

AN APPRAISAL REPORT

OF

A VACANT RESIDENTIAL LOT

**LOCATED ON THE NORTH SIDE OF TRES NOGALES ROAD,
WEST OF CAMINO DE LA TIERRA,
PIMA COUNTY, ARIZONA**

FOR

**PIMA COUNTY PUBLIC WORKS
REAL PROPERTY SERVICES
MR. JEFFREY TEPLITSKY**

**OWNERSHIP: PIMA COUNTY FLOOD CONTROL DISTRICT
TAX PARCEL NUMBER: 101-08-0090
SECTION 8, TOWNSHIP 13 SOUTH, RANGE 13 EAST**

EFFECTIVE DATE OF APPRAISAL

NOVEMBER 18, 2021

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

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

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December 13, 2021

Mr. Jeffrey Teplitsky
Pima County Public Works
Real Property Services
201 North Stone Avenue, Sixth Floor
Tucson, Arizona 85701-1207

RE: An appraisal report of a vacant residential lot containing 12,000 square feet,
located on the north side of Tres Nogales, west of Camino de la Tierra,
Tucson, Pima County, Arizona

<i>Ownership:</i>	Pima County Flood Control District
<i>Tax Parcel No.:</i>	101-08-0090
<i>Effective Date of Appraisal:</i>	November 18, 2021
<i>Date of Report:</i>	December 13, 2021

Dear Mr. Teplitsky:

In response to your authorization, I have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple interest in the above-named property.

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended user in the determination of the compensation due for a total acquisition of the subject property. It is not intended for any other use.

I have formed the opinion that, as of the effective date of appraisal, November 18, 2021, based on a three to nine month market period, and subject to the assumptions and limiting conditions set forth in the report, the subject property has a market value of:

FIFTY TWO THOUSAND DOLLARS (\$52,000)

Extraordinary Assumption – The subject property does not have public sewer available to the property line but is below the minimum lot size required for use of a private septic system. This appraisal report is based on the extraordinary assumption that the property owner could be granted a variance and obtain a septic system permit rather than bringing public sewer to the property. If it is found that the property owner could not obtain a permit for a septic system, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected the assignment results.

Extraordinary Assumption – The subject property is located within a FEMA floodplain area. While Pima County Flood Control has indicated that it is likely that a building permit could be obtained for the subject property, a hydrology study would be needed to determine if a home could be developed on the lot due to the location in a floodplain. Therefore, this appraisal is based on an extraordinary assumption that a home could be developed on the lot. If this is found to not be true after a hydrology study, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected the assignment results.

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 appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's 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 appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,



Sara R. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 31679
Designated Supervisory Appraiser
Registration Number DS0082

C218069C

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PART I - GENERAL INFORMATION

CLIENT

Pima County Real Property Services

APPRAISER:

Sara R. Baker, MAI, SRA

SUBJECT PROPERTY:

The subject property is located on the north side of Tres Nogales, west of Camino de la Tierra, Tucson, Arizona. The address is 3452 W. Tres Nogales Road. The subject of this appraisal is a vacant residential lot totaling 12,000 square feet.

LAND AREA:

12,000 square feet, or 0.28 acres, per plat map

ZONING:

MU, Pima County

TAX PARCEL NUMBER:

101-08-0090

FULL CASH VALUE:

\$25,000 (2021)

\$27,000 (2022)

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:

\$23,153 (2021)

\$24,311 (2022)

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:

There are currently no property taxes as the property is owned by a government entity.

Real estate taxes are a combination of a primary tax, which is the primary tax rate applied to the limited cash value and divided by 100, plus the secondary tax, which is the secondary tax rate applied to the full cash value and divided by 100. The primary and secondary tax rates are an aggregate of various tax rates set by various jurisdictions.

DELINQUENT TAXES:

None

INTENDED USE OF REPORT:

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended user in the determination of the compensation due for a total acquisition of the subject property. It is not intended for any other use.

INTEREST APPRAISED:

Fee simple interest in the total property. *Fee Simple Interest*, as defined in The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 90, 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."

MARKET VALUE DEFINITION:

Market value, as utilized in this appraisal and pursuant to Arizona Revised Statute §12-1122(C), is defined as follows:

Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.

The terms "market value" and "value", as used in this report, refer to market value as described herein.

PROJECT INFLUENCE:

In determining the fair market value of the property being acquired (and any remaining property), you must disregard any decrease or increase in market value to the property before the acquisition which was caused by the Sunset Road project, or by the likelihood that the property (or part of) would be acquired for the Sunset Road project.

State Bar of Arizona, RAJI (Civil) 5th, Eminent Domain 8; citing: State v. Hollis, 93 Ariz. 200 (1963); Udovich v. Ariz. Bd. Of Regents, 9 Ariz. App. 400 (1969).

In ADOT cases, this principle has been codified at ARS 28-7097, which provides:

In acquiring property for transportation purposes pursuant to this article, when determining the market value of the property to be taken and the market value of the remainder, if any, in the before condition, a decrease or increase in the market value of the real property before the date of

valuation caused by the public project for which the property is to be acquired or by the likelihood that the property would be acquired for the project shall be disregarded.

All steps in the appraisal process, including the selection of comparables and analysis of market data, were completed disregarding any influence from the project for which this appraisal is being completed.

EFFECTIVE DATE OF APPRAISAL:

November 18, 2021

DATE OF INSPECTION:

November 18, 2021

LEGAL DESCRIPTION:

Lot 9, Tres Nogales, Pima County, Arizona

OWNERSHIP:

According to public records of the Pima County Assessor, title to the subject property is in the name of the Pima County Flood Control District, according to a deed recorded in Docket 8816, at Page 50, dated June 25, 1990.

SALES HISTORY:

No known sales of the subject property have occurred within the last three years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis.

EXTRAORDINARY ASSUMPTION

The subject property does not have public sewer available to the property line but is below the minimum lot size required for use of a private septic system. This appraisal report is based on the extraordinary assumption that the property owner could be granted a variance and obtain a septic system permit rather than bringing public sewer to the property. If it is found that the property owner could not obtain a permit for a septic system, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected the assignment results.

EXTRAORDINARY ASSUMPTION

The subject property is located within a FEMA floodplain area. While Pima County Flood Control has indicated that it is likely that a building permit could be obtained for the subject property, a hydrology study would be needed to determine if a home could be developed on the lot due to the location in a floodplain. Therefore, this appraisal is based on an extraordinary assumption that a home could be developed on the lot. If this is found to not be true after a hydrology study, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected the assignment results.

ASSUMPTIONS AND LIMITING CONDITIONS:

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

CERTIFICATION:

See Part V.

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. Jeffrey Teplitsky for Pima County Real Property Services, in a contract executed by Ms. Sara R. 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 Pima County.

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended user in the determination of the compensation due for a total acquisition of the subject property. It is not intended for any other use. The purpose of the appraisal is to estimate the market value in fee simple interest 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. 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. 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.

Extraordinary Assumption – The subject property does not have public sewer available to the property line but is below the minimum lot size required for use of a private septic system. This appraisal report is based on the extraordinary assumption that the property owner could be granted a variance and obtain a septic system permit rather than bringing public sewer to the property. If it is found that the property owner could not obtain a permit for a septic system, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected the assignment results.

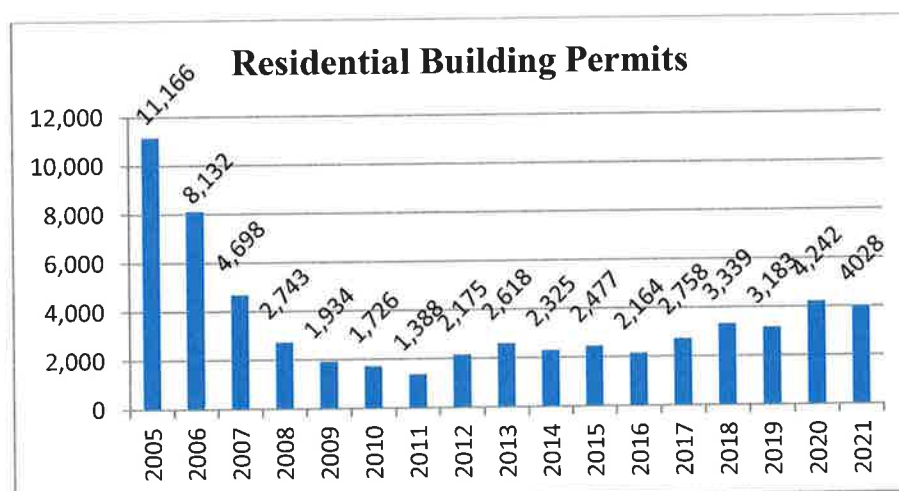
Extraordinary Assumption – The subject property is located within a FEMA floodplain area. While Pima County Flood Control has indicated that it is likely that a building permit could be obtained for the subject property, a hydrology study would be needed to determine if a home could be developed on the lot due to the location in a floodplain. Therefore, this appraisal is based on an extraordinary assumption that a home could be developed on the lot. If this is found to not be true after a hydrology study, then the value ascribed in this report is subject to change. Per USPAP, the use of this extraordinary assumption might have affected 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 number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019 but increased somewhat in 2020. The 2021 data is through September 2021. There is currently strong demand for residential properties due to low interest rates and low inventory.

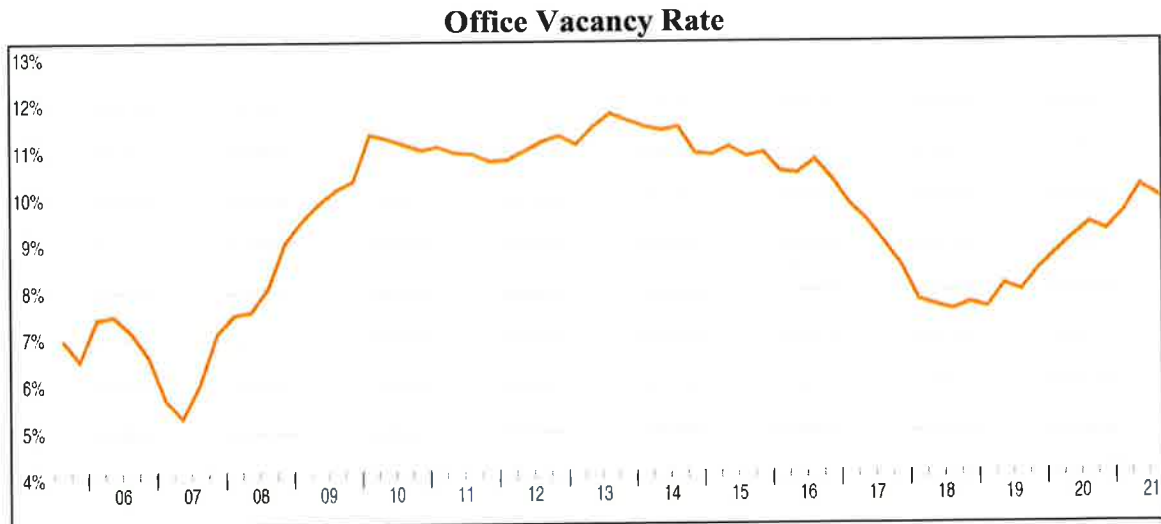


Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to a low of 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The number of housing permits increased slightly in 2012 and 2013 and then remained relatively stable. In recent years, the number of permits has remained mostly stable with a slight increase in 2017 and 2018 and was mostly stable in 2019. Most recently, there was an increase in 2020. There is currently strong demand for residential houses due to low interest rates and low inventory.

Office Market

Overall, the Pima County *office market* experienced net positive absorption of 44,199 square feet in the Third Quarter of 2021, according to *CoStar*. This compares to net negative absorption of 100,481 square feet in the Second Quarter of 2021, net negative absorption of 290 square feet in the First Quarter 2021, net positive absorption of 82,836 square feet in the Fourth Quarter of 2020, net negative absorption of 37,761 square feet in the Third Quarter of 2020, net negative absorption of 53,862 square feet in the Second Quarter of 2020, net negative absorption of 65,459 square feet in the First Quarter of 2020, net negative absorption of 93,213 square feet in the Fourth Quarter of 2019, net positive absorption of 226,846 square feet in the Third Quarter of 2019, net positive absorption of 105,528 in the Second Quarter of 2019, net positive absorption of 243,022 in the First Quarter of 2019, net negative absorption of 29,745 square feet in the Fourth Quarter of 2018, and net positive absorption of 78,529 square feet in the Third Quarter of 2018.

The following figure shows trends in the vacancy rates for office properties in Pima County through the Third Quarter 2021. The vacancy rate increased until late 2013 and then declined through 2017. The vacancy rate remained mostly stable in 2018 and the first part of 2019 before increasing at the end of 2019 through the third quarter of 2020. The vacancy rate increased slightly in the first half of 2021 and decreased slightly in the third quarter of 2021.



No new buildings were completed in the Third Quarter of 2021. This compares to three new buildings containing 64,037 square feet in the Second Quarter 2021, three new buildings containing 120,000 square feet in the First Quarter 2021, one new building containing 50,000 square feet in the Fourth Quarter 2020, two new buildings containing 58,500 square feet in the Third Quarter 2020, two new buildings containing 42,000 square feet in the Second Quarter 2020, three new buildings containing 45,085 square feet in the First Quarter 2020, three new buildings containing 38,802 square feet in the Fourth Quarter 2019, two new buildings containing 206,737 in the Third Quarter 2019, one new buildings containing 266,300 square feet in the Second Quarter 2019, four new buildings totalling 235,300 square feet in the First Quarter 2019, one new building containing 14,952 square feet in the Fourth Quarter 2018, and four new buildings containing 57,516 square feet in the Third Quarter 2018.

The stable but higher overall annual vacancy rate indicates an office market which is coupled to the overall stable but slow real estate market. There was a decline in demand for owner/user office buildings, which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 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 and newer office buildings in good condition. Demand remained lower for older office buildings. It is uncertain if there will be long-term effects from the Covid-19 pandemic on the office market. It is not yet known if work from home will remain in demand, permanently impacting office trends and 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. Some signs for a decline in market conditions includes contracts cancelled, development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. 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 has again increased for many retail property types but continues to be stable for certain uses and areas of less demand.

There was net positive absorption of 156,241 in the Third Quarter 2021, according to CoStar. This compares to net negative absorption of 117,165 in the Second Quarter 2021, net positive absorption of 123,296 square feet in the First Quarter 2021, net positive absorption of 22,013 in the Fourth Quarter 2020, net negative absorption of 291,825 in the Third Quarter 2020, net positive absorption of 124,234 square feet in the Second Quarter 2020, net negative absorption of 21,517 square feet in the First Quarter 2020, net positive absorption of 96,722 square feet in the Fourth Quarter 2019, net negative absorption of 36,116 square feet in the Third Quarter 2019, net positive absorption of 79,816 square feet in the Second Quarter 2019, and net negative absorption of 178,587 square feet in the First Quarter 2019.

In the Third Quarter 2021, five new buildings containing 167,960 square feet were completed. This compares to five new buildings containing 14,931 square feet in the Second Quarter of 2021, ten new buildings containing 51,429 square feet in the First Quarter 2021, three new buildings containing 30,591 square feet in the Fourth Quarter 2020, eight new buildings containing 33,731 square feet in the Third Quarter 2020, eleven new buildings containing 75,681 square feet in the Second Quarter 2020, 13 new buildings containing 69,437 square feet in the First Quarter of 2020, nine new buildings containing 44,781 square feet in the Fourth Quarter of 2019, 14 new buildings containing 73,436 square feet in the Third Quarter of 2019, eight new buildings containing 27,078 square feet in the Second Quarter of 2019, nine new buildings containing 83,949 square feet in the First Quarter of 2019, nine new buildings containing 114,424 square feet in the Fourth Quarter of 2018, and fifteen new buildings containing 188,995 square feet in the Third Quarter 2018. The following shows trends in the vacancy rate for retail properties in the Tucson market through the Third Quarter 2021, according to *Costar*.



This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time. Most recently, there was a decline though 2018, with a slight increase in the vacancy rate from late 2018 through the first quarter of 2020. The retail vacancy rate declined slightly in late 2020 and first quarter 2021. The vacancy rate has remained generally stable, with slight variations, in the first three quarters of 2021. The retail market has stabilized from the uncertainty of the early Covid-19 pandemic. Prices and rents are stable or increasing in high demand areas or for high demand property types, although there remains little demand for older retail properties in low demand areas.

Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80s. There has been limited new industrial/flex space constructed recently in Tucson, with one new building containing 30,000 square feet in the Third Quarter of 2021, no new buildings completed in the Second Quarter 2021, one new building containing 12,237 square feet completed in the First Quarter 2021, one new building containing 5,473 square feet completed in the Fourth Quarter 2020, no new buildings completed in the Third Quarter 2020, one new building containing 32,000 square feet completed in the Second Quarter 2020, no new buildings in the First

Quarter 2020, one new building containing 157,000 square feet completed in the Fourth Quarter 2019, four new buildings containing 286,434 square feet in the Third Quarter 2019, two new buildings containing 906,900 square feet in the Second Quarter 2019, and no new buildings completed in the First Quarter 2019, the Fourth Quarter 2018, or the Third Quarter 2018, according to *CoStar*. Many of the recently constructed buildings are larger buildings constructed for a specific user.

There was net positive absorption of 506,526 square feet in the Third Quarter 2021. This compares to net positive absorption of 146,353 square feet in the Second Quarter 2021, net positive absorption of 255,635 square feet in the First Quarter 2021, net positive absorption of 439,022 square feet in the Fourth Quarter 2020, net negative absorption of 254,361 square feet in the Third Quarter 2020, net negative absorption of 188,517 square feet in the Second Quarter 2020, net negative absorption of 92,259 square feet in the First Quarter 2020, net negative absorption of 32,808 square feet in the Fourth Quarter 2019, net negative absorption of 325,976 square feet in the Third Quarter 2019, net positive absorption of 1,190,498 square feet in the Second Quarter 2019, net negative absorption of 25,972 square feet in the First Quarter 2019, net positive absorption of 5,240 square feet in the Fourth Quarter 2018, and net positive absorption of 315,455 square feet in the Third Quarter 2018, according to *CoStar*.

The following chart shows trends in the industrial/flex vacancy rate in Tucson from 2006 through Third Quarter 2021, according to *CoStar*.



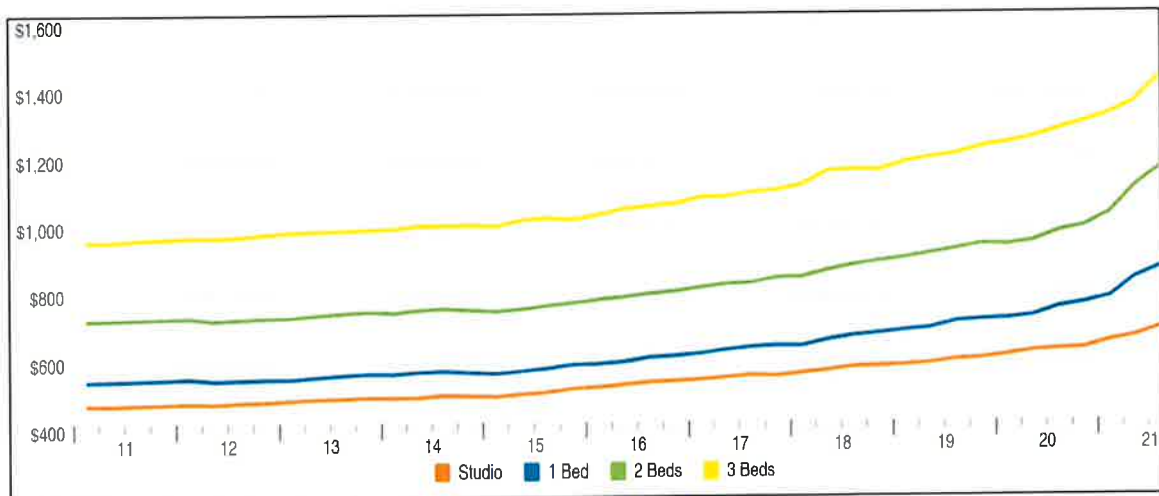
Overall, the industrial vacancy rate increased through mid-2012. The vacancy rate declined from late 2012 through the first part of 2019 before increasing somewhat through mid-2020 before declining again through mid-2021. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. In March 2020, the Covid-19 pandemic led to a shutdown of many businesses; however, the industrial market has not been significantly impacted and demand for many industrial uses has increased in the last year since that time. There may potentially be long-term impacts due to changing demand for warehouses and cold storage due to potential changes in supply chains and delivery and storage models.

Multi-Family Market

The following is the stabilized vacancy rate for apartments in Tucson from 2006 through the Third Quarter 2021. Vacancy rates for apartment properties in the Tucson Metropolitan area peaked in 2009 before slowly declining, with that decline continuing in the first three quarters of 2021.

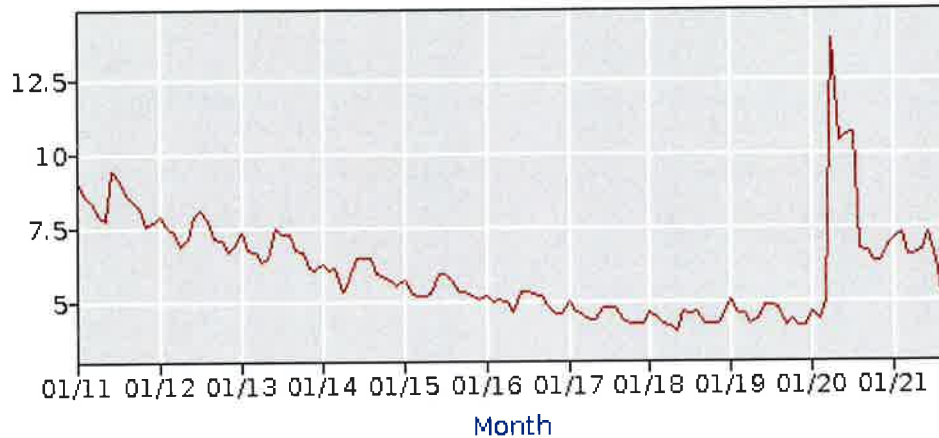


The following is the average market rental rate per unit type for properties in the Tucson market, according to CoStar. There has been a significant increase in rents for all unit types in the first three quarters of 2021.



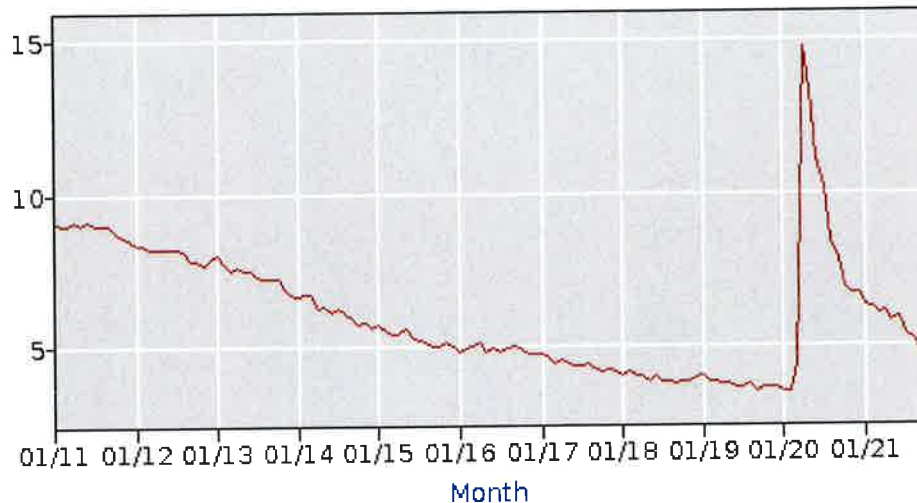
There has been limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities. Market conditions for multi-family properties has increased significantly since mid-2020, with increasing rents, decreasing vacancy rates, and increased sales prices.

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 peaked at 13.9% in April 2020 and declined to 10.4% in May 2020. After another increase to 10.7% in July 2020, there was a decline to 6.8% in August 2020. In October 2020 the unemployment rate was 6.4%. The unemployment rate was 7.1% in January 2021 and then declined to 6.6% in April 2021 with a slight increase to 6.7% in May 2021. The unemployment rate was 5.2% in August 2021. The unemployment rate has been generally stable with some variations since that time. Areas with significant increases in unemployment include hospitality, restaurant, and retail jobs, although many job categories have seen increases in unemployment. It is uncertain how long it will take employment in these sectors to fully recover.

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 13.3% 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 6.3% in January 2021, 6.1% in April 2021, 5.4% in July 2021, and 4.8% in September 2021.



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 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. In the short term, market conditions for some property types remained uncertain. Demand still remains slow for commercial uses in areas of less demand and with certain older properties, while many commercial uses have been seeing increased demand. 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 subject's market area is located northwest of the core downtown Tucson area. The market boundaries are Wetmore Road to the south, River Road to the north, I-19 to the west, and La Canada Drive to the east. Major east-west arterials include River Road, Curtis Road, Ruthrauff Road, and Wetmore Road. Major north-south arterials include Interstate-19, La Cholla, and La Canada. The market area contains a mix of uses including residential uses, multifamily uses, and low-density industrial/commercial uses. There are some commercial

uses primarily located along major roadways with some industrial uses in the area. Residential uses include single-family residences and some manufactured homes, primarily on smaller lots and with many older established subdivisions. The market area is well-established with some limited vacant land available for development. There is availability of public services and transportation within the market area. Demand for residential uses has increased since mid-2020 in the market area as well as the overall housing market. Long-term trends are predicted to be balanced.

SITE DESCRIPTION:

The site is rectangular in shape with 100 feet of frontage on Tres Nogales and a depth of 120 feet on the eastern and western property lines. It contains a total area of 12,000 square feet (0.28 acres). Tres Nogales is a two-lane, asphalt-paved residential street with no concrete curbs or sidewalks. No traffic count is available for Tres Nogales in the area of the subject property. The topography of this site is mostly level, with the immediate area sloping in a westerly direction. Properties bordering the subject property include the Rillito River Park to the north, residential uses and low density industrial uses to the south and east, and a vacant lot to the west.

Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), and water (Tucson Water). Public sewer is not available to the property. While public sewer is available further to the east in Tres Nogales, the topography is sloping to the west and the subject property is lower in grade than the existing sewer line. Therefore, development of the subject property with public sewer would likely require the development of a lift station, which would increase costs significantly and would not be financially feasible. Therefore, the property would most likely be developed with a private septic system. While the subject property does not meet current size requirements for septic systems, it is probable that a variance could be granted to allow for septic system development on the subject property. It is noted that a double lot on the south side of Tres Nogales was recently developed with two manufactured homes with septic systems despite not meeting minimum size requirements for septic systems. Therefore, this analysis is based on an assumption that a variance would be granted to develop the subject property with a septic system.

According to FEMA Flood Insurance Rate Map 04019C1666L, dated June 16, 2011, the land is located in a floodplain with a designation of Zone AE. The property is also located within a local floodplain area, within the Ruthrauff Basin Special Study area. Based on conversations with Pima County Flood Control, the available information indicates that the flood depths are approximately one foot in this area. Therefore, it is probable that a building could be developed on the property. Any building would have to be elevated one foot above flood levels. However, a hydrology study would be needed to determine flood depths and confirm if a residence could be developed on the property. 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.

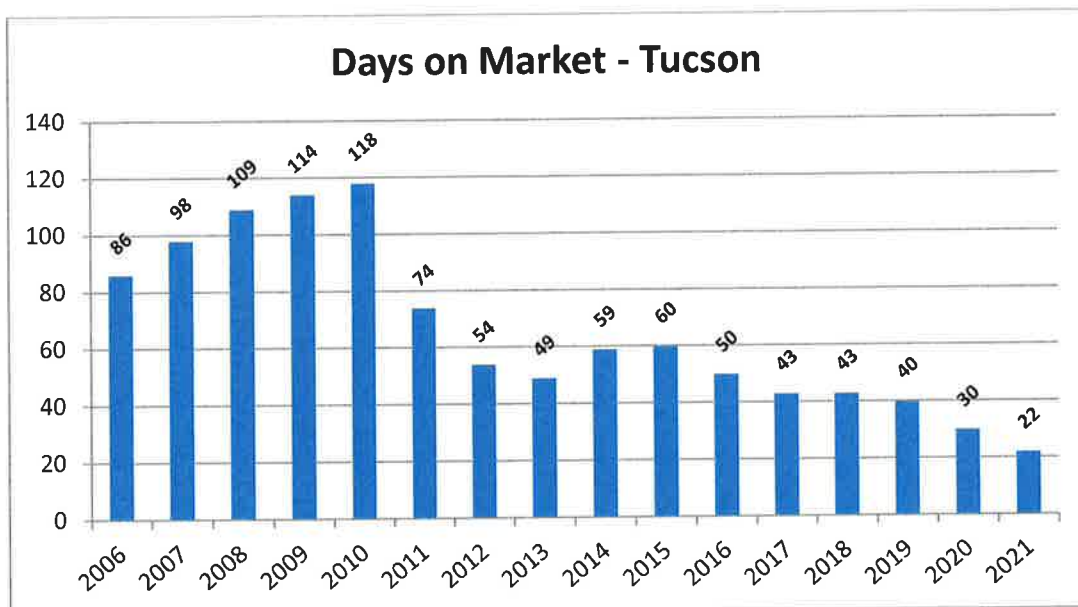
ZONING:

Zoning of the site is MU (Multiple Use) according to the Pima County Zoning Code. The MU zoning is a multiple use zone that allows business, residences, and trailer or mobile home courts. There are many commercial and industrial uses allowed if a conditional use permit is issued by the County. The minimum lot size is 7,000 square feet for residential uses with no minimum size for non-residential uses.

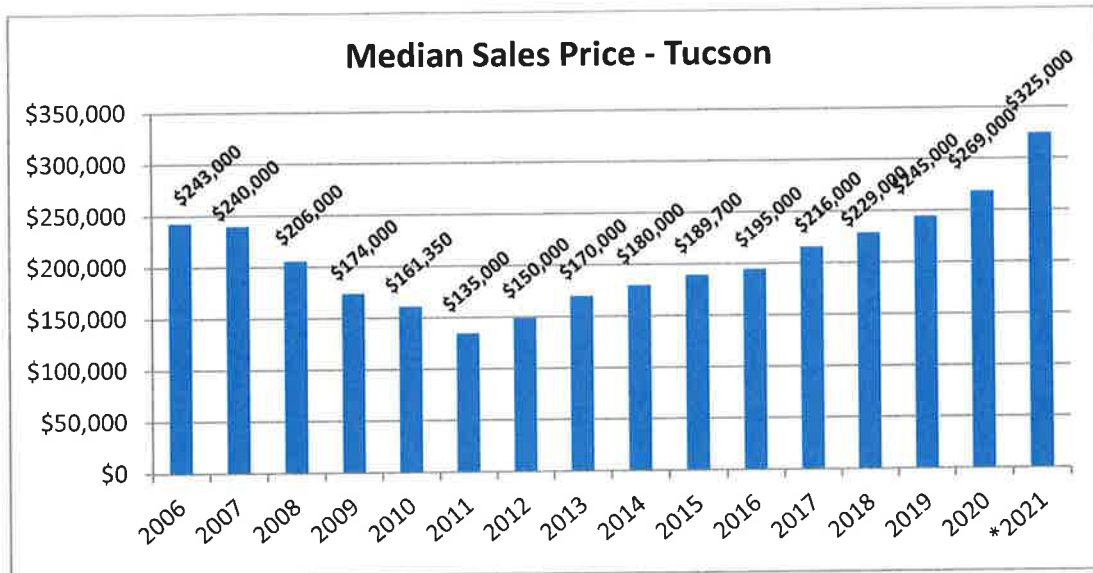
MARKET PROFILE – RESIDENTIAL

Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price for homes also declined during this time. From 2011, there has been a steady recovery in the residential housing market, in all market areas. Market conditions for single-family residences increased significantly starting in mid-2020 due to low interest rates and limited inventory.

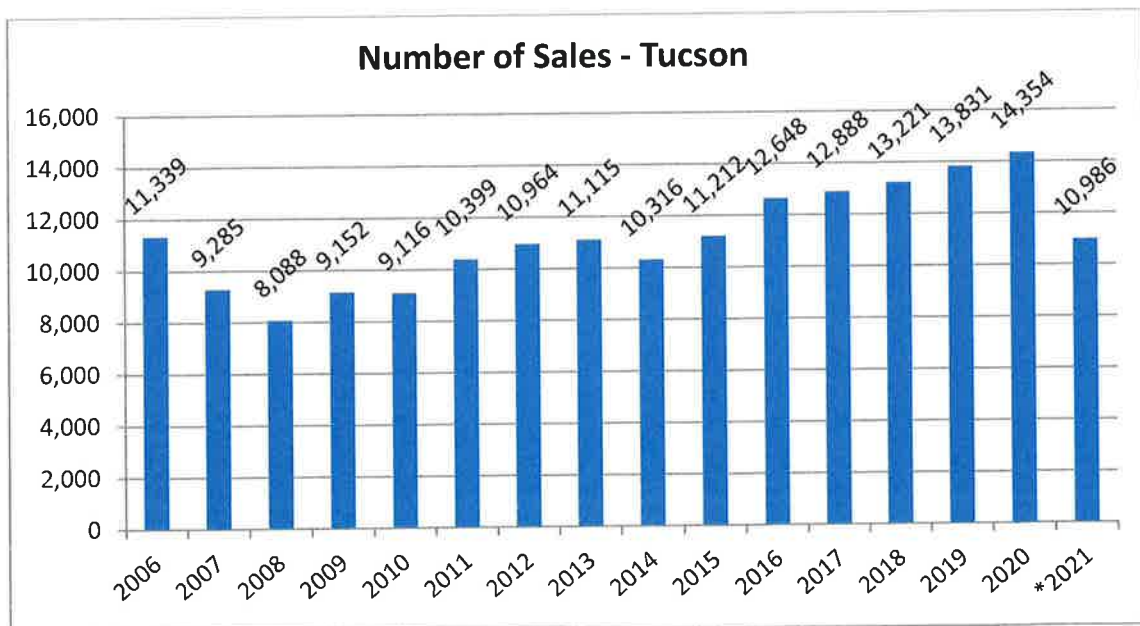
The following are the average number of days on market for single-family residences in the Tucson Market from 2006 through the third quarter of 2021, according to Multiple Listing Service (MLS). This data indicates that the average days on market for single-family residences increased from 2006 and peaked in 2010. Beginning in 2011, the number of days on market dropped significantly and was mostly stable from 2017 through 2019. The number of days on market decreased in 2020 and again in the first three quarters of 2021.



The following is the median sale price for single-family residences for the Tucson market from 2006 through the third quarter of 2021, according to MLS. The median sale price for single family residences declined yearly from 2007 through 2011. Beginning in 2011 the median sales price for single family residences in the Tucson market gradually increased on a year over year basis, continuing through the third quarter of 2021. The median sales price in Tucson has exceeded peak market levels from 2006. Prices have increased significantly since mid-2020 through the third quarter of 2021.



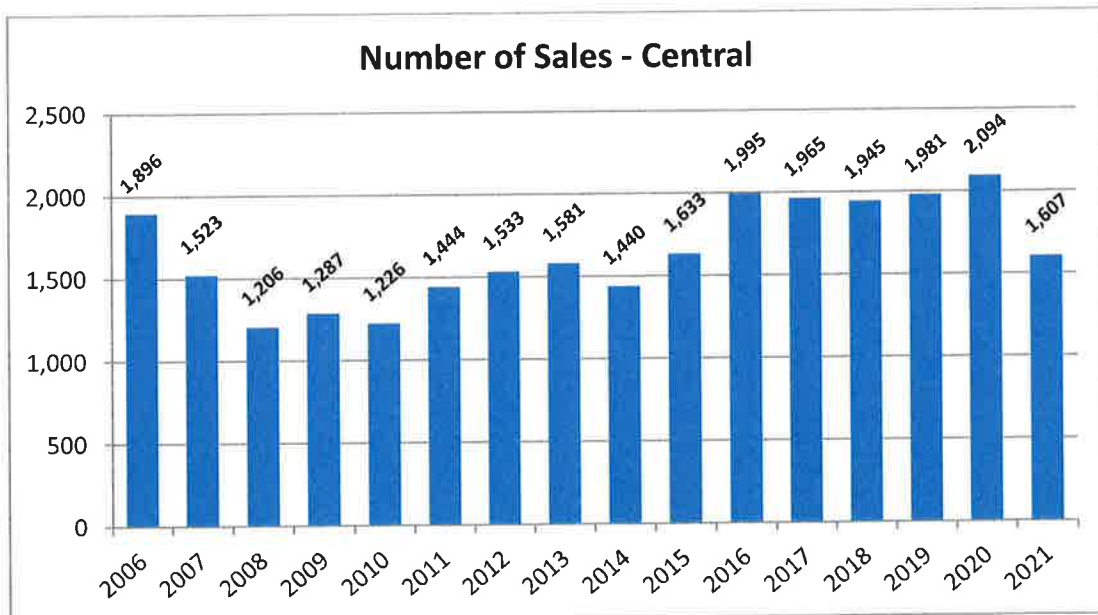
The following is the number of sales of single-family residences in the Tucson Market from 2006 through the third quarter of 2021, according to MLS. The number of sales declined from 2006 through 2008. Beginning in 2009, the number of sales began a gradual upward trend, which continued through 2020. Based on the data from the first three quarters of 2021, the trend in the number of sales in 2021 is similar to the previous year.



The following is the median sale price for single-family residences from 2006 through the first three quarters of 2021 in the subject sector, Central, according to MLS. This data indicates that the median sale price in the sector declined from 2007 through 2011. Beginning in 2012, the median sales price has steadily increased every year in the subject sector and through the first three quarters of 2021.



The following is the number of sales of single-family residences from 2006 through the first three quarters of 2021 in the subject sector, Central, according to MLS. This data indicates that from 2008, the number of sales fluctuated, but overall increased through 2016, before remaining relatively flat through 2020. The number of sales in the first three quarters of 2021 in the subject sector is on pace with sales from the previous years.



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 number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019 but increased somewhat in 2020. There is currently strong demand for residential properties due to low interest rates and low inventory.

Residential market conditions have increasing for most home types. Prices for some types of homes, specifically in homes priced below \$300,000 had increased slowly starting in 2013, and prices have continued to increase. Increased demand due to low interest rates, the increase in available “remote” occupations, and a generally low amount of inventory for homes priced below \$300,000 continue to place upward pressure on home prices. This has increased in mid-2020 due to low interest rates and limited inventory, although it is unknown how long this will last. Prices have increased significantly, and at a rapid pace, since mid-2020 through the year end 2020. 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

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

2. Ibid, p. 83

The reasonable exposure and marketing time is estimated to be three to nine 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 Sixth edition of The Dictionary of Real Estate Appraisal (Appraisal Institute; 2015, p. 109), 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

Zoning of the site is MU (Multiple Use) according to the Pima County Zoning Code. The MU zoning is a multiple use zone that allows business, residences, and trailer or mobile home courts. There are many commercial and industrial uses allowed if a conditional use permit is issued by the County. The minimum lot size is 7,000 square feet for residential uses with no minimum size for non-residential uses.

The zoning would allow for development of a residential use or an industrial use.

Physical Considerations

The site is rectangular in shape with 100 feet of frontage on Tres Nogales and a depth of 120 feet on the eastern and western property lines. It contains a total area of 12,000 square feet (0.28 acres). Tres Nogales is a two-lane, asphalt-paved residential street with no concrete curbs or sidewalks. No traffic count is available for Tres Nogales in the area of the subject property. The topography of this site is mostly level, with the immediate area sloping in a westerly direction. Properties bordering the subject property include the Rillito River Park to the north, residential uses and low density industrial uses to the south and east, and a vacant lot to the west.

Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), and water (Tucson Water). Public sewer is not available to the property. While public sewer is available further to the east in Tres Nogales, the topography is sloping to the west and the subject property is lower in grade than the existing sewer line. Therefore, development of the subject property with public sewer would likely require the development of a lift station, which would increase costs significantly and would not be financially feasible. Therefore, the property would most likely be developed with a private septic system. While the subject property does not meet current size requirements for septic systems, it is probable that a variance could be granted to allow for septic system development on the subject property. It is noted that a double lot on the south side of Tres

Nogales was recently developed with two manufactured homes with septic systems despite not meeting minimum size requirements for septic systems. Therefore, this analysis is based on an assumption that a variance would be granted to develop the subject property with a septic system.

According to FEMA Flood Insurance Rate Map 04019C1666L, dated June 16, 2011, the land is located in a floodplain with a designation of Zone AE. The property is also located within a local floodplain area, within the Ruthrauff Basin Special Study area. Based on conversations with Pima County Flood Control, the available information indicates that the flood depths are up to one foot in this area. Therefore, it is probable that a building could be developed on the property. Any building would have to be elevated one foot above flood levels. However, a hydrology study would be needed to determine flood depths and confirm if a residence could be developed on the property. 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 property would allow for residential development on the property. While an industrial use such as a contractor's yard is permitted under the zoning, this use is less likely due to the location within a floodplain.

Financial Feasibility

The subject property could be developed with a residential use such as a single-family residence or a manufactured home. There are residential uses of single-family residences and manufactured homes in the immediate area. There are also some contractor's yards in the area. As mentioned, it is most likely that the subject property would be developed with a residential use and not an industrial use due to the location within a FEMA floodplain area. There is demand for residential uses in the current market, with low inventory and increasing prices. There are many lots being purchased for development of a residence. Therefore, it is most probable that the subject property would be developed with a residential use.

Maximally Productive

Therefore, the maximally productive highest and best use of the subject site is for development of a residence.

PART IV - VALUATION OF PROPERTY

SALES COMPARISON APPROACH

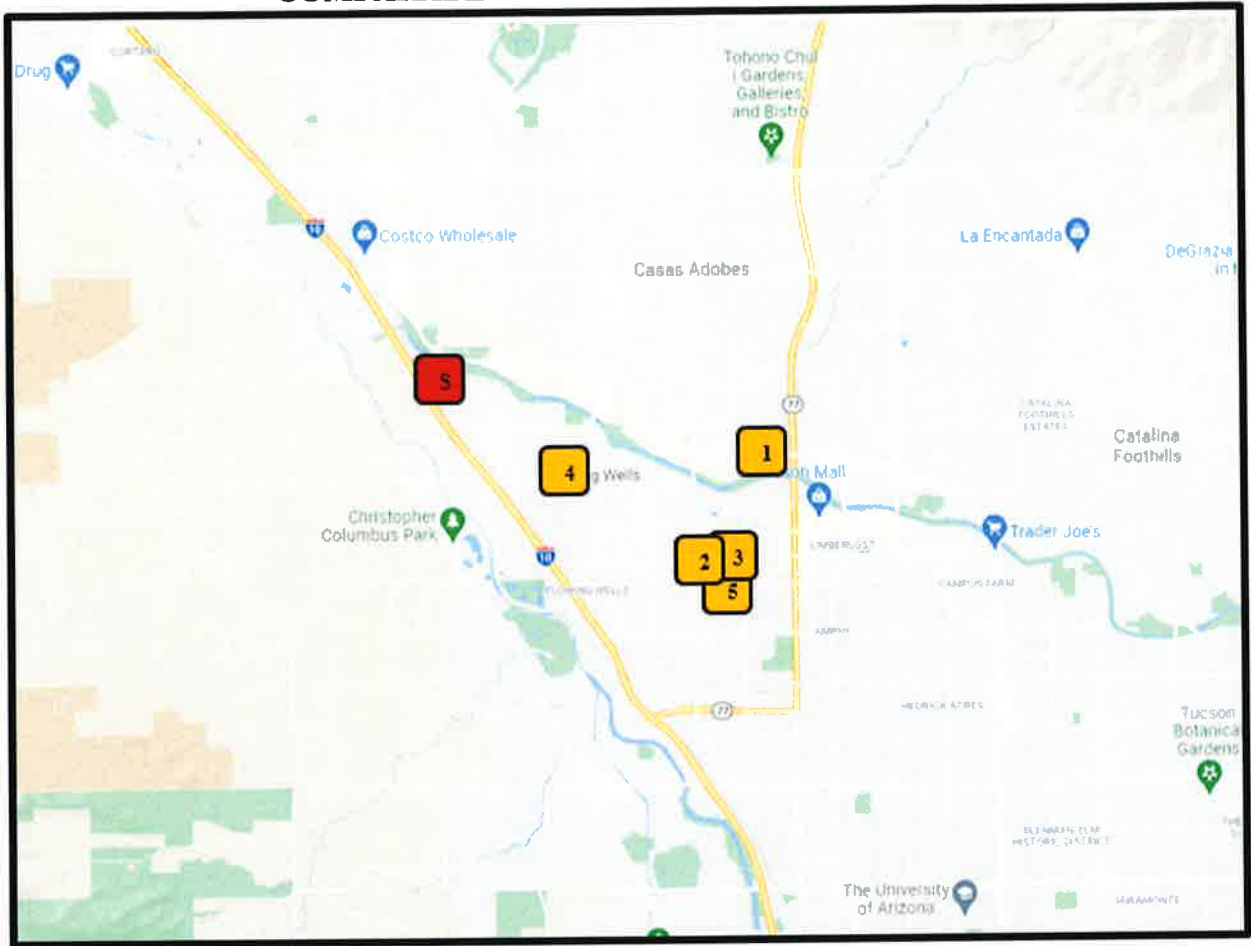
The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to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

This approach analyzes sales and listings of properties similar to the subject. This analysis uses those sales most relevant as indicators of value of the subject property, making adjustments for dissimilarities such as terms of sale, site size, location, zoning, and 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.

Table of Comparable Land Sales

Sale No.	Sale Date	Property Location	Sale Price	Site Size (Acres)	Zoning
1.	03/21	North of River Road, west of Oracle Road	\$60,000	0.35	CR-3
2.	03/21	Northwest corner of Idaho Lane and Limberlost Drive	\$70,000	0.23	MU
3.	03/21	South side of Garnette Street, west of Fairview Avenue	\$65,000	0.14	MU
4.	09/21	Northwest corner of Ruthrauff Road and Sullinger Avenue	\$77,500	0.17	MU
5.	10/21	Northwest corner of Calle Arizona and Martell Drive	\$75,000	0.16	MU
Subject				0.28	MU

COMPARABLE LAND SALES LOCATION MAP



- Subject:** North side of Tres Nogales, west of Camino de la Tierra
- Sale 1:** North of River Road, west of Oracle Road
- Sale 2:** Northwest corner of Idaho Lane and Limberlost Drive
- Sale 3:** South side of Garnette Street, west of Fairview Avenue
- Sale 4:** Northwest corner of Ruthrauff Road and Sullinger Avenue
- Sale 5:** Northwest corner of Calle Arizona and Martell Drive

COMPARABLE LAND SALES

LAND COMPARABLE NUMBER ONE (SALE)

ID: CR-3 0044 8032

LOCATION: North of River Road, west of Oracle Road

ADDRESS: 696 West River Road

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

STATE TAX PARCEL: 105-08-002M

RECORD DATA: Fee number 20210700224

DATE OF SALE: March 11, 2021

SELLER: Xiangfeng Zhang

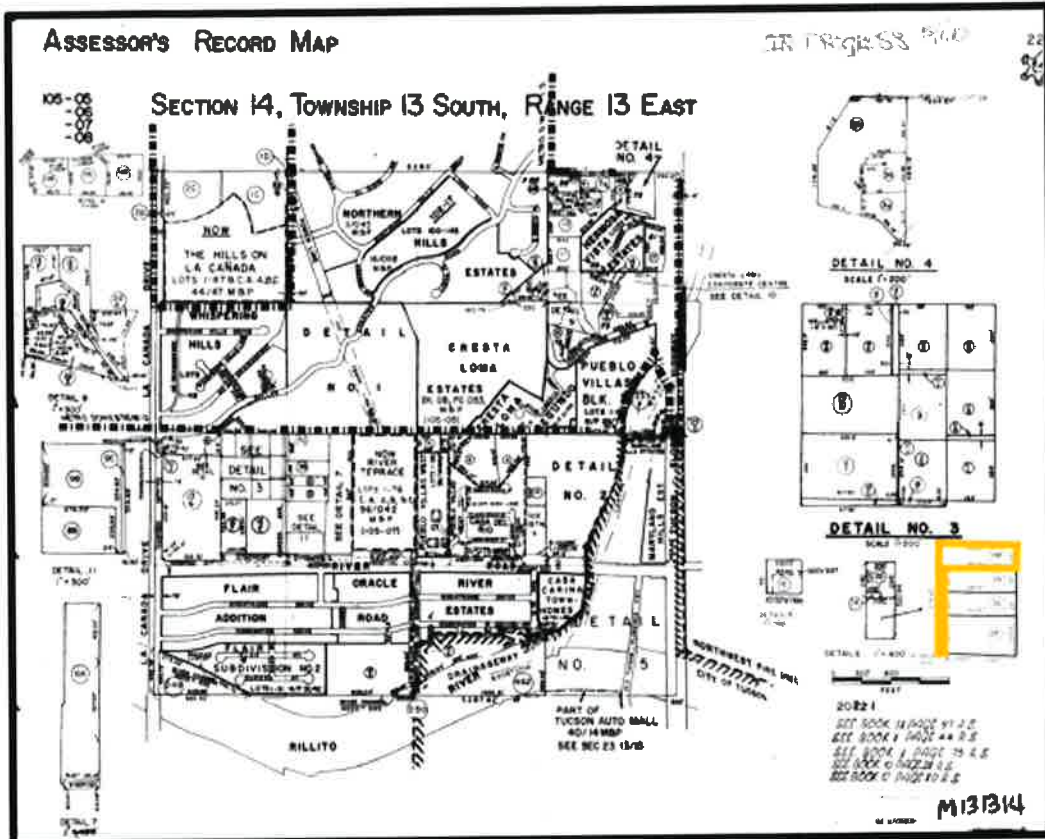
BUYER: FLC Properties, LLC

CONFIRMED BY: Xiangfeng Zhang, seller and listing agent (520-977-4676)
TFH; July, 2021

LAND DESCRIPTION: This site is an irregular flag-shaped property. The buildable portion of the property is a backage area containing about 11,092 square feet with a width of 60 feet on the eastern property line and a depth of about 185 feet. There is a narrow access strip that is part of this parcel. This area has 15 feet of frontage on River Road and has a depth of about 215 feet. This area provides access to the southwest corner of the subject property. The adjacent lots to the south have an access easement over this area, with this access strip also providing access to these adjacent lots. River Road is a four-lane, asphalt-paved roadway with concrete curbs in the vicinity of this property. River Road has a 2020 traffic count of 30,827 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. The topography is mostly level. Utilities are located south of the property at River Road and would need to be brought up to the property. According

to FEMA Flood Insurance Rate Map 04019C1686L, dated June 16, 2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE:	15,244 square feet or 0.35 acres (entire property, usable area is approximately 11,092 square feet)
ZONING:	CR-3, Pima County
REPORTED SALE PRICE:	\$60,000
MARKETING TIME:	498 days
TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation. A recording dated July 31, 2019 was an internal transfer and not a market transaction.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Development of a residence
COMMENTS:	While the property has a River Road address, the buildable portion of the lot is a backage area with no frontage on River Road. Utilities are near the property line but would have to be brought to the property line. The buyer also bought the lot to the south for \$60,000.



LOCATION: Northwest corner of Idaho Lane and Limberlost Drive

ADDRESS: 4211 N. Idaho Lane

LEGAL DESCRIPTION: A portion of the Northeast Quarter of the Southwest Quarter of Section 23, Township 13 South, Range 13 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: 104-11-007A and -006A

RECORD DATA: Fee number 2021-0751197

DATE OF SALE: March 16, 2021

SELLER: Matthew V. Lee, Jr.

BUYER: KMS Enterprises, LLC

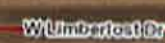
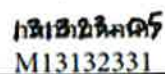
CONFIRMED BY: Nancy Fung, listing agent (520-906-2593)
TFH; July, 2021

LAND DESCRIPTION: This site is a rectangular shaped corner property with approximately 95 feet of frontage on Idaho Lane on the eastern property line and approximately 100 feet of frontage on Limberlost Drive on the southern property line. The property is located at the northwest corner of Idaho Lane and Limberlost Drive. Idaho Lane is a two-lane, asphalt-paved roadway with no concrete curbs, sidewalks, or streetlights in the vicinity of this property. Limberlost Drive is a two-lane, asphalt-paved roadway with concrete curbs but no sidewalks or streetlights in the vicinity of this property. No traffic count is available for Idaho Lane or Limberlost Drive in the area of the subject property. The property has access from Idaho Lane. The topography is mostly level. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C1686L, dated June 16, 2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 10,019 square feet or 0.23 acres

ZONING: MU, Pima County

REPORTED SALE PRICE:	\$70,000
MARKETING TIME:	2 days
TERMS OF SALE:	This was an all cash to the seller.
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:	Development of a home
COMMENTS:	The property had previously had a mobile home. The property had been cleared and was fenced, with the fencing reported to contribute no value.



LAND COMPARABLE NUMBER THREE (SALE)

ID: MU 0074 8069

LOCATION: South side of Garnette Street, west of Fairview Avenue

ADDRESS: 941 W. Garnette Street

LEGAL DESCRIPTION: Lot 10, Ira's, Pima County, Arizona

STATE TAX PARCEL: 104-11-0840

RECORD DATA: Fee number 2021-0760756

DATE OF SALE: March 17, 2021

SELLER: Gary D. Starr, Trustee of the Gary D. Starr Trust

BUYER: KMS Enterprises, LLC

CONFIRMED BY: Nancy Fung, listing agent (520-906-2593)
TFH; July, 2021

LAND DESCRIPTION: This site is a rectangular shaped property with 60 feet of frontage on Garnette Street on the northern property line. The site has a depth of 100 feet. Garnette Street is a two-lane, asphalt-paved roadway with concrete curbs but no sidewalks or streetlights in the vicinity of this property. No traffic count is available for Garnette Street. The topography is mostly level. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C1686L, dated June 16, 2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 6,000 square feet or 0.14 acres

ZONING: MU, Pima County

REPORTED SALE PRICE: \$65,000

MARKETING TIME: 3 days

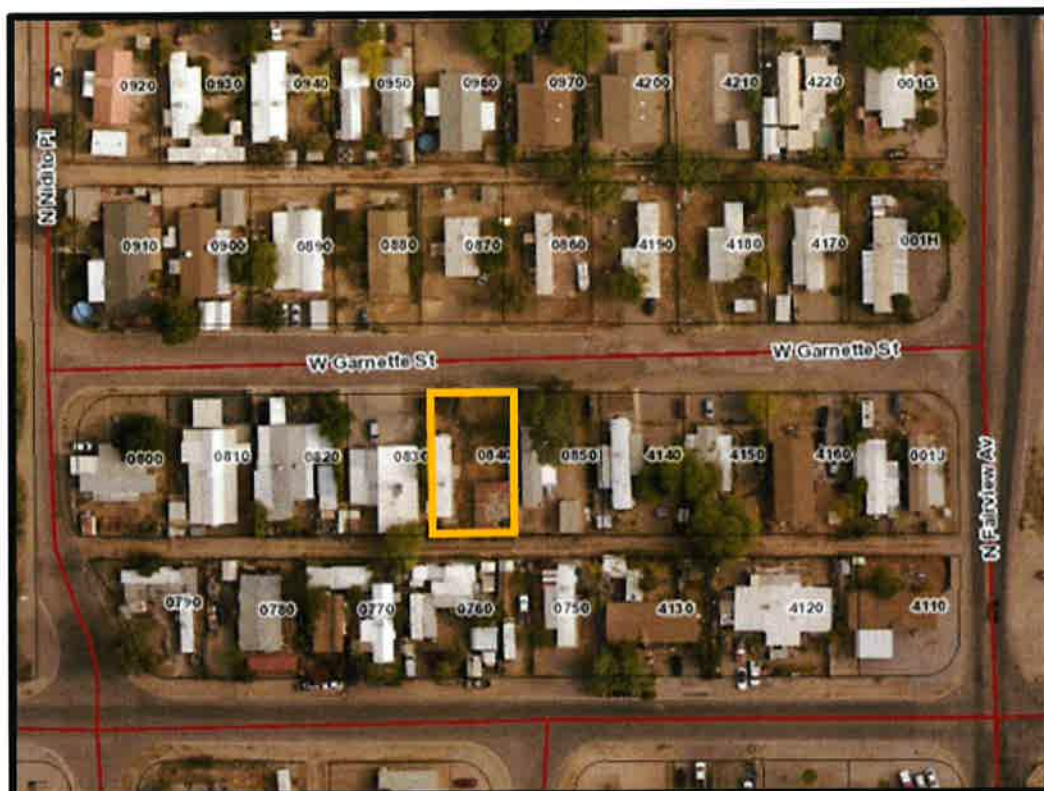
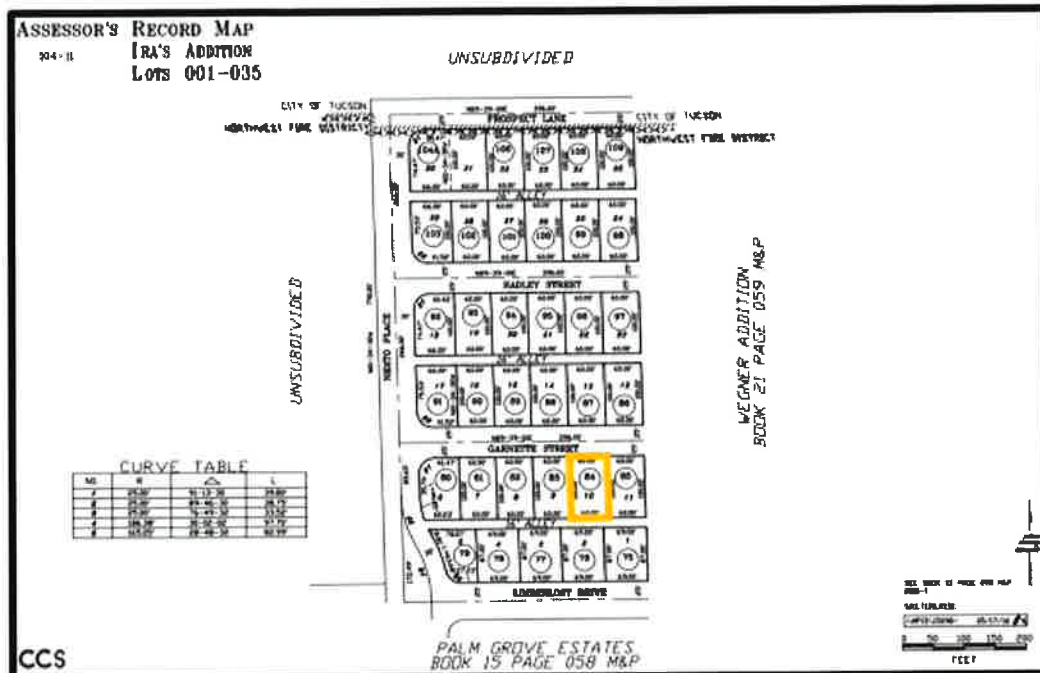
TERMS OF SALE: This was an all cash to the seller transaction.

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: Investment and potential development of a home

COMMENTS: There was a manufactured home on the property that was to be removed before closing. The property contained a block storage building with some utilities; however, this building had no roof and was therefore reported to have contributed no value.



LOCATION: Northwest corner of Calle Arizona and Martell Drive

ADDRESS: 1002 West Calle Arizona

LEGAL DESCRIPTION: Lot 46, Palm Grove Estates, Pima County, Arizona

STATE TAX PARCEL: 104-11-3030

RECORD DATA: Fee number 2021-302-0586

DATE OF SALE: October 29, 2021

SELLER: Gary D. Starr, Trustee of the Gary D. Starr Trust

BUYER: KMS Enterprises, LLC

CONFIRMED BY: Nancy Fung, listing agent (520-906-2593)
TFH; November, 2021

LAND DESCRIPTION: This site is a rectangular shaped corner property with approximately 110 feet of frontage on Martell Drive and approximately 65 feet of frontage on Calle Arizona. Martell Drive Calle Arizona and Martell Drive are two-lane, asphalt-paved roadways with concrete curbs but no sidewalks or streetlights in the vicinity of this property. No traffic count is available for Calle Arizona or Martell Drive in the vicinity of the subject property. The topography is mostly level. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C1688LL, dated June 16, 2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 6,795 square feet or 0.16 acres

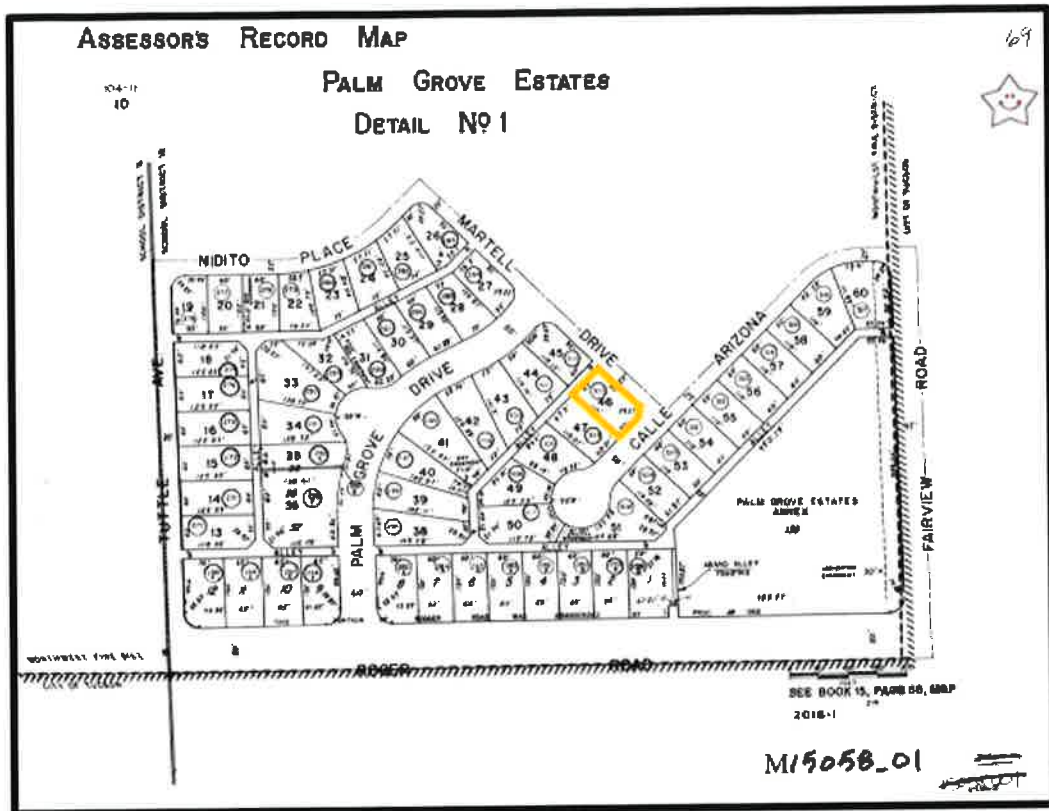
ZONING: MU, Pima County

REPORTED SALE PRICE: \$75,000

MARKETING TIME: 4 days

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

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:	Development of a single-family residence
COMMENTS:	The property contained two mobile homes that contributed no value. Due to the two homes, the property contained two electrical meters, two water lines, and two cable lines. The agent indicated that the two sets of utilities did not contribute significant value and any additional value from the utilities was offset by the cost to remove the mobile homes.



LOCATION: Northwest corner of Calle Arizona and Martell Drive

ADDRESS: 1002 West Calle Arizona

LEGAL DESCRIPTION: Lot 46, Palm Grove Estates, Pima County, Arizona

STATE TAX PARCEL: 104-11-3030

RECORD DATA: Fee number 2021-302-0586

DATE OF SALE: October 29, 2021

SELLER: Gary D. Starr, Trustee of the Gary D. Starr Trust

BUYER: KMS Enterprises, LLC

CONFIRMED BY: Nancy Fung, listing agent (520-906-2593)
TFH; November, 2021

LAND DESCRIPTION: This site is a rectangular shaped corner property with approximately 110 feet of frontage on Martell Drive and approximately 65 feet of frontage on Calle Arizona. Martell Drive Calle Arizona and Martell Drive are two-lane, asphalt-paved roadways with concrete curbs but no sidewalks or streetlights in the vicinity of this property. No traffic count is available for Calle Arizona or Martell Drive in the vicinity of the subject property. The topography is mostly level. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C1688LL, dated June 16, 2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 6,795 square feet or 0.16 acres

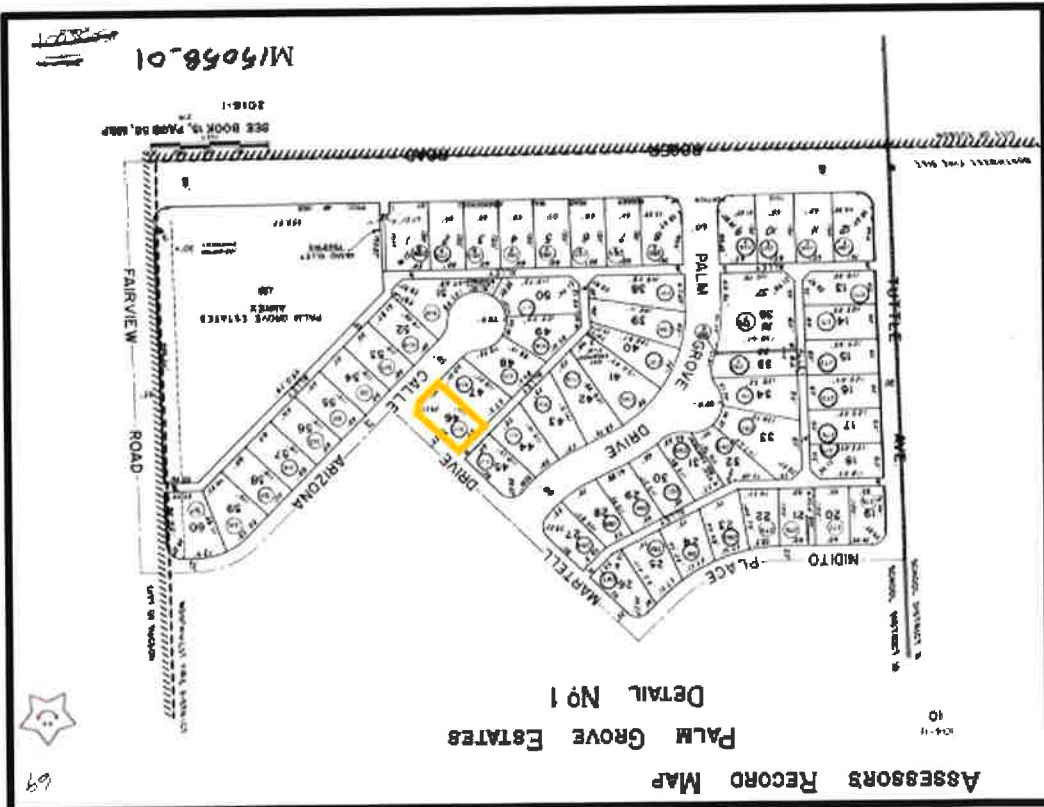
ZONING: MU, Pima County

REPORTED SALE PRICE: \$75,000

MARKETING TIME: 4 days

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

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:	Development of a single-family residence
COMMENTS:	The property contained two mobile homes that contributed no value. Due to the two homes, the property contained two electrical meters, two water lines, and two cable lines. The agent indicated that the two sets of utilities did not contribute significant value and any additional value from the utilities was offset by the cost to remove the mobile homes.



COMPARABLE LAND SALES ADJUSTMENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Sale Date		03/2021	03/2021	03/2021	09/2021	10/2021
Site Size (Acres)	0.28	0.35	0.23	0.14	0.17	0.16
Zoning	MU	CR-3	MU	MU	MU	MU
Site Utility	Fair-Avg	Inferior	Superior	Superior	Superior	Superior
Sale Price		\$60,000	\$70,000	\$65,000	\$77,500	\$75,000
<i>Summary of Adjustments</i>						
Unadjusted Sale Price		\$60,000	\$70,000	\$65,000	\$77,500	\$75,000
Property Rights		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price		\$60,000	\$70,000	\$65,000	\$77,500	\$75,000
Financing		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price		\$60,000	\$70,000	\$65,000	\$77,500	\$75,000
Conditions of Sale		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price		\$60,000	\$70,000	\$65,000	\$77,500	\$75,000
Date/Market Conditions		<u>7%</u>	<u>7%</u>	<u>7%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price		\$64,200	\$74,900	\$69,550	\$77,500	\$75,000
Physical Adjustments (%)						
Location/Views		-20	-10	-10	-10	-10
Zoning		0	0	0	0	0
Lot Size		0	0	5	5	5
Floodplain		-15	-15	-15	-15	-15
Site Utility/Access		<u>10</u>	<u>-10</u>	<u>-10</u>	<u>-10</u>	<u>-10</u>
Net Adjustment		-25%	-35%	-30%	-30%	-30%
Indicated Value		\$48,150	\$48,685	\$48,685	\$54,250	\$52,500

This analysis compares five sales of similar vacant lots to the subject property on a gross sale price basis. Sales prices range from \$60,000 to \$77,500 before adjustment. The adjustment grid on the previous page reflects 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. This sale warrants a downward adjustment for location/views as this property is located in an area with stronger demand than the subject. There is a downward adjustment for floodplain as this property is not located within a floodplain while the subject property is located within a floodplain. Therefore, this property has lower development costs than the subject. This sale warrants an upward adjustment for utility as this property has inferior access to utilities with utilities nearby but needing to be brought to the lot line. Overall, this gross sale price indicates a downward adjustment in comparison to the subject.

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. This sale warrants a downward adjustment for location/views as this property is located in an area with stronger demand than the subject. There is a downward adjustment for floodplain as this property is not located within a floodplain while the subject property is located within a floodplain. Therefore, this property has lower development costs than the subject. This sale warrants a downward adjustment for utility as this property has better utility with better access to utilities than the subject. Overall, this gross sale price indicates a downward adjustment in comparison to the subject.

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. This sale warrants a downward adjustment for location/views as this property is located in an area with stronger demand than the subject. There is an upward adjustment for lot size as this lot is smaller than the subject property. Smaller lots tend to sell for less than larger lots on a gross sales price basis, all else being equal. There is a downward adjustment for floodplain as this property is not located within a floodplain while the subject property is located within a floodplain. Therefore, this property has lower development costs than the subject. This sale warrants a downward adjustment for utility as this property has better utility with better access to utilities than the subject. Overall, this gross sale price indicates a downward adjustment in comparison to the subject.

Comparable Sale Four warrants a downward adjustment for location/views as this property is located in an area with stronger demand than the subject. There is an upward adjustment for lot size as this lot is smaller than the subject property. Smaller lots tend to sell for less than larger lots on a gross sales price basis, all else being equal. There is a downward adjustment for floodplain as this property is not located within a floodplain while the subject property is located within a floodplain. Therefore, this property has lower development costs than the subject. This sale warrants a downward adjustment for utility as this property has better utility with better access to utilities than the subject. Overall, this gross sale price indicates a downward adjustment in comparison to the subject.

Comparable Sale Five warrants a downward adjustment for location/views as this property is located in an area with stronger demand than the subject. There is an upward adjustment for lot size as this lot is smaller than the subject property. Smaller lots tend to sell for less than larger lots on a gross sales price basis, all else being equal. There is a downward adjustment for floodplain as this property is not located within a floodplain while the subject property is located within a floodplain. Therefore, this property has lower development costs than the subject. This sale warrants a downward adjustment for utility as this property has better utility with better access to utilities than the subject. Overall, this gross sale price indicates a downward adjustment in comparison to the subject.

Sales Comparison Approach Summary.

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Adjusted Sale Price	\$48,150	\$48,685	\$48,685	\$54,250	\$52,500

These five comparable sales indicate a price range of \$48,150 to \$54,250 after adjustment. All of the sales provide a reliable indicator of the value range for the subject property. It is noted that the value range indicated is below the range of unadjusted sale prices. This is due to the subject property being a floodprone property, while none of the comparable sales are located within a FEMA floodplain. Without this floodplain adjustment, the value indicated would be within the unadjusted range provided by these comparable sales. There is an additional sale that occurred in the market that supports this value but is not utilized as a comparable sale. Across the street, on the south side of Tres Nogales, a double lot containing two lots combined into one parcel sold in April 2020 for \$60,000. This property has a larger size of 0.55 acres and was able to be developed with two manufactured homes after this purchase. This property is superior due to the larger size and utility that allows for the development of two manufactured home buildings, while the subject could only be developed with one residence. Due to this, this sale is not utilized as a comparable sale, although it does support the value concluded in this analysis as this property would require a net downward adjustment in comparison to the subject property. After analyzing the comparable sales, the conclusion of market value of the subject property as if vacant, as of November 18, 2021, is \$52,000.

MARKET VALUE CONCLUSION

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 subject property, as of the effective date of the appraisal, November 18, 2021, is \$52,000.

OPINION OF MARKET VALUE OF SUBJECT PROPERTY,
AS OF NOVEMBER 18, 2021:

FIFTY TWO THOUSAND DOLLARS
(\$52,000)

PART V - 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 VI - CERTIFICATION

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
8. My reported 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, and any other specifications submitted by the Client, including Title XI, FIRREA.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. In accord with the Uniform Standards of Professional Appraisal Practice, I have the experience and knowledge to complete this assignment in a credible and competent manner.
11. As of the date of this report, I have completed requirements of the continuing education program of the Appraisal Institute.
12. The effective date (date of valuation) of this appraisal is November 18, 2021.

13. I have made a personal inspection of the property that is the subject of this report.
14. No one provided significant real property appraisal assistance to the person signing this certification.
15. This firm has not appraised the subject property in the three years prior to this appraisal.
15. I am a Certified General Real Estate Appraiser in the State of Arizona.



Sara R. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 31679
Designated Supervisory Appraiser
Registration Number DS0082

PART VI - EXHIBITS

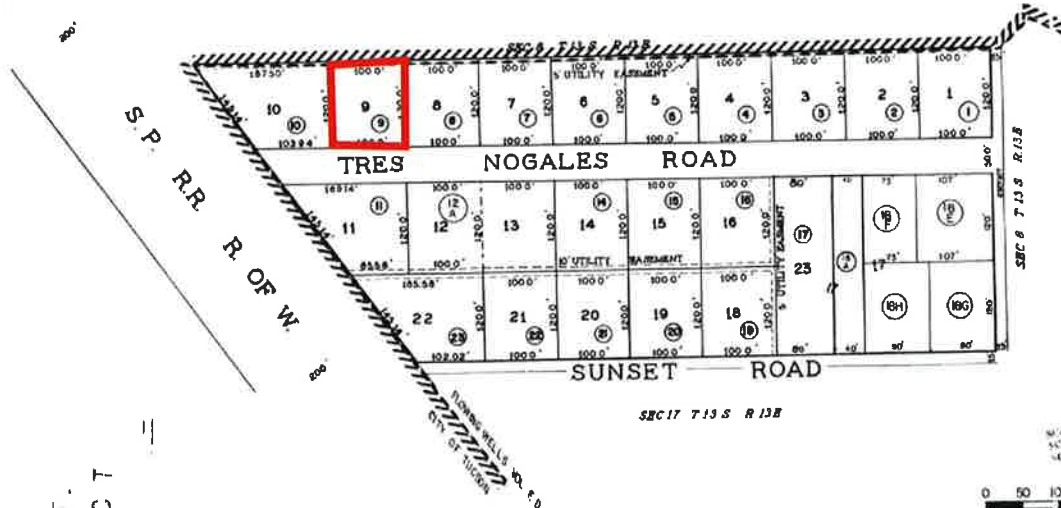
Exhibit A	Subject Plat Map
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map (Pima County)
Exhibit D	FEMA Flood Plain Map
Exhibit E	Subject Photographs
Exhibit F	Qualifications

EXHIBIT A - SUBJECT PLAT MAP

ASSESSOR'S RECORD MAP

101-08
1

TRES NOGALES



PROJECT

SCANNED
SCANNED
SCANNED



SEE BOOK 8, PAGE 100 M & P.
S8, T13S, R13E
2004-1

M08100

XXXXX

SPRINGS - S & S CO. & T.
MAY 22 1988

EXHIBIT B - AERIAL PHOTOGRAPH



EXHIBIT C - ZONING MAP (Pima County)

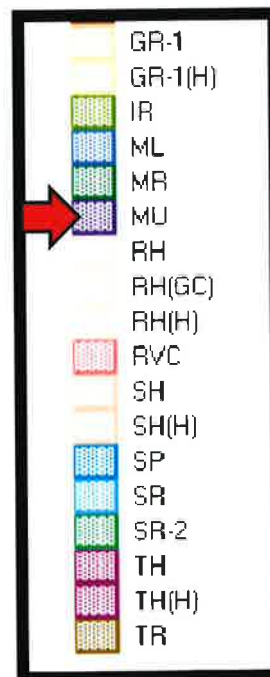
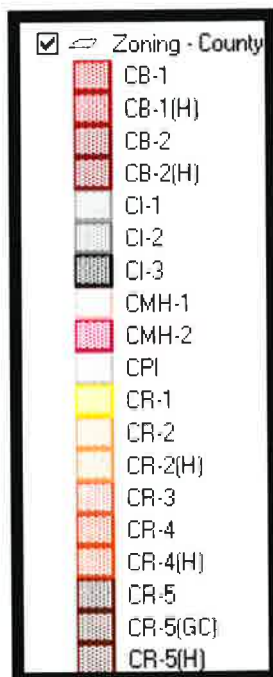
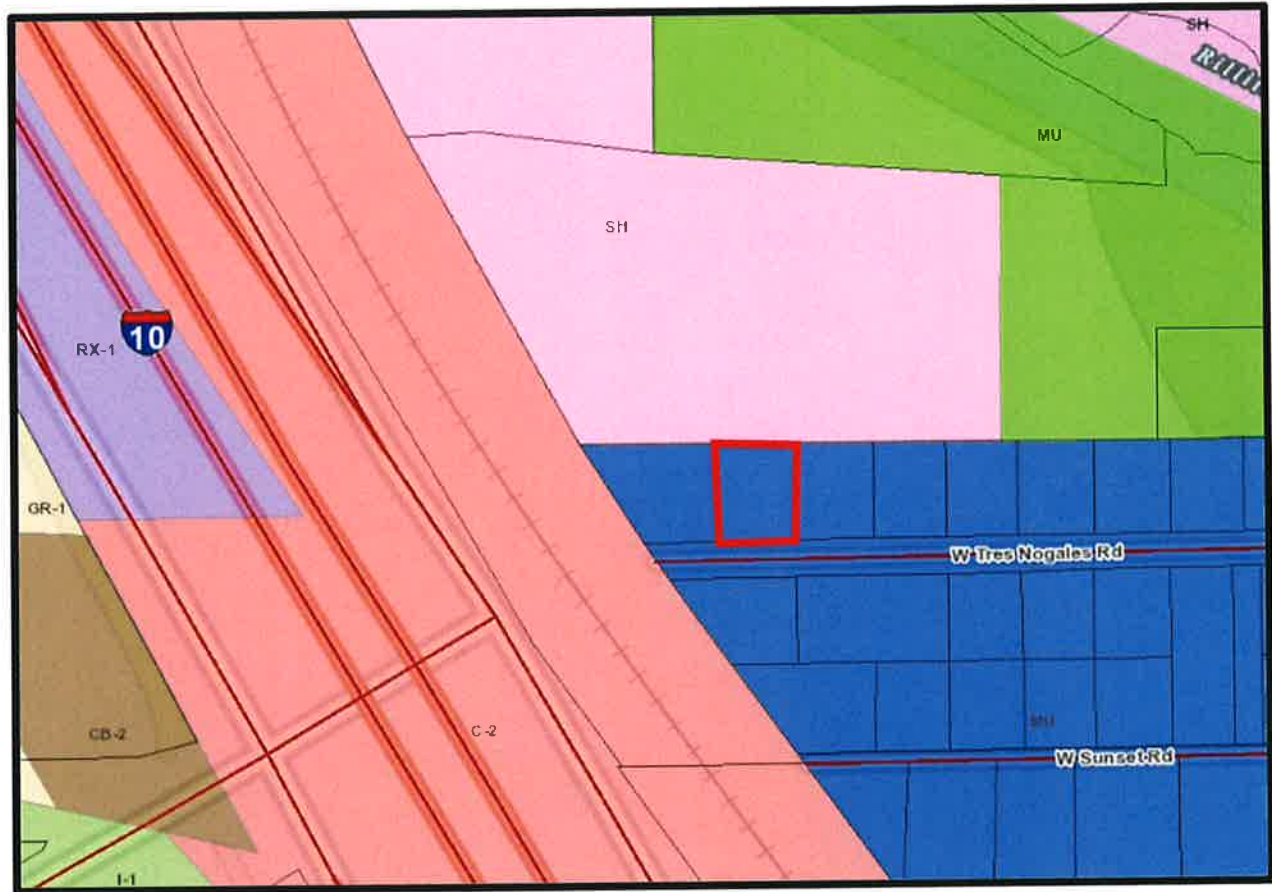


EXHIBIT D - FEMA FLOOD PLAIN

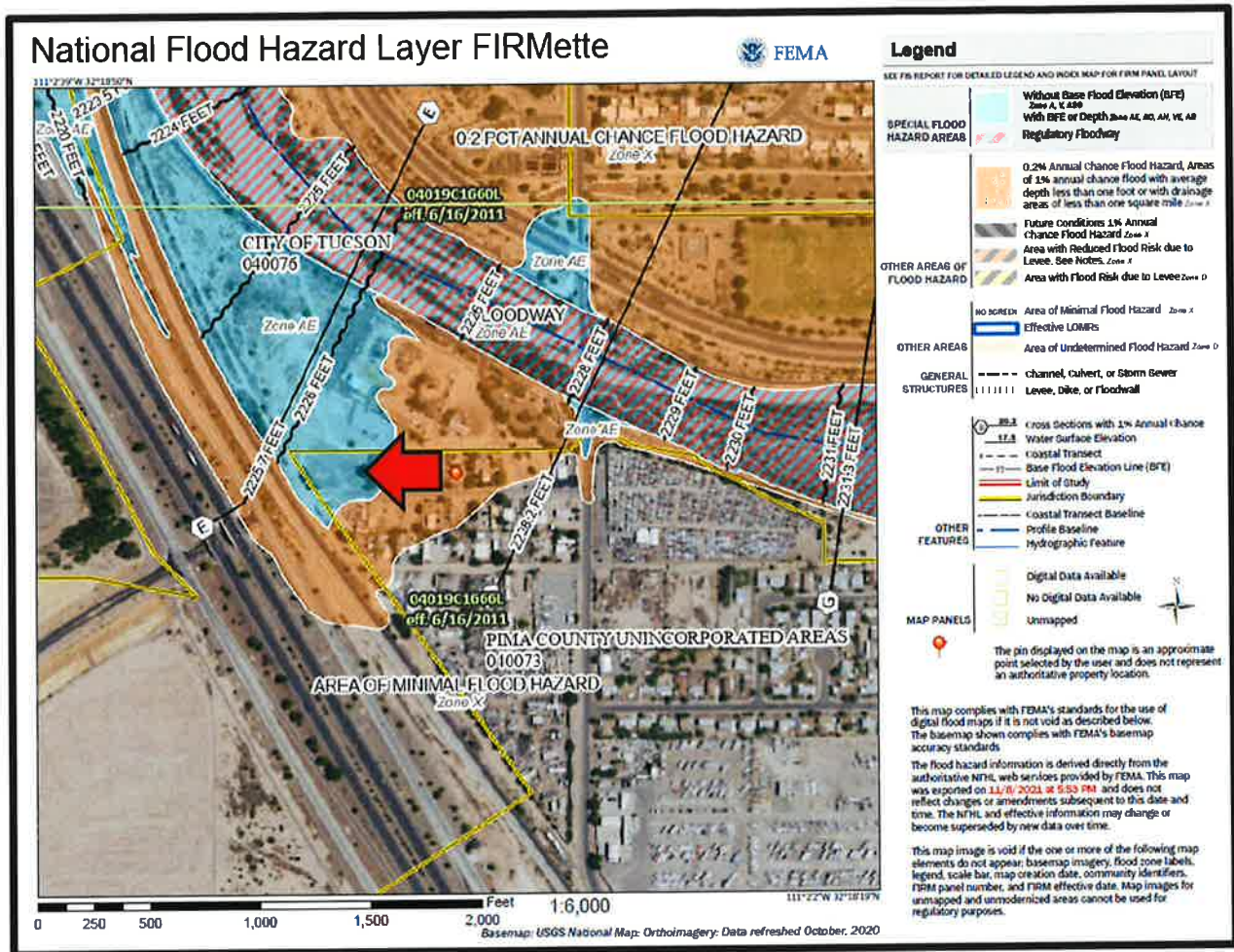


EXHIBIT F - SUBJECT PHOTOGRAPHS

PHOTO 1 – VIEW NORTHWEST OF LOT FROM TRES NOGALES



PHOTO 2 – VIEW NORTHEAST OF LOT FROM TRES NOGALES



PHOTO 3 – VIEW NORTH OF LOT



PHOTO 4 – VIEW SOUTHWEST OF LOT



PHOTO 5 – VIEW SOUTHEAST OF LOT



PHOTO 6 – VIEW EAST ON TRES NOGALES



EXHIBIT F - 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. She 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 also received a Master's Degree from the University of Phoenix in Accountancy.

TIM HALE is an appraiser trainee in commercial valuation. He graduated from Arizona State University with a Bachelor's Degree in Justice Studies.

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