

LAND VALUE ANALYSIS

To estimate the market value of the subject site, I searched for recent land sales in Avra Valley that are similar to the subject property in terms of size, floodplain classification, zoning and potential use. Access and availability of utilities were also important factors considered in selecting the sales. The search spanned from January 2009 through December 2011 with an emphasis on the more recent sales. Six sales were found and five have been selected for direct comparison to the subject. The other sale and the two recent leases that were signed between the Tucson Water and the two solar power generating facilities will be discussed at the end of this analysis.

Adjustments are made to the sales on a sale price per acre basis for differences in property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics, zoning, comprehensive plan designation and intended use. In addition, consideration is given to the differences in the Conservation Lands System designation of each site relative to the subject. Due to the lack of data from which to quantify adjustments for location, physical characteristics and zoning, many of these adjustments have not been quantified. Instead +/- adjustments are made on the Adjustment Grid depending on whether or the subject property is superior or inferior relative to the comparable sales. Here follows the elements of comparison.

Property Rights Conveyed:

The sale price of a property is always predicated by the property rights conveyed. Since the interest appraised is the fee simple estate and all of the sales represent the transfer of the fee simple interest, no adjustments are necessary for property rights conveyed.

Financing Terms:

In accordance with the definition of market value, adjustments for financing terms are made on an all cash basis or cash plus institutional financing at the prevailing market interest rates. Sales One, Two and Five sold for cash or cash to the sellers with the buyers obtaining outside financing. No adjustments are necessary.

Sale Three sold with three annual payments plus interest of 5%. According to a representative for the buyer who was Pima County, there was no impact on the price as a result of the financing terms. No adjustment is made.

Sale Four sold with a 27% cash down payment and the balance of \$99,000 carried by the seller. Though financing is virtually non-existent for land, there was no impact on the price for the seller financing. No adjustment is necessary.

Conditions of Sale:

An adjustment for conditions of sale considers any unusual circumstances that may have affected the sale prices. Examples of these conditions include a purchase by an adjacent property owner, a seller under duress, or a related buyer and seller.

Neither buyer nor seller could be reached for confirmation of Sale One. However, the listing agent, Robert Bunch, was contacted. According to Mr. Bunch, the site had been on the market for about one year at a price of \$5,000 per acre. There were no serious offers and, in his opinion, the price was above market. The actual sale which occurred in May 2009 at a price of \$2,350 per acre was negotiated directly between the buyer and seller and did not involve the listing agent. According to Mr. Bunch, the buyer was a contractor who had worked for the seller. An upward adjustment of 5% is made for the lack of a sales commission.

Sale Two was actively listed with Land Advisors. According to Mr. White, the property was on the market about four months. The seller, a local homebuilder, was motivated to sell by the end of their fiscal year and, according to Mr. White, the price represented the bottom of the market for this property type at the time of sale. While the seller may have been highly motivated, the only properties that have been selling are those that are priced at the bottom of the market or those that are needed by a particular user. Because of current market conditions, no adjustment is made to Sale Two for conditions of sale.

Sale Three was purchased by Pima County for open space. The initial offer was based on the appraised value of \$3,300,000 or \$3,874 per acre. The seller was asking \$5,500,000 or \$6,456 per acre. Ultimately a price of \$3,482,078 or \$4,275 per acre was negotiated. Since this was a negotiated sale, no adjustment is made for conditions of sale. However, in the conclusion of value, some consideration will be given to that fact that the appraised value was less than the ultimate sale price.

The sellers of Comparable Four were motivated to sell. They were a divorced couple who had a tax lien coming due. The agent, Walter Ungar, listed the site for \$2,000 per acre and negotiated a sale within six months at a price of \$135,000 or \$1,687 per acre.

In his opinion, the property was worth about \$2,000 per acre but the distress circumstances negatively affected the purchase price. An upward adjustment of \$312 per acre is made.

Market Conditions:

An adjustment for changes in market conditions may be appropriate when there are changes in property values that occur between the date of the oldest sale and the valuation date of the subject property.

At this time, the economy is in a slow recovery from the recent economic recession which was fueled by the collapse of housing market in 2006 and the later collapse of the financial market in October 2008. Though it appears the worst is over and the economy is showing signs of recovery, the recovery is expected to be slow due to continued high unemployment and the sluggish real estate market. Until there is significant job growth, it is likely that bankruptcies and home foreclosures will continue.

Because of the high foreclosure rate and competition from resale of existing homes, there has been little demand for new housing and little demand for large acreage properties. The following table summarizes the number of single family residential building permits issued in Pima County over the past seven years according to John Strobeck with Bright Future Business Consultants.

Year	Number of Permits	% Decline
2005	11,762	N/A
2006	8,579	-27.0%
2007	5,098	-40.6%
2008	3,018	-40.8%
2009	2,077	-31.2%
2010	1,865	-10.2%
2011	1,440*	-22.8%

*Annualized based on 1,320 permits issued through November 2011

As can be seen, the number of new home permits continues to decline though the rate of decline has slowed. Based on the year-to-date statistics, the number of new residential building permits in 2011 will be below the 2010 levels. The higher number in 2010 was attributed to the first time home buyer credit that was available during the first half of the year. Once this credit expired, demand for new homes declined.

According to Jim Marian a land broker with Chapman Lindsey, there was an increase in the number of residential land sales in 2010. Of the residential land sales

reported in CoStar, 52% were purchased by builders, 14% were purchased by investors and 34% of all sales were purchased by mining companies (3 sales), government or semi-government (5 sales) and churches or schools (4 sales). Most of the builder sales were fully improved lots. Prices of fully improved lots increased to an average of \$43,000 per lot. Prices for platted, but unimproved lots were mixed. Well located sites experienced an increase in price while inferior located sites had a decrease in price. Mr. Marian indicated there continues to be a disconnect between sellers and buyers in regards to raw land prices/values. He expects prices to bottom out this year.

Due to the dramatic changes that have occurred, an effort was made to find the most recent sales available in order to minimize adjustments. Sales One and Two occurred in mid to late 2009. Sale Three closed in early 2010. Sales Four and Five sold in 2011 and are recent sales.

To quantify an adjustment for changes in market conditions, the sale and resale of the same property offers the best indication of a change in value over time. Two of the five sales utilized in this report are the sale and resale of the same property. The first paired sale is the sale and resale of ComparableTwo. K. Hovnanian Great Western Homes originally purchased the site in March 2006 which was at or near the peak of the market. It was acquired for \$12,976 per acre. At the time of sale, it was zoned GR-1 which allowed one house per acre. Subsequent to the sale, the buyers engineered the site and obtained block plat approval for 534 single family residential lots on 223 acres and 13.5 acres of commercially zoned land. In conjunction with the approval, the developer will be required to complete significant road and drainage improvements. As a result of the declining residential market, this builder has sold all inventory in Tucson. This particular site sold in October 2009 for \$5,210 per acre. According to the sales agent, the buyers, the Pascua Yaqui Tribe of Arizona, purchased the site as acreage without regard to the La Luna Residential Development Agreement. The buyer did not return repeated phone calls for confirmation of their intended use. Nonetheless, disregarding the significant amount of money spent in the entitlement process and the change in overall allowable density, the difference in the two sales prices demonstrates the significant decline in land values (at least 60%) between 2005 and 2009.

Sale Five also sold in 2005. Mr. Burruel, who is the current buyer, previously owned the site and sold the property to the Toone family for \$5,700,000 cash. Mr. Burruel

continued to lease the site for farming. Subsequent to the 2005 sale, the residential market collapsed and the owners decided they did not want to continue to hold. In 2011, they approached Mr. Burruel to see if he was interested in buying the property back. An appraisal was prepared and a price of \$2,000,000 was negotiated, which was a little less than the appraised value. This difference in price indicates a decline in land value of nearly 65% between 2005 and 2011. These two pairings suggest that the majority of the decline in land values occurred between 2005 and 2009.

As additional support, the sales activity on two other nearby properties is included. Sanders Grove, a 602-acre masterplanned community was taken back by the lender through a trustee's sale in August 2009 for \$5,481,700 or \$9,109 per acre which was the amount outstanding on the note. It was subsequently listed for about \$12,000 per acre. It sold in April 2010 for about \$5,650 per acre and was in escrow for only a short time. In August 2011 it sold for about \$7,300 per acre. Though this comparison might suggest a rise in values, the April 2010 sale was an REO sale. Instead the sale/resale suggests the market is bumping along the bottom.

One other pairing is included. There is a 167.23 acre site located at the northeast corner of Tangerine Road and I-10 that was originally purchased in 2006 for \$43,054 per acre. Much of the master-planning was complete when the property resold in June 2010 for \$19,733 per acre. The difference in price indicates a decline of 54% over this time period.

It appears from the data that the majority of the decline in land values occurred during the 2005 to 2009 time frame. At price levels of only \$2,350 and \$5,210 per acre, respectively, for Sales One and Two, nominal downward adjustments of 5% are made. No adjustments are necessary to Sales Three, Four and Five which sold under similar market conditions that exist as of the date of valuation.

Location:

Adjustments for differences in location are based on the general area of the sales and access. The subject property and all of the comparable sales are located in Avra Valley or the southwest portion of metropolitan Tucson. Physical access to the subject site from the west is via ingress/egress easements off Avra Valley Road that do not appear to benefit the subject site. Access to the north boundary is also from Avra Valley Road via a dirt road across the adjoining farm. This does not appear to be a dedicated easement. Legal access is via a 30 foot wide dedicated right-of-way along the extension of Emigh Road to the

southeast corner of the subject site. The road itself has not been developed. The improved section of Emigh Road is about a ½ mile east of the subject site.

Sale One is located about a four miles south of the subject site. Access is off Manville Road which is a two-lane, county maintained road. Sale Two is about a mile north of Manville Road with access via privately maintained, partially paved roads. Gravel has been imported on the access easement that bisects the property. The general location is comparable to the subject but access is superior. A downward adjustment is made.

Sales Two and Three are also similar in terms of location but both have paved access via two-lane county maintained roads. Downward adjustments are appropriate.

Sale Four is located about ½ mile east of Sandario Road and ¾ of a mile south of Snyder Hill Road. Legal and physical access is available from Peaceful Lane a dirt road that is not publically maintained. A downward adjustment is made.

Access to Sale Five is circuitous. Although it is only a short distance from Silverbell Road, the extension of Trico Marana Road to the east boundary is not publically maintained and passes through the Brawley Wash which can be impossible during times of bad weather. However, all-weather access is through the adjoining subdivision via Derringer Road which is paved and publically maintained within a short distance of the south boundary. Again, a downward adjustment is appropriate for the inferior access of the subject.

Physical Characteristics:

In the current market, supply of land exceeds demand. As a result, there is downward pressure on price and the market is less sensitive to the individual characteristics of a property. Therefore, with very few sales, it is difficult to isolate adjustments for differences in physical characteristics. As a result, quantitative adjustments could not be derived from the data.

Size: A smaller site will generally sell for a higher price on a per acre basis than a larger site all else being equal. Conversely, a larger property will typically sell for less. The subject site consists of 326.48 acres. The sales range in size from 80 acres to 814.54 acres. Sales One, Two and Five, which range in size from 200 to 381.26 acres, are similar in size to the subject. No adjustments are necessary. Sale Three is notably larger consisting of 814.54 acres. Sale Four is considerably smaller consisting of 80 acres. Upward and downward adjustments are made to each of these two sales.

Shape/Topography: The subject site is level and has an irregular but usable shape. Like the subject, all of the sales are level with no adverse shape characteristics. No adjustments are made.

Floodplain: The property lies within the Brawley Wash Corridor. It is bisected by two distinct channels that effectively isolated the central portion of the property eliminating it from any development potential. The areas along the washes are designated AO-3 and, for all practical purposes, cannot be developed. The areas in Zone AO-2 near the north and west boundaries could possibly be developed providing an engineering report is completed and any development complies with floodplain regulations. At a minimum, this would require a building setback of 250 feet from the top of the banks and building pads elevated at least one foot above the base flood level or a total of 3 feet. In general, the floodplain restrictions are severe and could preclude any development of the subject site without significant expense.

All of the sales are located in the 100-year floodplain. The flood zones vary between AO-1, AO-2 and AO-3, meaning the flood depths range from 1 to 3 feet. According to the Floodplain Department, habitable structures may be allowed in Zones AO-1 and AO-2 provided an engineering study is completed and approved and the floor of the structure is one foot above the base flood elevation. Habitable structures are not generally allowed in Zone AO-3.

Sale One is entirely within Zone AO-1. As noted previously, development is possible in the AO-1 zone providing the finished floor elevation is raised one foot above the base flood elevation. While there will be some additional costs to elevate the future building pads, the overall potential density is not adversely affected by the floodplain classification. Relative to the subject, in which only about 25% of the site could possibly be development, a downward adjustment is appropriate.

About 65% of Sale Two is in Zone A and 35% is in Zone AO-1. In addition, the Black Wash floodway clips the southwest corner of the site impacting about 5% of the property. This particular site was previously zoned GR-1 and was rezoned prior to the sale to allow a residential density of 2.4 units per acre. If rezoning had not occurred, the site could have been developed at a density of one house per acre providing all building improvements were raised one foot above the base flood elevation. However, as part of the rezoning process, Pima County will require drainage improvements that include an off-site

regional retention basin and drainage structure under Valencia Road for the Black Wash. Approximately 1 foot of fill is needed to raise the current elevation. Fill from the basin would be used onsite to raise the elevation. Although the overall density was increased from one lot per acre to 2.4 residences per acre, the owner will incur significant costs to achieve this density. In the current market with virtually no demand for residential development, the sales agent indicated the buyers based their purchasing decision on the price per acre without regard to the approved Development Agreement. Thus, relative to the subject property, the adjustment for differences in floodplain classification is based on the condition prior to rezoning which allowed development of the entire site at a density of one house per acre providing all building pads were elevated. Again relative to the subject site, a downward adjustment is appropriate since only about 25% of the subject site could be developed under existing floodplain regulations.

Sale Three has a combination of flood zones impacting the site. About 75% of the property is in Zone AO-1 and 25% is in Zone AO-2. However, of the total, about 50% of the site is impacted by the Black Wash floodway. Therefore, only about 50% of the site could feasibly be developed providing the finished floor elevation is raised one foot above the base flood elevation. Compared to the subject, a downward adjustment is made.

Sale Four is in Zone A. This is an area in which the base flood elevation has not been determined. According to Suzie Bohnet a senior hydrologist with Pima County, an engineering study will be required to determine the flood depth but the site is outside the Black Wash Corridor. It appears any building improvements will have to be elevated at least two feet, but the entire site can be developed. A downward adjustment is applied.

The majority (96%) of Sale Five is in Zone AE which is an area in which base flood elevations have been determined by FEMA. The balance of the site near the south boundary is in either Zone X or Shaded Zone X with minimal restrictions. The site lies between the Blanco Wash which forms the west boundary and the Brawley Wash which forms the east boundary. According to Ms. Bohnet, the Blanco Wash carries 17,000 cfs and the Brawley Wash has a flow of 35,000 cfs in a 100-year event. As a result, there will be a building setback of 250 feet from the top of the banks. Given the availability of access from the south boundary, there is a larger area in the middle that could be developed. The site is actively being farmed with no apparent adverse affects from the adjacent washes. A downward adjustment is appropriate for the less severe restrictions.

Utilities: Electric and telephone are available along the north boundary of the subject site. These utilities are also available within close proximity to the west boundary. There is no developed water source and no public sewer nearby.

Sale One has underground electric and telephone through the site and two wells to supply water. There is no sewer service. Compared to the subject property, the available of utilities is superior. A downward adjustment is made.

Sale Two has all utilities available along the south boundary including electric, phone, water and sewer. A downward adjustment is noted on the Adjustment Grid.

Sale Three has electric and telephone. The main sewer line extends along Snyder Hill Road, but local service may not be possible. Municipal water is about two miles away. The availability of utilities is comparable to the subject. No adjustment is necessary.

Sale Four has electric and telephone. The site was previously improved with three mobile homes and, as a result, there are three septic systems and one domestic well for water. Downward adjustments are made.

Sale Five has electric, telephone and two septic tanks. The site has a well for domestic water and an irrigation well for farming. Again, a downward adjustment is necessary.

Zoning/Comprehensive Plan/Potential Use/Habitat Restrictions:

The subject site is zoned RH, Rural Homestead. The Comprehensive Plan designates the site as RT; Resource Transition. The site is within the Conservation Lands System and classified as an Important Riparian Area. With this designation, disturbance of vegetation in excess of 1/3 acre per parcel will require a mitigation plan. As discussed in the Highest and Best Use section, the floodplain regulations and riparian classification greatly restrict the development potential of the subject site. As such, the site appears best suited to serve as mitigation land. Though there is some demand for mitigation land as evidenced by the need created by the nearby solar generating plants, demand is limited at this time but will increase in the future once the housing market recovers and homebuilders have a need to replace other environmentally sensitive lands under the off-site mitigation program.

Unfortunately, there were no recent sales that were found that were purchased specifically for mitigation. Most were purchased for investment and most have the potential for alternative uses. When comparing a less restricted site that has the potential

for a higher and better use than the subject which is highly restricted with few alternative uses, one would normally make a downward adjustment. However, as development occurs on sensitive lands, demand is created for biologically sensitive sites like the subject. In the current market, which lacks demand for development, most sites are being purchased for investment. When purchasing land, investors not only evaluate the potential return on the investment, they also evaluate the anticipated holding period. Since the demand for mitigation land is tied to development, the anticipated holding period is roughly the same. Although the potential resale is lower due to the location, quality of access, lack of utilities and floodplain regulations, adjustments have already been made for these characteristics. As such, no additional adjustments are made for the differences in the IRA classifications providing the sale has the same zoning and Comprehensive Plan designation as the subject.

Sale One, like the subject, is zoned RH and designated RT in the Comprehensive Land Use Plan. About 15% of the site is in an area of Important Riparian Habitat (IRA), 45% is in a Multiple Use Management Area (MUMA) and the balance is not subject to the Conservation Lands System. As discussed above, no adjustment is made to this sale which has the same zoning and Comprehensive Plan designation as the subject.

Sale Two is zoned CR-4 and had been approved for 534 lots and 13.5 acres of commercial development. As noted on the Comparable Sales write-up, a potential developer will be required to complete significant offsite improvements before the 201st building permit is issued. However, the buyer, the Pascua Yaqui Tribe, may not have purchased the site for development. Although this could not be confirmed, the sales agent indicated the price was based on large acreage land without regard to the Development Agreement. Given the prior zoning of GR-1, which allowed one house per acre, a downward adjustment is applied.

Sale Three consists of 814.54 acres. Of this total, 756.5 acres are zoned RH and 58 acres are zoned GR-1. Under the Comprehensive Land Use Plan, about 230 acres are designated LIU-3.0. Of this total, only about 92 acres can be developed due to setback restrictions from the adjacent Trap and Skeet club. There is a Specific Plan on the 92 acres that allows 365 homes which equals an overall density of one house per 2.33 acres. Although the site would still have to be rezoned, the potential density is greater than that which would be allowed if the site were entirely zoned RH and designated RT under the Comprehensive Land Use Plan. A downward adjustment is appropriate.

Sale Four is zone RH and designated RT under the Comprehensive Land Use Plan. Under the Conservation Lands System, the entire site is designated MUMA. Since the site was purchased for investment with the future potential of rural residential development at a density of one house per 4.13 acres, no adjustment is made as discussed above.

Sale Five is zoned RH. About 95% is designated RT. The sale is irrigated farmland with two residences on the property. Given the current “productive” use compared to the subject which has little or no “productive” use in the foreseeable future, a downward adjustment is appropriate.

Here follows an Adjustment Grid summarizing the adjustments as they apply to the sales.



SALE 3		SALE 4		SALE 5	
N & S side of Snyder Hill Rd. 1 - 2.5 miles west of San Joaquin		1/2 mile east of Sandario Rd 3/4 mile of Snyder Hill Rd.		SE of Silverbell & Aguirre Rd	
	ADJUSTMENTS		ADJUSTMENTS		ADJUSTMENTS
Fee Simple	\$4,275	Fee Simple	\$1,688	Fee Simple	\$5,246
0	\$0	0	\$0	0	\$0
	\$4,275		\$1,688		\$5,246
3 Annual pmts; 5% interest		27% Down; Seller carryback		Cash to seller	
0%	\$0	0%	\$0	0%	\$0
	\$4,275		\$1,688		\$5,246
Market		Seller under duress		Market	
0%	\$0	+	\$312	0%	\$0
	\$4,275		\$2,000		\$5,246
February 8, 2010		March 16, 2011		August 4, 2011	
0%	\$0	0%	\$0	0%	\$0
	\$4,275		\$2,000		\$5,246
Avra Valley Snyder Hill Road 2-lane paved	-	Avra Valley Peaceful Lane 2-lane dirt	-	Avra Valley Interior neighborhood street Dirt	-
814.54 Acres	+	80 Acres	-	381.26 Acres	\$0
Level / Irregular	\$0	Level / Rectangular	\$0	Mostly level / Irregular	\$0
0		0		0	
75% AO-1; 25% AO-2 50% Black Wash Floodway		100% Zone A		96% AE; 1.5% Shaded X 2.5% Zone X (Outside)	
-	-	-	-	-	-
Electric & telephone Sewer, No water source	\$0	Electric & telephone 3 septic, 1 domestic well	-	Electric & telephone; Septic Irrigation and domestic wells	-
0		-	-	-	-
RH & GR-1 / RT & LIU-3.0 Invmt future residential / 30% IRA, 15% MUMA & 55% Outside	-	RH / RT Investment MUMA	\$0	RH / 95% RT 5% MIR Continued farming MUMA	-
-		0%		-	
Less than	\$4,275	Less than	\$2,000	Less than	\$5,246

Conclusion:

Prior to the adjustments, the sales range in price from \$1,688 per acre to \$5,246 per acre. After adjustments are made, the sales suggest a market value less than \$2,000 per acre. While all of the sales are located in the 100-year floodplain as designated by FEMA, the floodplain restrictions are most severe on the subject site and, combined with the Important Riparian Area classification, effectively prohibit development. As such, downward adjustments prevail to all of the sales and there is no lower limit of value indicated.

However, one other sale is considered. This is Sale Six on the tabulation presented on page 42. In December 2010, a 602-acre site sold for \$1,495 per acre, cash. It is located west of the subject, off Ragged Top Road and bound on three sides by Ironwood Forest National Monument. Though the site is not impacted by floodplain regulations or riparian habitat restrictions, it was purchased by an investor who plans to hold for future acquisition by the BLM for inclusion into Ironwood Forest National Monument. Though the potential holding period may be different, the motivations of this buyer/investor could be similar to those of a potential buyer of the subject site. Given the more remote location and larger size, this sale sets a lower limit of value for the subject.

Consideration is also given to the two land leases that were recently negotiated on nearby sites for two solar power generating plants. Included in the Addenda, is a letter from the City of Tucson Real Estate Department that outlines the details of the agreements. According to this letter, dated October 21, 2009, the lease rates were based on a market value of the land at \$4,000 per acre and an 8% rate of return. The 320-acre site is situated on Garvey Road about a mile south of Avra Valley Road and a half mile west of the subject. This site does not have paved access, but is outside the Brawley Wash Corridor and mostly outside the floodplain. The site at Emigh Road and Sandario, which is about a half mile east of the subject, consists of 304.79 acres. It has paved access, electric, phone and a domestic well. It is outside the Brawley Wash Corridor and in Zone AO-1 according to FEMA. A copy of the lease to FVR Solar Tucson was provided indicating the lease rate is \$127,072 per year which calculates to a land value of \$5,211 per acre when an 8% rate of return is applied. According to Carmine Tilghman with TEP, the lessee wanted to maintain a flat lease rate over time, so the actual rent was increased to adjust for inflation over the 20-year term of the lease. The agreed upon terms of each lease were based on a

value of \$4,000 per acre as of 2008 and an 8% return. Both leased parcels have better access and less restrictive floodplain regulations. In addition, the land value was established in 2008 when market conditions were better. The market value of the subject site should be considerably less than \$4,000 per acre.

This appraisal would be remiss without the analysis of the acquisition of the subject site in June 2011. The owner acquired title to the subject site from Marana Unified School District in June 2011. The acquisition included two parcels. Marana Unified School District (MUSD) purchased approximately 108 acres for \$3,200,000 cash and granted title to the subject site. According to Bob Thomas with MUSD, the value allocated to the subject site was based on an appraised value of \$165,000 or \$500 per acre which is significantly lower than any of the sales that were found. A copy of this appraisal was available but did not provide any other sales that supported the lower value. Since the appraisal was prepared, Sale Five closed and the two solar power generating plants were announced. Both power plants require off-site mitigation of riparian lands. Some increase in demand for mitigation land may be created by the siting of alternative energy facilities to meet the needs of local power company to provide customers with energy produced by alternative means.

Based on the preceding sales and analysis, and considering that Sale Four was a distressed sale, the market value of the subject site is estimated to be \$2,000 per acre. Thus, \$2,000 per acre multiplied by 326.48 acres equals \$652,960, rounded to \$650,000.

MARKET VALUE OPINION OF THE SUBJECT SITE\$650,000

CERTIFICATION

THE APPRAISER CERTIFIES 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 I have 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 appraisal 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.

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

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

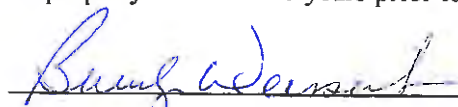
No one provided significant professional assistance to the person(s) signing this report, except as stated in the report. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraisers whose signatures appears on the appraisal report, unless indicated as "Review Appraiser".

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP).

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

I have not provided appraisal services on the subject property within three years prior to accepting this assignment.



Beverly Weissenborn, MAI
Certified General Real
Estate Appraiser #30125

QUALIFICATIONS OF BEVERLY WEISSENBORN, MAI

FORMAL EDUCATION:

Bachelor of Science Degree in Business Administration, Northern Arizona University, 1980, Concentration: Finance

PROFESSIONAL AFFILIATIONS:

Member of the Appraisal Institute, (MAI), Certification Number 8972. I have completed the requirements under the continuing education program of the Appraisal Institute. Currently certified through December 31, 2016.

Arizona Certified General Real Estate Appraiser Number 30125. Currently certified through August 31, 2012.

President, Southern Arizona Chapter, The Appraisal Institute, 2004

Member, Board of Directors, Southern Arizona Chapter of Appraisal Institute, 2005-07

Appointment to the Arizona State Board of Equalization; March 2007 to current

Current Member of CREW – Commercial Real Estate Women (Board of Directors 2012 - 2013)

Current Member of IRWA – International Right-of-Way Association

PROFESSIONAL EXPERIENCE:

2005 – date Partner, Burke Weissenborn, LLC

1982-2005: Associate Appraiser with Southwest Appraisal Associates, Inc.

Experience includes valuation of most types of real property: vacant land, subdivisions, multi-family residential, commercial and industrial. Experience also includes valuation of special purpose properties, flood prone properties, easements, leased fee and leasehold estates. Geographical areas of experience include Southern Arizona, specifically Pima, Pinal, Santa Cruz, Cochise, Graham, Greenlee, La Paz and Yuma Counties. Areas of experience also outside of Southern Arizona include Gila County, Navajo County, Apache County, Coconino County and rural Maricopa County.

PROFESSIONAL EDUCATION:

Successful completion of all courses related to the MAI designation given by the American Institute of Real Estate Appraisers or The Appraisal Institute between 1982 and 1991. Successful completion of the Comprehensive Examination for the MAI Designation, February, 1991

Recently attended courses and seminars given by the Appraisal Institute:

Understanding Limited Appraisals, September 1994
Subdivision Analysis, March 1996
Highest and Best Use Applications, June 1996
Litigation Skills for the Appraiser: An Overview, April 1997
Acquisitions & Appraisals of State Lands, April 1998
Attacking & Defending an Appraisal in Litigation, January 2000
Partial Interest Valuation – Undivided, March 2000
Conservation Easements – June 2001
Appraisal Consulting – October 2003
Reappraising, Readdressing and Reassigning Appraisals – May 2005
Scope of Work – May 2005
Case Studies in Commercial Highest and Best – May 2007
Condemnation Appraising: Advanced Topics & Applications - March 2008
Appraisal Curriculum Overview - January 2009
Litigation Appraising; Specialized Topics and Applications, April 2011

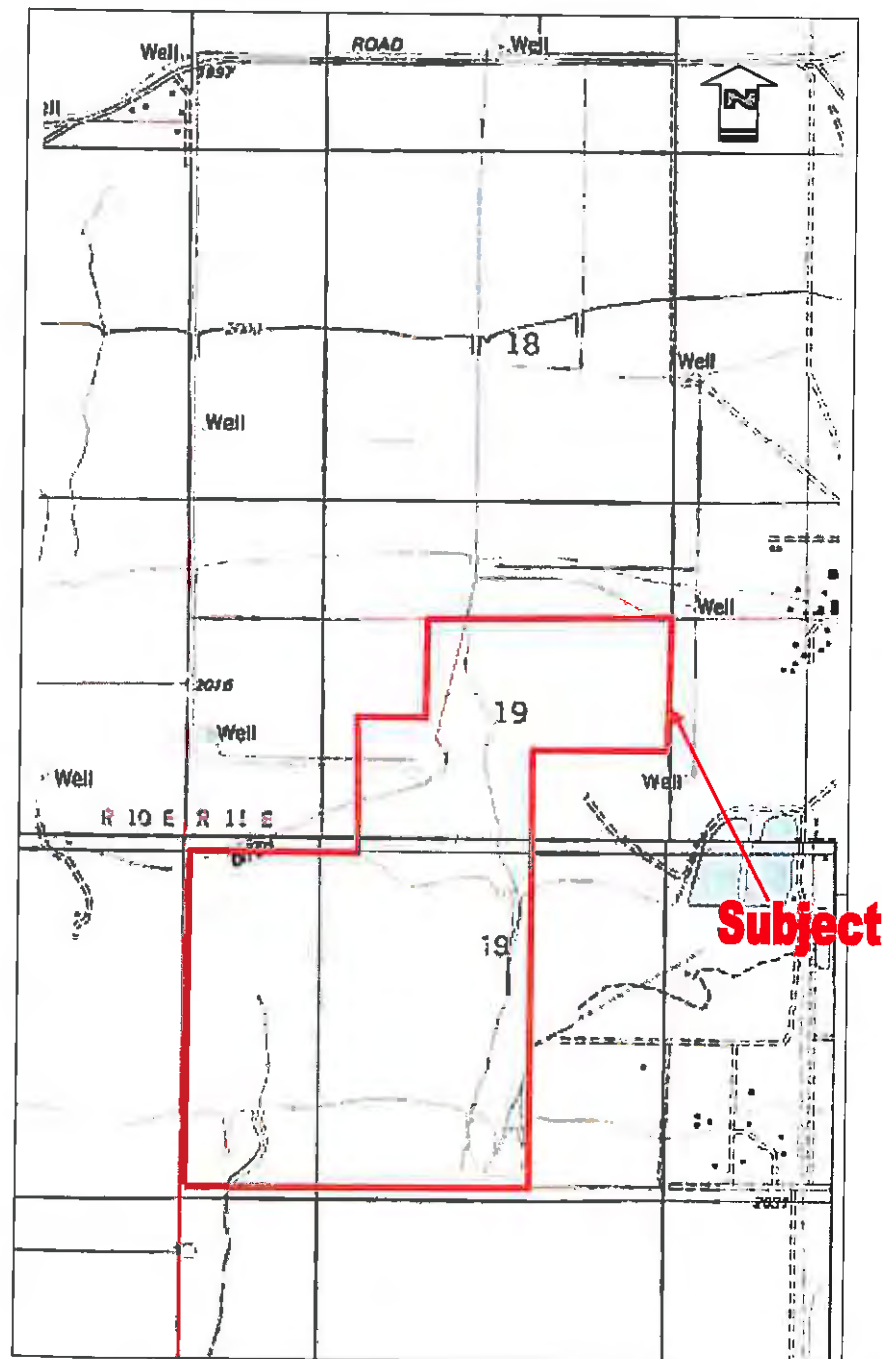
Recently attended courses and seminars given by the International Right of Way Association (IRWA)

Eminent Domain & Right-of-Way Symposium”, October 2010
Ethics and the Right-of-Way Profession, April 2011


Uniform Standards of Professional Appraisal Practice – 15 Hours, January 2004
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)-
April 2007
Uniform Standards of Professional Appraisal Practice – 7 Hours, January 2010

ADDENDA

TOPOGRAPHICAL MAP



Boundaries Are Approximate

	First American Title	Commitment for Title Insurance
Schedule A		BY First American Title Insurance Company

File No.: 400-26620

1. Effective Date: 10/24/2011 at 7:30 AM, Amendment Date: , Amendment No.:
2. Policy (or Policies) to be issued:

	<u>AMOUNT</u>
a. ALTA Standard Owners Policy (06-17-06)	\$0.00
Proposed Insured:	
Pima County, a body politic	
b. None	\$
Proposed Insured:	
c. None	\$
Proposed Insured:	
3. The estate or interest in the land described or referred to in this Commitment is fee
4. Title to the estate or interest in the land is at the Effective Date vested in:
RB Land, LLC, an Arizona limited liability company
5. The land referred to in this Commitment is described as follows:
See Exhibit A attached hereto and made a part hereof.


Countersigned:



By: _____
 Authorized Officer or Agent
 (This Schedule A valid only when Schedule B is attached.)

Note: Please direct all inquiries and correspondence to
 Rhonda Draper
 6640 N. Oracle Road Ste#120
 Tucson, AZ 85704
 Phone: (520)219-6451

Title Security Agency of Arizona, issuing agent for First American Title Insurance Company
 Y. Carlson/YC
 Title Officer
 YC
 Typist

	First American Title	Commitment for Title Insurance
		BY First American Title Insurance Company
Exhibit A		

File No.: 400-28820

LEGAL DESCRIPTION**Parcel 1**

The Southwest Quarter of Section 19, Township 12 South, Range 11 East, Gila and Salt River Meridian, Pima County, Arizona.

(JV Arbs 22 and 23)

Parcel 2


The Northeast Quarter of the Northwest Quarter, EXCEPT the West 318.82 feet thereof; and the Southeast Quarter of the Northwest Quarter; and the East 318.8 feet of Lot 2; all in Section 19, Township 12 South, Range 11 East, Gila and Salt River Meridian, Pima County, Arizona.

(JV Arb 21)

Parcel 3

The Northwest Quarter of the Northeast Quarter and the North Half of the North Half of the Southwest Quarter of the Northeast Quarter of Section 19 Township 12 South, Range 11 East, Gila and Salt River Meridian, Pima County, Arizona.

(JV Arb 33)

	First American Title	Commitment for Title Insurance
Schedule BI		BY First American Title Insurance Company

File No.: 400-26620

REQUIREMENTS

The following requirements must be satisfied:

- (a) Payment of the necessary consideration for the estate or interest to be insured.
 - (b) Pay all premiums, fees and charges for the policy.
 - (c) Documents creating the estate or interest to be insured, must be properly executed, delivered and recorded.
 - (d) Payment of all taxes and/or assessments levied against the subject premises which are due and payable.
1. COUNTY TREASURER'S Tax records show taxes for the year 2011 are marked totally exempt. (State Tax Parcel No. 215-19-005C-Parcel 1)
 2. COUNTY TREASURER'S Tax records show taxes for the year 2011 are marked totally exempt. (State Tax Parcel No. 215-19-002D-Parcel 2)
 3. COUNTY TREASURER'S Tax records show taxes for the year 2011 are marked totally exempt. (State Tax Parcel No. 215-19-002J-Parcel 3)
 4. Property herein appears to be free and clear of liens. Please verify. Further requirements may be deemed necessary upon said disclosure.
 5. FURNISH the Company a copy of the Articles of Organization, stamped "filed" by the Arizona Corporation Commission and a fully executed copy of the Operating Agreement and all amendments hereto for the following named Limited Liability Company:

Limited Liability Company

RB Land LLC

File No.: 400-26620

SCHEDULE B1
(Continued)

6. **RECORD** Deed from RB Land LLC, an Arizona limited liability company to Pima County, Arizona, a body politic.

NOTE: ARS 11:1133 may require the completion and filing of an Affidavit of Value.

30 YEAR CHAIN OF TITLE:

Deed recorded November 13, 1986 in Docket 7910, Page 1467 as Grantor: Pioneer Trust Company of Arizona, an Arizona corporation, as Trustee under Trust No. 10,112;
Grantee: Marana Unified School District No. 6 of Pima County, Arizona.
(Parcel 1)

Deed recorded August 29, 1973 in Docket 4587, Page 398 as Grantor: Ruth Suth, as her sole and separate property;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949.
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 399 as Grantor: Eugene Lassers Company, Inc.;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949.
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 400 as Grantor: Maurice L. Zee and Mavis Zee, husband and wife;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949.
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 401 as Grantor: Robert M. Leventhal and Nancy Leventhal, husband and wife;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949.
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 402 as Grantor: Robert M. Sternberg and Marilyn Sternberg, husband and wife;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949..
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 403 as Grantor: Norman R. Silverman and Ruth Silverman;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949..
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 404 as Grantor: Morris Banovitz and Faye Banovitz, husband and wife;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No. 10,949.
(Parcel 2)

Deed recorded August 29, 1973 in Docket 4587, Page 405 as Grantor: Martin J. Simmons and Jacquelyn Simmons, husband and wife;
Grantee: Pioneer National Trust Company of Arizona, a corporation, as Trustee under Trust No.

File No.: 400-26620

SCHEDULE BI
(Continued)

10,949.
(Parcel 2)

Deed recorded November 13, 1985 in Docket 7910, Page 1466 as Grantor: Pioneer Trust Company of Arizona, an Arizona corporation, as Trustee under Trust No. 10,949;
Grantee: Marana Unified School District No. 6 of Pima County, Arizona.
(Parcel 2)

Deed recorded February 11, 1986 in Docket 2661, Page 230 as Grantor: Tucson Title Insurance Company, a corporation, as Trustee under Trust No. 10,165.;
Grantee: Morris Banovitz and Faye Banovitz, husband and wife.
(Parcel 3)

Deed recorded September 24, 1982 in Docket 6673, Page 130 as Grantor: Fay Banovitz, a widow;
Grantee: Ruth B. Smith and Sharon B. Lessers, as Trustees of the Faye Banovitz Trust dated September 18, 1980.
(Parcel 3)


Correction Deed recorded November 13, 1985 in Docket 7910, Page 1461 as Grantor: Fay Banovitz, a widow;
Grantee: Ruth B. Smith and Sharon B. Lessers, as Trustees of The Faye Banovitz Trust dated September 18, 1980.
(Parcel 3)

Deed recorded November 13, 1985 in Docket 7910, Page 1464 as Grantor: Ruth B. Smith and Sharon B. Lessers, as Trustees of the Faye Banovitz Trust dated September 18, 1980;
Grantee: Marana Unified School District No. 6, Pima County, Arizona.
(Parcel 3)

Deed recorded November 13, 1985 in Docket 7910, Page 1465 as Grantor: Philip Smith and Ruth Smith, husband and wife; and Eugene Lessers and Sharon Lessers, husband and wife;
Grantee: Marana Unified School District No. 6 of Pima County, Arizona.
(Parcel 3)

Deed recorded June 21, 2011 in Sequence No. 20111720392 as Grantor: Marana Unified School District No. 6;
Grantee: RB Land Ventures 1, LLC, a Delaware limited liability company.
(all parcels)

Deed recorded June 21, 2011 in Sequence No. 20111720394 as Grantor: RB Land Ventures 1, LLC, a Delaware limited liability company;
Grantee: RB Land LLC, an Arizona limited liability company.
(all parcels)

	First American Title	Commitment for Title Insurance
Schedule BII		BY First American Title Insurance Company

File No.: 400-26620

EXCEPTIONS

Printed exceptions and exclusions from coverage are contained in the policy or policies to be issued. Copies of the policy forms should be read. They are available from the office that issued this commitment.

1. **RESERVATIONS** contained in the Patent from the United States of America recorded in Book 99 of Deeds at page 270, reading as follows:

RESERVED from the lands hereby granted a right of way thereon for ditches or canals constructed by the authority of the United States of America. Excepting and reserving, however, to the United States all the coal and other minerals in the lands so entered and patented, together with the right to prospect for, mine, and remove the same pursuant to the provisions and limitations of the Act of December 28, 1916 (39 Stat., 862)

2. **TAXES** subsequent to the year 2011.
3. **ANY ACTION** by the County Assessor and/or Treasurer, altering the current or prior tax assessment, subsequent to the date of the Policy of Title Insurance.
4. **EASEMENT** and rights incident thereto, as set forth in instrument:

Recorded in Docket	5505
Page	907
And thereafter conveyed by subsequent instruments of record	
Purpose	Ingress and egress
(Parcel 2)	

5. **MATTERS SHOWN ON SURVEY:**

Recorded in Book 9 of Records of Survey
Page 16



**PIMA COUNTY
REGIONAL FLOOD CONTROL DISTRICT**
201 NORTH STONE AVENUE, FOURTH FLOOR
TUCSON, ARIZONA 85701-1207

SUZANNE SHIELDS, P.E.
DIRECTOR

(520) 740-8350
FAX (520) 740-8749

Page 1 of 2
Revised 6/25/10

ENGINEERING REQUIREMENTS WITHIN THE BRAWLEY WASH CORRIDOR

Pursuant to Title 16 of the Pima County Code (Floodplain and Erosion Hazard Management Ordinance), Section 16.20.020.C, an applicant for a Floodplain Use Permit may be required to provide an engineering study prepared by an Arizona Registered Professional Civil Engineer outlining the effects the development will have on the flow of water through the area being developed and the surrounding areas. This study will be used to evaluate possible flood hazards and to render a decision on the suitability of the proposed development.

Under this authorization, an engineering study is required for construction or installation of habitable and non-habitable structures within the Brawley Wash Primary Flood Corridor. The boundaries of the corridor are defined by the study entitled: *Brawley Wash Primary Flood Corridor Study* prepared for the Pima County Regional Flood Control District by Simons, Li & Associates, Inc. and sealed by Michael Zeller, P.E. on June 1, 1999. (Currently Simons, Li & Associates, Inc. is known as TETRA TECH, Inc.)

The engineering study shall determine a safe building site with respect to flood and erosion hazards and address any potential impacts due to the proposed development, shall be sealed by an Arizona Registered Professional Civil Engineer and must be reviewed and accepted by the Floodplain Management Division prior to issuance of any proposed development permit. The engineering study shall include, at a minimum, the following items:

1. A sealed site plan, drawn to scale, showing the proposed building location(s), safe setback to adjacent wash (es) determined from the analysis and a statement that the building site shown is safe from erosion.
2. Hydrologic calculations in order to determine 100-year discharge (Q_{100}) rates within all potential flow paths across the site.

Floodplain Management ♦
Planning ♦ Management

♦ Flood Control Engineering ♦
Design Engineering

♦ Water Resources ♦
Riparian Habitat

Page 2 of 2

Revised 3/23/06

Brawley Wash Engineering Requirements

3. Hydraulic calculations in order to determine water surface elevations, velocities of flows and offsite impacts of the development on adjacent properties for the 100-year discharge. Calculations shall be provided for channel and overbank flow depth and velocity data, maximum value of DV^2 within the property boundary, and scour depths at the proposed building site(s). The proposed finished floor elevations of all structures must be a minimum of one foot above the computed 100-year water surface elevation of the adjacent wash evaluated at the upstream end of the structure. All regulatory flows must be shown to leave the property with similar hydraulic characteristics as existed prior to the lot development. Cross-sections for calculating water surface elevations must extend beyond the property boundary in all directions.
4. Analyses of soil stability and erosivity at building site(s) and an appropriate engineered foundation designed for all structures, if necessary.
5. If building locations do not meet the minimum required erosion hazard setback, it will be necessary to either address issues outlined in the form entitled Engineering Analysis Requirements for Erosion Hazard Setback Evaluation or include in the engineering study a design for erosion protection.

The report summarizing the engineering study should be organized as listed above for ease of review unless the Floodplain Management Division approves an alternative format in advance. In addition, all information and data must include attached source documentation and/or be properly cited.

J:\Data\FPM Division\Master Documents\Forms\Brawley wash engineering 06.doc

From Carmine Tilghman
Mgr - Renewable Energy Resources
UniSource Energy



MEMORANDUM

DATE: 10/21/09

TO: Mr. Lou Ginsberg, Director Real Estate Division
FROM: W. Wade Clark, MAI, Jr.
City of Tucson
Appraiser

SUBJECT: Land Lease Rental Rate for 09039-Fotowato Renewable Resources

Mr. Ginsberg:

Upon your directive I have examined and reviewed two appraisals completed by Mr. Tom Baker, MAI, SRA. These reports involve two non-contiguous parcels of 304.79 and 320.00 acres located along the east side of Garvey Road and south of Avra Valley Road and the second along the west side of Sanders Road along the north side of Emigh Road, Pima County, Arizona.

This is estimate of market rent for the two parcels in aggregate is based upon the data information and conclusions contained within RP 09039. As such, it is subject to the assumptions, limiting conditions, description and certification contained within the work file in my office.

Under specific circumstances as provided within the referenced file the following is plausible:

- A land value of \$4,000 per acre is reasonable "as is" or an aggregate value of \$2,500,000 for the entire 624.79-acres as a single parcel, noting these parcels are non-contiguous. The price per acre of \$4,000 applies to both parcels.
- A rate of return of 8% per annum is also reasonable based upon alternative rates of return for like-kind investments, the credit worthiness of the tenant, the proposed improvements as well as the location of the parcels.

Here follows the calculation:

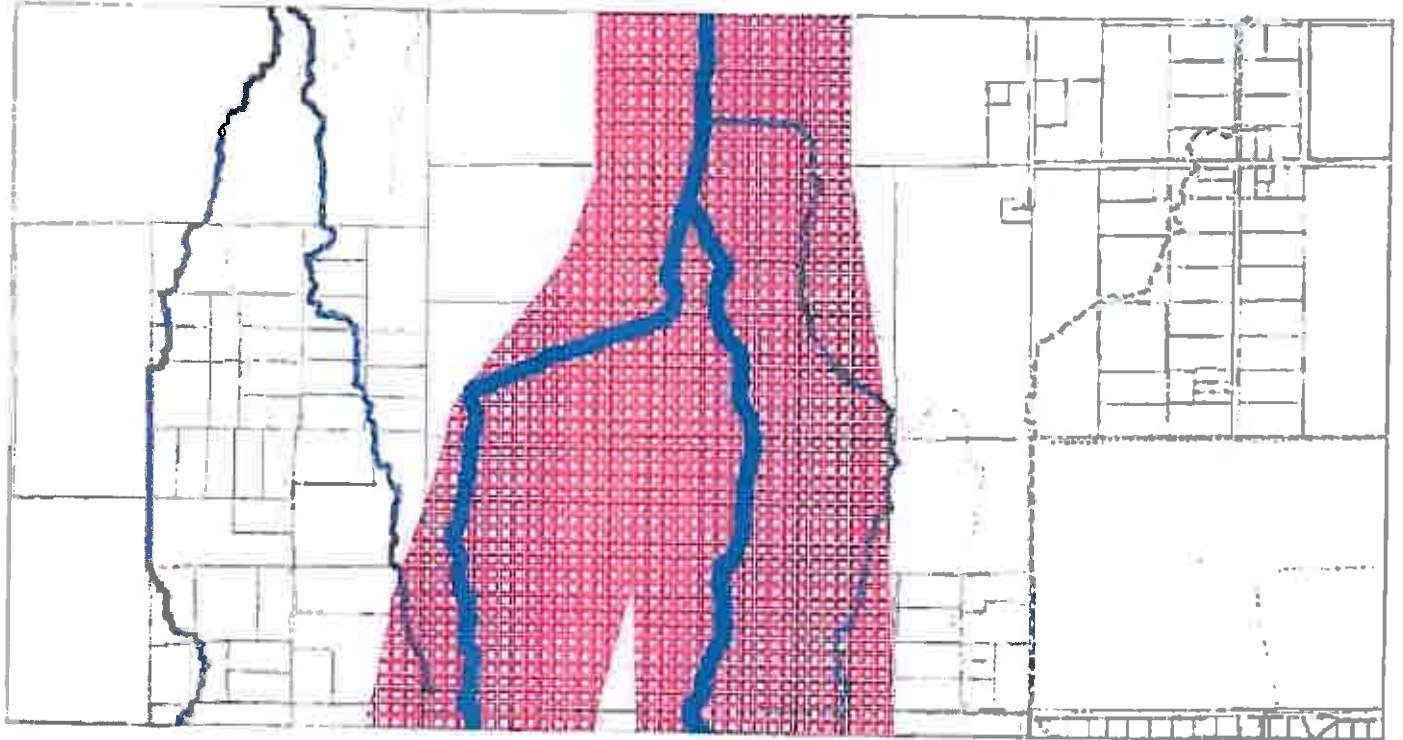
$\$2,500,000 \times .08\% = \$200,000$ annually/\$16,667 monthly.

Please advise if further services are needed.

Regards

Wade Clark, MAI

BRAWLEY WASH FLOODPLAIN CORRIDOR



1670 Brawley Wash