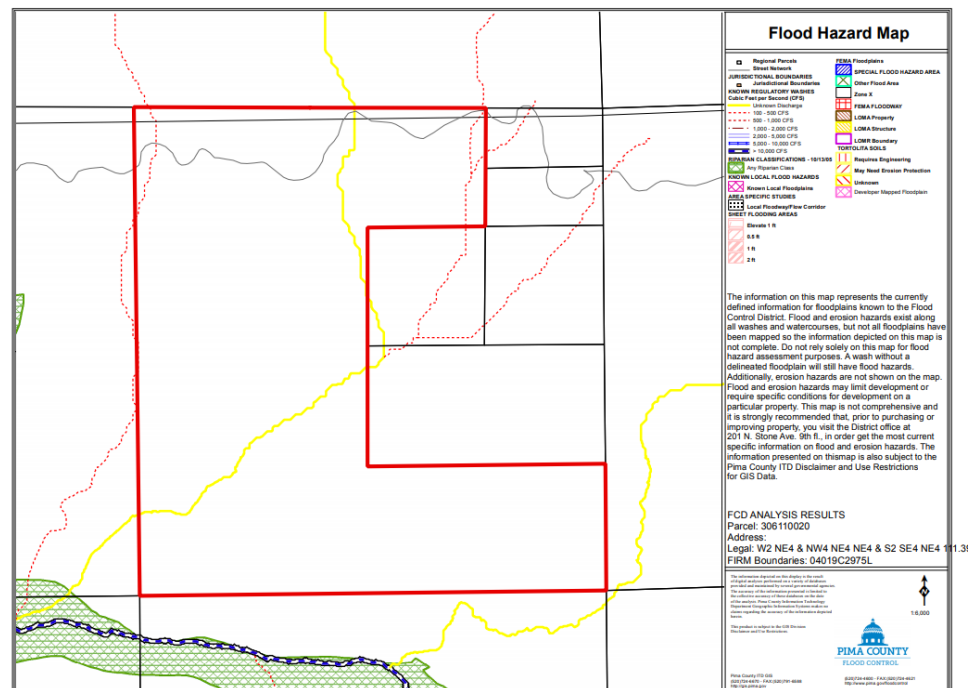


FEMA FLOOD MAP



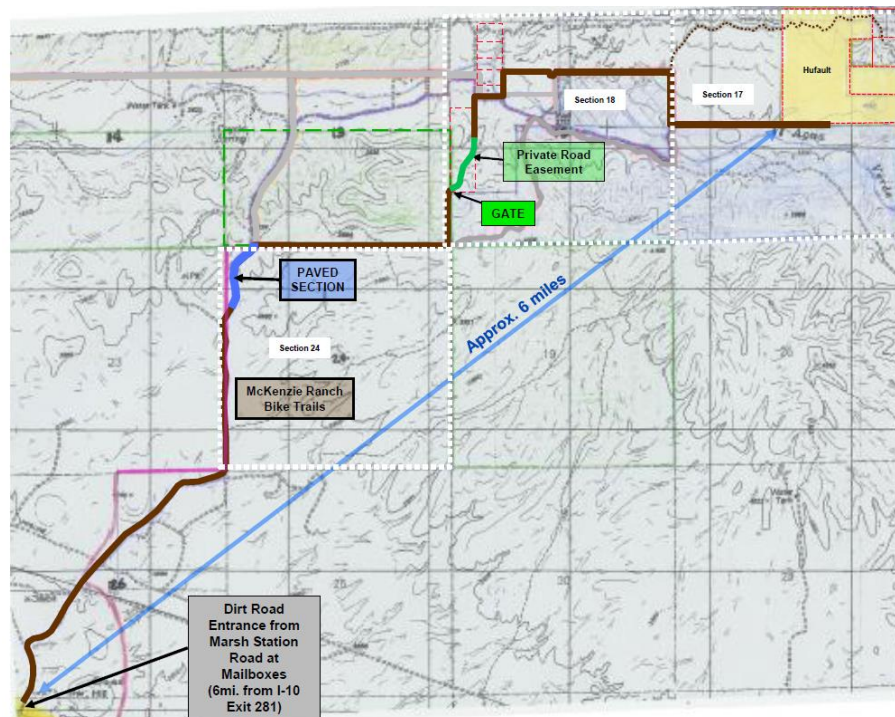
Friday, June 01, 2018

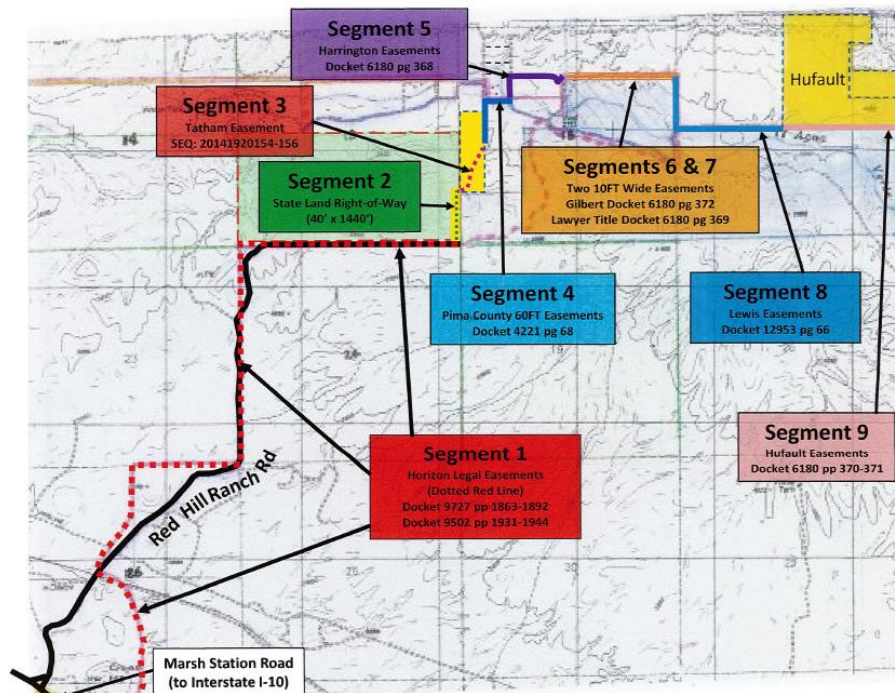
Access

The site can be physically accessed via a series of private road easements from Marsh Station Road. The majority of the accessways are narrow, rough graded dirt roads with some ungraded rough areas. There is a small section of paved road which is about ¼ mile long. The access road is privately maintained but overall is considered to be below average. A 4 WD vehicle is recommended.

Legal access was obtained through the acquisition of numerous right of way easements, which are identified on the maps which follow. The Upper Agua Verde Road Association was formed with nine landowners in the area for the purpose of the acquisition of the road easements and the development and maintenance of the roads and gates thereon. The CC&Rs for the Association were recorded December 30, 2015 in Document 20153640482. Legal access and membership within the Association runs with the land. It is not clearly stated within the document if membership would transfer upon a parcel split but it appears that it would based on the following excerpt:

2.6 Transfer of Ownership. In the event of a transfer of ownership of any of the Member properties, the new owner will automatically become a Member. Likewise, the previous owner shall no longer be a Member of stated properties. This clause can only be amended with 100% approval of the Membership.





Visibility

Below average. The subject site is located in a rural area of Pima County in the southeast area of unincorporated Tucson. It is accessible via a minimum of 7-8 miles of rough dirt roads. The surrounding privately owned land uses are generally vacant land or residences on 36+ acre parcels. To the north of the subject is federally owned land preserved as the Coronado National Park. To the south is vacant publicly owned Pima County FCD land.

Utilities

Electricity is available near the subject property.

Sewer and water lines are not available in the subject area. The majority of residences in the area utilize wells or septic systems for their potable water and wastewater needs.

We surveyed the following companies and market participants to ascertain typical costs of installing private wells and septic systems for single family home development. An estimated cost of \$20,000 to \$25,000 is reasonable for the subject to obtain a well and septic system.

Name	Company	Number	Est. Well Cost	Est. Septic Cost
Mike	Mike's Drilling	520-490-0399	\$15,000-\$20,000	\$5,000-\$6,000
Dan	Cedar Creek Services	520-398-3326	\$15,000	\$5,000
Tom	Tom Hostad Companies	520-207-9087	\$10,000-\$15,000	\$6,000

Easements

A current title report was prepared by Stewart Title Insurance Company dated May 10, 2018 under Commitment No. 217618. There were no

observed or reported restrictions, encumbrances, special assessments or easements which would adversely affect the subject site. The exceptions presented within Schedule B report a lack of recorded access to and from a dedicated right of way. Documentation from the property owners, as identified previously, indicate legal access is available to the site through a series of right of way easements traversing private and public land. These right of way easements were acquired and are maintained by the Agua Verde Road Association. It is an extraordinary assumption of this report that legal and physical access is available to the subject site.

Surrounding Uses

South: Vacant land owned by Pima County Flood Control District
 North: Federally owned vacant land as part of the Coronado National Forest along with some manufactured homes on private land
 West: Vacant land
 East: Vacant land

Site Improvements

No improvements were observed on the site

Environmental

A Phase I Environmental inspection was not provided. There is no visual evidence of underground storage tanks. There were no observed soil or subsoil conditions which would prevent the subject parcel from being put to its highest and best use. According to the AZDEQ Map, the site is not within a Superfund or WQARF designated area.

The site is outside special riparian areas.

RIPARIAN AREAS (GREEN)



Conclusion

The site is a rural land parcel with above average topography and views and below average access, a lack of wet utilities, and minimal surrounding development.

Subject Photographs



View looking east towards the property



View looking north through the center of the property



View looking northeast from the approximate southwest corner of the property



View looking northeast from the center of the property



Street scene looking east along the access road



View of hill in the southeast corner of the site



View looking east towards the Agua waterfall from the southeast corner of the site



View looking northeast through the site



View looking south over County owned land from the approximate southeast corner



View of the waterfall/pond (currently dry) near the southwest corner of the site



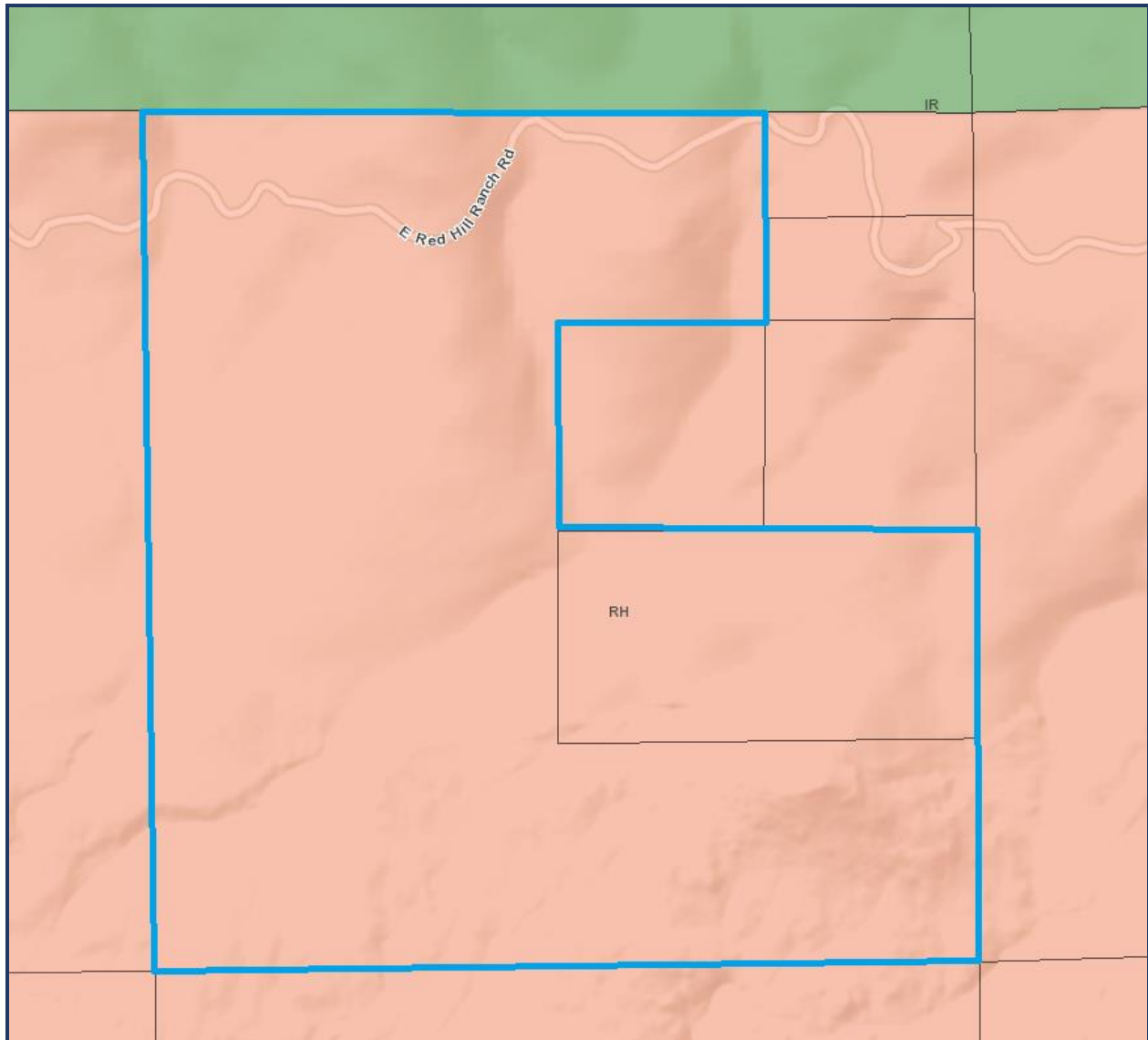
View looking west through the subject property



View looking east through the subject property

Zoning

ZONING MAP



Zoning Code:

The subject is zoned RH, Rural Homestead

Zoning Jurisdiction:

Pima County

Permitted Uses:

The RH, Rural Homestead, zone permits single family residential development, agriculture, and ranching uses.

Development Standards:

DEVELOPMENT STANDARDS	
RH, Rural Homestead	
Minimum site area (SF):	180,000
Minimum Setbacks*	
Front:	50'
Side:	20'
Rear:	50'
Maximum Height:	34'
Maximum Stories:	2
Source: Pima County Zoning	

Overlay Zones:

The subject property is within the Buffer Overlay Zone due to its proximity to the Coronado National Forest. The purpose of the Buffer Overlay Zone is as follows:

1. Preserve and protect the open space characteristics of those lands in the vicinity of the public preserves while at the same time permitting the economically reasonable use of lands;
2. Protect and enhance existing public preserves in Pima County as a limited and valuable resource;
3. Establish mechanisms that will protect the public preserves and result in an ecologically sound transition between the preserves and more urbanized development;
4. Assure the continued existence of adequate wildlife habitat and foster the unimpeded movement of wildlife in the vicinity of Pima County's public preserves;
5. Provide for an aesthetic visual appearance from and to Pima County's public preserves;
6. Promote a continued economic benefit to the region by protecting the public preserves for the enjoyment of residents and visitors alike; and
7. Neither promote nor discourage changes in underlying zoning, but rather provide continuing performance standards for the unique lands within the buffer overlay zone.

General Land Use Plan

RS, Resource Sensitive

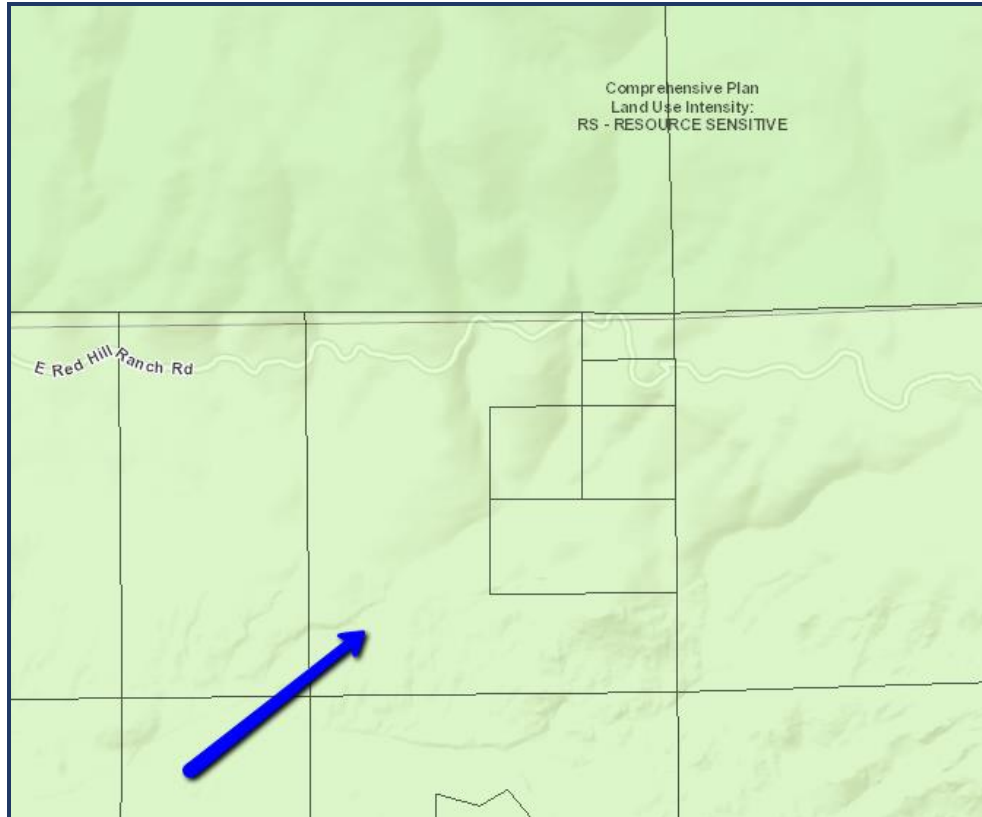
The objective of the RS designation is to identify key larger parcels and land holdings with environmentally sensitive characteristics in close proximity to public preserves or other environmentally sensitive areas. Development of such land shall emphasize design that blends with the surrounding natural desert and provides connectivity to environmentally sensitive linkages in developing areas. Residential Gross Density: Minimum- none; Maximum- 0.3 RAC

Comments

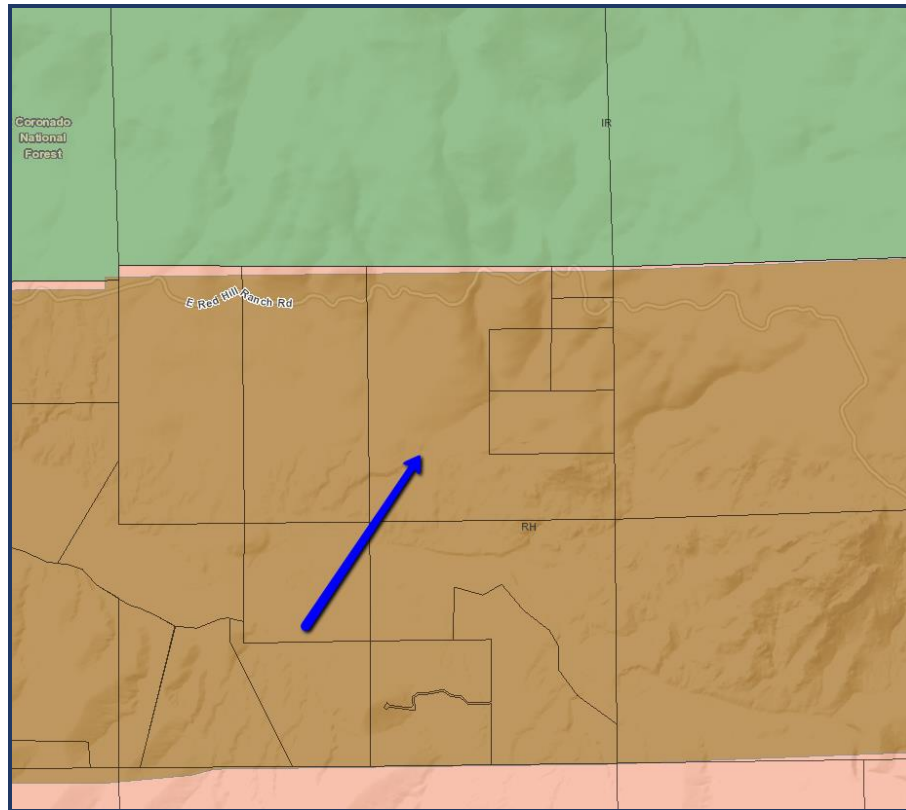
I spoke with Sue at the Pima County Zoning department who

noted that due to the location of the site within the Buffer Overlay Zone and the Resource Sensitive zone, rezoning would not be permitted. Therefore, the site is limited to residential densities of a maximum one unit per 4.13 acres. This is consistent with surrounding land uses.

GENERAL LAND USE PLAN



BUFFER OVERLAY ZONE



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 parcels are identified by the Pima County Assessor as APNs 306-11-0020 & -0030. The assessed values reflect a 15% ratio for vacant land, specifically classified as ranch/agriculture property as a result of grazing leases to a rancher in the area.

Assessment History

Parcel	Full Cash Value		Limited Property Value	
	2018	2019	2018	2019
306-11-0020	\$1,114	\$1,114	\$1,114	\$1,114
306-11-0030	\$500	\$500	\$500	\$500
Total:	\$1,614	\$1,614	\$1,614	\$1,614
Per acre*	\$12	\$12	\$12	\$12
Change		0		0

* per acre indications based on 131.39 acres

Real Estate Tax History

Parcel	2013	2014	2015	2016	2017
306-11-0020	\$25	\$27	\$27	\$25	\$26
306-11-0030	\$11	\$12	\$12	\$11	\$12
Total Tax	\$37	\$39	\$39	\$36	\$37

Real Estate Tax Rates (Area 2000)

Year	2012	2013	2014	2015	2016	2017
Primary Rate	9.1228	10.2842	10.9963	10.8045	10.6686	10.6103
Secondary Rate	3.4370	4.0126	4.1009	4.2419	4.3332	4.7435
Total Tax Rate	12.5598	14.2968	15.0972	15.0464	15.0018	15.3538
Annual Change	+12.2%	+13.8%	+5.6%	-0.3%	-0.3%	+2.3%
Average 5-year Change						+4.4%

Projected Real Estate Taxes

	2018*
Limited Property Value	\$1,614
Assessment Ratio	15.0%
times Assessment %	\$242
divided by \$100	\$2
times Combined Primary & Secondary Tax Rates*	15.3538
Estimated Real Estate Taxes	\$37
Rounded to	\$40
Per acre	\$0.30
* taxes estimated based on 2017 rates held constant	

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

Legally Permissible

The subject is zoned RH, Rural Homestead, under the Pima County Zoning Code. The zoning allows residential development with 4.13 acre minimum lot sizes, as well as agricultural and ranching uses. The subject is also in the Buffer Overlay Zone and designated as Resource Sensitive in the comprehensive land use plan. Rezoning would not be permitted. The zoning does not constrain highest and best use.

Physically Possible

The second constraint of the highest and best use is dictated by the physical characteristics of the site. The site contains 131.39 acres and is outside the 100-year floodplain. Electricity is nearby, but the site lacks water and sewer. Residences in the area utilize private wells and septic systems for their potable water and wastewater disposal needs. The parcel has an irregular, yet functional shape with undulating topography and above average views. The topography enhances views and privacy of the site and views of the Agua Verde Gorge and seasonal waterfall to the east increase the aesthetics of the site. Surrounding land uses are rural homes and vacant land. The site is bordered to the north by national forest and to the south by Pima County FCD land, which provides increased privacy. The property is limited by its rough access, lack of wet utilities, size and rural location. The rural location, zoning, surrounding land uses, and lack of significant infrastructure constrains significant development of the site. Physical characteristics of the site infer low density individual single family residential development.

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. The current zoning allows rural density residential development, which is consistent with the surrounding land uses. The minimum lot size requirement is 4.13 acres and the subject property is able to be split. The surrounding land uses which generally consist of 20 to 40 acre parcels support a single homesite for the subject lot, or alternatively, a lot split into three or four 30 to 40 acre lots for individual sale. Market actions were observed to favor privacy and larger lots.

Maximally Productive

The subject is located in a rural area with minimal evidence of new construction observed. The lack of significant utilities and distance to amenities renders large scale development in the immediate subject area premature and highly speculative. Nevertheless, the subject parcel has attractive topography offering seclusion and scenic environs. The topography, size and physical constraints allow rural density residential development or investment uses. Brokers report minimal demand for large lots in the area, although the above average topography, views, and border on the national park have demand at the right price. Given the shallow buyer's pool, zoning and surrounding land use limitations, location, and physical constraints of the site, the maximally productive use for the larger parcel is investment or custom home residential development for a single owner or, alternatively, a lot split into three or four 30 to 40 acre lots. However, demand for the smaller 30 to 40 acre sites is also minimal at this time and the cost incurred for individual lot access would mostly likely usurp any potential profit. The highest and best use as if vacant is currently for custom home residential development with single ownership, or holding for investment.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as vacant, is for investment or custom home residential development with single ownership.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an owner user or speculative 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 property is a vacant land parcel. Only the Sales Comparison Approach is typically applicable for vacant land. We applied the Sales Comparison Approach for the as vacant market value conclusion, and the data quality is rated average for this type of property even though transactions in the subject area were scarce, particularly for larger land parcels.

Sale Comparison Approach

The subject property consists of 131.39 acres of vacant land situated in a rural area of unincorporated southeast Tucson. Sales of land parcels were scarce due to the rural nature of the area, particularly in the subject size range. Nevertheless, recent sales of land with similar physical attributes were discovered.

Area brokers were interviewed regarding the subject property. The brokers reported extremely limited demand and stagnant pricing. I have included data points below which lend additional support to the value conclusion and present a reasonable value range.

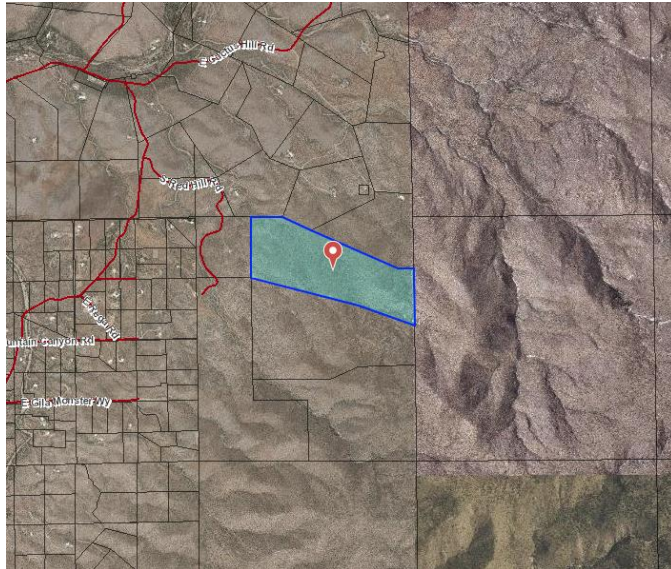
Support Data Location Map



A relevant listing (Listing A) was discovered. A 108.17 acre parcel of land within the X9 Ranch is currently listed for \$430,000, or \$3,975/acre. The parcel borders on the Coronado National Forest and has undulating topography with above average views. The listing description reports that the site has running creeks and waterfalls. Furthermore, the property is being marketed with full building plans for a 4,000 S.F. home. The X-9 Ranch is an exclusive gated community with superior roads and utilities. I spoke with Crystal, the listing agent. She reported that the property has been on the market with continual reductions in price since 2010. The current price has been in place since 2017 and there has been no interest. She feels that the site size hinders the marketability as it is too big for most buyers and drastically reduces the marketing pool. This property is considered similar to the

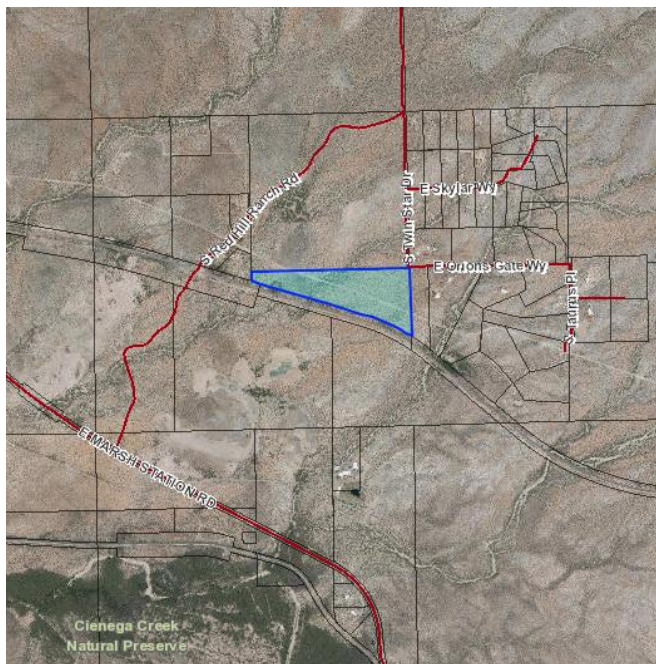
subject in its size, topography and geographical features but its location, access, and availability of utilities is far superior. This listing sets the far upper limit to value.

Listing A



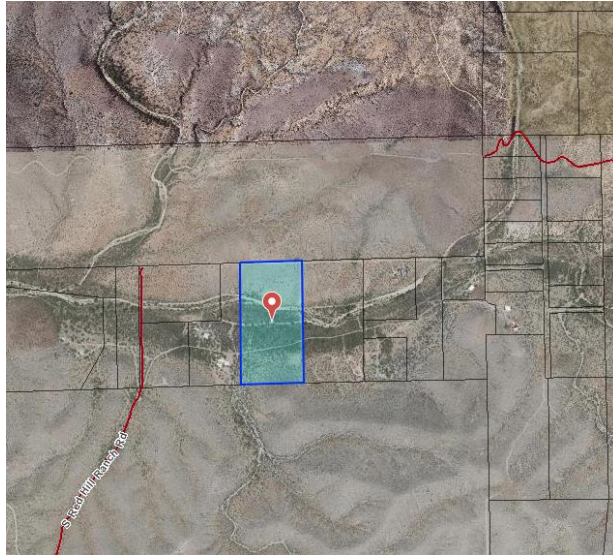
A 45.98 acre parcel of land sold in the subject area that is also reported for support (Sale B). The site was located at 19405 E Marsh Station Rd and sold in April 2017 for \$60,000, or \$1,305/acre. The property bordered on the rail road line and was in an area with inferior topography and views. Furthermore, the sale was part of an estate settlement after the owner deceased which may have lent some distressed characteristics to the sale. This sale sets the far lower limit to value.

Sale B



Finally, Sale C is a smaller 20 acre parcel of land located at 20301 E Marsh Station Road which sold in September 2013 for \$57,000, or \$2,850/acre. This property had a riparian area traversing the site and borders on State Trust Land with above average views. Despite its older age, this sale lends additional support for area land prices, supporting the upper limit to value due to its smaller size.

Sale C



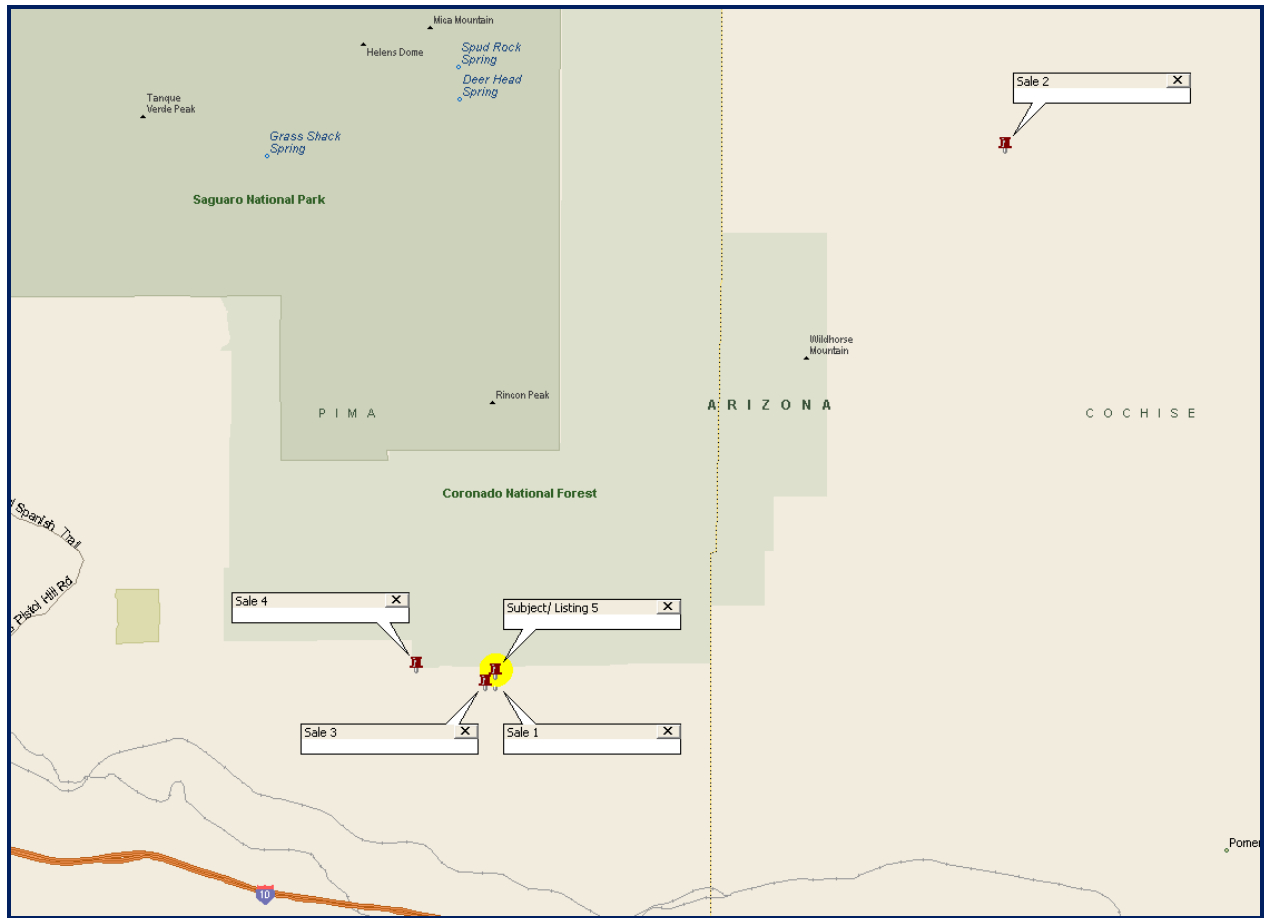
The support sales listed above indicate a reasonable price range for the subject property between \$1,305/acre to \$2,850/acre.

Four sales and the subject expired listing were utilized within this analysis. Adjustments were considered for differences in property rights conveyed, financing terms, conditions of sale, market conditions, location, zoning, and physical characteristics. Adjustments were applied based upon a sales price per acre unit of comparison. Prior to adjustments, the sales prices range between \$1,170/acre and \$3,044/acre. Once again, the subject was reportedly listed at \$268,500 from 2016 to 2017 and the listing price was subsequently raised from 2017-2018 to \$400,000 prior to expiring. The most recent listing price is utilized within this analysis, although consideration is given to the lower original listing price.

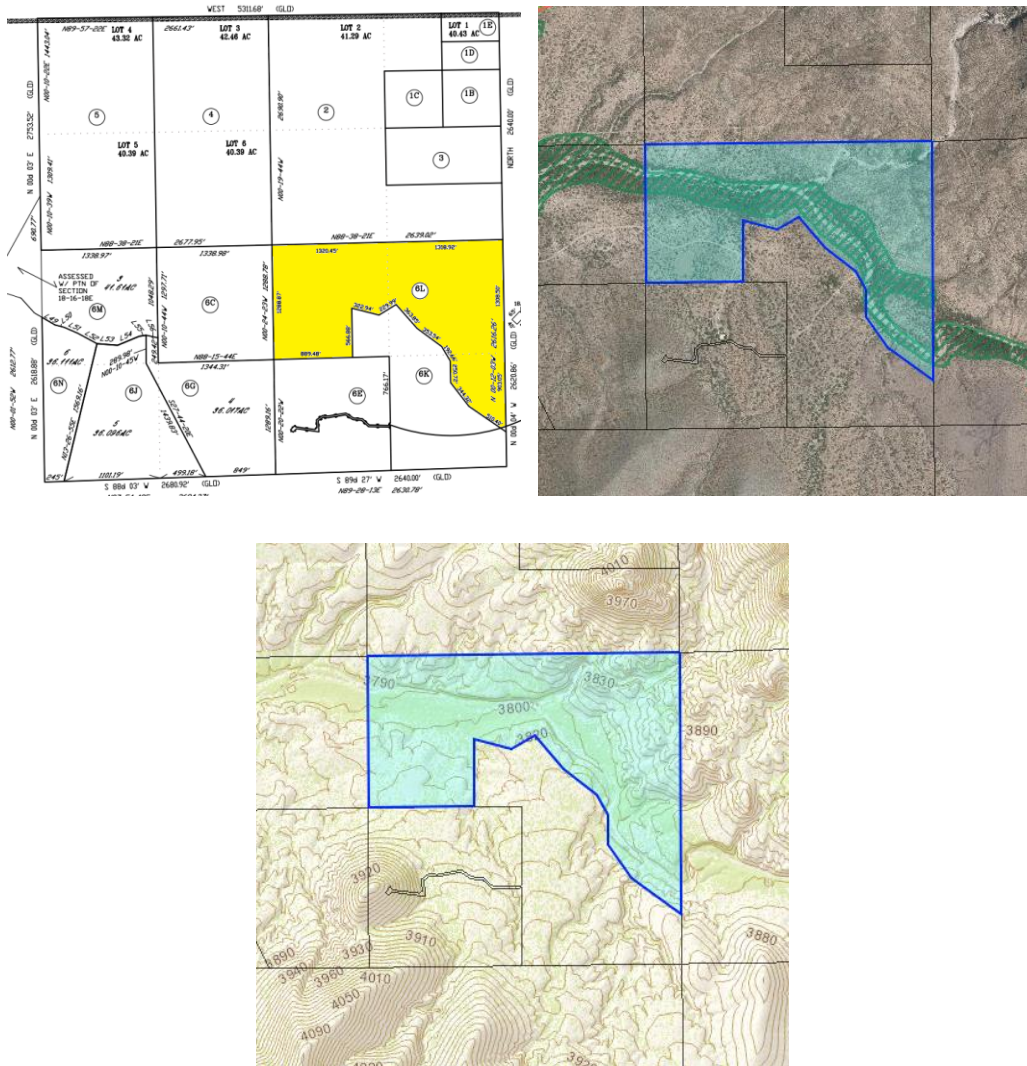
LAND SALE SUMMARY GRID

Sale	Sale Date	Location	Sale Price	Site Size	SalePrice/Acre	Zoning
1	Mar-13	NE of Red Hill Ranch Rd & Marsh Station	\$165,900	78.00	\$2,127	RH
2	Mar-15	4712 N Cascabel Rd	\$220,000	188.00	\$1,170	RU-4
3	Mar-16	20705 E Marsh Station Rd	\$115,000	41.00	\$2,805	RH
4	Feb-17	19151 E Marsh Station Road	\$88,000	30.00	\$2,933	RH
5 (subject)	Listing (expired)	NE of Red Hill Ranch Rd & Marsh Station	\$400,000	131.39	\$3,044	RH

LAND SALE LOCATION MAP



Land Sale 1



Property Identification

Address NE of Red Hill Ranch Rd & Marsh Station Road, Tucson
(unincorporated), Pima County, AZ

Location A Portion of Section 17 in Township 16 South, Range 18 East

Tax ID 306-11-006L

Sale Data

Grantor Unknown

Grantee Pima County Flood Control District

Sale Date March 6, 2013

Document No. 2013-0650832

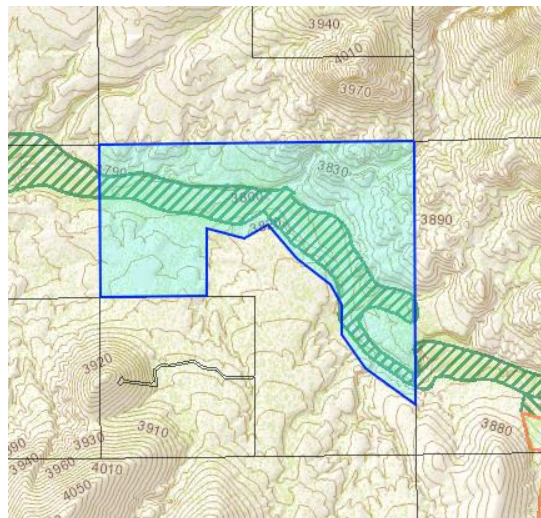
Property Rights Fee simple

Conditions of Sale	Typical assumed
Days on Market	Unknown
Financing	Cash
Sale History	No other sales of the property were discovered in the prior 3 years
Verification	County records
Sale Price	\$165,900
Less Personal Property	(\$0)
Adjusted Sales Price (Vacant Land)	\$165,900

Land Data

Zoning	RH, Pima County
Topography	Undulating to rolling with steep canyon areas through the center
Utilities	Electricity
Access	Dirt Road Access
Floodplain	Zone X Outside the 100-year floodplain FIRM Panel 04019C2975L; However, approximately 26% of the site is labeled an Important Riparian Area and 64% of the site is within the Erosion Hazard setback.
Intended use	Investment/ single family home

Riparian Habitat Map



Land Size Information

Gross Land Size	78.00 acres
------------------------	-------------

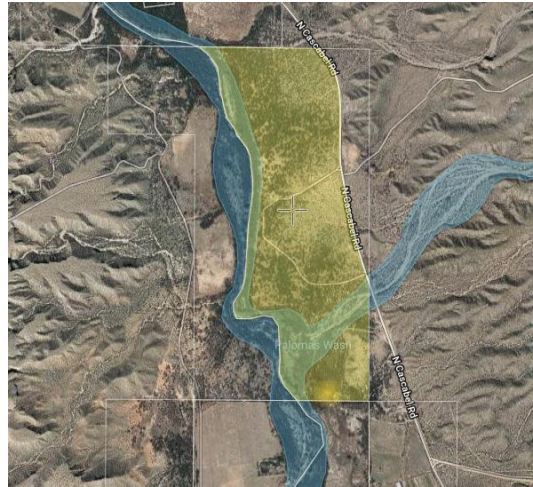
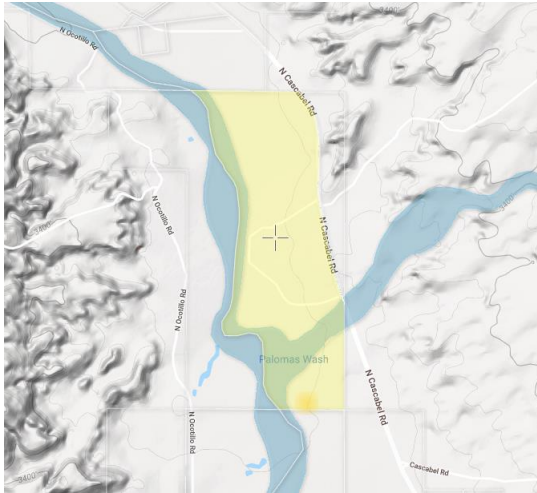
Indicators

Sale Price/acre	\$ 2,127
------------------------	----------

Remarks

Pima County Flood Control District purchased the site for protection due to the hydrology features onsite. Details surrounding the sale price and how it was determined or the motivations of the seller are unknown.

Land Sale 2



Property Identification

Address	4712 N Cascabel Road, Cochise County, AZ
Location	A Portion of Section 17 in Township 14 South, Range 20 East
Tax ID	208-06-001C

Sale Data

Grantor	William C & Ruth Ann Duel Trust
Grantee	Robert Mark del Oliver and Deborah Ann Longley
Sale Date	March 27, 2015
Document No.	2015-05466
Property Rights	Fee simple
Conditions of Sale	Typical
Financing	Cash
Days on Market	660
Sale History	No other sales of the property were discovered in the prior 3 years
Verification	John Mahlon Mackenzie, Long Realty (520-907-2138)
Sale Price	\$220,000
Less Personal Property	(\$0)
Adjusted Sales Price (Vacant Land)	\$220,000

Land Data

Zoning	RU-4, Cochise County
Topography	Level to sloping
Utilities	Electricity, well
Access	Paved Road Access
Floodplain	FEMA Map not printed in the area; the property borders the San Pedro River and is subject to flooding in the western half according to the

	listing broker
Intended use	Investment/ single family home

Land Size Information

Gross Land Size	188 acres
------------------------	-----------

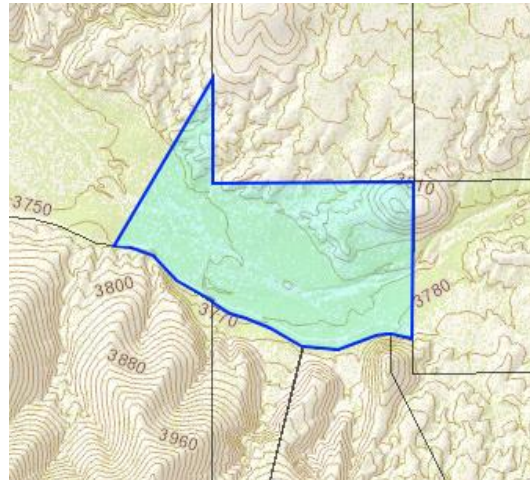
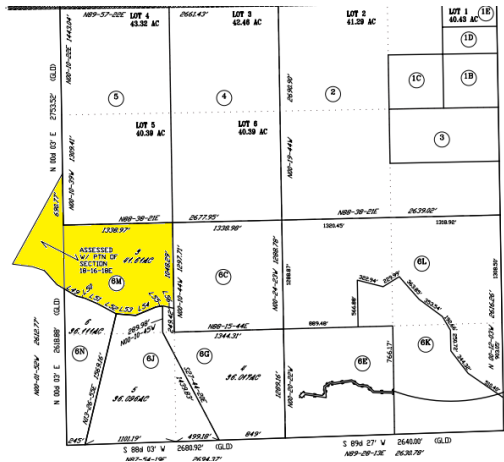
Indicators

Sale Price/acre	\$ 1,170
------------------------	----------

Remarks

The listing broker reported that the site was on the market for about two years. The listing price started at \$250,000 and was reduced to \$220,000 until an offer was made. There were no other offers during the listing time. There is some flooding on the site due to the proximity to the San Pedro River, but the eastern portion is developable. The Rincon Mountains to the west provide attractive views. There was a small cabin on the site built in 1916. The broker reported that it did not add value above the land, but the buyers really liked it to fix up, so he believes it contributed to the marketability of the site.

Land Sale 3



Property Identification

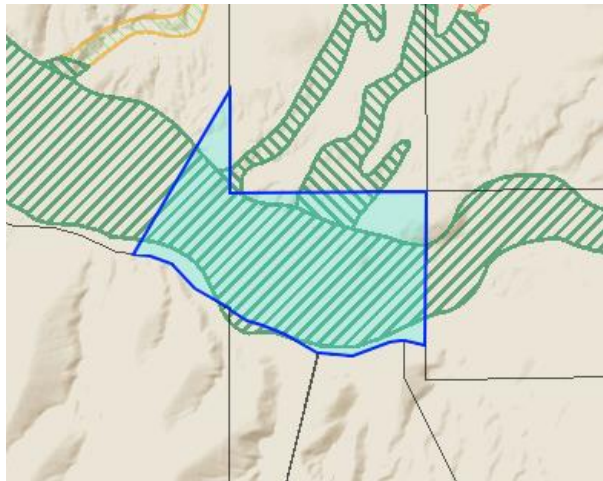
Address	20705 E Marsh Station Road, Tucson (unincorporated), Pima County, AZ
Location	A Portion of Section 17 in Township 16 South, Range 18 East
Tax ID	306-11-006M

Sale Data

Grantor	Fidelity National Title 30086
Grantee	Pima County Flood Control District
Sale Date	May 19, 2016
Document No.	2016-1400189
Property Rights	Fee simple
Conditions of Sale	Typical
Days on Market	Unknown
Financing	Cash
Sale History	No other sales of the property were discovered in the prior 3 years

Verification	Bill Arnold, William G. Arnold, Ltd. (520-325-9905), Listing broker; review of appraisal
Sale Price	\$115,000
Less Personal Property	(\$0)
Adjusted Sales Price (Vacant Land)	\$115,000
<u>Land Data</u>	
Zoning	RH, Pima County; limited to one house per lot per Rancho Agua Verde CC&R's
Topography	Undulating to rolling
Utilities	Electricity
Access	Dirt Road Access
Floodplain	Zone X Outside the 100-year floodplain FIRM Panel 04019C2975L; However, approximately 75% of the site is labeled an Important Riparian Area and 72% of the site is within the Erosion Hazard setback.
Intended use	Investment/ single family home

Riparian Habitat Map



Land Size Information

Gross Land Size	41.00 acres
------------------------	-------------

Indicators

Sale Price/acre	\$ 2,805
------------------------	----------

Remarks

The sales price was based on an internal appraisal by Pima County. While the site appears to be significantly hindered for developability by the identified Riparian Areas and Erosion Hazard Setbacks, the appraisal analysis did not adjust for this factor. Therefore, the value conclusion reflected a reasonably developable site, consistent with the area and zoning limitations. The listing broker felt the value conclusion was slightly below market, but the property owner accepted the offer nonetheless.