

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

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COVER PAGE

APPRAISAL REPORT

**An Opinion of Land Value of a site,
Located at the northwest corner of Ft. Lowell & Alvernon (and Farr Place)
Pima County, Arizona, 85716**

As Of September 25, 2015

**Owner: Pima County
Tax Parcel: 111-04-103B, 107B, 108A
Sec. 28, T13S, R14E**

Prepared For Use By
**Pima County
201 N. Stone Avenue, Floor 6,
Tucson, Arizona 85701-1215
Attention: Mr. Doug Laney, MAI
Real Property Appraisal Supervisor**

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

**Assignment Reference 2015958
Appraisal Report Completed October 5, 2015**

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

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Letter of Transmittal

October 5, 2015

Mr. Doug Laney, MAI
Real Property Appraisal Supervisor
Pima County
201 N. Stone Avenue, 6th Floor
Tucson, AZ 85701-1215

Re: Estimate of market value of the site on the northwest corner of Fort Lowell & Alvernon (and Farr Place), Pima County, Arizona.

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 Uniform Standards of Professional Appraisal Practice (USPAP) and Pima County appraisal contract guidelines.

Problem Identification: The purpose of the appraisal is to opine value of the site, the intended use is for potential disposition. Effective date of the appraisal is September 25, 2015, the date of site visit.

Relevant subject characteristics: Subject site size is estimated to be approximately 27,202 square feet; it is located on the northwest corner of Fort Lowell and Alvernon and the southwest corner of Farr Place. Site utility is limited due to relatively small size and narrow width. The site has been graded; it is zoned MU. The purpose of this analysis is to opine value for potential sale. Due to size and shape issues, highest and best use is considered to be for assemblage with the adjacent parcel to the west, however, it is analyzed as a stand-alone parcel.

My opinion of market value, subject to all conditions and assumptions, as of September 25, 2015, is \$204,000.

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

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PREFACE & SUMMARY

APPRAISAL REFERENCE: 2015958 Ft. Lowell-Alvernon

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: Pima County, Real Estate Division
Attn: Mr. Doug Laney, MAI, Real Property Appraisal Supervisor.

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.

INTENDED USERS: Our client, Pima County 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 relatively small and narrow with frontage on 3 streets with good visibility from Fort Lowell and Alvernon, a traffic signaled intersection, however, access will be permitted only on Farr Place.

SITE SIZE: Approximately 27,202 square feet per assessor's record.

ZONING: MU, City of Tucson Multiple Use Zone

TAX CODE: 111-04-103B, 107B, ~~108A~~

INTEREST CONSIDERED: Fee simple

EFFECTIVE DATE OF VALUATION: **September 25, 2015; Date of Site Visit.**

DATE OF APPRAISAL REPORT: October 5, 2015

TYPE OF APPRAISAL REPORT: Appraisal Report

OPINION OF VALUE: \$204,000

ASSIGNMENT CONDITIONS: No extraordinary assumptions or hypothetical conditions are employed, note limiting conditions and assumptions contained in the appendix.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate market value.

INTENDED USE OF THE APPRAISAL

The opinion of value will be used by the client, Pima County, for potential disposition.

INTEREST APPRAISED

The interest appraised is the fee simple estate 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 site is known as parcels 111-04-103B, 107B, 108A, the east northwest corner of Ft. Lowell and Alvernon and Southwest corner of Alvernon and Farr Place; the legal description is portions of Lots 1 & 4 Block 9, Lohrum Subdivision, a complete legal description is available in the appendix.

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.

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 two subject properties to be approximately 6 to 12 months.

EFFECTIVE DATE OF APPRAISAL, REPORT DATE

The effective date of the appraisal is September 25, 2015, the date of site visit. The transmittal date of the report is October 5, 2015.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS (SCOPE)

- The appraiser performed an appraisal process in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and Pima County appraisal contract guidelines.
- Determined the nature of the appraisal assignment by identifying the client, intended user, intended use, type of opinion, effective date of the opinion, property interest appraised, and subject property assignment conditions, the extraordinary or hypothetical assumptions
- Afforded the property owner opportunity to accompany the appraiser
- Performed an inspection of the property including the neighborhood, the subject site and its relevant characteristics
- Reviewed site plat, zoning and flood zone maps—indicating physical suitability of the parcel. Reviewed zoning ordinance and neighborhood plans applicable to the subject property.
- Visited Pima County Transportation and Zoning offices to verify potential access and required setbacks.
- Included the items specified in my contract with Pima County as listed in the Addendum of this report, as well as items required by USPAP.
- 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 in 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 as if vacant
- Disregarded any increase or decrease in value due to the announcement of the project (*before the acquisition*)
- (if applicable) Opined the value of the part acquired and the effect to the remainder, and developed a final opinion of total compensation due as a result of the acquisition described, and
- Prepared an appraisal report describing my appraisal process, in conformance with the Uniform Standards of Professional Appraisal Practice and Pima County appraisal contract standards.

PROPERTY OWNERSHIP; 5 YEAR SALES HISTORY

Ownership is reported to be Pima County; it was apparently acquired by Pima County for prior road project, the assessor's record indicates a transfer in 1/25/2013 by quit claim deed, this is assumed to be that acquisition. The appraiser is not aware of any marketing for sale within the prior 3 years

OWNER CONTACT FOR INSPECTION

The owner is Pima County; in analysis of value for potential disposition it is reported that the appraiser is not required to offer the property owner the right to inspect with the appraiser, thus, being an unimproved site, the appraiser went at his own schedule without ownership representative being present.

NEIGHBORHOOD ANALYSIS

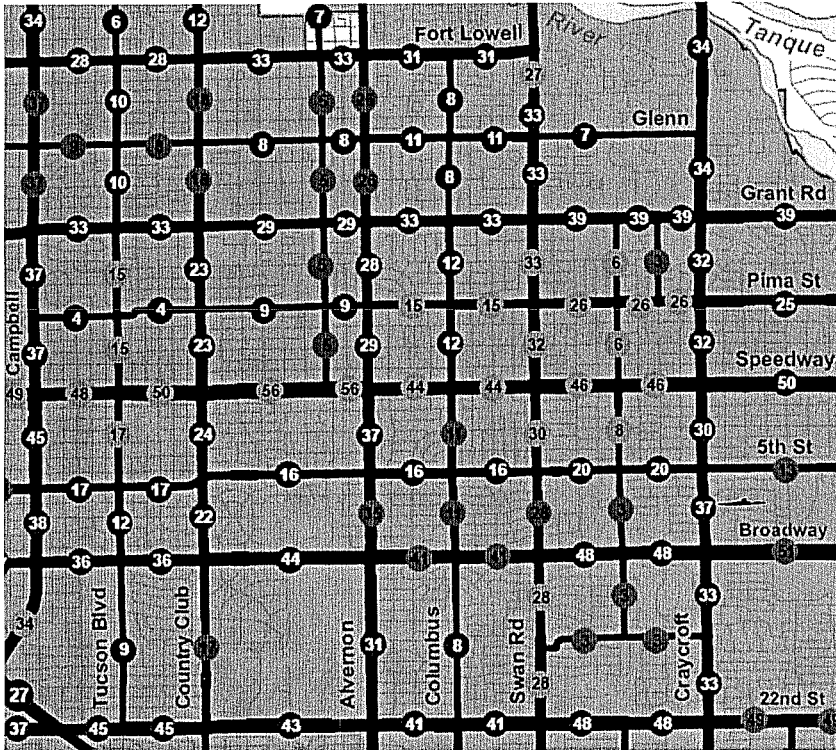
A property is an integral part of its surroundings. The character and features of the surrounding area directly affect the use of a property which is a primary factor in the property's value. In order to estimate the value of a property, an analysis of the surrounding area must be made. This surrounding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

The subject property is located in the north-central portion of Tucson. The area which exerts the most influence over the subject property is considered to be from the Catalina Foothills on the north to Grant Road on the south; and from Swan Road on the east to 1st 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 portion of this region.

The subject property is in a mature and yet still developing neighborhood with a mix of both single-family residences and multi-family residences and a variety of commercial and industrial uses; single-family homes are generally located on interior streets with a mix of multi-family and commercial uses generally located on major streets; industrial uses are generally north of Ft. Lowell between Country Club and Alvernon. The Rillito River generally forms a clear boundary distinguishing property within the jurisdiction of the City of Tucson to the south and Pima County to the north; the northern neighborhood is characterized as high end, lower density residential neighborhoods in the area known as the Catalina Foothills. Due to the Rillito River there is a significant amount of land on the northern portion of the neighborhood that is affected by various factors including flood zones, riparian habitats, and land designated as different management areas under the Conservation Land System which does not decrease or limit existing legal land uses, zonings, permitted activities, or management of lands; it does however put significant conservation guidelines upon rezoning of parcels that fall under the CLS. Prior to the current economic downturn, demand for land in the neighborhood made it not unusual for developers to take on the costs and time to get permits for issues previously preventing or limiting development, for new commercial development, particularly offices, along River Road. The southern portion of the neighborhood (south of the Rillito River) is characterized by typical urban density residential uses of significantly lower property value. The neighborhood has virtually all services available.

Access to the neighborhood is considered to be average. There was a relatively recent road improvement project completed widening River Road and extending Alvernon Way across the Rillito Creek. The road improvement allows for easier access through the neighborhood; previously, traffic crossed the river at Dodge Blvd. to the west. The following table indicates an estimate of traffic volumes within the subject neighborhood for each major thoroughfare, in both directions, for a typical twenty-four hour period. These figures are estimates based on the most recent available traffic counts performed by Pima Association of Governments (2012).



The neighborhood is served police and fire protection by the City of Tucson within city limits and Rural Metro and Pima County Sherriff in Pima 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 Qwest. The subject neighborhood is served by Tucson Unified School District Number one on the southern portion and Catalina Foothills in the northern portion. Public Transportation north of the Rillito River is limited to a loop from Swan Road north to Sunrise-Orange Grove to 1st Avenue, River Road west of Campbell and Alvernon to just north of the Rillito River.

SITE DESCRIPTION

Location: The subject is located on the northwest corner of Fort Lowell and Alvernon within Pima County jurisdiction but essentially surrounded by City of Tucson boundaries.

Site Size: 27,202 square feet per Pima County Assessor.

Access: While there is frontage on Fort Lowell (33,000vpd) and Alvernon (18,000vpd) access is only permitted on Farr Place.

Visibility: Good; visibility due to frontage on Ft. Lowell and Alvernon.

Shape: Rectangular with relatively little frontage on Ft. Lowell and Farr Place, approximately 68' by considerable depth (frontage along Alvernon) of approximately 377', see exhibits.

Topography: The site is moderately downward sloping to the north towards the Rillito, from approximately 2,412' on the southern to 2408' at the northeast corner.

Flood Hazard: According to the FEMA Digital Flood Insurance Rate Map, panel 04019C1693L Zone X, effective 6/16/11, the site is in Flood Zone X (not flood zone).

Easements: A title report has not been provided, there are no easements indicated on the plat map.

**Hazardous Materials/
Contamination:** No environmental assessment was available. No indications of hazardous materials were noted on inspection; however, the appraiser is not an expert in hazardous material contamination. This appraisal assumes that the subject is free of hazardous material contamination.

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:	Qwest
Public Safety:	City of Tucson

Surrounding Land Uses: There is a c-store on the southwest corner (zoned C-1), an office condo project on the northeast corner (zoned C-1), retail-office to the west on Ft. Lowell and residence-contractor's yard to the west on Farr, vacant land and mixed use residential on the northwest (both zoned MU). Quik Trip c-store and gas station is reportedly under contract with the adjacent retail-office use fronting on Ft. Lowell and residence-contractor's yard fronting on Farr Place directly west of the subject and interested in the subject site.

Zoning: Zoning on the site is MU (Mixed Use) under Pima County jurisdiction. This zone provides for higher density residential development and some commercial use including professional offices, for complete listing see the zoning code. Development standards for non-residential

use are 0 minimum lot size, 0 minimum width, front rear and side setbacks of 20', 25' and 7' respectively.

Comprehensive Plan:

The subject is designated as Multifunctional Corridor (MFC) on the southern half and Medium High Intensity Urban (MHIU) on the northern half. The objective of MFC is to designate areas for the integrated development of complementary uses along major transportation corridors. The MFC designation serves a similar purpose as the CAC plan designation. These areas contain commercial and other non-residential use services, research and development and similar uses (as delineated in the CPI zoning district), and medium- to high-density residential clusters in a linear configuration along major transportation corridors. Potential adverse impacts of strip commercial development are mitigated through application of special design standards in the zoning code and design manuals, such as standards for access management, building setbacks, open space, signs, parking, and landscaping. The objective of MHIU is a. Objective: To designate areas for a mix of medium- to high-density housing types, such as higher-density single-family development, townhomes, condominiums and apartment complexes, as well as other compatible uses, such as offices, hotels, research and development, and other similar uses. These areas have direct access to major transportation corridors and other arterials and are within walking or bicycling distance from major commercial services and employment centers. They generally do not abut land in low intensity urban categories.

Site Analysis Conclusion:

The subject site is a relatively small, narrow-deep shaped parcel which is considered to be somewhat restricted for development due to its size, shape and necessary setbacks. It is located on two corners, the southeast corner being at a traffic signaled intersection of two major traffic arterials. Utilities necessary for development are available in the area. In consideration of its location at this traffic signaled intersection, comprehensive plan designation and commercial zoning of adjacent uses potential for rezoning are considered to be good.

Real Estate Tax Analysis

The following information is available from the county treasurer's office:

Tax Parcel	108-17-001a	108-17-002a
FCV Land	\$73,931	\$211,121
FCV Impvt	\$0	\$0
FCV Total	\$73,913	\$211,121
2014 Tax	\$0.00	\$0.00
Assessments	None	None

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, 5th Edition, as:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

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, (Multiple Use Zone) under Pima County jurisdiction. This zone provides for higher density residential development and limited commercial uses. It is designated as MFC and MHIU under the comprehensive plan. Due to the comprehensive plan and adjacent property zonings it is considered to have reasonably good potential for commercial rezoning.

Physically Possible: The subject parcel is indicated to be 27,202 square feet, relatively narrow and deep with approximately 68' frontage on north and south boundaries and approximately 377' depth along Alvernon. Frontage for development would be restricted to Farr Place, building setback requirements are 20' front, 25' rear and 7' side. The site is narrow enough that a building would likely need to be placed at the rear (nearest Ft. Lowell) with parking in front (Farr Place), there would not appear to be enough width to permit access to rear parking.

Financially Feasible: The financial feasibility of the subject site is market derived. The Tucson Metro area, as well as the nation, is recovering from the recent "great recession"; residential real estate initially lead the way with greater demand for residential development and increasing property values (though still well below pre-recession highs). Commercial property has recovered marginally with some build to suite development, speculative development is still not considered to be feasible.

Assemblage with the adjacent site to the west is considered to be optimal as this would eliminate development restrictions due to size and width and maximize the site permitting access from Fort Lowell.

Maximum Profitability: In conclusion, the highest and best use "as if vacant" is considered to be assemblage with an adjacent site to the west. The subject and potential assemblage site is believed to have good potential to rezoning and development with the adjacent parcel would significantly alleviate physical restrictions of the subject site due to smaller size and irregular shape. Highest and best use as vacant is therefore considered to be for assemblage with the adjacent site to the east for rezoning and commercial development. However, the subject site is considered in this analysis on its stand-alone basis.

VALUATION METHODOLOGY

The valuation methodology, or appraisal process, is defined as an orderly program by which the problem is planned and the data involved is acquired, classified, analyzed, and interpreted into an opinion of value.

The cost and income approaches are not typically employed in the analysis of site value as if vacant or the overall property value as improved given adequate sales of unimproved sites, thus they are not employed. In consideration of a suitably active market, the most reasonable method of forming an opinion of site market value is by sales comparison approach of similar sites.

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.

As mentioned previously under the sales comparison analysis of the site, 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

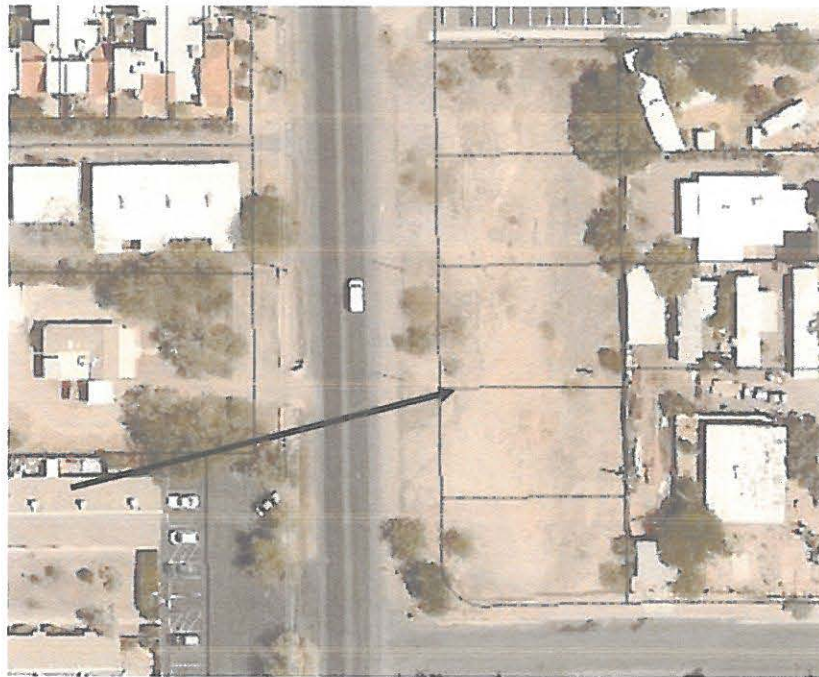
Adjustments for items 1-5 above are made first if necessary, indicating an "adjusted sale price". The comparables prices are each then adjusted for differences in location, physical characteristics (including use or zoning), economic characteristics and any non-realty components of value.

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 square foot basis e; this is a common 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 Sale One

LOCATION: NEC Country Club & Greenlee Rd, Tucson, Arizona
LEGAL DESCRIPTION: Lot 6 blk 4 Rillito Riverside Acres, Pima County, Arizona
TAX CODE NUMBER: 111-03-060A 061A, 062A, 063A, 064A
RECORDS: 12/11/2014 document 20143450203
SELLER: John Wesley Baker III
BUYER: Leon G Byerley III
SALE PRICE: \$150,000
TERMS: Cash
SITE SIZE: 28,966 square feet per assessor
PRICE PER SF: \$5.18
ZONING: C-1, City of Tucson Commercial
COMMENTS: The site is at the corner of Country Club (12,000vpd), and Greenley Road. The site had all utilities and no development issues. Per FEMA 04019C1693L, the site is flood zone X.
CONFIRMED WITH: Costar 3185887, buyer's broker, Mike Chapman, 591-5188, 2015958, pdh



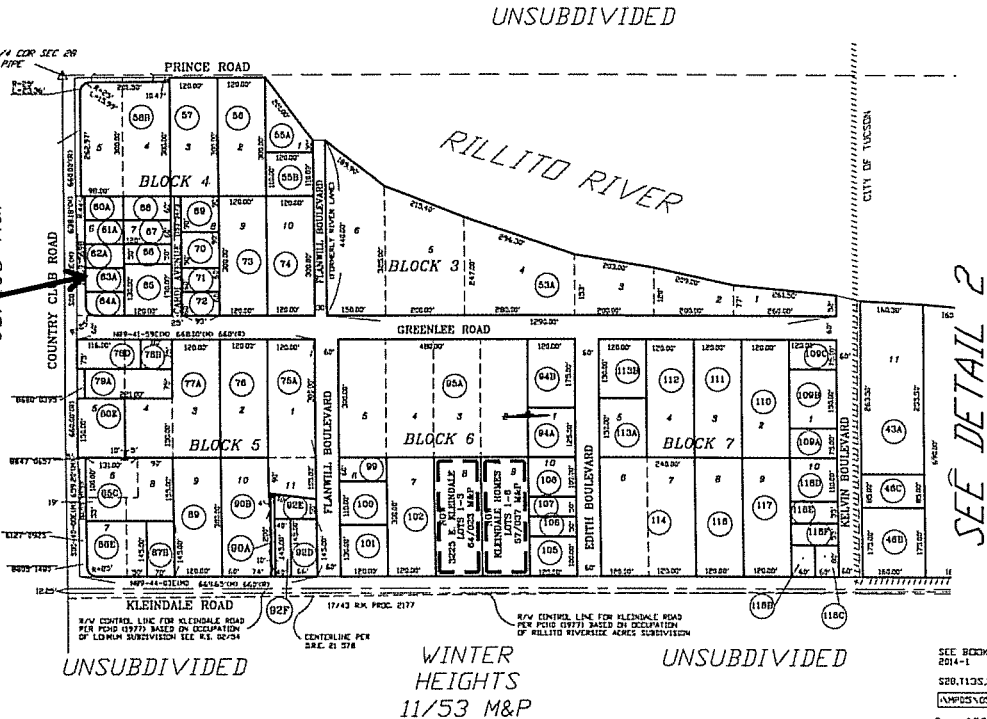
ASSESSOR'S RECORD MAP
RILLITO-RIVER-SIDE-ACRES

DETAIL 3

111-03

WINTERHAVEN
TOWNHOMES
36/79 M&P
HEDRICK
ACREAGE NO. 1
03/108 M&P

WINTERHAVEN
09/08 M&P



CCS

Comparable Site Sale Two

LOCATION: SWC Kleindale (3832 E) & Alvernon, Tucson, Arizona
LEGAL DESCRIPTION: W82.61' Lot 1 Lohrum, Pima County, Arizona
TAX CODE NUMBER: 111-04-002C
RECORDS: 7/26/2013 document 20131960639
SELLER: Hermitage Cat
BUYER: Cotlow Development III
SALE PRICE: \$96,000
TERMS: Cash
SITE SIZE: 15,269 square feet
PRICE PER SF: \$6.29
ZONING: MU, City of Tucson Multiple Use
COMMENTS: The site is at the corner of Alvernon (18,000vpd), however access is only available from Kleindale Road. The purchaser is now developing with a personal office-shop. Per FEMA 04019C1639L, the site is flood zone X.
CONFIRMED WITH: Costar 2799121, purchaser Dean Cotlow, 881-8180, 2015958, pdh



ASSESSOR'S RECORD MAP

III - 04
2 / 16

BLOCK 1, LOHRUM ADDITION

