

with most of the comparable sales. The building offers relatively good overall functional utility for office-related uses.

The sales reflect building sizes from 7,767 to 12,500 square feet and the subject comprises 9,051 square feet. The market data does not support any size adjustments.

I next applied adjustments to the sales for differences in age, condition, quality and functional utility. These adjustments are inherently subjective unless the subject property and sale properties are highly similar. The adjustments applied reflect my opinions as to how the market would perceive these differences. The most significant issues are related to condition and parking. None of the properties reflects above-average construction quality and none had excess land or any flood issues of significance.

Sale 1 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 2 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 3 was vastly superior in condition and offered a very high parking ratio. The seller had invested nearly \$34 per square foot in the property several years prior to the sale and the building had not been occupied since the renovation was completed. Large downward adjustments were applied.

Sale 4 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 5 is inferior in terms of condition but is considered similar in terms of parking. The building had essentially been gutted prior to sale and the buyer invested about \$70 per square foot for a complete renovation. A large upward adjustment was applied for condition.

Sale 6 is nominally superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 7 was considered to be similar to the subject in terms of condition but offers superior parking. A downward adjustment was applied for parking.

Sale 8 was considered to be similar to the subject in terms of condition but would likely be considered inferior with respect to parking. An upward adjustment was applied for parking.

No adjustments were indicated for economic characteristics, zoning or non-realty components.

Based on the preceding analysis, I have summarized adjustments to the sale comparables on the following adjustment grid. These adjustments are based on my market research, best judgment, and experience in the appraisal of similar properties. It is noted that the percentage adjustments tend to imply a greater level of accuracy than actually exists; however, such have been shown with the intent of providing a relative level of magnitude for each.

Comparable Improved Sales Adjustment Grid

Sale Number	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8
Location	1601 S 6th Avenue	1325 N Wilmot	5515 E Grant	5401 E 5th St	717 S Alvernon	620 N Craycroft	5232 E Pima	2716 S 6th Ave	1201-1215 E Broadway
Sale Date	N/A	Apr-15	Dec-14	Sep-14	May-14	Jan-14	Dec-13	Apr-13	Nov-12
Sale Price	N/A	\$850,000	\$540,000	\$850,000	\$775,000	\$825,000	\$400,000	\$425,000	\$520,000
Property Rights Conveyed		Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Leased Fee	Fee Simple	Fee Simple
Financing Terms		Cash Equiv.	Cash	Cash	Cash Equiv.	Cash	Cash	Cash	Cash
Conditions of Sale		Typical	Typical	Typical	Typical	Typical	See Remarks	REO sale	Typical
Expenditures After Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures After Sale per SF		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
S.F. of Improvements	9,051	12,500	9,714	8,856	7,767	11,817	8,810	8,733	10,584
Year Built	1986	1984	1986	1970	1982	1973	1987	1982	1963
Parking	1.10/1,000 SF	4.26/1,000 SF	3.19/1,000 SF	8.13/1,000 SF	4.89/1,000 SF	3.05/1,000 SF	4.31/1,000 SF	4.12/1,000 SF	1.89/1,000 SF
Site Area (SF)	19,700	27,888	26,227	63,990	22,113	23,522	32,369	24,829	25,694
Floor Area Ratio	0.46	0.45	0.37	0.14	0.35	0.50	0.27	0.35	0.41
Zoning	SB-2	O-3	C-1	C-1	O-3	C-1	C-1	SB-1	C-1
Jurisdiction	South Tucson	Tucson	Tucson	Tucson	Tucson	Tucson	Tucson	South Tucson	City of Tucson
Buyer Type		Owner-user	Investor	Owner-user	Owner-user	Owner-user	Investor	Owner-user	Owner-user
Sale Price/SF		\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$45.40	\$48.67	\$49.13
Transactional Adjustments									
Property Rights Conveyed		0	0	0	0	0	0	0	0
Financing Terms		0	0	0	0	0	0	0	0
Conditions of Sale		0	0	0	0	0	+20%	0	0
Expenditures After Sale		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price/SF	N/A	\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$54.48	\$48.67	\$49.13
Market Conditions Adjustment									
Adjusted Price/SF	N/A	\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$54.48	\$48.67	\$49.13
Property Adjustments									
Location		-15%	-15%	-10%	-5%	-10%	-10%	0	-5%
Physical Characteristics									
Size		0	0	0	0	0	0	0	0
Age, Cond., Quality		-10%	-5%	-25%	-10%	+50%	-5%	0	0
Site Coverage/Parking		-5%	-5%	-10%	-5%	0	-5%	-5%	+5%
Flood/Other		0	0	0	0	0	0	0	0
Economic Characteristics		0	0	0	0	0	0	0	0
Use/Zoning		0	0	0	0	0	0	0	0
Non-realty components		0	0	0	0	0	0	0	0
Indicated Value/SF		\$47.60	\$41.69	\$52.79	\$79.82	\$97.73	\$43.58	\$46.24	\$49.13

The sale prices of the comps ranged from about \$45 to \$100 per square foot prior to adjustments. After adjustments, the range was from \$42 to \$98 per square foot. Sale 5 is considered to be an outlier given its nearly \$70 per square foot purchase price for a shell building. If Sale 5 is excluded, the top end of the adjusted range drops to \$80 per square foot, set by Sale 4. Sale 4 is reflective of the top of the range in pricing given the marginal location of this property. Sales 2 and 6 were acquired by investors and reflected the lowest prices; when excluded, the bottom of the adjusted range increases to \$46 per square foot.

Sale 7 is the most insightful in that it is located on South 6th Avenue and required the least adjustment. This building had formerly been occupied by the Arizona Department of Economic Security (DES) and was then occupied by a religious organization. It was acquired in 2012 for use as an insurance office. The purchase price of about \$49 per square foot is given strong consideration in this appraisal.

I also researched current listings for sale and concluded that the following were the most relevant.

Summary of Comparable Listings

Listing #	Location	Offered Price	Price per SF	Building SF	Year Built	FAR	Parking	DOM
1	1037 S Alvernon	\$625,000	\$59	10,529	1980	0.37	3.04/1000	238
2	3655 E 2nd St	\$799,000	\$71	11,259	1960	0.28	4.88/1000	397

Listing 1 is an average quality multi-tenant office located in a secondary office node. It has limited parking. Listing 2 is a former post office that has a largely open floor plan that is similar to the subject. Parking is vastly superior. Although located in the central area of Tucson, the property has no visibility from an arterial roadway. There are also numerous properties listed for sale at prices in excess of \$100 per square foot; however, these are not comparable to the subject in any way and are often considered to be overpriced when compared to actual recent sales of similar buildings.

Based on the analyses summarized above, I concluded that the sales comparison approach provided greatest support for a value for the subject property (9,051 SF) in the range from \$45 to \$55 per square foot of building area, or from \$407,295 to \$497,805. Realistically, this suggests a range of value from \$400,000 to \$500,000 and I concluded that \$450,000 (\$49.72/SF) was most probable.

MARKET VALUE – “AS IS”, FEE SIMPLE INTEREST (REAL ESTATE ONLY)

AS OF JUNE 25, 2015..... \$450,000

Exposure Time

Exposure time is the estimated length of time 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. Based on my research of comparable sales exposure time was estimated at 6 to 12 months.

Determination of Market Rent

In order to estimate the market rent that would be appropriate for the subject property I have analyzed a number of comparable lease transactions and then applied adjustments to these comparables so that they are reflective of the physical nature of the subject property and consistent with the general lease terms that were stipulated by the client for this portion of the assignment.

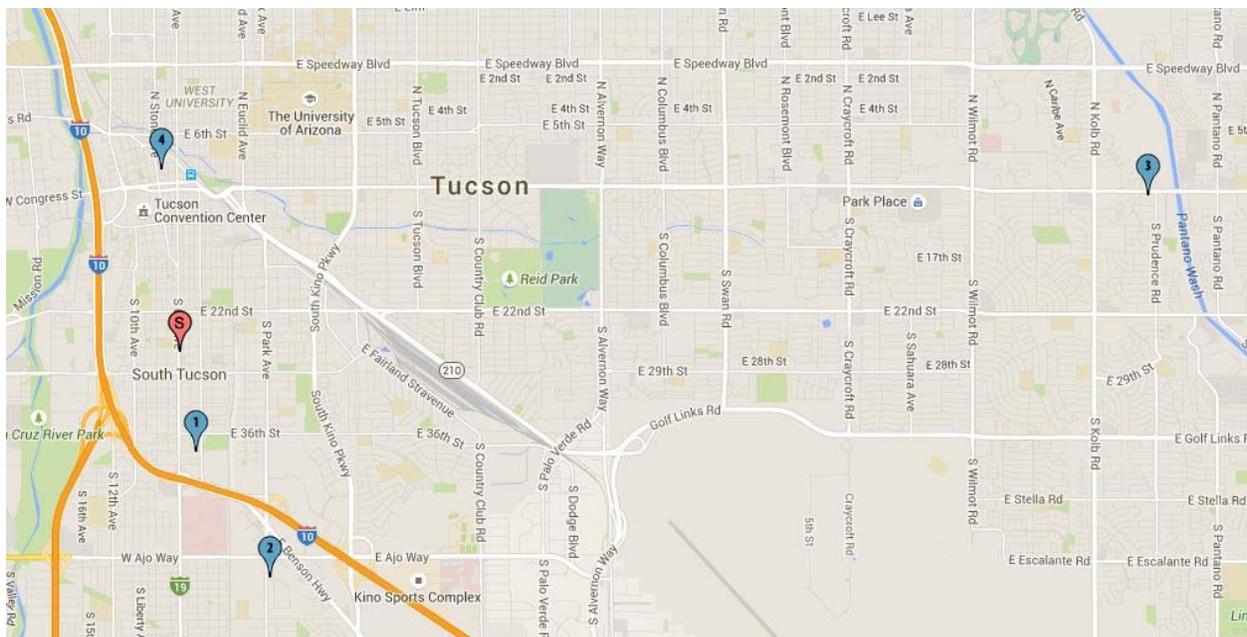
The assumed lease terms stipulated by the client reflected the following conditions:

1. Tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC.
2. Landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping.
3. Real estate taxes will be zero since this is a government-owned facility.
4. The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.

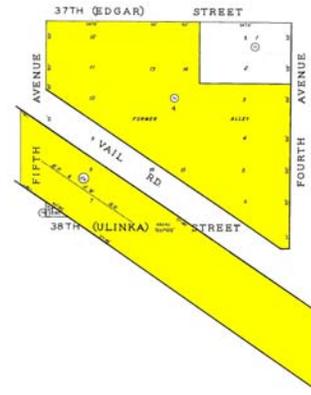
Market Rent Analysis

Market rent is defined as the rentable income that a property would most probably command in the open market, as indicated by current rentals being paid for comparable space, as of the date of the appraisal. I identified leases of professional office space considered to be generally comparable to the subject property. The comparables are summarized on the following pages.

COMPARABLE RENTAL MAP



Lease Comp No. 1



Property Identification

Property ID	3418
Property Name	Madera Business Park
Address	2750-2760 S 4th Ave
City, State Zip	Tucson, Arizona 85713
Tax ID	119-02-074

Physical Data

Rentable Area	35,200
Floor Area Ratio	0.27
Year Built	1985
Construction	Concrete tilt
Building Condition	Good
Construction Quality	Average

Lease Data

Tenant	AZ DCS
Date Commences	01-01-2015
Leased Area (SF)	11,860
Type of Lease	Full Service
Lease Terms (months)	90
Lease Escalations	Flat
Tenant Improv (\$/SF)	\$40-\$45
Concess. Description	None
First Year Rate (\$/SF)	\$17.07
Effective Rate (\$/SF)	\$16.00
Confirmation	Melissa Lal, Larsen Baker

Remarks

This is a business park that was substantially renovated by the owner after it was acquired in 2013. Arizona Department of Child Safety took the space in turnkey condition. TI costs were reportedly in the \$40-\$45/SF range as the space was essentially in gray shell condition with HVAC. This is a full service lease and the reported base rent is net of the 2.5% rent tax, which must be paid by the landlord. Operating expenses were reported at \$7.50/SF, including \$4.00 for CAM, \$1.75 for electric and \$1.75 for janitorial. The effective rent is equal to about \$16.00/SF assuming normal 2% to 2.5% annual increases for such space.

Lease Comp No. 2



S PARK



Property Identification

Property ID	6142
Property Name	Tucson Business Park
Address	3939 South Park Avenue
City, State Zip	Tucson, Arizona 85714
Tax ID	132-17-118C

Physical Data

Rentable Area	35,938
Floor Area Ratio	0.32
Year Built	1985
Building Condition	Average
Construction Quality	Average

Lease Data

Tenant	PPEP, Inc
Date Commences	09-01-2014
Leased Area (SF)	5,933
Type of Lease	Industrial Gross
Lease Terms (months)	60
Lease Escalations	See remarks
Tenant Improv (\$/SF)	\$7.50 (est.)
TI Description	Paint, carpet, and removal of a few walls
Concess. Description	None
First Year Rate (\$/SF)	\$11.18
Effective Rate (\$/SF)	\$11.18
Confirmation	Review of lease and addendums

Remarks

The space is used for behavioral health counseling and general office. Original 5-year lease commenced 9/1/03 at \$8.16/SF. Tenant pays for their own utilities and janitorial plus a pro rata share of taxes, insurance and CAM over 2003 base year. Lease rate escalates as follows: 3.6%, 3.5%, 3%, & 3% years 2-5. Termination by tenant with 120 days notice if program is not adequately funded.

Lease Comp No. 3



Property Identification

Property ID	5843
Property Name	School building
Address	7444 E Broadway
City, State Zip	Tucson, Arizona 85710
Tax ID	134-18-113B

Physical Data

Rentable Area	10,828
Floor Area Ratio	0.23
Year Built	1980
Building Condition	Average
Construction Quality	Average

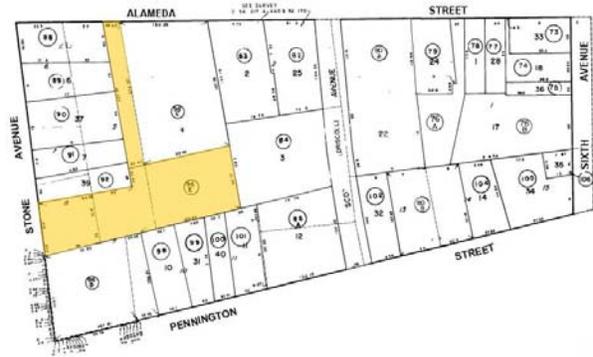
Lease Data

Tenant	Rising School
Date Commences	08-26-2014
Leased Area (SF)	10,828
Type of Lease	NNN
Lease Terms (months)	60
Tenant Improv (\$/SF)	\$.00
Concess. Description	See remarks
First Year Rate (\$/SF)	\$4.99
Effective Rate (\$/SF)	\$8.25
Confirmation	Gary Best, Keller Williams

Remarks

The space was previously occupied by a 9-12 charter school, but had been vacant for 12 months. It was in great condition and the tenant was able to move-in with almost no work to do. The monthly base rents are as follows: \$3,000 months 1-3; \$5000 months 4-12 (blended \$4.99/SF year 1); \$6,000 (\$6.65/SF) year 2; \$10,000 (\$11.08/SF) years 3-5. The effective rent is equal to about \$8.25/SF assuming normal 3% annual increases in rent.

Lease Comp No. 4



Property Identification

Property ID	6592
Property Name	Compass Bank Bldg
Address	120 N Stone
City, State Zip	Tucson, Arizona 85701
Tax ID	117-11-096A

Physical Data

Rentable Area	28,000
Floor Area Ratio	1.09
Year Built	1929
Building Condition	Good
Construction Quality	Average

Lease Data

Tenant	Lutheran Social Services
Date Commences	06-01-2014
Leased Area (SF)	8,500
Type of Lease	Full Service
Lease Terms (months)	63
Lease Escalations	3% per year
Tenant Improv (\$/SF)	\$6.00
Concess. Description	3 months free
First Year Rate (\$/SF)	\$14.00
Effective Rate (\$/SF)	\$14.00
Confirmation	Michael Gross, Tucson Realty & Trust

Remarks

Building was constructed in 1929 but has been upgraded over the recent past and is in good overall condition. It includes a parking garage in the rear of the site that is accessed via Alameda Street. Compass Bank has a branch facility on the ground floor. Landlord provided carpet and paint and minor modifications estimated to cost \$6/SF. The premises include space on the first and second floors. Tenant also received 10 parking spaces in the adjacent parking garage.

The comparables have been adjusted so that they are reflective of the subject property as it existed on the effective date of value. Therefore, the market rent assumes that there would be no tenant improvements provided by the landlord. Adjustments have been considered for equivalent lease terms (modified gross vs. full service), lease conditions (atypical escalations, concessions, etc.), market conditions, location, physical characteristics and other factors.

I have analyzed the property on the basis of the stipulated lease terms, which essentially equate to triple net terms, but with the landlord paying for common area maintenance. Based on my review of operating expenses from office complexes, the cost of the common area maintenance is estimated at about \$0.25 per square foot per year. Given the size of the subject property (9,051 SF), I have assumed a 5-year lease term with the rent increasing by 2% to 3% per year, or a 10-year lease with a 10% increase after the fifth year.

The comparables reflect effective dates from June 2014 through January 2015. There have been no significant changes in market conditions over this period of time so no adjustments were indicated for market conditions.

Rental 1 reflected full service terms and flat rent over the 90-month term. The operating expenses were estimated at \$7.50 per square foot, suggesting a net adjustment for subject terms of negative \$7.25. The lease conditions adjustment for the flat rent is equal to negative 10.9%. These two adjustments reduce the rent down to about \$8.75 per square foot. The property is located in South Tucson about three-quarters of a mile southeast of the subject. It is within a recently renovated business park but has no vehicular exposure. The lack of exposure would be important to some tenants but does not appear to be an issue with the Arizona Department of Child Safety so I do not believe that an adjustment for location would be supported. This space was completely new for this lease and this warrants a downward adjustment for physical characteristics. The subject property is inferior in terms of condition and a tenant leasing the space in its "as is" condition would likely anticipate replacing flooring and repainting the interior. The cost of these and other potential TIs is roughly estimated at \$7.50 per square foot, which suggests a downward adjustment of \$1.40 per square foot, assuming amortization over 7 years. A downward adjustment of 15% has been applied for physical characteristics. No other adjustments are indicated.

Rental 2 reflected industrial gross terms, whereby the tenant pays for their own utilities and janitorial, as well as for increases over base year taxes, insurance and common area maintenance. The adjustment to the subject lease terms is estimated a negative \$0.65 per square foot to reflect insurance and the repairs and maintenance handled by the landlord. This 5-year lease included annual escalations of 3% to 3.6% per year. This could support a slight upward adjustment but this would be less than 1% so no adjustment was applied. The property is located near Ajo and Park Avenue and has visibility from Park Avenue. I considered the location comparable to the subject. The tenant received minor TIs including carpet, paint and removal of a few walls, so I applied a downward adjustment similar to Rental 1. No other adjustments are indicated.

Rental 3 reflected triple net terms, whereby the tenant pays for all expenses. I adjusted this upward by \$0.25 per square foot to reflect the subject's lease terms. This 5-year lease included atypical annual escalations in base rent, increasing from \$4.99 per square foot in the first year to \$11.08 per square foot in years 3 through 5. I elected to analyze this on the basis of the effective rent of

approximately \$8.25 per square foot (NNN), therefore no additional adjustment was considered for lease conditions. The property is located along Broadway Boulevard, east of Kolb Road. I considered the location superior, although this is not a strong office node so a small downward adjustment was applied. The tenant did not receive any tenant improvements or allowance so no adjustments were made for physical characteristics. No other adjustments are indicated.

Rental 4 reflected full service terms and typical 3% annual escalations in base rent. A downward adjustment of \$7.25 per square foot was made to reflect the subject's lease terms. The three months of free rent is nominal and I concluded that no adjustment was needed for lease conditions. The property is located in downtown Tucson and has limited parking provided with the lease (10 spaces). The office market is very competitive in this area and demand is low. I concluded to a large upward adjustment for location based in part on comparison with Rental 1. The tenant received minor TIs including carpet, paint and minor modifications, so I applied a downward adjustment similar to Rental 1. No other adjustments are indicated.

The adjustments are summarized on the grid below.

Rental Adjustment Grid

	Rental 1	Rental 2	Rental 3	Rental 4
Location	2750-2760 S 4th Ave	3939 South Park Avenue	7444 E Broadway	120 N Stone
Property SF	35,200	35,938	10,828	28,000
Year Built	1985	1985	1980	1929
Tenant	AZ DCS	PPEP, Inc	Rising School	Lutheran Social Services
Lease Commencement	Jan-15	Sep-14	Aug-14	Jun-14
Tenant SF	11,860	5,933	10,828	8,500
Lease Type	Full Service	Ind. Gross	NNN	Full Service
Term (months)	90	60	60	63
Increases (annual)	Flat	See remarks	See remarks	3% per year
TIs (per SF)	\$0.00	\$0.00	\$0.00	\$6.00
Rent Concessions	None	None	See remarks	3 months free
Rent/SF	\$17.07	\$11.18	\$8.25	\$14.00
Adjust to Subject Terms	-\$7.25	-\$0.65	+\$0.25	-\$7.25
Subject Equivalent	\$9.82	\$10.53	\$8.50	\$6.75
Lease Conditions	-10.9%	0	0.0	0
Market Conditions	0	0	0	0
Base Adjusted Rent	\$8.75	\$10.53	\$8.50	\$6.75
Location	0	0	-5%	+30%
Physical Characteristics	-15%	-15%	0	-15%
Other	0	0	0	0
Indicated Rent/SF	\$7.44	\$8.95	\$8.08	\$7.76

After adjustments, the comps support a range of market rent for subject property from \$7.44 to \$8.95 per square foot, per the specified lease terms. Given the nature of the adjustments, this is rounded to a range from \$7.50 to \$9.00 per square foot and I concluded to a market rent of \$8.00 per square foot.

The subject property will involve atypical circumstances in that the tenant will be paying the estimated \$65,800 costs of the required exterior capital improvements, including roofing (\$34,300) and stucco repairs and paint (\$31,500). This is not a typical scenario under a lease and this is why I have addressed it after the initial conclusion of market rent. Similar to how landlords amortize excessive tenant improvement costs that they provide to tenants and add this to the rental rate, I have made a deduction in the initial market rental rate concluded above to reflect the cost of the tenant providing these improvements during the start of the lease. Given the nature of the

improvements, I have assumed a 10 year term for amortization purposes. Landlords typically utilize a discount rate of 8% for such purposes and discounting is done on a monthly basis since this is how the rent is paid. Based on the present value of \$65,800, the required payment at 8% annual interest (0.6667% monthly) is equal to \$798.34 per month, or \$9,580.03 per year. When divided by the gross building area of 9,051 square feet, this supports a reduction in the rent of \$1.06 per square foot, which I have rounded to \$1.00 per square foot. Therefore, under the stipulated lease conditions, the market rent is estimated at \$7.00 per square foot, or \$63,357 per year.

MARKET RENT – “AS IS”, (PER STIPULATED TERMS)**AS OF JUNE 25, 2015 \$63,357 PER YEAR**

The assumed lease terms stipulated by the client reflected the following conditions:

5. Tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC.
6. Landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping.
7. Real estate taxes will be zero since this is a government-owned facility.
8. The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.

General Assumptions and Limiting Conditions

This appraisal and appraisal certification are subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. The stamps and/or consideration placed on deeds/affidavits used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
4. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
5. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
6. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | MJN Enterprises, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

10. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by MJN Enterprises, Inc. Valbridge Property Advisors, Inc. nor any of its affiliates, has not been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | MJN enterprises, Inc. and Client. We assume no liability for unauthorized use of the appraisal report by a third party.
14. No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc..
15. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
16. The value opinion provided herein is subject to any and all predications set forth in this report.
17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable, unless otherwise stated in the report.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given for rent

- loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.
20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
 21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
 22. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
 23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
 24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
 25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a

survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

26. In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. The Appraiser assumes no responsibility for the actual availability of utilities, their capacity, or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. This appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to, a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraisers and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
29. Unless otherwise stated in this report, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
30. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an 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 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 developing an opinion of value.

31. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
32. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
33. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
34. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
35. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
36. It is your responsibility to read the report and to inform the appraisers of any errors or omissions of which you are aware, prior to utilizing the report.
37. Disclosures of the contents of the appraisal report by the Appraiser are governed by the Bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.
38. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes subject to client data confidentiality.
39. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
40. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

I certify that, to the best of my knowledge:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias 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 engagement in this assignment and my compensation are 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, approval of a loan, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Craig Johnson has personally inspected the subject property.
9. No one provided significant professional assistance to the person(s) signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The undersigned hereby acknowledge that they have the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Statement of Qualifications.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, Craig W. Johnson, MAI, have completed the continuing education program of the Appraisal Institute.
14. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
15. All conclusions and opinions concerning the real estate that are set forth in the appraisal were prepared by the Appraisers whose signature(s) appears on the appraisal, unless indicated as "Review Appraiser".
16. No change of any item in the appraisal report shall be made by anyone other than the Appraiser(s), and the Appraiser(s) shall have no responsibility for any such unauthorized change.
17. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of the assignment.



Craig Johnson, MAI
Certified General Real Estate Appraiser
State of Arizona Certificate No. 30236
cjohnson@valbridge.com

Addenda

QUALIFICATIONS OF CRAIG W. JOHNSON, MAI
State of Arizona Certified General Real Estate Appraiser, Certificate #30236

PROFESSIONAL EXPERIENCE

2013 to present	Valbridge Property Advisors MJN Enterprises, Inc., Managing Director
2012 – 2013	US Department of Interior, Office of Valuation Services, Review Appraiser
2005 to 2012	MJN Enterprises, Inc., Senior Analyst and Consultant
2001 – 2005	Bruce D. Greenberg, Inc., Senior Analyst and Consultant
2000	KB Real Estate Advisors & Appraisers, Inc., Senior Analyst/Consultant
1994 - 2000	CB Richard Ellis, Inc., Assistant VP Valuation & Advisory Services
1992 - 1994	Craig W. Johnson, MAI, sole proprietor
1990 - 1991	RTC/Pima Federal Savings, Vice President and Chief Appraiser
1982 - 1990	Greenberg Chin Consultants, Senior Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

Member (MAI), #8241 of the Appraisal Institute. The Institute conducts a mandatory program of continuing education for its designated members. Mr. Johnson is currently certified under this program.

FORMAL EDUCATION

Bachelor of Science in Business Administration, University of Arizona, Finance major

PROFESSIONAL EDUCATION

All required classes to obtain MAI Designation and state certifications.

SCOPE OF PRACTICE

Mr. Johnson's appraisal practice is concentrated on valuations for the following purposes: Mortgage loan underwriting, Private negotiations, Legal proceedings, and Consultations.

Clientele include private individuals, corporate entities, financial institutions, and governmental agencies. Mr. Johnson is experienced in the appraisal of both residential and commercial properties and specializes in single- and multi-tenant industrial, retail, and office facilities, and conventional and subsidized multifamily projects, including apartments developed under the Low Income Housing Tax Credit (LIHTC) program. Assignments have been completed in Arizona, New Mexico, Colorado and Nevada, with the State of Arizona being the primary service area.

STATE OF ARIZONA

BOARD OF APPRAISAL

BE IT KNOWN THAT

CRAIG W. JOHNSON

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

This registration shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER
30236

EXPIRATION DATE

August 31, 2016



In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Executive Director

[Signature] Date Issued **7.31.14**
Chair, Board of Appraisal
[Signature] Date Issued **7.31.14**
Executive Director of the Board of Appraisal

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

CC0119

Information on Valbridge Property Advisors

Valbridge covers the U.S. from coast to coast, and is one of the Top 3 national commercial real estate valuation and advisory services firms based on:

- Total number of MAIs (185 on staff)
- Total number of office locations (65 across the U.S.)
- Total number of staff (600+ strong)

Valbridge is owned by our local office leaders. Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

Valbridge services all property types, including:

- Office
- Industrial
- Retail
- Apartments/multifamily/senior living
- Lodging/hospitality/recreational
- Land
- Special-purpose properties

Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements. Specialty services include:

- Portfolio valuation
- REO/foreclosure evaluation
- Real estate market and feasibility analysis
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment and appeal-support services
- Valuations and analysis of property under eminent domain proceedings
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Cost segregation studies
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests

Independent Valuation for a Variable World

Office Locations

ALABAMA

Valbridge Property Advisors | Real Estate Appraisers, LLC
 4732 Woodmere Boulevard
 Montgomery, AL 36106
 334-277-5077 phone

ARIZONA

Valbridge Property Advisors | MJN Enterprises, Inc.
 6061 E. Grant Road, Suite 121
 Tucson, AZ 85712
 520-321-0000 phone

CALIFORNIA

Valbridge Property Advisors | Michael Burger & Associates
 4915 Calloway Drive, Suite 101
 Bakersfield, CA 93312
 661-587-1010 phone

Valbridge Property Advisors | Cummings Appraisal Group, Inc.

99 S. Lake Avenue, Suite 21
 Pasadena, CA 91101
 626-744-0428 phone

Valbridge Property Advisors | Hulberg & Associates, Inc.

225 Crossroads Blvd, Suite 326
 Carmel, CA 93923
 831-917-0383 phone

2813 Coffee Road, Suite E-2
 Modesto, CA 95355
 209-569-0450 phone

One North Market Street
 San Jose, CA 95113
 408-279-1520 phone

3160 Crow Canyon Place, #245
 San Ramon, CA 94583
 925-327-1660 phone

Valbridge Property Advisors | Penner & Associates, Inc.
 1370 N. Brea Boulevard, #255
 Fullerton, CA 92835
 714-449-0852 phone

Valbridge Property Advisors | Ribacchi & Associates
 10301 Placer Lane, Suite 100
 Sacramento, CA 95827
 916-361-2509 phone

COLORADO

Valbridge Property Advisors | Bristol Realty Counselors
 5345 Arapahoe, Suite 7
 Boulder, CO 80303
 303-443-9600 phone

Valbridge Property Advisors | Mountain West
 562 Highway 133
 Carbondale, CO 81623
 970-340-1016 phone

CONNECTICUT

Valbridge Property Advisors | Italia & Lemp, Inc.
 6 Central Row, Third Floor
 Hartford, CT 06103-2701
 860-246-4606 phone

17 High Street, Suite 214
 Norwalk, CT 06851
 203-286-6520 phone

FLORIDA

Valbridge Property Advisors | Armalavage Valuation, LLC
 2240 Venetian Court
 Naples, FL 34109
 239-514-4646 phone

Valbridge Property Advisors | Beaumont, Matthes & Church, Inc.

603 Hillcrest Street
 Orlando, FL 32803
 407-839-3626 phone

Valbridge Property Advisors | Boyd, Schmidt & Brannum,

2711 Poinsettia Avenue
 West Palm Beach, FL 33407

561-833-5331 phone

Valbridge Property Advisors | Broom, Moody, Johnson & Grainger, Inc.

121 West Forsyth Street, #1000
 Jacksonville, FL 32202
 904-296-3000 phone

Valbridge Property Advisors | Entrek Associates, Inc.

1100 16th Street N
 St. Petersburg, FL 33705

727-894-1800 phone

GEORGIA

Valbridge Property Advisors | Cantrell Miller, LLC

2675 Paces Ferry Road, Ste 145
 Atlanta, GA 30339
 678-644-4853 phone

IDAHO

Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc.
 1875 N. Lakewood Drive, #100
 Coeur d'Alene, ID 83814
 208-292-2965 phone

Valbridge Property Advisors | Mountain States Appraisal & Consulting, Inc.

1459 Tyrell Lane, Suite B
 Boise, ID 83706
 208-336-1097 phone

INDIANA

Valbridge Property Advisors | Mitchell Appraisals, Inc.
 820 Fort Wayne Avenue
 Indianapolis, IN 46204
 317-687-2747 phone

KANSAS

Valbridge Property Advisors | Shaner Appraisals, Inc.
 10990 Quivira Road, Suite 100
 Overland Park, KS 66210
 913-451-1451 phone

KENTUCKY

Valbridge Property Advisors | Allgeier Company
 214 South 8th Street, Suite 200
 Louisville, KY 40202
 502-585-3651 phone

LOUISIANA

Valbridge Property Advisors | Argote, Derbes, Graham, Shuffield & Tatje, Inc.
 512 North Causeway Boulevard
 Metairie, LA 70001
 504-833-8234 phone

7607 Fern Avenue, Suite 104
 Shreveport, LA 71105
 318-797-0543 phone

MARYLAND

Valbridge Property Advisors | Lipman Frizzell & Mitchell LLC
 6240 Old Dobbin Lane, Suite 140
 Columbia, MD 21045
 410-423-2300 phone

MASSACHUSETTS

Valbridge Property Advisors | Bullock Commercial Appraisal, LLC

21 Muzzey Street, Suite 2
 Lexington, MA 02421
 781-652-0700 phone

MICHIGAN

Valbridge Property Advisors | The Oetzel-Hartman Group
 321 Woodland Pass, Suite 200
 East Lansing, MI 48823
 517-336-0001 phone

MINNESOTA

Valbridge Property Advisors | Mardell Partners, Inc.
 120 South 6th Street, Suite 1650
 Minneapolis, MN 55402
 612-253-0650 phone

NEVADA

Valbridge Property Advisors | Lubawy & Associates, Inc.
 3034 S. Durango Drive, Suite 100
 Las Vegas, NV 89117
 702-242-9369 phone

NEW JERSEY

Valbridge Property Advisors | Oxford Group
 2740 Route 10 West, Suite 204
 Morris Plains, NJ 07950
 973-970-9333 phone

2052 Route 35, Suite 104
 Wall Township, NJ 07719
 732-807-3113 phone

NEW YORK

Valbridge Property Advisors | Oxford Group
 424 West 33rd Street, Suite 630
 New York, NY 1001
 212-268-1113 phone

NORTH CAROLINA

Valbridge Property Advisors | John Bosworth & Associates, LLC
 4530 Park Road, Suite 100
 Charlotte, NC 28209
 704-376-5400 phone

Valbridge Property Advisors | Paramount Appraisal Group, Inc.
 412 E. Chatham Street
 Cary, NC 27511
 919-859-2666 phone

OHIO

Valbridge Property Advisors | Akron Appraisal Group, Inc.
 1655 W. Market Street, Suite 130
 Akron, OH 44313
 330-899-9900 phone

Valbridge Property Advisors | Allgeier Company
 9277 Centre Point Dr., Suite 350
 West Chester, OH 45069
 513-785-0820 phone

Valbridge Property Advisors
 526 E. Superior Avenue
 Suite 455
 Cleveland, OH 44114
 216-367-9690 phone

OKLAHOMA

Valbridge Property Advisors | Walton Property Services, LLC
 6666 S. Sheridan Road, Suite 104
 Tulsa, OK 74133
 918-712-9992 phone

PENNSYLVANIA

Valbridge Property Advisors | Barone, Murtha, Shonberg & Associates, Inc.
 4701 Baptist Road, Suite 304
 Pittsburgh, PA 15227
 412-881-6080 phone

Valbridge Property Advisors | Lukens & Wolf, LLC
 150 South Warner Road, Ste. 440
 King of Prussia, PA 19404
 215-545-1900 phone

SOUTH CAROLINA

Valbridge Property Advisors | Atlantic Appraisals, LLC

1250 Fairmont Avenue
 Mt. Pleasant, SC 29464
 843-884-1266 phone

800 Main Street, Suite 220
 Hilton Head Island, SC 29926
 843-342-2302 phone

Valbridge Property Advisors | Robinson Company
 610 N. Main Street
 Greenville, SC 29601
 864-233-6277 phone

TENNESSEE

Valbridge Property Advisors | R.K. Barnes & Associates, Inc.
 112 Westwood Place, Suite 300
 Brentwood, TN 37027
 615-369-0670 phone

Valbridge Property Advisors | C & I Appraisal Services, Inc.
 6750 Poplar Avenue, Suite 706
 Memphis, TN 38138
 901-753-6977 phone

Valbridge Property Advisors | Meridian Realty Advisors, LLC
 213 Fox Road
 Knoxville, TN 37922
 865-522-2424 phone

TEXAS

Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc.
 111 Soledad, Suite 800
 San Antonio, TX 78205
 210-227-6229 phone

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

Two Energy Square
 4849 Greenville Avenue, Ste 1495
 Dallas, TX 75206
 214-446-1611 phone

974 Campbell Road, Suite 204
 Houston, TX 77024
 713-467-5858 phone

Valbridge Property Advisors
 2731 81st Street
 Lubbock, TX 79423
 806-744-1188 phone

UTAH

Valbridge Property Advisors | Free and Associates, Inc.
 260 South 2500 West, Suite 301
 Pleasant Grove, UT 84062
 801-492-9328 phone

1100 East 6600 South, Suite 201
 Salt Lake City, UT 84121
 801-262-3388 phone

20 North Main, Suite 304
 St. George, UT 84770
 435-773-6300 phone

VIRGINIA

Valbridge Property Advisors | Axial Advisory Group, LLC
 656 Independence Parkway, #220
 Chesapeake, VA 23320
 757-410-1222 phone

7400 Beaufont Springs Dr., #300
 Richmond, VA 23225
 804-672-4473 phone

4732 Longhill Road, Suite 3202
 Williamsburg, VA 23188
 757-345-0010 phone

WASHINGTON

Valbridge Property Advisors | Allen Brackett Shedd
 419 Berkeley Avenue, Suite A
 Fircrest, WA 98466
 253-274-0099 phone

12320 NE 8th Street, Suite 200
 Bellevue, WA 98005
 425-450-4040 phone

7601 West Clearwater Avenue
 Suite 320
 Kennewick, WA 99336
 509-221-1540 phone

WISCONSIN

Valbridge Property Advisors | Vitale Realty Advisors, LLC
 12660 W. North Avenue
 Brookfield, WI 53005
 262-782-7990 phone

ATTACHMENT 4



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

September 10, 2015

Ms. Veronica Moreno
Interim City Manager
City of South Tucson
1601 S. Sixth Avenue
South Tucson, Arizona 85713

Re: Your September 4, 2015 Letter Regarding Sam Lena Library Lease Negotiations

Dear Ms. Moreno:

I appreciate your prompt response to my August 25, 2015 letter.

Your proposal is accepted. The County will purchase the Sam Lena Library at the appraised value of \$450,000, and compensation for the library will be accepted as proposed in your letter: "Furthermore, in lieu of cash payment, we accept your recommendation to reduce the City's outstanding debt by the amount aforementioned."

Further, the County accepts your proposal Option 2 regarding payment for the remaining jail debt obligation to Pima County.

I appreciate your willingness to work with Pima County on this matter. We understand the financial issues the City of South Tucson is facing and accept these terms and conditions in order to assist South Tucson in its long-term financial recovery.

Sincerely,

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over a large, sweeping flourish that extends from the bottom right of the signature area down towards the bottom of the page.

C.H. Huckelberry
County Administrator

Enclosure

c: Tom Burke, Deputy County Administrator for Administration
Melinda Cervantes, Director, Library District
Neil Konigsberg, Manager, Real Property Services

MAYOR
MIGUEL E. ROJAS

VICE MAYOR
OSCAR PATINO

COUNCIL MEMBERS
ILDEFONSO GREEN
ROBERT LARRIBAS
HERMAN LOPEZ
VANESSA MENDOZA
ANITA ROMERO



1601 SOUTH SIXTH AVENUE
SOUTH TUCSON, AZ 85713
(520) 792-2424
FAX (520) 628-9619

INTERIM CITY MANAGER
VERONICA MORENO

September 4, 2015

Mr. Huckelberry, County Administrator
Pima County
130 W. Congress Street, 10th Floor
Tucson, AZ 85701-1317

Subject: Sam Lena Library - Lease Negotiations

Dear Mr. Huckelberry,

Thank you for your response dated August 25, 2015. At this time we are also willing to recommend to the Mayor and Council that the City of South Tucson accept Pima County's proposal to purchase Sam Lena Library at the appraised price of \$450,000. Furthermore, in lieu of cash payment, we accept your recommendation to reduce the City's outstanding debt by the amount aforementioned.

We are deeply appreciative of the attention you have provided us with and want to let you know the City of South Tucson in no way intends to evade its contractual obligations. However, as we struggle to gain financial footing, we must look at every single recommendation and the immediate or long term impact this may have.

Although we are cognizant of all our obligations, we are also aware of our financial limitations. It is for that reason that we kindly ask you consider the attached proposal. In it we suggest a reasonable application of funds as well as a feasible payment arrangement going forward.

Sincerely,


Veronica Moreno, Interim City Manager
City of South Tucson

c: Lourdes Aguirre, Finance Director

Mr. Huckelberry
Subject: Sam Lena Library – Lease Negotiations
September 4, 2015
Page 2

PROPSOSAL

The City of South Tucson would request the \$450,000.00 be applied to fiscal year 2015 outstanding fees for Animal Care and Incarceration amounting to approximately \$40,000. It would also request funds be applied towards payment number one (1) and two (2) of the Jail Payment Arrangement, allowing the City to resume with a payment schedule in 2017. The remaining \$198,000.00 could then be applied towards current fiscal year Animal Care and Incarceration fees.

In light of our current financial condition, we kindly ask you consider our request to refinance the outstanding debt on the Jail Payment Arrangement. After payment two (2) is applied, the outstanding balance will be \$785,813.45. Refinancing this balance over the length of 15 years (Option 1) would drop our annual payment down to \$58,892.28 and refinancing over the length of 20 years (Option 2) would drop our annual payment down to \$45,770.29. Both options increase the amount of interest the City of South Tucson incurs; nonetheless, there is an immediate benefit (relief) associated with reducing our annual payment to an amount that can more easily be sustained by our cash flow.

Payment Application Summary

\$40,000.00 applied towards open Fiscal Year 2015 invoices – PACC and Incarceration Fees
\$106,760.63 towards payment no. 1 of the Jail Payment Arrangement (2015)
\$106,760.63 towards payment no. 2 of the Jail Payment Arrangement (2016)
\$198,000.00 to be applied towards Fiscal Year 2016 PACC and Incarceration Fees
\$450,000.00 Total appraised price

Refinancing Options (Exhibit A)

Jail Payment Arrangement (Option 1 – 15 years)
Jail Payment Arrangement (Option 2 – 20 years)

City of South Tucson, Refinance Proposal**Original Payment Schedule (contract, exhibit 1)**

Payment No.	Date	Start Balance	Payment Amount	Capital Paid	Interest Paid (1.5%)	Remaining Balance
1	10/15/2015	984,566.22	106,760.63	91,992.14	14,768.49	892,574.08
2	10/15/2016	892,574.08	106,760.63	93,372.02	13,388.61	799,202.06
3	10/15/2017	799,202.06	106,760.63	94,772.60	11,988.03	704,429.46
4	10/15/2018	704,429.46	106,760.63	96,194.19	10,566.44	608,235.27
5	10/15/2019	608,235.27	106,760.63	97,637.10	9,123.53	510,598.17
6	10/15/2020	510,598.17	106,760.63	99,101.66	7,658.97	411,496.51
7	10/15/2021	411,496.51	106,760.63	100,588.18	6,172.45	310,908.33
8	10/15/2022	310,908.33	106,760.62	102,097.00	4,663.62	208,811.33
9	10/15/2023	208,811.33	106,760.63	103,628.46	3,132.17	105,182.87
10	10/15/2024	105,182.87	106,760.63	105,182.89	1,577.74	(0.02)
			1,067,606.30	984,566.24	83,040.06	

REFINANCE OPTION 1Credit applied to two years; balance refinanced for 15 years

Payment No.	Date	Start Balance	Payment Amount	Capital Paid	Interest Paid (1.5%)	Remaining Balance
1 & 2	10/15/2015	984,566.22	213,521.26	198,752.77	14,768.49	785,813.45
	10/15/2016	785,813.45	-	-	-	785,813.45
REFINANCE						
1	10/15/2017	785,813.45	58,892.28	47,105.08	11,787.20	738,708.38
2	10/15/2018	738,708.38	58,892.28	47,811.65	11,080.63	690,896.72
3	10/15/2019	690,896.72	58,892.28	48,528.83	10,363.45	642,367.89
4	10/15/2020	642,367.89	58,892.28	49,256.76	9,635.52	593,111.13
5	10/15/2021	593,111.13	58,892.28	49,995.61	8,896.67	543,115.52
6	10/15/2022	543,115.52	58,892.28	50,745.55	8,146.73	492,369.97
7	10/15/2023	492,369.97	58,892.28	51,506.73	7,385.55	440,863.24
8	10/14/2024	440,863.24	58,892.28	52,279.33	6,612.95	388,583.91
9	10/14/2025	388,583.91	58,892.28	53,063.52	5,828.76	335,520.39
10	10/14/2026	335,520.39	58,892.28	53,859.47	5,032.81	281,660.91
11	10/14/2027	281,660.91	58,892.28	54,667.37	4,224.91	226,993.55
12	10/13/2028	226,993.55	58,892.28	55,487.38	3,404.90	171,506.17
13	10/13/2029	171,506.17	58,892.28	56,319.69	2,572.59	115,186.48
14	10/13/2030	115,186.48	58,892.28	57,164.48	1,727.80	58,022.00
15	10/13/2031	58,022.00	58,892.28	58,021.95	870.33	0.05
			1,096,905.46	984,566.17	112,339.29	

REFINANCE OPTION 2Credit applied to two years; balance refinanced for 20 years

Payment No.	Date	Start Balance	Payment Amount	Capital Paid	Interest Paid (1.5%)	Remaining Balance
1 & 2	10/15/2015	984,566.22	213,521.26	198,752.77	14,768.49	785,813.45
	10/15/2016	785,813.45	-	-	-	785,813.45
REFINANCE						
1	10/15/2017	785,813.45	45,770.29	33,983.09	11,787.20	751,830.37
2	10/15/2018	751,830.37	45,770.29	34,492.83	11,277.46	717,337.53
3	10/15/2019	717,337.53	45,770.29	35,010.23	10,760.06	682,327.30
4	10/15/2020	682,327.30	45,770.29	35,535.38	10,234.91	646,791.92
5	10/15/2021	646,791.92	45,770.29	36,068.41	9,701.88	610,723.51
6	10/15/2022	610,723.51	45,770.29	36,609.44	9,160.85	574,114.07
7	10/15/2023	574,114.07	45,770.29	37,158.58	8,611.71	536,955.50
8	10/14/2024	536,955.50	45,770.29	37,715.96	8,054.33	499,239.54
9	10/14/2025	499,239.54	45,770.29	38,281.70	7,488.59	460,957.84
10	10/14/2026	460,957.84	45,770.29	38,855.92	6,914.37	422,101.92
11	10/14/2027	422,101.92	45,770.29	39,438.76	6,331.53	382,663.16
12	10/13/2028	382,663.16	45,770.29	40,030.34	5,739.95	342,632.82
13	10/13/2029	342,632.82	45,770.29	40,630.80	5,139.49	302,002.02
14	10/13/2030	302,002.02	45,770.29	41,240.26	4,530.03	260,761.76
15	10/13/2031	260,761.76	45,770.29	41,858.86	3,911.43	218,902.89
16	10/12/2032	218,902.89	45,770.29	42,486.75	3,283.54	176,416.15
17	10/12/2033	176,416.15	45,770.29	43,124.05	2,646.24	133,292.10
18	10/12/2034	133,292.10	45,770.29	43,770.91	1,999.38	89,521.19
19	10/12/2035	89,521.19	45,770.29	44,427.47	1,342.82	45,093.72
20	10/11/2036	45,093.72	45,770.29	45,093.88	676.41	(0.17)
			1,128,927.06	984,566.39	144,360.67	



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

August 25, 2015

Ms. Veronica Moreno
Interim City Manager
City of South Tucson
1601 S. Sixth Avenue
South Tucson, Arizona 85713

Re: **Sam Lena Library – Lease Negotiations**

Dear Ms. Moreno:

Thank you for your August 14, 2015 letter regarding the Sam Lena Library lease agreement.

The current lease expired April 30, 2015, and the lease has continued on a month-to-month basis since that time.

On June 3, 2015, County staff met with then South Tucson City Manager Benny Young and Finance Director Lourdes Aguirre. During that meeting, the parties concurred that major roof repairs were needed and that the City of South Tucson was not financially able to make such repairs. It was agreed that Pima County would obtain a quote for the roof repair, and the quote received was \$34,315.

The County's Facilities Management Department has made minor repairs, but we have not proceeded with the major repair. I have now directed our Facilities Management Department to proceed immediately with the roof repair.

In the June 3, meeting the City of South Tucson requested a new lease with an increase in the rent and also requested that Pima County consider purchase or lease/purchase of the Library building. The County expressed a desire to have an independent appraisal performed prior to negotiating a new lease or considering purchase of the building. It was agreed that

Ms. Veronica Moreno
Re: Sam Lena Library – Lease Negotiations
August 25, 2015
Page 2

as part of a new lease, Pima County would be responsible for maintenance and repair of the Library building and that the rent appraisal would be based on that provision. The County agreed to order and pay for the appraisal, and it was agreed that the existing lease would continue on a month-to-month basis pending completion of the appraisal.

The appraisal was contracted to Valbridge Property Advisors (VPA), a private appraisal firm. VPA's report was received on July 8, 2015, and a copy is attached to this letter. The appraised "as is" market value for the real estate only is \$450,000. This value includes the land on which the Library is located. The appraised "as is" market rent is \$63,357 per year, with the stipulation that Pima County will be responsible for building repair and maintenance. This appraised rent is substantially below the rate of \$98,788.80 in the expired lease.

I have reviewed the appraisal. I am prepared to recommend to the Board of Supervisors that Pima County purchase the Sam Lena Library building at the appraised price of \$450,000.00 and with the further recommendation that the entire payment will be paid not in cash but by reducing the amount of the debt the City of South Tucson owes to Pima County for delinquent jail and animal care and enforcement fees.

If this recommendation is acceptable to the City of South Tucson, I will request that our Real Property Services Division and Library District staff begin negotiations for the purchase of the building. If this purchase is not acceptable to South Tucson, I will ask our Facilities Management Department and Library District to negotiate a new lease based on the appraised market rent.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Attachment

c: Lourdes Aguirre, Finance Director, City of South Tucson
Melinda Cervantes, Director, Library District
Michael Kirk, Director, Facilities Management
Neil Konigsberg, Manager, Real Property Services

MAYOR
MIGUEL E. ROJAS

VICE MAYOR
OSCAR PATINO

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FAX (520) 628-9619

INTERIM CITY MANAGER
VERONICA MORENO

August 14, 2015

Mr. Chuck Huckelberry, County Administrator
Pima County
130 W. Congress Street, 10th Floor
Tucson, AZ 85701-1317

Subject: Sam Lena Library - Lease Negotiations

Dear Mr. Huckelberry,

First, I would like to thank you for allowing our previous City Manager to meet with Pima County staff regarding the Sam Lena Library and the associated lease agreement. As I understand, items discussed during the initial meeting included current square footage, building needs and the appraisal to proceed with lease or purchase negotiations.

The City was hopeful that the negotiation process would resolve itself promptly and as a result, a conservative increase in lease revenues was added and used to balance our City budget. Unfortunately, we just learned through a follow up with County staff, that this has been placed on hold. While we are unaware of the reasoning for this, we kindly ask that you please consider revisiting this topic and proceed with the process.

Our payment on the jail agreement is fast approaching and any assistance you could provide would allow us to meet that obligation. If the appraisal and negotiation process is considerably lengthy and arduous, the City may be willing to discuss alternative solutions as it relates to the jail bill and the library lease.

As mentioned before, any assistance you could provide would be greatly appreciated. Thank you for your time.

Kindest Regards,



Veronica Moreno, Interim City Manager
City of South Tucson

cc: Hank Atha, Deputy County Administrator
Lourdes Aquirre, City of South Tucson Finance Director