



REAL ESTATE APPRAISERS

SUMMARY APPRAISAL REPORT
OF
BRICKYARD PARCEL



LOCATED ALONG THE EAST SIDE OF MISSION ROAD,
SOUTH OF MISSION LANE,
ON THE WEST SIDE OF THE SANTA CRUZ RIVER,
TUCSON, PIMA COUNTY, ARIZONA 85701

PREPARED FOR
RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
c/o FLETCHER MCCUSKER

PREPARED BY
JAMES S. BRADLEY, MAI, CCIM

AS OF
SEPTEMBER 17, 2013
AXIA FILE NO. 17290-131



AXIA File No. 17290-131

October 2, 2013

Rio Nuevo Multipurpose Facilities District
c/o Fletcher McCusker
400 West Congress, Suite 152
Tucson, Arizona 85701

RE: The Brickyard Parcel located along the east side of Mission Road, north of 22nd Street and south of West Mission Lane, Tucson, Pima County, Arizona 85701.

Dear Mr. McCusker:

I have appraised the above-identified property. The purpose of this appraisal is to develop an opinion of the “as is” market value of the subject property. The *intended use* of this appraisal is for auditing purposes. The “as is” *date of valuation* is September 17, 2013, the date of the most recent inspection of the subject property. The ownership and legal description of this property are set forth in the following report.

The *intended user* of this report is the Rio Nuevo Multipurpose Facilities District, Rio Nuevo Downtown Initiative and Beech Fleishman, accounting firm. This report has been written in conformance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Foundation (12CFR part 34, Subpart C).

The *scope of work* for this report includes completing an appraisal inspection of the subject, analyzing the Arizona and Tucson market for trends that impact real estate values and searching the local market for comparable data. The subject reflects a vacant parcel of land and therefore its *fee simple* interest will be analyzed. I have completed the Sales Comparison Approach. The Cost and Income Approaches were not considered relevant for use in this analysis.

This report has been prepared for use by the Rio Nuevo Multipurpose Facilities District, the Rio Nuevo Downtown Initiative and Beech Fleishman, accounting firm, for the above stated purpose and intended use. This report is not intended to be used, transferred, or relied upon by any person other than the client, other intended users, and the borrower. AXIA Real Estate Appraisers and the appraiser signing this report assume no responsibility to any party, other than the client or other intended users, who uses or relies on any information in this report. James S. Bradley, MAI, CCIM has never previously appraised the subject property.

Based upon the data and discussions contained within the following report, it is my opinion that the market value of the subject property is as follows:

**OPINION OF "AS IS" MARKET VALUE
OF THE SUBJECT REAL PROPERTY,
AS OF SEPTEMBER 17, 2013 \$1,742,000**

This analysis makes an extraordinary condition that the subject contains 20 acres of net land area.

I hereby certify that James S. Bradley, MAI, CCIM has inspected the subject property. I certify that the fee was not contingent upon the value conclusions contained herein; and that I have no interest, present or prospective, in the property appraised. Furthermore, I certify that, to the best of my knowledge and belief, all statements and opinions contained in this report are correct, subject to the assumptions, conditions, special limiting conditions, and certification, which are made a part of this report.

No one provided significant professional assistance to the signer of this report unless noted. Further, no one other than the undersigned formed the analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal report, unless such participation by another party is indicated by the co-signing of this report by such other party.

Respectfully submitted,



JAMES S. BRADLEY, MAI, CCIM
President, AXIA Real Estate Appraisers
Arizona Certified General Real Estate Appraiser
Certificate #30432

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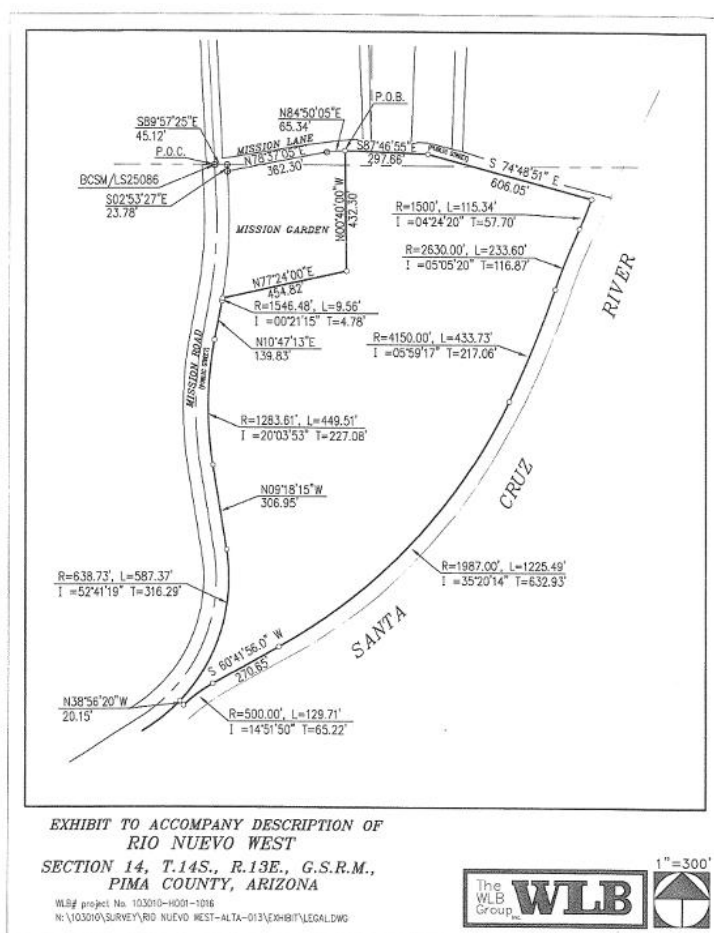
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INTRODUCTION

This appraisal is being written in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), as issued by the Appraisal Foundation, Rule 2-2c specifically pertaining to Summary appraisal reports. All information pertinent to the value conclusions contained herein is presented in a Summary format within this report. This report is considered to contain sufficient detail that the client and intended users of the report should understand it, and that they should deem the data, analysis and conclusions contained herein to be credible. Any additional information, if necessary, is contained within the file and is available to the client. Here follows a summary of my analysis.

Property Identification

The subject property is a 33.74 acre parcel known as the Brickyard Parcel located along the east side of Mission Road, south of Mission Lane, on the west side of the Santa Cruz River, Tucson, Pima County, Arizona 85701. The subject is identified as Pima County Assessor as portions of parcel numbers 116-22-0020 and 116-23-0890 & -0930. Following is the Land Title Survey for the subject property. The corresponding Legal Description is contained in the Addenda.



Purpose, Intended Use, Intended User

The purpose of this valuation is to develop an opinion of the market value of the fee simple interest in the subject, “as is.” Rio Nuevo Multipurpose Facilities District is the *client*. The client and their representatives, Rio Nuevo Downtown Initiative and Beech Fleishman, are *intended users* of the report. The *intended use* of this report is for auditing purposes.

Interest Appraised

Fee simple interest

Effective Date of Appraisal

The *effective date of appraisal* is September 17, 2013, the date of most recent inspection of the property.

Market Value Definition

Found in the Addenda to this report.

Property History/Ownership

The subject is owned by the Rio Nuevo Multipurpose Facilities District (Rio Nuevo). The ownership transferred to this entity as part of a settlement agreement with the City of Tucson. There have been no “arm’s length” market transactions for the subject. The subject property is currently not listed for sale.

Scope of the Work

Scope of Work is an integral part of the appraisal process and identifies the type and extent of research and analyses for an appraisal assignment. According to USPAP,

In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

I have prepared a **Summary Appraisal Report** of the property described above. All information pertinent to the value conclusions is presented in a Summary format, which is permitted as long as the report does not mislead or confuse the client, the users of the report, or the public. This document is written in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Institute, which permits the use of summary reports if the analysis, opinions, and conclusions are not misleading. A Summary report contains less detail than does a self-contained report.

James S. Bradley inspected¹ the property and vicinity on September 17, 2013. He inspected the subject, immediate neighborhood, and comparables. He completed the analysis, wrote the report, and certifies the conclusions and value opinions indicated herein.

I researched, verified, and analyzed data from reliable sources and reported the analysis, opinions, and conclusions in this appraisal report. Ownership of the subject was confirmed with the Pima County Assessor. General market and regulatory information was accessed from government publications and websites as well as econometrics publications and websites. Market information is obtained through public and subscription databases as well as conversations with brokers, appraisers, property managers, purchasers/sellers and owners.

The Scope of Work for this report includes completing an appraisal inspection of the subject, analyzing the local market for trends that impact real estate values, and searching the local market for comparable data.

The above information is used to develop a market value opinion of the subject via the Sales Comparison Approach. In analyzing properties like the subject, market participants typically place primary emphasis on analysis of comparable sales. The quality and quantity of recent comparable sales was good, providing a solid basis for developing a market value opinion.

¹ **An appraisal inspection does not constitute a building inspection.** An appraiser is neither trained nor capable of conducting a thorough inspection of structural and mechanical aspects of a property. An appraiser will visually inspect accessible areas of the improvements for any obvious defects and will note finishes and building layout. We did not inspect the building structure, roof, or mechanical systems and have assumed that these are in working condition. The appraisers make no guarantees about the structural integrity of the property and assume no adverse conditions are present. If the client requires a more detailed inspection, a consultation by a qualified building inspector is recommended.

Development of the Income and Cost Approaches are not necessary in generating credible assignment results since the subject reflects primarily vacant land.

This methodology is considered sufficient to develop credible appraisal results.

AREA OVERVIEW

The purpose of this section of the report is to identify and analyze the social, economic, governmental, and environmental forces that can influence property values in the vicinity of the subject. The primary area of influence is the *neighborhood*, defined as a group of complementary land uses; a residential neighborhood may contain residential uses along with ancillary commercial uses that provide services for the residents. A *district*, on the other hand, has one predominate land use such as apartments, commercial, industrial, or agricultural.

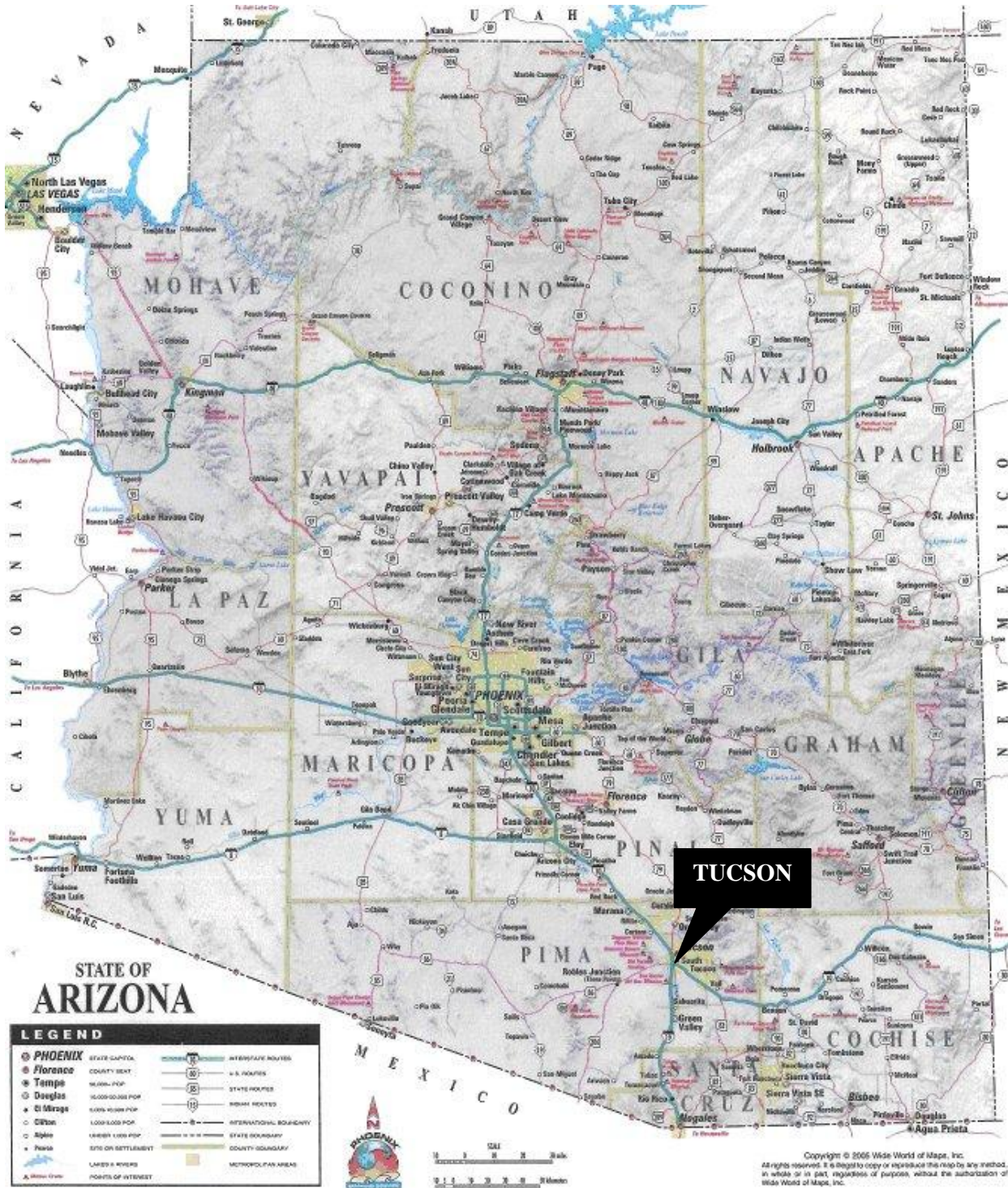
ARIZONA

Arizona is in the southwestern area of the United States within the Sunbelt Region and ranks sixth in the nation in terms of size, with 113,417 square miles. The state can be divided into three geographical areas, each with its own distinct topography and climate. The northeastern portion of the state is a high plateau, which tends to be cool and dry. Most of this area is within the boundaries of the Navajo Nation, the largest Native American reservation in the United States. The mountainous region, extending diagonally across the state from northwest to southeast, offers cool summertime temperatures and winter sports opportunities, attracting visitors to this area year-round. The remaining half of the state, south and west of the mountainous region, consists of desert valleys divided by low desert mountain ranges and is home to most of the state's population: about 80 percent of the state population resides in the Tucson and Phoenix metropolitan areas.

Between 1980 and 1990, Arizona was the third-fastest-growing state, with a population increase of almost 35 percent. According to the 2000 census, approximately 5,130,000 people resided in the State, up from 3,665,000 in 1990, reflecting an increase of about 40 percent, or a 4.0 percent annual rate. Estimates by the Arizona Department of Economic Security indicate continued population growth with a 2008 population of over 6.6 million, or 3.8 percent annually.

The state also ranked third in job growth for the same period with a gain of 47 percent, twice the national average. Employment is fairly diversified with professional and business services accounting for 14 percent of total non-farm employment, followed by government with 13 percent, retail with 12 percent, health care with 10 percent, construction with 8 percent, and manufacturing with 6 percent. During 2008, job growth in the State and in Tucson was greatly reduced, with a rise in unemployment throughout much of 2008 through 2012, expected to persist at least through 2014.

STATE MAP



Metro Tucson

Tucson is the economic center of southeastern Arizona. While the Tucson area enjoyed economic growth with the rise of the housing boom in the middle of the decade, the overall economy began to decline in late 2007, with a significant decline beginning in late 2008. Since that time the local economy has generally mirrored the larger national economic downturn, with stabilization beginning in the second half of 2009 and improving market conditions through 2012. Projections for 2013 and 2014 are for continued improvement.

The population of Pima County, which approximates the metropolitan area, increased from 666,954 in July 1990, to 758,050 in 1995, to 843,746 in 2000, to 957,635 in 2005, to 1,003,235 in 2007, and 1,014,023 in 2008 (based on estimates from the Arizona Department of Economic Security). This reflects compounded annual growth rates of 2.5 percent from 2000 to 2008, although growth over the past year reflects slower growth of 1.1 percent.

The Pima Association of Governments (PAG) projects that the population of the County will grow by 1.6 to 2.1 percent annually over the next 20 years. The northwest and southeast quadrants of the metropolitan area, where ample land is available, are expected to be the focal points for most of the growth.

The long-term outlook for Tucson is positive. Population and employment, though currently down for the first time in nearly a decade, are projected to continue to increase at rates in excess of the nation as a whole as the market recovers over the next one to two years. The cyclic nature of the economy reflected in the population, employment, and development segments is now stabilized from the peak of the previous cycle. Overall, the Tucson Metropolitan area is considered to remain in the growth stage of its life cycle. Market conditions from the end of 2009 through 2013 are continuing to improve with most sectors recovering very well currently.

Additional details are contained in a detailed Metro Tucson Overview, which is retained in my files and is available for review by the client at their request.



NEIGHBORHOOD OVERVIEW

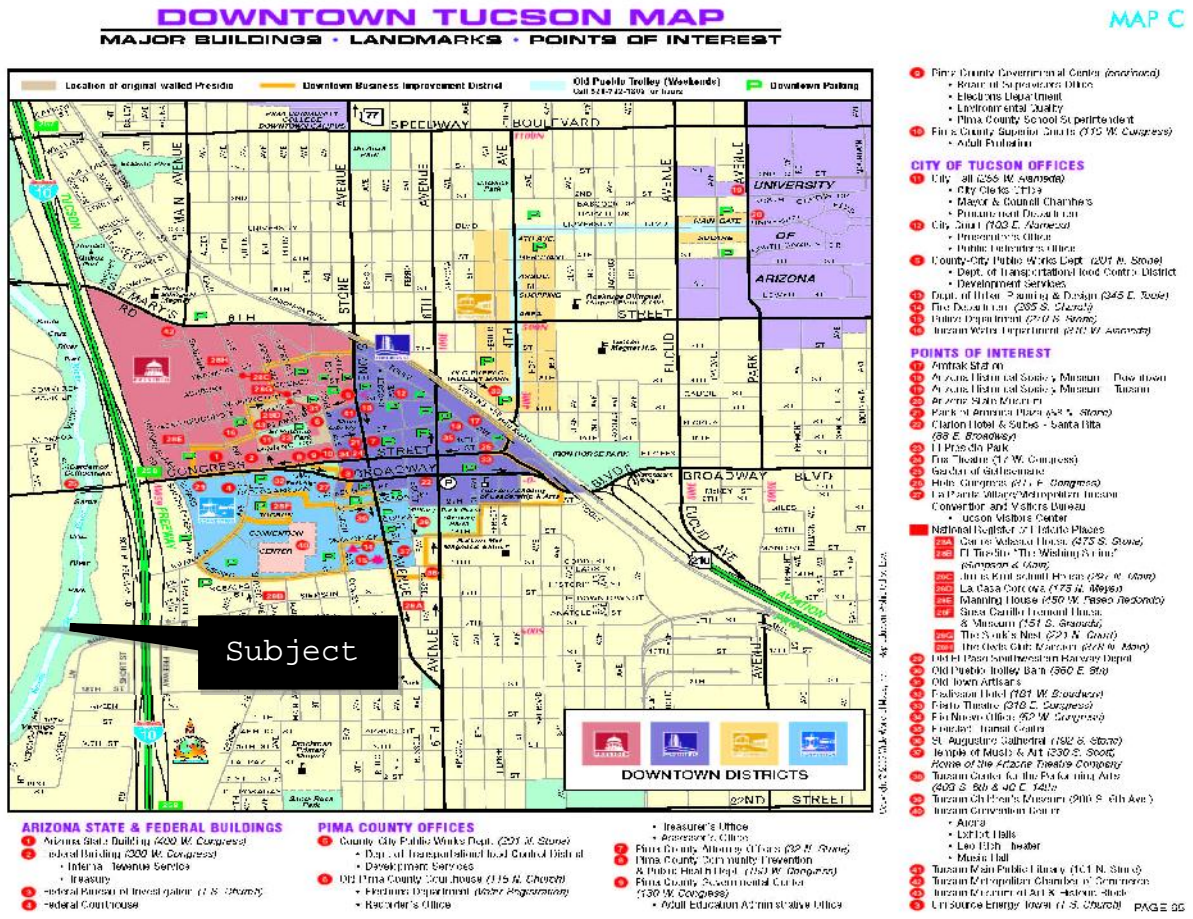
The subject is situated in the western portion of the Tucson central business district (CBD). This location reflects the oldest area of Tucson that includes the original Spanish presidio (fort), dating from the late 1700s. The CBD is the center for government, finance, and culture for the community and is the location of most government offices, including Federal, State, County, and City. The Tucson Convention Center is in the central portion of the neighborhood and provides a large draw to the CBD. The University of Arizona is about one mile northeast of the CBD.



For many decades, redevelopment of the Tucson's Downtown CBD has been much ballyhooed, but also disparaged at times for some conceptualized projects failing being developed, as well as perceived mismanagement of the oversight process. Most notable among the projects is Rio Nuevo, a major, publicly-backed development that has been in the planning stages for the southern and western portions of the CBD for many years. As envisioned, the project combines numerous elements intended to spur revival of the CBD. These include a civic plaza, new lodging, expansion of the existing Tucson Community Center, a University of Arizona-sponsored science center, as well as numerous other historic and cultural venues.

While many of the originally proposed plans of Rio Nuevo may never come to fruition, new developments are nevertheless occurring in Downtown. Confirmed aspects of the area's revitalization include a modern streetcar system connecting the CBD to the University of Arizona campus and Medical Center (whose construction is now well under way, and anticipated to be completed and operational in mid 2014), new headquarters facilities for UniSource/Tucson Electric Power (TEP) and the FBI, as well as classroom and student development projects designed to enhancing the presence of the University of Arizona in Downtown. In spite of current economic challenges and severe criticisms about the management of the redevelopment process, some key elements are falling into place, and prospects for a reinvigorated Downtown are improving.

The neighborhood is well established as the governmental and commercial center of Southern Arizona. Modern development began in the late 1880s, although many of the original buildings have been removed. Over the past twenty years, the CBD has generally been in a stage of stability following a period of revitalization in the early 1980s. There has been some revitalization during the past few years, with a number of new and redevelopment projects expected to break ground over the next year.



Boundaries

The CBD is a rather small area of commercial uses surrounded by older residential areas, portions of which have been converted to professional office uses. General boundaries of the neighborhood are Sixth Street to the north, railroad tracks to the northeast, Fifth Avenue to the east, Cushing Street and 14th Street to the south, and Grande Avenue/Mission Road to the west. Interstate-10 traverses the western portion of the subject neighborhood. The Rio Nuevo project, and the modern streetcar transit system now under construction, will effectively expand the CBD to encompass an area west of Interstate 10/Santa Cruz River, referred to as the Convento neighborhood.

Transportation

The neighborhood is well served by the roadway network and access to the neighborhood is available from all portions of the metropolitan Tucson area. These roadways are paved, four- or six-lane median-divided, city maintained streets that provide access to all portions of the metropolitan area.

Interstate 10 has two interchanges serving the area. Construction to widen I-10 through the neighborhood and much of Tucson was completed in 2009, significantly enhancing access to and from the neighborhood.

Several of the major streets in the CBD are one-way for better traffic control. In recent years, Broadway Boulevard (east-bound) and Congress Street (west-bound) were modified to form an east-west “couplet” rather than both streets being two-way streets. Stone Avenue (south-bound) and Sixth Avenue (north-bound) similarly form a north-south couplet. The majority of remaining streets are two-way with street-side parking.

The CBD is the hub of the SunTran public transportation system with the Ronstadt Transit Center situated in the eastern portion of the CBD on Congress Street. The Amtrak station is in the eastern portion of the neighborhood and the Greyhound station is situated on the subject property, located in the western portion of the neighborhood near I-10.

Construction of the Modern Streetcar system is now underway and is planned for completion by mid 2014. The system, which is part of the Regional Transportation Authority (RTA) plan, was approved by Tucson-area voters in 2006 and will traverse a four-mile route. The area of the project includes Congress Street and Broadway through downtown from Granada Avenue to 5th Avenue. Roadways in downtown will be closed as needed to facilitate underground utility work, rail placement and installation of the Overhead Contact System, although most of the construction is now completed. These roadway closures and restrictions have been an impediment to the downtown area. However, most restrictions are now lifted, and the “last rail was welded” in August 2013. The completion of the streetcar system, which will be named SunLink, will provide a significant benefit to the downtown area.

The route begins near University Medical Center on Campbell Avenue, then extends southwest across the U of A campus, west along University Avenue, then south along Fourth Avenue. The route then splits as it enters the CBD with the westbound line along Congress Street and eastbound line along Broadway Boulevard. Continuing westward, the route passes under I-10 at Cushing Street, then over the Santa Cruz River before terminating in the Downtown redevelopment area at Avenida de Convento and Congress Street.

The streetcar will run on permanent tracks set in existing roadways. There are 17 planned stops, typically situated less than one-quarter mile apart. The tracks have been installed in most parts of the Downtown area already (which will be used by the Old Pueblo Trolley in the interim). The subject site is located adjacent north of the tracks, with a stop located at the southeast corner of the site. The Sunlink project when open in 2014 will enhance access to the area near the subject (including the Tucson Convention Center) and the subject property.



SUBJECT

Reconstruction of the Fourth Avenue underpass was completed in 2009, enhancing linkage between the Fourth Avenue district and University of Arizona area with the CBD. The underpass has one lane in each direction carrying vehicle and streetcar traffic, with separate bicycle lanes and two pedestrian ways accessible for persons with disabilities. The lighted pedestrian walkways, 20-feet wide on the east side and 10 feet wide on the west, provide safe and convenient access between the Fourth Avenue Shopping and Entertainment District and the rest of Downtown. An elevated walkway provides convenient pedestrian access from the Historic Train Depot to a planned public plaza development surrounding the intersection of Congress Street and Fourth Avenue.

Land Use Patterns

The neighborhood is well established as the primary commercial center for southern Arizona and is nearly fully built-up. Neighborhood land uses include a variety of office properties, ranging from older low-rise retail and office buildings to newer mid-rise buildings. There is a limited amount of housing remaining in the area. In recent years, several new planned housing projects were canceled or postponed due to the nationwide housing bust and financial crises. Most recently, interest been renewed, as discussed later in this section.

Residential

Residential development in the neighborhood consists of a wide spectrum ranging from mobile homes and multi-family uses to both attached and detached single-family homes. Multi- and single-family uses in the area range from nearly 100 years old to newly constructed. The mixed-use characteristics of residential development in the area are due to the inner city location with limited vacant land available for development.

The character of the northeastern portion of the neighborhood, closer to the U of A campus, is primarily residential with single-family detached homes ranging in value from \$100,000 to well over \$400,000 comprising the predominant land use. Multi-family development is evident throughout the neighborhood with projects along major and minor arterial as well as interior streets. The area is a competitive rental market with proximity to the University and several other employment centers including Tucson Mall and the central business district.

Single-family detached housing in the CBD is limited and ranges from about 40 to over 100 years in age. Many of the older homes have been renovated, some having been converted to office uses.

The successes of two up-market loft condominium conversions—Ice House Lofts and Academy Lofts—in recent years encouraged a number of other recent new up-market residential developments. Weakened residential market conditions since 2006 have stalled most of these developments, although given recent improvements, and the progress in the revitalization of the CBD, additional residential “for sale” development is anticipated.

Student Housing

Within the past three years, student housing around the University of Arizona campus and the downtown CBD has been rapidly growing. A 2009 University of Arizona market survey indicated 2,000 to 5,000 more beds were needed based on a 12.5% enrollment growth projection over the next five years. As such, the first student housing development added was The District located on 6th Street and 5th Avenue, which provided 756 beds in 206 units with rents ranging from \$659 to \$769 per bed. The development was pre-leased 100% and has remained with high occupancy since opening in August 2012.

Several other new projects recently opened in August 2013. “The Retreat” on 22nd and Park Avenue with 774 beds, and a 14-story complex location along Tyndall Avenue, south of Speedway known as “Level” with 586 beds in 176 units. Cadence, which is made up of two separate, adjacent projects, the Plaza Centro Railyard and the Plaza Centro Greyhound, opened in August 2013, adding an additional 456 total beds in 196 units.

The Hub, located on Tyndall Avenue and 1st also opened in August 2013, adding 594 beds. Other sites such as the “Park Avenue” are under construction and other sites such as Ironhorse Junction, Hub II and Seven 14 are in the planning stage.

Overall, 4,390 units are either planned, under construction or have been built. These developments offer high amenities attracting students with not only amenities but location and access to the proposed Modern Street Car, anticipated to be completed and operating in mid to late 2014.

Student Housing Projects						
#	Location	Name/Developer	# of Bedrooms	# of Units	# of Stories	Beds/Story
1	NEC of 6th St & 5th Ave	The District, Residential Housing Dev.	756	206	5	151
2	22nd and Park	The Retreat	774	183	2	387
3	1020 N Tyndall	The Level, Campus Acquisitions	586	176	14	42
4	SWC of 9th & Bean	Ironhorse Junction	232	67	4	58
5	NEc of Euclid and 4th Street	Seven 14	270	97	4 - 6	54
6	1011 N Tyndall	Hub, Core Campus	594	164	13	46
7	1037 N Park Ave	Park Ave, Campus Acqu.	393	165	13	30
8	Cadence (Plaza Centro)	Broadway and Toole	465		3	155
9	1021 N. Tyndall Ave.*	Hub II, Core Campus	320		8	40
	*Pending	Totals:	4390			

Apartments

Of apartment complexes with 40 or more units there is total inventory of 65,357 apartment units in the Metropolitan Tucson area, according to the second quarter 2013 *Apartment Insights Statistic/Trends Summary*. Of this total, 2,300 units were located within the statistical district which best describes the Downtown area, the “University” submarket, or about 3.5 percent of the metro area.

Vacancy for this submarket in the first quarter was 5.4 percent, reflecting the seasonal nature of the neighborhood with school in session. Average vacancy was 7.9 percent for the last four quarters, reflecting the pre-stabilized status of new student housing projects. The Metropolitan Tucson area as a whole has a vacancy rate of 9.4 percent and an average of 9.6 percent for the last four quarters. Please refer to the following table depicting apartment vacancy in the Tucson area.

Residential Housing Development of Houston finished the construction of a 756 bed student housing project located at the corner of Fourth Avenue and Fifth Street known as “The District,” in 2012 and successfully leased up in a relatively short period of time.

One North Fifth, a redevelopment of the former Martin Luther King Jr. Building at Fifth Avenue and Congress, was recently converted to a “market-rent” 96-unit apartment with approximately 10,000 square feet of ground level retail space. Since opening in 2008 the project quickly achieved stabilized occupancy. North of this building, a 286-space parking structure was completed in mid-2010 along with a rent-subsidized apartment complex.

In September 2010, the Arizona Department of Housing awarded significant low-income housing tax credits to develop a 143-unit residential project for low-income seniors to be located in that company’s 14-acre master plan site along the south side of Congress just west of the Santa Cruz River. Development is now completed and the landlord has successfully transferred the tenants from the existing Armory Park apartments, whose redevelopment to a market rent project is nearing completion (to be known as the Herbert).

Another mixed use office/multifamily project has started construction at the northwest corner of Stone Avenue and Broadway Boulevard, known as One East, a five story 24 unit apartment complex with roughly 26,000 SF of office space pre-leased to the Pima Association of Governments (PAG), with an additional 4,115 SF of ground floor retail space. This project qualified for the new Government Property Lease Excise Tax program, which provides property tax savings to the developers.

In addition to the reported units, there are numerous apartment properties with less than 40 units in the neighborhood.

Tucson Apartment Market Summary
Second Quarter 2013

#	Submarket	# of Projects	Total Units	Share	Vacancy Rate	Last 4 Q's	Last Qtr.
1	Marana / Avra Valley	1	80	0.1%	N/A	N/A	N/A
2	Oro Valley / Catalina	8	1,505	2.3%	8.5%	8.4%	7.1%
3	Northwest Tucson	34	7,316	11.2%	6.7%	7.1%	6.7%
4	Catalina Foothills	22	5,514	8.4%	7.6%	8.0%	7.5%
5	Northeast Tucson	9	1,843	2.8%	4.3%	5.2%	4.2%
6	East Tucson	40	8,023	12.3%	8.9%	9.5%	9.2%
7	North Central Tucson	69	8,129	12.4%	11.5%	10.2%	10.0%
8	Flowing Wells	64	8,476	13.0%	11.8%	11.5%	12.3%
9	Tucson Mountain Foothills	18	3,393	5.2%	9.3%	8.8%	9.5%
10	University	26	2,300	3.5%	13.1%	7.9%	5.4%
11	South Central Tucson	42	6,013	9.2%	10.1%	9.9%	9.5%
12	Pantano / Lakeside	26	5,327	8.2%	10.9%	12.8%	12.8%
13	South Tucson / Airport	36	4,687	7.2%	8.1%	10.2%	10.9%
14	Southwest Tucson	16	2,415	3.7%	8.1%	8.4%	8.7%
15	Southeast Tucson	1	336	0.5%	15.5%	19.2%	18.8%
	Total	412	65,357	100.0%	9.4%	9.6%	9.4%

Note: Based on conventional 40+ unit projects

Source: 2nd Quarter 2013 Apartment Insights Statistic/Trends Summary

Retail

The Downtown district is made up almost exclusively of “street-side commercial”, and has an inventory of roughly 600,000 square feet, including some space at the periphery of the Downtown area. The inventory includes numerous buildings that are functionally obsolete, in need of renovation, or are either planned for or actually under redevelopment.

With few exceptions, none of the retail space in the CBD has traditional parking lots that serve a particular store or group of stores. Most parking spaces are either in parking garages, pay parking lots, or on-street metered parking. The parking situation on the most intensively developed retail roadways, Congress Street and Broadway Boulevard, was improved during 2005 when lanes on both roads (one way in the downtown area) were converted into 150 additional on street parking spaces. Although this slowed traffic somewhat, it appears to have benefited merchants along Congress Street and Broadway Boulevard, by providing more exposure as well as additional on street parking availability.

Generally, adequate parking is available in a number of nearby private and public parking lots, with ample metered street-side parking for durations of up to two hours during business hours. Street-side parking is free during non-business hours. Parking in downtown Tucson is primarily coordinated by the City of Tucson and a program known as ParkWise. ParkWise is a program that is responsible for focusing, coordinating, and supporting the City’s role in parking and associated transportation issues. It is responsible for on-street parking and a number of parking garages and lots in the Downtown area. The program also supervises both resident and non-

resident parking permit programs throughout the community. Parking in Tucson’s CBD has become easier over the years with the development of new parking garages like the Pennington Street Garage at 110 E. Pennington Street. The newest ParkWise project, the 400-bay Plaza Centro Garage, opened in August 2011 on the northeast corner of Broadway Boulevard and Toole Avenue.

With the conversion of the buildings on either side of the recently renovated Fox Theatre (the Congress and Stone Center) and the former Lehner department store building (1 East Congress) to multi-tenant ground floor retail shops, additional multi-tenant inventory has been added to the CBD in the last few years, with essentially all of this new space now fully occupied by a variety of retail and restaurant tenants. Most recent retail space absorption has been on Congress Street and Stone Avenue. An additional approximately 20,000 square feet of ground floor retail space was recently added as part of two new student housing projects that are approaching completion in the eastern part of the CBD, The 97 unit Plaza Central Railyard (289 beds) and the 99 unit Plaza Central Greyhound (167 beds), with some pre-leasing to restaurants already having been accomplished.

According to CoStar’s second quarter 2013 *Tucson Retail Market* report, the Downtown Tucson submarket, of which the subject is a part, had vacancy of 6.9 percent (calculated based on total physical space rather than space made available only for lease). This is slightly lower than the average of 7.6 percent for metro Tucson overall, but higher as well as the submarket’s previous quarter at 4.7 percent. The Downtown Tucson submarket contains 312 buildings with just over 1.7 million square feet of gross building area, reflecting approximately 3.5 percent of the total retail space in the metropolitan area. Please refer to the following table.

Tucson Retail Market Summary
Second Quarter 2013

#	Submarket	# of Buildings	Total GLA	Share	Vacancy Rate	Last Qtr.
1	Central East	1,168	8,644,155	17.4%	7.7%	8.7%
2	Central West	765	7,069,752	14.3%	6.6%	7.7%
3	Downtown Tucson	312	1,715,374	3.5%	6.9%	4.7%
4	East Tucson	762	9,506,569	19.2%	8.2%	9.8%
5	Foothills	267	4,464,643	9.0%	6.9%	6.8%
6	North / Oro Valley	157	2,352,492	4.7%	10.2%	12.7%
7	Northeast Tucson	24	325,778	0.7%	11.0%	10.0%
8	Northwest Tucson	252	3,375,393	6.8%	7.3%	7.1%
9	South Tucson	978	6,065,974	12.2%	8.5%	8.3%
10	South / SW Outlying	131	1,708,506	3.4%	6.7%	7.8%
11	Southeast Tucson	93	1,120,105	2.3%	11.5%	12.0%
12	Southwest Tucson	166	2,359,471	4.8%	4.3%	4.3%
13	West Tucson	130	860,427	1.7%	4.6%	2.6%
	Total	5,205	49,568,639	100.0%	7.6%	8.2%

Note: Rate based on total physical space

Source: CoStar Group, Inc., 2nd Q 2013 Tucson Retail Market Report

To enhance the overall appeal of the downtown area, the City instituted a Façade Improvement Program, which uses Business Development Finance Corporation funding for matching grants that property owners of historic Downtown buildings can tap into to renovate rundown facades. The program entails submission of detailed plans for exterior improvements and asking for 50-50 matching grants of up to \$110,000 or more. These renovations have significant visual impact on the downtown buildings and encourage owners to improve older building facades.

Commercial properties situated along the proposed street car route in the downtown area, principally along both Congress Street and Broadway Boulevard, are expected to benefit from the recent firming up of financing sources for new transportation infrastructure.

The vacancy rate is anticipated to vary over the next year to two years, as more rehabbed space comes on line, and additional retailers and restaurants open, principally on or near the modern street car lines.

Fourth Avenue Retail District

The Fourth Avenue Retail District lies directly northeast of Downtown and west of University of Arizona. The Fourth Avenue Retail District includes numerous restaurant/pubs, artist studios, and retail shops in one- and two-story commercial buildings constructed mostly in the 1920's and 1930's. Shop vacancy rates are very low within the District, which benefits from its proximity to the residential neighborhoods and the University of Arizona. Twice annually, the Fourth Avenue Merchant's Association hosts a major street fair, attracting hundreds of thousands of visitors.

Lodging

Lodging in the CBD and immediate surrounding area is abundant, especially along Interstate 10. There are thirteen highway-oriented motels within about two miles of the CBD with about 1,300 rooms. Lodging in the immediate downtown area has historically been primarily supplied by the Hotel Arizona (former Radisson), which is owned by HSL Properties and includes a total of 307 rooms. However, this hotel closed in April 2012 as a result of poor economic conditions and the deteriorating condition of the property. The owner, Mr. Humberto Lopez, has been in negotiations with the City of Tucson for several years, with numerous proposals to renovate or purchase the property with government subsidies or sales and bed tax incentives. Mr. Lopez has been unable to reach an agreement with the City, and some City Council members are reportedly skeptical of funding the renovation of this property. Due to the location of this property, adjacent to the TCC and reflective of the only existing hotel capable of servicing convention center business, this closure will likely be temporary until a deal can be reached with the City or private development funds are made available to remodel and re-open the property.

However, other new hotel developments in and near the CBD are likely to occur, including a new 139 room Marriott hotel at the southwest corner of 5th and Broadway. This project is on a site owned by Scott Stiteler, and the city will loan \$4.3 million for a multi-level parking garage and retain about 218 parking spaces, whose rent would pay back the loan. Interestingly, this development would help the Rio Nuevo district comply with a state mandate to invest in a

downtown hotel before the current spending restrictions are lifted. Additionally, a site just east of the existing Marriot hotel at Main Gate Square in the University District is now planned for a new high rise Residence Inn with 150 units. With ready street car access to the CBD, this property would also serve downtown and convention center oriented clientele. Other lodging projects are in initial planning stages, but are not as far along the entitlement and financing path as the two aforementioned developments, which are considered likely to be developed in the next one to two years.

Industrial

There is limited industrial development within the neighborhood. Older industrial uses are along the Union Pacific railroad tracks in the northern part of the CBD, although these are typically older, non-functional, metal and/or block facilities, several of which have been converted to art studios or galleries. There are a limited number of newer industrial uses along Toole Avenue in the southeast portion of the neighborhood. There are also a number of newer industrial uses along Grant Road to the north of the neighborhood and west of I-10.

According to CoStar’s second quarter 2013 *Tucson Industrial Market* report, the subject lies within the Downtown Tucson submarket. This submarket had a vacancy of 5.3 percent (calculated based on total physical space rather than space made available only for lease). This is significantly lower than the average of 11.3 percent for metro Tucson overall but lower than the submarkets’ previous quarter which experienced a vacancy rate of 5.8 percent. The Downtown Tucson submarket contains a total of 405 existing buildings with 4.1 million square feet of gross building area, reflecting approximately 10.2 percent of the total industrial space in the metropolitan area. However, it is noted that the Downtown Tucson submarket, as defined by CoStar, includes mostly industrial uses on the periphery of the CBD and Interstate 10, outside the subject neighborhood and constituting the majority of industrial space within the Downtown submarket. Please refer to the following table.

#	Submarket	# of Buildings	Total RBA	Share	Vacancy Rate	Last Qtr.
1	Downtown Tucson	405	4,047,944	10.2%	5.3%	5.8%
2	Northeast Tucson	225	2,590,362	6.6%	13.3%	14.1%
3	NW Tucson/Oro Valley	715	9,382,224	23.8%	7.8%	8.3%
4	Palo Verde	514	6,487,168	16.4%	9.2%	9.0%
5	Park/Ajo	254	3,655,160	9.3%	10.6%	11.0%
6	Pima/Green Valley	8	58,748	0.1%	0.0%	0.0%
7	Southeast Tucson	91	5,637,293	14.3%	11.8%	11.8%
8	SW Tucson/Airport	233	7,636,874	19.3%	19.9%	19.9%
	Total	2,445	39,495,773	100.0%	11.3%	11.5%

Note: Rate based on total physical space and does not include self-storage space
Source: CoStar Group, Inc., 2nd Q 2013 Tucson Industrial Market Report

Government and Public Uses

The neighborhood is under the jurisdiction of the City of Tucson. All utilities are available to the neighborhood, including water service by the City of Tucson, sewer service from Pima County Waste Water Management, natural gas service from Southwest Gas Corporation, electrical service by Tucson Electric Power Company, and telephone service from Qwest Communications.

Major health care facilities in the area include the University Medical Center (UMC) adjacent to the University of Arizona campus and St. Mary's Hospital located at the southwest corner of St. Mary's Road and Silverbell Road. UMC is a teaching hospital, associated with the University of Arizona, reflects a major community health care asset, and has attracted a number of physicians to nearby office parks, most situated on Campbell Avenue south of Grant Road. St. Mary's Hospital is part of the Corondelet Heath Network. El Rio Health clinic is located along Congress Street, just west of Interstate 10. This facility provides daily health care services to residents of the area. This facility is currently undergoing renovation and expansion.

Office

The Downtown submarket is distinctive in its diverse composition of office types, including mid- and high-rises, converted historic residences, courthouses and even some traditional, two-story retail conversions. There are currently about 311 office buildings in Tucson's Downtown submarket, accounting for 18.4 percent of the metro-wide office supply by total building area.

Of these buildings, 174 lie within the CBD core—an area generally bounded by Sixth Street to the north, the Union Pacific rail line to the east, 22nd Street to the south and the Santa Cruz River to the west. The CBD accounts for about 70 percent of the Downtown submarket's approximate 4.4 million square feet of office space. Within the CBD, the average year of construction is 1946, though a handful of properties date from the 1800s. About 70 percent of office space in the CBD is concentrated in a dozen mid- and high-rise buildings, mostly constructed in the 1970s and 1980s.

Per the latest data from CoStar Group, the office vacancy rate in Downtown is about 10.6 percent, significantly lower than the 12.5 percent for the metro area.

Tucson Office Market Vacancy Summary
Second Quarter 2013

#	Submarket	# of Buildings	Total RBA	Share	Vacancy Rate	Last Qtr.
1	Central Tucson	1,077	9,537,502	39.9%	15.4%	14.3%
2	Downtown Tucson	311	4,404,543	18.4%	10.6%	10.4%
3	East Tucson	125	1,222,966	5.1%	20.3%	20.0%
4	Foothills	85	1,219,087	5.1%	8.6%	8.3%
5	Green Valley/South Tucson	46	360,033	1.5%	10.7%	7.5%
6	North Tucson/Oro Valley	306	3,479,495	14.6%	9.9%	10.0%
7	Northwest Tucson	45	408,496	1.7%	23.1%	22.8%
8	Southeast Tucson	35	605,919	2.5%	7.5%	8.6%
9	Southwest Tucson	170	1,470,111	6.1%	5.8%	6.1%
10	West Tucson	216	1,199,844	5.0%	7.5%	8.3%
	Total	2,416	23,907,996	100.0%	12.5%	12.1%

Note: Rate based on total physical space

Source: CoStar Group, Inc., 2nd Q 2013 Tucson Office Market Report

Publicly owned/occupied properties account for about 68 percent of office space in the CBD's 14 largest projects, including large amounts of court and attorney space. Since completion of 1 South Church in 1986, only four large office buildings have been built in the CBD—three of which are public: the Pima County Legal Services Building in 1996; the Federal Courthouse in 2001, the Unisource Headquarters Building (private) in 2011; and the FBI Building in 2012. Development of a new project, the proposed 226,000-square foot City/County Joint Courts Complex, has recently started construction.

14 Largest Office Buildings in Downtown Tucson

Name	Address	Bldg Area (SF)	Year
Pima County Court	110 W. Congress St	452,419	1973
Federal Court House	405 W. Congress St	400,000	2001
Pima County Legal Services	32 N. Stone Ave	360,272	1996
U of A Facilities Management	220 W. 6th Ave	266,387	1977
Unisource Energy Tower	1 S. Church Ave	241,462	1986
La Placita Village	110 S. Church Ave	220,000	1974
Bank of America Building	33 N. Stone Ave	192,730	1975
Unisource/TEP HQ	88 E. Broadway Blvd	180,804	2011
Tucson Federal Building	300 W. Congress St	148,017	1974
Transamerica Building	177 N. Church Ave	128,000	1961
Alameda Plaza - City Court	103 E. Alameda	116,234	1962
Pioneer Building	100 N. Stone Ave	103,450	1929, 78, '00
FBI Building	275 N. Commerce Loop	84,353	2012
Chase Bank building	2 E. Congress St	68,341	1929, 78, '08
Total		2,962,469	

Sources: AXIA Real Estate Appraisers, CoStar Comps

As users relocate to the new space built in 2012 and 2013, significant amounts of existing space will be vacated, probably on the order of 60,000 square feet. This may be exacerbated by a growing trend for financially-strapped local government users to downsize their office inventories by relocating employees from private buildings to their own buildings.

Current rates for high-rise office in the CBD core typically range between about \$15 and \$22 per square foot, full service, depending upon location, age, and quality of the building and space. My interviews with market participants, and review of newly signed contracts, indicates that the most common desired office space suites in downtown size range from about 500 and 4,000 square feet.

Market participants report that 2012 through mid 2013 market conditions were essentially similar to those that prevailed during 2011 and 2010. Most brokers do not anticipate a significant recovery occurring during 2013. Based on my discussions, market activity appears to have picked up slightly during 2012, with several prospective tenants looking for space. However, prior to this burst of activity, leasing had been relatively slow over the last year. The overall outlook going into the last half of 2013 and 2014 is for general continuation of current conditions, with the potential for improvement by sometime in 2014.

Services

The neighborhood is within the jurisdiction of the City of Tucson which provides all City services including police and fire protection, and public transit services. All utilities are available throughout the neighborhood, including water (City of Tucson), sewer (Pima County Waste Water Management), natural gas (Southwest Gas Corporation), electricity (Tucson Electric Power Company), and telephone service (Century Link Communications).

The neighborhood contains two parks: Armory Park and El Presidio Park, both small neighborhood parks. Along both banks of the Santa Cruz River (adjacent to I-10) is the Santa Cruz River Park, a linear park for walking and bicycling. Across I-10 is Northwest Park and El Rio Golf Course. Additionally, the new Tucson Origins Park is to be located west of Interstate 10 along the south side of Congress Street. This park will include museums and a replica of the San Augustin Convento. There are several larger parks surrounding the neighborhood.

Rio Nuevo/Downtown Revitalization

Rio Nuevo is a comprehensive revitalization program involving nearly all of Downtown Tucson and extending onto the west side of I-10/Santa Cruz River with more than 50 specific development projects. These include a civic plaza, new lodging, expansion of the existing Tucson Community Center, a University of Arizona-sponsored science center, as well as numerous other historic and cultural venues. One focal point of the redevelopment is a reconstruction of the Convento, which was the heart of Tucson during the Spanish period.

Due to slow progress and criticisms of failed oversight of Rio Nuevo by the Tucson City Council, the Arizona State legislature threatened to eliminate Rio Nuevo funding in early 2009. In summer 2009, the State decided to continue funding for the Rio Nuevo revitalization project through the Tax Incremental Financing (TIF) mechanism. (TIF provides for a portion of state sales taxes from Tucson to be redirected to Rio Nuevo.) However, in late 2009 the State also followed through on its threat to take financial control of Rio Nuevo away from the City of Tucson in order to put it under a new nine-member board, made up predominately of members of the Tucson community. This board with some new members as of fall 2012, are in the process of settling various outstanding issues with the City of Tucson regarding ownership of various properties and development responsibilities.

Life Cycle

The area is nearly fully built up. Few vacant sites remain, and new development often requires that existing older structures be removed. There is a good potential for major revitalization to occur due in part to several planned Rio Nuevo projects. Some point to creation of employment generators, such as the new headquarters of UniSource/TEP, the FBI and The Providence Service Corporation, as being a more critical factor in the revitalization process. Additional private developers are planning to construct several student housing projects, and there are several smaller, older buildings that are being renovated for restaurant and retail uses. Based on the level of planned and ongoing new construction, redevelopment, and renovation of existing older buildings, it is apparent that the area is entering a revitalization stage of its life cycle, although this revitalization will likely be slow at first, and increasing upon completion of the street car and other large projects that should positively impact demand for other new development.

Summary

The neighborhood is well established as the office and governmental center of Southern Arizona and is considered to be in a revitalization stage of its life cycle. There has been some in-fill development and revitalization occurring in the commercial market. The ongoing Rio Nuevo development and the other commercial projects should eventually result in the CBD becoming a "24-hour" area, encouraging additional private-sector development. The area is served by adequate transportation arterials with relatively easy access to all parts of the community and immediate freeway access. The modern street car system is expected to notably improve overall linkages and the general appeal of downtown for business and residents alike. The neighborhood is considered to have a positive effect on the subject.

SITE DESCRIPTION

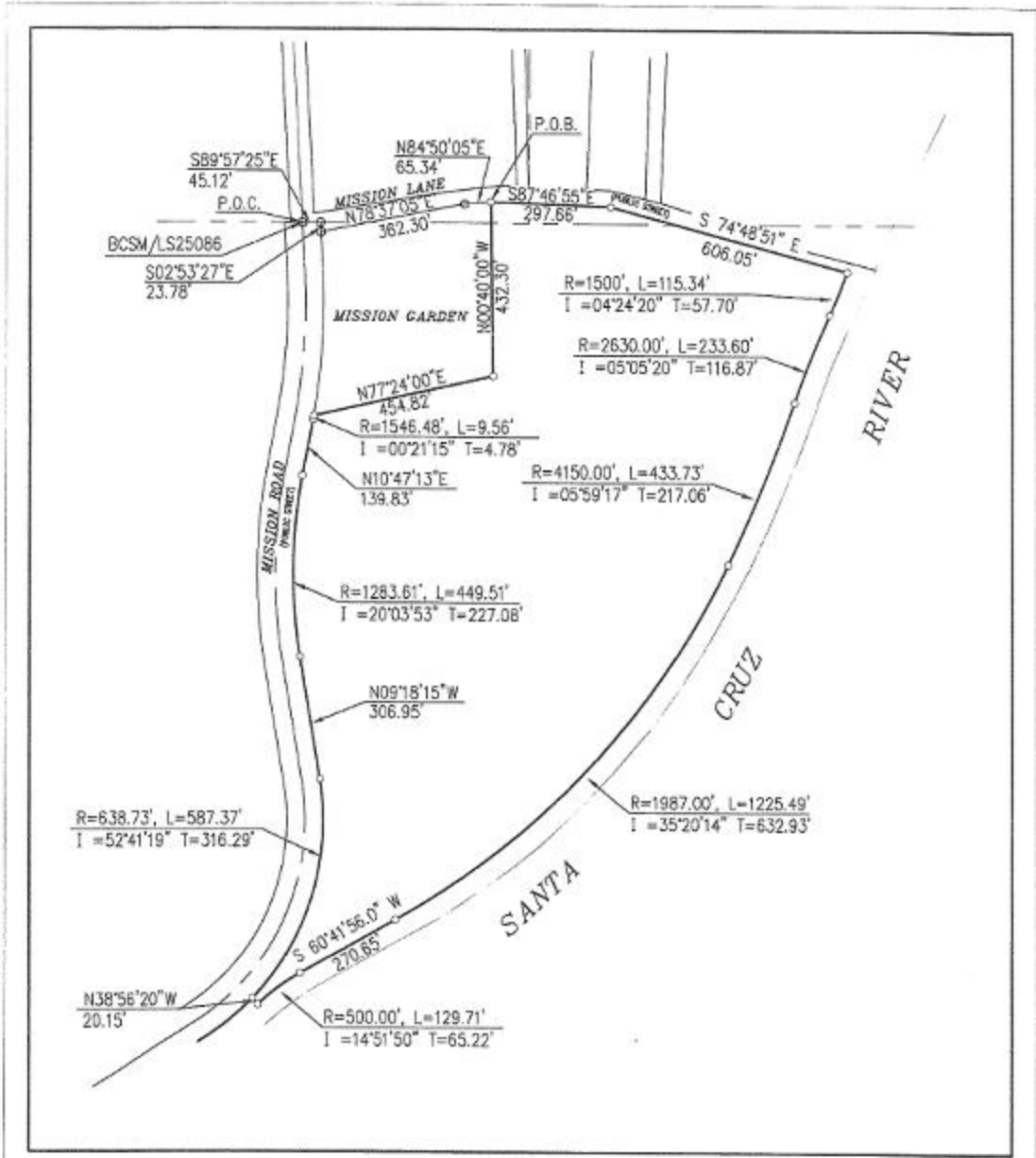
Location

The subject property is sited on the east side of Mission Road, south of Mission Lane on the west side of the Santa Cruz River. The subject is identified as the Brickyard parcel of Rio Nuevo.



Site Size

According to the Land Title Survey of the subject site, shown below, the subject site is 33.74 acres of land area. The corresponding Legal Description is contained in the Addenda of this report.



**EXHIBIT TO ACCOMPANY DESCRIPTION OF
RIO NUEVO WEST
SECTION 14, T.14S., R.13E., G.S.R.M.,
PIMA COUNTY, ARIZONA**

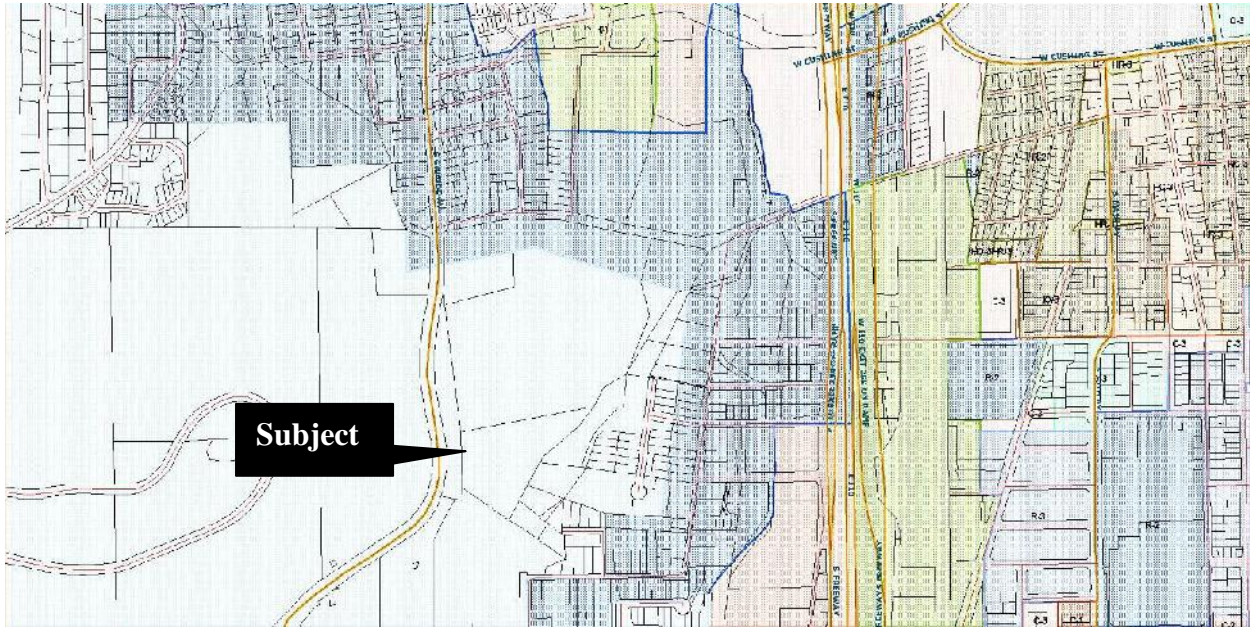
WLB# project No. 103010-H001-1016
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1"=300'

The WLB Group logo features the letters 'WLB' in a large, bold, serif font, with 'The' above and 'Group' below. To the right is a circular emblem containing a stylized umbrella or canopy.

Zoning

The subject site is zoned R-2 on the very northern portion and R-1 on the remainder, in accordance with the zoning ordinances of the City of Tucson. The zoning allows for a variety of low to mid density residential uses. It is noted that any planned development of the subject property would need the approval of The City of Tucson. This requirement was included as part of the settlement agreement between the City of Tucson and its current owner Rio Nuevo.



Shape:

The subject is generally irregular in shape. The subject shape is considered to be generally functional.

Terrain

The subject site is generally level and above grade with the Santa Cruz River, The Loop and properties to the north. The subject sits above the Mission Gardens project and Mission Lane. The slightly higher elevation of the site provides it with good view amenities of the downtown skyline. The subject appears to have a slight slope toward the Santa Cruz River to the east. The property is adjacent to the west of the Santa Cruz River, which is bank protected.

Soils/Subsoils

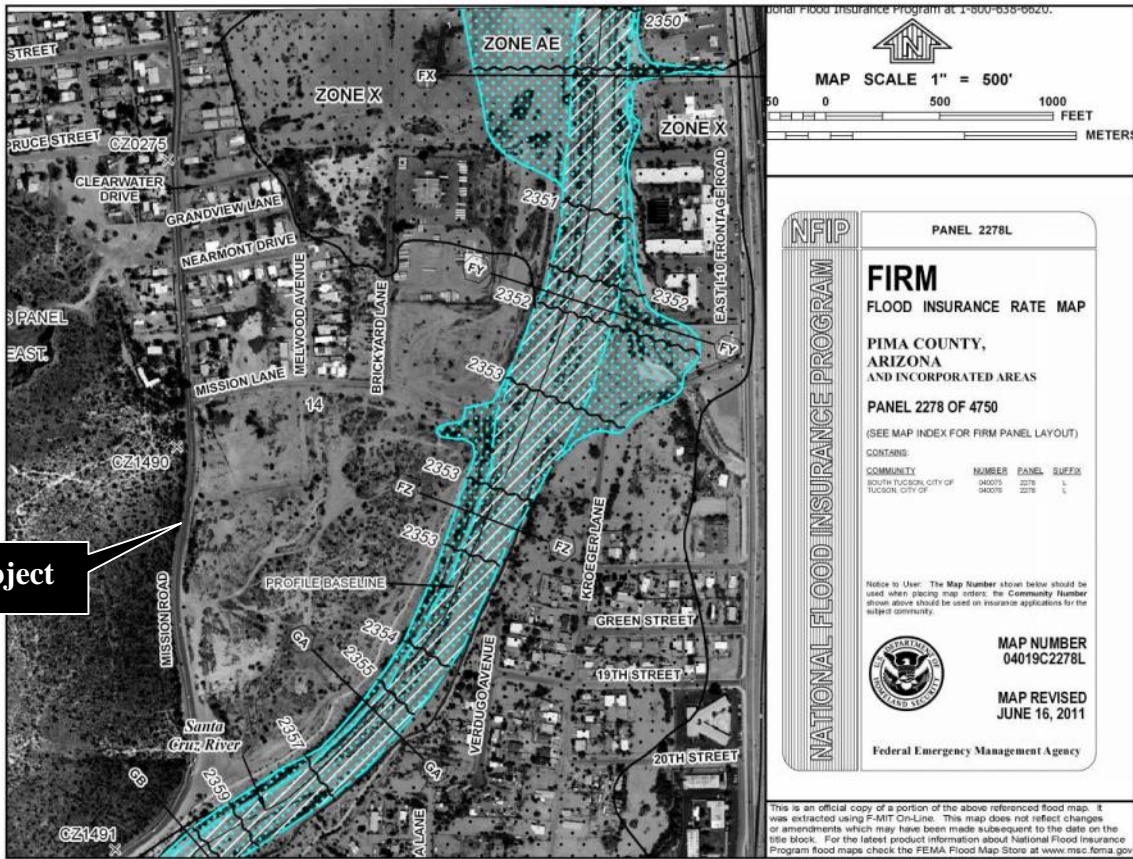
No soils analysis was provided. The majority of the subject property is a remediated landfill. On-site inspection did not reveal any obvious evidence of soil problems, though the actual condition of the soil/subsoils is unknown. This analysis assumes that the subject property could be developed to its highest and best use.

Frontage Roadways

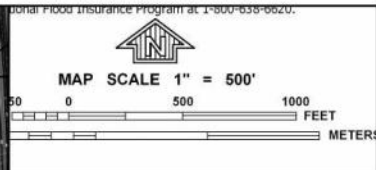
The property has frontage along the east side of Mission Road. Access to the subject is from this roadway. Future development of

the subject site would need to take into consideration that Mission Road is only a two-lane roadway. This would essentially restrict many types of higher density residential uses and/or most commercial uses due to the traffic volume these types of uses would place on this low capacity roadway. A medium density residential project would generate reasonable traffic volumes on Mission Road, which it should be able to handle. Development of the subject site would probably require improvements to Mission Road, such as installation of a right turn and left turn lanes into the property.

Visibility	The subject has reasonable visibility from Mission Road.
Easements	I was not provided a title report on the subject. There do not appear to be any easements on the site.
Municipal Services	Police and fire protection are provided by the City of Tucson.
Utilities	All conventional utilities currently serve the site, including water by the City of Tucson, sewer by the Pima County, electricity by Tucson Electric Power, natural gas by Southwest Gas, and telephone by Century Link (Qwest) Communications.
Flood Plain	The subject is located within Zone X, an area outside of the 100-year flood plain. The Santa Cruz River, which is bank protected, borders the subject property to the east and south.



Subject



NATIONAL FLOOD INSURANCE PROGRAM

PANEL 2278L

FIRM
FLOOD INSURANCE RATE MAP

PIMA COUNTY,
ARIZONA
AND INCORPORATED AREAS

PANEL 2278 OF 4750

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
SOUTH TUCSON, CITY OF	240075	2278	L
TUCSON, CITY OF	240076	2278	L

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 subject community.

MAP NUMBER
04019C2278L

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 F-MIT Qn-Line. 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.msc.fema.gov

Environmental	I was not provided with a Phase I Environmental study for the subject. The subject is vacant land that was previously used as a landfill. The landfill has been remediated, with all potential contaminants removed. It is a basic underlying that the property is free and clear of any environmental concerns.
Seismic Zone	All of the Tucson area is located in an area of moderate to low seismic risk.
Soils/Sub-soils	The subject site is vacant land which was previously a landfill. The landfill is reported to have been mitigated, but the appraiser was not provided detailed information concerning the subject soils/subsoils. It is my understanding that the property can be developed, but any development will need to take into consideration the prior use of the property as a landfill and any planned project should be fully engineered.
Surrounding Uses	<p>The subject is sited within the far western portion of the Tucson Central Business District. To the east and south is the Santa Cruz River. Immediate to the east of the subject site is The Loop, which is a paved pathway along the river. This multi-purpose path has been developed and is maintained by Pima County. It provides for pedestrian, bicycle and equestrian access along the Santa Cruz River.</p> <p>Further east is Interstate 10. To the west is Mission Road, followed by the Sentinel Peak "A" Mountain. To the immediate northwest of the subject site is Mission Gardens, a 4.7-acre site in the being developed by the City of Tucson and Rio Nuevo. This project is a reconstruction of the Spanish Colonial Mission Gardens at the Mission San Agustin site, and is being funded by a 1997 bond. Please refer to the Addenda of this report for details on the Mission Gardens project. Further north are older residential uses.</p>



Historic Significance:

The subject is located south of where the original Convento project was located. This fortified mission complex was built in 1770 and abandoned in the late 1800s. Although it is the appraiser's belief that the Convento was located north of the subject, there is a possibility that portions of the site (northern portion) that was not used as a landfill previously may have some historic significance. In addition, it is reported that the northeast corner of the property was previously improved with one of the first houses in the Tucson valley (The Carrillo House). Although there are no indications of any buildings, it is my understanding that the area is not developable, allowing for future rebuilding of the house for historic purposes.

Also, as noted previously in this section, adjacent to the subject is the Mission Gardens project. This 4.7 acre site is being developed as a re-creation of the Spanish Colonial walled garden as part of the San Agustin Mission. This project has been developed on its original site. The Friends of Tucson Birthplace is a very active volunteer organization that has worked diligently over the past few years to bring this project into fruition. Working with the City of Tucson and Rio Nuevo, this walled garden is well under way in providing a sustainable historic garden. Recently, the Rio Nuevo Board

authorized additional monies to allow this project to be further developed. It is my understanding that this volunteer organization is well connected politically and would probably have a voice in how the subject project would be developed. Active neighborhood groups such as this have been listened to by governmental agencies and elected officials and appear to be well connected politically.

It is my understanding that although the Mission Gardens project is not on the subject property it is probable that any proposed development would need to buffer this project. A buffer would provide a transition zone around the Mission Gardens project, decreasing any adverse impact the development would have on this historic recreation.

The location of the subject next to the Mission Gardens project and having been the location of the historic Carrillo House will need to be taken into consideration in the development of the subject property.

Real Estate Taxes

The subject is identified by Pima County as portions of tax parcels 116-22-0020 and 116-23-0890 & -0930. Since the subject site was owned by the City of Tucson and now owned by Rio Nuevo (both governmental agencies), there are no assessed real estate taxes.

Site Summary

The subject is somewhat irregular in shape. As noted, the only significant physical concern with the site is its soils/sub-soils due to the prior use of the property as a land fill. Although the landfill was remediated, any development would need to take this factor into consideration. The current zoning would only allow for the subject to be developed primarily with medium density residential uses. A further legal encumbrance of the subject would be the location of the Carrillo house previously on the northeast corner of the site. Also, it is considered from a political basis, any development of the site would probably need to buffer the Mission Gardens project. My analysis would indicate that the majority of the subject property is physically and legally able to be developed within residential uses. The northern portion of the site is considered to be adversely impacted by known historic factors that may preclude its development with residential uses (allowed by zoning).

SUBJECT PHOTOGRAPHS

Top Photo: View of looking north across the subject site.
Bottom Photo: View of the downtown skyline from the subject site.



SUBJECT PHOTOGRAPHS

Top Photo: View of "A" Mountain from Mission Lane, subject to left
Bottom Photo: View of wall around Mission Gardens.



SUBJECT PHOTOGRAPHS

Top Photo: View looking south along Mission Road

Bottom Photo: View of Santa Cruz River and The Loop adjacent east of the subject site.



HIGHEST AND BEST USE

As If Vacant

Legally Permissible

The majority of the subject site is zoned R-1, with the far northern portion of the site zoned R-2 per the City of Tucson zoning code. Any development of the subject property will require the approval of the City of Tucson. The northeast corner of the site (about one acre) is considered to be historically restricted given it was previously developed with the Carrillo House, one of the first residences in the Tucson valley. Further, the Mission Gardens project is considered to restrict the northern portion of the site in terms of potential uses given the historic nature of this recreation project. Based upon my understanding of the realities of the current political environment, it is my belief that the northern portion of the subject would not be able to be developed in conformance with its zoning (R-1 and R-2) which allows for residential uses. It is considered probable that this portion of the site would need to be dedicated to public uses associated with the Mission Gardens project and Carrillo House site. The following exhibit visually reflects my analysis of the subject in terms of developability.



It is considered likely that residential uses allowed under the R-1 zoning code would be approved by the City of Tucson for the southern portion of the site (about 20 acres). The exhibit should only be considered a visual reflection of my personal observations; actual future development will be determined by the City of Tucson in coordination with the current property owner and input from other vested entities.

Physically Possible

The subject site has a gross area of 33.74 gross acres. Given its legal constraints as indicated, my calculations would indicate that only about 20 acres of the subject is developable. The northern approximate 13.74 acres of the site would be able to be physically developed, but not with uses that would be currently supported in the market (i.e. public uses, historic uses, equestrian facilities, open space, etc.). These types of uses are legal and physical, but not considered to be financially feasible. The southern 20 acres of the subject is slightly irregular in shape, following the curves of the Santa Cruz River to the east, and Mission Road to the west. The site size is not considered to limit physically what could be built on the property. The access road is considered to be of insufficient capacity to allow for more intensive land uses than those currently allowed by the existing zoning. The subject site is a former landfill, which has been remediated. Any of the legally permissible uses would be physically possible on the southern portion of the site (i.e. medium density residential development).

Financially Feasible/ Maximally Productive

The subject's zoning currently would allow for its development with residential uses. Only approximately 20 acres of the southern portion of the site are considered to be financially feasible to develop with medium density residential uses. This portion of the site could be in demand today to be developed with new housing. The R-1 zone would allow for up to about 100 detached, single family homes to be developed on the usable portion of the site. This property would reflect one of the only close-in parcels available for this type of residential development. The subject, if developed with housing, would reflect an infill housing project. My analysis of the new housing market indicates that there are very few active infill projects in the Tucson area. There are a couple of smaller projects in north central Tucson (2 – 12 lot projects). There are also three on the far eastern section of the community. There are no active new housing projects within the Central, Downtown or West portions of the community. Given the rebounding of the residential markets both across the country and in Tucson, there appears to be demand for new housing close in to the CBD. The subject property if developed could fill the potential need for new, affordable housing near the central portion of the community, close to employment centers and with reasonable access to the new Modern Street Car Line (about ¼ mile north of the subject site).

My analysis would therefore indicate that the only financially feasible use of the subject site (southern portion) would currently be for near term development of medium density residential housing. Given the political realities as they currently exist in the City of Tucson, the area residents and members of the Friends of Tucson Birthplace will have influence upon the approved density and final design of housing for the property (future project). The most probable purchaser of the subject would be a merchant homebuilder (national or local) who would acquire the site for development with up to 100 single family homes.

SALES COMPARISON APPROACH

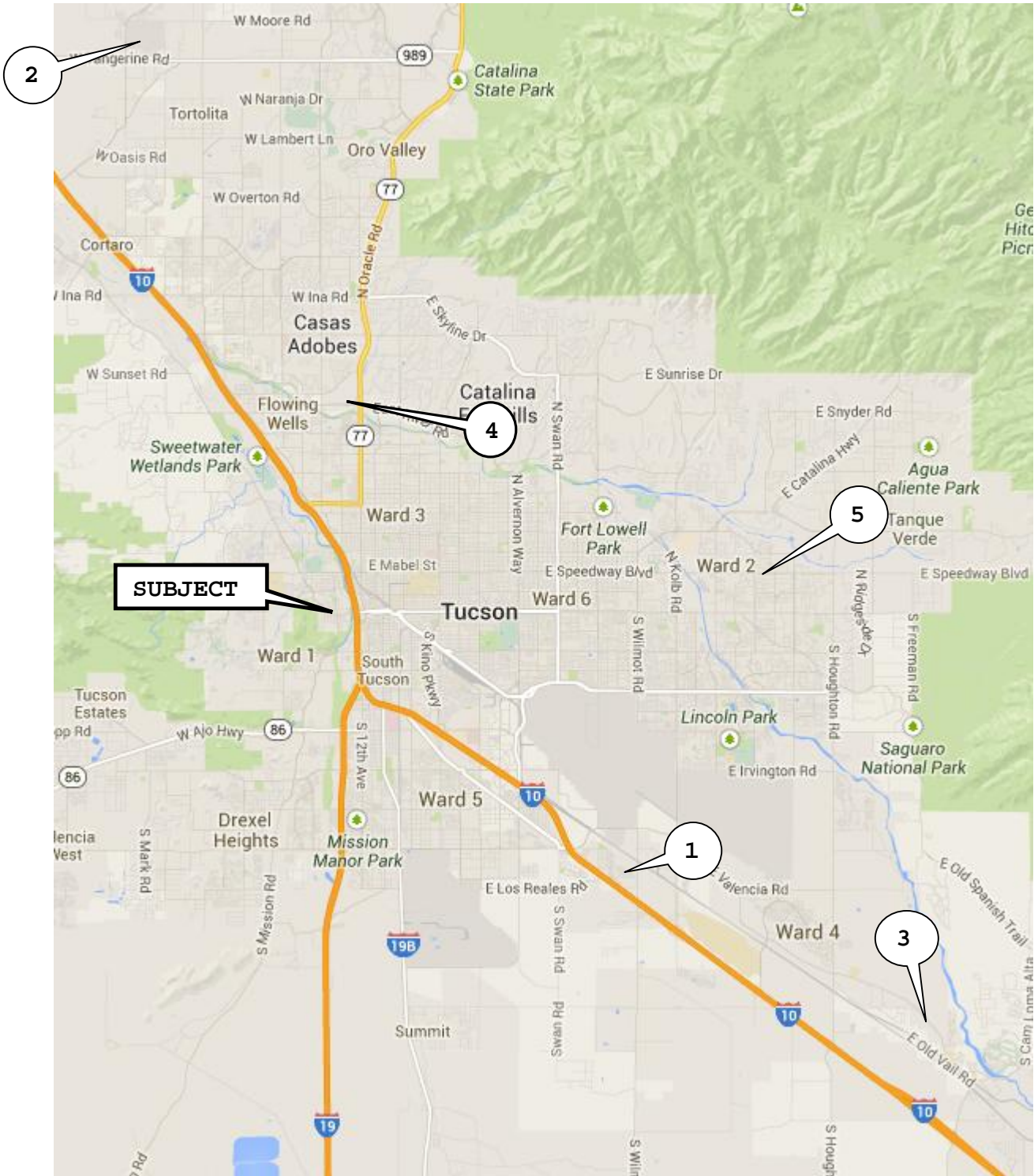
The Sales Comparison Approach to value considers market data of similar vacant comparable properties. This technique is an application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquisition of an equally desirable substitute property that can be acquired without undue or costly delay.

I conducted a search in order to obtain market data of sites similar in size and highest and best use to be compared with the subject. Five sales were included in the analysis. Each property sold within the past two years. Based on my research, the comparables included herein represent the best available data for analysis of the subject via the Sales Comparison Approach.

Each sale has been confirmed with a party considered knowledgeable about the transaction and all information is considered to be reliable. The sales price per square foot of land area is the unit of comparison used in this analysis. Sales price per square foot is simply the sale price divided by the gross area of the site.

Following are a summary tabulation and map of the sales used in this analysis, as well as a discussion of the adjustments deemed warranted. Details of each sale are retained within the file.

Comparable Number:	1	2	3	4	5
Sale Date:	Jan-12	May-12	Sep-12	Sep-12	Aug-13
Location:	NWC of I-10 and Wilmot Road	NE of Tangerine & Thomydale Roads	Mary Ann Cleveland Drive	1000 W River Road	SS of Speedway, E of Pantano
Zoning:	C-2/Pima County	SP/Marana	CR-5/Pima County	TR/Pima County	RX-1
Use:	Investment	SF Homes	SF Homes	Apartments	Investment
Sales Price	\$3,064,086	\$1,323,000	\$2,644,500	\$969,500	\$820,000
Terms of Sale:	Cash	Cash	Cash	Cash	Cash
Site Size (Net AC):	35.17	15.56	8.36	6.65	12.50
Site Size (Net SF):	1,532,044	677,794	1,344,000	289,674	544,500
Sales Price Per Sq. Ft.	\$2.00	\$1.95	\$1.97	\$3.35	\$1.51



ADJUSTMENT ANALYSIS

Adjustments to the comparable sales were considered for transactional differences as well as physical differences. The listings noted will be discussed at the end of the adjustment process to the comparable sales.

Transactional Adjustments

Adjustments to the previously detailed comparable sales were considered for transactional differences - property rights transferred, terms of sale, sales conditions and market conditions.

Property Rights

The interest being appraised in the subject is fee simple. All of the comparables reflect fee simple fee interests. No adjustment for property rights has been made in this analysis.

Terms of Sale

Adjustments for terms of sale have been considered in this analysis. The opinion of market value of the subject property assumes a cash equivalent purchase. One requirement of valuation reports written in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) is that the sale of the subject and the comparable properties be adjusted for cash equivalency. Cash equivalent sales imply those transactions which are financed by third-party lenders such as savings and loan associations or commercial banks. Transactions which are financed by sellers may provide advantages not available from third-party lenders. Typically, seller carry-back financing includes a lower down payment than what would be available via third-party financing. In addition, the interest rate or length of the financing may be favorable to the purchasers.

All of the comparables sold for cash to the seller. No adjustment for this factor is made in this analysis.

Conditions of Sale

Inherent in the definition of market value is that the buyer and seller be typically motivated. I have analyzed the comparables with respect to the motivation of both buyer and seller. Often the conditions of sale impact the final purchase price of the comparable property. For instance, a property owner with a need to expand an existing property through assemblage would typically have a higher degree of motivation to purchase an adjacent property if it were available than would the general public and, therefore, could be inclined to pay more money. Conversely, a seller, who for financial reasons was distressed, might be inclined to sell a property at a level below market. Four of the comparables appear to reflect "arm's length" market transactions. No adjustment is therefore applied in this analysis. Comparable Five reflects an REO sale. This property sales price was adjusted up to reflect the motivated seller basis in this property.

Market Conditions (Time)

The comparables range in date of sale from January 2012 to a sale in August 2013. Thus, all of the sales occurred within less than two years prior to the date of value. No adjustment for market conditions is made in this analysis.

The following table shows the transactional adjustments considered warranted in this analysis.

<i>Transactional Adjustments:</i>	1	2	3	4	5
Property Rights	0.0%	0.0%	0.0%	0.0%	0.0%
	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Adjusted Price/SF	\$2.00	\$1.95	\$1.97	\$3.35	\$1.51
Terms of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Adjusted Price/SF	\$2.00	\$1.95	\$1.97	\$3.35	\$1.51
Sale Conditions	0.0%	0.0%	0.0%	0.0%	25.0%
	Typical	Typical	Typical	Typical	Typical
Adjusted Price/SF	\$2.00	\$1.95	\$1.97	\$3.35	\$1.88
Time of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
	Similar	Similar	Similar	Similar	Similar
Adjusted Price/SF	\$2.00	\$1.95	\$1.97	\$3.35	\$1.88

Physical Adjustments

Location

In analyzing the comparables, two factors of location are considered – ***general location*** and ***specific location***. General location refers to the general appeal of the surrounding vicinity as well as overall concentrations of compatible and supporting uses. Specific location refers to levels of the property’s market exposure /accessibility, and where applicable, proximity to a specific traffic generator(s).

The subject is located along the east side of Mission Road, north of 22nd Street/Starr Pass Boulevard. This property is considered to be unique in its location within the western portion of the CBD of Tucson. The property benefits from its close in location, but does not have good exposure in the larger market.

In terms of general location, each of the comparables varies greatly from that of the subject. Comparables One and Three are located within the southeast portion of the area, which is considered inferior in terms of general location in comparison to the subject. Comparable Two is located within the far northwest portion of the Tucson area and Comparables Four and Five are each sited within more infill locations in the community. In terms of general location, my analysis would indicate that Comparable 2 is located in an area of superior socioeconomic conditions and is better than the subject. Comparables Ones and Two are considered to have similar general locations. Comparables Four and Five reflect infill locations with superior socioeconomic conditions; thus, considered to be superior to that of the subject.

Specific location also varies for each of the properties. As noted, the subject is sited along the east side of Mission Road, north of 22nd Street/Starr Pass Boulevard. The subject has limited exposure in the larger market. Comparable One has I-10 frontage which provides it with superior exposure in the market. Comparable Two is similar in specific location in that it does not have primarily roadway exposure, but it is within a developing residential community, which is considered superior in comparison to the subject. Comparable Three also does not have great exposure to the market, but similar to Comparable Two, is within a developing residential community. Comparable Four fronts along the north side of River Road, just west of La Canada Drive. This location has superior exposure in the market, with a downward adjustment applied. Comparable Five is sited along the south side of Speedway Boulevard, just east of Pantano Road. This specific location is considered to be superior to that of the subject given its primary roadway frontage.

Refer to the table that follows that shows my net adjustment for location for each of the five comparables.

Site Area

The subject contains an estimated 20 acres of net land area. The comparables range from 6.65 to 35.17 net acres. Comparable Two has a similar size as the subject, with no adjustment applied. Comparables One and Three were adjusted upward for site size differences since they are larger than the subject (net acres). Comparables Four and Five were each adjusted downward to reflect their smaller sizes.

Zoning

The net subject property is zoned for medium density residential uses. Comparables Two and Three are considered to be similarly zoned. Comparable One has a commercial zoning that allows for a higher intensity of use, with a downward adjustment applied. Comparable Four was zoned for a higher density residential use. This sale is adjusted downward for zoning differences. Comparable Five was zoned for lower density residential uses, with an upward adjustment made.

Site Utility

The subject site reflects a relatively level parcel of land. Comparables One, Three, Four and Five are considered to have similar site utility. Comparable Two requires more extensive site development costs to allow for it to be developed due to wash issues. This sale is adjusted in comparison to the subject property for site utility.

Other

No other factors could be determined to have impacted the six sales noted.

The following grid shows the physical adjustments made to the comparable sales on a net land basis:

<i>Physical Adjustments:</i>	1	2	3	4	5
Location	0.0% Similar	-10.0% Superior	10.0% Inferior	-10.0% Superior	-10.0% Superior
Land Area	20.0% Larger	0.0% Similar	10.0% Larger	-15.0% Smaller	-10.0% Smaller
Zoning	-25.0% Superior	0.0% Similar	0.0% Similar	-10.0% Superior	20.0% Inferior
Site Utility	0.0% Similar	20.0% Inferior	0.0% Similar	0.0% Similar	0.0% Similar
Other	0.0% Similar	0.0% Similar	0.0% Similar	0.0% Similar	0.0% Similar
Net Additional Adjustments	-5.0%	10.0%	20.0%	-35.0%	0.0%
Adjusted Price Per Sq. Ft.	\$1.90	\$2.15	\$2.36	\$2.18	\$1.88

Conclusions

The comparables indicate an adjusted range of approximately \$1.88/SF to \$2.36/SF (net land area). All required moderate levels of gross adjustment. None of the sales was directly comparable to the subject in most aspects. Overall, based upon my analysis of the sales noted, it is my opinion that the subject’s current market value is \$2.00 per square foot of net land area. Multiplying by the subject’s 871,200 net square feet of gross land area times \$2.00/SF equals \$1,742,000 (rounded).

**MARKET VALUE INDICATION
OF THE SUBJECT, AS IS**

VIA THE SALES COMPARISON APPROACH.....\$1,742,000

ESTIMATED MARKETING AND EXPOSURE PERIOD

The estimated marketing time for the subject is dependent upon a number of variables, yet if the property is priced at a level set forth in this appraisal, it is reasonable to assume that there would be demand to purchase the property within a marketing period of not more than two years.

Overall, it is reasonable to assume that the subject would indicate demand within the marketplace within a time period of not more than two years based upon the market value opinion set forth in this report.

Exposure time is presumed to precede the effective date of the appraisal, and reflects the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of the appraisal. It is a retrospective estimate based on an analysis of recent past events, assuming a competitive and open market, and assumes adequate marketing time and effort. Based on my analysis of market conditions that have prevailed in greater Tucson during the last year the subject could have been sold within one year prior to the date of this appraisal.

APPRAISER'S CERTIFICATION

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

The statements of fact contained in this appraisal report, which are used as the basis of my analyses, opinions, and conclusions, are true and correct. I have no responsibility for legal matters, questions of survey, opinion of title, soil or subsoil conditions, engineering, or other technical matters. Any sketches prepared by us and contained in this report are included solely to aid the user of the report in visualizing the property and its location, and are not necessarily to scale.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

I have no present or contemplated future interest in the real estate that is the subject of this appraisal report and, further, I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved. I have not previously appraised the subject property.

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. My employment was not conditioned upon the appraisal producing a specific value or a value within a given range. No pressure of any sort was made.

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

As of the date of this report, James S. Bradley, MAI, has completed the requirements under the continuing education program of the Appraisal Institute. James S. Bradley inspected the subject property and has the appropriate knowledge and experience required to complete the assignment competently.

No one provided significant professional assistance to the signer of this report unless noted. Further, no one other than the undersigned formed the analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal report, unless such participation by another party is indicated by the co-signing of this report by such other party.

APPRAISER’S CERTIFICATION (CONT.):

I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Each finding, prediction, assumption, or conclusion contained in this report is my personal opinion and is not an assurance that an event will or will not occur. I assume that there are no conditions that are not apparent relating to the real estate, subsoil conditions, or structures located on the real estate which would affect my analyses, opinions, or conclusions with respect to the real estate.

The data gathered in this appraisal process (except data furnished by the client) and the appraisal report itself remain my property. With respect to data provided by the client, I shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to us. I am, however, authorized by the client to disclose all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute, if such disclosure is required, to enable us to comply with the bylaws and regulations of said Institute now or hereafter in effect.

This appraisal report shall not be quoted or referred to in any report or financial statement of the client or in any documents filed with any governmental agency without my prior written consent. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraisers, references to the Appraisal Institute, or references to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or other public means of communication without my prior written consent and approval.

Based upon the data and discussions contained within the attached report, my opinion of the fee simple interest in the subject follows:

**MY OPINION OF THE MARKET VALUE
OF THE SUBJECT, AS IS,
AS OF SEPTEMBER 17, 2013\$1,742,000**

The estimated marketing time and exposure period, as premised upon the prior value conclusions, are estimated to be less than 24 months.


JAMES S. BRADLEY, MAI
AXIA Real Estate Appraisers
State of Arizona Certified General
Real Estate Appraiser, Certificate #30432

COMPANY QUALIFICATIONS

AXIA Real Estate Appraisers is in the business of helping clients make informed decisions regarding a variety of real estate related issues. In the course of my activities, we utilize numerous sources of data to enable us to make the most informed judgments possible to best serve our clients. Our industry standards demand that professional appraisal organizations not only *utilize* the data appropriately, but that such data is acquired through appropriate means. The following list, although not all-inclusive, contains the names of numerous data services to which we subscribe and support.

Arizona Business Gazette (weekly business magazine of Phoenix area data)

Arizona Journal of Real Estate & Business

Bright Future Consultants (Tucson area subdivision data)

The Business Journal (weekly publication for market data)

CoStar Group, Inc. – Maricopa, Pinal & Pima Counties (all market types – sales and market analytics)

Host Report (Smith Travel Research, lodging data)

Inside Tucson Business (weekly Tucson business newspaper)

Korpacz Real Estate Investor Study (national investor survey)

Landiscor - Phoenix & Tucson (maps, various residential & commercial market data)

LoopNet, Inc. (commercial real estate listing and sales data)

Market Source (monthly investor publication from The Appraisal Institute re: cost information)

Marshall & Swift Valuation Service

Multiple Listing Services (MLS) of Pima County, Santa Cruz County, Yuma County, La Paz & Mohave Counties, Coconino County, Yavapai County, Navajo & Apache Counties, Cochise County, Maricopa County, Gila/Graham/Greenlee Counties & Pinal County.

Newspapers: The Arizona Daily Star (Tucson), Arizona Republic (Phoenix), Nogales International (Nogales).

Pima County Recorder's Office

PwC Real Estate Investor Survey (formerly Korpacz) (national investor survey)

RealData, Inc. – Pima Counties Multi-Family Housing Data (since 1986 to current)

Real Estate Valuation Magazine (quarterly publication for real estate appraisers)

Real Quest – On line access to public records in all counties in the State of Arizona and most counties throughout the United States (First American Real Estate Services)

Stanley Wood - Tucson residential & new home construction data (since 1986 to current)

Valuation Insights & Perspectives (monthly magazine from The Appraisal Institute)

Wide World of Maps - Maricopa, Pima & Coconino/Yavapai Counties, Pinal County and Rim Country

QUALIFICATIONS OF JAMES S. BRADLEY, MAI, CCIM

State of Arizona Certified General Real Estate Appraiser, Certificate #30432
State of Colorado Certified General Real Estate Appraiser, Certificate #1321969

PROFESSIONAL EXPERIENCE

- 1988 - Present AXIA Real Estate Appraisers, as Principal Appraiser/Consultant, President since 1996 (previously known as KB Real Estate Appraisers).
- 1985 - 1988 Greenberg Chin and Associates, Inc., Real Estate Consultants and Appraisers, as Associate Consultant/Appraiser under Neil O. Kleinman, MAI
- 1983 - 1984 Real Estate Broker in Grand Junction, Colorado, working in commercial sales and property management
- 1981 - 1983 Real Estate Broker in Cortez, Colorado, in residential and rural sales

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

- Member, #9888 of the Appraisal Institute (MAI). The Institute conducts a voluntary program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic educational certification. Mr. Bradley received his designation in 1993 and is certified under this program through 2015.
- Member # 15817 of the CCIM Institute. Mr. Bradley received his CCIM designation in April 2009
- Member of Chapter 73 International Right of Way Association
- Licensed Real Estate Broker, State of Arizona
- Big Brothers/Big Sisters of Tucson, Board of Directors (Former Member)
- Boys & Girls Clubs of Tucson, Board of Directors

FORMAL EDUCATION

Bachelor of Science in Business Administration, University of Arizona, with major in Marketing/Advertising, 1984

Certificate of Achievement in Real Estate, University of Colorado, 1981

Qualifications of James S. Bradley, MAI (continued)

PROFESSIONAL EDUCATION

All required classes to obtain MAI Designation and in conformance with the Appraisal Institute's requirements for continuing education. Additionally, all classes and exams necessary to obtain the CCIM Designation. Recognized by the Appraisal Institute as a Litigation Expert.

SEMINARS/CLASSES

- 2012 2012-2013 7 Hour National USPAP Update Course
- Litigation Appraising, Specialized Topics & Applications (AI)
 - Fundamentals of Separating Real Property, Personal Property & Intangible Business Assets (AI)
 - The Appraiser as an Expert Witness: Preparation & Testimony (AI)
- 2011 • *IRS Valuation Summit (AI)*
- *Education Conference, Atlanta, GA Various Topics (IRWA)*
 - *Principals of Real Estate Law (IRWA)*
- 2010 • *Update Course – National Uniform Standards of Professional Appraisal Practices*
- *Energy Star and the Appraisal Process*
 - *Federal Agency Update 2010*
 - *IRWA Class 700 – Introduction to Property Management*
 - *IRWA Class 900 – Principals of Real Estate Engineering*
- 2009 • *Introduction to Valuation For Financial Reporting*
- *Energy Star and the Appraiser*
- 2008 • *Condemnation Appraising: Advanced Topics & Applications SE 720*
- *Condemnation Appraising: Basic Topics and Applications SE 710*
 - *Broker Management Clinic #C4806*
 - *Uniform Standards of Professional Appraisal Practice, 2008 Update*
 - *Business Practice and Ethics*
 - *Code of Ethics 2008 – Procuring Causes In Trial #C7952*
- 2006 • *Broker Management Clinic #C4806*
- *Agency Law #CD5128*
 - *Arizona Contract Law #CD5348*
 - *Uniform Appraisal Standards for Federal Land Acquisitions*

ADDENDA

1. Engagement Letter
2. Legal Description
3. Assumptions and Limitations
4. Definition of Market Value
5. Appraiser Certificate

ENGAGEMENT LETTER



August 13, 2013

Rio Nuevo Downtown Initiative
c/o Mr. Fletcher J. McCusker
400 W. Congress, Suite 152
Tucson, AZ 85701

VIA EMAIL: fmccusker@provcorp.com

RE: Appraisal of the two Rio Nuevo tracts of land (Arena Lot and West of Interstate 10), Tucson, Pima County, Arizona

Dear Mr. McCusker:

In accordance with your request, I will be pleased to prepare an appraisal reports of the above referenced properties. You are advised that the appraisal reports will be in conformance with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute. You are also advised that the Appraisal Institute has a legal right to review the reports. The appraisals will be completed based on the following criteria:

<i>CLIENT:</i>	<i>Rio Nuevo Downtown Initiative</i>
<i>PURPOSE:</i>	<i>Develop an Opinion of the Market Value of the subject property</i>
<i>INTENDED USE:</i>	<i>Audit Purposes</i>
<i>INTENDED USERS OF REPORT:</i>	<i>Rio Nuevo Downtown Initiative and BeachFleishman</i>
<i>INTEREST APPRAISED:</i>	<i>Fee Simple</i>
<i>FORMAT OF REPORT:</i>	<i>Summary</i>
<i>SCOPE:</i>	<i>Sales Comparison</i>

Based on the above noted criteria, the fee for the appraisals is \$3,500. The appraisal report will be completed approximately 3 weeks after my receipt of a signed copy of this letter. Per USPAP fees cannot be accepted contingent upon the closing of a loan or the outcome of an appraisal. Fees are due upon receipt of the invoice. Fees not paid within thirty (30) days of the invoice date will accrue interest at the rate of 1.5% per month on the unpaid balance.

5215 N. SABINO CANYON ROAD TUCSON, ARIZONA 85750 PH: 520-545-0000 WWW.AXIAAPPRAISERS.COM

The client agrees that the appraiser shall not be required to testify or be in attendance at any court, administrative proceeding or court oriented conferences relating to this assignment without additional compensation unless prior arrangement has been set forth by the Appraiser and Client. The fee for deposition, preparation, and court testimony is \$300 per hour plus any related travel expenses.

In the event that it should be necessary to employ an attorney or agency to collect any delinquent funds under this assignment, you will be responsible for the following: the initial amount of the invoice, all finance charges and all reasonable costs of collection, plus attorney's fees.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

If these terms are acceptable, you may authorize us to begin this assignment by signing and returning the enclosed copy of this letter along with the retainer.


I look forward to being of service to you. If you have any questions or require additional information, please call.

Respectfully submitted,


James S. Bradley, MAI, CCIM
State of Arizona Certified
General Real Estate Appraiser
Certificate #30432

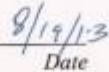
ACCEPTED AND APPROVED:

Rio Nuevo Downtown Initiative

By: 
Fletcher J. McCusker


Date

By: 
Chris Sheafe, Treasurer


Date

LEGAL DESCRIPTION



**LEGAL DESCRIPTION
RIO NUEVO WEST**

Portions of the White Lots 4, 23, 25, 26, and 27, and other land located within Section 14, Township 14 South, Range 13 East, Pima County, Arizona, described as follows:

COMMENCING at the intersection of the east-west 1/4 section line with the centerline of South Mission Road. Said centerline south of this point is the basis of bearing for this legal description, S 03°24'17" E.

THENCE S 89°57'25" E along said east-west quarter line, a distance of 45.12 feet;

THENCE S 02°53'27" E, a distance of 23.78 feet;

THENCE N 78°37'05" E, a distance of 362.30 feet;

THENCE N 84°50'05" E, a distance of 65.34 feet to the **TRUE POINT OF BEGINNING**;

THENCE S 87°46'55" E, a distance of 297.66 feet;

THENCE S 74°48'51" E, a distance of 606.05 feet to the beginning of a non-tangent curve, concave to the northwest, having a radius of 1500.00 feet. A radial line through said point bears S 69°56'35" E;

THENCE along said curve, to the right, through a central angle of 04°24'20" for an arc length of 115.34 feet to the beginning of a reverse curve, concave to the southeast, having a radius of 2630.00 feet;

THENCE along said curve, to the left, through a central angle of 05°05'20" for an arc length of 233.60 feet to the beginning of a reverse curve, concave to the northwest, having a radius of 4150.00 feet;

THENCE along said curve, to the right, through a central angle of 05°59'17" for an arc length of 433.73 feet to the beginning of a compound curve, concave to the northwest, having a radius of 1987.00 feet;

THENCE along said curve, to the right, through a central angle of 35°20'14" for an arc length of 1225.49 feet to a point of tangency;



September 20, 2013
WLB No. 103010-H-001-1003X
W:\LEGALS\103010\Rio Nuevo West.doc

THENCE S 60°41'56" W, a distance of 270.65 feet to the beginning of a tangent curve concave to the southeast and having a radius of 500.00 feet;

THENCE along said curve, to the left, through a central angle of 14°51'50" for an arc length of 129.71 feet;

THENCE N 38°56'20" W, a distance of 20.15 feet to a point on the easterly right-of-way line of said Mission Road and the beginning of a curve, concave to the northwest, having a radius of 638.73 feet;

THENCE Northerly along said curve, concave on the left, through a central angle of 52°41'19", for an arc length of 587.37 to a point of tangency;

THENCE N 09°18'15" W, a distance of 306.95 feet to the beginning of a curve concave to the east, having a radius of 1283.61 feet;

THENCE Northerly along said a curve, to the right, through a central angle of 20°03'53", for an arc distance of 449.51 to a point of tangency;

THENCE N 10°47'13" E, a distance of 139.83 feet to the beginning of a curve, concave to the west, having a radius of 1546.48 feet;

THENCE Northerly along said curve, to the left through a central angle of 00°21'15", for an arc distance of 9.56;

THENCE N 77°24'00" E, a distance of 454.82 feet;

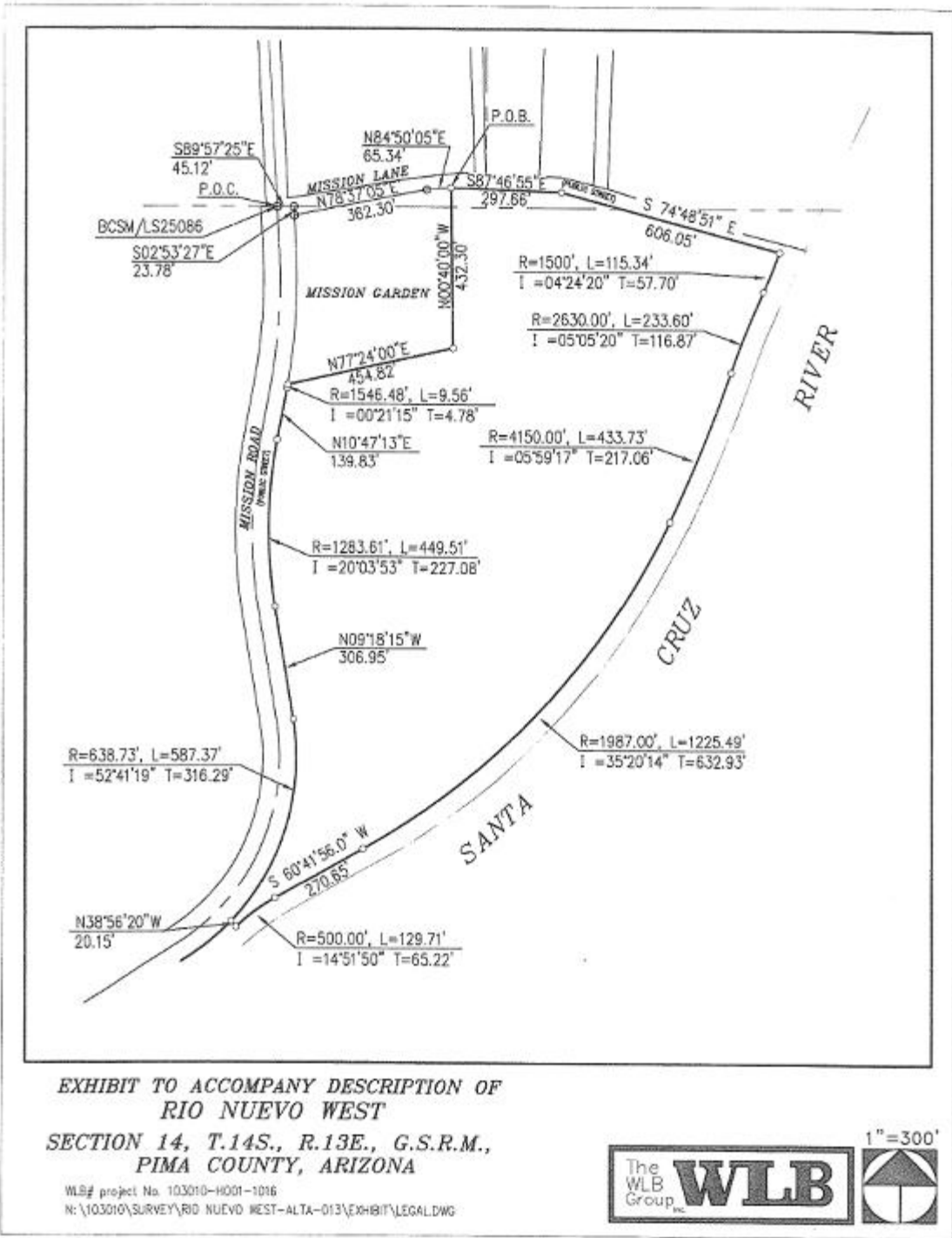
THENCE N 00°40'00" W, a distance of 432.30 feet to the **TRUE POINT OF BEGINNING**.

CONTAINING 33.74 acres of land, more or less.

Prepared by:
THE WLB GROUP, INC.

Robert L. Larson, RLS





ASSUMPTIONS AND LIMITATIONS

STANDARD ASSUMPTIONS AND LIMITATIONS OF THIS APPRAISAL

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

This appraisal is not a survey.

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless otherwise noted.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern regarding boundaries, setbacks, encroachments or other survey matters.

This appraisal is not a legal opinion.

No responsibility is assumed for matters of a legal nature that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value opinion is given without regard to any questions of title, boundaries, encumbrances or encroachments. We are not usually provided an abstract of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since we have not made a comprehensive examination of laws and regulations affecting the subject property.

This appraisal is not an engineering or property inspection report.

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

For properties in which the conditions of foundations, roofs, exterior walls, interior walls, floors, heating systems, plumbing, insulation, electrical service and all mechanical and construction items are described, these descriptions are based on a casual inspection only and no detailed inspection was made. For instance, we are not experts on heating systems and no attempt was made to inspect the interior of a given property's furnace. Structures are not

checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items, such as conditions behind walls, above ceilings, behind locked doors or under the ground, are not exposed to casual view and, therefore, are typically not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not normally exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

Unless stated otherwise in the report, wells and septic systems, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use of the property.

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature that we believe would create a significant problem, they are disclosed in this report. However, nondisclosure should not be taken as an indication that such a problem does not exist. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the subject site does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. We are not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. We therefore rely on circumstantial evidence that may come into our possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel or others. Parties interested in knowing the exact age of improvements on the land should contact us to ascertain the source of our data and then make a decision as to whether they wish to pursue additional investigation.

Because no detailed construction, engineering, environmental or legal inspection was made and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of a given property's foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation or any other detailed construction matters. If any interested party is concerned about the existence, condition or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

This appraisal is made under conditions of uncertainty with limited data.

As can be seen from limitations presented above, the appraisal is based on an analysis of many sources of data. Every attempt has been made to confirm the data as reliable and factual, however, there are a number of limitations with respect to data including: a lack of certain areas of expertise beyond real estate appraisal methodology and techniques; the inability of the appraiser to view certain portions of the property; and the inherent limitations of relying upon information provided by others such as: income and expense data; comparable sales data; and engineering analyses.

This appraisal is an opinion of value based on an analysis of information known to us at the time the appraisal was made. All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

Opinions and estimates expressed herein represent our best judgment but should not be construed as advice or recommendation to act. Before relying on any statement made in this appraisal report, interested parties should contact us for the exact extent of our data collection on any point that they believe to be important to their decision making. This will enable such interested parties to determine whether they believe the extent of our data gathering process was adequate for their needs.

Appraisal report limitations

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market. While no factors we believe to be significant but unknown to the client have been knowingly withheld, it is always possible that we have information of significance that may be important to others but which, with our limited acquaintance with the property and in light of the limitations of our expertise (as outlined in this document), does not seem to be important to us.

Appraisal reports are technical documents, with their reporting formats guided by both the Uniform Standards of Appraisal Practice and specific technical requirements of a given client. Casual readers are cautioned about their limitations and are warned against possible misinterpretation of the information contained in these reports.

The liability of AXIA Appraisers, its employees and/or agents is limited only to the Client and specifically identified intended users. Further, there is no accountability, obligation or liability to any third party. The appraiser(s) should be contacted with any questions before this report is relied on for decision making.

This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless sufficient notice is given to allow adequate preparation and additional fees are paid by the client at our regular rates for such appearances and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client and possession of this report or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.

It is suggested that those who possess this appraisal report should not give copies to others. Certainly, legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact our office.

Values and conclusions for various components of the subject property as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used. The allocation of the total value in this report between land and improvements applies only under the reported highest and best use of the property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

In the case of limited partnerships, syndication offerings or stock offerings in real estate, the Client agrees that in case of a lawsuit (brought by lender, partner or part owner in any form of ownership, tenant or any other party), the Client and all parties will completely hold harmless this firm, its employees and/or agents.

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of the value of the property.

Arizona-specific considerations

Special consideration must be given to properties located in Arizona with respect to seismicity/subsidence. Seismic activity in Central Arizona is rare but does occasionally occur. A more common geotechnical manifestation has been the development of subsidence cones caused by pumping of groundwater. A geologist should be consulted if there is any concern regarding these matters.

EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

In addition to the preceding general assumptions and limitations, the following extraordinary assumptions and hypothetical conditions are relevant to the analysis:

It is an extraordinary assumption of this report that the subject contains about 20 acres of net land area.

DEFINITION OF MARKET VALUE

Definition of Market Value

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

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well-informed or well-advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

APPRAISER CERTIFICATE

STATE OF ARIZONA
BOARD OF APPRAISAL

BE IT KNOWN THAT

JAMES S. BRADLEY

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser



In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

This registration shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER

30432

EXPIRATION DATE

October 31, 2014

In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Interim Executive Director

[Signature] Date Issued 9/25/12
[Signature] Date Issued 9/25/12
Chair, Board of Appraisal Interim Executive Director of the Board of Appraisal

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL