

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

Appraisal Service, Litigation Support, Counseling
Voice & Fax (520) 325-6512
Email PaulHendricksMAI@gmail.com

COVER PAGE

APPRAISAL REPORT

**An Opinion of Market Value for Potential Exchange
Of an 89,464sf site at the SEC Bonnie and Drexel Rd.
Tucson, Arizona, 85706**

**Index # 22005
Project: Exchange with PC Drexel/Bonney**

As Of February 16, 2022

**Owner: City of Tucson
Tax Parcel: 140-31-1230, 1240, 1250
Sec. 9, T15S, R14E**

Prepared For Use By
**City of Tucson,
Real Estate Division
201 N Stone Ave, 6th Floor
Tucson, AZ 85701**

Appraisal Prepared By

**PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING
Paul D. Hendricks, MAI
Arizona Certified General Real Estate Appraiser 30197**

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

Appraisal Service, Litigation Support, Counseling

Voice & Fax (520) 325-6512

Email: PaulHendricksMAI@gmail.com

Letter of Transmittal

February 17, 2022

Mr. John Cahill, City of Tucson
Administrator
Real Estate Division
City of Tucson

Re: Opinion of market value of a site at the SEC of Bonney Av and Drexel Rd., Tucson, AZ
85706

In response to your request I have completed an analysis of the above referenced property; this letter of transmittal is part of that appraisal report. This is an appraisal report conforming to current Uniform Standard Professional Appraisal Practice and Advisory Opinions (USPAP).

Problem Identification: The purpose of the appraisal is to assist in the potential disposition/exchange of the property by furnishing an opinion of market value. Effective date of the appraisal is February 16, 2022, the date of site visit.

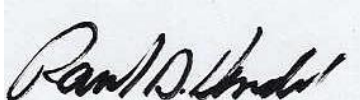
Relevant subject characteristics: The site is indicated to be 89,464sf, 2.05ac, zoned MU (Multiple Use), located at the southeast corner of Bonney Ave. and Drexel Rd., a minor arterial. It is FEMA-X (area of minimal flooding), RFCD indicates a small portion (2.33%) of the site being subject to 6" sheet flooding. It is within the TIA aviation easement disclosure area and restricted to height of 160'-180'.

My opinion of market value is \$232,600.

Assignment Conditions: No extraordinary assumptions or hypothetical conditions are employed. Please see standard limiting conditions in the appendix.

Please call if you have any questions regarding the following appraisal report. Thank you for the opportunity to be of service.

Sincerely,



Paul D. Hendricks, MAI

Arizona Certified General Real Estate Appraiser 30197

TABLE OF CONTENTS

COVER PAGE1

Letter of Transmittal2

TABLE OF CONTENTS.....3

PREFACE & SUMMARY4

PURPOSE OF THE APPRAISAL5

INTENDED USE OF THE APPRAISAL5

INTEREST APPRAISED5

PROPERTY IDENTIFICATION5

MARKET VALUE DEFINED *5

EXPOSURE PERIOD5

APPRAISAL DEVELOPMENT AND REPORTING PROCESS (SCOPE)6

OWNER CONTACT FOR INSPECTION6

PROPERTY OWNERSHIP; 5 YEAR SALES HISTORY6

MARKET AREA ANALYSIS7

SITE DESCRIPTION.....11

HIGHEST AND BEST USE13

VALUATION METHODOLOGY19

SALES COMPARISON APPROACH.....20

STATEMENT AND CERTIFICATION OF APPRAISER32

APPENDIX33

LIMITING CONDITIONS AND ASSUMPTIONS.....34

SUBJECT PHOTOS & EXHIBITS.....39

CONSULTANT'S QUALIFICATIONS.....45

PREFACE & SUMMARY

APPRAISAL REFERENCE:	2022223 Bonnie & Drexel
PROBLEM IDENTIFICATION:	The following 7 parameters are considered, client, intended users, intended use, type of opinion, effective date, relevant subject characteristics and assignment conditions:
CLIENT:	City of Tucson, Real Estate Division
APPRAISER:	Paul D. Hendricks, MAI Arizona Certified General Real Estate Appraiser 30197
PURPOSE, INTENDED USE:	The purpose of the appraisal is to opine market value, the intended use is for potential disposition/exchange.
INTENDED USERS:	City of Tucson, client, is the only intended user; however, it is understood that following review and acceptance of this report by client, this report will become public information
SUBJECT CHARACTERISTICS:	The site is indicated to be 89,464sf, 2.05ac, zoned MU (Multiple Use), located at the southeast corner of Bonney Ave. and Drexel Rd., a minor arterial. It is FEMA-X (area of minimal flooding), RFCD indicates a small portion (2.33%) of the site being subject to 6" sheet flooding. It is within the TIA avigation al easement disclosure area and restricted to height of 160'-180'.
TAX CODE:	140-31-1230, 1240, 1250
INTEREST CONSIDERED:	Fee simple
EFFECTIVE DATE OF VALUATION:	February 16, 2022; Date of Site Visit.
DATE OF APPRAISAL REPORT:	February 17, 2022
TYPE OF APPRAISAL REPORT:	Appraisal Report
OPINION OF VALUE:	\$232,600.
ASSIGNMENT CONDITIONS:	There are no extraordinary assumptions or hypothetical conditions. Please see limiting conditions and assumptions contained in the appendix.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to opine market value.

INTENDED USE OF THE APPRAISAL

The opinion of value will be used by the client, City of Tucson, for potential disposition/exchange.

INTEREST APPRAISED

The interest analyzed is fee simple estate subject to easements and restrictions described; fee simple defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat".

PROPERTY IDENTIFICATION

The subject of analysis is known as APN 140-31-1230, 1240, 1250; legal description, from assessor's record, is: Los Ranchitos Number 8, Lot 312, Pima County, AZ.

MARKET VALUE DEFINED *

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

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

Source: Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696, as of Friday, August 24, 1990; CFR Federal Regulation 12 CFR, Part 1608, Uniform Appraisal Instructions to the Appraisers by the RTC, effective September 21, 1990, Title XI FIRREA (1989)

EXPOSURE PERIOD

Exposure time, always presumed to precede the effective date of the appraisal, is defined as follows: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market". Exposure time estimated from review of comparable sales and from discussions with active market participants is estimated for the subject property to be approximately 1 to 6 months.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS (SCOPE)

- The appraiser performed an appraisal process in conformance with current Uniform Standard Professional Appraisal Practice and Advisory Opinions (USPAP).
- Determined the nature of the appraisal assignment by identifying the client, intended users, intended use, type of opinion, effective date of the opinion, property interest appraised, and any subject property assignment conditions such as extraordinary, hypothetical assumptions or necessary jurisdictional exceptions.
- Afforded the property owner representative opportunity to accompany me and visited the site on February 16, 2022, unescorted.
- Performed an inspection of the property including the neighborhood, the subject property and its relevant characteristics
- Reviewed site plat, zoning and flood zone maps indicating physical suitability of the property for development or current use. Reviewed zoning ordinance and neighborhood plans applicable to the subject property.
- Performed a Highest and Best Use Analysis to identify the use that would result in highest market value.
- Researched comparable sales from available data sources including Costar, MLS, Realquest and appraiser's files.
- Inspected, by drive by, all comparable sales used.
- Attempted confirmation of each comparable sale with a party familiar with the property/transaction (when confirmation was not available, public records/information was relied upon).
- Applied appraisal techniques (sales comparison approach) and methodology according to the appraisal body of knowledge and the expectations and actions of my appraisal peers to arrive at an indication of market value of the subject site.
- Prepared an appraisal report describing my appraisal process, in conformance with the above referenced standards.
- *Any other components of scope including the 7 parameters, client, intended users, intended use, type of opinion, effective date, relevant subject characteristics and assignment conditions are considered to be included in/as scope.*

OWNER CONTACT FOR INSPECTION

Ownership representative, Ryan Trip for City of Tucson, was contacted by email and given the opportunity to accompany me on site visit, Mr. Trip waived accompanying; I visited the site on February 16, 2021 unescorted.

PROPERTY OWNERSHIP; 5 YEAR SALES HISTORY

Ownership of the site is indicated to be City of Tucson; assessor's record indicates no market transfers within the past 5 years. I am unaware of any marketing of the property for sale over the past year.

MARKET AREA ANALYSIS

A property is an integral part of its surroundings. The character and features of the surrounding area directly affect the use of a property which is a primary factor in the property's value. In order to estimate the value of a property, an analysis of the surrounding area must be made. This surrounding area is referred to as a market area.

The subject property is located in the south-central portion of the City of Tucson, Pima County, Arizona. The boundaries of the area which exert the most influence over the subject can be described as Valencia Road on the south to 22nd Street on the north and from Davis Monthan Air Force Base on the east to Campbell Avenue on the west. These boundaries are considered appropriate due to physical divisions, predominate land uses, and social characteristics. The area defined above is referred to herein as the subject neighborhood. The subject property generally falls in the central-east portion of this region.

The market area is considered to be a much greater area, essentially the central Tucson Metro area.

The subject neighborhood is an older mixed use neighborhood with a variety of single and multi family residences, commercial uses, and industrial uses. Residential uses are generally located on interior streets with some being located on major streets, commercial uses are generally located along major streets and major intersections, industrial uses are generally in proximity to transportation linkages including Interstate 10 and 19 as well as the railroad tracks. Due to the subject location virtually all services are available. The neighborhood is restricted by being in the TIA Avigation Easement and Disclosure Area, the area within approximately four nautical miles from the runway centerlines and five nautical miles from the runway ends. The purpose of the easement and disclosure policy is to protect the long-term viability of TIA. The Tucson Airport Authority (TAA) will support proposed changes in land use to noise-compatible industrial, commercial and open space uses in the areas subject to highest level of airport and will oppose and object to any change in land use to residential and to any increase in density of existing residentially zoned property for such areas, request notification requirements, including avigation easements and disclosure statements, for any proposed change in plan designation or zoning in the vicinity of TIA limiting further residential development.

Davis Monthan Air Force Base, the neighborhood eastern boundary, is a key air combat command installation responsible for the combat readiness of eight active-duty wings in the western United States and Panama with more than 35,000 personnel and 450 aircraft. Over 13,000 military retirees currently reside in the Tucson area.

Tucson International Airport (TIA), forming the southern boundary of the market area, sits on 8,343 (2014 TIA Master Plan Update) acres beginning at the southeast corner of Valencia and Nogales Highway, the airport stretches southeast beyond the new Aerospace Parkway and Alvernon to south of Old Vail Connection Road to the Arizona State Prison at Craycroft Road. Approximately 2,000 acres of the TIA property are currently developed for aeronautical use (Primary Airport Land); the remaining on-airport land area is vacant, undeveloped, or not used for aeronautical purposes (Reserve Land). Off airport land areas that may impact or be impacted by airport operations are referred to as the Urban Land Context. TIA is the second busiest airport in Arizona; with three runways and three helipads, serves an average annual 3.6 million passengers; it employs over 13,000 employees and the combined economic impact of aviation related activity on local payrolls and expenditures is nearly \$1 billion. TIA also supports the 162nd Wing of the Air National Guard, which conducts the largest training operation for the F-16 aircraft.

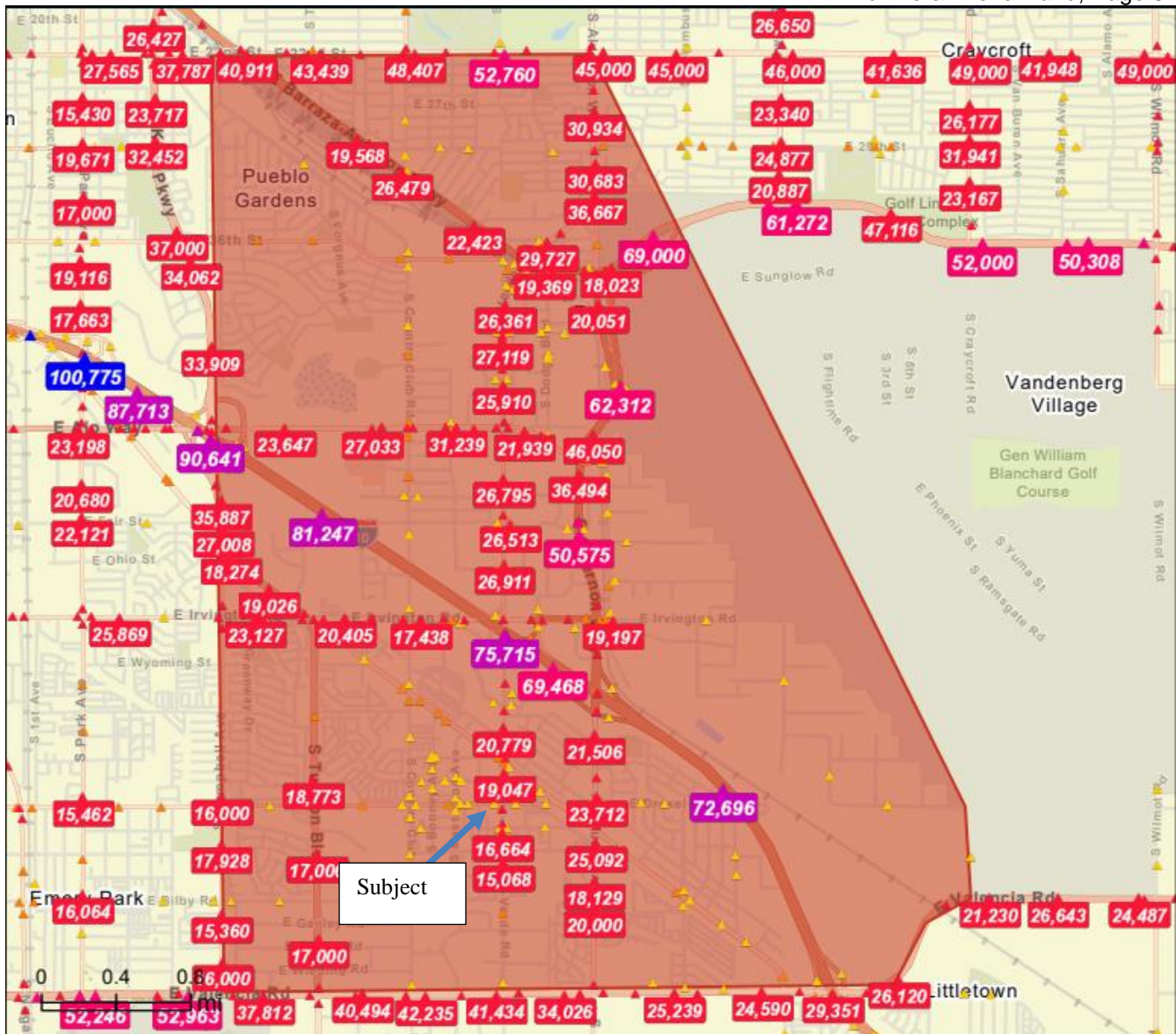
The Bridges, just west of the neighborhood, is a 350 acre Planned Area Development (PAD), mixed-use campus that combines retail shopping along with housing, the new University of Arizona Bio-Medical Resource center and 15 acres of open space, located at the northwest corner of Interstate 10 and Kino Parkway. The partners in The Bridges include the University of Arizona, Retail West/Eastbourne Investment, and 5151 East, a joint venture of KB Home and Lennar Homes. UA Tech Park at the Bridges is 65 acres, the sites long term plan calls for 1.8 million square feet of

developed office and lab space that could support roughly 7,000 to 10,000 employees; the Refinery building is recently completed, a number of other developments in this project are under construction. in addition to the 65-acre Tech Park, The Bridges includes 112 acres of retail development and 175 acres of residential development. Tucson Marketplace at The Bridges is a regional and community retail, lifestyle and entertainment based shopping center; the retail portion of the project is includes Costco, Walmart, Cinemark Theaters, Dave & Buster's and miscellaneous shops and restaurant Pads.

The Kino Sports Complex is located within the subject neighborhood which includes a variety of sports facilities and parks. The North Complex includes Kino Veterans Memorial Stadium that seats approximately 11,000, batting cages, eight regulation and two half-field baseball fields, the Kino Sports Complex Clubhouse and large scale even space. The North Complex has a 3,200 seating capacity North Stadium with lighted regulation sized soccer field, a North Grandstand with regulation soccer field with bleacher style seating for 1,000, Willie Blake Jr., Sam Lena Parks, and 32,000sf indoor venue Kino Event Center. Kino South Complex, now under construction with first phase improvements including 12 lighted long fields and a 20-court pickleball facility, all together amounting to over 300 acres, surpassing the current major facilities in the Phoenix metropolitan area.

The University Physicians Healthcare Hospital (formally Kino Community Hospital) is also within the neighborhood, it provides a wide variety of medical services including medical, surgical, psychiatric and long-term care inpatient services. Clinics provide internal medicine, general surgery, pediatrics, sub-specialties, occupational medicine, dental and urgent care services. Maintain an emergency department 24 hours per day. Provide ancillary services to support the array of medical services, including but not limited to laboratory; radiology; physical; occupational and speech therapies; a full-service pharmacy; and cardiopulmonary, gastroenterology, and neuropathophysiology laboratories. Since the change in management, the hospital has become UA's College of Medicine's second teaching hospital in Tucson. Its services and facilities have grown to include an intensive care unit, a catheter lab, sports medicine clinic, and urgent care. The vision for the hospital is to be on equal standing with the University Medical Center.

Access to the neighborhood is considered to be average. Interstate 10, which goes east and west through the neighborhood, is a six-lane asphalt and concrete-paved, limited access freeway; it is the major traffic artery between the cities of Phoenix and Tucson. The following table indicates an estimate of traffic volumes within the subject neighborhood (shaded) for each major thoroughfare, in both directions, for a typical twenty-four hour period performed by Esri (Calibrate Technologies 4Q 2021).



The economic characteristics of the subject neighborhood are compared to a 1 mile radius surrounding the subject property and the overall surrounding metro area (Pima County). As indicated, the subject surrounding area is projected to grow at lower rate than surrounding Pima County overall indicating the area being more nearly fully developed. Median household and per capita income levels in the surrounding area are significantly below county averages as are median home values. There is significantly greater housing by mobile/manufactured homes, particularly in the surrounding 1 mile radius.

Variable	Pima County	SE Central	SEC Drexel, Bonnie (1 mi)
2021 Total Population	1,077,673	39,938	16,036
2021-2026 Population: Compound Annual Growth Rate	0.88%	0.49%	0.42%
2021 Total Households	428,697	12,586	4,755
2021 Per Capita Income	\$30,716	\$16,046	\$14,409
2021 Median Household Income	\$55,823	\$40,871	\$37,897
2021 Population Age 25+: Graduate/Professional Degree	106,106	765	110
2021 Owner Occupied Housing Units	274,307	7,925	2,644
Percent Owner Occupied	57.3%	57.5%	49.4%
2021 Vacant Housing Units	49,834	1,197	602
Percent Vacant Housing	10.4%	8.7%	11.2%
2021 Total Housing Units	478,531	13,783	5,357
2021 Median Home Value	\$240,501	\$125,826	\$125,984
2021 Average Home Value	\$309,933	\$150,319	\$147,427
2019 Housing: Mobile Homes	47,450	2,867	2,244
Percent Mobile Homes	9.9%	20.8%	41.9%
2019 Median Contract Rent (HHs Paying Cash Rent)	\$760	\$711	\$700
2021 Population Density (Pop per Square Mile)	117.3	2,519.4	5,108.5

The neighborhood is served police and fire protection by the City of Tucson where in the city, Pima County Sheriff and Rural Metro where in the county. All utilities also provided including electricity by Tucson Electric Power, water by the City of Tucson, sewer by Pima County Wastewater, gas by Southwest Gas and telephone by CenturyLink. The subject neighborhood lies within the boundaries of Tucson Unified School District Number one, the largest school district in the State of Arizona with regard to student enrollment. Public Transportation is available on most major traffic arterials in the neighborhood.

In summary, the subject neighborhood is an older, well established, mixed use neighborhood with average to good linkages to employment centers. Residents have below average median household and per-capita incomes; median home values in the surrounding 1 mi and neighborhood areas are also well below average.

SITE DESCRIPTION

Location:	The subject is located at the southeast corner of Bonnie Ave and Drexel Rd (also fronting on Wyatt St.)	
Site Size:	89,464sf, 2.05 acres.	
Access:	Good, there is reasonable frontage on each road.	
Visibility:	Average to good; Drexel is a minor 2 lane arterial, 8,305vpd traffic counts (21); Bonnie and Wyatt are interior streets, no traffic counts available.	
Shape:	Square; less corner spandrel, the site is 300' frontage on Drexel Rd by 300' depth on Bonnie Av.	
Topography:	Generally level at around 2,552' at the southwest corner to 2,600' to the northeast corner.	
Flood Hazard:	According to the FEMA Digital Flood Insurance Rate Map, panel 04019C2293L the site is zone-X (areas of minimal flooding).	
Easements:	There are no easements indicated on the plat map.	
Hazardous Materials/ Contamination:	No environmental assessment was available. There are no known conditions or apparent environmental hazards evident during the site visit, but appraisers are not trained in the detection of such materials.	
Utilities:	Utilities are generally available in the area from the following sources, (however an engineering study is needed to determine if all utilities are available in adequate supply for new development):	
	Water:	City of Tucson
	Sewer:	Pima County Wastewater
	Electricity:	Tucson Electric Power
	Natural Gas:	Southwest Gas
	Telephone:	CenturyLink
	Public Safety/Fire:	Pima County
Surrounding Land Uses:	Mostly residential including mobile home parks; there is a bar directly west, industrial use warehouse to the northwest.	
Zoning:	MU, Pima County Multiple Use Zone; permitted uses include residences, multiple dwellings, mobile home park (in accordance with section 18.37.065) and a number of commercial uses as well as a number of industrial type uses with conditional approval.	
	Development Standards (residential) include: 7,000 minimum site area, min lot area per dwelling unit 3,500sf, 60' minimum site width, front, side and rear setbacks of 20', 7', 25' respectively and maximum height 34', 80' if not within ADC-1, 2, 3.	
	Development Standards (non-residential) include: 0 minimum site area, 0 minimum site width, front, side and rear setbacks of 20', 7', 25' respectively and maximum height 34', 80' if not within ADC-1, 2, 3.	
AEZ:	The site is within the TIA aviation easement disclosure area and restricted in height to 160'-180'.	
Comprehensive Plan:	I (Industrial)	

Site Analysis Conclusion: The subject site has good access with 3 street frontage and average to good visibility being on Drexel Road. Utilities, are available and there are no known issues significantly restricting utility of the site. It is zoned MU permitting a good variety of residential including multi-family uses, and a number of commercial uses as well as a number of industrial type uses with conditional approval.

Real Estate Tax Analysis

Assessor's indication of full cash values (2022) are as follows:

Tax Parcel	140-31-1230	140-31-1240	140-31-1250	Totals
FCV Land	\$46,000	\$44,000	\$37,000	\$127,000
FCV Impvt.	\$0	\$0	\$0	\$0
FCV Total	\$46,000	\$44,000	\$37,000	\$127,000
2021 Tax	\$0.00	\$0.00	\$0.00	\$0.00

There are no taxes due to municipal ownership.

HIGHEST AND BEST USE

Highest and best use is defined by the Appraisal Institute in The Dictionary of Real Estate Appraisal, 6th Edition, as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use. In the context of investment value, an alternative term would be most profitable use. The four criteria for the estimate of highest and best use that result in the highest land value are that the use be, legally permissible, physically possible, financially feasible, and maximally productive.

HIGHEST AND BEST USE, AS IF VACANT:

Legally Permissible: The subject is zoned MU, Pima County Multiple Use Zone; permitted uses include residences, multiple dwellings, mobile home park (in accordance with section 18.37.065) and a number of commercial uses as well as a number of industrial type uses with conditional approval

Development Standards (residential) include: 7,000 minimum site area, min lot area per dwelling unit 3,500sf, 60' minimum site width, front, side and rear setbacks of 20', 7', 25' respectively and maximum height 34', 80' if not within ADC-1, 2, 3. Development Standards (non-residential) include: 0 minimum site area, 0 minimum site width, front, side and rear setbacks of 20', 7', 25' respectively and maximum height 34', 80' if not within ADC-1, 2, 3.

Pima Prospers Comprehensive Plan indicates the subject as I-Industrial. The site is within the TIA aviation disclosure area and restricted to 160-180' height due to proximity to the airport; this is not considered to be significant as the height is significantly greater than that permitted by zoning.

Physically Possible: The subject parcel is indicated to be 89,464 square feet, with good access and average to good traffic visibility due to frontage on Drexel Road. Site utility is considered to be average and utilities necessary for development are available. FEMA-x (area of minimal flooding). Physically, the site is considered to be suitable for any uses legally permitted and financially feasible.

Financially Feasible: The financial feasibility of the subject site is market derived. The following is from the Spring 2021 issue of Arizona Economy, published by the University of Arizona Economic and Business Research center:

The Arizona economy finished 2020 in better shape than most states and the recovery continues at a solid pace. However, Arizona job growth lost momentum in December, according to the preliminary data. While state jobs were 3.0% below their February peak, that represented a huge 90,100 job gap. Over half of the job gap was in leisure and hospitality, as the travel and tourism industry remained hard hit by the pandemic. Further, in December, all major employment sectors, with the exception of transportation and warehousing, were below their peak. Income growth in the state surged in the second and third quarters of 2020, driven upward by a gigantic flow of federal relief funds into the state that helped to stabilize the economy in general and spurred gains in retail sales of tangible goods and trade, transportation, and warehousing jobs in particular.

Uncertainty is still a key feature of the outlook. Assuming continued improvement in vaccine distribution through 2021, the state should regain momentum as the year progresses. The baseline forecast calls for state jobs to regain their pre-pandemic peak in the third quarter of 2021. The travel and tourism sector will likely take longer to rebound, but will eventually recover. If vaccine distribution progresses more slowly than envisioned under the baseline, or if the evolution of the virus renders current vaccines significantly less effective, the recovery will be delayed.

As of December 2020, Arizona jobs remained 90,100 below the peak in February, according to the preliminary estimates. Arizona's leisure and hospitality jobs were the hardest hit in December, accounting for just over half of the job gap since February. Professional and business services; government; and education and health services also remain far below February. Keep in mind that nearly all major sectors of the state economy are still below their February level.

Trade, transportation, and utilities jobs were 19,100 above their February level. This reflected strong gains in transportation and warehousing, as well as trade. These sectors were boosted by the huge infusion of federal funds through the CARES Act, re-directed demand from travel and tourism, as well as accelerating trends favoring online shopping and delivery.

Arizona's recovery has not been evenly spread across the state's metropolitan areas. In December, Flagstaff was the furthest below its February peak, with jobs down 15.4%. Jobs were down 9.0% in Yuma, 3.8% in Lake Havasu City-Kingman, and 1.2% in Sierra Vista-Douglas. Jobs in the Prescott MSA have been close to the February peak since October.

Further, since June, most metropolitan areas in Arizona have struggled to generate job growth. The exception was the Phoenix MSA, which accounted for all of the state's net job gains.

While construction jobs ended the year below their February level, at least according to the preliminary data, housing permits and house prices surged ahead. Housing permits for Arizona, Phoenix, and Tucson are at the highest level in more than a decade.

Arizona total housing permits rose 23.0% in 2020 to 57,281. That was up from the revised 2019 annual total of 46,580. Most of the increase was driven by single-family activity, which rose to 41,465. That was an increase of 22.0%. Multi-family permits rose 25.5% to 15,816 in 2020.

Phoenix MSA housing permits increased 27.4% to 45,694 in 2020. Single-family permits increased to 31,475 (up 25.8%) and multi-family permits rose to 14,219 (up 31.1%).

Tucson MSA housing permits also increased last year, but at a slower pace. Total permits rose 14.9% to hit 4,956. Single-family permits accounted for all of the increase, rising 21.6%. Multi-family permits dropped 13.3% in 2020.

The house prices indexes from the Federal Housing Finance Agency (FHFA) measure repeat sales on single-family homes, and thus are not impacted by composition effects that can distort trends in median house prices. Data for the third quarter of 2020 also indicate strong house price appreciation in Arizona, with prices up 7.9% over the year statewide, 8.3% in Phoenix, and 7.2% in Tucson. Nationally, house prices were up 4.7% over the year in the third quarter.

While jobs took a big hit during 2020, personal income growth skyrocketed. This paradoxical result was driven by federal fiscal action, primarily the CARES Act. According to the U.S. Bureau of Economic Analysis (BEA) state personal income rose by 13.4% over the year in the second quarter of 2020 and by 9.7% in the third quarter.

Transfer receipts, primarily those related to the CARES Act, drove the increase in personal income in the second and third quarters. Transfer receipts rose 67.1% over the year in the second quarter and 35.4% in the third quarter.

Arizona Economy Outlook, November 2021: The following is from the Fourth Quarter 2021 Forecast Update: Arizona's job recovery hit the pause button in the third quarter, as the pandemic gained momentum again. Although state job growth slowed during August and September, according to preliminary estimates, employment is close to its pre-pandemic high. That is just the first milestone in the state's labor market recovery. The unemployment rate remains above the national average and above its level before the pandemic began. House prices continued to surge in the third quarter, reflecting strong demand as well as supply disruptions. Housing permit activity remained strong.

Assuming that the vaccines remain effective against COVID-19, the forecast calls for Arizona job and population growth to gain momentum in the near term. In contrast, income growth and retail sales soften as federal income support dissipates and households draw down savings. Downside risks outweigh upside risks at this time, as the course of the pandemic continues to generate surprises and as supply-chain disruptions remain a concern.

Arizona Recent Developments

Arizona job growth slowed recently, mirroring the deceleration nationally. The slowdown was at least partially connected to the resurgence of the pandemic during the fall. It may also reflect the broader labor market

disruptions brought on by the pandemic that have caused workers to reevaluate their current employment situation. These factors include reduced child-care options, the lure of retirement, and shifts in desired industries and occupations.

As of October, Arizona nonfarm payroll jobs were just 6,100 below their February 2020 peak, according to the preliminary estimates. Normal gains in November would put the state back on par.

Arizona has replaced 98.2% of the jobs lost in the initial months of the pandemic (**Exhibit 1**). Most metropolitan areas in the state posted employment levels above February 2020. The two exceptions were Flagstaff and Tucson, which had job replacement rates of 84.9% and 77.5%, respectively.

Exhibit 1: Share of Jobs Lost During the Pandemic that Have Been Replaced as of October 2021

	Jobs Lost (000s) February-April 2020	Jobs Gained (000s) April 2020-Oct. 2021	Replacement Rate (%) October 2021
Flagstaff	-12.6	10.7	84.9
Lake Havasu City-Kingman	-6.1	7.1	116.4
Phoenix	-244.3	258.4	105.8
Prescott	-9.1	11.1	122.0
Sierra Vista-Douglas	-2.3	3.0	130.4
Tucson	-44.0	34.1	77.5
Yuma	-5.7	6.7	117.5
Arizona	-331.5	325.4	98.2
U.S.	-22,362.0	18,158.0	81.2

In seasonally-adjusted jobs by industry from February 2020 to October 2021, government jobs were 19,600 below pre-pandemic levels, with most of the gap in local government. Leisure and hospitality jobs were 18,100 below February 2020, with the biggest gap in accommodation and food services. Information jobs were 5,500 below their prior peak and other services jobs were 2,500 jobs below February 2020.

Trade, transportation, and utilities jobs were 36,800 above February 2020 in October. Transportation and warehousing jobs were up 25,600 and retail trade jobs were up 9,400. Professional and business services; education and health services; manufacturing; financial activities were modestly above their pre-pandemic peak. Natural resources and mining jobs were equal to their February 2020 level in October.

The state's seasonally-adjusted unemployment rate fell to 5.2% in October, down from 5.7% in September. That was above the national rate of 4.6% and above its February 2020 rate of 4.9%. In addition, the Arizona employment-population ratio and labor force participation rate remained well below pre-pandemic levels. The state's labor market has not yet recovered to pre-pandemic performance.

Arizona personal income declined by 26.5% in the second quarter, faster than the national drop of 21.8%. Arizona's growth ranked 34th in the nation and followed a 61.8% increase in the first quarter of the year.

The state personal income decline in the second quarter was driven by reduced transfer receipts, which fell by \$35.5 billion. The drop reflected reduced federal income support from economic impact payments and unemployment insurance benefits related to the pandemic. Transfer receipts fell in every state.

In contrast, Arizona net earnings from work rose rapidly in the second quarter, up by 8.4%. Even so, that was below the national average gain of 10.7%. This reflected the strong job recovery during the spring.

With this release, state quarterly personal income has been revised back to 1998. The latest estimates show that Arizona personal income rose by 10.3% in 2020, up from 5.8% in 2019. Disposable income increased by 11.3% in 2020, up from 5.7% in 2019. Per capita personal income rose by 8.4% in 2020, up from 3.9% in 2019. The Bureau of Economic Analysis relied on population estimates based on the 2010 Census.

While construction job growth has been soft since the pandemic began, house prices and housing permits have surged upward. The Phoenix MSA median home price rose to \$440,000 in October 2021, up 25.7% over the year. The Tucson MSA home price increased to \$325,000, up 20.4% over the year. The Case-Shiller house price index for Phoenix rose 33.1% in September.

The rapid rise in house prices this year is related to factors impacting both the supply and demand-side of the market. On the demand side, it is likely that household formation rates have risen due to increased migration into the state (remote workers relocating from high-cost metropolitan areas to lower-cost states). It is also possible that household formation has increased with roommates separating into individual households, increased divorce rates, and other pandemic-related factors. There are not yet data on these other factors but they may be in the mix. Supply-side issues include rapidly rising construction input costs, labor shortages, and low housing inventories.

At the same time house prices have skyrocketed, so have housing permits. Statewide total permits (seasonally adjusted) were up 13.5% over the year through October. Most of that growth was driven by single-family permits (up 17.2%). Multi-family permits were up 4.1%.

Total housing permits in the Phoenix MSA were up 11.9% over the year through October, with single-family permits up 17.7% and multi-family permits up 0.5%.

Growth in total permits was even strong in Tucson, with an increase of 30.0%. Single-family permits were up 31.2% and multi-family permits were up 22.2%.

Arizona Outlook

The outlook for Arizona, Phoenix, and Tucson depends in part on national economic performance. The forecasts presented here are based on U.S. projections produced by IHS Markit in October 2021.

The baseline forecast (summarized here) is assigned a 50% probability. The pessimistic scenario is assigned 30% and the optimistic scenario is assigned the remaining 20%.

The baseline forecast calls for U.S. real GDP to rise by 5.4% in 2021, 4.3% in 2022 and then decelerate to 2.8% and 2.7% in 2023 and 2024, respectively.

Nonfarm payroll jobs nationally dropped by 5.7% in 2020, but rebound in 2021 with growth of 2.6% in 2021 and 3.6% in 2022.

The unemployment rate peaked at 8.1% for the year in 2020. It is forecast to decline to 5.5% in 2021 and 4.1% in 2022.

Inflation gathers momentum during the near term, with an average price increase of 4.3% in 2021 followed by a rapid deceleration to 3.0% in 2022, and 2.1% in 2023. Inflation moderates as supply-chain issues ease and workers return to the labor force.

Housing starts surged in 2020 to 1.40 million units. Activity rises to 1.58 million in 2021, before softening to 1.33 million by 2024.

This sets the stage for Arizona's jobs recovery to continue. After losing 93,200 jobs in 2020 the state is forecast to add 105,700 jobs in 2021 and 127,200 in 2022. As **Exhibit 3** shows, that translates into growth of 3.7% in 2021 and 4.3% in 2022.

Population gains accelerate through 2022, as Arizona attracts remote workers from high-cost western metropolitan areas, before gradually decelerating as demographic pressures come to the fore.

Faster population gains in the near term contribute to strong housing permit performance. As population gains moderate, so does housing permit activity.

The huge amount of federal income support that drove income gains in 2020 and 2021 dissipates in 2022. That generates slower gains in retail sales (particularly for goods).

Exhibit 3: Arizona Outlook Summary

	Actual	Forecast		
	2020	2021	2022	2023
Growth Rate				
Nonfarm Jobs	-3.2	3.7	4.3	2.7
Personal Income	10.3	5.8	1.4	5.9
Retail Plus Remote Sales	13.8	17.8	0.2	4.7
Population	1.3	1.4	1.7	1.6
Level				
Unempl. Rate	7.9	6.4	5.5	4.7
Housing Permits	60,342	65,399	64,575	54,021

The Phoenix MSA continues to drive state growth during the forecast, with rapid job, population, income, and sales gains. The Tucson MSA contributes to growth but at a slower pace.

Risks to the Outlook

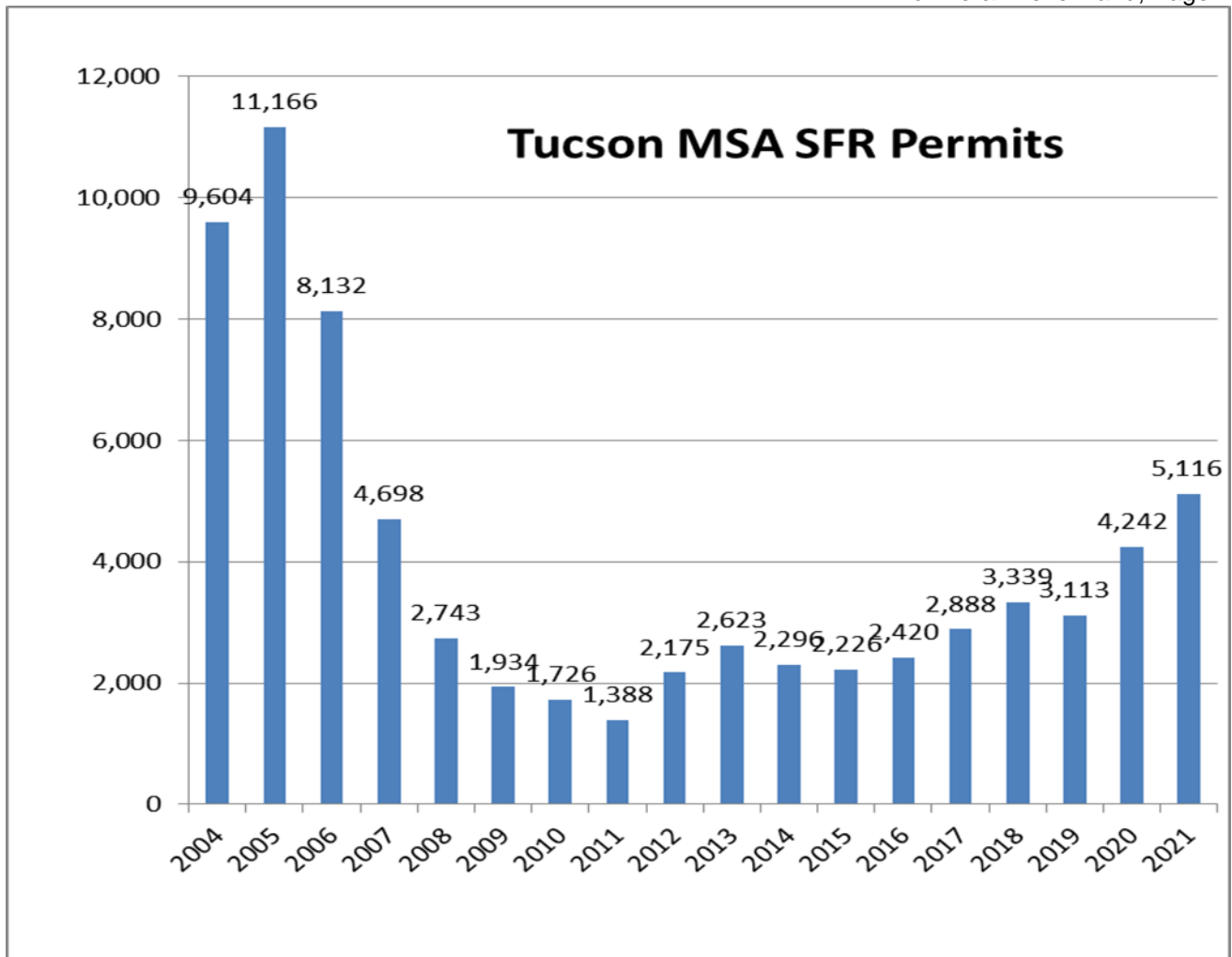
The baseline outlook calls for Arizona to generate strong job and population growth in the near term as income and sales growth decelerate. **Exhibit 4** shows the state job growth forecasts for the baseline, pessimistic, and optimistic scenarios. The baseline outlook is assigned a 50% probability.

The pessimistic scenario is assigned a 30% probability. It assumes a resurgence of the pandemic in the winter months, with rising hospitalizations and deaths. This prevents a rapid recovery in travel and tourism. It also assumes that supply-chain issues drag on into next year. This slows growth in consumer spending on durables. Together, these factors provide a significant drag on U.S. and Arizona growth.

The optimistic scenario (20% probability) assumes that travel and tourism recovers rapidly, supply-chain issues are resolved more quickly, and that consumers respond more positively to infrastructure spending. These factors generate stronger near-term growth.

While each real estate market and market area are affected differently, the decline leading into the great recession, particularly in the Tucson Metro area, was precipitated by the residential market and this market was initially the first to signal recovery, it is also the first market to demonstrate strength in spite of the Covid-19 pandemic; it is thus summarized.

Residential: US Census reported single family residential permits in the Tucson Metro area (Pima County) as follows:



As indicated, residential permits dropped precipitously from a high in 2005 through 2011; 2012 and 2013 indicated the beginning of a turn around, recently there has been a string of increases, though levels are still well below a 5,000 permit long term sustainable level benchmark. Over this time period (2006 through 2011) home values decreased drastically from but again have turned around with relatively strong recent increases in appreciation; July 2021 statistics indicate that Tucson Median Sales Prices (all MLS) increased by 17.7% year over year. 2020 SFR permits have significantly surpassed recent years (almost 36.3% above 2019) and 2021 is again 20.5% above 2020. (Source: census.gov).

As the subject is located in a mixed use area both commercial use and residential use sales were analyzed; sites with similar mixed use potential were found to provide maximally productive value, which is considered to be reasonable given that the MU zoning affords greater number of potential uses than strictly residential use.

Maximum Profitability: In conclusion, highest and best use “as if vacant” is considered to be marketing for sale for development of commercial use not significantly dependent on heavy traffic volume, or a higher density residential or multifamily development.

VALUATION METHODOLOGY

In the appraisal of real estate, three methods of estimating value are often employed, depending on the characteristics of the property; they include the Cost Approach, Sales Comparison Approach and the Income Approach.

The cost approach is a set of procedures through which a value of the fee simple interest is derived by estimating a reproduction or replacement cost of improvements, deducting accrued depreciation from all sources, and adding the value of the site as if vacant. This approach is particularly useful in the analysis of a property that is new or nearly new, which is not significantly affected by any forms of depreciation, and properties that are not frequently exchanged in the market.

The cost approach includes a site value typically based on sales comparison and site improvements based on a national cost source or local construction cost bids. The subject is an undeveloped site, the cost approach is not considered to be applicable to the subject analysis.

The Sales Comparison Approach is a set of procedures through which value is estimated by comparison of the subject property to the sales of similar properties that have recently sold, making adjustments to the sales for differences between the subject and the comparable property's based on units of comparison. The sales comparison approach is applied and considered to be appropriate as the sales provide meaningful analysis of property similar to the subject in the current market.

The income approach is a set of procedures through which value is estimated based on the future benefits of property ownership (income earning potential) of the property appraised. Rental income is estimated based on analysis of similar market properties and/or the subject income stream from existing leases. Incomes are reduced by expenses to the owner and net income is capitalized by either direct capitalization, yield capitalization, or both. Properties of this type appear to be typically purchased for owner use/development rather than for income earning potential, thus the income approach is not considered to be necessary for credible assignment results and is not employed.

SALES COMPARISON APPROACH

The sales comparison approach considers the recent sales of properties with similar use and improvements to the subject. This technique is an application of the principle of substitution which affirms that, when a property can be replaced with an alternative property of similar utility without undue delay, its value tends to be set by the cost to acquire such an equally desirable substitute property.

The sales comparison approach is the process of analyzing sales data of properties considered comparable to the subject being appraised. The reliability of the sales comparison approach is dependent upon (a) the availability of comparable sales data, (b) verification of the sales data and derivation of various indicators of value, (c) the absence of non-typical conditions affecting the sales price of the comparable sales, and (d) the degree of comparability of the sales to the subject and the extent of adjustments required to make the sales equal to the subject.

There are ten basic elements of comparison that will be considered in sales comparison analysis; they include:

1. Real property rights conveyed
2. Financial terms
3. Conditions of sale
4. Expenditures made immediately after purchase
5. Market conditions
6. Location
7. Physical characteristics
8. Economic characteristics
9. Use
10. Non-realty components of value

Adjustments for items 1-5 above are made first if necessary, indicating an “adjusted sale price”. The comparables prices are each then adjusted for differences in location, physical characteristics (including use or zoning), economic characteristics and any non-realty components of value.

After adjusting the comparable sales prices to compare equally to the subject, the sales are reduced to common units of comparison for further analysis. The units of comparison selected depend on the type of property being appraised. The comparables have been analyzed on a price per site square foot basis as the typical unit of comparison for properties such as the subject. The comparable properties are then adjusted for locational, physical and economic differences as indicated.

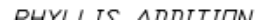
A search of the Tucson area market revealed the following sales, considered to be most applicable to this appraisal valuation.

COMPARABLE SITE ONE

Location: 2733, 2739 E Benson Hy, Tucson, 85706
Tax Code Number: 140-11-009B, 008B
Records: 3/31/2021, 2021 0900626
Seller: Maria Sabalos Trust
Buyer: Jesus Barcelo
Sale Price: \$110,000, \$120,000 Asking price, 720 DOM
Site Size: 43,513sf, 1.0ac
\$/Sf Site \$2.53
Terms: Cash
Zoning: C-2
Comments: Located on the north side of Benson Hy, 7,142vpd traffic counts (20) south of Irvington Rd. TIA avigation disclosure area. Sewer and natural gas were not available (sewer is available to the north at Irvington); there were reported to be no site development issues; FEMA-X.
Confirmation: Costar, Ron Zimmerman, listing agent, 520.248-0427, pdh 2022218



IRVINGTON ROAD



COMPARABLE SITE TWO

Location: 4945 S Arlington Rd, Tucson, 85706
Tax Code Number: 140-11-002, 011B
Records: 3/16/2021, 2021 0741107
Seller: Blue Light Land LLC
Buyer: Daniel Duke
Sale Price: \$160,000, \$160,000 Asking price, 13 DOM
Site Size: 86,878sf, 1.99ac
\$/Sf Site: \$1.84.
Terms: \$50,000 cash down, carryback, preferred by seller was not considered to have affected the sale price
Zoning: C-2 (50%), R-2 (50%)
Comments: Located on the north side of Benson Hy, 7,142vpd traffic counts (20) south of Irvington Rd. The south half of the site is zoned C-2, the north half R-2 but the area is surrounded by commercial or industrial, thus rezoning, if necessary should not be an issue. TIA avigation disclosure area. All utilities, with the exception of natural gas were reportedly available and there were reported to be no site development issues. The seller, an investor, reportedly sold slightly below market due to wanting to move rather than hold on to the property. The site, per MLS records, was purchased for \$45,000, 7/21/2020.
Confirmation: Chris, seller 520.270-6043, pdh 2021211



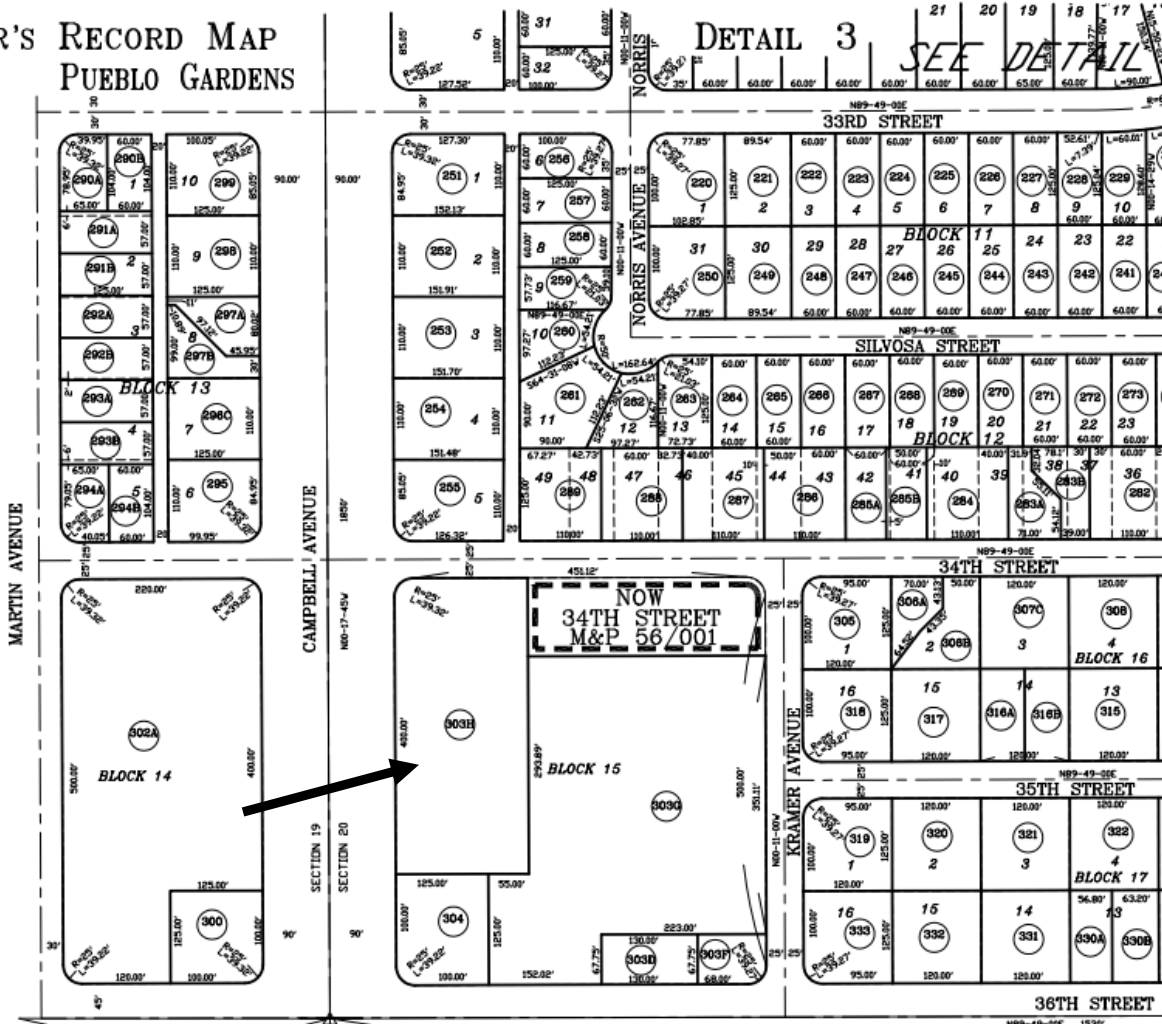
COMPARABLE SITE THREE

Location: 2451 S Campbell Ave. (SEC 34th St), Tucson, Arizona
Tax Code Number: 130-05-303H
Records: 2/26/2021 at 2021 0571595
Seller: Rosa Lucatero
Buyer: Tocando Corazones LLC
Sale Price: \$184,500 (\$199,500 Asking Price 113 DOM)
Terms: Cash
Site Size: 76,883sf, 1.76 acres per assessor's record.
\$/Sf Site \$2.40
Zoning: C-1 and R-2 (approx. 30%), Commercial and Residential
Comments: The site is located at the southeast corner of 34th St; Campbell is considered to be a neighborhood collector in this location, 2,057vpd traffic counts (21). FEMA X. All utilities were available and there were no development issues. Typical market motivations, etc. Reportedly purchased to develop multi-family units.
Confirmation: MLS 22016574, George Mungia, Listing Agent, 520.780-7556 pdh 2022223



ASSESSOR'S RECORD MAP
130-05
PUEBLO GARDENS

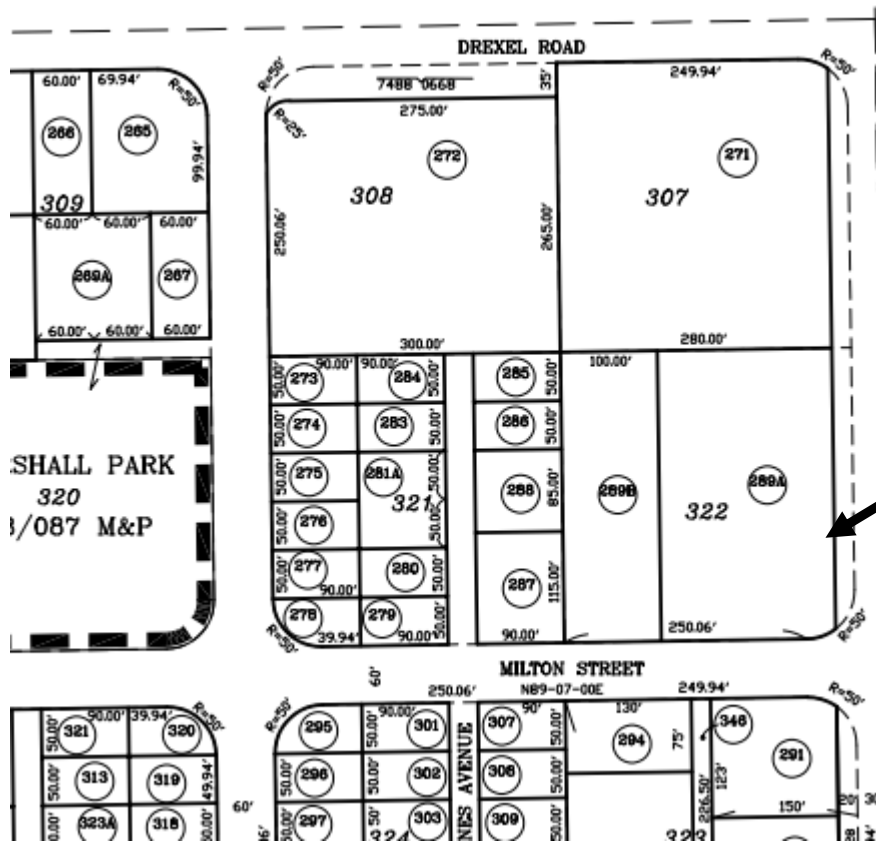
UNSUBDIVIDED



COMPARABLE SITE FOUR

Location: 5750 S Palo Verde, Tucson, 85706
Tax Code Number: 140-31-289A
Records: 8/28/2020 at 2020 2411096
Seller: Tsatsafoulis, Teri Lynn; Hammack-Bendele, Deborah; Merow, Barbara
Buyer: Mata Cresenciano Pacheco
Sale Price: \$150,000, \$159,000 Asking Price, 78 DOM
Site Size: 53,464sf, 1.23ac
\$/Sf Site \$2.81
Terms: 25% downpayment, the balance by PMM, 5 years, 5%; not considered to have affected the sale price
Zoning: MU, Pima County Multiple Use
Comments: Located at the northwest corner of Palo Verde, an arterial, 17,053vpd traffic counts (21) and Milton Av. FEMA-X, TIA avigation easement disclosure area, 180-200' height restriction. All utilities available. No improvements contributing to value. The site was purchased for sale/repair of mobile homes.
Confirmation: MLS 21926874, Gary Lovelace, listing agent, 520.591-3707, pdh 2022223





SALES COMPOSITE MAP



Value Analysis

Four sales have been selected for comparison in the subject value analysis.

Adjustments are applied to provide insight into the relative significance (weight) of the characteristic being considered and difference from the various comparable sales to the subject parcel. While based on appraisal experience and interpretation from the market, they are not intended to be precise to each comparable and category.

Property Rights: The sales all involved leased fee interests, no adjustments are necessary.

Financing: Sales 1 and 3 were cash to seller, no adjustment necessary; sales 2 and 4 involved significant cash with seller carryback, financing was not considered to have affected the sale price, no adjustment is considered necessary.

Conditions of Sale: Sales 1, 3 and 4 were considered to have had typical sale motivations, no adjustment is considered necessary; sale 2 is adjusted slightly upward for seller motivation.

Market Conditions: The sales occurred from August 2020 through March 2021; the market for sites of this type of property have increased moderately over this time period, the sales are adjusted upward on the basis of approximately 5% per year.

Location: the subject is located in an average mixed use area; the comparables are considered to be similar, not requiring adjustment.

Size; sales 2 and 3 are considered to be comparable in size, not requiring adjustment; as smaller parcels typically sell for more on a per unit basis, all else being equal, sales 1 and 4 are adjusted moderately downward for superior smaller size.

Zoning: the subject and comparable 4 are multiple use zoning with more restriction than fully commercial zone such as sale 1, it is adjusted moderately downward; comparables 2 and 3 with mixed zonings are considered to be offsetting, not requiring adjustment.

Improvements: the subject and comparables are unimproved sites, no adjustment is considered necessary.

Site Utility/Utilities: the subject is considered to have average site utility and utilities necessary for development; sale 1 is adjusted upward for lack of sewer to the site; the other comparables are not considered to require adjustment.

Access/Exposure: The subject is considered to have good access and good to average exposure due to it having 3 street frontage and moderate traffic volume on Drexel. Comparables are 1-3 considered to be inferior overall and therefore adjusted upward; sale 4 superior due to significantly greater traffic volume on Palo Verde, is adjusted downward.

Conclusion: the comparables are considered to bracket the subject site, sales 1-3 with net upward adjustment and comparable 4 with net downward adjustment. With slightly greater emphasis on comparables 2 and 3 for their requiring less gross adjustment, a subject value at \$2.60/sf, rounded to \$232,600, is considered appropriate.

Greater detail concerning the comparable sales and their adjustment when compared to the subject site is available on the following grid:

SITE SALES COMPARISON SUMMARY					
Comparable	Subject	Comp 1	Comp 2	Comp 3	Comp 4
Location	SEC Drexel, Bonnie	2733, 2739 E Benson Hy	4945 S Arlington	2451 S Campbell	5750 S Palo Verde
Tax ID Number	140-31-123+	140-11-009B+	140-11-002+	130-05-303H	140-31-189A
Sales Data					
Date of Sale	N/A	Mar-21	Mar-21	Feb-21	Aug-20
Sales Price	N/A	\$110,000	\$160,000	\$184,500	\$150,000
Site Size (ac)	2.05	1.00	1.99	1.76	1.23
Property Rights (Interest)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest adjustment	0%	0%	0%	0%	0%
Financing	Cash	Cash	Cash, PMM	Cash	Cash, PMM
Cash Equivalent Price	N/A	\$110,000	\$160,000	\$184,500	\$150,000
Conditions of Sale	Average	Average	Motivation	Average	Average
Condition Adjustment	0%	0.0%	5.0%	0.0%	0.0%
Market Condition (Time)	N/A	Mar-21	Mar-21	Feb-21	Aug-20
Market Conditions Adj.	0.0%	4.0%	5.0%	5.0%	7.0%
Adjusted price per SF	N/A	\$2.63	\$2.03	\$2.52	\$3.00
Physical Characteristics					
Location	Average	Similar	Similar	Similar	Similar
Size	2.05	1.00	1.99	1.76	1.23
Zoning	MU	C-2	C-2, R-2	C-1, R-2	MU
Improvements	None	None	None	None	Nil
Site Utility/Utilities	Average	Inferior	Similar	Similar	Similar
Access/Visibility	Avg/Good	Inferior	Inferior	Inferior	Superior
Adjustments					
Location	0.0%	0.0%	0.0%	0.0%	0.0%
Size	0.0%	-5.0%	0.0%	0.0%	-5.0%
Zoning	0.0%	-5.0%	0.0%	0.0%	0.0%
Improvements	0.0%	0.0%	0.0%	0.0%	0.0%
Site Utility	0.0%	5.0%	0.0%	0.0%	0.0%
Access/Visibility	0.0%	10.0%	10.0%	10.0%	-10.0%
Net Physical Adjustments					
Net Physical Adjustments	Same	Upward	Upward	Upward	Downward
Net Adjustment (Overall)	0.0%	5.0%	10.0%	10.0%	-15.0%
Adjusted Comp Price/sf		\$2.76	\$2.23	\$2.77	\$2.55
Subject Value (\$/SF)	\$2.60				
Subject Value Opinion	\$232,600				

STATEMENT AND CERTIFICATION OF APPRAISER

I certify that, to the best of my knowledge and belief:

the statements of fact contained in this report are true and correct.

the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

my engagement in this assignment was not contingent upon developing or reporting predetermined results.

my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. (C.S.R.1-1)

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional appraisal assistance to the person signing this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.(C.S.R.1-2).

As of the date of this report, I have completed the continuing education program of the Appraisal Institute (C.S.R.1-3).

I have performed no services regarding the subject property within the prior 3 years as an appraiser or in any other capacity.

If this report is in any way disassembled, reproduced, altered, or used in any other capacity than that made known to the appraiser at the time of the request and stated herein, the appraiser is not responsible for this report and it is invalid.

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING



Paul D. Hendricks, MAI
Arizona Certified General Real Estate Appraiser 30197

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

APPENDIX

1. Appraisal Assumptions and Limiting Conditions
2. Subject Exhibits and Photos
3. Consultant Qualifications

LIMITING CONDITIONS AND ASSUMPTIONS

of Standard Real Estate Appraisal

(Consisting of the 23 Items Below and Others as Mentioned)

1. Information Used, Trade Secrets

The appraiser(s) shall not be responsible for the accuracy of any information obtained from the client or any other source and used in the appraisal, subject to the due diligence provision of the Uniform Standards of Professional Appraisal Practice. The appraiser(s) shall not be liable for any information or work obtained from any subcontractor. It is strongly suggested that the client consider independent verification of all factual data as a prerequisite to any transaction involving the purchase, sale, lease, or other decision involving a significant commitment of funds affecting the subject property. The client agrees that the appraisal produced pursuant to this agreement consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552(b)(4) and furthermore agrees to obtain the appraiser(s) authorization before reproducing the appraisal in whole or in part.

2. Authentic Copies, Changes, Modifications

The authentic copies of this report were delivered to the client; copies not coming from the client may have been altered. The appraiser(s) reserve the right, at their sole discretion, and at any time, to alter statements, analysis, conclusions or any value estimate(s) in the appraisal if facts pertinent to the appraisal process and report which were unknown at the time of completion become known to the appraiser(s).

3. Use of Appraisal, Limit of Liability

This report is intended solely and exclusively for use by the client. The sole purpose of the report is to assist the client by valuation of the subject property. The client also acknowledges and agrees that some of those involved with the assignment appraisal may be independent contractors and the client hereby agrees not to hold the appraiser(s) liable for any acts of same. Notwithstanding anything herein to the contrary, the client will forever indemnify and hold appraiser(s) harmless from any claims by third parties related in any way to this appraisal.

The liability of the appraiser and affiliated business entities, its officers, directors, shareholders or employees (hereinafter collectively referred to as appraiser) is limited to the herein named client only. No liability shall extend to any third party, and the total amount of such liability shall in no event exceed the amount of the fee actually received by the appraiser(s).

Third parties shall include, but not be limited to, general and limited partners of the client if said client is a partnership, stock holders of the client if said client is a corporation, and all lenders, tenants, past owners, successors, assigns, offerees, transferees and spouses of client. The appraiser(s) shall not be held responsible for any costs incurred to investigate or correct any deficiencies of any type which may be present in the real estate and/or real property herein appraised. Acceptance and/or use of this report by the client constitutes acceptance of all limiting conditions and assumptions set forth herein.

4. Court Testimony

Testimony or attendance in court by reason of this appraisal, with reference to the property in question, shall not be required, unless arrangements have previously been made.

5. Copies, Publication, Distribution of the Report

Possession of any copy of this report shall not authorize or empower the client or any third party with any publication rights whatsoever, or with any authorization to use the appraisal other than for its intended and stated purpose noted in the agreement and/or in the report. The physical report(s) shall remain the property of the appraiser(s) at all times and appraiser(s) hereby grant the client permission to use the appraisal report(s) solely for the purposes set forth. The client agrees that the payment of the appraisal fee is in exchange for the analytical services of appraiser(s) and by the payment of said fee, the client has not purchased the appraisal report. With the exception of public disclosure indicated below, neither all nor any part of this appraisal report shall be given, recited, published, copied, distributed, nor in any way

communicated to third parties in any manner, in whole or in part, without the prior written consent of the appraiser(s).

This report has been prepared for City of Tucson and appraiser recognizes that the report will become public record after review and will be available for review by the public upon request.

6. Confidentiality

All conclusions and opinions concerning the analysis as set forth in this report were prepared by the appraiser(s) whose signature(s) appear on the appraisal report. No changes shall be made in the report by anyone other than the appraiser(s). The appraiser(s) shall not be held responsible for any unauthorized changes or such consequences as may transpire from unauthorized changes. The appraiser(s) may not divulge the material contents of the report to anyone other than the client or his designee as specified in writing, except as may be required by the professional association(s) of which the appraiser(s) are members as may be requested in confidence for ethics enforcement, or by a court of law, or any other body with the power of subpoena. The appraisal has been prepared for City of Tucson with the knowledge that the report will ultimately become public records and may be made available for public review.

7. Measurements, Exhibits

The sketches, maps and photographs in the appraisal report are included solely for the purpose of assisting the reader in visualizing the property and are not necessarily to scale. The appraiser(s) have made no survey of the property and site plans included in the report are not to be considered as surveys unless so designated. Any sketch or map in the appraisal report shows approximate dimensions and is included for general illustrative purposes only. It is the responsibility of a qualified engineer, architect, or registered land surveyor to show the exact location of the subject improvements thereon, existing or proposed, as well as the measurements and areas of land and improvements. In the absence of a survey, the appraiser(s) may have used Tax Assessor's maps or records or other maps provided by the client which may or may not represent the exact measurements of the subject property or other comparable data relied upon in estimating the market value of the subject property. Any variation in land or building areas from those considered in the appraisal may alter the estimates of value contained in the report.

8. Legal, Title, and Market Value Premise

The appraiser(s) have no responsibility for matters of any legal nature affecting the property being appraised or the title thereto; the appraiser(s) assume title to be good and marketable, and free of clouds unless otherwise noted. No Title Policy or report has been furnished to the appraiser(s), unless so stated in the report. The property is being appraised as though it were under financially sound and responsible ownership with typical and competent management. The hypothetical sale referred to in the definition of market value assumes adequate marketing efforts and exposure time normal for the property. The appraiser(s) are not responsible for the accuracy of legal description.

9. Engineering, Structural Matters; Hazardous or Toxic Materials, Physical Condition

The appraiser(s) have inspected the land and the improvements. However, it is not possible to observe conditions beneath the soil surface, or hidden structural, mechanical, or other components; the appraiser(s) shall not be held responsible for any defects in the property related thereto. The property appraised is as though there are no hidden or unapparent conditions which would affect market value; this includes subsoil conditions, potential flood conditions, hydrological and/or structural conditions. The appraiser(s) are not responsible for such conditions or those engineering efforts which might be required to discover and/or correct such factors. The value estimate assumes there are no defective property conditions that would cause a loss of value. The land or the soil of the area being appraised is assumed to be firm and otherwise satisfactory for building use. Although soil subsidence and the influence of toxic material in the area of the subject and its environs is unknown, the appraiser(s) do not warrant against this condition or occurrence of problems from soil (or toxic atmospheric) conditions known or unknown.

Unless otherwise stated in the report, the existence of hazardous material, substance or gas, which may or may not be present within, on or near the property, has been disregarded in the appraisal. The appraiser(s) are not qualified to detect such substances as asbestos, urea-formaldehyde foam insulation, radon gas, or other potentially hazardous material and/or substances which may adversely affect the value of the property. The value estimate is predicated on the assumption that there is no such toxic material and/or

condition affecting the property that would cause a loss in value. The appraiser(s) are not responsible for any such condition and/or the engineering expertise required to discover any such condition. The client is urged to retain an expert in this field, if so desired. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are assumed to be in good working order unless otherwise stated. Appraiser(s) are not responsible for the adequacy or type of insulation, or energy efficiency of the improvements or equipment, which are assumed to be standard for the subject property type. Unless otherwise stated, the appraiser(s) have not been supplied with a termite inspection report or occupancy permit. The appraiser(s) shall not be held responsible for, nor shall the appraiser(s) be deemed to have made any representations regarding any potential costs associated with obtaining same or for past or present, legal or physical, deficiencies which may be found. Client further agrees that the appraiser(s) shall not be held responsible for any costs incurred or consequences arising from the need, or the lack of need, for flood hazard insurance.

10. Utilities

In the absence of a qualified professional engineer's study, information regarding the existence of utilities is made from a visual inspection of the site and review of available public information. The appraiser(s) have no responsibility for the actual availability of utilities, their capacity, or any other problem which might result from a condition involving utilities. Although public utility lines might be located adjacent to the subject property, the capacity of these lines for any proposed development is not known. The respective companies, governmental agencies or entities should be contacted directly by concerned individuals. Unless otherwise stated in the report, utilities of all types are considered in the appraisal to be present in adequate quality and quantity for the intended use or highest and best use of the property.

11. Legality of Use, Management of Property

The appraisal is based, unless otherwise stated, on there being full compliance with all applicable federal, state and local environmental regulations and laws, that all applicable zoning, building, use regulations and restrictions of all types have been complied with and, moreover, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate. The appraisal is prepared under the assumption that the property which is the subject of this report is maintained and managed pursuant to prudent and competent ownership and management.

12. Component Values, Special Studies

The distribution of the total valuation in this report between land and improvements applies only under the existing program of use. The separate valuations for land and building must not be used separately and are invalid if so used. No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or within the report.

13. Inclusions.

Furnishings, equipment, personal property or business operations which may sometimes be considered a part of the real estate, have been disregarded, unless otherwise specified and only the real estate is considered in the value estimate. In some limited circumstances, business and real estate interests and values may be combined depending on the specific situation and as determined by a written agreement. Please see the appraisal report for further clarification.

14. Proposed Improvements, Conditional Value

Any improvements proposed, on- or off-site, as well as any repairs required, will be assumed, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted by the client for consideration by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of the property by the appraiser after construction is completed. The estimate of market value is as of the date shown, as proposed, and as if completed and operating at the levels shown and projected or as otherwise indicated and labeled in the appraisal report.

15. Value Change, Dynamic Market, Influences on Market Value, Alteration of Estimate and/or Analysis Herein By Appraiser

The estimated market value, as defined in the report, is subject to change with market fluctuations over time; value is highly related to exposure, time, promotional effort, terms, motivation, and personal and general economic and supply/demand conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property both physically and economically in the marketplace.

The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate. The client hereby agrees that the appraisal report and value estimate are subject to change if the physical or legal entity or the financial arrangements are different than that envisioned in this report or upon change in, or discovery of, certain influencing market conditions or property conditions as well.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value or investment value or value in use, the client hereby acknowledges and agrees that such estimates are intended to be a reflection of benefits which the appraiser(s) have been directed to assume as given, as well as from the appraiser's interpretation of income and yields and other factors derived from general and specific client and market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market and value is naturally dynamic. The client agrees that these types of appraisals are based on reasonable estimates and as such, will not hold appraiser(s) responsible for any errors in the estimated values. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present or previous owners nor upon the occupants of the properties in the vicinity of the property which is the subject of the appraisal.

16. After-Tax Analysis, Investment Analysis, and/or Valuation

Any "after" tax income or investment analysis and resultant measures of return on investment are intended to reflect only possible and general market considerations, whether as part of estimating value or estimating possible returns on investment at an assumed value or price paid; the client acknowledges and agrees that the appraiser(s) do not claim any expertise in tax matters and moreover will not rely on any information prepared by appraiser(s) which in any way relates to income tax matters.

17. Information furnished by Client and Third Parties

Any and all information furnished by the client and/or third parties is logically presumed to not only be correct but complete, either in entirety or summarized as presented, and if there are no other documents modifying the one or ones mentioned herein.

18. Federal Law OMB Circular A-129 & Bulletins 91-05 and 92-06 Amending Circular A-129

These require USPAP standards and practices be used under State certification and license programs under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (P.L. 101-73) and OMB Bulletin 92-06 applies these USPAP to the 17 affected Federal eminent-domain agencies subject to the regulations of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), as amended by regulations in 49 CFR Part 24. Agencies not subject to the Uniform Act should follow the revised 49 CFR Part 24 to conform to OMB Bulletin 92-06.

19. Americans With Disabilities Act (ADA)

This act became effective January 26, 1992. The appraiser(s) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. As the appraiser(s) have no direct evidence relating to this issue, possible or direct noncompliance with the requirements of ADA in estimating the value of the property was not considered.

20. Environmental

It is assumed that there are no protected species of plants or animals in, on, or near the subject property other than any described in the report.

It is assumed that the site is not a cactus ferruginous pygmy owl habitat (defined by US Fish & Wildlife as: Land below 4000 feet in elevation that has saguaro greater than 8 feet tall or containing a woodpecker cavity) ironwood, mesquite, or paloverde vegetation (must be >6 inches in diameter). (note as of May 2006 the pygmy owl has been de-listed as an endangered species; however, there is ongoing litigation seeking to overturn this de-listing).

21. Report Type

This is a Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

22. Other Information for Readers

We recommend that if sewer or septic connection, or condition of same, is of concern to client or other readers of this report, a qualified expert should be hired to inspect the system and perform appropriate tests as he/she deems necessary. Further, if water source, status, possible toxic influences on air, water, soil, or improvement construction material or condition of mechanical, structural or other systems or components are of concern, an appropriate expert should be engaged as we are not experts in such matters. The reader is cautioned that value is dynamic and changes with changing market conditions over time. Subsequent sales, listings, and other market influencing activity may influence value after the date of the value estimate. The value estimate is an estimate, not a determined fact.

23. Conclusion

Acceptance of and/or use of this appraisal report by the client or any third party reader or user, constitutes acceptance of the above stated conditions as well as any other(s) stated in this report. The acceptance of this appraisal report also constitutes acceptance of responsibility for payment of the appraisal fee balance due and any costs incurred by the appraiser(s) in collection of same. Appraiser liability extends only to stated client, not subsequent parties or users; any additional appraiser liability is limited to the actual amount of fee received by said appraiser(s).

These Limiting Conditions and Assumptions are in conjunction with any form type page(s) of similar nature in the appraisal report package; further, the reader is advised that certain comments in the report may point out other specific assumptions and/or limiting conditions pertaining to this appraisal even though an attempt has been made to summarize all limiting conditions and assumptions herein; the client or designated user of the appraisal report should inspect the property and confirm factual information before a final decision is made concerning the subject.

--- end ---

SUBJECT PHOTOS & EXHIBITS

Aerial/Site View



Drexel Road Looking East (subject right)



Site View Looking East-Southeast



Site View Looking Southeast



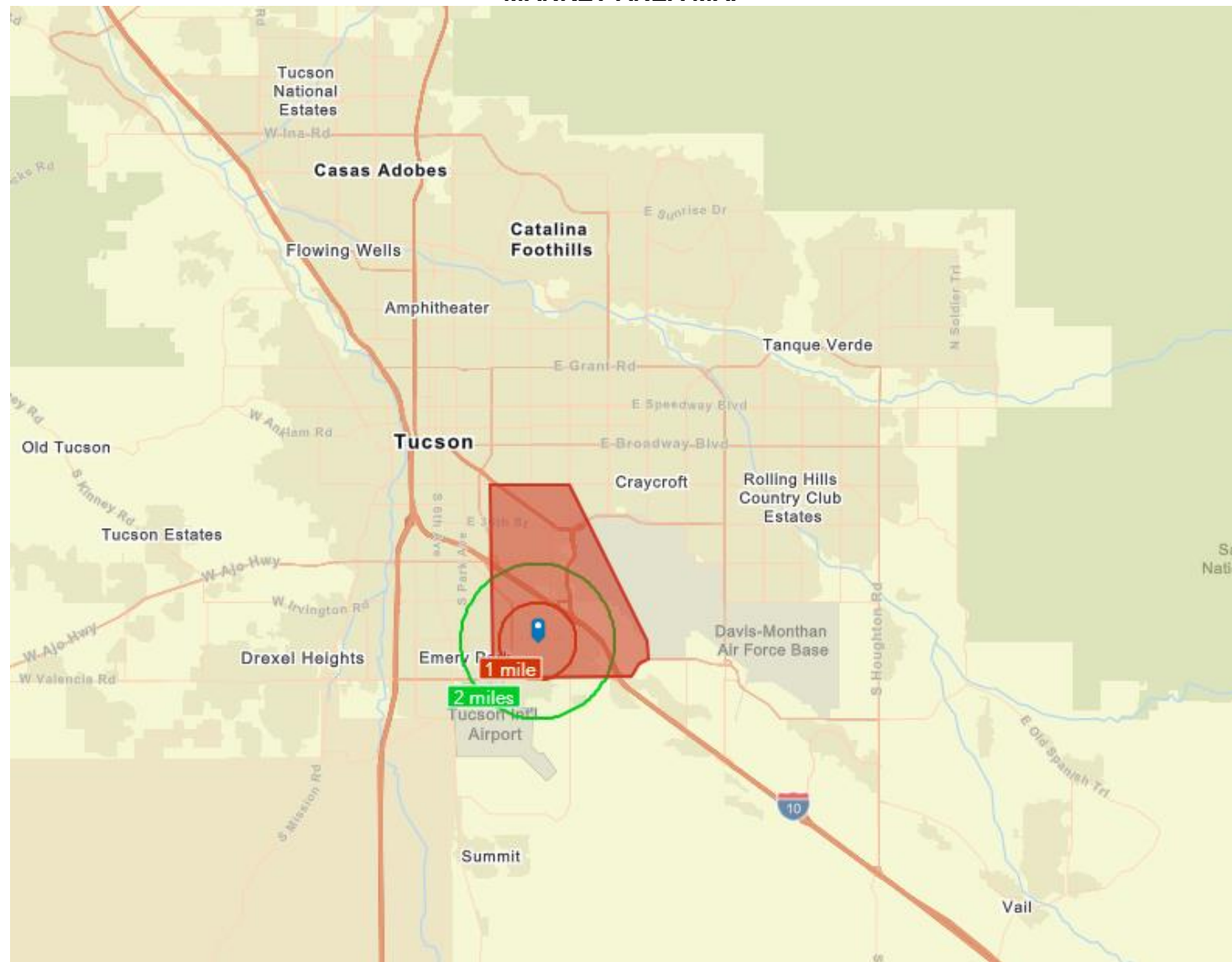
Bonnie Av Looking South



Drexel Rd Looking West



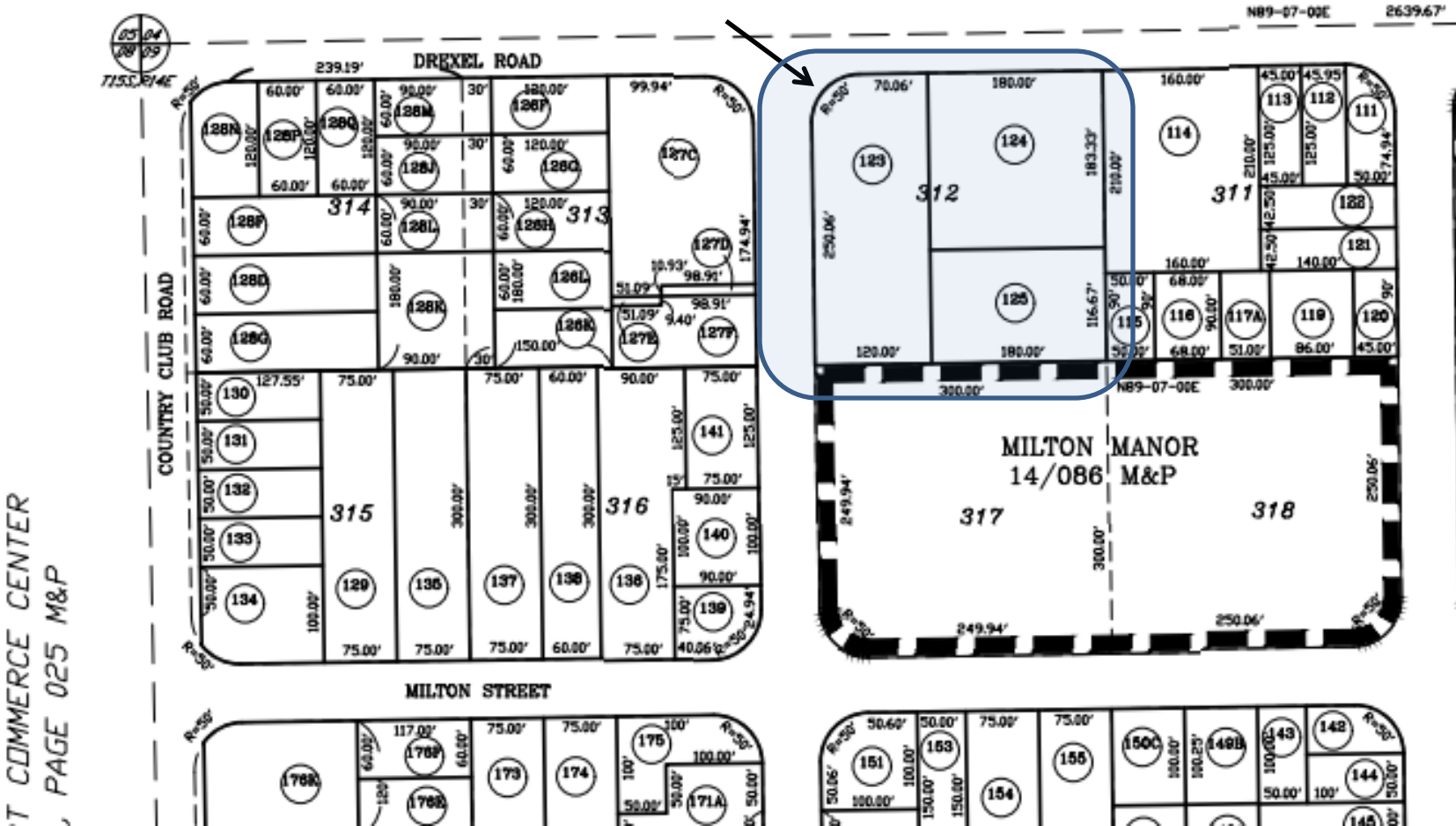
MARKET AREA MAP



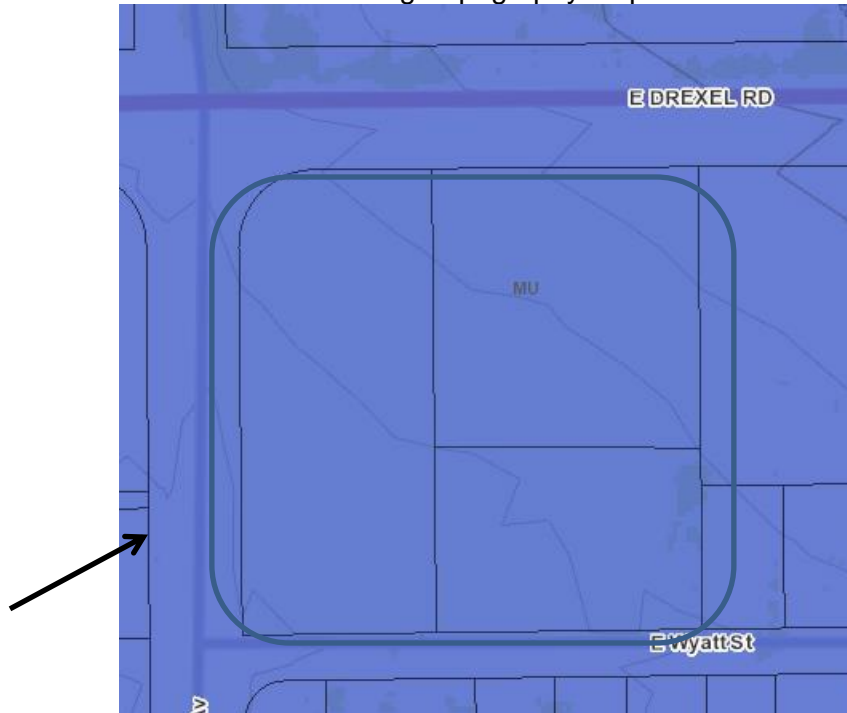
PLAT MAP

LOS RANCHITOS NUMBER 8
LOTS 307-367

LOS RANCHITOS
BOOK 07, PAGE 023 M&P

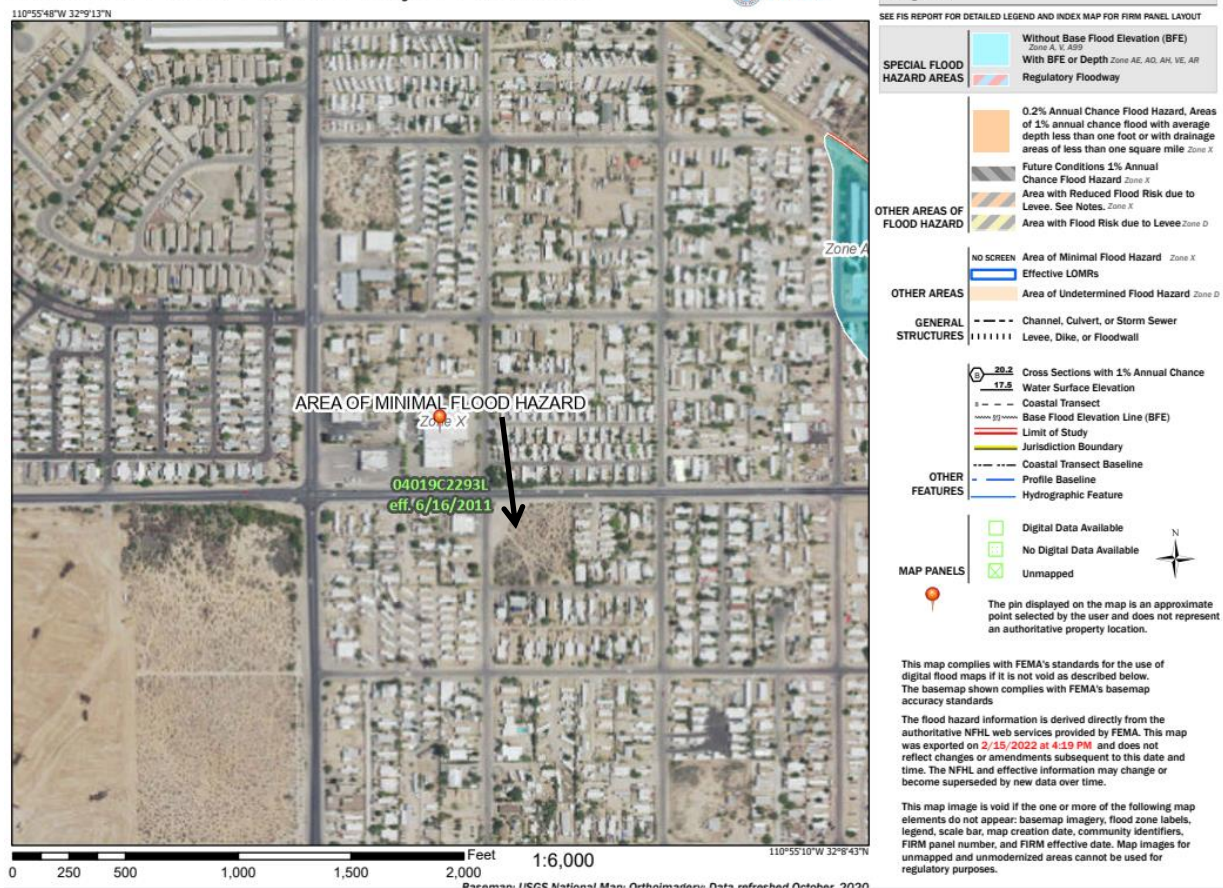


Zoning/Topography Map



FEMA Map

National Flood Hazard Layer FIRMette



CONSULTANT'S QUALIFICATIONS

PAUL D. HENDRICKS, MAI

4708 E. Scarlett, Tucson, AZ 85711

Voice & Fax (520) 325-6512

Email: PaulHendricksMAI@gmail.com

EDUCATION

Academic

Bachelor of Science in Business Administration, University of Arizona; Real Estate and Finance Major.

Valuation

Appraisal Courses and Examinations:

- Standards of Professional Practice; A, B
- Standards of Professional Practice, C
- Investment Analysis
- Highest and Best Use, and Market Analysis
- Valuation Analysis and Report Writing
- Case Studies in Real Estate Valuation
- Income Approach to Value and Capitalization
- Basic Principles, Methods 1A
- Americans with Disabilities Act
- Due Diligence/Environmental Checklist
- Residential Appraisal Techniques
- FEMA Flood Hazard
- Arizona Appraisal Law
- Construction and Engineering Awareness
- Reviewing Appraisals
- Small Residential Income Property Appraisal
- Hazardous Materials
- Litigation Valuation
- Appraiser as Expert Witness
- Partial Interest Valuation; Undivided
- Land Valuation Assignments
- Residential & Commercial Solar Valuation
- Uniform Standards Appraisal Federal Land Acquisitions

Appraisal Seminars

- Appraisal Business Management
- Critical Building Inspections
- Fair Lending and the Appraiser
- Residential Real Estate Econometrics
- Commercial Appraisal; Lender Requirements

EXPERIENCE

November 1995 - Present:

Real Estate Appraiser/Consultant, Paul Hendricks Appraisal & Counseling, Tucson, Arizona

In November 1995, Mr. Hendricks again returned to his own firm which performs appraisal and consulting assignments primarily in Arizona; he also works as an independent contractor for other appraisal firms in the Tucson area. He continues to work as an independent contractor with Hendricks, Vella, Weber & Williams, a California corporation with assignments primarily in California.

1994-November 1995:

Senior Real Estate Analyst; The Dorchester Group, Scottsdale, Arizona.

In January 1994 Mr. Hendricks joined The Dorchester Group as a Senior Analyst. He has provided consulting and valuation services on several complex real estate issues and assignments for the firm which specialized in litigation support for it's operations in Arizona and California.

1986-1993:

Real Estate Appraiser/Consultant, Paul Hendricks Appraisal & Counseling; Tucson, Arizona.

During this time Mr. Hendricks performed real estate appraisals and consulting for his own firm as well as working as an independent contractor primarily for Swango Appraisal. Appraisal assignments included a wide variety of property types including industrial and retail, special use, apartment, motel, subdivision and land as well as residential properties and commercial appraisal reviews.

1979-1986:

Senior Real Estate Analyst, Swango Appraisal & Consultation; Tucson, Arizona.

Mr. Hendricks primarily performed a wide variety of appraisal assignments for residential and commercial properties.

PROPERTIES

Property experience encompasses virtually all types, including apartments, retail centers, industrial, offices, motels, special use properties and commercial appraisal reviews. Clients include private, corporate, institutional, and governmental entities.

COMPUTERS

Mr. Hendricks' experience includes development of specialized spreadsheets dealing with anticipated income streams from tenant leases, analysis of various leasehold positions and Discounted Cash Flow analyses and projections.

PROFESSIONAL AFFILIATIONS

- Member Appraisal Institute, MAI (Membership No. 7811)
- Certified General Real Estate Appraiser, State of Arizona (30197)
- President, Appraisal Institute, Tucson Chapter (1997)
- Vice President, Appraisal Institute, Tucson Chapter (1996)
- Secretary, Appraisal Institute, Tucson Chapter (1995)
- Treasurer, Appraisal Institute, Tucson Chapter (1994)
- Board of Directors, Appraisal Institute, Tucson, Arizona (1991-1993)

GEOGRAPHIC WORK/MARKET EXPERIENCE

Mr. Hendricks has completed real estate assignments and has market familiarity in Arizona, California and Nevada.

EXPERT WITNESS EXPERIENCE

Mr. Hendricks will always sign appraisal reports and be responsible for analysis of the appraisal problem, primary and secondary data research, selection and confirmation of comparable properties, inspection and all analysis as well as defense of conclusions.

Mr. Hendricks has been qualified as an expert witness in Superior Court in Arizona and has given depositions and testimony experience in bankruptcy proceedings, condemnation, and other litigation. He has performed analysis for condemnor and condemnee parties.

SPECIAL PROJECTS

In Tucson, Mr. Hendricks worked as an independent fee appraiser for the City of Tucson and Pima County in the condemnation, acquisition and negotiation of several large road projects including Country Club, Alvernon and Speedway Boulevard, Golf Links, Wetmore Road and La Cholla as well as condemnation for the acquisition of Central Arizona Project pumping station sites.

In Phoenix, Mr. Hendricks is an independent fee appraiser for the City of Phoenix with experience in appraisal of a variety of commercial property types for the Central Phoenix/East Valley Light Rail Project.

Mr. Hendricks is under contract with Arizona Department of Transportation and has experience in appraisal of a variety of commercial property types.

At The Dorchester Group, Mr. Hendricks has assisted in the analysis of the impact of the Exxon Valdez Oil Spill in Prince William Sound, Alaska on certain real estate holdings and litigation support for the U.S. Justice Department in relation to acquisition of and subsequent development of Lake Pleasant. Consulting assignments have analyzed market rental and effects in value from site contamination and soil subsidence.

Department of Financial Institutions State of Arizona

CGA - 30197

This document is evidence that:
PAUL D. HENDRICKS
has complied with the provisions of
Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

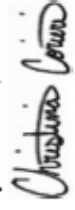
Certified General Real Estate Appraiser

PAUL D. HENDRICKS

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Expiration Date : **August 31, 2022**

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in
the City of Phoenix, State of Arizona, this 9th day of June, 2020.


Christina Corieri
Interim Superintendent