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APPRAISAL REPORT

OF

3.008 ACRES OF VACANT LAND

LOCATED AT
9350 N. LA CHOLLA BOULEVARD,
TUCSON, PIMA COUNTY, ARIZONA 85742

SECTION 22, TOWNSHIP 12 SOUTH, RANGE 13 EAST

PREPARED FOR
MR. JEFFREY TEPLITSKY
APPRAISAL SUPERVISOR
PIMA COUNTY PUBLIC WORKS REAL PROPERTY SERVICES

OWNERSHIP: DANA BORQUEZ
TAX CODE NO.: 225-06-016C

EFFECTIVE DATE OF THE APPRAISAL: JUNE 3, 2018
DATE OF THE REPORT: JUNE 8, 2018
OUR FILE NO. 7538-1801



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June 8, 2018
Our File No. 7538-1801

Mr. Jeffrey Teplitsky
Pima County Public Works Real Property Services
Appraisal Supervisor
201 N. Stone Avenue, Sixth Floor
Tucson, Arizona 85701-1215

RE: Appraisal of about 3.008 acres of vacant land located at 9350 N. La Cholla Boulevard and located within Township 12S, Range 13E, Section 22, Tucson, Pima County, Arizona, 85742.

In accordance with your request, I have appraised the property described above. This document is written in conformance with the Uniform Standards of Professional Appraisal Practice as issued by the Appraisal Foundation (USPAP), Rule 2-2a, specifically pertaining to Appraisal reports; and the appraisal standards and guidelines of Pima County Public Works Real Property Services.

The *effective date of the appraisal* is June 3, 2018, the most recent date of inspection of the subject property. Notably, I previously appraised the subject property for Pima County in November of 2017 for acquisition of a drainage easement. The ownership and identification of this property are set forth in the following report.

The *purpose* of this valuation is to develop an opinion of the current market value of the subject property. The *intended use* of this report is to serve as the basis for potential acquisition by Pima County RFCD as part of the FLAP program.

Pima County Public Works Real Property Services is the *client*. The *intended users* of this report are Pima County, its designees and the property owners. Besides the intended users and appropriate regulatory agencies, parties other than those specified above may not use or rely upon this report. Every Appraisal Service and the appraisers signing this report assume no responsibility to any party, other than the client and the stated *intended users*, who uses or relies on any information in this report.

The *Scope of Work* for this report includes completing an appraisal inspection of the subject, analyzing the local market for trends that impact real estate values, and searching the local market for comparable data. The subject property consists of approximately 3.008 acres of vacant land, or about 131,028 square feet. Additional details on scope of work are contained in the body of the report. The *fee simple* interest in the property has been analyzed, as well as an easement interest in a portion of the subject.

Based on the data and discussions within this report, my opinion of the current market value of the fee simple interest in the subject property, is as follows.

**OPINION OF THE MARKET VALUE
OF THE SUBJECT PROPERTY\$82,500**

The market value noted above is based on an exposure time of no more than 12 months and a marketing time of no more than 12 months.

As noted, the subject property currently comprises about 131,028 square feet, or about 3.008 acres. The subject’s SR zoning requires a minimum site size of 144,000 square feet, or 3.31 acres. However, a recent fee road right-of-way acquisition by Pima County of 14,863.4 square feet reduced the size of the site from 145,892 square feet to the current 131,028 square feet. Prior to this acquisition the subject property had a conforming site size of 145,891.4 square feet or 3.35 acres. According to Terri Tillman of Pima County Development Services, the site could be developed with a single-family residence if documentation was presented proving that the lot size was legal prior to the fee road right-of-way taking. If these steps were taken, the subject property would likely be granted a variance and be considered a legal non-conforming use. Therefore, this appraisal is subject to an extraordinary assumption that the subject property would be granted a variance to the minimum lot size requirement, and would reflect a legal non-conforming use. Per USPAP, it is noted that the use of this extraordinary assumption might have affected the assignment results.

As will be discussed in the attached report, a portion of the subject property is currently in the process of being condemned by Pima County for a drainage easement as part of the La Cholla Boulevard: Overton Road to Tangerine Road widening project. The attached appraisal is based on the assumption that the acquisition of the drainage easement has been completed. Therefore, it is a hypothetical condition of this appraisal that the pending acquisition of the drainage easement has been completed, and therefore the remaining ownership rights have been analyzed. Per USPAP, it is noted that the use of this hypothetical condition might have affected the assignment results.

I hereby certify that I have inspected the subject; that my fee was not contingent upon the value opinion contained herein; and that I have no interest, present or prospective, in the property appraised. Furthermore, I certify that, to the best of my knowledge and belief, all statements, and opinions contained in this report are correct, subject to the assumptions, conditions, special limiting conditions, and certification that are made as part of this report.

Respectfully submitted,



DAVID A. EVERY, MAI, AI-GRS

Owner - Every Appraisal Service
State of Arizona Certified General
Real Estate Appraiser #31343

TABLE OF CONTENTS

	<u>PAGE</u>
TABLE OF CONTENTS	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
PROPERTY IDENTIFICATION	4
LEGAL DESCRIPTION	4
PURPOSE, INTENDED USE AND INTENDED USERS	5
INTEREST APPRAISED	5
MARKET VALUE DEFINITION	5
EFFECTIVE DATE OF THE APPRAISAL	6
EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS	6
PROPERTY HISTORY/OWNERSHIP	6
SCOPE OF THE APPRAISAL	7
AREA OVERVIEW	10
MARKET AREA (NEIGHBORHOOD)	15
PROPERTY DESCRIPTION	
SITE DESCRIPTION	24
HIGHEST AND BEST USE	35
VALUATION	38
- Sales Comparison Analysis	39
- Sales Comparison Approach Conclusion	44
- Marketing and Exposure Period	44
- Appraiser’s Certification	45
ADDENDA	
Title Report	
Comparable Sale Data Sheets	
Assumptions and Limitations	
Appraisers’ Certificate	



EXECUTIVE SUMMARY

PURPOSE OF APPRAISAL:

The *purpose* of this valuation is to develop an opinion of the current market value of the subject property.

INTENDED USE OF APPRAISAL:

The *intended use* of this report is to serve as the basis for potential acquisition by Pima County RFCF as part of the FLAP program.

CLIENT/INTENDED USER(S):

Pima County Public Works Real Property Services is the *client*. The *intended users* of this report are Pima County, its designees and the property owners. Besides the intended users and appropriate regulatory agencies, parties other than those specified above may not use or rely upon this report. Every Appraisal Service and the appraisers signing this report assume no responsibility to any party, other than the client and the stated *intended users*, who uses or relies on any information in this report.

EFFECTIVE DATE OF THE APPRAISAL:

The effective date of the appraisal is June 3, 2018, the date of the most recent inspection of the subject property. On this date, the physical characteristics of the subject property were documented and photographed. According to the client, numerous attempts were made to contact the owner of record, Dana Borquez. However, the property appears to have been abandoned.

INTERESTS TO BE APPRAISED:

Fee Simple

OWNERSHIP:

According to a title report provided by the client, title to the subject is currently vested in the name of: Dana Borquez. There have been no market transactions reported within the last 5 years.

PROPERTY IDENTIFICATION:

The subject property consists of 131,028 square feet of vacant land, or about 3.008 acres, located along the east side of La Cholla Boulevard, north of Overton Road at 9350 N. La Cholla Boulevard, Tucson, Pima County, Arizona, 85742. The property is further identified by Pima County Assessor's Office as parcel number 225-06-016C.

TAX DATA:

There are no current taxes or assessments currently due. The parcel number has also recently been changed (formerly 225-06-016B). An order of condemnation was issued for the subject property on

May 15, 2017, for a fee road right-of-way taking. At that time, the County paid the back property taxes, interest and penalties from a portion of the proceeds of the acquisition.

ZONING: The subject site is zoned SR (Suburban Ranch Zone), Pima County.

HIGHEST AND BEST USE: The highest and best use of the subject is considered to be for near term development with a single-family residence.

OPINION OF VALUE: Based on the data and discussions within this report, my opinion of the current market value of the fee simple interest in the subject property, as of June 3, 2018, is as follows.

**OPINION OF THE MARKET VALUE
OF THE SUBJECT PROPERTY\$82,500**

EST. MARKETING TIME: Based upon the comparables used within this report, general market conditions and the opinion of market value, it is considered reasonably probable that the subject property could be marketed within a 12 month time period.

INTRODUCTION

This document is written in conformance with the Uniform Standards of Professional Appraisal Practice as issued by the Appraisal Foundation (USPAP), Rule 2-2a, specifically pertaining to Appraisal reports; and the appraisal standards and guidelines of Pima County. As such, it presents only summary discussions of the data, reasoning, and analyses that were utilized by the appraiser to develop an opinion of value. The level of detail and discussion presented in this report is specific to the needs of the intended user and for the intended use, as stated. Additional details and supporting documentation is retained in the appraisers files.

Property Identification

The subject property consists of 131,028 square feet of vacant land, or about 3.008 acres, located along the east side of La Cholla Boulevard, north of Overton Road at 9350 N. La Cholla Boulevard, Tucson, Pima County, Arizona, 85742. The property is further identified by Pima County Assessor's Office as parcel number 225-06-016C.



*PimaMaps

Legal Description

The legal description of the subject property is lengthy, and can be found in the title report which is included as an addendum to this report.

Purpose, Intended Use, Intended Users

The *purpose* of this valuation is to develop an opinion of the current market value of the subject property. The *intended use* of this report is to serve as the basis for potential acquisition by Pima County RFCD as part of the FLAP program.

Pima County Public Works Real Property Services is the *client*. The *intended users* of this report are Pima County, its designees and the property owners. Besides the intended users and appropriate regulatory agencies, parties other than those specified above may not use or rely upon this report. Every Appraisal Service and the appraisers signing this report assume no responsibility to any party, other than the client and the stated *intended users*, who uses or relies on any information in this report.

Interest Appraised

The interest appraised in this report include: the fee simple interest in the land before the acquisition; the easement interest in the land to be acquired; and, the fee simple interest in the remainder land after the acquisition.

Legal Description

The legal descriptions of the subject property are lengthy, and are included with the exhibits provided by the client and included in the Addenda to this appraisal.

Market Value Definition

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale¹

¹ Federal Register, Vol. 55, No. 165, Friday, August 24, 1990, Rules and Regulations, 12 CFR Part 34.42(g).

Effective Date Of The Appraisal

The effective date of the appraisal is June 3, 2018, the date of the most recent inspection of the subject property. On this date, the physical characteristics of the subject property were documented and photographed. According to the client, numerous attempts were made to contact the owner of record, Dana Borquez. However, the property appears to have been abandoned.

Extraordinary Assumptions and/or Hypothetical Conditions

As discussed, the subject property currently comprises about 131,028 square feet, or about 3.008 acres. The subject's SR zoning requires a minimum site size of 144,000 square feet, or 3.31 acres. However, a recent fee road right-of-way acquisition by Pima County of 14,863.4 square feet reduced the size of the site from 145,892 square feet to the current 131,028 square feet. Prior to this acquisition the subject property had a conforming site size of 145,891.4 square feet or 3.35 acres. According to Terri Tillman of Pima County Development Services, the site could be developed with a single-family residence if documentation was presented proving that the lot size was legal prior to the fee road right-of-way taking. If these steps were taken, the subject property would likely be granted a variance and be considered a legal non-conforming use. Therefore, this appraisal is subject to an extraordinary assumption that the subject property would be granted a variance to the minimum lot size requirement, and would reflect a legal non-conforming use. Per USPAP, it is noted that the use of this extraordinary assumption might have affected the assignment results.

A portion of the subject property is currently in the process of being condemned by Pima County for a drainage easement as part of the La Cholla Boulevard: Overton Road to Tangerine Road widening project. The attached appraisal is based on the assumption that the acquisition of the drainage easement has been completed. Therefore, it is a hypothetical condition of this appraisal that the pending acquisition of the drainage has been completed, and therefore the remaining ownership rights have been analyzed. Per USPAP, it is noted that the use of this hypothetical condition might have affected the assignment results.

Property History/Ownership

According to a title report provided by the client, title to the subject is currently vested in the name of: Dana Borquez. This party has held title to the property since 2009. However, as previously mentioned, the property appears to have been abandoned. There have been no market transactions within the last 5 years.

Research did not reveal any current listings of the subject, and to the best of my knowledge the subject is not currently under contract for sale.

Scope of the Work

Scope of Work is an integral part of the appraisal process and identifies the type and extent of research and analyses for an appraisal assignment. According to *USPAP*, for each appraisal 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 document is written in conformance with the Uniform Standards of Professional Appraisal Practice as issued by the Appraisal Foundation (USPAP), Rule 2-2a, specifically pertaining to Appraisal Reports. As such, it presents only summary discussions of the data, reasoning, and analyses that were utilized by the appraiser to develop an opinion of value. The level of detail and discussion presented in this report is specific to the needs of the intended user and for the intended use, as stated. Additional details and supporting documentation is retained in the appraisers files.

David A. Every, MAI, AI-GRS inspected the subject property, as well as the immediate neighborhood, on June 3, 2018. Comparable data has been researched, verified, and analyzed from reliable sources, with the appraiser's analyses, opinions, and conclusions reported in this Appraisal report.

The scope of the appraisal includes inspection of the subject and neighborhood, as well as review of available information specific to the subject. General market and regulatory information is accessed from government publications and websites as well as econometrics publications. Market information is also obtained through conversations with brokers, appraisers, property managers, purchasers and owners active locally.

The *scope of work* for this report includes completing an appraisal inspection of the subject, analyzing the Tucson market and surrounding areas for trends that impact real estate values, and searching the local market for comparable data. We have been requested to analyze the *fee simple* interest in the property. As the subject property reflects vacant land, only the Sales Comparison Approach has been completed.

Recent sales of a number of vacant land parcels in the Tucson area have been gathered, and the comparables included in this analysis reflect the properties most similar to the subject in terms of size and desirability in the market. The properties selected are considered to be most representative of the subject, and provide a reasonable indication of the range in value for the subject.

As previously discussed, a portion of the subject property is in the process of being acquired by Pima County for drainage easement. This analysis is based on the assumption that the acquisition has occurred, and 16,612 square feet, or about ± 0.3814 acres is in use as a drainage easement, as illustrated on the following exhibit.

associated with the easement will be deducted to arrive the market value of the subject property with the easement in place.

This methodology is sufficient to develop credible assignment results.

AREA OVERVIEW

The purpose of this section of the report is to identify and analyze the social, economic, governmental, and environmental forces that can influence property values in the vicinity of the subject. The primary area of influence is the neighborhood, defined as a group of complimentary land uses; a residential neighborhood may contain residential uses along with ancillary commercial uses that provide services for the residents. A district, on the other hand, has one predominate land use such as apartments, commercial, industrial, or agricultural.

ARIZONA

Arizona is in the southwestern area of the United States within the Sunbelt Region and ranks sixth in the nation in terms of size with 113,417 square miles. The state can be divided into three geographical areas, each with its own distinct topography and climate. The northeastern portion of the state is a high plateau, which tends to be cool and dry. Most of this area is within the boundaries of the Navajo Nation, the largest Native American reservation in the United States. The mountainous region, extending diagonally across the state from northwest to southeast, offers cool summertime temperatures and winter sports opportunities, attracting visitors to this area year round. The remaining half of the state, south and west of the mountainous region, consists of desert valleys divided by low desert mountain ranges and is home to most of the state's population; about 80 percent of the state population resides in the Tucson and Phoenix metropolitan areas.

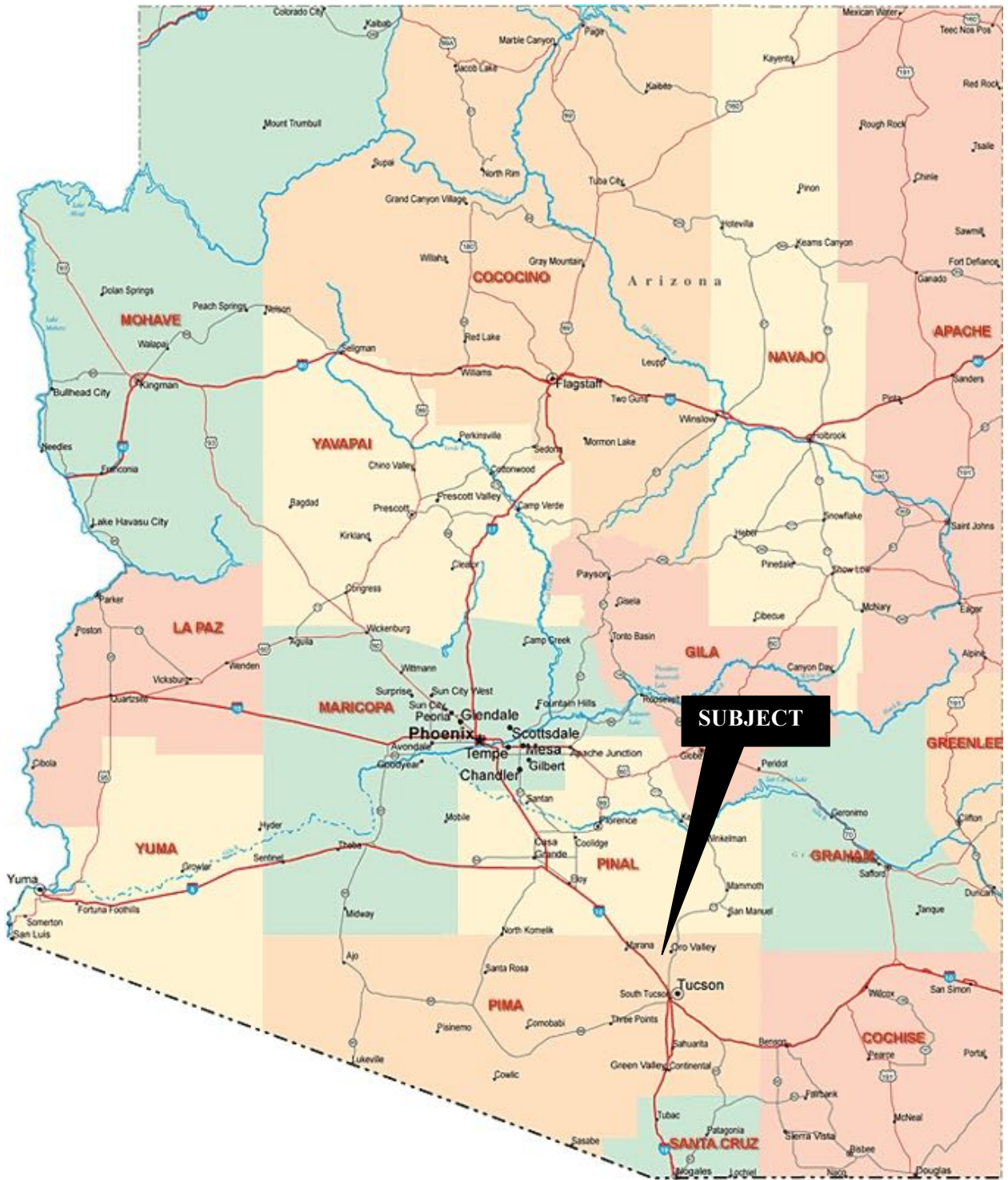
Between 1980 and 1990, Arizona was the third fastest growing state, with a population increase of almost 35 percent. According to the 2000 census, approximately 5,130,000 people resided in the State, up from 3,665,000 in 1990, reflecting an increase of about 40 percent, or a 4.0 percent annual rate. The latest 2010 census information shows the Arizona population at about 6,392,017, an increase of about 24.6% over the 2000 number or an average of 2.5% per annum. Arizona's projected growth is about 200,000 per year through 2030.

The state also ranked third in job growth for the same period with a gain of 47 percent, twice the national average. Employment is fairly diversified with professional and business services accounting for 14 percent of total non-farm employment, followed by government with 13 percent, retail with 12 percent, health care with 10 percent, construction with 8 percent, and manufacturing with 6 percent. During 2008, job growth in the State and in Tucson was greatly reduced, with a rise in unemployment throughout much of 2008 that persisted throughout 2009 and into 2010. However, by May 2017, Arizona's seasonally adjusted unemployment rate had declined to 5.1% per the Bureau of Labor and Statistics. Arizona's unemployment has lagged the US unemployment rate by approximately 0.5% for the years 2000 through 2010.

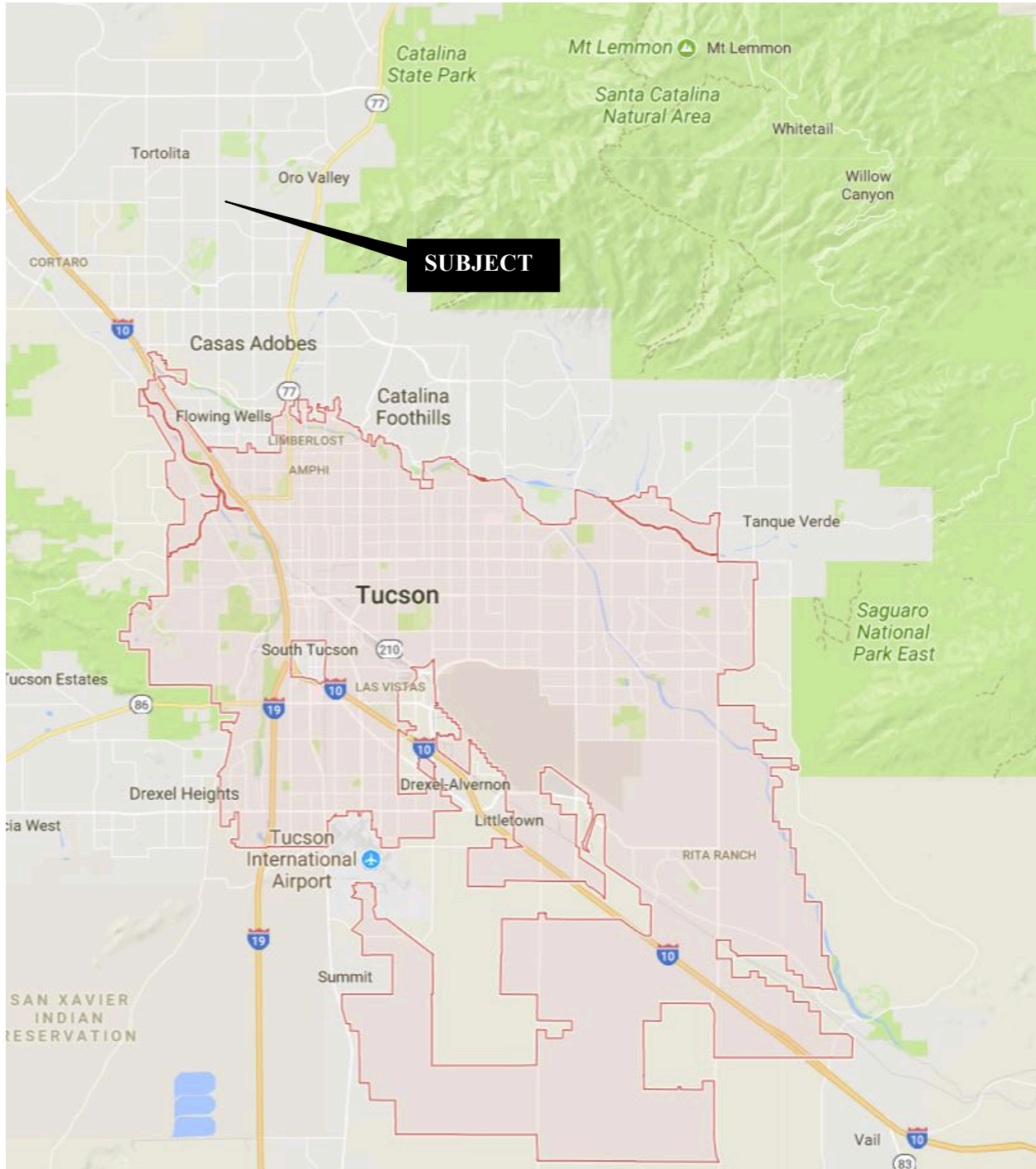
According to George W. Hammond, Ph.D., Director and Research Professor, EBRC (Eller Economic and Business Research Center), "Arizona's economy is well positioned to outpace the U.S. during the next 30 years. The outlook calls for the state, the Phoenix metropolitan statistical area (MSA), and the Tucson MSA to grow faster than the nation across most major macroeconomic aggregates. However, as is expected for the nation, the state is not likely to regain the rapid growth

rates posted during the 30 years before the Great Recession. In the end, the aging of the baby boom generation will take a toll on growth at the national, state, and local levels.

Arizona's recent growth continues to be strong, with job gains far outpacing the national average. This is true even for Tucson, where employment increases have accelerated strongly during the past nine months. The outlook calls for growth rates to improve in the near term, with reduced fiscal drag and increased migration flows into the state. This drives further gains in construction and related sectors, which have been slow to rebound from the housing bust. Overall, the state economy is moving forward and its trajectory is positive. “



Metropolitan Tucson



*Map data @2017 Google

Tucson is the economic center of southeastern Arizona. The overall economy of the metropolitan area was strong throughout much of 2008, with continued inventory growth in virtually all sectors, although the residential market has slowed substantially over the past three years. Most recently,

the commercial property sector, notably the retail sector, has experienced some weakness, which is exacerbated by the recent credit market turmoil and subsequent national economic recession.

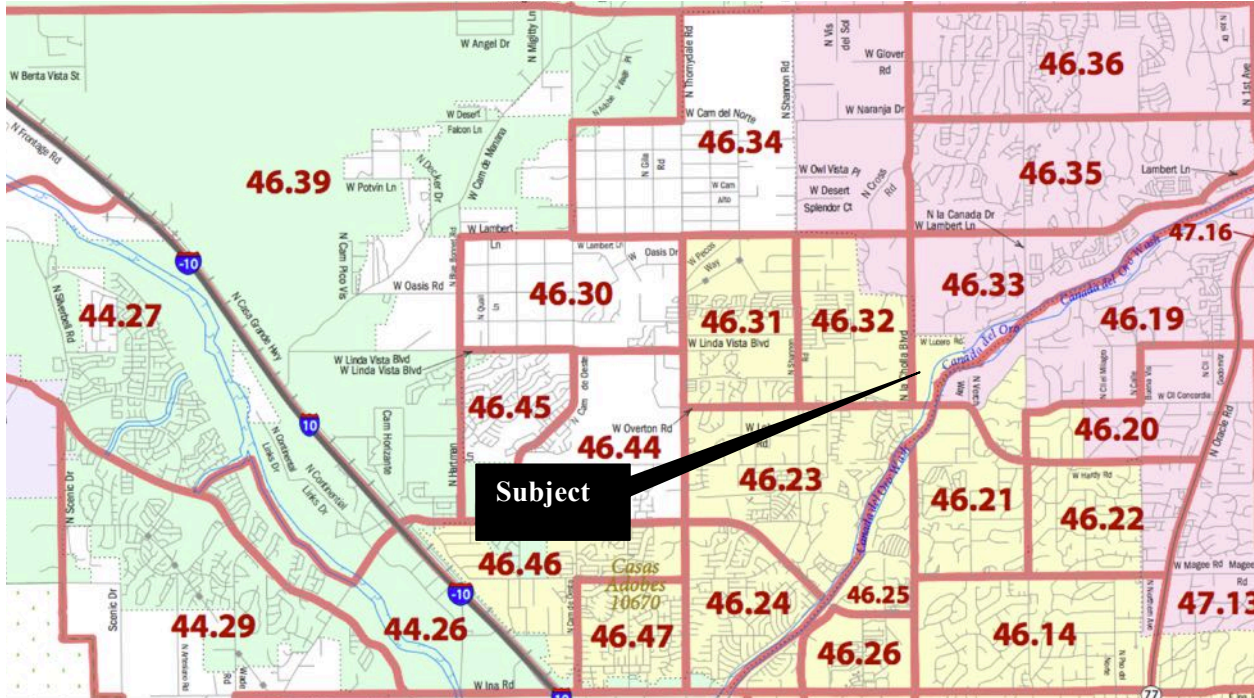
The population of Pima County, which approximates the metropolitan area, increased from 666,954 in 1990 to 843,746 in 2000 and to 1,018,012 in 2009 (based on July estimates from the Arizona Department of Economic Security), reflecting compounded annual growth rates of 3.8 percent from 1990 to 2000, and about 2.5 percent annually from 2000 to 2009.

The Pima Association of Governments (PAG), projects that the population of the County will grow by 1.6 to 2.1 percent annually over the next 20 years. The northwest and southeast portions of the metropolitan area, where ample land is available, are expected to be the focal points for most of the growth.

The long-term outlook for Tucson is positive. Population and employment, though currently down for the first time in nearly a decade, are projected to continue to increase at rates in excess of the nation as a whole as the market recovers over the next two to five years. The cyclic nature of the economy reflected in the population, employment, and development segments is now stabilized from the peak of the previous cycle. Overall, the Tucson Metropolitan area is considered to remain in the growth stage of its life cycle and, even with the problems currently shown by the residential and commercial markets, should have a positive long-term impact upon properties in the area as recovery is anticipated to occur in most sectors over the next few years.

NEIGHBORHOOD DATA

The subject neighborhood can be roughly defined as the North Tucson/Oro Valley portion of the metropolitan Tucson area, and includes portions of unincorporated Pima County, the towns of Oro Valley and Marana, located approximately 10 miles north of the Central Business District of the City of Tucson. The subject property also lies within census tract 46.33 as shown below.



*U.S. Census Bureau 2010

Boundaries

Neighborhood boundaries are generally Oracle Road/State Highway 77 to the east, the Santa Cruz River to the south and west and the Pima/Pinal County border to the north. The topography of the subject neighborhood is predominantly level to rolling, with natural washes and hills.

Transportation

The primary arterial roadways in the neighborhood are Oracle Road (Hwy 77), 1st Avenue, La Cholla Boulevard, Thornydale Road/River Road, Twin Peaks Road, Tangerine Road, Cortaro Farms Road, Ina Road.

Oracle Road is a primary north-south commercial arterial serving the neighborhood and northwest metro Tucson. Oracle Road extends northward from Downtown Tucson, passes through the neighborhood, continuing northward as Highway 77 to Globe, with a connection to Highway 79 toward Florence.

Although 1st Avenue extends a distance of only two miles in the neighborhood, it carries heavy commuter traffic and supports several major neighborhood shopping venues. From its junction

with Oracle Road, 1st Avenue extends northward to Tangerine Road. North of Tangerine Road, 1st Avenue becomes Rancho Vistoso Boulevard; the primary arterial within the Rancho Vistoso master-planned community (MPC), before reconnecting with Oracle Road.

La Cholla Boulevard is a primary north-south commercial arterial extending from north-central Tucson to the Tortolita Mountains in the north portion of the neighborhood. In addition to being a major commuter thoroughfare, La Cholla Boulevard provides convenient access from the neighborhood southward to the Northwest Medical Center main campus, the second largest concentration of medical services in metro Tucson, as well as Foothills Mall, one of Tucson's four largest shopping malls.

Tangerine Road is a primary east-west arterial in the neighborhood, providing access from Oracle Road in the east to Interstate 10 about seven miles west of the neighborhood in Marana. Tangerine Road now has several significant commercial shopping centers, as well as a major regional medical facility.

Ina Road is a primary east-west arterial in the neighborhood, and provides access from the Catalina Foothills area to Interstate 10 to the west. As such, commercial development is concentrated around this corridor.

Overall, access within the subject neighborhood as well as to important commercial and health services in adjoining neighborhoods is good.

Population

The following tabulation summarizes population projections as prepared by the Arizona Department of Economic Security for Pima County and related jurisdictions.

Year	PIMA COUNTY (DES projected)	TOWN OF MARANA	TOWN OF ORO VALLEY	TOWN OF SAHUARITA	CITY OF SO. TUCSON	CITY OF TUCSON	UNINCORP. COUNTY
2006	980,977	29,802	40,576	18,464	5,657	537,677	348,800
2007	1,003,918	32,774	41,662	23,075	5,684	545,273	355,449
2008	1,026,506	36,037	42,852	28,140	5,710	552,715	361,052
2009	1,048,796	39,616	44,111	33,185	5,735	560,018	366,130
2010	1,070,723	43,352	45,199	37,965	5,742	566,237	372,227
2011	1,092,369	46,844	46,204	41,845	5,746	572,503	379,227
2012	1,113,749	50,335	47,209	45,725	5,750	578,769	385,961
2013	1,134,853	53,826	48,213	49,606	5,753	585,036	392,418
2014	1,155,599	57,318	49,218	53,486	5,757	591,302	398,518
2015	1,175,967	60,809	50,222	57,367	5,761	597,568	404,240
2016	1,195,933	63,230	51,005	60,189	5,758	602,988	412,763
2017	1,215,512	65,652	51,787	63,011	5,754	608,409	420,899
2018	1,234,697	68,073	52,569	65,834	5,751	613,830	428,641
2019	1,253,475	70,494	53,352	68,656	5,747	619,250	435,976
2020	1,271,912	72,915	54,134	71,479	5,743	624,671	442,969
2021	1,290,058	74,783	54,806	72,934	5,737	629,503	452,296
2022	1,307,914	76,650	55,478	74,389	5,730	634,335	461,333
2023	1,325,564	78,517	56,150	75,844	5,723	639,167	470,164
2024	1,342,978	80,385	56,821	77,299	5,716	643,998	478,759
2025	1,360,157	82,252	57,493	78,754	5,709	648,830	487,119
2026	1,377,097	83,754	58,063	79,946	5,702	653,309	496,323
2027	1,393,778	85,256	58,633	81,138	5,695	657,788	505,268
2028	1,410,235	86,757	59,204	82,330	5,689	662,267	513,989
2029	1,426,456	88,259	59,774	83,522	5,682	666,746	522,473
2030	1,442,420	89,761	60,344	84,714	5,675	671,225	530,701
2031	1,458,104	91,047	60,844	85,591	5,670	675,350	539,601
2032	1,473,502	92,333	61,344	86,468	5,665	679,476	548,215
2033	1,488,594	93,619	61,844	87,346	5,661	683,602	556,523
2034	1,503,365	94,905	62,345	88,223	5,656	687,728	564,509
2035	1,517,839	96,190	62,845	89,100	5,651	691,854	572,199
2036	1,532,026	97,442	63,416	89,726	5,656	695,835	579,952
2037	1,545,909	98,694	63,986	90,352	5,660	699,816	587,401
2038	1,559,521	99,945	64,557	90,978	5,665	703,797	594,578
2039	1,572,877	101,197	65,128	91,604	5,670	707,778	601,500
2040	1,585,983	102,449	65,699	92,230	5,674	711,759	608,172
2041	1,598,868	103,706	66,354	93,053	5,689	715,711	614,355
2042	1,611,534	104,964	67,008	93,876	5,704	719,662	620,320
2043	1,623,983	106,221	67,663	94,700	5,718	723,614	626,067
2044	1,636,316	107,479	68,317	95,523	5,733	727,565	631,699
2045	1,648,586	108,737	68,972	96,346	5,748	731,517	637,267
2046	1,660,779	109,992	69,677	97,332	5,770	735,551	642,457
2047	1,672,813	111,247	70,383	98,317	5,791	739,585	647,489
2048	1,684,824	112,503	71,089	99,303	5,813	743,619	652,497
2049	1,696,902	113,758	71,794	100,289	5,835	747,653	657,573
2050	1,709,026	115,014	72,500	101,274	5,857	751,687	662,694
2051	1,721,232	116,269	73,302	102,502	5,889	756,125	667,145
2052	1,733,499	117,525	74,105	103,729	5,921	760,562	671,657
2053	1,745,812	118,781	74,907	104,956	5,954	765,000	676,215
2054	1,758,177	120,036	75,710	106,183	5,986	769,437	680,824
2055	1,770,610	121,292	76,513	107,410	6,019	773,874	685,502

A summary of selected neighborhood demographic characteristics, based on 2010 US Census data for the Town of Marana and the Town of Oro Valley, Pima County, the City of Tucson and the State of Arizona, are shown in the following table.

Demographic Summary

Area	Mean Age	Total Population	Average HH Size	Median HH Income
Town of Marana	30.8	35,232	2.63	\$67,542
Town of Oro Valley	49.8	41,335	2.35	\$69,958
City of Tucson	37.2	525,796	2.41	\$37,025
Pima County	37.7	989,569	2.46	\$45,521
State of Arizona	35.9	6,482,505	2.63	\$50,448

*Arizona Department of Economic Security, US Census

Land Use Patterns

The subject neighborhood in the Oro Valley area is approximately 50% built up, with the highest concentrations of development in Rancho Vistoso and in the southern portion of the neighborhood south of Tangerine Road and west of the Oracle Road corridor. Most of the anticipated future population growth will occur near the town of Catalina and other relatively undeveloped northern and western portions of the neighborhood.

Owing to U.S. Fish and Wildlife Service regulations, Pima County has instituted constraints on high-density residential and commercial development in order to be in compliance with federal government efforts to protect endangered species. Although significant growth of the neighborhood is certain over the longer term, restrictions in place at the County level, such as the “Sonoran Desert Conservation Plan” and the revised Pima County Comprehensive Plan, will still impact the pace of residential and commercial development to some extent, particularly in unincorporated areas.

Commercial

The largest existing concentration of commercial uses in the neighborhood is at Oracle Road and 1st Avenue. Two existing centers there – Rooney Ranch and Rooney Ranch Center – were built in 2001 and 1994, respectively. Together they comprise about 480,000 square feet of retail space. Anchors include Target, Fry’s and Pier One in the South center and Home Depot and Sports Authority in the north center.

In addition to the previously mentioned commercial projects, another area that is experiencing significant growth is along Oracle Road near First Avenue and Tangerine Road in the Town of Oro Valley. The area has had two major large-scale commercial projects. Steam Pump Village, located just north of First Avenue along the west side of Oracle Road, will be a ‘lifestyle’ center planned for the eventual development with approximately 250,000 to 300,000 square feet of retail and office space, including a mix of retail shops and various restaurants. An upscale furniture store (Studio C), Carpet One, Baggin’s sandwich shop, Chili’s restaurant and a limited-service Wingate Hotel are already opened. In Phase II of this project. Basis charter school has been completed in this area as well and is a 30,000 square foot charter school facility. This has spurred additional

horizontal infrastructure development by the developers, Evergreen, which is now under construction.

The second project is the Oro Valley Marketplace, which is located at the southwest corner of North Oracle Road and East Tangerine Road. The Oro Valley Marketplace is being developed by Vestar Development and occupies a total of 114 acres. This project will eventually feature roughly 700,000 square feet of retail space and is anchored by Wal-Mart and Century 12-screen movie theatre. The first phase of this regional shopping center consists of approximately 550,000 square feet of retail and pad space. Most of Phase I is now complete, including Best Buy, Wal-Mart, Century movie theatre, Petco, DSW Shoes, Ulta Cosmetics, Cost Plus World Market, Dicks Sporting Goods, Olive Garden, Red Lobster, Tilly's, GNC, Famous Footwear, Verizon Wireless, Chase Bank and various other tenants such as an In-N-Out Burger restaurant and The Keg Steakhouse & Bar. The second phase of this development is currently on hold and it is unknown when this phase will be completed, and a considerable amount of shop space in this project is still available for lease, although some recent shop leasing has been done, and additional shop spaces are under negotiation.

A number of the new shopping centers developed since the early part of the last decade were in part spurred by a tax-rebate agreement that was offered by Oro Valley to five commercial developers, including Steam Pump Village, Oracle Crossings, Oro Valley Marketplace, Hilton El Conquistador Resort & Country Club, and an undeveloped project of Canada del Oro Partners. Incentives such as this stopped being issued by Oro Valley in August 2007, but existing agreements were not affected. The Arizona Court of Appeals recently judged these agreements as enforceable, although it is not likely that similar incentives will be offered in the future.

At the intersection of the western I-10 frontage road and Cortaro Road is Arizona Pavilions, a mixed-use commercial development that is a component of the larger Continental Ranch Business Park. Wal-Mart and Kohl's have opened stores in this development (Wal-Mart is a "super" store with 250,000 square feet) and these stores are serving as anchor tenants for additional development by national retailers. Phase II has been developed with a few in-line shop buildings along with a Chili's restaurant and an In-n-Out Burger.

The Tucson Mall is located along Oracle Road north of Wetmore. This is a two-story shopping mall of about 1.3 million square feet of retail space, with over 200 stores and restaurants. Larger restaurants include The Cheesecake Factory, Mimi's Café, Olive Garden, Sir Veza's Taco Garage and Red Robin. The mall anchors include Sears, Dillard's, JCPenney, Macy's and Forever 21.

According to CoStar's 1st Quarter, 2018 Tucson Retail Market report, the North/Oro Valley submarket, of which the subject is a part, had a vacancy rate of 6.1% (calculated based on total physical space rather than space made available only for lease). This is higher than the average of 5.6% for metro Tucson overall, and lower than the submarket's previous quarter at 6.6%. The North/Oro Valley submarket contains 181 existing buildings with 2,511,342 square feet of gross building area, reflecting approximately 4.7% of the total retail space in the metropolitan area. Please refer to the following table.

Tucson Retail Market Summary
First Quarter 2018

#	Submarket	# of Buildings	Total GLA	Share	Vacant Space	Vacancy Rate	Last Qtr.	% Chg.
1	Central East	1,164	8,518,084	16.1%	560,230	6.6%	7.7%	-1.1%
2	Central West	763	7,010,700	13.2%	287,188	4.1%	5.6%	-1.5%
3	Downtown Tucson	317	1,839,172	3.5%	110,554	6.0%	5.5%	0.5%
4	E Outlying Pima Cnty Ret	1	4,720	0.0%	-	0.0%	N/App	N/App
5	East Tucson	777	9,860,942	18.6%	548,823	5.6%	5.8%	-0.3%
6	Foothills	287	5,146,060	9.7%	243,990	4.7%	4.7%	0.1%
7	North / Oro Valley	181	2,511,342	4.7%	152,209	6.1%	6.6%	-0.6%
8	Northeast Tucson	25	353,098	0.7%	34,239	9.7%	10.0%	-0.3%
9	Northwest Tucson	273	4,118,174	7.8%	206,163	5.0%	4.9%	0.1%
10	South Tucson	980	6,520,889	12.3%	368,647	5.7%	7.4%	-1.8%
11	South / SW Outlying	137	1,758,385	3.3%	104,220	5.9%	7.0%	-1.1%
12	Southeast Tucson	122	1,579,421	3.0%	121,448	7.7%	6.7%	1.0%
13	Southwest Tucson	182	2,565,633	4.8%	177,973	6.9%	4.8%	2.1%
14	W Outlying Pima Cnty Ret	36	301,306	0.6%	28,279	9.4%	N/App	N/App
15	West Tucson	133	867,405	1.6%	34,543	4.0%	5.7%	-1.7%
	Total	5,378	52,955,331	100.0%	2,978,506	5.6%	6.2%	-0.6%

Note: Rate based on total physical space

Source: CoStar Group, Inc., Quarterly Tucson Retail Market Report

Office

The submarket's vacancy figures are subject to large fluctuations due the small number of units in the submarket and on-going construction and absorption. Existing office space in the submarket is predominantly owner-occupied rather than leased. Over the next decade, the neighborhood is expected to be one of metro Tucson's most dynamic office submarkets due to relatively strong demand and development activity.

Office development in the neighborhood is well established and lies within the North Tucson, Oro Valley Submarket. The North Tucson, Oro Valley Submarket has over 3.6 million square feet of inventory, about 13.7 percent of total metro inventory. Vacancy was reported as 8.3 percent, lower than the previous quarter; this is just lower than the metro average of 9.0 percent.

Tucson Office Market Vacancy Summary
First Quarter 2018

#	Submarket	# of Buildings	Total RBA	Share	Vacant Space	Vacancy Rate	Last Qtr.	% Chg.
1	Ajo/W Outlying Pima Cnty	9	104,583	0.4%	750	0.7%	N/App	N/App
2	Central Tucson	1,110	9,931,618	37.8%	1,246,053	12.5%	12.7%	-0.2%
3	Downtown Tucson	324	5,302,917	20.2%	183,144	3.5%	4.0%	-0.5%
5	East Tucson	130	1,254,860	4.8%	157,953	12.6%	14.9%	-2.3%
6	Foothills	94	1,352,659	5.1%	92,279	6.8%	7.8%	-0.9%
7	Green Valley/South Tucson	48	359,077	1.4%	54,536	15.2%	12.5%	2.6%
8	North Tucson, Oro Valley	332	3,606,470	13.7%	298,090	8.3%	10.3%	-2.0%
9	Northwest Tucson	52	492,788	1.9%	46,055	9.3%	8.9%	0.5%
10	Southeast Tucson	38	534,542	2.0%	25,046	4.7%	5.6%	-0.9%
11	Southwest Tucson	180	1,784,717	6.8%	75,510	4.2%	4.3%	-0.1%
12	West Tucson	225	1,549,037	5.9%	192,651	12.4%	8.5%	4.0%
	Total	2,542	26,273,268	100.0%	2,372,067	9.0%	9.4%	-0.4%

Note: Rate based on total physical space

Source: CoStar Group, Inc., Quarterly Tucson Office Market Report

Industrial

Industrial uses are concentrated in a park just north of Rooney Ranch, along Oracle Road and do not represent a major use in the neighborhood. There are several significant high tech industrial facilities, one of which occupies roughly 400,000 square feet. This industrial/manufacturing facility is owned and operated by Honeywell. This project is situated just north of the industrial park opposite Rooney Ranch, just east of the Steam Pump Village development. Another high tech industrial facility is owned and operated by Roche/Ventana Medical Systems and occupies roughly 332,000+ square feet in Innovation Corporate Center, north of Tangerine Road and Innovation Park Drive. In addition, Ventana Medical Systems is planning to expand their facilities another 1.8 million square feet. The timeline for this project is undisclosed. However, Ventana Medical Systems acquired approximately 17 acres in Innovation Park (June 2008) and are holding the property for development into a master plan encompassing approximately 56 acres. Sanofi Aventis has completed and moved into their approximately 110,000 square foot high tech industrial facility within Innovation Corporate Center as well.

Industrial development in the neighborhood is well established with over 9.8 million square feet of inventory, about 23.3 percent of total metro inventory. Vacancy was reported as 2.7 percent, slightly lower than the previous quarter; this is lower than the metro average of 6.6 percent.

Tucson Industrial Market Vacancy Summary
First Quarter 2018

#	Submarket	# of Buildings	Total RBA	Share	Vacant Space	Vacancy Rate	Last Qtr.	% Chg.
1	Downtown Tucson	419	4,187,505	9.9%	95,809	2.3%	1.2%	1.1%
2	E Outlying Pima Cty Ind	2	18,464	0.0%	-	0.0%	N/App	N/App
3	Northeast Tucson	236	2,693,255	6.4%	230,374	8.6%	10.0%	-1.5%
4	NW Tucson/Oro Valley	742	9,821,479	23.3%	269,595	2.7%	3.1%	-0.3%
5	Palo Verde	536	6,640,016	15.7%	358,135	5.4%	5.7%	-0.3%
6	Park/Ajo	259	3,787,536	9.0%	289,528	7.6%	9.4%	-1.8%
7	Pima/Green Valley	12	187,683	0.4%	1,200	0.6%	0.6%	0.0%
8	Southeast Tucson	96	5,855,459	13.9%	229,646	3.9%	4.3%	-0.4%
9	SW Tucson/Airport	255	9,035,977	21.4%	1,327,361	14.7%	14.1%	0.6%
10	W Outlying Pima Cty Ind	3	13,892	0.0%	-	0.0%	N/App	N/App
	Total	2,560	42,241,266	100.0%	2,801,648	6.6%	6.8%	-0.2%

*Note: Rate based on total physical space and does not include self-storage space
Source: CoStar Group, Inc., Quarterly Tucson Industrial Market Report*

Government and Public Uses

The neighborhood is under the jurisdictions of both the town of Marana and the town of Oro Valley. The northernmost portion of the neighborhood is within unincorporated Pima County, including the community of Catalina on the east side of Oracle Road/Hwy 77 and mostly state land on the west side. The Pima County Sheriff's Department provides police protection to unincorporated areas. Emergency services are provided through Rural Metro Fire Department. Garbage collection is by contract with private firms. All utilities are available in the area, including water service by Metropolitan Water District, Marana Water Department, Oro Valley Water Utility, sewer service through Pima County Waster Water Management, natural gas service from Southwest Gas Corporation, electrical service from Tucson Electric Power, and telecommunications from CenturyLink. Comcast and Cox Communications provide cable services.

The subject neighborhood contains both recreational and public uses. The area is within both the Marana Unified School District and the Amphitheater School District. In February 2005, Northwest Medical Center opened a new \$85 million, 96-bed satellite hospital facility in Oro Valley, located at 1551 E. Tangerine Road. Recreational amenities include Catalina State Park, a popular hiking and camping destination located along the east side of Oracle Road, north of 1st Avenue at the base of the Santa Catalina Mountains. There are several private golf courses in the neighborhood, including Tucson National Golf Course, Sun City Vistoso Golf Club and El Conquistador Golf Club.

Summary

In summary, the neighborhood is well established and projected to grow at about the same pace as Pima County overall. Most new growth will occur in the northern and western portions of the

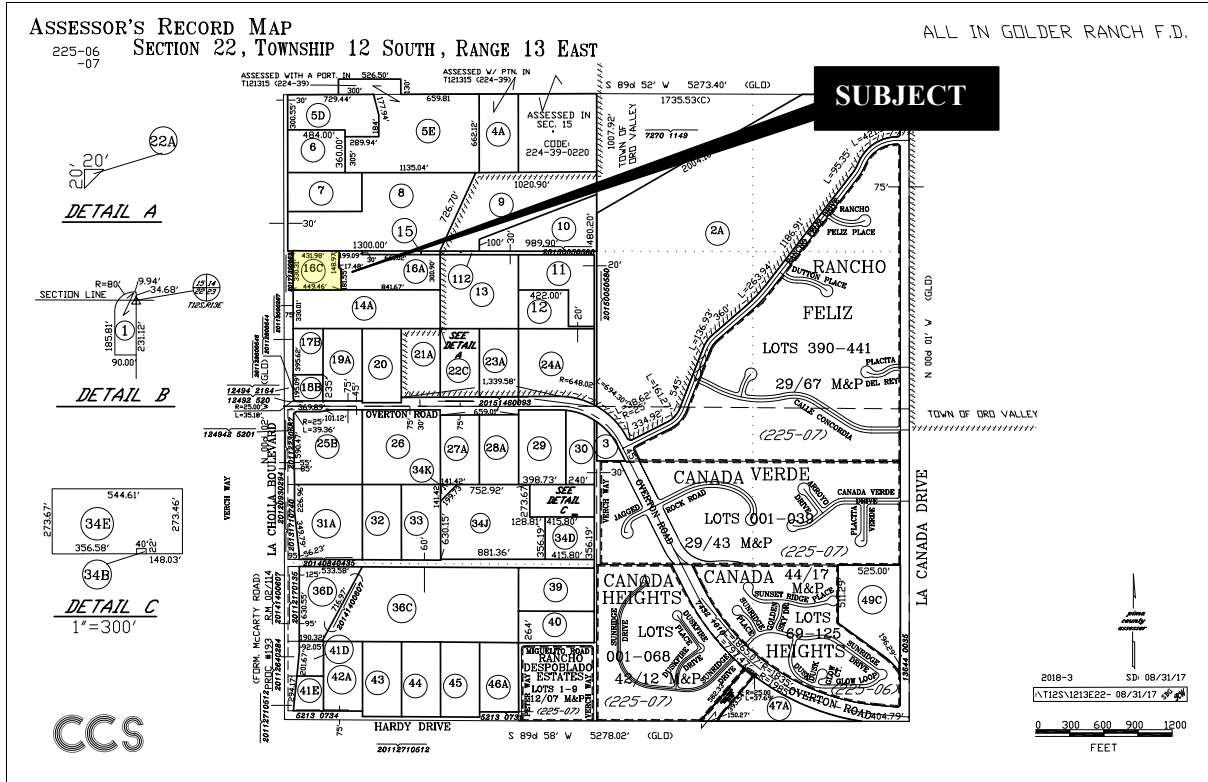
neighborhood. Relative to the City of Tucson and Pima County, the neighborhood is significantly above average in age, median household income and per capita income. The predominant development in the neighborhood is low and medium density single-family residential uses. The area is well served by existing commercial development and large-scale shopping centers such as the Oro Valley Marketplace. The neighborhood positively influences the subject property.

PROPERTY DESCRIPTION

Site Description

LOCATION:

The subject property is located at 9350 North La Cholla Boulevard, Tucson, Pima County, Arizona, 85742. The property is further identified by Pima County Assessor parcel number as 225-06-016C.



SIZE:

According to information provided by the client, the subject site is 131,028 square feet, or about 3.008 acres of land area.

CONFIGURATION:

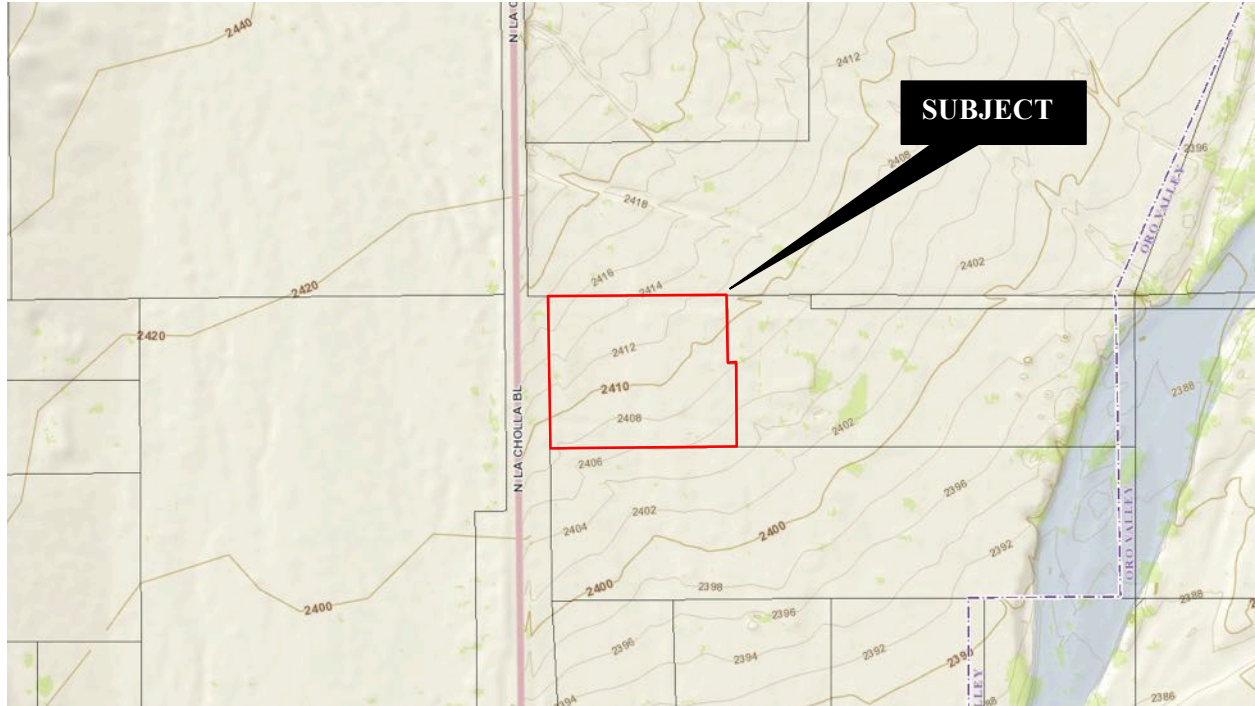
The site is generally rectangular in shape. Please refer to the Assessor's Record Map above.

DIMENSIONS:

The subject site has varying width and depths, as shown above.

TOPOGRAPHY:

The subject site reflects vacant desert land located along the east side of La Cholla Boulevard, and has generally level topography, sloping slightly from northwest (2,418') to southeast (2,405'). The site is at the grade with La Cholla Boulevard. The Canada Del Oro Wash lies just to the east of the subject property.



*PimaMaps 2017

FRONTAGE/ACCESS

The subject has frontage and access along La Cholla Boulevard. Overall, the subject's frontage and access are considered good.

VISIBILITY:

The subject is visible from La Cholla Boulevard. Overall visibility for the subject property is considered good.

UTILITIES:

Electricity, water, wastewater and telecommunications are all available to the subject.

EASEMENTS:

A title report was provided by the client. Based on my review of this report, and my inspection of the property, only typical roadway and utility easements were evident. Notably, this analysis is subject to the hypothetical condition that 16,612 square feet, or about ±0.3814 acres in the northeast corner of the site is encumbered with a drainage easement. Overall, other than this easement, there do not appear to be any easements or encroachments which would negatively affect the developability of the property.

NATURAL, CULTURAL,
RECREATIONAL OR
SCIENTIFIC VALUE:

The subject of this appraisal does not appear to have any natural, cultural, recreational or scientific value, which would impair its developability or immediate utility and is a typical property for this area of Tucson.

ENVIRONMENTAL:

No apparent signs of environmental concern were notable at the time of inspection. This appraisal report assumes an environmentally clean site. Should this remain an area of concern for the client, a Phase I Environmental Assessment should be obtained from qualified personnel.

SEISMIC ZONE:

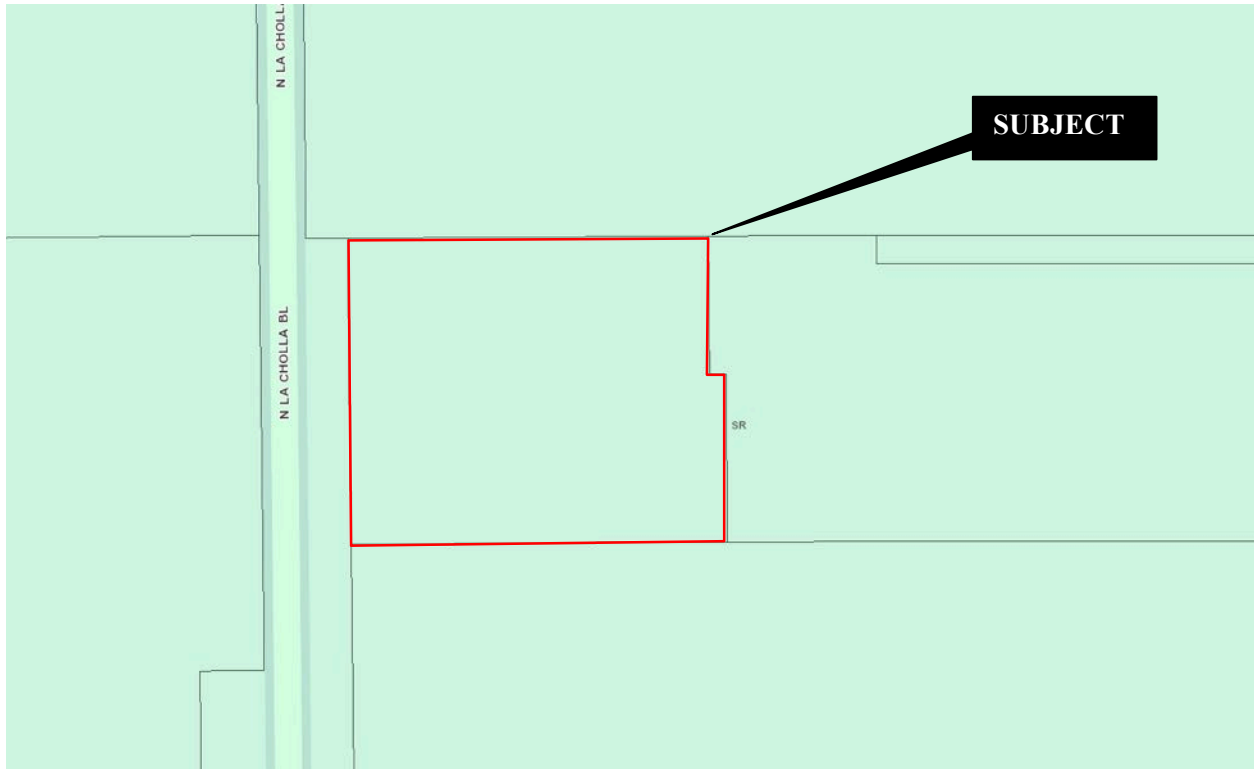
The subject is situated in Seismic Zone 2A, reflecting a low to moderate risk of activity.

SOIL CONDITIONS:

As of the date of inspection, there did not appear to be any positive or negative soil or subsoil conditions affecting the subject site. The actual soils conditions are unknown. It is an assumption of this report that the subject site does not have any unusual soil conditions that would prevent development of the subject site to its highest and best use.

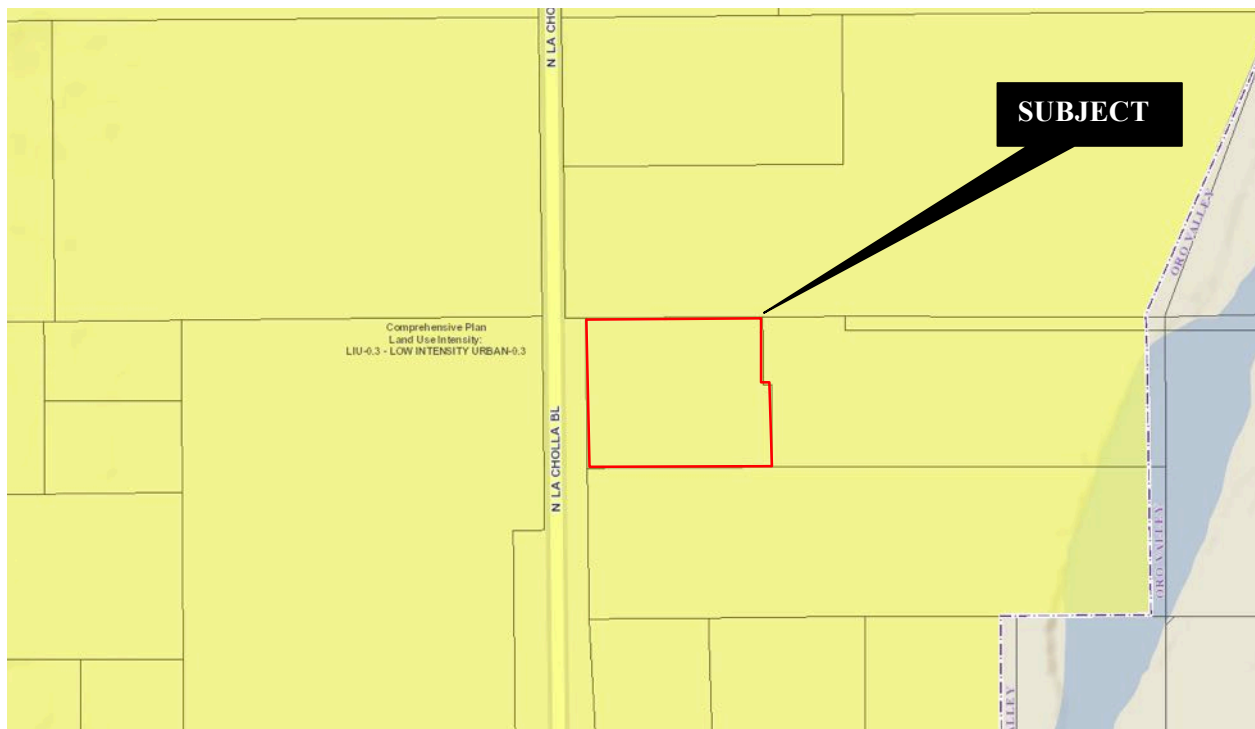
ZONING:

The subject site is zoned SR (Suburban Ranch Zone), Pima County. The SR zone is intended as a low density zone principally for single-family residences and associated conditional uses on large lots. A wide range of agricultural and ranch uses are permitted. The minimum lot size requirement (3.31 acres or 144,000 sq. ft.) of this zone insures a considerable reservation of open space.



*PimaMaps 2017

COMPREHENSIVE PLAN : According to the Pima County Comprehensive Plan Initiative, known as *Pima Prospers*, the subject is designated as LIU 0.3 (Low Intensity Urban). “The *Low Intensity Urban* objective is to designate areas for low-density residential and other compatible uses and to provide incentives for residential conservation subdivisions to provide more natural open space. Density bonuses are offered in exchange for the provision of natural and/or functional open space. Natural open space must be set aside, where applicable, to preserve the land with the highest resource value and to be contiguous with other dedicated natural open space and public preserves. Residential gross density shall conform to the following; Minimum-none, Maximum 0.3 RAC.”

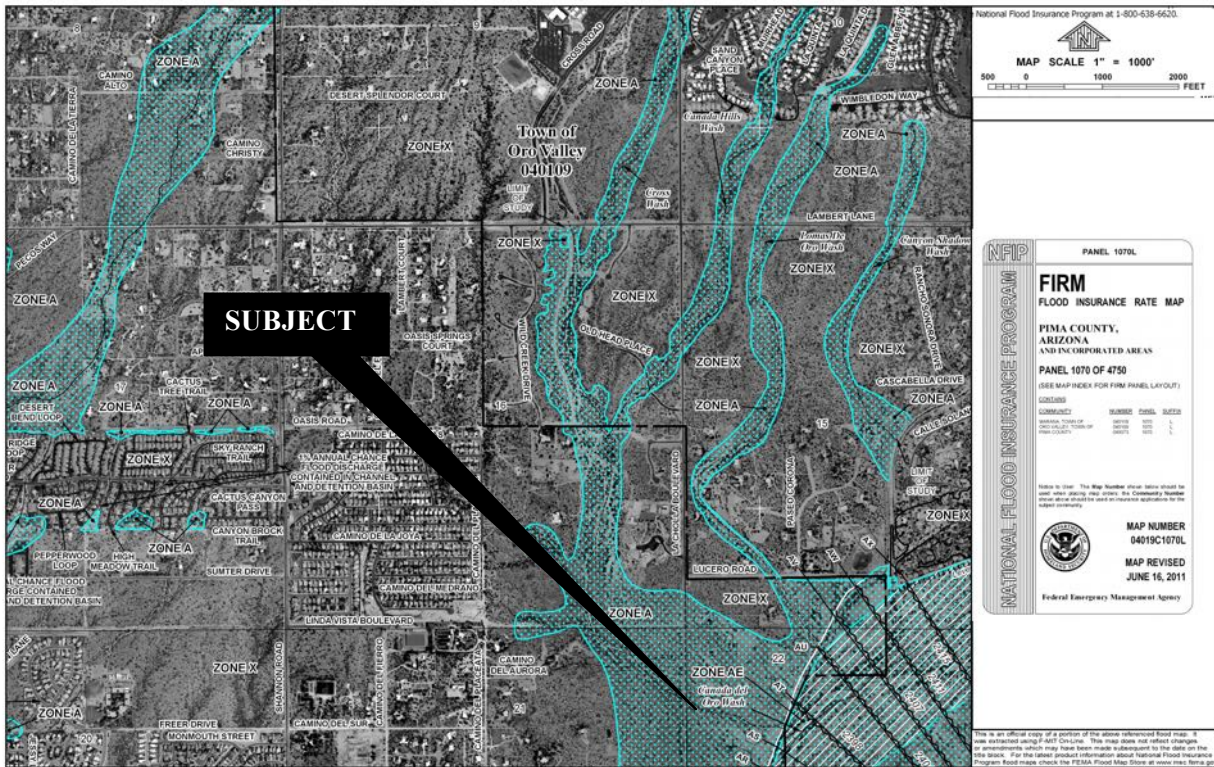


*PimaMaps 2017

Though the subject is currently located in an unincorporated portion of Pima County, it is within the Town of Oro Valley’s General Plan planning area. This plan designates the subject for Rural Low Density Residential uses with densities ranging from 0 to 0.3 units per acre, which is consistent with the current zoning.

FLOOD CONDITION:

According to the Federal Emergency Management Agency Flood Insurance Rate Map Panel Number 04019C1070L, dated June 16, 2011, the subject property is located in an area designated as Zone A. Zone A is within the Special Flood Hazard Area. Zone A has no base flood elevations determined. Notably, this analysis is subject to the hypothetical condition that 16,612 square feet, or about ±0.3814 acres in the northeast corner of the site is encumbered with a drainage easement.



SURROUNDING USES:

- NORTH:** To the north is similarly zoned residential uses followed by Lucero Road.
- EAST:** To the east is the Canada Del Oro Wash.
- SOUTH:** To the south is Overton Road.
- WEST:** To the west is La Cholla Boulevard followed by similarly zoned vacant land.

Property Taxes:

There are no current assessments or taxes currently due. The parcel number has recently been changed (formerly 225-06-016B). An order of condemnation was issued for the subject property on May



15, 2017, for a fee road right-of-way taking. At that time, the County paid the back property taxes, interest and penalties from a portion of the proceeds of the acquisition.

SUBJECT PHOTOS

Top: View south along La Cholla Boulevard, subject at left.
Bottom: View north along La Cholla Boulevard, subject at right.



SUBJECT PHOTOS

Top: View east at subject's southern driveway and gated entry.
Bottom: View of southern portion of subject property.



SUBJECT PHOTOS

Top: View west along subject driveway towards La Cholla Boulevard.

Bottom: View of subject property.



SUBJECT PHOTOS

Top: View east from northwest corner of drainage easement area.
Bottom: View north from southeast corner of drainage easement area.



HIGHEST AND BEST USE

Highest and best use is the basic premise of value and, as such, reflects an appraiser's opinion based upon an analysis of prevailing market occurrences. The subject is comprised of both the site and improvements. As the use of land can be limited by the presence of improvements, highest and best use is typically analyzed individually, for the land as though vacant and the property as improved.

According to *The Appraisal of Real Estate*; Fourteenth Edition, published by the Appraisal Institute, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The purpose of estimating the highest and best use of the subject site, as though vacant, is to identify the uses that cause the site to have value. The use of the subject site found to be legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest present land value is considered to be the highest and best use of the site, as if vacant. The purpose of estimating the highest and best use of the property, as improved, is to identify the use of the property that is expected to produce the highest overall return per dollar invested.

Highest and Best Use and Market Analysis, and Highest and Best Use and Feasibility Analysis are interrelated. Market and Feasibility Analyses are tools utilized in determining the highest and best use of a specific property.

In estimating the highest and best use of land, as if vacant, or a property as improved, there are essentially four stages of analysis:

- 1) Legally permissible uses - the uses of the subject that are permitted by zoning, existing leases, and/or deed restrictions;
- 2) Physically possible uses - the uses of the subject that are physically possible;
- 3) Financially feasible uses - the uses of the subject that are possible and permissible and that will produce a net return to the owner of the land; and
- 4) Maximally productive use - the use of the subject site among the feasible uses that produces the highest net return to the subject. This use is essentially the Highest and Best Use of the subject.

The stages of Highest and Best Use analysis have been applied to the subject. Following is a discussion of the estimated Highest and Best Use of the site, as presently vacant.

Highest and Best Use As Vacant

Legally Permissible

The subject site is zoned R1-144 (Single-Family Residential District – 144,000 sq. ft. per lot), Oro Valley. The R1-144 zone is intended to promote and preserve suburban-rural single-family residential development. The large lot size permits agricultural uses and promotes open space.

According to the Oro Valley General Plan, known as *Your Voice, Our Future*, the subject is designated as Rural Low Density Residential (0 – 0.3 DU/AC). “This land use designation represents areas where single-family homes on large lots are intended. The lot sizes in this land use designation allow for substantial setbacks between individual homes in order to maintain a rural character and retain the natural environment. Homes in this land use designation can range up to 0.3 DU/AC, an average of number of homes per acre. For example, a development of 100 acres in size may have a maximum of 30 homes.” The subject’s current zoning is consistent with the Oro Valley General Plan. Rezoning of the subject property for more intensive uses is considered unlikely.

As previously discussed, this analysis is subject to the hypothetical condition that 16,612 square feet, or about ± 0.3814 acres in the northeast corner of the site is encumbered with a drainage easement.

Overall, investment or the uses noted above are considered to reflect the legally permissible uses of the property.

Physically Possible

The subject site comprises about 131,028 square feet, or about 3.008 acres of land area. As previously discussed, this analysis assumes the site would be granted a variance for development as a legal non-conforming use to the current minimum lot size of 3.3 acres, or about 144,000 square feet. As such, it could accommodate one single-family residence. The site is mostly rectangular in shape, and has relatively flat topography. The subject property is fully located within a designated flood hazard area, designated as Zone A, and is assumed to have a significant drainage easement encumbering the 16,612 square feet of the northeast corner of the site. All necessary utilities are available for development. Frontage and visibility are considered to be good.

Overall, there are no significant physical constraints on the subject, other than the flood hazard designation and drainage easement, that would exclude development with any of the legally permissible uses noted above. A hydrology study would be required to determine if the flood hazard designation would require a future building site to be built up above the projected flood elevation. Flood insurance may also be required.

Financially Feasible & Maximally Productive

The subject is located along the east side of La Cholla Boulevard, north of Overton Road, in the northwest area of the metropolitan Tucson area. The area is in the growth stage of its lifecycle, with new housing developments present. As discussed, the subject is presently zoned for low-density residential uses, which is consistent with the Town of Oro Valley General Plan. Rezoning of the site for more intensive uses is considered unlikely.

My analysis of the subject market and the physical attributes of the subject site suggest reasonable demand for near term development with one single-family residence. Based on these conclusions, the maximally productive use, and therefore the highest and best use of the subject, as though vacant, is considered to be for near term development with a single-family residence.

VALUATION

All of the three traditional approaches to value were considered to develop an opinion of the subject larger parcel. As the subject is comprised of vacant land (is being appraised as though vacant), the only relevant approach is the Sales Comparison Approach to value. The Sales Comparison Approach is based on sales of similar properties that are analyzed and compared to the subject.

As outlined in the Highest and Best Use section of this report, the highest and best use of the subject is considered to be for near term development with a single-family residence. As previously discussed, this analysis is based on the assumption that 16,612 square feet, or about ± 0.3814 acres is in use as a drainage easement. As such, the subject will first be analyzed assuming it is not impacted by this easement, and then the rights associated with the easement will be deducted to arrive the market value of the subject property with the easement in place.

SALES COMPARISON ANALYSIS

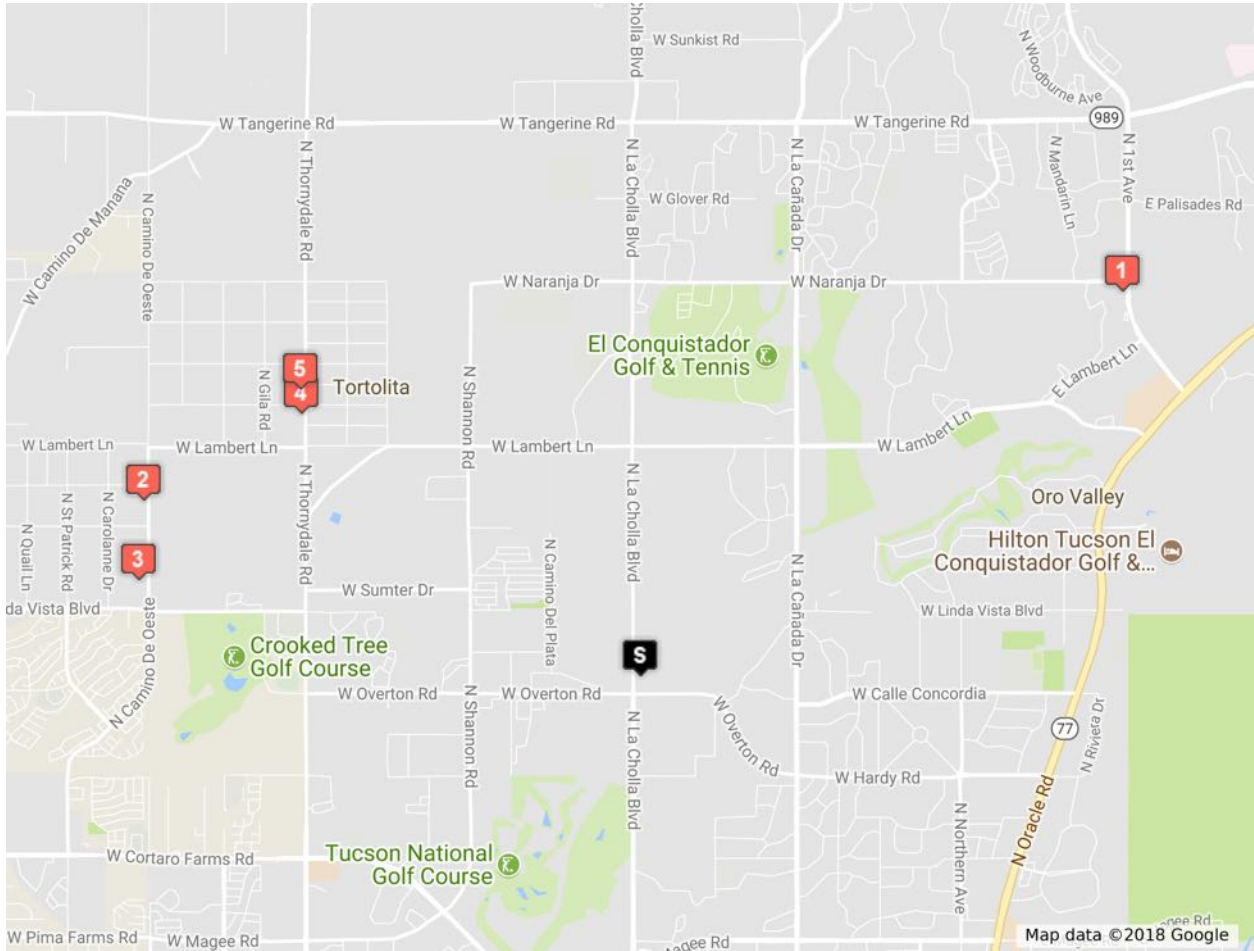
Comparable sales of vacant tracts of land were gathered, analyzed, compared and adjusted to reflect the market value of the subject property. These comparables, combined with discussions with knowledgeable real estate brokers in the area, form a reasonable basis to set forth an opinion of the market value for the subject property from this approach.

A thorough search of the market was conducted to obtain recent sales of properties that could be considered comparable to the subject property. The sales used are considered to be similar to the subject in terms of highest and best use and are the most suitable comparables for developing an opinion of its market value. Adjustments to these comparables were considered for differences such as terms of sale, time of sale, sale conditions, location, size/shape, zoning, and site utility. Please direct your attention to the tabulation at the end of this section for a summary of these adjustments. Here follows a map and tabulation of the comparable sales, followed by a summary of the adjustments considered and the indicated market value of the subject property.

Comparable Land Sales

Comparable Number:	Subject	1	2	3	4	5
Sale Date:	N/App	Feb-17	May-17	Nov-17	Dec-17	Apr-18
Location:	9350 N La Cholla Blvd	565 E. Naranja Drive	4650 W. Greenock Drive	9801 N. Camino De Oeste	3820 W. Flying Diamond	3825 W. Potvin Lane
APN:	225-06-016C	224-02-0400	216-28-0040	216-31-030F	224-17-028L	224-17-028P
Buyer:	N/App	The Forbes Family Trust dated December 12, 2001	Brian Young & Tracey Anderson	Samantha M. Holbrook	Christopher M. Ayer	Ivan Akowski & Josie Akowski
Seller:	N/App	Edward William Simon & Katherine A. Simon	Arouty Family Trust, dated March 23, 2007	Alfonso Ramirez & Patricia Ramirez	The Entrust Group Inc.	The Entrust Group Inc.
Records:	N/App	20170390146	20171460434	20173200050	20173450338	20181160390
Confirmation:	N/App	Curt Stinson, Broker 520-284-9503	Rose A. Ronstadt, Broker 520-490-9114	Don Eugene, Broker 520-954-7785	Louis Mendes, Seller 520-444-0308	Louis Mendes, Seller 520-444-0308
Zoning:	SR, County	R1-144, Oro	SR, County	SR, County	SR, County	SR, County
Sales Price:	N/App	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000
Terms of Sale:	N/App	Cash	Seller	Cash	Cash	Seller
Site Size (Acres):	3.01	3.23	4.25	4.56	3.33	3.33
Site Size (SF):	131,028	140,698	185,270	198,633	144,888	144,888
Sales Price Per Lot:	N/App	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000

COMPARABLE LAND SALES MAP



Property Rights: No adjustments were considered warranted for property rights as all of the sales involved the transfer of fee simple ownership.

Terms of Sale: All of the sales, save Comparables Two and Five, sold for cash or at cash equivalent terms and no adjustment were considered warranted for these sales. Comparables Two and Five included seller financing with 50% and 20% down, respectively, with the balance at undisclosed terms. Discussion with the listing/sale agent for Comparable Two indicated that the seller financing allowed for a quick close with no appraisal and no bank financing, and with the large down payment, was equal to cash. Therefore, no adjustment was considered warranted for this factor. Discussion with the seller of Comparable Five indicated that the seller financing had no impact on the sale price, and therefore no adjustment is applied.

Sales Conditions: No adverse conditions impacting either the buyer or the seller were discovered for any of the sales and therefore no adjustments were made for sales conditions.

Time of Sale: The sales transacted between February 2017 and April 2018. The land market has been relatively flat over this timeframe, with a limited number of buyers in the market. There

was insufficient sales data to conduct a paired sales analysis. Overall, no adjustment was considered warranted for this factor.

Location: The subject is located along the east side of La Cholla Boulevard between Overton Road and Lambert Lane, in the northwestern portion of the Tucson metropolitan area. Comparable One is located at the northwest corner of 1st Avenue and Naranja Drive, which is subjected to greater traffic exposure as compared to the subject. This is inferior as compared to the subject, warranting upward adjustment for this factor. The remaining sales have similar traffic exposure as compared to the subject, with no adjustment applied.

Size: An adjustment for size was considered. The subject parcel is about 3.008 acres in size. The comparables range in size from about 3.23 to 4.56 acres. As this analysis is based on a price per lot, a larger lot is generally superior to a smaller lot, with downward adjustments warranted for Comparables Two and Three are sufficiently larger as compared to the subject to warrant a downward adjustment. The remaining comparables are considered generally similar, with no adjustment applied.

Zoning/Use: The subject is zoned SR, Pima County. All of the comparables have a similar zoning designation, with no adjustment applied for this factor.

Shape/Site Utility: The subject property is rectangular in shape, and is 100% located within a designated flood hazard area.

Comparables One through Five are considered similar with respect to shape, with no adjustment warranted for shape. Comparable One is not located in a flood hazard zone, warranting downward adjustments as compared to the subject. Comparable Two has about 60% located in a flood hazard zone, which is considered superior as compared to the subject, warranting a downward adjustment for this factor. Comparables Three, Four and Five are not located in a FEMA flood hazard area, but are located in an area designated as sheet flooding by the Pima County Flood Control District. Overall, these sales are still considered superior as compared to the subject with respect to flood hazard, warranting downward adjustment.

Utilities Availability: All necessary utilities are present in the subject area. Comparables One, Two and Three have similar availability of utilities, with no adjustment warranted. However, Comparable Three included a water meter on site, which according to the broker contributed to the value, warranting downward adjustment. Comparables Four and Five will require a septic system for development, which is inferior as compared to the subject, warranting upward adjustment.

Land Valuation Analysis Conclusions

The comparable sales were analyzed in order to develop an opinion of the market value of the subject property. The following tables highlight the adjustments considered appropriate for each of the comparables:

Comparable Number:	1	2	3	4	5
Sale Date:	Feb-17	May-17	Nov-17	Dec-17	Apr-18
Location:	565 E. Naranja Drive	4650 W. Greenock Drive	9801 N. Camino De Oeste	3820 W. Flying Diamond	3825 W. Potvin Lane
APN:	224-02-0400	216-28-0040	216-31-030F	224-17-028L	224-17-028P
Zoning:	R1-144, Oro	SR, County	SR, County	SR, County	SR, County
Sales Price:	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000
Terms of Sale:	Cash	Seller	Cash	Cash	Seller
Site Size (Acres):	3.23	4.25	4.56	3.33	3.33
Site Size (SF):	140,698	185,270	198,633	144,888	144,888
Sales Price Per Lot:	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000

<i>Transactional Adjustments:</i>	1	2	3	4	5
Property Rights	0.0%	0.0%	0.0%	0.0%	0.0%
	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Price/Lot	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000
Terms of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Cash	Seller	Cash	Cash	Seller
Adjusted Price/Lot	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000
Sale Conditions	0.0%	0.0%	0.0%	0.0%	0.0%
	Typical	Typical	Typical	Typical	Typical
Adjusted Price/Lot	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000
Time of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Adjusted Price/Lot	\$116,000	\$120,000	\$125,000	\$92,000	\$93,000

<i>Physical Adjustments:</i>	1	2	3	4	5
Location	10.0%	0.0%	0.0%	0.0%	0.0%
	Inferior	Similar	Similar	Similar	Similar
Site Size	0.0%	-5.0%	-5.0%	0.0%	0.0%
	Similar	Larger	Larger	Similar	Similar
Zoning/Use	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Shape/Site Utility	-30.0%	-20.0%	-10.0%	-10.0%	-10.0%
	Superior	Superior	Superior	Superior	Superior
Utilities Availability	0.0%	0.0%	-10.0%	10.0%	10.0%
	Similar	Similar	Superior	Inferior	Inferior
Gross Additional Adjustments	40.0%	25.0%	25.0%	20.0%	20.0%
Net Additional Adjustments	-20.0%	-25.0%	-25.0%	0.0%	0.0%
Adjusted Price Per Lot	\$92,800	\$90,000	\$93,750	\$92,000	\$93,000

Prior to adjustments, the comparables demonstrated indications of value of ranging from \$92,000 to \$125,000 per lot. After adjustments for the factors discussed, the comparables demonstrate a closer range from about \$90,000 to \$93,750 per lot. Overall, this data is considered to support a conclusion of about \$93,000 per lot for the subject, assuming it is not encumbered by the previously discussed 16,612 square foot drainage easement.

The value of the easement area is best expressed as a pro rata share of the larger parcel of which it is a part. However, as an easement interest, not the entire bundle of rights will have transferred to the easement holder. Therefore, additional analysis is necessary to develop an opinion of the appropriate percentage of ownership rights that have been transferred to the easement holder.

In order to measure the rights that have been conveyed by the easement, consideration is given to the physical nature and timing of the easement, as well as how the easement impacts the use of the subject. The easement is indefinite in timing, or perpetual. Physically, the easement

encumbers 16,612 square feet, or ±0.3814 acres of land area, located in the northeast corner of the site.

With respect to the impact to the use of the subject property, the area of the easement is significantly restricted in use. The property owner retains ownership of the area, but the area is limited to primarily setback requirements and density calculations. No significant structures can be built in the area of the easement. This suggests that a significant percentage of the bundle of rights have transferred to the easement holder.

Further support for this conclusion is provided by reference to an article written by Donald Sherwood, SR/WA, as published in the June 2006 edition of Right of Way magazine. Mr. Sherwood provides an easement valuation matrix of general parameters for percentage allocations for various types of easements based on the type and intensity of use. The following exhibit is a reproduction of this matrix.

Percentage of Fee	Comments	Potential Types of Easements
90% - 100%	Severe impact on surface use Conveyance of future uses	Overhead electric Flowage easements Railroad ROW Irrigation canals Access roads
75% - 89%	Major impact on surface use Conveyance of future uses	Pipelines Drainage easements Flowage easements
51% - 74%	Some impact on surface use Conveyance of ingress/egress rights	Pipelines Scenic easements
50%	Balanced use by both owner and easement holder	Water or sewer lines Cable line Telecommunications
26% - 49%	Location along a property line, location across non usable land area	Water or sewer line Cable lines
11% - 25%	Subsurface or air rights that have minimal effect on use and utility Location with a setback	Air rights Water or sewer line
0% to 10%	Nominal effect on use and utility	Small subsurface easement

As noted above, drainage easements typically fall in the range of 75% to 89% of fee value. Considering the impact of the easement on the subject property, a conclusion of 89% of fee is

considered reasonable and well supported. Therefore, the value of the easement area is calculated by multiplying the area of the easement by the 'per unit' value of the larger parcel as estimated previously in this report, equal to \$93,000 per lot (converted to square feet as \$93,000 divided by 131,028, equal to \$0.709769), and then multiplied by the percentage of fee, as summarized below.

<u>Easement Area</u>	<u>Area in sq. ft.</u>	<u>Fee Value/SF</u>	<u>Rights Conveyed</u>	<u>Value of Parts</u>	<u>Rounded</u>
Drainage Easement	16,612	\$0.709769	89%	\$10,494	\$10,500

Subtracted from the conclusion of value noted above of \$93,000 results in the ownership rights remaining, equal to \$82,500 (\$93,000 - \$10,500 = \$82,500). This conclusion can also be illustrated as the rights remaining to the property owner, which includes the fee area, and the inverse of the rights held by the easement holder, as summarized below.

<u>Remaining Rights</u>	<u>Area in sq. ft.</u>	<u>Value per SF</u>	<u>Rights Remaining</u>	<u>Value Indication</u>	<u>Rounded</u>
Fee Area	114,416	\$0.709769	100%	\$81,209	\$81,200
Drainage Easement	16,612	\$0.709769	11%	\$1,297	\$1,300
Total	131,028			\$82,506	\$82,500

Based on the previous analyses and discussions, it is my opinion that the market value of the subject property, as presently vacant, is equal to \$82,500.

**OPINION OF THE MARKET VALUE
OF THE SUBJECT PROPERTY\$82,500**

MARKETING AND EXPOSURE PERIOD

The estimated marketing time and exposure period for the subject property is dependent on a number of variables. However, if the subject were offered at an asking price within 10% of the value set forth in this appraisal, it would be reasonable to conclude that there would be sufficient market demand that would result in acquisition of the property with marketing and exposure periods of not more than 12 months.

APPRAISERS' CERTIFICATION

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

- The statements of fact contained in this appraisal report, which are used as the basis of our analyses, opinions, and conclusions, are true and correct. We have no responsibility for legal matters, questions of survey, opinion of title, soil or subsoil conditions, engineering, or other technical matters. Any sketches prepared by us and contained in this report are included solely to aid the user of the report in visualizing the property and its location, and are not necessarily to scale.
- 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.
- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report and, further, I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
- I have performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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. Specifically, the assignment was not based on a minimum value, a specific value, or approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification. In addition, I certify that I have the knowledge, experience, and the geographic competency to complete this appraisal assignment and have appraised this property type before.

APPRAISERS' CERTIFICATION (CONTINUED):

- The 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.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
- *Every Appraisal Service* and the appraiser signing this report have never been sued by a regulatory agency or financial institution for fraud or negligence involving appraisal services.

Each finding, prediction, assumption, or conclusion contained in this report is my personal opinion and is not an assurance that an event will or will not occur. I assume that there are no conditions that are not apparent relating to the real estate, subsoil conditions, or structures located on the real estate which would affect my analyses, opinions, or conclusions with respect to the real estate.

The data gathered in this appraisal process (except data furnished by the client) and the appraisal report itself remain our property. With respect to data provided by the client, we shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to us. We are, however, authorized by the client to disclose all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute, if such disclosure is required, to enable us to comply with the bylaws and regulations of said Institute now or hereafter in effect. This appraisal report shall not be quoted or referred to in any report or financial statement of the client or in any documents filed with any governmental agency without our prior written consent.



DAVID A. EVERY, MAI, AI-GRS

Owner - Every Appraisal Service
State of Arizona Certified General
Real Estate Appraiser #31343

QUALIFICATIONS OF DAVID A. EVERY, MAI, AI-GRS

State of Arizona Certified General Real Estate Appraiser, Certificate #31343

EMPLOYMENT HISTORY

2010 - Present	Every Appraisal Service, Owner, Tucson, Arizona
2004 - 2010	AXIA Real Estate Appraisers (previously known as KB Real Estate Appraisers), as Commercial Real Estate Appraiser and Valuation Analyst, Tucson, Arizona
1999 - 2004	Andrew J. Briefer Real Estate Advisory Services, Inc. dba KB Real Estate Advisors, as Consultant and Valuation Analyst, Tucson, Arizona
1989 - 1999	Mesa Airlines, Inc. dba America West Express, as Phoenix Station Manager, Phoenix, Arizona

PROFESSIONAL EDUCATION

- 2018 • 2018-2019 Uniform Standards of Professional Appraisal Practice 7 hour update, Appraisal Institute, Tucson, Arizona
- 2017 • Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications, Appraisal Institute, Tucson, Arizona
 - Review Theory - General, Appraisal Institute, San Diego, California
- 2016 • Residential & Commercial Valuation of Solar, Appraisal Institute, Tucson, Arizona
- 2015 • Advanced Concepts & Case Studies, Appraisal Institute, Nashville, Tennessee
- 2014 • Advanced Income Capitalization, Appraisal Institute, San Diego, California
- 2012 • Appraising the Appraisal: Appraisal Review, Appraisal Institute, Tucson, Arizona
 - General Appraiser Report Writing and Case Studies, Appraisal Institute, San Diego, California
- 2011 • Business Practices and Ethics, Appraisal Institute Course OL-420X, Online
- 2009 • Supervising Beginning Appraisers, Arizona School of Real Estate and Business, Scottsdale Arizona
- 2008 • Condemnation Appraising: Basic Principals and Applications, Appraisal Institute Course 710, Tucson, Arizona
 - Condemnation Appraising: Advanced Topics and Applications, Appraisal Institute Course 720, Tucson, Arizona
- 2007 • Highest and Best Use and Market Analysis, Appraisal Institute Course 520, Boise, Idaho
- 2005 • Real Property Valuation Course 104 – Part I by the Arizona School of Real Estate and Business, Scottsdale Arizona
- 2004 • Real Property Valuation Course 103 by the Arizona School of Real Estate and Business, Scottsdale Arizona
 - Real Property Valuation Course 104 – Part II by the Arizona School of Real Estate and Business, Scottsdale Arizona
- 1999 • Real Property Valuation Courses 101 & 102 by the Arizona School of Real Estate and Business, Scottsdale Arizona

Qualifications of David A. Every, MAI, AI-GRS (continued)

DESIGNATIONS, MEMBERSHIPS, LICENSES AND CERTIFICATIONS

MAI - Designated Member of the Appraisal Institute, January 2017

AI-GRS – Designated Member of the Appraisal Institute, November 2017

Certified General Real Estate Appraiser, State of Arizona, Certificate #31343

SEMINARS/WORKSHOPS/CLASSES

- 2018 • CCIM 2018 Annual Real Estate Forecast
- 2017 • CCIM 2017 Annual Real Estate Forecast
- 2013 • Pima County Real Estate Research Council 2013 Real Estate Forecast
- 2010 • International Right-of-way Association Federal Agency Update, Las Vegas, Nevada
- 2009 • International Right-of-way Association Federal Agency Update, Las Vegas, Nevada
- 2008 • Eminent Domain Conference – ABA No. 0407-628
- 2007 • Pima County Real Estate Research Council 2007 Real Estate Forecast
- 2006 • “A Frank Discussion about Eminent Domain “ – ABA No. 0906-576
- 2005 • Pima County Real Estate Research Council 2005 Real Estate Forecast
- 2000 • Real Estate Appraisal Review Workshop by the Federal Highway Administration, Phoenix Arizona

APPRAISAL EXPERIENCE/SCOPE OF PRACTICE

- Clientele includes private individuals, corporate organizations, financial institutions, and governmental agencies.
- Appraisal assignments include industrial properties, vacant and improved land, large and small residential income properties, office and retail buildings, hotel and motel properties, as well as numerous special use properties.
- Experience in preparation of reports for conventional lending, SBA, litigation work, eminent domain work, consultations and appraisal reviews.
- Appraisal assignments have been completed in Pima, Maricopa, Cochise, Santa Cruz, Yavapai, Yuma, La Paz, Coconino, Navajo, Mohave and Pinal Counties within the state of Arizona; Luna, Dona Ana and Grant Counties within the state of New Mexico; and San Bernardino County within the state of California.

ADDENDA

- 1) Title Report
- 2) Comparable Sales Data Sheets
- 3) Assumptions and Limitations
- 4) Appraisers' Certificate

TITLE REPORT