

APPRAISAL REPORT

OF

A SINGLE FAMILY RESIDENCE

LOCATED AT

**10509 EAST TANQUE VERDE
PIMA COUNTY, ARIZONA
SECTION 36, TOWNSHIP 13 SOUTH, RANGE 15 EAST**

FOR

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

**MR. JEFF TEPLITSKY
APPRAISAL SUPERVISOR**

**OWNERSHIP: PIMA COUNTY
TAX CODE NO.: 114-57-0670 (PORTION)**

EFFECTIVE DATE OF APPRAISAL

SEPTEMBER 18, 2018

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

REAL ESTATE APPRAISERS - CONSULTANTS

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October 5, 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 a single family residence on 3.291 acres of land, located at
10509 East Tanque Verde, Tucson, Pima County, Arizona

Effective Date of Appraisal: September 18, 2018

Date of Report: October 5, 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 determining the market value of the subject property for potential disposition purposes. It is not intended for any other use.

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

THREE HUNDRED SIXTY THOUSAND DOLLARS (\$360,000)

Extraordinary Assumption: The subject property is currently part of a 10.18 acre parcel. Pima County, the property owner, is currently in the process of splitting off the subject property from the larger parcel. According to a survey provided by Pima County, the residential improvements that are the subject of this appraisal will be located on a lot containing 3.291 acres of land. The appraiser is making an extraordinary assumption that the final subject site size will be 3.291 acres. This is slightly below the minimum lot size of 3.31 acres required under the existing SR zoning. The appraiser is also making an extraordinary assumption that the property owner will obtain a variance to allow the home to remain on a 3.291-acre lot under the existing SR zoning, or that the home will be permitted as a legal, non-conforming use. If the site size is found to vary significantly from 3.291 acres, or if the property owner is unable to obtain a variance or a legal, non-conforming status for the home on a 3.291-acre lot, then the value ascribed in this report is subject to change.

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

C187601

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APPRAISAL ABSTRACT - PART I

CLIENT:

Pima County Public Works, Real Property Services

APPRAISER:

Sara R. Baker, MAI, SRA

Baker, Peterson, Baker & Associates, Inc.

4547 East Fort Lowell Road, Suite 401

Tucson, Arizona 85712

SUBJECT PROPERTY:

The subject property consists of a single-family residence on 3.291 acres of land, located at 10509 East Tanque Verde, Pima County, Arizona. The house contains 3,718 square feet of living area with four bedrooms and three and a half baths. There are yard improvements including patios and a fenced pool.

LAND AREA:

3.291 acres, more or less, according to information provided by Pima County. This property is being split from a larger tax parcel and the client provided a final legal description and site size for the new parcel.

IMPROVEMENT SIZE:

3,718 square feet (gross living area, per physical measurement)

ZONING:

SR, City of Tucson

LEGAL DESCRIPTION:

A portion of the Southeast Quarter of the Southwest Quarter of Section 36, Township 13 South, Range 15 East, G&SRB&M, Tucson, Pima County, Arizona. See the full legal description in the addendum of this report.

OWNERSHIP:

According to public records of the Pima County Assessor, title to the subject property is in the name of Pima County, according to Docket 10554, at Page 2329, dated May 28, 1997.

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. The house was previously leased but is not leased as of the date of this report.

TAX PARCEL NUMBER:

114-57-0670 (portion)

FULL CASH VALUE:

\$444,025 (2018, larger parcel)

\$477,856 (2019, larger parcel)

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:

\$418,553 (2018, larger parcel)

\$439,481 (2019, larger parcel)

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:

There are currently no property taxes as the subject property owner is 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

SPECIAL ASSESSMENTS:

None

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, September 18, 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. 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 determining the market value of the subject property for potential disposition purposes. 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."

EXTRAORDINARY ASSUMPTION:

Extraordinary Assumption: The subject property is currently part of a 10.18 acre parcel. Pima County, the property owner, is currently in the process of splitting off the subject property from the larger parcel. According to a survey provided by Pima County, the residential improvements that are the subject of this appraisal will be located on a lot containing 3.291 acres of land. The appraiser is making an extraordinary assumption that the final subject site size will be 3.291 acres. This is slightly below the minimum lot size of 3.31 acres required under the existing SR zoning. The appraiser is also making an extraordinary assumption that the property owner will obtain a variance to allow the home to remain on a 3.291-acre lot under the existing SR zoning, or that the home will be permitted as a legal, non-conforming use. If the site size is found to vary significantly from 3.291 acres, or if the property owner is unable to obtain a variance or a legal, non-conforming status for the home on a 3.291-acre lot, then the value ascribed in this report is subject to change.

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:

September 18, 2018

DATE OF INSPECTION:

June 8, 2017 and September 18, 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. Jeffrey Teplitsky in a contract executed August 31, 2018 by 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 provided by Pima County.

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 determining the market value of the subject property for potential disposition purposes. 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), Swango Land Sales, Metropolitan Tucson Land Use Study (MTLUS), 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.

The cost approach is not applicable in this analysis. There is significant depreciation due to the age and condition of the improvements. Additionally, residences similar to the subject are not typically purchased based upon a cost approach analysis; therefore, this approach is not applicable in valuing the subject property.

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.

The sales comparison approach provided 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.

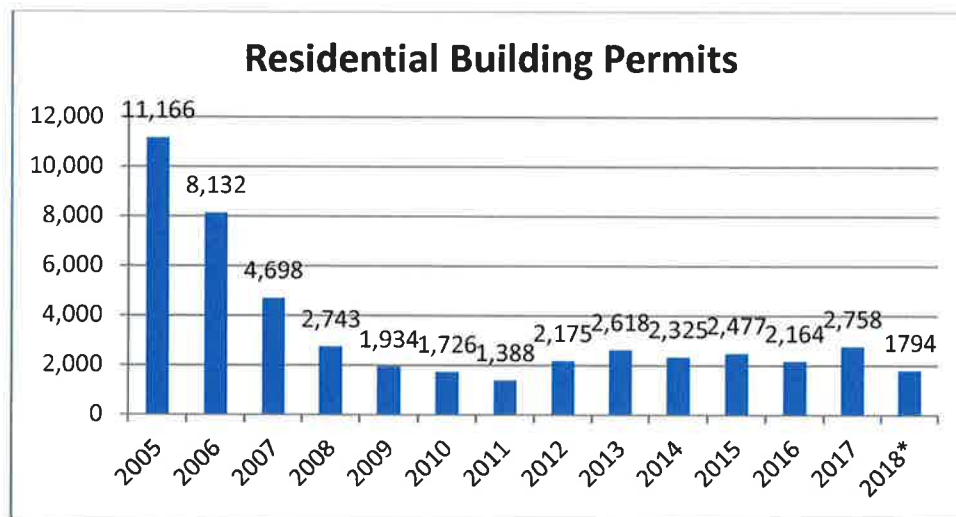
Extraordinary Assumption: The subject property is currently part of a 10.18 acre parcel. Pima County, the property owner, is currently in the process of splitting off the subject property from the larger parcel. According to a survey provided by Pima County, the residential improvements that are the subject of this appraisal will be located on a lot containing 3.291 acres of land. The appraiser is making an extraordinary assumption that the final subject site size will be 3.291 acres. This is slightly below the minimum lot size of 3.31 acres required under the existing SR zoning. The appraiser is also making an extraordinary assumption that the property owner will obtain a variance to allow the home to remain on a 3.291-acre lot under the existing SR zoning, or that the home will be permitted as a legal, non-conforming use. If the site size is found to vary significantly from 3.291 acres, or if the property owner is unable to obtain a variance or a legal, non-conforming status for the home on a 3.291-acre lot, then the value ascribed in this report is subject to change.

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 First 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 100,436 square feet in the Second Quarter of 2018, according to *The CoStar Office Report, Tucson Office*

Market, Mid-Year 2018. This compares to net positive absorption of 46,011 square feet in the First Quarter of 2018, net positive absorption of 127,411 square feet in the Fourth Quarter of 2017, net positive absorption of 134,296 square feet in the Third Quarter of 2017, net positive absorption of 84,946 square feet in the Second Quarter of 2017, and net positive absorption of 89,496 square feet in the First Quarter of 2017.

One new office building containing 61,000 was completed in First Quarter of 2018. This compares to 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 Second 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.



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 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, Mid-Year 2018*.

There was net positive absorption of 314,787 square feet in the Second Quarter 2018. This compares to net positive absorption of 44,654 square feet in the First Quarter 2018, net positive absorption of 260,667 square feet in the Fourth Quarter 2017, net positive absorption of 29,038 square feet in the Third Quarter 2017, net negative absorption of 170,707 square feet in the Second Quarter 2017, and net positive absorption of 72,181 square feet in the First Quarter 2017, according to *The CoStar Industrial Report, Tucson Industrial Market, Mid-Year 2018*.

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



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 90,075 square feet in the Second Quarter 2018, according to *The CoStar Retail Report, Tucson Retail Market, Mid-Year 2018*. This compares to net positive absorption of 254,830 square feet in the First Quarter 2018, net positive absorption of 157,534 square feet in the Fourth Quarter 2017, net positive absorption of 201,560 square feet in the Third Quarter 2017, net positive absorption of 47,290 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 Second Quarter 2018, according to *Costar*.

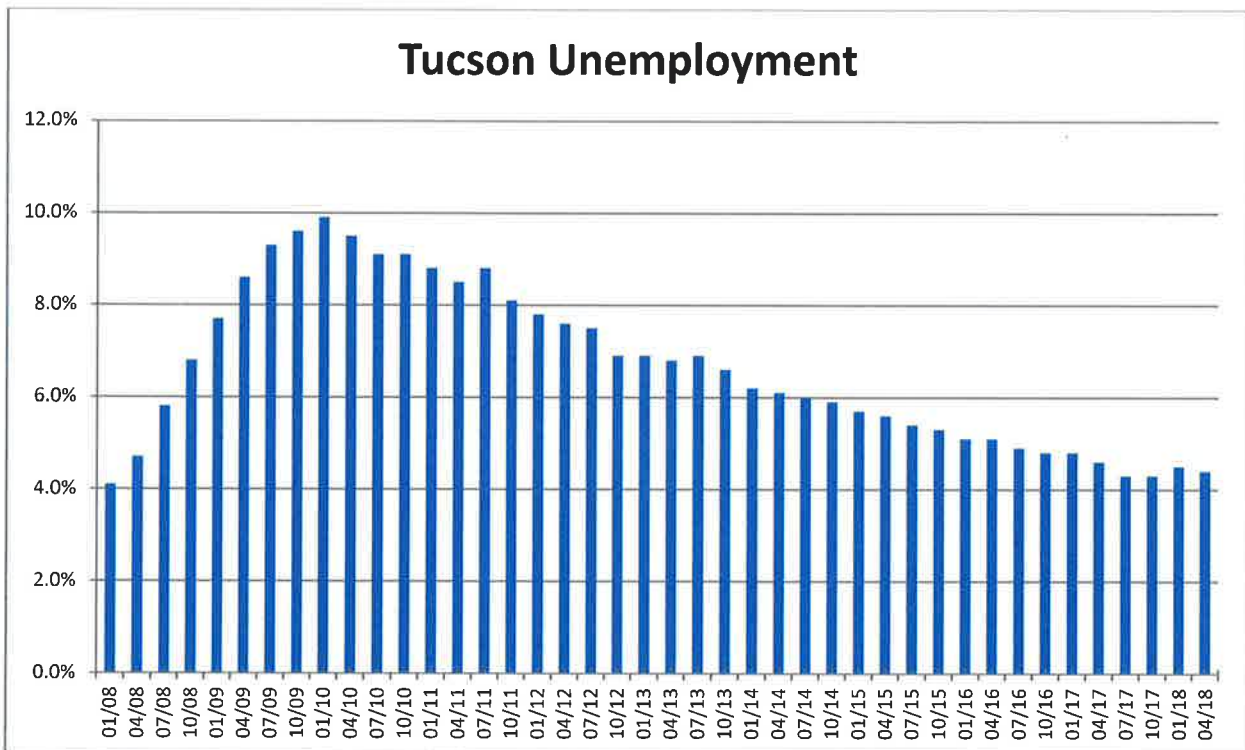


This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time and remained mostly stable from 2016 through the first half of 2018. The retail market has stabilized and is starting to improve in high

demand areas, although there remains little demand for older retail properties in low demand areas.

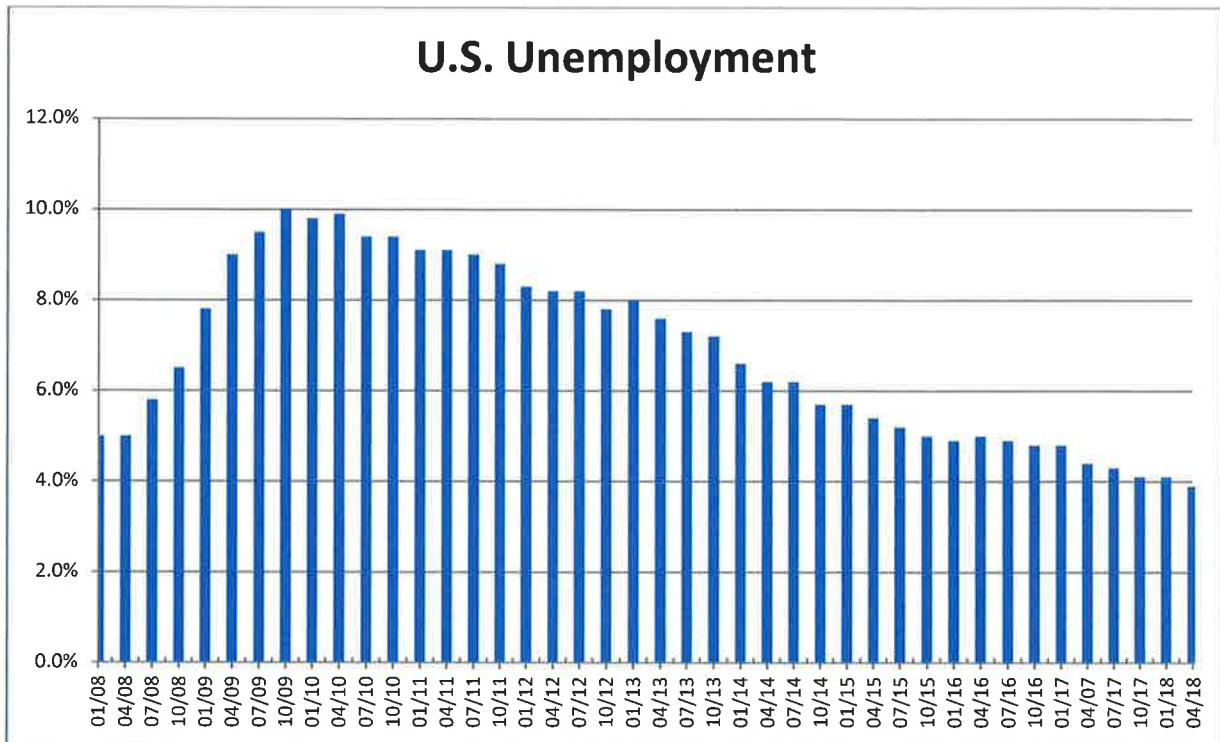
In the Second Quarter of 2018, three new buildings containing 90,075 square feet were completed in the First Quarter of 2018. This compares to fifteen new buildings containing 151,410 square feet in the First Quarter 2018, eight new buildings containing 58,949 new buildings in the Fourth Quarter 2017, 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's market area is located northeast of the City of Tucson city limits. The market area boundaries include Catalina Highway to the west, Wentworth Road the east, Broadway Boulevard to the south, and Snyder Road to the north. The market area, known as Tanque Verde Valley, consists mainly of single family residential properties on larger lots. Many of the single family residences in the market area, particularly those in the eastern portion of the neighborhood, are on larger lots of 1 acre or larger. Horse facilities are common on the residences in the eastern portion of the neighborhood. There is limited commercial development in the neighborhood, with most commercial development located on major arterials or at major intersections. Major commercial developments are located at Houghton Road and Broadway Boulevard, Houghton and Speedway Boulevard, and a neighborhood shopping center and strip retail at Tanque Verde and Catalina Highway. There is some low intensity commercial development on Tanque Verde, including a hay and feed store to the west of the Tanque Verde Loop and a nursery to the north of this, as well as a Circle K on the north side of Tanque Verde, east of Tanque Verde Loop. Major north-south arterials in the market area include Houghton Road and Catalina Highway, with Tanque Verde Loop and Soldier Trail as major residential arterials. Major east-west arterials include Broadway Boulevard, Speedway Boulevard, Tanque Verde, and Snyder Road. There is additional commercial development to the west and south of the market area. Many of the homes in the market area have good mountain views. There is some vacant land available for small infill residential subdivisions available and some custom lots available in the neighborhood. Demand is projected to be good in the market area due to the large lots and good views from many of the lots.

SITE DESCRIPTION:

Extraordinary Assumption: The subject property is currently part of a 10.18 acre parcel. Pima County, the property owner, is currently in the process of splitting off the subject property from the larger parcel. According to information provided by Pima County, the residential improvements that are the subject of this appraisal will be located on a lot containing 3.291 acres of land. The appraiser is making an extraordinary assumption that the final subject site size will be 3.291 acres. This is slightly below the minimum lot size of 3.31 acres required under the existing SR zoning. The appraiser is also making an extraordinary assumption that the property owner will obtain a variance to allow the home to remain on a 3.291 acre lot under the existing SR zoning, or that the home will be permitted as a legal, non-conforming use. If the site size is found to vary significantly from 3.291 acres, or if the property owner is unable to obtain a variance or a legal, non-conforming status for the home on a 3.291 acre lot, then the value ascribed in this report is subject to change.

The site is an irregularly shaped property with 148.02 feet of frontage on Tanque Verde Road. The site has a depth of 376.17 feet on the western property line and 537.13 feet on the northern property line (see Exhibits). It contains a total area of 3.291 acre of land. Tanque Verde is a two-lane, asphalt-paved roadway with no concrete curbs, sidewalks, or streetlights in the vicinity of this property. Tanque Verde has a 2017 traffic count of 8,523 vehicles per day near this site, according to the Pima Association of Governments. The topography is mostly level, sloping slightly to the west. The property is located approximately 10 feet

below grade of Tanque Verde Road. Soil conditions appear to be typical of the area. Properties bordering the subject property include residential uses to the north and east, vacant land and residential uses to the east, and a residential treatment facility and residential uses to the south.

Utilities available to the property include electric (Tucson Electric Power Company) and telephone (CenturyLink). The property currently has water provided by a well. Public sewer is not available and the property contains a septic system. Any development of the site would require an engineering study to determine the availability and adequacy of utilities.

According to FEMA Flood Insurance Rate Map 04019C1720M, with a LOMR dated April 15, 2016, the property is identified as being located in a Special Flood Hazard Area of light shaded Zone X, with a designation of an area protected by levee from 100-year flood. The Agua Caliente Wash is located directly to the east of the subject property; this wash is bank protected in this area. The property is located within a riparian area with a designation of Important Riparian Area – Hydromesoriparian. 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. There are driveways on the eastern and western portions of the property that provide access to properties to the north. This does not negatively impact the property as no residential improvements would be developed in these areas. The current owner, Pima County, intends to record an access easement along the driveway in the southern and eastern portions of the property to provide access to the wash to the east. This does not impact the property as it is in the area of the existing driveway. A copy of this easement legal description can be found in the addenda of this report.

ZONING:

The subject site is zoned SR (Suburban Ranch), according to the City of Tucson Land Use Code (see Exhibits). The purpose of this zone is to provide for very low density, large lot, single family residential development and suburban ranch uses. Uses which would adversely affect the open space, agricultural or natural characteristics of this zone are not permitted. Permitted land uses include certain residential, agricultural, civic, commercial and recreation uses. The minimum lot size is 144,000 square feet, with one unit allowed per lot, and a maximum building height of 30 feet. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

The subject property (a single family residence) appears to satisfy these requirements. This appraisal is based upon an extraordinary assumption that the existing home would be permitted on 3.291 acres of land with either a variance or a legal, non-conforming use status.

IMPROVEMENTS DESCRIPTION:

Improvement Overview. The subject property contains an existing single-story single-family residence constructed in 1965. It is of average design and contains 3,718 square feet of living area, including four bedrooms, three and a half bathrooms, a living room, family room, dining area, kitchen, and laundry room (see Exhibits). Basic construction is masonry stucco

with aluminum windows, and a rolled composition roof cover. It has air conditioning cooling and forced warm air heat. Car storage is provided by two-car carport.

Interior Features. Interior finish includes drywall and drywall ceilings. The entry area contains tile floors. The northwest corner of the home contains a master suite. There is a sitting room/study with slider door, shelves, and carpet, and a bedroom with carpet floor. There is a bathroom with tile floors, closets, wood cabinetry, two sinks, shower with tile wainscoting, and toilet. To the east of this area is a living room with tile flooring and rock wall fireplace. The northeast corner of the home contains a family room with tile floor, skylight, wood shelves, built-in cabinetry, and fluorescent lights. There is a step down into the living room and family room.

South of the entry is the kitchen. The kitchen contains tile counter and backsplash, older wood cabinetry, built in cooktop, oven, dishwasher, and water purifier. There is a seating area with fan, tile flooring, and built-in shelving. The southeast corner of the home contains a laundry room with tile floors, washer and dryer hookup, wood cabinetry, sink, and formica counter. The south and southwest portions of the home contains three bedrooms with carpet flooring and closet. There are two and a half baths in this area. There is a full bathroom with tile floor, older wood vanity, sink, cultured marble counter, tub with shower overhead with fiberglass wainscoting, and toilet. There is a second full bath with tile floor, wood cabinetry, cultured marble counter, two sinks, tub with shower overhead, and toilet. The half bath contains tile flooring, sink, cabinetry, and toilet.

There is a two-car carport attached to the house. There is storage with access from the carport.

Patio/Site Features. Patio features include a rear uncovered porch. There is a pool with decking and masonry wall and wrought iron fence around the pool area. Adjacent is a pool storage room with attached canopy and bar with sink. There is a built in fire pit and masonry wall. There is a storage room and a pagoda and storage in poor condition. There is a two-post wood fence around the property. There is a decorative stucco wall around the front entry of the home.

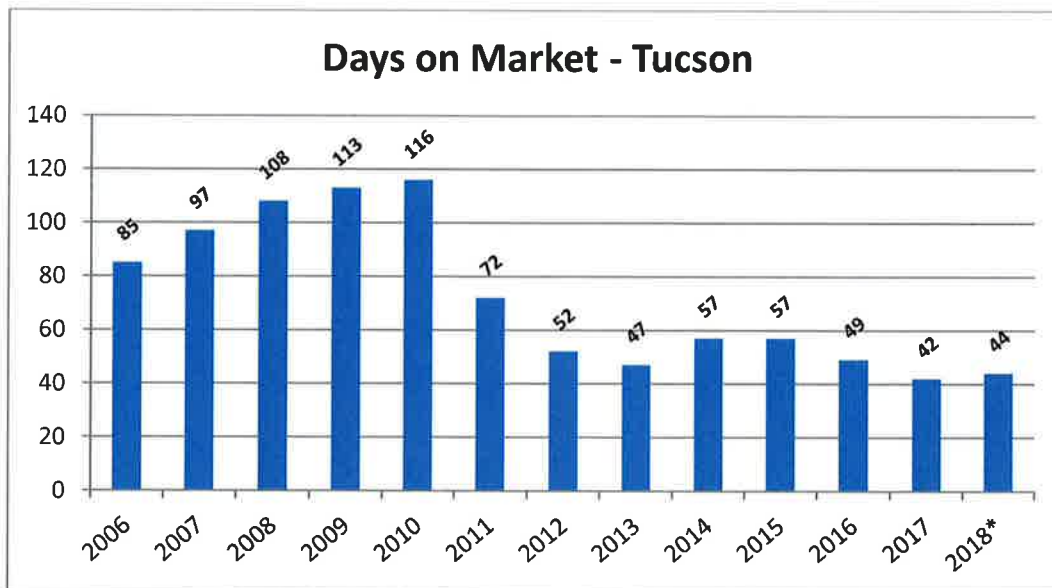
Summary. The subject property is an existing residence in an area of historically good demand. It is in average condition and is considered to have average appeal. The estimated marketing time for the subject property is from three to nine months. Positive factors influencing the property's marketability include the size of the home and lot. Negative factors include the frontage on Tanque Verde and lack of updating and modernization, as well as some deferred maintenance in the house and yard area. The yard is overgrown and the patio amenities and pool need some repairs.

MARKET PROFILE:

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.

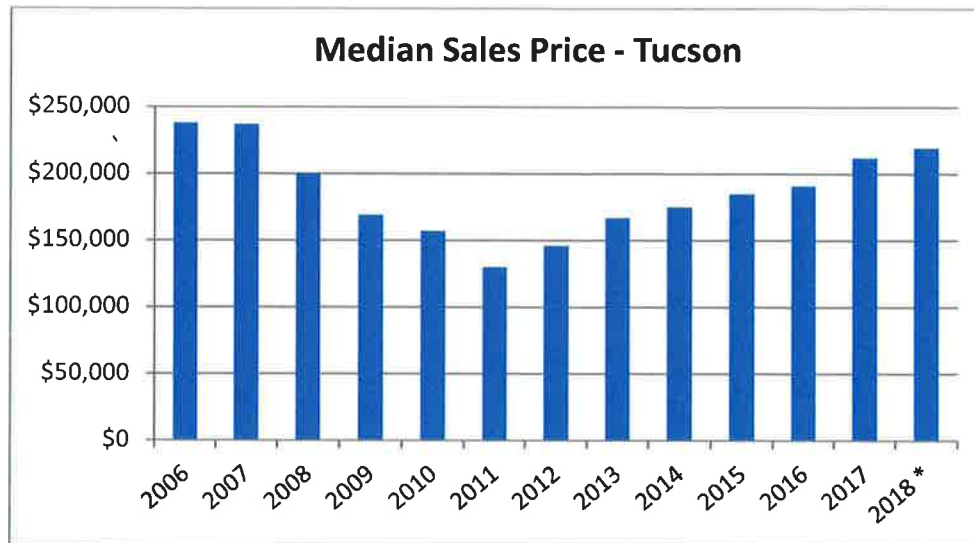
Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price 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 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 through 2013. From 2014 through the first half of 2018, the days on market have remained somewhat steady.



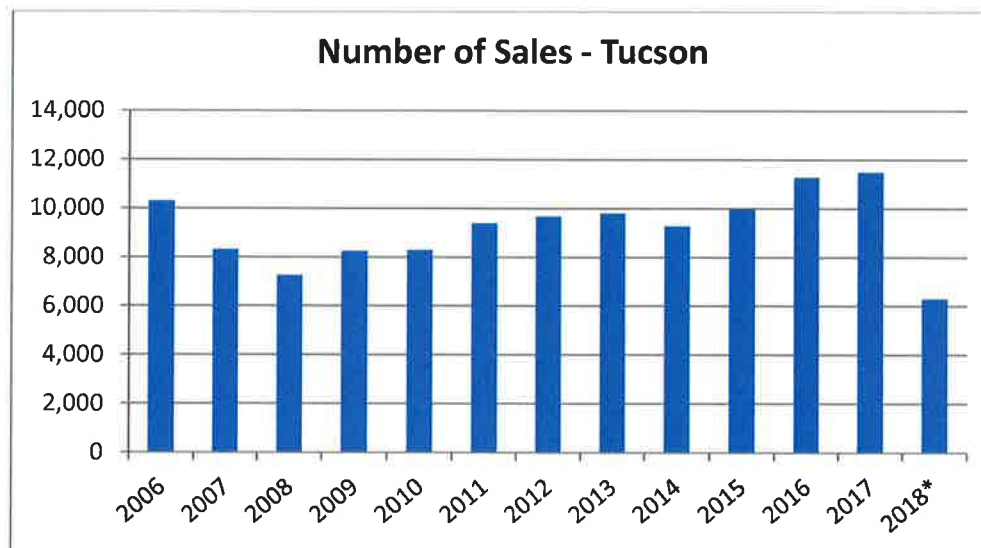
* 2018 data are through the first half results for the year

The following is the median sale price for single family residences for the Tucson market according to MLS. The median sale price for single family residences declined yearly from 2006 through 2011. Beginning in 2012, the median sales price for single family residences in the Tucson market gradually increased on a year over year basis, which has continued through the first half of 2018. However, the median sales price in Tucson continues to be below peak market level in 2006.



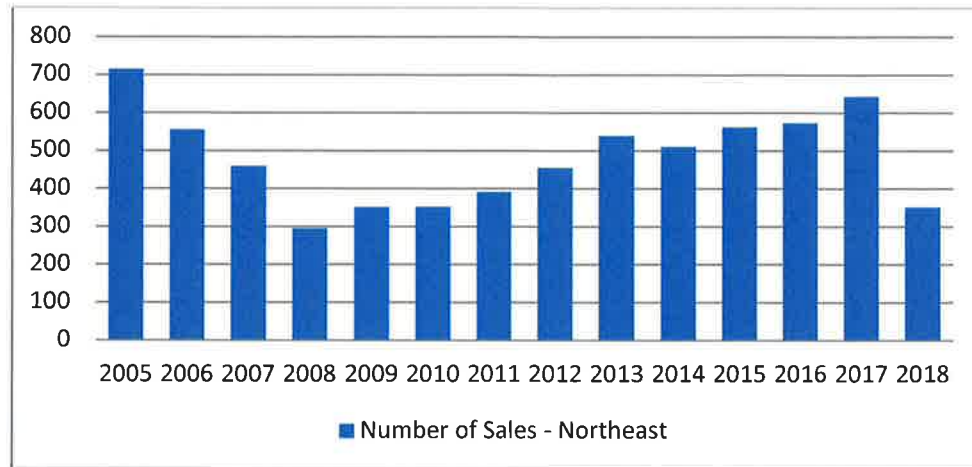
* 2018 data are through the first half results for the year

The following is the number of sales of single-family residences in the Tucson Market 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 with a small dip in the number of sales in 2014. The number of sales for the first half of 2018 are on pace to show a continued upward trend for the overall Tucson market area.

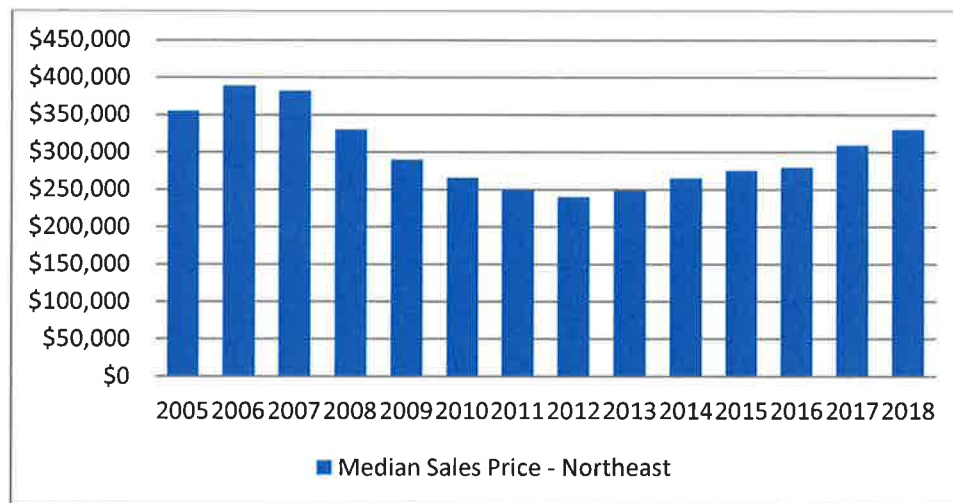


* 2018 data are through the first half results for the year

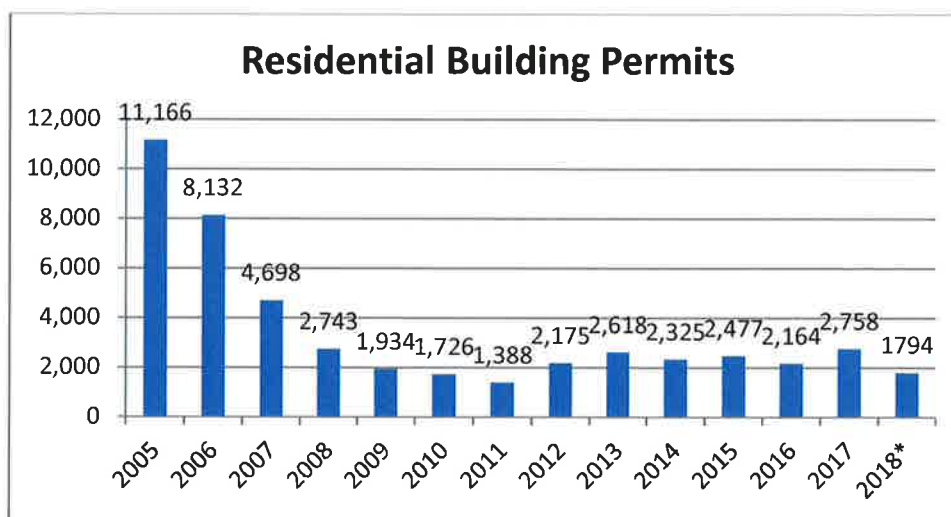
The following is the number of sales of single-family residences in the northeast sector through the first half of 2018, according to MLS. This data indicates that the number of sales declined from 2005 through 2008 and has gradually increased since that time. The number of home sales in the sector in the first half of 2018 is consistent with the 2017 number of sales.



The following is the median sale price for single-family residences in the northeast sector through the first quarter of 2017, according to MLS. This data indicates that the median sale price peaked in 2006 then declined significantly through 2012. The median sales price has increased since 2013 but remains below earlier peak levels.



Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been 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 low 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 an increase in residential permits in 2012 and 2013 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover, with the number of residential building permits remaining stable between 2013 through the first half of 2018.



Residential market conditions have stabilized. Prices for some types of homes, specifically in homes priced below \$250,000 had increased slightly starting in 2014. There is an oversupply of single-family residences that exceed \$250,000, particularly those over \$500,000, causing values for this type of product to remain mostly stable. There is stronger demand for homes prices under \$250,000. There remains limited demand for vacant residential lots. In the short term, market conditions are expected to slowly improve during this time. 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.

EXPOSURE/MARKETING TIME:

Marketing time, as utilized in this appraisal, is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. ¹

The reasonable *exposure time* is the period a property is on the market until a sale is consummated and as utilized in this appraisal, is defined as:

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. ²

The reasonable exposure and marketing time is estimated to be three to nine months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property. This is consistent with the location, frontage, condition, size, and overall market conditions.

HIGHEST AND BEST USE:

The Sixth edition of The Dictionary of Real Estate Appraisal (Appraisal Institute; 2015, p. 109), defines highest and best use as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

An analysis of market data supports the conclusion of highest and best use. The first step is to determine the highest and best use of the land as though vacant. This includes a determination as to whether the site should be left as vacant or should be developed. If the site should be developed, an analysis determines the ideal improvements that should be developed on the property. The second step is to determine the highest and best use of the property as improved. This involves a comparison of the existing improvements to the ideal improvements in order to determine if the existing improvements should be modified or left in the current condition.

Highest and Best Use as Vacant

1. The Dictionary of Real Estate Appraisal (Appraisal Institute, Sixth Edition, 2015), p. 140

2. Ibid, p. 83

Legal Considerations

The subject site is zoned SR (Suburban Ranch), according to the City of Tucson Land Use Code (see Exhibits). The purpose of this zone is to provide for very low density, large lot, single family residential development and suburban ranch uses. Uses which would adversely affect the open space, agricultural or natural characteristics of this zone are not permitted. Permitted land uses include certain residential, agricultural, civic, commercial and recreation uses. The minimum lot size is 144,000 square feet, with one unit allowed per lot, and a maximum building height of 30 feet. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

Physical Considerations

The site is an irregularly shaped property with 148.02 feet of frontage on Tanque Verde Road. The site has a depth of 376.17 feet on the western property line and 537.13 feet on the northern property line. It contains a total area of 3.291 acre of land. Tanque Verde is a two-lane, asphalt-paved roadway with no concrete curbs, sidewalks, or streetlights in the vicinity of this property. Tanque Verde has a 2017 traffic count of 8,523 vehicles per day near this site, according to the Pima Association of Governments. The topography is mostly level, sloping slightly to the west. The property is located approximately 10 feet below grade of Tanque Verde Road. Soil conditions appear to be typical of the area. Properties bordering the subject property include residential uses to the north and east, vacant land and residential uses to the east, and a residential treatment facility and residential uses to the south.

Utilities available to the property include electric (Tucson Electric Power Company) and telephone (CenturyLink). The property currently has water provided by a well. Public sewer is not available and the property contains a septic system. Any development of the site would require an engineering study to determine the availability and adequacy of utilities.

According to FEMA Flood Insurance Rate Map 04019C1720M, with a LOMR dated April 15, 2016, the property is identified as being located in a Special Flood Hazard Area of light shaded Zone X, with a designation of an area protected by levee from 100-year flood. The Agua Caliente Wash is located directly to the east of the subject property; this wash is bank protected in this area. The property is located within a riparian area with a designation of Important Riparian Area – Hydromesoriparian. 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. There are driveways on the eastern and western portions of the property that provide access to properties to the north. This does not negatively impact the property as no residential improvements would be developed in these areas. The current owner, Pima County, intends to record an access easement along the driveway in the southern and eastern portions of the property to provide access to the wash to the east. This does not impact the property as it is in the area of the existing driveway. A copy of this easement legal description can be found in the addenda of this report.

The property has physical characteristics that would allow for the development of one single family residence.

Financial Feasibility

The subject property could be developed with a single family residence. This property is located in an area with average to good demand for larger residential lots. Market conditions for residential properties are stable and slowly improving for this type of residential property. There is a supply of residential lots in this area and there can be an extended marketing time for vacant lots. However, there is demand for lots and homes in this area. Therefore, the property would be developed with a single family residence.

Maximally Productive

Therefore, the maximally productive highest and best use of the subject site is for development of a single family residence.

Ideal Improvement

The subject site would likely be developed with a single family residence. The subject property is located in an area with average demand for residences and is surrounded by residential uses. A residence developed on the site would contain at least 3,000 square feet of building area and at least three bedrooms.

Highest and Best Use as Improved

The highest and best use as improved compares the ideal improvements for the property to the existing improvements. This is used to determine if the existing improvements should be retained or modified. A modified property can be converted, removed, or renovated. The subject property would be developed with a single family residence. The property currently contains a single family residence. This residence was constructed in 1965. It contains 3,718 square feet and contains four bedrooms and three and a half baths. The home is in average condition.

Legal Considerations

Although the property does not meet the minimum size requirement of 3.31 acres, the home is permitted under a variance or legal, non-conforming use. Therefore, the existing residence could be retained under the existing zoning. The property could not be converted to another non-residential use under the zoning. The property could legally be demolished or renovated.

Physical Considerations

The home was constructed in 1965. The home has been maintained but has not been significantly updated. Many features of the home are outdated. There are some site improvements including a pool and related site improvements. However, there is some deferred maintenance as the pool and some yard improvements require repairs or cleaning, and the yard is overgrown, which limits curb appeal of the property. There are no physical restrictions to continuing the existing use, demolishing the improvements, or renovating the improvements.

Financial Feasibility

The subject property is located in an area with good demand for single-family residences on larger lots. The property has frontage on Tanque Verde, a major roadway. This is considered a negative factor for a single family residence.

The value of the property as improved outweighs the value of the property as vacant land, indicating it is not financially feasible to demolish the existing improvements to develop another use. The improvements are older and the home has not been significantly renovated in recent year. Updating of the home, particularly in the kitchen and restrooms, as well as some repairs and cleaning up of the yard area, would allow the property to remain competitive with similar homes. Therefore, the property would be renovated and retained as a single family residence.

Maximally Productive

The maximally productive highest and best use of the property as improved is to update the home and retain as a single family residence.

SUMMARY OF ANALYSIS AND VALUATION - PART IV

Sales Comparison Approach.

The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property.

This approach analyzes sales and listings of properties similar to the subject. This analysis uses those sales most relevant as indicators of value of the subject property, making adjustments for dissimilarities such as site size, location, quality, age, building size, condition, appeal, amenities, and terms of sale. Sales used in this approach must contain these elements; 1) both parties are typically motivated; 2) both parties are well-informed; 3) a reasonable market exposure time is allowed; 4) payment is made in cash or its equivalent; and 5) financing reflects terms typically available, and not affected by special or unusual terms.

This analysis uses the following five sales and adjustments. The adjustment grid on the following page indicates the adjustments. An upward adjustment (+) indicates that the comparable is inferior to the subject; a downward adjustment (-) indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

Property Address	Subject	SALE 1		SALE 2		SALE 3		SALE 4		SALE 5		SALE 6	
		4425 North Soldier Trail	10450 East Plumera	9211 East Catalina	2820 North Santa Ana	12130 East Roger Road	3730 North Pellegrino	MLS/Agent		MLS/Agent		MLS/Agent	
Confirmation	Inspection	MLS/Agent	MLS/Agent	MLS/Agent	MLS/Agent	MLS/Agent	MLS/Agent	Adjustment		Adjustment		Adjustment	
Sale Price		\$399,500	\$347,000	\$400,000	\$377,000	\$409,000	\$307,500						
Sale Date		03/2016	11/2016	02/2017	06/2017	10/2017	12/2017						
Financing		Conv.	0 Conv.	0 Cash	0 Conv.	0 Cash	0 Cash						
Market Time		253 days	0 227 days	0 143 days	0 4 days	0 8 days	0 27 days						
Property Interest		Fee Simple	0 Fee Simple	0 Fee Simple	0 Fee Simple	0 Fee Simple	0 Fee Simple						
Location	Fee Simple	Similar	0 Similar	0 Similar	0 Similar	0 Similar	0 Similar						
Frontage	NE/Average	residential	(32,000)	similar	(30,100)	residential	residential						
Site Size	Major	2.89 acres	0 3.41 acres	0 3.53 acres	0 4.65 acres	0 3.06 acres	0 3.73 acres						
Views	Average	Superior	(10,000)	Superior	(12,500)	Similar	Superior						
Design and Appeal	Average	Superior	(5,000)	0 Inferior	2,500	Superior	Superior						
Quality of Construction	Average	Superior	(7,000)	0 Similar	0 Superior	0 Superior	0 Superior						
Year Built	1965	1985	(8,000)	0 1972	0 1965	0 1993	0 1972						
Condition	Average	Superior	(10,000)	0 Superior	(5,000)	Superior	Superior						
Bedrooms/Baths	4bed/3.5bath	3bed/2.5bath	7,500	5,000	3,000	3,000	4,000						
Living Area	3,718	3,122	35,700	25,000	43,000	33,000	16,800						
Basement	None	None	0 None	0 None	0 None	0 None	0 None						
Functional Utility	Average	Similar	0 Similar	0 Similar	0 Similar	0 Similar	0 Similar						
Heating/Cooling	AC/FWA	AC/Pump	0 AC/FWA	0 AC/FWA	0 AC/FWA	0 AC/FWA	0 AC/FWA						
Garage/Carport	2 car carport	3 car garage	(9,000)	(9,000)	(35,000)	(8,000)	(9,000)						
Porch, Patio, Fencing, etc.	Pool, Bar, Storage, fence	Porch	12,000	15,000	(20,000)	10,000	10,000						
Fireplace	One	One	0 One	0 One	0 Three	0 One	0 Two						
Other Improvements	None	Solar, workshop	(20,000)	0 Horse facilities	(15,000)	(10,000)	0 Horse Facilities						
Net Adjustment (total)		(\$33,800)	\$10,200	(\$28,000)	(\$11,100)	(\$53,200)	\$46,100						
Adjusted Sales Price		\$365,700	\$357,200	\$372,000	\$365,900	\$355,800	\$353,600						

- Sale 1.* 4425 North Soldier Trail. Sold in March 2016, for \$399,500 - financing was conventional financing. Contains three bedrooms and two and a half baths, with 3,122 square feet of living area, built in 1985, and located within La Bella Vista. Special features include solar and a workshop. This sale is inferior to the subject in date and market conditions, baths, living area, and patio amenities. Market conditions for this type of property have improved between the date of this sale and the date of value. This sale is superior in frontage, views, design and appeal, quality of construction, year built, condition, garage, and other improvements. This property is located on a residential street, while the subject property is located on Tanque Verde, a major roadway. Homes located on a residential street sell for more than homes on a major roadway, all else being equal. Therefore, there is a downward adjustment for frontage. Overall, this comparable's sale price indicates a downward adjustment in comparison to the subject.
- Sale 2.* 10450 East Plumeria. Sold in November 2016, for \$347,000 - financing was conventional financing. Contains five bedrooms and three baths, with 3,302 square feet of living area, built in 1978, and located within Ranchitos de los Saguaros. This sale is inferior to the subject in date and market conditions, baths, living area, and patio amenities. Market conditions for this type of property have improved between the date of this sale and the date of value. This sale is superior in frontage, views, and garage. This property is located on a residential street, while the subject property is located on Tanque Verde, a major roadway. Homes located on a residential street sell for more than homes on a major roadway, all else being equal. Therefore, there is a downward adjustment for frontage. Overall, this comparable's sale price indicates an upward adjustment in comparison to the subject.
- Sale 3.* 9211 East Catalina Highway. Sold in February 2017, for \$400,000 - financing was cash to the seller. Contains four bedrooms and three baths, with 3,004 square feet of living area, built in 1972, and located within Indian Hill. Special features include horse facilities and a 2,000 square foot air-conditioned workshop. This sale is inferior to the subject in date and market conditions, design and appeal, baths, and living area. Market conditions for this type of property have improved between the date of this sale and the date of value. This sale is superior in views, condition, garage/workshop, patio amenities, and horse facilities. Overall, this comparable's sale price indicates a downward adjustment in comparison to the subject.
- Sale 4.* 2820 North Santa Ana Lane. Sold in June 2017, for \$377,000 - financing was conventional financing. Contains three bedrooms and three baths, with 3,171 square feet of living area, built in 1965, and located within Indian Hill. This sale is inferior to the subject in date and market conditions, baths, living area, and patio amenities. Market conditions for this type of property have

improved between the date of this sale and the date of value. This sale is superior in frontage, design and appeal, quality of construction, condition, garage, fireplaces, and other improvements. This property is located on a residential street, while the subject property is located on Tanque Verde, a major roadway. Homes located on a residential street sell for more than homes on a major roadway, all else being equal. Therefore, there is a downward adjustment for frontage. Overall, this comparable's sale price indicates a downward adjustment in comparison to the subject.

Sale 5. 12130 East Roger Road. Sold in October 2017, for \$409,000 - financing was conventional financing. Contains five bedrooms and three baths, with 3,439 square feet of living area, built in 1993, and located within Agua Caliente Estates. This sale is inferior to the subject in date and market conditions, baths, living area, and patio amenities. Market conditions for this type of property have improved between the date of this sale and the date of value. This sale is superior in location, frontage, views, design and appeal, quality of construction, year built, condition, and garage. This property is located on a residential street, while the subject property is located on Tanque Verde, a major roadway. Homes located on a residential street sell for more than homes on a major roadway, all else being equal. Therefore, there is a downward adjustment for frontage. Overall, this comparable's sale price indicates a downward adjustment in comparison to the subject.

Sale 6. 3730 North Pellegrino Drive. Sold in December 2017, for \$307,500 - financing was cash to the seller. Contains four bedrooms and two baths, with 3,069 square feet of living area, built in 1972, and located on the east side of Pellegrino Drive, north of Catalina Highway. This sale is inferior to the subject in date and market conditions, marketing time/conditions of sale, design and appeal, condition, baths, and living area. Market conditions for this type of property have improved between the date of this sale and the date of value. This property sold for a below market sale as the seller was distressed and needed a quick sale. This sale is superior in frontage, garage, patio amenities, fireplace, and other improvements. This property is located on a residential street, while the subject property is located on Tanque Verde, a major roadway. Homes located on a residential street sell for more than homes on a major roadway, all else being equal. Therefore, there is a downward adjustment for frontage. Overall, this comparable's sale price indicates an upward adjustment in comparison to the subject.

Sales Comparison Approach Summary.

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Adjusted Gross Sale Price	\$365,700	\$357,200	\$372,000	\$365,900	\$355,800	\$353,600

These six comparable sales indicate a gross sales price range of \$353,600 to \$372,000 after adjustment. Comparable Sale Two warrants the greatest weight as this sale is most similar to the subject. The remaining comparable sales receive slightly less weight as these sales require slightly more adjustment. After analyzing the comparable sales, the conclusion of market value of the subject property by the sales comparison approach, as of September 18, 2018, is \$360,000.

Cost Approach.

The cost approach is one of the three approaches which are available to the appraiser in the valuation process. The cost approach involves three steps. First, an analysis of sales and listings of comparable land indicate the value of the land as if vacant, taking into consideration various similar and dissimilar property characteristics. Second, local and national cost sources provide the current replacement cost of all improvements on the land. Third, there is an estimate of any accrued depreciation and obsolescence. The value of the property is the cost new, less any depreciation or obsolescence, plus the land value.

The cost approach is not applicable in this analysis. There is significant depreciation due to the age and condition of the improvements. Additionally, residences similar to the subject are not typically purchased based upon a cost approach analysis; therefore, this approach is not applicable in valuing the subject property.

Income Approach.

The income approach reflects the subject's income producing capabilities, and is based on the theory that the value of the property is the present worth of the income stream during the ownership period, and the reversion amount received at the end of the ownership period. Analysis determines the expected gross income and provides the net income. The process of capitalization converts the net income into the present value.

Single-family residences such as the subject are not typically purchased for lease and for their income producing ability. Single-family residences similar to the subject are typically purchased to be owner-occupied. Therefore, although considered, the income approach was deemed inappropriate for use in this report.

Reconciliation.

One standard approach provided a conclusion of value of the subject property. The indicated value, using this approach, is as follows:

Sales Comparison Approach	\$360,000
Cost Approach	N/A
Income Approach	N/A

The *sales comparison approach* requires full weight in valuing the subject property. This approach used six comparable sales. All of these sales are similar to the subject property and provide a reliable indicator of value. The *cost approach* is not applicable in this analysis. There is significant depreciation due to the age and condition of the improvements. Additionally, residences similar to the subject are not typically purchased based upon a cost approach analysis; therefore, this approach is not applicable in valuing the subject property. The *income approach* was not considered applicable as single-family residences such as the subject are typically not purchased for their income-producing capabilities. Therefore, the income approach was not applicable in this analysis.

Market Value Conclusion.

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of market value of the subject property, "as is", as of the effective date of the appraisal, September 18, 2018 is \$360,000.

OPINION OF MARKET VALUE OF SUBJECT PROPERTY,
"AS IS", AS OF SEPTEMBER 18, 2018:

THREE HUNDRED SIXTY THOUSAND DOLLARS (\$360,000)

ASSUMPTIONS AND LIMITING CONDITIONS - PART V

1. **Type of Report.** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full 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 information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. **Definitions.** "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.
3. **Liability.** The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraiser responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.
4. **Title.** No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report was provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management and ready availability for its highest and best use.
5. **Survey or Engineering.** No survey or engineering analysis of the subject property has been made by the appraiser. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraiser assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.

6. **Data Sources.** The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.
7. **Subsequent Events.** The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraiser cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.
8. **Adjustments.** The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.
9. **Special Rights.** No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.
10. **Value Distribution.** The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.
11. **Legal or Special Opinions.** No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.
12. **Personal Property.** Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.

13. **Soil Conditions.** Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraiser. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsurface which would render the subject more or less valuable by knowledge thereof.
14. **Court Testimony.** Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.
15. **Exhibits.** Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.
16. **Statute, Regulation, and License.** Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.
17. **Hidden or Unapparent Conditions.** It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.
18. **Hazardous/Toxic Substances.** In this appraisal assignment, no observation was made of the existence of potentially hazardous material used in the construction and/or maintenance of the improvements, or from any other source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraiser is not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to "cure" such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so

desired. This value estimate assumes that there is no such material on or in the property.

19. ***Americans with Disabilities Act of 1990.*** The ADA became effective on January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
20. ***Disclosure.*** Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.
21. ***Endangered and Threatened Species.*** The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.
22. ***Acceptance of Report.*** Acceptance and/or use of this report by the Client or any third party constitutes acceptance of all of the above conditions.

CERTIFICATION - PART VI

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

1. The statements of fact contained in this report are true and correct.
2. 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.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of The Appraisal Foundation, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, and any other specifications submitted by the Client, including Title XI, FIRREA.
8. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
9. In accord with the Uniform Standards of Professional Appraisal Practice, I have the experience and knowledge to complete this assignment in a credible and competent manner.
10. As of the date of this report, I have completed requirements of the continuing education program of the Appraisal Institute.
11. The effective date (date of valuation) of this appraisal is September 18, 2018.

12. I have made a personal inspection of the property that is the subject of this report.
13. Our firm has appraised the subject property within three years prior to this assignment.
14. No one provided significant real property appraisal assistance to the person signing this certification.
15. I am a Certified General Real Estate Appraiser in the State of Arizona.



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

EXHIBITS - PART VII

Exhibit A	Subject Plat Map
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map (City of Tucson)
Exhibit D	Topographical Map
Exhibit E	FEMA Flood Plain Map
Exhibit F	Flood Hazard Zones Map
Exhibit G	Washes Map
Exhibit H	Riparian Habitat Map
Exhibit I	Floor Plan
Exhibit J	Legal Description of Subject Property
Exhibit K	Legal Description of Access Easement
Exhibit L	Subject Photographs
Exhibit M	Comparable Improved Sales Location Map
Exhibit N	Comparable Improved Sales MLS Sheets
Exhibit O	Qualifications

ASSESSOR'S RECORD MAP
SECTION 36 TOWNSHIP 13 SOUTH RANGE 15 EAST

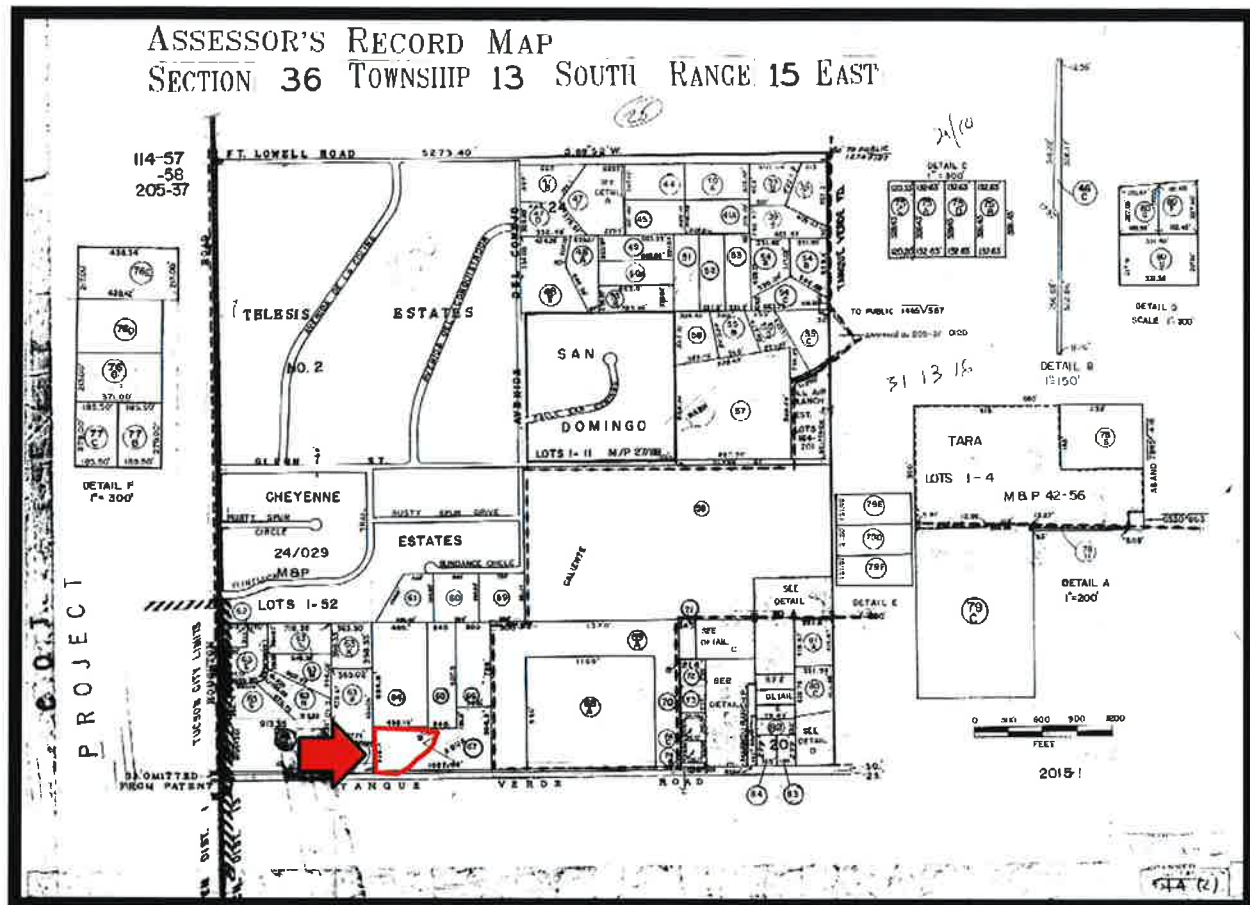
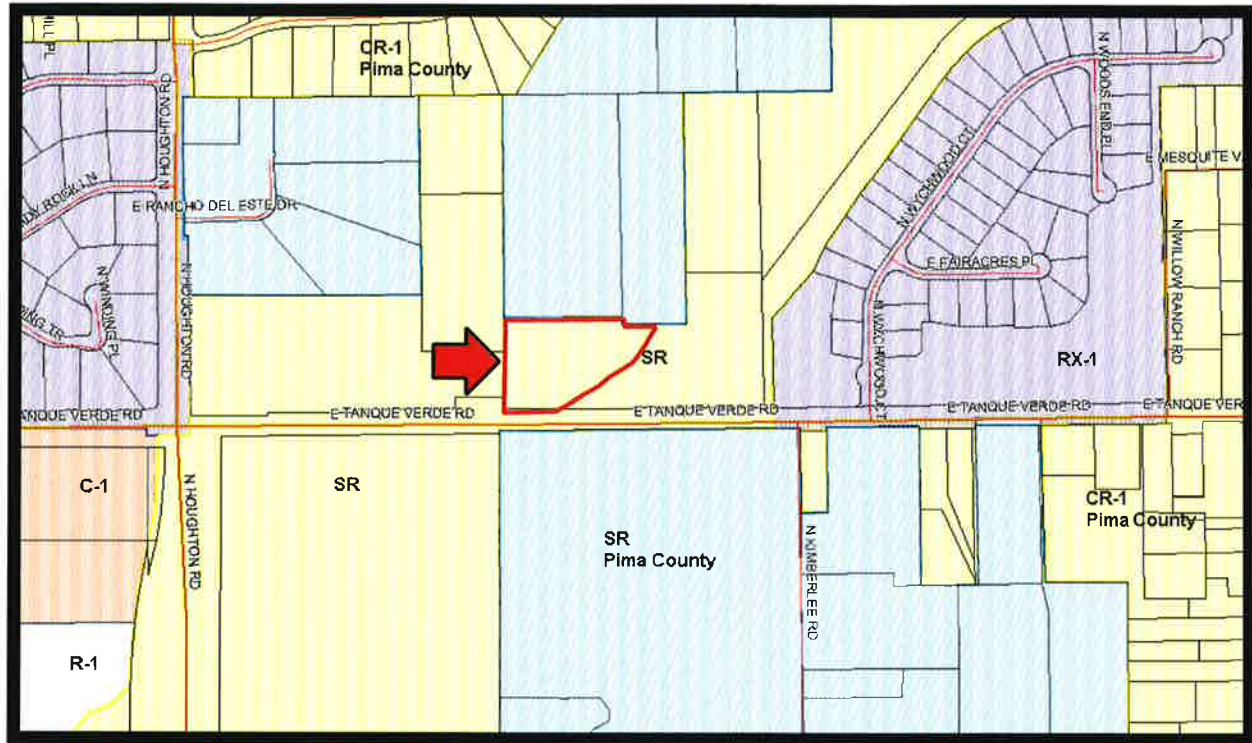


EXHIBIT C - ZONING MAP (City of Tucson)

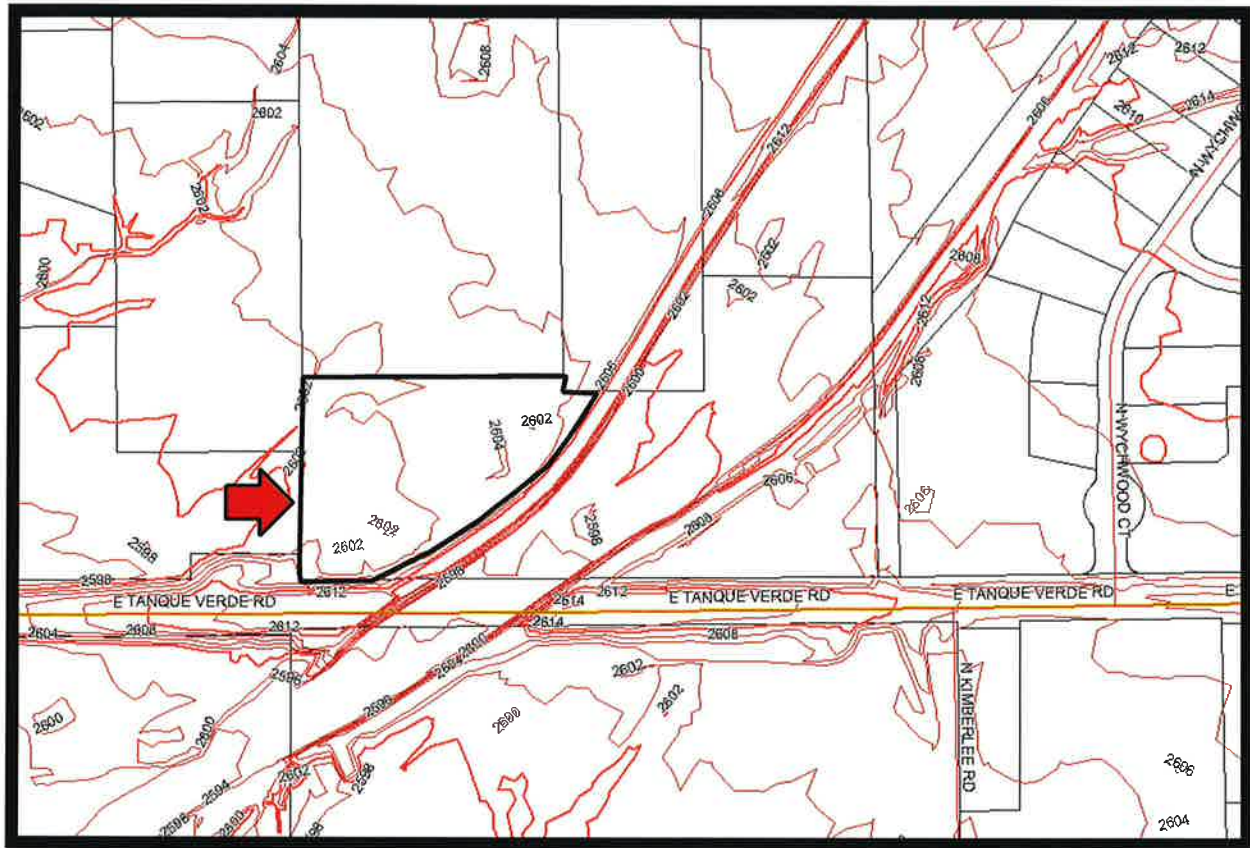


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C-2	
C-3	
HC-1	
HC-2	
HC-3	
HNC	
H0-1	
H0-2	
H0-3	
HOCR-2	
HP	
HR-1	
HR-2	
HR-3	
HRX-1	
HRX-2	
HSR	
I-1	
I-2	
MH-1	

MH-2	
MU	
NR-1	
NR-2	
NR-3	
O-1	
O-2	
O-3	
OCR-1	
OCR-2	
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R-2	
R-3	
RH	
RV	
RX-1	
RX-2	
SH	
SR	

EXHIBIT D - TOPOGRAPHICAL MAP



Pima County Unincorporated Areas
040073

Agua Caliente Wash

Agua Caliente Spur Flow

Revised Area

SPECIAL FLOOD HAZARD AREAS

- Without Base Flood Elevation (BFE)
- With BFE or Depth
- Regulatory Floodway
- 0.2% Annual Chance Flood Hazard, Areas of 1% Annual Chance Flood with average depth less than one foot or with drainage areas of less than one square mile
- Future Conditions 1% Annual Chance Flood Hazard
- Area with Reduced Flood Risk due to Levees

OTHER AREAS OF FLOOD HAZARD

SCALE

1 inch = 1,000 feet

0 500 1,000 2,000 Feet

0 150 300 600 Meters

REVISED AREA

EFFECTIVE DATE: APRIL 15, 2016

VERSION NUMBER 1.1.0

MAP NUMBER 0401BC127OM

EFFECTIVE DATE SEPTEMBER 28, 2012

[illegible]