

**APPRAISAL REPORT**

**OF**

**AN EXISTING SINGLE FAMILY RESIDENCE WITH HORSE  
FACILITIES ON 19.45 ACRES**

**LOCATED AT**

**1811 WEST LUCERO ROAD  
PIMA COUNTY, ARIZONA  
SECTIONS 15 AND 22, TOWNSHIP 12 SOUTH, RANGE 13 EAST**

**FOR**

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

**MR. JEFF TEPLITSKY  
APPRAISAL SUPERVISOR**

**OWNERSHIP: LOREN B. CHRISTENFELD  
TAX CODE NO.: 224-39-0220**

**EFFECTIVE DATE OF APPRAISAL**

**OCTOBER 19, 2018**

BAKER, PETERSON, BAKER & ASSOCIATES, INC.  
REAL ESTATE APPRAISERS - CONSULTANTS  
4547 E. FT. LOWELL ROAD • SUITE 401 • TUCSON, AZ 85712  
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November 26, 2018

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

RE: Appraisal report of an existing single family residence with horse facilities on 19.45 acres, located at 1811 West Lucero Road, Pima County, Arizona  
*Ownership:* Loren B. Christenfeld  
*Tax Code No.:* 224-39-0220  
*Effective Date of Appraisal:* October 19, 2018  
*Date of Report:* November 26, 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. Jeffrey Teplitsky for 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 assisting the intended user in the determination of the market value of the subject property for potential purchase of the property by Pima County. It is not intended for any other use.

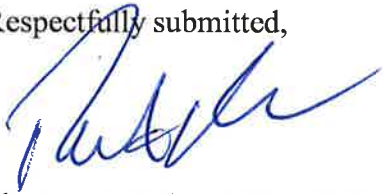
I have formed the opinion that, as of the effective date of appraisal, October 19, 2018, in its "as is" condition, based on a 6 to 9 month market period, and subject to the assumptions and limiting conditions set forth in the report, the subject property has a market value of:

FOUR HUNDRED TEN THOUSAND DOLLARS (\$410,000)

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



Thomas A. Baker, MAI, SRA  
Certified General Real Estate Appraiser  
Certificate Number 30139  
Designated Supervisory Appraiser  
Registration Number DS0007

C187642

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## **APPRAISAL ABSTRACT - PART I**

**CLIENT:**

Pima County Public Works, Real Property Services

**APPRAISER:**

Thomas A. Baker, MAI, SRA

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

**SUBJECT PROPERTY:**

An existing single family residence with horse facilities on 19.45 acres, located at 1811 West Lucero Road, Pima County, Arizona.

**LAND AREA:**

19.45 acres (per Pima County Assessor's records)

**IMPROVEMENT SIZE:**

1,508 square feet (gross living area, per physical measurement)

**ZONING:**

SR (Suburban Homestead) - Pima County

**PIMA COUNTY COMPREHENSIVE PLAN:**

Low Intensity Urban 0.3 (LIU 0.3)

**LEGAL DESCRIPTION:**

The Southeast quarter of the Southeast quarter of the Southwest quarter of Section 15, excepting the North 45 feet thereof, and the Northeast quarter of the Northeast quarter of the Northwest quarter of Section 22, Township 12 South, Range 13 East, G&SRB&M, Pima County, Arizona (client to provide full legal description).

**OWNERSHIP:**

According to public records of the Pima County Assessor, title to the subject property is in the name of Loren B. Christenfeld, according to Docket 7697, at Page 362, recorded on January 9, 1986.

**SALES/LISTING 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.

**TAX PARCEL NUMBER:**

224-39-0220

**FULL CASH VALUE:**

\$202,137 (2018)

\$226,096 (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.

**LIMITED CASH VALUE:**

\$188,975 (2018)

\$198,424 (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:**

\$2,606.65 (2018)

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 noted

**SPECIAL ASSESSMENTS:**

None noted

**LIMITING CONDITIONS:**

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

**PURPOSE OF THE APPRAISAL:**

The purpose of this appraisal is to provide the appraiser's conclusion of the market value of the subject real property as of the effective date of the appraisal, October 19, 2018.

**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.

**INTENDED USE AND USER OF REPORT:**

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky for 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 assisting the intended user in the determination of the market value of the subject property for potential purchase of the property by Pima County. It is not intended for any other use.

**INTEREST APPRAISED:**

Fee simple interest in the total 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."

**TYPE OF REPORT:**

All descriptions, findings, research, analysis, correlation, and conclusions are summarily stated.

**REPORT SPECIFICATIONS:**

This report is prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of The Appraisal Foundation, and the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute.

**EFFECTIVE DATE OF APPRAISAL:**

October 19, 2018

**DATE OF INSPECTION:**

October 19, 2018

## 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. Jeff Teplitsky for Pima County, in a contract executed by Thomas A. 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 provided by the client.

This report is intended for use only by the intended user, Mr. Jeffrey Teplitsky for 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 assisting the intended user in the determination of the market value of the subject property for potential purchase of the property by Pima County. 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. Two basic approaches to value provide the conclusion of the market value of the subject property; namely, the cost approach and the sales comparison approach, which are defined in the report. In completing this assignment, the appraiser 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.

Identified factors which may have an impact upon the marketability of the property, such as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated, helped form an opinion of the "highest and best use" 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 of the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

In the cost approach, the Marshall Valuation Service provided the improvement costs. The direct sales comparison approach provided the land value. There was a thorough search for sale and listing data for vacant land 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 of the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting. The age-life method provided the depreciation of the improvements due to all causes.

Single-family residences such as the subject are typically not purchased for lease and for their income producing ability. Single-family residences similar to the subject are typically purchased for owner occupancy. Therefore, the income approach is not applicable to this analysis.

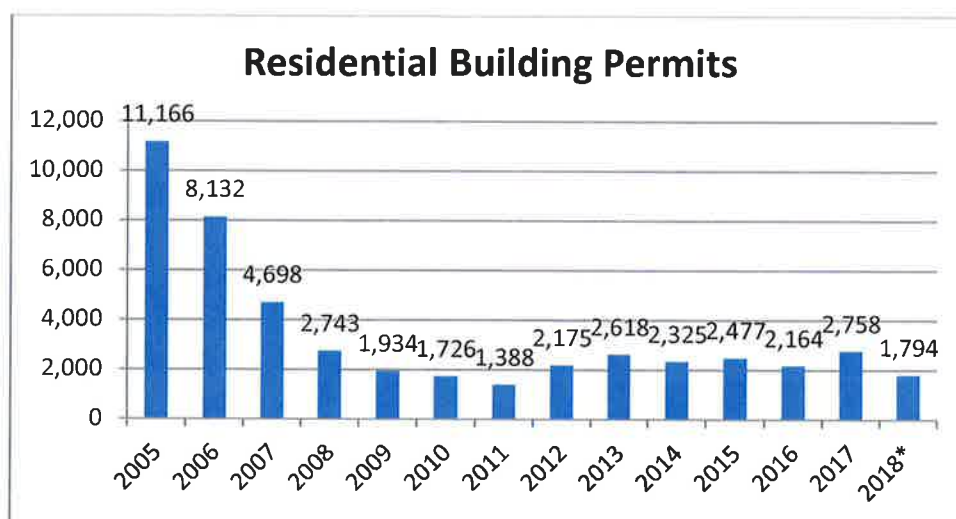
Each of the two approaches to value provided an opinion of value. These were reconciled to provide a final opinion of market value. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report 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.

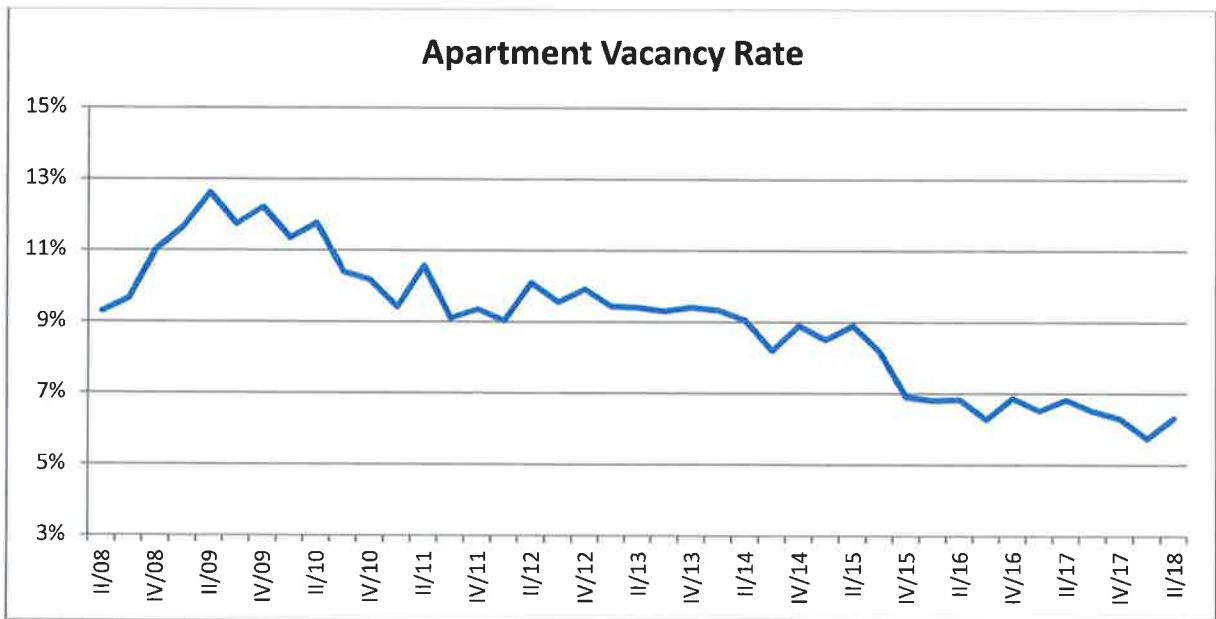


Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 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.

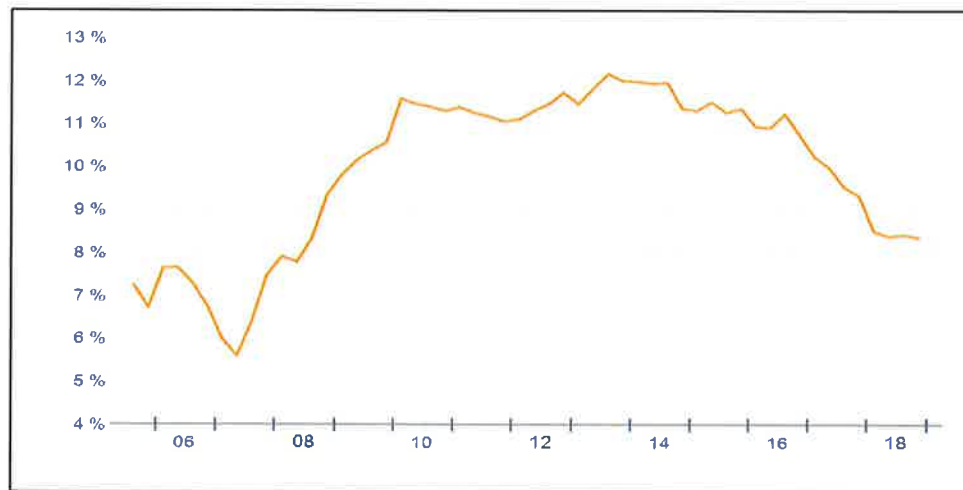
### ***Office Market***

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.

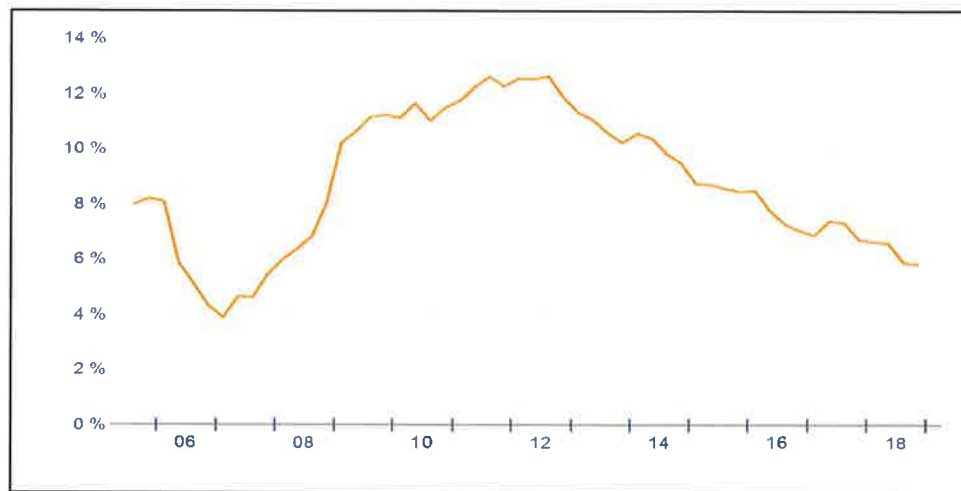
### ***Industrial Market***

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.

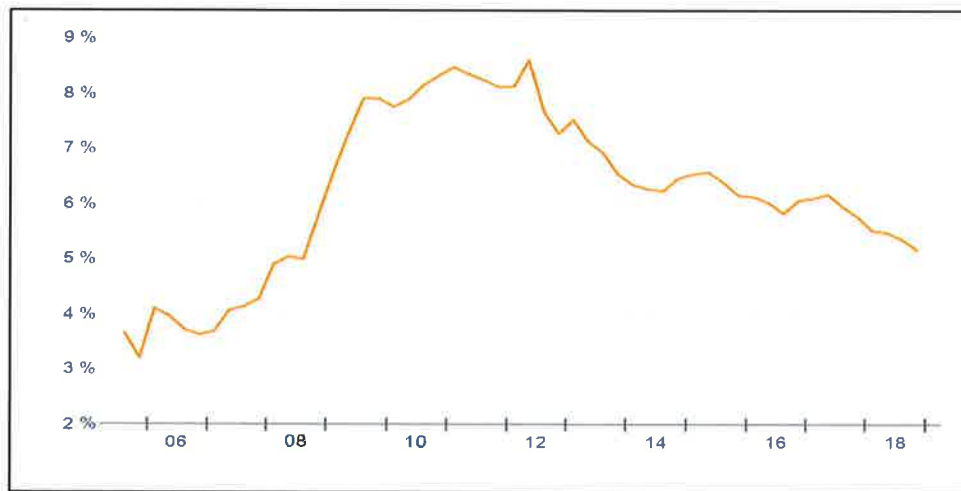
### ***Retail Market***

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

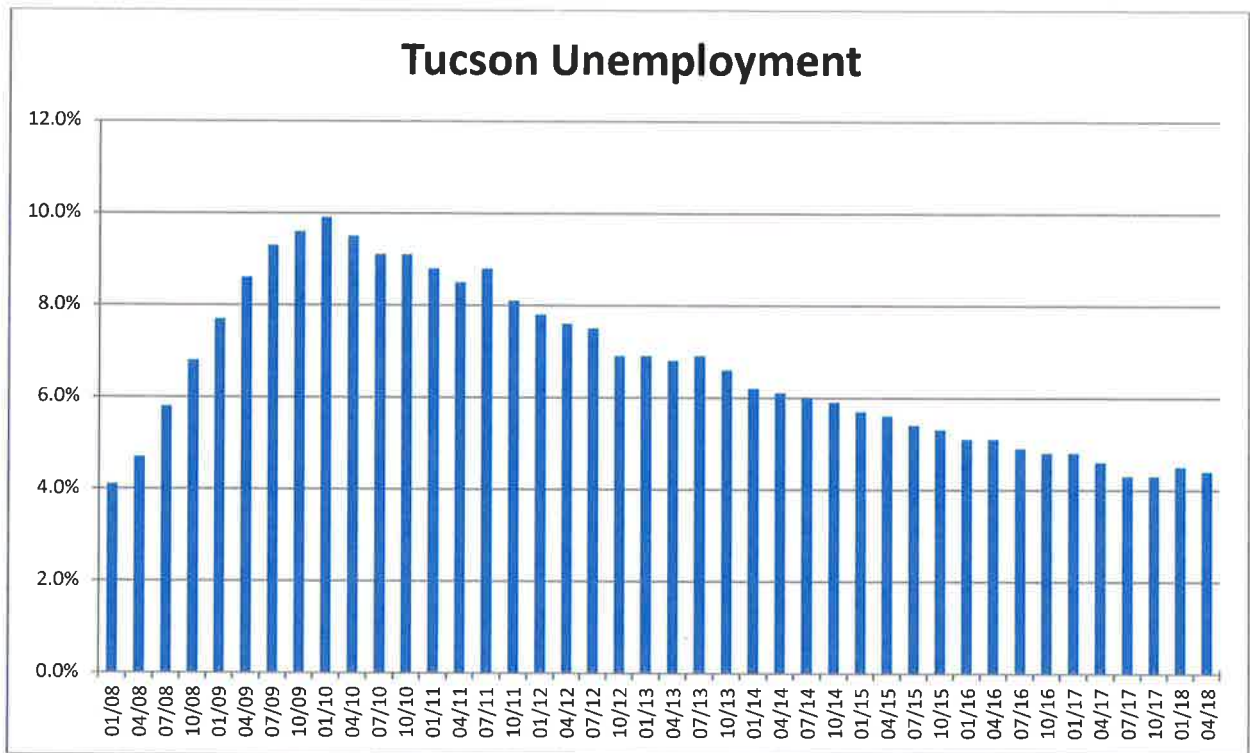


This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time and remained mostly stable from 2016 through the 2017, with a slight decline in early 2018. The retail market has stabilized and is starting to improve in high demand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

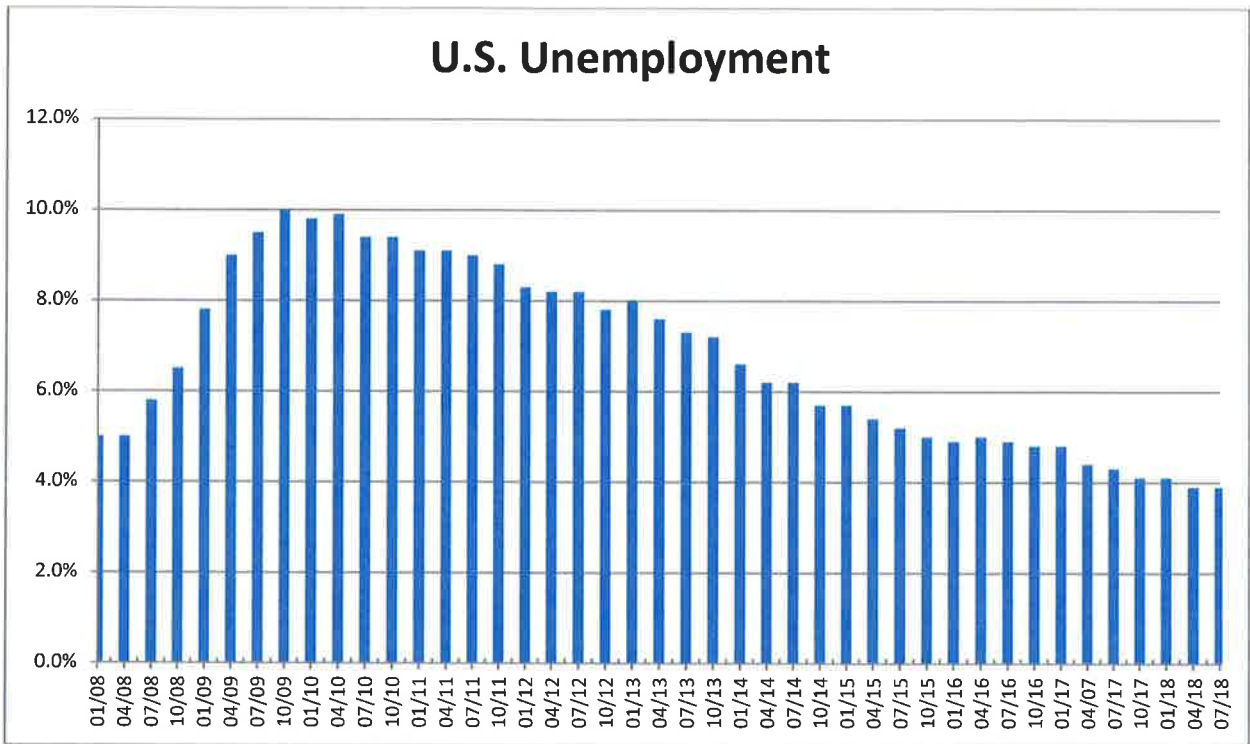


According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



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 defined by boundaries that include The Canada Del Oro Wash (south), Tangerine Road (north), First Avenue (east), and Shannon Road (west). The subject market area is approximately 20 miles northwest of the central business district of Tucson, Arizona. The market area includes a mix of improved properties including single and multi-family residential developments, and single and multi-tenant commercial developments. The single family residential developments are a mix of merchant builder homes, semi-custom



homes, and custom homes. El Conquistador Country Club, a golf course with thirty-six holes and a club house that the Town of Oro Valley purchased recently is a significant feature of the market area. Residential properties are located on both smaller lots in subdivisions and homes on larger lots. Many homes in the market area have mountain views. Many of the properties in the area have horse facilities due to the relatively rural nature of the area and access to the Canada del Oro Wash.

Adjacent to the market area is Northwest Hospital and the surrounding campus, located on Tangerine Road, west of Oracle Road (SR 77). Commercial properties are located mainly on major arterial roads. There is major commercial development located along Oracle Road, including developments at Oracle and First Avenue and Oracle and Tangerine Road. The Oro Valley Marketplace is a significant commercial development located at Oracle Road and Tangerine Road. Neighborhood shopping is available in commercial developments at the corners of La Canada Drive and Lambert Lane. The market area is governed by the Town of Oro Valley and Pima County. Access to the market area is considered adequate and public transportation is not available to the market area. Overall, the market area is considered to be well-located and stable. Favorable influences affecting the market area include its location relative to the Northwest Hospital and good access to public services and major transportation routes.

#### **SITE DESCRIPTION:**

The site is a rectangular shaped interior property with 660 feet of frontage on Lucero Road and a depth of 1,275 feet (see Exhibits). It contains a total area of 19.45 acres according to Pima County Assessor's records. Lucero Road is a two-lane, county maintained, graded dirt roadway with no curbs, sidewalks or streetlights in the vicinity of this property. There is no traffic count available for Lucero Road in the vicinity of the subject. The topography of the property ranges from level to rolling, sloping southeast towards the Canada del Oro Wash. There is an average density of natural desert vegetation on portions of the site. Soil conditions appear to be typical of the area. Properties bordering the subject property include single family residences and horse facilities to the north, west, and south, and a single family residential subdivision and the Canada del Oro Wash to the east.

Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), and natural gas (Southwest Gas Corporation). The subject property is within the Metro Water service area. Public water service and public sewer (Pima County Wastewater) are at or near the property line, however, the subject is currently serviced by two private wells and a private septic system. Water is provided by two private registered wells (ADWR Registry Nos. 55-612914 and 55-612915). Well No. 55-612914 has an 8 inch diameter casing and a pump with a 90 gallon per minute capacity. Well No. 55-612915 has a 6 inch diameter casing and a pump with a 35 gallon per minute capacity. There are two aboveground water tanks with 1,000 and 1,200 gallon capacity. Well No. 55-612915 is a domestic well and provides water service for the home on the subject property.

Well No. 55-612914 is an irrigation well and provides grandfathered rights to irrigate on the subject site. The site has 15.0 acres of irrigated grandfathered groundwater rights according to records of the State of Arizona Department of Water Resources from well no. 55-612914 (see Exhibits). These grandfathered irrigation water rights equate to 4.38 acre feet per acre for a

total of 15.0 acres, equaling a maximum allotment of 65.70 acre feet per year. This water right is for irrigating land on the subject property. The property owner has not been irrigating land on the subject property for the last few years and has accumulated flexible water rights. The subject's accumulated flexible water rights total a credit of 1,859.37 acre feet. Of this credit amount of 1,859.37 acre feet, only 65.7 acre feet can be sold as flexible credits and only to a small number of specific users, namely 43 properties (see Exhibits in this report for a list of these properties). These properties have to be located in the Upper Santa Cruz Subbasin in the Tucson AMA and cannot be located in an irrigation district. One of these 43 properties would have to have a need for this water use to irrigate on their property. Most of these properties already have excess water credits on their own property and would not likely purchase the subject's limited flexible water credits since most of these properties have their own flexible water credits that they could sell (see Exhibits for a list of these 43 properties and their flexible water credits). There is no demonstrated demand for sale of the limited flexible water credits from the subject market and therefore the value of the irrigation well is in the right to irrigate land on the subject property. This would be valuable to a purchaser wanting to have a commercial horse stable on the property or for private horse facilities.

According to FEMA Flood Insurance Rate Map 04019C1070L, dated June 16, 2011, a majority of the land is located in Zone AE which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with Base Flood Elevations determined (see Exhibits). A majority of the south portion of the site is located in the floodway of the Canada del Oro Wash which is located to the south of the subject. The floodway area in Zone AE is the channel of a stream plus any adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without substantial increases in flood heights. There is a portion of the site near the northwest corner that is located in Zone A which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with no base flood elevations determined. There is a small part of the site along a portion of the north property line adjacent to the south side of Lucero Road that is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are two smaller washes transversing the subject, with the northern wash having an erosion hazard setback of 25 feet and the wash in the southern part of the site having a 50 foot erosion hazard setback. There is a 500 foot setback from the Canada del Oro Wash.

No habitable structures are allowed to be built in the floodway. According to Mr. Terry Hendricks, engineer with the Pima County Department of Transportation, Flood Control Division, he believes that there is a potential for one buildable site at the northwest corner of the site, however, a hydrology study would be required in order to determine a more precise impact of the Canada del Oro Wash and its tributaries on the subject property. Any development on the subject would require the building pad to be built-up one foot above the base flood elevation, which would have to be determined after completion of a hydrology study.

There is a portion of the subject along the northern wash that is located in a riparian area known as Xeroriparian B. There is a part of the subject at the southeast corner of the site that is located in an areas designated as an Important Riparian Area (Xeroriparian B).

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.

**ZONING:**

The subject site is zoned SR (Suburban Homestead), according to the Pima County Zoning Code (see Exhibits). This classification is a low density single-family residential zone. A wide range of conditional agricultural and ranch uses are permitted.

The minimum lot size is 3.31 acres. There is no minimum lot width. The minimum distance between buildings is 20 feet. The maximum lot coverage by structures is 30 percent. Additional development standards under this classification include the following:

SR ZONING REQUIREMENTS					
Min. Lot Area (SF)	Min. Area per Unit (SF)	Minimum Yards (feet)			Bldg. Height
		Front	Side	Rear	
144,000	144,000	50	10	50	34 feet

The subject property is currently improved with a single family residence with horse facilities which appears to meet all of the zoning and parking requirements.

**PIMA COUNTY COMPREHENSIVE PLAN:**

This property is located in an area designated as Low Intensity Urban 0.3 (LIU 0.3) 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 zoning 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 0.3 residences per acre (RAC). Allowable zonings under the LIU 0.3 designation are GC, SR, SR-2, SH, CR-1, CR-2, CR-3, and MR.

Almost the entire site is identified as being located in a Comprehensive Plan Flood Control Resource Area by the Pima County Comprehensive Plan.

The existing SR zoning and development is consistent with the comprehensive plan.

**IMPROVEMENTS DESCRIPTION:**

*Improvement Overview.* An existing single-story single-family residence constructed in 1968. It is of conventional ranch house design and contains 1,508 square feet of living area per physical measurement (see Exhibits).

The layout includes three bedrooms, two bathrooms, a living room, dining room, kitchen spa room, den, and a fireplace. Basic construction is a concrete foundation, brunt adobe walls, glass in aluminum frame windows, wood entry doors, and rolled composition roof cover. It has air conditioned cooling and gas forced warm air heating. There is a two space carport off of the

house with wood beam supports and metal roof cover and a storage room containing 90 square feet which is part of the carport. The carport is falling down and is in poor condition.

*Interior Features.* Interior finish includes burnt adobe, wood paneling and plaster walls, and plaster and wood beam ceilings. Floor coverings include Mexican tile, carpet, and vinyl composition tile over concrete. Bath features include tile floor covering, tub with shower overhead, toilet, ceramic tile wainscoting, and wood vanity with formica countertop. There is a second bath with a shower stall, wood vanity with a formica countertop. Kitchen features include wood cabinetry with formica counter tops, vinyl floor covering, skylight, double sink, free standing oven/range with microwave, and a dishwasher. Other interior features include a built-in cabinetry and a spa room containing 171 square feet which have been added to the main building (which is not included in the gross building area).

*Patio/Site Features.* The site has a 1,000 gallon and a 1,200 gallon aboveground water tank. There are two private irrigation wells. The two pumps have 35 and 90 gallon per minute capacities.

*Horse Facilities.* There are two hay barns with corrugated metal roof, wood beams, and dirt floors and are 15' x 30' and 20' x 30' in size. There is one tack and barn building with wood walls, corrugated metal roof cover, glass in wood frame windows, and double wood doors.

There are five irrigated pasture areas, each with perimeter fencing that consists of railroad ties and ranch style fencing with pole and ranch style through the middle sections. There is one large turnout area, one arena area, four round pens, four smaller turnout areas, and one half-mile track area. There are water lines to the pastures and turnout areas. The pasture, arena, and turnout fencing are in poor condition and in need of replacement. All of the horse facilities are in poor condition and have limited remaining useful life.

*Summary.* The subject property is an existing horse stable property in an area of historically good demand. The existing horse facilities are in poor condition and are considered to have poor appeal. The horse facilities are in poor condition and have limited remaining useful life. Positive factors influencing the property's marketability including the subject's location, which is suburban in nature in this area. Negative factors include flood issues from the Canada del Oro Wash and its tributaries and the poor condition of the improvements.

The single family improvements are of average quality construction and the condition is generally fair. The single family home requires extensive renovation. The home has been used for storage for the past couple of years and would require clean up and repair of some deferred maintenance just to be put in a livable condition. Actual age of the home is 50 years, and the effective age is considered to be 39 years with a remaining economic life of 21 years.