



# MEMORANDUM

Date: January 15, 2026

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: Jan Lesser  
County Administrator

**Re: Additional Information for the Board of Supervisors January 20, 2026 Agenda - Item #32 Regarding 75 E. Broadway Option Notice and Rent Amount**

## Background

On April 4, 2023, the Board of Supervisors approved a Ground Lease Option (Agreement) with the Rio Nuevo Multipurpose Facilities District (District) for the development of a mixed-use project located at the County-owned property known as 75 E Broadway in Downtown Tucson (Attachment 1). Pursuant to the Agreement, Rio Nuevo issued a Request for Proposals and has selected Obie Companies as the successful proposer. Obie gave a presentation on the proposed project at the November 18, 2025, Board of Supervisors meeting (Attachment 2).

In accordance with Section 3.1 of the Agreement, on November 24, 2025, the District submitted its Option Notice to Pima County (Attachment 3). Pursuant to Section 3.2 of the Agreement, approval of the Option Notice and the Rent Amount is needed by the Pima County Board of Supervisors to move forward with the project and for development of an agreement for the lease and purchase of the property to the District.

A third-party appraisal (Appraisal) was completed for the land located at 75 E. Broadway on October 22, 2025 (Attachment 4). The Appraisal opines a purchase value of \$3,080,000, and an annual market ground lease rate of \$215,600 per year.

Per ARS 11-254.04, the Board of Supervisors has the authority to engage in any "activity that the board of supervisors has found and determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of the County", including specifically the "acquisition, improvement leasing or conveyance of real or personal property." Additionally, the statute allows the County to set the purchase price and annual rent amount at no less than 90 percent of the appraised value.

## Related Considerations & Next Steps

Following the November 18, 2025 presentation by Obie Companies, County staff have had discussions with Rio Nuevo regarding the potential terms for the lease and purchase of the property which will be outlined in an agreement provided for future Board of Supervisors consideration. As part of these discussions, the County has indicated a willingness to lease

JAN 15 2026 PC CLK (OF BD)  
Rm

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Additional Information for the Board of Supervisors January 20, 2026 Agenda -Item #32**  
**Regarding 75 E. Broadway Option Notice and Rent Amount**

January 15, 2026

Page 2

and sell the property to the District at 95 percent of the appraised value and to apply any lease payments toward the purchase of the property.

Other relevant considerations that have been discussed between the County and the District include the County's desire to include certain preferences on contractor labor selection and local tenant occupancy. The attached January 13, 2026, letter from legal counsel for the District (Attachment 5) reflects the following commitments that will:

- Install a preference for contractors that pay a livable wage, provide health benefits and/or contribute to employee retirement plans, as permitted by statute; and
- Commit to two-thirds of the retail tenants being local business operators, and if Rio Nuevo cannot deliver the agreed upon local percentage, they will pay the full appraised value for the parcel.
- Be hypersensitive to cultural, historic, and placemaking components.

Subject to Board of Supervisors' approval of the Option Notice and a Rent Amount, County staff will prepare a lease and purchase agreement for future consideration by the Board that incorporates the above commitments and other terms related to the lease and purchase of the property by the District.

Recommendation

Staff recommends that the Board of Supervisors approve the Option Notice and a Rent Amount of \$204,820 per year, which is 95 percent of the amount established in the Appraisal. It is also recommended that the Board directs staff to develop a lease and purchase agreement for subsequent consideration by the Board reflecting the concepts outlined in the letter of January 13, 2026, from the attorney for the District and other terms related to the lease and purchase of the property.

JKL/anc

Attachments

c: Carmine DeBonis, Jr., Deputy County Administrator  
Steve Holmes, Deputy County Administrator  
Heath Vescovi-Chiordi, Director, Economic Development Department  
Fletcher McCusker, Chairman, Rio Nuevo Multipurpose Facilities District

# ATTACHMENT 1



BOARD OF SUPERVISORS AGENDA ITEM REPORT  
AWARDS / CONTRACTS / GRANTS

Award  Contract  Grant

Requested Board Meeting Date: 04/04/2023

\* *Mandatory Information must be provided*

or Procurement Director Award:

**\*Contractor/Vendor Name/Grantor (DBA):**

Rio Nuevo Multipurpose Facilities District

**\*Project Title/Description:**

Ground Lease Option Agreement ("Agreement")

**\*Purpose:**

This Ground Lease Option Agreement provides the Rio Nuevo District the authority to issue a Request for Proposals (RFP), and subsequently enter into a lease-purchase development agreement with Pima County to enable an RFP proposer to develop the property located at 75 East Broadway ("Broadway"), Tucson, Arizona, a 32,839 square foot Pima County owned vacant parcel including the 15 foot wide public alley (the "Alleyway") right-of-way in Block 248 of the City of Tucson, Arizona.

**\*Procurement Method:**

Exempt pursuant to Pima County Code 11.02.Q20

**\*Program Goals/Predicted Outcomes:**

The District will have the option to subsequently enter into a lease-purchase agreement with Pima County for development of a mixed use project at 75 East Broadway based on the outcome of a District issued RFP and subject to successful negotiations with the selected RFP respondent and Pima County approval.

**\*Public Benefit:**

75 East Broadway will be developed with a mixed use project providing jobs, taxes, and lease and sales revenue to the County.

**\*Metrics Available to Measure Performance:**

Economic impact of the potential lease and purchase of 75 East Broadway for development of a mixed use project will be measured by an economic impact analysis upon selection of a developer from the Rio Nuevo District RFP process.

**\*Retroactive:**

No

To CoB: 3127123  
Vers: 1  
Pgs: 50(1)

MAR2723AM1139PO

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THE APPLICABLE SECTION(S) BELOW MUST BE COMPLETED

Click or tap the boxes to enter text. If not applicable, indicate "N/A". Make sure to complete mandatory (\*) fields

Contract / Award Information

Document Type: CTN

Department Code: RPS

Contract Number (i.e., 15-123): 23\*0147

Commencement Date: 4/4/2023

Termination Date: 4/3/2026

Prior Contract Number (Synergen/CMS): \_\_\_\_\_

Expense Amount \$ \_\_\_\_\_ \*

Revenue Amount: \$ 0.00

\*Funding Source(s) required: \_\_\_\_\_

Funding from General Fund?  Yes  No If Yes \$ \_\_\_\_\_ % \_\_\_\_\_

Contract is fully or partially funded with Federal Funds?  Yes  No

If Yes, is the Contract to a vendor or subrecipient? \_\_\_\_\_

Were insurance or indemnity clauses modified?  Yes  No

If Yes, attach Risk's approval.

Vendor is using a Social Security Number?  Yes  No

If Yes, attach the required form per Administrative Procedure 22-10.

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Amendment / Revised Award Information

Document Type: \_\_\_\_\_

Department Code: \_\_\_\_\_

Contract Number (i.e., 15-123): \_\_\_\_\_

Amendment No.: \_\_\_\_\_

AMS Version No.: \_\_\_\_\_

Commencement Date: \_\_\_\_\_

New Termination Date: \_\_\_\_\_

Prior Contract No. (Synergen/CMS): \_\_\_\_\_

Expense  Revenue  Increase  Decrease

Amount This Amendment: \$ \_\_\_\_\_

Is there revenue included?  Yes  No If Yes \$ \_\_\_\_\_

\*Funding Source(s) required: \_\_\_\_\_

Funding from General Fund?  Yes  No If Yes \$ \_\_\_\_\_ % \_\_\_\_\_

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Grant/Amendment Information (for grants acceptance and awards)

Award  Amendment

Document Type: \_\_\_\_\_

Department Code: \_\_\_\_\_

Grant Number (i.e., 15-123): \_\_\_\_\_

Commencement Date: \_\_\_\_\_

Termination Date: \_\_\_\_\_

Amendment Number: \_\_\_\_\_

Match Amount: \$ \_\_\_\_\_

Revenue Amount: \$ \_\_\_\_\_

\*All Funding Source(s) required: \_\_\_\_\_

\*Match funding from General Fund?  Yes  No If Yes \$ \_\_\_\_\_ % \_\_\_\_\_

\*Match funding from other sources?  Yes  No If Yes \$ \_\_\_\_\_ % \_\_\_\_\_

\*Funding Source: \_\_\_\_\_

\*If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)? \_\_\_\_\_

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Contact: Jeffrey Teplitsky

Department: Real Property Services

Telephone: 520-724-6306

Department Director Signature: J. Teplitsky

Date: 3/27/23

Deputy County Administrator Signature: C. Orlin

Date: 3/27/2023

County Administrator Signature: O. Orlin

Date: 03/27/2023

## OPTION AGREEMENT

### [Broadway Property]

This Ground Lease Option Agreement (“**Agreement**”) is entered into, effective as of April 4, 2023 (the “**Effective Date**”), by and between Pima County, a political subdivision of the State of Arizona (“**County**”) and **Rio Nuevo Multipurpose Facilities District**, a special taxing district of the State of Arizona (“**Rio Nuevo**”).

#### 1. Background and Purpose.

- 1.1. Rio Nuevo, as a multipurpose facilities district formed under 48-4202(B), has the authority to acquire property and construct, within the Rio Nuevo multipurpose facility site, commercial facilities that its board determines are necessary or beneficial to District (A.R.S. §§ 48-4201(4) and 48-4204(B)), and may issue revenue bonds for that purpose (A.R.S. §§ 48-4203(B)(3) and 48-4251). It may also “[e]nter into agreements with developers, contractors, tenants and other users of all or part of” such a facility. A.R.S. § 48-4203(A)(2).
- 1.2. County owns an unimproved parcel of real property approximately 0.66 acres in size, which is located on the north side of Broadway Boulevard between 6th and Scott Avenue at 75 E. Broadway Boulevard in downtown Tucson, Arizona (“**Unimproved Parcel**”). County also acquired from the City of Tucson the alley that abuts the northern boundary of the Unimproved Parcel (“**Alley**”), approximately .093 acres in size. The Unimproved Parcel and the Alley (collectively the “**Premises**”, “**Leased Property**”, or “**Project Property**”) lie within the Rio Nuevo Multipurpose Facilities boundary. The Premises is legally described and more particularly depicted on **Exhibit A**.
- 1.3. The Pima County Board of Supervisors (the “**Board**”) has authority under A.R.S. § 11-254.04 to engage in any “activity that the board of supervisors has found and determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of County,” including specifically the “acquisition, improvement, leasing or conveyance of real or personal property.”
- 1.4. District and County previously executed a Ground Lease Option Agreement dated December 13, 2016 (the “**Previous Option Agreement**”) and a Lease Agreement (the “**Previous Lease Agreement**” dated January 8, 2019, relating to the Premises. Pursuant to the Previous Lease Agreement, District issued a Request for Proposal seeking proposals for the development of the Premises, but District was not successful in selecting a developer to commence the development process.
- 1.5. The parties are revisiting the terms of both the Previous Option Agreement and the Previous Lease Agreement by entering into this new Agreement. This Agreement is effective as of the date this Agreement is signed by both parties (“**Effective Date**”).
- 1.6. County is interested in leasing the Property to Rio Nuevo for development and sublease to companies whose presence will create economic development opportunities for the community.

#### 2. Definitions.

- 1.1. “**Ground Lease**” means the lease for the Property that County and Rio Nuevo will enter into upon Rio Nuevo’s exercise of the Option, the material terms of which will be as set forth in **Exhibit B**.

The Ground Lease will be in a form substantially consistent with the terms of the attached **Exhibit C**.

- 1.2. **“Option”** means Rio Nuevo’s option to lease the Property from County, as provided below.
- 1.3. **“Option Term”** means a 3-year period commencing on the Effective Date.
2. **“Rent Amount”** means the fair-market annual rent for the Ground Lease as established under Section 4 below.
3. **Grant of Option.** For and in consideration of the sum of Ten Thousand Dollars and no cents (\$10,000.00), the receipt and sufficiency of which are acknowledged and in consideration of the mutual covenants, promises and agreements contained herein, County hereby grants Rio Nuevo an exclusive option to lease the Property from County, as provided in this Agreement.
  - 3.1. Exercise of Option.** Rio Nuevo may exercise this Option at any time prior to the expiration of the Option Term by providing County written notice (the **“Option Notice”**) of its election to do so. The Option Notice must include information about the improvements that Rio Nuevo plans to build, and the proposed tenant(s) for the improvements.
  - 3.2. Approval by Board.** County will not be obligated to enter into the Ground Lease unless and until the Board takes formal action at a public meeting approving the Option Notice and the Rent Amount. If any of the information provided in the Option Notice is confidential, Rio Nuevo must so indicate; in that event, the Board will be provided details about the Option Notice in executive session as permitted by A.R.S. § 38-431.03(A)(7). Rio Nuevo acknowledges that County is granting this Option for economic development purposes and that the Board is under no obligation to approve the proposed Ground Lease unless it determines that the Ground Lease will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of County. County will give preference to a proposal that includes a sublease to one or more new or expanding high wage companies whose industry is aligned with the regional economic development efforts of County.
  - 3.3. Revocation of Option.** Rio Nuevo may withdraw its Option Notice and elect not to enter into the Ground Lease at any time before the Ground Lease is executed by County.
4. **Establishing the Rent Amount.** Base Rent for the first lease year of the Term shall be the fair market value for the Leased Property at the time of exercise, as determined by an appraisal prepared by a third-party appraiser of County’s selection. Base Rent for each subsequent lease year of a Renewal Term shall automatically increase by Two and 50/100ths percent (2.50%) upon the anniversary of the Effective Date.
5. **Final Ground Lease.** After the Rental Amount is established as provided above, and the Board has approved the proposal, the parties will negotiate diligently to agree upon the final form of the Ground Lease.
6. **Use of Property during Option Term.** County will not, during the Option Term, without Rio Nuevo’s prior written consent, make any substantial changes to the physical condition of the Property, and will continue to use the Property in the same way it was being used as of the Effective Date.
7. **Assignment; Successors.** All the terms, provisions, and conditions of this Agreement are binding upon and inure to the benefit of the heirs, successors and assigns of the respective parties.

8. **Notices.** Any notices required or permitted to be given under the terms of this Agreement, or by law, must be in writing and may be given by personal delivery or certified mail (return receipt requested), directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

**County:** Pima County Administrator  
130 W. Congress, 10<sup>th</sup> Floor  
Tucson, AZ 85701

with copies to: Pima County Economic Development Director  
201 N. Stone Ave., 2nd Floor  
Tucson, Arizona 85701

Pima County Attorney's Office  
Attn: Chief Civil Deputy Attorney  
32 North Stone Avenue, Suite 2100  
Tucson, Arizona 85701

**Rio Nuevo:** Rio Nuevo Multipurpose Facilities District  
1703 E. Broadway Blvd.  
Tucson, AZ 85719

with a copy to: Mark Collins, Esq.,  
Gust Rosenfeld P.L.C.  
One South Church Avenue, Suite 1900  
Tucson, Arizona 85701

Any notice given will be effective when received, or if given by certified mail, then 72 hours after the deposit of such notice in the United States mail with postage prepaid.

9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona.

10. **Default.** If either party fails or refuses to carry out any provision hereof, the other party will be entitled to such remedy or remedies for breach of contract as may be available under applicable law, including without limitation the remedy of specific performance, if such other party has fully performed all its obligations hereunder. Time is of the essence hereof.

11. **County's Warranty.** County warrants that it has fee title to the Property as of the Effective Date, and that execution of this Agreement has been duly authorized by the Pima County Board of Supervisors.

12. **Modification.** This Agreement may not be modified except by a written agreement executed by all parties.

13. **Jurisdiction and Venue.** This Agreement must be construed in accordance with Arizona law. Jurisdiction for any dispute or claim raised under this Agreement or proceeding brought to interpret the Agreement will lie solely in the State of Arizona, with venue in Pima County.

14. **Recording.** Upon the execution of this Agreement Buyer and Seller will execute a Memorandum of Option Agreement and record it in the Pima County Recorder's Office.

15. **Further Assurances.** Each party agrees in good faith to take, or cause to be taken, any reasonable actions that are necessary to ensure that both parties' rights and interests in and under this Agreement are valid and enforceable.
16. **Counterparts.** This Agreement may be executed by the exchange of faxed or electronic signatures and in any number of counterparts.
17. **Entire Agreement.** This Agreement, together with the Lease and documents related to the Lease, sets forth the entire understanding of the parties with respect to the subject matter of this Agreement, and supersedes all prior understandings and agreements, whether written or oral, between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date first set forth above.

**RIO NUEVO**

By: \_\_\_\_\_

Fletcher McCusker  
Chair of the Board of Directors

Date: \_\_\_\_\_

By: \_\_\_\_\_

Edmund Marquez  
Secretary of the Board of Directors

Date: \_\_\_\_\_

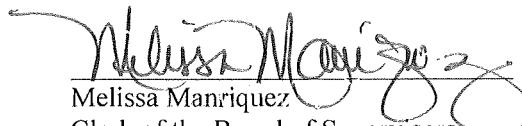
**PIMA COUNTY**

By: \_\_\_\_\_

Adelita S. Grijalva  
Chair of the Board of Supervisors

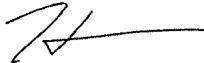
Date: APR 04 2023

**ATTEST:**

  
Melissa Manriquez

Clerk of the Board of Supervisors

**APPROVED AS TO CONTENT:**



Heath Vescovi-Chiordi  
Economic Development Director

**APPROVED AS TO FORM:**



Bobby Yu  
Deputy County Attorney

15. **Further Assurances.** Each party agrees in good faith to take, or cause to be taken, any reasonable actions that are necessary to ensure that both parties' rights and interests in and under this Agreement are valid and enforceable.

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IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date first set forth above.

**RIO NUEVO**

By: \_\_\_\_\_

Fletcher McCusker  
Chair of the Board of Directors

Date: \_\_\_\_\_

**PIMA COUNTY**

By: \_\_\_\_\_

Adelita Grijalva  
Chair of the Board of Supervisors

Date: \_\_\_\_\_

**ATTEST:**

By: \_\_\_\_\_

Edmund Marquez  
Secretary of the Board of Directors

Date: \_\_\_\_\_

Melissa Manriquez

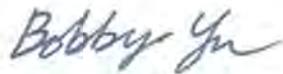
Clerk of the Board of Supervisors

**APPROVED AS TO CONTENT:**



Heath Vescovi-Chiordi  
Economic Development Director

**APPROVED AS TO FORM:**



Bobby Yu  
Deputy County Attorney

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IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date first set forth above.

**RIO NUEVO**

By: \_\_\_\_\_

Fletcher McCusker  
Chair of the Board of Directors

Date: \_\_\_\_\_

By: \_\_\_\_\_

Edmund Marquez  
Secretary of the Board of Directors

Date: 7/14/2023



**PIMA COUNTY**

By: \_\_\_\_\_

Adelita Grijalva  
Chair of the Board of Supervisors

Date: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Melissa Manriquez  
Clerk of the Board of Supervisors

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
Heath Vescovi-Chiordi  
Economic Development Director

**APPROVED AS TO FORM:**

\_\_\_\_\_  
*Bobby Yu*  
Bobby Yu  
Deputy County Attorney

**EXHIBIT A**  
**LEGAL DESCRIPTION AND DIAGRAM OF PROPERTY**  
**[Broadway Property]**

of Deeds at Page 822, records of said County, said point being the present Northeast corner of Broadway and Scott Street;

THENCE Easterly along the Southerly line of the property so conveyed to Kirt L. Hart, said line being also the present North line of Broadway, a distance of 100.1 feet to a point;

THENCE Northerly to a point on the South line of that certain 15 feet strip of ground theretofore conveyed to the said City of Tucson, for alley purposes, by Deed bearing dated May 31, 1902 executed by Kirt L. Hart and recorded in Book 34 of Deeds at Page 15, records of said County, which point is distant 100.5 feet Easterly from the East line of said Scott Street;

THENCE Westerly along the South line of said 15 foot alley, a distance of 100.5 feet to the East line of Scott Street;

THENCE Southerly along the East line of Scott Street, being along the West line of said Block, to the Point of Beginning.

Said property commonly known as Lot 3 and 5 of Block 248, City of Tucson.

**Parcel No. 4:**

That portion of that certain unnumbered Block (sometimes referred to as Block 248) of the CITY OF TUCSON, Pima County, Arizona according to the plat thereof, as made and executed by S.W. Forman and approved and adopted by Mayor and Common Council of said City (then village) of Tucson, on June 26, 1872, which map is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats, at Page 70 thereof, described as follows:

BEGINNING at the intersection of the West line of 6th Avenue with the North line of Broadway;

THENCE North, along the West line of 6th Avenue and the East line of said Block 248 of a distance of 114.4 feet, more or less to a point on the South line of that certain 15 foot alley, conveyed to the City of Tucson by Deed recorded in Book 34 of Deeds at Page 15;

THENCE Westerly, along the South line of said alley, a distance of 170.7 feet, more or less, to a point thereon distant 100.5 feet from the East line of Scott Street;

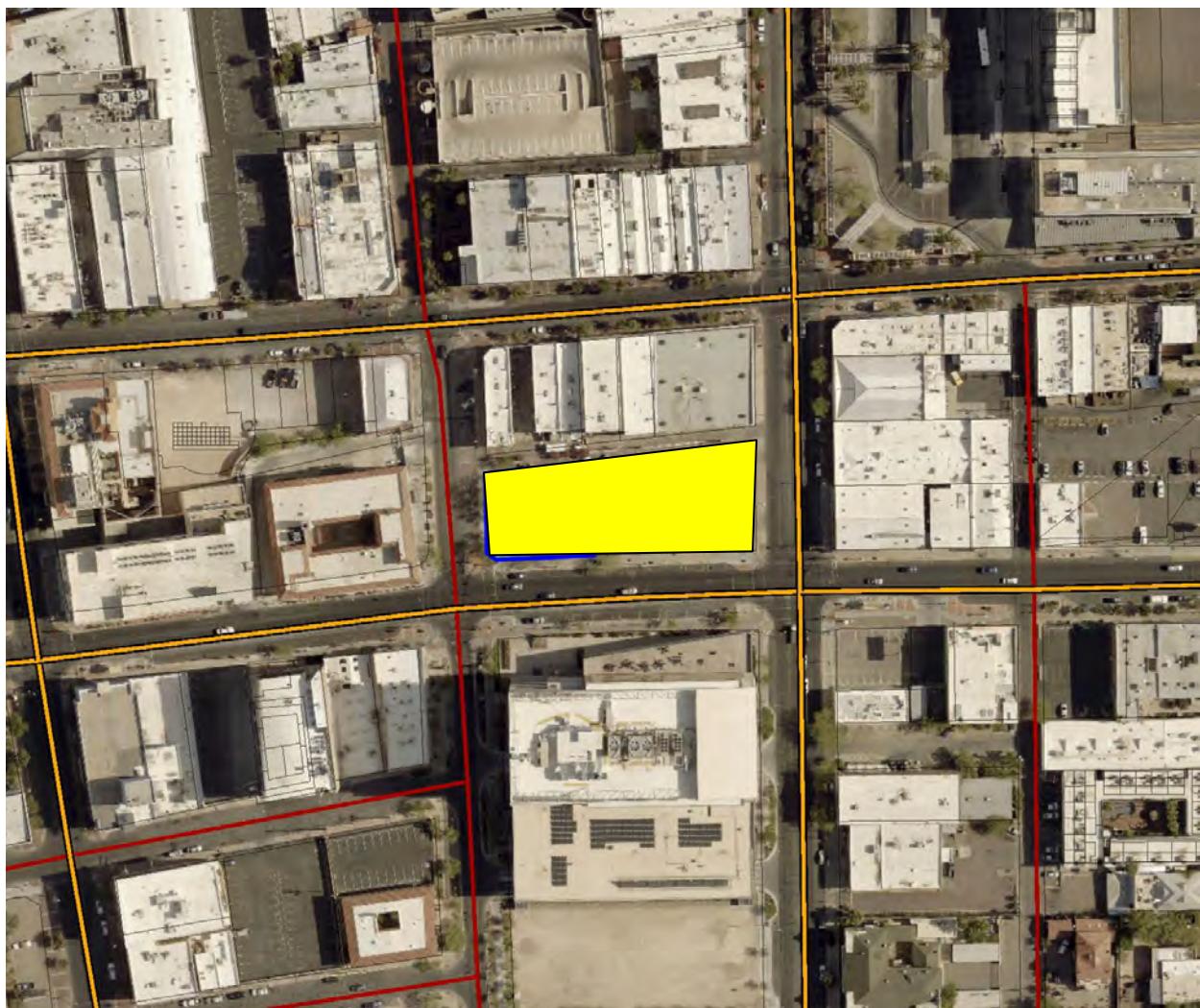
THENCE South to a point on the North line of Broadway, distant thereon 100.1 feet from the Northeast corner of Scott Street and Broadway;

THENCE Easterly, along the South line of Broadway, a distance of 166.63 feet, more or less, to the Point of Beginning.

Said property is also commonly known as Lot 4 in Block 248 of the City of Tucson.

(jv arb 804)

Exhibit A, Cont.  
Location of Broadway Property



**EXHIBIT B**  
**CONDITIONS FOR GROUND LEASE**  
**[BROADWAY PROPERTY]**

The Ground Lease between the parties will reflect the following terms and conditions:

1. Upon acceptance of the Option Notice and Rental Amount by the Board, and after Rio Nuevo completes the Request for Proposal (“**RFP**”) process, Rio Nuevo shall be obligated to improve the Property by constructing any appropriate combination of mixed use retail, commercial, hospitality, residential, and/or and Class A office space at least eight stories in height driven by market conditions (the “**Building**”), together with appropriate common elements and landscaping (all together, the “**Project**”). The Project may, but is not required to, include an underground parking garage with 350 parking spots.
2. Site development plans, including exterior architectural design, are subject to review and approval by County. Approval will not be unreasonably withheld by County.
3. Rio Nuevo must contract for the construction of the Project within 18 months of the effective date of the Ground Lease and must complete the Project within 18 months after construction commences.
4. Pima County will provide building permitting and plan review services and inspections.
5. Rio Nuevo will pay rent in the Rental Amount and commence payment of rent upon execution of the Ground Lease.
6. The initial term of the Ground Lease shall be five years, with four successive renewal terms of five years each, conditioned on Rio Nuevo (or its tenant) making improvements to the Building to keep it up-to-date.
7. Rio Nuevo will be responsible for insuring, maintaining, repairing, and operating the Project.
8. Title to the improvements comprising the Building and the Project shall be held by Rio Nuevo throughout the initial term of the Ground Lease, and any subsequent renewal(s). Title to the improvements will become County’s when the Ground Lease ends.
9. The average wages plus benefits paid by tenants of the Building must meet or exceed 175 percent of the median regional wage within Pima County.
10. County will consent to Rio Nuevo’s grant of a security interest in its leasehold interest as part of its financing of the Project.

## **EXHIBIT C**

### **FORM OF GROUND LEASE AND OPTION AGREEMENT**

**THIS GROUND LEASE AND OPTION AGREEMENT** (this “**Lease**”) is entered into by and between **PIMA COUNTY**, a political subdivision of the State of Arizona (“**County**”), and **RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT**, a special taxing district of the State of Arizona (“**Tenant**” or “**District**”).

#### **RECITALS**

A. County owns an unimproved parcel of real property approximately 0.66 acres in size, which is located on the north side of Broadway Boulevard between 6th and Scott Avenue at 75 E. Broadway Boulevard in downtown Tucson, Arizona (“**Unimproved Parcel**”). County also acquired from the City of Tucson the alley that abuts the northern boundary of the Unimproved Parcel (“**Alley**”). The Unimproved Parcel and the Alley (collectively the “**Premises**”, “**Leased Property**”, or “**Project Property**”) lie within the Rio Nuevo Multipurpose Facilities boundary. The Premises is legally described and more particularly depicted on **Exhibit A**.

B. District has the authority to acquire property within the Rio Nuevo Multipurpose Facilities boundary and construct commercial facilities that its board determines are necessary or beneficial to District (A.R.S. §§ 48-4201(4)(b) and 48-4204(B)) and may issue revenue bonds for that purpose (A.R.S. §§ 48-4203(B)(3) and 48-4251). It may also “[e]nter into agreements with developers, contractors, tenants and other users of all or part of” such a facility. A.R.S. § 48-4203(B)(2).

C. The Pima County Board of Supervisors (the “**Board**”) has authority under A.R.S. § 11-254.04 to engage in any “activity that the board of supervisors has found and determined will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants of County,” including specifically the “acquisition, improvement, leasing or conveyance of real or personal property,” without following the auction process in A.R.S. § 11-256. The Board has determined that District’s operations, and hence this Lease, will have a significant positive impact on the economic welfare of Pima County, Arizona’s inhabitants in retaining high-paying jobs well above minimum wage within Pima County, based on District’s anticipated employment and salary levels for the Project as stated in Section 14.5.

D. District and County previously executed a Ground Lease Option Agreement dated December 13, 2016, and a Lease Agreement dated January 8, 2019 (the “**Previous Lease Agreement**”) relating to the Premises. Pursuant to the Previous Lease Agreement, District issued a Request for Proposal seeking proposals for the development of the Premises, but District was not successful in selecting a developer to commence the development process.

E. District and County executed a newer Ground Lease Option Agreement dated April 4, 2023 (the “**Option Agreement**”) pursuant to which County granted to District an exclusive option (the “**Option**”) to lease the Premises in accordance with the terms and conditions of the Option Agreement. This Lease is intended to replace, in its entity, the Previous Lease Agreement, as of the date this Lease is signed by both parties (“**Effective Date**”).

F. In \_\_\_\_\_, District issued a Request for Proposal (“**RFP**”) seeking proposals for the development of the Premises. District’s RFP evaluation committee selected the proposal from a team headed by \_\_\_\_\_ as the highest ranked proposal. Subsequently \_\_\_\_\_ and District executed a “Development Agreement” pursuant to which District agreed to perform the archaeological/cultural investigation and

mitigation on the Premises required by BOS Policy C 3.17 (“**Archaeology Study**”). District retained \_\_\_\_\_ to perform the Archaeology Study. When \_\_\_\_\_’s site work on the Premises has been completed, District will file an “End of Fieldwork Report” with County’s Office of Sustainability and Conservation (“OSC”).

G. District has exercised the Option, and the Parties, as provided in the Option Agreement, have agreed on the Rent Amount.

H. District intends to improve the Premises by entering into a sublease and related agreements (“**Sublease**”) with \_\_\_\_\_ or a related entity (“**Developer**”), to construct on the Property any appropriate combination of mixed use retail, commercial, hospitality, residential, and/or Class A office space at least eight stories, and up to 21 floors, in height driven by market conditions together with appropriate common elements and landscaping; and may include an underground parking garage with 350 parking spots (all collectively the “Project”).

I. The scope and the details of the Project will be set forth in the Sublease, which will be substantially in the form attached hereto as **Exhibit B**.

J. District has determined that the Project is a related commercial facility located within the Rio Nuevo Multipurpose Facilities boundary, that District’s primary component is near the Project and will benefit from the Project, and that District will benefit from the tax revenues to be generated by the Project.

K. The Parties desire that County: (i) lease the Premises to District and (ii) upon Substantial Completion of the Project (as defined below) sell improved Premises to District all upon the terms and conditions of this Lease. The Board has determined that the Option Notice and this Lease comply with all material requirements of the Option Agreement.

L. Based on the foregoing, among other things, County is willing to lease to District the Leased Property, all upon and subject to the terms and conditions set forth below.

## AGREEMENT

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, County and Tenant covenant and agree as follows:

1. **Basic Lease Information; Certain Definitions.** Each reference in this Lease to the information and definitions contained in this Section 1, including, without limitation, each use of the terms capitalized and defined in this Section 1, shall refer to and have the following meanings:

### 1.1. **Base Rent:**

Tenant is not obligated to pay rent for the use of the Premises from the Agreement Date through the date of Project Commencement. Tenant, or Tenant through Developer or a sublessee, will pay the following Base Rent after the date of Project Commencement for the Premises during the Primary Term as shown below, which is based on 90% of the fair market rent as determined by the most recent third-party appraisal:

### Premises – 75 E. Broadway Boulevard

| Lease Year | Per SF/<br>Market Rent/ | Annual Rent<br>Based on 90%<br>of Market Rent | Rent Payable Monthly |
|------------|-------------------------|---|----------------------|
|            |                         |   |                      |

|   | <u>% Annual Increases</u> |  |  |
|---|---------------------------|--|--|
| 1 |                           |  |  |
| 2 |                           |  |  |
| 3 |                           |  |  |
| 4 |                           |  |  |
| 5 |                           |  |  |

The Base Rent for the first year of a Renewal Term, which has the meaning set forth in Section 3.2, for the Premises will be the fair market rent as determined by a third-party appraiser, and such rental rate shall increase by \_\_\_\_% per annum during the remainder of such Renewal Term.

1.2. **Calendar Year:** a successive 12-month period beginning January 1st and ending December 31st.

1.3. **Common Areas:** has the meaning of Premises as defined in Section 1.9 of this Lease.

1.4. **FTE Employees:** full-time equivalent employees determined in accordance with 26 C.F.R. 54.4980H-3.

1.5. **Hazardous Materials:** include, without limitation: (a) Those substances included within the definitions of "hazardous substances", "hazardous materials," toxic substances," or "solid waste" in the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), as amended by Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act of 1976, and the Hazardous Materials Transportation Act, and in the regulations promulgated pursuant to said laws, all as amended; (b) those substances listed in the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (of any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto); (c) any material, waste or substance which is, or contains materials or substances which are, (i) defined as a "hazardous waste" under NRS 459.400 et. seq., (ii) petroleum, (iii) asbestos, (iv) polychlorinated biphenyls, (v) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section of the Clean Water Act (33 U.S.C. § 1317); (vi) flammable or explosive, (vii) radioactive materials, or (viii) toxic, corrosive, infectious, carcinogenic or mutagenic; (ix) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. seq. (42 U.S.C. 6903), (x) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. 6991 et. seq.; (d) the air pollutants regulating under the Clean Air Act (42 U.S.C. § 7401 et seq.) and Arizona Revised Statutes, Title 49, Chapter 3, and (e) such other substances, materials, and wastes which are or become regulated as hazardous or toxic under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state, or local laws or regulations.

1.6. **Lease Year:** a period of 12 consecutive months. The first Lease Year commences on the Effective Date and expires on the last day of 12th full calendar month thereafter. Subsequent Lease Years begin on the first day following the end of the previous Lease Year.

1.7. **Permitted Name:** Rio Nuevo Multipurpose Facilities District

1.8. **Permitted Use:** Tenant shall use and operate the Premises under the Permitted Name exclusively for operations directly linked to primary employment focused around residential, retail, commercial, hospitality, and office centered around employment priorities of Pima County\_\_\_\_, and any other uses reasonably related thereto, provided that all applicable laws and regulations regarding such uses (including zoning), and the storage and use of such materials, are followed. Tenant shall use and operate the Premises under the Permitted Name exclusively for \_\_\_\_\_. Subject to County's consent, Tenant and Developer shall have the right to invite customers and suppliers to establish facilities on the Leased Property. Tenant and Developer must obtain and maintain all required permits and certifications for its operations at the Premises.

1.9. **Premises:** The Leased Property and all appurtenances thereto, and all Improvements now or hereafter constructed or located on or about the Leased Property, to include the buildings and certain interior and exterior areas for the common use of all occupants of the buildings, including (but not limited to) streets, sidewalks, canopies, driveways, loading platforms, entryways, lobbies, stairways, elevators, hallways, washrooms, shelters, ramps, landscaped areas and related common areas.

1.10. **Primary Term:** The period commencing on the Effective Date and, unless earlier terminated as provided herein, ends on the Closing Date.

1.11. **Prime Rate:** The prime rate of interest published in the Wall Street Journal or, if the Wall Street Journal no longer publishes a prime rate, then a rate established by a financial institution or financial publication designated by County.

1.12. **Project Commencement.** The date upon which labor is first provided or equipment or materials are first furnished to the Premises after issuance of the first building permit shall be deemed the "Project Commencement" date. The Chair of District, and County Administrator, will execute a short supplement to this Lease establishing the date of Project Commencement.

2. **Demise.** County currently operates the Unimproved Parcel as a parking lot with short term leases for parking. County shall terminate all leases affecting the Unimproved Parcel and deliver possession of the Unimproved Parcel to District no later than \_\_\_\_\_. Thereafter County acknowledges and agrees that District, by paying the Rent and performing the other terms and conditions of this Agreement, may peaceably hold and enjoy the Premises without any interruption by County or any person lawfully claiming by, through or under County, during the Term, except that County may enter upon and inspect the Premises by providing District with written notice of its intent to do so not less than 24 hours in advance.

3. **Term.** For purposes of this Lease, "Term" shall mean and refer to the Primary Term. The Primary Term of this Lease will be for the period specified in Section 1.11. The Primary Term will commence on the Effective Date. All the terms and provisions of this Lease shall apply to Tenant during the Primary Term.

4. **Rent.**

4.1. **Base Rent.** Tenant will pay Rent in advance, in equal monthly installments of 1/12 the annual Rent amount, on or before the Effective Date and the first day of each month thereafter during the Term, except that the first month's Rent will be reduced by any rent that Tenant has already paid for any portion of that month. Rent must be delivered to Pima County Government, Finance-Revenue Management Division, 33 N. Stone Ave., 6<sup>th</sup> Floor, Mail Stop DT-BAB6-404, Tucson, Arizona 85701. To the extent the Effective Date is other than the first day of a calendar month, Tenant shall also pay to County upon execution of this Lease, a prorated share of Base Rent for the month in which the Effective Date occurs. Commencing on the first day of the month following the Effective Date Tenant shall pay a Base Rent,

which shall be the amount specified as Base Rent in Section 1.1 above, to County in lawful money of the United States, without any prior notice or demand and without any offset or deduction whatsoever, in advance on the first day of each calendar month during the Term of this Lease.

4.2. Additional Rent. Throughout the Term of this Lease, Tenant, or the Developer pursuant to the Sublease, shall pay in advance monthly, without demand, the following costs and expenses incurred in connection with the Leased Property first accruing from and after the Effective Date: (a) Real Estate Taxes as defined in Section 7.1; (b) Property Insurance, and (c) Utilities.

4.3. Amount of Additional Rent.

4.3.1. On the first day of January of each Calendar Year during the Term, or as soon thereafter as practicable, County will furnish Tenant with County's estimate of each cost item of Additional Rent referenced in Section 4.2 for the forthcoming Calendar Year. On the first day of each month during such Calendar Year, Tenant shall pay one-twelfth (1/12th) of each such estimated cost. If for any reason County has not provided Tenant with County's estimate of all such costs on or before the first day of January of any Calendar Year during the Term, then until the first day of the calendar month following the month in which Tenant is given County's estimate of each applicable cost, Tenant shall continue to pay to County on the first day of each calendar month the monthly sum payable by Tenant for the month of December of the preceding Calendar Year. The foregoing notwithstanding, County shall have the right from time to time during any Calendar Year, but not more frequently than once in any Calendar Year, to notify Tenant in writing of any change in County's estimate of each cost for the then current Calendar Year, in which event Tenant's Proportionate Share of each cost, as previously estimated, shall be adjusted to reflect the amount shown in such notice and shall be effective, and due from Tenant, on the first day of each month following County's giving of such notice.

4.3.2. On the first day of March of each Calendar Year during the Term or as soon thereafter as reasonably practical, County will furnish to Tenant a statement of the actual costs for the preceding Calendar Year. Within thirty days after the delivery of that statement, Tenant shall make a lump sum payment equal to the amount, if any, by which each actual cost exceeds the amount, if any, Tenant paid towards each estimated cost. If each actual cost is less than the amount Tenant paid toward each estimate cost, County shall apply such amount to the next accruing installment(s) of Rent due hereunder (or, if the Term has expired, refund the money to Tenant within thirty days). The effect of this Section is that Tenant will pay during each Calendar Year during the Term all actual costs for Real Estate Taxes and Property Insurance (said items are hereinafter sometimes collectively referred to as the "**Tenant's Share of Costs**").

4.4. Additional Rent. In addition to Base Rent, all other sums of any type or kind required to be paid by Tenant to County under this Lease will be deemed to be "**Additional Rent**", whether designated as such. The term "**Rent**" as used in this Lease, unless otherwise specified, shall refer collectively to Base Rent and Additional Rent, except for the taxes described in the immediately following sentence. Tenant shall pay to County, in addition to the Rent as provided in this Lease, all privilege, sales, excise, rental and other taxes (except income taxes) imposed now or hereafter imposed by any governmental authority upon the Rent to be paid by Tenant to County. Said payment shall be in addition to and accompanying each monthly or other payment of Rent made by Tenant to County. Rent for any period during the Term which is for less than one month shall be a pro-rata portion of the monthly installment. Rent shall be paid without deduction, offset, prior notice or demand to County at the address stated in Section 15 below or to such other persons or at such other places as County may designate in writing. All Rent shall be paid in lawful money of the United States of America. County's acceptance of any Rent payment that is for less than the entire amount then due shall be only as an acceptance on account and shall not constitute an accord and

satisfaction or a waiver by County of the balance of the Rent due or a waiver of any of the remedies available to County by reason of Tenant's continuing default under this Lease.

4.5. Net Lease. County and Tenant intend that this Lease be a net lease, that County shall receive Base Rent, Tenant's Share of Costs and Additional Rent as net income, and that County is not intending to provide any services other than those specifically set forth in this Lease. Tenant is solely responsible for all capital, operating, maintenance, and replacement costs, and any other costs and expenses that result from Tenant's development and use of the Premises, including, but not limited to, the construction of the Project.

4.6. Interest and Late Charges; Default Rate. If Tenant fails to pay within three days after the date when due, and such failure continues for more than two business days following written notice from County, any installment of Rent, any and all such unpaid amounts shall bear interest at a rate of interest equal to the greater of (i) ten percent (10%) per annum; or (ii) five percent (5%) over the Prime Rate (the higher rate being referred to as the "**Default Rate**") beginning on the due date, until paid. In addition, Tenant also agrees to immediately pay County Two Hundred Fifty Dollars (\$250) or two percent (2%) of the unpaid portion of Rent installment, whichever is the greater (the "**Late Charge**") on the amount which was not paid within three days after the date when due where such failure continues for more than two business days following written notice from County. Acceptance by County of the Late Charge shall not constitute a waiver of any rights or remedies of County, but merely a reimbursement for a portion of County's administrative fees for Tenant's failure to pay amounts when due hereunder. In no event shall the Default Rate exceed the maximum rate of interest permitted under Arizona law for commercial loans.

## 5. **Delivery of Property; Construction of Improvements.**

5.1. AS-IS Delivery. County shall deliver the Leased Property to Tenant in "AS-IS", "WHERE-IS" condition on the Effective Date. County makes no representations, warranties, or covenants with respect to the condition of the soil or subsoil or any other condition of the Leased Property. Except for the completion of the Archaeology Study, Tenant has performed its due diligence review of the Premises and accepts possession of the Premises in its "AS IS" condition on the date of Project Commencement (as defined below), and except for those representations and warranties of County contained in this Agreement, without representation or warranty of any kind, express or implied, including, without limitation, any warranty of income potential, future operating expenses or uses or fitness for a particular purpose. District expressly acknowledges and agrees that County has not made and is not making, and District is not relying upon, any warranties or representations regarding the Premises or the Project, except as expressly set forth in this Agreement.

5.2. Archaeology Clearance. Tenant shall require and is responsible for \_\_\_\_ (i) completing its "Fieldwork Portion" of the Archaeology Study and (ii) submitting its End of Fieldwork Report to OSC on or before \_\_\_\_\_. County's OSC shall complete its processing of the End of Fieldwork Report within 21 business days of its submittal by \_\_\_\_ and notify Tenant and Developer of its acceptance of the report or, if not accepted, what additional items or questions need to be addressed. As of the date that OSC notifies Tenant and Developer that it has accepted the End of Fieldwork Report ("**Archaeological Clearance Date**"). Tenant's due diligence inspection of the Premises shall be complete.

5.3. Modifications. Tenant will make no modifications to the Premises without County's prior written approval, which will not be unreasonably withheld.

5.4. Construction of Improvements by Tenant. With prior written approval from County, Tenant may, at its sole cost and expense, provide and cause to be performed all work of whatever nature is necessary on the Premises for business for the Permitted Use (collectively, "**Tenant's Work**"), if necessary.

Tenant's Work, if any, shall be completed pursuant to and in accordance with the terms and conditions of the work letter agreement attached hereto as **Exhibit D** (the "Work Letter"). Tenant's construction of any improvements on the Leased Property are to be in strict accordance with plans and specifications and require County's prior written approval. Tenant shall obtain all permits prior to commencing construction. All construction work shall be performed by a licensed and bonded general contractor in good standing with the Arizona Registrar of Contractors, and Tenant shall ensure lien-free completion of all improvements.

5.5. **Construction Indemnity.** Tenant agrees to indemnify, defend, and hold harmless County for, from and against all loss, costs, damage, expenses, claim or liability, including without limitation, claims from mechanic's liens, arising from the actions or omissions of Tenant, its agents, servants, contractors, and employees on or about the Project Property in connection with construction of any improvements.

## 6. **The Project.**

### 6.1. **Construction.**

6.1.1. Developer will design and construct the Project in accordance with the Sublease and this Section 6.

6.1.2. The Project will be constructed in accordance with the approved Final Plans (as provided below) and all local development and building codes, and in compliance with Title 34 of the Arizona Revised Statutes, to the extent applicable. The Building must be designed and constructed using the U.S. Green Building Council's LEED Silver standard as a design guideline, but District is not required to obtain LEED certification.

6.1.3. County will issue all building permits and conduct all inspections of the Project.

6.2. **Project Commencement.** Developer will cause Project Commencement to occur no later than 12 months after the Archaeological Clearance Date ("Commencement Deadline"). Nevertheless, construction will not commence until each of the following has occurred:

6.2.1. **Plan Approvals.** County has issued the first building permit for the Project.

6.2.2. **Sublease.** The Sublease and has been executed and a copy delivered to County.

6.2.3. **Insurance.** District furnishes County with proof that District or Developer has obtained the liability and worker's compensation insurance required in this Lease.

6.2.4. **Builder's Risk Insurance.** District furnishes County with proof that District, or Developer, has obtained "all risks" builder's risk insurance including vandalism and malicious mischief, in broad form and with a company reasonably acceptable to County, covering improvements in place and all material and equipment at the job site furnished under the Contract, but excluding contractor's, subcontractor's and construction manager's tools and equipment and property owned by contractor's or subcontractor's employees, with limits of at least the full cost of the Project per loss single limit for all work at the job site. District or Developer must maintain this insurance in effect until the Project is complete and a permanent Certificate of Occupancy has been issued for the Project.

6.2.5. **Payment and Performance Bonds.** District or Developer delivers to County payment

and performance bonds meeting the requirements of Title 34, issued by a surety company licensed to do business in the State of Arizona, running to County and District as obligees, conditioned on the completion of the Project in accordance with the Final Plans and the provisions of this Lease, free and clear of all mechanics' liens and other liens.

- 6.3. **Plans and Specifications.** Developer must obtain County's approval of plans and specifications for the Project. County will not unreasonably withhold, condition, or delay its approval of plans and specifications, will communicate its approval or disapproval in writing, and will explain the grounds for any disapproval. If County disapproves of submitted plans and specifications, District or Developer will submit revised plans and specifications addressing County's concerns. County's Development Services Department will conduct the review and give approvals and disapprovals on behalf of County.
  - 6.3.1. **Preliminary Plans.** Developer will submit three full hard-copy sets, and an electronic (Autocad) set of preliminary construction plans and specifications for the Project (the "Preliminary Plans") no later than 4 months after the Archaeological Clearance Date. All plans must be prepared by an architect or engineer licensed to practice in Arizona, and must include preliminary grading and drainage plans, soil tests, utilities, sewer and service connections, locations of ingress and egress to and from public thoroughfares, curbs, gutters, parkways, street lighting, designs and locations for outdoor signs, storage areas, and landscaping. The Preliminary Plans must be sufficiently clear and detailed for County make an informed judgment about the design and quality of the core and shell of the Project, and about the impact of the Project on adjacent and nearby properties.
  - 6.3.2. **Final Plans.** No later than three months after County's approval of the Preliminary Plans, Developer will prepare and deliver to County three full hard copy sets and one electronic (Autocad) set of final plans and specifications ("Final Plans") substantially conforming to the preliminary plans previously approved by County. Any subsequent modification of the Final Plans must be submitted for County review and approval.
  - 6.3.3. **Amended Plans.** If, at any time after the submission of the Preliminary Plans Developer desires to increase the square footage of the Office Component, Developer shall submit amended plans to County detailing the changes in the Office Component ("Amended Plans"). Such Amended Plans will address the impact that the additional office space will have on the Parking Component and if additional parking is required, the details of the expanded Parking Component shall be included in the Amended Plans.
- 6.4. **Cost of the Project.** All costs, expenses and charges incurred in the construction of the Project will be addressed and allocated in the Sublease. District will defend, hold County harmless and indemnify it from all such costs, expenses, and charges, including attorneys' fees relating thereto, and will require Developer to provide such indemnity to County.
- 6.5. **County Inspection.** Representatives of County's Development Services Department will inspect and approve the Project at appropriate stages as it is being constructed, and District and Developer will provide them reasonable access to the work for that purpose.
- 6.6. **Substantial Completion.** Construction of the Project must be substantially completed within 26 months after Project Commencement, subject to delays occasioned by an "Excuse for Non-Performance" as defined by Section 20. If it is not substantially completed in a timely manner,

County may cancel this Lease by written notice to District, subject to a period of 30 days during which District may cure the failure to substantially complete the Project. "Substantial Completion" of the Project will be deemed to have occurred upon issuance of a temporary or final Certificate of Occupancy by County for the Project which shall consist of at least the retail portion, the parking garage and no less than five floors of office space consisting of not less than 150,000 square feet.

6.7. **Title to Project.** Provided that neither District nor Developer have breached this Lease, during the Term of the Lease, the Project will be owned by Developer and Developer alone will be entitled to all the tax attributes of ownership, including, without limitation, the right to claim depreciation or cost recovery, and Developer will have the right to amortize capital costs and to claim any other federal or state tax benefits attributable to the Premises. At the expiration or earlier termination of this Lease (other than as a result of a sale of the Premises to District), District will cause Developer to peaceably leave, quit and surrender the Premises and Project to County at which time the Project will become the sole property of County at no cost to County, and will be free of all liens and encumbrances and in good condition, subject only to reasonable wear and tear.

## 7. **Taxes.**

7.1. **Real Estate Taxes.** As used in this Lease, the term "**Real Estate Taxes**" includes the following: (a) all real estate taxes, including general and special assessments, if any, which are imposed upon County or assessed against the Leased Property, the Premises or the Project; (b) any taxes or assessments that County is required to pay related to this Lease, the Leased Property, the Premises, the Project or the rent paid to County under this Lease, including, but not limited to, any income, franchise, excise, gross receipts, sales, or transaction privilege taxes; (c) all government property lease excise taxes due under Title 42, Chapter 6, Article 5 of the Arizona Revised Statutes ("ARS"); and (d) any other present or future taxes or governmental charges that are imposed upon County, or assessed against the Leased Property, the Premises or the Project, including, but not limited to, any tax levied on or measured by the rents payable by tenants of the Project which is in the nature of, or in substitution for, real estate taxes. Tenant must keep and maintain the information required by A.R.S. § 42-6204, and must comply with the GPLET statutes, and pay GPLET, if the Premises is found to be not exempt. Any income or net profits tax which may be assessed against County shall be excluded. Within thirty days after execution of this Lease, the parties will execute and County will record a memorandum of this Lease in compliance with A.R.S. § 42-6202(C)(1), and County will provide the Pima County Treasurer with a copy of this Lease as required by A.R.S. § 42-6202(C)(2).

7.2. **Personal Property.** Tenant shall pay, before delinquency, all property taxes and assessments on the furniture, fixtures, equipment, inventory, and other property of Tenant at any time situated on or installed in the Premises and on additions and improvements in the Premises. If any of the foregoing is assessed as part of the real property of which the Premises are a part, Tenant shall pay to County upon demand, as Additional Rent, the amount of such additional taxes as may be levied against the real property by reason thereof. To determine such amount of additional taxes, figures supplied by the local assessing authority as to any amounts so assessed shall be conclusive.

## 8. **Operation of Premises.**

8.1. **Permitted Uses.** The Premises shall be used only for the Permitted Use and for no other business or purpose whatsoever without the prior written consent of County, which may be granted or withheld in County's sole discretion. No act shall be done in or about the Premises that is unlawful or that will increase the rate of Property Insurance. In the event of a breach of this covenant, Tenant shall pay to

County all increases in Property Insurance premiums resulting from such breach upon demand, and County shall have all additional remedies provided for herein to redress such breach. Tenant shall not commit or allow to be committed any waste upon the Leased Property, the Premises, the Project or any public or private nuisance or other act or thing which disturbs the quiet enjoyment of any other person or neighboring property owner, tenant, or occupant. Tenant, at its expense, shall comply with all laws relating to its use and occupancy of the Premises. In addition, Tenant shall observe such reasonable rules and regulations as may be adopted by County from time to time for the safety, care and cleanliness of the Premises or the Project and for the preservation of good order therein; provided that such rules and regulations do not materially increase Tenant's obligations, or reduce Tenant's rights, under the express term of this Lease.

8.2. Laws and Regulations. Tenant represents, warrants, and covenants that the operation of its business shall be conducted in strict compliance with all applicable private covenants, conditions and restrictions and all applicable federal, state and local environmental, safety and other pertinent laws, rules, regulations and ordinances (collectively sometimes referred to as "**Applicable Laws**"), including, without limitation, the Americans With Disabilities Act and the Arizonans With Disability Act (collectively the "**ADA**") and Tenant agrees that the construction of the Premises, and any alterations necessary to the Premises, in order to comply with the ADA or such other covenants, conditions, restrictions, laws, rules, regulations and ordinances, shall be at Tenant's sole cost and expense. Tenant represents and warrants to Landlord that there is no risk to Tenant, Tenant's visitors and others using the Premises arising from Tenant's operations. Tenant shall indemnify, defend, and hold harmless Landlord from and against any claim, liability, expense, lawsuit, loss, or other damage, including reasonable attorneys' fees, arising from, or relating to Tenant's use of the Premises or Tenant's activities within the Project or any violations of the ADA by Tenant, its employees, subtenants, agents, guests, contractors, or invitees, except to the extent caused by Landlord's grossly negligent or intentional act.

8.3. Laws and Regulations for Developer, Contractors, Subcontractors, and Subtenants. Tenant will or will cause Developer to, at its sole cost and expense, comply, and cause its contractors and subcontractors and subtenants to comply, in all material respects with all laws of all applicable governmental authorities which may now or hereafter, from time to time, be established and which are or will be applicable to the Premises and any operations on the Premises, and will take all actions necessary to cause the Premises to comply in all material respects with all provisions of the Project Documents and this Agreement.

8.4. Hazardous Materials.

8.4.1. Except for ordinary and general office supplies, such as copier toner, liquid paper, glue, ink, and common household materials, or as may be necessary for the Permitted Use, all of which are used, stored and disposed of in compliance with all applicable federal, state and local laws, rules and regulations and in quantities not in excess of those reasonably necessary to conduct the Permitted Use, Tenant and its sublessees agree not to introduce any Hazardous Materials in, on or adjacent to the Premises or in, on or adjacent to the Leased Property or the Project Property without (a) obtaining County's prior written approval, (b) providing County with sixty days' prior written notice of the exact amount, nature, and manner of intended use of such Hazardous Materials, and (c) complying with all applicable federal, state and local laws, rules, regulations, policies and authorities relating to the storage, use, disposal and clean-up of Hazardous Materials, including, but not limited to, the obtaining of all proper permits.

8.4.2. Tenant shall immediately notify County in writing of any inquiry, test, investigation, or enforcement proceeding by, against or directed at Tenant or the Premises concerning Hazardous Materials. Tenant acknowledges that County, as the owner of the Project Property, shall have the right, at its election, in its own name or as Tenant's agent, to negotiate,

defend, approve, and appeal, at Tenant's expense, any action taken or order issued by any applicable governmental authority with regard to Hazardous Materials used, stored, disposed of or released on or from the Premises by Tenant or its agents, employees, contractors or invitees.

8.4.3. If the storage, use, disposal, or release of any Hazardous Materials in, on or adjacent to the Premises or the Project by Tenant and its sublessees results in any contamination of the Leased Property, the Premises, the Project, the Project Property, the soil, surface, or groundwater thereunder or the air above or around the Leased Property, the Premises, the Project or the Project Property (a) requiring remediation under federal, state or local statutes, ordinances, regulations or policies, or (b) at levels which are unacceptable to County, in County's sole but reasonable discretion, Tenant agrees to promptly notify County in writing and clean-up the contamination immediately, at Tenant's sole cost and expense, provided that County's approval of such actions will first be obtained, which approval will not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises. Tenant further agrees to indemnify, defend, and hold County harmless from and against any claims, suits, causes of action, costs, damages, loss and fees, including reasonable attorneys' fees and costs, arising out of or in connection with (y) any clean-up work, inquiry or enforcement proceeding relating to Hazardous Materials currently or hereafter used, stored, disposed of or released by Tenant or its agents, employees, contractors or invitees on or about the Leased Property, the Premises, the Project or the Project Property, and (z) the use, storage, disposal or release by Tenant or its agents, employees, contractors or invitees of any Hazardous Materials on or about the Leased Property, the Premises, the Project or the Project Property.

8.4.4. Notwithstanding any other right of entry granted to County under this Lease, County shall have the right to enter the Premises or to have consultants enter the Premises throughout the Term at reasonable times and upon reasonable prior notice for the purpose of determining: (a) whether the Premises are in conformity with federal, state and local statutes, regulations, ordinances and policies, including those pertaining to the environmental condition of the Premises; (b) whether Tenant has complied with this Section 8; and (c) the corrective measures, if any, required of Tenant to ensure the safe use, storage and disposal of Hazardous Materials. Tenant agrees to provide access and reasonable assistance for such inspections. Such inspections may include, but are not limited to, entering the Premises with machinery for the purpose of obtaining laboratory samples. County shall not be limited in the number of such inspections during the Term. If, during such inspections, it is found that Tenant's use, storage, disposal, or release of Hazardous Materials constitutes a violation of this Lease, in addition to any other remedies available to County by reason of such violation, Tenant shall reimburse County for the cost of such inspections within ten days of receipt of a written statement therefor. If such consultants determine that the Premises are contaminated with Hazardous Materials or in violation of any applicable environmental law, Tenant shall, in a timely manner, at its expense, remove such Hazardous Materials or otherwise comply with the recommendations of such consultants to the reasonable satisfaction of County and any applicable governmental agencies. If Tenant fails to do so, County, at its sole discretion, may, in addition to all other remedies available to County under this Lease and at law and in equity, cause the violation and the contamination to be remedied at Tenant's sole cost and expense. The right granted to County herein to inspect the Premises shall not create a duty on County's part to inspect the Premises, or liability of County for Tenant's use, storage, or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

8.4.5. Tenant shall surrender the Premises to County upon the expiration or earlier termination of this Lease free of Hazardous Materials used, stored, disposed of or released on or from the Premises or the Project by Tenant or its agents, employees, contractors, sublessees, or invitees and in a condition which complies with all governmental statutes, ordinances, regulations

and policies, recommendations of consultants hired by County, and such other reasonable requirements as may be imposed by County.

8.4.6. County represents and warrants to Tenant that, as of the Effective Date, it has no actual knowledge of the presence of any Hazardous Materials on, under or about the Project Property. County will indemnify, defend (by in-house counsel or by other counsel acceptable to Tenant), and hold Tenant, and each of Tenant's directors, officers, employees, agents, and shareholders, harmless, from and against any and all claims, liabilities, penalties, fines, judgements, forfeitures, losses, costs, or expenses (including attorneys' fees, consultant fees, and expert fees), arising from or caused in whole or in part, directly or indirectly, by County's breach of its representation in this Paragraph 8.3.6. County's obligations under this Paragraph 8.3.6 also include all costs of any investigation, repair, remedial planning, cleanup, detoxification, or decontamination of the Project Property (including, without limitation, the soil and ground water on or under the Project Property), that is required by a regulatory authority or court of competent jurisdiction. County may at its own cost, challenge any such order. County's obligations extend only to any condition that existed in, on, under, about or from the Project Property prior to the Effective Date (including aggravation of any such condition), of which County had actual knowledge and that it did not disclose as provided in this Paragraph. County's obligations under this Paragraph 9.4.6 will survive the expiration or termination of this Lease. "Actual knowledge" of County, for purposes of this paragraph, means the actual knowledge of the County Administrator, any Deputy County Administrator, or any County department head, and any fact that is readily ascertainable by review of files related to County's acquisition and use of the Building Parcel, which are accessible to those individuals on the Effective Date of this Lease.

8.4.7. Pre-existing Contamination. Tenant has obtained a Phase I Environmental Site Assessment, and if necessary, has or will have obtained a Phase II Environmental Site Assessment of the Premises. County agrees that any Hazardous Materials contaminating the Premises prior to possession of the Premises by Tenant will not result in liability for Tenant or Developer under this Paragraph, 42 U.S.C. § 9607(b)(3) or A.R.S. § 49-283(D), except to the extent such contamination is aggravated by the action or inaction of District or Developer.

8.4.8. Notices Regarding Environmental Conditions. Tenant will, within ten business days following receipt thereof, provide County with a copy of (i) any notice from any local, state, or federal governmental authority of any violation or administrative or judicial order or complaint having been filed or about to be filed against Tenant, its sublessee(s), or the Premises alleging any violation of any local, state, or federal environmental law or regulation or requiring District or County to take any action with respect to any release on or in the Premises or the soil or ground water under or adjacent to the Premises of Hazardous Material, or (ii) any notices from a federal, state or local governmental agency or private party alleging that Tenant may be liable or responsible for cleanup, remedial, removal, restoration, or other response costs in connection with Hazardous Material on or in the Premises or the soil or ground water under or adjacent to the Premises or any damages caused by such release.

8.4.9. Tenant's and County's obligations under this Section 8 and all indemnification obligations of Tenant and County under this Lease shall survive the expiration or earlier termination of this Lease.

8.5. Utilities. Tenant shall make application for and arrange for and pay or cause to be paid all charges for gas, water, electricity, light, heat, power, telephone, data, cable, sewer, and all other utility services used, rendered, or supplied upon or in connection with the Premises; and Tenant shall defend, indemnify, and save County harmless against any liability or charges on account thereof. In case any utility charges are not paid by Tenant when due, County may pay the utility charges to the utility company or

department furnishing the utility service, and any amounts so paid by County shall be paid by Tenant to County immediately upon demand by County, as Additional Rent.

**9. Maintenance, Repairs, and Alterations.** Except as otherwise expressly provided in this Agreement, District has full responsibility for the repair, alteration, maintenance, and replacement of the Premises, and any portion thereof, and any improvements. County has no obligation whatsoever for the repair, alteration, maintenance, and replacement of the Premises, Project, or any portion thereof except as expressly provided in this Agreement. Tenant may from time to time during the Term make changes, alterations, additions, substitutions, or improvements to the Premises, at its sole cost and expense, as set forth below:

**9.1. Maintenance.** Tenant shall or shall cause Developer to, at its expense throughout the Term, maintain, service, replace, and keep in good repair and condition, the Premises, mechanical equipment of the Premises and all other aspects of the Premises, including, without limitation, buildings, floors, ceilings, walls, doors, glass, plumbing, paint, heating, ventilation and air conditioning equipment, partitions, electrical equipment, wires, electrical fixtures, sidewalks, fencing, paving, landscaping, wiring, parking areas, ingress and egress, and other installations. Tenant agrees to maintain, and replace where necessary, all underground and unexposed service facilities of the Premises. Tenant shall surrender the Premises, including all mechanical equipment and other aspects, upon the expiration or earlier termination of the Term in good repair and condition and broom clean, ordinary wear and tear excepted. County shall have no obligation to maintain or repair any portion of the Premises unless caused by County. Tenant shall repair any damage to the Premises occasioned by the removal of its trade fixtures, furnishings, and equipment pursuant to Section 9.2, which repair shall include without limitation the patching and filling of holes and repair of structural damage.

**9.2. Alterations.** Tenant shall not make or permit to be made any alterations, improvements, or additions of or to the Premises or any part thereof, unless and until Tenant shall have caused plans and specifications therefor to have been prepared, at Tenant's expense, by a licensed architect and shall have obtained County's written approval thereof, such approval not to be unreasonably withheld, conditioned, or delayed. If such approval is granted, Tenant shall cause the work described in such approved plans and specifications to be performed, at its expense, promptly, and in a first class workmanlike manner by a licensed general contractor and in compliance with all applicable governmental and insurance requirements and the standards set forth in this Lease (including, without limitation, the provisions of Section 5 and the Work Letter), without interference with or disruption to the operations of the Project or the quiet enjoyment of any other person or neighboring property owner, tenant or occupant.

**9.3. Damage from Casualty.**

**9.3.1.** If any part of the Premises is damaged or destroyed by any cause whatsoever during the Term, Tenant will, promptly repair and replace the same at its own expense, to at least the condition existing immediately prior to the damage or destruction, and Tenant's obligations under this Lease will not terminate. If, however, (a) such damage or destruction is due to County's grossly negligent or willful acts or omissions, Tenant will have no obligation to repair or replace the Premises, Tenant may terminate this Lease upon written notice to County delivered no later than sixty days following the date of such damage or destruction and Tenant will have no obligation to pay any insurance proceeds to County; (b) if Tenant maintained the insurance required by Section 11 of this Lease at the time of such destruction and despite Tenant's commercially reasonable efforts, such insurance proceeds are unavailable or are insufficient to rebuild the Premises in a manner reasonably acceptable to County and Tenant, Tenant may terminate this Lease upon sixty days' written notice to County (but in no event later than one hundred twenty days following the date of such damage or destruction) and Tenant will, at its sole cost and expense, clean and clear

the Leased Property of all debris, repair the site and install landscaping so that the Leased Property blends in reasonably well with the surroundings, and pay all remaining insurance proceeds to County; and (c) if the Premises are substantially destroyed by fire or other casualty at any time during the last twenty-four (24) months of the Term such that Tenant may not reasonably operate the Premises for the Permitted Use, then Tenant may terminate this Lease by written notice given to County within sixty days after the date of such damage or destruction, and Tenant will be discharged from responsibility to repair the damage, but Tenant will, at Tenant's sole cost and expense, clean and clear the Leased Property of all debris, repair the site and install landscaping so that the Leased Property blends in reasonably well with the surroundings, and pay all remaining insurance proceeds to County.

9.3.2. No Base Rent or Additional Rent shall abate because of casualty damage or during the period of any repair or restoration unless this Lease is terminated. Tenant shall continue the operation of its business on the Premises during any period of repair or restoration to the extent reasonably practicable from the standpoint of prudent business management. Tenant shall not be entitled to any compensation or damages from County for loss in the use of the whole or any part of the Premises or any inconvenience or annoyance occasioned by any damage, destruction, repair, or restoration.

9.4. Performance of Work by County. If County shall perform any construction work at the request of Tenant or pursuant to the right of self-help under Section 12.6, or if Tenant is required to pay County for any construction work, then the cost of such work together with a fee to County equal to ten percent (10%) of the cost of such work shall be payable by Tenant to County within thirty days after County's demand, as Additional Rent.

9.5. Miscellaneous. Following a casualty, upon completion of construction and prior to the time when Tenant opens for business in the Premises, both initially and subsequently after any temporary closure after casualty damage or permitted remodeling, Tenant shall not be permitted to, and shall not, open for business until the following requirements shall be satisfied: (a) Tenant has delivered to County all insurance policies and mechanics' lien waivers as required by this Lease; (b) County has inspected the Premises to determine whether all of Tenant's Work in the Premises is complete in accordance with the requirements of this Lease; and (c) Tenant has paid County all Rent which has then accrued under this Lease. No approval by County under this Lease shall make County responsible for the condition of the Premises or constitute a representation by County of compliance with any applicable requirements or constitute a waiver of any rights and remedies that County may have under this Lease or at law or in equity. If Tenant opens the Premises in violation of the requirements of this Section, such action by Tenant shall constitute a material Event of Default under this Lease.

9.6. Fixtures and Furnishings. Developer will retain ownership of all personal property, fixtures, equipment, and furnishings (collectively, "**Fixtures**") from time to time installed in the Premises by Developer or its sublessees. Developer may remove any Fixtures at any time during the Term and will remove all Fixtures prior to the expiration of the Term, except those Fixtures that County agrees, in writing, may be left on the Premises. Any Fixtures not removed when this Ground Lease terminates (other than because of a sale of the Premises to Tenant) will, at the election of County, become the property of County without payment to Tenant or Developer, or be deemed abandoned and removed by County at Developer's expense.

10. **Liens.** Nothing contained in this Lease shall be deemed or construed in any way as constituting the approval, consent or request of County, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer, materialman, supplier, architect, engineer or other third party for the performance of any labor or the furnishing of any materials or services for or in connection with the Leased Property,

the Premises, the Project or any part thereof. To the fullest extent permitted by applicable law, notice is hereby given that County shall not be liable for any labor or materials or services furnished or to be furnished to Tenant upon credit or otherwise, and that no mechanic's or other lien for any such labor, materials or service shall attach to or affect the fee or reversionary or other estate or interest of County in the Property, the Premises, the Project, or in this Lease. Tenant shall do all things necessary to prevent the filing of any mechanics', suppliers' or other lien against the Leased Property, the Premises, the Project, the Project Property, or any part thereof by reason of work, labor, services, or materials supplied or claimed to have been supplied to Tenant. If any lien shall at any time be filed against the Leased Property, the Premises, the Project, the Project Property, or any part thereof, Tenant shall cause the lien to be discharged of record within ten business days after the date of filing of the lien. If Tenant shall fail to timely discharge such lien, such event shall constitute an Event of Default under this Lease and County may exercise all rights and remedies under this Lease, including, without limitation, the remedies under Section 12.3 and the right of self-help under Section 12.6 to pay and discharge such lien at Tenant's cost and expense.

## **11. Insurance and Indemnity.**

11.1. District's Indemnity Obligations to County. If and to the extent that County is not made whole by Developer's Section 11.3 insurance obligations and Section 11.2 indemnification obligations, then to the fullest extent permitted by law, District will indemnify, defend, and hold harmless County, its officers, employees and agents ("Indemnified Parties") from and against any and all losses, costs, or expenses (including reasonable attorney fees) incurred or suffered by County as a result of any damages to property or injuries to persons (including death), or any suits, actions, legal administrative proceedings, claims or demands and costs attendant thereto, arising out of or directly related to any act, omission, fault or negligence by District, its agents, employees, invitees, contractors, subtenants, or anyone under its direction or control or acting on its behalf, or anyone permitted by District to conduct any activity on the Premises, or in connection with any use or occupancy of the Premises under the terms of this Lease. District's indemnity obligations under this paragraph shall not extend to any claims for damages arising out of or directly related to any act, omission, fault, or negligence of any of the Indemnified Parties, or any other persons or entities unrelated to District.

11.2. Developer's Indemnity Obligations to County. District, in its sublease to Developer, shall require that Developer will indemnify, defend, and hold harmless County, its officers, employees and agents ("Indemnified Parties") from and against any and all losses, costs, or expenses (including reasonable attorney fees) incurred or suffered by County as a result of any damages to property or injuries to persons (including death), or any suits, actions, legal administrative proceedings, claims, or demands and costs attendant thereto, arising out of or directly related to any act, omission, fault or negligence by Developer, its agents, employees, invitees, contractors, subtenants, or anyone under its direction or control or acting on its behalf, or anyone permitted by Developer to conduct any activity on the Premises, or in connection with any use or occupancy of the Premises under the terms of this Lease. Developer's indemnity obligations under this paragraph shall not extend to any claims for damages arising out of or directly related to any act, omission, fault, or negligence of any of the Indemnified Parties, or any other persons or entities unrelated to Developer.

11.3. Insurance. Tenant, Developer, and any subtenants will maintain at its expense such insurance coverage for the Leased Property and its operations as County may determine from time to time during the term of the lease, including commercial general liability, auto liability, and workers' compensation. Tenant shall procure and maintain, until all contractual obligations have been discharged, the insurance coverage with limits of liability not less than stated below. County in no way warrants that the minimum insurance limits contained herein are sufficient to protect Tenant from liabilities that arise out of the performance of this contract. If necessary, Tenant may obtain commercial umbrella or excess insurance to satisfy County's Insurance Requirements.

11.3.1. Commercial General Liability Coverage. Occurrence Form with limits of \$2,000,000 Each Occurrence and \$2,000,000 General Aggregate. Policy shall include bodily injury and property damage, broad form contractual liability, personal and advertising injury, and products- completed operations.

11.3.2. Business Auto Liability. Bodily Injury and Property Damage for any owned, hired, an /or non-owned automobiles used in the performance of this Contract with a Combined Single Limit (CSL) of \$1,000,000 each accident.

11.3.3. Workers Compensation (WC) and Employers' Liability – Statutory requirements and benefits for Workers' Compensation. In Arizona, WC coverage is compulsory for employers of one or more employees. Employer's Liability coverage - \$1,000,000 each accident and each person – disease.

11.3.4. Property Insurance. Tenant will obtain and keep in force during the entire Term a policy of insurance covering loss or damage to the Premises and County-Provided FF&E in the amount of the full replacement value thereof, providing protection against all vandalism, malicious mischief, special extended perils (all risk) and will deliver to County a Certificate of Property insurance, with County named as additional insured. Said Certificate must be satisfactory to County.

#### 11.4. Additional Insurance Requirements.

11.4.1. Claims- Made Coverage. If any part of the Required Insurance is written on a claims-made basis, any policy retroactive date must precede the effective date of this Contract, and Tenant must maintain such coverage for a period of not less than three (3) years following Contract expiration, termination, or cancellation.

11.4.2. These policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

11.4.2.1. Additional Insured. The General Liability and Business Automobile Liability Policies shall be indorsed to include Pima County, its departments, its districts, boards, commissions, officer, official, agents, and employees as additional insureds with respect to liability arising out of the activities performed by on or behalf of Tenant.

11.4.2.2. Subrogation. The General Liability, Business Automobile Liability and Workers' Compensation Policies shall each contain a waiver of subrogation endorsement in favor of County, and its departments, districts, boards, commissions, officers, officials, agents, and employees for losses arising from work performed by or on behalf of Tenant.

11.4.2.3. Primary Insurance: Tenant's policies shall stipulate that the insurance afforded Tenant shall be primary, and that any insurance carried by County, its agents, officials, or employees shall be excess and not contributory insurance.

11.4.3. Insurance provided by Tenant shall not limit Tenant's liability assumed under the indemnification provisions of the contract. Tenant will provide County with current certificates of insurance annually. All certificates of insurance must provide for

guaranteed thirty days written notice to County of cancellation or non-renewal.

12. **Default/Termination.** Either party may present written notice of default or non-performance to the other party.

12.1. Cancellation. If Project Commencement does not occur by the Commencement Date or if Developer notifies District at any time prior thereto of its decision not to proceed with the Project, District or County may cancel this Lease without further obligation or penalty to the other party ("Cancellation"). In the event of a Cancellation, District and County will execute a Second Option Agreement the terms of which shall be identical to the Option Agreement referenced in Recital D above except that the "Effective Date" of the Second Option Agreement shall be the date that one of the parties provides the other with notice of the Mutual Termination.

12.2. Tenant Default. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant (each an "**Event of Default**"):

12.2.1. The vacating or abandonment by Tenant of the Premises, or cessation of activities thereon, where such abandonment will continue for a period of thirty (30) calendar days after notice of such default is sent by County to Tenant;

12.2.2. Failure to pay Base Rent, Additional Rent, or other sum required under this Lease within after its due date, where such failure continues for more than ten days following notice written thereof from County;

12.2.3. Failure by Developer to maintain the employment and salary level applicable at that time, as set forth in Section 14.5 ("Employment Requirements"), where such failure continues for more than thirty days following written notice thereof from County;

12.2.4. Failure to furnish any statement required under this Lease within ten business days after its due date;

12.2.5. Failure to maintain any insurance required under this Lease; (iv) abandonment of the Premises for seven (7) or more consecutive days;

12.2.6. The assignment, mortgaging or encumbrance of all or any portion of Tenant's interest in, to or under this Lease or in or to the Premises without County's prior written consent, or the sublease of all or any portion of the Premises in violation of this Lease;

12.2.7. Causing or failure to prevent the recordation of any lien or other encumbrances against the Leased Property, the Premises, the Project Property, or any portion thereof;

12.2.8. Violation of any law by Tenant, or the conduct of any unlawful activities on the Premises that are permitted by Tenant, either tacitly or explicitly, or that Tenant has not taken reasonable means to prevent after it becomes or in the exercise of reasonable diligence should have become aware that such activities are being conducted.

12.2.9. Any action or omission by Tenant that, in County's reasonable judgment, causes a threat to the health or safety of the public.

12.2.10. Tenant's making of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a

petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty days; or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty days;

12.2.11. Any default in any other obligation of Tenant under this Lease, where such default is not remedied within thirty days after written notice of the default by County or its agent; except that, if any non-monetary default shall reasonably require more than thirty days to cure, Tenant shall be allowed such longer period as is necessary to effect such cure, so long as Tenant's efforts to cure are commenced within the initial thirty day period and are diligently pursued to completion within a reasonable amount of time;

12.2.12. Any guarantor or indemnitor of this Lease, dies, dissolves (including, without limitation, administrative dissolution), revokes, or otherwise terminates, or purports to revoke or otherwise terminate (by operation of law or otherwise), any guaranties or indemnities under this Lease.

12.3. County Remedies. At any time following the occurrence of an Event of Default, with or without notice or demand and without limiting County in the exercise of any other right or remedy which County may have by reason of such default or breach, County may:

12.3.1. Terminate this Lease by any lawful means, in which case Tenant shall immediately surrender possession of the Premises to County. In such event, County shall be entitled to recover from Tenant all damages incurred by County by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary completion, renovation and alteration of the Premises, reasonable attorneys' fees, and any real estate commission actually paid; the "worth at the time of award" established by the court having jurisdiction thereof of the amount by which the unpaid Rent and other charges due for the balance of the Term after the time of Tenant's default exceeds the amount of such rental loss for the same period that Tenant proves by clear and convincing evidence could have been reasonably avoided; and that portion of the leasing commission paid by County applicable to the unexpired term of this Lease. For purposes of this Section 12.3.1, "worth at the time of award" of the amount referred to above shall be computed by discounting each amount by a rate equal to the Prime Rate at the time of the award, but in no event more than an annual rate of seven percent (7%).

12.3.2. Re-enter the Premises, without terminating this Lease, and remove any property from the Premises, in which case County shall be entitled to enforce all of County's rights and remedies under this Lease, including the right to recover the Rent and all other amounts due hereunder as they become due. No re-entry or taking possession of the Premises by County pursuant to this Section 12.3.2 or other action on County's part shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. County's election not to terminate this Lease pursuant to this Section 12.3.2 or pursuant to any other provision of this Lease shall not preclude County from subsequently electing to terminate this Lease or pursuing any of its other remedies.

12.3.3. Maintain Tenant's right to possession, in which case this Lease shall continue in effect, whether Tenant shall have abandoned the Leased Property or the Premises. In such event County shall be entitled to enforce all of County's rights and remedies under this Lease, including

the right to recover the Rent and all other amounts due hereunder as they become due.

12.3.4. Pursue any other remedy, at law or in equity, now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease or the termination of Tenant's right to possession shall not relieve Tenant from liability under any indemnity provision of this Lease as to matters occurring or accruing during the Term hereof or by reason of Tenant's occupancy of the Premises.

County's remedies set forth in this Lease shall be deemed cumulative and not exclusive.

12.4. County Default. County shall in no event be in default in the performance of any of its obligations in this Lease contained unless and until County shall have failed to perform such obligation within thirty days, unless the failure is of such a character as to require more than thirty days to cure, in which event County will be in default only if it fails to initiate the cure within thirty days, and thereafter diligently pursue the same to completion, and after notice by Tenant to County properly specifying in what manner County has failed to perform any such obligation. In no event shall County be liable for any punitive or consequential damages or for any criminal acts of third parties.

12.5. Developer Default. As set forth in Section 12.1 above, District or County may cancel this Agreement without further obligation or penalty, if Developer either (a) for any reason fails to commence construction by the Commencement Deadline or (b) notifies District at any time prior thereto of its refusal to proceed with the Project.

12.6. Self-Help. If Tenant shall default in the performance of any Lease covenant, County may, at County's option after the expiration of any applicable notice and cure period, perform the covenant for the account of Tenant, and all costs and expenses incurred by County, plus interest thereon at the Default Rate from the date paid by County to the date of payment thereof by Tenant, shall be immediately paid by Tenant to County as Additional Rent. The taking of such action by County shall not be considered as a cure of such Default by Tenant or to prevent County from pursuing any remedy it is otherwise entitled to in connection with such Default.

13. Consent and Subordination to Lenders. The cost of the Project will be funded in part by loans from one or more lenders (the "**Lender(s)**").

13.1. Provided County has received at least ten days written notice of any intended encumbrance of the Premises, County will allow the Lenders to hold a deed of trust or other security interest (a "**Leasehold Deed of Trust**") in District's and Developer's leasehold interests in the Premises, and the improvements thereon, only to the extent necessary to secure repayment of Project loans. County will execute such subordination agreements or similar document(s) as may be required by the Lenders, provided that such documents contain terms and conditions and are in a form reasonably satisfactory to County. A Lender, in the event of any foreclosure or assignment in lieu of foreclosure, must cure all District defaults and Developer defaults, and any reletting of the Premises by a Lender must comply with all the terms and conditions of this Agreement.

13.2. County hereby agrees to execute agreements subordinating its leasehold interest in the Premises to Lender or other document(s) as may be required by the Lender with respect to said financing, provided that such documents contain terms and conditions and are in a form reasonably satisfactory to County. In connection therewith, Developer may provide Lender with a collateral assignment of this Lease, an assignment of leases and rents, and a security interest in any personal property owned by Developer, in order to secure the repayment of such financing for

the Project, including interest thereon, and the performance of all of the terms, covenants and agreements on the Developer's part to be performed or observed under all agreements executed in connection with such financing or refinancing. Developer may have one or more Leasehold Mortgages at any time.

- 13.3. Developer shall provide County and District at least thirty days' prior written notice of any intended encumbrance of the Premises as well as with contact information for notices to the Lender ("**Lender Notice**"). After receipt of a Lender Notice, County shall give such Lender, in the manner provided by the notice provisions of this Lease, a copy of each notice of default given by County to District, at the same time that said notice is provided to Developer; provided, however, that the failure of County to provide notice to a Lender shall not be a default hereunder, but shall serve to stay any enforcement of any default or claimed default by County until proper notice, and the applicable cure periods, have been provided to Lender.
- 13.4. County further agrees to execute, acknowledge and deliver an estoppel certificate on request from Developer or Lender certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), the dates to which the Rent and any other charges have been paid in advance, and such other items reasonably requested, including without limitation, the lease commencement date and expiration date, rent amounts, and that no offsets or counterclaims are present.
- 13.5. District and Developer will keep the Premises free and clear of all other liens, claims, and encumbrances, including, but not limited to, mechanics' liens, laborers' liens, and materialmen's liens. County agrees not to place any liens or encumbrances of any kind on the Premises without the prior written consent of District, Developer, and their Lenders.

#### 14. **Assignment and Subletting.**

- 14.1. Except as expressly provided below, Tenant does not have the right to assign its rights or obligations under this Lease, or sublease the Premises in whole or in part, without the prior written consent of County. County will not unreasonably withhold, condition, or delay its consent to a proposed assignment or sublease, but Tenant acknowledges that it is reasonable for County to do so if, in County's reasonable business judgment, the intended Developer has not demonstrated that it has the financial and operational capacity to match the actual (not merely the required) employment and salary levels likely to be achieved by Tenant under Section 14.3 below, and to perform all of Tenant's obligations under this Lease. No consent by County to an assignment or subletting will release Tenant from any of its obligations under this Lease.
- 14.2. Sublease. County acknowledges that District does not intend to occupy or use the Premises itself, and instead intends to sublet the Premises to Developer.
- 14.3. Notwithstanding the foregoing, Tenant may without County's prior consent, but upon not less than fifteen days prior written notice to County, (1) assign this Lease or sublet the Premises to any entity controlling, controlled by or having fifty percent (50%) or more common control with Tenant, or resulting from a merger or consolidation with Tenant or acquiring all of the assets and/or stock of Tenant; provided that any such entity assumes all obligations under this Lease, including, without limitation, the obligation to have Developer meet the Employment Requirements in Section 14.5 (each a "**Permitted Transfer**").

14.4. Except in connection with a Permitted Transfer, if County consents to an assignment or sublet of this Lease or the Premises, Tenant must pay to County any "Transfer Premium" received by Tenant from such assignee or subtenant. "Transfer Premium" means all rent, additional rent or other consideration payable by such assignee or subtenant (but not including consideration for any business services provided by Tenant that are not offered by County) in excess of the rent and any other sums payable by Tenant under this Lease, on a per rentable square foot basis if less than all of the Premises is sublet, after deducting the following costs: (A) any reasonable brokerage commissions in connection with the assignment or sublet; (B) any reasonable advertising and/or marketing costs incurred by Tenant in connection with the assignment or sublet; and (C) any reasonable attorneys' fees paid by Tenant in connection with the assignment or sublet. "Transfer Premium" also includes, but is not limited to, key money and bonus money paid by an assignee or subtenant to Tenant in connection with such assignment or sublet, and any payment more than fair market value for services rendered by Tenant to such assignee or subtenant, or for FF&E transferred by Tenant to such assignee or subtenant in connection with such assignment or sublet.

14.5. Employment Requirements. As set forth in the Form of Sublease attached as Exhibit B, Developer will require each non-retail subtenant of Developer to provide a report each year to District demonstrating that its office employees working at the Premises earn an average annual wage, including benefits, of at least one-hundred seventy-five percent (175%) of the US Census Bureau's American Community Survey (ACS) 5-year Estimate of Median Household Income for Pima County.

15. **Notices.** Except as otherwise specifically provided, all notices, requests, demands and other communications hereunder must be given in writing and either: (i) personally served on the party to whom it is given; (ii) mailed by registered or certified mail, postage prepaid, return receipt requested; (iii) sent by a nationally recognized overnight courier service such as Federal Express; or (iv) sent by email transmission. All notices will be deemed delivered and received upon the earliest of: (a) actual receipt; (b) the third day after the day of mailing; (c) the next business day after the date of deposit with a nationally recognized overnight courier service; or (d) the business day that such notice is sent by email, or if not sent on a business day, the next business day; provided, however, the sender of such email does not receive a response indicating the message was rejected or otherwise undeliverable. Any notices received on a Saturday, Sunday, or on a holiday in the State of Arizona or the United States will be deemed received on the next succeeding business day. The designated address of each party will be:

**If to County:** Pima County Administrator  
115 N. Church Avenue  
Tucson, Arizona 85701, Suite 231  
Attn: Jan Lesher  
Email: [Jan.Lesher@pima.gov](mailto:Jan.Lesher@pima.gov)

With copies to: Pima County Economic Development Director  
201 N. Stone Ave., 2<sup>nd</sup> Floor  
Tucson, Arizona 85701  
Email: [Heath.Vescovi-Chiordi@pima.gov](mailto:Heath.Vescovi-Chiordi@pima.gov)

Pima County Attorney's Office  
32 North Stone Avenue, Suite 2100  
Tucson, Arizona 85701  
Attn: Chief Civil Deputy Attorney  
Email: [Sam.Brown@pcao.pima.gov](mailto:Sam.Brown@pcao.pima.gov)

**If to Tenant:**

Rio Nuevo Multipurpose Facilities District  
1703 E. Broadway Blvd.  
Tucson, Arizona 85719  
Attn:  
Email:

**With copies to:**

Mark Collins, Esq.  
Gust Rosenfeld P.L.C.  
One South Church Avenue, Suite 1900  
Tucson, Arizona 85701

or such other address as that party, from time to time, may specify by notice to the other party given in the manner provided herein. The inability to deliver notice because of a changed address of which no notice was given, or the rejection or other refusal to accept any notice, will be deemed to be the effective receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept.

16. **Licensure and Registration.** Tenant will apply for and obtain any license, registration, or permit that is required during the Term of this Lease and will maintain such license, registration, or permit in good standing throughout the Term of this Lease. Tenant will immediately notify County, in writing, if the license, registration, or permit is denied or terminated. In the event of such denial or termination, County may, in its sole discretion, terminate this Lease with no further obligation to Tenant.

17. **Destruction of Premises.** If at any time during the Term of the Lease, the Premises becomes partially or totally destroyed by reason of any damage by fire, flood, hurricane, windstorm or other casualty or act of God and County cannot or does not fully repair the Premises within ninety (90) days through no fault of Tenant then Tenant will be relieved of any further obligation, duty or liability under this Lease. If the Premises can be and are repaired fully in ninety (90) days, then the Lease will continue in full force and effect while the repairs are being made, and Rent will be abated by the percentage of the total space which is unavailable or not reasonably useful to Tenant.

18. **Holding Over.** If Tenant remains in possession of the Leased Property, Premises or any part thereof after the expiration or earlier termination of the Term of this Lease, without the written consent of County, such occupancy shall be a tenancy at sufferance, for which Tenant shall pay a Base Rent equal to 125% of the Base Rent in effect immediately prior to the expiration or termination of the Term, plus all other charges payable hereunder, and upon all the terms hereof applicable to such a tenancy at sufferance. If Tenant fails to surrender the Leased Property, the Premises, or any portion thereof in a timely manner upon the expiration or earlier termination of this Lease, in addition to any other liabilities to County accruing therefrom, Tenant shall indemnify and hold County harmless from loss or liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any proposed new tenant related to such failure.

19. **Condemnation.**

19.1. **Complete Taking.** If the whole of the Premises is taken or condemned for any public or quasi-public use or purpose, by right of eminent domain or by purchase in lieu thereof, or if a substantial portion of the Premises is taken or condemned so that the portion or portions remaining is or are insufficient or unsuitable, in the mutual reasonable judgment of County and Tenant, for the continued operation of the business contemplated by this Lease, so as to effectively render the Premises untenantable, then this Lease will cease and terminate as of the date on which Tenant is required to vacate the Premises as a result of the condemning

authority taking possession and all Rent will be paid by Tenant to County up to that date or refunded by County to Tenant if Rent has previously been paid by Tenant beyond that date.

19.2. **Partial Taking.** If a portion of the Premises is taken, and the portion or portions remaining can, in the mutual reasonable judgment of County and Tenant, be adapted and used for the conduct of Tenant's business operation, then County will promptly restore the remaining portion or portions thereof to a condition comparable to their condition at the time of such taking or condemnation, less the portion or portions lost by the taking, and this Lease will continue in full force and effect except that the Rent payable hereunder will, if necessary, be equitably adjusted to take into account the portion or portions of the Premises lost by the taking.

20. **Excuse for Non-Performance.** Each party hereto shall be excused from performing any obligation or undertaking provided in this Lease, except the obligations of Tenant to pay Rent due under the applicable provisions of this Lease, in the event and so long as, the performance of any such obligation is prevented or delayed, retarded or hindered by act of God, fire, earthquake, flood, explosion, action of the elements, war, invasion, insurrection, mob violence, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strike, lockout, action of labor unions, order of government or civil or military or naval authorities, or any other cause whether similar or dissimilar to the foregoing not within the reasonable control of such party.

21. **Tenant Purchase Option.**

21.1. **Grant of Purchase Option.** In consideration for the payment of the Option Payment by Tenant to County upon execution of this Lease, County hereby conditionally grants to Tenant the right and option to purchase the Project Property, to include fee title to the improved Premises together with all easements and other rights appurtenant to or for the benefit of the Premises ("Title"), in accordance with the terms and conditions set forth in this Section 21 (the "**Tenant Purchase Option**"). Accordingly, this Lease also constitutes an option agreement between County and Tenant for the purchase and sale of the Project Property.

21.2. **Term of Tenant Purchase Option.** The term of the Tenant Purchase Option and Tenant's right to purchase the Project Property pursuant thereto shall commence on the Effective Date and shall automatically expire if not exercised on or before the Option Exercise Deadline, unless sooner terminated pursuant to the terms of Section 21.4.

21.3. **Purchase Price; Calculation; Payment.** The purchase price for the Project Property and County's cost of acquiring title to the Alley (the "**Purchase Price**") pursuant to the Tenant Purchase Option shall be an amount equal to \$\_\_\_\_ per gross acre of the Project Property as reflected on the Survey (as defined below). The Purchase Price shall be payable by Tenant as follows: (a) the Option Payment shall be credited against the Purchase Price, (b) to the extent not previously applied by County pursuant to the terms of the Lease, the Security Deposit, or such portion thereof then on deposit with County as of the Closing Date, shall be credited against the Purchase Price, and (c) subject to any adjustments provided for in this Section 21, on or before the Closing Date (as defined below), Tenant shall deposit into Escrow by wire transfer or other immediately available federal funds, the balance of the Purchase Price plus Tenant's share of prorations and other Closing costs required in this Section 21 (collectively, the "**Closing Funds**").

21.4. **Tenant Purchase Option Conditions.** Notwithstanding anything to the contrary set forth in this Section 21, the Tenant Purchase Option shall be expressly subject to and conditioned upon Tenant's Work being Substantially Complete on or before the Construction Completion Date, Developer timely satisfying the Employment Requirements in Section 14.5, and that no Event of Default by Tenant has

occurred under this Lease or event which, with notice, the passage of time or both would constitute an Event of Default under this Lease as of the date of the Exercise Notice (as defined below). In the event the foregoing conditions are not satisfied, the Tenant Purchase Option will automatically terminate and be of no further force or effect, County shall be entitled to retain the Option Payment and neither County nor Tenant will have any further rights or obligations under this Section 21.

21.5. Exercise of Tenant Purchase Option; Survey. Subject to Tenant's satisfaction of the requirements of this Section 21, Tenant may elect to purchase the entire Project Property by delivering written notice of such election (the "**Exercise Notice**") to County. Upon County's receipt of the Exercise Notice, County and Tenant shall cause to be opened an escrow (the "**Escrow**") for the purchase and sale of the Project Property with a title company or escrow agent located in the State of Arizona and mutually agreeable to Tenant and County ("**Escrow Agent**"). As soon as practicable following (but in no event before) Tenant's delivery of the Exercise Notice, Tenant shall cause to be performed, at Tenant's sole cost and expense, an ALTA/NSPS land title survey of the Project Property (the "**Survey**"), which Survey shall be prepared by a registered land surveyor licensed and in good standing with the State of Arizona. The Survey be certified to Tenant. Tenant shall promptly provide a copy of the Survey to County and a copy to Escrow Agent.

21.6. Deposit of Agreement. Upon or prior to Substantial Completion, the District shall deposit this Agreement with \_\_\_\_\_ ("Title Company"), an appropriate officer of which will act as the Escrow Agent for this purchase and sale transaction. The "Opening of Escrow" shall be deemed to have occurred when the Escrow Agent acknowledges to County and the District that she/he has received a copy of this Agreement and assigned the transaction an "Escrow" number.

21.7. By Opening Escrow, the Escrow Agent acknowledges and agrees recordation of the Deed constitutes the Escrow Agent's representation that it is holding the closing documents, closing funds, and closing statement and is prepared and irrevocably committed to disburse the closing funds in accordance with the closing statement.

21.8. Closing; Conveyance. The closing of the purchase and sale of the Project Property pursuant to the Tenant Purchase Option (the "**Closing**") shall occur on the date that is sixty days after the date of the Exercise Notice (the "**Closing Date**"), or such other date as Tenant and County may agree in writing. At the Closing, County will convey to Tenant title to the Project Property by a duly executed and acknowledged Special Warranty Deed in the form attached hereto as Exhibit E (the "**Deed**") and incorporated herein by reference, subject to all matters of record, including, without limitation the Project Property Restriction, all conditions reflected on the Survey and all conditions a physical inspection the Project Property would reveal.

21.9. The date upon which the Escrow Agent disburses the Purchase Price to County and Title Company records the Deed, will be referred to as the "Closing Date". The Closing Date shall not be prior to Substantial Completion as defined in Section 6.6. The Parties will work together to ensure that all requirements set forth in this Section 21 are met, and the sale Closes, as soon as reasonably possible after Substantial Completion. County's obligation to close will be conditioned on development of the Premises in the manner required by this Agreement and the Sublease. Unless County agrees otherwise, the District must pay cash at closing; County is not obligated to accept a promissory note for any portion of the purchase price.

21.10. District has reviewed the Title Commitment issued by the Title Company regarding the Premises, dated \_\_\_, Order No. \_\_\_, Reference No. \_\_\_(the "**Existing Title Commitment**"). District has reviewed and has no objection to any of the exceptions to title shown on the

Existing Title Commitment nor anything shown on the ALTA/NSPS Land Title Survey of the Premises prepared for District by Stantec, (Project \_\_\_\_) (the “Survey”). Within five business days after the Opening of Escrow, the Title Company will issue and deliver to District and County an updated commitment (the “**Updated Commitment**”), together with copies of all instruments referred to therein, that are not on the Existing Title Commitment (the “**Additional Exceptions**”). The Updated Commitment will be an irrevocable commitment by the Title Company to issue the Title Policy (defined below) subject to the satisfaction of the requirements contained in the Updated Commitment.

- 21.11. District will have twenty days after receipt of the Updated Commitment to object to any Additional Exceptions (“**Title Issues**”) by providing written notice thereof to County. If District has no objection, it may provide notice thereof to County, in which case this twenty-day period will cease. In the event of any such objection, County will have ten days after receipt of District’s notice of the Title Issues to review and evaluate the Title Issues and give written notice to District whether County will cure or cause to be removed the Title Issues (“**Title Review Period**”). If the Updated Commitment or Survey is updated and/or amended by any new exception(s) or requirement(s) (by endorsement, amendment, or otherwise) that District deems to be adverse to its anticipated title (“**Amended Title Commitment**”), the Title Review Period will be extended by three business days following District’s receipt of the Amended Title Commitment (including the best available copies of all new exceptions) to notify County in writing of District’s objections to any new exceptions (“**Extended Title Review Period**”). If District timely objects to any matter disclosed in an Amended Title Commitment, County may give written notice to District within three business days after receipt of the new objections as to whether it will cure or cause to be removed an objected-to matter. If County timely gives District written notice that County will not cure or cause to be removed the objected-to matter (or if County fails to provide any written notice within the applicable response period), then District may terminate this Agreement.
- 21.12. County and District hereby agree and acknowledge that electronic delivery of the Updated Commitment and any Amended Title Commitments by the Title Company (whether in the form of an attachment to electronic mail or in the form of a link to a website where the Updated Commitment or Amended Title Commitment can be downloaded) is an acceptable form of delivery, and the Updated Commitment or Amended Title Commitment will be deemed delivered on the day it is electronically transmitted to and received by County and District.
- 21.13. Notwithstanding anything mentioned herein to the contrary, on or before the Closing Date, County will satisfy and remove all voluntary monetary liens placed on the Premises by County, without the need of any objection from District.
- 21.14. As used in this Agreement, the term "Permitted Exceptions" will collectively mean the exceptions to title shown by the Survey, the Existing Title Commitment, and any additional exceptions shown by the Updated Commitment or any amendment thereto that are approved (or deemed approved) by District pursuant to this section.
- 21.15. At the Closing, the Title Company will deliver to District either an ALTA extended form of title insurance (the “**Title Policy**”) with respect to the Premises in the full amount of the Purchase Price, which will insure that fee simple title to the Premises is vested in District, subject only to: (i) the usual printed exceptions and exclusions contained in the Title Policy; and (ii) the Permitted Exceptions or an endorsement to its existing Owner’s Policy in connection with the Project. If a new policy is issued, the cost of a basic premium policy will

be paid for by County with any extended coverage paid for by District.

21.16. The escrow agent's fee will be evenly divided and paid by the Parties. Each Party will pay its own attorneys' fees. All other fees and costs relating to the Closing will be paid by the parties as is customary in similar real estate transactions in Pima County, Arizona.

21.17. The Parties understand, acknowledge, and agree that no real estate broker is involved in this transaction and that no real estate brokerage commission will be paid because of the sale of the Premises. District acknowledges that District Board Member Chris Sheafe is a licensed real estate broker in Arizona. Each Party will defend, indemnify, and hold the other harmless from and against all claims, costs, liabilities or damages for any real estate brokerage commissions or fees, including any attorneys' fees incurred in connection therewith, which may result from the conduct of the party from whom indemnification is sought.

21.18. The terms and provisions of this Agreement shall constitute escrow instructions to the Escrow Agent for the purpose of serving in such capacity for the transaction described herein. In the event of a conflict between the terms and conditions of this Agreement and any other escrow instructions executed by the parties in connection with this transaction, the terms and conditions of this Agreement shall control.

21.19. The Parties acknowledge and agree that TIME SHALL BE OF THE ESSENCE with respect to the performance by the Parties of their obligations under this Agreement and to consummate the transactions contemplated in this Agreement on the Closing Date. For the purposes of this Agreement, any date to which the Parties agree to adjourn the Closing pursuant to the terms of this Agreement shall be deemed the Closing Date hereunder. District's obligation to pay rent will cease no later than thirty days after Substantial Completion, regardless of whether the Closing Date has yet occurred, except that the obligation to pay rent will continue if County has indicated to District, in writing, that County is ready and willing to Close and has satisfied all its closing conditions.

21.20. Seller Closing Deliveries. On or before the Closing Date, County shall deliver or cause to be delivered into Escrow the following:

21.20.1. An original executed and acknowledged Deed transferring the Project Property;

21.20.2. County's original executed agreement terminating this Lease (the "**Lease Termination Agreement**"), which Lease Termination Agreement shall be in such form as County may reasonably determine.

21.20.3. A non-foreign affidavit in the form required by Escrow Agent;

21.20.4. Such proof of County's authority or authorization to convey the Project Property as may be required by Escrow Agent, including, without limitation, proof of the power and authority of the individual(s) executing or delivering any instruments, documents, or certificates on behalf of County to act for and bind County; and

21.20.5. Such other documents and instruments, signed and properly acknowledged (if appropriate) by County, as may be reasonably required by Escrow Agent or otherwise to effectuate the provisions of this Section 21 and the Closing of the transaction contemplated herein.

21.21. Buyer Closing Deliveries. On or before the Closing Date, Tenant shall deliver the or cause

to be delivered into Escrow the following:

- 21.21.1. Immediately available U.S. funds in the amount of the Closing Funds;
- 21.21.2. An original executed and acknowledged County Option Agreement;
- 21.21.3. An original executed and acknowledged Memorandum of County Option;
- 21.21.4. Tenant's original executed Lease Termination Agreement

21.21.5. Such proof of Tenant's authority or authorization to acquire the Project Property as may be required by Escrow Agent, including, without limitation, proof of the power and authority of the individual(s) executing or delivering any instruments, documents, or certificates on behalf of Tenant to act for and bind Tenant; and

21.21.6. Such other documents and instruments, signed and properly acknowledged (if appropriate) by Tenant, as may be reasonably required by Escrow Agent or otherwise to effectuate the provisions of this Section 21 and the Closing of the transaction contemplated herein.

21.22. Closing Costs. Property taxes will not be prorated as the Project Property is not taxed under the ownership of County. At the Closing, Tenant shall pay the cost of any title insurance policy Tenant elects to obtain and the cost of all endorsements or additional coverage related thereto. County and Tenant shall each bear the costs of its own legal counsel. All escrow fees and costs, and all recording costs, shall be divided equally between Tenant and County. Any other costs associated with the Closing will be borne by the parties in accordance with custom in Pima County, Arizona, as determined by Escrow Agent, unless otherwise specified in this Section 21.

21.23. County Permitting. Despite the transfer of title at Closing, County, rather than the City of Tucson, will continue to provide permitting and plan review services for the buildup of the Project.

## 22. **Representations and Warranties.**

22.1. District Representations and Warranties. As of the Effective Date and on the Closing Date, if any, District hereby represents and warrants to County as follows:

- 22.1.1. District is organized and lawfully existing as a special taxing district of the State of Arizona.
- 22.1.2. District has the full right, power, and authority to make, execute, deliver, and perform this Agreement.
- 22.1.3. District's execution and delivery of this Agreement has been authorized by all requisite action on the part of District, and the execution and delivery of this Agreement by District and the performance of its obligations hereunder will not violate or contravene any agreement or obligation to which District is a party or by which it is bound.
- 22.1.4. There is no action, suit, litigation or proceeding pending or, to District's knowledge, threatened against District that could prevent or impair District's entry into this Agreement and/or performance of its obligations hereunder.

22.1.5. The persons signing this Agreement on behalf of District are duly and validly authorized to do so.

22.2. **County's Representations and Warranties.** As of the Effective Date (but as of \_\_\_\_\_ as to the representations in paragraph iii below) and on the Closing Date, County hereby represents and warrants to District that, to the best of County Administrator's and the Manager of Real Property Services' knowledge:

22.2.1. County owns fee simple title to the Premises, free and clear of all liens, charges, encumbrances, encroachments, easements, restrictions, leases, tenancies, occupancies, or agreements and other matters affecting title, except for those matters previously approved by District in writing, or created by District or by County with District's approval. The Premises is in compliance with all easements, restrictions, and other matters of record affecting title as of the date hereof.

22.2.2. The entry by County into this Agreement with District and the performance of all the terms, provisions and conditions contained herein does not and will not violate or cause a breach of or default under any agreement or obligation to which County is a party or by which it is bound.

22.2.3. There are no tenants, lessees or other occupants of the Premises having any right or claim to possession or use of the Premises or a claimed preference for occupancy in the Premises.

22.2.4. County is not obligated under any other option, contract, lease, or agreement, oral or written, with respect to the ownership, use, operation, management, maintenance, lease, sale, or financing of the Premises except as previously disclosed to District.

22.2.5. No representation, statement or warranty by County contained in this Agreement or in any exhibit attached hereto contains any untrue statement or omits a material fact necessary to make the statement of fact therein recited not misleading.

22.2.6. There is no action, suit, litigation or proceeding pending or, to County's knowledge, threatened against County and/or the Premises which could prevent or impair County's entry into the Premises and/or performance of its or any of District's obligations hereunder or materially and adversely impact District's rights hereunder.

22.2.7. The person signing this Agreement on behalf of County is duly and validly authorized to do so.

22.2.8. There are no pending condemnation proceedings relating to any portion of the Premises, and County has received no notices of the institution or the proposed institution of condemnation proceedings relating to any portion of the Premises or of any other proceedings against or any taking of all or any part of the Premises.

22.2.9. There is no pending or threatened litigation, governmental proceeding, notice of action required to be taken, judgment or cause of action against or related to the Premises, or any portion thereof, or against County or County's agents with respect to the Premises or any portion thereof.

23. **Cancellation for Conflict of Interest.** This Lease may be cancelled for conflict of interest pursuant

to A.R.S. § 38-511, the provisions of which are incorporated in this Lease by this reference.

24. **Non-Discrimination.** Tenant will comply with applicable local, state, and federal laws, rules and regulations concerning equal employment opportunity and non-discrimination; and with all provisions and requirements of Arizona Executive Order 75-5, as amended by Executive Order 2009-09, which is incorporated into this Lease by this reference.

25. **Non-Appropriation.** County's performance of its obligations under this Lease may be dependent upon the appropriation of funds by the Board or the availability of funding from other sources. Should the Board fail to appropriate the necessary funds, or if funding is otherwise not available to County for the purpose of fulfilling County's obligations under this Lease, County will be relieved of that obligation and County or Tenant may terminate this Lease, in which case neither County nor Tenant shall have any further rights or obligations hereunder other than those which specifically survive the termination of this Lease. County agrees to notify Tenant as soon as reasonably possible after the unavailability of said funds comes to the Board's attention.

26. **Arbitration.** The parties agree that any dispute arising under this Lease involving the sum of fifty thousand dollars (\$50,000) or less in money damages only will be resolved by arbitration pursuant to the Arizona Uniform Rules of Procedure for Arbitration. The decision of the arbitrator(s) will be final.

27. **Miscellaneous.**

27.1. Estoppel Certificate; Financial Statements. Upon ten business days' prior written request by County, Tenant shall deliver to County the following:

27.1.1. A balance sheet, income statement, statement of changes in equity, statement of consolidated cash flows and such other financial information as may be reasonably requested. Non-audited financial statements shall be certified to County and County's lender, if applicable, as being accurate and complete in all material respects (the "**Certified Statements**"); provided, however, that such Certified Statements shall not be required more than once per calendar year, unless Tenant is in default under this Lease, or if County needs such Certified Statements in connection with a sale or financing of the Project Property. The Certified Statements shall be signed by an officer, authorized agent, partner, manager or managing member of Tenant.

27.1.2. A statement certifying (a) that this Lease is unmodified and in full force and effect, or if there has been any modification thereof that this Lease is in full force and effect as modified and stating the nature of the modification; (b) that County is not in default under this Lease and no event has occurred which, after notice or expiration of time or both, would constitute a default (or if any such default or event exists, the specific nature and extent thereof); (c) the dates to which the Base Rent, Additional Rent and other charges have been paid in advance, if any; and (d) any other information concerning this Lease or the Premises which County may reasonably request (the "**Estoppel Certificate**").

27.1.3. Any financial information and Estoppel Certificate delivered pursuant to this Section 26.1 may be provided to any prospective purchaser, holder or prospective holder of any encumbrance and relied upon by County, any prospective purchaser, holder or prospective holder of any encumbrance. If Tenant fails to deliver the Estoppel Certificate required by this Section within ten days after County has requested such statements, such failure shall constitute an Event of Default and, in addition to County's remedies hereunder, Tenant shall be deemed to have certified that this Lease is in full force and effect, that County is not in default under this Lease and all other matters described in the Estoppel Certificate.

27.2. County's Liability. The term "County" as used herein shall mean only the owner or owners at the time in question of the fee title of the Leased Property. In the event of any transfer of such title or interest, County herein named (and in case of any subsequent transfers the then grantor) shall be released from and after the date of such transfer of all liability as respects County's obligations thereafter to be performed, so long as any funds in the possession of County or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by County shall, subject to the foregoing, be binding on County's successors and assigns, only during their respective periods of ownership.

27.3. Further Assurances and Documentation. Each Party agrees in good faith to take such further actions and execute such further documents as may be necessary or appropriate to fully carry out the intent and purpose of this Agreement.

27.4. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

27.5. Interest on Past-Due Obligations. Except as expressly herein provided, any amount due to County not paid when due shall bear interest at the Default Rate from the date due. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

27.6. Time Periods. If the time for the performance of any obligation under this Lease expires on a Saturday, Sunday or legal holiday, the time for performance will be extended to the next succeeding day which is not a Saturday, Sunday or legal holiday.

27.7. Time of Essence. Except as specifically otherwise set forth in this Lease, time is of the essence with respect to every obligation of Tenant hereunder.

27.8. Captions. Section and paragraph captions are not a part hereof.

27.9. Memorandum of Ground Lease and Purchase Agreement. Upon the execution of this Agreement, the Parties will also execute a Memorandum of Ground Lease and Purchase Agreement to be recorded in the official records of the Pima County, Arizona Recorder (the "**Official Records**") in substantially the form attached hereto as **Exhibit C**.

27.10. Incorporation of Prior Agreements; Amendments. This Lease contains all agreements of the parties with respect to any matter mentioned herein and expressly supersedes and renders null and void any letter of intent that may have been previously executed between the parties relating to the Leased Property or the Premises. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

27.11. Persons. The word "person" and the word "persons", wherever used in this Lease, shall both include individuals, partnerships, firms, trusts, corporations, limited liability companies and/or any other form of business entity.

27.12. Remedies Not Exclusive. The various rights, options, elections, powers, and remedies of County contained in this Lease shall be construed as cumulative and no one of them shall be exclusive of any of the others, or of any other legal and equitable remedy which County might otherwise have in the event of breach or default in the terms hereof, and the exercise of one right or remedy by County shall not impair its rights to any other right or remedy until all obligations imposed upon the other party have been fully performed.

27.13. No Partnership. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between County and Tenant, and neither the method of computation of Rent nor any other provision contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship between County and Tenant other than the relationship of County and tenant.

27.14. No Waiver. No waiver of any default hereunder shall be implied from any omission by either party to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver, and then only for the time and to the extent therein stated. The acceptance by County of Rent or other payments with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be deemed a waiver of any such breach. One or more waivers of any breach of any covenant, term or condition of this Lease shall not be construed as a waiver of any subsequent breach of the same covenant term or condition. The consent or approval by County to or of any act by Tenant requiring County's consent or approval shall not be deemed to waive or render unnecessary County's consent or approval to or of any subsequent similar acts by Tenant. To be effective, any express waiver must be in writing.

27.15. Lease Contains All Agreements. This Lease, together with its exhibits, contain all conditions, covenants and agreements between County and Tenant relating in any manner to the Project and to the rental, use and occupancy of the Premises and the other matters set forth in this Lease. No prior or contemporaneous agreement or understanding pertaining to the Project or the Premises shall be valid or of any force or effect, and the conditions, covenants and agreements of this Lease cannot be altered, changed, modified, or added to, except in writing signed by County and Tenant. County and Tenant intend that this Lease supersedes all such prior or contemporaneous agreements and that this Lease constitutes the final, exclusive, and complete embodiment of their agreement. No representation, inducement, understanding or anything of any nature whatsoever, made, stated, or represented on County's behalf, either orally or in writing (except this Lease), has induced Tenant to enter into this Lease.

27.16. Brokers. County and Tenant each represent and warrant to the other that neither of them has employed or dealt with any broker, agent or finder in carrying on the negotiations relating to this Lease. In the event of a breach of the foregoing representation and warranty by a party (the "**Defaulting Party**"), the Defaulting Party shall indemnify and hold the other party harmless from and against any claim or claims, damages, or expenses (including any claims for brokerage or other commissions asserted by any broker, agent, or finder fees) which may arise as a result of such breach.

27.17. Partial Invalidity. Any provision or provisions of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof, and the remaining provisions hereof shall nevertheless remain in full force and effect.

27.18. Other Agreements. Any default by Tenant under any instrument, undertaking or agreement executed by Tenant in favor of or with County relating to this Lease or in the tenancy created hereby shall constitute a breach of this Lease and entitle County to pursue each of all its rights and remedies hereunder and at law.

27.19. Waiver of Trial by Jury. To the extent permitted by law, County and Tenant mutually waive trial by jury with respect to any action brought by either party under or in connection with this Lease, the Leased Property, the Premises and/or the Project.

27.20. Authority. If Tenant signs as a corporation, each of the persons executing this Lease on behalf of Tenant represents and warrants that Tenant is a duly organized and existing corporation, that Tenant has been and is qualified to do business in the State of Arizona, that the corporation has full right

and authority to enter into this Lease, and that all persons signing on behalf of the corporation were authorized to do so by appropriate corporate actions. If Tenant signs as a partnership, limited liability company, trust, or other legal entity, each of the persons executing this Lease on behalf of Tenant represents and warrants that Tenant has complied with all applicable laws, rules, and governmental regulations relative to its right to do business in the State of Arizona, that such entity has the full right and authority to enter into this Lease, and that all persons signing on behalf of the Tenant were authorized to do so by any and all necessary or appropriate partnership, limited liability company, trust, or other actions. Tenant agrees to provide to County evidence of the foregoing items upon the execution of this Lease.

27.21. Attorneys' Fees and Legal Expenses. In any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees, and other reasonable legal expenses and court costs incurred by such party in such action or proceeding as the court may find to be reasonable.

27.22. Exhibits. Each reference in this Lease or in any Exhibit to this Lease shall mean the Exhibits attached to this Lease, all of which are incorporated in this Lease by reference.

27.23. Choice of Law. This Lease shall be governed and construed in accordance with the laws of the State of Arizona, without regard to its principles of conflicts of laws. County and Tenant hereby agree that the proper venue for any legal proceedings arising out of this Lease shall be Pima County, Arizona, and each party hereto consents to the jurisdiction of the state or federal courts located in Pima County, Arizona.

27.24. Construction. This Lease will not be construed more strictly against one party hereto than against any other party hereto merely because it may have been prepared by counsel for one of the parties. Each party represents that it has had the opportunity to have its own legal counsel review and participate in the completion of this Lease.

27.25. Anti-Terrorism. Tenant represents, warrants and covenants that: (i) it is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by an Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and (ii) it is not executing this Lease, directly or indirectly on behalf of, or instigating or facilitating this Lease, directly or indirectly on behalf of, any such person, group, entity, or nation. Tenant hereby agrees to defend, indemnify, and hold harmless County from and against all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing representations, warranties and covenants.

27.26. Counterparts. This Lease may be executed by the exchange of faxed or electronic signatures and in any number of counterparts.

27.27. Exhibits. The Exhibits referenced below are attached hereto and incorporated in this Lease by reference:

|           |                                    |
|-----------|------------------------------------|
| Exhibit A | Legal Description to the Premises  |
| Exhibit B | Form of Sublease                   |
| Exhibit C | Form of Memorandum of Ground Lease |
| Exhibit D | Work Letter Agreement              |
| Exhibit E | Form of Deed                       |

**SIGNATURE PAGE FOLLOWS**

IN WITNESS WHEREOF, County and Tenant have executed this Lease Agreement as of the Effective Date.

**TENANT:**  
RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

By: \_\_\_\_\_  
Its: Chairman

By: \_\_\_\_\_  
Its: Secretary

**COUNTY:**

PIMA COUNTY,  
a political subdivision of the State of Arizona

By: \_\_\_\_\_  
Name: Adelita Grijalva  
Its: Chair of the Board of Supervisors

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Melissa Manriquez, Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Heath Vescovi-Chiordi, Director of Economic Development

APPROVED AS TO FORM:

\_\_\_\_\_  
Bobby Yu, Deputy County Attorney

The City of Tucson hereby consents to County's continued provision of permitting and plan review services under Section 9 of the Ground Lease between PIMA COUNTY and RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT.

CITY OF TUCSON

---

**EXHIBIT A**  
**(TO GROUND LEASE AND OPTION AGREEMENT)**  
**(LEGAL DESCRIPTION OF THE PREMISES)**

**EXHIBIT B**  
**(TO GROUND LEASE AND OPTION AGREEMENT)**  
**FORM OF SUBLICENSE**

**EXHIBIT C**  
**(TO GROUND LEASE AND OPTION AGREEMENT)**  
**(FORM OF MEMORANDUM OF GROUND LEASE)**

When recorded, return to:

Mark Collins, Esq.,  
Gust Rosenfeld P.L.C.  
One South Church Avenue, Suite 1900  
Tucson, Arizona 85701

**MEMORANDUM OF GROUND LEASE AND PURCHASE AGREEMENT**

THIS MEMORANDUM OF GROUND LEASE AND PURCHASE AGREEMENT is entered into this \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_, by and between Pima County, a political subdivision of the State of Arizona ("County"), and Rio Nuevo Multipurpose Facilities District, a special taxing district of the State of Arizona ("District").

County and District have entered into an unrecorded Ground Lease and Purchase Agreement dated \_\_\_\_\_, 202\_\_\_\_ (the "Lease") whereby County has leased to District all of the tract of land located in Tucson, Arizona, which is more fully described on **Exhibit A** attached hereto, and all rights, alleys, ways, privileges, appurtenances and advantages appurtenances and advantages, to the same belonging or in any way appertaining ("Property"). The Lease may be terminated at various times pursuant to the terms of the Lease, but in no event later than [one month] after the issuance of a Certificate of Occupancy for a structure on the Premises.

A copy of the Lease and Option Agreement is available for person having a legitimate interest in the Property at the following address:

Rio Nuevo Multipurpose Facilities District  
400 West Congress, Suite 152  
Tucson, Arizona 85701

This Memorandum of Ground Lease and Option Agreement is dated as of the date first above written.

**\SIGNATURES APPEARS ON THE FOLLOWING PAGES**

**DISTRICT:**

## RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

By: \_\_\_\_\_  
Its: Chairman

By: \_\_\_\_\_  
Its: Secretary

STATE OF ARIZONA )  
 ) ss.  
COUNTY OF PIMA )

I HEREBY CERTIFY that on this    day of                   , 20  , before me, a Notary Public for the state aforesaid, personally appeared Fletcher McClusker, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing Memorandum of Ground Lease and Purchase Agreement, who acknowledged that he is the Chairman of the Board of Directors for Rio Nuevo Multipurpose Facilities District and that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth.

## Notary Public

My commission expires on

**COUNTY:**

## PIMA COUNTY, ARIZONA

By: \_\_\_\_\_  
Adelita Grijalva, Chair of the Board of Supervisors

STATE OF ARIZONA )  
 ) ss.  
COUNTY OF PIMA )

I HEREBY CERTIFY that on this \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_\_, before me, a Notary Public for the state aforesaid, personally appeared Adelita Grijalva, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing Memorandum of Ground Lease and Purchase Agreement, who acknowledged that she is the Chair of the Pima County Board of Supervisors and that she has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth.

---

## Notary Public

My commission expires on

**EXHIBIT D**  
**(TO GROUND LEASE AND OPTION AGREEMENT)**  
**WORK LETTER AGREEMENT**

**EXHIBIT E**  
**FORM OF DEED**

WHEN RECORDED, RETURN TO:

---

---

---

---

**SPECIAL WARRANTY DEED**

For the consideration of the sum of Ten Dollars (\$10.00) and other valuable considerations received, \_\_\_\_\_ ("Grantor"), does hereby convey to \_\_\_\_\_ ("Grantee"), that certain real property described in Exhibit "A" attached hereto and incorporated herein by reference, situated in Pima County, Arizona (the "Real Property"), together with (a) all appurtenances, hereditaments, easements, rights-of-way, reversions, remainders, development rights, water rights, well rights, and air rights appurtenant to the Real Property, (b) any rights of Grantor in and to any adjoining strips or gores of property and any land lying within the bed of any adjoining street, (c) any other rights or privileges appurtenant to such Real Property or used in connection therewith, and (d) any improvements, fixtures, buildings or structures thereon (such property, together with the Real Property, to be collectively referred to herein as the "Property");

SUBJECT TO: current taxes; patent reservations; all covenants, conditions, restrictions, reservations, easements and declarations or other matters of record; and conditions which a physical inspection or accurate survey of the Property would reveal.

Grantor hereby binds itself and its successors to warrant and defend the title to the Property, as against all acts of Grantor herein and no other, subject to the matters above set forth.

**SIGNATURE PAGE FOLLOWS**

[*SIGNATURE BLOCK, NOTARY BLOCK AND LEGAL DESCRIPTION TO BE INCLUDED*]

# ATTACHMENT 2



**OBIE**  
COMPANIES



Gensler

**swaim**

 **SUNDT**  
*Skill. Grit. Purpose.\**





Inn at the 5<sup>th</sup> – Eugene, Oregon



Inn at 500 – Boise, Idaho



Gordon Hotel – Eugene, Oregon



Gordon Hotel – Eugene, Oregon



Christmas in the Alley



Rally in the Alley



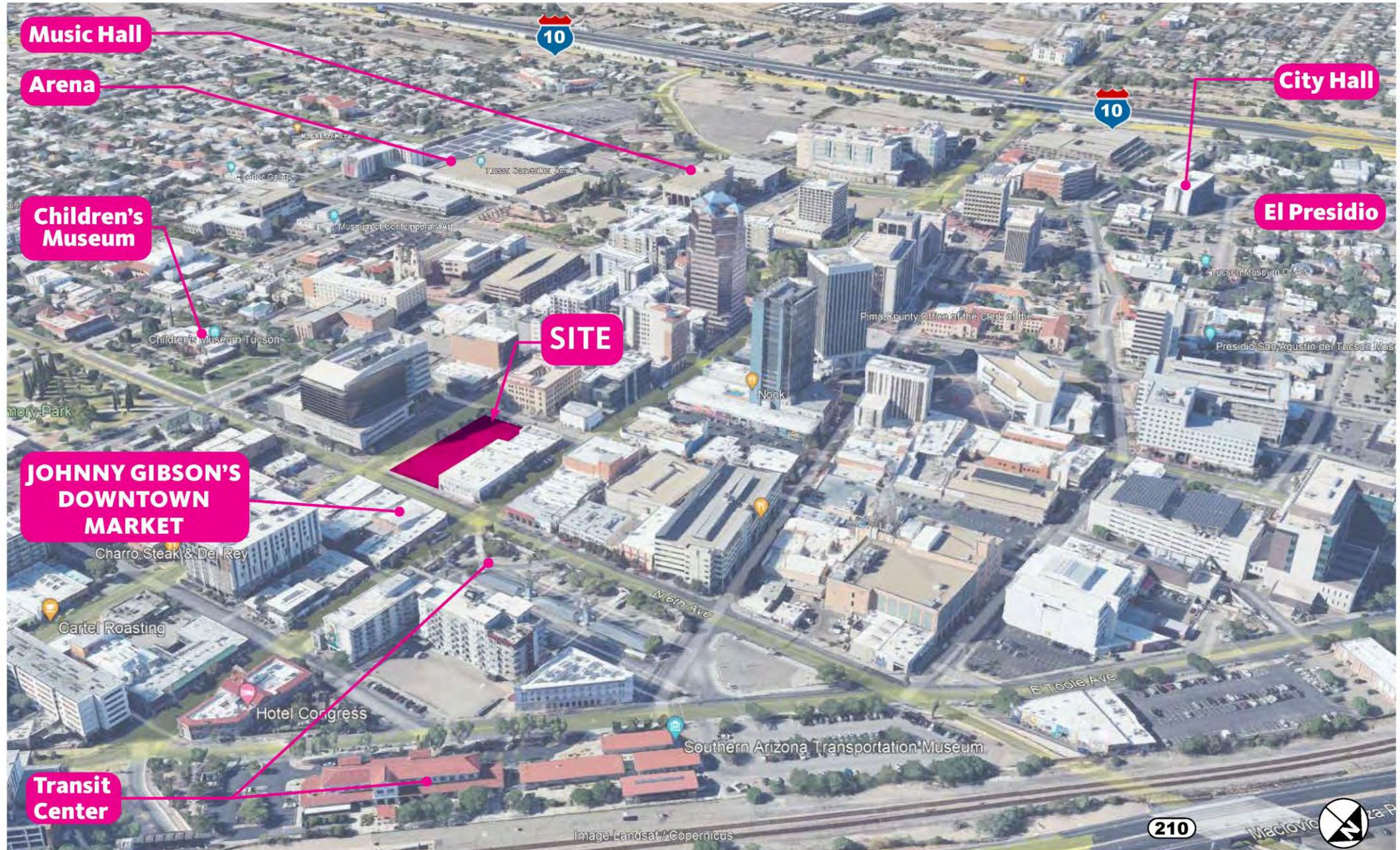
Gordon Hotel – Corvallis, Oregon \*Opening Spring 2027

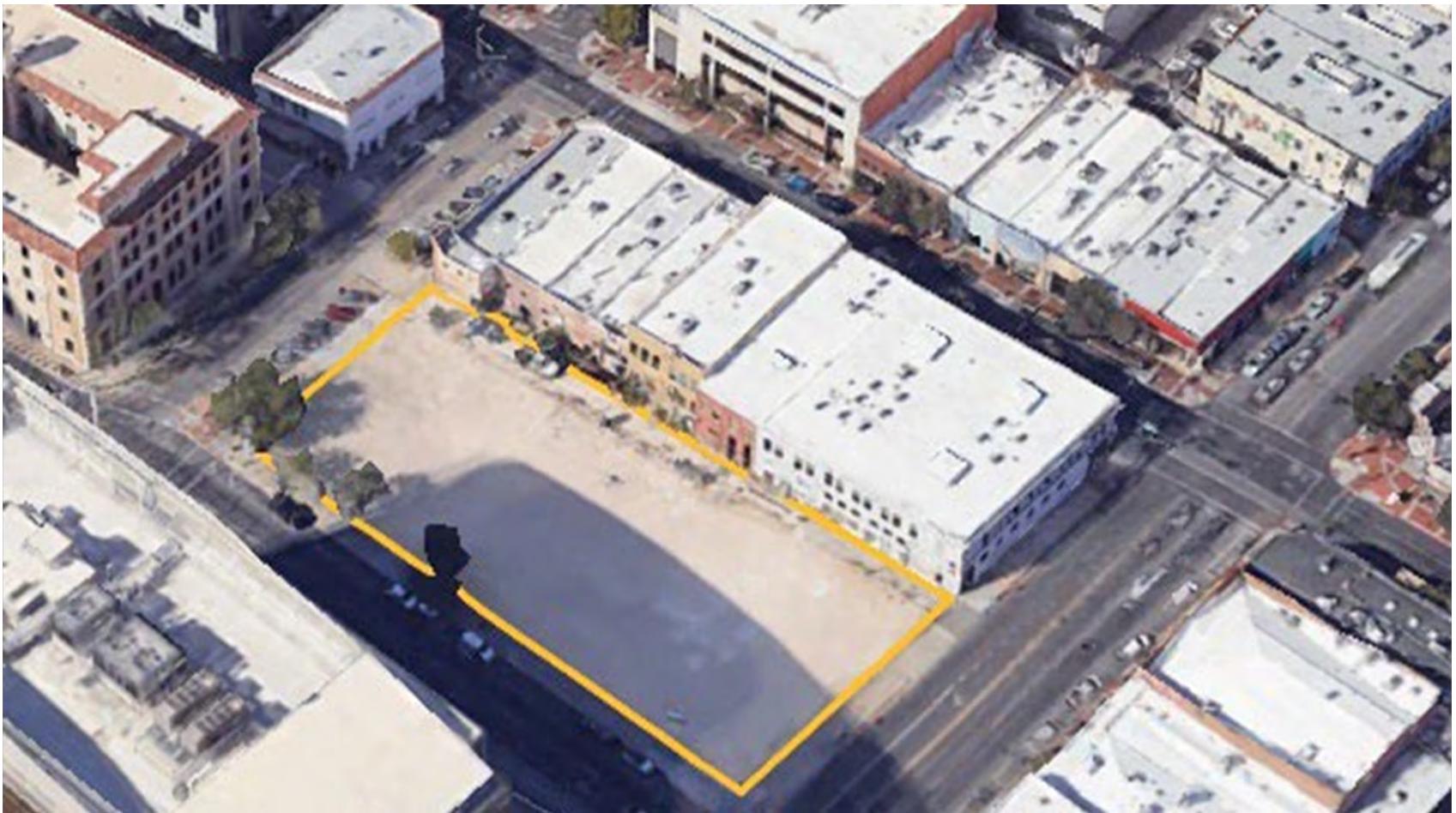


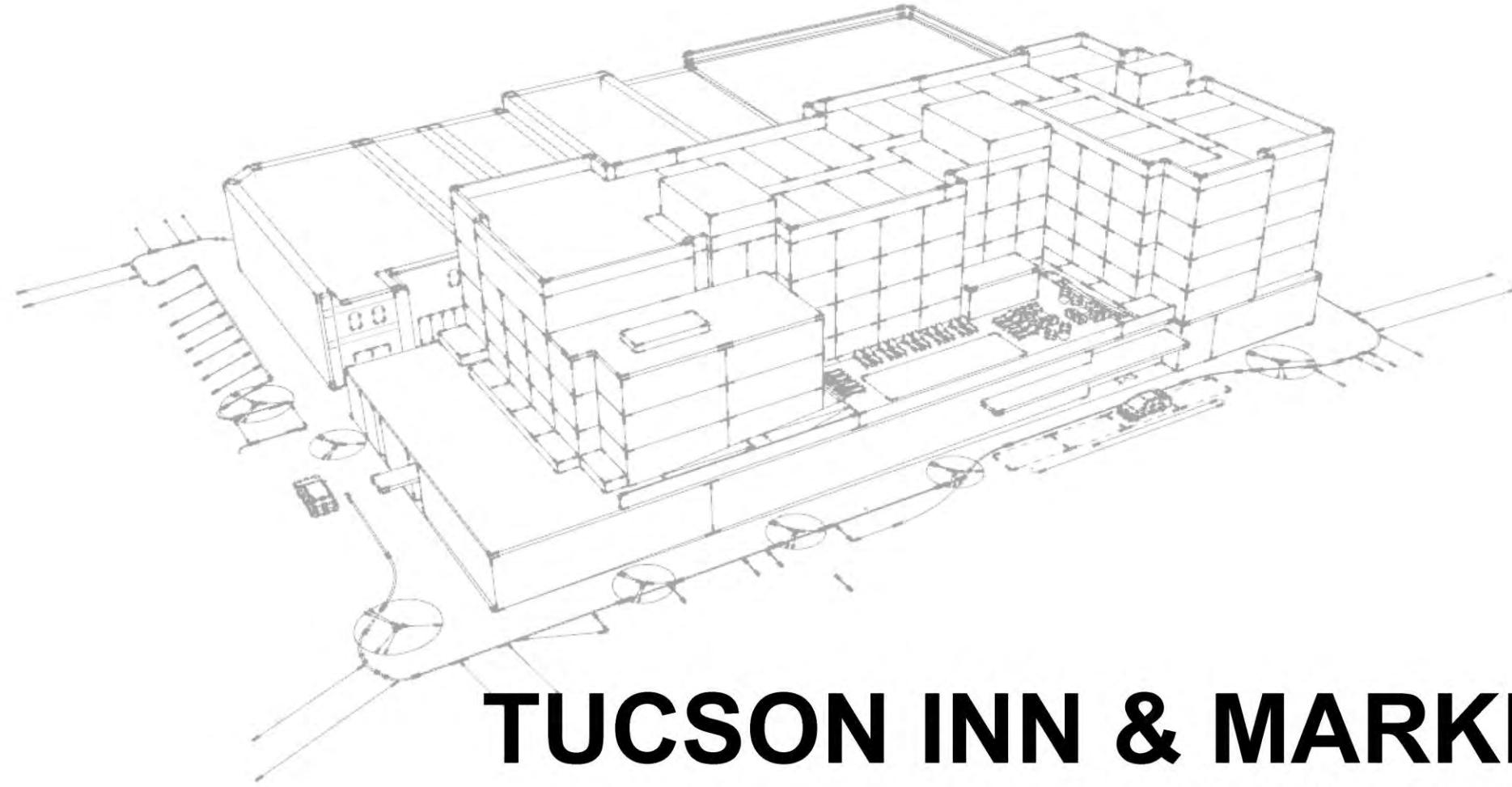
Station House – Eugene, Oregon \*Opening Spring 2028

# TUCSON









# TUCSON INN & MARKET

PRELIMINARY PLANS & MASSING

SEP 22, 2025





**TUCSON INN**  
E BROADWAY BLVD, TUCSON, AZ

SE PERSPECTIVE VIEW

SCALE (11"x17") 1/32"=1'  
SEP 22, 2025 **Gensler**





# PRELIMINARY PLAN



# ATTACHMENT 3

*GUST*  
*ROSENFELD*  
*ATTORNEYS SINCE 1921 P.L.C.*

■ ONE S. CHURCH AVE., SUITE 1900 ■ TUCSON, ARIZONA 85701-1627 ■ TELEPHONE 520-628-7070 ■ FACSIMILE 520-624-3849 ■

Mark L. Collins  
520-388-4780  
[mcollins@gustlaw.com](mailto:mcollins@gustlaw.com)

November 24, 2025

**HAND DELIVERED**

Pima County Administrator  
130 W. Congress, 10th Floor  
Tucson, AZ 85701

Heath S. Vescovi-Chiordi  
Director, Pima County Economic Development  
[Heath.Vescovi-Chiordi@pima.gov](mailto:Heath.Vescovi-Chiordi@pima.gov)

Re: Rio Nuevo Multipurpose Facilities District (“District”)  
Pima County, a political subdivision of Arizona (“County”)  
75 E. Broadway (“Project”)  
Option Agreement [Broadway Property] (“Agreement”)

Dear Pima County:

On behalf of the District, this is the “Option Notice” set forth in Paragraph 3.1 of the above referenced Agreement. The improvements that the District intends to make are described in the accompanying Obie 75 Broadway Presentation dated 11-18-2025 which also describes the initial proposed tenant(s) for such improvements.

If you have any questions or concerns about this, please let me know.

Sincerely,

*Mark L. Collins*

Mark L. Collins

MC2:mc2  
7865599.1  
cc: Fletcher McCusker  
District's Executive Officers

# ATTACHMENT 4

**AN APPRAISAL REPORT AND MARKET RENT ANALYSIS**

**OF**

**A 33,232 SQUARE FOOT PARCEL OF VACANT LAND**

**LOCATED ON**

**THE NORTH SIDE OF BROADWAY BOULEVARD BETWEEN  
SCOTT AVENUE AND SIXTH AVENUE  
TUCSON, PIMA COUNTY, ARIZONA**

**FOR**

**PIMA COUNTY PUBLIC WORKS,  
REAL PROPERTY SERVICES  
MR. THOMAS KRAL, MAI, SRA  
CHIEF REAL ESTATE APPRAISER**

**OWNERSHIP: PIMA COUNTY  
TAX PARCEL NUMBERS: 117-15-006A, 117-15-008A  
SECTION 13, TOWNSHIP 14 SOUTH, RANGE 13 EAST**

**EFFECTIVE DATE OF APPRAISAL  
OCTOBER 22, 2025**

**DATE OF REPORT  
OCTOBER 24, 2025**

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

BAKER, PETERSON, BAKER & ASSOCIATES, INC.  
REAL ESTATE APPRAISERS - CONSULTANTS  
4547 E. FT. LOWELL ROAD • SUITE 401 • TUCSON, AZ 85712  
520.881.1700 • 1.800.204.1700  
FAX 520.325.3108  
[www.bakerpeterson.com](http://www.bakerpeterson.com)

•*Over 50 Years of Service*•

October 24, 2025

Mr. Thomas Kral, MAI, SRA  
Chief Real Estate Appraiser  
Pima County Real Property Services  
201 North Stone Avenue, Sixth Floor  
Tucson, Arizona 85701-1207

RE: An appraisal report and market rent analysis of a 33,232 square foot parcel of vacant land located on the north side of Broadway Boulevard, between Scott Avenue and Sixth Avenue, Tucson, Pima County, Arizona.  
*Ownership:* Pima County  
*Tax Parcel Nos.:* 117-15-006A and 117-15-008A  
*Effective Date of Appraisal:* October 22, 2025  
*Date of Report:* October 24, 2025

Dear Mr. Kral:

In response to your authorization, we have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value of the fee simple interest in the above-named property as well as the market rental rate of the subject property land area. This report is intended for use only by the intended user, Pima County Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination fee simple market value for potential disposition purposes as well as a market rental rate of the subject property. It is not intended for any other use.

We have formed the opinion that, as of the effective date of the appraisal, October 22, 2025, based on a six 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 MILLION EIGHTY THOUSAND DOLLARS  
(\$3,080,000)

Mr. Thomas Kral, MAI, SRA  
Pima County Real Property Services  
Page ii

We have formed the opinion that, as of the effective date of the appraisal, October 22, 2025, subject to the assumptions and limiting conditions set forth in the report, the subject property has an estimated annual market ground lease rate of:

TWO HUNDRED FIFTEEN THOUSAND SIX HUNDRED DOLLARS  
(\$215,600)

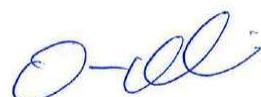
This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP). As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' 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 appraisers are not responsible for unauthorized use of this report.

***Extraordinary Assumption:*** This appraisal report is based on the extraordinary assumption that the subject property does not have any environmental or archeological issues which would require a cost to remediate. If it is found that the subject property does have any environmental or archeological issues which would require a cost to remediate, the value ascribed in this report is subject to change. Per USPAP, use of this extraordinary assumption may have impacted the value in this report.

Respectfully submitted,



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



Dan Orlowski  
Certified General Real Estate Appraiser  
Certificate Number 32195

C258715

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## PART I - APPRAISAL ABSTRACT

### CLIENT

Pima County Real Property Services

### APPRAISERS

Thomas A. Baker, MAI, SRA

Dan Orlowski

Baker, Peterson, Baker & Associates, Inc.

4547 East Fort Lowell Road, Suite 401

Tucson, Arizona 85712

### SUBJECT PROPERTY

A 33,232 square foot parcel of vacant land located on the north side of Broadway Boulevard, between Scott Avenue and Sixth Avenue, Tucson, Pima County, Arizona.

### LAND AREA

33,232 square feet of total land area; consisting of 29,173 square feet of unencumbered land area, and 4,059 square feet of land area located along the northern 15 feet of the subject which was a former public alleyway that is restricted in use and is encumbered by access, fire and safety, utility, and trash collection easements (per survey).

### ZONING

OCR-2 (City of Tucson)

### LEGAL DESCRIPTION

Lots 3, 4, and 5, and a portion of Broadway Boulevard, Block 248; along with the adjacent former alleyway to the north, City of Tucson (See addenda for full legal description).

### 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 12463, at Page 315, dated January 6, 2005 and Recording Sequence number 2021940843, dated July 13, 2021.

### SALES/LISTING HISTORY

The northern 4,059 square feet of the subject property, which is located within a 15-foot wide along the northern border of the subject, was a former public alleyway owned by the City of Tucson and purchased by Pima County for a sale price of \$305,000, and recorded on July 13, 2021, under Sequence number 2021940843. The County is in discussions with Rio Nuevo to potentially lease the site.

### TAX PARCEL NUMBERS

117-15-006A and 117-15-008A

**REAL ESTATE TAXES**

Exempt

**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.

**EXTRAORDINARY ASSUMPTION**

This appraisal report is based on the extraordinary assumption that the subject property does not have any environmental or archeological issues which would require a cost to remediate. If it is found that the subject property does have any environmental or archeological issues which would require a cost to remediate, the value ascribed in this report is subject to change. Per USPAP, use of this extraordinary assumption may have impacted the value in this report.

**PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to provide the appraisers’ opinion of the market value and market rent of the subject real property as of the effective date of the appraisal, October 22, 2025.

**MARKET VALUE DEFINITION**

*Market value*, as utilized in this appraisal, and as defined in The Appraisal of Real Estate, 15th Edition, published by the Appraisal Institute, 2020, page 48, 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, Pima County Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of simple market value for potential disposition purposes as well as a market rental rate of the subject property. It is not intended for any other use.

**INTEREST VALUED**

*Fee Simple Interest*, as defined in The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, page 73, 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.”

**EFFECTIVE DATE OF APPRAISAL**

October 22, 2025

**DATE OF INSPECTION**

October 22, 2025

## PART II - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP 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. Thomas Kral, MAI, SRA, Chief Real Estate Appraiser for Pima County Real Property Services in a contract executed by Thomas A. Baker, MAI, SRA for Baker, Peterson, Baker and Associates, Inc. The assignment includes appraisal of the property herein described, and the preparation of a report which describes the property being appraised, analyzes appropriate data, and offers an opinion of the market value of the property as of the effective date specified in the report. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the standards of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and to those specifications provided by the client.

This report is intended for use only by the intended user, Pima County Real Property Services, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination fee simple market value for potential disposition purposes as well as a market rental rate of the subject property. It is not intended for any other use. The purpose of the appraisal is to provide the appraisers’ opinion of the market value in fee simple interest and market rental rate 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. The appraisal provides an opinion of the market value of the subject property using the sales comparison approach, which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed, and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS® Commercial Property Information Services, Tucson Multiple Listing Service (MLS), and the Pima County Real Estate Research Council), the neighborhood and the site).

An opinion of the “highest and best use” of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated which may impact upon the marketability of the property.

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

The subject property is composed of land areas that have different uses. Of the total 33,232 square feet of land area comprising the subject property, a total of 29,173 square feet is unencumbered land area and 4,059 square feet of land area, located along the northern 15 feet of the subject which was a former public alleyway, is encumbered by access, fire and safety, utility, and trash collection easements. Due to the restricted use of the 4,059 square foot restricted use land area of the subject property, the two land areas of the subject property have different uses and value. Therefore, the value of each of the two land areas were valued separately and added together to come up with the total land area of the subject property.

The sales comparison approach provided an opinion of the market value of the subject property to arrive at 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 appraisers' data, analyses, and conclusions. The appraisers' file retains supporting documentation.

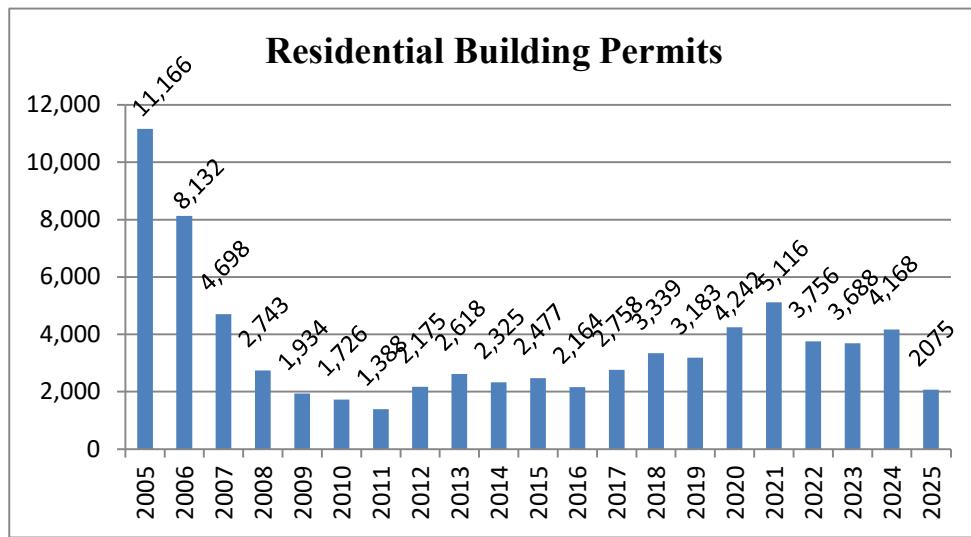
***Extraordinary Assumption:*** This appraisal report is based on the extraordinary assumption that the subject property does not have any environmental or archeological issues which would require a cost to remediate. If it is found that the subject property does have any environmental or archeological issues which would require a cost to remediate, the value ascribed in this report is subject to change. Per USPAP, use of this extraordinary assumption may have impacted the value in this report.

## PART III - DESCRIPTION OF REAL ESTATE APPRAISED

### TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the MAP AZ dashboard, in 2020, the estimated population of the Tucson metropolitan area was 1,044,675 persons, while the 2020 US Census indicated the population of the City of Tucson was 542,629.

Starting in 2006, fewer single-family residential permits were issued due to the oversupply of lots and residential homes on the market at that time. According to the United States Census Bureau, Building Permits Survey, the Building permit activity declined steadily in the Tucson Metropolitan area declined 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. The number of permits remained mostly stable starting in 2013 and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019 but increased somewhat in 2020 and 2021 due to strong demand. During this time there was strong demand for residential properties due to low inventory; however, as interest rates rose during 2022, the number of permits declined in 2022 and again slightly in 2023. Due to higher interest rates, increase construction costs, and low inventory, residential demand has slowed compared to mid-2020 through mid-2022, with fewer sales and more limited construction. Construction remained more limited in 2023 and increased slightly in 2024. The 2025 data is through June 2025.



### Office Market

Overall, the Tucson *office market* experienced net negative absorption of 21,257 square feet in the Second Quarter 2025, according to *CoStar*. This compares to net negative absorption of 55,831 square feet in the First Quarter 2025, net negative absorption of 6,089 square feet in the Fourth Quarter 2024, net positive absorption of 38,761 square feet in the Third Quarter 2024, net negative absorption of 60,874 square feet in the Second Quarter 2024, net negative absorption of 359,445 square feet in the First Quarter 2024, net positive absorption of 12,778 square feet in the Fourth Quarter 2023, net positive absorption of 93,522 square feet in the Third Quarter 2023, net positive absorption of 246,456 square feet in the Second Quarter

2023, net negative absorption of 57,614 square feet in the First Quarter 2023, net negative absorption of 196,147 square feet in the Fourth Quarter 2022, net positive absorption of 147,587 square feet in the Third Quarter 2022, net negative absorption of 202,366 square feet in the Second Quarter 2022, net positive absorption of 177,312 square feet in the First Quarter 2022, net positive absorption of 101,715 square feet in the Fourth Quarter 2021, net positive absorption of 49,654 square feet in the Third Quarter 2021, net negative absorption of 117,324 square feet in the Second Quarter 2021, and net positive absorption of 40,331 square feet in the First Quarter 2021.

The following figure shows trends in the vacancy rates for office properties in Pima County through the Second Quarter 2025. The vacancy rate peaked in late 2013 and then declined through 2017. The vacancy rate remained mostly stable in 2018 and 2019 before increasing from early 2020 through mid-2021. The vacancy rate has fluctuated slightly since that time and most recently has remained mostly stable from mid-2024 through mid-2025, and was 10.7% in Second Quarter 2025.



No new buildings were completed in Second Quarter 2025, First Quarter 2025 or Fourth Quarter 2024. This compares to one new building containing 8,019 square feet in the Third Quarter 2024, one new building containing 4,000 square feet in the Second Quarter 2024, no new buildings in the First Quarter 2024 and Fourth Quarter 2023, four new buildings containing 42,138 square feet in Third Quarter 2023, no new buildings in Second Quarter 2023, two new buildings containing 22,000 square feet in First Quarter 2023, two new buildings containing 27,988 square feet in Fourth Quarter 2022, one new building containing 18,462 square feet in Third Quarter 2022, two new buildings containing 50,945 square feet in the Second Quarter 2022, and three new buildings containing 168,216 in the First Quarter 2022.

Market conditions for office properties stabilized around 2013 and remained slow but stable through 2019. Market conditions for office properties had started to slowly improve, primarily for office properties in high demand areas, smaller suites or buildings in many areas of Tucson, and newer office buildings in good condition. Demand remains limited for older and obsolete office buildings in particular. Covid-19 impacted work from home trends

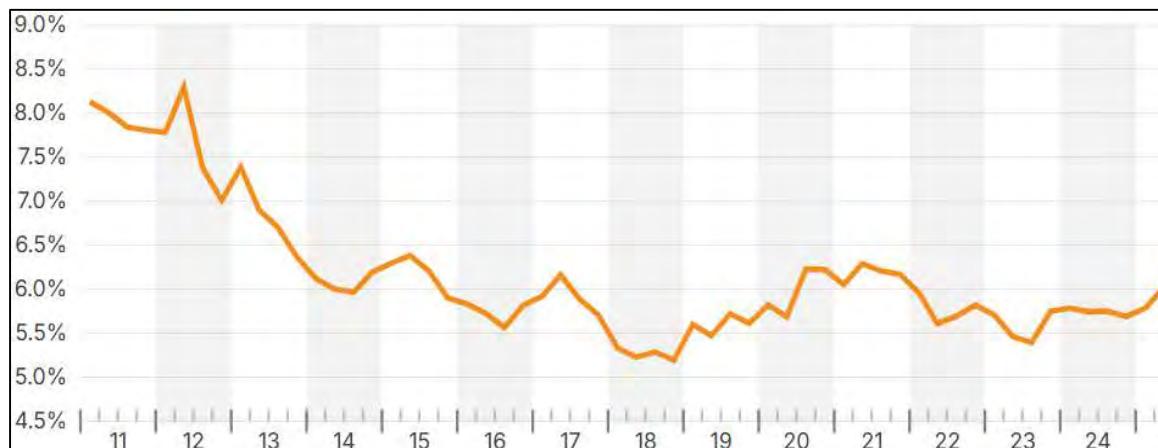
with changes in office demand with some offices returning to office in 2024 and the first half of 2025, while others continue to work from home. It is not yet known to what extent recent work from home trends will permanently impact office demand.

### ***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 and later remained stable and then slowly improved. In recent years, demand had increased for many types of retail properties and remained stable for less desirable retail uses. In March 2020, the Covid-19 pandemic impacted the world. After pausing in the immediate emergence of Covid-19, demand again increased for many retail property types and remained more stable for other property types. More recently demand remained stronger for some property types and more stable for others due to factors such as higher inflation and interest rates.

The following shows trends in the vacancy rate for retail properties in the Tucson market through the Second Quarter 2025, according to *Costar*.

**Retail Vacancy Rate**



This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined from that time through 2018. The retail vacancy rate increased slightly from late 2018 through mid-2021 and then declined slightly in late 2022. The vacancy rate has remained generally stable in 2024 and increased slightly from 5.8% to 6.0% in the Second Quarter 2025.

There was net negative absorption of 93,204 square feet in the Second Quarter 2025, according to CoStar. This compares to net negative absorption of 53,297 square feet in the First Quarter 2025, net positive absorption of 192,760 square feet in the Fourth Quarter 2024, net positive absorption of 675 square feet in the Third Quarter 2024, net positive absorption of 63,887 square feet in the Second Quarter 2024, net negative absorption of 35,788 square feet in the First Quarter 2024, net negative absorption of 200,328 square feet in the Fourth Quarter 2023, net positive absorption of 72,185 square feet in the Third Quarter 2023, net

positive absorption of 198,076 square feet in the Second Quarter 2023, net positive absorption of 163,532 square feet in the First Quarter 2023, net negative absorption of 98,625 square feet in the Fourth Quarter 2022, net positive absorption of 28,697 in the Third Quarter 2022, net positive absorption of 192,357 in the Second Quarter 2022, net positive absorption of 132,992 in the First Quarter 2022, net positive absorption of 13,656 square feet in the Fourth Quarter 2021, net negative absorption of 458 square feet in the Third Quarter 2021, net negative absorption of 114,076 square feet in the Second Quarter 2021, and net positive absorption of 129,326 square feet in the First Quarter 2021.

In the Second Quarter 2025, nine new retail buildings containing 41,248 square feet were completed. This compares to six new buildings containing 17,898 square feet in the First Quarter 2025, six new buildings containing 169,541 square feet in the Fourth Quarter 2024, two new buildings containing 4,056 square feet in the Third Quarter 2024, seven new buildings containing 45,918 feet in the Second Quarter 2024, eight new buildings containing 76,208 square feet in the First Quarter 2024, three new buildings containing 10,311 square feet in the Fourth Quarter 2023, ten new buildings containing 35,166 square feet in Third Quarter 2023, twelve new buildings containing 122,250 square feet in Second Quarter 2023, 17 new buildings containing 119,111 square feet in the First Quarter 2023, nine new buildings containing 35,788 square feet in Fourth Quarter 2022, 13 new buildings containing 86,137 square feet in Third Quarter 2022, five new buildings containing 20,933 square feet in Second Quarter 2022, and 12 new buildings containing 42,569 square feet in the First Quarter 2022.

Prices and rents are stable or increasing in high demand areas or for high demand property types, although there remains limited demand for older retail properties in low demand areas. Since mid-2022, market conditions have remained increased slightly or remained generally stable for many properties as interest rates have risen and inflation increased.

### ***Industrial Market***

Tucson experienced rapid industrial growth from the late 70's to the mid-80s. Since then, there has been more limited new industrial development with a recent increase in mid-2020 through mid-2024. Most recently in Tucson, no new industrial buildings were completed in the Second Quarter 2025, according to CoStar. This compares to one new building containing 24,984 square feet in the First Quarter 2025, one new building containing 50,000 square feet in the Fourth Quarter 2024, no new buildings in the Third Quarter 2024, one new building containing 12,500 square feet in the Second Quarter 2024, four new buildings containing 40,000 square feet in the First Quarter 2024, one new building containing 244,889 square feet in the Fourth Quarter 2023, six new buildings containing 1,567,034 square feet in Third Quarter 2023, two new buildings containing 36,324 square feet in Second Quarter 2023, one new building containing 4,200 square feet in First Quarter 2023, three new buildings containing 329,539 square feet in the Fourth Quarter 2022, two new buildings containing 305,545 square feet in Third Quarter 2022, one new building containing 60,437 square feet in Second Quarter 2022, and one new building containing 50,000 square feet in the First Quarter 2022. Many of the buildings constructed in recent years are larger buildings.

The following chart shows trends in the industrial vacancy rate in Tucson through Second Quarter 2025, according to CoStar. The vacancy rate increased starting in mid-2023 but has remained generally stable since that time with a slight decline since mid-2024 and was 5.2% in the second quarter of 2025.

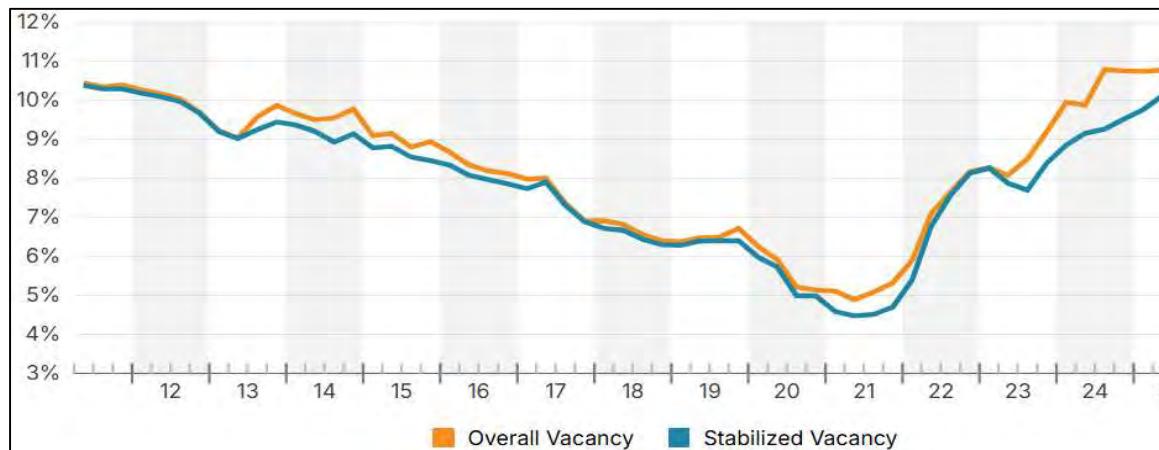


There was net positive absorption of 144,382 square feet in the Second Quarter 2025. This compares to net positive absorption of 31,201 square feet in the First Quarter 2025, net positive absorption of 272,554 square feet in the Fourth Quarter 2024, net positive absorption of 81,126 square feet in the Third Quarter 2024, net positive absorption of 18,240 square feet in the Second Quarter 2024, net negative absorption of 191,497 square feet in the First Quarter 2024, net positive absorption of 301,143 square feet in the Fourth Quarter 2023, net positive absorption of 144,909 square feet in Third Quarter 2023, net negative absorption of 234,128 square feet in Second Quarter 2023, net positive absorption of 391,361 square feet in the First Quarter 2023, net positive absorption of 515,844 square feet in the Fourth Quarter 2022, net positive absorption of 151,151 square feet square feet in the Third Quarter 2022, net positive absorption of 376,723 square feet in the Second Quarter 2022, net negative absorption of 284,298 square feet in the First Quarter 2022, net positive absorption of 501,223 square feet in the Fourth Quarter 2021, net positive absorption of 808,926 square feet in the Third Quarter 2021, net positive absorption of 216,162 square feet in the Second Quarter 2021, and net positive absorption of 135,293 square feet in the First Quarter 2021, according to *CoStar*.

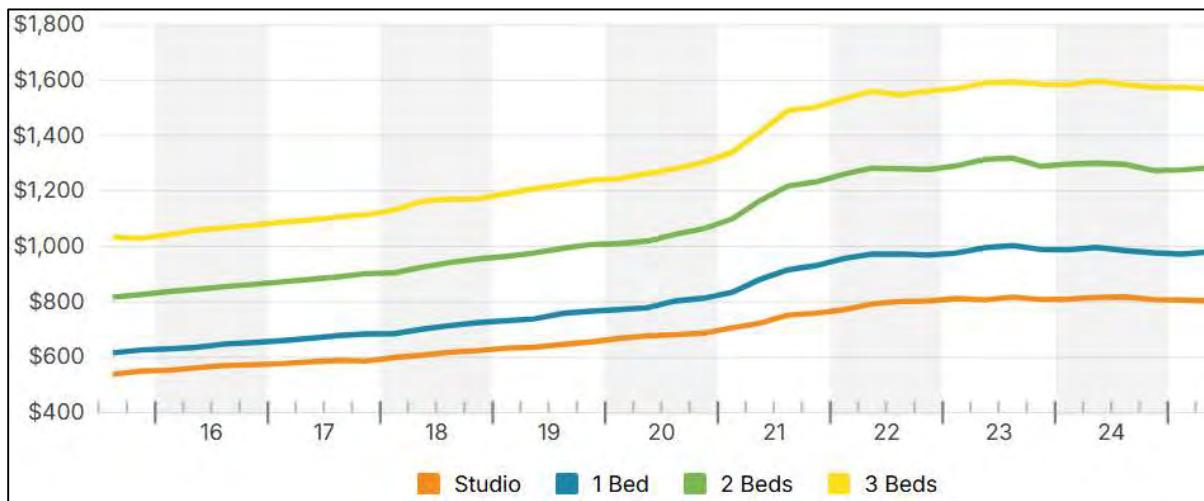
Overall, the industrial vacancy rate increased through mid-2012. The vacancy rate declined from late 2012 through the first part of 2019 before increasing somewhat through mid-2020 before declining again through late 2021 with a general decline though 2022. In March 2020, the Covid-19 pandemic led to a shutdown of many businesses; however, the industrial market experienced strong demand during that time with changes in supply chains leading to increased demand for industrial properties. From mid-2020 through mid-2022 there were rising prices and rental rates, with limited available supply of modern space, and new construction started during that time. Demand has recent slowed somewhat and become more stabilized due to rising interest rates and construction costs, as well as the overall uncertainty in the market.

### **Multi-Family Market**

The following is the overall and stabilized vacancy rate for apartments in Tucson through the Second Quarter 2025. Vacancy rates for apartment properties in the Tucson Metropolitan area gradually declined through 2019 and then declined more quickly in 2020. The vacancy rate has increased since late 2021 and have been stable since mid-2024 and was 10.1% for stabilized properties and 10.8% for overall vacancy in Second Quarter 2025.

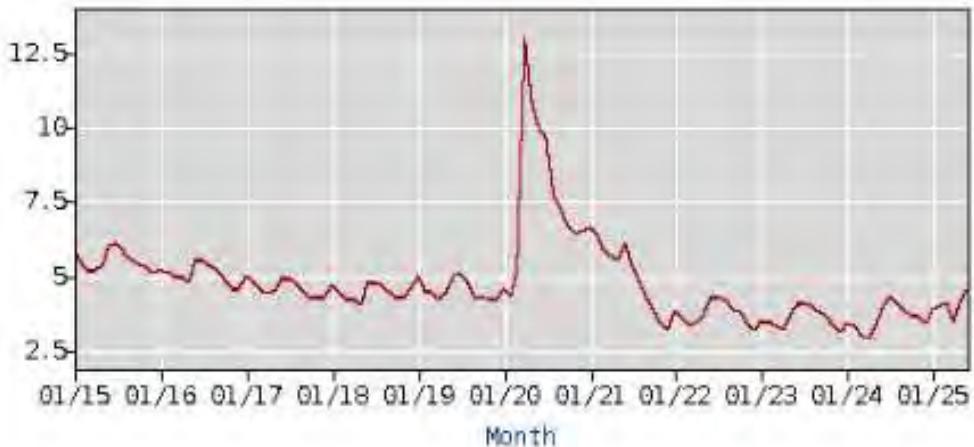


The following is the average effective rental rate per unit type for apartment properties through the Second Quarter 2025 in the Tucson market, according to CoStar. There was a significant increase in rents for all unit types in the first three quarters of 2021 followed by a general stabilization. The average rent was generally stable with minimal fluctuations through Second Quarter 2025.



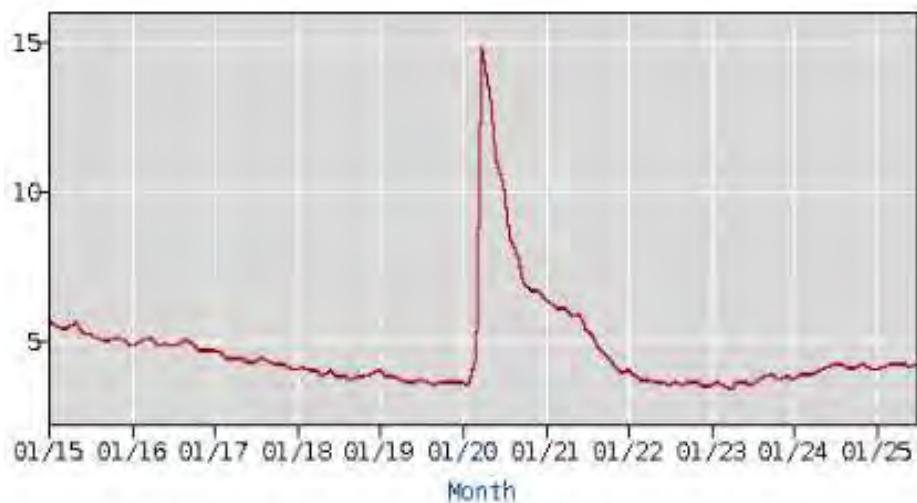
Market conditions for multi-family properties has increased significantly since mid-2020, with rapidly increasing rents, decreasing vacancy rates, and increased sales prices, with new construction and renovations during that time due to strong demand for apartments. Demand has slowed since mid-2022 recently due to increased interest rates as well as stabilization of rents and increasing vacancy rates.

According to the Bureau of Labor Statistics, the (not seasonally adjusted) unemployment rate for metropolitan Tucson was as follows:



This data shows that the unemployment rate in the Tucson metropolitan area had slowly been declining since early 2011. There was a slow steady decline in the unemployment rate over several years. However, the unemployment rate (not seasonally adjusted) was stable in 2019 with an increase early in the year. Due to the shutdown of many businesses due to Covid-19, unemployment began to increase significantly in mid-March 2020. The unadjusted unemployment rate was 4.3% in February 2020 and 5.2% in March 2020. This increased to a peak of 13% in April 2020, then declined slightly to 10.9% in May 2020 and 9.6% in July 2020. The unemployment rate declined to 7.7% in August 2020 and 6.6% in October 2020. The unemployment rate declined to 5.4% in July 2021, 3.2% in December 2021, and 3.2% in March 2022. The unemployment rate was 4.2% in August 2022, 3.3% in January 2023, 4.0% in August 2023, 3.3% in February 2024, 3.9% in January 2025, and 4.2% in May 2025.

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 below 2007 levels. The seasonally adjusted unemployment rate was 3.5% in February 2020 and 4.4% in March 2020. This increased to a peak of 14.8% in April 2020, then declined slightly to 13.2% in May 2020 and 10.2% in July 2020. The unemployment rate declined to 8.4% in August 2020 and 6.9% in October 2020. The unemployment rate declined to 6.4% in January 2021, 3.9% in December 2021, and 3.7% in March 2022. The unemployment rate was 3.6% in August 2022, 3.5% in December 2022, 3.7% in August 2023, 3.9% in February 2024, and 4.2% in May 2025.



Overall, the commercial real estate markets reveal that in early to mid-2020, most investors held a cautionary outlook due to the uncertainty of the government conditions and Covid-19. Market conditions have improved for many property types since that time, starting as early as mid-2020. Market conditions in early to mid-2020 were uncertain for some commercial property types, while demand remained for many other property types that are less impacted by Covid-19. Market conditions for single-family and multi-family properties has increased significantly starting at that time, while demand for many commercial uses, particularly those most impacted by Covid-19, were uncertain and stable for longer but increased for many other commercial uses. Demand remained strong for most property types, particularly single family residential, multi-family residential, and industrial uses. As interest rates increased starting in mid-2022, demand slowed and market conditions became more uncertain for most property types, with more stable demand through mid-2025. There remains limited supply on the market for most property types. 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 market area of the subject property is located within and immediately adjacent to the downtown business district of the City of Tucson. It is bounded on the north by Sixth Street

and the Union Pacific Railroad tracks, on the south by Cushing Street, the Cushing Street alignment and 14th Street, on the east by the Union Pacific Railroad tracks and Third Avenue, and on the west by Interstate 10. Existing property types located in the market area include commercial retail buildings, City, County, State, and Federal office buildings, low and medium high-rise office buildings, hotels, and residential uses, with most vacant land in the general area typically used for parking lots. The downtown area consists of the “core area” and the “core support area.” The core area is bounded by Alameda Street on the north, Scott Avenue on the east, Broadway Boulevard on the south, and Church Avenue on the west. It is that downtown area which includes the most intense land uses. It includes all the high-rise properties in the downtown area. It also has some retail space which is predominantly utilized by restaurants. The remainder of the area surrounding the downtown core area is the “core support area.” This area generally consists of support uses to the core area. These uses include garden to mid-rise office buildings, public buildings, retail, hotel, residential, parking lot and garage uses, and vacant land. The core support area on the west side of the downtown market area is influenced by proximity to Interstate 10 and the Tucson Community Center. Single family residential properties in the area include historic barrio homes with ages ranging from 75 to 125 years, and a trend towards some new residential construction, such as the conversion of the old “Ice House” building located near 17th Street into 51 loft condos. Residential development has been limited in the area since the slowdown in the residential market starting in mid-2006. However, there has been a recent increase in multifamily mixed-use development in the downtown area.

The east area of downtown, which would be considered the entertainment district of downtown, has seen the most development in the past couple of years, with student housing over two city garages, new retail, and conversion of older spaces with restaurant and bar uses. The core area has a higher and more stable occupancy, with an estimated vacancy rate ranging from 5 to 10 percent. The core area has been the focus of recent multifamily developments, with several new mid-rise and high-rise projects recently completed and several developments currently under construction or in the planning phase. The area outside of the core area has a higher vacancy rate due to age and condition of the available space. This is based on observation and conversations with brokers familiar with the downtown area. The Tucson Community Center is in the southwest portion of the market area and state, federal, and county buildings are located near Pennington and Congress Streets, which is part of the Heritage Incentive Zone and the Rio Nuevo Plan.

Over the past few years, public and private improvements have been completed or planned for future development which will increase demand for new development in the market area. Unisource purchased the former Santa Rita Hotel property on Broadway between Scott and Sixth Avenues and demolished the former hotel building and built a new company headquarters office on the site. Scott Avenue improvements and construction of the Fourth Avenue underpass are complete. The Fourth Avenue underpass improves connection between the University area, the Fourth Avenue area, and the east side of downtown. Construction of a modern streetcar, which went live in 2014, has been an important component in the revitalization of the downtown area, and further enhances mobility between the University area, the Fourth Avenue area, downtown’s east side, and the Mission district area located on the west side of the freeway is also a newer core support area. Many mixed-

use and multifamily residential developments have been completed in the downtown area including redevelopment of the old Martin Luther King Apartment building at Fifth Avenue and Congress into what is now a mixed-use development with market rate apartments and ground floor retail space; two mixed-use developments located at the northeast and southwest corners of Stone and Broadway; the AC brand by Marriot which opened late in the third quarter of 2017 at the northwest corner of Broadway Boulevard and Fifth Avenue; the McCormick Townhouses located on Stone Avenue, south of Broadway; and several other smaller developments and renovations throughout the downtown area. The Congress District is planned for a facelift for storefronts with the implementation of the Downtown Facade program.

There are a number of multifamily/mixed use developments within and adjacent to the core downtown area which have been completed within the last several years, currently under construction, and in the planning phases. While not a complete list, below are some of the more notable recently completed and currently under construction projects in the downtown area.

- Northwest corner of Stone and Broadway is the Rendezvous Urban Flats which was completed in 2020. This is a mixed-use project with six-story structure consisting of over 4,000 square feet of ground floor retail and 100 market rate apartments on the upper floors. This site has a three-level underground parking garage already in place. This site was initially planned for a high-rise site; however, due to high cost of development over six stories, this development has been scaled down to six story developments. While market participants indicated the development started off slowly to Covid closing much of the downtown entertainment, the property is reported to be stabilized by market participants familiar with the property.
- In the Mission District, west of 1-10, there are several planned projects in different phases of development. The West End station apartment development, an affordable housing mixed-use development, has been completed along with the Monier Apartments, which consists of a four-story building with market-rate rental units and ground-floor retail with an underground parking garage. Additionally, a large entertainment and retail development that utilizes storage containers, known as The Annex, in immediate vicinity of the Monier Apartment site.
- On the south side of Congress Street, between Scott Avenue and Stone Avenue - located within the core downtown area. Known as City Park consists of a six-story mixed use development containing 39 residential lofts, 39,500 square feet of creative office lofts, 23,500 square feet of ground floor retail and restaurant space, and 10,000 square feet of outdoor and rooftop entertainment space.
- At the southwest corner of Broadway Boulevard and Church Avenue - located within the core downtown area. HSL Properties redeveloped the La Placita into a multifamily development known as “The Flin” containing 244-units with onsite parking.

- A Hilton branded Home 2 was completed in 2021 and is located on Stone Avenue, south of Broadway. This is a dual brand hotel that was completed during the pandemic.
- Located on the east side of Fifth Avenue, just south of Broadway Boulevard, a 96 unit seven-story multifamily development called “The Gallery on Fifth” containing all studio and one bed-rooms units was completed in 2021. The property contains a reduction in parking to 51 spaces. The developer, Mr. Ross Rulney, indicated the demographic of the potential tenants comprising students or people working near the downtown or university would lease a unit with limited available onsite parking available.
- A mixed-use development called “The Union” located at the southwest corner of Fourth Avenue and Sixth Street with 254 market rate units. The development includes street level retail uses with two buildings of market rate apartments. Herbert Avenue bisects the development with the east side of Herbert having a height between 2 and 5 stories, and the west side of Herbert having up to 7 stories in height. The property contains onsite parking.
- On Stone Avenue in the Five Points area, a portion of existing commercial buildings were renovated into a 52-unit multifamily development known as “The Flash”.
- On the south side of Broadway in the core downtown area, the existing VFW building was renovated into a 14 -unit multifamily development containing only studio loft apartments.
- The lower nine floors of the 1 South Church office were renovated into a boutique Marriot hotel branded hotel called The Leo Kent which opened in 2023. The hotel occupies a portion of the underground car park. This change of use of the tallest building downtown from a full office use building supports the reduced demand for office uses downtown, especially aging inventory.
- Recently completed, located on Granada Boulevard in the western portion of the downtown area, an existing hotel building was renovated into a 212-unit multifamily building with an additional 154 units being newly constructed on the grounds of the former hotel. The new development will be known as the Presidio Palms Apartments.
- Recently completed on 4th Avenue, just east of downtown core area, is the location of a new 323-unit mixed use retail and multifamily high-rise development known as “The Ari”. The property contains onsite parking.
- “The Baffert at Five Points” located on Stone Avenue in Five Points, south of the core downtown area, is a 14-unit mixed use retail and multifamily development,
- On the north side of Broadway, A former student housing development known as “The Cadence” was renovated into a 256-unit market rate multifamily development known as “Agave 350”.

- Currently nearing completion of construction in the mercado area west of downtown is the Bautista multifamily development which will contain 256-unit units and a mixed-use component.
- At the southwest corner of Church Avenue and Franklin Street - located approximately 5 blocks north of the core downtown area. Known as "Block 175", located on 84,626 square feet of land area and is currently within the RFP phase.
- The existing Ronstadt Transit Center is planned for the potential development of a mixed-use development consisting of a hotel use on the site having frontage on Congress Street, two multifamily use buildings with ground floor retail, and a parking structure with upper-level multifamily uses on the adjacent property to the south separated by Toole Avenue. The only car park for this project would be on Toole Avenue. The transit center would be reconfigured to the east side of the site with potential building improvements cantilevered over portions of the transit center.
- The former Arizona Hotel on Broadway, which was purchased by HSL, has been vacant for over a decade, and is in the planning phase of being renovated to be operated as a Hyatt brand hotel.
- The "platform" site, located on at the northwest corner of Franklin and Stone, is in escrow to the purchased by a developer for a mixed use multifamily and retail development. The site will include onsite parking.
- A six-story, 134-room Moxy branded hotel is in the planning stages to be located at 55 N. Fifth Avenue, directly above the Depot Plaza parking garage and adjacent to the MLK building. The initial plans include 100 spaces of the existing Depot Plaza parking garage to be utilized for the hotel use.

Future long-term trends anticipate a continued increase in multifamily and mixed-use properties in the downtown area, with the increase in interest rates resulting in some planned developments being put on hold temporarily. Office space may have a longer period of slowdown as some companies still have employees working from home and it is unclear if this will lead to a long-term reduction in office demand or just temporary slowdown.

#### **SITE DESCRIPTION**

The subject property contains 33,232 square feet of land are, with 29,173 square feet of unencumbered land area and 4,059 square feet of restricted use land area along the northern border of the subject. The restricted use land area runs the width of the northern border of the subject and has a depth of 15 feet. This restricted use land area was a former public alleyway and maintains easements for access, fire and safety, utility, and trash collection is used for public utilities, ingress/egress, trash pickup, and fire and safety access. No building area can be developed on the restricted use land area; however, any potential development on the site can be cantilevered over the restricted use portion no less than 30 feet above the ground elevation.

The site is mostly rectangular shaped, with approximately 267 feet of frontage on Broadway Boulevard along the southern border, approximately 121 feet of frontage on Scott Avenue along the western border, approximately 129 feet of frontage on Sixth Avenue along the eastern border. The assembled site would have a width of approximately 270 feet along the northern border. Broadway Boulevard is a one-way (eastbound) asphalt paved roadway with a two through lanes and a left turn lane to head east on Sixth Avenue with concrete curbs, sidewalks, and streetlights in the vicinity of this property. Broadway Boulevard has a 2024 traffic count of approximately 25,969 vehicles per day to the east of the subject and approximately 20,539 vehicles per day to the west of the subject. The intersection of Broadway Boulevard and Sixth Avenue is a traffic light-controlled intersection. The modern streetcar track runs adjacent to the subject property along Broadway Boulevard. Scott Avenue is a two-lane asphalt paved roadway with street parking, concrete, curbs, sidewalks, and streetlights in the area of the subject property. There is no traffic count available for Scott Avenue in the area of the subject. Sixth Avenue is a three-lane asphalt paved roadway with street parking, concrete curbs, sidewalks, and streetlights in the area of the subject. The intersection of Broadway and Sixth is a traffic light-controlled intersection. Sixth Avenue has a 2024 traffic count of approximately 5,249 vehicles per day in the area around the subject property. Direct access to the subject property is from Sixth Avenue and Scott Avenue only. While the site has frontage and good visibility along Broadway, there is no direct access to the subject property from Broadway Boulevard. The topography is level. Soil conditions appear to be typical of the area. Properties bordering the subject property include an office use (Unisource building) to the south; and downtown retail and office uses to the north, east, and west. All utilities are available to the site. According to FEMA map 04019C2276L, dated June 16, 2011.

The site is located within FEMA Zone X (unshaded), It is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. The northern 15 feet of the site is encumbered with easements for access, fire and safety, utility, and trash collection.

The appraisers have discussed the subject property location at various times with market participants who are very active in the downtown area. The market participants felt that the location of the subject was very strong with the property having frontage on Broadway and located within the core downtown area. However, these market participants indicated that the very narrow nature of the site would make any potential development of the site fairly difficult and inefficient. The market participants noted onsite parking would be necessary for any potential development on the subject, and that a potential building would need to cantilever over the restricted use portion of the subject property in order to efficiently develop a larger mixed-use development on the site.

## **ZONING**

The subject property is zoned OCR-2, City of Tucson zoning code (see Exhibits). The purpose of this zone is to provide for high-rise development that serves the community and region, located in major activity centers. A mixture of development types is encouraged, including office, commercial, and high-density residential uses. There is no minimum lot or site area. A maximum building height of 300 feet is permitted. The maximum floor area ratio is 10.50 which indicate a maximum of 10.5 square feet of floor area for every square foot of site area is allowed under this designation. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

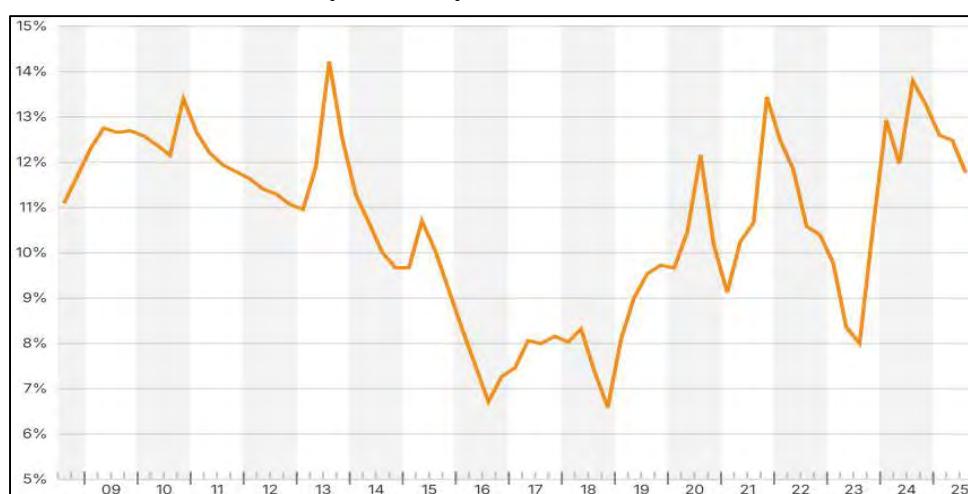
On February 18, 2015, a new Infill Incentive District (IID) was adopted, Ordinance No. 11246. The IID is made up of four sub districts consisting of the Rio Nuevo Area, The Greater Infill Incentive subdistrict, The Downtown Core subdistrict, and The Downtown Links subdistrict. The Downtown Links subdistrict is further subdivided into the Toole Avenue Area, Warehouse Triangle Area, Fourth Avenue Area, Iron Horse Area, and Stone/Sixth Area. The subject property falls within the Downtown Core subdistrict of the IID. The IID does not change the uses allowed for the underlying OCR-2 zoning of the subject property, however the IID does provide for some development standard exceptions such as reduced parking requirements and reduced setback restrictions. The IID was originally slated to sunset on January 31, 2019; however, in April 2019, the Mayor and Council extended the sunset date to January 31, 2023. In December 2022, the Mayor and Council permanently removed the sunset provision, essentially making the IID permanent.

The subject property is also located within the City of Tucson Government Property Lease Excise Tax (GPLET) district. Per the City of Tucson, the GPLET district can provide up to 8 years of property tax abatement. This incentive is available for projects located in the Central Business District that result in a property value increase of at least 100%. To become “government property” the City will take ownership of the property for the duration that the owner wishes to be relieved of tax obligations. Downtown Tucson has been designated as an Opportunity Zone. Within the opportunity zone, investors can reduce the amount of their reinvested taxable capital gains by 10% or 15%, depending on the length of the investment.

### MARKET PROFILE - MULTIFAMILY - DOWNTOWN TUCSON:

The following is the vacancy rate for multifamily properties in the Downtown Sector, according to CoStar. This data indicates that the vacancy rate in the sector increased in an upward trend from 2008 and through 2010, the vacancy rate trended downward with some fluctuation through the first quarter of 2013. Vacancy rates increased again in the beginning of 2013 through mid-2013, before dropping sharply through the mid-2016 and fluctuating through 2018. An upward trend occurred from 2019 through 2021, with fluctuations occurring during that time. From 2022 through mid-2023, vacancy rates dropped substantially before beginning an upward trend from the middle of 2023 through the third quarter of 2024, the overall vacancy rate trended upwards sharply with some fluctuation. The vacancy rate dropped slightly from late-2024 through the third quarter of 2025.

**Multifamily Vacancy Rate, Downtown Sector**



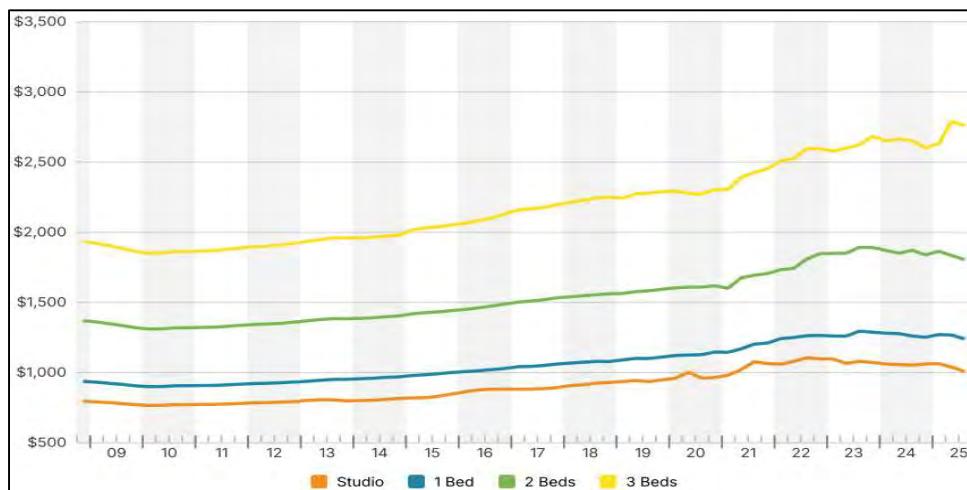
The following is the unit absorption for multifamily properties in the Downtown Sector, according to CoStar. From the third quarter of 2009 though the third quarter of 2025, almost every quarter has had a net positive absorption, with only eight quarters showing a negative net absorption during that time period.

**Multifamily Net Absorption, Downtown Sector**



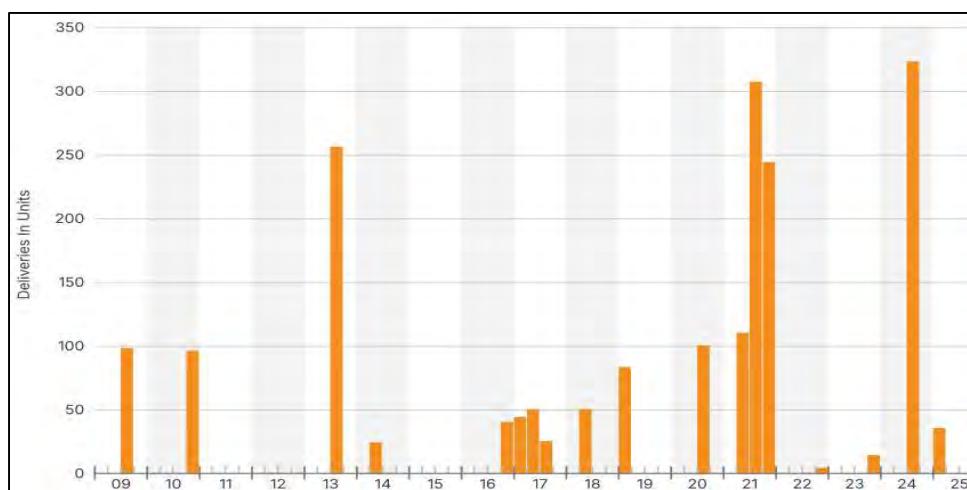
The following is the asking rent for multi-family properties by unit type in the Downtown Sector, according to CoStar. This data shows that asking rental rates increased gradually from late 2009 through 2022 in the downtown area for all unit types, with supply of available units low and demand high. Rental rates leveled off in 2023 through 2024, with a very slight drop in asking rates from the beginning of 2025 through the third quarter of 2025, with the exception of three-bedroom units which increased for through mid-2025.

### Multifamily Asking Rent by Unit Type, Downtown Sector



The following are the multifamily property new construction deliveries in the Downtown Sector, according to Costar. There were very limited new multifamily construction deliveries in the sector from 2006 through 2016. In 2017 an increase in deliveries of multifamily units begin with the highest levels of new deliveries occurring in 2021 before dropping to almost no new deliveries between 2022 and 2024, with the exception of the second quarter of 2024 which had a large increase in the deliveries of new multifamily units.

### Multifamily Construction Deliveries, Downtown Sector

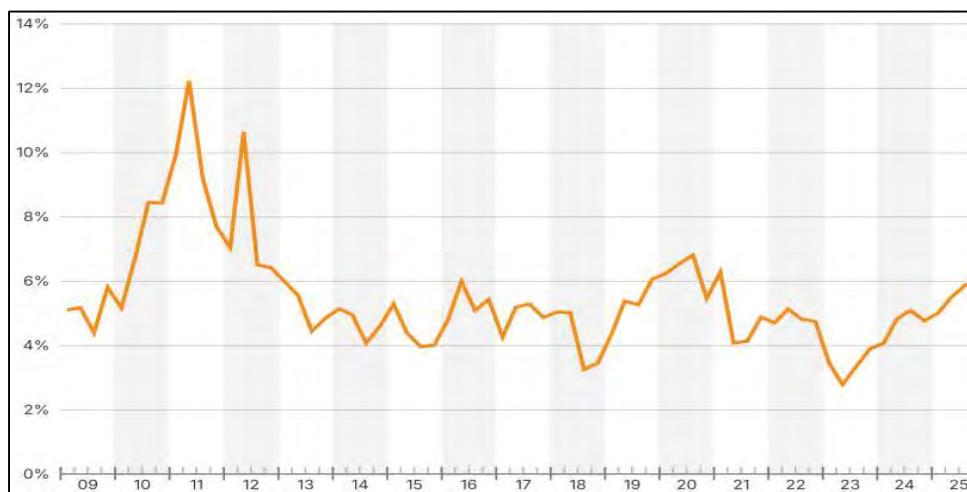


There are a number of multifamily/mixed use developments within the core and immediately adjacent to the core downtown area, being the area with the strongest demand. According to information from the Downtown Tucson Partnership, there are over 1,500 planned housing units in and around the core downtown area which are planned to be completed or under construction within the next several years. There are additional planned developments that are not listed on the Downtown Tucson Partnership list which would likely increase the number of upcoming multifamily residential uses in and around the core downtown area to over 2,000 units under construction over the next several years. While the pandemic slowed the appeal of downtown when the entertainment features were closed and the university was not having in-person classes online, this appears to be mostly reversed as downtown is again becoming the hotbed of activity it was prior to the pandemic.

#### **MARKET PROFILE - RETAIL - DOWNTOWN TUCSON:**

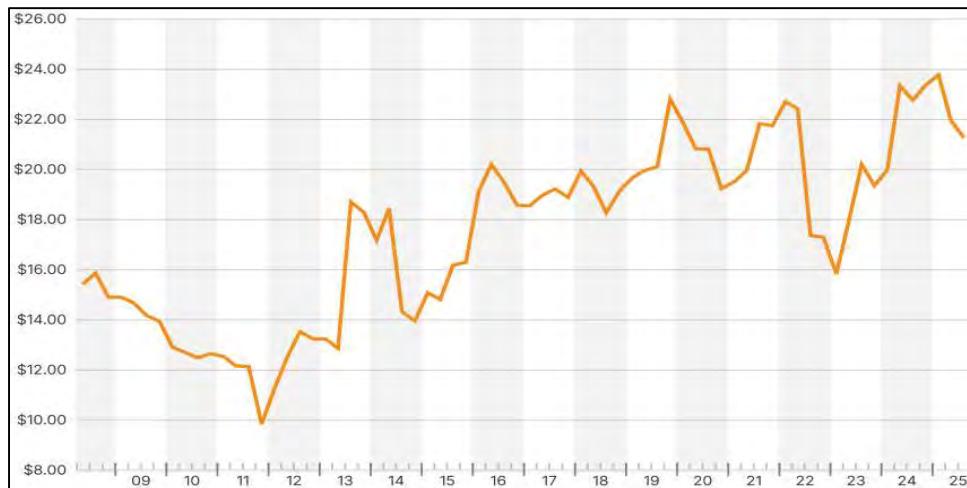
The following is the vacancy rate for retail properties in the subject sector, Downtown, according to CoStar. The vacancy rate in the sector peaked in mid-2011 before trending downward through 2015 with some fluctuations. From 2015 through mid-2018, the vacancy rate remained somewhat stable, with minor fluctuations occurring. Beginning in mid-2018 through mid-2020, the vacancy rate increased before beginning a downward trend through the first quarter of 2023. From mid-2023 through the third quarter of 2025, vacancy rates have been on an upward trend from a low point reached in mid-2023.

**Retail Vacancy Rate, Downtown**



The following is the market rental rates for retail properties in the subject sector, Downtown, according to CoStar. The asking rental rate declining from mid-2008 through 2011. From late-2011 through the first quarter of 2025, the rental rate for retail properties in the downtown sector had an overall upward trend, with some sharp/short fluctuations occurring in 2015 and late 2022 where the rental rate decreased sharply before continuing the upward trend of rent increases. Rental rates have decreased slightly from the beginning of 2025 through the third quarter of 2025.

### Retail Asking Rental Rates, Downtown



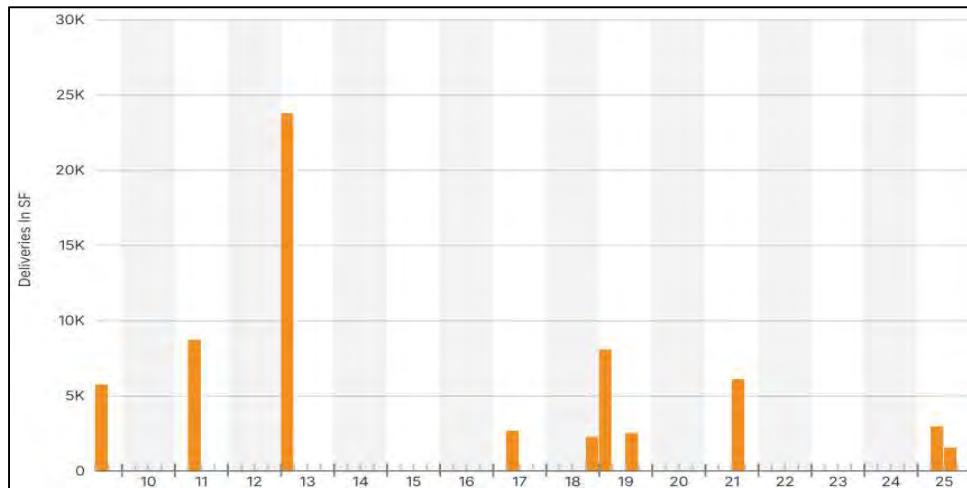
The following is the net absorption for retail properties in the subject sector, Downtown, according to CoStar. This data indicates that from 2005 to 2012, most quarters had a net negative absorption. Beginning in 2013 through the mid- 2023, absorption bounced between positive and negative every few quarters. From mid-2023 through the third quarter of 2025, every quarter except for the fourth quarter of 2024 has had a net negative absorption.

### Retail Net Absorption, Downtown



The following is the retail construction deliveries in the subject sector, Downtown, according to Costar. New retail construction deliveries in the subject sector were highest between 2009 and 2013, with only sporadic years of new retail construction deliveries of retail properties occurring between 2017 and the third quarter of 2025, with a small amount of new construction deliveries occurring in the second and third quarters of 2025. This data does not include many of the new retail uses in the downtown area that have been from renovations and conversions of older existing building and not new construction.

### Retail New Construction Deliveries, Downtown



Overall, the Tucson commercial real estate market reveals that most investors held 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 had resulted in slowly improving values until mid-2020. In the spring of 2020, market conditions were static as the effects of the Covid-19 pandemic on real estate were unknown. By mid-2020, market conditions for some retail uses were improving again, and remained stable for other retail uses that had greater impacts from the pandemic and more uncertainty. Market conditions for most retail uses continued to be strong from mid-2020 through mid-2022 due to strong demand, low interest rates, and high consumer spending. Starting in mid to late 2022 through mid-2024, demand for retail properties was more stable due to increasing interest rates and high inflation that started to impact some consumer spending. While demand for existing retail users has been relatively stable, construction costs and higher interest rates have made overall new construction more expensive than renovating existing improvements and new construction remains more limited. There are more limited retail listings, and the number of listings and sales are impacted by higher interest rates. 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* in this appraisal, is defined as: “An opinion of the amount of time it might take to sell a property interest at the concluded market value level or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes the effective date of an appraisal.”<sup>1</sup>

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 time a property remains on the market; An opinion, based on supporting market data, of the 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.”<sup>2</sup>

The reasonable exposure and marketing time is estimated to be twelve to eighteen months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property.

## **HIGHEST AND BEST USE**

The Seventh edition of The Dictionary of Real Estate Appraisal (Appraisal Institute; 2022, p. 88), defines highest and best use as:

The reasonably probable use of property 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.

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1. The Dictionary of Real Estate Appraisal (Appraisal Institute, Seventh Edition, 2022)

2. Ibid, p. 67

## ***Highest and Best Use as Vacant***

### ***Legal Considerations***

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### ***Physical Considerations***

The site is mostly rectangular shaped, with approximately 267 feet of frontage on Broadway Boulevard along the southern border, approximately 121 feet of frontage on Scott Avenue along the western border, approximately 129 feet of frontage on Sixth Avenue along the eastern border. The assembled site would have a width of approximately 270 feet along the northern border. Broadway Boulevard is a one-way (eastbound) asphalt paved roadway with a two through lanes and a left turn lane to head east on Sixth Avenue with concrete curbs, sidewalks, and streetlights in the vicinity of this property. Broadway Boulevard has a 2024 traffic count of approximately 25,969 vehicles per day to the east of the subject and approximately 20,539 vehicles per day to the west of the subject. The intersection of Broadway Boulevard and Sixth Avenue is a traffic light-controlled intersection. The modern streetcar track runs adjacent to the subject property along Broadway Boulevard. Scott Avenue is a two-lane asphalt paved roadway with street parking, concrete, curbs, sidewalks,

and streetlights in the area of the subject property. There is no traffic count available for Scott Avenue in the area of the subject. Sixth Avenue is a three-lane asphalt paved roadway with street parking, concrete curbs, sidewalks, and streetlights in the area of the subject. The intersection of Broadway and Sixth is a traffic light-controlled intersection. Sixth Avenue has a 2024 traffic count of approximately 5,249 vehicles per day in the area around the subject property. Direct access to the subject property is from Sixth Avenue and Scott Avenue only. While the site has frontage and good visibility along Broadway, there is no direct access to the subject property from Broadway Boulevard. The topography is level. Soil conditions appear to be typical of the area. Properties bordering the subject property include an office use (Unisource building) to the south; and downtown retail and office uses to the north, east, and west. All utilities are available to the site. According to FEMA map 04019C2276L, dated June 16, 2011, The site is located within FEMA Zone X (unshaded), It is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. The northern 15 feet of the site is encumbered with easements for access, fire and safety, utility, and trash collection.

The appraisers have discussed the subject property location at various times with market participants who are very active in the downtown area. The market participants felt that the location of the subject was very strong with the property having frontage on Broadway and located within the core downtown area. However, these market participants indicated that the very narrow nature of the site would make any potential development of the site fairly difficult and inefficient. The market participants noted onsite parking would be necessary for any potential development on the subject, and that a potential building would need to cantilever over the restricted use portion of the subject property in order to efficiently develop a larger mixed-use development on the site.

#### *Financial Feasibility*

There are a number of multifamily/mixed use developments within and adjacent to the core downtown area which have been completed within the last several years, currently under construction, and in the planning phases. While not a complete list, below are some of the more notable recently completed and currently under construction projects in the downtown area.

- Northwest corner of Stone and Broadway is the Rendezvous Urban Flats which was completed in 2020. This is a mixed-use project with six-story structure consisting of over 4,000 square feet of ground floor retail and 100 market rate apartments on the upper floors. This site has a three-level underground parking garage already in place. This site was initially planned for a high-rise site; however, due to high cost of development over six stories, this development has been scaled down to six story developments. While market participants indicated the development started off slowly to Covid closing much of the downtown entertainment, the property is reported to be stabilized by market participants familiar with the property.
- In the Mission District, west of 1-10, there are several planned projects in different phases of development. The West End station apartment development, an affordable housing mixed-use development, has been completed along with the Monier

Apartments, which consists of a four-story building with market-rate rental units and ground-floor retail with an underground parking garage. Additionally, a large entertainment and retail development that utilizes storage containers, known as The Annex, in immediate vicinity of the Monier Apartment site.

- On the south side of Congress Street, between Scott Avenue and Stone Avenue - located within the core downtown area. Known as City Park consists of a six-story mixed use development containing 39 residential lofts, 39,500 square feet of creative office lofts, 23,500 square feet of ground floor retail and restaurant space, and 10,000 square feet of outdoor and rooftop entertainment space.
- At the southwest corner of Broadway Boulevard and Church Avenue - located within the core downtown area. HSL Properties redeveloped the La Placita into a multifamily development known as “The Flin” containing 244-units with onsite parking.
- A Hilton branded Home 2 was completed in 2021 and is located on Stone Avenue, south of Broadway. This is a dual brand hotel that was completed during the pandemic.
- Located on the east side of Fifth Avenue, just south of Broadway Boulevard, a 96 unit seven-story multifamily development called “The Gallery on Fifth” containing all studio and one bed-rooms units was completed in 2021. The property contains a reduction in parking to 51 spaces. The developer, Mr. Ross Rulney, indicated the demographic of the potential tenants comprising students or people working near the downtown or university would lease a unit with limited available onsite parking available.
- A mixed-use development called “The Union” located at the southwest corner of Fourth Avenue and Sixth Street with 254 market rate units. The development includes street level retail uses with two buildings of market rate apartments. Herbert Avenue bisects the development with the east side of Herbert having a height between 2 and 5 stories, and the west side of Herbert having up to 7 stories in height. The property contains onsite parking.
- On Stone Avenue in the Five Points area, a portion of existing commercial buildings were renovated into a 52-unit multifamily development known as “The Flash”.
- On the south side of Broadway in the core downtown area, the existing VFW building was renovated into a 14 -unit multifamily development containing only studio loft apartments.
- The lower nine floors of the 1 South Church office were renovated into a boutique Marriot hotel branded hotel called The Leo Kent which opened in 2023. The hotel occupies a portion of the underground car park. This change of use of the tallest building downtown from a full office use building supports the reduced demand for office uses downtown, especially aging inventory.

- Recently completed, located on Granada Boulevard in the western portion of the downtown area, an existing hotel building was renovated into a 212-unit multifamily building with an additional 154 units being newly constructed on the grounds of the former hotel. The new development will be known as the Presidio Palms Apartments.
- Recently completed on 4th Avenue, just east of downtown core area, is the location of a new 323-unit mixed use retail and multifamily high-rise development known as “The Ari”. The property contains onsite parking.
- “The Baffert at Five Points” located on Stone Avenue in Five Points, south of the core downtown area, is a 14-unit mixed use retail and multifamily development,
- On the north side of Broadway, A former student housing development known as “The Cadence” was renovated into a 256-unit market rate multifamily development known as “Agave 350”.
- Currently nearing completion of construction in the mercado area west of downtown is the Bautista multifamily development which will contain 256-unit units and a mixed-use component.
- At the southwest corner of Church Avenue and Franklin Street - located approximately 5 blocks north of the core downtown area. Known as “Block 175”, located on 84,626 square feet of land area and is currently within the RFP phase.
- The existing Ronstadt Transit Center is planned for the potential development of a mixed-use development consisting of a hotel use on the site having frontage on Congress Street, two multifamily use buildings with ground floor retail, and a parking structure with upper-level multifamily uses on the adjacent property to the south separated by Toole Avenue. The only car park for this project would be on Toole Avenue. The transit center would be reconfigured to the east side of the site with potential building improvements cantilevered over portions of the transit center.
- The former Arizona Hotel on Broadway, which was purchased by HSL, has been vacant for over a decade, and is in the planning phase of being renovated to be operated as a Hyatt brand hotel.
- The “platform” site, located on at the northwest corner of Franklin and Stone, is in escrow to the purchased by a developer for a mixed use multifamily and retail development. The site will include onsite parking.
- A six-story, 134-room Moxy branded hotel is in the planning stages to be located at 55 N. Fifth Avenue, directly above the Depot Plaza parking garage and adjacent to the MLK building. The initial plans include 100 spaces of the existing Depot Plaza parking garage to be utilized for the hotel use.

Future long-term trends anticipate a continued increase in multifamily and mixed-use properties in the downtown area, with the increase in interest rates resulting in some planned developments being put on hold temporarily. Office space may have a longer period of slowdown as some companies still have employees working from home and it is unclear whether this will lead to a long-term reduction in office demand or just temporary slowdown. The appraiser has discussed the subject property, the core downtown and downtown supporting area market conditions with Mr. Tom Warne, consultant with the Marshall Foundation, Mr. Buzz Iassacson with Iassacson Realty, and Mr. Ron Schwabe with Peach Properties. The market participants indicated the following:

- Market participants felt that the subject site would have a highest and best use for the short-term investment with a mixed-use multi-tenant and floor level retail uses with onsite parking, developed in the site if a strong user is identified. The multifamily market downtown is very strong, with the available units of the newest constructed developments either leased up, or nearly leased up. The addition of the current development of larger multifamily development at the former Maloney's site on the northwest corner of Fourth Avenue and Stevens Street supports that demand for large multifamily uses in high demand areas have a strong demand. It is noted that this land sale took place before the recent change to the increase in financing costs for interest rate hikes and increased cost of materials and labor.
- Market participants felt that the office use market downtown is low due to the changes implemented by employers during the Covid-19 pandemic which saw some companies moving employees permanently to remote/work from home positions. An example of the weak demand for existing downtown office uses is evidenced by the redevelopment of several stories of Class A office space located at 1 South Church being redeveloped to a hotel use. The market participants felt that this change in the demand for office uses downtown will be long lasting, and it is unlikely there would be increased demand for a large office uses downtown in the near term.
- Market participants all felt that the subject location is still considered very desirable and one of the last few available vacant sites along a major roadway and the streetcar line in the downtown Tucson market.

Future long-term trends in the downtown market anticipate a continued increase in multifamily and mixed-use properties in the downtown area, with the increase in interest rates resulting in some planned developments being put on hold temporarily. Office space may have a longer period of slowdown as some companies still have employees working from home and it is unclear if this will lead to a long-term reduction in office demand or just temporary slowdown.

Therefore, the highest and best use of the subject property is for the development of a mixed-use high rise development with ground floor retail and upper-level multifamily residential uses and onsite parking.

*Maximally Productive*

Therefore, the maximally productive highest and best use of the subject site is for the development of a mixed-use use high rise development with ground floor retail and upper-level multifamily residential uses and onsite parking.

## PART IV - SUMMARY OF ANALYSIS AND VALUATION

### SALES COMPARISON APPROACH - UNENCUMBERED LAND AREA

The subject property contains a total land area of 33,232 square feet, with 29,173 of unencumbered land area and 4,059 square feet of land area that is restricted in use due to being encumbered with easements for access, fire and safety, utility, and trash collection. The unencumbered and restricted use land area have different use and values and are therefore valued separately, with the sum of the two land areas being the market value of the entire subject property. The following is the valuation of the unencumbered land area of the subject property utilizing the 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, adjusting for dissimilarities such as terms of sale, site size, location, zoning, and utility. 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. The summary below illustrates the comparable sales used in this report.

**Table of Comparable Land Sales – Unencumbered Land Area**

| Sale             |           |  | Sale Price       | Site Size<br>(Sq. Ft.) | Price/ Sq.<br>Ft. | Zoning         |
|------------------|-----------|--|------------------|------------------------|-------------------|----------------|
| No.              | Sale Date | Property Location  |                  |                        |                   |                |
| 1.               | 06/19     | Southwest corner of Fourth Avenue and Sixth Street                 | \$5,515,000      | 59,122                 | \$93.28           | C-3            |
| 2.               | 10/21     | Northwest corner of Stevens Avenue and Fourth Avenue               | \$8,500,000**    | 69,564                 | \$122.19          | PAD-33         |
| 3.               | 10/24     | Southeast corner of Congress Street and Linda Avenue               | \$1,575,000      | 28,922                 | \$54.46           | C-3            |
| 4.               | Escrow    | Southwest corner of Broadway Boulevard and Park Avenue             | \$11,250,000**** | 165,528                | \$67.96           | PAD            |
| 5.               | Escrow    | Wrapping around the southeast corner of Park Avenue and 9th Street | \$13,000,000**** | 148,500                | \$87.54           | C-1/C-2/R-2*** |
| Subject Property |           |  |                  | 29,173*                |                   | OCR-2          |

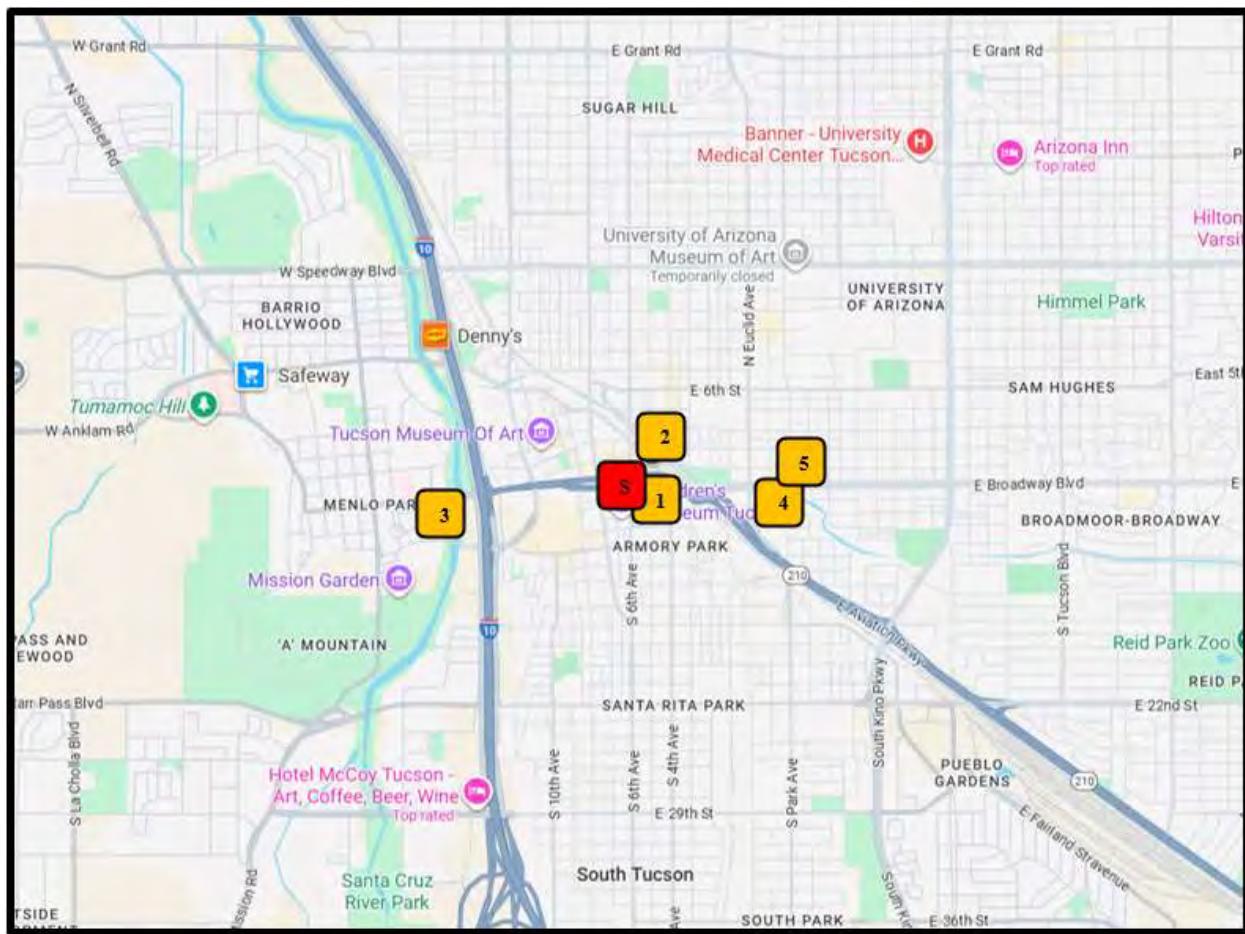
\* Unencumbered land area component, as part of a larger 33,232 sq. ft. property

\*\* Not inclusive of alley purchased separately from the COT

\*\*\* Located within the Sunshine Mile overlay district

\*\*\*\* Reported escrow price

## COMPARABLE LAND SALES LOCATION MAP



### **Subject: North side of Broadway Boulevard, between Scott Avenue and Sixth Avenue**

Sale 1: Southwest corner of Fourth Avenue and Sixth Street

Sale 2: Northwest corner of Stevens Avenue and Fourth Avenue

Sale 3: Southeast corner of Congress Street and Linda Avenue

Sale 4: Southwest corner of Broadway Boulevard and Park Avenue

Sale 5: Wrapping around the southeast corner of Park Avenue and 9th Street

## COMPARABLE LAND SALES

### LAND COMPARABLE NUMBER ONE (SALE)

ID: C3 0108 7728A

LOCATION: East side of Fifth Avenue, South of Broadway Boulevard

LEGAL DESCRIPTION: Lots 6 and 7, Block 93, City of Tucson, Pima County, Arizona

STATE TAX PARCEL: 117-06-2060; -2070

RECORD DATA: Fee number 201909050754

DATE OF SALE: April 5, 2019

SELLER: HP Fifth Avenue, LLC

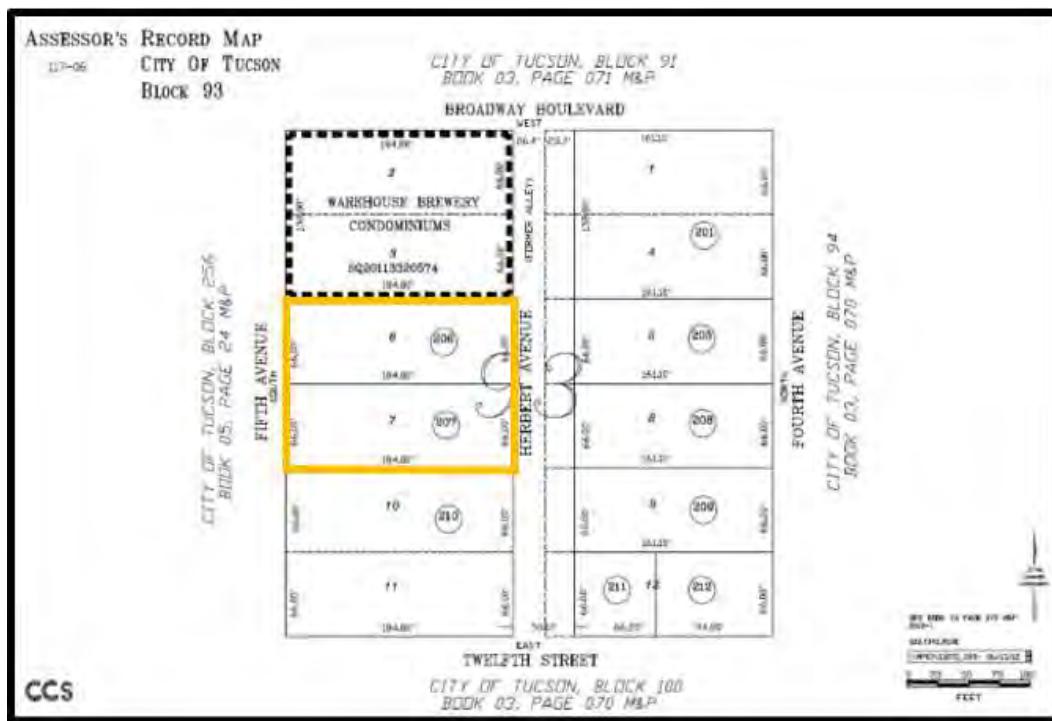
BUYER: Fifth Avenue Partners Of, LLC

CONFIRMED BY: Ross Rulney, buyer (520-323-6515)  
DFO; July, 2019

LAND DESCRIPTION: This site is a rectangular shaped property with 132 feet of frontage on Fifth Avenue along the western property line, and 132 feet of frontage on Herbert Avenue along the eastern property line. The site has a width of 184.8 feet along the northern and southern property line. It contains a total area of 24,394 square feet (per Pima county assessor). The site currently has access from Herbert Avenue, but no access from Fifth Avenue. Fifth Avenue is a two-lane, asphalt-paved roadway with concrete curbs, sidewalks, and streetlights in the vicinity of this site. Fifth Avenue has a 2018 traffic count of 2,666 vehicles per day in the vicinity of this site according to the Pima County Association of Governments. Herbert Avenue is a two-lane, asphalt-paved roadway with concrete curbs, sidewalks, but no streetlights in the vicinity of this site. There is no traffic count available for Herbert Avenue in the vicinity of this site. The topography is mostly level in the western portion of the site, with the eastern portion of the site sloping slightly in a northeasterly direction. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C2277L, dated June 16,

2011, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

|                      |   |
|----------------------|---|
| LAND SIZE:           | 24,394 square feet, or 0.56 acres   |
| ZONING:              | C-3, City of Tucson. This site is located within the Infill Incentive District (IID) overlay zone.  |
| REPORTED SALE PRICE: | \$1,775,000   |
| PRICE PER SQ. FT.:   | \$72.76   |
| MARKETING TIME:      | N/A   |
| TERMS OF SALE:       | This was an all cash to the seller transaction  |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.  |
| CONDITIONS OF SALE:  | This sale is reported to have occurred under normal market conditions.  |
| INTENDED USE:        | Development of a seven story, 96-unit, apartment complex consisting of a mix of studio and one bedroom/one bath apartment units.  |
| COMMENTS:            | At the time of purchase, there was an approximately 10,000 square foot office use improvement that was vacant. These improvements offered no contributory value and was intended to be demolished, at a cost to the buyer, after the purchase was completed. Under the C-3 zoning, the proposed dwelling units require the development of 120 parking spaces. Under the IID overlay zone, the buyer was approved for a reduction in required parking to 51 onsite surface level parking spaces. |



LOCATION: Wrapping around the northwest corner of Stevens Avenue and Fourth Avenue

LEGAL DESCRIPTION: A portion of Block 81, City of Tucson, Pima County, Arizona.

STATE TAX PARCELS: 117-06-078A; -077P; -077Q; -077R; -077U

RECORD DATA: Fee number 2021-3021101

DATE OF SALE: October 29, 2021

SELLER: BOX Tucson Owner, LLC

BUYER: Partners on Fourth Investments, LLC

CONFIRMED BY: Thomas Warne, buyer's consultant (520) 884-8843)  
DFO; November, 2021

LAND DESCRIPTION: The property is L shaped, and wraps around the northwest corner of Fourth Avenue and Stevens Avenue. Per the site plan and Pima County information, the larger parcel has approximately 165 feet of frontage on Fourth Avenue along the eastern border, approximately 190 feet of frontage on Eighth Street along the northern border, and approximately 310 feet of frontage on Stevens Avenue along the western and southwestern borders of the property. Fourth Avenue is a two-way asphalt paved roadway with concrete curbs, sidewalks, streetlights, and a streetcar line with stop adjacent to the property. Fourth Avenue has a 2019 traffic count of approximately 8,100 vehicles per day near this site. Eighth Street is a two-lane asphalt paved roadway with concrete curbs, sidewalks, and streetlights in the area of the property. There are modern streetcar tracks on Eighth Avenue which are utilized to move the streetcars into the service yard located to the west of the property. There is no traffic count available for Eighth Street in the area of the property. Stevens Avenue is a two-lane asphalt paved roadway with concrete curbs but no sidewalks, or streetlights in the area of the site. There is no traffic count available for Stevens Avenue in the area of the

property. Direct access to the property is from Fourth Avenue to the east, Stevens Avenue to the south. There is access from Eight Street to the from the portion of Herbert Avenue located to the north of the section of Herbert Avenue that is the property of this appraisal report. The intersections of Fourth Avenue with Stevens Avenue and Fourth Avenue and Eighth Street are both non-traffic light-controlled intersections. The topography is level. Soil conditions appear to be typical of the area. Properties bordering the property include a small restaurant use, the modern street car repair facility/storage area, followed by the UPRR railroad tracks then downtown Tucson to the south; retail along Fourth Avenue followed by residential and commercial uses east; retail along Fourth Avenue and commercial/industrial uses to the north; and the modern street car repair facility and storage area, followed by the UPRR railroad tracks then downtown Tucson to the west.

Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), water (City of Tucson Water Company), and sewer (Pima County Wastewater Management).

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 04019C2277, dated June 16, 2011, and updated with LOMR 15-09-2298P, dated June 13, 2016, the property is mostly located outside of a FEMA floodplain, with portions of the northwestern area of the larger land area being located within FEMA 500-year flood areas identified as Zone X-shaded (see Exhibits). The property is in a seismic zone which is considered to have a low probability of seismic activity. There are underground utility easements and public pedestrian and vehicular access easements over the entirety of the property.

This sale does not include a portion of an alleyway being purchased from the City of Tucson which has not closed yet.

LAND SIZE: 69,564 square feet (not inclusive of alleyway)

ZONING: PAD-33 (City of Tucson)

|                      |   |
|----------------------|---|
| REPORTED SALE PRICE: | \$8,500,000   |
| PRICE PER SQ. FT.:   | \$122.19  |
| MARKETING TIME:      | N/A   |
| TERMS OF SALE:       | This was an all cash to the seller transaction.   |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation. |
| CONDITIONS OF SALE:  | This sale is reported to have occurred under normal market conditions.  |
| INTENDED USE:        | To develop a mixed-use multifamily high-rise use  |



**LAND COMPARABLE NUMBER THREE (SALE)**

ID: C3 0116 8609

LOCATION: Southeast corner of Congress Street and Linda Avenue

LEGAL DESCRIPTION: Block 2 and a portion of Common Area A, Mission District, Pima County, Arizona.

STATE TAX PARCEL: 116-20-6340

RECORD DATA: 2024-2810547

DATE OF SALE: October 7, 2024

SELLER: Block F Partners, LLC

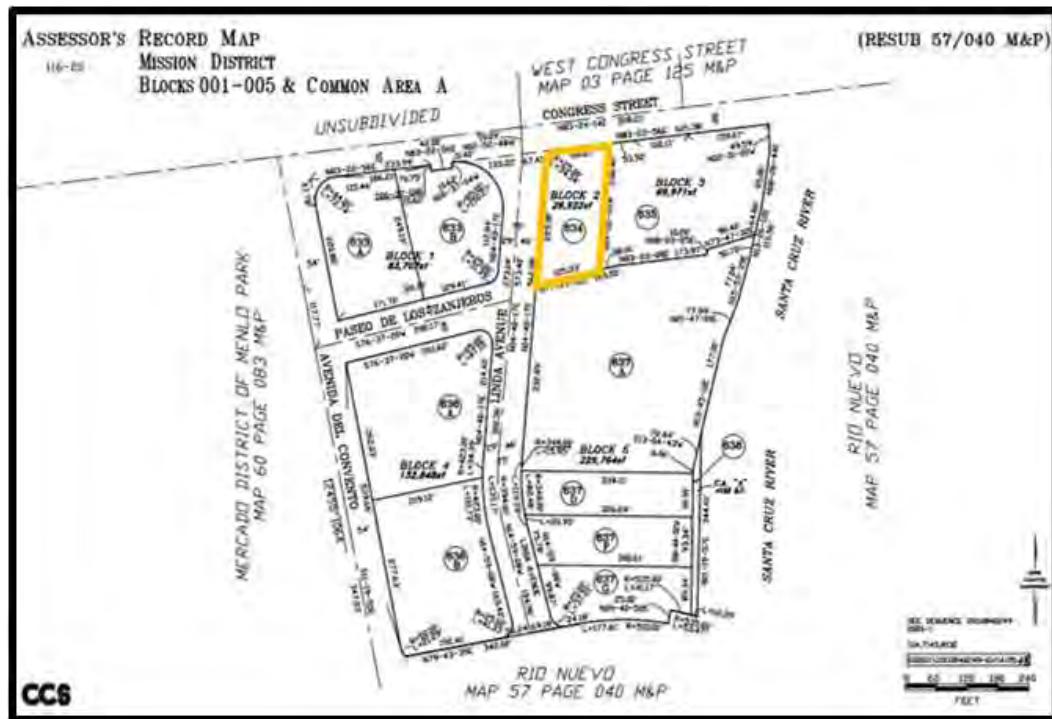
BUYER: OZ Linda QOZB, LLC

CONFIRMED BY: Kameron Norwood, Listing Broker (520-360-8510)  
DFO; April 2025

LAND DESCRIPTION: The site is a mostly rectangular shaped property with approximately 125 feet of frontage on Congress Street along the northern border, approximately 250 feet of frontage on Linda Avenue along the western border, a depth of approximately 235 feet along the eastern border, and a width of approximately 125 feet along the southern border. The site has a size of 28,922 square feet, per the Pima County Assessor. The site has access from Linda Avenue across an easement along the adjacent property. While the site has frontage and visibility from Congress Street, there is no direct access to the property from Congress Street. The intersection of Congress Street and Linda Avenue is a traffic light-controlled intersection. Congress Street is a three-lane (two westbound lanes and one eastbound lane) asphalt paved roadway with center turn lane, concrete curbs, sidewalks, and streetlights in the area of the property. Congress Street has a 2024 traffic count of 13,734 vehicles per day near this site, according to the Pima Association of Governments. Linda Avenue is two-lane asphalt paved roadway with concrete curbs and sidewalks, street parking, streetcar tracks, and streetlights in the area of the property. There is no traffic count available for Linda Avenue in the area of this property. The topography is level. All utilities are available to the property. According to FEMA Flood

Insurance Rate Maps 04019C2276L, dated June 16, 2011, and updated by LOMR 07-09-1469V-T dated June 17, 2022, the property is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. Public utilities are available to the property.

|                      |   |
|----------------------|---|
| LAND SIZE:           | 28,922 square feet  |
| ZONING:              | C-3, City of Tucson   |
| REPORTED SALE PRICE: | \$1,575,000   |
| PRICE PER SQ. FT.:   | \$54.46   |
| MARKETING TIME:      | N/A   |
| TERMS OF SALE:       | This was reported to be an all cash to the seller transaction.  |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation. Recordings 2022-1120802 and 2022-1120803 dated April 22, 2022, were internal transfers of ownership and non-market sale transaction.  |
| CONDITIONS OF SALE:  | While this property was listed on the market as a result of a receivership taking control of selling the asset as part of a litigation involving the subject property and the sellers, this sale is reported to have occurred under normal market conditions as the property was listed on the market with a reasonable marketing time. |
| INTENDED USE:        | Future development of a market-rate multifamily use containing between 52 and 59 units.   |
| COMMENTS:            | The purchaser of this property also purchased a property on the north side of Congress Avenue from this property; however, the broker involved in the sale indicated that the two properties purchased were to be developed separately and independently from one another.  |



LOCATION: Southwest corner of Broadway Boulevard and Park Avenue

LEGAL DESCRIPTION: Lots 1 through 14, Block 12; Lot 1, Block 43; a portion of McKey Street; Rieker's Addition, Pima County, Arizona. And Lot 1, Block 54, University Heights, Pima County, Arizona.

STATE TAX PARCEL: 124-07-212A, 124-07-211B, 124-07-2060, 124-07-2070, 124-12-001A, 124-12-0020, 124-12-132A, 124-07-220A, 124-07-219A, 124-07-219A, 124-07-2170, 124-07-2160, 124-07-2150, 12-407-2140, 124-07-2240, and 124-07-2230

RECORD DATA: N/A - Currently in Escrow

DATE OF SALE: Currently in Escrow

SELLER: WC Tucson I, LLC

BUYER: Not Disclosed

CONFIRMED BY: Don Arones, Listing Broker (602-224-4432)  
DFO; October 2025

LAND DESCRIPTION: This site is a mostly rectangular shaped property with approximately 410 feet of frontage on Broadway Boulevard along the northern property boundary, approximately 280 feet of frontage on Park Avenue along the eastern border, approximately 415 feet of frontage on 12<sup>th</sup> Street along the southern border, and approximately 425 feet of frontage on Tyndall Avenue along the western border. The site encompasses the entire block between Broadway on the northern border, 12th Street along the southern border, and between Park Avenue on the eastern border and Tyndall Avenue along the western border except for two parcels located on the north and south sides of the abandoned alleyway (formerly McKey Street) located between Broadway Boulevard and 12th Street. The rest of the block, including the majority of the abandoned alleyway were part of this sale. Broadway Boulevard is a six-lane asphalt-paved roadway, with a concrete center median,

concrete curbs, sidewalks, and streetlights in the vicinity of this property. Broadway Boulevard has a 2024 traffic count of 29,210 vehicles per day to the east of the property and a 2024 traffic count of 28,256 vehicles per day to the west of the property, according to the Pima Association of Governments. Park Avenue, 12th Street, and Tyndall Avenue are all two-lane, asphalt-paved roadways, with Park Avenue and Tyndall Avenue having concrete curbs and sidewalks in the vicinity of this property. Park Avenue has a 2024 traffic count of 800 vehicle per day in the vicinity of this property, according to the Pima Association of Governments. There is no traffic counts available for 12th Street or Tyndall Avenue in the vicinity of this property. The topography is mostly level. All public utilities are available to the property.

According to FEMA Flood Insurance Rate Map 04019C2277L, dated June 16, 2011, and modified by LOMR 15-09-2298P dated June 13, 2016, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. The Arroyo Chico Wash is located underground running east/west through the central portion of this site and any potential development would not be able to interfere with the underground wash culvert.

LAND SIZE:

165,528 square feet - per listing packet

ZONING:

PAD-39 Zoning. This zoning allows for a maximum building height of 75 feet along Broadway Boulevard and tapers to a maximum height of 30 feet south of Broadway Boulevard. This zoning allows many commercial uses; however, there are some excluded uses which include group dwellings, large single retail establishments with more than 100,000 square feet, and gasoline retail businesses. This property is located within the Sunshine Mile overlay district.

REPORTED SALE PRICE:

\$11,250,000 (per listing broker)

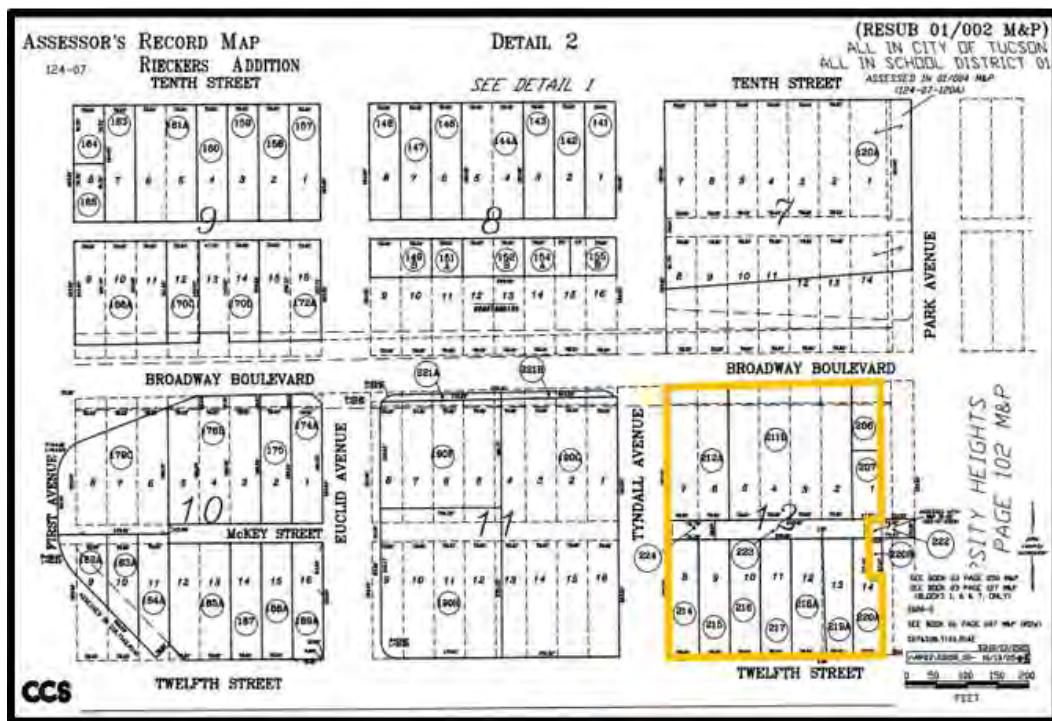
PRICE PER SQ. FT.:

\$67.96

MARKETING TIME:

N/A

|                     |  |
|---------------------|--|
| TERMS OF SALE:      | Not disclosed while in escrow  |
| PRIOR SALE:         | <p>Records of the Pima County Assessor indicate that parcels 124-07-001A, 124-07-0020, 124-07-2060, 124-07-2070, 124-07-211B, 124-07-218A, and 124-07-2170 and portions of the abandoned McKey Street were previously purchased by the seller on February 23, 2022, from the City of Tucson, in documents 2022-0540967 and 2022-0540968, totaling 81,022 square feet, for a sale price of \$3,482,000, or \$42.98 per square foot.</p> <p>Records of the Pima County Assessor indicate that parcel 124-07-212A, was part of an internal transfer of ownership on February 23, 2022, in document 2022-0540969, and not a market sale transaction. There was no affidavit completed for this internal transfer of ownership.</p> <p>Records of the Pima County Assessor indicate that parcels 124-07-2140, 124-07-2150, 124-07-2160, 124-07-219A, 124-07-220A, and 124-07-132A were part of an internal transfer of ownership on February 23, 2022, in document 2022-0540970, and not a market sale transaction. There was no affidavit completed for this internal transfer of ownership.</p> |
| CONDITIONS OF SALE: | This sale is reported to have occurred under normal market conditions.   |
| INTENDED USE:       | For the development of a multifamily use with some ground floor retail   |
| COMMENTS:           | <p>There is an existing Volvo Dealership on the site which did not contribute any value to the property and would require demolition at a cost to the purchaser for any redevelopment of the site.</p> <p>Per the broker involved in the sale, the existing diner improvements may remain in place, and the diner may be re-opened in the future.</p>  |



**LAND COMPARABLE NUMBER FIVE (ESCROW)**

ID: R-2 0283 8715

LOCATION: Wrapping around the southeast corner of Park Avenue and 9th Street

LEGAL DESCRIPTION: Lots 1 through 15 and a portion of an abandoned alleyway, Block 37, Buells, City of Tucson, Pima County, Arizona.

STATE TAX PARCEL: 124-06-171B; -152A; -1530; -154B; -157A; -158A; and 124-06-159B

RECORD DATA: N/A - Currently in Escrow

DATE OF SALE: Currently in Escrow

SELLER: Tucson School District No. 1

BUYER: Not Disclosed

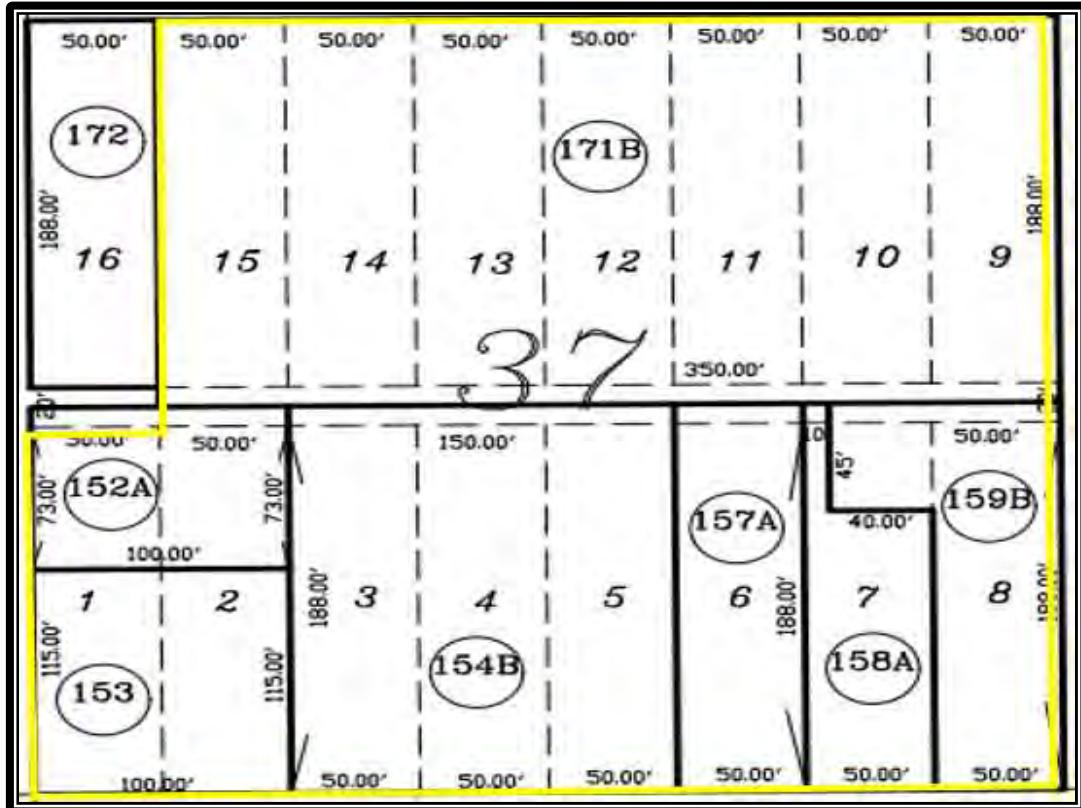
CONFIRMED BY: Bryant Nodine, TUSD Representative (520-225-4948)  
DFO; October, 2025

LAND DESCRIPTION: The property is somewhat rectangular in shape and occupies a square block, excluding one parcel in the northwest corner. This area has approximately 400 feet of frontage on 10<sup>th</sup> Street on the southern property line, approximately 350 feet of frontage on 9<sup>th</sup> Street on the northern property line, approximately 395 feet of frontage on Fremont Avenue on the eastern property line, and approximately 185 feet of frontage on Park Avenue on the western property line.

Park Avenue, Fremont Avenue, 10<sup>th</sup> Street, and 9<sup>th</sup> Street are two-lane, asphalt-paved roadways with concrete curbs, sidewalks, but no streetlights in the area of the property. 9th Street has a 2024 traffic count of 920 vehicles per day in the area of the property according to the Pima County Association of Governments. There are no traffic counts available for Park Avenue, Fremont Avenue, or 10<sup>th</sup> available near this site. Adjacent properties include a mix of single-family and multifamily uses to the north, east, and west; a student housing complex to the southwest, and the former TUSD main offices to the south. These former office uses properties entered into escrow

recently for a potential multifamily uses in which the existing office use improvements will be utilized. Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), water (City of Tucson Water Company), and sewer (Pima County Wastewater Management). 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 04019C2277L, dated June 16, 2011, and with a LOMR dated June 13, 2016, over the southern portion of the property, the land is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain (see Exhibits). The property is in a seismic zone which is considered to have a low probability of seismic activity. The topography is mostly level. Soil conditions appear to be typical of the area. There are no known easements or encumbrances that adversely affect the subject property.

|                      |   |
|----------------------|---|
| LAND SIZE:           | 148,500 square feet (per Pima County Assessor)  |
| ZONING:              | R-2/C-1/C-2, City of Tucson - Located within the Sunshine Mile overlay district   |
| REPORTED SALE PRICE: | \$13,000,000  |
| PRICE PER SQ. FT.:   | \$87.54   |
| MARKETING TIME:      | N/A   |
| TERMS OF SALE:       | Not disclosed while in escrow   |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of this escrow.                   |
| CONDITIONS OF SALE:  | This sale is reported to have occurred under normal market conditions.  |
| INTENDED USE:        | To develop with multi-family housing  |
| COMMENTS:            | There are two small building improvements on the property which did not contribute any value to the property and will be demolished by the purchaser. |



## COMPARABLE SALES ADJUSTMENT GRID – UNENCUMBERED LAND AREA

|                            | <b>Subject</b> | <b>Comp 1</b> | <b>Comp 2</b> | <b>Comp 3</b> | <b>Comp 4</b> | <b>Comp 5</b> |
|----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| <b>Sale Date</b>           |                | 04/2019       | 10/2021       | 10/2024       | Escrow        | Escrow        |
| <b>Site Size (Sq. Ft.)</b> | 29,173*        | 24,394        | 69,564**      | 28,922        | 165,528       | 148,500       |
| <b>Zoning</b>              | OCR-2          | C-3           | PAD-33        | C-3           | PAD***        | C1/C2/R2***   |
| <b>Utility</b>             | Average        | Similar       | Superior      | Inferior      | Inferior      | Inferior      |
| <b>Sale Price</b>          |                | \$1,775,000   | \$8,500,000   | \$1,575,000   | \$11,250,000  | \$13,000,000  |
| <b>Price per Sq. Ft.</b>   |                | \$72.76       | \$122.19      | \$54.46       | \$67.96       | \$87.54       |

\* Unencumbered land area component, as part of a larger 33,232 sq. ft. property

\*\* Not inclusive of alley purchased separately from the COT

\*\*\* Located within the Sunshine Mile overlay district

\*\*\*\* Reported escrow price

### *Summary of Adjustments*

|                                   |                |                |                |                |                 |
|-----------------------------------|----------------|----------------|----------------|----------------|-----------------|
| <b>Unadjusted Price / Sq. Ft.</b> | \$72.76        | \$122.19       | \$54.46        | \$67.96        | \$87.54         |
| <b>Property Rights</b>            | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>       |
| Adjusted Price                    | \$72.76        | \$122.19       | \$54.46        | \$67.96        | \$87.54         |
| <b>Financing</b>                  | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>       |
| Adjusted Price                    | \$72.76        | \$122.19       | \$54.46        | \$67.96        | \$87.54         |
| <b>Conditions of Sale</b>         | <u>10%</u>     | <u>5%</u>      | <u>0%</u>      | <u>5%</u>      | <u>0%</u>       |
| Adjusted Price                    | \$80.04        | \$128.30       | \$54.46        | \$71.36        | \$87.54         |
| <b>Date/Market Conditions</b>     | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>      | <u>0%</u>       |
| Adjusted Price                    | \$80.04        | \$128.30       | \$54.46        | \$71.36        | \$87.54         |
| <b>Physical Adjustments (%)</b>   |                |                |                |                |                 |
| <i>Location</i>                   | 15             | -10            | 35             | 20             | 10              |
| <i>Zoning</i>                     | 0              | 0              | 0              | 0              | 0               |
| <i>Site Size</i>                  | 0              | 0              | 0              | 0              | 0               |
| <i>Site Utility/Density</i>       | <u>0</u>       | <u>-15</u>     | <u>10</u>      | <u>5</u>       | <u>5</u>        |
| <i>Net Adjustment</i>             | 15%            | -25%           | 45%            | 25%            | 15%             |
| <b>Indicated Value / Sq. Ft.</b>  | <b>\$92.05</b> | <b>\$96.22</b> | <b>\$78.96</b> | <b>\$89.20</b> | <b>\$100.67</b> |

This analysis compares five sales of similar land to the unencumbered land area of the subject property on a price per square foot basis. This is the sale price divided by the number of square feet of the site. Sales prices range from \$54.46 to \$722.19 per square foot before adjustment. The adjustment grid on the previous page reflects 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.

*Comparable Sale One* requires an upward adjustment for conditions of sale as this property had existing site improvements which required demolition at an expense to the purchaser. This sale does not require an adjustment for date/market conditions. Market data indicates that prices have not changed in the downtown area between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location as this property does not have frontage on a major street compared to the subject property which has frontage on Broadway. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject.

*Comparable Sale Two* requires an upward adjustment for conditions of sale as this property had existing site improvements which required demolition at an expense to the purchaser. This sale does not require an adjustment for date/market conditions. Market data indicates that prices have not changed in the downtown area between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for location as this property is located in a specific location that is superior for a student focused multi-family development, which was developed on the site, compared to the location of the subject property. There is a downward adjustment for site utility as this site has a superior more regular shape compared to the subject property which is narrow and would require any potential high-rise building to be cantilevered over the adjacent alleyway and which would lead to higher development costs and a lower density of development. Additionally, the larger size of this site compared to the subject would allow for a greater number of units to be developed on the site. There is no separate size adjustment made as this type of property is analyzed by developers on the potential density that can be achieved, with the size of this site being considered as a part of the overall site utility. Overall, this sale price per square foot indicates a downward adjustment in comparison to the subject.

*Comparable Sale Three* does not require an adjustment for date and market conditions as market conditions for this type of property have remained stable between the date of sale and the date of value.

Physical adjustments include an upward adjustment for location as this property is located on the west side of the freeway from downtown in the Mercado area and has lower demand with lower rental rates compared to the subject property which is located within the core downtown market district. There is an upward adjustment for site utility/density as this site

has an inferior shape that is narrower than the subject and does not have an alleyway in to cantilever over like the subject property and will have a lower density of development possible compared to the subject property. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject.

*Comparable Sale Four*, which is currently in escrow, requires an upward adjustment for conditions of sale as this property has existing site improvements which will be required to be demolished at an expense to the purchaser in order to place the site into its highest and best use. This sale does not require an adjustment for date/market conditions. Market data indicates that prices have not changed in the downtown area between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location as this property is located in an area with inferior demand further from downtown compared to the subject property which is located within the core downtown market area. There is an upward adjustment for site utility/density as this site allows for a lower density of development compared to the subject property; however, this is partially offset due to the superior shape of this site. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject.

*Comparable Sale Five*, which is currently in escrow, does not require an adjustment for date/market conditions as market data indicates that prices have not changed for this type of property between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location as this property is located in an area with inferior demand further from downtown compared to the subject property which is located within the core downtown market area. This location adjustment is partially offset as this property is located closer to the University of Arizona campus compared to the subject property. There is an upward adjustment for site utility/density as this site allows for a lower density of development compared to the subject property; however, this is partially offset due to the superior shape of this site. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject.

#### *Sales Comparison Approach Summary – Unencumbered land area*

|  | <b>Sale 1</b> | <b>Sale 2</b> | <b>Sale 3</b> | <b>Sale 4</b> | <b>Sale 5</b> |
|--|---------------|---------------|---------------|---------------|---------------|
|--|---------------|---------------|---------------|---------------|---------------|

|                                 |         |         |         |         |          |
|---------------------------------|---------|---------|---------|---------|----------|
| Adjusted Sale<br>Price/ Sq. Ft. | \$92.05 | \$96.22 | \$78.96 | \$87.22 | \$100.67 |
|---------------------------------|---------|---------|---------|---------|----------|

These comparable sales indicate a price range of \$78.96 to \$100.67 per square foot after adjustment. Primary weight is given to the Comparable Sales One and Five as these sales are most similar to the subject property and required the fewest physical adjustments. The remaining sales are given slightly less weight in valuing the subject property. After analyzing the comparable sales, the conclusion of market value of the unencumbered land area of the subject property is estimated to be \$95.00 per square foot, times 29,173 square feet, which equals \$2,771,435, rounded to \$2,771,500.

## **MARKET VALUE OF SUBJECT PROPERTY, RESTRICTED USE LAND AREA**

The restricted use land area is a former public alleyway owned by Pima County and is restricted in its use from being encumbered by fire and safety, trash collection, and utility easements over the entire restricted use portion of subject site. No building improvements can be developed on the ground level of this portion of the subject; however, any potential development required over this portion of the subject property must be cantilevered 30 feet above the grade level.

While the restricted use portion of the subject property is no longer a dedicated public alleyway, the restrictions created from the easements in place for fire and safety, trash collection, and utility easements in place, the use of this land area to be essentially same as it was when the land area was a public alleyway and would be valued in a similar manner as other public alleyways which have been sold by the City of Tucson in the past due to the restricted use of this land area.

Below are sales of former public right of ways, including a prior sale of the encumbered portion of the subject property, which have been sold in the marketplace in order to support a discount a potential purchaser would pay for the subject property which is restricted in its use by various easements.

- In 2012, a 10,456 portion of Bean Avenue, between Ninth and Tenth Streets, was sold for \$140,000, or \$13.39 per square foot. This property was encumbered by public utility easements similar to the subject property. The adjacent property which was assembled with the portion of Bean Avenue sold for \$17.44 per square foot. After adjustment for the flood prone nature of Bean Avenue compared to the adjacent property, which was part of the assemblage, the adjustment attributed for the easements was discounted approximately 17.25 percent from the fee simple value.
- In discussion with Mr. Jim Rossi with the City of Tucson Real Estate Department confirmed that in 2015, a five-foot-wide strip of the Stone Avenue right of way which was encumbered by a Utility easement was being sold to Holualoa Companies to assemble with an adjacent property which was purchased for a residential development. The City sold the right of way at a 25 percent discount due to the right of way being encumbered with a public utility easement.
- Per confirmation with Mr. Jeffery Teplitsky with the Pima County Real Estate Department, in 2019 the county had reached an agreement with the City of Tucson to purchase a 4,059 square foot public alley located north of Broadway Boulevard, between Scott Avenue and Sixth Avenue. The alley was encumbered by utility, trash, and police/fire access easements, and was being sold from the City of Tucson to Pima County to use as part of a mixed-use office development on the adjacent property for property to the south. Due to the existing easements, the building was planned to be cantilevered over the existing alleyway in order to allow vehicular traffic for emergency vehicles and trash pickup. Pima County had reached an agreement to purchase the alleyway for \$305,000, which was based on a 20 percent discount off the fee-simple value as a result of these easements limiting the use of the site.

- Per Mr. Damian Fellows, Assistant Attorney for the City of Tucson, a portion of 7<sup>th</sup> Avenue, east of Stone Road, was sold off by the city in 2018. The vast majority of this site was encumbered with underground utility easements, and no building improvements could be developed on the site. Due to the subject being impacted by utility easements, the purchaser of this property essentially only purchased the surface rights and could only be utilized for parking and driveway uses. The city sold this portion of the 7<sup>th</sup> Avenue at a discount rate of 50 percent from the fee simple value due to the site only having use as surface parking and driveway used by an adjacent property owner.
- In a discussion with Mr. Thomas Kral with the City of Tucson Real Estate Department, a portion of a twenty-four foot wide public alleyway located on the south side of Speedway, between Park and Tyndall containing approximately 2,018 square feet (per the Pima County Assessor), which was encumbered in ingress/egress and utility easements with no building structures allowed to be developed on the encumbered land area was sold to the developers of a student housing site in order to assemble with an adjacent parcels for the Hub IV student housing development. Per Mr. Krall, the City of Tucson sold the right of way at a 50 percent discount due to the right of way being encumbered with public utility and access easements.
- As confirmed with Mr. John Cahill with the City of Tucson Real Estate Department, a portion of the Herbert Avenue right of way which was located on the north side of Stevens Avenue, west of Fourth Avenue and was encumbered with utility easements and right of way use with no building structures allowed to be developed over the encumbered land area, was sold to a developer in order to assemble with an adjacent parcels for a mixed use multifamily development. The City is selling this right of way at approximately a 54 percent discount due to the right of way being encumbered with a right of way use and public utility easements.

Based on these previous sales, a market-supported discount of 20 percent from the fee-simple value for the subject property having a portion of the site encumbered with an alleyway easement and the property having limited use as a driveway; however, a potential developer of the site is allowed to cantilever a building over the restricted use component of the subject property. The most weight is given to Example Three as this is a prior sale of the restricted used portion of the subject property, with a discount of 20 percent of the fee value for the prior sale of this portion of the subject property. This discount to the fee simple value is supported and reasonable, based upon the sales cited in this report.

The market value of this restricted use area would take on the same underlying fee value as the unencumbered land component of \$95.00 per square foot, times 4,059 square feet of land area, which equals \$385,605, prior to the discount due to the restricted use of the land area. Therefore, the market value conclusion of the restricted use portion of the subject property is the estimated fee simple value of this 4,059 square foot land area, without any encumbrances, from easements, or \$385,605, less the 20 percent of the fee simple value of \$385,605 due to the restricted use of the subject property, or \$77,121, for a market value of the restricted use component of the subject property of \$308,484, rounded to \$308,500.

**RESTRICTED USE LAND AREA**

|  |                  |
|--|------------------|
| Fee Simple value, unencumbered land value: | \$385,605        |
| Less discount from easement restrictions:  | (77,121)         |
| Market value, restricted use land value    | <u>\$308,484</u> |
| <b>Rounded to:</b>                         | <b>\$308,500</b> |

**TOTAL MARKET VALUE OF THE SUBJECT PROPERTY**

|                                     |                  |
|-------------------------------------|------------------|
| Unencumbered Land Area:             | \$2,771,500      |
| Restricted Use Land Area:           | <u>\$308,500</u> |
| Value of the Total Subject Property | \$3,080,000      |

The total market value of the subject property is equal to the value of the unencumbered land component, or \$2,771,500; plus, the value of the restricted use land area component, or \$308,500, for a total market value of the subject property equaling \$3,080,000.

**MARKET VALUE CONCLUSION – SUBJECT PROPERTY**

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 of the effective date of the appraisal, October 22, 2025, is \$3,080,000.

OPINION OF MARKET VALUE OF SUBJECT PROPERTY,  
AS OF OCTOBER 22, 2025:

THREE MILLION EIGHTY THOUSAND DOLLARS  
(\$3,080,000)

## PART V - MARKET GROUND LEASE RATE

The appraiser has interviewed various market participants that are active in the development and sale of properties similar to the subject property regarding the potential annual rental rate of the subject property for a ground lease at different time periods. The appraiser, nor the market participants that the appraiser has discussed the subject property, were aware of any completed ground lease to a tenant for the development of a mixed-use retail and residential development in the subject market area, which would be the highest and best use of the subject property. Summaries of market participant's opinions on ground lease rates include:

- Mr. Art Wadlund with Berkadia gave the opinion that if the property could be leased, he would not think the rate of return to establish the beginning ground lease rate would be greater than a 6 to 8 percent range, and that he would want a long-term lease to be established.
- Mr. Ron Schwabe with Peach Properties gave the opinion that a ground lease rate for the subject property would be between a 5-8 percent range if leased to a tenant for a ground lease for the development of a mixed-use retail and residential development. Mr. Schwabe indicated he would want a long-term lease established. Additionally, Mr. Schwabe also felt that a potential benefit to leasing the subject property, which is owned by Pima County, would be the exemption of property tax requirements.
- Mr. Swain Chapman with Chapman Management provided his opinion of a rate of return of 10 percent if leased to a tenant for a ground lease for the development of a mixed-use retail and residential development.
- Mr. George Larsen with Larsen, Baker Real Estate gave the opinion that he always seeks to obtain an 8-10 percent rate of return to establish an initial rental rate for ground leases. Mr. Larsen indicated that he would still seek a rate of return of 8-10 percent if leased to a tenant for a ground lease for the development of a mixed-use retail and residential development. Mr. Larsen felt that a ground lease term would need to be at least 70 years. For the subject property, Mr. Larsen felt that if the land value was a market price, the rate would be closer to 8 percent.

Mr. Jim Marian with Chapman Lindsey was actively involved in the potential ground lease of a property near the University of Arizona campus for student housing development with some ground floor retail uses. Mr. Marian's client, Mr. Steve Buss, made an offer to complete a ground lease on the site at a beginning rate of 5.75 percent of the value of the land. Mr. Marian indicated that his client was willing to go as high as 6.5 percent of the land value for the beginning ground lease rate in order to make a deal with the property owner. The terms of the ground lease were to include a 99-year lease, with an option to buy out the lease after 5-10 years. Ultimately, the property owner decided against leasing the property. The appraiser confirmed this information with the potential ground lessee, Mr. Steve Buss. These market participants indicated that a long-term lease of at least 70 years would be expected if the subject property were to be leased on a ground lease. The majority of these market participants felt that the rate of return to establish the beginning rental rate would be

lower than what would be expected for a single tenant commercial user and would likely be leased between 5 percent and 10 percent of the estimate land value. However, the majority of these market participants felt that the rate of return for a mixed-use property would be within the 6-8 percent range of the estimated land value to establish a beginning rental rate for a ground lease.

The following are examples of land leases which have been leased to single-tenant commercial users as well as comments from market participants who are actively involved in completing ground lease transactions in the Tucson market.

- **Mr. Aaron Laprise with Cushman & Wakefield | PICOR.** Mr. Laprise gave the opinion that a property owner would expect a rate of return between 7.5% and 10% to establish an annual rental rate for a land lease for various types of commercial uses.
- **Mr. Jim Marian with Chapman Lindsey.** Mr. Marian was actively involved in the potential ground lease of a property near the University of Arizona campus for student housing development with some ground floor retail uses. Mr. Marian's client, Mr. Steve Buss, made an offer to complete a ground lease on the site at a beginning rate of 5.75 percent of the value of the land. Mr. Marian indicated that his client was willing to go as high as 6.5 percent of the land value for the beginning ground lease rate in order to make a deal with the property owner. The terms of the ground lease were to include a 99-year lease, with an option to buy out the lease after 5-10 years. Ultimately, the property owner decided against leasing the property. The appraiser also confirmed this information with the potential ground lessee, Mr. Steve Buss.
- **Andy Romo, Lyons Romo Real Estate.** Mr. Romo has been involved in the lease of land for commercial uses and is an active real estate broker in the Tucson market. Mr. Romo indicated that he sold commercial land located on the south side of Grant Road, west of Interstate 10, to QuikTrip Convenience Stores and that prior to the sale the purchaser had also investigated the possibility of a land lease. The rate of return discussed during the negotiations for the potential land lease was 8 percent according to Mr. Romo. He further indicated that in his real estate experience the rate of return for a land lease is typically between 8 and 10 percent, depending on the credit of the tenant, in that if the tenant has a strong credit rating the rate of return is lower than 10 percent.
- **George Larsen, Larsen, Baker Real Estate.** Mr. Larsen has been active in the sale and leasing of land for commercial uses and is an active real estate broker in the Tucson market. Mr. Larsen indicated that he leased a parcel of land located on Houghton Road and Golf Links Road to QuikTrip Convenience Stores. Mr. Larsen indicated that the parcel totals 78,400 square feet and is leasing at a rate of \$129,000 per year. Mr. Larsen indicated that he based the lease rate on a 10 percent return to the value, or \$1,290,000 total land value (\$129,000 divided by .10 = \$1,290,000). This is equal to \$16.45 per square foot for the land.

- **George Larsen, Larsen, Baker Real Estate.** Mr. Larsen indicated that he had leased a parcel of land located at the northeast corner of Oracle Road and Fort Lowell Road to QuikTrip. Mr. Larsen indicated that this lease rate was based on the estimated land value and a rate of return of just over 8 percent. Mr. Larsen also gave the opinion that he typically seeks to obtain an 8-10 percent rate of return to establish an initial rental rate for ground leases.
- **Bill Young, Horseshoe Management.** Mr. Young has been active in the sale and leasing of land for commercial uses and is an active real estate broker in the Tucson market. Mr. Young indicated that he extended a land lease to Wells Fargo Bank for property located on the west side of Campbell Avenue, north of Glenn Street. Mr. Young indicated that he based the land lease on a 10 percent return to the land value, which he estimated to be \$15.00 per square foot. The parcel size totals 65,489 square feet which indicates a total estimated land value at \$982,000 (rounded). The new land lease to Wells Fargo is at \$100,000 for the first year with 3 percent annual increases based on a 10-year term with two 5-year option periods. The lease rate reflects a rate of return to the estimated value of 10.18 percent (100,000 divided by \$982,000).
- **Brian Harpel, Harpel Real Estate.** Mr. Harpel indicated that in his experience the rate of return for land leases ranges from 8 to 10 percent, depending on the strength of the tenant. He indicated that national credit tenants may be able to negotiate a lower rate, in the range of 7 to 7.5 percent, but the more typical tenant in the Tucson market was in the range of 8 to 10 percent.
- **David DeConcini, 4-D Properties.** Mr. DeConcini advised of two land leases his company had completed in the Tucson market. The first land lease is at the northwest corner of Irvington Road and Benson Highway. The tenant is QuickTrip. Mr. DeConcini indicated that the rate of return used for the land lease was 10 percent on a land value of \$1,320,000, or \$132,000 per year. The lease is for a 20-year period of time with 6 five-year option periods. Mr. DeConcini related information about a second lease that his company had entered into recently with Circle K. The land is located at 6th Avenue and Interstate 10. He indicated that the Circle K Corporation dictates a non-negotiable 8 percent rate of return for the land lease, but that the land value is valued at the upper end of the value range which had the net effect of equaling a 10 percent rate of return to the lessor. The lease period is for 20 years with 8 five-year options.
- **City of Tucson.** The City of Tucson had entered into a lease with Fotowatio Renewable Ventures for a Utility-Scale Solar Project on city land in Avra Valley. According to Mr. Wade Clark and review of the executed lease, the lease rate is based on an 8 percent rate of return to the appraised land value. The City of Tucson had the land appraised and the lease rate was based on the appraised value. Mr. Clark indicated that the lease remains level for the first five-year period, and that there is an increase of 3 percent every five years. The initial term of the lease is 20 years. The tenant is responsible for all real estate taxes during the term of the lease.

- **Pima County.** Pima County had entered into a lease with American Battery Factory (ABF) for a battery manufacturing facility on county owned land at the Aerospace Research Campus on 70 acres of land area for the first phase of a larger 267.18-acre project that will be spaced out over three phases. The property was appraised, and the beginning rental rate is based on a 7.0 percent rate of return of the appraised market value, or \$455,000 per year on an absolute net basis. The phase one lease will be 5 years in duration and includes 2.5% annual rent increases. Per the agreement, if ABF reaches their construction and employment benchmarks, ABF will have the right to acquire the land for Phase 1 developments, as well as for the development of Phase 2 and Phase 3. The right to acquire the land will be no later than 24 months of the commencement of the agreement in order to exercise the option to acquire the full 267.18 acre for 90 percent of the appraised value of the property, which was appraised at \$20,925,000.
- **Pima County.** The location and exact property were requested to be remain confidential at this time. Approximately 85 acres of land to be leased by Pima County for use as a mixed use of recreational and commercial uses. The property was appraised, and the beginning rental rate will be 6.5 percent of the appraised market value. The lease will be 50 years and will include 2% annual rental increases.

Based on the comments from the market participants, and the examples cited for single-tenant commercial uses, the rate of return to establish the beginning rental rate for a ground lease is concluded to be 7 percent.

#### **GROUND LEASE RATE CONCLUSION**

As concluded previously in this report, the appraisers' opinion of market value for the subject property is \$3,080,000. The following ground lease rate conclusion is based on the previously concluded fee simple market value and provides an opinion of the annual market ground lease rate as of the effective date of appraisal, October 22, 2025. The ground lease rate conclusion for the subject property is based on the terms previously outlined using a concluded rate of return of 7 percent as follows:

|   |             |
|---|-------------|
| Market Value of Land Previously Concluded     | \$3,080,000 |
| Rate of Return for a Ground Lease – 7 percent | <u>7.0%</u> |
| Annual Ground Lease Amount                    | \$215,600   |

#### **ANNUAL GROUND LEASE RATE CONCLUSION**

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of the annual ground lease rate of the subject property, as of the effective date of the appraisal, October 22, 2025, is \$215,600.

#### **OPINION OF ANNUAL GROUND LEASE RATE OF THE SUBJECT PROPERTY, AS OF OCTOBER 22, 2025:**

**TWO HUNDRED FIFTEEN THOUSAND SIX HUNDRED DOLLARS  
(\$215,600)**

## PART VI - ASSUMPTIONS AND LIMITING CONDITIONS

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 appraisers' 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 from any 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. I 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 I have no direct evidence relating to this issue, I 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.

## PART VII - CERTIFICATION

WE 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our 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. Our 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, We have the experience and knowledge to complete this assignment in a credible and competent manner.
10. As of the date of this report, we have completed requirements of the continuing education program of the Appraisal Institute.
11. The effective date of this appraisal is October 22, 2025.
12. We 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 persons signing this certification.
15. We are Certified General Real Estate Appraisers in the State of Arizona.



Thomas A. Baker, MAI, SRA  
Certified General Real Estate Appraiser  
Certificate Number 31039  
Designated Supervisory Appraiser  
Registration Number DS0007

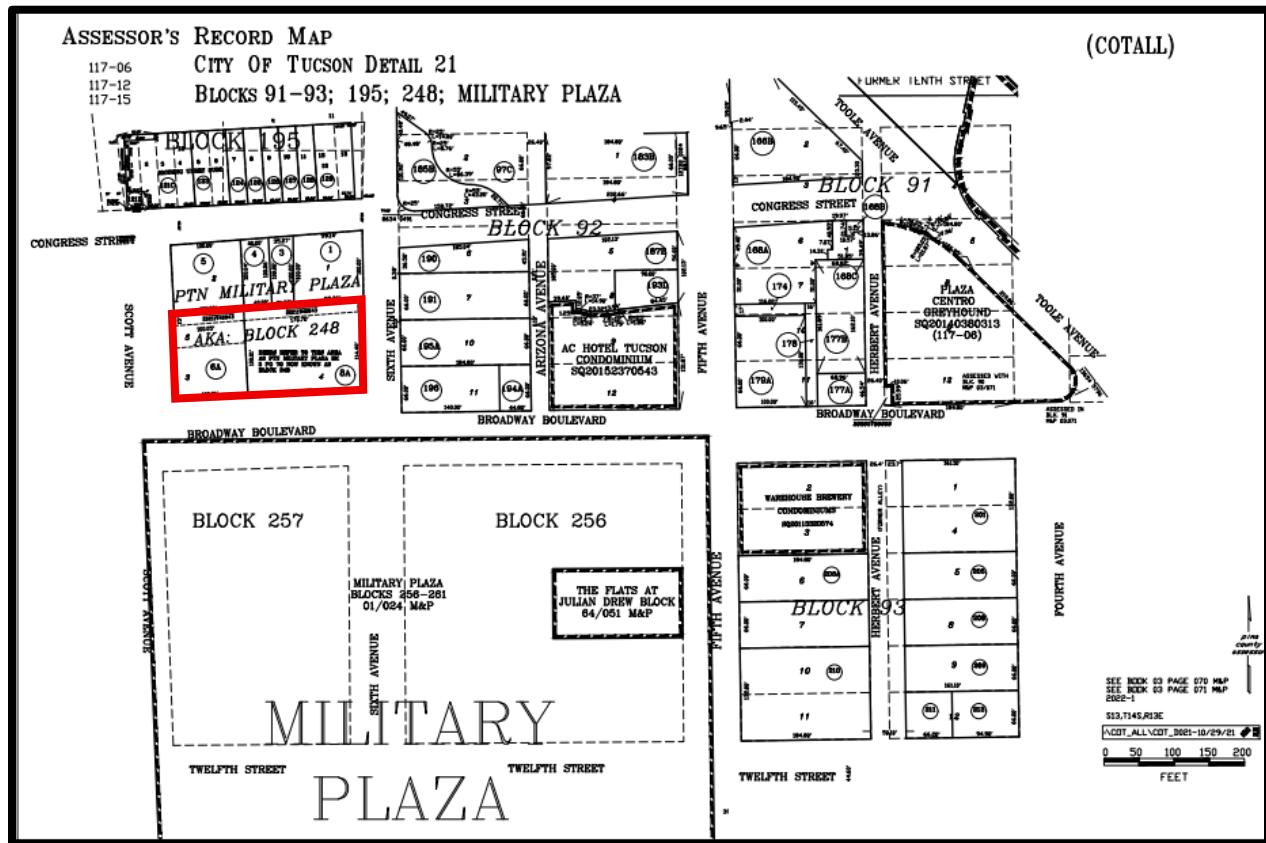


Dan Orlowski  
Certified General Real Estate Appraiser  
Certificate Number 32195

## **PART VIII - EXHIBITS**

- Exhibit A      Subject Plat Map
- Exhibit B      Aerial Photograph
- Exhibit C      Zoning Map
- Exhibit D      FEMA Flood Plain Map
- Exhibit E      Legal Description and Site Plan
- Exhibit F      Subject Photographs
- Exhibit G      Qualifications

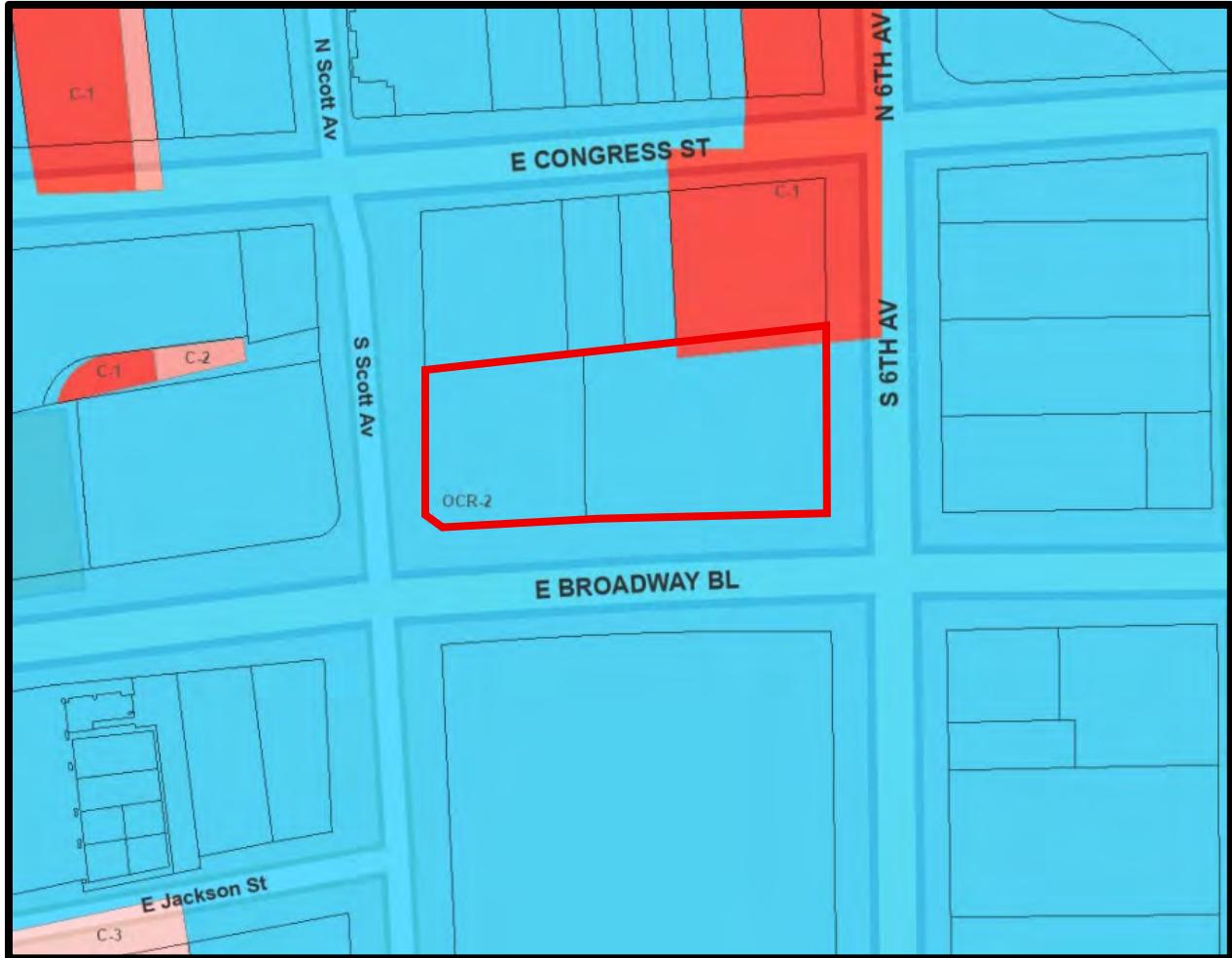
## EXHIBIT A - SUBJECT PLAT MAP



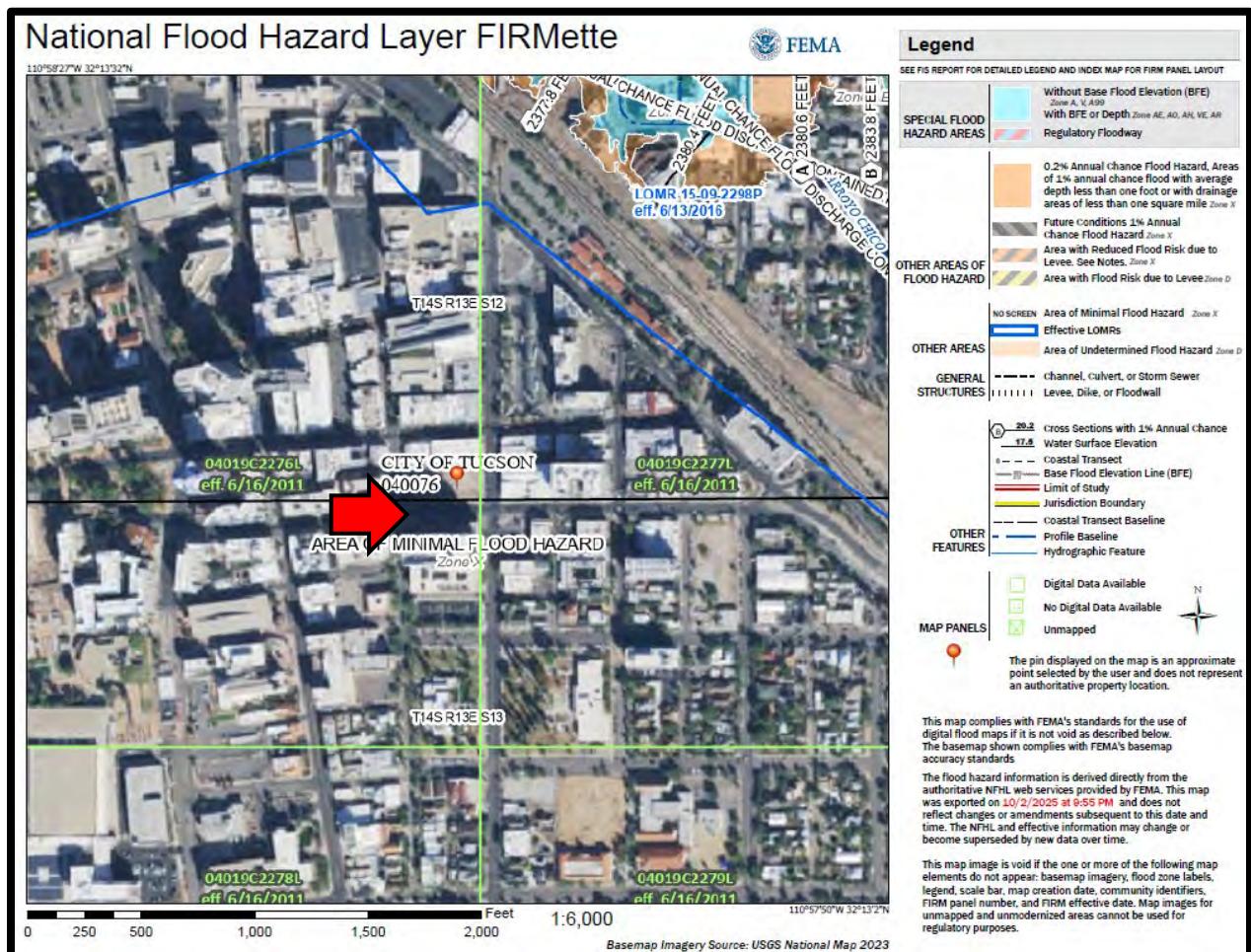
**EXHIBIT B - AERIAL PHOTOGRAPH**



**EXHIBIT C - ZONING MAP**  
(City of Tucson)



## EXHIBIT D - FEMA FLOOD PLAIN



**EXHIBIT E - LEGAL DESCRIPTION AND SITE PLAN**

(see following pages)







# EXISTING ALLEY RIGHT-OF-WAY TO BE VACATED

## LEGAL DESCRIPTION

DESCRIPTION OF AN EXISTING FIFTEEN-FOOT-WIDE PUBLIC ALLEY RIGHT-OF-WAY TO BE VACATED, BEING A PART OF THE SOUTH HALF OF SECTION 12 OF TOWNSHIP 14 SOUTH, RANGE 13 EAST, OF THE GILA & SALT RIVER MERIDIAN, PIMA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND BRASS-CAP MONUMENT, STAMPED "RLS 19862", MARKING THE CENTER-LINE INTERSECTION OF E. CONGRESS STREET AND 6TH AVENUE FROM WHICH A FOUND BRASS-CAP MONUMENT, STAMPED "RLS 19862", MARKING THE CENTER-LINE INTERSECTION OF E. BROADWAY BOULEVARD AND 6TH AVENUE BEARS SOUTH  $00^{\circ}45'08''$  EAST, AT A DISTANCE OF 298.78 FEET, BEING THE BASIS OF BEARING FOR THIS RIGHT-OF-WAY DESCRIPTION;

THENCE SOUTH  $00^{\circ}45'08''$  EAST ALONG THE SAID CENTER-LINE OF 6TH AVENUE, A DISTANCE OF 141.25 FEET TO A POINT;

THENCE DEPARTING SAID CENTER-LINE SOUTH  $85^{\circ}08'17''$  WEST, 40.10 FEET TO A SET NAIL AND WASHER, STAMPED "RLS #44808", AT THE WESTERLY RIGHT-OF-WAY LINE OF SAID 6TH AVENUE ALSO BEING THE POINT OF BEGINNING;

THENCE CONTINUING SOUTH  $85^{\circ}08'17''$  WEST ALONG THE SOUTH LINE OF AN EXISTING FIFTEEN FOOT WIDE PUBLIC ALLEY A DISTANCE OF 270.35 FEET TO A SET NAIL AND WASHER, STAMPED "RLS #44808", AT THE EASTERLY RIGHT OF WAY LINE OF SCOTT AVENUE (38.4' HALF-WIDTH);

THENCE NORTH  $02^{\circ}45'56''$  WEST ALONG SAID EASTERLY RIGHT-OF-WAY LINE OF SCOTT AVENUE FOR A DISTANCE OF 15.01 FEET;

THENCE DEPARTING SAID RIGHT-OF-WAY LINE NORTH  $85^{\circ}08'17''$  EAST ALONG THE NORTH LINE OF SAID FIFTEEN FOOT WIDE PUBLIC ALLEY FOR A DISTANCE OF 270.88 FEET TO THE SAID WESTERLY RIGHT-OF-WAY LINE OF 6TH AVENUE;

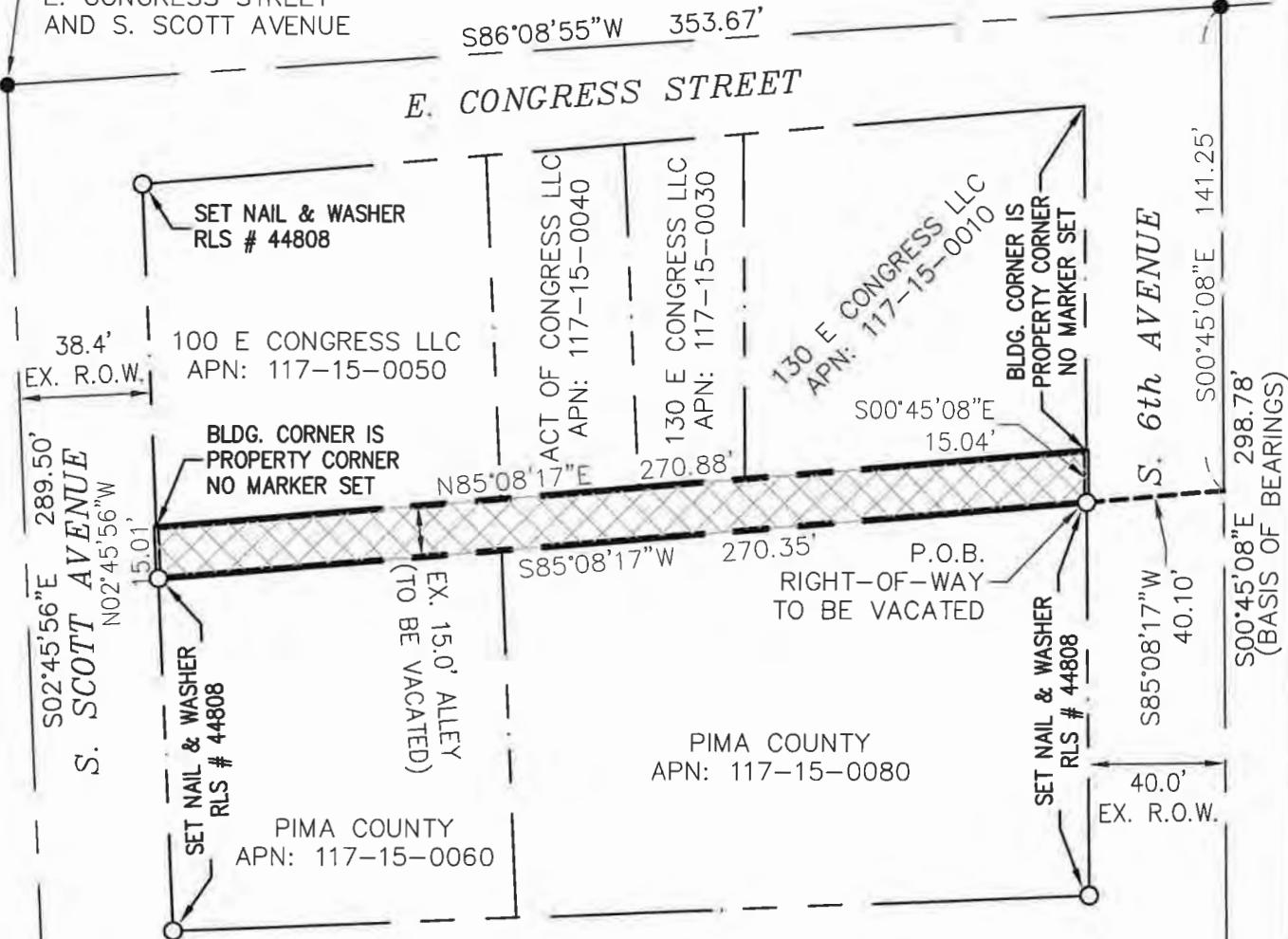
THENCE SOUTH  $00^{\circ}45'08''$  EAST ALONG SAID RIGHT-OF-WAY, 15.04 FEET TO THE POINT OF BEGINNING;

CONTAINING 4,059 SQUARE FEET (0.093 ACRES) OF LAND, MORE OR LESS

|   |   |  |                              |
|---|---|--|------------------------------|
|  <b>Stantec</b><br>STANTEC CONSULTING SERVICES INC.<br>8211 SOUTH 48th STREET; PHOENIX, AZ 85044-5355<br>PHONE: (602) 438-2200 | <b>LEGAL DESCRIPTION</b><br>75 E. BROADWAY<br>RIGHT-OF-WAY VACATION<br>TUCSON, ARIZONA<br>PROJECT NO. 180101641 | <br>(SCALE IN FEET) | DATE: 6/1/18<br>PAGE: 2 OF 2 |
|---|---|--|------------------------------|

BRASS-CAP MONUMENT  
STAMPED "RLS 19862"  
AT INTERSECTION OF  
E. CONGRESS STREET  
AND S. SCOTT AVENUE

P.O.C. AT BRASS-CAP MONUMENT  
STAMPED "RLS 19862"  
AT INTERSECTION OF E. CONGRESS  
AND S. 6th AVENUE



#### LEGEND

- RIGHT OF WAY TO BE VACATED
- P.O.C. POINT OF COMMENCEMENT
- P.O.B. POINT OF BEGINNING
- APN ASSESSOR PARCEL NUMBER
- R.O.W. RIGHT OF WAY



V:\1801\active\180101641 - 75 E Broadway Al TA\Drawings\Model\Files\01641 ROW Vacat\01641 ROW Exhibit.dwg 6/1/2018 8:26 AM



STANTEC CONSULTING SERVICES INC.  
8211 SOUTH 48th STREET; PHOENIX, AZ 85044-5355  
PHONE: (602) 438-2200

EXISTING 15' WIDE ALLEY  
75 E. BROADWAY  
RIGHT-OF-WAY VACATION  
TUCSON, ARIZONA  
PROJECT NO. 180101641



PAGE: 1 OF 2  
DATE: 5/30/18

## EXHIBIT F - SUBJECT PHOTOGRAPHS

PHOTO 1 – VIEW NORTHWEST ACROSS SUBJECT

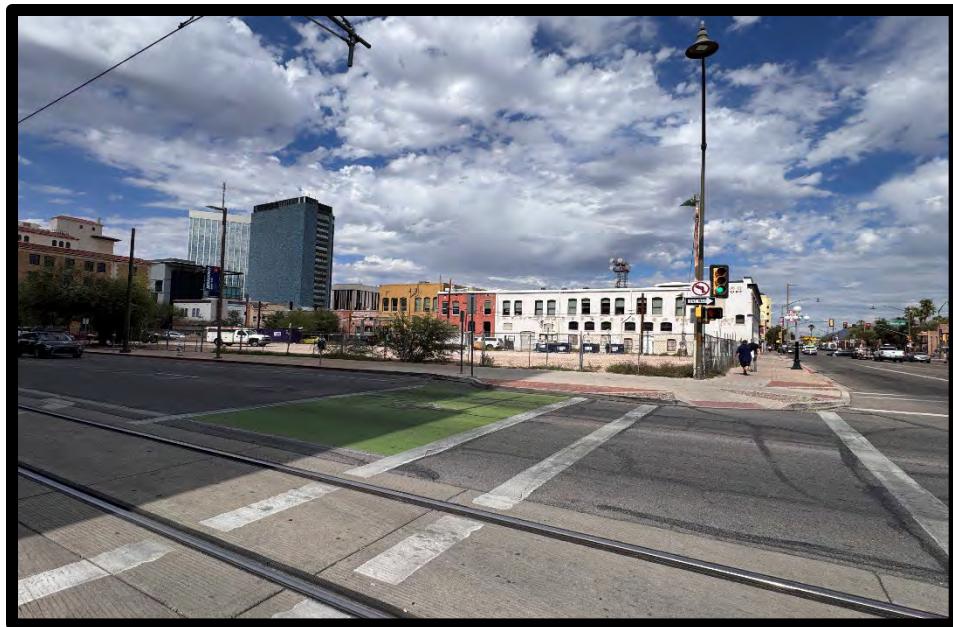


PHOTO 2 – VIEW FROM 6<sup>TH</sup> AVENUE

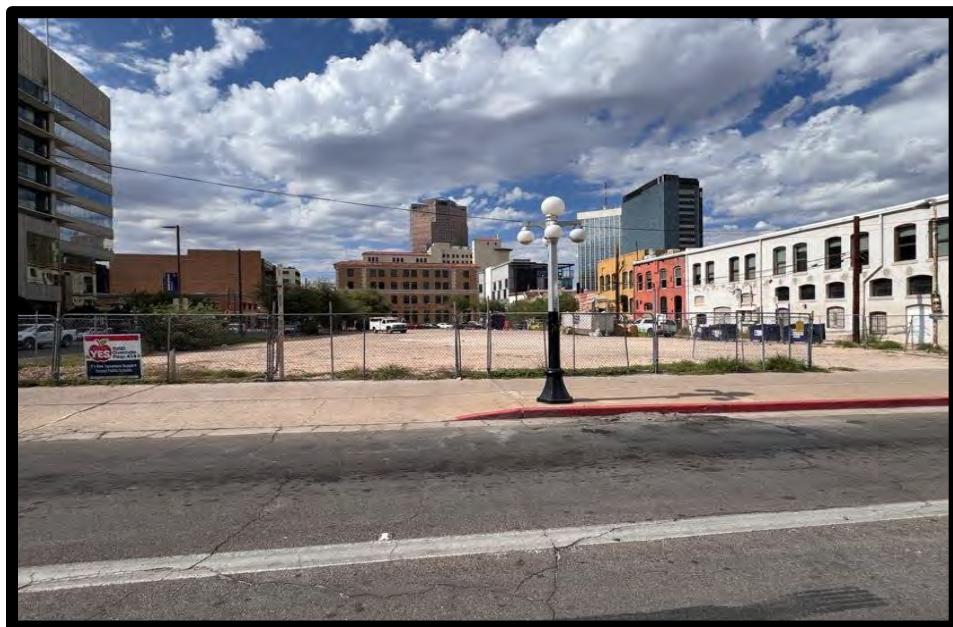


PHOTO 3 – VIEW SOUTHWEST ACROSS SUBJECT



PHOTO 4 – VIEW FROM BROADWAY

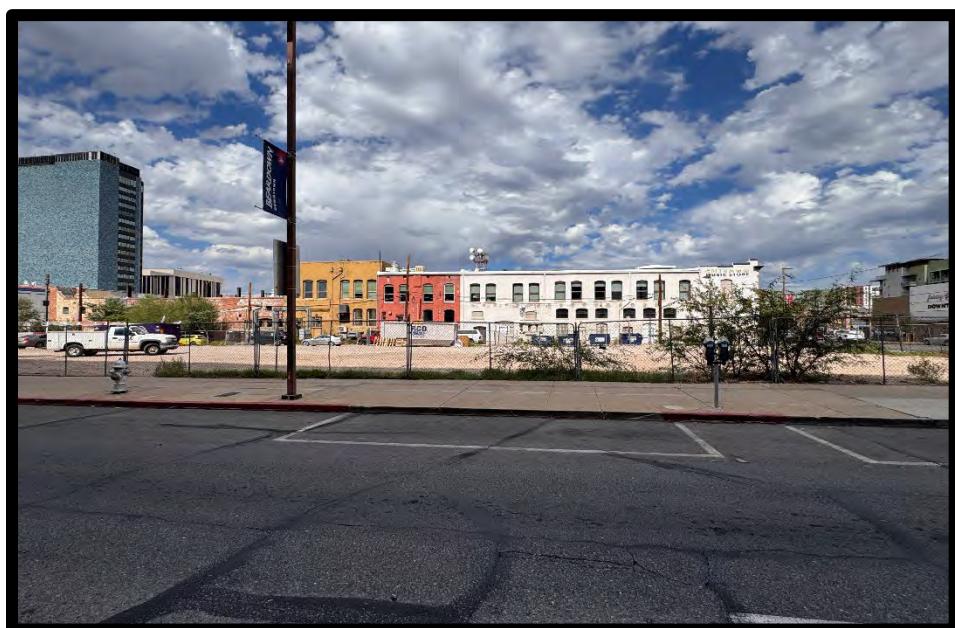


PHOTO 5 – VIEW NORTHEAST ACROSS SUBJECT



PHOTO 6 – VIEW FROM SCOTT AVENUE



PHOTO 7 – VIEW SOUTHEAST ACROSS SUBJECT



PHOTO 8 – VIEW SOUTHWEST ACROSS SUBJECT



PHOTO 9 – VIEW NORTH ALONG 6<sup>TH</sup> AVENUE



PHOTO 10 – VIEW SOUTH ALONG 6<sup>TH</sup> AVENUE

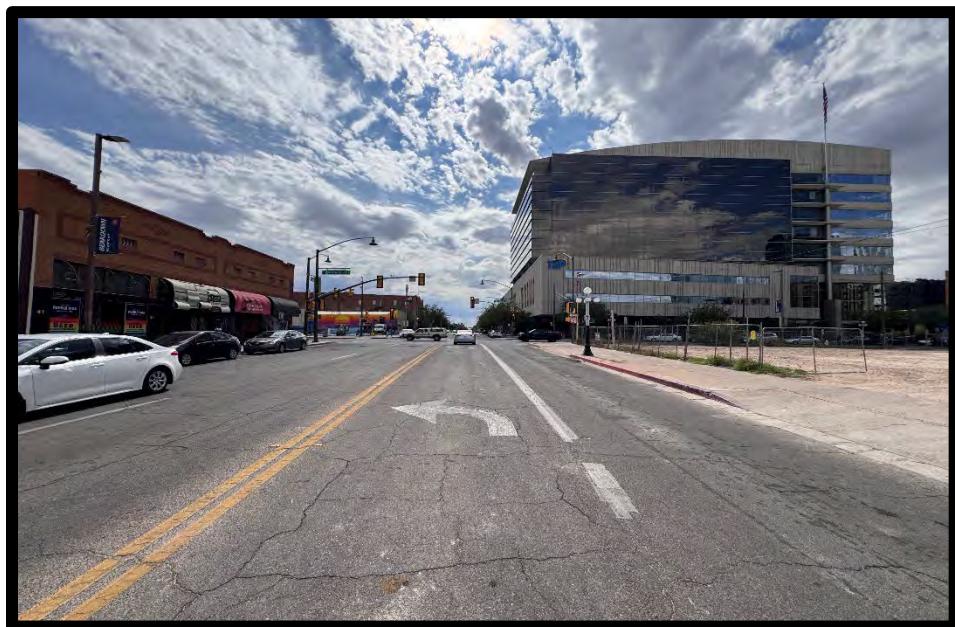


PHOTO 11 – VIEW WEST ALONG ALLEY



PHOTO 12 – VIEW EAST ALONG ALLEY WAY



PHOTO 13 – VIEW WEST ALONG BROADWAY



PHOTO 14 – VIEW EAST ALONG BROADWAY



PHOTO 15 – VIEW NORTH ALONG SCOTT AVENUE



PHOTO 16 – VIEW SOUTH ALONG SCOTT AVENUE



## EXHIBIT G - QUALIFICATIONS

**BAKER, PETERSON, BAKER & ASSOCIATES, INC.** serves a wide variety of clients in Arizona, providing real estate appraisal and consultation services relating both to commercial and to residential properties. We also provide a wide variety of appraisal services relating to right of way acquisitions for multiple government agencies across Arizona. These clients include governmental agencies, utility companies, right of way companies, attorneys, CPA's, banks, credit unions, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than forty years of such services are represented by those presently associated with the firm, which was founded in 1974.

**THOMAS A. BAKER, MAI, SRA**, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30139). He is a graduate of the University of Arizona, with a Master's Degree in Business Administration (MBA) with a specialty in Real Estate Finance. He holds the MAI and SRA Designations of the Appraisal Institute. He qualifies as an expert witness in United States District Court, the Superior Courts of Pima County, Maricopa County, Pinal County and Santa Cruz County, and United States Bankruptcy Court. He is Past President of the Tucson Chapter of the Society of Real Estate Appraisers and is Past President of the Southern Arizona Chapter of the Appraisal Institute.

**SARA R. BAKER, MAI, SRA**, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. She is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 31679). She holds the MAI and SRA Designations of the Appraisal Institute. She qualifies as an expert witness in the Superior Court of Pima County. She is a Past President of the Appraisal Institute, Southern Arizona Chapter. Sara graduated from Washington University in St. Louis with a Bachelor's Degree in Comparative Literature and earned a Master's Degree at the University of California at Los Angeles.

**DAN F. ORLOWSKI** is a staff appraiser specializing in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 32195). He graduated from San Diego State University with a Bachelor's Degree in Business Administration and earned a Master's Degree from the University of Phoenix in Accountancy.

**TIM HALE** is a staff appraiser specializing in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 1023143). He graduated from Arizona State University with a Bachelor's Degree in Justice Studies.

**VALENTIN MINCHEV** is an appraiser trainee in commercial valuation. He graduated from the Berlin School of Economics and Law, Berlin, Germany with a Bachelor's Degree in International Business Management.

**ROBERT PARKER** and **JOSHUA BAKER** are production coordinators and support technicians.

ATTACHMENT 5

*GUST*  
*ROSENFELD*  
ATTORNEYS SINCE 1921 P.L.C.

■ ONE S. CHURCH AVE., SUITE 1900 ■ TUCSON, ARIZONA 85701-1627 ■ TELEPHONE 520-628-7070 ■ FACSIMILE 520-624-3849 ■

Mark L. Collins  
520-388-4780  
mcollins@gustlaw.com

January 13, 2026

**Via Email Only**

Samuel E. Brown  
Chief Civil Deputy  
Pima County Attorney's Office  
32 N. Stone Avenue  
Tucson, AZ 85701

Re: Rio Nuevo Multipurpose Facilities District ("District")  
Pima County, a political subdivision of Arizona ("County")  
Option Agreement [re 75 E. Broadway property] ("Agreement")  
Obie Properties, Inc. ("Developer")

Dear Sam:

By the terms of the Agreement, the District has exercised its Lease/Option for the property known as "75 East Broadway", bordering Sixth Avenue and Scott. This option was issued to Rio Nuevo as part of a joint government procurement to award the parcel to a private developer. The awardee for the project is Obie Properties, Inc. of Eugene, Oregon, a well-known and respected boutique hotel and retail operator with several hotels in the Pacific Northwest. After careful and deliberate consideration to ensure it can build a successful facility, Obie has presented the preliminary plans to the District and to the County in public meetings.

The District's Chair and its Executive Officers have discussed some of the proposed county contingencies and see no general issue with the proposed conditions of the lease/option.

The Agreement requires an appraisal to determine market rate values as required by law. The District understands and accepts that the County must stay within 95% of those values.

The lease payments required by the appraisal can be applied toward the purchase price if and when Rio Nuevo exercises the Option to Purchase under the Agreement. The remaining balance of the purchase price will be paid at the closing of the option to purchase.

In response to the County's expressed desire for local and union contractors, the District and the Developer have retained Sundt Construction as the General Contractor for this project at least in part because of its history of working with local labor. In any event, each of these entities will

Samuel E. Brown  
Chief Civil Deputy  
Pima County Attorney's Office

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January 13, 2026

install a preference for contractors that pay a livable wage, provide health benefits and/or contribute to employee retirement plans, as permitted by statute.

The District and the Developer will commit to two-thirds of the retail tenants being local business operators. Indeed, the District has been very successful in establishing "local" businesses and that would be its continued effort with the leases and incentives for new businesses in this project. If Rio Nuevo cannot deliver the agreed upon local percentage the District will forfeit the pricing consideration and pay the full appraised value for the parcel.

In closing, both the District and the Developer assure the County that they and those with whom they contract will be hypersensitive to the cultural, historic, and placemaking components suggested by County staff, our elected colleagues, and the District's appointed members.

Best regards,

*/s/ Mark L. Collins*

Mark L. Collins  
For the Firm