

APPRAISAL REPORT

OF

A 35,056 SQUARE FOOT VACANT LOT

**LOCATED ON THE SOUTH SIDE OF INA ROAD, EAST OF
THUNDERHEAD DRIVE, TUCSON, PIMA COUNTY, ARIZONA**

FOR

**PIMA COUNTY PUBLIC WORKS,
REAL PROPERTY SERVICES**

**MR. JEFF TEPLITSKY
APPRAISAL SUPERVISOR**

**OWNERSHIP: PIMA COUNTY
TAX PARCEL NUMBER: 108-04-0490
SECTION 6, TOWNSHIP 13 SOUTH, RANGE 14 EAST**

EFFECTIVE DATE OF APPRAISAL

OCTOBER 18, 2018

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
Tucson, Arizona

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

REAL ESTATE APPRAISERS - CONSULTANTS

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October 24, 2018

Mr. Jeffrey Teplitsky
Appraisal Supervisor
Pima County Public Works
Real Property Services
201 North Stone Avenue, Sixth Floor
Tucson, Arizona 85701-1207

RE: An appraisal report of a 35,056 square foot vacant lot located on the south side of Ina Road, east of Thunderhead Drive, in Tucson, Pima County, Arizona

<i>Ownership:</i>	Pima County
<i>Tax Parcel No.:</i>	108-04-0490
<i>Effective Date of Appraisal:</i>	October 18, 2018
<i>Date of Report:</i>	October 24, 2018

Dear Mr. Teplitsky:

In response to your authorization, I have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple interest in the above-named property. This report is intended for use only by the intended user, Mr. Jeff Teplitsky, Pima County Public Works, Real Property Services, and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in the determination of the market value for the potential sale or disposition of the subject property. It is not intended for any other use.

I have formed the opinion that, as of the effective date of appraisal, October 18, 2018, in its "as is" condition, based on a six to twelve month marketing period, and subject to the assumptions and limiting conditions set forth in the report, the subject property has a market value of:

SIXTY TWO THOUSAND DOLLARS (\$62,000)

Mr. Jeffrey Teplitsky
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This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP). As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above. The appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,



Sara R. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 31679
Designated Supervisory Appraiser
Registration Number DS0082

C187608

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APPRAISAL ABSTRACT - PART I

INTENDED USER:

Pima County Public Works, Real Property Services
Mr. Jeffrey Teplitsky

APPRAISER:

Sara R. Baker, MAI, SRA

Baker, Peterson, Baker & Associates, Inc.
4547 East Fort Lowell Road, Suite 401
Tucson, Arizona 85712

SUBJECT PROPERTY:

An appraisal report of 35,056 square feet of vacant land located on the south side of Ina Road, east of Thunderhead Drive, Pima County, Arizona. The property is a lot within the Skyline Foothills Estates subdivision.

LAND AREA:

35,056 square feet, or 0.80 acres

ZONING:

CR-1, Pima County

COMPREHENSIVE PLAN:

LIU 1.2 (Low Intensity Urban 1.2)

TAX PARCEL NUMBER:

108-04-0490

FULL CASH VALUE:

\$141,000 (2018)

\$141,000 (2019)

The development of full cash values is based on mass appraisal models as set by the State of Arizona. They are for tax assessment purposes only and cannot be equated with market value as utilized in this appraisal. Thus, they serve only as a point of comparison with other properties.

Based upon the value ascribed in this report, the appraiser recommends appealing the assessed value of the property.

LIMITED CASH VALUE:

\$131,250 (2018)

\$137,813 (2019)

Limited Cash Value is the basis for primary property taxes. It is a legislatively established value based on a mathematical formula that limits the amount of increase in any given year.

REAL ESTATE TAXES:

\$0.00 (2017)

There are no taxes as the property is currently owned by a government entity.

Real estate taxes are a combination of a primary tax, which is the primary tax rate applied to the limited cash value and divided by 100, plus the secondary tax, which is the secondary tax rate applied to the full cash value and divided by 100. The primary and secondary tax rates are an aggregate of various tax rates set by various jurisdictions.

DELINQUENT TAXES:

None

INTENDED USE OF REPORT:

This report is intended for use only by the intended users, Mr. Jeffrey Teplitsky, Pima County Public Works, Real Property Services and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in the determination of the market value for the potential sale or disposition of the subject property. It is not intended for any other use.

INTEREST APPRAISED:

Fee Simple Interest in the entire property. *Fee Simple Interest*, as defined in The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 90, is "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."

MARKET VALUE DEFINITION:

Market value, as utilized in this appraisal, and as defined in The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute, 2013, page 59, is:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress

EFFECTIVE DATE OF APPRAISAL:

October 18, 2018

DATE OF INSPECTION:

The property was re-inspected by the appraiser on October 18, 2018, without a representative of the owner present at the inspection.

TITLE REPORT INFORMATION:

The appraisers have reviewed information contained in a title report of the subject property as provided by the client. The appraisers do not consider there to be any impact on the market value of the subject property by items reviewed in the title report.

LEGAL DESCRIPTION:

Lot 49, Skyline Foothills Estates, Pima County, Arizona.

OWNERSHIP:

According to public records of the Pima County Assessor, title to the subject property is in the name of Pima County, according to a deed recorded in Docket 7657 at Page 811, dated November 18, 1985.

SALES HISTORY:

No known sales of the subject property have occurred within the last three years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis. The adjacent property owner has expressed interest in purchasing the property, however, there is currently no agreement of sale or contract.

ASSUMPTIONS AND LIMITING CONDITIONS:

Subject to those assumptions and limiting conditions contained in the "*Assumptions and Limiting Conditions*" section of this report.

CERTIFICATION:

See Part V.

SCOPE OF THE APPRAISAL - PART II

USPAP identifies scope of work as the "amount and type of information researched and the analysis applied in an assignment." According to the scope of work rule as defined by USPAP, "For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

- 1) identify the problem to be solved;
- 2) determine and perform the scope of work necessary to develop credible assignment results; and
- 3) disclose the scope of work in the report."

This appraisal assignment has been completed in response to authorization by Mr. Jeffrey Teplitsky, Appraisal Supervisor, for Pima County Public Works, Real Property Services, in a contract executed on September 26, 2018 by Ms Sara R. Baker, MAI, SRA, for Baker, Peterson, Baker and Associates, Inc. The assignment includes appraisal of the property herein described, and the preparation of a report which describes the property being appraised, analyzes appropriate data, and offers an opinion of the market value of the property as of the effective date specified in the report. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the standards of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and to those specifications in the appraiser's Professional Services Contract with Pima County Public Works, Real Property Services.

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky, Pima County Public Works, Real Property Services and its designees. Use of this report by others is not intended by the appraiser. This report is intended only for use in the determination of the market value for the potential sale or disposition of the subject property. It is not intended for any other use. The purpose of the appraisal is to provide an opinion of the market value in fee simple interest of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property.

The exact nature of, and interest in, the subject property is defined elsewhere in this report. One basic approach to value provided the conclusion of the market value of the subject property; namely the sales comparison approach, which is defined in the report. In completing this assignment the appraisers inspected and photographed the subject property (inside and out), reviewed and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS® Commercial Property Information Services, Tucson Multiple Listing Service (MLS), and the Pima County Real Estate Research Council), the neighborhood and the site.

An opinion of the "highest and best use" of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements,

environmental concerns, and economic elements, present and anticipated, which may impact upon the marketability of the property.

In the sales comparison approach, there was a thorough search for sale and listing data considered directly competitive to the subject property. This data was confirmed with one or more parties related to the transaction and (in the case of sales) by review of deeds and records of the Pima County Assessor. The analysis then compared each sale considered a reliable indicator of the value to the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

The cost approach is not applicable as the subject property is vacant land. The income approach reflects the subject's income producing capabilities. Vacant land similar to the subject property is typically purchased by owner-users and is not leased. Therefore, the income approach is not applicable in valuing the subject property.

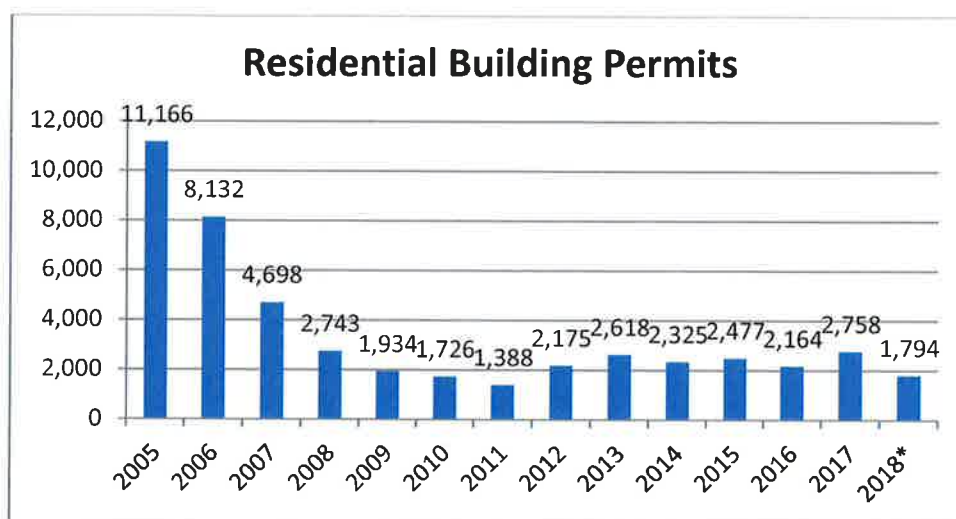
The sales comparison approach provided a final opinion of the market value of the subject property. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. The appraiser's file retains supporting documentation.

DESCRIPTION OF REAL ESTATE APPRAISED - PART III

TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the Pima Association of Governments, in July, 2010, the estimated population of all of Pima County (including Tucson) was 981,168 persons while the population of Tucson alone was estimated to be 520,795 persons.

Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017. The 2018 data is for the first half of the year only.

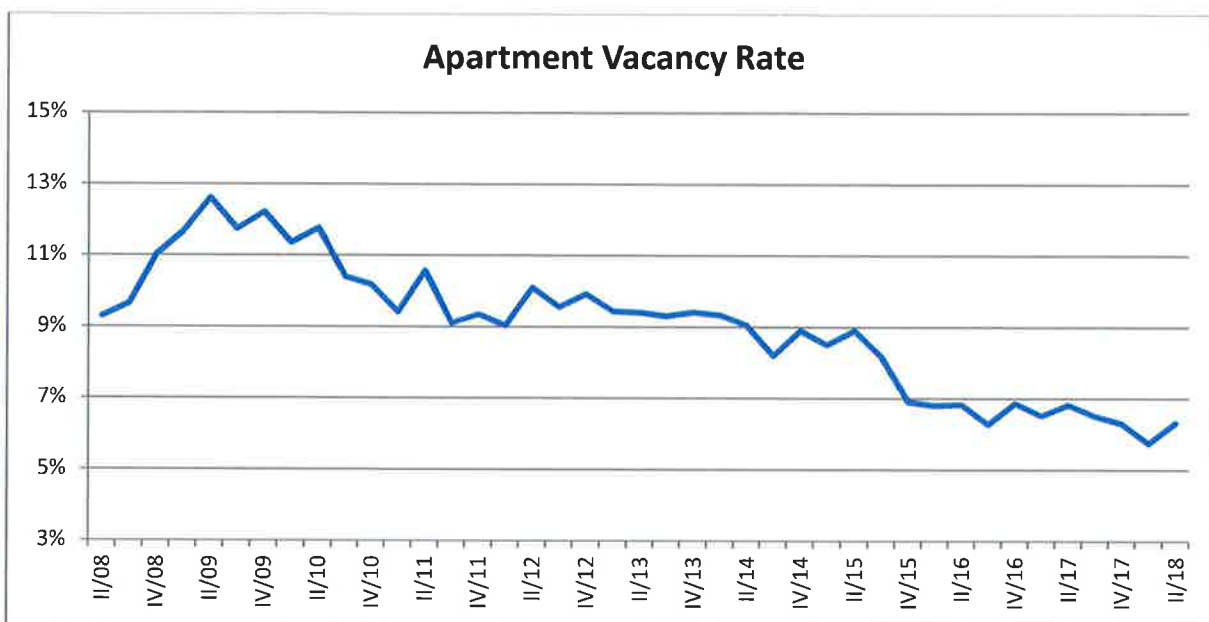


Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to a summit of 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow-down in sales has resulted in an increase in the inventory of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 showed a continued improvement in the market, with indications of a slight decline in 2014. In recent years, the number of permits has remained mostly stable with a

slight increase in 2017. New home sales are still well below peak or stabilized levels seen in the past.

Multi-Family Market

Vacancy rates for apartment properties in the Tucson Metropolitan area peaked in 2009 before slowly declining. The chart below shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and Second Quarter 2018, according to Apartment Insights' *Statistics/Trends Summary*.



The vacancy rate peaked in the Second Quarter 2009 and generally declined since that time. The vacancy rate declined in late 2015 and remained mostly stable in 2016. Vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. The current rent levels for multi-family properties have remained generally stable with small increases in most sectors in many recent quarters. There is limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities.

Office Market

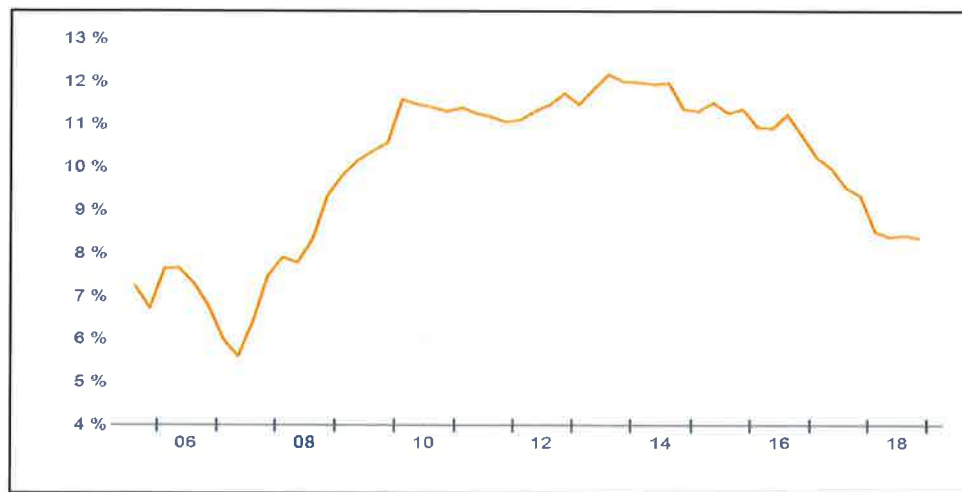
Overall, the leasable *office market* experienced net positive absorption of 42,164 square feet in the Third Quarter of 2018, according to *The CoStar Office Report, Tucson Office Market, Third Quarter 2018*. This compares to net positive absorption of 110,299 square feet in the Second Quarter 2018, net positive absorption of 44,011 square feet in the First Quarter of 2018, net positive absorption of 51,296 square feet in the Fourth Quarter of 2017, net positive absorption of 135,986 square feet in the Third Quarter of 2017, net positive absorption of 84,046 square feet in the Second Quarter of 2017, and net positive absorption of 89,696 square feet in the First Quarter of 2017.

Two new office buildings containing 50,500 was completed in Third Quarter of 2018. This compares to one new building containing 61,000 square feet completed in the Second Quarter

of 2018, one new building containing 20,000 square feet completed in the First Quarter of 2018, two new buildings containing 12,850 square feet was completed in Fourth Quarter 2017, no new buildings in the Third Quarter 2017, two buildings containing 21,631 square feet was completed in the Second Quarter 2017, and no new buildings completed in the First Quarter 2017.

The following figure shows trends in the vacancy rates for office properties in Tucson between Second Quarter 2005 and Third Quarter 2018. The vacancy rate increased until late 2013 and has declined since that time. The office vacancy rate remains higher than 2005-2008 levels.

Office Vacancy Rate



The stable but higher overall annual vacancy rate indicates an office market which is coupled to the overall stable but slow real estate market. There was a decline in demand for owner/user office buildings, which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013 and remain slow but stable. Market conditions for office properties have started to slowly improve, primarily for office properties in high demand areas and newer office buildings in good condition. Demand remains lower for older office buildings.

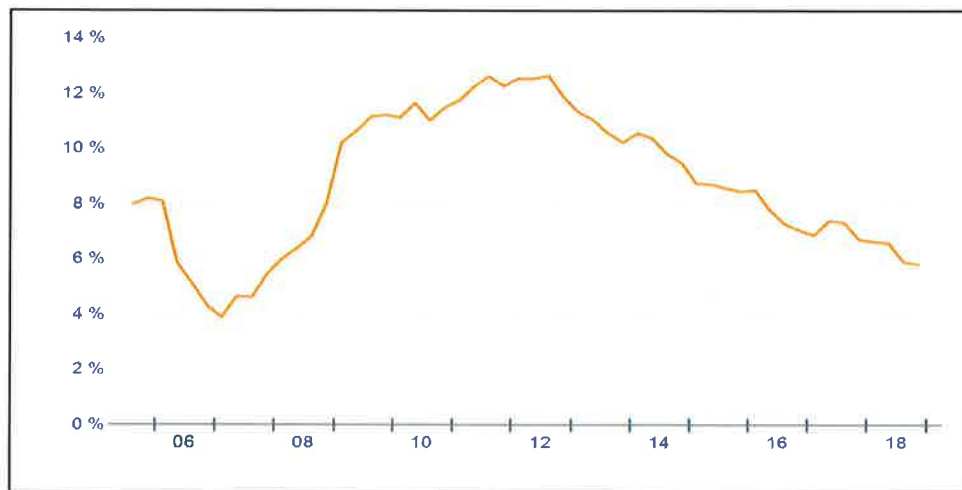
Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80s. There has been limited new industrial space constructed recently in Tucson, with no new buildings completed in the Third Quarter of 2018, one new building containing 300,181 square feet completed in the Second Quarter of 2018, no new buildings completed in the First Quarter of 2018, the Fourth Quarter of 2017, or the Third Quarter of 2017, four new buildings containing 53,721 square feet completed in the Second Quarter 2017, and no new buildings completed in the First Quarter 2017, according to *The CoStar Industrial Report, Tucson Industrial Market, Third Quarter 2018*.

There was net positive absorption of 275,254 square feet in the Third Quarter 2018. This compares to net positive absorption of 314,587 square feet in the Second Quarter 2018, net positive absorption of 44,854 square feet in the First Quarter 2018, net positive absorption of 255,485 square feet in the Fourth Quarter 2017, net positive absorption of 29,338 square feet in the Third Quarter 2017, net negative absorption of 171,007 square feet in the Second Quarter 2017, and net positive absorption of 71,381 square feet in the First Quarter 2017, according to *The CoStar Industrial Report, Tucson Industrial Market, Third Quarter 2018*.

The following chart shows trends in the industrial vacancy rate in Tucson from Second Quarter 2005 through Third Quarter 2018, according to CoStar.

Industrial Vacancy Rate



Overall, the industrial vacancy rate increased through late 2012. The vacancy rate declined from late 2012 and continued to decline through 2016. The vacancy rate was somewhat stable from 2017 through the first half of 2018. The industrial market has stabilized but there are not yet signs of increased prices. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. The overall decline in the economy is affecting many potential industrial users and there remains a slow demand for industrial zoned land.

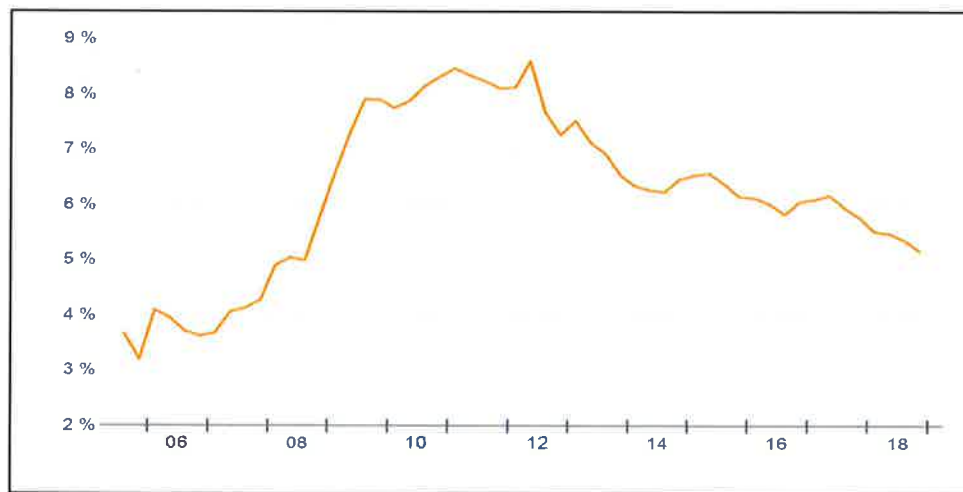
Retail Market

Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some signs for a decline in market conditions includes contracts cancelled, development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. However, in recent years, demand has increased for many types of retail properties.

There was net positive absorption of 283,189 square feet in the Third Quarter 2018, according to *The CoStar Retail Report, Tucson Retail Market, Third Quarter 2018*. This compares to net positive absorption of 125,855 square feet in the Second Quarter 2018, net positive absorption of 263,692 square feet in the First Quarter 2018, net positive absorption of 166,347 square feet in the Fourth Quarter 2017, net positive absorption of 201,700 square feet in the Third Quarter 2017, net positive absorption of 44,726 square feet in the Second Quarter 2017, and net positive absorption of 126,805 square feet in the First Quarter 2017.

The following shows trends in the vacancy rate for retail properties in the Tucson market between Second Quarter 2005 and Third Quarter 2018, according to *Costar*.

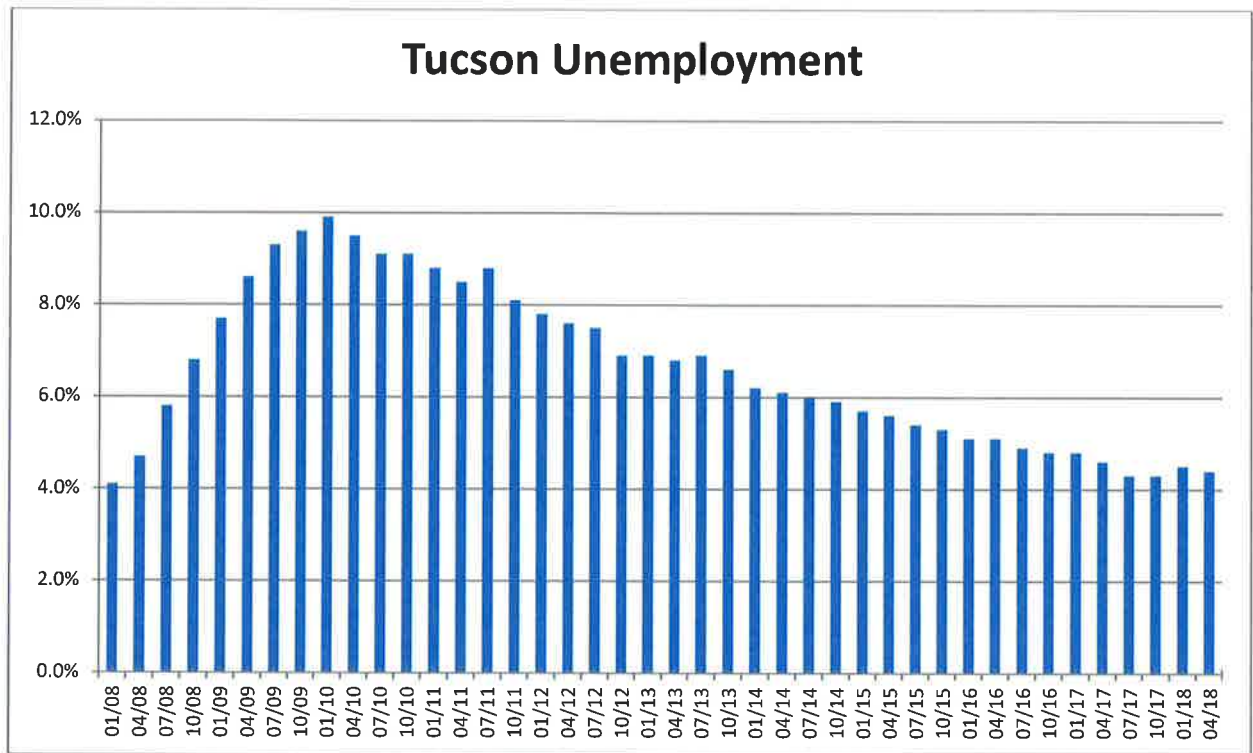
Retail Vacancy Rate



This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time and remained mostly stable from 2016 through the 2017, with a slight decline in early 2018. The retail market has stabilized and is starting to improve in high demand areas, although there remains little demand for older retail properties in low demand areas.

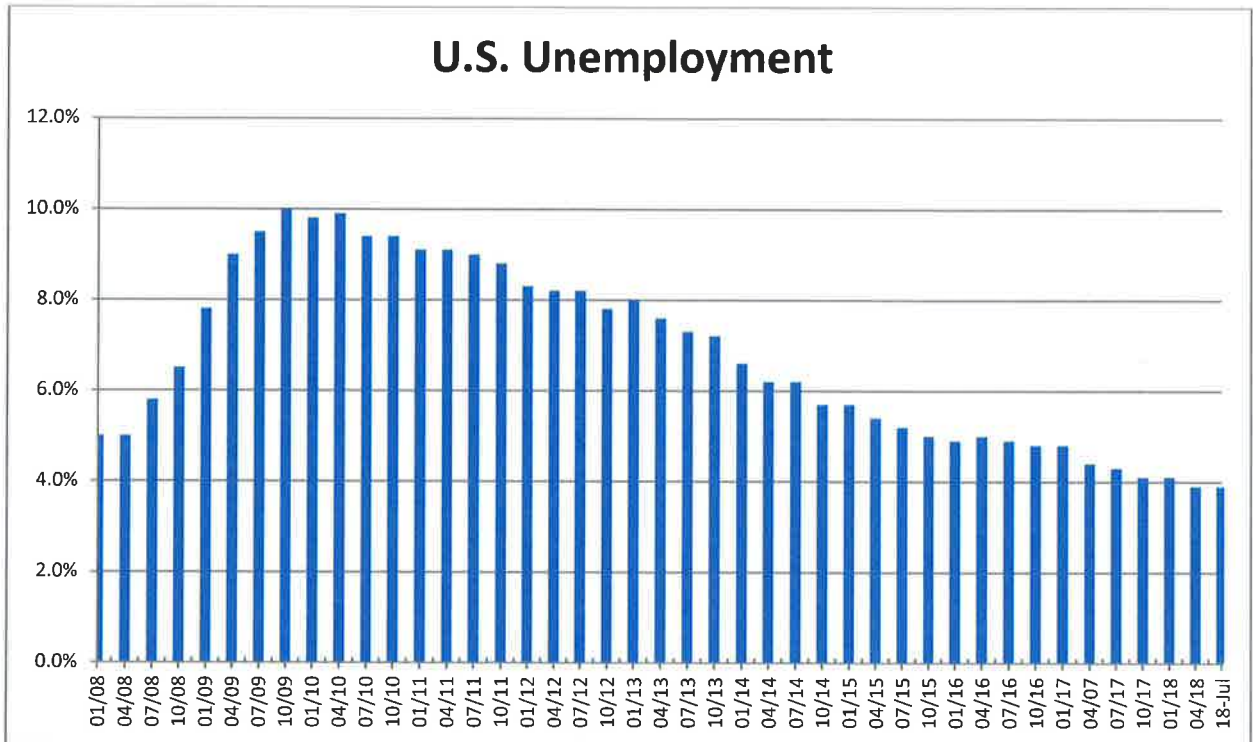
In the Third Quarter of 2018, eight new buildings containing 227,611 square feet were completed. This compares to six new buildings containing 118,780 square feet in the Second Quarter 2018, fifteen new buildings containing 152,297 square feet in the First Quarter 2018, seven new buildings containing 43,949 square feet in the Fourth Quarter 2017, three new buildings containing 85,155 square feet in the Third Quarter 2017, nine new buildings containing 80,229 square feet in the Second Quarter 2017, and eight new buildings containing 156,962 square feet in the First Quarter 2017.

According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



The previous data shows that the unemployment rate in the Tucson metropolitan area increased and peaked in early 2010. The unemployment rate has slowly been declining since early 2010 and remained mostly stable from mid-2012 through 2013. There has been a slow steady decline in the unemployment rate over the last several years, with the unemployment rate remaining mostly level in the last year.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate also increased through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined and is now close to early 2008 levels.



Overall, the commercial real estate markets reveal that most investors hold a cautionary but improving outlook due to continued oversupply of available space in many markets which adversely affects tenants, owners and investors, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals will result in slowly improving values. In the short term, improving growth is projected for Tucson over the next one to two years, with market conditions expected to remain stable and slowly start to improve during this time. There are some areas of Tucson where demand is increasing greater than the overall market. The long term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

MARKET AREA:

The subject market area is that area bordered by Rillito River/Tanque Verde Wash on the south, Catalina Mountains to the North, Swan Road on the East, and First Avenue on the west. Major arterial roadways include Skyline/Ina Road, Swan Road, Campbell Avenue, and First Avenue.

The market area consists mainly of single family residential properties mostly on one acre or larger sites, some multi-family complexes, and neighborhood commercial development at major arterial intersections and along major arterials. There are major commercial centers located at the intersections of Swan and Sunrise Drive. La Encantada, a commercial development that includes 258,000 square feet of retail/commercial uses consisting of 35 to 40 upscale stores, is located at the intersection of Skyline Drive and Campbell. The northeast corner consists of a specialty retail center totaling 24,787 square feet. There is additional commercial and office developments located at the southeast and southwest corners of Skyline Drive and Campbell Avenue and further west along Skyline. These existing commercial uses support the surrounding residential uses which are collectively known as the Catalina Foothills neighborhood of Tucson.

The lower area in this market area has homes and other uses on larger parcels of land along the Rillito River, with much of this land having some floodplain issues. There is a mix of horse properties, houses on larger lots, private schools, and religious facilities in this lower part of the market area. There has been good demand in this area for school and religious use facilities due to the location at the base of the foothills. The homes on the northern portion of the property are primarily on lots of approximately one acre and many are located in older established neighborhoods. Many have good city and/or mountain views.

The market area is situated in the Tucson Unified and Catalina Foothills School Districts. The Skyline Country Club and golf course are located on Swan near Ina and the La Paloma Country Club and golf course are located on Sunrise between Campbell and Swan. Homes in the neighborhood range upwards from \$250,000 to well over one million dollars and range in age from new to fifty-plus years.

Access to the market is considered adequate and public transportation is available to a portion of the market area. Demand for residential uses in the neighborhood is considered good due to the good views from many homes in the area.

SITE DESCRIPTION:

The site is irregular in shape with 259 feet of frontage on Ina Road. The site has a depth of 192 feet along the western property line and a width of 154 feet along the southern property line. It contains a total area of 35,056 square feet or 0.80 acres. Ina Road is a four-lane, asphalt-paved roadway with a landscaped center median, concrete curbs, but no sidewalks or streetlights in the vicinity of this site. Ina Road has a 2017 traffic count of approximately 32,000 vehicles per day near the subject site. The property currently does not have a curb cut from Ina Road. According to Rick Hicks of the Pima County Site Development Group, a curb cut would be granted to provide access to the property from Ina Road. According to Mr. Rick Hicks, Pima County is legally obligated to provide access to this property. However, if the property was

purchased by an adjacent property owner, it is probable Pima County would not approve a curb cut for direct access from Ina road as the property would have access through the adjacent lot. The topography is steeply sloping in a southeasterly direction and below street grade of Ina Road. The northern portion of the property is steeply sloping to the south. The southern portion of the property is somewhat more level but sloping somewhat to the east and south. Extensive site work would need to be done prior to developing the site. The site work would include creating a driveway that would likely contain switchbacks due to the slope. Cut and fill work would be required to achieve a level building pad. Because of the steeply sloping terrain, the ideal building area would be in the southwest portion of the property as this area is slightly more level. This area is below grade of Ina Road. The development cost would be high due to the cut and fill work to obtain a level building pad and the cost to build a driveway in the steeply sloping northern portion of the lot. Because the property is below grade of Ina Road, the views are somewhat limited, with some city and mountain views from the building area. There is a drainage structure on the adjacent property to the east at the eastern property line. Properties bordering the subject property include residential uses to the north, to the south, and to the west. There is vacant land and residential uses to the east of the subject property.

Utilities available to the subject property include electric (Tucson Electric Power Company), natural gas (Southwest Gas Corporation), telephone (Century Link), water (Tucson Water), and sewer (Pima County Wastewater Management) and are available to the site in sufficient quantity and quality.

According to FEMA Flood Insurance Rate Map 04019C1680L, dated June 16, 2011, the subject property is identified as being located in Zone X (see Exhibits) which are areas determined to be outside the 500-year floodplain. The property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property. A utility easement along the southern property line and a sewer easement along the southern property line do not have an adverse effect on the property.

CURRENT USE:

Vacant land

ZONING:

The subject site is zoned CR-1 (Single Residence), according to the Pima County zoning code. This classification permits single family residences at the density (minimum lot area) of one unit per 36,000 square feet or as low as 24,000 square feet under the cluster development option if sewer is available and 43,560 square feet if sewer is not available. Mobile homes are not permitted under this zoning. The minimum lot width is 100 feet. Additional development standards under this classification include the following:

CR-1 ZONING REQUIREMENTS

Min. Lot Width	Minimum Yards (feet)			Bldg. Height
	Front	Side	Rear	
100 feet	30	10	40	34 feet

The subject property appears to satisfy these requirements.

COMPREHENSIVE PLAN:

LIU 1.2 (Low Intensity Urban 1.2)

This property is located in an area designated as Low Intensity Urban 1.2 (LIU 1.2) according to the Pima County Comprehensive Plan. The purpose of this designation is to “designate areas for low density residential and other compatible uses; to provide incentives for clustering residential development and providing natural open space; and to provide opportunities for a mix of housing types throughout the region.” Only land area zoned and planned for residential use, or natural or cluster open space areas, shall be included in gross density calculations. The maximum residential gross density is 1.2 residences per acre (RAC) or 2.5 to 4.0 residences per acre with 30 percent cluster open space. Allowable zonings under the LIU 1.2 designation are GC, SR, SR-2, SH, CR-1, CR-2, CR-3, CR-4, CR-5, CMH-1 and MR. The existing zoning and development at the site is consistent with the comprehensive plan. The existing CR-1 zoning is consistent with the comprehensive plan designation.

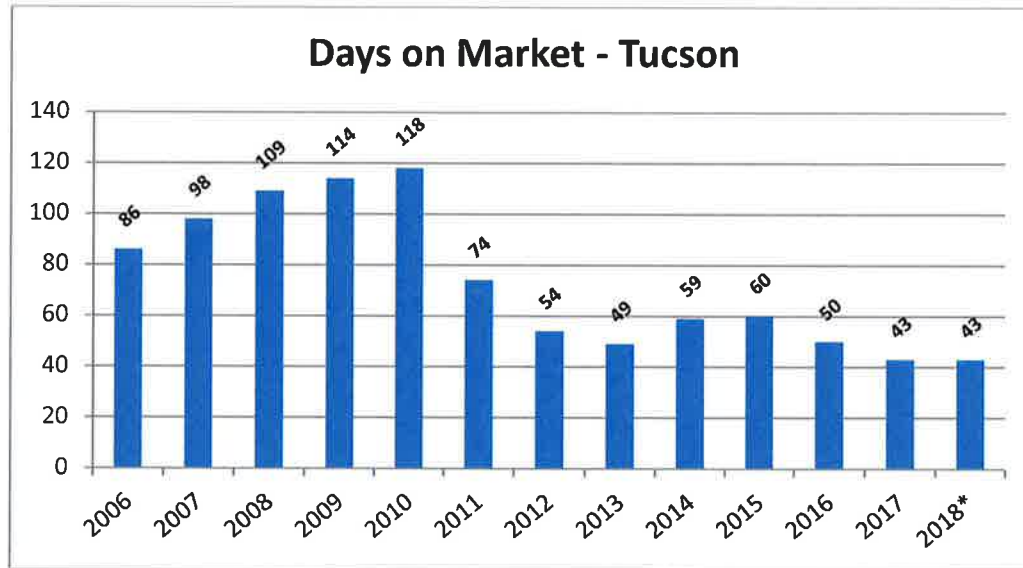
MARKET PROFILE - RESIDENTIAL

The residential market conditions in the Tucson area improved dramatically starting in 2004, with market prices for single family residences and residential lots increasing at a rapid rate. This trend continued throughout 2005 and into the start of 2006, with prices increasing most rapidly in 2005. This increase in sales activity and property values led to an increase in the demand for large parcels of land for development of subdivisions, with prices of land increasing rapidly, and the planning of many new subdivisions throughout the Tucson area and Pima County. Purchases of large parcels of land for large scale subdivisions were especially common in Marana and in the area southeast of Tucson. The number of permits issued in Pima County increased as an increasing number of subdivisions provided more lots and residential homes for the growing market. In 2005, properties were sold quickly, and the time spent on the market for a residential home or lot decreased.

Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price for homes also declined during this time. Over the past year there has been the beginning of a market recovery.

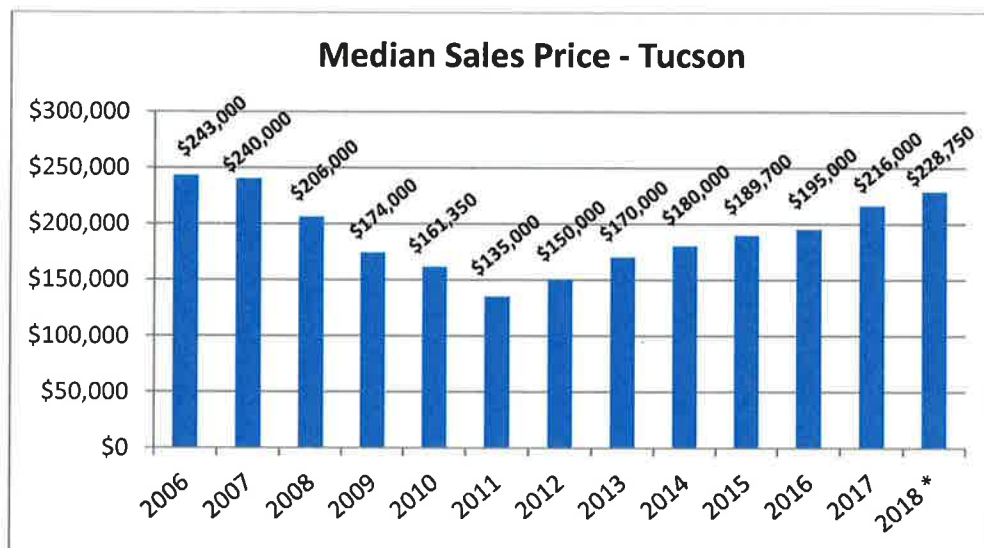
The following are the average number of days on market for single-family residences in the Tucson Market from 2006 through the third quarter of 2018, according to Multiple Listing

Service (MLS). This data indicates that the average days on market for single-family residences increased from 2007 and peaked in 2010. Beginning in 2011, the number of days on market dropped significantly with results remaining relatively stable from 2012 through the first three quarters of 2018.



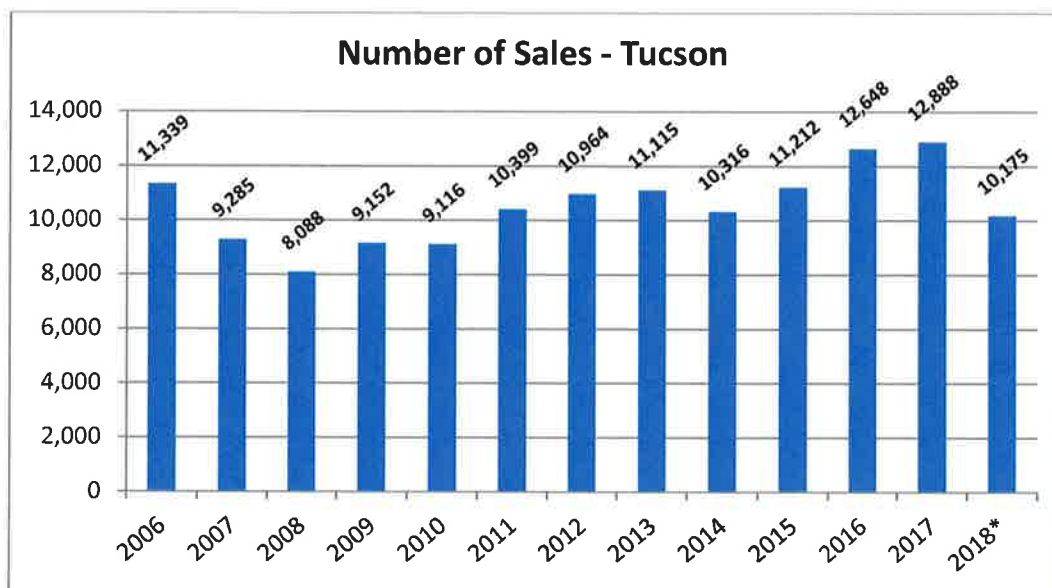
* 2018 data are through the third quarter of the year

The following is the median sale price for single-family residences for the Tucson market from 2006 through the first three quarters of 2018, according to MLS. The median sale price for single family residences declined yearly from 2007 through 2011. Beginning in 2011 the median sales price for single family residences in the Tucson market gradually increased on a year over year basis, continuing through the first three quarters of 2018. The median sales price in Tucson continues to be below peak market levels.



* 2018 data are through the third quarter of the year

The following is the number of sales of single-family residences in the Tucson Market from 2006 through the third quarter of 2018, according to MLS. The number of sales declined from 2006 through 2008. Beginning in 2009, the number of sales began a gradual upward trend, which continued through 2017. The number of sales in the Tucson market in 2017 was above 2006 levels, and the number of sales so far in 2018 is on pace to surpass 2017 sales.



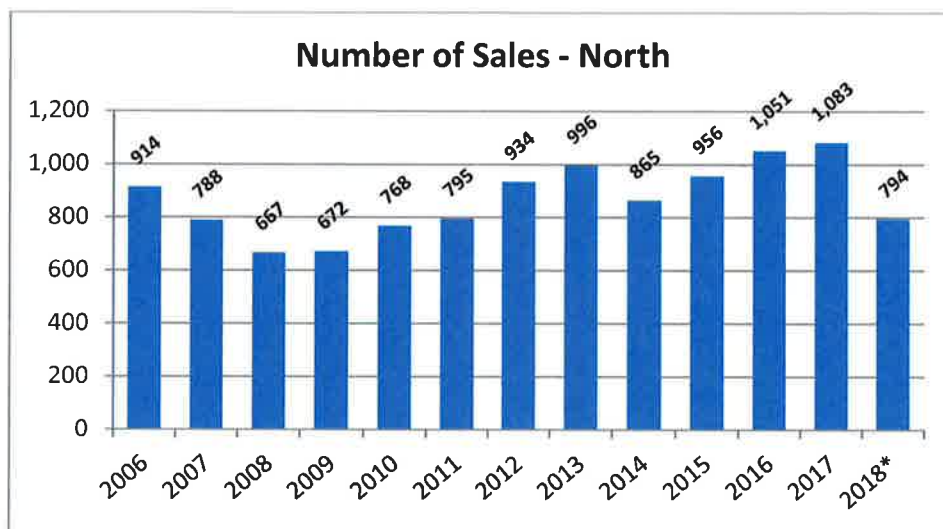
* 2018 data are through the third quarter of the year

The following is the median sale price for single-family residences from 2006 through the third quarter of 2018 in the subject sector, North, according to MLS. This data indicates that the median sale price in the sector declined from 2006 through 2011. Beginning in 2013, the median sales price remained relatively stable with an increase in the first three quarters of 2018. However, the median sale price in the sector is below peak 2006 levels.



* 2018 data are through the third quarter of the year

The following is the number of sales of single-family residences from 2006 through the third quarter of 2018 in the subject sector, North, according to MLS. This data indicates that the number of sales declined from 2006 through 2008, and then increased through 2013. After a slight decline in 2014, the number of single-family residence sales increased through 2017. The 2018 data is for the first three quarters of the year.



* 2018 data are through the third quarter of the year

Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017. The 2018 data is for the first half of the year only.

