

AN APPRAISAL REPORT
OF
54,983 SQUARE FEET OF VACANT LAND
LOCATED AT
THE SOUTHEAST CORNER OF TANGERINE ROAD AND FIRST
AVENUE, ORO VALLEY, PIMA COUNTY, ARIZONA
FOR

ARIZONA DEPARTMENT OF TRANSPORTATION
205 S. 17TH AVENUE, ROOM 306
MAIL DROP 612E PHOENIX, AZ 85007

ADOT PARCEL: L-SC-016-C
ORDER NO: PO 0000258796-1
PROJECT NO.: 989 PM 000 H0757
ADOT PROJECT: S-483-701
HIGHWAY: TANGERINE ROAD
SECTION: FIRST AVE. – US 89
OWNERSHIP: STATE OF ARIZONA
TAX PARCEL NUMBER: NONE

EFFECTIVE DATE OF APPRAISAL
NOVEMBER 19, 2020

DATE OF REPORT
MARCH 3, 2021

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

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

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March 3, 2021

Mr. Timothy O'Connell
Arizona Department of Transportation
Right of Way Group, Appraisal Section Supervisor
205 S. 17th Avenue, Room 306
Mail Drop 612E Phoenix, AZ 85007

RE: An appraisal report of 54,983 square feet of vacant land located at the southeast corner of Tangerine Road and First Avenue, in Oro Valley Pima County, Arizona

<i>Order No:</i>	PO 0000258796-1
<i>Project No.:</i>	989 PM 000 H0757
<i>ADOT Project:</i>	S-483-701
<i>Highway:</i>	Tangerine Road
<i>Section:</i>	First Ave. – US 89
<i>Parcel:</i>	L-SC-016-C
<i>Tax Parcel Code:</i>	None
<i>Ownership:</i>	State of Arizona
<i>Effective Date of Appraisal:</i>	November 19, 2020
<i>Date of Report:</i>	March 3, 2021

Dear Mr. O'Connell:

In response to your authorization, I have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple interest in the above-named property. This report is intended for use only by the intended users, the officials and agents of the Federal Highway Administration and the Arizona Department of Transportation involved in the subject property. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting in decision making purposes regarding potential disposition of the subject property. It is not intended for any other use.

The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal.

I have formed the opinion that, as of the effective date of the appraisal, November 19, 2020, in its “as is” condition, 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:

SEVENTY-ONE THOUSAND FIVE HUNDRED DOLLARS
(\$71,500)

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) and the Arizona Department of Transportation Appraisal Standards and Specifications. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser’s opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser’s file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above. The appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'T. Baker', is written over the printed name.

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

C207932C

TABLE OF CONTENTS

APPRAISAL ABSTRACT - PART I.....	1
Legal Description.....	1
Ownership	1
Intended Use and User of Report.....	3
SCOPE OF THE APPRAISAL - PART II	4
DESCRIPTION OF REAL ESTATE APPRAISED - PART III.....	6
Tucson Overview:	6
Market Area	14
Site Description.....	14
Zoning.....	15
Highest and Best Use	19
SUMMARY OF ANALYSIS AND VALUATION - PART IV	22
Sales Comparison Approach.....	22
ASSUMPTIONS AND LIMITING CONDITIONS - PART V	42
CERTIFICATION - PART VI.....	46
EXHIBITS - PART VII	48

APPRAISAL ABSTRACT - PART I

CLIENT

Arizona Department of Transportation
Right-of-Way Operations Section

APPRAISER

Thomas A. Baker, MAI, SRA

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

SUBJECT PROPERTY

A parcel of vacant land containing 54,983 square feet of land, located at the southeast corner of Tangerine Road and First Avenue, in Oro Valley, Pima County, Arizona.

LAND AREA

54,983 square feet (per information provided by the Arizona Department of Transportation)

ZONING

PAD (Oro Valley) – C-1 within PAD

LEGAL DESCRIPTION

To be provided by the client.

OWNERSHIP

The subject property is currently part of the right-of-way of Tangerine Road and is adjacent to this roadway. This property is not currently identified with a tax parcel number but would become a tax parcel with a number, separate from the right-of-way, as part of any future sale.

SALES/LISTING HISTORY

No known sales of the subject property have occurred within the last five years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis.

TAX PARCEL NUMBER

This property is not currently part of any tax parcel number.

FULL CASH VALUE

Not applicable- no tax parcel number

The development of full cash values is based on mass appraisal models as set by the State of Arizona. They are for tax assessment purposes only and cannot be equated with market value as utilized in this appraisal. Thus, they serve only as a point of comparison with other properties.

LIMITED CASH VALUE

Not applicable- no tax parcel number

Limited Cash Value is the basis for primary property taxes. It is a legislatively established value based on a mathematical formula that limits the amount of increase in any given year.

REAL ESTATE TAXES

There are currently no taxes as this property is owned by the government which is tax exempt.

Real estate taxes are a combination of a primary tax, which is the primary tax rate applied to the limited cash value and divided by 100, plus the secondary tax, which is the secondary tax rate applied to the full cash value and divided by 100. The primary and secondary tax rates are an aggregate of various tax rates set by various jurisdictions.

DELINQUENT TAXES

None

SPECIAL ASSESSMENTS

None

LIMITING CONDITIONS

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

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide the appraiser's opinion of the market value of the subject real property as of the effective date of the appraisal, November 19, 2020.

MARKET VALUE DEFINITION

Market value, as utilized in this appraisal, and as defined in Arizona Revised Statute 28-7091 is as follows:

For the purposes of this article, "market value" means the most probable price estimated in terms of cash in the United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser,

buying with knowledge of all the uses and purposes to which it was adapted and for which it was capable.

INTENDED USE AND USER OF REPORT

This report is intended for use only by the intended users, the officials and agents of the Federal Highway Administration and the Arizona Department of Transportation involved in the subject property. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting in decision making purposes regarding potential disposition of the subject property. It is not intended for any other use.

INTEREST VALUED

Fee Simple Interest. *Fee Simple Interest*, as defined in The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 90, is "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

EFFECTIVE DATE OF APPRAISAL

November 19, 2020

DATE OF INSPECTION

November 19, 2020

SCOPE OF THE APPRAISAL - PART II

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 the Arizona Department of Transportation, 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, and the Arizona Department of Transportation Appraisal Standards and Specifications.

This report is intended for use only by the intended users, the officials and agents of the Federal Highway Administration and the Arizona Department of Transportation involved in the subject property. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting in decision making purposes regarding potential disposition of the subject property. It is not intended for any other use. The purpose of the appraisal is to provide the appraiser's opinion of the market value in fee simple interest of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property.

The exact nature of, and interest in, the subject property is defined elsewhere in this report. 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, Real Estate Daily Comps, 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 cost approach is not applicable as this property consists of vacant land. The income approach is not applicable as this type of land is typically not leased.

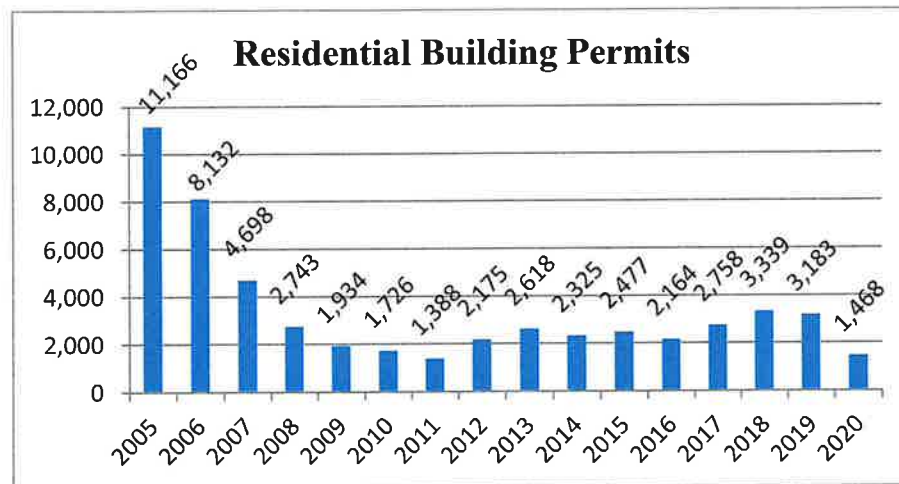
The sales comparison approach provided an opinion of the market value of the subject property to arrive at a final opinion of market value. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. The appraiser's file retains supporting documentation.

DESCRIPTION OF REAL ESTATE APPRAISED - PART III

TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the Pima Association of Governments, in July, 2010, the estimated population of all of Pima County (including Tucson) was 981,168 persons while the population of Tucson alone was estimated to be 520,795 persons.

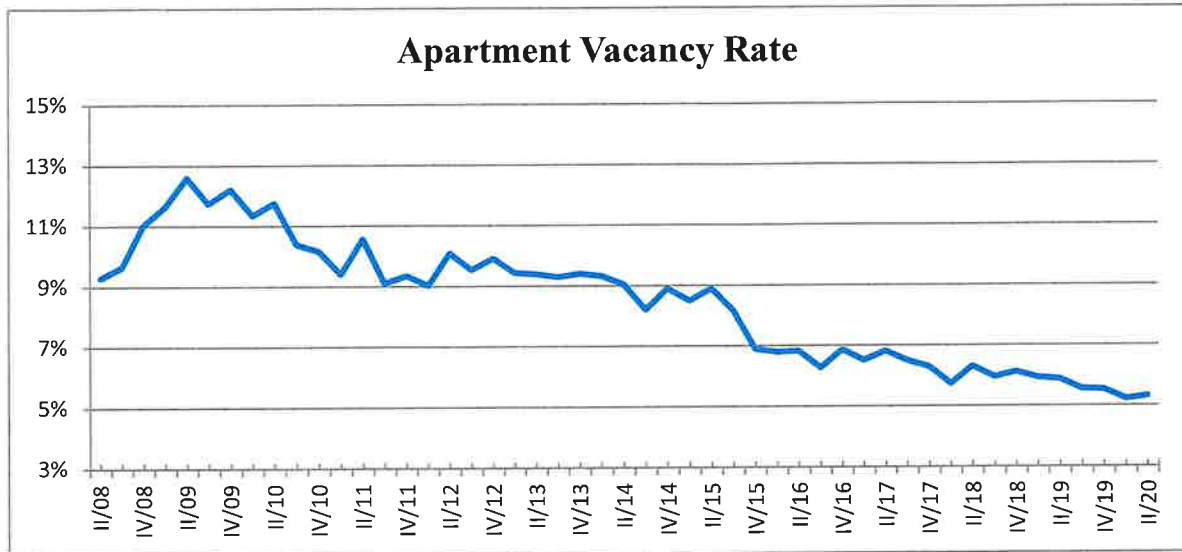
Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019. The first five months of 2020 permits were consistent with previous years. It is unknown how the number of permits in the near future will be affected by the ongoing Covid-19 pandemic.



Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to a low of 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The number of housing permits increased slightly in 2012 and 2013 and then remained relatively stable. In recent years, the number of permits has remained mostly stable with a slight increase in 2017 and 2018. The 2020 data is for the first five months of the year. In the immediate future, permits may be impacted by the Covid-19 pandemic.

Multi-Family Market

Vacancy rates for apartment properties in the Tucson Metropolitan area peaked in 2009 before slowly declining. The chart below shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and Second Quarter 2020.



The vacancy rate peaked in the Second Quarter 2009 and generally declined since that time. Vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. The current rent levels for multi-family properties have remained generally stable with small increases in most sectors in many recent quarters. There has been limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities. However, due to the Covid-19 pandemic and associated business shutdowns, some segments of the apartment market are predicted to soften in the short-term with increasing vacancy rates and a potential for decreasing rents in Class B and Class C apartments. Class A apartments are not expected to experience the same effects. Rent collection was also slightly lower for Class C apartments compared to Class A apartments in April through June 2020. It is uncertain how long and to what extent the apartment market will be impacted and what affect this may have on the apartment sale market. This will be affected by the length of business shutdowns, the severity and length of decline in GDP and the overall economy, and the severity of the increase in unemployment.

Office Market

Overall, the Pima County leasable *office market* experienced net negative absorption of 28,143 square feet in the Second Quarter of 2020, according to *CoStar*. This compares to net negative absorption of 67,727 square feet in the First Quarter of 2020, net negative absorption of 103,120 square feet in the Fourth Quarter of 2019, positive absorption of 229,830 square feet in the Third Quarter of 2019, net positive absorption of 168,352 in the Second Quarter of 2019, net positive absorption of 211,446 in the First Quarter of 2019, net

negative absorption of 27,218 square feet in the Fourth Quarter of 2018, net positive absorption of 70,648 square feet in the Third Quarter of 2018, net positive absorption of 82,517 square feet in the Second Quarter 2018, and net positive absorption of 40,068 square feet in the First Quarter of 2018.

One new building containing 28,000 square feet were completed in the First Quarter of 2020. This compares to three new buildings containing 45,085 square feet in the First Quarter of 2020, two new buildings containing 33,341 square feet in the Fourth Quarter of 2019, two new buildings containing 206,737 in the Third Quarter 2019, two new buildings containing 330,300 square feet in the Second Quarter 2019, three new buildings totalling 205,000 square feet in the First Quarter 2019, one new building containing 14,952 square feet in the Fourth Quarter 2018, four new buildings containing 57,516 square feet in the Third Quarter 2018, one new building containing 61,000 square feet completed in the Second Quarter of 2018, and one new building containing 20,000 square feet completed in the First Quarter of 2018.

The following figure shows trends in the vacancy rates for office properties in Pima County between mid-2005 and Second Quarter of 2020. The vacancy rate increased until late 2013 and has declined since that time. The vacancy rate remained mostly stable in 2018 and the first part of 2019 before increasing at the end of 2019 through the second quarter of 2020.



The stable but higher overall annual vacancy rate indicates an office market which is coupled to the overall stable but slow real estate market. There was a decline in demand for owner/user office buildings, which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013 and remained slow but stable through 2019. Market conditions for office properties had started to slowly improve, primarily for office properties in high demand areas and newer office buildings in good condition. Demand remained lower for older office buildings. It is uncertain the effects the Covid-19 pandemic will have on the office market and if these effects will be short-term. Possible effects in the near-term include

increased vacancy rates, decreased rents and leasing deals, and potential delays in construction starts. With many office employees currently working from home during the pandemic, it is not yet known if work from home will remain in demand when the pandemic slows, permanently impacting office trends and demand.

Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80s. There has been limited new industrial space constructed recently in Tucson, with no new buildings completed in the Second Quarter of 2020, no new buildings in the First Quarter of 2020, one new building containing 157,000 square feet completed in the Fourth Quarter of 2019, four new buildings containing 286,434 square feet in the Third Quarter of 2019, two new buildings containing 906,900 square feet in the Second Quarter of 2019, no new buildings completed in the First Quarter of 2019, the Fourth Quarter of 2018, or the Third Quarter of 2018, two new buildings containing 306,966 square feet completed in the Second Quarter of 2018, and no new buildings completed in the First Quarter of 2018, according to *CoStar*. Many of the recently constructed buildings are larger buildings constructed for a specific user.

There was net negative absorption of 219,537 square feet in the Second Quarter of 2020. This compares to net negative absorption of 13,087 square feet in the First Quarter of 2020, net negative absorption of 37,187 square feet in the Fourth Quarter of 2019, net negative absorption of 324,676 square feet in the Third Quarter of 2019, net positive absorption of 1,197,300 square feet in the Second Quarter of 2019, net negative absorption of 27,432 square feet in the First Quarter of 2019, net negative absorption of 1,203 square feet in the Fourth Quarter 2018, net positive absorption of 310,355 square feet in the Third Quarter 2018, net positive absorption of 286,613 square feet in the Second Quarter 2018, and net positive absorption of 24,184 square feet in the First Quarter 2018, according to *CoStar*.

The following chart shows trends in the industrial/flex vacancy rate in Tucson from Second Quarter 2005 through Second Quarter 2020, according to *CoStar*.



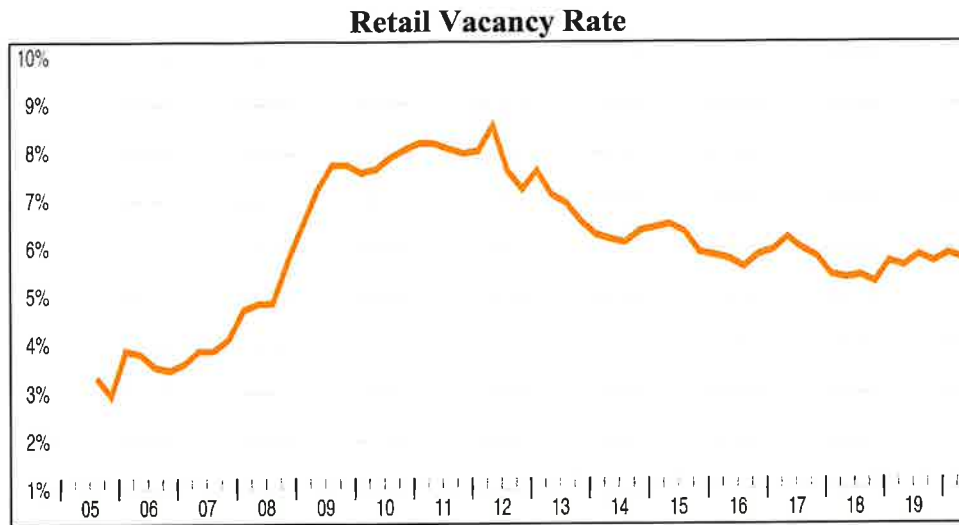
Overall, the industrial vacancy rate increased through late 2012. The vacancy rate declined from late 2012 through the first part of 2019 before increasing slightly in the second half of 2019. The industrial market had stabilized but there were not yet signs of significantly increased prices. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. In March 2020, the Covid-19 pandemic led to a shutdown of many businesses. It is not yet known what extent this pandemic will impact the industrial real estate market, although it is projected that the industrial market may be less significantly impacted and will recover more quickly than other markets. There may potentially be long-term impacts due to changing demand for warehouses and cold storage due to potential changes in supply chains and delivery and storage models.

Retail Market

Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some signs for a decline in market conditions includes contracts cancelled, development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. 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. With many businesses temporarily closed, there is anecdotal evidence of many retail tenants not paying rent in April 2020. However, the effects on the retail real estate market are not yet known, with demand remaining for some retail uses that remained open. Some sales and leases in process continued, with others temporarily paused. It is not known how long any impacts will continue, and the extent to which this will impact sale prices and rents. While the vacancy rate may increase in the short term, it is currently too soon to see these impacts.

There was net positive absorption of 63,365 square feet in the Second Quarter of 2020, according to *CoStar*. This compares to net negative absorption of 34,152 square feet in the First Quarter of 2020, net positive absorption of 92,942 square feet in the Fourth Quarter of 2019, net negative absorption of 53,635 square feet in the Third Quarter of 2019, net positive absorption of 64,570 square feet in the Second Quarter of 2019, net negative absorption of 171,303 square feet in the First Quarter of 2019, net positive absorption of 178,618 square feet in the Fourth Quarter of 2018, net positive absorption of 144,704 square feet in the Third Quarter of 2018, net positive absorption of 235,232 square feet in the Second Quarter of 2018, and net positive absorption of 376,239 square feet in the First Quarter 2018.

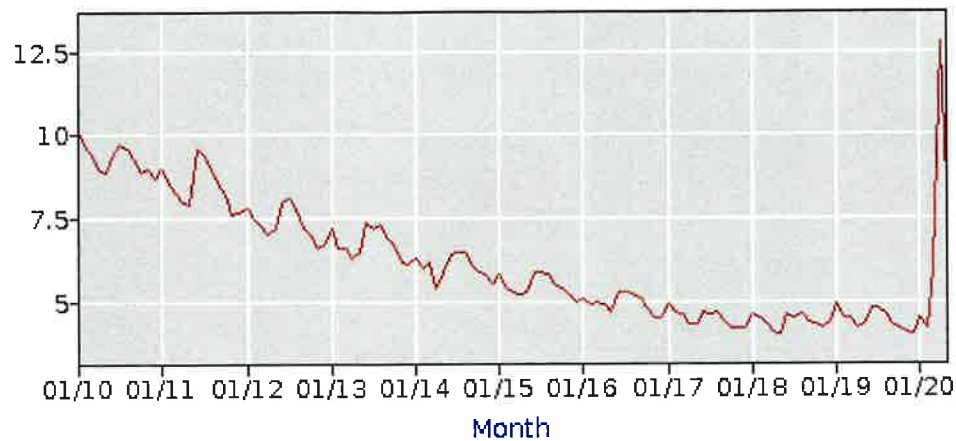
The following shows trends in the vacancy rate for retail properties in the Tucson market between Second Quarter 2005 and Second Quarter 2020, according to *Costar*.



This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time. Most recently, there was a decline through 2018, with a slight increase in the vacancy rate from late 2018 through the first quarter of 2020. The retail market has stabilized and prices and rents were increasing in high demand areas or for high demand property types, although there remains little demand for older retail properties in low demand areas. The Covid-19 pandemic may potentially impact the retail market in the short-term, although the extent and length of any impact is currently unknown.

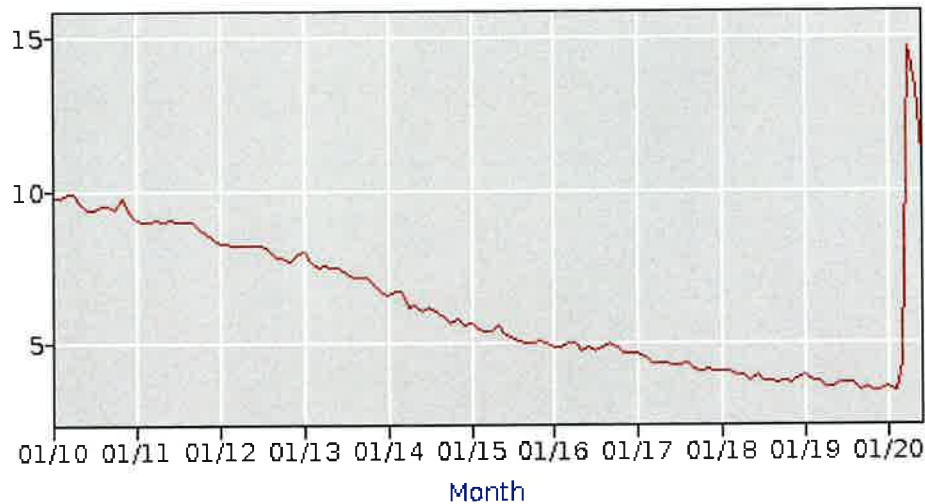
In the Second Quarter 2020, ten new buildings containing 28,939 square feet were completed. This compares to eleven new buildings containing 62,783 square feet in the First Quarter of 2020, six new buildings containing 29,862 square feet in the Fourth Quarter of 2019, 14 new buildings containing 77,860 square feet in the Third Quarter of 2019, six new buildings containing 16,232 square feet in the Second Quarter of 2019, ten new buildings containing 87,989 square feet in the First Quarter of 2019, nine new buildings containing 114,424 square feet in the Fourth Quarter of 2018, fourteen new buildings containing 182,955 square feet in the Third Quarter 2018, thirteen new buildings containing 227,232 square feet in the Second Quarter of 2018, and eighteen new buildings containing 196,508 square feet in the First Quarter of 2018.

According to the Bureau of Labor Statistics, the unemployment rate for metropolitan Tucson was as follows:



This data shows that the unemployment rate in the Tucson metropolitan area has slowly been declining since early 2010. 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 unemployment rate peaked at 12.8% in April and declined to 8.4% in May 2020. Areas with significant increases in unemployment include hospitality, restaurant, and retail jobs, although many job categories have seen increases in unemployment. It is uncertain how long it will take employment to recover.

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 14.7% in April 2020, then declined slightly to 13.3% in May 2020 and 11.1% in June 2020.



Overall, the commercial real estate markets reveal 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 will result in slowly improving values. In the short term, market conditions are unstable and projected to decline for at least some property types in the immediate future due to impacts of Covid-19. As of the end of the first half of 2020, there was not yet evidence of declining market conditions including decreasing prices and rents as the effects of the pandemic are not yet known. The market appears to be on “pause” as market participants wait to see the impact of the pandemic and businesses shutdown. Many real estate deals already in progressing are closing, with others put on hold or cancelled. It is hoped that economic improving growth will be seen by the third quarter of 2020 but this is uncertain. However, it is projected that declines will be short-term, with good prospects for Tucson in the long term. The long-term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

MARKET AREA

The subject market area is that area known as the northwest side, located in the town of Oro Valley, an incorporated town which is situated north of the Tucson city limits. The neighborhood incorporates the planned unit development area known as Rancho Vistoso, west of State Highway 77, north of the Naranja Road alignment, east of La Cholla Boulevard, and north of Honey Bee Canyon, where multi-million-dollar homes on large parcels have been constructed. Existing property types in the neighborhood include single family residences on large parcels, planned unit developments, some limited multi-family residential use, patio homes and master-planned communities such as Rancho Vistoso.

The market area contains the Rancho Vistoso Center and several medical and related type improved properties. Between Rancho Vistoso Boulevard on the north and Tangerine Road on the south is the Innovation Park development, including Ventana Medical Systems, the Northwest Medical Center Hospital, and a considerable number of projects in process. Major retail development has occurred in the Oro Valley Marketplace at Tangerine and Oracle Roads and along Oracle Road in the area of First Avenue. Some of the main stores at Oro Valley Marketplace opened in the fall of 2008. This includes a Walmart Supercenter and other national chain stores, with vacant land and pads available for additional construction. There has been additional retail development along Oracle Road, with significant development at Oracle Road and First Avenue. North of that is Steam Pump Village, a commercial development on the west side of Oracle Road.

There was an increase in recent years of development of medical facilities in the general area in connection with the Northwest Medical Center. This includes private medical and specialty doctor and dental offices. East of Oracle Road is government-owned land in the Coronado National Forest. There is ample vacant land in the general area for continued growth in the foreseeable future. Demand for vacant land had slowed significantly after 2008 during the recession, but started to increase after 2014 as market conditions improved with greater demand and the availability of land in the area. The demand for office land has slowed in the current market. The demand for multi-family land and specialized retail uses has remained strong in the subject market area.

SITE DESCRIPTION

The site is a somewhat rectangular shaped corner property with 92.32 feet of frontage on First Avenue on the western property line and 402.34 feet of frontage on Tangerine Road on the northern property line. The property has a width of 428.34 feet on the southern property line and a depth of 153.79 feet on the eastern property line (see Exhibits). The property is located at the southeast corner of Tangerine Road and First Avenue, which is a signalized intersection. The property would be provided access from Tangerine Road. However, the site is substantially below grade of Tangerine Road and access would be expensive to develop. There is the right-of-way for a planned street, Kai Street, wrapping around the adjacent property to the south. This street is planned to be developed to provide access to the property to the south and would be extended to connect to Tangerine Road along an alignment to the east of the subject property. It is possible that the subject property would eventually be developed with access from Kai. The site contains a total area of 54,983 square feet (1.26 acres). Tangerine Road is a four-lane, asphalt-paved roadway with a center median, turn

lanes at the intersection, and a walking path on the south side of the street in the vicinity of this property. Tangerine Road has a 2019 traffic count of 18,895 vehicles per day in the vicinity of this site, per the Arizona Department of Transportation. First Avenue is a four-lane, asphalt-paved roadway with turn lanes at the intersection, a center median, concrete curbs, a sidewalk on the east side, and path on the west side in the vicinity of this property. First Avenue has a 2019 traffic count of 16,943 vehicles per day south of this site, per the Pima Association of Governments. The topography is sloping in a southeasterly direction. The property is located below grade of both Tangerine Road and First Avenue, which limits visibility of the property and any buildings that would be constructed on the property. The property slopes down approximately 10 feet from the north to the south end of the property. Due to the slope on the property, cut and fill work would be required to obtain a level building pad. There would also likely be a cost to develop access to the property from the road due to the slope of the property below grade of the adjacent street. Due to the slope, development costs would be higher than typical. Soil conditions appear to be typical of the area. Properties bordering the subject property include a Safeway-anchored shopping center to the north, vacant land to the east, and south, and a Walgreens and other commercial uses to the west.

Utilities available in the vicinity of the property include electric (Tucson Electric Power Company), telephone (CenturyLink), water (Town of Oro Valley Water), and sewer (Pima County Wastewater Management). It appears there is a sewer line that crosses the north portion of the subject site. 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 04019C1090L, 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 (see Exhibits). There are some small local washes crossing the property. The property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property.

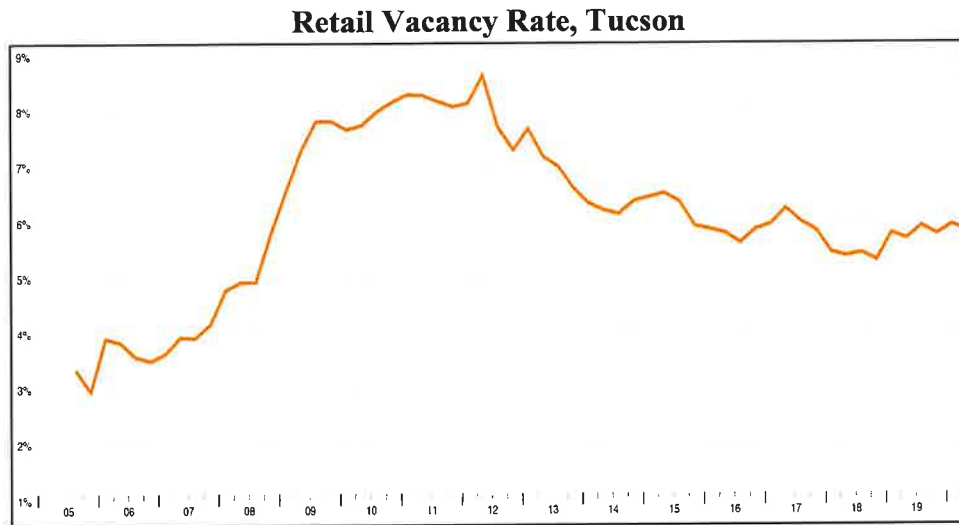
ZONING

The subject site is zoned C-1 according to the Rancho Vistoso Planned Area Development [PAD] approved by the Town of Oro Valley Zoning Department (see Exhibits).

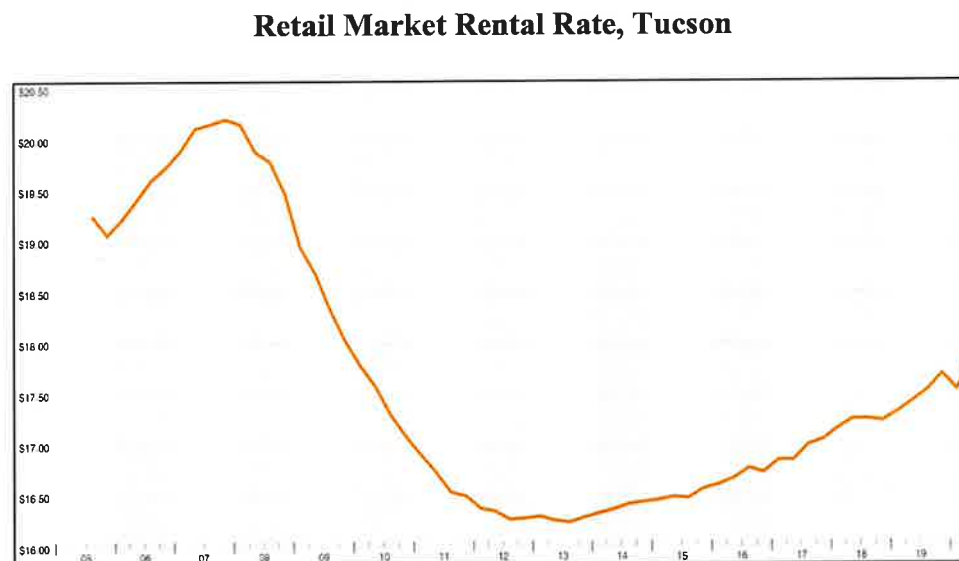
This zoning designation permits commercial uses, business and professional office uses, medical offices, veterinarian clinics and retail business use. There are additional requirements for setback, lot size, landscaping, and building height limitations.

MARKET PROFILE - RETAIL

The following is the vacancy rate for retail properties in the Tucson Market, according to CoStar. This data indicates that the vacancy rate increased from the end of 2006 and peaked in 2012. Since the peak level, retail vacancy rates experienced a steady decline through 2018. The retail vacancy rate saw a slight increase in the first part of 2019 and have since remained mostly stable through the second quarter of 2020.

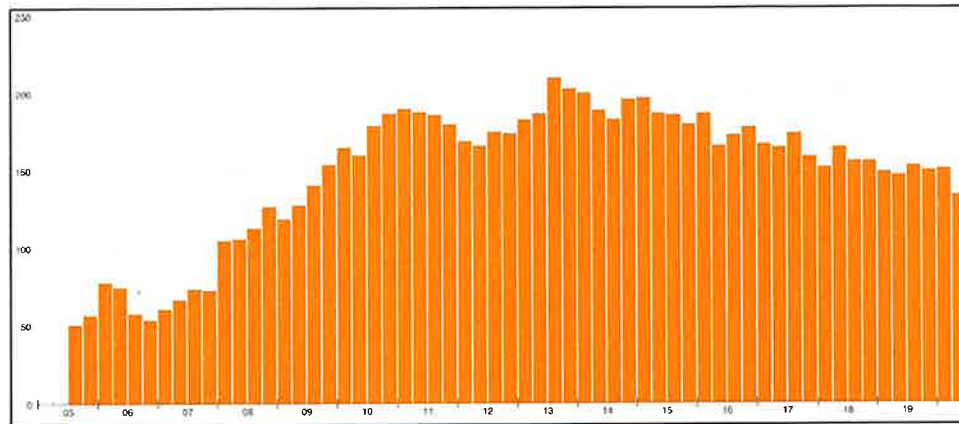


The following is the market rental rate for retail properties in the Tucson market through the second quarter of 2020, according to CoStar. This data indicates that the market rental rate peaked in late 2007, and then steadily declined through the middle of 2013. From the beginning of 2014, the average asking rental rate has remained mostly stable, with a slow but steady upward trend through the second quarter of 2020.



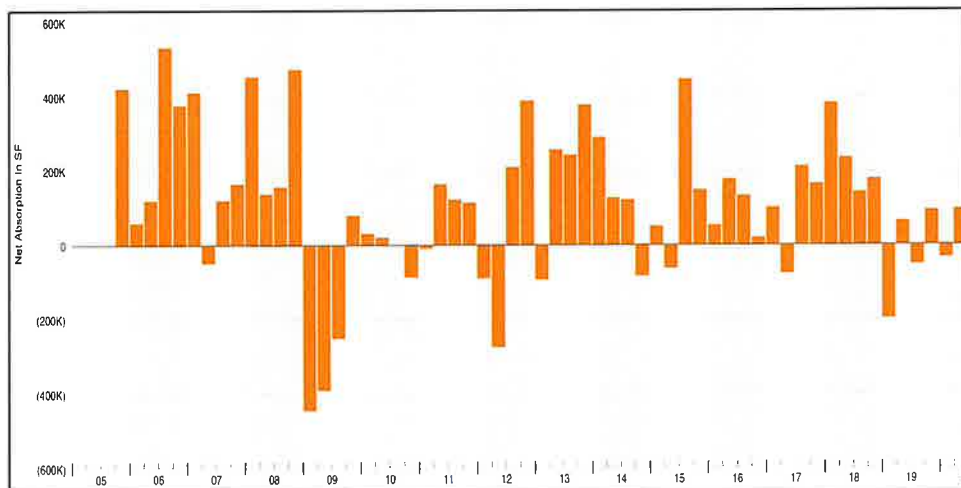
The following is the number of retail listings for sale in the Tucson Market, according to CoStar. The number of retail listing for sale increased from 2006 through 2011. The number of retail listing declined in 2011, before peaking in 2013. From 2013, the number of retail listings has experienced a steady decline, with some slight fluctuations, through the second quarter of 2020.

Retail Listings For Sale, Tucson



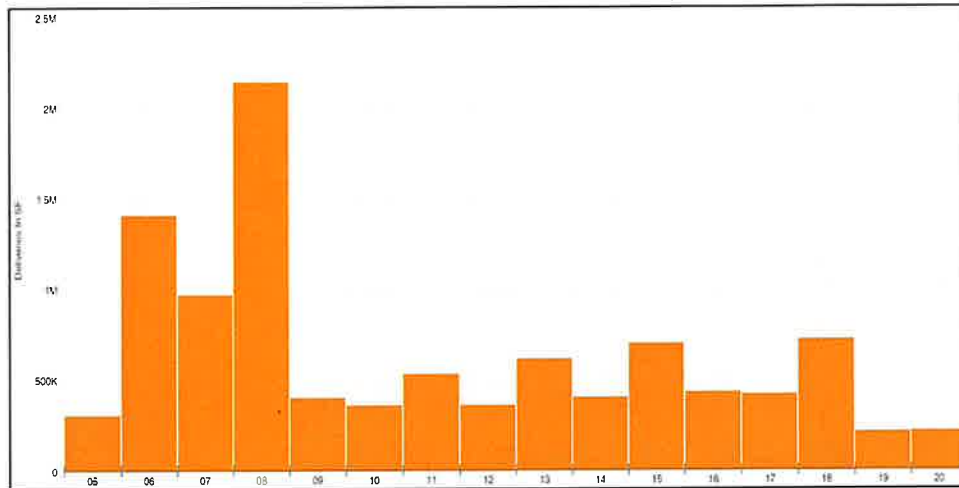
The following is the net absorption for retail properties in the Tucson Market, according to Costar. This indicates after net negative absorption in 2009 and 2010, there has primarily been a net positive rate in the retail Tucson market from 2011 through the end of 2019, with the exception of a few quarters. In 2019, there were two quarters of net negative absorption along with two quarters of net positive absorption. There was net negative absorption in the first quarter of 2020 followed by net positive absorption in the second quarter of 2020.

Retail Net Absorption, Tucson



The following is new retail construction deliveries in the Tucson Market, according to Costar. Beginning in 2009, new retail construction deliveries declined from prior years and then remained relatively stable through 2018. There have been several new retail projects which were located within existing buildings and would not be shown in these statistics. Examples include retail uses in older warehouse buildings in and around the downtown area, new gym locations filling vacant prior supermarket spaces, and larger retail drug stores being repositioned for medical use or filled with secondary users such as discount or thrift stores. The 2020 data is for the first half of the year.

Retail New Construction Deliveries, Tucson



Overall, the Tucson commercial real estate market reveals that most investors had 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 over the past few years. The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The effect of the recent COVID-19 pandemic is unknown in the market as of the effective date of this appraisal because there is not yet sufficient data to support changes in market conditions. At this time, market conditions for this type of property remain generally static. It is not yet known how market conditions may be affected in the coming months. The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. The long-term result should be a more balanced level of supply and demand - more conducive to steady long term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

EXPOSURE/MARKETING TIME

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

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

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

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

The reasonable exposure and marketing time is estimated to be six to twelve months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property. This is consistent with the location, property type, physical characteristics, and overall market conditions.

HIGHEST AND BEST USE

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

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

An analysis of market data supports the conclusion of highest and best use.

Highest and Best Use as Vacant

Legal Considerations

The subject site is zoned C-1 according to the Rancho Vistoso Planned Area Development [PAD] approved by the Town of Oro Valley Zoning Department (see Exhibits).

This zoning designation permits commercial uses, business and professional office uses, medical offices, veterinarian clinics and retail business use. There are additional requirements for setback, lot size, landscaping, and building height limitations.

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

2. Ibid, p. 83

The property could legally be developed with a commercial use such as a retail or commercial use.

Physical Considerations

The site is a somewhat rectangular shaped corner property with 92.32 feet of frontage on First Avenue on the western property line and 402.34 feet of frontage on Tangerine Road on the northern property line. The property has a width of 428.34 feet on the southern property line and a depth of 153.79 feet on the eastern property line. The property is located at the southeast corner of Tangerine Road and First Avenue, which is a signalized intersection. The property would be provided access from Tangerine Road. However, the site is substantially below grade of Tangerine Road and access would be expensive to develop. There is the right-of-way for a planned street, Kai Street, wrapping around the adjacent property to the south. This street is planned to be developed to provide access to the property to the south and would be extended to connect to Tangerine Road along an alignment to the east of the subject property. It is possible that the subject property would eventually be developed with access from Kai. The site contains a total area of 54,983 square feet (1.26 acres). Tangerine Road is a four-lane, asphalt-paved roadway with a center median, turn lanes at the intersection, and a walking path on the south side of the street in the vicinity of this property. Tangerine Road has a 2019 traffic count of 18,895 vehicles per day in the vicinity of this site, per the Arizona Department of Transportation. First Avenue is a four-lane, asphalt-paved roadway with turn lanes at the intersection, a center median, concrete curbs, a sidewalk on the east side, and path on the west side in the vicinity of this property. First Avenue has a 2019 traffic count of 16,943 vehicles per day south of this site, per the Pima Association of Governments. The topography is sloping in a southeasterly direction. The property is located below grade of both Tangerine Road and First Avenue, which limits visibility of the property and any buildings that would be constructed on the property. The property slopes down approximately 10 feet from the north to the south end of the property. Due to the slope on the property, cut and fill work would be required to obtain a level building pad. There would also likely be a cost to develop access to the property from the road due to the slope of the property below grade of the adjacent street. Due to the slope, development costs would be higher than typical. Soil conditions appear to be typical of the area. Properties bordering the subject property include a Safeway-anchored shopping center to the north, vacant land to the east, and south, and a Walgreens and other commercial uses to the west.

Utilities available in the vicinity of the property include electric (Tucson Electric Power Company), telephone (CenturyLink), water (Town of Oro Valley Water), and sewer (Pima County Wastewater Management). It appears there is a sewer line that crosses the north portion of the subject site. 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 04019C1090L, 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. There are some small local washes crossing the property. The property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property.

Due to the physical characteristics of the property, including the location below grade of the adjacent streets and the sloping topography of the property, the property would have higher than typical development costs. However, the property could be developed with a commercial use.

Financial Feasibility

Due to the physical characteristics of the property, including the location below grade of the adjacent streets and the sloping topography of the property, the property would have higher than typical development costs. Some site work including cut and fill work would be needed to obtain a level building pad. The property could be developed with a commercial use, although potential users would be limited due to the topography and limited visibility of the property from any roadway. There are other commercial properties in the area with better visibility and topography that would likely be developed before the subject property. There is also the possibility that the property would be combined with the adjacent parcel to the south if this parcel would enhance that property in future development. Therefore, the property would be held for investment, with eventual commercial development.

Maximally Productive

Therefore, the maximally productive highest and best use of the subject site is for investment, with eventual commercial development.

SUMMARY OF ANALYSIS AND VALUATION - PART IV

SALES COMPARISON APPROACH

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

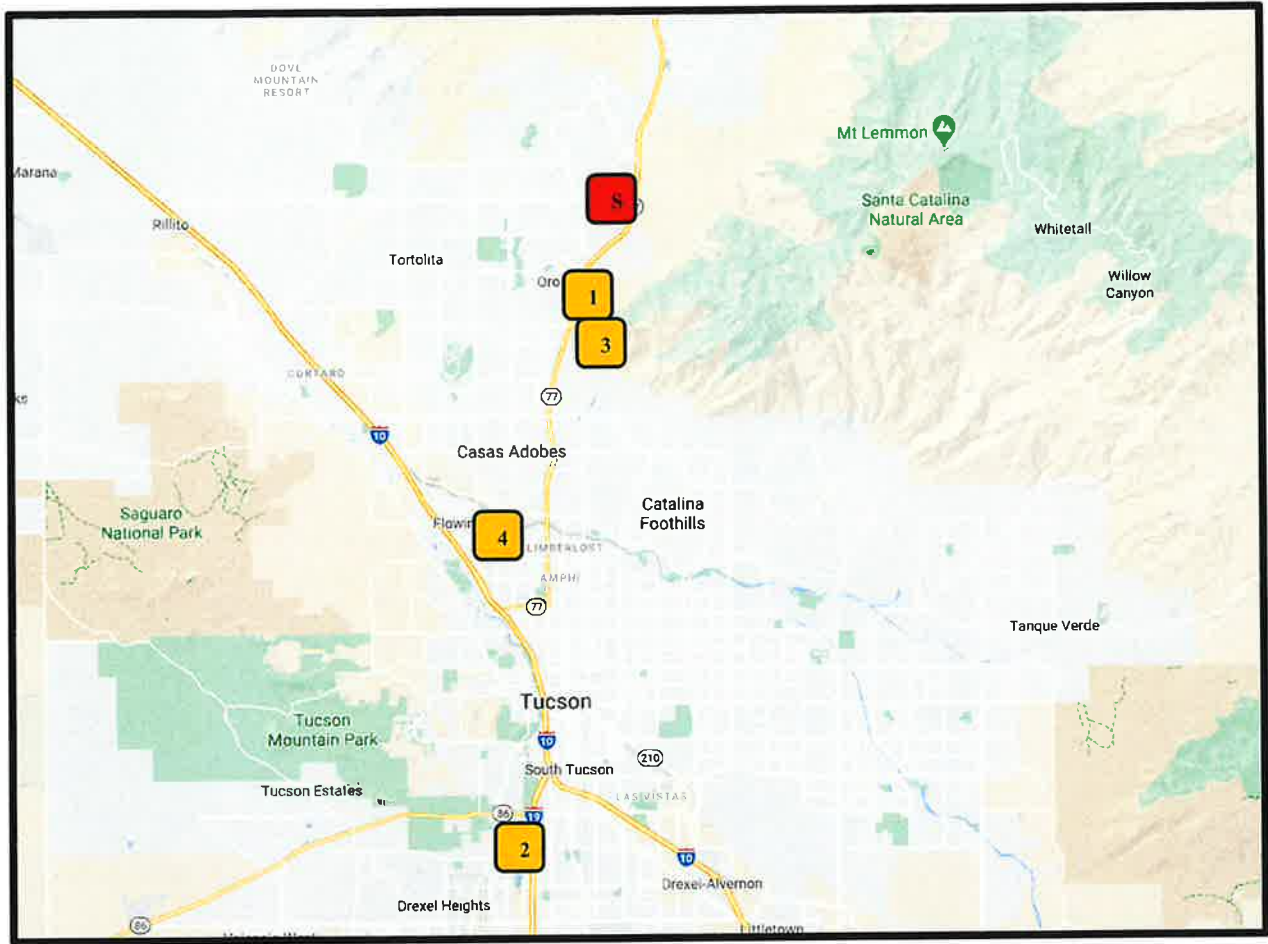
This approach analyzes sales and listings of properties similar to the subject. This analysis uses those sales most relevant as indicators of value of the subject property, making adjustments for dissimilarities such as terms of sale, site size, location, zoning, and utility. Sales used in this approach 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

Sale No.	Sale Date	Property Location	Sale Price	Site Size (Sq. Ft.)	Price/ Sq. Ft.	Zoning
1.	07/16	West side of Oracle Road, north of Greenock Drive	\$165,000	103,673	\$1.59	C-2
2.	03/19	North side of Irvington Road, east of Mission Road	\$150,000	135,563	\$1.11	C-1
3.	12/19	East side of Oracle Road, south side of Hardy Road	\$300,000	137,319	\$2.18	C-1
4.	05/20	West side of La Cholla Boulevard, south of River Road	\$75,000	74,626	\$1.01	SH*
Subject Property				54,983		PAD

***Rezoned to CB-2**

COMPARABLE LAND SALES LOCATION MAP



Subject: Southeast corner of Tangerine Road and 1st Avenue,
Oro Valley

Sale 1: West side of Oracle Road, north of Greenock Drive

Sale 2: North side of Irvington Road, east of Mission road

Sale 3: East side of Oracle Road, south side of Hardy Road

Sale 4: West side of La Cholla Boulevard, south of River Road

COMPARABLE LAND SALES

LAND COMPARABLE NUMBER ONE (SALE)

ID: ORO 0194 7194

LOCATION: West side of Oracle Road, north of Greenock Drive

LEGAL DESCRIPTION: Lot 3, Cancha Del Golf, Pima County, Oro Valley, Arizona

STATE TAX PARCEL: 224-33-4640

RECORD DATA: Fee number 20162000709

DATE OF SALE: July 18, 2016

SELLER: Pima Federal Credit Union

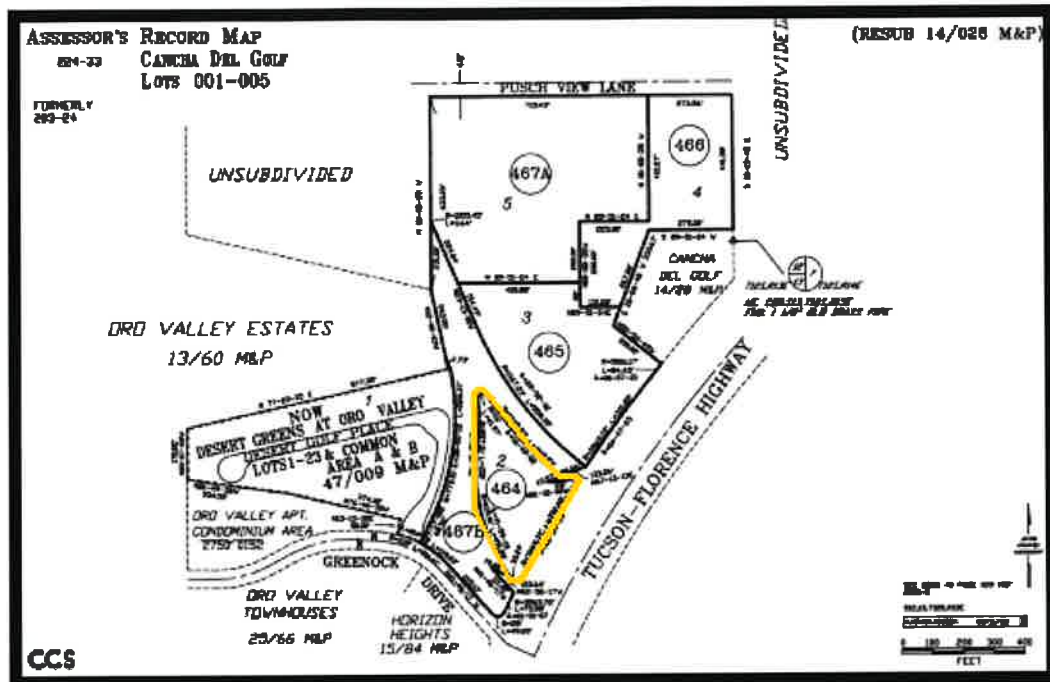
BUYER: Oracle Greenock, LLC

CONFIRMED BY: Tom Nieman, buyer's broker (520-546-2728)
DFO; August, 2016

LAND DESCRIPTION: This site is an irregular and somewhat triangular shaped property with approximately 370 feet of frontage on Oracle Road. The site has a depth of approximately 362 feet on the northern property line and approximately 675 feet on the southwestern property line. Oracle Road is a six-lane, asphalt-paved roadway with a center median but no concrete curbs, sidewalks or streetlights in the vicinity of this property. Oracle Road has a 2008 traffic count of 23,000 vehicles per day in the vicinity of this site. The topography is sloping in a westerly direction and is below grade of Oracle Road. Due to the topography of the property, development of the property will require significant cut and fill work. Electric and phone are available to the site. Public water is located near the property but would need to be extended to the property line. There is a public sewer line that crosses the center of the subject property. There is a 15-foot sewer easement on either side of the sewer easement, and this area cannot be developed with any improvements except parking uses. According to FEMA Flood Insurance Rate Map 04019C1089L, dated June 16, 2011, the majority of the land is located in Zone X (unshaded) which are areas

determined to be outside the 0.2 percent annual chance floodplain. A narrow area of the south and west portions of the property and the northeast corner of the property, together comprising approximately 15% of the total land area, are located within a floodplain area with a designation of Zone A. There is a wash and drainage area to the south and west and the Rooney Wash is located to the north of this property. There is a currently a 25-foot setback from the wash to the west and a 100-foot erosion hazard setback from the Rooney Wash to the north.

LAND SIZE:	103,673 square feet or 2.38 acres
ZONING:	C-2, Oro Valley
REPORTED SALE PRICE:	\$165,000
PRICE PER SQ. FT.:	\$1.59
MARKETING TIME:	Approximately 1,400 days
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:	Investment with potential near-term development with a build-to-suit development.
COMMENTS:	<p>The buyer's broker indicated that the property was purchased for investment. The buyer is in talks with a potential build-to-suit user but this deal is not confirmed. He indicated that an office use more likely for the site than a retail use.</p> <p>The property has higher than typical development costs. The property requires significant cut and fill work that will raise development costs. Additionally, there is a 30-foot-wide sewer easement that crosses the center of the property that impacts developability of the property. Water will need to be extended to the property line.</p>



LOCATION: North side of Irvington Road, east of Mission road

LEGAL DESCRIPTION: A portion of the North Half of Section 3, Township 15 South, Range 13 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: A portion of 137-11-425E (now 137-11-425K; -425J)

RECORD DATA: Fee number 20190650789 and 20190650795

DATE OF SALE: March 6, 2019

SELLER: Vantage Retirement Plans, LLC

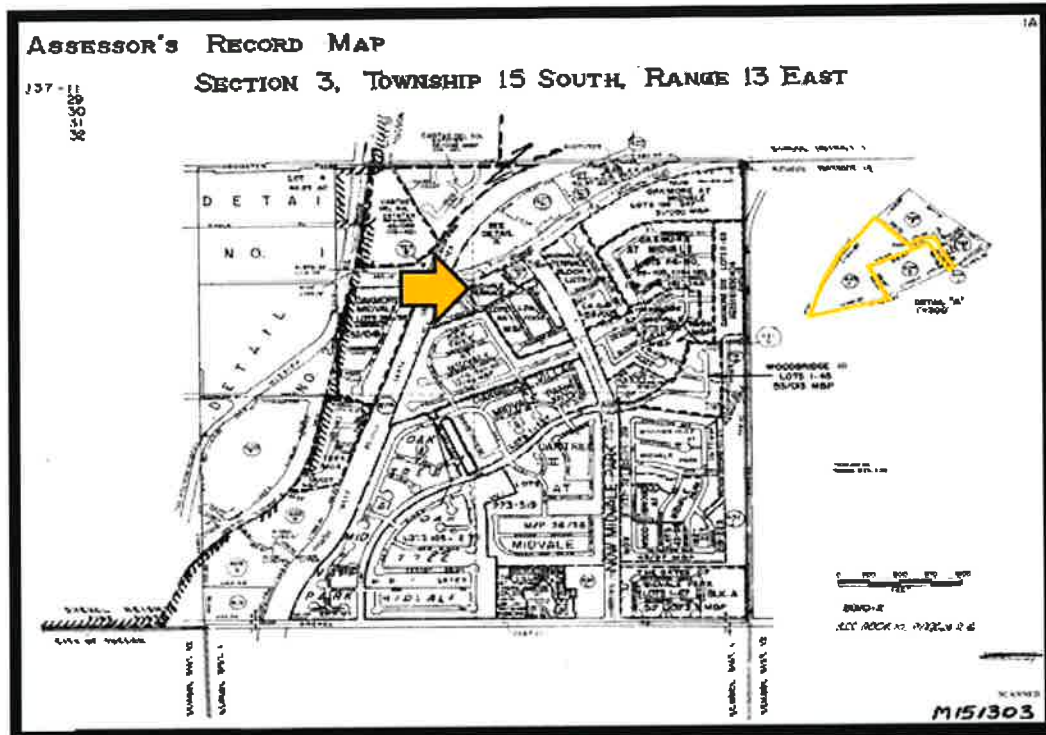
BUYER: Irvington Nineteen Place, LLC and Midvale Place, LLC

CONFIRMED BY: James Marian, listing broker (520-747-4000)
SRB; October, 2020

LAND DESCRIPTION: This site is a an irregularly shaped property. The property consists of a main parcel and a narrow strip that contains a driveway that provides shared access to Irvington Road. The main parcel has 399.83 feet of frontage on Irvington Road. The property has a depth of 620 feet on the northern property line and a width of 221.72 feet on the eastern property line. The property wraps around a parcel containing a Circle K located to the southeast of the subject property. The property also contains a narrow strip of land that extends to the east and then south from the eastern portion of this property. This area contains a driveway that provides shared access to Irvington Road at a signalized intersection. Irvington Road is a four-lane, asphalt-paved roadway with a center median, concrete curbs, sidewalks and streetlights in the vicinity of this property. Irvington Road has a 2019 traffic count of 31,098 vehicles per day east of this site, according to the Pima Association of Governments. The topography is mostly level. All utilities are available to the site. According to FEMA Flood Insurance Rate Map 04019C2270L, 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. The west branch of the Santa

Cruz River is located to the north of this property. The broker indicated there is a 100-year building setback line extending from the northern property line. The building envelop is limited to the eastern portion of the property.

LAND SIZE:	135,563 square feet or 3.11 acres
ZONING:	C-1, City of Tucson
REPORTED SALE PRICE:	\$150,000
PRICE PER SQ. FT.:	\$1.11
MARKETING TIME:	Several years
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:	Development of self-storage
COMMENTS:	The building envelope was limited and development could only occur in the eastern and northeast portions of the property outside of the setback area. The buyer planned to develop a self-storage use, which could be developed in this limited building area. The buyer purchased the main parcel as well as the parcel containing the shared driveway. These were purchased at the same time by the same purchaser, although the buyer names are different LLCs.



LOCATION: East side of Oracle Road and south side of Hardy Road.

LEGAL DESCRIPTION: A Portion of Lots 1 and 2, Sunnyslope, Pima County, Arizona

STATE TAX PARCEL: 225-14-166D

RECORD DATA: Fee number 2019-3440681

DATE OF SALE: December 10, 2019

SELLER: SIC Enterprises, Inc.

BUYER: 8760-8770 N Oracle Road, LLC

CONFIRMED BY: John Hamner, listing broker; (520-907-0030)
TFH; December, 2020

LAND DESCRIPTION: This site is an irregular shaped property with approximately 155 feet of frontage on Oracle Road along the western property line and approximately 55 feet of frontage on Hardy Road along the northern property line. The site has a depth of approximately 650 feet and most development on the site would not have visibility from Oracle Road. The site wraps around the southeast corner of Oracle Road and Hardy Road, which is a signalized intersection. The property has limited visibility, but access from both Oracle Road and Hardy Road. Oracle Road is a six-lane, asphalt-paved roadway with a center median, but no concrete curbs, sidewalks, or streetlights in the vicinity of this property. Oracle Road has a 2019 traffic count of 41,000 vehicles per day in the vicinity of this site, according to the Arizona Department of Transportation. Hardy Road is a two-lane, asphalt paved road way with a center turn lane, concrete curbs and sidewalks on the north side of the road, and no streetlights in the vicinity of this site. The topography is sloping in a westerly direction. All utilities are available to the site, except the listing broker indicated the sewer lines were up the street and that there would be some development costs associated with pulling the sewer lines to the developable area. According to FEMA Flood Insurance Rate Map

04019C1680L, 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:	137,319 square feet or 3.15 acres
ZONING:	C-1, Oro Valley
REPORTED SALE PRICE:	\$300,000
PRICE PER SQ. FT.:	\$2.18
MARKETING TIME:	369 Days
TERMS OF SALE:	The terms of sale included a down payment in the amount of \$125,000 (42%), with the seller carrying back for the balance.
PRIOR SALE:	Records of the Pima County Assessor indicate that the property sold on November 18, 2016 for \$235,000.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Development of a portion of the site for an office use to be occupied by the owner/buyer, with future plans for additional development of the site.
COMMENTS:	The listing broker indicated the minimal frontage on Oracle, the irregular shape, and issues with drainage negatively impacted the sales price.

LOCATION: West side of La Cholla Boulevard, south of River Road

LEGAL DESCRIPTION: A portion of the Northeast Quarter of the Southeast Quarter of the Northeast Quarter of Section 16, Township 13 South, Range 13 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: 101-13-015N

RECORD DATA: Fee number 20201320609

DATE OF SALE: May 11, 2020

SELLER: Tucson Electric Power Company

BUYER: Plaza de Luna, LLC

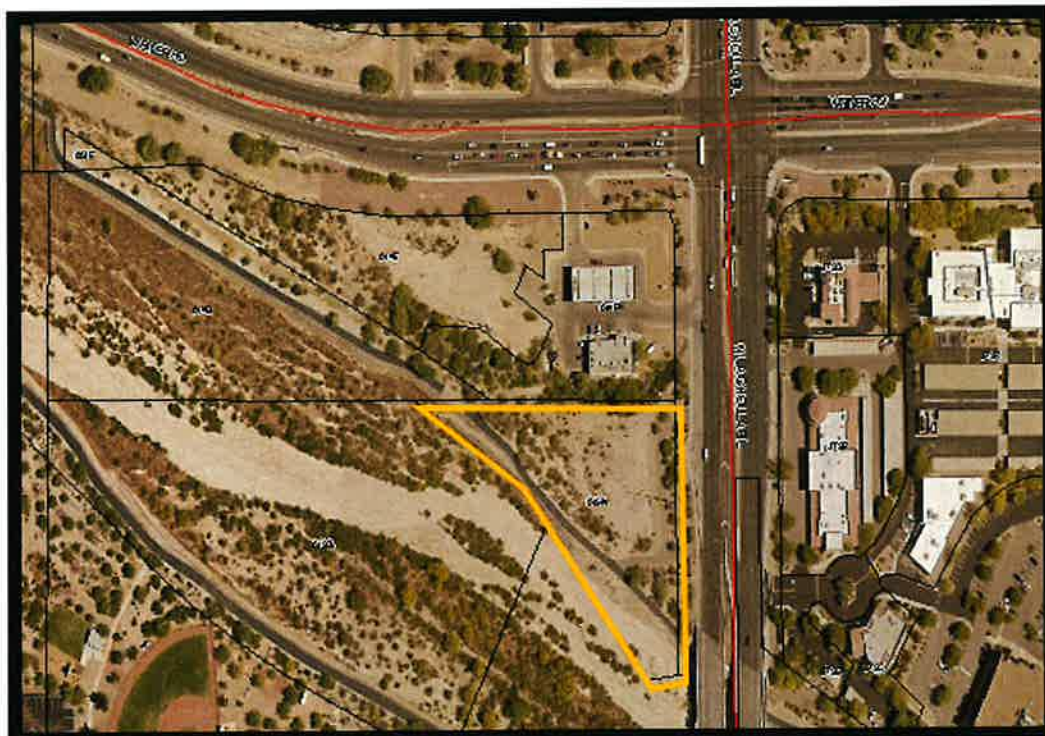
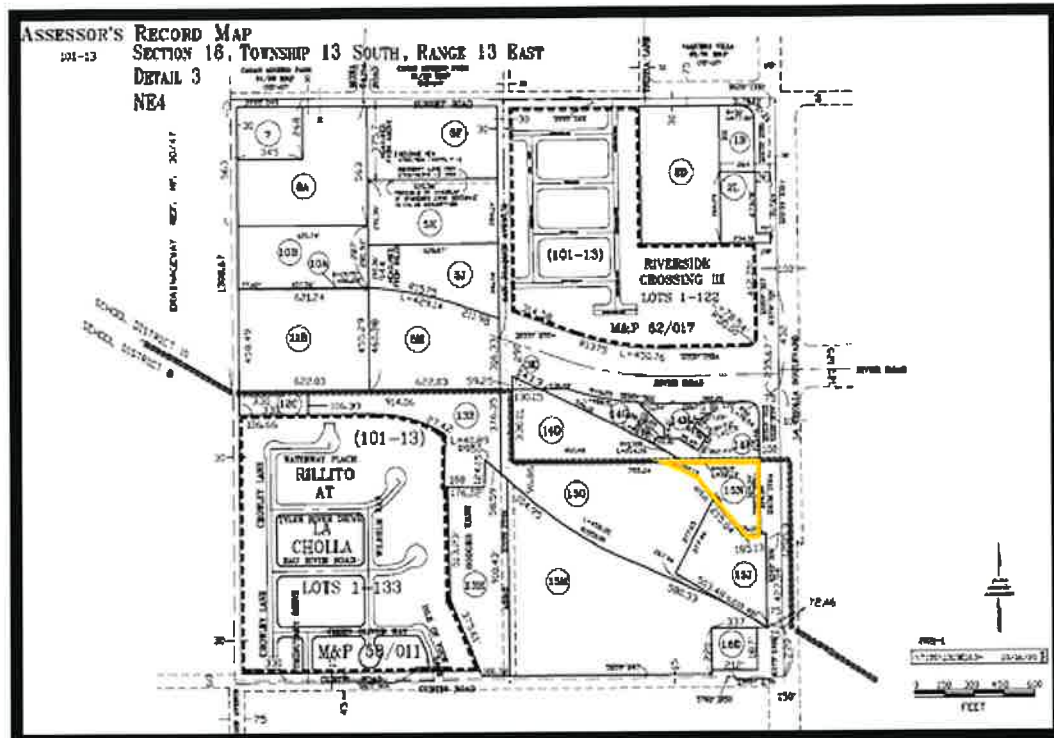
CONFIRMED BY: Brandon Rodgers, listing broker (520-546-2714)
SRB; November, 2020

LAND DESCRIPTION: This site is an irregular shaped property with 320 feet of frontage on La Cholla Boulevard on the eastern property line. The site has a depth of 490 feet on the northern property line and 155 feet on the southern property line, and a width of 482.19 feet on the western property line. La Cholla Boulevard is a six-lane, asphalt-paved roadway with a center median, concrete curbs, and sidewalks in the vicinity of this property. La Cholla Boulevard has a 2019 traffic count of 24,140 vehicles per day south of this site, according to the Pima Association of Governments. The topography is slightly sloping in the northern portion of the property and then slopes to the south. Electric, phone, and water are available in the area but would have to bring them to the property line. Sewer is available in the area but due to slope of the properties in the area a pump system would be required. According to FEMA Flood Insurance Rate Map 04019C1667L, dated June 16, 2011, the southern portion of the property is in a floodplain with a designation of Zone AE. The remainder of the property is in an area designated as Shaded Zone X with a designation of an area of 500-year flood. The Rillito River is located at the south end

of the property. The Loop crosses along the southern portion of the property. This area must be maintained and cannot be developed. There is a transmission line crossing the developable portion of the property, with no buildings permitted to be developed within the transmission line easement. Therefore, development is limited to a small buildable area.

LAND SIZE:	74,626 square feet or 1.71 acres
ZONING:	SH (rezoned to CB-2 by purchaser)
REPORTED SALE PRICE:	\$75,000
PRICE PER SQ. FT.:	\$1.01
MARKETING TIME:	Not Available
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:	Eventual development of a small multitenant retail building
COMMENTS:	This property was sold by TEP and this was considered a market transaction. Development on the property was limited due to the Loop and the Rillito River at the southern end of the property and a transmission line easement that crossed the property. While parking could be developed within the transmission line easement area, no buildings could be constructed in this area. However, the buyer felt that there was adequate room outside of the easement areas to construct a small multitenant retail building with some parking in the transmission line easement. The location on La Cholla Boulevard was considered a positive factor to the purchaser. There was a long escrow period while several issues were addressed. Utilities would have to be brought to the property line and a pump system is required for sewer use due to the slope of the area. A

bus stop/shelter along La Cholla in the area of the subject had to be moved to allow for a curb cut on this property to provide access. Parks & Recreation requires access to the southern portion of the property to maintain the portion of the Loop that crosses this property.



COMPARABLE SALES ADJUSTMENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4
Sale Date		07/2016	03/2019	12/2019	05/2020
Site Size (Sq. Ft.)	54,983	103,673	135,563	137,319	74,626
Zoning	PAD	C-2	C-1	C-1	SH*
Site Utility	Below Avg	Superior	Superior	Superior	Similar
Sale Price		\$165,000	\$150,000	\$300,000	\$75,000
Price per Sq. Ft.		\$1.59	\$1.11	\$2.18	\$1.01

* = Rezoned to CB-2

Summary of Adjustments

Unadjusted Price / Sq. Ft.	\$1.59	\$1.11	\$2.18	\$1.01
Property Rights	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price	\$1.59	\$1.11	\$2.18	\$1.01
Financing	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price	\$1.59	\$1.11	\$2.18	\$1.01
Conditions of Sale	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price	\$1.59	\$1.11	\$2.18	\$1.01
Date/Market Conditions	<u>10%</u>	<u>2%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price	\$1.75	\$1.13	\$2.18	\$1.01
Physical Adjustments (%)				
Location/Visibility	-10	15	0	0
Zoning	0	0	0	15
Site Size	5	10	10	0
Site Utility	<u>-10</u>	<u>-15</u>	<u>-50</u>	<u>0</u>
Net Adjustment	-15%	10%	-40%	15%
Indicated Value / Sq. Ft.	\$1.49	\$1.24	\$1.31	\$1.16

This analysis compares four sales of similar vacant land parcels to the subject property on a price per square foot basis. This is the sale price divided by the square footage of the site. Sales prices range from \$1.01 to \$2.18 per sq. ft. 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 as market conditions for this type of property improved between the date of this sale and the date of value. This sale warrants a downward adjustment for location/visibility as this property has better visibility than the subject. There is an upward adjustment for site size as this property is larger than the subject property. Larger properties tend to sell for less on a price per square foot basis than smaller properties, all else being equal. This sale warrants a downward adjustment for utility as this property has slightly better utility than the subject property. Overall, this sale price per square foot indicates a downward adjustment in comparison to the subject property.

Comparable Sale Two requires an upward adjustment as market conditions for this type of property improved between the date of this sale and the date of value. This sale warrants an upward adjustment for location as this property is located in an area with less demand than the subject property. There is an upward adjustment for site size as this property is larger than the subject property. Larger properties tend to sell for less on a price per square foot basis than smaller properties, all else being equal. This sale warrants a downward adjustment for utility as this property has better utility than the subject property. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject property.

Comparable Sale Three warrants an upward adjustment for site size as this property is larger than the subject property. Larger properties tend to sell for less on a price per square foot basis than smaller properties, all else being equal. This sale warrants a downward adjustment for utility as this property has better utility and lower development costs than the subject property. Overall, this sale price per square foot indicates a downward adjustment in comparison to the subject property.

Comparable Sale Four warrants an upward adjustment for zoning as this property required rezoning while the subject property does not require rezoning. Overall, this sale price per square foot indicates an upward adjustment in comparison to the subject property.

Sales Comparison Approach Summary.

	Sale 1	Sale 2	Sale 3	Sale 4
Adjusted Sale Price / Sq. Ft.	\$1.49	\$1.24	\$1.31	\$1.16

These four comparable sales indicate a price range of \$1.16 to \$1.49 per square foot after adjustment. All of the sales provide a reliable indicator of value. After analyzing the comparable sales, the conclusion of market value of the subject property by the sales comparison approach, as of November 19, 2020, is \$1.30 per square foot, times 54,983 square feet, equaling \$71,478, rounded to \$71,500.

MARKET VALUE CONCLUSION

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of market value of the subject property, as of the effective date of the appraisal, November 19, 2020, is \$71,500.

OPINION OF MARKET VALUE OF SUBJECT PROPERTY,
AS OF NOVEMBER 19, 2020:

SEVENTY-ONE THOUSAND FIVE HUNDRED DOLLARS
(\$71,500)

AUDIT BREAKDOWN:

MARKET VALUE OF LAND	\$71,500
MARKET VALUE OF IMPROVEMENTS	N/A
MARKET VALUE OF PROPERTY ACQUIRED	N/A
TOTAL PROPERTY VALUE	\$71,500

Project No.: 989 PM 000 H0757 – ADOT Project No. S-483-701
Parcel No.: L-SC-016-C

I hereby certify:

That I personally inspected the property herein appraised, and that I have afforded the property owner the opportunity to accompany me at the time of inspection. I also made a personal field inspection of each comparable sale relied upon in making said appraisal. The subject and the comparable sales relied upon in making the appraisal were as represented by the photographs contained in the appraisal.

That I have given consideration to the value of the property the damages and benefits to the remainder, if any; and accept no liability for matters of title or survey. That, to the best of my knowledge and belief, the statements contained in said appraisal are true and the opinions, as expressed therein, are based upon correct information; subject to the limiting conditions therein set forth.

That no hidden or unapparent conditions of the property, subsoil, or structures were found or assumed to exist which would render the subject property more or less valuable; and I assume no responsibility for such conditions, or for engineering which might be required to discover such factors. That, unless otherwise stated in this report, the existence of hazardous material, which may or may not be present in the property, was not observed by myself or acknowledged by the owner. The appraiser, however, is not qualified to detect such substances, the presence of which may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

That my analysis, opinions, and conclusions were developed, and this report has been prepared in conformity with the ADOT ROW Procedures Manual, Chapters 3 and 4, Appraisal Standards and Specifications (2016); the Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24; and the Uniform Standards of Professional Appraisal Practice (USPAP 2020-2021) guidelines.

That this appraisal has further been made in conformity with the appropriate State and Federal laws, regulations, and policies and procedures applicable to appraisal of right-of-way for such purposes; and that, to the best of my knowledge, no portion of the value assigned to such property consists of items which are non-compensable under the established laws of said State.

That I understand this appraisal may be used in connection with the acquisition of right-of-way for a highway to be constructed by the State of Arizona with the assistance of Federal aid highway funds or other Federal funds. That neither my employment nor my compensation for making the appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in the property that is the subject of this report, or any benefit from the acquisition of the property appraised herein.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the Arizona Department of Transportation or officials of the Federal Highway Administration, and I will not do so unless so authorized by proper State officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That my opinion of the Market Value of the property as of November 19, 2020 is \$71,500, based on my independent appraisal and the exercise of my professional judgment.

Date: March 3, 2021

Signature: _____



THOMAS A. BAKER, MAI, SRA
ARIZONA CERTIFIED GENERAL REAL ESTATE APPRAISER #30139

Department of Insurance and Financial Institutions
State of Arizona

CGA - 30139

This document is evidence that: **THOMAS A. BAKER** has complied with the provisions of
Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

Certified General Real Estate Appraiser

THOMAS A. BAKER

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Expiration Date : **August 31, 2022**

ASSUMPTIONS AND LIMITING CONDITIONS - PART V

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

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

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

professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.

19. ***Americans with Disabilities Act of 1990.*** The ADA became effective on January 26, 1992. 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.

CERTIFICATION - PART VI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of The Appraisal Foundation, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, and any other specifications submitted by the Client, including Title XI, FIRREA.
8. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
9. In accord with the Uniform Standards of Professional Appraisal Practice, I have the experience and knowledge to complete this assignment in a credible and competent manner.
10. As of the date of this report, I have completed requirements of the continuing education program of the Appraisal Institute.
11. The effective date (date of valuation) of this appraisal is November 19, 2020.
12. I have made a personal inspection of the property that is the subject of this report.

13. Our firm has not appraised the subject property within three years prior to this assignment.
14. No one provided significant real property appraisal assistance to the person signing this certification.
15. I am a Certified General Real Estate Appraiser in the State of Arizona.



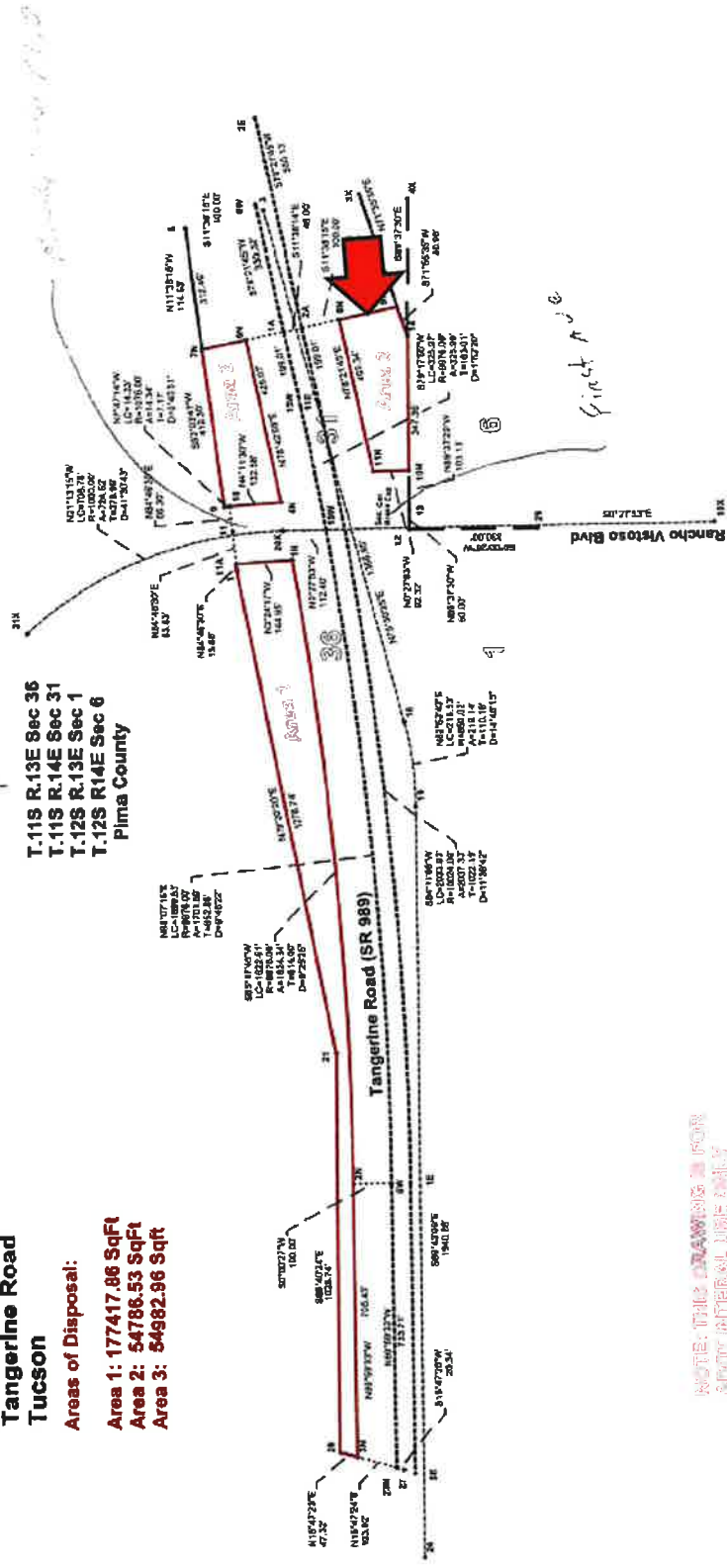
Thomas A. Baker, MAI, SRA
Certified General Real Estate Appraiser
Certificate Number 30139
Designated Supervisory Appraiser
Registration Number DS0007

EXHIBITS - PART VII

Exhibit A	Site Plan
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map
Exhibit D	Topographical Map
Exhibit E	FEMA Flood Plain Map
Exhibit F	Subject Photographs
Exhibit G	Qualifications

**Disposal No: Not Allocated
Excess Land Parcels
ADOT Project: S-483-701
Tangerline Road
Tucson**

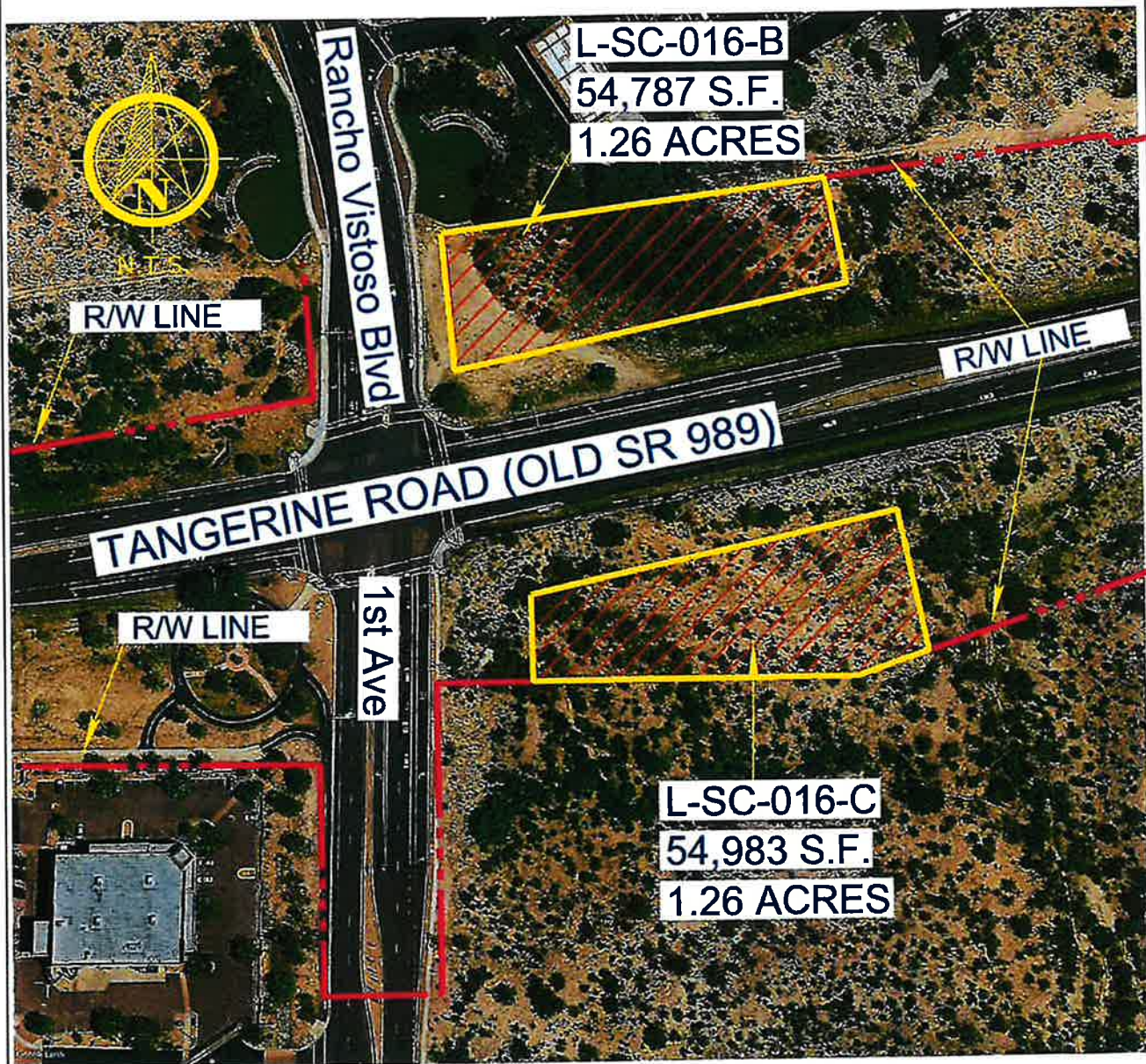
Area 1: 177417.86 SqFt
Area 2: 54786.53 SqFt
Area 3: 54982.96 Sqft



July, 2019
Updated: October, 2019

EXHIBIT B - AERIAL PHOTOGRAPH

(See following page)



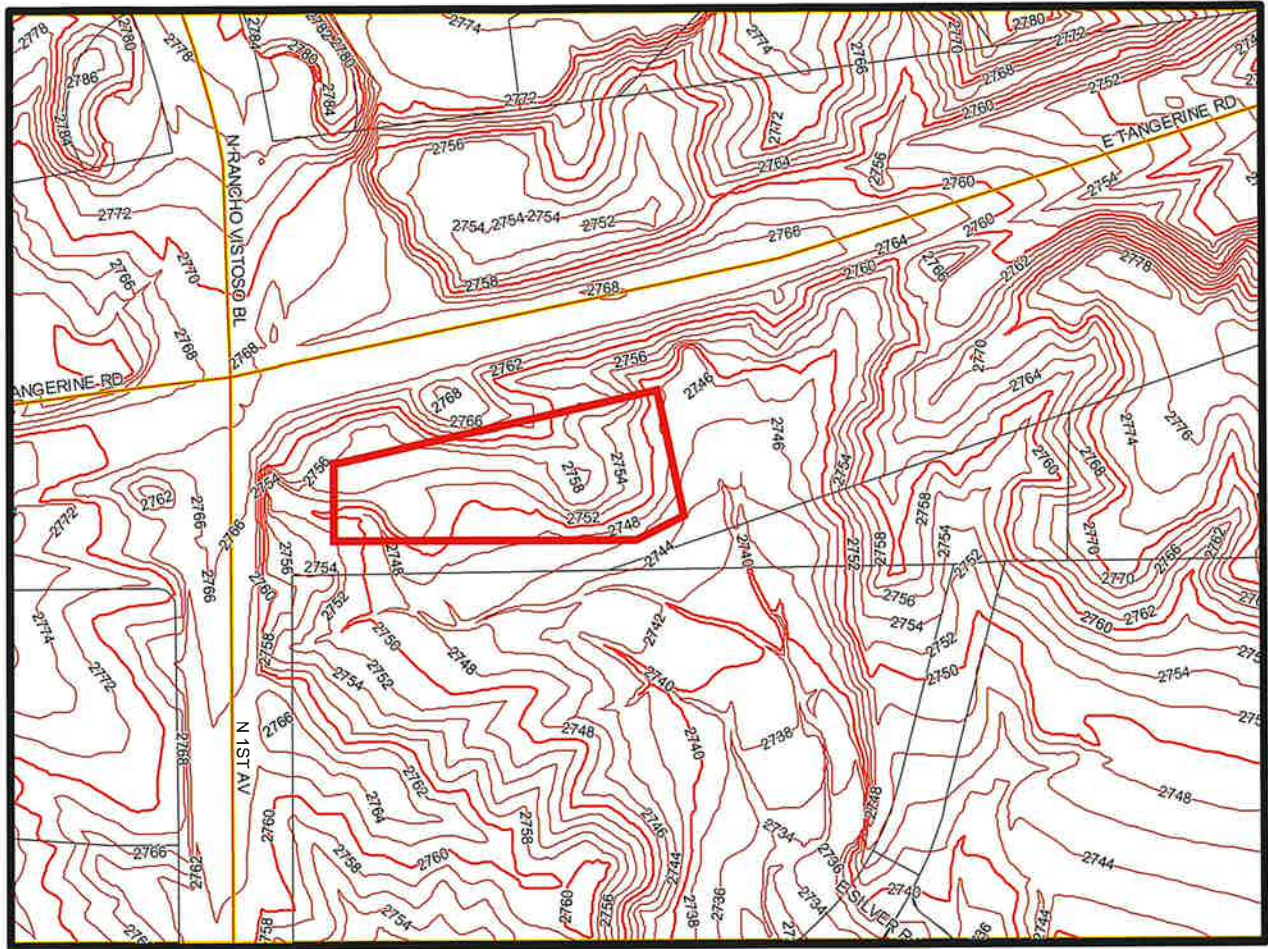
PLEASE NOTE: This exhibit is intended for Appraisal purposes only. Refer to Final Right-of-Way Plans for additional information.

ADOT Right Of Way <small>THIS SKETCH PLAN IS FOR ADOT INTERNAL USE ONLY</small>		PARCEL #	L-SC-016	HIGHWAY NAME:		TANGERINE ROAD
		EXHIBIT #	B,C	PROJECT NO.		989 PM 000 H0757
		DATE	11/09/20	FEDERAL AID NO.:		S-483-701
ROUTE NO.:	SR 989	LOCATION:		FIRST AVE - US 89		SHEET NO. 1 OF 1

EXHIBIT C - ZONING

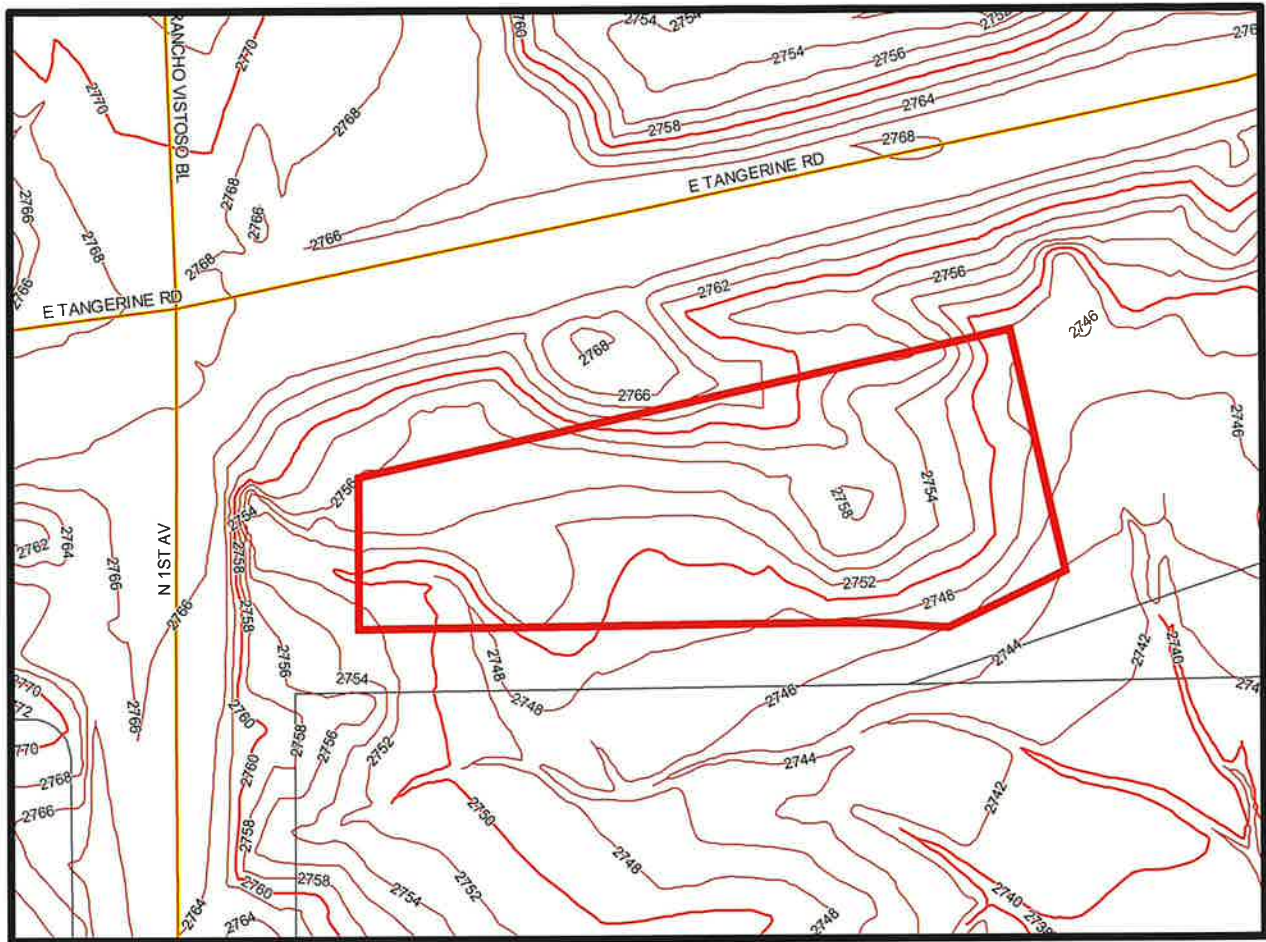


EXHIBIT D - TOPOGRAPHICAL MAP (1 OF 2)



(Property lines are approximate)

EXHIBIT D - TOPOGRAPHICAL MAP (2 OF 2)



(Property lines are approximate)

EXHIBIT E - FEMA FLOOD PLAIN

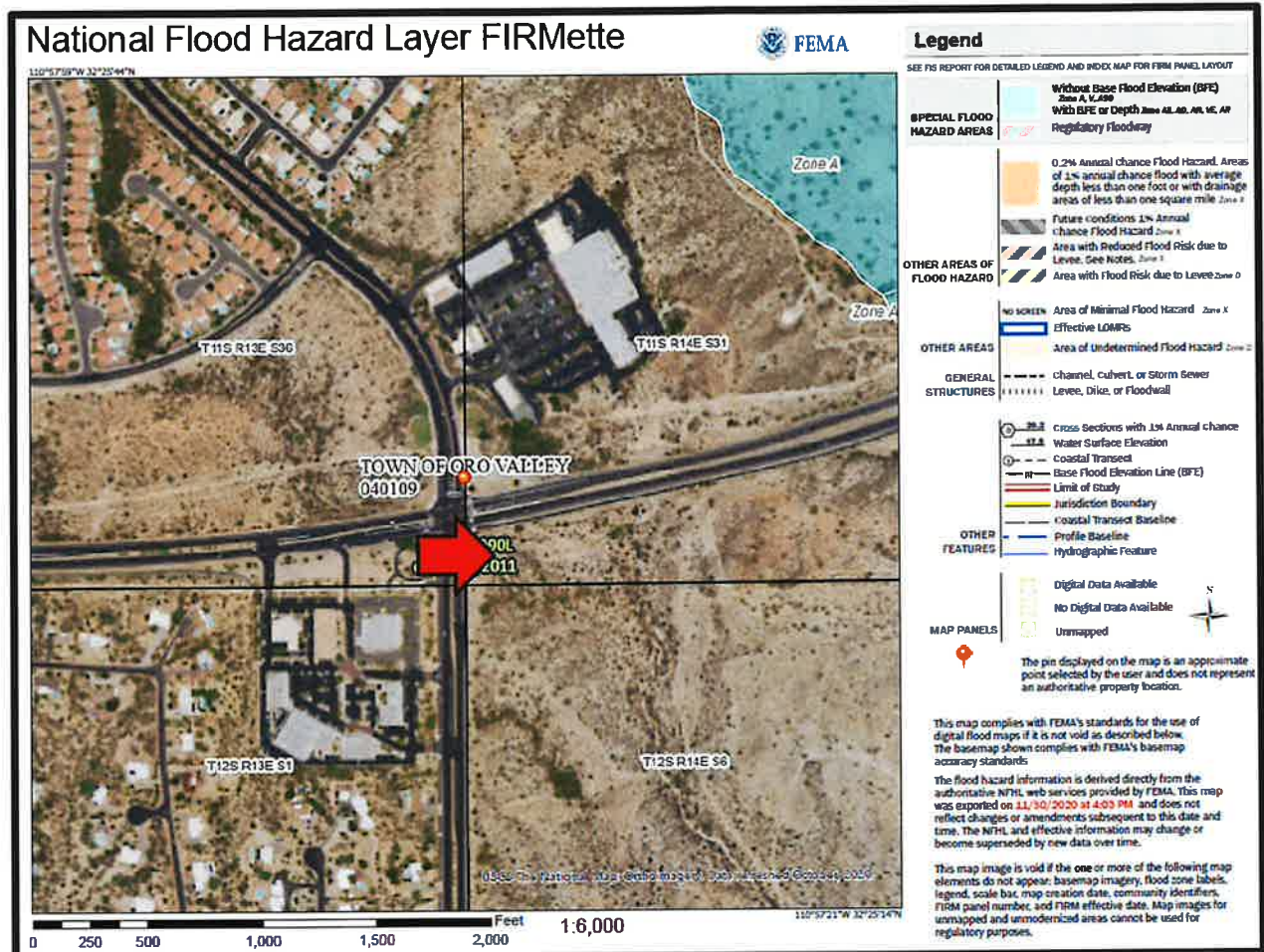


EXHIBIT F - SUBJECT PHOTOGRAPHS

PHOTO 1 – VIEW TANGERINE FIRST AVENUE



PHOTO 2 – VIEW FROM TANGERINE



PHOTO 3 – VIEW FROM FIRST AVENUE



PHOTO 4 – VIEW SOUTH ACROSS PARCEL



PHOTO 5 – VIEW ACROSS PARCEL



PHOTO 6 – SOUTH ON FIRST AVENUE



PHOTO 7 – VIEW NORTH ALONG FIRST AVENUE



PHOTO 8 – WEST ALONG TANGERINE



PHOTO 9 – EAST ALONG TANGERINE



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. She 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 also received a Master's Degree from the University of Phoenix in Accountancy.

TIM HALE is an appraiser trainee in commercial valuation. He graduated from Arizona State University with a Bachelor's Degree in Justice Studies.

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