Boccardo Property — Subdivision Cash Flow Analysis

Present Value of the Cash Flow	**$1,004,370**	
Bulk or Wholesale Value	$1,004,370	
Total Potential Gross Sales Retail Value	$13,900,928	**NOT a Market Value Estimate**
Total Discount	92.77%	
Debt Incurred at Time Zero	$0	

Assumptions

Average price per lot	$100,000	Total No. of Lots	99.00
Discount Rate to the Equity Position	10.00%	Developer Profit	10.0%
Period: Year = 1; Quarter = 4; Month = 12	1	Ann. Absorption	Varies
Land Value Appreciation per Year	3.00%	Ann. Exp. Inc.	3.00%
Closing Costs, Commision and Marketing	6%	Gross sales at	100.00%
General Administration	1%	Dev's Loan	0
Property Tax per unit	$800	Interest Rate	0.00%
Annual unit releases	$0	Monthly HOA Fee	$0.00

Period Type	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Period Number	1	2	3	4	5	6	7	8	9	10
Units Unsold (Start of Period)	99	97	95	93	89	85	81	77	73	67
Revenue Calclations:										
Avg. Price per Unit	$100,000	$103,000	$106,090	$109,273	$112,551	$115,927	$119,405	$122,987	$126,677	$130,477
Estimated Sales Per Period	2.00	2.00	2.00	4.00	4.00	4.00	4.00	4.00	6.00	6.00
Gross Revenue	**$200,000**	**$206,000**	**$212,180**	**$437,091**	**$450,204**	**$463,710**	**$477,621**	**$491,950**	**$760,062**	**$782,864**
Less Expenses:										
Closing Costs, Commision & Marketing	12,000	12,360	12,731	26,225	27,012	27,823	28,657	29,517	45,604	46,972
General and Administrative Costs	2,000	2,060	2,122	4,371	4,502	4,637	4,776	4,919	7,601	7,829
Prop. Taxes	79,200	79,928	80,560	81,096	79,744	78,200	76,464	74,536	72,416	68,072
Homeowner's Association	0	0	0	0	0	0	0	0	0	0
Developer's Profit	20,000	20,600	21,218	43,709	45,020	46,371	47,762	49,195	76,006	78,286
Total Expenses	**113,200**	**114,948**	**116,631**	**155,401**	**156,279**	**157,031**	**157,660**	**158,167**	**201,627**	**201,159**
Net Income Before Debt	**$86,800**	**$91,052**	**$95,549**	**$281,689**	**$293,925**	**$306,679**	**$319,961**	**$333,782**	**$558,436**	**$581,705**
Well	$512,988	$0	$0	$0	$0	$0	$0	$0	$0	$0
Septic	$13,300	$13,699	$14,110	$29,067	$29,939	$30,837	$31,762	$32,715	$50,544	$52,060
Captial Expenses	625,000	0	0	0	0	723,516	0	0	0	0
Cash Flow	($1,064,488)	$77,353	$81,439	$252,623	$263,986	($447,674)	$288,200	$301,067	$507,891	$529,645
Unit Releases	0	0	0	0	0	0	0	0	0	0
Equity Cash Flow	($1,064,488)	$77,353	$81,439	$252,623	$263,986	($447,674)	$288,200	$301,067	$507,891	$529,645
Loan Balance at the end of the Period	$0	0	0	0	0	0	0	0	0	0
Discount Rate	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855
NPV/Period Discounted at 10.00%	**($967,716)**	**63,928**	**61,187**	**172,545**	**163,915**	**(252,700)**	**147,892**	**140,450**	**215,396**	**204,201**

Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
11	12	13	14	15	16	17	18	19	20
61	55	49	43	37	31	25	19	13	7
$134,392	$138,423	$142,576	$146,853	$151,259	$155,797	$160,471	$165,285	$170,243	$175,351
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
$806,350	**$830,540**	**$855,457**	**$881,120**	**$907,554**	**$934,780**	**$962,824**	**$991,709**	**$1,021,460**	**$1,227,454**
48,381	49,832	51,327	52,867	54,453	56,087	57,769	59,503	61,288	73,647
8,063	8,305	8,555	8,811	9,076	9,348	9,628	9,917	10,215	12,275
63,440	58,520	53,312	47,816	42,032	35,960	29,600	22,952	16,016	8,792
0	0	0	0	0	0	0	0	0	0
80,635	83,054	85,546	88,112	90,755	93,478	96,282	99,171	102,146	122,745
200,519	**199,712**	**198,740**	**197,606**	**196,316**	**194,873**	**193,280**	**191,542**	**189,664**	**217,459**
$605,830	**$630,828**	**$656,717**	**$683,514**	**$711,238**	**$739,908**	**$769,544**	**$800,166**	**$831,796**	**$1,009,995**
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$53,622	$55,231	$56,888	$58,594	$60,352	$62,163	$64,028	$65,949	$67,927	$81,626
839,948	0	0	0	0	934,780	0	0	0	0
($287,740)	$575,598	$599,829	$624,919	$650,885	($257,035)	$705,516	$734,218	$763,869	$928,369
0	0	0	0	0	0	0	0	0	0
($287,740)	$575,598	$599,829	$624,919	$650,885	($257,035)	$705,516	$734,218	$763,869	$928,369
0	0	0	0	0	0	0	0	0	0
0.3505	0.3186	0.2897	0.2633	0.2394	0.2176	0.1978	0.1799	0.1635	0.1486
(100,851)	**183,403**	**173,749**	**164,561**	**155,817**	**(55,938)**	**139,583**	**132,055**	**124,899**	**137,996**

Investment/ industrial development

A second option is to replat the property for a single user and market the entire property for investment and/or industrial development for a large user. The replat of the site to accommodate a single user would require:

- A revised plat prepared by a private engineering firm at an estimated cost of $8000 to $12,000 per Doug at Rick Engineering (520-795-1000). We have reconciled to a central $10,000.
- Submittal to Pima County for approval at a cost of $4,000 fee per Chris Poirier at Pima County Development Services. Approval is likely to take about two months.
- Request for abandonment of interior roadways at a cost of $5,000 for Pima County consideration.

If the subject were replatted for a single user with the interior roads abandoned by Pima County, the usable site area would be 158.05 acres and the cost would be approximately $19,000, rounded to $25,000 to reflect time and risk.

Sales of similar sized parcels with competitive zoning, locations, and utilities were limited. The following sales data was discovered and is considered the best available.

Land Sales Summary

Comp #	Location	Sale Date	Acres	Sq Ft	Sale Price	Price /SF Land	Zoning
Subject	**SWc of Valencia Rd & Pantano Rd**	**N/A**	**158.05**	**6,884,658**	**N/A**	**N/A**	**CI-2**
1	NWc of Alvernon Way & Corona Rd	4/15	108.00	4,704,480	$9,531,270	$2.03	I-1
2	NE of Valencia Rd, W/s of Pantano Alignment	10/15	29.96	1,305,058	$1,600,000	$1.23	CI-2
3	E/s of Kolb, S of Valencia Rd	5/18	79.48	3,462,648	$11,598,782	$3.35	PAD
4	W/s of Wilmot Rd, S of U.P.R.R.	11/18	104.82	4,565,959	$3,250,000	$0.71	I-2 & R-1
5	NE of I-10 & Valencia Rd	9/19	99.87	4,350,337	$4,110,000	$0.94	CI-1
6	NWc of Wilmot Rd & I-10	11/19	32.07	1,396,969	$1,800,000	$1.29	C-2

LAND SALES LOCATION MAP

Sale 3 was purchased for development of an Amazon distribution facility and reflects a shovel ready site. Furthermore, the broker reported that above market pricing was paid due to site-specific requirements that reduced the user's operational costs in the long run. The remaining sales have an unadjusted range from $0.71/S.F. to $2.03/S.F. Considering location, access, and utility availability, the subject pricing is likely to fall in the $1.00/S.F. to $1.25/S.F. range. This range is well above the present value of the subject property as developed with 99 industrial lots, even considering the cost to replat the site and have the interior roadways abandoned. This option also has reduced risk and does not require upfront capital.

Maximally Productive

The subject is located in a peripheral area for industrial development with minimal evidence of new construction observed for smaller users. There have been a couple strategically placed larger users which have taken advantage of the rail access and direct access to I-10 in the area. Lot development costs, coupled with slow absorption and lot pricing, reduces the financial feasibility of industrial lot development and requires significant upfront capital and risk. Nevertheless, large contiguous industrial zoned parcels are increasingly scarce in Metropolitan Tucson and recent area sales infer demand, albeit limited, for these investment parcels. Users range from distribution operations to solar farms. Given the shallow buyer's pool, a lack of speculative construction, location, and infrastructure constraints of the site, the maximally productive use for the larger parcel is to replat the site and have the interior roadways abandoned for investment or industrial development by a large user. Subdivision development does not have sufficient market demand and has marginal economic feasibility with high risk.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous sections, is replat the site and have the interior roadways abandoned for investment or industrial development by a larger user.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an investor or developer.

Larger Parcel Determination

The larger parcel is determined for valuation purposes in accordance with UASFLA. The larger parcel is defined as follows:

> "that tract or those tracts of land that possess a unity of ownership and have the same, or an integrated, highest and best use. Elements of consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use." (UASFLA, 2016, page 16)

The subject contains 139.13 net acres within 102 tax parcels under a single ownership. An additional 18.92 acres of interior roadways have been dedicated to Pima County as part of the plat. Conversations with representatives from Pima County indicate that these roadways can be abandoned if the subject is replatted to return to the original ownership and be incorporated into the usable area of the replatted site. Based on research of the surrounding parcels at the Pima County Assessor's office, the owner of the subject property does not own any additional parcels in the general area. The highest and best use of the entire subject property is for replatting the site and having the interior roadways abandoned for investment and/or industrial development by a larger user. The parcels are contiguous.

In conclusion, the 158.05 gross acre subject property is determined to have contiguity, unity of ownership, and unity of highest and best use and is considered to represent the larger parcel for the purpose of this appraisal.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there is little or no sales data from comparable properties.

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

The income capitalization approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows including the reversion, or future re-sale of the property appraised. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The subject property is vacant land with a highest and best use to replat the site and have the interior roadways abandoned for investment and/or industrial development by a larger user. Only the Sales Comparison Approach is typically applicable for vacant land. I applied the Sales Comparison Approach for the 'as is' market value conclusion, and the data quality is rated average.

Sale Comparison Approach – As Is, Before Value

Upon replatting and abandonment of the interior roads, the subject property consists of 158.05 acres of vacant industrial zoned land. The subject is valued, 'as is', prior to the imposition of the proposed Restricted Use Easement. This represents the 'before' value conclusion. The before value conclusion reflects the highest and best use of the site as investment and/or industrial development by a large user.

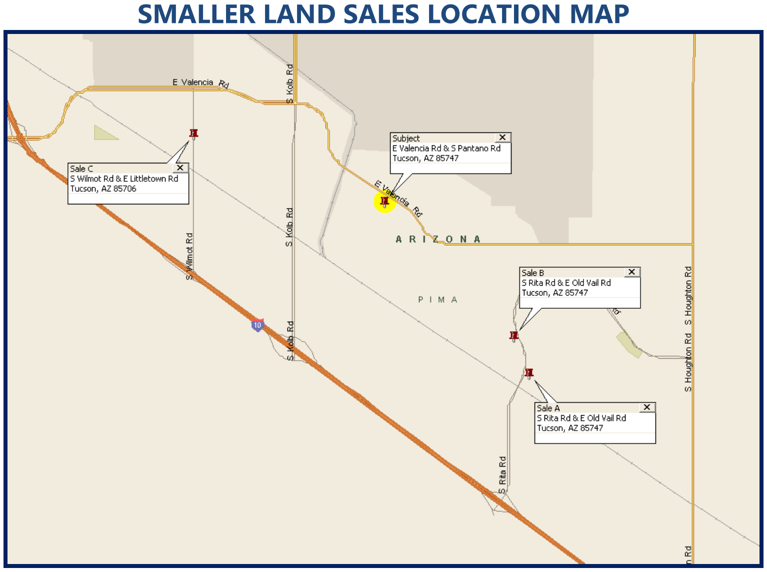
Support Sales and Discussion

Pima County was researched for large industrial land sales. Brokers reported a slow industrial land market which has never fully recovered from the recession. High construction costs measured against low pricing for existing inventory and low rental rates do not support new or speculative construction at this time. This is supported by new construction in the Southeast submarket which averaged 2.25 buildings per year over the past 12 years. Therefore, the industrial land market has remained tepid. Smaller land sales in the subject area were discovered and present a price range from $0.72/S.F. to $0.92/S.F. While smaller properties typically sell for a higher price per square foot due to affordability constraints, in this case the smaller sales have a similar price range to the larger land sale data. These sales serve as additional support for the value conclusions rather than an upper limit to value.

Smaller Land Sales Summary

Comp #	Sale Date	Location	Sale Price	Price /SF land	Acres	S.F.	Zoning	Proposed Use
A	Apr-17	Sec of Rita Rd & Old Vail Rd	$967,200	$0.92	24.18	1,053,281	C-2 & I-2	RV Storage
B	Apr-18	W/s of Rita Rd, N of Old Vail Rd	$502,876	$0.73	15.74	685,634	I-1	Marijuana Growing Facility
C	Oct-18	NWc of Wilmot Rd & Littleton Rd	$1,230,000	$0.72	39.05	1,701,018	I-1	Assemblage for Pima Air & Space Museum

SMALLER LAND SALES LOCATION MAP



I also researched area land listings for additional insight. Four relevant land listings are presented in the following table and range from $0.67/S.F. to $3.50/S.F. Listing 4 is well above the range set by the remaining listings. Listing 4 is located adjacent west of the Houghton Towne Center and benefits from the proximity to major commercial development along with significant arterial frontage along Old Vail Road. This property would have quasi-commercial/industrial appeal and is considered superior to, and the least comparable to, the subject property. The remaining listings present a range from $0.67/S.F. to $1.63/S.F. The long marketing times generally suggest that the listing prices support the upper limit to value and/or reflect the limited demand for large industrial land users or investors in the market.

Listings Summary

Listing #	Location	Asking Price	Price /SF land	Acres	S.F.	Zoning	Days on Market
1	Sunbelt Industrial -NW of Old Vail & Rita Rds	$5,466,003	$0.67	186.09	8,106,080	C-2 & I-2	423
2	4550 E Los Reales	$1,905,750	$1.25	35.00	1,524,600	CI-2	1078
3	6701 S Wilmot Rd	$4,400,000	$1.63	61.95	2,698,542	I-2	235
4	9825 E Old Vail Rd	$6,685,371	$3.50	43.85	1,910,106	I-1	959

LISTING LOCATION MAP

Land Sales Analysis

Six sales were discovered and confirmed. These sales represent industrial land sales with highest and best uses for investment or large user-development, consistent with the highest and best use for the subject. I chose sales located in south and southeast Tucson, with similar locational attributes and demand profiles to the subject. Adjustments were made for differences in property rights conveyed, financing terms, conditions of sale, market conditions, location, and physical characteristics. Adjustments were applied based upon a sales price per square foot unit of comparison. The unadjusted sales prices range between $0.71/S.F. and $3.35/S.F.

LAND SALES SUMMARY

Land Sales Summary

Comp #	Location	Sale Date	Acres	Sq Ft	Sale Price	Price /SF Land	Zoning
Subject	**SWc of Valencia Rd & Pantano Rd**	**N/A**	**158.05**	**6,884,658**	**N/A**	**N/A**	**CI-2**
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2	NE of Valencia Rd, W/s of Pantano Alignment	10/15	29.96	1,305,058	$1,600,000	$1.23	CI-2
3	E/s of Kolb, S of Valencia Rd	5/18	79.48	3,462,648	$11,598,782	$3.35	PAD
4	W/s of Wilmot Rd, S of U.P.R.R.	11/18	104.82	4,565,959	$3,250,000	$0.71	I-2 & R-1
5	NE of I-10 & Valencia Rd	9/19	99.87	4,350,337	$4,110,000	$0.94	CI-1
6	NWc of Wilmot Rd & I-10	11/19	32.07	1,396,969	$1,800,000	$1.29	C-2

LAND SALES LOCATION MAP

The fee simple interest was conveyed in all of the sales and no adjustment is warranted. The basis of valuation assumes a cash or institutionally financed transaction. All of the sales were confirmed as cash to seller transactions. No adjustments are necessary. Conditions of sale adjustments are considered. The sales were reported as arm's length transactions between knowledgeable parties. Sale 3 was a shovel ready property, which can save a developer anywhere from 12 to 18 months in permitting approval time and engineering costs. Furthermore, the broker reported that the site was chosen due to very specific locational attributes which were required for their operation. He felt that the user, Amazon, was willing to pay an above market price for the site in order to save on operational costs in the future, lending the land sale price more of a 'user' value than a market value. Broker Steve Cohen felt that these issues contributed anywhere from $.50/S.F. to $2.00/S.F. above market value. I have applied a central deduction of $1.25/S.F. to Sale 3 for unusual conditions of sale.

The sales range in date from April 2015 to November 2019, spanning over 4.5 years. Brokers report that the market has been relatively flat for large vacant industrial land during this time period. Vacancy in existing buildings has decreased, although decreasing rents and increasing construction costs over this time period have continued to restrict the financial feasibility of new construction, keeping demand for land to a minimum. The sales neither define nor support any changing market trends over this time period. No adjustments are applied for changing market conditions.

Metro Tucson Industrial Market

Period	Leaseable Sq. Ft.	Change in Inventory	Vacancy Rate	Vacant Sq. Ft.	Avail. Rate	Net Absorption	Sq. Ft. Delivered	Quoted Rates
Annual Trend								
2009	41,042,498	556,318	11.2%	4,587,037	14.6%	-785,539	556,318	$6.87
2010	41,032,964	-9,534	11.4%	4,696,058	14.5%	-118,555	56,721	$6.39
2011	41,152,263	119,299	12.2%	5,018,362	14.8%	-203,005	130,525	$6.14
2012	41,180,076	27,813	11.8%	4,862,034	13.8%	184,141	186,754	$5.88
2013	41,207,061	26,985	10.1%	4,168,868	12.7%	720,151	40,515	$6.08
2014	41,278,012	70,951	9.5%	3,906,946	12.3%	332,873	70,951	$6.39
2015	41,548,012	270,000	8.4%	3,505,388	11.8%	671,558	270,000	$6.91
2016	42,522,378	974,366	7.0%	2,978,036	10.7%	1,501,718	1,045,159	$6.66
2017	42,576,099	53,721	6.7%	2,832,737	9.7%	199,020	53,721	$6.27
2018	42,839,205	263,106	5.8%	2,468,789	9.6%	627,054	300,181	$6.03
Quarterly Trend								
2017 Q4	42,576,099	0	6.7%	2,832,737	9.7%	253,189	0	$6.27
2018 Q1	42,576,099	0	6.6%	2,796,224	10.0%	36,513	0	$6.15
2018 Q2	42,868,205	292,106	6.5%	2,799,093	10.1%	289,237	300,181	$6.15
2018 Q3	42,839,205	-29,000	5.8%	2,497,244	9.5%	272,849	0	$6.15
2018 Q4	42,839,205	0	5.8%	2,468,789	9.6%	28,455	0	$6.03
2019 Q1	42,839,205	0	5.9%	2,531,615	9.6%	-62,826	0	$6.07
2019 Q2	43,746,105	906,900	5.1%	2,245,062	9.1%	1,193,453	906,900	$6.22

The highest and best use for all the comparable sales is for investment or industrial user development. The subject's highest and best use is similar and no adjustments are necessary.

Adjustments for location are considered. The subject is located in southeast Tucson in an area with significant competitive supply. It has one access point to a 2-to-3 lane arterial and circuitous access to a freeway interchange. Location attributes for the comparable sales are presented in the table below along with the respective concluded qualitative adjustments. The broker for Sale 1 reported that the buyers were particularly drawn to the access provided from roadways fronting three sides of the site along with proximity to I-10. The buyer of Sale 3 required frontage on a 4-lane arterial with direct access to I-10. Sales 4 and 5 have direct and short access to I-10. Sale 6 is located at a freeway interchange with roadways on 3-sides lending more commercial appeal to the site. All of these sales are considered to have superior locational attributes and the subject is rated qualitatively inferior to various degrees. Sale 2 is directly across Valencia Road from the subject and is a mostly interior site with access to Valencia Road. This sale is deemed similar to the subject.

Sale	Sides of Road Frontage	Access to Major Transportation Linkages	Nearby Competitive Supply	Location Adjustment
Subject	**1**	**Circuitous - Apprx. 3.75 miles**	**Significant**	**n/Ap**
1	3	Direct - 2.5 miles	Increasingly scarce	Superior "---"
2	1	Circuitous - Apprx. 3.75 miles	Significant	Similar '0'
3	1	Direct - 1.4 miles	Significant	Superior "--"
4	1	Direct - 0.75 miles	Significant	Superior "-"
5	1	Direst - 0.25 miles	Average	Superior "--"
6	3	Direct - at I-10 interchange	Significant	Superior "---"

Adjustments are applied for physical characteristics. The subject and all the sales have generally level topography which is outside the 100-year floodplain. No adjustments are required.

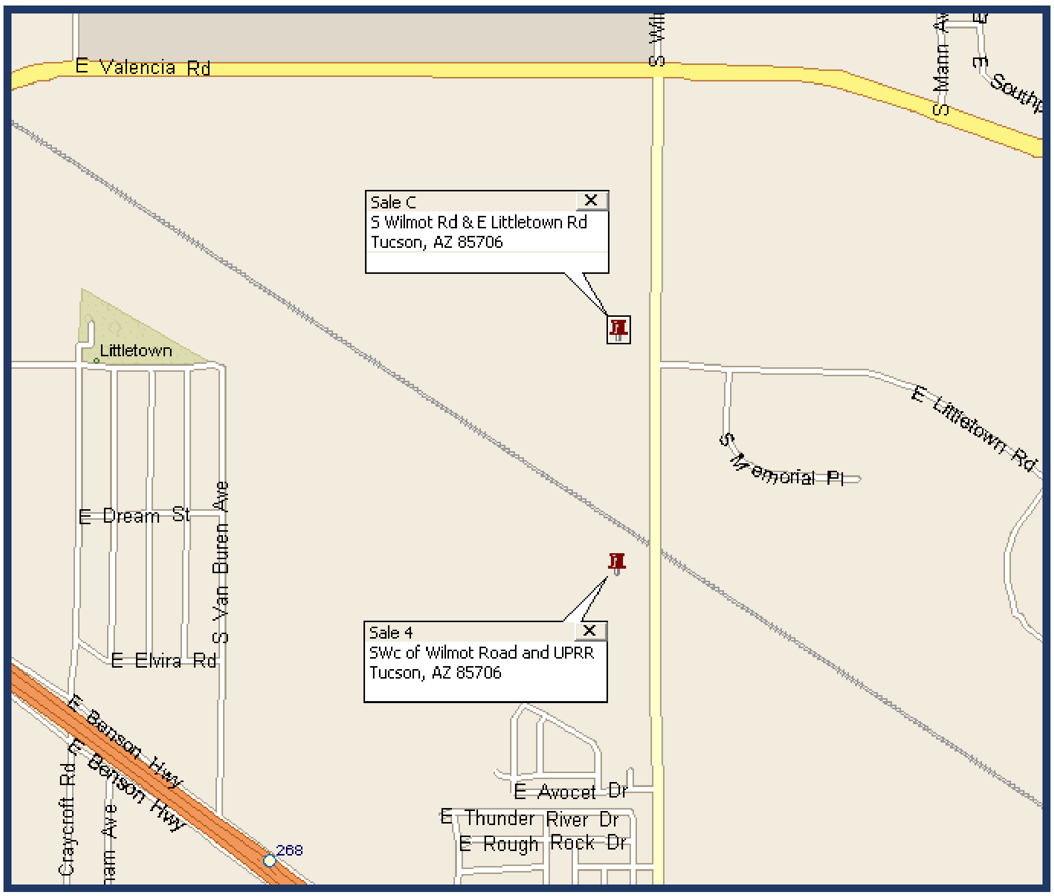
The subject has a functional shape which is generally rectangular. Sales 1 through 3 have functional shapes and do not require any adjustment. Sales 4 through 6 have irregular triangular shapes which reduce their usable area by an estimated 20% based on visual inspection of aerial mapping. An upward adjustment is applied to these three sales.

Adjustments are considered for utilities. The subject has electricity available and has an approved water district. A commercial well and storage tank is required for potable water to serve development at an estimate cost of $512,988, or $0.07/S.F. Sewer extension and connection fees are financially prohibitive and the subject has been given a variance to utilize septic systems for development. Surveyed brokers report only a small stigma for septic use would be seen in small industrial users. However, larger users would be more wary of septic system use, especially if there operation requires significant water use. This reduces the buyer pool in an already limited pool resulting in increased marketing time and likely development window. Estimated sewer extensions costs were previously reported at a central $1,100,000, or $.16/S.F. All of the sales, except Sale 2, were confirmed to have all utilities available to the site. A downward adjustment of $0.23/S.F ($.07 + $.16) is applied to Sales 1, 3, and 6 to reflect the required water infrastructure and sewer line extension costs to the subject. The buyers of Sales 4 and 5 did not consider the availability of wet utilities in the price, as their planned uses did not require them. No adjustments are applied.

Finally, adjustments for size are considered. The subject contains 158.05 acres. The sales range from 29.96 acres to 104.82 acres. Sales 1 and 3 through 5 range in size from 79.48 acres to 104.82 acres, which is considered to be within a competitive size range to the subject and no adjustment is warranted. Sales 2 and 5 are smaller and range from 29.96 acres to 32.07 acres. As discussed earlier in the report, smaller land sales in this size range tend to have similar price ranges to the larger land sales and land sizes over 20 acres do not seem to be highly sensitive to price. This is illustrated by the following paired sales:

Size Adjustment Support

Comp #	Sale Date	Location	Sale Price	Price /SF land	Acres	S.F.	Zoning
4	Nov-18	W/s of Wilmot Rd, S of U.P.R.R.	$3,250,000	$0.71	104.82	4,565,959	I-2 & R-1
C	Oct-18	NWc of Wilmot Rd & Littleton Rd	$1,230,000	$0.72	39.05	1,701,018	I-1



The lack of size sensitivity to price is also observed in the nearby listing of the Sunbelt Industrial lots which vary from 47.79 acres to 186.09 acres, but do not appear to have a size premium or deduction. A size adjustment does not appear to be warranted nor is it indicated by the data set.

Industrial Land in Sunbelt Industrial Center

NO.	SIZE	PRICE	PRICE/SF
LOT 1:	77.38 Acres	$2,190,803	65¢
LOT 2:	60.92 Acres	$1,960,200	74¢
LOT 3:	47.79 Acres	$1,315,000	63.2¢
Total:	186.09 Acres	$5,469,484	67.43¢

Property Highlights

- Close proximity to Interstate 10
- In Rita Ranch nearby UA Tech Park
- Adjacent to population center/ workforce
- Property is in the vicinity of Davis Monthan Air Force Base, may be subject to restrictions

Utilities	
Water*	16" - 24" main in Old Vail Rd 16" main in Rita Rd
Sewer*	16" main in Rita Rd, 24" along N & NE edges of Lots 2 & 3
Electric	3-Phase underground along Rita Rd
Gas Line*	4" main in Old Vail Rd 4" main in Rita Rd

*This information was obtained by the service providers. Information is not guaranteed to be accurate.

There are no adjustments for economic characteristics (sales are not leased) or non-realty components. Approximately 8.05 acres of the subject property is leased on a month-to-month basis for $1,200/month. Given the short term nature of the lease, no additional value is warranted.

LAND SALES ADJUSTMENT GRID

Land Sale Adjustment Grid

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Location	NWc of Alvernon Way & Corona Rd	NE of Valencia Rd, W/s of Pantano Alignment	E/s of Kolb, S of Valencia Rd	W/s of Wilmot Rd, S of U.P.R.R.	NE of I-10 & Valencia Rd	NWc of Wilmot Rd & I-10
Date	4/15	10/15	5/18	11/18	9/19	11/19
Sale Price	$9,531,270	$1,600,000	$11,598,782	$3,250,000	$4,110,000	$1,800,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash	Cash	Cash	Cash	Cash	Cash
Conditions of Sale	Typical	Typical	Typical	Typical	Typical	Typical
Expenditures after Sale	$0	$0	$0	$0	$0	$0
Expenditures after Sale/SF	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Acres	108.00	29.96	79.48	104.82	99.87	32.07
Land SF	4,704,480	1,305,058	3,462,648	4,565,959	4,350,337	1,396,969
Zoning	I-1	CI-2	PAD	I-2 & R-1	CI-1	C-2
In Flood Plain?	No	No	No	No	No	No
Utilities	All available	Electric	All available	All available	All available	All available
Intended Use	Industrial Development	Public facilities	Distribution Center	Solar Farm	Solar Farm	Solar Storage
Price/SF Land	**$2.03**	**$1.23**	**$3.35**	**$0.71**	**$0.94**	**$1.29**
Transactional Adjustments						
Property Rights Conveyed	0	0	0	0	0	0
Financing Terms	0	0	0	0	0	0
Conditions of Sale	0	0	-$1.25	0	0	0
Expenditures after Sale	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Adjusted Price/SF	**$2.03**	**$1.23**	**$2.10**	**$0.71**	**$0.94**	**$1.29**
Market Conditions Adjust.	0	0	0	0	0	0
Adjusted Price/SF	**$2.03**	**$1.23**	**$2.10**	**$0.71**	**$0.94**	**$1.29**
Property Adjustments						
Location	---	0	--	-	--	---
Physical Characteristics						
Topography/ hydrology	0	0	0	0	0	0
Shape	0	0	0	+20%	+20%	+20%
Utilities	-$0.23	0	-$0.23	0	0	-$0.23
Size	0	0	0	0	0	0
Economic Characteristics	0	0	0	0	0	0
Zoning/Allowable Use	0	0	0	0	0	0
Non Realty Components	0	0	0	0	0	0
Quantitative Adjustments	-$0.23	0	-$0.23	$0.14	$0.19	$0.03
Base Indicated Value/SF	**$1.80**	**$1.23**	**$1.87**	**$0.85**	**$1.13**	**$1.32**
Qualitative Adjustmetns	---	0	--	-	--	---
Indicated Value/SF	**< $1.80**	**=$1.23**	**< $1.87**	**< $0.85**	**< $1.13**	**< $1.32**

After adjustments, the sales data is somewhat inconclusive. Sale 3 is at the high end of the range and is considered the least comparable to the subject, despite its proximity, due to the unique user criteria and shovel ready site. It is given minimal weight. Sales 1 and 6 have superior locations and access to the subject and set the far upper limit to value. Sale 4 is below the range set by the comparables and was purchased for a solar field that did not give weight to wet utility availability.

Sales	Overall Qualitative Adjustment
1, 6	Significantly less than $1.32 - $1.80/S.F.
3, 5	Somewhat less than $1.13 - $1.87/S.F.
4	Slightly less than $0.85/S.F.
2	Similar to $1.23/S.F.

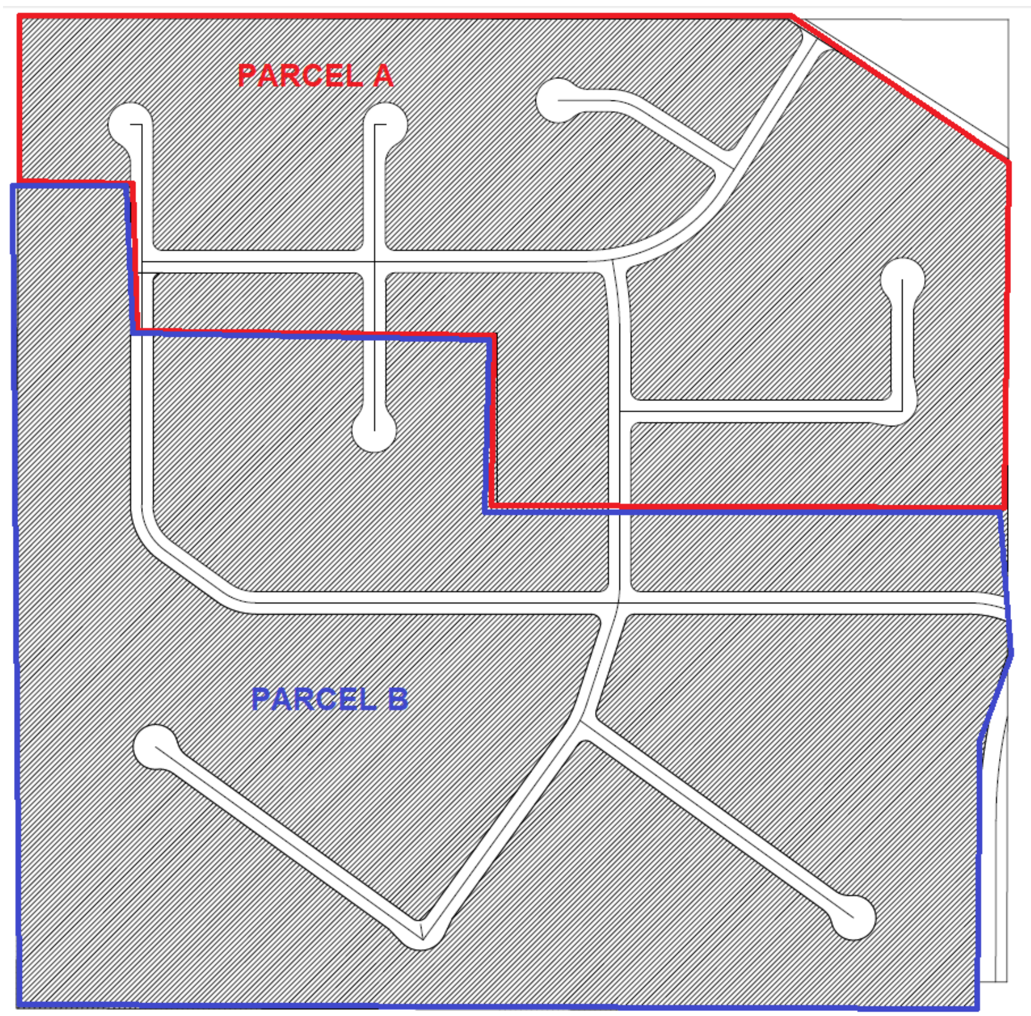
Considering the above analysis and data set, a value conclusion, as is, between $1.00/S.F to $1.20/S.F. is considered reasonable and reflects the highest and best use. This results in a value conclusion range of $6,884,658 to $8,261,590 for 6,884,658 S.F. site. I reconciled to a central value conclusion of $7,600,000. In order to market and/or develop the site as a single user, the site requires replatting and the interior roads to be abandoned. The estimated cost was previously reported at $25,000. This is considered within the value conclusion reconciliation and no additional adjustments are necessary.

The value conclusion, as is, is $7,600,000, and reflects the "Before Condition".

Hypothetical After Value Conclusion

Valuation as if encumbered by the Restricted Use Easement

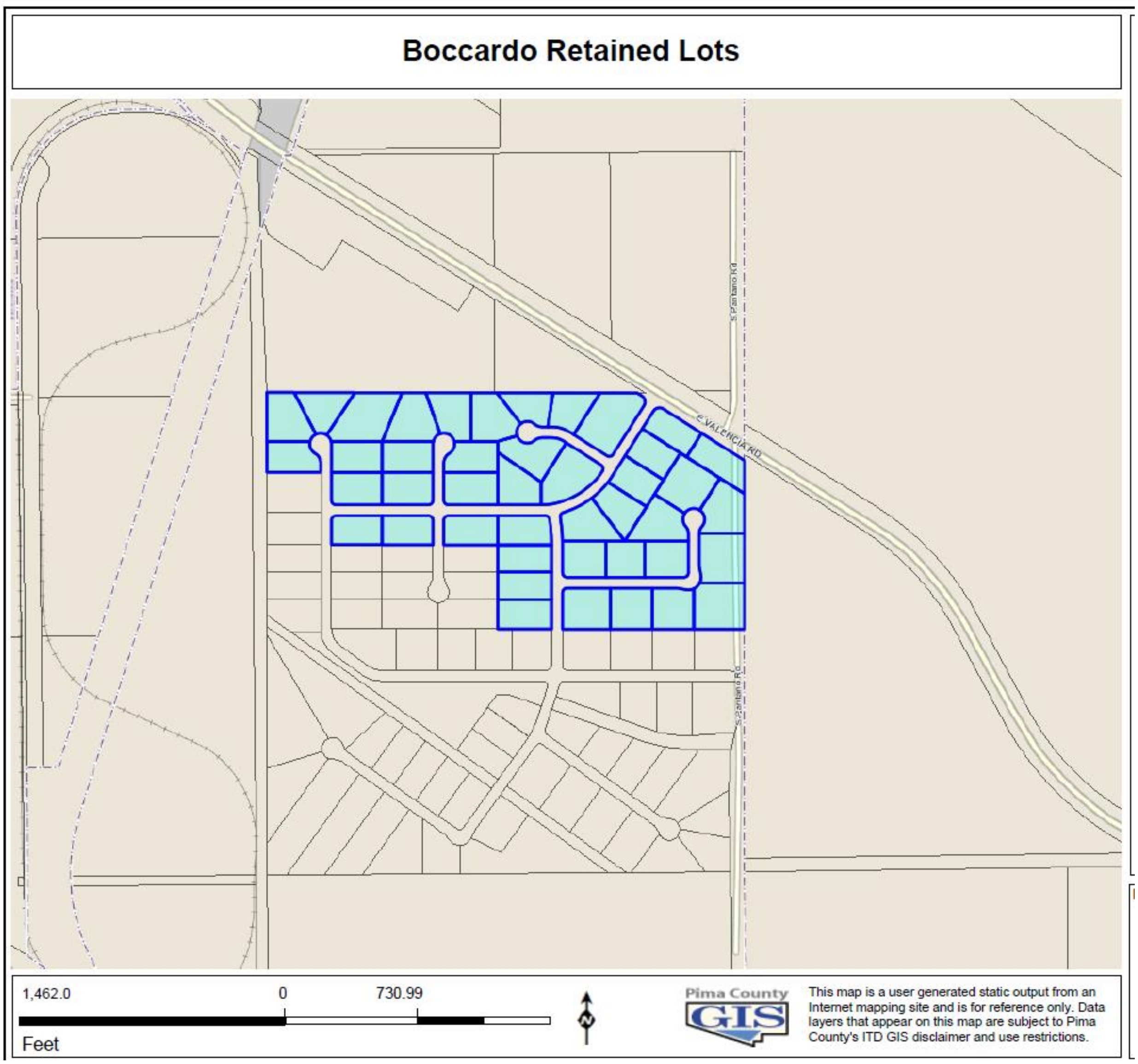
The client requested a value conclusion for the subject property, hypothetically as if encumbered by the proposed Restricted Use Easement. The purpose of the Restricted Use Easement is prevent high intensity development in the ADC-2 area, while not unduly restricting the development rights of the land owner. The Easement will 1) restrict the northern 60.29 gross acres (51.91 net acres) of the site to 43 developable lots and prohibit the assemblage of more than 3 adjacent lots (Parcel A), and 2) prohibit building structures on the remaining 97.76 gross acres (87.22 net acres) but permit storage, utility, or agriculture uses with a maximum of 100 employees (Parcel B). The size of Parcel B was estimated by Daniel Tremblay, Pima County Surveyor, and relied upon. Note that the size of Parcel B includes the dedicated roadways within the original plat. In order to render the site functional for the permitted uses, the area would require replatting for a larger user and abandonment of the roadways. This was previously determined to cost approximately $25,000 and will be considered within the analysis.



REPI RESTRICTION

1. 43 Retained Lots per Attached Map. All allowable uses per CI-2 zoning, subject to AEZ, ADC-2, HOZ and NCZ-B, *and* subject to restriction prohibiting assemblage of more than 3 adjacent lots into one building structure resulting in maximum of 80 employees in one building; reduce from 1060 employees to 750 total for all 43 lots combined.
2. Balance of Property (56 Lots): over 100 acres density and use restriction; limit to agricultural and utility use with density restriction of 100 employees on total property; reduction of approximately 2,000 employees

Parcel A:



The proposed Restricted Use Easement restricts development of Parcel A to 43 individual industrial lots and prohibits assemblage of more than 3 lots for any one user. As discussed previously, the requirement for a second access point is waived under this option. Furthermore, it is assumed that the water storage infrastructure and drainage will be placed within the open space of Parcel B.

A discounted cash flow is developed to determine the value of the subject Parcel A under these hypothetical conditions. General assumptions derived previously within the highest and best use for the 99 lot subdivision are utilized. Lot pricing was previously determined at $100,000/lot with absorption rates at 2 lots per year for Years 1-3, 4 lots per year for Years 4-8 and 6 lots per year thereafter. The average lot price assumes a developed lot with paved access, an installed septic system, electricity, and water lines to the lot. Phased construction would be prudent. The well cost was previously reported at $512,988 and is applied in Year 1. Individual septic systems, installed, were reported at $6,650/lot and are applied at the time of lot sale with costs increasing at 3% per year. The remaining lot development costs of $25,000/lot are applied at 23 lots finished in Year 1 and the remaining 20 lots finished in Year 6. A 3% annual increase in costs applied. Taxes are applied at an average $800/lot to reflect a mixture of platted and finished lots.

A developer's profit of 10% is applied along with commissions and administrative costs at 7%. Lot values and expenses are appreciated at 3%. A discount rate of 10% is applied based on the discount rate range presented in PwC's Q2 2019 Investor Study for Development Land. While the longer, riskier sellout period would infer the higher end of the range, I have already allocated a separate 10% for profit and therefore conclude to an additional 10% for the discount rate:

Exhibit DL-1

DISCOUNT RATES (IRRS)[a]

Second Quarter 2019

	CURRENT QUARTER	FOURTH QUARTER 2018
FREE & CLEAR		
Range	10.00% – 20.00%	10.00% – 20.00%
Average	15.50%	15.80%
Change		– 30

a. Rate on unleveraged, all-cash transactions; including developer's profit

The present value of Parcel A, under the hypothetical condition that the property is developed with 43 industrial lots, is $559,804, rounded to $560,000. The easement also restricts lot assemblage to no more than 3 lots for any one user. Area brokers were surveyed and unanimously reported that any restriction on use, however insignificant, leads to increased marketing times and/or reduced prices given the negative market perception of regulations and reduction of the buyer's pool. Ron Zimmerman recently sold a former discount tire store with a use restriction for tire sales. He reported a much longer marketing time than typical. A Consultation Report for the REPI Easement Program in the ADC-2 area prepared by Carolyn Van Hazel concluded to a 10% diminution in value for parcels in the 1.0 to 9.99 acre range which were restricted to a maximum of 20 employees. The restriction is minimal as the likelihood of demand for users with higher employee counts was minimal. Therefore, the discount reflected mostly stigma, which is similar to a discount applied for the limited assemblage potential of the subject lots. The discount to the subject lots is slightly higher to reflect a larger potential for users in the subject area which require yards and more acreage and the slightly reduced employee allowances.

CONCLUSION TABLE FROM REPI CONSULTATION REPORT

Parcel Size (acres)	Diminution in Value due to Proposed Easement Maximizing Employees
1 - 9.99	-10%
10 - 19.99	-20%
20 - 49.99	-25%
50 -99.99	-35%
100+	-40%

Given the additional restriction on development flexibility, a 15% discount is applied, for an adjusted value conclusion of $476,000, rounded to $475,000. The value conclusion for Parcel A, hypothetically as if encumbered by the Restricted Use Easement, or “after value’, is $475,000.

Present Value of the Cash Flow	**$559,804**	
Bulk or Wholesale Value	$559,804	
Total Potential Gross Sales Retail Value	$5,153,639	**NOT a Market Value Estimate**
Total Discount	89.14%	
Debt Incurred at Time Zero	$0	

Assumptions

Average price per lot	$100,000	Total No. of Lots	43.00
Discount Rate to the Equity Position	10.00%	Developer Profit	10.0%
Period: Year = 1; Quarter = 4; Month = 12	1	Ann. Absorption	Varies
Land Value Appreciation per Year	3.00%	Ann. Exp. Inc.	3.00%
Closing Costs, Commision and Marketing	6%	Gross sales at	100.00%
General Administration	1%	Dev's Loan	0
Property Tax per unit	$800	Interest Rate	0.00%
Annual unit releases	$0	Monthly HOA Fee	$0.00

Period Type	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Period Number	1	2	3	4	5	6	7	8	9	10	11
Units Unsold (Start of Period)	43	41	39	37	33	29	25	21	17	11	5
Revenue Calclations:											
Avg. Price per Unit	$100,000	$103,000	$106,090	$109,273	$112,551	$115,927	$119,405	$122,987	$126,677	$130,477	$134,392
Estimated Sales Per Period	2.00	2.00	2.00	4.00	4.00	4.00	4.00	4.00	6.00	6.00	5.00
Gross Revenue	**$200,000**	**$206,000**	**$212,180**	**$437,091**	**$450,204**	**$463,710**	**$477,621**	**$491,950**	**$760,062**	**$782,864**	**$671,958**
Less Expenses:											
Closing Costs, Commision & Marketing	12,000	12,360	12,731	26,225	27,012	27,823	28,657	29,517	45,604	46,972	40,317
General and Administrative Costs	2,000	2,060	2,122	4,371	4,502	4,637	4,776	4,919	7,601	7,829	6,720
Prop. Taxes	34,400	33,784	33,072	32,264	29,568	26,680	23,600	20,328	16,864	11,176	5,200
Homeowner's Association	0	0	0	0	0	0	0	0	0	0	0
Developer's Profit	20,000	20,600	21,218	43,709	45,020	46,371	47,762	49,195	76,006	78,286	67,196
Total Expenses	**68,400**	**68,804**	**69,143**	**106,569**	**106,103**	**105,511**	**104,796**	**103,959**	**146,075**	**144,263**	**119,433**
Net Income Before Debt	**$131,600**	**$137,196**	**$143,037**	**$330,521**	**$344,101**	**$358,199**	**$372,825**	**$387,990**	**$613,988**	**$638,601**	**$552,525**
Well	$512,988	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Septic	$13,300	$13,699	$14,110	$29,067	$29,939	$30,837	$31,762	$32,715	$50,544	$52,060	$44,685
Captial Expenses	575,000	0	0	0	0	579,637	0	0	0	0	0
Cash Flow	($969,688)	$123,497	$128,927	$301,455	$314,162	($252,275)	$341,064	$355,275	$563,443	$586,541	$507,840
Unit Releases	0	0	0	0	0	0	0	0	0	0	0
Equity Cash Flow	($969,688)	$123,497	$128,927	$301,455	$314,162	($252,275)	$341,064	$355,275	$563,443	$586,541	$507,840
Loan Balance at the end of the Period	$0	0	0	0	0	0	0	0	0	0	0
Discount Rate	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855	0.3505

Parcel B

The proposed Restricted Use Easement for Parcel B would limit the 97.76 gross acres to storage, agriculture, or utilities use with no building structures permitted. A prudent owner would have the property replatted and the internal roadways abandoned in order to render the site functional and marketable for the permitted uses. The estimated cost is $25,000 and will be considered within this analysis.

Market data for storage yards without building structures was not discovered. Furthermore, the subject area has not historically attracted agriculture uses, and Parcel B is small for typical agriculture users. The market for utility uses was considered and the most demanded use for parcels of the subject size was for solar farms.

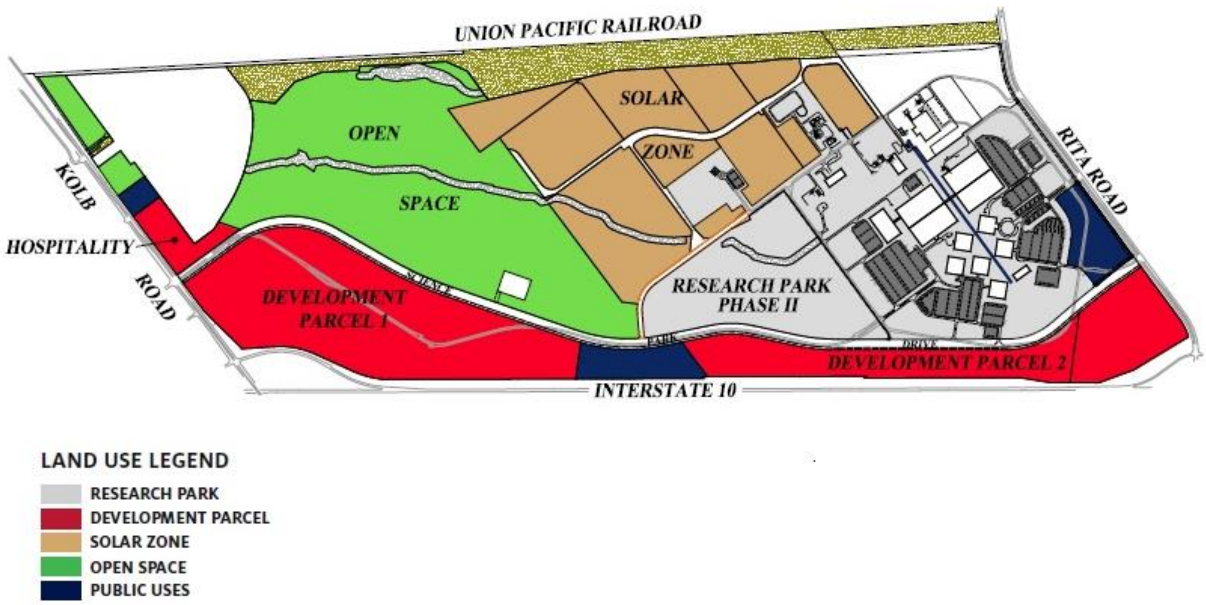
Solar Farms

A potential economic use for Parcel B, as encumbered, is for a solar farm. Solar energy production is currently among the most lucrative ventures in America due to the rising demand for green energy. Based on a report by Solar Energy Industries Association (SEIA), solar plants offered the largest source of clean energy in 2016. The 2018 SEIA report indicated that for six years in a row, solar was among the top two new power generating capacity sources in the U.S. The increased solar production capacity has made the US the 4th largest solar producer in the world. Top states for utility-scale solar include California, North Carolina, Arizona, Nevada, Texas, Georgia, Utah, Florida, New Jersey, Massachusetts, Vermont and Illinois.

Demand for solar fields in the subject vicinity are evident by the solar field located on State Trust Land adjacent southeast of the subject. A solar farm is planned on 105 acres at Wilmot Rd and U.P.R.R. and TEP recently purchased just under 100 acres at Valencia and I-10 for 'renewable energy' use. Additionally, TEP announced a 1,100-acre solar and storage project is planned for construction in 2020 near South Swan Road and Old Vail Road. TEP expects to provide more than 28% of its power from renewable resources in 2021, nearly doubling the 2025 goal for the state of Arizona. Located south of the subject, the Solar Zone, which comprises 223 acres within the UA Tech Park, exemplifies a technology partnership in the field of renewable energy. The Solar Zone is home to 10 companies demonstrating different solar energy generation technologies. All have power purchase agreements with Tucson Electric Power. The Solar Zone is the largest utility-scale, multi-technology solar evaluation development in the country. It provides the companies with the opportunity to partner with one of the top research universities in the country.

Phase One of the Solar Zone is a partnership between the University of Arizona and Tucson Electric Power. Its focus is on installing multiple solar technologies so that when the power is generated, these technologies can be tested and evaluated side-by-side under identical operating conditions. University of Arizona researchers are testing everything from solar power forecasting to the environmental impact of solar energy installations. Phase One includes 95,000 solar panels and more than 100 solar concentrators that generate power.

Phase Two focuses research and the development on energy storage, grid optimization and micro grids, distributed solar systems, and integrated and embedded solar materials. Phase Two will allow the demonstration of products and their cost effectiveness in the market.



Given the limitations on the site use for Parcel B, hypothetically as if encumbered by the Restricted Use Easement, I researched land sales acquired for the purpose of restricting development and utility use. Eight sales were discovered and range from $0.03/S.F. to $.94/S.F.

Land Sales After Condition - Parcel B

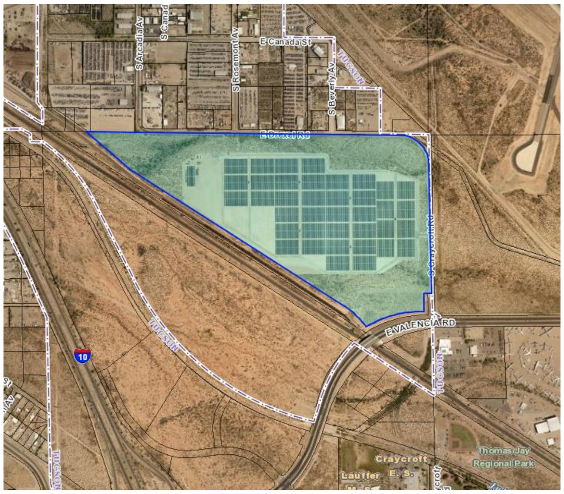
Comp #	Location	Sale Date	Acres	Sq Ft	Sale Price	Price /SF Land	Zoning	Intended Use
Subject	**SWc of Valencia Rd & Pantano Rd**	**N/A**	**97.66**	**4,254,070**	**N/A**	**N/A**	**CI-2**	**Ag, utilities, storage (no bldg structures)**
1	9600 S Houghton Rd	1/12	124.39	5,418,428	$1,624,000	$0.30	I-2	Open Space
2	SE of Hughes Access Rd & Nogales Hwy	3/12	221.81	9,662,044	$3,730,000	$0.39	CI-2	Buffer area, public works
3	NWc of Valencia Rd & Craycroft Rd	11/12	166.20	7,239,672	$2,410,480	$0.33	CI-1	Solar Farm
4	S/s of Wilmot Rd., S of Old Vail Connection Rd.	12/17	1,136.00	49,484,160	$13,530,000	$0.27	SP	Solar Farm
5	Silverbell & Sunset Rds	10/18	42.33	1,843,894	$100,000	$0.05	O-3	Open Space
6	W/s of Wilmot Rd, S of U.P.R.R.	11/18	104.82	4,565,959	$3,250,000	$0.71	I-2 & R-1	Solar Farm
7	Continental & Nebraska Rds	4/19	65.64	2,859,278	$87,000	$0.03	CI-2	Open Space
8	NE of I-10 & Valencia Rd	9/19	99.87	4,350,337	$4,110,000	$0.94	CI-1	Renewable Energy

LAND SALES LOCATION MAP – PARCEL B

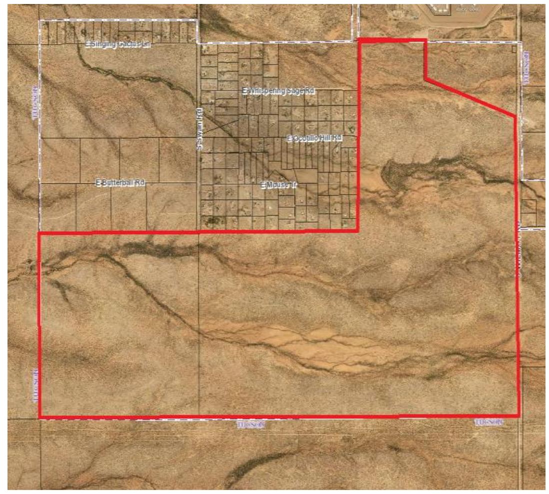
SALE 1

SALE 2

SALE 3



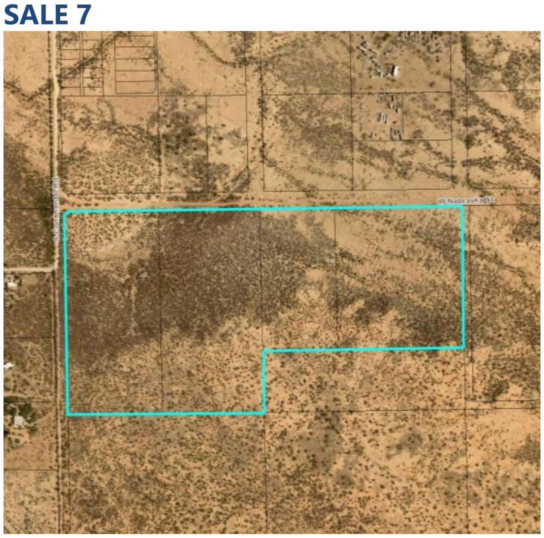
SALE 4



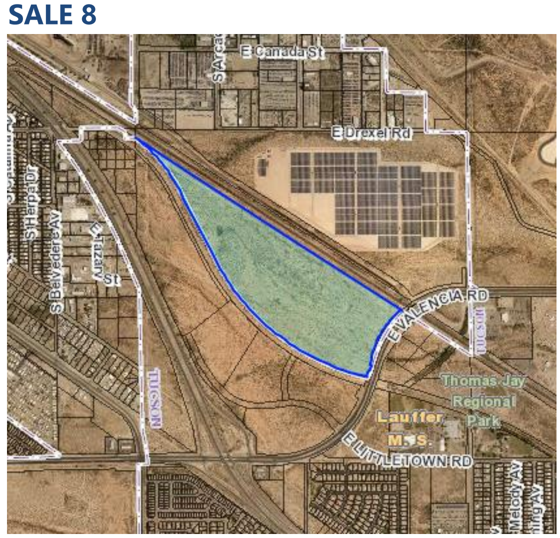
SALE 5

SALE 6

SALE 7



SALE 8



Sales 1, 5, and 7 represent land acquired to be held as open space with no other economic use. These sales were at the low end of the range from $.03 - $.30 per square foot. Land Sales 2, 3, 4, 6, and 8 had economic uses as solar farms or renewable energy use, along with public works. These sales present a higher price range of $.27 - $.94 per square foot. The subject location proximate to existing and planned solar fields would indicate this could be a likely use for Parcel B, as restricted. However, the depth of this market is untested and the marketing time could be significant depending on the rate at which the solar technology advances. The alternative is for open space, which yields a much lower value in the market and represents the lower limit to value for the subject if the property is not considered as a solar farm or open storage. Lacking these users, the subject Parcel B would have minimal alternative uses.

Sales 1, 5, 7	Sales 2, 3, 4, 6, 8
Open Space Land Sales	Solar Farm Land Sales
$0.03 - $0.30/S.F.	$0.27 - $0.94/S.F.

I conclude to the high end of the range for open space sales to reflect the subject's superior flexibility of use, and the low end of the range for solar farm/public works land to reflect the limited users which increase risk. The market value conclusion for Parcel B, as encumbered with the Restricted Use Easement, is $.30 per square foot. The 4,258,426 S.F. (97.76 x 43,560) at $.30/S.F. yields a market value conclusion, as encumbered, of $1,277,528, rounded to $1,275,000. As noted previously, this reflects a site which has been replatted to permit a single user with the internal roadways abandoned. The estimated cost of $25,000 for replatting and road abandonment represents less than 2% of the market value conclusion and is considered to be within a reasonable rounding bracket. No additional adjustment is warranted. The hypothetical 'after value' of Parcel B is $1,275,000.

Value of the Restricted Use Easement

The subject property was valued in the 'before condition', 'as is', based on its highest and best use at $7,600,000. The hypothetical 'after value' conclusions for Parcels A and B demand different uses and therefore a bulk discount is not considered appropriate since the two properties can be marketed and developed simultaneously. Parcels A and B are valued independently, at $475,000 and $1,275,000, respectively, for a total 'after value' conclusion of $1,750,000, which represents the site, hypothetically as if encumbered by the Restricted Use Easement. Deducting the 'after value' of $1,750,000 from the 'before value' of $7,600,000, yields a value of the Restricted Use Easement of $5,850,000. The Restricted Use Easement value of $5,850,000 reflects the compensation to the property owner for placing the Restricted Use Easement on the subject property.

Reconciliation

Summary of Value Indications

The indicated values from the approach used and our concluded market values for the subject property are summarized in the following table.

Value Indications and Conclusions

	Market Value, Fee Simple Interest
Valuation Date	November 12, 2019
Market Value, 'as is', Before Value	$7,600,000
Market Value, Hypothetically After Imposition of the Restricted Use Easement	$1,750,000
Market Value of the Restricted Use Easement	$5,850,000

The value opinions above are subject to the following extraordinary assumptions and hypothetical conditions. Use of extraordinary assumptions and hypothetical conditions may affect the value indication and conclusions.

Extraordinary Assumptions:

- The valuation of the voluntary Restricted Use Easement is based upon the unsigned and unrecorded easement document provided by Pima County. The analysis and conclusions in this appraisal report specifically assume that the final signed and recorded easement will contain substantially the same language and provisions as in the summarized document. Any significant difference between the summarized easement document contained in the Addenda and the easement document as signed and recorded may affect the analysis, highest and best use and value conclusions in this appraisal report.

- There are no known factors of archeological significance, geological significance, or environmental or hazardous conditions found on the site.

- The soil quality of the site is sufficient for most industrial type development.

- The road improvements to Valencia Road have been satisfied to issue assurances for Phase 1 lot development.

- Drainage and retention requirements and water storage to serve the 43 platted lots (Parcel A) in the 'after' condition are able to be placed in the open space area of Parcel B.

- Private water lines serving the individual lots are able to cross interior public streets.

- Sewer extension cost estimates provided by Bosque Engineering in March 2008 are generally similar to estimated current extension costs.

Hypothetical Conditions:

- The ‘after condition’ value conclusion is developed under the hypothetical condition that the Restricted Use Easement has been imposed on the subject property.

Exposure Time and Marketing Periods

The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) provide that the appraiser not link an estimate of market value to a specific exposure time. This provision is contrary to Standards Rule 1-2 and Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP), and is considered a Jurisdictional Exception. USPAP provides for jurisdictional exceptions as part of complying with other standards like UASFLA.

Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5 percent for a full tenant to as high as 15 percent or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15 percent addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium
A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement
An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value
The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)
The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction
A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation
1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value
The most probable price that a specified interest in real property is likely to bring under the following conditions:
- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement
The right to use another's land for a stated purpose. (Dictionary)

EIFS
Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date
The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)
The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent
The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). (Dictionary)

EPDM
Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause
A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate
A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property

typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land
Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop
A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

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

Extraordinary Assumption
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Fee Simple Estate
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. (Dictionary)

Floor Common Area
Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease
A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going Concern Value
- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area
The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

Gross Measured Area
The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method
A method of calculating variable operating expense in income-producing properties when less than 100 percent occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Gross Retail Sellout
The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (Dictionary)

Ground Lease
A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent
The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC
Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest and Best Use
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved –specific with respect to the user and timing of the use–that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition
That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease
A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value
A type of value for insurance purposes. (Dictionary)
(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value
The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation
In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

Leased Fee Interest
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest
The tenant's possessory interest created by a lease. (Dictionary)

Lessee (Tenant)
One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)
One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value
The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)
The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

Major Vertical Penetrations
Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines

are not considered to be major vertical penetrations. (BOMA)

Market Rent
The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated;
b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
c. A reasonable time is allowed for exposure in the open market;
d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Value As If Complete
Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized
Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time
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 the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

Master Lease
A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease
A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Operating Expense Ratio
The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option
A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest
Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

Pass Through
A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)
The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion
Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization
Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost
The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, super-adequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion
A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate
The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease
An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

Subordination
A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Substantial Completion
Generally used in reference to the construction of tenant improvements (TIs). The tenant's premises are typically deemed to be substantially completed when all of the TIs for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land
Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease
A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area
The measured area of an office area, store area or building common area on a floor. The total of all the usable areas or a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use
The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Valbridge PROPERTY ADVISORS
MJN Enterprises, Inc.

6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520-321-0000 phone
520-290-5293 fax
valbridge.com

Date: October 3, 2019

Mr. Jeff Teplitsky
Appraisal Supervisor
Pima County Real Property Services
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Sent by e-mail: Jeffrey.Teplitsky@pima.gov

Re: Real Property Appraisal
Fee Simple Values, before and after the placement of a restrictive easement
SWc of Valencia Rd and the Pantano Road alignment
APN's 141-07-0380 thru -1360
Owner: Title Security Agency Trust #201634-S/ VP Commerce Center, LLC

Dear Mr. Teplitsky:

I am submitting this proposal for an appraisal report regarding the property referenced above.

An appraisal report will be prepared in compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA or "Yellow Book"), USPAP, and Pima County requirements. The report will contain descriptions of the market area and the subject property and contain supporting factual data and analyses necessary to substantiate my conclusions, as well as pertinent exhibits and photographs. The intended users are Pima County RPS, DM/Department of Defense and/or other designated parties with an interest in the subject property. Per your request, the report will address the market value of the fee simple interest "as is" in the before condition of the entire 158.05 acre property, as an unimproved, fully entitled subdivision with 99 platted lots. Thereafter, the market value will be determined for 43 retained platted lots (Parcel A) and the balance of the property (Parcel B), as if encumbered by restrictive easements in the after condition. The scope of work will include completion of the Sales Comparison Approach only; the Income Capitalization and Cost Approaches will not be undertaken. A before and after analysis will be undertaken in order to establish an opinion of value of the restrictive easements.

My certification included in the appraisal report will be subject to the attached limiting conditions and to other specific and limiting conditions which will be set forth in the report if appropriate. Also attached is documentation of my completion of the UASFLA (Yellow Book) Course.

The total fee for the appraisal assignment will be $8,000. Upon the timely receipt of the necessary information, and the mutually-executed agreement, the report will be completed in 45 to 60 days.

The client hereby agrees to pay an 18% per annum finance charge on any unpaid balance of the fee if payment is not received when due. Accounts which must be assigned to an outside agency for collection will be assessed a $200.00 service charge. In case legal action is instituted to collect a past due balance, the above-named client promises to pay collection costs and such additional sums as the court may adjudge reasonable such as court costs, attorney fees, service of process, and any other costs necessary to effect judgment and enforce payment. Please make all checks payable to MJN Enterprises, Inc.

If this agreement is not signed by the client and returned to the appraisers within two days from the above date, the fees set forth herein may be subject to change. Further, the above-quoted fee agreement is subject to change by the appraisers upon inspection of the property or upon change in the client's requested services. Appraisers shall notify the client of any such change in fees prior to commencement of the work.

The parties agree that the estimated fee does not include any services or expenses other than those as set forth above. For example, post appraisal consultation, appearance at legal proceedings, research, analysis, preparation, and testimony for depositions or court appearances for any legal proceedings are not included services, unless specifically set forth above. Any such additional services requested by the client and expenses occasioned thereby are subject to an additional fee to be billed at $200 per hour, excepting expert witness testimony and testimony within depositions which are billed at $250 per hour.

Your acceptance of this proposal, as confirmed by your signature on this letter, will acknowledge your understanding and agreement with the terms of this assignment as set forth in this letter, including the document entitled "General Assumptions and Limiting Conditions." This contract is made solely with Valbridge | MJN Enterprises, Inc., an independent corporation.

If these terms expressed in this letter are acceptable to you, please date and sign this original letter and return it to me, together with your check covering the retainer fee made payable to MJN Enterprises, Inc. I am enclosing a signed copy of this letter for your records.

If any provision of this agreement is determined to be void or unenforceable by any court of proper jurisdiction, such determination shall not affect any other provision of this agreement held to be enforceable and all such enforceable provisions shall remain in full force and effect. Any actions or proceedings brought by anyone relating to or arising out of this agreement shall be brought in a court of proper jurisdiction in Pima County, Arizona. It is agreed that this agreement and the performance hereunder and all suits and legal proceedings hereunder shall be construed in accordance with and pursuant to the laws of the State of Arizona. This agreement represents the entire agreement between the parties and supersedes all prior written or oral agreements, negotiations, or representations.

This agreement shall be binding upon the heirs, successors, and assigns of the parties.

I look forward to being of service to you.

Respectfully submitted,

VALBRIDGE PROPERTY ADVISORS | TUCSON

By: Carolyn Van Hazel, MAI
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 31591
cvanhazel@valbridge.com

CLIENT ACCEPTED & APPROVED:

By____________________

Date 10/14/19

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Statement of Work and REPI Easement Description

REPI SCOPE OF WORK

Owner	TSA Trust 201634-S/VP Commerce Center, LLC
Parcel No.	141-07-0380 thru 1360
Parcel Size	158.05 acres
Improvements	Fully entitled subdivision; 99 platted lots; unimproved
Jurisdiction	Pima County
Comprehensive Plan	MA, Military Airport
Zone	CI-2
Airport Environs Zone Overlay (AEZ)	Yes
Airport Environs Height Overlay Zone (HOZ)	Yes, as to a portion in NW corner
Approach/Departure Corridor (ADC-2)	Yes
Noise Control Zone (NCZ-B)	Yes
Current Uses Allowed	All allowable uses per CI-2 zoning, subject to AEZ, ADC-2 and NCZ-B
Plat/Dev Plan/Permits	VP Commerce Center subdivision with 99 one acre lots

REPI EASEMENT

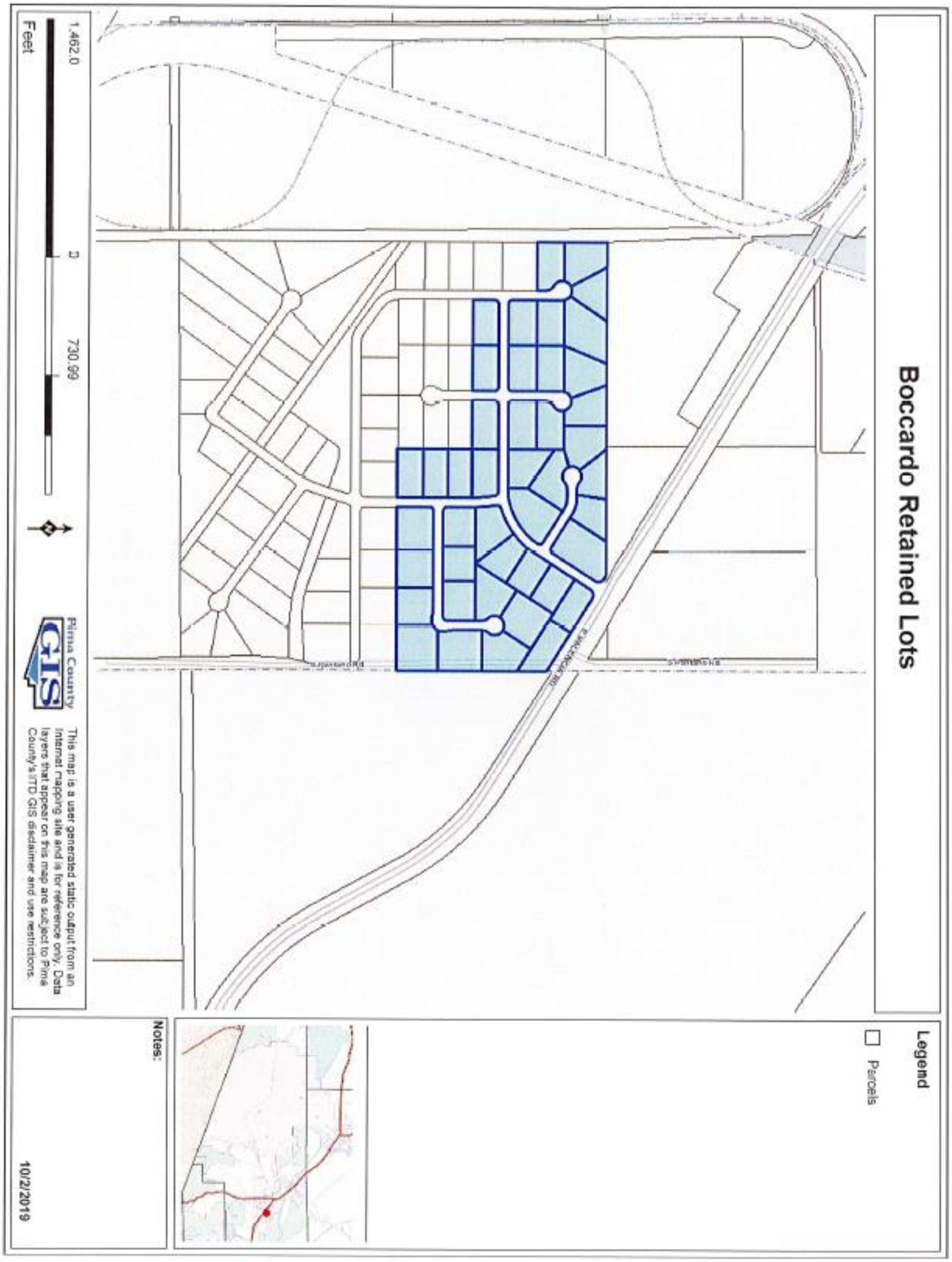
CURRENT USES ALLOWED	USES ALLOWED AFTER REPI EASEMENT RESTRICTION PURCHASE
All allowable uses per CI-2 zoning, subject to AEZ, ADC-2, HOZ and NCZ-B	See below

REPI RESTRICTION

1. 43 Retained Lots per Attached Map. All allowable uses per CI-2 zoning, subject to AEZ, ADC-2, HOZ and NCZ-B, *and* subject to restriction prohibiting assemblage of more than 3 adjacent lots into one building structure resulting in maximum of 80 employees in one building; reduce from 1060 employees to 750 total for all 43 lots combined.
2. Balance of Property (56 Lots): over 100 acres density and use restriction; limit to agricultural and utility use with density restriction of 100 employees on total property; reduction of approximately 2,000 employees

AGREE WITH COUNTY PROCEEDING WITH PROPERTY APPRAISAL OF VALUE OF REPI EASEMENT BASED ON THE ABOVE CRITERIA:

Owner [signature] Date 10/2/19


Boccardo Retained Lots
Legend
Parcels
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Feet
Pima County
GIS
This map is a user generated static output from an Internet mapping site and is for reference only. Data layers that appear on this map are subject to Pima County's ITD GIS disclaimer and use restrictions.
Notes:
10/2/2019