



Valbridge
PROPERTY ADVISORS

Appraisal Report

Commercial Land Parcel
5311 West Twin Peaks Road
Parcel: 216-02-015A
Within Section 1 T12S R12E
Marana, Pima County, Arizona



FOR:
Pima County Real Property Services
Mr. Jeffrey Teplitsky
Appraisal Supervisor
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Property Owner: TRP Twin Peaks, LLC

**Valbridge Property Advisors |
Tucson**

6061 East Grant Road
Tucson, AZ 85712
520.321.0000 phone
520.290-5293 fax

valbridge.com

Valbridge File Number:
AZ01-18-L-165F



November 28, 2018

Mr. Jeffrey Teplitsky
Appraisal Supervisor
Pima County Real Property Services
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Appraisal Report
Commercial Land Parcel
Located at 5311 West Twin Peaks Road
Marana, Pima County, Arizona

Valbridge Property Advisors Job # AZ01-18-L-165F
Property Owner: TRP Twin Peaks, LLC

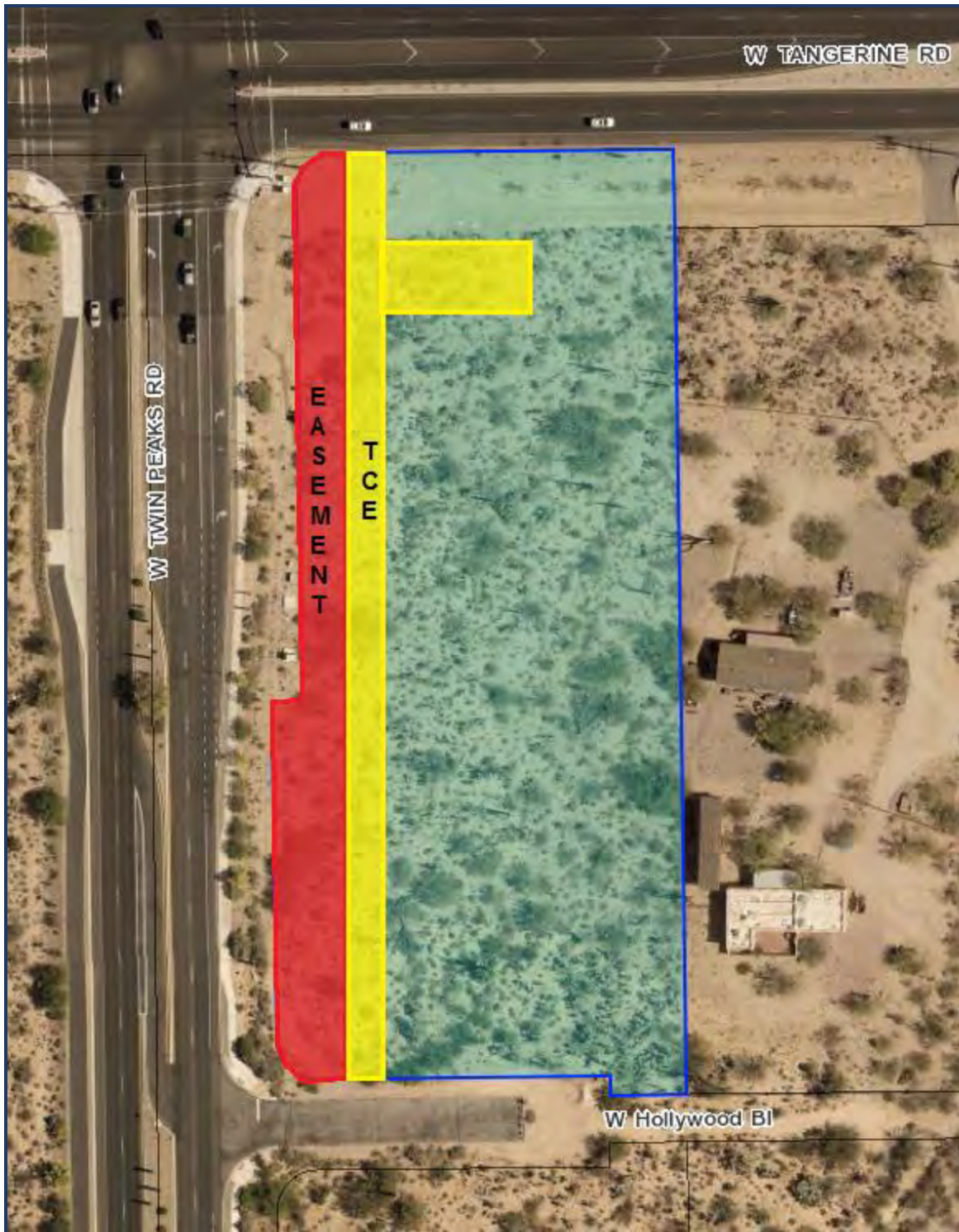
Dear Mr. Teplitsky:

In accordance with your request, I have appraised the fee simple interest in the above-referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to my value opinions. The subject is proposed for partial acquisition by Pima County for a multipurpose easement relating to the Twin Peaks-Blue Bonnet Road Sewer Augmentation Project. The acquisition parcel is valued utilizing the larger parcel technique.

The 'as is' value (before value) is developed reflecting the existing physical condition of the property on the date of value, hypothetically without regard to any project influence. A 0.4260 acre (18,557 S.F.) parcel is proposed for encumbrance by a multipurpose easement. Just compensation for the parcel acquired is determined as a pro rata share of the larger parcel. The area to be encumbered by the multipurpose easement is not acquired in fee. Therefore, an additional analysis is developed to determine an appropriate intensity of use factor. The effects of the acquisition and resulting completed project on the remainder parcel were considered to determine severance damages, if any. Compensation for a temporary construction easement to encumber 0.3373 acres for one year is also developed.

The subject larger parcel is vacant land located at 5311 West Twin Peaks Road in Marana, Pima County, Arizona. The subject is further identified as Assessor's Parcel Number (APN) 216-02-015A. The site measures 3.44 acres in the before condition. The site will contain 3.44 acres in the after condition and will be encumbered by a 0.4260 acre multipurpose easement.

The subject larger parcel location, as well as the proposed acquisition parcel, are generally identified in the following map (not to scale – based on the appraiser's best approximation). The larger parcel was chosen to reflect the economic unit size, as well as ownership and physical boundaries, while still encumbering the parcels to be acquired



This appraisal report is prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the requirements of the client as I understand them.

Pima County Real Property Services is the client in this assignment. The intended users of this report are the client and other parties with an interest in the potential partial acquisition of the subject

property. The intended use is to serve as the basis for a partial acquisition by Pima County Public Works Real Property Services for the Twin Peaks-Blue Bonnet Sewer Augmentation project, and the estimated damages that may accrue to the remainder property not being acquired. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent on the following extraordinary assumptions and/or hypothetical conditions:

Extraordinary Assumptions:

1. The appraiser was not provided with an archaeological study, an environmental site analysis, or a soils report. The appraisal is subject to the extraordinary assumption that the actual data revealed by such studies would not materially impact the opinions of market value or the ability to develop or market the subject property.
2. Title to the subject is vested solely in TRP Twin Peaks, LLC, and any pending lawsuits have been dismissed.

Hypothetical Conditions:

1. The market value of the subject in the before condition is developed hypothetically as if no sewer project or project influence/enhancement exists.
2. The market value of the subject in the after condition is developed hypothetically as if the sewer project is completed and the subject site is encumbered with a 0.4260 acre multipurpose easement.

Based on the analysis contained in the following report, my value conclusions involving the subject property are summarized as follows:

Value Conclusion	
	"As Is", Hypothetically assuming no Project Influence
Value Type	Market Value
Property Rights Appraised	Fee Simple
Date of Value	August 25, 2018
Value Conclusion	\$560,000
	\$162,791 per acre

Auditing Breakdown

Acquisition Parcel TRP Twin Peaks	
Market Value Opinion, As a Whole, Before the Acquisition	\$560,000
Land to Be Acquired for Sewer Easement @ 70% Rights Conveyed	\$48,544
Value of the Remainder in the Before Condition	\$511,456
Value of the Remainder, in the After Condition	\$773,241
Severance Damage	\$0
Special Benefits	\$0
Temporary Construction Easement - 1 Year	\$5,500
Total Award	\$54,044

This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
Valbridge Property Advisors |
Tucson



Carolyn Van Hazel, MAI
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 31591
Expires December 31, 2019

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Summary of Salient Facts

Property Owner:	TRP Twin Peaks, LLC
Address:	5311 West Twin Peaks Road, Marana, Pima County, Arizona 85658
Assessor's Parcel Number:	216-02-015A
Property Rights Appraised:	Fee simple interest of the larger parcel and fractional interest in the land acquired for the multipurpose easement
Zoning:	NC, Town of Marana
Site Size:	3.44 acres in the before condition 3.44 acres in the after condition, encumbered by a 0.4260 acre multipurpose easement and a one-year temporary construction easement
Existing Improvements Property Type:	Vacant land - Commercial
Extraordinary Assumptions:	<p>The appraiser was not provided with an archaeological study, an environmental site analysis, or a soils report. The appraisal is subject to the extraordinary assumption that the actual data revealed by such studies would not materially impact the opinions of market value or the ability to develop or market the subject property.</p> <p>Title to the subject is vested solely in TRP Twin Peaks, LLC, and any pending lawsuits have been dismissed.</p>
Hypothetical Conditions:	<p>The market value of the subject in the before condition is developed hypothetically as if no sewer project or project influence/enhancement exists.</p> <p>The market value of the subject in the after condition is developed hypothetically as if the sewer project is completed and the subject site is encumbered with a 0.4260 acre multipurpose easement.</p>
Highest and Best Use As If Vacant:	Investment with eventual commercial development
Date of Inspection:	August 25, 2018
Date of Report:	November 28, 2018

Value Conclusion

	"As Is", Hypothetically assuming no Project Influence
Value Type	Market Value
Property Rights Appraised	Fee Simple
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Aerial and Front Views

AERIAL VIEW



FRONT VIEW



Introduction

Client and Other Intended Users of the Appraisal

The client in this assignment is Pima County Real Property Services. The intended users of this report are the client and other parties with an interest in the potential partial acquisition of the subject property.

Intended Use of the Appraisal

The intended use is to serve as the basis for a partial acquisition by Pima County Public Works Real Property Services for the Twin Peaks-Blue Bonnet Sewer Augmentation project, and the estimated damages that may accrue to the remainder property not being acquired.

Real Estate Identification

The subject property is located at the southeast corner of Twin Peaks Road and Tangerine Road in Marana, Pima County, Arizona 85658. The situs address is 5311 West Twin Peaks Road. The Pima County Assessor identifies the subject parcel as Assessor Parcel Number 216-02-015A. The site is vacant land zoned for commercial use.

Legal Description

Larger Parcel

File No.: 256099

The West half of the Northwest quarter of Lot 4 in Section 1, Township 12 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona.

EXCEPT the West 30 feet thereof; and

EXCEPT the South 15 feet thereof; and

EXCEPT any portion lying with Tangerine Road as shown on Road Map recorded in Book 7 of Road Maps, Page 83; and

FURTHER EXCEPT all that property as conveyed to the Town of Marana, an Arizona municipal corporation by Special Warranty Deed recorded December 16, 2009 in Docket 13706, Page 3323 and rerecorded in Docket 13724, Page 2058 and described as follows:

A portion of the Northwest one-quarter of Section 1, Township 12 South, Range 12 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 1 being a found 2" brass cap with punchmark and no other markings;

THENCE South 00 degrees 49 minutes 02 seconds East upon the West line of said Section 1 a distance of 50.00 feet to a point on the South right-of-way line of Tangerine Road as recorded in Book 7 of Road Maps at Page 83, Pima County Recorder's Office, Pima County, Arizona;

THENCE North 89 degrees 25 minutes 33 seconds East upon said right-of-way line a distance of 30.00 feet to the POINT OF BEGINNING;

THENCE continue North 89 degrees 25 minutes 33 seconds East upon said right-of-way line a distance of 90.11 feet to a point of cusp of a non-tangent curve concave Southeasterly, a radial line of said curve through said point having a bearing of North 00 degrees 34 minutes 27 seconds West;

THENCE Southwesterly upon the arc of said curve, to the left, having a radius of 25.00 feet and a central angle of 90 degrees 14 minutes 35 seconds for an arc length of 39.38 feet to a point of tangency on a line 95.00 feet East of and parallel with the West line of said Section 1;

THENCE South 00 degrees 49 minutes 02 seconds East upon said parallel line a distance of 320.00 feet;

THENCE South 89 degrees 10 minutes 58 seconds West a distance of 20.00 feet to a point on a line 75.00 feet East of and parallel with said West line;

THENCE South 00 degrees 49 minutes 02 seconds East upon said parallel line a distance of 213.68 feet to a point of curvature of a tangent curve concave Northeasterly;

THENCE upon the arc of said curve, to the left, having a radius of 25.00 feet and a central angle of 89 degrees 46 minutes 51 seconds for an arc length of 39.17 feet to a point of tangency;

THENCE North 89 degrees 24 minutes 07 seconds East, a distance of 185.10 feet

;

THENCE South 00 degrees 35 minutes 53 seconds East a distance of 15.00 feet;

THENCE South 89 degrees 24 minutes 07 seconds West a distance of 254.94 feet to a point on a line 30.00 feet East of and parallel with said West line;

THENCE North 00 degrees 49 minutes 02 seconds West upon said parallel line a distance of 598.79 feet to the POINT OF BEGINNING.

(jv arb: 12)

Subject Temporary Construction Easement

Page 1 of 3

EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT

THAT PORTION OF LAND WITHIN THE NORTHWEST QUARTER OF SECTION 1, TOWNSHIP 12 SOUTH, RANGE 12 EAST, GILA AND SALT RIVER MERIDIAN, PIMA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 3 INCH BCSM STAMPED "T.O.M. RLS 19316" AT THE INTERSECTION OF TWIN PEAKS ROAD AND HOLLYWOOD BOULEVARD FROM WHICH A 3 INCH BCSM STAMPED "T.O.M." AT THE NORTHWEST CORNER OF SAID SECTION 1 BEARS NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST A DISTANCE OF 663.60 FEET;

THENCE NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST UPON THE WEST LINE OF SAID SECTION 1 BEING COMMON WITH THE CENTERLINE OF RIGHT-OF-WAY OF TWIN PEAKS ROAD A DISTANCE OF 54.64 FEET;

THENCE DEPARTING SAID SECTION LINE NORTH 89 DEGREES 13 MINUTES 01 SECONDS EAST A DISTANCE OF 75.00 FEET TO A POINT ON THE WEST RIGHT OF WAY OF TWIN PEAKS ROAD;

THENCE DEPARTING SAID WEST RIGHT OF WAY SOUTH 59 DEGREES 10 MINUTES 53 SECONDS EAST A DISTANCE OF 47.82 FEET TO A POINT ON THE NORTH SIDE OF SAID HOLLYWOOD BOULEVARD, SAID POINT BEING THE POINT OF BEGINNING;

THENCE NORTH 00 DEGREES 21 MINUTES 53 SECONDS EAST A DISTANCE OF 533.81 FEET TO THE SOUTH RIGHT OF WAY LINE OF TANGERINE ROAD RIGHT OF WAY;

THENCE UPON THE SOUTH TANGERINE ROAD RIGHT OF WAY LINE NORTH 89 DEGREES 25 MINUTES 40 SECONDS EAST A DISTANCE OF 20.00 FEET;

THENCE LEAVING SAID RIGHT OF WAY SOUTH 00 DEGREES 21 MINUTES 53 SECONDS WEST A DISTANCE OF 49.86 FEET;

THENCE NORTH 89 DEGREES 13 MINUTES 01 SECONDS EAST A DISTANCE OF 99.97 FEET;

THENCE SOUTH 00 DEGREES 46 MINUTES 59 SECONDS EAST A DISTANCE OF 40.00 FEET;

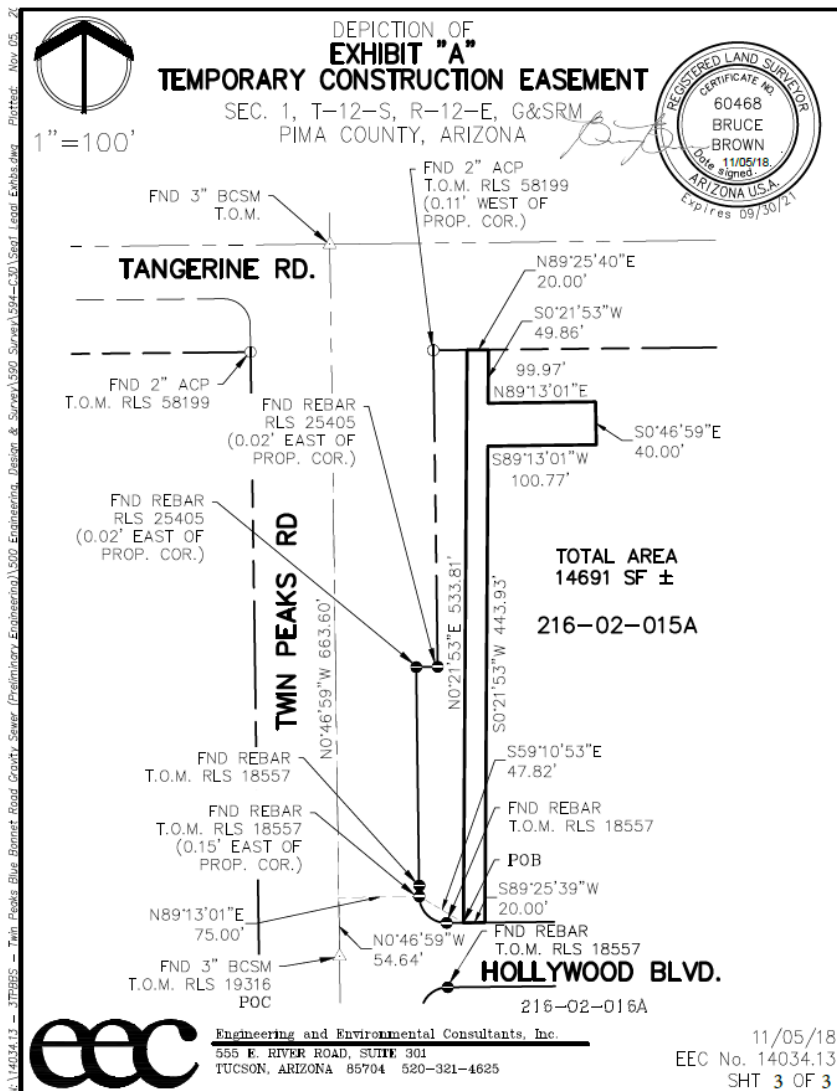
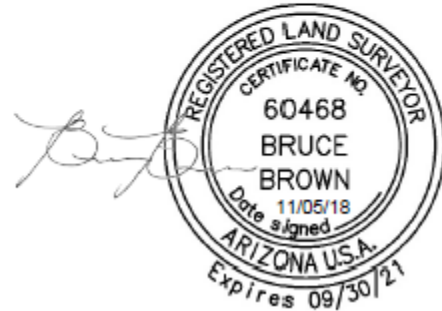
THENCE SOUTH 89 DEGREES 13 MINUTES 01 SECONDS WEST A DISTANCE OF 100.77 FEET;

THENCE SOUTH 00 DEGREES 21 MINUTES 53 SECONDS WEST A DISTANCE OF 443.93 FEET TO THE NORTH SIDE OF SAID HOLLYWOOD BOULEVARD;

THENCE UPON SAID HOLLYWOOD BOULEVARD RIGHT OF WAY SOUTH 89 DEGREES 25 MINUTES 39 SECONDS WEST A DISTANCE OF 20.00 FEET TO THE POINT OF BEGINNING.

Prepared by:
ENGINEERING AND ENVIRONMENTAL CONSULTANTS, INC.

BRUCE BROWN, RLS



Multipurpose Easement**EXHIBIT "A"**
LEGAL DESCRIPTION
EASEMENT

THAT PORTION OF LAND WITHIN THE NORTHWEST QUARTER OF SECTION 1, TOWNSHIP 12 SOUTH, RANGE 12 EAST, GILA AND SALT RIVER MERIDIAN, PIMA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 3 INCH BCSM STAMPED "T.O.M. RLS 19316" AT THE INTERSECTION OF TWIN PEAKS ROAD AND HOLLYWOOD BOULEVARD FROM WHICH A 3 INCH BRASS CAP SURVEY MONUMENT STAMPED "T.O.M." AT THE NORTHWEST CORNER OF SAID SECTION 1 BEARS NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST A DISTANCE OF 663.60 FEET;

THENCE NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST UPON THE WEST LINE OF SAID SECTION 1 BEING COMMON WITH THE CENTERLINE OF RIGHT-OF-WAY OF TWIN PEAKS ROAD A DISTANCE OF 54.64 FEET;

THENCE DEPARTING SAID SECTION LINE NORTH 89 DEGREES 13 MINUTES 01 SECONDS EAST A DISTANCE OF 75.00 FEET TO A POINT ON THE WEST RIGHT OF WAY OF TWIN PEAKS ROAD, SAID POINT BEING THE POINT OF BEGINNING;

THENCE UPON SAID EAST RIGHT OF WAY NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST A DISTANCE OF 213.67 FEET;

THENCE UPON SAID EAST RIGHT OF WAY NORTH 89 DEGREES 05 MINUTES 20 SECONDS EAST A DISTANCE OF 20.00 FEET;

THENCE UPON SAID EAST RIGHT OF WAY NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST A DISTANCE OF 295.04 FEET;

THENCE NORTH 89 DEGREES 25 MINUTES 40 SECONDS EAST A DISTANCE OF 31.42 FEET;

THENCE SOUTH 00 DEGREES 21 MINUTES 53 SECONDS WEST A DISTANCE OF 533.81 FEET;

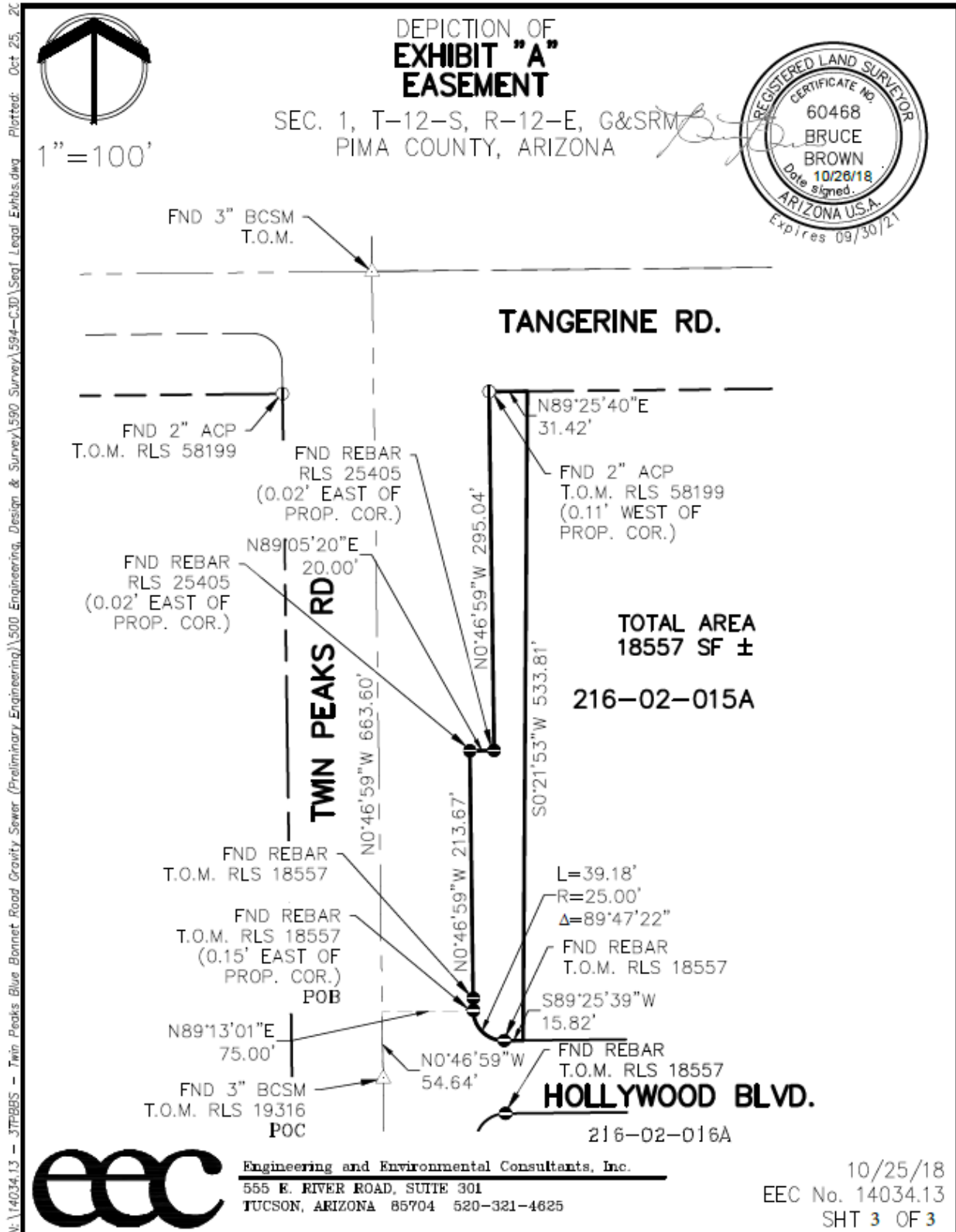
THENCE SOUTH 89 DEGREES 25 MINUTES 39 SECONDS WEST A DISTANCE OF 15.82 FEET TO THE BEGINNING OF A CURVE WHOSE RADIUS BEARS NORTH 00 DEGREES 34 MINUTES 21 SECONDS WEST A DISTANCE OF 25.00 FEET;

THENCE UPON THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 89 DEGREES 47 MINUTES 22" SECONDS, A DISTANCE OF 39.18 FEET TO THE POINT OF BEGINNING.

Prepared by:
ENGINEERING AND ENVIRONMENTAL CONSULTANTS, INC.

BRUCE BROWN, RLS





Real Property Rights Appraised

I have appraised the fee simple interest in the subject parcel and a fractional interest is appraised for the area to be acquired for a multipurpose easement.

Type and Definition of Value

Market Value

The definition of market value, as utilized in this appraisal, is defined by Arizona Revised Statute. Pursuant to Arizona Revised Statute 12-1122 (4.C.):

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

The subject property is being appraised for partial acquisition in relation to a public sewer project. In development of the 'before condition' of the subject property, any influences and effects caused by the project prior to the date of valuation is disregarded by the appraiser.

"Project enhancement is the increase in a property's market value in anticipation of a public project requiring condemnation action. The property owner cannot be compensated for project enhancement, and, in some jurisdictions, measurable project enhancement is an offset against condemnation award."

Please refer to the Glossary in the Addenda section for further definitions of value type(s) employed in this report.

Valuation Scenarios and Effective Dates of Value

The effective date of value is as follows:

Valuation	Effective Date
Fee Simple, As Is	August 25, 2018

The property was inspected on August 25, 2018.

Date of Report

The date of this report is November 28, 2018, which is the same as the date of the letter of transmittal.

Scope of Work

Real estate appraisal involves the following steps:

- Identify the property
- Inspect the property
- Research subject and comparable data
- Analyze data
- Report conclusions

These items are discussed as follows:

Extent to Which the Property was Identified

Legal Characteristics

The subject larger parcel was legally identified via the title report and the Assessor's plat map. The multipurpose and TCE easement parcels and after condition rely on the legal descriptions prepared by Engineering and Environmental Consultants, Inc.

Economic Characteristics

Economic characteristics of the subject property were identified via data provided by client; interviews with brokers, buyers, sellers and governmental agencies; and secondary sources, such as STDBOnline, and CoStar COMPS, Multiple Listing Service and data published by governmental entities such as the Arizona Department of Economic Security and the U.S. Census Department, as well as a comparison to properties with similar locational and physical characteristics.

Physical Characteristics

The subject was physically identified via an on-site inspection.

Extent to Which the Property was Inspected

The inspection date is August 25, 2018. The subject larger parcel is vacant land and an exterior inspection was performed. I am not an engineer or zoning inspector.

Type and Extent of Data Researched

I researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings and sales in the competitive market area. I also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied

The subject site is vacant land zoned for commercial use. I observed surrounding land use trends, demand for the subject property, and relative legal limitations in concluding a highest and best use. I then valued the subject based on the highest and best use conclusion, relying on the sales comparison approach.

Appraisal Report Type

This is an appraisal report prepared in conformance with USPAP effective 2018-2019. Notable as of 2014, USPAP no longer recognized the categories of "Summary" and "Self-Contained" reports.

Appraisal Conformity

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of my client as I understand them.

Use of Real Estate as of the Effective Date of Value

The subject property is a vacant commercial parcel as of the effective date of appraisal.

Use of Real Estate as of the Date of this Report

Same as above.

Ownership and Sales History

According to Pima County records and the title report prepared by Stewart Title, the subject property is vested in TRP Twin Peaks, LLC. The most recent deed transfer was recorded on August 30, 2013 in Document No. 20132420690. The sale price was \$375,000, or \$2.50/S.F. The subject is currently part

of a lawsuit concerning an action to enforce a Partnership Agreement, as recorded in Document 20150560196 dated February 25, 2015. It is an extraordinary assumption of this report that title to the subject is vested solely in TRP Twin Peaks, LLC, and any pending lawsuits have been dismissed.

The subject property is not currently listed or under contract for sale.

I have considered and analyzed the known history of the subject in the development of my opinions and conclusions.

CHAIN OF TITLE (30 YEAR) VESTING NOTE:

Warranty Deed by and between Holden W. Olsen and Mary G. Olsen husband and wife the grantors and Northwest Properties Investors Limited Partnership an Arizona Limited Partnership the grantees recorded January 22, 1987 in [Docket 7957, Page 1565](#).

Warranty Deed by and between Northwest Properties Investors Limited Partnership an Arizona limited partnership the grantor and Inlet Company, a Missouri General Partnership the grantees recorded March 24, 1987 in [Docket 7998, page 1532](#).

Warranty Deed by and between Inlet Company, a Missouri General Partnership for the purpose of winding up business the grantor and Thomas W. Levitt, a married man as his sole and separate property the grantees recorded November 21, 2003 in Docket [12182, Page 6993](#)

Disclaimer Deed by and between Molly G. Levitt spouse of Thomas W. Levitt the grantor and Thomas W. Levitt, a married man as his sole and separate property the grantee recorded November 21, 2003 in [Docket 12182, Page 6995](#).

Certified Copy, Proof of Authority for Molly G. Levitt as Personal Representative for the Estate of Thomas W. Levitt, deceased Probate No. 20091043 recorded December 16, 2009 in [Docket 13706, Page 3299](#)

Special Warranty Deed by and between Molly G. Levitt, as Personal Representative of the Estate of Thomas W. Levitt the grantor and the Town of Marana, an Arizona municipal corporation the grantee recorded December 16, 2009 in Docket 13706, Page 3323 and rerecorded in [Docket 13724, Page 2058](#)(as to portion of roadways)

Certificate of Death for Thomas William Levitt recorded April 1, 2013 in [Sequence No. 2013-0910558](#);

Deed from Molly G. Levitt, as Domiciliary Foreign Personal Representative of the Estate of Thomas William Levitt, deceased, Probate #2009-1043 to GLP Kansas City LLC recorded April 1, 2013 in [Sequence No. 2013-0910559](#);

Deed from GLP Kanasa City LLC, an Arizona limited liability company to TRP Twin Peaks, LLC, an Arizona limited liability company recorded August 30, 2013 in [Sequence No. 2013-2420690](#).

Owner Contact

A letter was sent to the owner of record regarding the appraisal on August 20, 2018. The appraiser extended an invitation to the owner to be present at the property inspection. The owner did not contact the appraiser to be present at the inspection or to discuss the property.

List of Items Requested but Not Provided

Sufficient information was available.

Extraordinary Assumptions

An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information

about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may impact the assignment results. An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(USPAP, 2018 ed.)

1. The appraiser was not provided with an archaeological study, an environmental site analysis, or a soils report. The appraisal is subject to the extraordinary assumption that the actual data revealed by such studies would not materially impact the opinions of market value or the ability to develop or market the subject property.
2. Title to the subject is vested solely in TRP Twin Peaks, LLC, and any pending lawsuits have been dismissed.

Hypothetical Conditions

A hypothetical condition is a condition, directly related to a specific assignment that is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may impact the assignment results. A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(USPAP, 2018 ed.)

1. The market value of the subject in the before condition is developed hypothetically as if no sewer project or project influence/enhancement exists.
2. The market value of the subject in the after condition is developed hypothetically as if the public sewer project is completed and the subject site is encumbered with a 0.4260 acre multipurpose easement.

Definition of the Larger Parcel

Pima County has proposed to acquire a 0.4260 acre multipurpose easement in conjunction with the Twin Peaks-Blue Bonnet Road Sewer Augmentation Project. The "Larger Parcel" technique is employed in order to develop a market value opinion of just compensation for the acquisition parcel. Once the larger parcel is determined, the subject acquisition parcel is valued as a pro rata portion of

the larger parcel with additional consideration given for severance damages and special benefits. The larger parcel is defined as follows:

"In government land acquisitions and in valuation of charitable donations of partial interests in property such as easements, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. In most states, unity of ownership, contiguity, and unity of use are the three conditions that establish the larger parcel for the consideration of severance damages. In general and some state cases, however, contiguity is sometimes subordinated to unitary use" (Dictionary of Real Estate Appraisal, 6th ed., page 127)

However, despite meeting the criteria of unity in ownership and contiguity, a particular tract of land may not be developable as a single project. Only that portion which offers a viable economic unit and will be directly impacted by the right of way should ultimately be selected as the larger parcel. There are two opinions related to this larger parcel determination: that this is an economic unit or this triggers the Jurisdictional Exception.

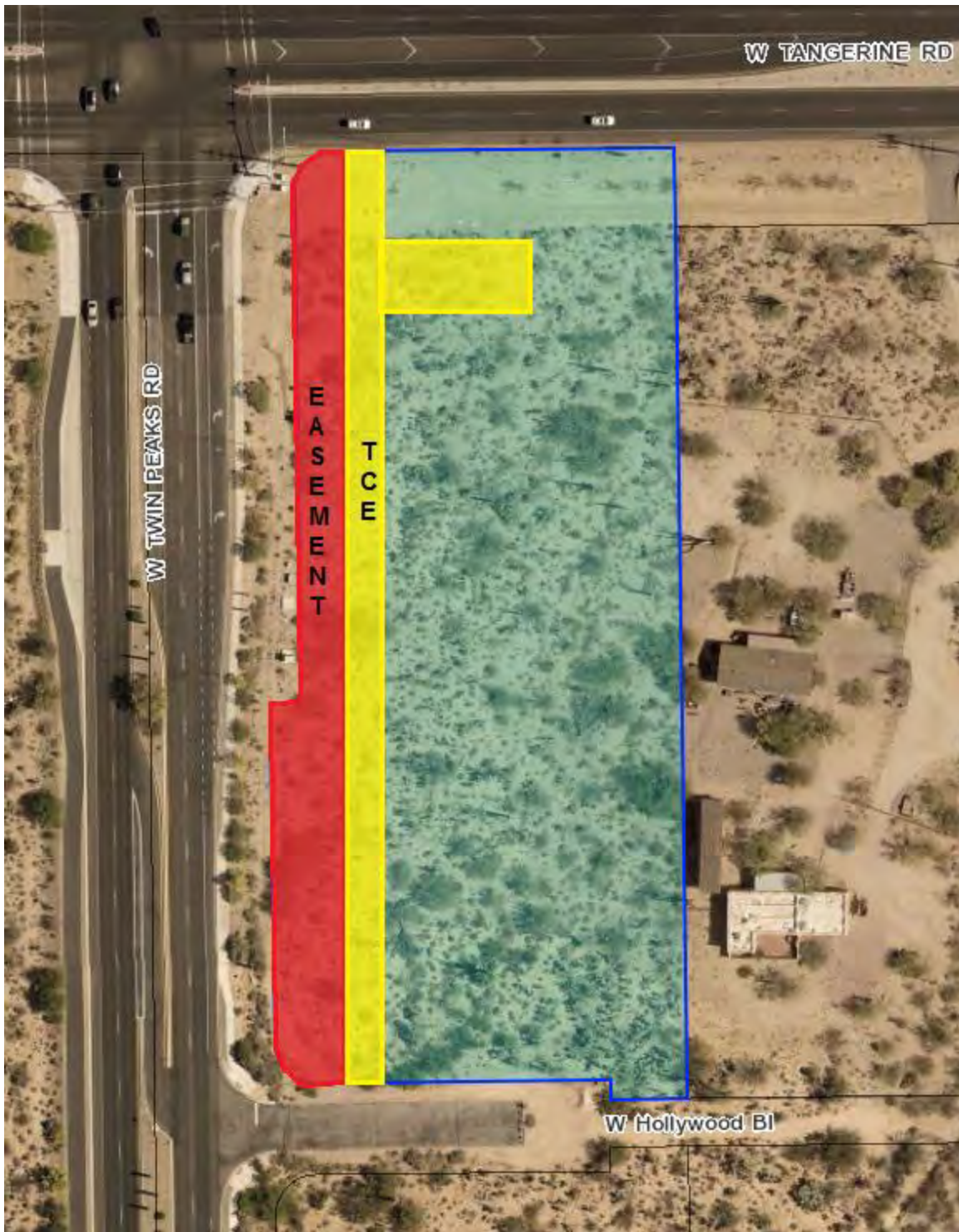
"The "economic unit" is a portion of a larger (parent) parcel, vacant or improved, that can be described and valued as a separate and independent parcel. Physical characteristics such as location, access, size, shape, existing improvements, and current use are considered when identifying an economic unit. The economic unit should reflect marketability characteristics similar to other properties in the market area. In appraisal, the identification of economic units is essential in highest and best use analysis of a property". (Dictionary of Real Estate Appraisal, 6th ed., page 72-73).

The economic unit can also be defined as a combination of parcels in which land and improvements are used for mutual economic benefit. An economic unit may comprise properties that are neither contiguous nor owned by the same owner. However, they must be managed and operated on a unitary basis and each parcel must make a positive economic contribution to the operation of the unit. (Dictionary of Real Estate Appraisal, 6th ed., page 72-73).

The area to be encumbered is part of tax parcel 216-02-015A which is owned by TRP Twin Peaks, LLC. It contains 3.44 acres, which is consistent with the typical size range of commercial parcels in the surrounding area. There is demand for commercial development in the area. The owner does not own any additional property in the immediate vicinity. Therefore, in order to comply with the larger parcel definition requiring a unity of ownership and highest and best use, the 3.44 acre parcel is considered to be the larger parcel in this appraisal and represents an economic unit.

The larger parcel is outlined in blue in the following map with the proposed Pima County acquisition parcels in red (multipurpose easement) and yellow (TCE). The easement areas are not to scale and are the appraiser's best approximation.

MULTIPURPOSE AND TCE EASEMENT ACQUISITION PARCELS



Regional and Market Area Analysis

REGIONAL MAP



Overview

Tucson is in south-central Arizona, about 100 miles southeast of Phoenix and 60 miles north of the Mexican border. Tucson is the second largest metropolitan area in Arizona. The metropolitan area includes the incorporated communities of South Tucson, Oro Valley, Marana, and Sahuarita, plus the surrounding unincorporated areas of Pima County.

Population

Mid-year 2018 population in metro Tucson is projected at 1,032,900, which reflects a 0.7% increase over the prior year. The same growth rate is projected for 2019 and 2020, with a slightly higher growth of 0.8% per year projected for 2021 and 2022.

Metropolitan Tucson Population Forecasts

	2017	2018	2019	2020	2021	2022
Population (000s, mid-year)	1,026.1	1,032.9	1,039.8	1,047.0	1,055.7	1,064.6
Change (000s)	8.6	6.8	6.9	7.2	8.7	8.9
% Change	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%

Source: Arizona's Economy May 2018, Eller College of Management, The University of Arizona

Esri estimated a 2017 population of 1,029,203 for the Tucson MSA and projects an increase to 1,066,763 by 2022. This results in an overage annual increase of 7,500 residents per year. They further project an increase of about 13,400 households over this period, or an average of just under 2,700 households per year. Tucson has a projected 2017 average household size of 2.48 persons.

Employment

The regional economy is primarily driven by tax-supported entities, including military bases, the University of Arizona, state and local governments, and the school districts. Most of these sectors have posted moderate levels of growth over the past decade. The military, which includes the U.S. Army Intelligence Center at Fort Huachuca in Sierra Vista (80 miles southeast of Tucson) and Davis Monthan Air Force Base in Tucson, employs nearly 15,000 in Southern Arizona. Raytheon Missile Systems, a defense contractor, is the largest private employer in the area and has maintained relatively stable employment over the past 20+ years. The government budget cuts for defense spending may affect employment in the military and defense related industries over the foreseeable future although the sector has been fairly stable over the past several years.

Top 10 Southern Arizona Employers

Name	Full Time Jobs	Change Past Year	Industry
University of Arizona	11,251	16	Education
Raytheon Missile Systems	9,600	0	Manufacturing
State of Arizona	8,580	56	Government
Davis-Monthan Air Force Base	8,406	71	Military
Pima County	7,060	37	Government
Tucson Unified School District	6,770	-364	Education
Banner-University Medical Center	6,272	-270	Health Care
U.S. Customs and Border Protection	5,739	N/A	Government
Freeport-McMoRan, Inc.	5,530	-270	Mining
Walmart	5,500	100	Retail

Source: Arizona Daily Star 4/24/2016

Davis Monthan Air Force Base's total economic impact in 2016 was estimated at \$2.6 billion. Employment was 16,679, including all contractors with 6,460 indirect jobs created according to statistics from Davis Monthan Air Force Base. There are 19,321 military retirees with annual retirement pay of \$513.6 million. Davis Monthan Air Force Base has annual expenditures totaling approximately \$428 million.

There have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Raytheon Missile Systems, Tucson's largest private employer, is in the process of planning a major expansion that would add over 1,900 new high-paying jobs. Caterpillar recently announced that it is bringing its regional headquarters for its Surface Mining and Technology Division to Tucson and will provide more than 600 new high paying jobs over the next five years. They will initially locate in an existing building in Downtown Tucson while their new facility is being constructed just to the west of downtown. HomeGoods has completed construction of an 800,000 square foot distribution center near the Tucson International Airport and will reportedly employ up to 900. Comcast recently located a call center into a newly renovated facility near the Tucson Mall that will employ up to 1,100 positions. Banner-University is building a new \$400 million addition to their existing facility near the University of Arizona campus and a new AC Hotel by Marriott is under construction in downtown. Pima County has completed a deal (although there is litigation pending) that will bring World View Enterprises to the Airport area where they would operate Spaceport Tucson, a high altitude balloon launch site for near-space tourism and research. Afni and Alorica both announced in early 2017 that they will be hiring for 280 and 200 position at their local call centers in the coming year.

Employment by industry for the MSA is as follows.

Metropolitan Tucson Nonfarm Employment

Year Ending	2013		2014		2015		2016		2017	
Sector	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total
Natural Resources & Mining	2.3	0.6%	2.3	0.6%	2.0	0.6%	1.6	0.4%	1.7	0.5%
Construction	15.1	4.2%	14.5	4.0%	14.9	4.1%	14.8	4.1%	16.4	4.6%
Manufacturing	22.6	6.3%	22.5	6.3%	22.9	6.4%	23.4	6.5%	24.6	6.8%
Trade, Transp. & Utilities	62.6	17.4%	63.3	17.6%	62.8	17.4%	61.4	17.1%	62.4	17.3%
Information	4.5	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.4%	5.3	1.5%
Financial Activities	17.7	4.9%	17.8	4.9%	17.2	4.8%	17.4	4.8%	17.8	4.9%
Professional & Business Svcs	50.6	14.1%	51.7	14.4%	51.6	14.3%	50.0	13.9%	52.2	14.5%
Education & Health Services	62.6	17.4%	62.7	17.4%	64.2	17.8%	65.4	18.2%	65.6	18.2%
Leisure & Hospitality	40.3	11.2%	42.1	11.7%	43.1	12.0%	46.0	12.8%	45.5	12.6%
Other Services	12.6	3.5%	14.5	4.0%	14.5	4.0%	15.1	4.2%	13.0	3.6%
Government	79.7	22.1%	79.1	22.0%	80.1	22.3%	79.2	22.0%	80.9	22.5%
TOTAL NONFARM	370.6	100%	375.0	100%	378.1	100%	379.3	100%	385.4	100%

Source: Arizona Office of Employment and Population Statistics * (000s) Year-end figures, non-seasonally adjusted

Unemployment

The unemployment rate increased dramatically over 2009 and 2010 as a result of the Great Recession, but has declined every year since 2010. Unemployment rates in Tucson were historically below the national and state averages, as dependence on governmental and tax-supported employment had historically insulated the region from national recessionary trends; however, the metro area's unemployment rate has more recently been similar to the national rate.

Average Unemployment Rate

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
National	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%
Arizona	3.9%	6.2%	9.9%	10.4%	9.5%	8.3%	7.7%	6.8%	6.1%	5.4%	4.9%
Metro Tucson	3.7%	5.8%	9.1%	9.3%	8.5%	7.4%	6.8%	6.0%	5.5%	5.0%	4.5%

Source: Arizona Office of Employment and Population Statistics & Bureau of Labor Statistics

Notes: Not seasonally adjusted.

Economic Forecasts

The projections summarized below suggest modest, yet stronger economic growth from 2018 through 2020 with a slight decreases in growth rates in 2021 and 2022. The forecast suggests that number of jobs lost in the Great Recession will be recaptured some time in 2018. Projected growth will remain well below the growth experienced in prior recoveries.

Metropolitan Tucson Economic Forecasts

Category	2017	2018	2019	2020	2021	2022
Personal Income (\$mill)	\$41,515.3	\$43,223.0	\$45,287.7	\$47,603.8	\$49,931.8	\$52,250.7
% Change	3.3%	4.1%	4.8%	5.1%	4.9%	4.6%
Retail Sales (\$mill)	\$13,650.1	\$14,080.8	\$14,442.7	\$15,026.6	\$15,457.1	\$15,864.0
% Change	4.5%	3.2%	2.6%	4.0%	2.9%	2.6%
Employment (non-farm,000s)	377.2	382.7	388.7	394.3	398.7	402.3
Change (000s)	3.8	5.5	6.0	5.6	4.4	3.6
% Change	1.0%	1.5%	1.6%	1.4%	1.1%	0.9%
Residential Permits	2,862.4	3,082.4	3,151.1	3,349.4	3,606.2	3,635.6
% Change	16.1%	7.7%	2.2%	6.3%	7.7%	0.8%

Source: Arizona's Economy May 2018, Eller College of Management, The University of Arizona

Commercial Real Estate

The retail, office and industrial sectors have all significantly recovered since the Great Recession; however, the office sector still remains somewhat challenged with respect to non-Class A properties, particularly those with secondary or marginal locations. Class A office sub-sector is fairly strong but is limited in scale relative to the overall office sector, which is impacted by significant aging inventory. Retail development has been on-going at prime locations while most significant vacancies are associated with secondary locations or older, dysfunctional spaces. Essentially all new industrial development over the recent past has been user-driven and there is minimal investor demand for new speculative industrial construction.

Metro Tucson Commercial Sectors - 2018

Sector	No. Buildings	Total Sq. Ft.	YTD Deliveries	Under Construction	Vacancy	YTD Absorption	Average Quoted Rent
Industrial	2,566	422,551,169	300,181	242,734	6.6%	359,441	\$6.48
Office	2,543	26,341,465	81,000	462,135	8.4%	146,447	\$18.83
Retail	5,378	53,226,712	251,110	251,611	5.6%	344,905	\$14.70

Source: CoStar: 2nd Quarter 2018

Residential Real Estate

The Tucson MSA housing market is in a slow sustained recovery that commenced in 2012. Sale velocity has been within a consistent range from 10,300 to 11,500 sales per year since 2011. Based on the average sales velocity over the past five years, there is currently a little over three months of supply on the market. The low supply is due to limited new construction, a decrease in REO sales, and an inability of some homeowners to sell due to a lack of equity. The average single-family sale price increased by nearly 14% during 2016 and by 8% during 2017; however, average single-family pricing is still 5.5% below the historic high reached in 2007. Real estate agents are reporting shorter marketing times, which is caused by a limited supply and gradual increase in demand. Investors made up a larger percentage of the total sales from 2011 to 2013; however, investor purchases have since slowed for the most part. The housing market is currently considered to be in balance with respect to supply and demand. The recent trends are summarized below.

Tucson Single-Family Market

Year	# Sales	Avg. SF	Avg. Sale Price	% Change	Avg. Price/SF	% Change	DOM
2007	10,164	1,688	\$264,122	1.30%	\$156.47	-2.60%	101
2008	8,383	1,727	\$233,696	-11.52%	\$135.32	-13.52%	155
2009	9,286	1,724	\$192,314	-17.71%	\$111.55	-17.56%	148
2010	9,329	1,731	\$180,091	-6.36%	\$104.04	-6.73%	140
2011	10,702	1,723	\$156,611	-13.04%	\$90.89	-12.63%	103
2012	11,245	1,752	\$167,787	7.14%	\$95.77	5.36%	70
2013	11,502	1,750	\$184,523	9.97%	\$105.44	10.10%	63
2014	10,616	1,771	\$196,987	6.75%	\$111.23	5.49%	76
2015	11,479	1,775	\$202,485	2.79%	\$107.93	-2.97%	79
2016	10,328	1,881	\$230,616	13.89%	\$122.60	13.59%	65
2017	10,431	1,889	\$249,489	8.18%	\$128.19	4.56%	54

source: Tucson MLS

Tucson's multifamily sector has demonstrated stable performance over the past several years with larger 40-plus unit apartment projects averaging about 94% occupancy over 2017 and through the first half of 2018. There was a limited amount of new multifamily construction from 2007 to 2010 but a new development cycle ramped up during 2011 and 2012 and over 5,500 units have been constructed since 2010. Approximately 700 units were under construction mid-year 2018. The vast majority of new construction has been in the Class A luxury and student housing sectors. The Class A sector had been underserved for the past 20 or more years and new Class A projects have generally been experiencing strong market acceptance. Rental rates remain fairly modest, averaging about

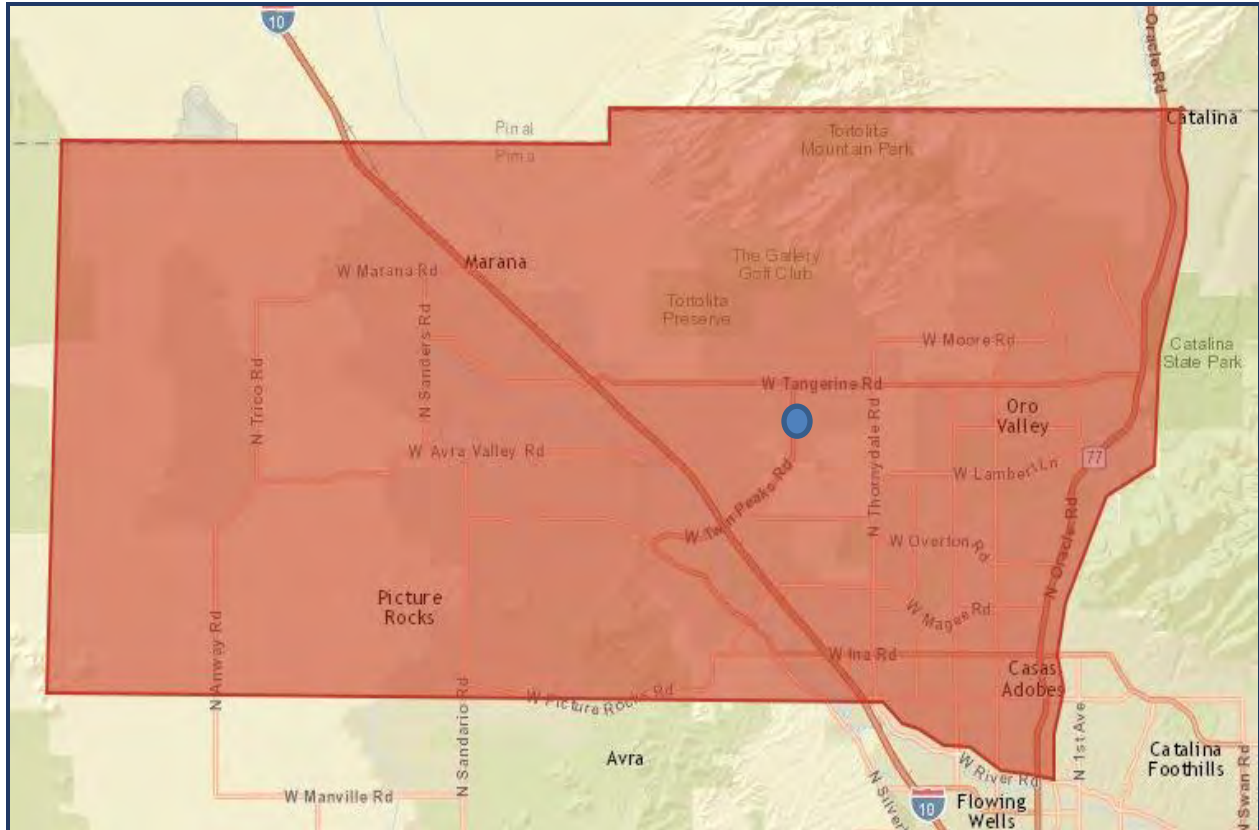
\$1.01 per square foot overall and about \$1.26 per square foot for new conventional projects currently in lease-up. Tucson's modest economic growth over the recent past kept downward pressure on rents; however, concessions have continued to trend downward and average gross rents increased by almost 5% over 2016 and by 6% over 2017. Given the limited amount of construction currently scheduled, Tucson's apartment market should continue to improve over the near term.

Conclusions

Economic projections for metro Tucson suggested that the population increased by about 6,800, or 0.7% from mid-2017 to mid-2018, and that annual gains of 0.7% to 0.8% are forecast through 2022. Employment growth was projected at 1.1% over 2017 but is forecast to increase to 1.5% over 2018 and 1.6% over 2019, followed by reduced growth of only 1.1% for 2021 and 0.9% for 2022. While these annual growth rates are well below those experienced during prior recoveries, the overall economic climate in Tucson has improved significantly over the past several years and there have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Economists from the University of Arizona predict a full recovery of jobs lost during the Great Recession during 2018. These factors positively impact the residential and commercial real estate sectors and there is essentially no speculative development occurring so the risk of overbuilding is considered to be minimal in the current market environment. With the exception of office, most real estate sectors are demonstrating fairly balanced supply and demand characteristics and the office market has also been continuing to show improvement over the past several years. Significant vacancies in most sectors are at least partially the result of older, dysfunctional space as opposed to limited demand.

City and Neighborhood Analysis

NORTHWEST NEIGHBORHOOD MAP



Boundaries: Pinal County boundary (north), Catalina State Park / Oracle Road – State Route 77 (east), River Road / Picture Rocks Road alignment (south), Ironwood National Monument (west).

Source: STDB

Neighborhood Trends

Interstate 10 runs diagonally through the middle of the Northwest Neighborhood, although development is sparse north of Twin Peaks Road. The I-10 corridor is within the Town of Marana, which has plans for several new freeway interchanges over the next 10-20 years. Running along the northeast side of I-10 is the Union Pacific Railroad, with at grade tracks that limit access on the east side of I-10 during train crossings. I-10 is an important connection, providing access from and through Tucson to Phoenix, San Diego and Los Angeles. The other major highway in this neighborhood is State Route 77, known as Oracle Road within the Tucson metro area. This is one of the busiest arterials in Tucson, linking the community of Oro Valley with the rest of Tucson. Commercial and multifamily uses are frequent along Oracle Road.

Residential development is active in Northwest Tucson. The unincorporated Casas Adobes district, closest to central Tucson, has homes primarily dating from the 1940s through 1980s and is largely built out. The Town of Oro Valley, incorporated in 1974 and located in the northeast portion of the neighborhood, is in the middle of its build out phase, with significant land still available in Rancho Vistoso and west of La Cholla Boulevard. But greatest potential for growth lies in the Town of

Marana, which straddles I-10, and which is expected to have significant development over the coming decades, as former farmland is converted to residential use.

The neighborhood includes some of the newest and largest retail projects in the metro area. These include the Walmart/Kohl's-anchored Arizona Pavilions, at I-10 and Cortaro Road and the Walmart/Best Buy-anchored Oro Valley Marketplace at the southwest corner of Oracle Road and Tangerine Road. Tucson Premium Outlets opened in October of 2015 and comprises about 365,000 square feet of retail space near Twin Peaks Road and I-10. Retailers include Aldo, Asics, Banana Republic Factory Store, Calvin Klein, Carter's, Converse, Express Outlet, Gap Outlet, Godiva, Helzberg Diamonds, Nike, Old Navy, Skechers, Starbucks, Tilly's, Tommy Hilfiger and Vans Outlet. The Foothills Mall, at Ina Road and La Cholla Boulevard, opened as an upscale mall, was re-purposed as an outlet mall in the mid-1990s and currently appears to be struggling to remain viable. There are also numerous convenience retail locations along Oracle Road and Ina Road.

Older generation office buildings are found along Oracle Road and Ina Road. Single-story for-sale office parks were developed in the 1990s and 2000s at locations on Oracle Road, Ina Road and La Cholla Boulevard. Although office development has slowed across Tucson, the Northwest Neighborhood has a major active project in Oro Valley on Tangerine Road known as Innovation Park. Medical office users tend to cluster near the neighborhood's hospitals at Orange Grove Road and La Cholla Boulevard, and Tangerine Road just west of Oracle Road. Concentrations of industrial uses in the neighborhood include high-tech facilities in Oro Valley (Ventana Medical Systems (Roche), Sanofi, Meggitt Securaplane, and Honeywell) and more traditional industrial users and distribution facilities along I-10. The Town of Marana built a new clinic in the middle of its master-planned Town Center, but this remains a pioneering location at the northwest quadrant of the neighborhood.

Overall, Northwest Tucson is likely under 25% built out overall, although it varies from around 100% in Casas Adobes to under 5% in the northern and western quadrants. Demographics tabulated on the following page reflect this in higher population and household growth rates, combined with high rates of home ownership and above average incomes and home values.

Neighborhood Demographic Profile

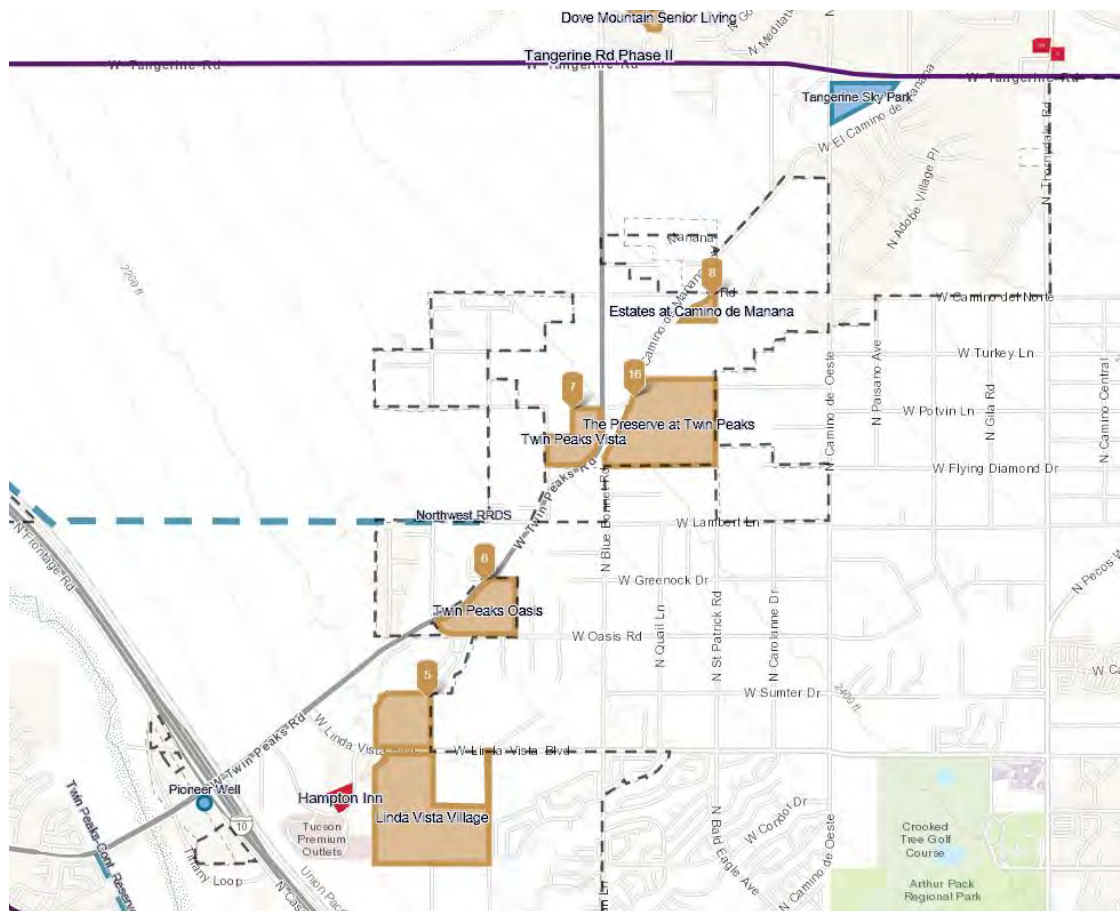
Population	Neighborhood	Tucson MSA
2010 Census	164,226	980,263
2018 Estimate	182,632	1,039,768
2023 Projection	194,490	1,082,583
Gross Population Change		
2010 - 2018	11.2%	6.1%
2018 - 2023	6.5%	4.1%
Average Annual Population Change		
2010 - 2018	1.4%	0.8%
2018 - 2023	1.3%	0.8%
Median Age (2018)	44.7	39.0
Households		
2018 Estimate	73,875	410,290
2023 Projection	78,652	426,743
Avg. New HH/Year 2018-2023	955	3,291
2018 - 2023 % Change	6.5%	4.0%
Avg. Annual Change 2018 - 2023	1.3%	0.8%
Average Household Size (2018)	2.45	2.47
Daytime Population (2018)		
Total	159,212	1,032,351
Workers	61,352	449,415
Residents	97,860	582,936
Income (2018)		
Average HH Income	\$90,681	\$71,176
Median HH Income	\$69,006	\$51,163
Per Capita Income	\$36,868	\$28,531
Household Income		
\$0 - \$15,000	7.0%	14.0%
\$15,000 - \$24,999	6.9%	10.4%
\$25,000 - \$34,999	7.4%	10.2%
\$35,000 - \$49,999	12.5%	14.1%
\$50,000 - \$74,999	19.7%	18.4%
\$75,000 - \$99,999	15.3%	12.1%
\$100,000 - \$149,999	17.9%	12.0%
\$150,000 - \$199,999	6.6%	4.4%
\$200,000 +	6.8%	4.5%
Housing (2018)		
% Owner Occupied	66.1%	55.5%
% Renter Occupied	24.6%	32.8%
% Vacant	9.3%	11.8%
Median Home Value	\$248,543	\$207,185

Source: U.S. Bureau of the Census, 2010 Census of Population and Housing. ESRI forecasts for 2018 and 2023

Immediate Vicinity

The immediate vicinity is generally characterized by vacant land and unsubdivided single family homes on acre+ lots to the south along Twin Peaks with low density single family development to the north in the Dove Mountain development. Commercial parcels are located at main intersection corners. Development in the area has historically been hindered by inferior access to major transportation linkages and a lack of wet utilities. Within the past decade, an interchange at I-10 and Twin Peaks Road was completed, with road widening and expansion of Twin Peaks Road north to Dove Mountain. The Twin Peaks Road (formerly Camino De Mañana) project included the realignment and reconstruction of 3.3-miles of a two-lane roadway to a four-lane divided roadway on the east side of Interstate-10 (I-10), connecting the Twin Peaks Interchange to Tangerine Road at Dove Mountain Boulevard. Improvements included a raised median, bicycle lanes, concrete curbs, sidewalk, multi-use path, drainage improvements, low-maintenance landscaping, and irrigation. Current projects are now underway to extend municipal sewer and water lines up this arterial, which are prompting more significant development proposals. Current single family projects within the planning stages along or near the Twin Peaks alignment are presented below. The majority of these projects are contingent upon wet utility extension to the area. Commercial development typically follows housing.

CURRENT PROJECTS IN DEVELOPMENT STAGES

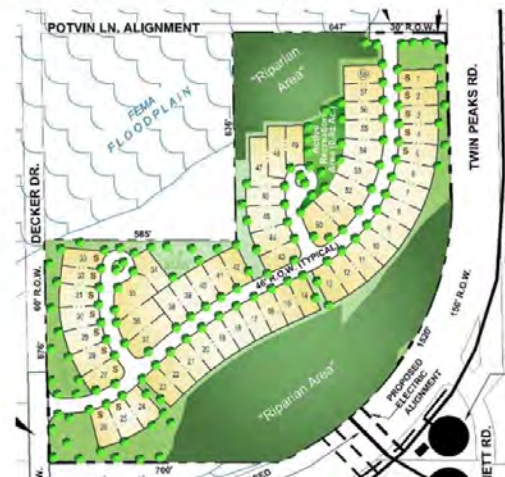


16 The Preserve at Twin Peaks Preliminary Plat



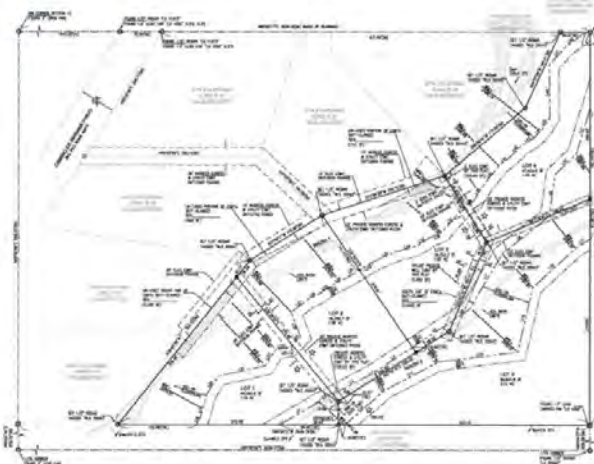
A residential subdivision located on the east side of Twin Peaks Road at Camino de Manana.
Size: 195 lots on 100 acres
Applicant: Joel Abrams
Status: Approved; awaiting final plat submittal

7 Twin Peaks Vista Preliminary Plat



A single-family residential subdivision with private streets located west of Twin Peaks Rd at Camino de Manana.
Size: 58 lots on 24 acres
Applicant: Neter Enterprises, LLC
Status: Waiting for 2nd submittal

8 The Estates at Camino de Manana Final Plat



A subdivision located southeast of Camino de Manana and south of Desert Falcon Ln.
Size: 5 lots / 6.59 acres
Applicant: Dynamic Civil Designs LLC
Status: Waiting for 2nd submittal

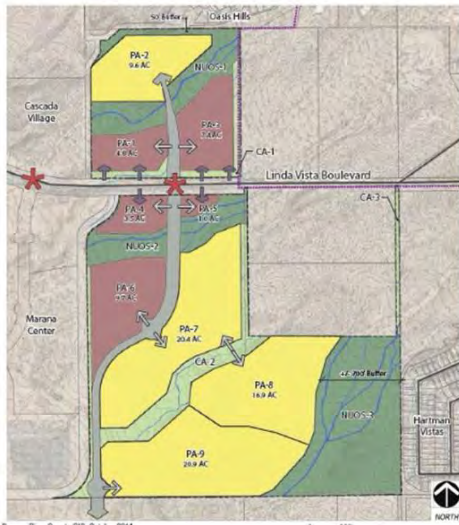
6 Desert Oasis at Twin Peaks Final Plat



A single-family residential subdivision located on the east side of Twin Peaks Road, north of Oasis Rd.
Size: 74 lots on 36.8 acres
Applicant: Mattamy Homes
Status: Waiting for 3rd submittal

CONCEPTUAL LAND USE PLAN

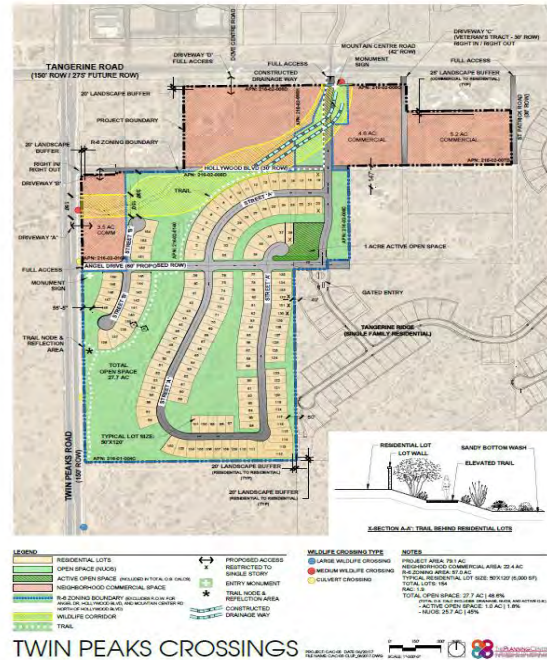
5 Linda Vista Village Preliminary Block Plat



A mixed use development located east of Twin Peaks Rd on Linda Vista Blvd.

Size: 263 residential lots plus 7 blocks with commercial & residential uses on 196 acres

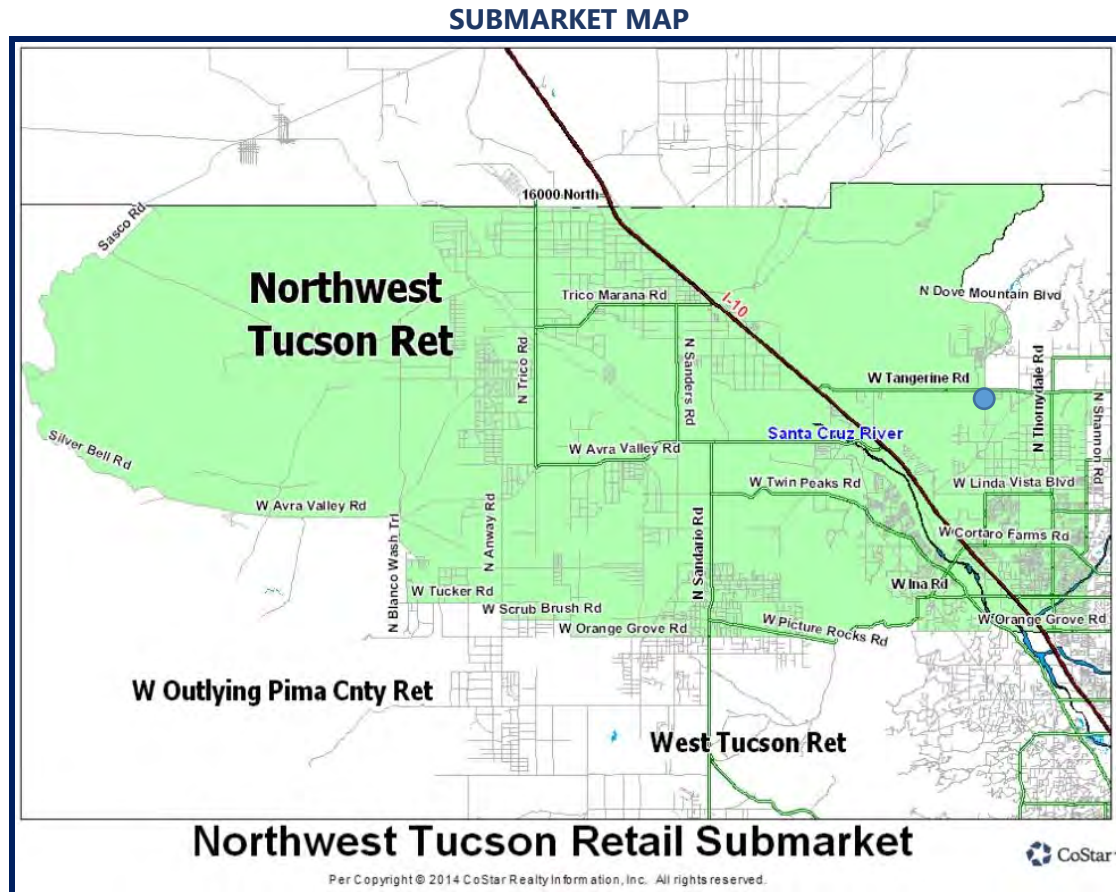
Applicant: Red Point Development



Market Analysis

Property Type

The subject is commercially zoned vacant land. Retail data from Metro Tucson and the submarket is analyzed to determine overall market conditions that influence the subject property.



Overview

The subject's market area is defined as Metro Tucson and the submarket is defined as Northwest Tucson. The general boundaries are: the Pima/Pinal County line to the north, Shannon Road to the east, Orange Grove, Avra Valley, and Silverbell Roads to the south, and Ironwood Forest National Monument to the west. The subject is located within the southeast portion of the defined submarket.

Definition of Product and Market Segmentation

In the following paragraphs, the competitive qualities of the subject and the market segment in which it competes are described.

Market Data Tables

Tables for the Metro Tucson Retail and the Northwest Tucson Retail Submarket are presented below. The data is from Costar.

Location of Competition

The subject competes with retail buildings in the western portion of Metro Tucson.

Supply and Demand Trends

Using Costar, the market area was researched to determine real estate trends within the market area. This information is presented as follows:

Metro Tucson Retail Market

Period	Leaseable Sq. Ft.	Change in Inventory	Vacancy Rate	Vacant Sq. Ft.	Avail. Rate	Net Absorption	Sq. Ft. Delivered	Quoted Rates (NNN)
Annual Trend								
2007	47,753,072	963,503	4.2%	2,014,636	5.1%	688,991	963,503	\$20.65
2008	49,641,548	1,888,476	5.9%	2,924,672	6.5%	978,440	1,895,130	\$18.44
2009	50,114,145	472,597	8.0%	4,009,516	8.1%	-612,247	498,713	\$17.07
2010	50,426,565	312,420	8.4%	4,227,389	9.5%	94,547	348,890	\$15.05
2011	50,898,296	471,731	8.2%	4,154,745	8.5%	544,375	483,522	\$14.53
2012	50,975,443	77,147	7.3%	3,728,683	7.9%	503,209	389,079	\$14.74
2013	51,557,057	581,614	6.6%	3,379,585	7.7%	930,712	625,416	\$14.28
2014	51,884,914	327,857	6.5%	3,377,267	7.6%	330,175	372,812	\$14.28
2015	52,229,630	344,716	6.2%	3,240,129	7.7%	481,854	638,351	\$14.64
2016	52,614,674	385,044	6.1%	3,221,331	7.3%	403,842	425,210	\$14.82
2017	53,005,209	390,535	5.8%	3,084,017	7.4%	527,849	394,495	\$14.89
Quarterly Trend								
2016 Q3	52,450,057	31,529	5.9%	3,082,413	7.1%	133,379	36,229	\$14.77
2016 Q4	52,614,674	164,617	6.1%	3,221,331	7.3%	25,699	194,532	\$14.82
2017 Q1	52,771,636	156,962	6.2%	3,251,488	7.5%	126,805	156,962	\$14.81
2017 Q2	52,851,865	80,229	6.2%	3,284,427	7.7%	47,290	80,229	\$14.97
2017 Q3	52,937,020	85,155	6.0%	3,168,022	7.6%	201,560	85,155	\$15.20
2017 Q4	53,005,209	68,189	5.8%	3,084,017	7.4%	152,194	72,149	\$14.89
2018 Q1	53,142,873	137,664	5.6%	2,966,401	7.6%	255,280	151,410	\$15.06
2018 Q2	53,232,397	89,524	5.6%	2,955,370	7.3%	100,555	107,380	\$14.74
8 Quarter Average			5.9%	3,126,684	7.4%	130,345	110,506	\$14.91
4 Quarter Average			5.8%	3,043,453	7.5%	177,397	104,024	\$14.97

Source: CoStar Group - Note: includes leasable and owner-occupied space

Inventory of Existing Space

There are 5,383 retail buildings in Metro Tucson with 53,232,397 square feet or 9,889 square feet per building. Inventory levels in Metro Tucson have increased by 7.23% since 2008, although growth rates have slowed since then.

The submarket has 275 retail buildings with 4,214,036 square feet or 15,324 square feet per building. The submarket makes up 8.0% of the metro inventory. Inventory levels in the submarket have increased by 22.65% since 2008, which is well above the metro average; however, the increase is relative to the modest retail inventory in the submarket.

Northwest Tucson Retail Submarket

Period	Leaseable Sq. Ft.	Change in Inventory	Vacancy Rate	Vacant Sq. Ft.	Avail. Rate	Net Absorption	Sq. Ft. Delivered	Quoted Rates (NNN)
Annual Trend								
2007	3,350,913	264,703	4.6%	152,777	4.4%	219,835	264,703	\$32.00
2008	3,435,718	84,805	4.7%	160,797	6.0%	76,785	84,805	\$18.91
2009	3,453,175	17,457	4.3%	149,179	5.7%	29,075	17,457	\$19.06
2010	3,520,596	67,421	6.1%	214,921	7.6%	1,679	67,421	\$17.13
2011	3,529,624	9,028	6.9%	244,592	7.7%	-20,643	9,028	\$15.64
2012	3,599,498	69,874	7.6%	272,759	9.0%	41,707	69,874	\$15.23
2013	3,599,498	0	6.2%	223,920	6.9%	48,839	0	\$14.93
2014	3,659,864	60,366	7.4%	272,201	7.4%	12,085	60,366	\$15.70
2015	4,024,517	364,653	5.5%	220,869	6.9%	415,985	364,653	\$16.12
2016	4,024,517	0	5.0%	201,722	6.0%	19,147	0	\$16.00
2017	4,129,536	105,019	5.2%	216,582	8.1%	90,159	105,019	\$15.84
Quarterly Trend								
2016 Q3	4,024,517	0	4.9%	197,075	5.9%	15,602	0	\$16.26
2016 Q4	4,024,517	0	5.0%	201,722	6.0%	-4,647	0	\$16.00
2017 Q1	4,105,534	81,017	6.9%	281,467	7.9%	1,272	81,017	\$16.33
2017 Q2	4,105,534	0	7.5%	309,526	11.7%	-28,059	0	\$15.81
2017 Q3	4,105,534	0	5.2%	212,653	9.5%	96,873	0	\$16.31
2017 Q4	4,129,536	24,002	5.2%	216,582	8.1%	20,073	24,002	\$15.84
2018 Q1	4,129,536	0	5.1%	210,558	8.4%	6,024	0	\$16.05
2018 Q2	4,214,036	84,500	4.8%	202,690	5.9%	92,368	84,500	\$16.78
8 Quarter Average			5.6%	229,034	7.9%	24,938	23,690	\$16.17
4 Quarter Average			5.1%	210,621	8.0%	53,835	27,126	\$16.25

Source: CoStar Group - Note: includes leasable and owner-occupied space

Barriers to Entry

New construction was limited from 2007 to 2011 due to the downturn in the overall economy. Financing was difficult to secure for new development as financial institutions increased their requirements and limited the supply of funds. Additionally, the significant decreases in value from 2007 to 2011 did not make it financially feasible for speculative development. The improvement in the overall economy has resulted in an increase in new construction, although it is primarily for owner-user and credit tenant properties. The limited traffic in the immediate area will likely limit speculative retail development in the submarket.

New or Proposed Construction

New construction in the retail market has totaled 416,094 square feet over the past four quarters or 104,024 square feet per quarter. A total of 884,046 square feet were delivered in the last eight quarters or an average of 110,506 square feet per quarter. There are 251,611 square feet currently under construction in the Metro Tucson retail market, which represents about 0.5% of the total inventory. Most of the new construction has been in the north/northwest and, to a lesser extent, central portions of Metro Tucson.

The submarket inventory increased 108,502 square feet over the past four quarters or 27,126 square feet per quarter. A total of 189,519 square feet were delivered in the last eight quarters, an average of 23,690 square feet per quarter. This was mostly due to the Simon Properties Tucson Premium Outlets center at I-10 and Twin Peaks Road. There are 6,000 square feet currently under construction in the submarket, which represents 0.15% of the submarket inventory.

Occupancy / Frictional Vacancy

Vacancy rates in the Metro Tucson retail market steadily increased from 2006 to 2011, and have slowly declined since. The average vacancy rate over the past 8 quarters was 5.9%, similar to the average vacancy of 5.8% over the past 4 quarters. The market is in a state of equilibrium once obsolete is excluded.

The submarket vacancy increased through 2012, and has vacillated since, generally declining. Delivery of new space bumped vacancy up in the Q1 2017 due to the relatively small inventory. The average vacancy rate over the last 8 quarter was 5.6%, compared to 5.1% over the past 4 quarters. The current vacancy rate in the submarket of 4.8% is below the current metro vacancy of 5.6%.

Absorption Trends

Absorption in Metro Tucson has generally been positive since 2010. Absorption has averaged 130,345 square feet per quarter over the past 8 quarters. Average quarterly absorption over the past 4 quarters was 177,397 square feet.

Absorption in the submarket has followed the trend of the overall market and has been generally positive since 2012. Absorption averaged 24,938 square feet per quarter over the past 8 quarters compared to 53,835 square feet per quarter over the last year.

Range and Average of Rental Rates

Rental rates in the Metro Tucson retail market peaked at \$20.95 per square foot in 2007. The current average quoted rent is \$14.74 per square foot, about 30% below the historical high. Rental rates quoted for vacant space have generally been stagnant over the past few years.

Rental rates in the submarket peaked in 2007 at \$32.00 per square foot, declined through 2013, and have vacillated over the last two years generally remaining level. The submarket has historically had higher rental rates than Metro Tucson. The current quoted rental rate in the submarket is \$16.78 per square foot, approximately 12.2% above the current metro rate.

Typical Lease Terms

Leases for retail uses depends on a variety of factors and could include terms that range from month-to-month to 50 years; however, most leases range from three to 20 years. The lease types in the retail sector can be gross, modified gross, and triple net, although most tend to be triple net. Concessions increased during the downturn in the market and were prevalent from 2009 to 2012. Concessions are still being offered in the current market; however, the improvement in the overall retail market has reduced the amount of concessions. Tenant improvement allowances depend on the condition of the space, type of user, and lease rate. Uses that are in shell condition often include a tenant improvement allowance of \$30 to \$50 per square foot, while good quality built-out space will often include minimal tenant improvements. The lease rate and term will often dictate the amount of tenant improvements offered. Some landlords will offer a lower rental rate with minimal or no tenant improvements. Conversely, a higher tenant improvement allowance will often result in a higher rental rate.

Growth Factors (Employment, Population, Income, Households)

Growth factors were previously discussed. The growth rates suggest that there will be continued demand for housing in Metro Tucson and, the subject's neighborhood, which should spur demand for retail uses. Economic forecasts presented in the Regional and Market Area Analysis report personal income is projected to steadily grow by 4.5% to 5.0% annually through 2021, employment is projected to grow by 1.0% to 1.4% annually through 2021, and retail sales are projected to grow by 1.9% to 4.4% through 2021. These growth rates should positively influence the commercial real estate markets, especially the retail market.

Conclusions

The overall retail market peaked in 2006 and 2007, trended downward from 2008 to 2011, and has been in a sustained recovery since 2012. The improvement in the overall market, specifically vacancy rates, has shifted the market from oversupplied to a state of equilibrium. A new development cycle appears to be in the early stages with the improvement in overall economic conditions. While population and overall economic growth are expected be modest over 2018, increasing rates of growth are projected for the following years, which should drive retail spending and create demand for existing and proposed retail uses. The continued improvement in the economy should result in an increase in rental rates, although this is likely to vary greatly by location, with prime nodes experiencing most of the increases.

The submarket has generally followed the overall trends in the retail market. The subject's submarket has seen above average growth compared to the metro average. Improving overall market

conditions are reflected by new retail development in the path of growth, below average vacancy rates, and stable to increasing rents. Demand for retail space in the submarket should remain consistent due to projected household growth numbers. Rental rates in the submarket should gradually improve now that the market is in a state of equilibrium.



The following description of the subject larger parcel is based on our appraisal inspection of the subject, assessor records, and information provided by the client, owner, and/or broker.

SECTION 01, TOWNSHIP 12 SOUTH, RANGE 12 EAST

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AERIAL

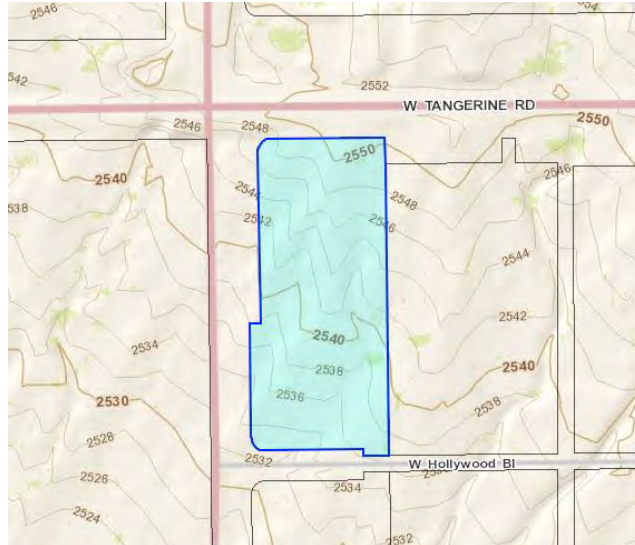


Adjacent Land Uses

North:	Tangerine Road followed by commercial retail development
South:	Vacant land
East:	Single family residences on acreage
West:	Vacant publicly owned land

Physical Characteristics

Site Area:	149,846 gross square feet, or 3.44 acres per the Pima County Assessor which is relied upon.
Shape:	Generally rectangular, functional
Topography:	The lot is generally level and 0 to 3 feet below street grade with a slight upward slope to the north. There is indigenous vegetation on the site including cactus, shrubs, trees and grasses.



Parcel Location: The parcel is located at the 5311 West Twin Peaks Road in Marana, Pima County, Arizona

Access

Street Name:

Twin Peaks Road

Street Type:

4-lane median divided arterial with bike lanes, sidewalks along the east side of the road and a paved pedestrian walkway along the west side of the road. There is a median break and turn lane at the subject property.

At Signalized Intersection:

Yes

Other

The site also has frontage and access from Tangerine Road, a median divided four-lane arterial which widens to six lanes at the intersection with Twin Peaks to accommodate a left turn lane and a right deceleration lane for westbound travelers.

Finally, the site is accessible from the south along Hollywood Blvd, a narrow paved neighborhood street which is not improved east of the subject.

Overall Exposure:

Above average. The lot has above average exposure from its corner location at the signalized intersection of two arterials.

Site Improvements

Utilities:

Electric: Trico Electric

Telecomm: Century Link

Natural Gas: Southwest Gas

Sewer: None; The appraisal is performed under the hypothetical condition that no project influence is present. The nearest existing sewer lines for extension from Pima County are located roughly 3 miles to the south of the subject. Sewer lines and a lift station are present in the nearby Tangerine Ridge development, approximately 2,300 linear feet east of the subject. Based on initial conversations with Pulte Homes representative, Sam Mills,

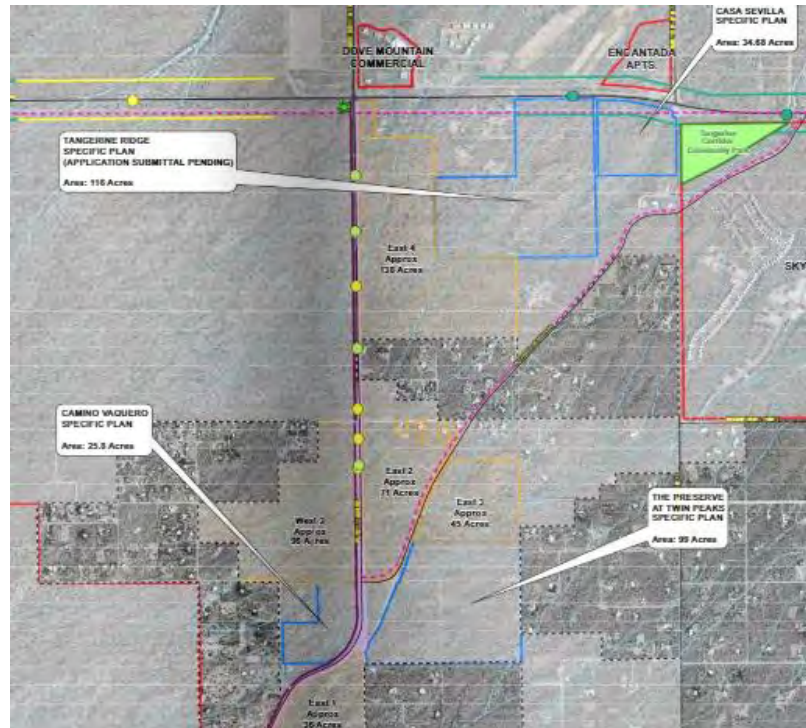
it was reported that at the time of development of Tangerine Ridge, Pulte installed their own lift station and line capacity to extend sewer to future residential properties to the west for development. The extension and capacity specifically considered the 80 acres of residential land to the south of the subject owned by Redwing Investments, Mr. Kapson, and Mr. Cramer. It neither included nor excluded the subject property for potential sewer extension possibilities. Infrastructure cost sharing estimates for the residential parcels were about \$6,500/acre. I attempted to contact Sam Mills of Pulte Homes through numerous phone calls and emails to ascertain whether or not Pulte Homes would consider line extension to the subject but a response was not received. If extension from Tangerine Ridge was possible, typical line extension costs of \$100 per linear foot would apply plus the infrastructure cost sharing contribution for a total estimated cost of roughly \$252,360 $[(2,300 \text{ LF} \times \$100/\text{LF}) + (\$6500/\text{ac} \times 3.44 \text{ ac})]$. This equates to a rounded estimate of \$75,000/acre. If Pulte Homes would not consider permitting sewer line extension from their development, then attaining sewer capacity for commercial development is not currently financially feasible. A septic system is possible but would greatly limit the intensity of use on the site as well as reduce the developable area due to leach field area requirements. In the second scenario, an investor or developer would assume a large risk for timing and eventual cost of obtaining sewer capacity for development.

Water: None. The subject property is in the Marana Water Service Area. Existing water lines are available within the nearby Tangerine Ridge development. However, this development is serviced by Tucson Water who has since declined to serve any parcel in the area within the Marana jurisdiction that does not comply with their policy. A letter from the City of Tucson Water Department confirming the lack of service potential or water availability is contained within the addenda. I spoke with Scott Schladweiler from the Marana Water Department regarding options for water extension for proposed development in the area. He reported that Marana will not permit a commercial (production) well on the subject site and water must be obtained via line extensions. Mr. Schladweiler noted that the nearest water lines, holding tank, and booster station are located at Twin Peaks and Oasis Road, approximately 2.0 miles south of the subject. There is no money in the Marana infrastructure budget for line extension from Oasis Road to Tangerine Road. Water line extension costs would need to be paid for by area developers and land owners. Preliminary cost estimates were obtained from Marana Water. These costs are in no way finalized but are

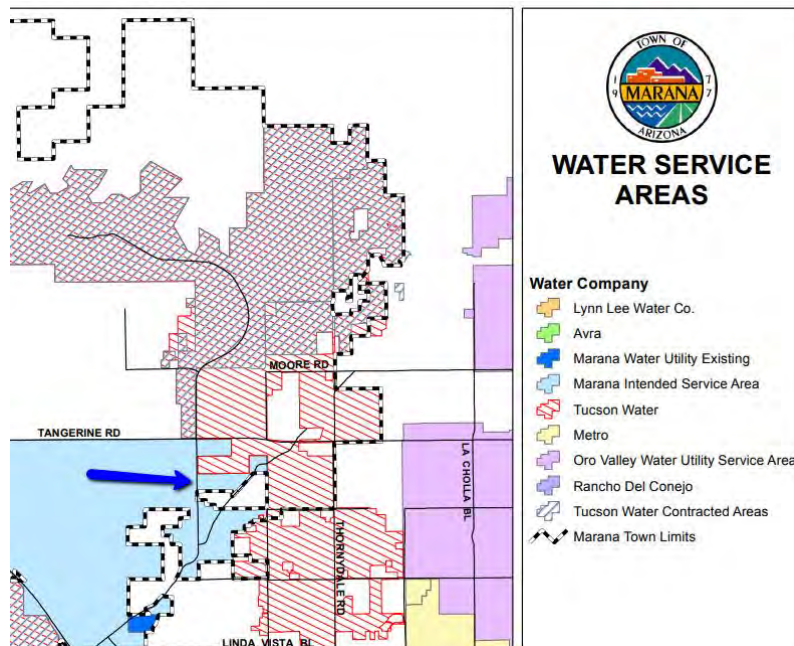
utilized for the purpose of this analysis, lacking a final budget. The land slopes uphill from Oasis Road to Tangerine Road and the project would require a 350K gallon reservoir and 1750 gallon booster station (\$800,000), and 16" water main extension for 2.0 miles (\$1,350,000). Design, survey, and construction management is estimated at 12% of costs, while contingencies are budgeted at 20% of costs. The total budgeted costs for offsite water line extension along the Twin Peaks corridor from Oasis Road to Tangerine Road is approximately \$2,850,000. Given demand for development in the area, it is reasonable to assume a cost sharing agreement could be reached for this project. This was confirmed with broker, Kit Donley, who represents the property owner to the south of the subject. Mr. Donley reported current talks are in progress with at least 5 property owners to investigate this option.

Land available for development is indicated in yellow in the following map. The subject is part of the northernmost 138 acres. This portion would likely be responsible for the costs of the booster station, and reservoir (\$800,000). Mr. Schladweiler noted that the existing booster station and storage tank located at Oasis Rd. was sufficient to service the southern half of the corridor. These parcels would only require costs of the line extension. Applying half of the line extension costs to the northern parcels and half to the southern parcels results in the northern 138 acres of development land incurring about \$675,000 in water main extension costs. The management and contingency costs are also split 50-50 for an estimate of \$350,000 applied to the northern portion. The total estimated costs to the northern 138 acres for a cost sharing water line extension project is \$1,825,000, or \$13,225/acre. The estimated cost is rounded to \$13,500/acre, the nearest \$500.

Item	Est. Cost (rounded to nearest \$50,000)	Amount Applied to Northern Zone
16-in. Water Main Extension approx 2.0 miles	\$1,350,000	\$675,000
350,000 Gal Reservoir	\$300,000	\$300,000
Booster Station, Electrical, Chlorinator, Wall, earthwork	\$500,000	\$500,000
Subtotal	\$2,150,000	\$1,475,000
Design, Survey, Construction Management (12%)	\$250,000	\$125,000
Contingencies (20%)	\$450,000	\$225,000
Total Project Cost	\$2,850,000	\$1,825,000
		÷ 138 Acres
Est. Project Cost Per Acre (rounded to nearest \$500)		\$13,500



WATER SERVICE AREA



Based on the preceding discussion, the total estimated costs for utilities extensions to the subject property, is a minimum of \$88,500 per acre (\$2.00/S.F. rounded). However, these cost estimates are based on unknown and risky assumptions that a cost sharing agreement is reached with area developers for water line extension and that Pulte Homes would permit sewer

line extensions from their Tangerine Ridge development. These risks and uncertainties will be reflected in the valuation of the property.

Item	Est. Cost/Acre
Water Line Extension*	\$13,500
Sewer Line Extension**	\$75,000
Total	\$88,500

*Assumes cost sharing agreement

**Assumes line extension is approved from Pulte Homes

Flood Zone Data

Flood Map Panel:

Flood Zone:

Panel: 04019C1065L dated June 16, 2011

The site is within Zone X, outside the 100-year floodplain.

FEMA MAP



Other Site Conditions

Environmental Issues:

According to the AZDEQ Map, the site is not within a superfund or WQARF designated Area. No environmental conditions were noted upon inspection, but we are not qualified to detect them. The appraisers were not provided with an archaeological study, an environmental site analysis, or a soils report. The appraisal is subject to the extraordinary assumption that the actual data revealed by such studies would not materially impact the opinions of market value or the ability to develop or market the subject property.

Easements and Encroachments:

A title report was prepared by Stewart Title under Commitment No. 256099 and dated July 16, 2018. Typical access and utilities easements were noted that do not affect the site adversely.

Site Ratings

Location: Good
Access: Above average

Analysis/Comments on Site

A commercial site with above average corner exposure at a signalized intersection but lacking wet utilities.

Subject Photographs



Street scene looking east along Tangerine Rd



Street scene looking north along Twin Peaks Rd



View looking southeast through the property



View looking northeast through the site



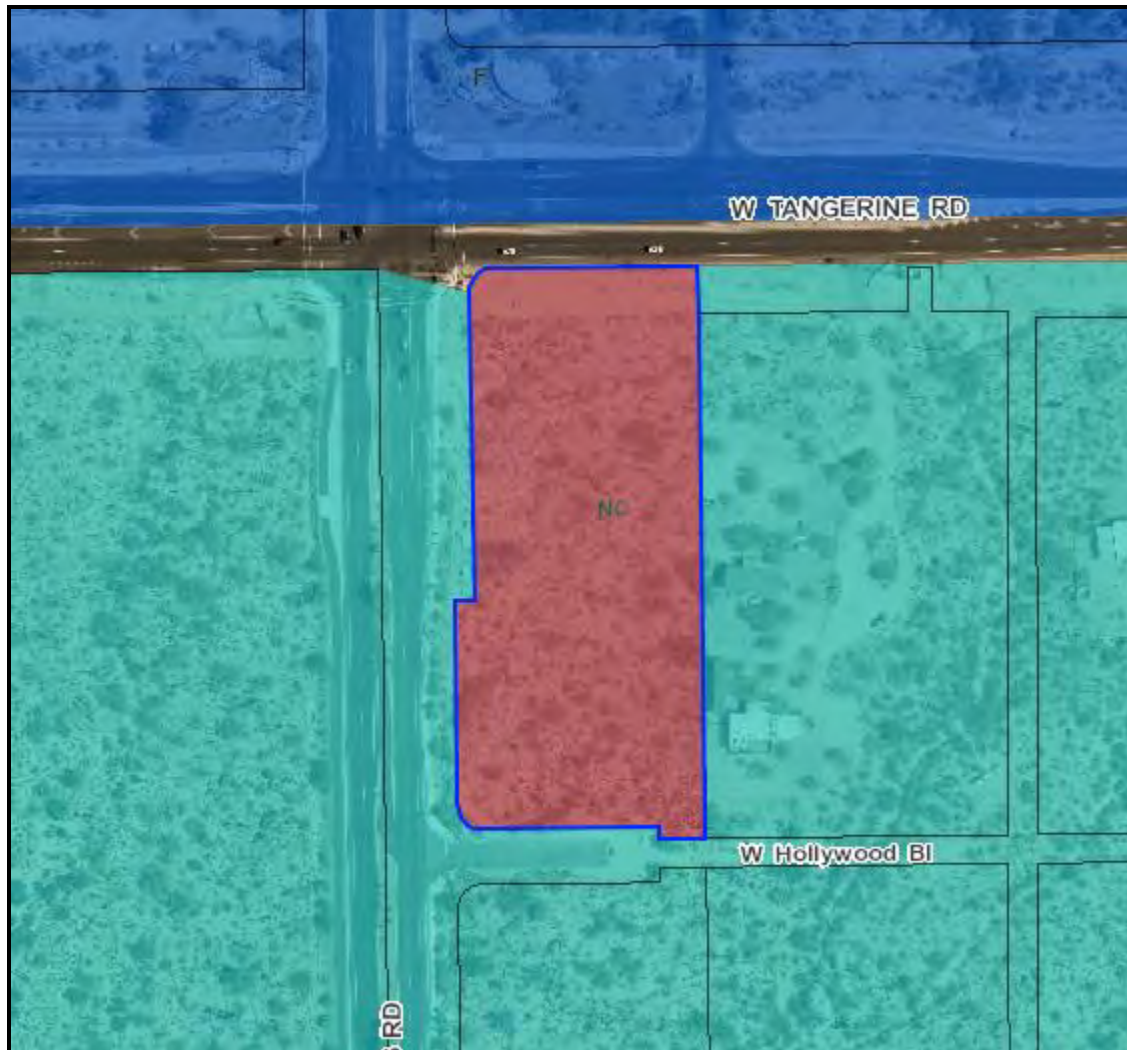
Street scene looking south on Twin Peaks Rd



View looking north through the proposed easement area

Zoning

ZONING MAP



Zoning Code:

NC, Neighborhood Commercial

Zoning Jurisdiction:

Marana

Permitted Uses:

The Neighborhood Commercial (NC) Zone is intended to provide for the conduct of indoor business serving neighborhood residential areas needs including retail sales of convenience goods and services, shopping goods and services and other defined goods and professional services and to insure compatibility with adjacent residential uses. It is also the intent of this zone to provide neighborhood retail uses in clusters and to avoid strip commercial sites. It is further intended that these activities will provide local business and employment opportunities for Marana. Permitted uses include residential development, offices, and a variety of retail uses.

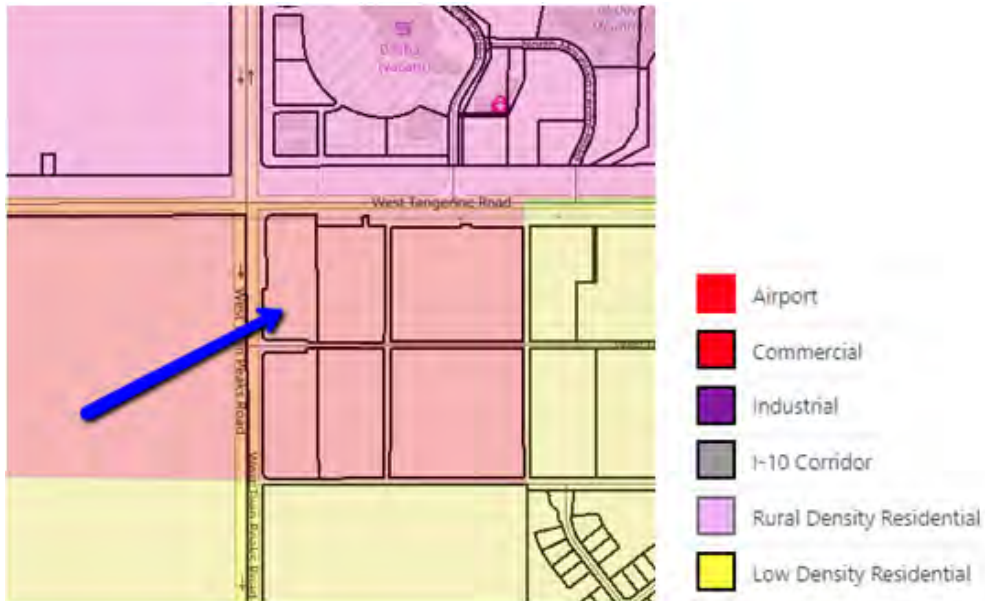
Prohibited Uses:

Drive through restaurants, automobile paint, body and fender, brake and tire shops, bars and cocktail lounges, contractor's yards, heavy equipment sales or lease, and agricultural or industrial equipment sales.

Development Standards:

DEVELOPMENT STANDARDS	
NC, Neighborhood Commercial	
Minimum site area:	1 acre
Maximum site area:	15 acres
Minimum Setbacks	
Front - Street:	20'
Side:	20'
Rear:	20'
Maximum Height	
Primary Bldg:	30'
Accessory Bldg:	20'
Maximum Floor Area Ratio:	50%
Maximum Lot Coverage:	35%
Source: Town of Marana Land Development Code	

MARANA GENERAL LAND USE PLAN



The Pima County General Land Use plan designates the site for Commercial development which is consistent with the existing zoning.

Assessment and Tax Data

Assessment Methodology

In Arizona, property tax is based on a full cash value (FCV) and a limited property value (LPV). Full cash value is equal to market value, with certain exceptions (e.g., agricultural property, golf courses and shopping centers). Limited value is determined by statute, and can never exceed full cash value. The assessment ratio is based on the subject's classification into one of nine categories. The most typical categories are residential property (10%); vacant land (15%); and commercial property (18%).

On November 6, 2012, voters approved an amendment to the Arizona Constitution known as the Arizona Property Tax Assessed Valuation Amendment, or Proposition 117, which changes how property taxes are calculated beginning in the 2015 tax year. For 2015 and following years, real estate taxes will be based on the combined primary and secondary tax rates applied only to the LPV, which, by statute, cannot be increased by more than 5% per year (except under certain limited exceptions, including new construction).

Assessed Values and Property Taxes

The subject is identified by the Pima County Assessor as APN 216-02-015A. The assessed values reflect vacant land.

Assessment History

Parcel	Full Cash Value		Limited Property Value	
	2018	2019	2018	2019
216-02-015A	\$310,000	\$310,000	\$125,440	\$131,712
Total:	\$310,000	\$310,000	\$125,440	\$131,712
Per Acre*	\$90,116	\$90,116	\$36,465	\$38,288
Change		0		+5.0%

* per Acre indications based on 3.44

Real Estate Tax Rates (0610)

Year	2017	2018
Primary Rate	10.7191	10.1108
Secondary Rate	3.6051	3.6881
Total Tax Rate	14.3242	13.7989
Annual Change		-3.7%

Property Taxes

The subject's projected taxes for 2019 are based on the 2019 limited property value, 2018 tax rates, and an assessment ratio of 15%. The 2019 estimated property tax is \$2,750, rounded.

Projected Real Estate Taxes

	2019*
Limited Property Value	\$131,712
Assessment Ratio	15.0%
times Assessment %	\$19,757
divided by \$100	\$198
times Combined Primary & Secondary Tax Rates*	13.7989
Estimated Real Estate Taxes	<u>\$2,726</u>
 Rounded to	 \$2,750
Per Acre	<u>\$799</u>

* taxes estimated based on 2018 rates

According to the Pima County Treasurer, the subject's taxes were current as of the date of value.

Real Estate Tax History

Parcel	2013	2014	2015	2016	2017	2018
216-02-015A	\$2,169	\$2,316	\$2,491	\$2,447	\$2,567	\$2,596
Per Acre	\$630	\$673	\$724	\$711	\$746	\$755
Change		+6.8%	+7.5%	-1.8%	+4.9%	+1.1%

Highest and Best Use

The Highest and Best Use of a property is 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.

Analysis of Highest and Best Use as if Vacant

Physically Possible

The subject site has a functional rectangular shape and contains 149,846 square feet or 3.44 acres. The topography is gently sloping and 0 to 3 feet below street grade. The site has above average visibility with a corner location at the signalized intersection of two arterials. According to the FEMA map, the site is outside the 100-year flood plain. The site has electricity but lacks wet utilities. Surrounding land uses include vacant land and retail uses on the intersection corners. The size and lack of wet utilities are significant physical constraints.

Legally Permissible

The subject site is zoned NC, neighborhood commercial, in accordance with the Town of Marana ordinance. The zoning designation permits a variety of retail, office, and residential uses. Drive thru restaurants, cocktail lounges, and a variety of automobile-related and industrial uses are prohibited. The General Plan designates the site for commercial uses. No other legal restrictions were discovered. Access and utility easements do not affect the site adversely.

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation. Further, it is the appraiser's opinion the use of the subject site should generally conform to surrounding and nearby uses, which primarily consist of vacant land and retail uses at the corner intersection parcels.

The corner profile at a signalized intersection of two arterials in a path of growth location indicates commercial demand for the site. The office market in the subject submarket has shown signs of slow and gradual improvement, particularly for owner users and medical office space. The age cohort in the area shows growth in the 55+ age range, supporting senior housing, which has increased in demand with many commercial land transactions being purchased for this use. However, the lack of wet utilities renders development not currently financially feasible. Until cost sharing agreements are in place to extend wet utilities to the area, the only feasible use for the property is for investment.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering the limiting physical factors, the maximally productive use as though vacant is for investment with future commercial, office, or senior housing development when wet utilities are extended to the area.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous sections, is for investment with future commercial, office, or senior housing development when wet utilities are extended to the area.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an investor.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an investor.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there is little or no sales data from comparable properties.

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

The income capitalization approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows including the reversion, or future re-sale of the property appraised. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The subject larger parcel is a 3.44 acre commercial land parcel lacking wet utilities. As the subject is vacant, the cost approach is not necessary for a credible “as is” value opinion, and I did not apply it. The sales comparison approach was applied. Sales of commercial land parcels with similar locational aspects of the subject property, but lacking utilities, were not discovered. Therefore, I utilized developable land sales and adjusted for potential costs and risks of obtaining wet utilities. The data quality is rated average and reflects potential future uses for the subject. The income capitalization approach is not necessary for a credible “as is” value opinion and I did not apply it.

Land Valuation

Methodology

Land is most often valued using the Sales Comparison Approach. This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same utility. In the sales comparison approach, the opinion of market value is based on closed sales, listings and pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is the price per square foot. A unit yield is speculative.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that are considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, (7) physical characteristics, (8) economic characteristics, and (9) use/zoning.

Comparable Sales Data

A search of data sources and public records, a field survey, interviews with knowledgeable real estate professionals in the area, and a review of our internal database were conducted to obtain and verify comparable sales of vacant land properties.

I used four sales in my analysis, these representing the sales judged to be the most comparable in developing an indication of the market value of the subject property. The sales are vacant land, reflecting potential future uses for the subject property. The sales prices have an unadjusted range from \$5.02/S.F. to \$6.57/S.F.

The following table summarizes each of the land sale comparables and is followed by a map displaying the location of each comparable in relation to the subject. Summary sheets detailing each comparable follow the location map along with a discussion of necessary adjustments and an adjustment grid.

LAND SALES SUMMARY

Land Sales Summary

Comp #	Property Name	Location	Sale Date	Acres (Usable)	Sq Ft	Zoning	Sale Price	Price /SF Land
Subject	Vacant Land	Sec of Tangerine Rd & Twin Peaks Rd	N/A	3.44	149,846	NC	N/A	
1	Skilled Nursing Facility	9005 N Oracle Rd	2/17	3.35	145,926	R-S	\$830,000	\$5.69
2	Dove Mountain Retail Centre Lot	NE of Dove Mountain Blvd & Tangerine Rd	3/18	5.88	256,133	F	\$1,683,000	\$6.57
3	Micro-hospital site	5600 W Cortaro Farms Rd	5/18	3.86	168,113	VC	\$966,650	\$5.75
4	Assisted Living	7417 N Thornydale Rd	8/18	5.95	259,182	TR	\$1,300,000	\$5.02

COMPARABLE SALES MAP



Land Sale No. 1

Property Identification

Property Type	Land
Property Name	Commercial land
Address	9005 N. Oracle Rd
City, State Zip	Tucson, Arizona 85704
County	Pima
Tax ID	225-11-199A

Sale Data

Seller	327 OH Land, LLC
Buyer	CA Senior Oro Valley AZ Prop O
Sale Date	02-21-2017
Reference No.	20170540427
Property Rights	Fee Simple
Market Time (days)	Unknown
Financing	Cash
Verification	Pete Villascusa, CBRE (520) 323-5112

Land Data

Size	3.35 acres; 145,926 SF
Zoning	R-S, Residential Services

Price	\$830,000
Price/Gross Acre	\$247,761 per acre
Price/Gross SF	\$5.69 per SF

Remarks

The sale was confirmed as an arm's length, non-distressed transaction. The site was purchased to develop an assisted living facility. All utilities are available.