

**Town of Marana General Plan*

SECTION IV

HIGHEST AND BEST USE

Highest and best use is the basic premise of value and, as such, reflects an appraiser's opinion based on an analysis of prevailing market occurrences. Highest and Best Use, as used in the analysis of the site, is defined as the reasonable and legal use of the land, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in highest land value.¹

Legally Permissible:

The subject Tract is 40 acres of vacant land. As noted in the Zoning section of this report, the subject Tract is are zoned C (Large Lot – 25 acres Min.) Marana. According to the Town of Marana Development Code, “within Zone C, any residential, commercial, industrial, or quasi-public land use shall be permitted, so long as each separate activity is conducted on a lot no smaller than 25 acres and is otherwise consistent with the Significant Land Use Change procedures as described in Section 05.03 of this Code. This is not to be construed, however, to permit any land use that may be expressly prohibited within the Town of Marana by other sections of this Code or ordinances of the Town of Marana, or state or federal law.” “Density Requirements- the maximum density allowed shall be one dwelling unit or one commercial, industrial, or quasi-public, establishment per 25 acres. Setbacks- No building or structure, except a fence or wall that is not part of a building and not over six feet in height shall be constructed closer than ten feet to any side property line or closer than 40 feet plus one foot for each foot of building height in excess of ten feet above ground level to any front or rear property line. Where a lot is situated on the corner of two dedicated streets, each of the property lines along the right-of-the-way line of a dedicated street shall be considered to be a front property line, and each other property line shall be considered to be a side property line in determining allowable setbacks.”

According to the Town of Marana General Plan, the subject Tract is designated for commercial uses. “The Commercial land use designation includes commercial uses that range from neighborhood to regional scale commerce. Those on the neighborhood scale may include convenience oriented commercial uses that serve single neighborhoods or groups of neighborhoods. Those on the intermediate or regional scale may include major commercial centers that serve a wider population base. Development may include regional commercial, large-scale retail establishments, local and tourist oriented services, large outdoor sales lots, office development, medical complexes, and research centers.” Overall, the legally permissible uses of the subject Tracts include:

1. holding as an investment;
2. attempting to rezone all or part of the subject tracts to permit uses other than those established by the existing zoning; and
3. development in accordance with the existing zoning.

¹The Appraisal of Real Estate, 14th Edition

Physically Possible:

The subject Tract has generally level topography. The Larger Parcel is located in an area designated as Zone X. Zone X is designated as an Other Area, which is an area determined to be outside the 0.2% annual chance floodplain.

All necessary utilities for the subject Tract are present in the area however; any development of the subject Tract would require an engineering study to determine utility availability. Overall, there are no known adverse physical conditions that would prevent the site from ultimately being developed with any of its legally permissible uses.

Financially Feasible/Maximally Productive:

As noted above, there are three potential legally permissible and physically possible uses for the subject Tracts which include:

1. holding as an investment;
2. attempting to rezone all or part of the subject Tracts to permit uses other than those established by the existing zoning; and
3. development in accordance with the existing zoning.

With respect to the potential future commercial uses, discussion with market participants supports the conclusion that there is presently limited demand for new commercial development in the area until higher concentrations of residential uses have been built-out. The holding period for commercial uses is likely 5 or more years.

Overall, based on the previous discussion, it is my opinion that the maximally productive use of the subject larger parcel is for investment for rezoning for future development.

SECTION V

VALUATION

All of the three traditional approaches to value were considered to develop an opinion of the market value for the subject larger Tract. As the subject is comprised of a large tract of vacant land, the only relevant approach is the Sales Comparison Approach to value. The Sales Comparison Approach is based on sales of similar properties that are analyzed and compared to the subject.

As outlined in the Highest and Best Use section of this report, the highest and best use of the Larger Parcel is considered to be for investment for rezoning for future commercial development.

SALES COMPARISON ANALYSIS

Comparable sales of vacant tracts of land were gathered, analyzed, compared and adjusted to reflect the market value of the subject property. These comparables, combined with discussions with knowledgeable real estate brokers in the area, form a reasonable basis to set forth an opinion of the market value for the subject property from this approach.

A thorough search of the market was conducted to obtain recent sales of properties that could be considered comparable to the subject property. As discussed, the subject Tract reflects a large parcel of vacant land that is currently zoned for large lot (25 acres minimum) uses, and has a highest and best use for investment for rezoning for future commercial development. The sales used are considered to be most similar to the subject Tract in terms of highest and best use, and are the most suitable comparables for developing an opinion of its market value. Adjustments to these comparables were considered for differences such as: terms of sale; time of sale; sale conditions; location; size/shape; zoning; and site utility. Please direct your attention to the tabulation at the end of this section for a summary of these adjustments. Here follows a map and tabulation of the comparable sales, followed by a summary of the adjustments considered and the indicated market value of the subject Tract.

Comparable Land Sales

Comparable Number:	Larger Tract	1	2	3	4	5
Sale Date:	N/App	Nov-16	Nov-16	Jan-18	Aug-18	Feb-19
Location:	NE4 NE4 Section 2, T12S,	6080 W. Hospitality Road	NW Cortaro & Shannon Road	SW Adonis & Post Vale Road	7417 N. Thornycroft Road	NW I-10 & Marana Road
APN:	216-05-001A (por)	221-05-199J	225-32-002F & - 002G	217-29-005A	225-36-038A	217-25-002B
Buyer:	N/App	HSL 6080 W. Hospitality, LLC	Cortaro Farms Holdings 1, LLC	11135 Adonis Holdings, LLC	Ina Overlook Partners, LLC	Dahlstrom Marana I-10, LLC
Seller:	Arizona State Land Department	Continental Ranch Development, LLC	Stonesfair Financial Corp.	BGRV Enterprises, LLC	Ocean WH Medical Solutions, LLC	DTD-DEVCO 10, LLC
Records:	N/App	20163070373	20163270690	20180030386	20182260621	20190380269
Confirmation:	N/App	Patrick Welchert, Broker, 520-360- 9394	Rick Borane, Broker, 520-495- 2240	Ben Lovato, Seller, 520-730- 9414	Mike Chapman, Broker, 520-591- 5188	Terry Dahlstrom, buyer 520-495- 2241
Zoning:	C (Large Lot Zone), Marana	F (Specific Plan), Marana	CB-1, County	E (Transportation Corr.), Marana	TR, County	VC, Marana
Sales Price:	N/App	\$465,000	\$1,675,000	\$1,500,000	\$1,300,000	\$1,600,000
Terms of Sale:	N/App	Cash	Private	Cash	Private	Seller
Site Size (Acres):	40.00	5.02	9.40	44.10	5.95	41.57
Site Size (SF):	1,742,400	218,671	409,464	1,920,996	259,182	1,810,789
Sales Price Per Acre:		\$92,629	\$178,191	\$34,014	\$218,487	\$38,489

COMPARABLE LAND SALES MAP



Property Rights: No adjustments were considered warranted for property rights as all of the sales involved the transfer of fee simple ownership.

Terms of Sale: All of the sales, save Comparable Five, were sold for cash or at cash equivalent terms and no adjustment was considered warranted for these sales. Confirmation of Comparable Five revealed that it include seller financing, with nearly 94% down, and undisclosed terms. Overall, this was not considered to impact the sale price, with no adjustment applied.

Sales Conditions: As no adverse conditions impacting either the buyer or the seller were discovered for any of the sales, no adjustments were made for sales conditions.

Time of Sale: The sales transacted between November 2016 and February 2019. While there have been recent improvements in demand, the land market in Pima County has been relatively flat over this timeframe, with few buyers in the market. Pricing has been relatively stable, with no dramatic increases or decreases in pricing. Although there was insufficient sales data to conduct a paired sales analysis, an analysis of the available data supports the conclusion that no adjustment for time of sale is supported for this data set.

Location: The subject Tract is located along Tangerine Road, within the northwestern portion of metropolitan Tucson. As discussed, this area is poised to see dramatic new growth over the next decade, with the widening of Tangerine Road to become a major corridor connecting Oro Valley to Marana and Interstate 10. However, traffic counts along Tangerine Road are presently low as compared to the location of most commercially oriented sales. As such, comparing traffic counts was considered to reflect a reasonable mechanism for supporting a location adjustment. The most recent available (2016) traffic count for Tangerine Road in the vicinity of the subject indicate an average daily traffic count of 6,357 vehicles per day.

Comparable One is situated in a backage location in the larger commercial development at the northwest corner of Cortaro Road and I-10. The site has no frontage or visibility from a major roadway. However, the location in the larger development is considered superior as compared to the subject, warranting downward adjustment.

Comparable Two is located at the northwest corner of Cortaro Farms and Shannon Roads. This location had a traffic count of 14,380 VPD at the time of sale. This is superior as compared to the subject however, the subject will ultimately support more intensive uses than this sale, which is considered offsetting, with no adjustment applied for this factor.

Comparable Three is located at the southwest corner of Adonis and Grier Roads in Marana. This site has frontage and visibility from I-10, but lacks an adjacent interchange. Adonis and Grier Roads have no measured traffic counts in this area. Overall, this location is considered inferior as compared to the subject, warranting upward adjustment.

Comparable Four is located on the west side of Thornydale Road, north of Ina Road. This location had a 2013 traffic count of 28,273 VPD, which is superior as compared to the subject. However, this site lacks the corner location of the subject. Overall, this sale is considered modestly superior as compared to the subject with respect to location.

Comparable Five is located at the northwest corner of Marana Road and I-10. This site has frontage and visibility from both roadways, but is mostly surrounded by agricultural uses. The 2013 (most recent) traffic count at this location was only 3,211 VPD, reflecting the currently rural nature of the location. Overall, this location is considered inferior as compared to the subject, warranting upward adjustment.

Size: An adjustment for size was considered. The subject Tract is 40 acres in size. Comparable One, Two and Four are considered sufficiently smaller as compared to the subject Tract to warrant downward adjustment. The remaining comparables are considered similar with respect to size, with no adjustments applied.

Zoning/Use: The subject tract is zoned for low-density, large lot (25 acre minimum) uses, and has a highest and best use for investment for rezoning for future commercial development. Perhaps a more important factor than the current zoning is the development horizon of commercial uses. For the subject, the surrounding areas will need to continue to be developed with residential uses before commercial uses will be in demand. There are already commercial uses located at the northeast corner of the same intersection that will satisfy demand in the near term.

Comparables Two and Four were purchased for more near-term development than the subject, warranting significant downward adjustment. Comparable Five is considered to be further from development than the subject, warranting upward adjustment. The remaining comparables were considered similar with respect to zoning/use, with no adjustment considered warranted as compared to the subject Tracts.

Shape/Site Utility: With respect to shape, the subject is rectangular, and is considered to have good utility. The site is not located in a designated flood hazard area.

Comparable One is irregular in shape, warranting upward adjustment.

Comparables Two and Four are considered similar, with no adjustment applied for this factor.

Comparables Three and Five are both triangular shaped parcels located within areas designated as significant flood hazard, warranting upward adjustment as compared to the subject.

Utilities Availability: With respect to utilities availability, each of the comparables sales is considered generally similar as compared to the subject, with no adjustments applied for this factor.

Following is the adjustment grid for the subject larger Tract.

Adjustment Grid and Conclusions

Comparable Number:	1	2	3	4	5
Sale Date:	Nov-16	Nov-16	Jan-18	Aug-18	Feb-19
Location:	6080 W. Hospitality Road	NW Cortaro & Shannon Road	SW Adonis & Post Vale Road	7417 N. Thornycroft Road	NW I-10 & Marana Road
APN:	221-05-199J	225-32-002F & - 002G	217-29-005A	225-36-038A	217-25-002B
Zoning:	F (Specific Plan), Marana	CB-1, County	E (Transportation Corr.), Marana	TR, County	VC, Marana
Sales Price:	\$465,000	\$1,675,000	\$1,500,000	\$1,300,000	\$1,600,000
Terms of Sale:	Cash	Private	Cash	Private	Seller
Site Size (Acres):	5.02	9.40	44.10	5.95	41.57
Site Size (SF):	218,671	409,464	1,920,996	259,182	1,810,789
Sales Price Per Acre:	\$92,629	\$178,191	\$34,014	\$218,487	\$38,489

<i>Transactional Adjustments:</i>	1	2	3	4	5
Property Rights	0.0%	0.0%	0.0%	0.0%	0.0%
	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Price/Acre	\$92,629	\$178,191	\$34,014	\$218,487	\$38,489
Terms of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Cash	Private	Cash	Private	Seller
Adjusted Price/Acre	\$92,629	\$178,191	\$34,014	\$218,487	\$38,489
Sale Conditions	0.0%	0.0%	0.0%	0.0%	0.0%
	Typical	Typical	Typical	Typical	Typical
Adjusted Price/Acre	\$92,629	\$178,191	\$34,014	\$218,487	\$38,489
Time of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Adjusted Price/Acre	\$92,629	\$178,191	\$34,014	\$218,487	\$38,489

<i>Physical Adjustments:</i>	1	2	3	4	5
Location	-15.0%	0.0%	10.0%	-5.0%	10.0%
	Superior	Similar	Inferior	Superior	Inferior
Site Size	-10.0%	-10.0%	0.0%	-10.0%	0.0%
	Smaller	Smaller	Similar	Smaller	Similar
Zoning/Use	0.0%	-50.0%	0.0%	-50.0%	15.0%
	Similar	Superior	Similar	Superior	Inferior
Shape/Site Utility	10.0%	0.0%	30.0%	0.0%	30.0%
	Inferior	Similar	Inferior	Similar	Inferior
Utilities Availability	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Gross Additional Adjustments	35.0%	60.0%	40.0%	65.0%	55.0%
Net Additional Adjustments	-15.0%	-60.0%	40.0%	-65.0%	55.0%
Adjusted Price Per Acre	\$78,735	\$71,277	\$47,619	\$76,471	\$59,658

Prior to adjustment for physical factors, the comparables demonstrated indications of value of ranging from \$34,014 to \$218,487 per acre. After adjustments for the physical factors, the comparables demonstrate a closer range from about \$47,619 to \$78,735 per acre. Each of the sales required significant adjustment as compared to the subject. Comparables Three and Five are likely further away from nearer term commercial development than the subject, given the surrounding uses, and support a conclusion higher than \$60,000 per acre. The remaining comparables are likely to support nearer term commercial development, and support a conclusion less than \$75,000 per acre. Overall, it is my opinion that the available data supports a value of about \$70,000 per acre for the subject larger Tract, equal to about \$2,800,000.

Tract	Tnshp	Range	Sec	Area in Acres	Value per Acre	Value Indications
Larger Tract	12S	12E	2	40.00	\$70,000	\$2,800,000

The market value noted above is based on an exposure time of no more than 12 months and a marketing time of no more than 12 months. The highest and best use analysis and value conclusion contained herein are subject to the Extraordinary Assumptions and Hypothetical Conditions set forth in the accompanying letter of transmittal to this appraisal.

ACQUISITION ANALYSIS/VALUATION OF THE SUBJECT PROPERTY

As discussed, the subject consists of 41,683 square feet, or about 0.96 acres of land to be leased by the applicant for construction of an underground 10-inch gravity sewer distribution line, which is situated in the subject Larger Parcel, or Tract. The right-of-way area reflects a long, 50' wide strip of land. As the subject parcel is a long narrow strip of land, it is not considered to reflect an independent economic unit. Therefore, it has been appraised herein as a portion of a larger tract of land. Exhibits depicting the easement areas and the corresponding legal description can be found in the Addenda to this appraisal.

In order to develop an opinion of the value of the easement area, I have analyzed the Larger Parcel and developed an opinion of its market value. This allows for the estimation of the value of the subject easement area as part of the Larger Parcel. This is done by multiplying the area of the right of way by the per acre value of its larger Tract as estimated previously in this report, as summarized below.

Subject Parcel	Tnshp	Range	Sec	Area in Acres	Value per Acre	Value of Parts
Easement Area	12S	12E	2	0.96	\$70,000	\$67,200

OPINION OF THE MARKET VALUE

OF THE PARTS ACQUIRED\$67,200

The market value noted above is based on an exposure time of no more than 12 months and a marketing time of no more than 12 months. The highest and best use analysis and value conclusion contained herein are subject to the Extraordinary Assumptions and Hypothetical Conditions set forth in the accompanying letter of transmittal to this appraisal.

Remainder Value Before the Acquisition: The Remainder Value Before the Acquisition is comprised of the Larger Parcel (referred to herein as the larger Tract), less the Part Taken, or Acquisition. The following tabulation depicts the calculations to determine the value of the Remainder before the Acquisition, and establishes the basis for any Damages or Special Benefits.

	Larger Tract
Market Value Before the Acquisition	\$2,800,000
Values of Parts Acquired (as part of the whole) (-)	\$67,200
Remainder Value Before Acquisition	= \$2,732,800

Remainder Value After the Acquisition: The Remainder, After the Acquisition, was subjected to the same analysis as that of the Larger Parcel, or subject Tract. Based on the nature and extent of this project, including the location of the easement area as it passes through the Larger Parcel, and considering the fact that the hypothetical completion of the project would not change larger economic conditions, the highest and best use of the Remainder, After the Acquisition, was considered to be the same as the larger subject Tract. Specifically, the highest and best use of the Remainder is considered to be for investment for rezoning for future commercial development.

The same comparable sales were considered appropriate for use in the Sales Comparison analyses of the Remainder After the Acquisition. Analysis of the sales as compared to the Remainder indicated that the value per acre of the Remainder was equivalent to that of the value per acre of the Larger Parcel from which it was derived. In this summary report context, a step-by-step reiteration of the same adjustment being made to the same comparables for the Remainder was considered to be unnecessary and is, therefore, not presented. The value of the Remainder, After the Acquisition, is equal to the value of the larger Tract less the value of the Parcel, or Acquisition, from that Tract.

Damages/Special Benefits to the Remainders: Damages or benefits are determined by subtracting the Value of the Remainder After the Acquisition from the Value of the Remainder Before the Acquisition. The value of the Remainder After the Acquisition is equal to the value of the Remainder Before the Acquisition. Therefore, no damages or special benefits have occurred as a result of the acquisition.

FINAL CONCLUSIONS

The following tabulations summarize the conclusions of the value of the Larger Parcels (or Tracts), the Parts to be Acquired, the Remainders Before and After the Acquisition, the Damages or Benefits, and the resulting final conclusion:

	Larger Tract
Market Value Before the Acquisition	\$2,800,000
Values of Parts Acquired (as part of the whole) (-)	\$67,200
Remainder Value Before Acquisition	= \$2,732,800
Remainder Value After Acquisition (-)	\$2,732,800
Damages to the Remainder	= \$0
Specific Benefits to the Remainder (-)	\$0
Net Damages to the Remainder	= \$0
Value of Part Taken as Part of the Whole (+)	\$67,200
Total Difference (Compensation)	= \$67,200

Subject Parcel	Tnshp	Range	Sec	Area in Acres	Value per Acre	Value of Parts
Easement Area	12S	12E	2	0.96	\$70,000	\$67,200

MARKETING AND EXPOSURE PERIOD (LARGER PARCELS/REMAINDERS)

The estimated marketing time and exposure period for the Larger Parcels is dependent on a number of variables. However, if the Larger Parcels were offered at an asking price within 10% of the value set forth in this appraisal, it would be reasonable to conclude that there would be sufficient market demand that would result in acquisition of the property with marketing and exposure periods of not more than 12 months.

APPRAISERS' CERTIFICATION

I HEREBY WARRANT AND CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

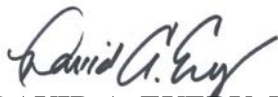
- The statements of fact contained in this appraisal report, which are used as the basis of our analyses, opinions, and conclusions, are true and correct. We have no responsibility for legal matters, questions of survey, opinion of title, soil or subsoil conditions, engineering, or other technical matters. Any sketches prepared by us and contained in this report are included solely to aid the user of the report in visualizing the property and its location, and are not necessarily to scale.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report and, further, I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Specifically, the assignment was not based on a minimum value, a specific value, or approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification. In addition, I certify that I have the knowledge, experience, and the geographic competency to complete this appraisal assignment and have appraised this property type before.

APPRAISERS' CERTIFICATION (CONTINUED):

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
- *Every Appraisal Service* and the appraiser signing this report have never been sued by a regulatory agency or financial institution for fraud or negligence involving appraisal services.

Each finding, prediction, assumption, or conclusion contained in this report is my personal opinion and is not an assurance that an event will or will not occur. I assume that there are no conditions that are not apparent relating to the real estate, subsoil conditions, or structures located on the real estate which would affect my analyses, opinions, or conclusions with respect to the real estate.

The data gathered in this appraisal process (except data furnished by the client) and the appraisal report itself remain our property. With respect to data provided by the client, we shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to us. We are, however, authorized by the client to disclose all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute, if such disclosure is required, to enable us to comply with the bylaws and regulations of said Institute now or hereafter in effect. This appraisal report shall not be quoted or referred to in any report or financial statement of the client or in any documents filed with any governmental agency without our prior written consent.



DAVID A. EVERY, MAI, AI-GRS

Owner - Every Appraisal Service
State of Arizona Certified General
Real Estate Appraiser #31343

ADDENDA

- 1) Engagement Letter
- 2) Legal Descriptions and Assessor's Maps
- 3) Subject Photographs
- 4) Comparable Sales Data Sheets
- 5) Assumptions & Limitations
- 6) Appraiser Qualifications

ENGAGEMENT LETTER

Douglas A. Ducey
Governor



Lisa A. Atkins
Commissioner

Arizona State Land Department

1616 West Adams, Phoenix, AZ 85007
(602) 542-4631

January 30, 2019

David A. Every, MAI
Every Appraisal Service
8476 East Speedway Boulevard, Suite 210
Tucson, AZ 85710

Re: **Engagement Letter – Application No. 16-120378 (Pima County)**

Dear Mr. Every:

This letter will serve as your authority to appraise the real property referenced below. **Please use the above application number on all correspondence regarding this assignment.**

APPRAISAL ENGAGEMENT LETTER SPECIFIC REQUIREMENTS OF THE APPRAISAL ASSIGNMENT

SUBJECT PROPERTY

The subject of this appraisal consists of 2.078 acres of State Trust land to be leased by the applicant for construction of an underground 10-inch gravity sewer distribution line. The subject lies within a portion of Township 12 South, Range 12 East, Section 2, GSRBM. More specifically, it is located along the south side of Tangerine Road, running west from Twin Peaks Road, in Pima County, Arizona. Several exhibits were sent to you previously which illustrate the subject property location.

INTENDED USER

Arizona State Land Department

INTENDED USE

The intended use is to assist the State Land Department in its disposition and/or leasing decisions.

APPRAISAL FORMAT

Appraisal Report

INTEREST TO BE APPRAISED

Fee Simple

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to provide an opinion of the fee simple interest in the "as is" market value of the subject property. The value opinion should be in accordance with the appraisal policies and procedures of the ASLD (please

reference ASLD Guidelines Revised March 2018) as well as the most recent edition of USPAP.

APPRAISAL FEE

\$3,000 This fee is a gross fee, inclusive of all expenses. This fee does not include time spent defending the appraisal in front of the Board of Appeals (if applicable).

A penalty of \$100 per day may be assessed for every business day the appraisal is delivered beyond the agreed upon due date. Notably, if delays occur during the appraisal due to circumstances beyond the control of the appraiser, it is required that the appraiser contact the undersigned immediately to obtain an amended delivery date.

DUE DATE

March 1, 2019

NUMBER OF REPORT COPIES

Initially, a PDF version of a draft appraisal should be provided for review. This draft copy should have the word "draft" placed in a conspicuous place on each page of the report (not needed for the Addenda pages). Once the appraisal has been approved by the Appraisal Section, you will be asked to provide a PDF of the final revised report. **Hard copies are no longer required.**

**PLEASE ADDRESS
REPORTS TO**

Mark Fast, MAI
Appraisal Section Manager
Arizona State Land Department
1616 West Adams Street
Phoenix, Arizona 85007

SPECIAL REQUIREMENTS

The value of the Larger Parcel should NOT be included in the Letter of Transmittal unless it is your practice to include the entire Audit (i.e., larger parcel value, ROW value, value of the remainder, damages, etc.) within the Letter, which is appropriate if it is your preference.

In addition to the subject's lump sum value indication within the Letter of Transmittal, please include it's per acre value. Please report a value per acre for EACH Section of the subject right of way. For example, if a right of way meanders through three different sections of land, please provide an indication of the per acre value for the right of way contained in EACH separate Section. This is true even if the rights of way in a given section are not contiguous. If a value per section is not naturally provided as part of the Valuation of the subject, then this extra step can be completed at the end of the Valuation section or perhaps as part of the Reconciliation section. Notably, the value per acre per section is needed by the ASLD Rights of Way section to determine the subject's rent.

GENERAL REQUIREMENTS

A copy of this letter and any other written instructions from the Arizona State Land Department must be included in the appraisal. Your appraisal cover letter must reference your compliance with the Arizona State Land Department Appraisal Guidelines (Revised March 2018) as well as the most recent edition of USPAP. ***The Contractor should value the subject as if it were vacant with no improvements.*** Notably, however, while not valued, if improvements do exist, they should be generally identified within the appraisal.

The Contractor accepting this assignment and holding the appropriate state license and certification must inspect the subject property and sign the appropriate certification of value. You and other appraisers signing the certification of value are required to include your State license/certification number(s) under your signature(s) in the appraisal report. You and other appraisers signing the certification are also required to include a copy of your state certificate and your qualifications in the Addenda. ***This assignment cannot be subcontracted to an outside individual or firm without our prior written consent.***

Should the scope of your work be more limited, the exceptions should be identified in the appraisal Letter of Transmittal.

An Executive Summary is required to be included in the preface of the report.

Do not discuss your value conclusions with anyone other than the Appraisal Section staff at the Arizona State Land Department.

REQUIRED HYPOTHETICAL CONDITIONS AND EXTRAORDINARY ASSUMPTIONS

The appraisal should include the following ***hypothetical condition***:

1. The property is being appraised as if unencumbered by any leases or rights of way. (Note to the appraiser: if it is not known whether leases or rights of way exist then this becomes an extraordinary assumption).

The appraisal should also include the following ***extraordinary assumptions***:

1. There is no archaeological significance on the subject site. (Note to the appraiser: if the appraiser is aware that archeological significance exists, then

- this becomes a hypothetical condition).
2. There is no geological significance on the subject site. (Note to the appraiser: if the appraiser is aware that geological significance exists, then this becomes a hypothetical condition).
 3. There are no environmental risks or hazardous conditions found on the subject site. (Note to the appraiser: if the appraiser is aware of environmental risks and hazardous conditions, then this becomes a hypothetical condition).
 4. That legal access exists. (Note to the appraiser: if the appraiser is aware that legal access does not exist, then this becomes a hypothetical condition).
 5. And others the appraiser deems appropriate.

Please note that to remain in compliance with USPAP the appraiser must include the following statement along with the list of hypothetical conditions and extraordinary assumptions: ***“the use of these hypothetical conditions and extraordinary assumptions might have affected the assignment results.”***

LARGER PARCEL TECHNIQUE

The appraiser shall employ the ‘Larger Parcel’ technique in this assignment. In determining the larger parcel, the appraiser must identify a parcel of State Trust land that is directly impacted by the proposed easement and of which the proposed easement is a part. The larger parcel can be any size if it displays the characteristics of unity of ownership, physical continuity, and unity of use, and meets the test of viability, with the following exception: The ultimate size of the larger parcel should be bracketed by the size of the comparable sales. So, for instance, if valuing a right-of-way easement that is part of a 320-acre parcel and recent comparable sales in the 320 acre range are not available, then the size of the larger parcel should reflect the size of the recent and proximate comparables, even if significantly smaller than 320 acres. Thus, if nearby sales range in size from 10 acres to 80 acres, then the size of the larger parcel should be no less than 10 acres and no more than 80 acres. Of course, utilizing larger parcels which are too small to fully incorporate the subject property may necessitate the use of multiple larger parcels within the same analysis, which is appropriate. Occasionally, especially with very long subject segments (i.e., long hiking trail, etc.), the use of a “floating” larger parcel may be warranted.

Because of the importance of the appraiser’s determination of the larger parcel and its potential effect on value, the appraiser should exercise the same care in developing the

larger parcel determination as is exercised in developing highest and best use conclusions and value estimates. A complete description of the analysis of the larger parcel and the reasoning on which the appraiser's conclusion is based should be included in the appraisal report (the Site Analysis section is where the larger parcel is normally introduced).

BEFORE & AFTER ANALYSIS AND SEVERANCE

The appraiser shall also complete a "before and after" analysis to determine if the issuance of this proposed right-of-way will result in a loss of value to the portion of the larger parcel remaining after the taking of the easements. Severance damages occur when the value of the remainder after the taking is less than the value of the remainder as a part of the whole prior to the taking.

A review of local maps did not reveal any potential areas of severance. However, should the appraiser determine that the issuance of this proposed right-of-way will create severance damages on any remaining State Trust land, the appraiser must report the evaluation criteria and the analytical process used in making the determination as well as the value of any such damages accruing to the State Trust land. (Benefits can accrue only as an offset to severance damages on the same parcel per ARS 12-1122.)

ACCURACY OF WORK

The Contractor shall be responsible for the accuracy of the work and shall promptly make all necessary revisions or corrections resulting from errors and omissions on the part of the Contractor without additional compensation. Acceptance of the work by the State will not relieve the Contractor of the responsibility for subsequent correction of any such errors and the clarification of any ambiguities.

REVIEW OF CONTRACTOR'S WORK

Work shall be completed in a responsible and professional manner in accordance with the requirements incorporated in the appraisal assignment. Determination of the acceptability of work will be made by the State. Should the Contractor fail to successfully perform any of the required tasks, provide an insufficient level of information, commit errors of any nature, and/or omit necessary documentation concerning the work performed, the Contractor agrees to correct deficiencies and errors, as well as furnish the required documentation at no additional costs to the State within five working days of the requested changes. Unless other arrangements have been made with the undersigned, a penalty of \$100 per day will be assessed for revisions that are completed beyond this time frame.

LIQUIDATED DAMAGES

The State may terminate this contract in whole or part if the appraisal is not delivered within five (5) business days after

the appraisal due date, assuming no other arrangements have been made between ASLD and the Contractor in writing. In that event, the Contractor will: 1) not receive payment of the appraisal fee and 2) be liable for such liquidated damages accruing until the State may reasonably obtain the performance of the assignment from a replacement contractor. The State's right to liquidated damages for delay shall be in addition to any other remedies available to the State arising from Contractor's breach.

**OTHER TERMS, CONDITIONS,
SPECIFICATIONS,
AMENDMENTS, ETC:**

The Contractor may be asked to make revisions as requested by the State resulting from changes in construction and/or right of way plans. Revisions may also include the addition or deletion of parcels. If substantial changes are made to the original assignment, the Contractor may be able to charge an additional fee that is mutually agreed upon by the Contractor, State, and Applicant (if applicable). The Contractor may be asked to defend his/her appraisal before the Board of Appeals. If this should occur, the Contractor will be compensated on an hourly basis for travel time, waiting time, and time spent testifying before the Board based on a mutually agreed upon hourly rate established prior to the Board meeting.

Should you have any questions, you may contact me by phone at 602-364-0271 or by email at fstrickler@azland.gov.

Sincerely,



Frank Strickler
Appraiser IV

LEGAL DESCRIPTIONS AND MAPS



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216-05-001A Sewer
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EXHIBIT "A"
LEGAL DESCRIPTION
SEWER EASEMENT

THAT PORTION OF LAND WITHIN THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 12 SOUTH, RANGE 12 EAST, GILA AND SALT RIVER MERIDIAN, PIMA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 3 INCH BCSM STAMPED "T.O.M. RLS 19316" AT THE INTERSECTION OF TWIN PEAKS ROAD AND HOLLYWOOD BOULEVARD FROM WHICH A 3 INCH BCSM STAMPED "T.O.M." AT THE NORTHEAST CORNER OF SAID SECTION 2 BEARS NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST A DISTANCE OF 663.60 FEET;

THENCE NORTH 00 DEGREES 46 MINUTES 59 SECONDS WEST UPON THE EAST LINE OF SAID SECTION 2 BEING COMMON WITH THE CENTERLINE OF RIGHT-OF-WAY OF TWIN PEAKS ROAD A DISTANCE OF 463.94 FEET;

THENCE DEPARTING SAID SECTION LINE SOUTH 89 DEGREES 13 MINUTES 01 SECONDS WEST A DISTANCE OF 75.00 FEET TO A POINT ON THE WEST RIGHT-OF-WAY LINE OF TWIN PEAKS ROAD, SAID POINT BEING THE **POINT OF BEGINNING**;

THENCE PARALLEL WITH AND 100.00 FEET SOUTH OF SAID TANGERINE ROAD RIGHT-OF-WAY SOUTH 89 DEGREES 28 MINUTES 29 SECONDS WEST A DISTANCE OF 251.34 FEET;

THENCE CONTINUING PARALLEL WITH AND 100.00 FEET SOUTH OF SAID TANGERINE ROAD RIGHT-OF-WAY SOUTH 89 DEGREES 39 MINUTES 53 SECONDS WEST A DISTANCE OF 510.30 FEET;

THENCE NORTH 30 DEGREES 22 MINUTES 03 SECONDS WEST A DISTANCE OF 115.51 FEET TO THE SOUTH LINE OF TANGERINE ROAD RIGHT-OF-WAY;

THENCE UPON SAID RIGHT-OF-WAY NORTH 89 DEGREES 39 MINUTES 53 SECONDS EAST A DISTANCE OF 57.75 FEET;

THENCE SOUTH 30 DEGREES 22 MINUTES 03 SECONDS EAST A DISTANCE OF 57.75 FEET TO A POINT 50.00 FEET SOUTH OF THE SOUTH LINE OF TANGERINE ROAD RIGHT-OF-WAY;

THENCE PARALLEL WITH AND 50.00 FEET SOUTH OF SAID TANGERINE ROAD RIGHT-OF-WAY NORTH 89 DEGREES 39 MINUTES 53 SECONDS EAST A DISTANCE OF 481.57 FEET;

THENCE CONTINUING PARALLEL WITH AND 50.00 FEET SOUTH OF SAID TANGERINE ROAD RIGHT-OF-WAY NORTH 89 DEGREES 28 MINUTES 29 SECONDS EAST A DISTANCE OF 250.83 FEET TO THE WEST RIGHT-OF-WAY LINE OF TWIN PEAKS ROAD;

THENCE UPON SAID RIGHT-OF-WAY SOUTH 00 DEGREES 46 MINUTES 59 SECONDS EAST A DISTANCE OF 50.00 FEET TO THE **POINT OF BEGINNING**.

Prepared by:
ENGINEERING AND ENVIRONMENTAL CONSULTANTS, INC.

BRUCE BROWN, RLS

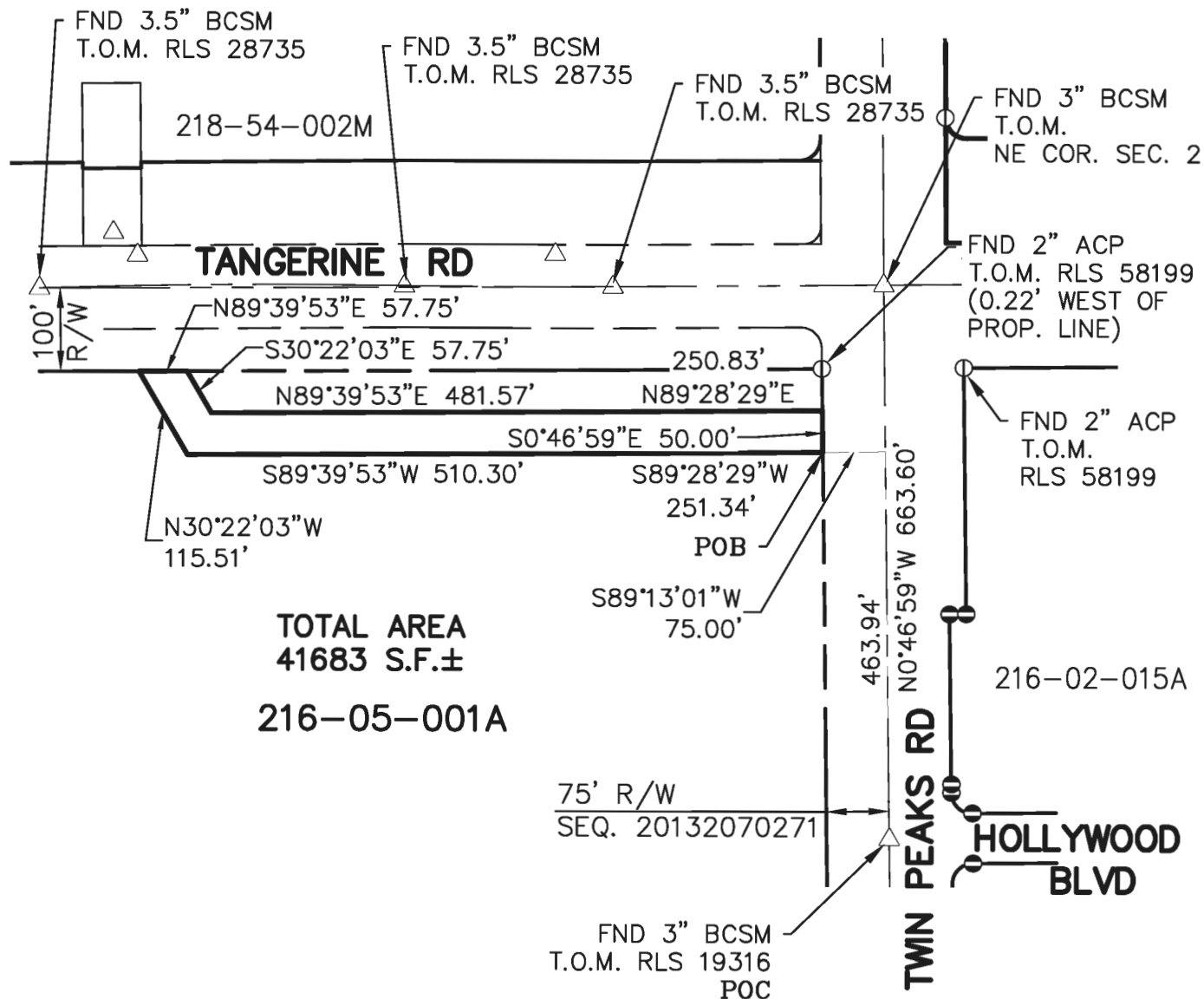




1"=200'

DEPICTION OF **EXHIBIT "A"** **SEWER EASEMENT**

SEC. 2, T-12-S, R-12-E, G&SRM
PIMA COUNTY, ARIZONA



Engineering and Environmental Consultants, Inc.
555 E. RIVER ROAD, SUITE 301
TUCSON, ARIZONA 85704 520-321-4625

01/08/19
EEC No. 14034.13
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SUBJECT PHOTOGRAPHS

SUBJECT PHOTOGRAPHS

Top Photo: View east along Tangerine Road, subject larger parcel at right.
Bottom Photo: View west along Tangerine Road, larger parcel at left.



SUBJECT PHOTOGRAPHS

Top Photo: View north along Twin Peaks Road, subject larger parcel at left.
Bottom Photo: View of subject larger parcel and intersection of Tangerine/Twin Peaks Roads in distance.



SUBJECT PHOTOGRAPHS

Top Photo: View south across subject larger parcel.
Bottom Photo: View south across subject larger parcel.



SUBJECT PHOTOGRAPHS

Top Photo: View of subject larger parcel.
Bottom Photo: View of subject larger parcel.



SUBJECT PHOTOGRAPHS

Top Photo: View of subject larger parcel.

Bottom Photo: View west across subject larger parcel, from Twin Peaks Road.



COMPARABLE SALES DATA SHEETS

COMPARABLE LAND SALE ONE

LOCATION: 6080 W. Hospitality Road, Section 26 (portion), T12S, R12E, Pima County, Arizona

SALE DATE: November 2, 2016 (Doc. 20163070373, Pima County Recorder's Office)

SALES HISTORY: The marketing time for this transaction was reportedly 153 days. No known market transactions in the prior three years.

ASSESSOR PARCEL NO.: 221-05-199J

SELLERS: Continental Ranch Development, LLC

BUYER: HSL 6080 W. Hospitality, LLC

SALES PRICE: \$465,000

TERMS: Cash

ACREAGE: 5.02 acres (218,671 square feet)

SALES PRICE PER ACRE: \$92,629 per acre

ZONING: F (Specific Plan), Marana

UTILITIES: All available at lot line.

**TOPOGRAPHY/
FLOOD STATUS:** The site is generally level. According to FEMA the site lies within Zone X, which is outside the 500-year flood plain.

FRONTAGE & ACCESS: Frontage and access are along Hospitality Road & Arizona Pavillions Drive.

HIGHEST & BEST USE: Investment.

CONDITION OF SALE: Typical

CONFIRMATION: Patrick Welchert, Broker, 520-360-9394

COMMENTS: Located along Hospitality Road within the Continental Ranch Business Park with primarily restaurant and hospitality uses. HSL purchased to protect their asset across the street (HSL Encantada Continental Reserve) with no intention to build on this parcel in the near-term.