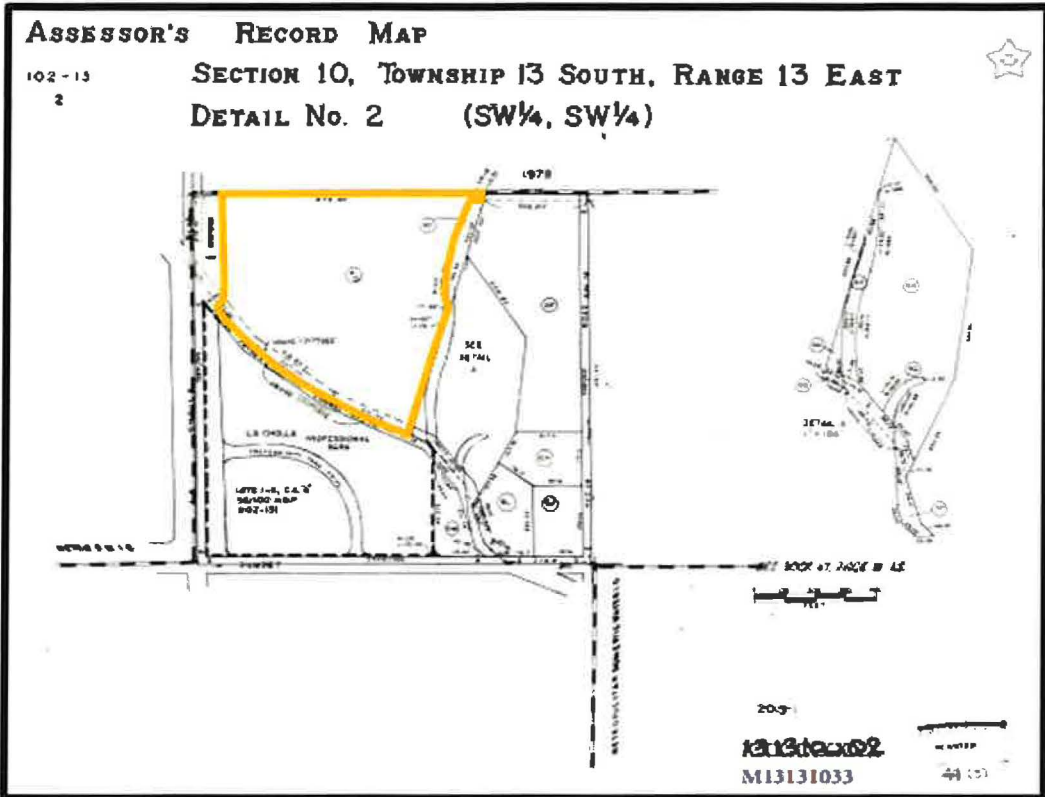
PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

CONDITIONS OF SALE: Assumed to be a normal market arms-length transaction

INTENDED USE: Based on Costar and Real Estate Daily Comps this is a planned multifamily site

COMMENTS: Reported to be a double-escrow involving a third party that purchased the property for \$2,450,000, and closed on the same day as this transaction for the sale price of \$3,700,000. The appraiser was not able to confirm when the initial sale of the double escrow started or the terms of that sale. The current sale is considered to be a normal market transaction.

There was high site development costs due to sloping topography and the need for extensive rip rap retaining walls on the site.



COMPARABLE LAND SALES ADJUSTMENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4
Sale Date		03/2021	05/2021	12/2021	12/2021
Site Size (Square Feet)	819,799*	701,752	341,510	409,448	503,186
Site Size (Acres)	18.82*	16.11	7.84	9.40	11.55
Number of Units Planned	177	256	113	196	144
Zoning	SP	SR**	SR**	CB-1	TR
Site Utility	Average	Superior	Superior	Superior	Inferior
Sale Price		\$4,400,000	\$3,471,558	\$3,000,000	\$3,700,000
Price per Sq. Ft.		\$6.27	\$10.17	\$7.33	\$7.35

*Developable land area out of the total subject 20.8 acres, not inclusive of the 2.0 acre "Upland" open space requirement

** Buyer rezoned property for multifamily use

Summary of Adjustments

Unadjusted Price / Sq. Ft.	\$6.27	\$10.17	\$7.33	\$7.35
Property Rights	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Price	\$6.27	\$10.17	\$7.33	\$7.35
Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Price	\$6.27	\$10.17	\$7.33	\$7.35
Conditions of Sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Price	\$6.27	\$10.17	\$7.33	\$7.35
Date/Market Conditions	<u>12%</u>	<u>11%</u>	<u>6%</u>	<u>6%</u>
Adjusted Price	\$7.02	\$11.28	\$7.77	\$7.79
Physical Adjustments (%)				
Location/Views	35	-5	35	20
Zoning	15	15	0	0
Density	-30	-25	-40	-15
Site Size	0	0	0	0
Site Utility	<u>-5</u>	<u>-5</u>	<u>-5</u>	<u>10</u>
Net Adjustment	15%	-20%	-10%	15%
Indicated Value / Sq. Ft.	\$8.08	\$9.03	\$6.99	\$8.96

This analysis compares four vacant land sales of properties similar to the subject property on a price square foot basis. The comparable properties range in size from 341,501 square feet to 701,752 square feet, with sale prices ranging from \$6.27 to \$10.17 on a price per square foot basis, before the adjustments. An upward adjustment indicates that the comparable is inferior to the subject; a downward adjustment indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

Comparable Sale One requires an upward adjustment for date and market conditions as market conditions for this type of property improved between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location/views as this property is located in an area with inferior demand compared to the subject property. There is an upward adjustment for zoning as this property required rezoning to develop a multifamily use compared to the subject property which already had zoning for a multifamily use as of the date of value. This sale warrants a downward adjustment for density as this property has a higher density of development than what can be developed on the subject property. Properties with higher densities of development typically sell for more than properties with lower densities, all else being equal. There is a downward adjustment for site utility as this property has lower site development costs compared to the subject property. Overall, this sale indicates an upward adjustment on a price per square foot basis in comparison to the subject property.

Comparable Sale Two requires an upward adjustment for date and market conditions as market conditions for this type of property improved between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for location/views as this property is located in a specific area with superior demand compared to the subject property. There is an upward adjustment for zoning as this property required rezoning to develop a multifamily use compared to the subject property which already had zoning for a multifamily use as of the date of value. This sale warrants a downward adjustment for density as this property has a higher density of development than what can be developed on the subject property. Properties with higher densities of development typically sell for more than properties with lower densities, all else being equal. There is a downward adjustment for site utility as this property has lower site development costs compared to the subject property. Overall, this sale indicates a downward adjustment on a price per square foot basis in comparison to the subject property.

Comparable Sale Three requires an upward adjustment for date and market conditions as market conditions for this type of property improved between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location/views as this property is located in an area with inferior demand compared to the subject property. This sale warrants a downward adjustment for density as this property has a higher density of development than what can be developed on the subject property. Properties with higher densities of development typically sell for more than properties with lower densities, all else being equal. There is a downward adjustment for site utility as this property has lower site development costs compared to the subject property. Overall, this sale indicates a downward adjustment on a price per square foot basis in comparison to the subject property.

Comparable Sale Four requires an upward adjustment for date and market conditions as market conditions for this type of property improved between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location/views as this property is located in an area with inferior demand compared to the subject property. This sale warrants a downward adjustment for density as this property has a higher density of development than what can be developed on the subject property. Properties with higher densities of development typically sell for more than properties with lower densities, all else being equal. There is an upward adjustment for site utility as this property has greater site development costs compared to the subject property due to more cut and fill from irregular topography compared to the subject property. Overall, this sale indicates an upward adjustment on a price per square foot basis in comparison to the subject property.

Sales Comparison Approach Summary

	Sale 1	Sale 2	Sale 3	Sale 4
Adjusted Sale/Price Per Sq. Ft.	\$8.08	\$9.03	\$6.99	\$8.96

These four comparable sales indicate a price range of \$6.99 to \$9.03 per square foot after adjustment. Comparable Sale Four is given the most weight as this sale is most similar to the subject and requires the fewest physical adjustments; however, all the adjusted comparable sales provide a reliable range of value for the subject larger parcel. After analyzing the comparable sales, the conclusion of the market value of the subject larger parcel by the sales comparison approach, as of February 11, 2025, is \$8.75 per square foot.

PART V – VALUATION OF LAND TO BE TRADED

DESCRIPTION

The Pima County is seeking to value a 12,143.1 square foot portion of the subject larger parcel to use in a potential trade of property interest between the subject larger parcel and land owned by Pima County adjacent to the subject larger parcel. The 12,143.1 square foot portion of the subject larger parcel is planned to be utilized for parking improvements by Pima County, along with the improvements on the Pima County parcel.

LAND AREA TO BE TRADED

The 12,143.1 square feet of land area to be valued as part of the potential trade of property interest rights is located at the southeast corner of the subject larger parcel, adjacent to the Pima County owned property to the east and adjacent to the north bank of the Rillito Wash to the south. This identified land area being valued as part of the potential trade is irregular in shape, having a length of 236.95 feet along the eastern border of the subject larger parcel, a depth of 124.12 feet along the southern border of the subject larger parcel, and a depth of 34.33 feet along the northern border of the identified land area. See the exhibits section of this report for legal description and map of the identified land area which is subject to a potential trade of property interest rights with Pima County. There is a wall and fencing located within the identified land area being valued for a potential trade; however, these improvements do not contribute value to the property and would need to be removed in any potential redevelopment of the property.

MARKET VALUE OF LAND TO BE TRADED

The value of the 12,143.1 portion of the subject larger parcel that is being valued for a potential trade of property interests rights with the adjacent property is based on the “part of the whole” theory; therefore, the fee-simple value of the subject larger parcel on a price per square foot basis is equal to the fee-simple value of the 12,143.1 square foot portion land area to be used in a potential trade of property interest rights with Pima County. The subject larger parcel was concluded to have market value of \$8.75 per square foot. Therefore, the value of the land area to be used in a potential trade is equal to \$8.75 per square foot, times 12,143.1 square feet, equaling \$106,252, rounded to \$106,500.

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of market value of the land area to be, as of the effective date of the appraisal, February 11, 2025, is \$106,500.

**OPINION OF THE MARKET VALUE OF THE LAND AREA TO BE TRADED, AS OF
FEBRUARY 11, 2025:**

**ONE HUNDRED SIX THOUSAND FIVE HUNDRED DOLLARS
(\$106,500)**

PART VI - MARKET GROUND LEASE RATE

The purpose of this appraisal analysis is to estimate a ground lease rate of a 2,700 square foot portion of land area located within the 12,143.1 square foot area of the subject property to be leased from Pima County to the property owner to be used as part of the planned multifamily development on the subject larger parcel. The size of the land area to be leased was provided by the client (see Exhibits section of this report for an exhibit showing the land area to be leased).

The appraiser has interviewed various market participants that are active in the development and sale of properties similar to the subject property regarding the potential annual rental rate of the subject property for a ground lease at different time periods. Summaries of market participant's opinions on ground lease rates include:

- Mr. Art Wadlund with Berkadia gave the opinion that if the property could be leased, he would not think the rate of return to establish the beginning ground lease rate would be greater than a 6 to 8 percent range, and that he would want a long-term lease to be established.
- Mr. Ron Schwabe with Peach Properties gave the opinion that a ground lease rate for the subject property would be between a 5-8 percent range if leased to a tenant for a ground lease for the development of a high density residential development or special use property. Mr. Schwabe indicated he would want a long-term lease established.
- Mr. Swain Chapman with Chapman Management provided his opinion of a rate of return of 10 percent if leased to a tenant for a ground lease for the development of a special use and residential development.
- Mr. George Larsen with Larsen, Baker Real Estate gave the opinion that he always seeks to obtain an 8-10 percent rate of return to establish an initial rental rate for ground leases. Mr. Larsen indicated that he would still seek a rate of return of 8-10 percent if leased to a tenant for a ground lease for the development of a special use and residential development. Mr. Larsen felt that a ground lease term would need to be long term. For the subject property, Mr. Larsen felt that if the land value was a market price, the rate would be closer to 8 percent.

Mr. Jim Marian with Chapman Lindsey was actively involved in the potential ground lease of a property near the University of Arizona campus for student housing development with some ground floor retail uses. Mr. Marian's client, Mr. Steve Buss, made an offer to complete a ground lease on the site at a beginning rate of 5.75 percent of the value of the land. Mr. Marian indicated that his client was willing to go as high as 6.5 percent of the land value for the beginning ground lease rate in order to make a deal with the property owner. The terms of the ground lease were to include a 99-year lease, with an option to buy out the lease after 5-10 years. Ultimately, the property owner decided against leasing the property. The appraiser confirmed this information with the potential ground lessee, Mr. Steve Buss. These market participants indicated that a long-term lease of at least 70 years would be

expected if the subject property were to be leased on a ground lease. The majority of these market participants felt that the rate of return to establish the beginning rental rate would be lower than what would be expected for a single tenant commercial user and would likely be leased between 5 percent and 10 percent of the estimate land value. However, the majority of these market participants felt that the rate of return for a mixed-use property would be within the 6-8 percent range of the estimated land value to establish a beginning rental rate for a ground lease.

The following are examples of land leases which have been leased to single-tenant commercial users as well as comments from market participants who are actively involved in completing ground lease transactions in the Tucson market.

- **Mr. Aaron Laprise with Cushman & Wakefield | PICOR.** Mr. Laprise gave the opinion that a property owner would expect a rate of return between 7.5% and 10% to establish an annual rental rate for a land lease for various types of commercial uses.
- **Andy Romo, Lyons Romo Real Estate.** Mr. Romo has been involved in the lease of land for commercial uses and is an active real estate broker in the Tucson market. Mr. Romo indicated that he sold commercial land located on the south side of Grant Road, west of Interstate 10, to QuikTrip Convenience Stores and that prior to the sale the purchaser had also investigated the possibility of a land lease. The rate of return discussed during the negotiations for the potential land lease was 8 percent according to Mr. Romo. He further indicated that in his real estate experience the rate of return for a land lease is typically between 8 and 10 percent, depending on the credit of the tenant, in that if the tenant has a strong credit rating the rate of return is lower than 10 percent.
- **George Larsen, Larsen, Baker Real Estate.** Mr. Larsen has been active in the sale and leasing of land for commercial uses and is an active real estate broker in the Tucson market. Mr. Larsen indicated that he recently leased a parcel of land located on Houghton Road and Golf Links Road to QuikTrip Convenience Stores. Mr. Larsen indicated that the parcel totals 78,400 square feet and is leasing at a rate of \$129,000 per year. Mr. Larsen indicated that he based the lease rate on a 10 percent return to the value, or \$1,290,000 total land value (\$129,000 divided by .10 = \$1,290,000). This is equal to \$16.45 per square foot for the land.

Mr. Larsen indicated that he had leased a parcel of land located at the northeast corner of Oracle Road and Fort Lowell Road to QuikTrip. Mr. Larsen indicated that this lease rate was based on the estimated land value and a rate of return of just over 8 percent. Mr. Larsen also gave the opinion that he typically seeks to obtain an 8-10 percent rate of return to establish an initial rental rate for ground leases.

- **Brian Harpel, Harpel Real Estate.** Mr. Harpel indicated that in his experience the rate of return for land leases ranges from 8 to 10 percent, depending on the strength of the tenant. He indicated that national credit tenants may be able to negotiate a lower rate, in the range of 7 to 7.5 percent, but the more typical tenant in the Tucson market was in the range of 8 to 10 percent.
-
- **David DeConcini, 4-D Properties.** Mr. DeConcini advised of two land leases his company had completed in the Tucson market. The first land lease is at the northwest corner of Irvington Road and Benson Highway. The tenant is QuikTrip. Mr. DeConcini indicated that the rate of return used for the land lease was 10 percent on a land value of \$1,320,000, or \$132,000 per year. The lease is for a 20-year period of time with 6 five-year option periods. Mr. DeConcini related information about a second lease that his company had entered into recently with Circle K. The land is located at 6th Avenue and Interstate 10. He indicated that the Circle K Corporation dictates a non-negotiable 8 percent rate of return for the land lease, but that the land value is valued at the upper end of the value range which had the net effect of equaling a 10 percent rate of return to the lessor. The lease period is for 20 years with 8 five-year options.
- **City of Tucson.** The City of Tucson had entered into a lease with Fotowatio Renewable Ventures for a Utility-Scale Solar Project on city land in Avra Valley. According to Mr. Wade Clark and review of the executed lease, the lease rate is based on an 8 percent rate of return to the appraised land value. The City of Tucson had the land appraised, and the lease rate was based on the appraised value. Mr. Clark indicated that the lease remains level for the first five-year period, and that there is an increase of 3 percent every five years. The initial term of the lease is 20 years. The tenant is responsible for all real estate taxes during the term of the lease.
- **Pima County** has entered into a 40 year land lease with Mosaic Quarter Development LLC for the development of a mixed use sports complex on approximately 85 acres of land, currently known as the Kino South Sports Complex, located at the northeast corner of South Kino Parkway and Benson Highway, and the south side of Interstate 10. The property was appraised, and the rental rate will be 6.5% of the appraised value, fixed for 40 years. Development of the land will be in three phases, with the rental payments beginning after the first phase of development is completed.

Based on the comments from the market participants, and the examples cited above, the rate of return to establish the beginning rental rate for a ground lease is concluded to be 7 percent.

GROUND LEASE RATE CONCLUSION

As concluded previously in this report, the appraiser’s opinion of market value for the land of the subject property is \$8.75 per square foot. The land area to be leased back to the property owner for use in the potential multifamily development planned to be constructed on the subject larger parcel contains 2,700 square feet of land area. Therefore, the fee simple value of the land area of the land area to be leased back is estimated to be \$23,625. The following ground lease rate conclusion is based on the previously concluded fee simple market value and provides an opinion of the annual market ground lease rate of the land area of the parking lot as of the effective date of appraisal, February 11, 2025. The ground lease rate conclusion for the subject property land within the parking lot is based on the terms previously outlined using a concluded rate of return of 7 percent as follows:

Market Value of Land Area of Parking Lot Land Previously Concluded	\$23,625
Rate of Return for a Ground Lease – 7 percent	<u>x 7.0%</u>
Annual Ground Lease Amount	\$1,654

ANNUAL GROUND LEASE RATE CONCLUSION

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of the annual ground lease rate of the subject parking lot area, as of the effective date of the appraisal, February 11, 2025, is \$1,654.

OPINION OF ANNUAL GROUND LEASE RATE, AS OF FEBRUARY 11, 2025:

ONE THOUSAND SIX HUNDRED FIFTY FOUR DOLLARS
(\$1,654)

PART VII - ASSUMPTIONS AND LIMITING CONDITIONS

1. **Definitions.** "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.
2. **Liability.** The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraisers responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.
3. **Title.** No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report were provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management, and ready availability for its highest and best use.
4. **Survey or Engineering.** No survey or engineering analysis of the subject property has been made by the appraisers. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraisers assume no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.
5. **Data Sources.** The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.

6. ***Subsequent Events.*** The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.
7. ***Adjustments.*** The appraisers reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.
8. ***Special Rights.*** No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.
9. ***Value Distribution.*** The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.
10. ***Legal or Special Opinions.*** No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.
11. ***Personal Property.*** Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.
12. ***Soil Conditions.*** Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraisers. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsoil which would render the subject more or less valuable by knowledge thereof.

13. **Court Testimony.** Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.
14. **Exhibits.** Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.
15. **Statute, Regulation, and License.** Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.
16. **Hidden or Unapparent Conditions.** It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.
17. **Hazardous/Toxic Substances.** In this appraisal assignment, no observation was made of the existence of potentially hazardous material used in the construction and/or maintenance of the improvements, or from any other source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to "cure" such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.
18. **Americans with Disabilities Act of 1990.** The ADA became effective on January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not

in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

19. **Disclosure.** Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.
20. **Type of Report.** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
21. **Endangered and Threatened Species.** The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.
22. **Acceptance of Report.** Acceptance and/or use of this report by the Client or any third party constitutes acceptance of all of the above conditions.

PART VIII - CERTIFICATION

WE 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of The Appraisal Foundation, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, and any other specifications submitted by the Client, including Title XI, FIRREA.
8. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
9. In accord with the Uniform Standards of Professional Appraisal Practice, we have the experience and knowledge to complete this assignment in a credible and competent manner.
10. As of the date of this report, we have completed requirements of the continuing education program of the Appraisal Institute.
11. The effective date of this appraisal is February 11, 2025.
12. We have made a personal inspection of the property that is the subject of this report.

13. Our firm has appraised the subject property within three years prior to this assignment.
14. No one provided significant real property appraisal assistance to the persons signing this certification.
15. We are Certified General Real Estate Appraisers in the State of Arizona.



Thomas A. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 30139
Designated Supervisory Appraiser
Registration Number DS0007



Dan Orlovski
Certified General Real Estate Appraiser
Certificate Number 32195

PART IX - EXHIBITS

Exhibit A	Subject Plat Map
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map (Pima County)
Exhibit D	FEMA Flood Plain Map
Exhibit E	Pima County Flood Plain
Exhibit F	Legal Description and Map of Land Area to be Traded
Exhibit G	Concept Plan
Exhibit H	Subject Photographs
Exhibit I	Qualifications

EXHIBIT A - SUBJECT PLAT MAP

ASSESSOR'S RECORD MAP

36



109-23
109-24
109-25
109-26

SECTION 26, TOWNSHIP 13 SOUTH, RANGE 14 EAST

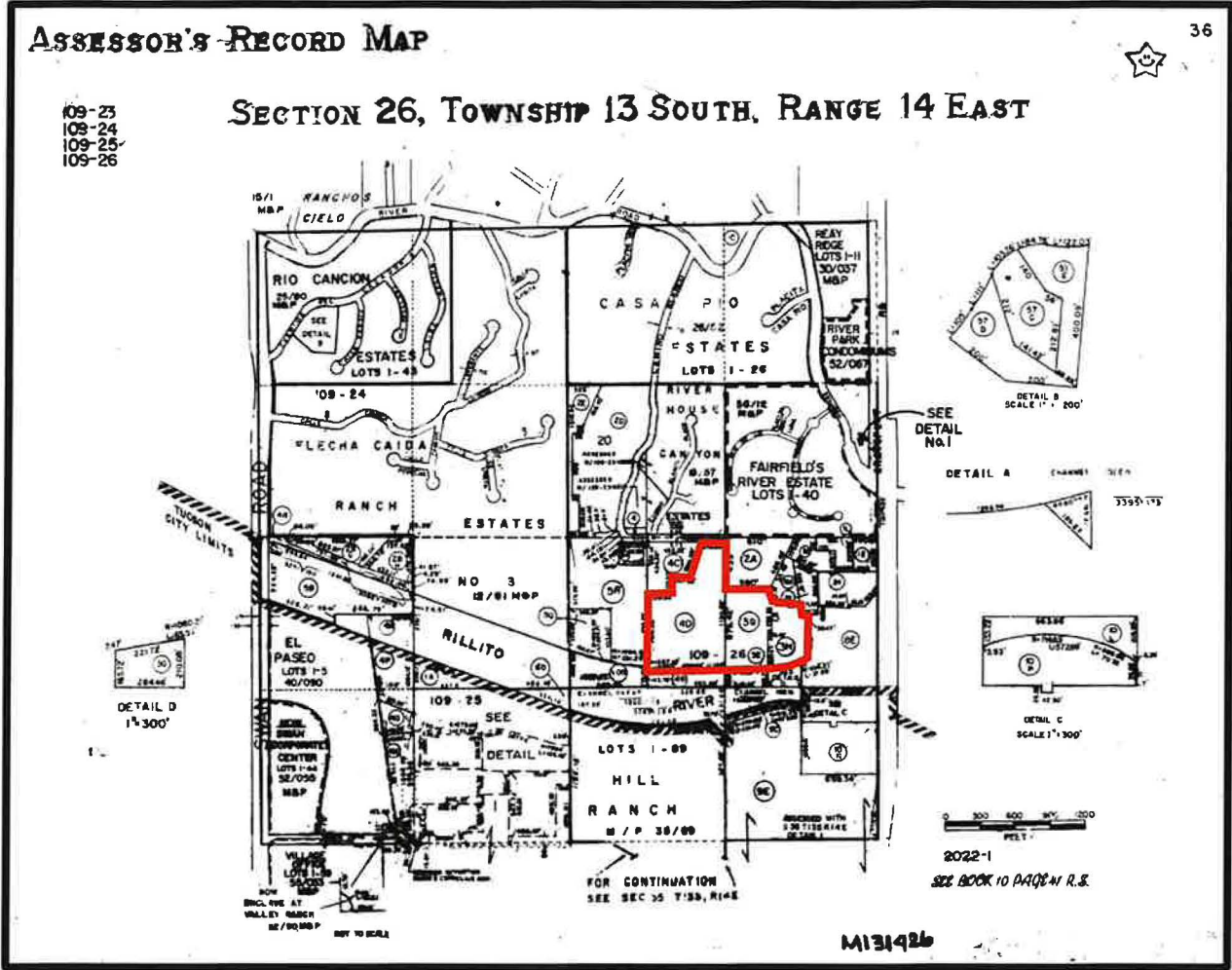


EXHIBIT B - AERIAL PHOTOGRAPH



EXHIBIT C - ZONING MAP
(Pima County)

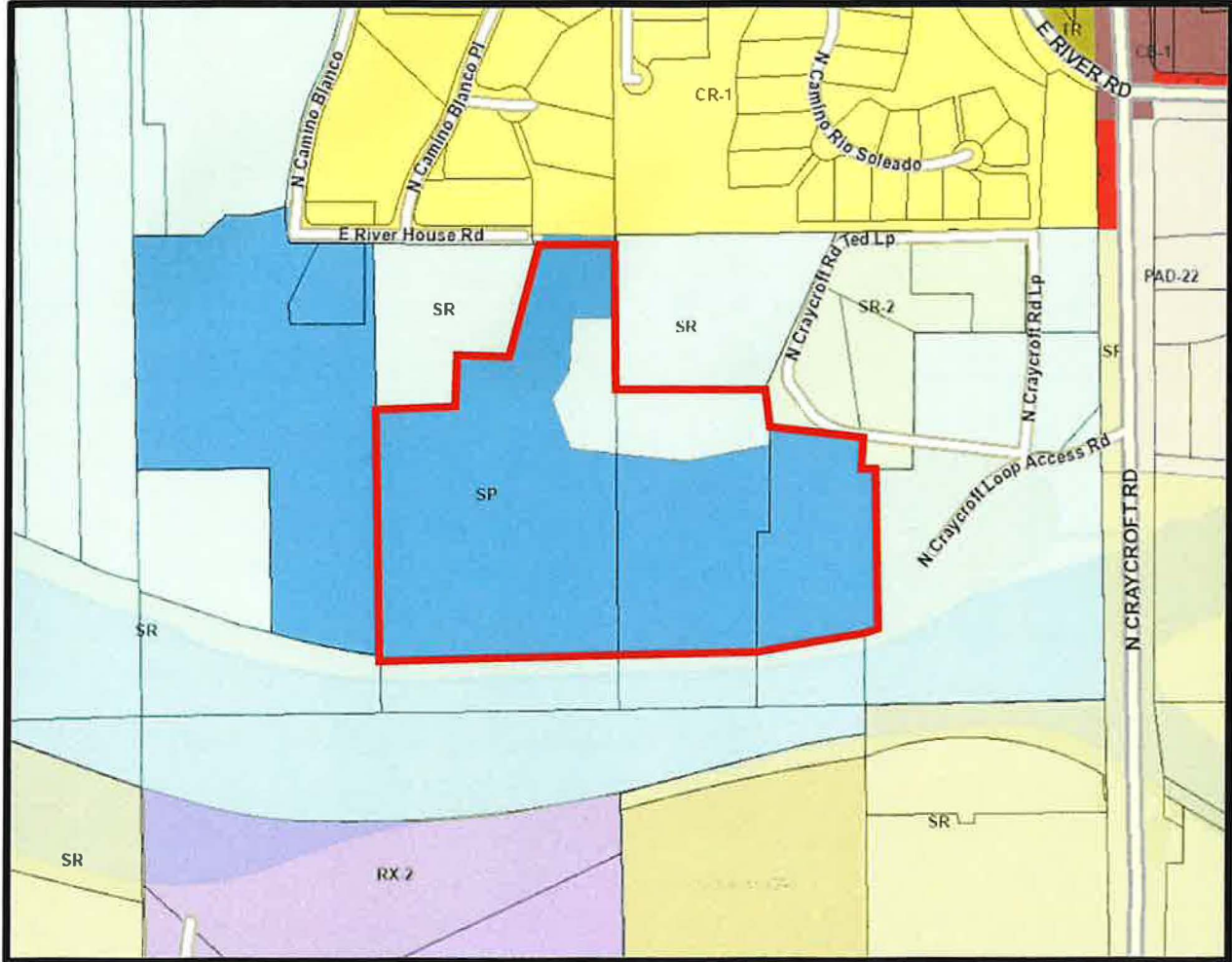


EXHIBIT D - FEMA FLOOD PLAIN

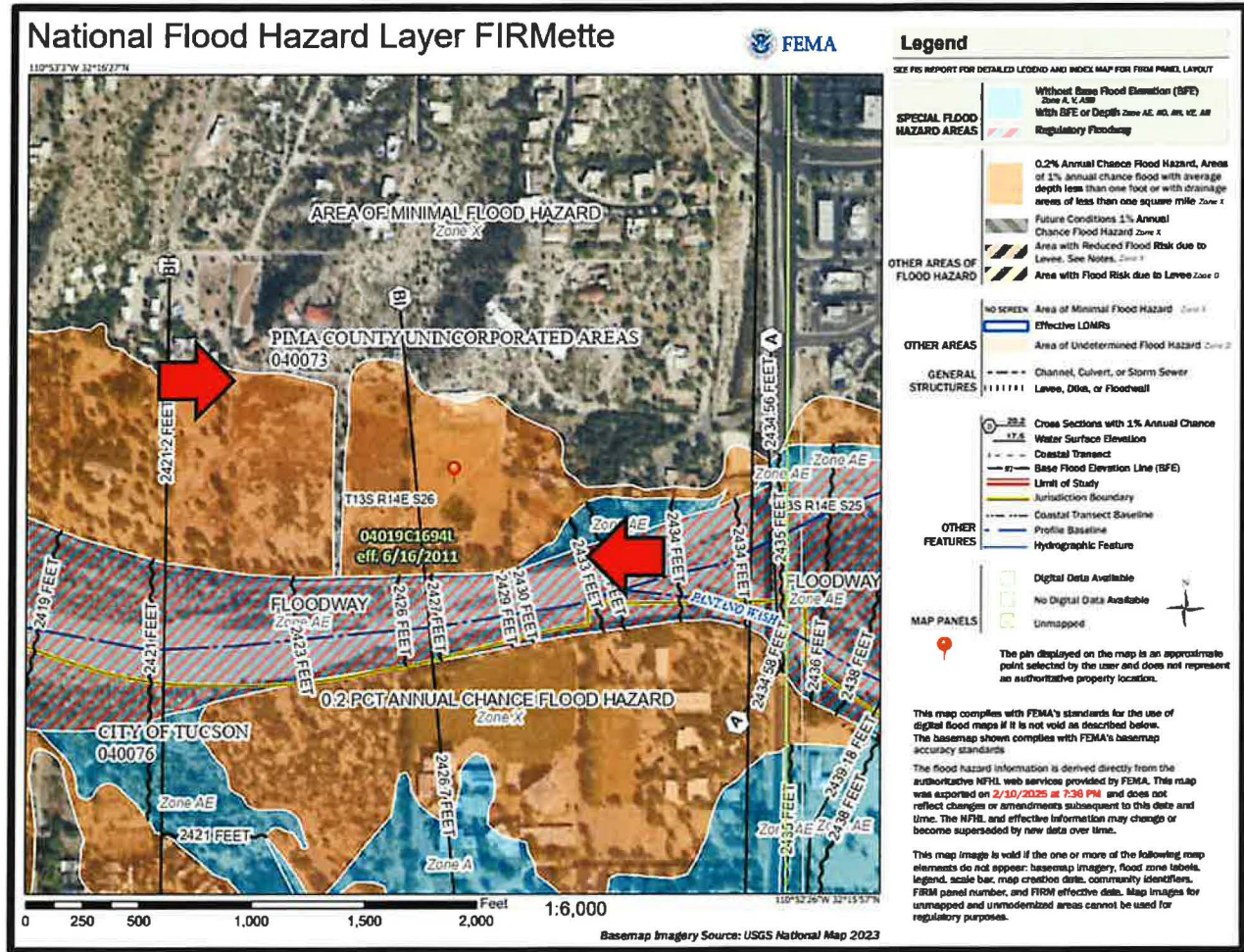


EXHIBIT E - PIMA COUNTY FLOOD PLAIN

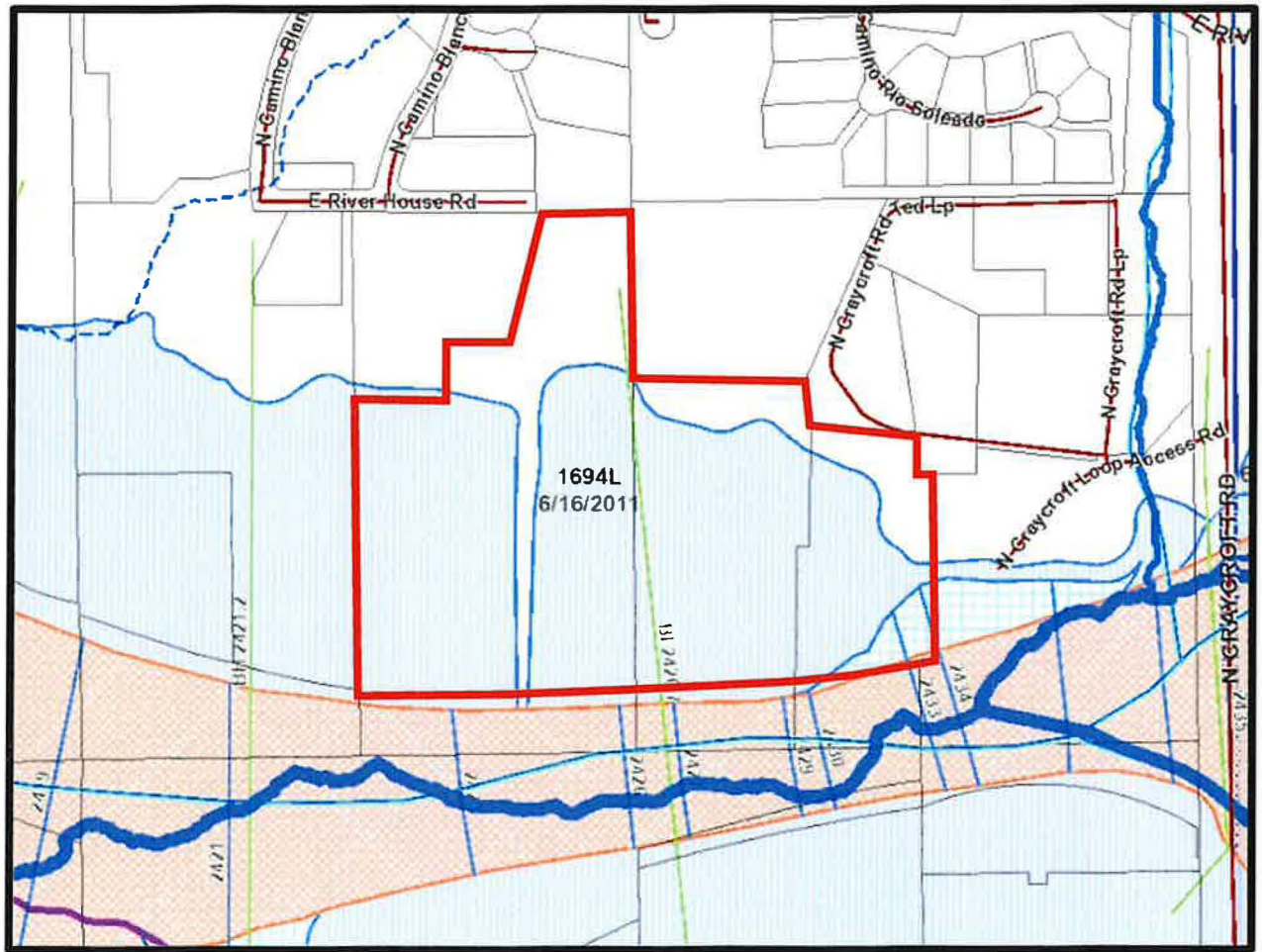


EXHIBIT F - LEGAL DESCRIPTION AND MAP OF LAND AREA TO BE TRADED

(see following pages)



Job No. 20.012

November 12, 2021

LEGAL DESCRIPTION – LAND DEDICATION

A Land Dedication over a portion that parcel described in Sequence No.20171990455 located within the Northeast Quarter of the Southeast Quarter of Section 26, Township 13 South, Range 14 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at the East Quarter Corner of said Section 26, from which the Southeast Corner thereof bears South 01°02'21" East, 2,629.44 feet distant;

Thence South 01°02'21" East, 657.36 feet upon the East line of the Southeast Quarter of said Section 26, also being the West Right-of-Way line of Craycroft Road, per Book 13 at Page 51, Road Maps, Pima County Records;

Thence South 89°11'12" East, 627.22 feet upon the North line of the Southeast Quarter of the Northeast Quarter of the Southeast Quarter of said Section 26 to the Northeast corner of "Parcel 2" of said parcel described in Sequence No.20171990455, Pima County Records;

Thence South 01°03'37" East, 199.52 feet upon the East line of said "Parcel 2" to the **Point of Beginning**;

Thence continue upon the East line of said "Parcel 2", South 01°03'37" East, 236.95 feet to the Southeast Corner thereof to a non-tangent curve having a radius that bears North 18°23'58" West, 636.20 feet distant;

Thence Southwesterly upon the Southerly line of said parcel described in Sequence No.20171990455, Pima County Records, upon said curve, turning to the right, through a delta of 9°06'41", an arc length of 101.17 feet;

Thence continue upon said Southerly line, South 80°42'42" West, 22.95 feet;

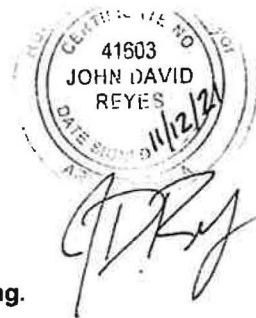
Thence North 09°17'18" West, 37.42 feet;

Thence North 74°00'00" East, 95.52 feet;

Thence North 01°03'37" West, parallel to the East line of said parcel described in Sequence No.20171990455, Pima County Records and 34.33 feet distant, 200.94 feet;

Thence North 88°56'23" East, 34.33 feet to the **Point of Beginning**.

The area of said easement contains 12,143.1 square feet or 0.28 acres, more or less.



NOTE: THIS MAP DOES NOT REPRESENT A BOUNDARY SURVEY.

POINT OF COMMENCEMENT
E. 1/4 CORNER SECTION 26

N.E. CORNER, "PARCEL 2"
SEQ. #20171990455

LINE TABLE

LINE	BEARING	DISTANCE
L1	S 80°42'42" W	22.95'
L2	N 09°17'18" W	37.42'
L3	N 74°00'00" E	95.52'
L4	N 88°56'23" E	34.33'

CURVE TABLE

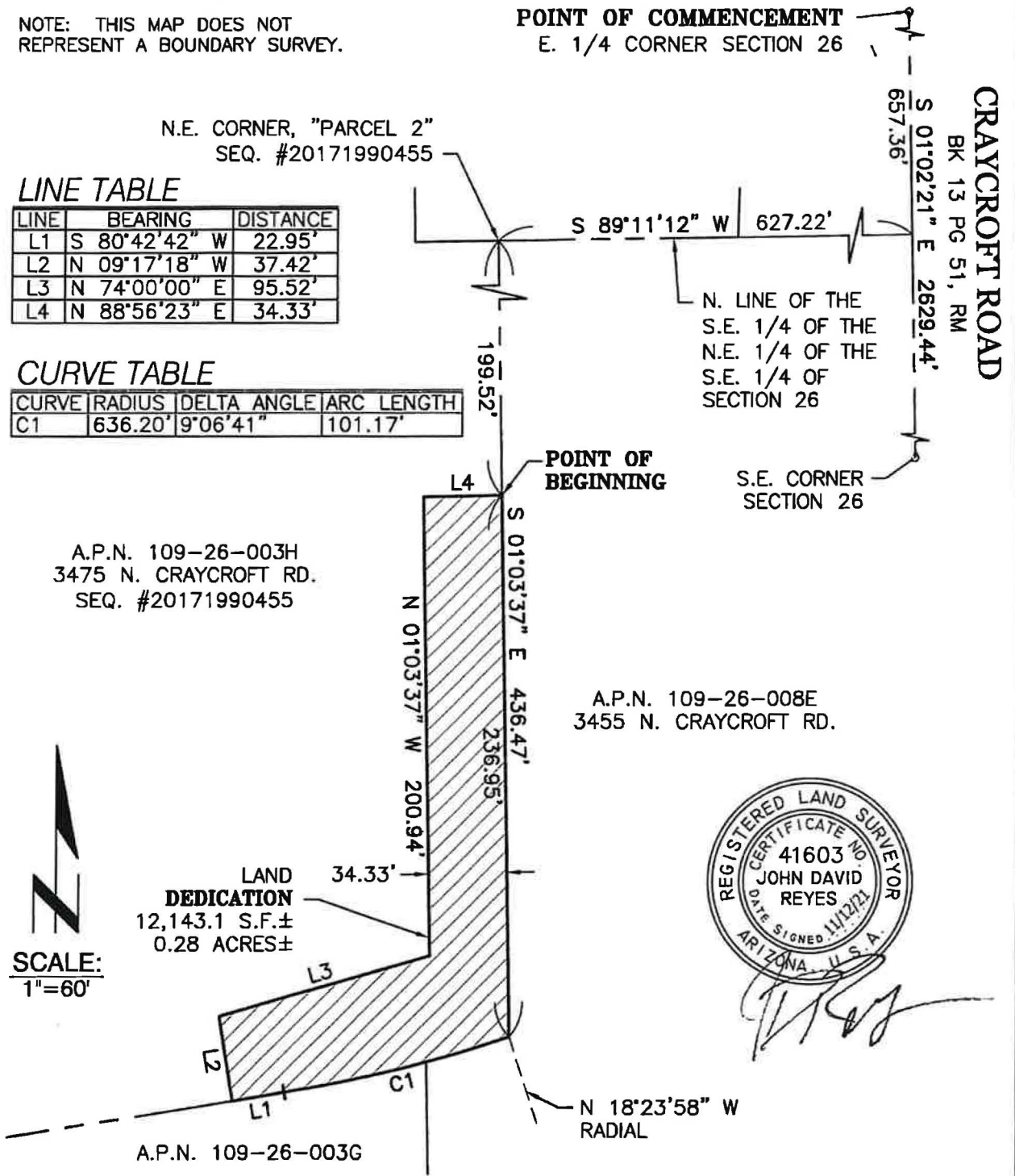
CURVE	RADIUS	DELTA ANGLE	ARC LENGTH
C1	636.20'	9°06'41"	101.17'

A.P.N. 109-26-003H
3475 N. CRAYCROFT RD.
SEQ. #20171990455

A.P.N. 109-26-008E
3455 N. CRAYCROFT RD.



LAND DEDICATION
12,143.1 S.F.±
0.28 ACRES±



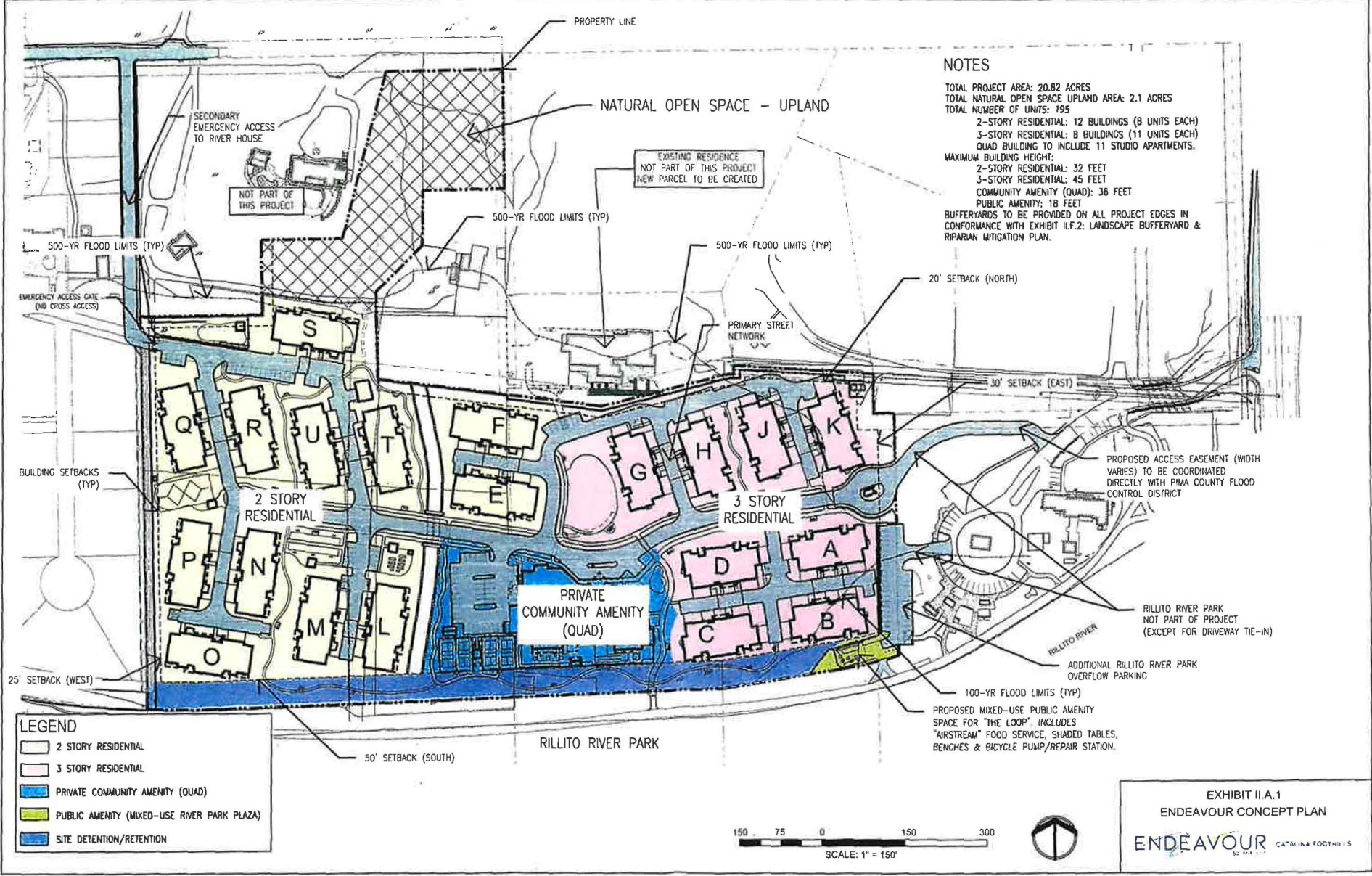
CYPRESS CIVIL
2030 e speedway Blvd
suite #110
tucson, arizona 85719
ph: 520.499.2456
e: info@cypresscivil.com

LAND DEDICATION
OVER A PORTION OF THE N.E. 1/4 OF THE S.E. 1/4 OF SECTION 26,
T.13 S., R.14 E., G. & S. R. M., PIMA COUNTY, ARIZONA

PROJECT NO. 20.012 NOVEMBER 12, 2021

EXHIBIT G – CONCEPT PLAN

(see following page)



NOTES

TOTAL PROJECT AREA: 20.82 ACRES
 TOTAL NATURAL OPEN SPACE UPLAND AREA: 2.1 ACRES
 TOTAL NUMBER OF UNITS: 195

2-STORY RESIDENTIAL: 12 BUILDINGS (8 UNITS EACH)
 3-STORY RESIDENTIAL: 8 BUILDINGS (11 UNITS EACH)
 QUAD BUILDING TO INCLUDE 11 STUDIO APARTMENTS.

MAXIMUM BUILDING HEIGHT:
 2-STORY RESIDENTIAL: 32 FEET
 3-STORY RESIDENTIAL: 45 FEET
 COMMUNITY AMENITY (QUAD): 36 FEET
 PUBLIC AMENITY: 18 FEET

BUFFERYARDS TO BE PROVIDED ON ALL PROJECT EDGES IN CONFORMANCE WITH EXHIBIT II.F.2: LANDSCAPE BUFFERYARD & RIPARIAN MITIGATION PLAN.

LEGEND

[Light Yellow Box]	2 STORY RESIDENTIAL
[Light Pink Box]	3 STORY RESIDENTIAL
[Blue Box]	PRIVATE COMMUNITY AMENITY (QUAD)
[Green Box]	PUBLIC AMENITY (MIXED-USE RIVER PARK PLAZA)
[Dark Blue Box]	SITE DETENTION/RETENTION

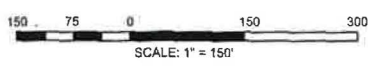


EXHIBIT II.A.1
 ENDEAVOUR CONCEPT PLAN

ENDEAVOUR CALIFORNIA FOOTHILLS
Since 1988

EXHIBIT H - SUBJECT PHOTOGRAPHS

PHOTO 1 – VIEW SOUTH ALONG EASTERN BORDER



PHOTO 2 – VIEW WEST ACROSS LOOP ADJACENT TO SOUTHERN BORDER



PHOTO 3 – VIEW SOUTH FROM SOUTHERN BORDER

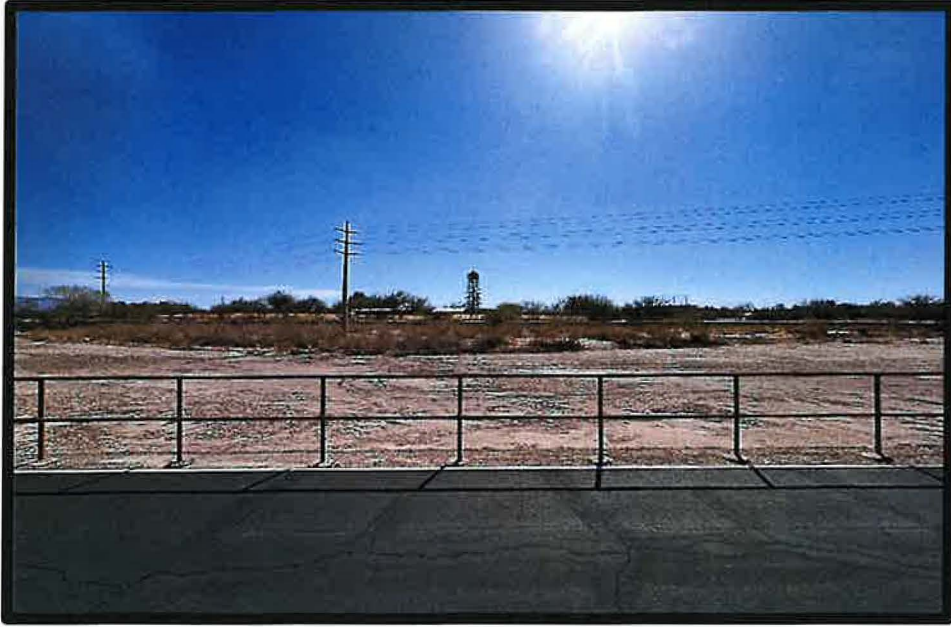


PHOTO 4 – VIEW EAST ACROSS LOOP ADJACENT TO SOUTHERN BORDER



PHOTO 5 – VIEW NORTH ACROSS AREA TO BE LEASED

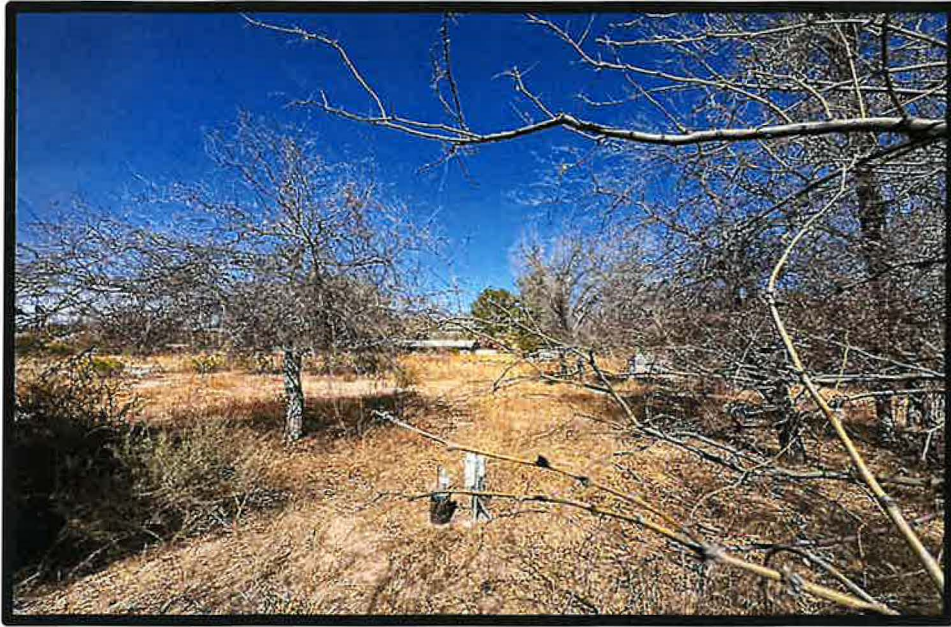


PHOTO 6 – VIEW NORTH ALONG EASTERN BORDER



PHOTO 7 – VIEW FROM CRAYCROFT

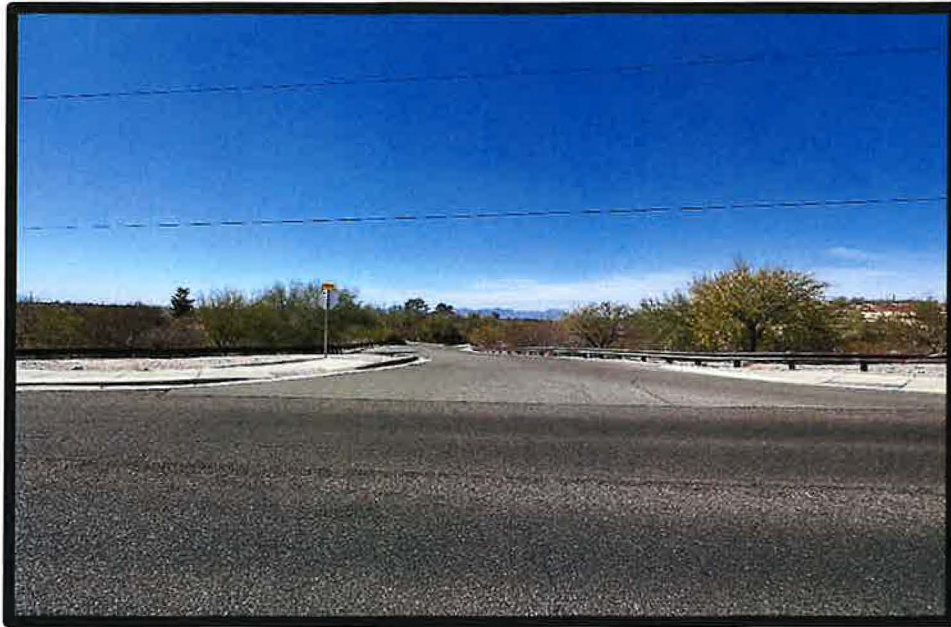


PHOTO 8 – VIEW SOUTH ALONG CRAYCROFT



PHOTO 9 – VIEW NORTH ALONG CRAYCROFT



EXHIBIT I - QUALIFICATIONS

BAKER, PETERSON, BAKER & ASSOCIATES, INC. serves a wide variety of clients in Arizona, providing real estate appraisal and consultation services relating both to commercial and to residential properties. We also provide a wide variety of appraisal services relating to right of way acquisitions for multiple government agencies across Arizona. These clients include governmental agencies, utility companies, right of way companies, attorneys, CPA's, banks, credit unions, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than forty years of such services are represented by those presently associated with the firm, which was founded in 1974.

THOMAS A. BAKER, MAI, SRA, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30139). He is a graduate of the University of Arizona, with a Master's Degree in Business Administration (MBA) with a specialty in Real Estate Finance. He holds the MAI and SRA Designations of the Appraisal Institute. He qualifies as an expert witness in United States District Court, the Superior Courts of Pima County, Maricopa County, Pinal County and Santa Cruz County, and United States Bankruptcy Court. He is Past President of the Tucson Chapter of the Society of Real Estate Appraisers and is Past President of the Southern Arizona Chapter of the Appraisal Institute.

SARA R. BAKER, MAI, SRA, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. She is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 31679). She holds the MAI and SRA Designations of the Appraisal Institute. She qualifies as an expert witness in the Superior Court of Pima County. She is a Past President of the Appraisal Institute, Southern Arizona Chapter. Sara graduated from Washington University in St. Louis with a Bachelor's Degree in Comparative Literature and earned a Master's Degree at the University of California at Los Angeles.

DAN F. ORLOWSKI is a staff appraiser specializing in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 32195). He graduated from San Diego State University with a Bachelor's Degree in Business Administration and earned a Master's Degree from the University of Phoenix in Accountancy.

TIM HALE is a staff appraiser specializing in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 1023143). He graduated from Arizona State University with a Bachelor's Degree in Justice Studies.

VALENTIN MINCHEV is an appraiser trainee in commercial valuation. He graduated from the Berlin School of Economics and Law, Berlin, Germany with a Bachelor's Degree in International Business Management.

ROBERT PARKER and **JOSHUA BAKER** are production coordinators and support technicians.