

AN APPRAISAL REPORT

OF

45,891 SQUARE FEET (1.054 ACRES) OF VACANT LAND

**LOCATED ON THE NORTH SIDE OF 22ND STREET, BETWEEN KINO
PARKWAY AND CHERRY AVENUE
TUCSON, PIMA COUNTY, ARIZONA**

FOR

**MR. HECTOR F. MARTINEZ, DIRECTOR
REAL ESTATE PROGRAM, CITY OF TUCSON
TUCSON, ARIZONA**

OWNERSHIP: CITY OF TUCSON

**TAX PARCEL NUMBERS:
PORTIONS OF 124-18-3100, 124-18-311A, 124-18-312A
SECTION 18, TOWNSHIP 14 SOUTH, RANGE 14 EAST**

**EFFECTIVE DATE OF APPRAISAL
FEBRUARY 26, 2015**

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

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

REAL ESTATE APPRAISERS - CONSULTANTS

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February 27, 2015

Mr. Hector F. Martinez, Director
City of Tucson, Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701-7210

RE: An appraisal report of 45,891 square feet of vacant land (1.054 acres) located on the north side of 22nd Street, between Kino Parkway and Cherry Avenue, Tucson, Pima County, Arizona.

<i>Ownership:</i>	City of Tucson
<i>Tax Parcel Nos.:</i>	Portions of 124-18-3100, 311A, 312A
<i>Effective Date of Appraisal:</i>	February 26, 2015
<i>Date of Report:</i>	February 27, 2015

Dear Mr. Martinez:

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 client, City of Tucson, Real Estate Program and will become public information upon acceptance by the City of Tucson. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the client in the determining the market value of the subject property for potential disposition of the subject property. It is not intended for any other use.

Mr. Hector Martinez, Director
Cities of Tucson Real Estate Program
pg. ii

I have formed the opinion that, as of the date of the appraisal, February 26, 2015, and subject to the assumptions and limiting conditions set forth herein, based on a six to twelve month marketing period, the market value of the fee simple interest of the subject property is as follows:

ESTIMATED MARKET VALUE OF SUBJECT PROPERTY,
"AS VACANT," AS OF FEBRUARY 26, 2015:

ONE HUNDRED SIXTY ONE THOUSAND DOLLARS (\$161,000)

Hypothetical Condition - Roadway Improvements. The City of Tucson is planning and has started construction of a roadway improvement project in the area of the subject property. Upon completion of the project, the subject property will have frontage on the northbound Kino Parkway on-ramp, 22nd Street, and Cherry Avenue. Access to the property will be from Cherry Avenue only. The site will not have access from 22nd Street or from Kino Parkway. The market would recognize that these planned improvements will occur and how they would impact the subject property. The subject property is being appraised under the hypothetical condition as if this roadway project has already been completed in the manner in which it has been proposed. If it is determined at a future date that the plans for the roadway project are revised, then the value of the subject property concluded in this appraisal is subject to modification. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

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 appraisal guidelines of the City of Tucson, Real Estate Program. 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,



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

C157071

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PART I - GENERAL INFORMATION

INTENDED USER:

City of Tucson, Real Estate Program

APPRAISER:

Thomas A. Baker, MAI, SRA

SUBJECT PROPERTY:

The subject property is located on the north side of 22nd Street, between Kino Parkway and Cherry Avenue, Tucson, Pima County, Arizona. The subject of this appraisal is vacant land totaling 45,891 square feet (1.054 acres) - per survey.

LAND AREA:

45,891 square feet (1.054 acres) - per survey

ZONING:

R-2 (Residential), C-1 (Commercial), and C-3 (Commercial) - City of Tucson

AREA PLAN:

Greater South Park Plan

TAX PARCEL NUMBERS:

Portions of 124-18-3100, 311A, 312A

FULL CASH VALUE:

124-18-3100

\$42,375 (2014) \$42,375 (2015)

124-18-311A

\$34,468 (2014) \$34,468 (2015)

124-18-312A

\$27,283 (2014) \$27,283 (2015)

Total Full Cash Value

\$104,126 (2014) \$104,126 (2015)

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:

124-18-3100

\$35,154 (2014) \$36,912 (2015)

124-18-311A

\$32,814 (2014) \$34,455 (2015)

124-18-312A

\$25,973 (2014) \$27,272 (2015)

Total Limited Cash Value

\$93,941 (2013) \$98,639 (2015)

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:

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:

Exempt

INTENDED USE OF REPORT:

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INTEREST APPRAISED:

Fee simple interest in the total property. Fee simple interest includes those rights generally associated with ownership of the property, but subject to the limitations of eminent domain, escheat, police power, and taxation.

PURPOSE:

To estimate the market value of the fee simple interest in the subject property as of the effective date of the appraisal, February 26, 2015.

MARKET VALUE DEFINITION:

Market value, as utilized in this appraisal, and as defined in The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute, 2013, page 59, is:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue duress.

EFFECTIVE DATE OF APPRAISAL:

February 26, 2015

DATE OF INSPECTION:

The subject was originally inspected on June 14, 2013. The subject was reinspected on December 12, 2013 and February 26, 2015.

LEGAL DESCRIPTION:

A portion of Lot 7 and a portion of Lots 10-16 and a portion of the 10-foot wide alleys located within Block 26 of Montclair Addition, Section 18, Township 14 South, Range 14 East, G&SRB&M, Pima County, Arizona (see Exhibits).

OWNERSHIP:

City of Tucson

SALES HISTORY:

No known sales of the subject property have occurred within the last five years.

The City of Tucson has received four offers to purchase the subject property through an Invitation to Offer of Purchase. There was one offer received for \$150,000.

ASSUMPTIONS AND LIMITING CONDITIONS:

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

CERTIFICATION:

See Part VI.

PART II - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP as the “amount and type of information researched and the analysis applied in an assignment.” According to the scope of work rule as defined by USPAP, “For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

- 1) identify the problem to be solved;
- 2) determine and perform the scope of work necessary to develop credible assignment results; and
- 3) disclose the scope of work in the report.”

This appraisal assignment has been completed in response to authorization by Mr. Hector Martinez, Real Estate Program, in a contract executed on January 30, 2015, by Thomas A. Baker, MAI, SRA, for Baker, Peterson, Baker and Associates, Inc. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the standards of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and to those specifications provided by the City of Tucson, Real Estate Program.

This report is intended for use only by the client, City of Tucson, Real Estate Program and will become public information upon acceptance by the City of Tucson. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the client in the determining the market value of the subject property for potential disposition of the subject property. It is not intended for any other use. The purpose of the appraisal is to estimate 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 estimates the market value of the subject property utilizing the direct sales comparison approach which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS[®] Commercial Property Information Services, Tucson Multiple Listing Service (MLS), Swango Land Sales, Metropolitan Tucson Land Use Study (MTLUS), 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, a thorough search was made for sale and listing data regarding properties 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. Each sale and listing chosen as a reliable indicator of the value of the subject property was then compared to the subject in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

Hypothetical Condition - Roadway Improvements. The City of Tucson is planning and has started construction of a roadway improvement project in the area of the subject property. Upon completion of the project, the subject property will have frontage on the northbound Kino Parkway on-ramp, 22nd Street, and Cherry Avenue. Access to the property will be from Cherry Avenue only. The site will not have access from 22nd Street or from Kino Parkway. The market would recognize that these planned improvements will occur and how they would impact the subject property. The subject property is being appraised under the hypothetical condition as if this roadway project has already been completed in the manner in which it has been proposed. If it is determined at a future date that the plans for the roadway project are revised, then the value of the subject property concluded in this appraisal is subject to modification. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

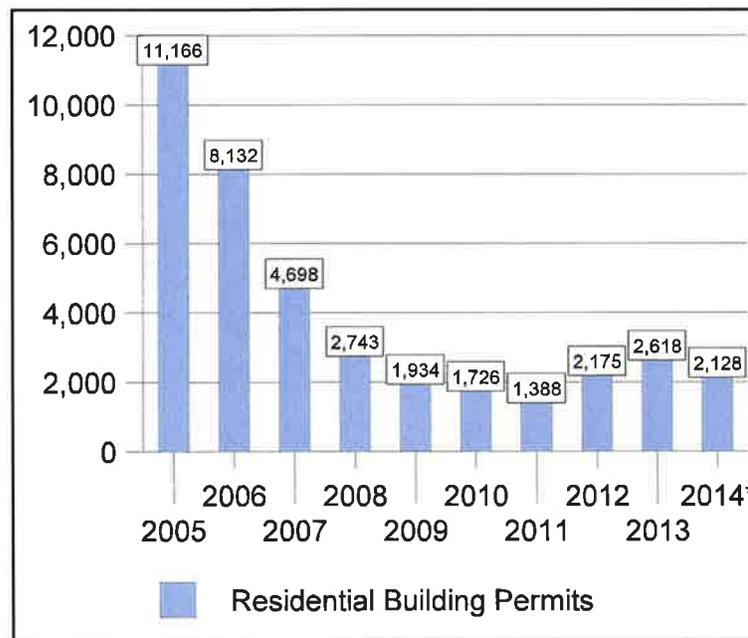
This data was correlated and an opinion of the market value of the subject property was estimated by this approach to value to arrive at a final opinion of the market value. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

PART III - DESCRIPTION OF REAL ESTATE APPRAISED

TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the 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 and continuing through 2013. Data is provided for the first eleven months of 2014, indicating there were 2,128 permits issued in January through November of 2014.



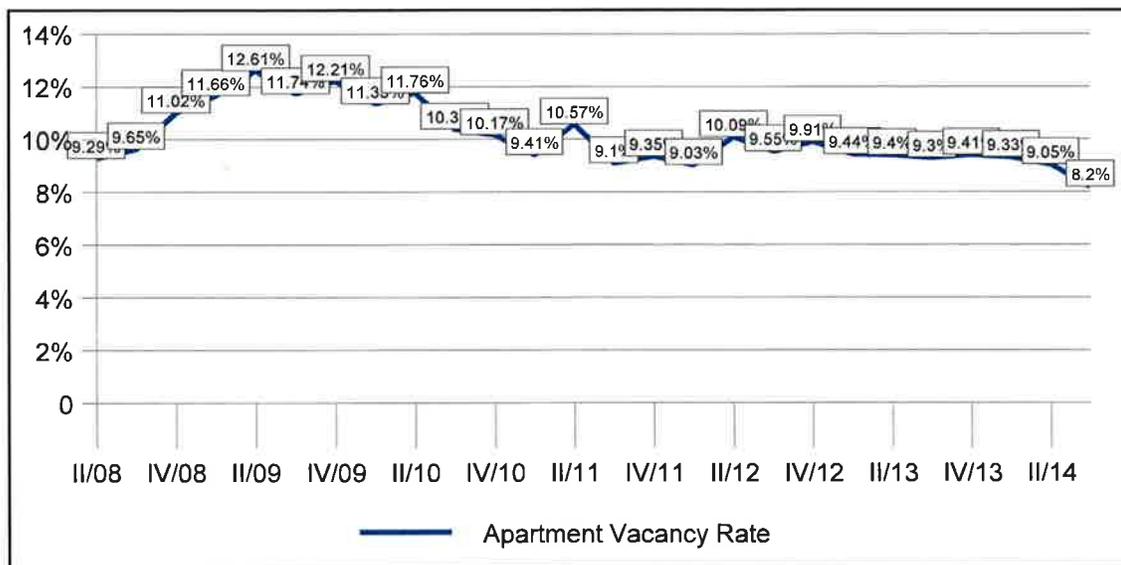
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow down in sales has resulted in an increase in the inventory

of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 shows a continued improvement in the market, with indications of a slight decline in 2014. New home sales are still well below peak or stabilized levels seen in the past.

Multi-Family Market

Vacancy rates for apartment properties in the Tucson Metropolitan area continued to remain high into 2011. Figure 2 shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and Third Quarter 2014, according to Apartment Insights’ *Statistics/Trends Summary*.

The vacancy rate peaked in the Second Quarter 2009 and generally declined through early 2012, with another slight decline in mid 2014. However, vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. The vacancy rate has remained mostly stable with slight fluctuations since early 2013. The current rent levels for multi-family properties have remained generally stable. There is limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities.

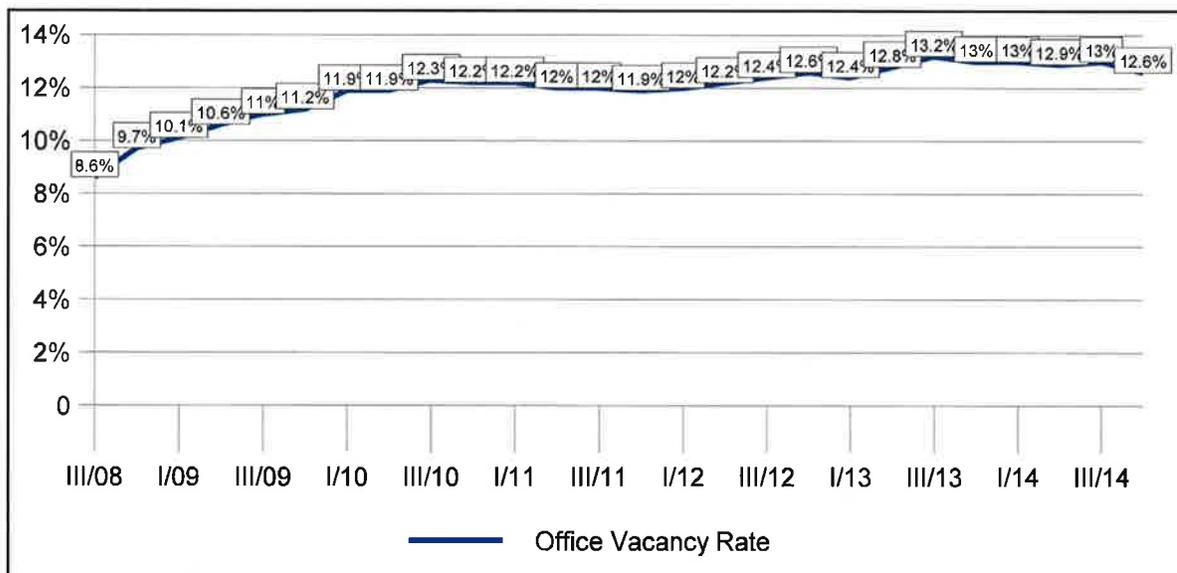


Office Market

Overall, the leasable *office market* experienced net positive absorption of 121,856 square feet in the Fourth Quarter 2014, according to *The CoStar Office Report, Tucson Office Market, Year-End 2014*. This compares to net negative absorption of 37,018 square feet in the Third Quarter 2014, net positive absorption of 54,159 square feet in the Second Quarter 2014, net positive absorption of 49,083 square feet in the First Quarter 2014, net positive absorption of 46,488 square feet in Fourth Quarter 2013, and net negative absorption of 89,389 square feet in Third Quarter 2013.

Two new office buildings containing 10,440 square feet was completed in Fourth Quarter 2014. One new office building containing 8,250 square feet was completed in Third Quarter 2014, one new office building containing 18,092 square feet was completed in Second Quarter 2014, one new building containing 67,650 square feet was completed in First Quarter 2014, and two new building containing 15,821 square feet were completed in the Fourth Quarter 2013.

Figure 3 shows trends in the vacancy rates for office properties in Tucson between Third Quarter 2008 and Fourth Quarter 2014. The vacancy rate increased until late 2010 and then remained mostly stable with a slight decline through mid 2012. The vacancy rate increased from late 2012 through late 2013 and has remained mostly stable in the five most recent quarters, with a slight decline in 2014.



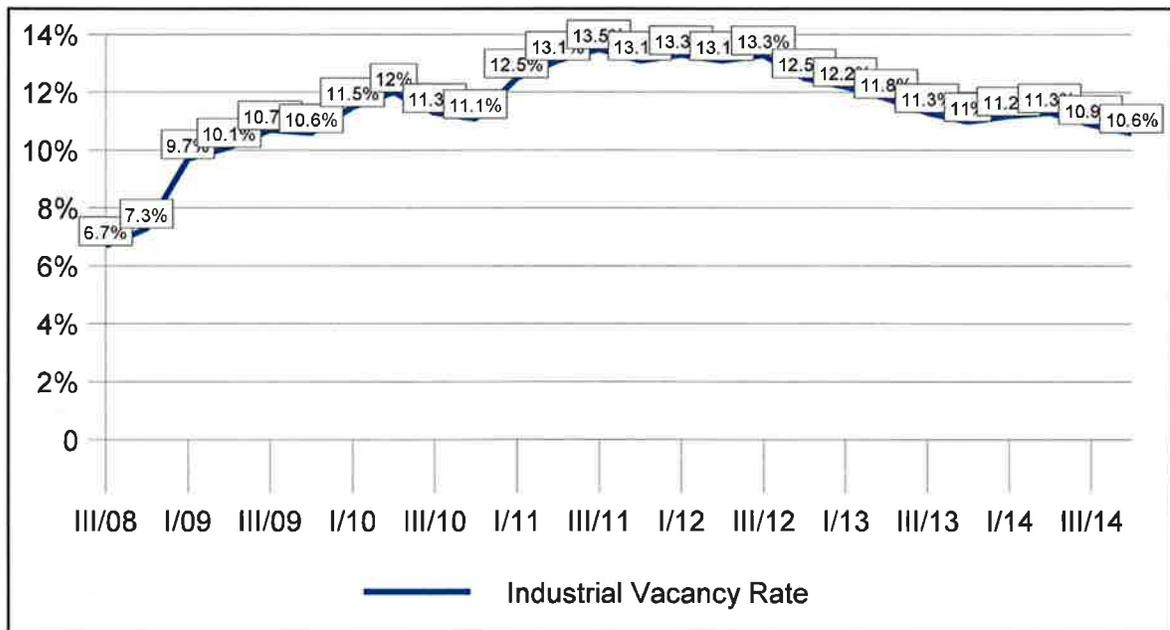
The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013. Market conditions for office properties are expected to remain stable and will improve slowly.

Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80's. There has been limited new industrial space constructed recently in Tucson, with one new building containing 49,751 square feet completed in Fourth Quarter 2014, one new building containing 10,000 square feet completed in Third Quarter 2014, no new buildings completed in Second Quarter 2014, First Quarter 2014, and Fourth Quarter 2013, and two new buildings containing 18,161 square feet completed in Third Quarter 2013.

There was net positive absorption of 176,364 square feet of industrial space in the Fourth Quarter 2014. This compares to net positive absorption of 146,738 square feet of industrial space in the Third Quarter 2014, net negative absorption of 53,838 square feet of industrial space in the Second Quarter 2014, net negative absorption of 77,563 square feet in First Quarter 2014, and net positive absorption of 137,917 square feet of industrial space in the Fourth Quarter 2013, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2014*.

Figure 4 shows trends in the industrial vacancy rate in Tucson between Third Quarter 2008 and the Fourth Quarter 2014, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2014*.



Overall, the industrial vacancy rate increased through 2011, peaking in the Third Quarter 2011 and Third Quarter 2012. The vacancy rate declined from late 2012 through late 2013. The vacancy rate for industrial properties has increased slightly in early 2014 but declined again the second half of 2014. The industrial market has stabilized but there are not yet signs of improvement in the industrial market with increased prices. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. The overall decline in the economy is affecting many potential industrial users and there remains a slow demand for industrial zoned land.

Retail Market

Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the

end of 2007. Some reasons 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.

There was net negative absorption of 48,634 square feet in the Fourth Quarter 2014, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2014*. This compares to net positive absorption of 89,209 square feet in the Third Quarter 2014, net positive absorption of 88,639 square feet in the Second Quarter 2014, net positive absorption of 280,896 square feet in the First Quarter 2014, net positive absorption of 334,326 square feet in the Fourth Quarter 2013, and net positive absorption of 257,381 square feet in the Third Quarter 2013.

In the Fourth Quarter 2014, three new buildings containing 30,817 square feet were completed. This compares to seven new buildings totaling 70,942 square feet in Third Quarter 2014, five new buildings totaling 59,028 square feet in Second Quarter 2014, six new buildings totaling 152,936 square feet in First Quarter 2014, and 13 new buildings containing 159,548 square feet in Fourth Quarter 2013.

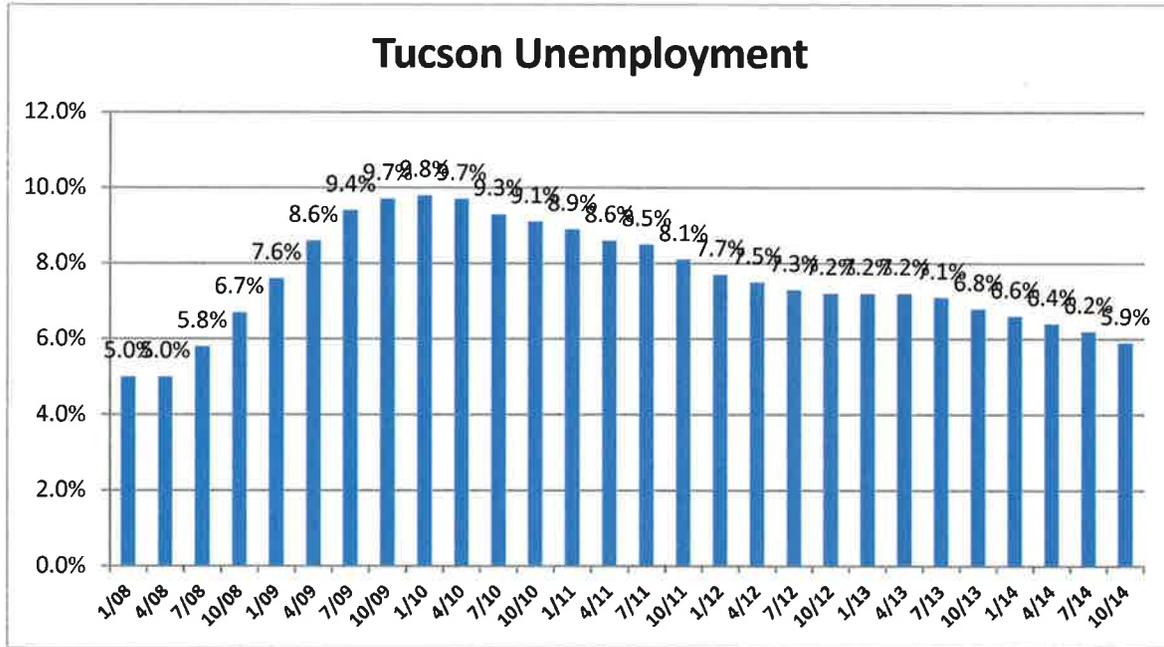
Figure 5 shows trends in the vacancy rate for retail properties in the Tucson market between Third Quarter 2008 and Fourth Quarter 2014, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2014*.



The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through mid 2014. The

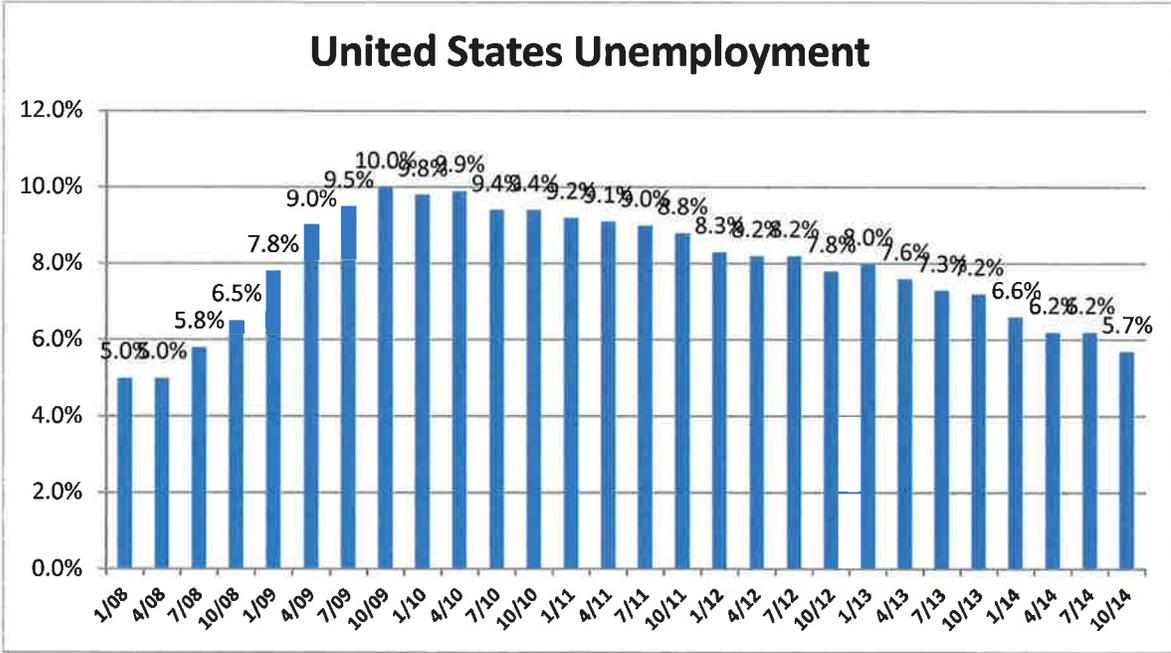
retail market has stabilized and is starting to improve slightly in high demand areas, although there remains for little demand for older retail properties in low demand areas.

According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



The previous data shows that the unemployment rate in the Tucson metropolitan area increased and peaked in early 2010. The unemployment rate has slowly been declining since early 2010 and remained mostly stable from mid 2012 through 2013. There has been a small decline in 2014.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate has also increased since 2008 through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined but remains higher than in 2008. The unemployment rate is projected to remain high as the economy recovers slowly from the recession.



Overall, the commercial real estate markets reveal that most investors hold a cautionary outlook for 2015 due to the tight credit that adversely affects tenants, owners and investors, the sequester of 2013, the government shutdown of late 2013, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals will result in stable to slowly improving values. In the short term, limited growth is projected for Tucson over the next one to two years, with market conditions expected to remain stable and slowly start to improve during this time. 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.

NEIGHBORHOOD DESCRIPTION:

The subject neighborhood is located in the central part of Tucson. The subject neighborhood is located north of 36th Street, south of Broadway Boulevard, east of Park Avenue, and west of Tucson Boulevard. Major east-west arterial roadways include Broadway Boulevard and 22nd Street. Major north-south arterial roadways include Park Avenue, Kino Parkway, and Tucson Boulevard. Aviation Parkway and Union Pacific Railroad tracks traverse a portion of the neighborhood. The subject neighborhood is approximately three miles south and east of the central business district of Tucson, Arizona. The neighborhood includes a mix of improved properties including single and multi-family residential, limited commercial, and

single and multi-tenant industrial uses. The amount of undeveloped land is approximately 25 to 35 percent. Access to the neighborhood is considered adequate and public transportation is available to the neighborhood. That section of the neighborhood in which the subject property is located falls within the northeast portion of the Greater South Park Area Plan. Although the majority of the area is developed, there is still a substantial amount of land suitable for development and redevelopment. The Greater South Park Area's central location and greatly improved access are key features which have attracted commercial and industrial expansion.

The neighborhood is located south and east of Tucson's downtown area. Major influences in the neighborhood include the University of Arizona Campus and the university hospital. Davis-Monthan Air Force Base is located outside of the neighborhood but is considered to have a major impact on the neighborhood. Both the University of Arizona and Davis-Monthan Air Force Base are major employers in the Tucson community. The immediate subject neighborhood is the commercial/industrial area located on the north and south sides of 22nd Street between Kino Parkway and the 22nd Street overpass. This is an older commercial neighborhood which has been in a slow transition over the past 25 years with limited new development. This trend is projected to continue at a projected slow pace.

SITE DESCRIPTION:

The site is an irregular, L-shaped property. It contains a total area of 45,891.1 square feet (1.054 acres) of vacant land, according to the survey provided by the client (see Exhibits). The subject property has frontage on 22nd Street, Cherry Avenue, and the Kino Parkway northbound on-ramp. Twenty-Second Street has a 2010 traffic count of 32,000 vehicles per day at this site and Kino Parkway has a 2010 traffic count of 37,000 vehicles per day near this site, according to Pima Association of Governments. There is no traffic count available for Cherry Avenue in the vicinity of the subject. The site does not have access from 22nd Street or Kino Parkway. Access to the subject property is from Cherry Avenue along the east portion of the property.

The City of Tucson has plans for roadway improvements that are currently under construction in the area of the subject property. According to right-of-way plans provided by the engineers designing the new roadways for the City of Tucson, 22nd Street will have a concrete median, three traffic lanes in each direction, concrete curbs, sidewalks, landscaping and streetlights. Vehicular access from 22nd Street for westbound traffic will continue to be available in a similar condition to the condition that existed prior to the construction of the roadway improvements. A right turn out of Cherry Avenue from 22nd Street is available. Eastbound traffic on 22nd Street will be unable to make a direct left turn onto Cherry Avenue due to the proposed median being constructed as part of the roadway improvements on 22nd Street. In order to reach the subject access point on Cherry Avenue, eastbound traffic on 22nd Street will need to either travel east of Cherry Avenue and make a u-turn at the next available intersection, near Tucson Boulevard, and then travel back westbound on 22nd Street to access Cherry Avenue. An alternative route for eastbound traffic on 22nd Street to reach the subject property would be to make a right turn at Cherrybell Stravenue, heading south, and then turn east on the new right-of-way known as 23rd Street, and then head north on Campbell Avenue under the 22nd Street roadway and return to Cherry Avenue via surface streets north of 22nd

Street. Additionally, southbound traffic on Cherry Avenue will be unable to make a left turn to travel eastbound on 22nd Street from the intersection of Cherry Avenue and 22nd Street due to the median on 22nd Street. Kino Parkway at the subject property will be elevated above the subject property and will have an on-ramp allowing traffic to proceed north on Kino Boulevard from 22nd Street.

Once the roadway improvements are completed, the subject property will have approximately 325 feet of frontage on 22nd Street, approximately 85 feet on Cherry Avenue, and approximately 160 feet along the northbound Kino Parkway on-ramp. Access to the property will be from Cherry Avenue only. Potential buildings on the site will have some visibility from northbound Kino Parkway, but views will be limited as Kino Parkway will be elevated. The subject property will not have visibility from southbound Kino Parkway, except by potential signage on the site. The site will have visibility from 22nd Street and Cherry Avenue.

Properties bordering the subject property include commercial and industrial uses to the north, commercial and industrial uses to the east, vacant land followed by residential uses and commercial and industrial uses to the south, and Kino Parkway followed by commercial and industrial uses to the west.

Utilities available to the subject property include electric (Tucson Electric Power Company), natural gas (Southwest Gas Corporation), telephone (CenturyLink), water (Tucson Water), and sewer (Pima County Wastewater Management) and are available to the site in sufficient quantity and quality.

The topography is mostly level, sloping generally in a southerly direction. According to FEMA Flood Insurance Rate Map 040192C2279L, dated June 16, 2011, the subject property is not identified as being located in a Special Flood Hazard Area (see Exhibits). The property is not in a known seismic zone. There are no known easements or encumbrances that adversely affect the subject property.

Additionally, according to the Arizona Department of Water Resources, the subject is located near a ground contamination site identified as the Union Railroad 22nd St. Yard. This site is identified as a Voluntary Remediation Site for potential Soil/Diesel contamination. While the subject does not appear to be located within the boundary of the remediation site, any costs to cure soil/diesel ground contamination would rest with the Union Pacific Railroad. This is not considered to negatively impact the subject property.

Hypothetical Condition - Roadway Improvements. The City of Tucson is planning and has started construction of a roadway improvement project in the area of the subject property. Upon completion of the project, the subject property will have frontage on the northbound Kino Parkway on-ramp, 22nd Street, and Cherry Avenue. Access to the property will be from Cherry Avenue only. The site will not have access from 22nd Street or from Kino Parkway. The market would recognize that these planned improvements will occur and how they would impact the subject property. The subject property is being appraised under the hypothetical condition as if this roadway project has already been completed in the manner in which it has

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CURRENT USE:

Vacant land

ZONING:

The zoning of the site is R-2 in the southwest portion of the site, C-1 on the northwest portion of the site, and C-3 on the southeast portion of the site, according to the City of Tucson Zoning Code.

The southwest portion of the site is currently zoned R-2. The purpose of this zone is to provide for medium density, single-family and multi-family residential development, together with schools, parks, and other public services necessary for an urban residential environment. The minimum site area is 2,904 square feet per unit for multi-family residences and 5,000 square feet per unit for single family residences. A maximum building height of 25 feet is permitted. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

The northwest portion of the site is currently zoned C-1. The purpose of this zone is to provide for low-intensity commercial and other uses that are compatible with adjacent residential uses. Residential and other related uses are permitted. This zone permits uses which include retail sales with no outside display/storage. Items that are produced on the premises must be sold on the premises. Office and limited research and development, as well as multi-family uses up to a maximum of 36 units per acre with a maximum building height of 30 feet are allowed. There is no minimum lot or site area. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

The southeast portion of the site is currently zoned C-3. The purpose of this zone is to provide for mid-rise development of general commercial uses that serve the community and region, located downtown or in other major activity center areas. Residential and other related uses are also permitted at a maximum density of 87 dwelling units per acre and 80 percent lot coverage. There is no minimum lot or site area. A maximum building height of 75 feet is permitted. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

The subject appears to be in conformance with all of these requirements.

POTENTIAL FOR RE-ZONING:

The subject property is located in the Greater South Park Area Plan, which is bounded by the Union Pacific Railroad on the north; 36th Street and Interstate 10 on the south; Campbell Avenue on the east; and the Union Pacific Railroad-Nogales Spur Line on the west. The Greater South Park Area Plan was intended to guide future development while protecting and

improving existing neighborhoods. This area has undergone major improvements with the construction of the north-south Kino Boulevard alignment which transects the eastern portion of the plan area, and with the construction of the Aviation Parkway located just north of the plan area across the Union Pacific Railroad tracks. The improvements brought significant changes to the Greater South Park Area, in re-zoning requests for more intense land uses for industrial and commercial expansion; in necessary modifications to the transportation circulation system; and in increased awareness by the Tucson community of centrally located vacant land, services by utilities, with increased accessibility.

The subject property is located in Subarea 4 of the Greater South Park Area Plan. As indicated on p.19 of the plan, Subarea 4 includes that area located south of 22nd Street, east of Kino Boulevard alignment, north of Silverlake Road, and west of Campbell Avenue. Subarea 4 contains a mixture of uses. The Greater South Park Area Subarea 4 has been transitioning to a more commercial and industrial use area. The western portion of this subarea along Campbell Avenue is within the Erosion Review Zone. Consideration is given to the compatibility of the more intense uses with existing residential uses in the form of restricted hours of operation, screened or covered storage, noise buffers, additional landscaping, and special air pollution controls. Additionally, all development proposed within the Erosion Review Zone must adhere to the regulations specified in the flood plain ordinance.

According to Mr. Manny Padilla, Planner with the City of Tucson Development Services Department, the subject property could potentially be re-zoned to commercial or industrial uses in conformance with the Greater South Park Area Plan, specifically the subject can be re-zoned up to I-2 for industrial uses or up to C-2 for commercial uses. This was confirmed by a memo from Mr. John Beall, Principal Planner with the City of Tucson, who confirmed the subject could potentially be re-zoned to a commercial or industrial use in conformance with the Greater South Park Area Plan.

MARKET PROFILE:

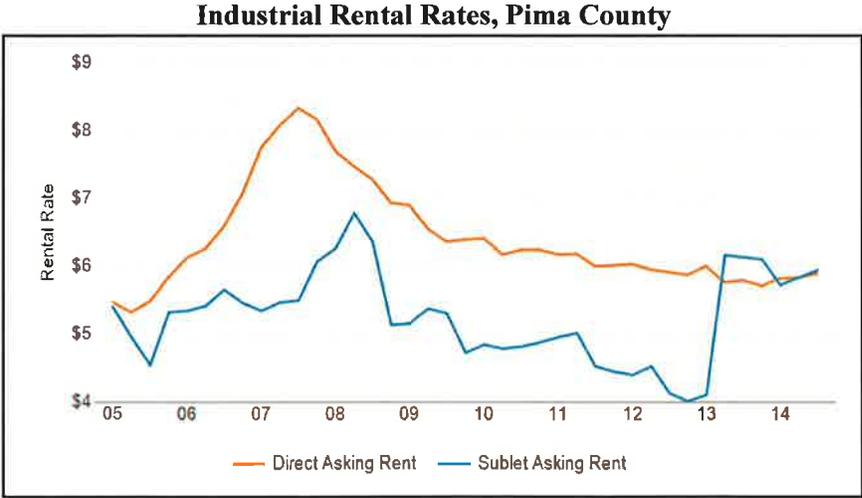
The subject property contains vacant land with 45,891.1 square feet of area, according to the land survey provided by the client. The topography of the site is mostly level. The property is not flood prone. The subject property has frontage on 22nd Street, Kino Parkway, and Cherry Avenue. Direct access to the property will be from Cherry Avenue. There will not be any direct access from 22nd Street or Kino Parkway

Industrial Statistics:

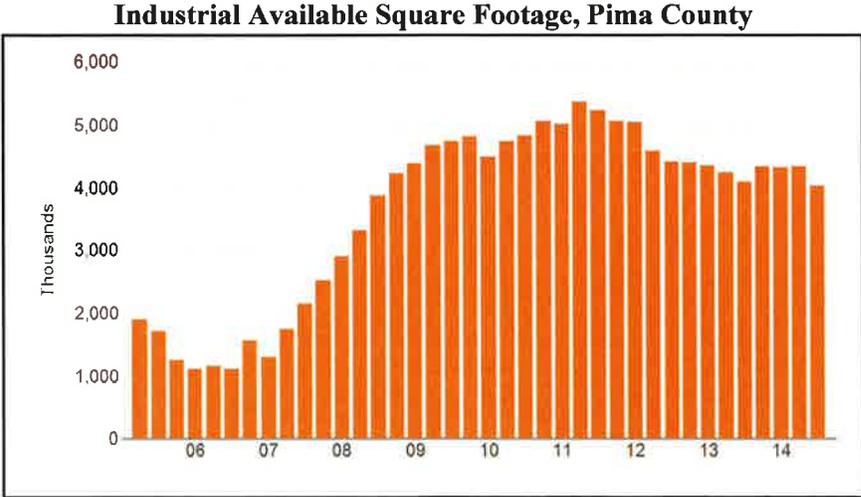
The following is the vacancy rate for industrial properties in Pima County. This data indicates that the vacancy rate for industrial properties in the Tucson market has increased since 2007, according to CoStar. The vacancy rate peaked in mid 2012. Since the peak, the vacancy rate has declined gradually through 2014, but remains significantly above 2007 vacancy levels.



The following is the average rental rate for industrial properties in Pima County, according to CoStar. This data indicates that the average rental rate peaked in the First Quarter 2008, then declined sharply through 2009. While the rental rates have continued to decline since that time, the decline has been much more gradual through the 2014 and appears to have stabilized.

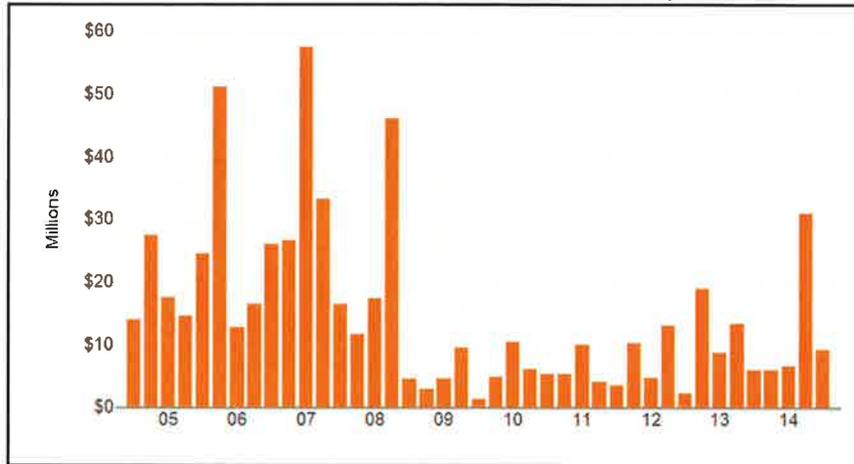


According to CoStar, there has been a significant increase in the amount of industrial space available for lease in Pima County. The amount of industrial space available for lease has increased since 2006, then remained relatively stable from the beginning of 2009 through 2014. These results are significantly higher than the amount of available space in 2006. This indicates that there is an oversupply of available industrial space. As market conditions improve, this space will begin to be absorbed.



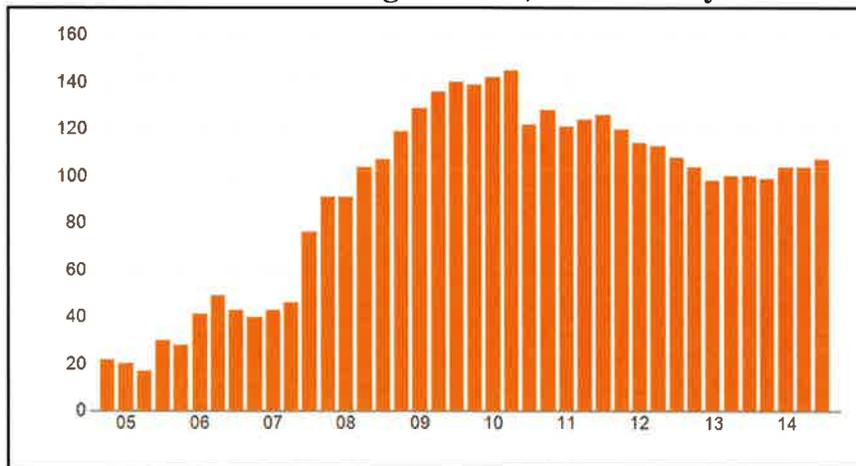
According to CoStar, there has been a decrease in the amount of industrial sales volume in Pima County since the peak in 2007. The decline began to stabilize in 2009 and has remained relatively stable through 2014 with a few quarters of increased volume in 2013 and 2014.

Industrial Sales Volume, Pima County

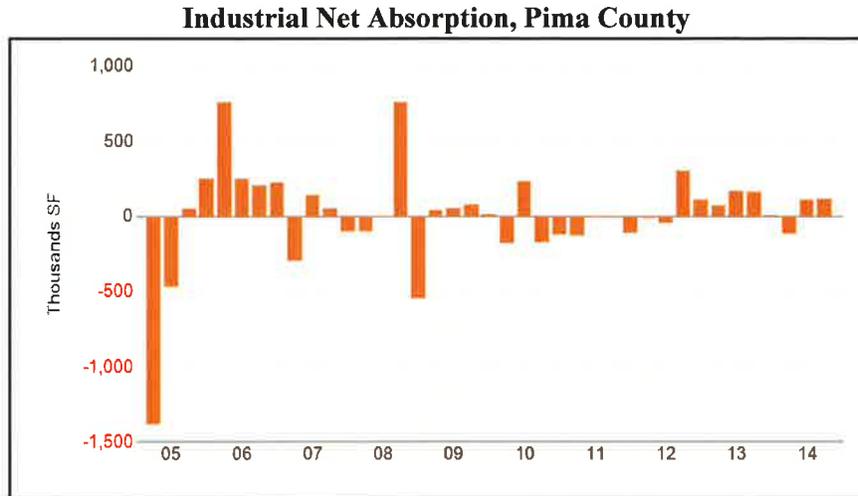


There has been an increase in the number of industrial listings for sale in Pima County since the low point in 2007. Although the number of listings has remained fairly stable since 2009, with a slight decline starting in 2012 through 2014. There is an oversupply of available industrial space.

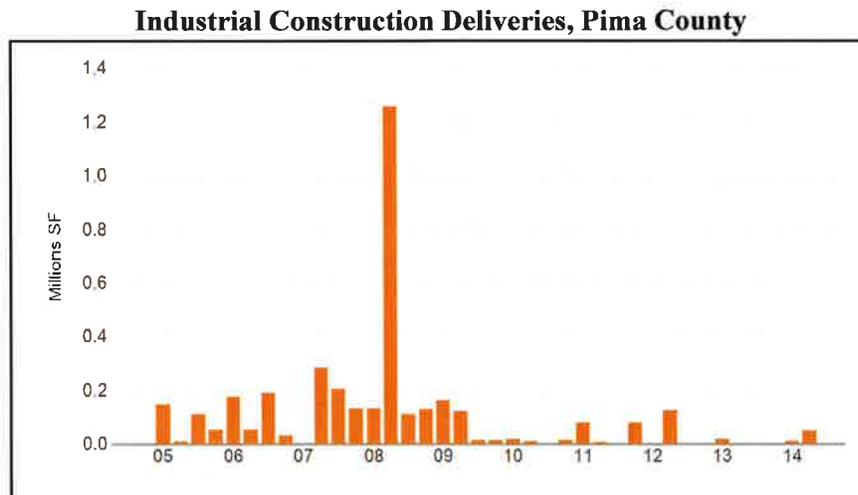
Industrial Listings for Sale, Pima County



The following is the net absorption for industrial properties in Pima County. This indicates that there has been a mix of net positive and net negative absorption in Pima County since 2006. Eight of the last nine quarters have seen a small net positive absorption rate.

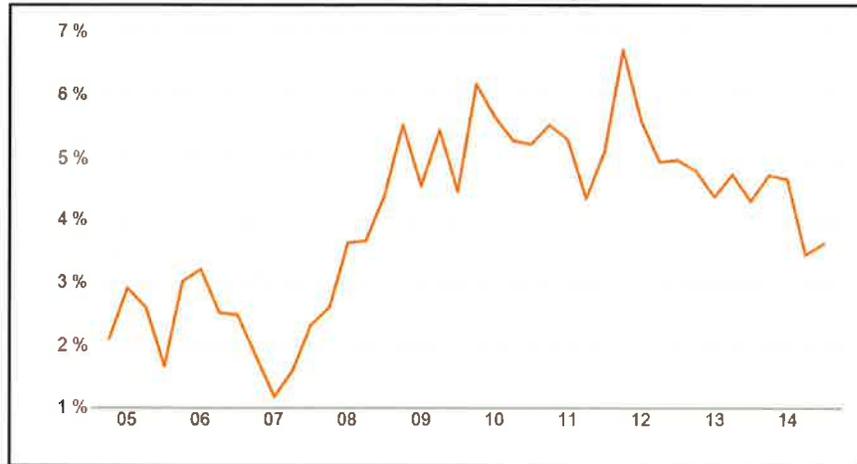


There has been a significant decrease in new industrial construction deliveries since 2008. There has been limited industrial construction since 2009. As market conditions improve and the oversupply of available industrial properties is absorbed, new construction will increase, however this is not projected to occur for at least several years.



The following is the vacancy rate for industrial properties in the subject sector, according to Costar. This data indicates that the vacancy rate climbed significantly since the low point in mid 2007. The vacancy rate in the subject neighborhood peaked in 2012. While vacancy rates in the sector have declined, vacancy rate remains well above 2007 levels through 2014.

Industrial Vacancy Rate, Subject Sector



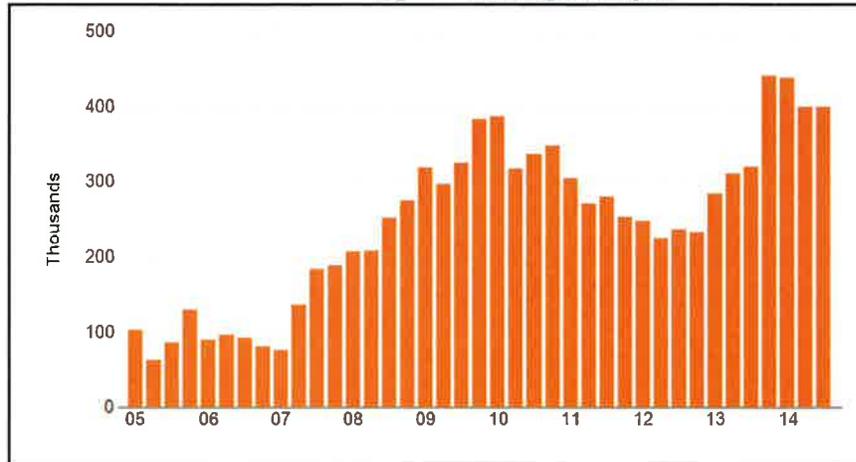
The following is the average rental rate for industrial properties in the subject sector, according to Costar. This indicates that the average rental peaked at the end of 2008, before gradually declining until the low point in mid 2012. The results since 2012 have remained relatively stable.

Industrial Rental Rates, Subject Sector



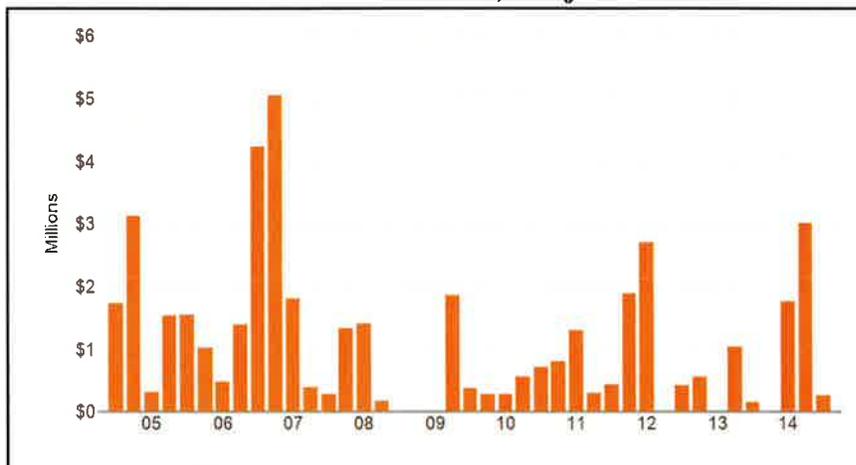
The following is the industrial space available for lease in the subject sector, according to CoStar. This data indicates that available space remains high, similar to the overall Pima County market. There is currently an oversupply of available industrial space.

Industrial Available Square Footage, Subject Sector



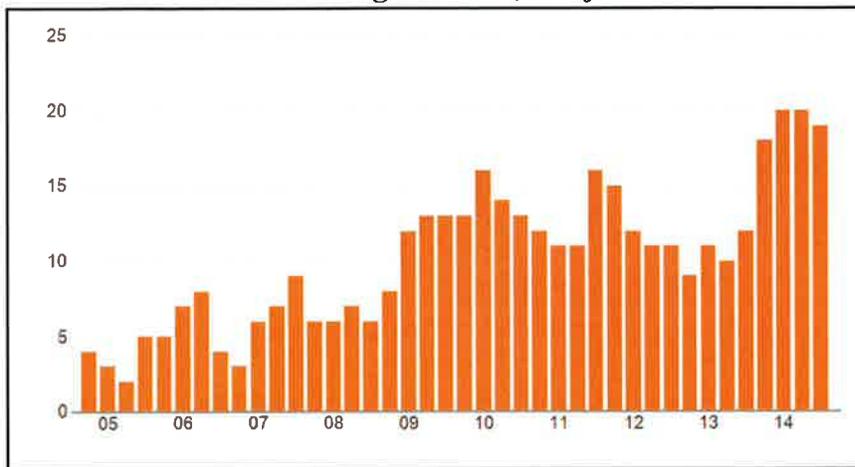
According to CoStar, there has been limited Industrial Sales Volume in the subject neighborhood since 2007, with a few quarters of increased activity.

Industrial Sales Volume, Subject Sector



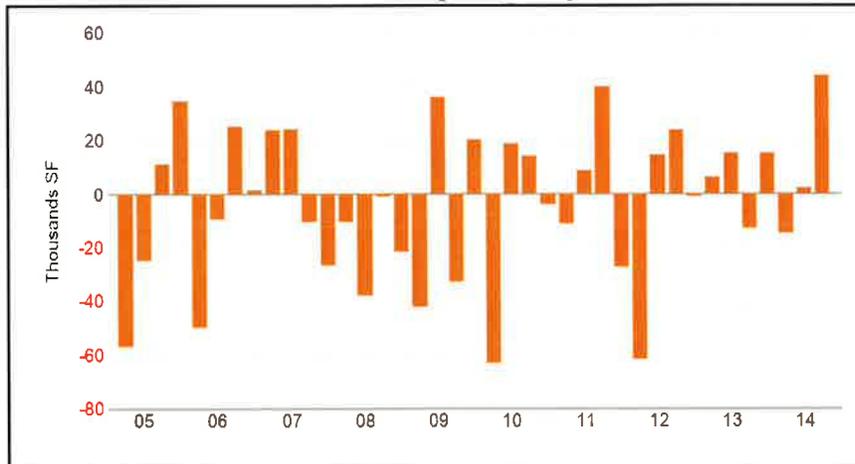
The following is the number of industrial listings for sale in the subject sector according to Costar. The number of listings has increased since the bottom level in 2005, with a larger increase in listings occurring in 2014.

Industrial Listings for Sale, Subject Sector



The following is the net absorption for industrial properties in the subject sector, according to Costar. This indicates that there has been a mix of net positive and net negative absorption in the subject neighborhood market since 2005. Five of the last Seven quarters have seen a net positive absorption rate.

Industrial Net Absorption, Subject Sector



There was no industrial space under construction in the subject sector since 2011, according to Costar. Like the overall Tucson market, as market conditions improve and the oversupply of available industrial properties is absorbed, new construction will increase.

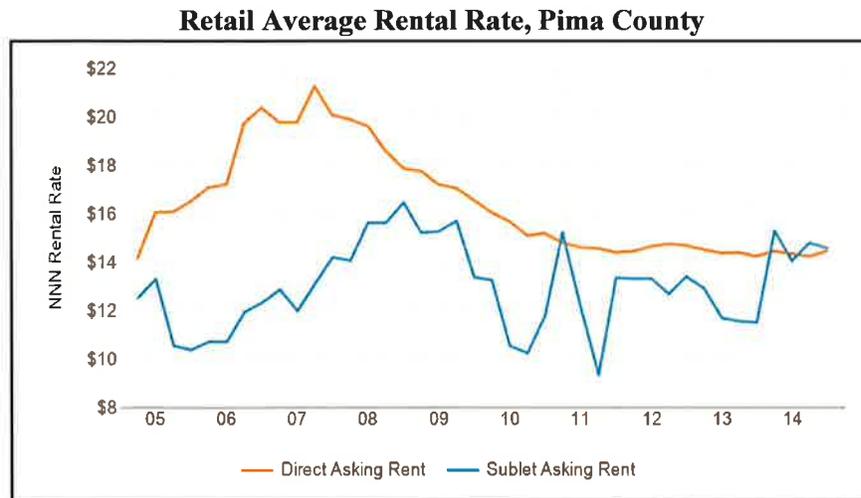


Retail Statistics:

The following is the vacancy rate for retail properties in Pima County. This data indicates that the vacancy rates for retail properties in the Tucson market have increased since 2005, according to CoStar. The vacancy rate peaked in second quarter of 2012. The vacancy rate has declined slightly, but remains significantly above 2007 vacancy levels.

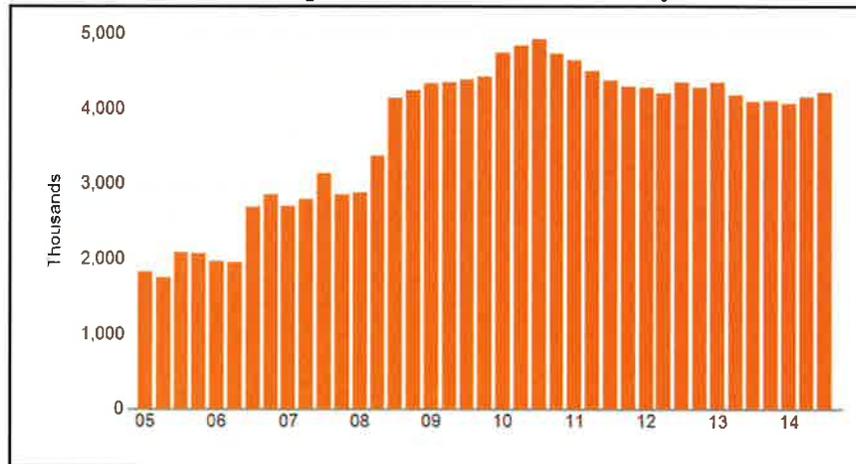


The following is the average rental rate for retail properties in Pima County, according to CoStar. This data indicates that the average rental rate peaked in the fourth quarter 2007 and has steadily declined since that time. Since 2012, rental rates have remained relatively stable.



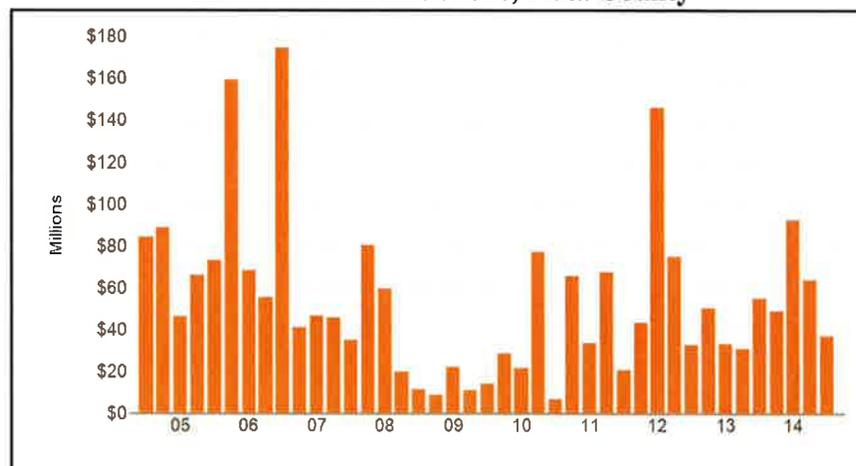
According to CoStar, there has been a significant increase in the amount of retail space available for lease in Pima County. The amount of retail space available for lease has increased since 2006, then remained relatively stable from the beginning of 2011 through 2014, but significantly higher than the amount of available space in 2006 through 2008. This indicates that there is an oversupply of available retail space. As market conditions improve, this space will begin to be absorbed.

Retail Space For Lease, Pima County



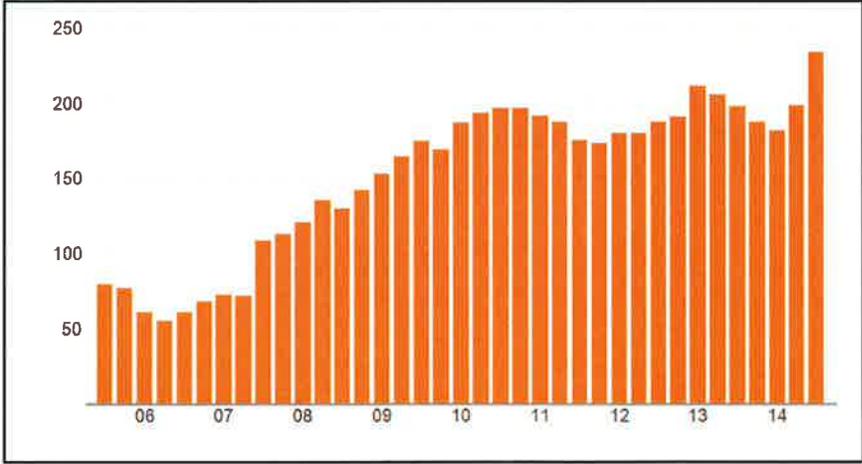
According to CoStar, there has been a decrease in the amount of retail sales transactions in Pima County since the peak in late 2006. The decline began to stabilize in 2010, and has remained relatively stable through 2014, with a few quarters of increased activity.

Retail Sales Transactions, Pima County



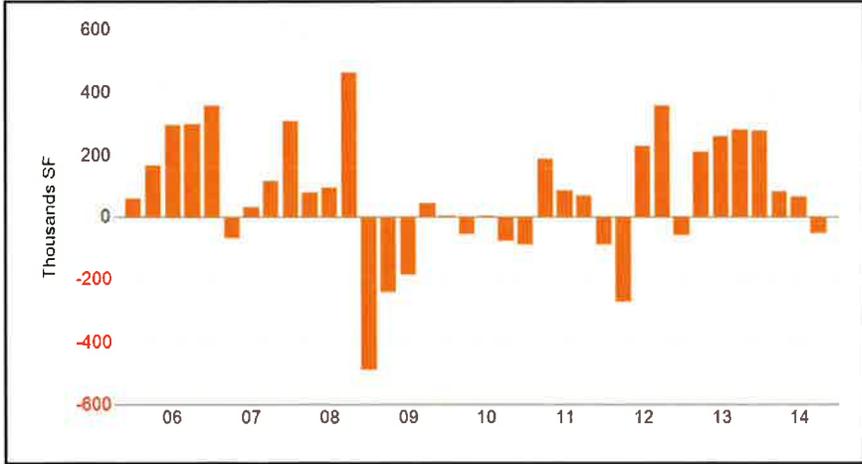
There has also been an increase in the amount of retail space available for sale in Pima County, according to Costar. Although the amount of available space has remained fairly stable from the 2011 through 2014, with a jump in the last quarter of 2014, there is an oversupply of available industrial space.

Retail Listings For Sale, Pima County



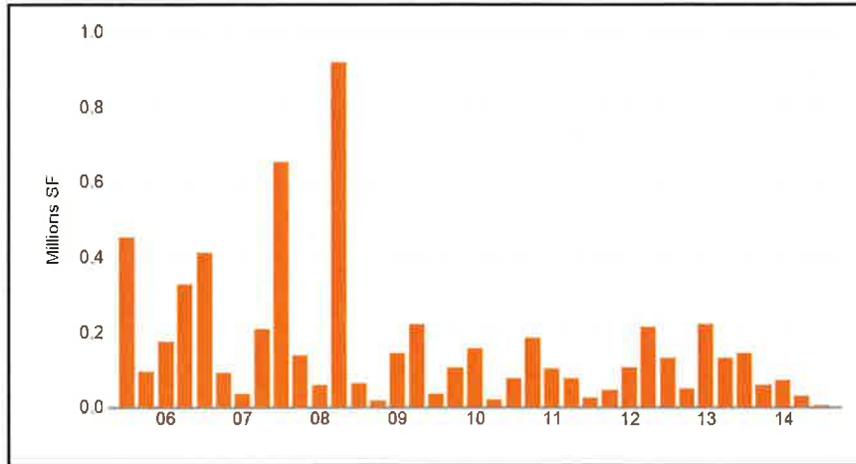
The following is the net absorption for retail properties in Pima County, according to Costar. This indicates that there has been a mix of net positive and net negative absorption in the Tucson market since 2006. There has been a net positive absorption for six out of the last quarters going back from the end of 2014.

Retail Net Absorption, Pima County



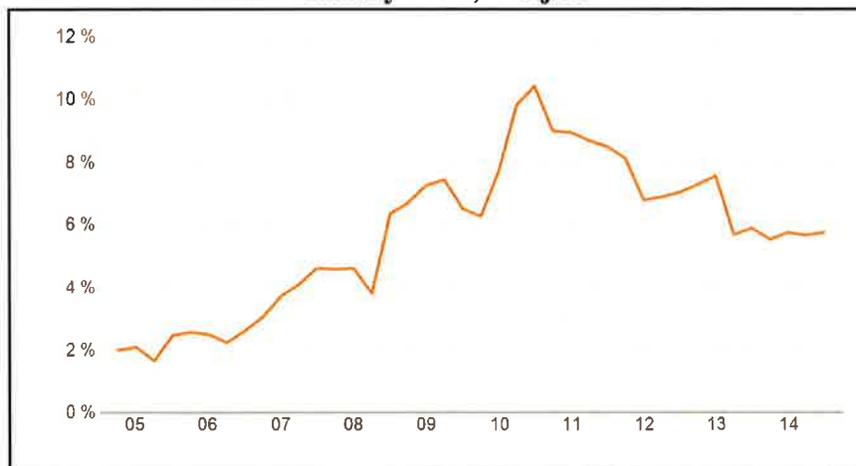
There has been a significant decrease in retail construction deliveries since 2008, according to Costar. As market conditions improve and the oversupply of available retail properties is absorbed, new construction will increase, however this is not projected to occur for at least several years.

Retail Construction Deliveries, Pima County



The following is the vacancy rate for retail properties in the subject sector, South Tucson Retail, according to Costar. This data indicates that the vacancy rate peaked in the fourth quarter 2010, followed by a sharp drop immediately after the peak. The vacancy rate stabilized beginning around mid 2013 and remained stable through 2014.

Retail Vacancy Rate, Subject Sector



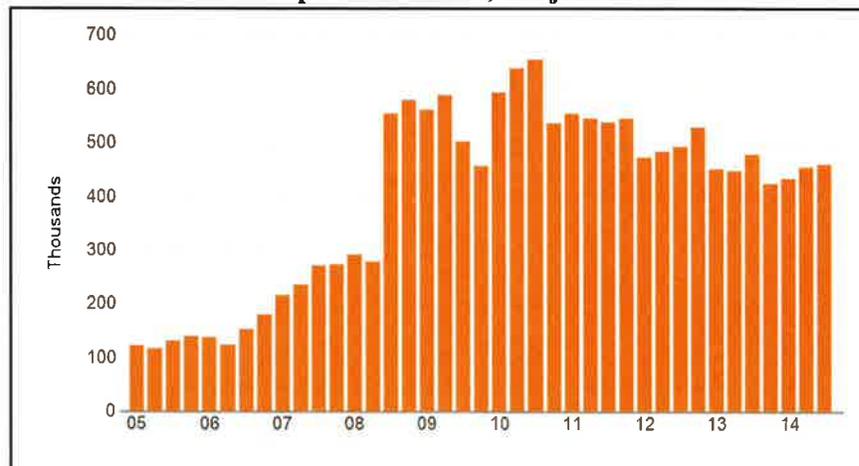
The following is the average rental rate for retail properties in the subject sector, according to Costar. This indicates that the average rental rate increased from 2005 to the peak in the third quarter of 2007. Rental rates then dropped after that time through late 2010. Rates have remained relatively stable since that time, with a slight upward trend.

Retail Average Rental Rate, Subject Sector



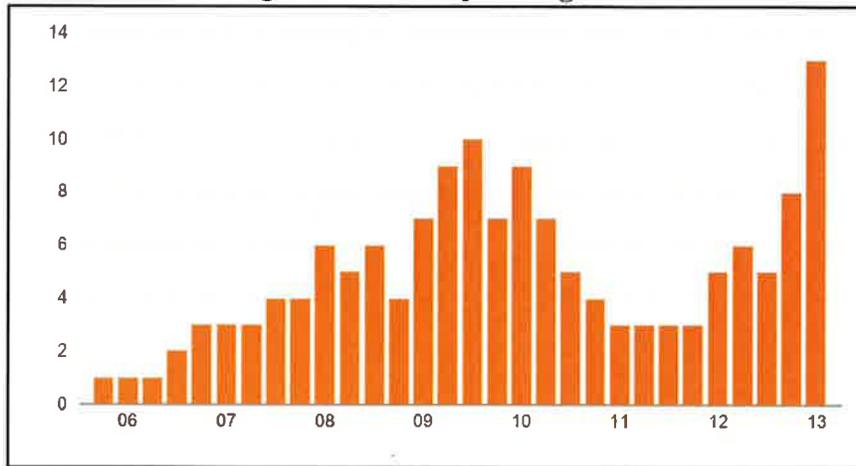
The following is the retail space available for lease in the subject sector, according to CoStar. This data indicates that available space remains high, similar to the overall Tucson market. There is currently an oversupply of available retail space. There was a significant increase in available retail space from the end of 2008 through 2014, with a slight downward trend.

Retail Space For Lease, Subject Sector



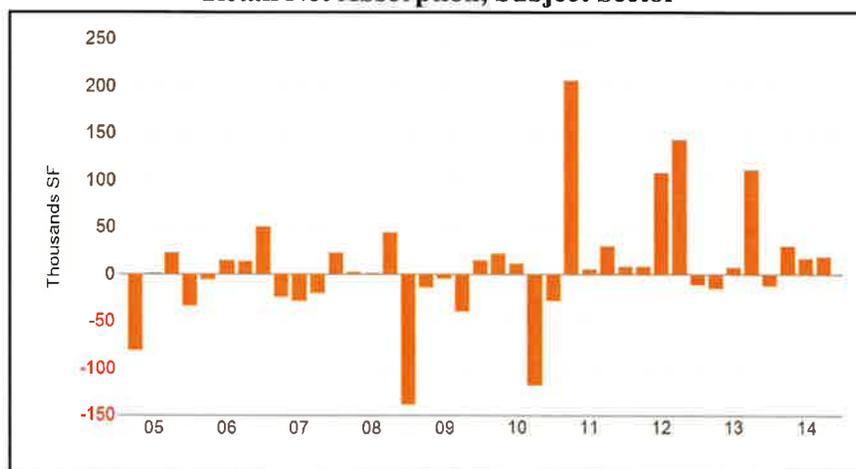
There has also been an increase in the amount of retail space available for sale in the subject sector compared to 2006 levels, according to Costar. There was an increase in listings from 2007, peaking in late 2009, followed by a decline that stabilized in 2011. Beginning in 2012, there was an increase in with continued. Overall, the subject sector has limited amount of listings, and as with the overall Tucson market, there is still an oversupply of available retail space.

Retail Listings For Sale, Subject Neighborhood

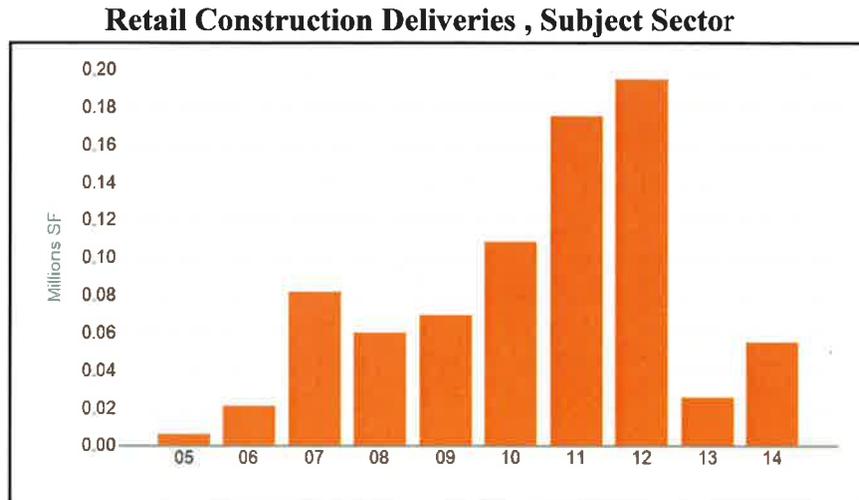


The following is the net absorption for retail properties in the subject sector, according to Costar. This indicates that there has been a mix of net positive and net negative absorption in the subject sector, similar to the overall Tucson market.

Retail Net Absorption, Subject Sector



There has been limited retail construction deliveries in the subject sector starting in 2013 through 2014, according to Costar. Like the overall Tucson market, as market conditions improve and the oversupply of available industrial properties is absorbed, new construction will increase.



The following information discusses the general state of the real estate market conditions. The first section will show the decline in land values over the past several years as a result of the downturn in the economy.

The following land sales demonstrate declining prices as a result of the current market conditions when paired. The sales are as follows:

1. A 63,188 square foot parcel of land sold on March 1, 2006 for \$1,850,000, or \$29.28 per square foot. This property is located at the northeast corner of Tangerine Road and Thornydale Road. This property is a pad at the corner of Tangerine and Thornydale in an anchored shopping center. The property was purchased for development of a Wells Fargo bank branch building that was not developed. This property sold in March 2012 for \$460,000. According to the broker, the property sold approximately 5% below market for a quick sale before the end of the quarter. Based on a market price of \$485,000 (5% higher than \$460,000), this reflects a decline in prices of 73.7%.
2. A 169,600 square foot parcel of land is located on the west side of Highway Drive and the south side of Wetmore Road. This property is zoned CI-2 and is irregular in shape. This land sold in October 2004 for \$550,000, or \$3.24 per

square foot. This property resold in November 2012 for \$200,000, or \$1.18 per square foot. This reflects a 74% decline between the two dates of value.

3. An MU zoned lot on Desert Gold Place in Shamrock Business Park contains 29,420 square feet of land area. This lot sold in November 2006 for \$129,448. This lot resold in April 2013 for \$100,000, indicating a decline of 23%. The decline from the peak of the market is likely greater as prices increased from late 2006 through the end of 2007.
4. An O-3 zoned parcel of land containing 87,512 square feet is located east of Swan Road, north of Fort Lowell. This land sold in February 2006 for \$1,000,000. The bank acquired this property through a deed in lieu of foreclosure in May 2011. The bank sold this property in June 2013 for \$366,500. This indicates a decline of 63% between the two dates of sale.
5. An LI zoned parcel of land containing 65,340 square feet of land is located on Travel Center Drive. This is a finished pad with some visibility from I-10. This land sold in June 2007 for \$514,559 and resold in July 2013 for \$400,000. This indicates a decline of 22% between the two sale dates.
6. A C-2 zoned parcel of land is located on the north side of Speedway, west of Wilmot. This parcel has a net usable size of 88,209 square feet of land. The property sold in January 2008 for \$1,800,000 and resold in March 2014 for \$1,300,000. This indicates a decline of 28%.

The previously described paired sales indicate a range of decline in prices from 22% to 74%. Comments from market participants indicate that the decline is a result of the current economic conditions, a lack of demand, and a lack of available financing.

B. Decline in Improved Commercial and Industrial Property Prices

The following paired sales of commercial and industrial buildings indicate declining prices as a result of the current market conditions. The sales are as follows:

7. An office building with high-end finishes containing 2,819 square feet is located on the north side of Skyline Drive south of Pima Canyon Drive. This property sold in September 2007 for \$900,000. This property resold in February 2012 for \$710,000, indicating a decline of 21% for this type of property.
8. An office building contains four tenant spaces in 2,980 square feet of building area. This property is located on the north side of Prince Road, west of Campbell Avenue. This building sold in April 2005 for \$400,000. This property resold in March 2012 for \$190,000, indicating a decline of 53%.
9. A 3,220 square foot retail building on Speedway Boulevard sold on August 3, 2012 for \$240,000, or \$74.53 per square foot. This property consists of a typical

retail layout with mostly open retail space with a few offices in the rear. This property previously sold in August 2007 for \$430,000, or \$133.54 per square foot. This indicates a decline of 44%.

10. A 3,668 office condominium previously sold in December 2009 for \$875,000, or \$238.55 per square foot. This office is located on Kolb Road and was constructed in 2002. This was a typical office layout with offices, open work area, break room, and conference room. This property resold in August 2012 for \$690,000 or \$188.11 per square foot. This indicates a decline of 21% between the two dates of sales.
11. An office condominium containing 2,015 square feet is located on 1st Avenue. This property sold on November 15, 2012 for \$275,000, or \$136.48 per square foot. This property previously sold in July 2007 for \$483,600, or \$240.00 per square foot. This indicates a decline of 43% between the two dates of sale.
12. An industrial building on Huachuca Drive contains 24,920 square feet of building area and was built in 1977. This building sold in August 2007 for \$1,775,000. This building resold in April 2013 for \$1,170,000, indicating a decline of 35% between the two sale dates.
13. An office building is located in Plaza Campana Condominiums. This building is on Oracle Road and was built in 2002. This building sold in July 2008 for \$603,245 and resold in April 2013 for \$346,545. This indicates a decline of 43% between the two dates of sale.
14. An industrial building at Pennsylvania and Santa Rita contains 38,988 square feet of building area and was built in 1978. This building sold in March 2006 for \$4,821,684. This building resold in May 2012 for \$2,025,000, indicating a decline of 58% between the two dates of sale.
15. There is an office building on 7th Avenue that contains 7,627 square feet of building area. This building sold in May 2006 for \$855,000 and resold in April 2013 for \$475,000. This indicates a decline of 44% between the two sale dates.

The previously described paired sales indicate a range of decline in prices from 21% to 58% percent. Comments from market participants indicate that the decline is a result of the current economic conditions, a lack of demand, and a lack of available financing.

Overall, the commercial and industrial real estate markets have eroded due to a weak economy, employment cutbacks and tight credit that adversely affects tenants, owners and investors. The weakened supply and demand fundamentals have resulted in declining values due to rising capitalization rates and shortages of capital. However, there are indications that market conditions for many types of commercial property have started to stabilize since 2012. In the short term, limited growth and stable values are projected for Tucson over the next

several years. 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 the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon 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.

HIGHEST AND BEST USE:

The 5th edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010), defines highest and best use as follows:

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to the user and timing of the use - that is adequately supported and results in the highest present value.”

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

1. *The Dictionary of Real Estate Appraisal* (Chicago: Appraisal Institute, Fifth Edition, 2010), p. 121

2. *Ibid*, p. 73

HIGHEST AND BEST USE, AS VACANT:

The subject site is an irregular L-shaped property and is located on the north side of 22nd Street, between Kino Parkway and Cherry Avenue. The site is vacant land containing 45,891.1 square feet (1.054 acres). Vehicular access to the site is available from Cherry Avenue. The site is mostly level, sloping in a southerly direction. The property is not flood prone.

The City of Tucson is planning a roadway improvement project in the area of the subject property, which is currently under construction. Upon completion of the project, the subject property will have frontage on the northbound Kino Parkway on-ramp, 22nd Street, and Cherry Avenue. Access to the property will be from Cherry Avenue only. The site will not have access from 22nd Street or from Kino Parkway. The market would recognize that these planned improvements will occur and how they would impact the subject property. The subject property is being appraised under the *hypothetical condition* as if this roadway project has already been completed in the manner in which it has been proposed. If it is determined at a future date that the plans for the roadway project as proposed are revised, then the value of the subject property concluded in this appraisal is subject to modification. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

The site is within the jurisdiction of the City of Tucson and is zoned R-2 (residential), C-1 (commercial), and C-3 (commercial). It is located in the Greater South Park Area Plan which allows for commercial and industrial uses. According to Mr. Manny Padilla, Planner with the City of Tucson Development Services Department, the subject property could potentially be re-zoned to commercial or industrial uses in conformance with the Greater South Park Area Plan, specifically the subject can be re-zoned to I-1 for light industrial uses or C-2 for commercial uses.

The highest and best use of a property must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible, and maximally productive. These criteria are usually considered in order; however, the four criteria interact and may be considered together.

Legally Permissible.

The current portion of the subject zoned R-2 allows for medium density, single-family and multi-family residential development, together with schools, parks, and other public services necessary for an urban residential environment.

The current portion of the subject zoned C-1 allows for low-intensity commercial and other uses that are compatible with adjacent residential uses. Residential and other related uses are permitted.

The current portion of the subject zoned C-3 allows for mid-rise development of general commercial uses that serve the community and region, located downtown or in other major activity center areas. Residential and other related uses are also permitted .

The subject property is located in Subarea 4 of the Greater South Park Area Plan, which allows for commercial and industrial uses. According to a memo from Mr. John Beall, Principal Planner with the City of Tucson Development Services Department, the subject property could potentially be re-zoned to commercial or light industrial uses in conformance with the Greater South Park Area Plan. This was confirmed in a discussion with Mr. Manny Padilla with the City of Tucson Development Services Department.

Physically Possible Use.

The physically possible use of the site is dictated by the size, shape, and utility of the property. The subject site is irregular in shape and contains 45,891 square feet (1.054 acres) of vacant land. The City of Tucson has plans for roadway improvements in the area of the subject property. Upon completion of the planned roadway improvements, the subject will have frontage on 22nd Street, the Kino Parkway northbound on-ramp, and Cherry Avenue. Access to the subject will be Cherry Avenue only. The subject property will not have access from 22nd Street or from Kino Parkway. Potential buildings on the subject site will have some visibility from northbound Kino Parkway; however, these views will be limited as Kino Parkway will be elevated above the subject property.

Therefore, based on the overall shape of the site, the physically possible uses of the site are considered to be those uses that can be developed on an approximate one acre lot. These uses include smaller size commercial uses and/or light industrial uses.

Financially Feasible and Maximally Productive Use.

The subject site has been analyzed for potential commercial and industrial uses. The general area where the subject is located includes a mix of older commercial, industrial, and residential uses. Twenty-Second Street in the area of the subject is mostly developed but there is land available for further development. The development of 22nd Street has been slow due to 22nd Street being used for vehicular traffic that is destination-oriented to employment centers. The area has had limited new development over the past several years.

Based on market conditions, the highest and best use of the subject is for land investment with future development of a commercial or industrial use. From among those uses which are legally permissible and physically possible, one dominant use emerges as being most marketable. That use is for land investment for the near term until market conditions and neighborhood conditions dictate a need for new development of a commercial or industrial use.

PART IV - SUMMARY OF ANALYSIS AND VALUATION

Sales Comparison Approach.

In arriving at the market value of the subject land, the ***sales comparison approach*** has been utilized for the subject property. It is based on the theory of substitution: a purchaser will not pay more for one property than the cost of acquiring a similar property. Thus, sales of competitive properties have been compared to the subject property and adjusted for differences.

Table of Land Comparables

Sale No.	Sale Date	Property Location	Sale Price	Land Size (Sq. Ft)	Price Per Sq. Ft.	Zoning
1.	10/12	Northeast corner of Grant and Fairview	\$70,000	21,940	\$3.19	C-2
2.	07/13	Southwest corner of Kleindale and Alvernon	\$96,000	15,290	\$6.28	MU
3.	9/13	Southwest corner of Oracle and Lester	\$150,000	28,000	\$5.36	C-2
4.	12/13	South side of 14 th , between Kino and Campbell	\$78,000	38,193	\$2.04	R-2
5.	Escrow	Southeast corner of Oracle and Blacklidge	\$725,000	174,240	\$4.16	C-2/O-3
Subject Property				45,891		R-2/ C-1/ C-3*
* Potential rezoning to I-1 or C-2						

COMPARABLE SALES ADJUSTMENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Sale Date		10/2012	07/2013	9/2013	12/2013	Escrow
Site Size (Sq. Ft.)	45,891	21,940	15,290	28,000	38,193	174,240
Zoning	R-2*/C-1/C-3	C-2	MU	C-2	R-2	C-2/O-3
Utility	Fair/Avg	Inferior	Superior	Superior	Inferior	Superior
Sale Price		\$70,000	\$96,000	\$150,000	\$78,000	\$725,000
Price per Sq. Ft.		\$3.19	\$6.28	\$5.36	\$2.04	\$4.16

*Potential rezoning up to C-2, I-1

Summary of Adjustments

Unadjusted Price / Sq. Ft.	\$3.19	\$6.28	\$5.36	\$2.04	\$4.16
Property Rights	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Price	\$3.19	\$6.28	\$5.36	\$2.04	\$4.16
Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Price	\$3.19	\$6.28	\$5.36	\$2.04	\$4.16
Conditions of Sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>15%</u>	<u>-10%</u>
Adjusted Price	\$3.19	\$6.28	\$5.36	\$2.35	\$3.74
Date/Market Conditions	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Price	\$3.19	\$6.28	\$5.36	\$2.35	\$3.74
Physical Adjustments (%)					
Location/Exposure	0	-10	0	10	0
Zoning	-15	-10	-15	0	-5
Site Size	-5	-5	0	0	15
Site Utility	<u>25</u>	<u>-10</u>	<u>-20</u>	<u>35</u>	<u>-20</u>
Net Adjustment	5	-35%	-35%	45%	-10%
Indicated Value / Sq. Ft.	\$3.35	\$4.08	\$3.48	\$3.41	\$3.37

Market Sales Analyses:

Five sales of similar land were analyzed on the basis of price per square foot. This is the sale price divided by the square footage of the site. Sales prices range from \$2.04 to \$6.28 per sq. ft. before adjustment. The reflected adjustments have been indicated in the adjustment grid on the previous page. 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 indicated no adjustment for market conditions. Market data indicates that there was no change in prices between the date of this sale and the date of value.

Physical adjustments include a downward adjustment warranted for zoning as this sale does not need to be re-zoned, which is needed for the subject. There is a downward adjustment required for site size as this property is smaller than the subject property. Smaller properties tend to sell for more on a per square foot basis than larger properties, all else being equal. There is an upward adjustment for site utility warranted as this sale required drainage improvements in order to make the land suitable for development, this is partially offset by the more regular shape and superior access compared to the subject. Overall, this sale price is adjusted upward in comparison to the subject.

Comparable Sale Two indicated no adjustment for market conditions. Market data indicates that there was no change in prices between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for location as this property is located in an area with greater demand than the subject property. A downward adjustment is warranted for zoning as this sale does not need to be re-zoned, which is needed for the subject. There is a downward adjustment required for site size as this property is smaller than the subject property. Smaller properties tend to sell for more on a per square foot basis than larger properties, all else being equal. There is a downward adjustment for site utility required as this sale is more regular in shape compared to the subject property. Overall, this sale price is adjusted downward in comparison to the subject.

Comparable Sale Three indicated no adjustment for market conditions. Market data indicates that there was no change in prices between the date of this sale and the date of value.

Physical adjustments include a downward adjustment is for zoning as this property does not need to be re-zoned, which is needed for the subject. There is a downward adjustment for site utility required as this sale has direct access to a major street, compared to the subject property which does not have direct access to a major roadway and is more regular in shape compared to the subject property. Overall, this sale price is adjusted downward in comparison to the subject.

Comparable Sale Four indicated no adjustment for market conditions. Market data indicates that there was no change in prices between the date of this sale and the date of value. A conditions of sale adjustment was required as the listing broker indicated that this sale may have sold for slightly below market value due to a short marketing period in an auction.

Physical adjustments include an upward adjustment for location/exposure as this site is located in an area with less demand than the subject property. There is an upward adjustment for site utility warranted as this sale is more flood prone with required site work costs, and is more irregular in shape than the subject property. Overall, this sale price is adjusted upward in comparison to the subject.

Comparable Sale Five indicated no adjustment for market conditions. Market data indicates that there was no change in prices between the date of this sale and the date of value. A downward conditions of sale adjustment was required as the listing broker indicated that this property entered escrow with a selling price slightly below the list price.

Physical adjustments a downward adjustment for zoning as this property does not need to be re-zoned, which is needed for the subject. An upward adjustment required for site size as this property is larger than the subject property. Larger properties tend to sell for less on a per square foot basis than smaller properties, all else being equal. There is a downward adjustment for site utility required as this sale has direct access to a major street, compared to the subject property which does not have direct access to a major roadway and is more regular in shape compared to the subject property. Overall, this sale price is adjusted downward in comparison to the subject.

Direct Sales Comparison Summary.

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Adjusted Price Per Sq. Ft.	\$3.35	\$4.08	\$3.48	\$3.41	\$3.37

These five comparables indicate a price range of \$3.35 to \$4.08 per square foot after adjustment. All the sales are given equal weight as all the sales required similar amount of adjustments. After analyzing the comparable sales, the conclusion of market value of the subject property by the direct sales comparison approach, as of February 26, 2015, is \$3.50 per square foot, times 45,891 square feet, equaling \$160,619, rounded to \$161,000.

Market Value Conclusion.

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the estimated market value of the subject property, "as vacant," as of the effective date of the appraisal, February 26, 2015, is \$161,000.

ESTIMATED MARKET VALUE OF SUBJECT PROPERTY,
"AS VACANT," AS OF FEBRUARY 26, 2015:

ONE HUNDRED SIXTY ONE THOUSAND DOLLARS (\$161,000)

PART V - ASSUMPTIONS AND LIMITING CONDITIONS

1. **Type of Report.** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the 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.

PART VI - CERTIFICATION

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 February 26, 2015.
12. I have made a personal inspection of the property that is the subject of this report.

13. Our firm has appraised the subject property within three years prior to this assignment.
14. It is noted that Dan F. Orłowski assisted significantly with this report by performing the following tasks under the direction of the appraiser: Researched the subject and comparable sale information, assisted in comparable sale selection, inspected the subject property, provided analysis and value conclusion input based on research, and developed the report. The final analysis and value conclusion is that of Thomas A. Baker, MAI, SRA.
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

PART VII - EXHIBITS

Exhibit A	Legal Description
Exhibit B	Subject Map
Exhibit C	Zoning Map
Exhibit C.2	Re-zoning Memorandum
Exhibit D	Aerial Photograph
Exhibit E	Flood Plain Map
Exhibit E.2	Drainage Map
Exhibit F	Map of 22 nd Street Corridor Project
Exhibit G	Site Plan Overview
Exhibit H	Subject Photographs
Exhibit I	Comparable Sales Location Map
Exhibit J	Comparable Land Sales, Maps and Aerial Photographs
Exhibit K	Qualifications

EXHIBIT A - LEGAL DESCRIPTION

July 12, 2013
Psomas # 7AEC051501

EXHIBIT A

LEGAL DESCRIPTION NEW PARCEL WITH VACATED AND ABANDONED ALLEYS

A portion of Lot 7 and a portion of Lots 10-16 and a portion of the 10 foot wide alleys located within Block 26 of Montclair Addition as recorded in Book 2 of Maps and Plats at Page 33, records of Pima County, Arizona, located in Section 18, Township 14 South, Range 14 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

COMMENCING at the intersection of the monument line of Twenty Second Street and the centerline of Kino Boulevard, occupied by a 2" brass disk in a hand well, stamped "City of Tucson" and shown as Pt.# 27 per Book 59 of Records of Survey at Page 81, from which Pt.# 31, being a 2" brass disk in concrete, stamped "City of Tucson, RLS 29873", bears North 89 degrees 06 minutes 48 seconds East a distance of 503.96 feet (Basis of Bearing for this legal description);

THENCE upon said monument line, North 89 degrees 06 minutes 48 seconds East a distance of 180.04 feet to a point on the southerly prolongation of the west line of Lot 11 of said Block 26;

THENCE upon said prolonged line and the west line of said Lot 11, North 00 degrees 46 minutes 54 seconds West a distance of 132.60 feet to the **POINT OF BEGINNING**;

THENCE continue upon said west line, North 00 degrees 46 minutes 54 seconds West a distance of 52.04 feet to the southwest corner of Lot 10 of said Block 26;

THENCE upon the west line of said Lot 10, North 00 degrees 56 minutes 22 seconds West a distance of 67.57 feet;

THENCE North 89 degrees 11 minutes 32 seconds East a distance of 4.96 feet;

THENCE North 00 degrees 52 minutes 49 seconds West a distance of 38.39 feet to the south line of Lot 6 of said Block 26;

THENCE upon said south line, North 89 degrees 06 minutes 36 seconds East a distance of 145.24 feet to the southwest corner of Lot 3 of said Block 26;

THENCE South 00 degrees 49 minutes 50 seconds East a distance of 105.99 feet to the southwest corner of Lot 9 of said Block 26;

THENCE upon the south line of said Lot 9, North 89 degrees 06 minutes 40 seconds East a distance of 137.70 feet to the east line of said Block 26;

July 12, 2013
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THENCE upon said east line, South 00 degrees 45 minutes 26 seconds East a distance of 87.18 feet;

THENCE perpendicular to said east line, South 89 degrees 14 minutes 34 seconds West a distance of 11.50 feet;

THENCE parallel with and 11.50 feet west of said east line, South 00 degrees 45 minutes 26 seconds East a distance of 11.00 feet to a point of curvature of a tangent curve, concave northwesterly;

THENCE southwesterly upon the arc of said curve, to the right, having a radius of 10.00 feet and a central angle of 89 degrees 52 minutes 14 seconds for an arc distance of 15.69 feet;

THENCE parallel with and 76.50 north of the monument line of 22ND Street, South 89 degrees 06 minutes 48 seconds West a distance of 210.11 feet to a point of curvature of a tangent curve, concave northeasterly;

THENCE northwesterly upon the arc of said curve, to the right, having a radius of 56.00 feet and a central angle of 90 degrees 06 seconds 18 minutes for an arc distance of 88.07 feet to the **POINT OF BEGINNING**.

Containing an area of 45,891.1 square feet, or 1.054 acres of land, more or less.

RIGHT-OF-WAY TO BE VACATED AND ABANDONED BY THIS INSTRUMENT:

All that portion of the above described parcel lying within the alleys of Block 26 of Montclair Addition as recorded in Book 2 of Maps and Plats at Page 33, records of Pima County, Arizona.

SUBJECT To a perpetual non-exclusive easement for the maintenance, repair and replacement as necessary of existing communications facilities, including the right of ingress/egress thereto, in favor of Century Link Communications, in, on, under, over, across and through the former east-west alley, lying south of Lots 9 and 10 and north of Lots 11 through 16 of Block 26 of Montclair Addition as recorded in Book 2 of Maps and Plats at Page 33, records of Pima County, Arizona. Said easement, or portions thereof, may be fully extinguished and abandoned upon relocation of the existing facilities, or portions thereof, and recordation of Affidavit(s) signed by each entity with an interest in the particular parcel. Said Affidavit(s) must state the Affiant's interest in the parcel and that the affiant no longer owns facilities in the parcel area being extinguished and abandoned.

July 12, 2013
Psomas # 7AEC051501

AND RESERVING UNTO the City of Tucson a perpetual one foot no access easement parallel with and along the west lines, southwest curve, south lines, southeast curve and southeast corner angle point of the above described parcel and labeled as lines L2 through L5, L10 through L12 and curves C1 & C2 as shown in the attached exhibit.

See Exhibit B attached hereto and made a part hereof.

Prepared for and on behalf of:
Psomas



EXPIRES: 3/31/15

Ernest Gomez, AZ. R.L.S. 27739

EXHIBIT B - SUBJECT PLAT MAP

ASSESSOR'S RECORD MAP

71

BLOCK 26, MONTCLAIR

124-18
28/28



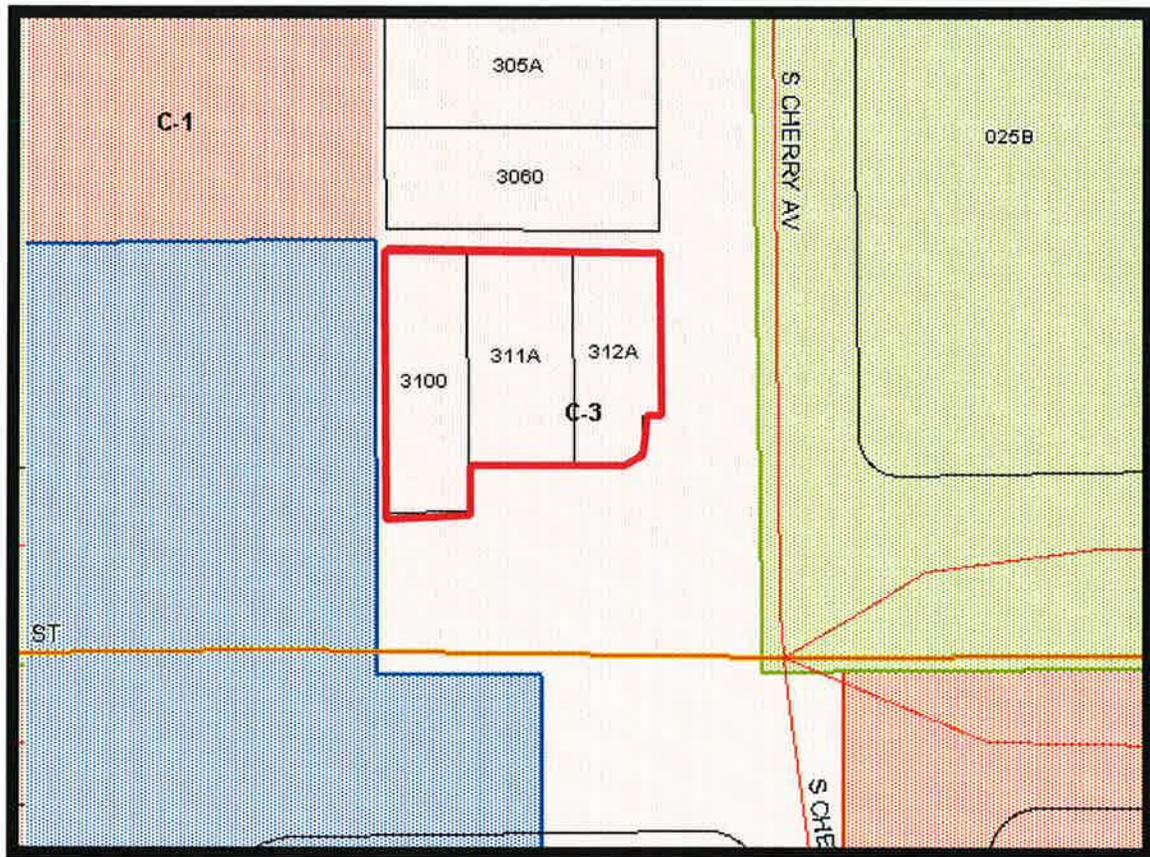
SCALE-1"=50'

SEE BOOK 2 PAGE 33B M & P.
2013-1

02093026

02093026

EXHIBIT C - ZONING MAP (City of Tucson)



Zoning - Tucson

C-1
C-2
C-3
HC-1
HC-2
HC-3
HNC
HO-1
HO-2
HO-3
HO-CR-2
HP
HR-1
HR-2
HR-3
HRX-1
HRX-2
HSR
I-1
I-2
MH-1

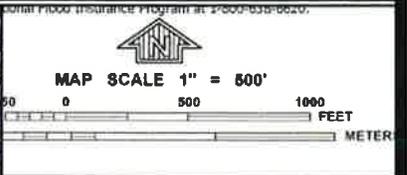
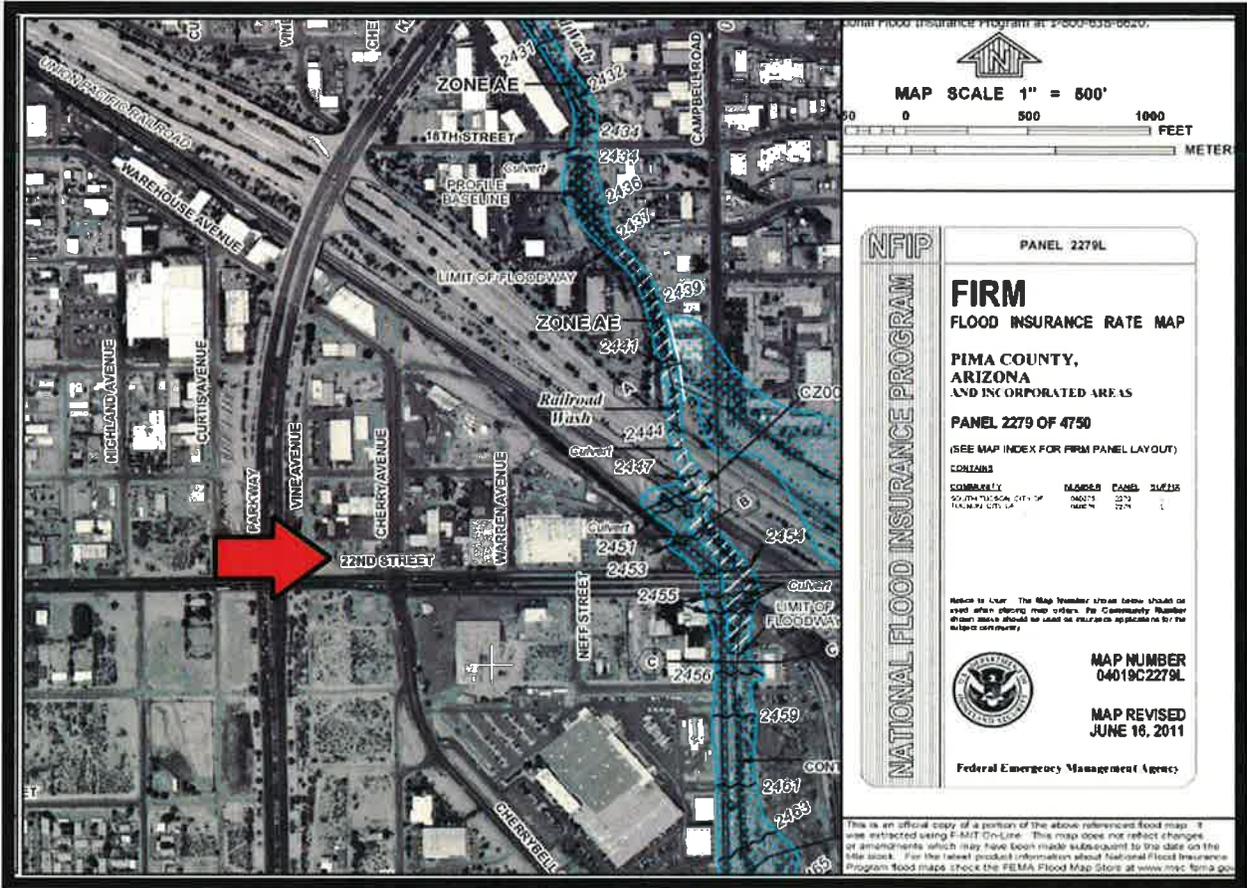
MH-2
MU
NR-1
NR-2
NR-3
O-1
O-2
O-3
OCR-1
OCR-2
OS
P
P-1
PAD-1
PAD-2
PAD-3
PAD-4
PAD-5
PAD-7
PAD-8
PAD-9

PAD-10
PAD-11
PAD-12
PAD-13
PAD-14
PAD-15
PAD-16
PAD-17
PAD-18
PAD-19
PAD-20
R-1
R-2
R-3
RH
RV
RX-1
RX-2
SH
SR

EXHIBIT D - AERIAL PHOTOGRAPH



EXHIBIT E - FLOODPLAIN MAP



NFIP PANEL 2279L

FIRM
 FLOOD INSURANCE RATE MAP

PIMA COUNTY,
 ARIZONA
 AND INCORPORATED AREAS

PANEL 2279 OF 4750
 (SEE MAP INDEX FOR FIRM PANEL LAYOUT)

COMMUNITY	COMMUNITY NUMBER	PANEL	DATE
SOUTH TULSA CITY OF	06073	2279	7/74
TULSA CITY OF	06074	2279	7/74

Notice to User: The Map Number shown below should be used when placing map orders. The Community Number shown above should be used on insurance applications for the relevant community.

MAP NUMBER
 04019C2279L
MAP REVISED
 JUNE 16, 2011
 Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using E-Map Online. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps, check the FEMA Flood Map Store at www.mfc.fema.gov.

EXHIBIT E.2 - PROPOSED CONDITIONS DRAINAGE MAP

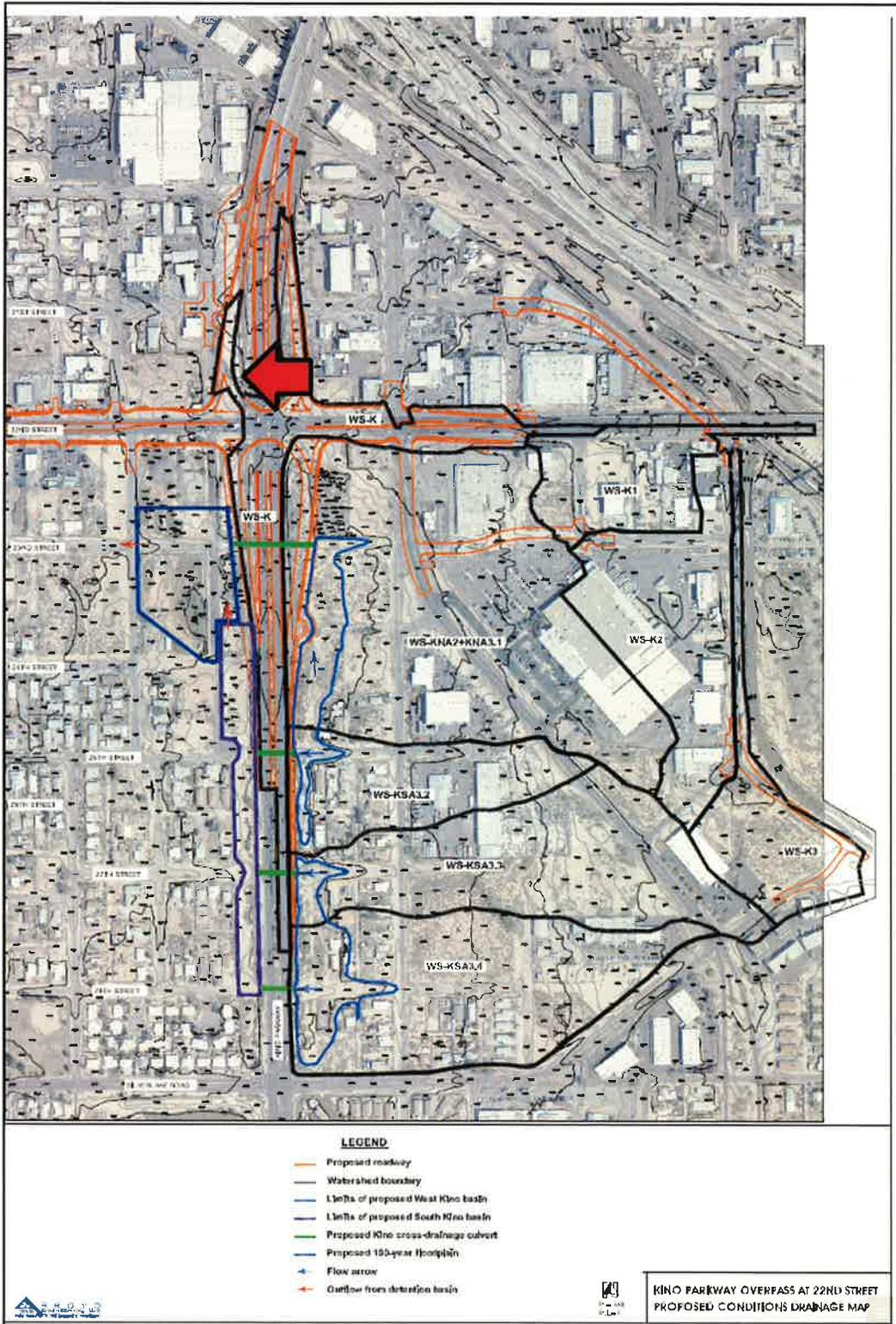


EXHIBIT F - MAP OF 22ND STREET CORRIDOR PROJECT



EXHIBIT H - SUBJECT PHOTOGRAPHS
PHOTO 1 - VIEW ALONG WESTERN PROPERTY LINE



PHOTO 2 - VIEW NORTH ACROSS PARCEL



PHOTO 3 - VIEW NORTH ACROSS EASTERN PORTION OF PARCEL



PHOTO 4 - VIEW EAST ACROSS PARCEL



PHOTO 5 - VIEW WEST ACROSS PARCEL



PHOTO 6 - VIEW SOUTH ON CHERRY



PHOTO 7 - VIEW NORTH ON CHERRY



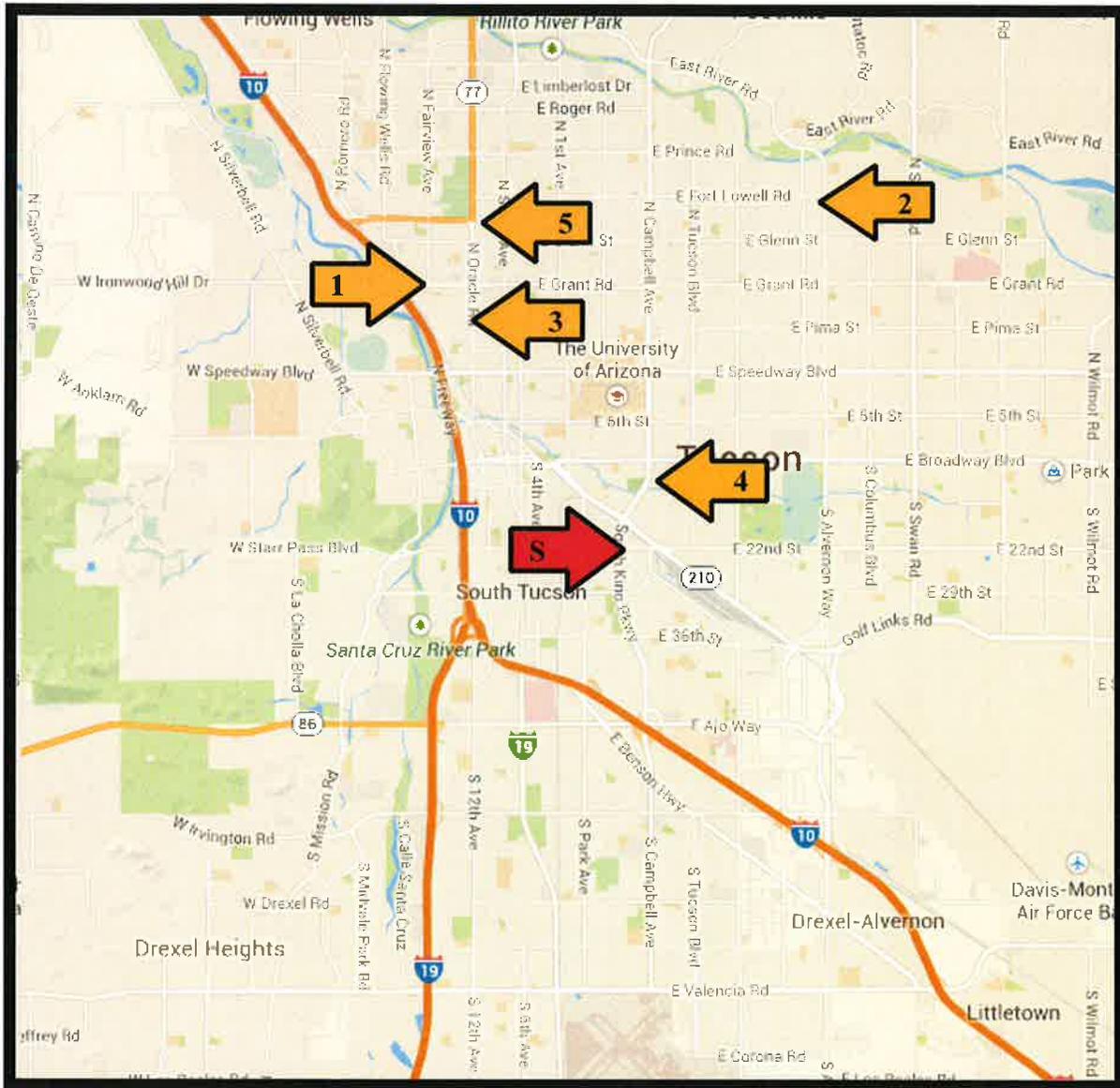
PHOTO 8 - VIEW WEST ON 22ND



PHOTO 9 - VIEW EAST ON 22ND



EXHIBIT I - COMPARABLE IMPROVED SALES LOCATION MAP



Subject: Southeast corner of Kino Parkway and 22nd Street

Sale 1: Northeast corner of Grant Road and Fairview Avenue

Sale 2: Southwest corner of Kleindale Road and Alvernon Way

Sale 3: Northwest corner of Oracle Road and Lester Street

Sale 4: South side of 14th Street, between Kino Parkway and Campbell Avenue

Sale 5: Southeast corner of Oracle Road and Blacklidge Drive

EXHIBIT J - COMPARABLE LAND SALES

LAND COMPARABLE NUMBER ONE (SALE)

ID: C2 0315 6606

LOCATION: Northeast corner of Grant Road and Fairview Avenue

LEGAL DESCRIPTION: Miracle Mile Manor Park southernly portion block 8

STATE TAX PARCEL: 107-08-326A

RECORD DATA: Fee Number 2012-3030829

DATE OF SALE: October 29, 2012

SELLER: City of Tucson

BUYER: Baquet Properties Grant Center, LLC

CONFIRMED BY: George Cardieri, selling agent (520-869-3215)
George Hayduke, buyer agent (520-268-1993)
TAB; February 6, 2013

LAND DESCRIPTION: This site is an rectangular shaped corner property with about 201 feet of frontage on Grant Road and 121.58 feet of frontage on Fairview Avenue. This is a light-controlled intersection. Grant road is a six-lane, asphalt-paved roadway with a turn lane, landscaped center median, curbs, sidewalks and streetlights in the vicinity of this property. Fairview Avenue is a two-lane, asphalt-paved roadways with designated turn lanes, curbs, sidewalks and streetlights in the vicinity of this property. Grant Road has a 2010 traffic count of 35,000 vehicles per day near this site and Fairview Avenue has a 2010 traffic count of 8,000 vehicles per day near this site. The property has exposure from both Grant Road and Fairview Avenue, but only access from Fairview Avenue. No access is provided to the land from Grant Road. The topography is level, sloping in a southwesterly direction. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C1688L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 21,940 square feet (approx 0.50 acre)

ZONING: C-2

REPORTED SALE PRICE: \$70,000

PRICE PER SQ. FT.: \$3.19

MARKETING TIME: Approximately 2.25 years

TERMS OF SALE: This was an all cash sale to the seller.

PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of sale.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: Purchased by the owner of the adjacent property to the east. The seller plans on holding the land for investment and will eventually develop with a retail building and lease out any building developed on the land.

COMMENTS: This purchase included land with a drainage way having a drainage easement on the east portion of the parcel as part of this sale. The buyer spent \$25,000 to put in a culvert over the drainage easement to make this area useable land.

There is no access onto Grant road. The only access is from Fairview Avenue. The purchased utilized this lack of access on Grant Road to negotiate the price lower according to the buyer's agent. The buyer would provide access to this parcel through his parcel to the east, currently owned by the buyer.

LAND COMPARABLE NUMBER TWO (SALE)

ID: MU 0058 6890

LOCATION: Southwest corner of Kleindale Road and Alvernon

LEGAL DESCRIPTION: A portion of Lot 1, Block 1, Lohrum, Tucson, Pima County, Arizona

STATE TAX PARCEL: 111-04-002C

RECORD DATA: Fee Number 20131960639

DATE OF SALE: July 15, 2013

SELLER: The Hermitage No-Kill Cat Shelter

BUYER: Cotlow Development, LLC

CONFIRMED BY: Dean Cotlow, buyer (520-881-8180)
SRB; May, 2014

LAND DESCRIPTION: This site is a rectangular shaped corner property with approximately 82 feet of frontage on Kleindale Road and 166 feet of frontage on Alvernon Way. This property is located at the southwest corner of Kleindale Road and Alvernon Way. This property has access from Kleindale Road. The property has frontage on, but no access from, Alvernon Way. Kleindale Road is a two-lane, asphalt-paved roadway in the vicinity of this property. No traffic count is available for Kleindale Road near this site. Alvernon Way is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks streetlights in the vicinity of this property. Alvernon Way has a 2012 traffic count of 18,000 vehicles per day near this site. The topography is level. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C1693L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

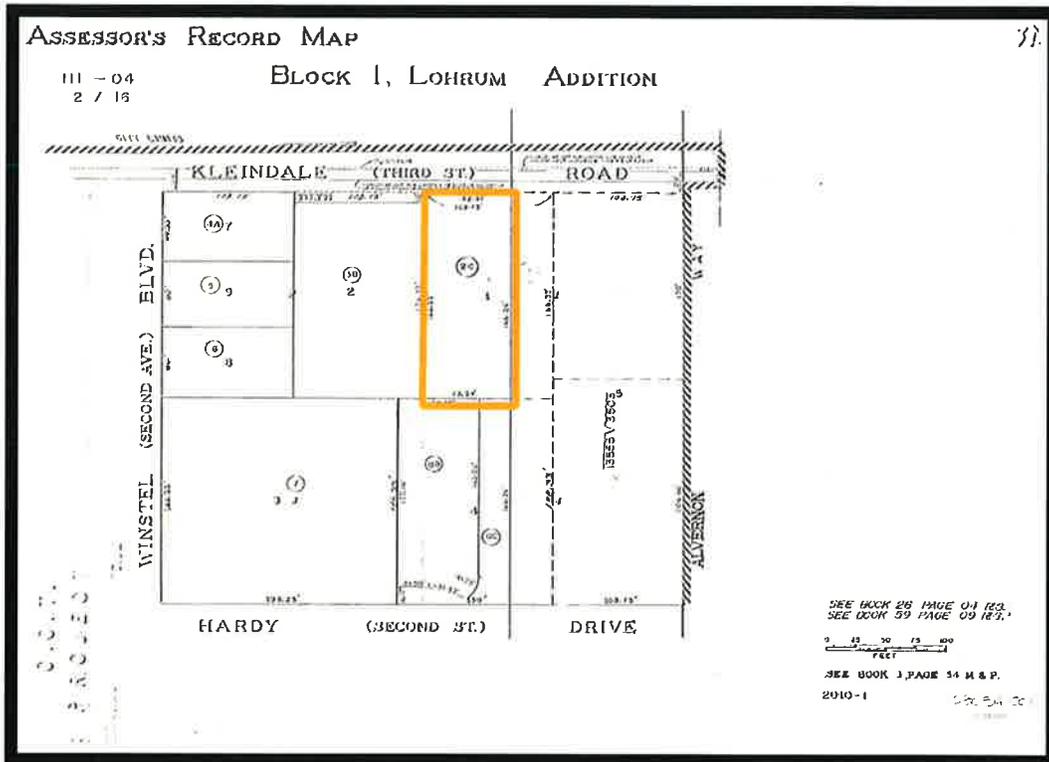
LAND SIZE: 15,290 square feet or 0.35 acres

ZONING: MU

REPORTED SALE PRICE: \$96,000

PRICE PER SQ. FT.:	\$6.28
MARKETING TIME:	Approximately 120 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:	Development of an office building
COMMENTS:	The property had frontage on Alvernon Way but no access from Alvernon. Access is from Kleindale, a minor street. The buyer received approval for development of a 5,200 square foot office building.

COMPARABLE LAND SALE TWO - PLAT MAP AND AERIAL PHOTO



LOCATION: Northwest corner of Oracle Road and Lester Street

LEGAL DESCRIPTION: Lots 5 and 6 El Sahuaro Block 5

STATE TAX PARCEL: 115-15-044A

RECORD DATA: Fee Number 2013-2620337

DATE OF SALE: September 19, 2013

SELLER: Art by God, Inc

BUYER: Ching Chiu Chen and Ching Fang Sun Chen

CONFIRMED BY: Mark Norris, seller's agent (520-318-5290)
DFO; December 9, 2013

LAND DESCRIPTION: This site is a rectangular shaped corner property consisting of two parcels located at the southwest corner of Oracle Road and Lester Street. The site has 112 feet of frontage on Oracle Road along the eastern border, 250 feet of frontage on Lester Street along the southern border, and 112 feet of frontage on 13th Avenue along the western border. The site has direct access from Oracle Road, Lester Street, and 13th Avenue. Oracle Road is a six-lane, asphalt-paved roadways with a median, turn lanes, concrete curbs, sidewalks, and streetlights in the vicinity of this property. Oracle Road has a 2009 traffic count of 31,000 vehicles per day near this site. Lester Street and 13th Avenue are a two-lane asphalt paved roadways with rolled concrete curbs, but no sidewalks or street lights in the vicinity of the property. There are no traffic counts available for Lester Street or 13th Avenue in the vicinity of the property. The topography is mostly level, sloping in a westerly direction. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2276L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 28,000 square feet or 0.64 acres

ZONING: C-2 (City of Tucson)

REPORTED SALE PRICE: \$150,000

PRICE PER SQ. FT.: \$5.36

MARKETING TIME: 1,123 days (approximately 3 years)

TERMS OF SALE: This was an all cash to the seller transaction.

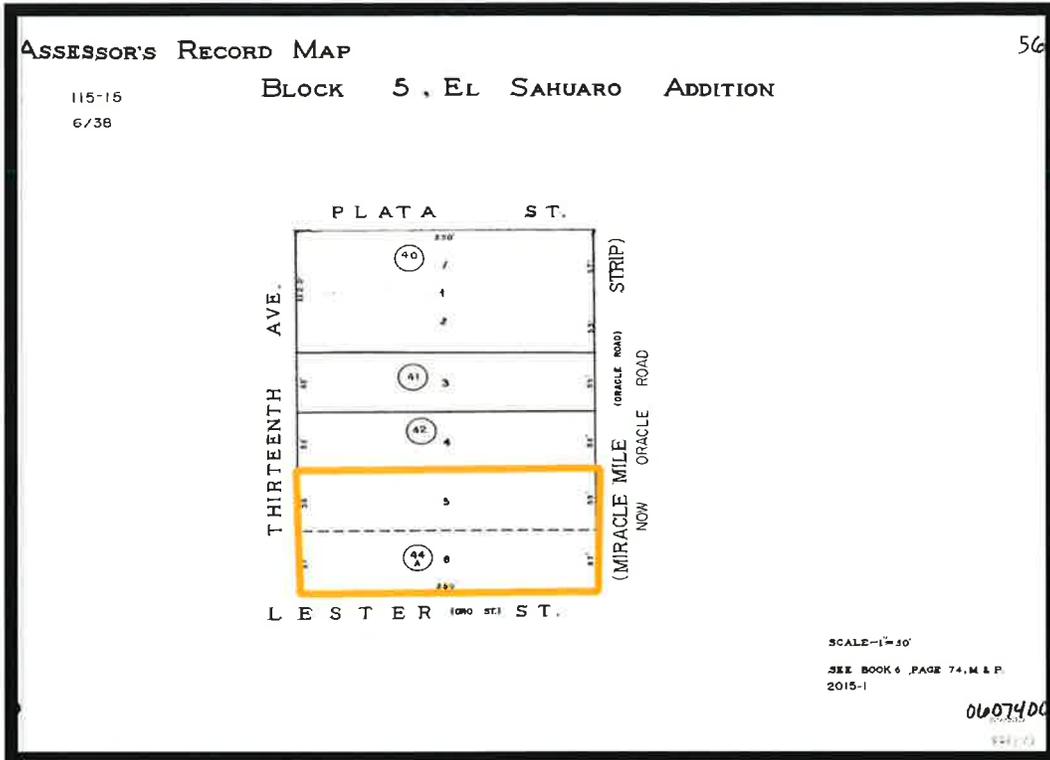
PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: To develop as storage facility for the gem show

COMMENTS: The agent indicated that there was no access from Oracle Road, but there are two curb cuts from Oracle Road to allow vehicular access to the property.

COMPARABLE LAND SALE THREE - PLAT MAP AND AERIAL PHOTO



LOCATION: South side of 14th Street, between Kino Parkway and Campbell Avenue

LEGAL DESCRIPTION: A portion of Evelyn Grant Addition, Pima County, Arizona

STATE TAX PARCEL: 124-19-079D

RECORD DATA: Fee Number 2013-3430581

DATE OF SALE: December 9, 2013

SELLER: City of Tucson

BUYER: SAM Development, LLC

CONFIRMED BY: George Cardieri, seller's broker (520-319-2106)
DFO; December 9, 2013

LAND DESCRIPTION: This site is an irregular shaped property located on the south side of 14th Street, between Kino Parkway and Campbell Avenue. The site has approximately 76 feet of frontage on 14th Street along the northern border, approximately 360 feet of frontage on Kino Boulevard along the western border, and approximately 215 feet of frontage on Campbell Avenue along the eastern border. While the site has visibility from both Kino Parkway and 14th Street, the site has direct access from Campbell Avenue only. Kino Parkway is a six-lane, asphalt-paved roadway with concrete curbs, sidewalks, and streetlights in the vicinity of this property. Kino Parkway has a 2010 traffic count of 34,000 in the vicinity of this property. Fourteenth Street is a two-lane asphalt paved roadway with concrete curbs, but no sidewalks or streetlights in the vicinity of the property. There is no traffic count available for 14th Street in the vicinity of the property. Campbell Avenue is a two-lane asphalt paved roadway with left turn lanes, concrete curbs, but no sidewalks or streetlights in the vicinity of the property. There is no traffic count available for Campbell Avenue in the vicinity of the property. The topography is mostly level. All utilities are available to the property line.

According to FEMA Flood Insurance Rate Map 04019C2279L, dated June 16, 2011, approximately 65% of the land is identified as being located within Zone X (shaded) which are areas of 500-year flood, areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. Approximately 33% of the land is identified as being located in Special Flood Hazard Area Zone AH, which are areas with flood depths of 1 to 3 feet (usually areas of ponding), base flood elevations determined. The remainder of the property is located within Special Flood Hazard Zone A, where no base flood elevations determined.

LAND SIZE: 38,193 square feet or 0.88 acres

ZONING: R-2 (City of Tucson)

REPORTED SALE PRICE: \$78,000

PRICE PER SQUARE FOOT: \$2.04

MARKETING TIME: N/A

PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

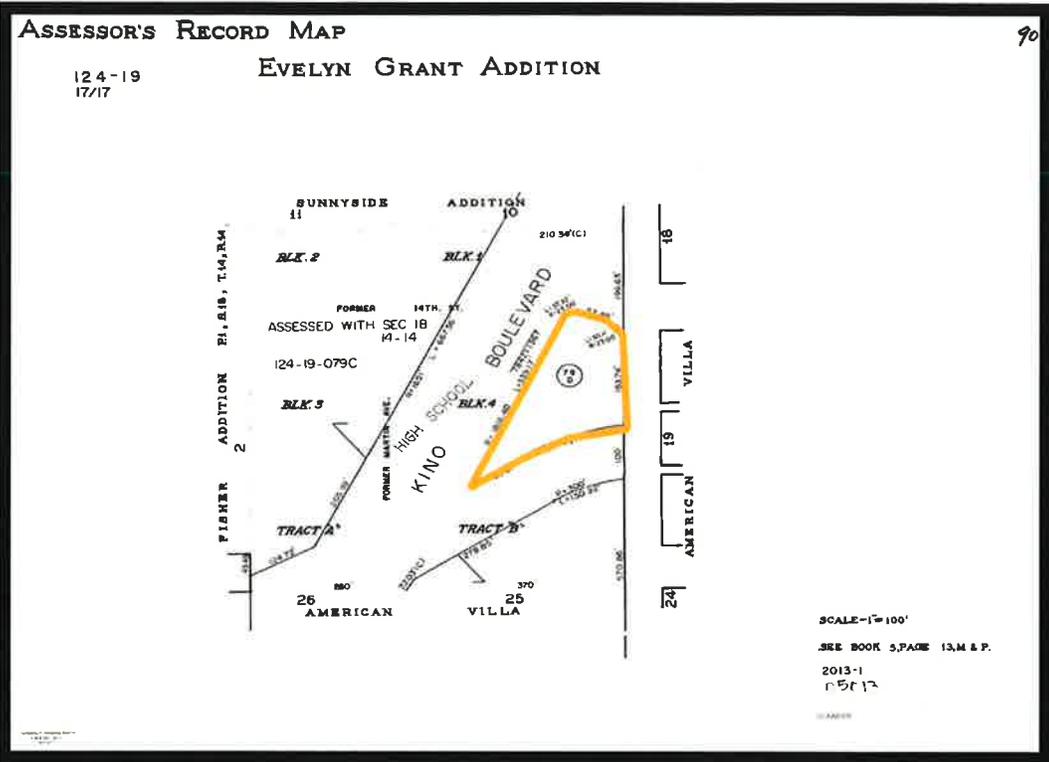
CONDITIONS OF SALE: This sale was reported to have occurred under normal market conditions. Broker indicated that short bidding time, as well as encumbrance on land may have caused property to sell for lower than market value.

INTENDED USE: For light industrial uses

COMMENTS: The broker indicated that there is a letter from the city advising that the property can be re-zoned for light industrial uses up to I-1.

The land currently is encumbered by a temporary easement allowing the entire property to be used by the city as a temporary staging yard through December 31, 2014. After that time, there are no restrictions or easements on the property.

COMPARABLE LAND SALE FOUR - PLAT MAP AND AERIAL PHOTO



LOCATION: Southeast corner of Oracle Road and Blacklidge Drive

LEGAL DESCRIPTION: Coronado Heights Lots 1 4 & 5 & portions of lots 2 3 6 7 & 8 BLK 24

STATE TAX PARCEL: 107-12-170F

RECORD DATA: N/A

DATE OF SALE: Currently in escrow with estimated closing of April, 2015

SELLER: Bank of Oklahoma

BUYER: N/A

CONFIRMED BY: Aaron Mendenhall, seller's broker, (520-747-4000)
DFO; February, 2015

LAND DESCRIPTION: This site is a mostly rectangular shaped corner property with approximately 315 feet of frontage on Oracle Road along the western border, approximately 450 feet of frontage on Blacklidge Drive along the northern border, and approximately 385 feet of frontage on Balboa Avenue along the eastern border. The site has a depth of approximately 370 feet along the southern border. Oracle Road is a six-lane, asphalt-paved roadway with concrete center median, concrete curbs, sidewalks, and streetlights in the vicinity of this property. Oracle Road has a 2012 traffic count of 59,000 vehicles per day near this site. Blacklidge Drive is a two-lane, asphalt-paved roadway with concrete curbs, but no sidewalks or streetlights in the vicinity of this property. There is no traffic count for Blacklidge Drive near this site. Balboa Avenue is a two-lane, asphalt-paved roadway with concrete curbs, but no sidewalks or streetlights in the vicinity of this property. There is no traffic count for Balboa Avenue near this site. The intersection of Oracle Road and Blacklidge drive is not a traffic light controlled intersection. Direct access to the site is from Oracle Road, Blacklidge Drive, and Balboa Avenue. The topography is mostly level. All utilities are

available to the property. According to FEMA Flood Insurance Rate Map 04019C1688L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

LAND SIZE: 174,240 square feet (4.00 acres)

ZONING: C-2/O-3 (City of Tucson). The western half of the site adjacent to Oracle Road is zoned C-2. The eastern half of the site adjacent to Balboa Avenue is zoned O-3.

LIST PRICE: \$725,000

PRICE PER SQ. FT.: \$4.16

MARKETING TIME: 1,914 Days

TERMS OF SALE: This is reported to be an all cash to the seller transaction.

PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within five years of the date of valuation.

CONDITIONS OF SALE: This sale is assumed to have occurred under normal market conditions. This is an REO sale. According to the seller's broker, the property is being sold at market value.

INTENDED USE: Multi-family development

COMMENTS: The agreed sales price was reported to be slightly below the list price.

COMPARABLE LAND SALE FIVE - PLAT MAP AND AERIAL PHOTO

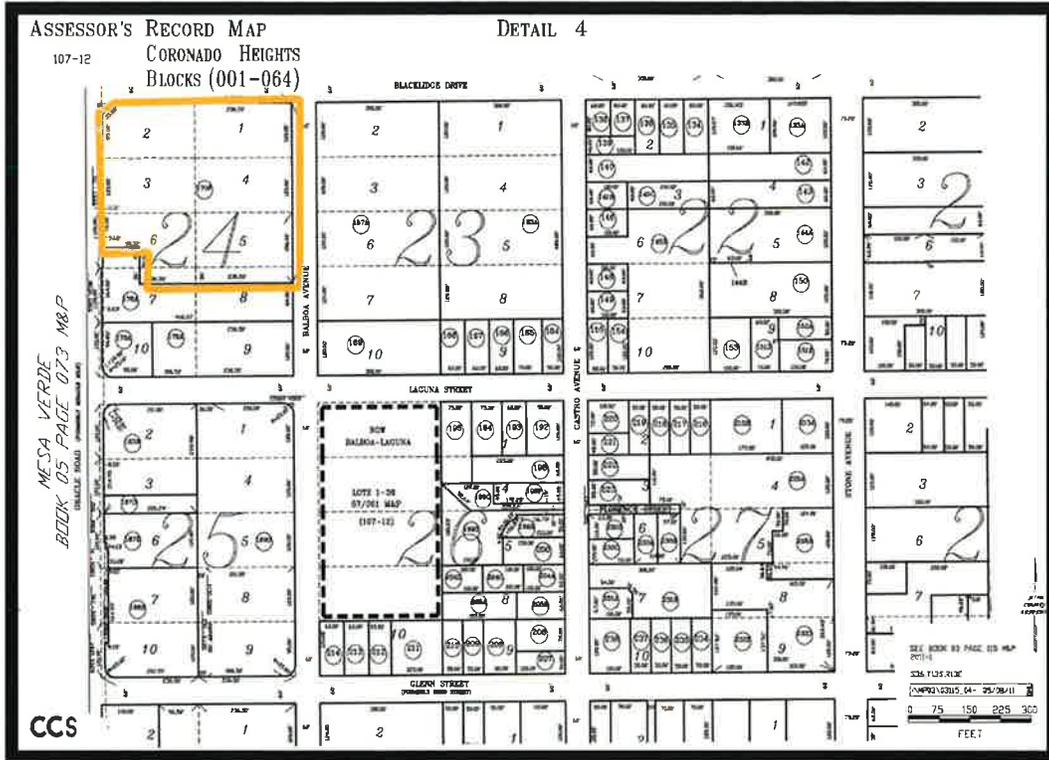


EXHIBIT K - QUALIFICATIONS

BAKER, PETERSON, BAKER & ASSOCIATES, INC. serves a wide variety of clients in Southeastern Arizona, providing real estate appraisal and consultation services relating both to residential and to commercial properties. These clients include governmental agencies, banks, savings and loan associations, credit unions, mortgage brokers, relocation services, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than fifty years of such services are represented by those presently associated with the firm, founded by Don M. Baker and William D. Peterson in 1974, with Thomas A. Baker becoming an owner in 1984.

WILLIAM D. PETERSON, MAI, is a principal of the Company, and specializes 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 30216). He is a graduate of the University of Arizona in Business and Public Administration. He holds the MAI Designation of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona and a Graduate of the Realtor Institute (GRI). He qualifies as an expert witness in the Superior Court of Pima and Cochise Counties. He is a past President of the Arizona Chapter of the American Institute of Real Estate Appraisers, and of the Tucson Chapter of the Society of Real Estate Appraisers.

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 the Superior Court of Pima County, 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.

JEFF TEPLITSKY is a staff appraiser in commercial valuation. He specializes 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 30151). He is a graduate of the University of Arizona, with a Bachelor of Arts degree in Political Science. He is a Practicing Affiliate of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona. He qualifies as an expert witness in the Superior Court of Pima, Santa Cruz, and Yuma Counties.

SARA R. BAKER, MAI, SRA, is a staff appraiser in commercial valuation. She 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. Sara is on the 2013 Board of Directors of the Appraisal Institute, Southern Arizona Chapter and serves as the chapter Secretary and Chair of Continuing Education. 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 an appraiser trainee in commercial valuation. 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.

ROBERT A. PARKER, SUSAN A. CLEVELAND and **STEFANIE MICHELS** are production coordinators and support technicians.