

**AN APPRAISAL REPORT OF A PARCEL OF VACANT LAND
LOCATED AT THE SEC OF LOOP 202 AND HIGLEY ROAD
ASSESSOR PARCEL NUMBERS 141-40-003L, Q AND S
MESA, MARICOPA COUNTY, ARIZONA**

Prepared for and Authorized by

Mr. Steve Troxel
Procurement Specialist
Arizona Department of Transportation
2055 South 17th Avenue, Room 331, MD612E
Phoenix, AZ 85007

Date of Inspection

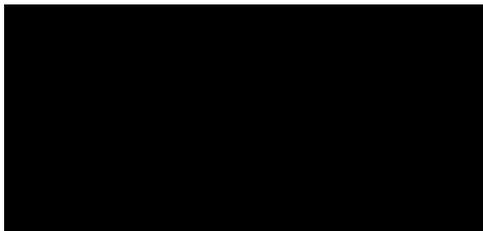
July 9, 2014

Effective Date of Valuation

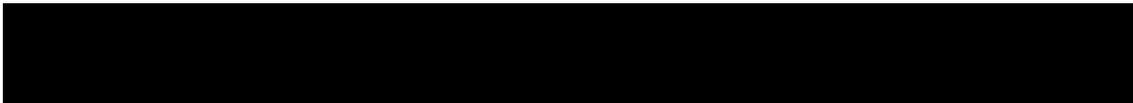
July 9, 2014

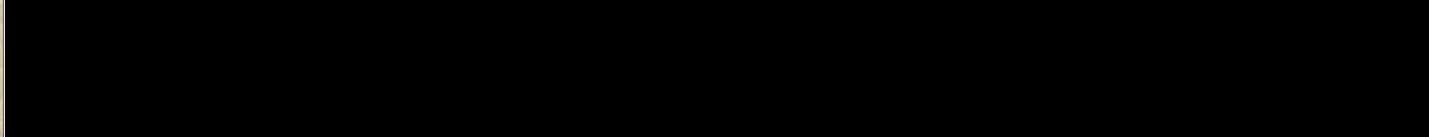
Date of Report

August 6, 2014



RLD File #:Mesa - Excess Land Higley & Loop 202





Appraisals • Consulting • Litigation Support

August 6, 2014

Mr. Steve Troxel
Procurement Specialist
Arizona Department of Transportation
2055 South 17th Avenue, Room 331, MD612E
Phoenix, AZ 85007

**SUBJECT: An Appraisal Report of a Parcel of Vacant Land,
Located at the SEC of Loop 202 and Higley Road,
Assessor Parcel Numbers 141-40-003L, Q and S, Mesa,
Maricopa County, Arizona**

Dear Mr. Troxel:

Please find attached a copy of my appraisal report, containing 80 pages, wherein I provided an opinion of the market value, in fee simple, of the above referenced property as of July 9, 2014, the date of value in this report. A complete legal description of the subject property is contained in the addenda to the report. During the course of this appraisal and analysis, I became familiar with the subject property and its market area, as well as competing market areas. I inspected the subject property and all of the comparables, and all necessary investigation and analyses were completed. Relevant market data were analyzed, and market participants who are active in the subject's market were interviewed as part of the research. Public records were also consulted in the valuation of this property.

The Arizona Department of Transportation is the client and intended user of the appraisal report. The purpose of the appraisal report is to provide an opinion of the market value of the subject property as of the date of valuation. The intended use of the appraisal report is for the potential disposition of excess land.

The value opinions contained herein are subject to the assumptions, limiting conditions, special limiting conditions, hypothetical condition and value definition shown in the body of this appraisal report. This appraisal has been made in compliance with the Uniform Standards of Professional Appraisal Practice and the Uniform Act.



Mr. Steve Troxel
August 6, 2014
Page 2

Based on the market data found in my research, after appropriate analysis and based on my best professional judgment, it is my opinion that the market value of the subject property, as of the effective date of this appraisal, July 9, 2014, is:

ONE HUNDRED TWELVE THOUSAND FIVE HUNDRED SEVENTEEN DOLLARS
\$112,517

In my opinion, the subject property could reasonably be expected to be sold within a 6-9 month period. Discussions with brokers and other market participants who are familiar with the subject property type conveyed to me that the subject could be marketed in this time period if it were offered at a realistic price. Exposure time would be similar.

I sincerely appreciate the opportunity to be of service to you.

[REDACTED]

[REDACTED]

[REDACTED]

TABLE OF CONTENTS

Executive Summary 1

Underlying Assumptions and Limiting Conditions 2

 Special Limiting Conditions 3

 Hypothetical Conditions 3

Subject Photographs 4

Introduction 13

 Identification of the Subject Property 13

 Legal Description 13

 Scope of Work 13

 Purpose, Intended Use, Client and Intended Users of the Appraisal 14

 Property Rights Appraised 14

 Definition of Market Value 14

 History of the Subject Property Ownership 14

 Effective Date of Valuation and Date of the Report 15

Area Analysis 17

Neighborhood Summary 37

Site Description 39

Highest and Best Use Summary 46

Valuation Process 48

Sales Comparison Approach to Value 49

Final Value Opinion 77

Marketing Period/Exposure Time 78

Certification 79

ADDENDA

Appraisal License

Qualifications of the Appraiser

Legal Description of the Subject Property

Title Report

Zoning Ordinance Excerpt

Contract Letter for Appraisal Services

EXECUTIVE SUMMARY

Property Identification

Type of Property:	Excess land with no legal access
Address or Location:	SEC of Loop 202 and Higley Road, Mesa, Maricopa County, Arizona
Assessor Tax Parcel Numbers:	141-40-003L, Q and S
Site Area:	1.61 Acres; 70,323 SF (Per client)
Zoning:	RS-90, Residential - Mesa
Interest Appraised:	Fee simple
Flood Zone Designation:	The subject is located in FEMA Zone "X" (Map/Panel #04013C2280L), effective October 16, 2013. Flood hazard insurance is not typically required for a Zone "X" district.
Highest and Best Use:	Assemblage
Effective Date of Valuation:	July 9, 2014
Date of Inspection:	July 9, 2014
Date of Report:	August 6, 2014
Exposure Time/Marketing Period:	6-9 months
Full Cash Value:	141-40-003L - \$116,700 (2015) 141-40-003Q - \$293,300 (2015) 141-40-003S - \$116,600 (2015)
Real Estate Taxes:	The subject property is currently owned by the Arizona Department of Transportation and is exempt from property taxes. There are no delinquent taxes.

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

1. That the legal description available to the appraiser is correct.
2. That a site or ALTA survey was not provided to the appraiser, and that all plans and specifications noted in this report are correct.
3. That the title to the property is marketable, free and clear of all liens.
4. That the property is appraised as if owned in fee simple title.
5. That the fee simple estate in the property contains the sum of all interests which may exist.
6. That responsible ownership and competent management will exist for the property.
7. That the appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data utilized in the report.
8. That compensation for appraisal services rendered is dependent only upon the delivery of this report and that it is not contingent upon the value opinion herein.
9. That this report considers nothing of a legal character and that the appraiser assumes no responsibility for matters of a legal nature.
10. That testimony or attendance in court is not required by reason of this appraisal, unless arrangements have been previously made.
11. That hidden defects within the materials of the structures, or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.
12. That information furnished by the client, property owner, agent or management is correct as received.
13. That neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser.
14. That the appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
15. That the subject property is not, nor will it be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.

16. That this report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him/her.
17. That adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. This includes electricity, water and sewer.
18. An environmental site survey was not provided to the appraiser. This appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous or contaminated substances and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof. The appraiser is not qualified to detect or evaluate such substances.
19. Statement of Policy. The following statements represent official policy of the Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:
 - a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - b. Racial, religious and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

Special Limiting Conditions

1. The following items relating to the subject were not available to the appraiser: survey, Phase I environmental report, soil report, site plan, complete plans and specifications.

Hypothetical Condition

1. The subject property is first valued subject to the hypothetical condition that it has physical and legal access. It is then valued in its “as is” condition, after an adjustment is applied for the access situation. The assignment results may have been affected by the hypothetical condition.

SUBJECT PHOTOGRAPHS

All photos were taken on July 9, 2014



Looking east towards subject property from freeway



Looking north from southwest corner



Looking northeast from southwest corner



Looking east from southwest corner



Looking northwest from northwest corner



Looking east from northwest corner



Looking southeast from northwest corner



Looking south from northwest corner



Looking west from northeast corner



Looking southwest from northeast corner



Looking south from northeast corner



Looking north from south corner of east side



Looking northwest from south corner of east side



Looking west from south corner of east side



Looking north from east corner of south side



Looking northwest from east corner of south side



Looking west from east corner of south side

INTRODUCTION

Identification of the Subject Property

The subject site contains ±1.61 acres (±70,323 SF) of land area. It is a vacant parcel of land. It is identified by the Maricopa County Assessor as parcel numbers 141-40-003L, Q and S. The subject is located at the SEC of Loop 202 and Higley Road, Mesa, Maricopa County, Arizona.

Legal Description

The subject is legally described as a portion of Section 35, T2N, R6E of the G&SRB&M, Maricopa County, Arizona. A complete legal description for the subject property is contained within the addenda to this report.

Scope of Work

The scope of work included:

1. A physical inspection of the subject property;
2. A collection of zoning data from Mesa, including any stipulations which may affect the use of the site;
3. Conversations with market participants, including real estate brokers, property owners and representatives of financial institutions in the Mesa area;
4. Examination and analysis of the market relative to the subject property's area, using data developed by the appraiser as well as secondary sources of information;
5. Primary data collection, including gathering comparable sales and other market data;
6. Application of the relevant approaches to value based on the highest and best use of the subject property as well as the availability of pertinent market data.

Further assignment conditions are contained in the work order, which is an addenda item in the back of the report.

This appraisal meets the standards of USPAP, the Appraisal Institute, the Arizona Department of Transportation's Appraisal Guidelines and the Uniform Act (49 CFR Part 24). We verified the information in the report to the extent necessary to produce credible results per USPAP Standards Rule SR 1-4.

In the course of completing this appraisal, the following individuals (among others) who are familiar with real estate values in the subject's market, and/or the subject property type were consulted:

John Wesley, City of Mesa Planning and Zoning Director, City of Mesa (480) 644-4273
john.wesley@mesaaz.gov

Yvonne McCall, City of Mesa (480) 644-4448

Cherie Moore, sales agent and assistant to Rebecca Hidalgo Rains, Integrity AllStar Realty (480) 243-4242

Bryan Waggoner, sales agent with Insight Land and Investments (602) 385-1520

Jeremy McArthur, broker with McArthur Land Company, LLC, jmcarthur@mclandco.com (602) 743-1295

Shane McCormick, sales agent with Commercial Properties Inc (480) 720-6250

Deborah Fisher, sales contact with Arizona Department of Transportation (602) 712-7457

Purpose, Intended Use, Client, and Intended Users of the Appraisal

The purpose of this appraisal is to provide an opinion of the market value of the subject property. The intended use of this report is for possible disposal of excess property. The client and intended user is the Arizona Department of Transportation.

Property Rights Appraised

This appraisal values the fee simple estate which can be defined as:

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Definition of Market Value

Market value is defined by Arizona Revised Statutes as follows:

For the purposes of this article, "market value" means the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.²

History of the Subject Property Ownership

According to Maricopa County records, the subject site is currently owned by the Arizona Department of Transportation. Parcel 141-40-003L was acquired via warranty deed from David Keilholtz and Carol Keilhotz on September 15, 2000, recorded in document 2000-0710306. The transaction was exempt from affidavit requirements and the purchase price is not known. Parcel 141-40-003Q was acquired via warranty deed from The Vera Irene Dingman Trust on May 23, 2000, recorded in document 2000-0391595. This transaction was also exempt from affidavit requirements and the purchase price is not known. Parcel 141-40-003S was acquired via Final Order of Condemnation in Maricopa County Superior Court case number CV1988-018894. The final judgment amount is not known. To the best of my knowledge, there have not been any transfers of the subject property during the past three years. The purpose of this appraisal report is to estimate the market value of the subject property so that it can be listed and sold. There are currently no signs advertising the property for sale.

¹Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. s.v. "fee simple estate" (Chicago: Appraisal Institute, 2002). CD-ROM

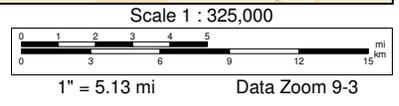
²Arizona Revised Statutes §28-7091.

Effective Date of Valuation and Date of the Report



Area Map

19



AREA ANALYSIS

Metropolitan Phoenix is located in Maricopa County which is also known as the “Valley of the Sun.” Maricopa County is located in south central Arizona and contains ±9,127 square miles of land area. Phoenix is the state capital, county seat and the largest city in the state. Maricopa County has grown to become the 4th largest county in the country in terms of population. Growth has been attributed to a variety of factors, including favorable cost of living, recreational opportunities, weather and availability of employment. The official town site was originally selected in 1870, although several people were living in the area in the early 1860's. In the late 1860's, the Swilling Irrigation Canal Company was organized and is responsible for giving Phoenix its name. The new city was to be located on top of ancient canals and villages of a vanished civilization and therefore rise upon the ashes of the old - just as the legendary Phoenix Bird, when consumed by fire, rose from its own ashes. Phoenix was incorporated in 1881.

Employment

The Phoenix-Mesa MA dominates the state's economy. One of the greatest strengths in the regional economy has been residential, commercial and industrial construction, as well as the Finance, Insurance, and Real Estate (FIRE) sectors. The construction industry has typically shown positive trends. The state and nation as a whole have suffered a severe recession. As of the beginning of 2014, it appears that the recovery will be shallower than previously experienced after a severe recession. Approximately 63% of the jobs lost during the recession have been recovered.

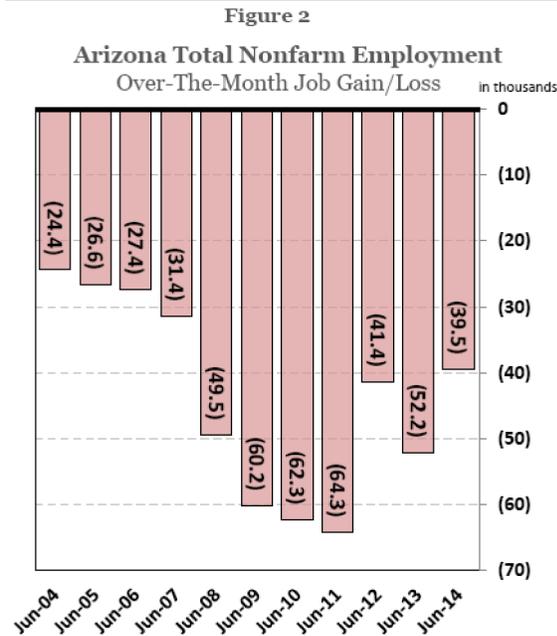
The following information regarding job gains and losses is taken from the *Arizona Workforce Employment Report* dated July 17, 2014.

The seasonally adjusted unemployment rate in Arizona reported a slight uptick from 6.8% in May to 6.9% in June. The U.S. seasonally adjusted unemployment rate dropped two-tenths of a percentage point to 6.1% in June. A year ago, the Arizona seasonally adjusted rate was 8.1% and the U.S. rate was 7.5% (see **figure 1**).

Figure 1

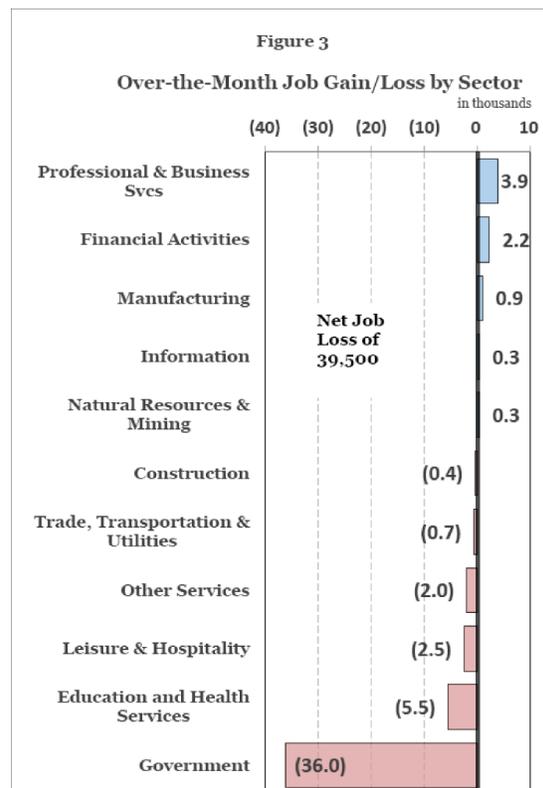
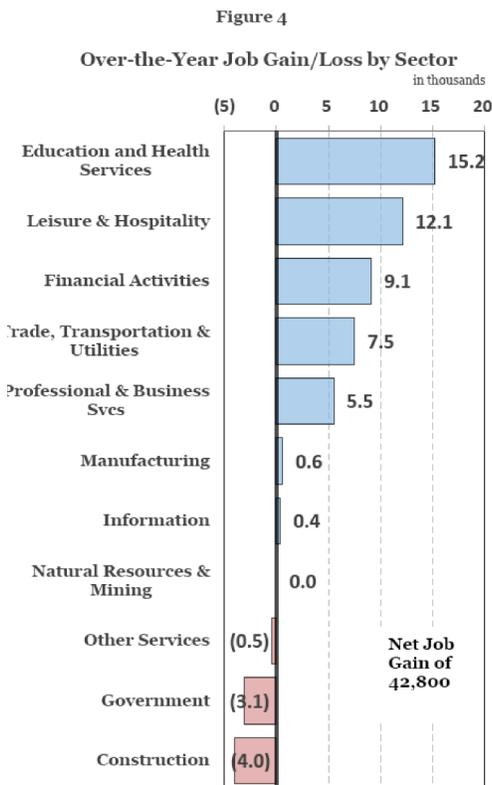
Arizona, U.S. Economic Indicators			
Unemployment Rate (Seasonally Adj.)			
	<u>June '14</u>	<u>May '14</u>	<u>June '13</u>
United States	6.1%	6.3%	7.5%
Arizona	6.9%	6.8%	8.1%
Arizona unadjusted rate	7.5%	6.6%	8.5%
Arizona Nonfarm Employment (in Thousands)			
	<u>June '14</u>	<u>May '14</u>	<u>June '13</u>
Overall	2,513.7	2,553.2	2,470.9
Over-Month % Chg.	-1.5%	-0.6%	-2.1%
Year-to-Year % Chg.	1.7%	1.2%	2.0%
<i>See tables starting on Page 6 for metro and county areas unadjusted unemployment rates. Current seasonally adjusted rates for metro areas will be available online next week at www.azstats.gov.</i>			

Arizona shed 15,000 Nonfarm jobs (-0.6%) over the month in May (see **Figure 2**). This was the largest May loss since 2009. This loss is atypical for May as the post-recession ('10-'13) average shows no job change. Losses were reported in both the Private Sector (-800 jobs, 0.0%) and Government (-14,200 jobs, -3.4%). The Private Sector averaged a gain of 1,100 jobs post-recession ('10-'13). Although Government losses are typical, May losses were much higher compared to the post-recession ('10-'13) average loss of 1,100 jobs.



Over the Month by Industry Sector

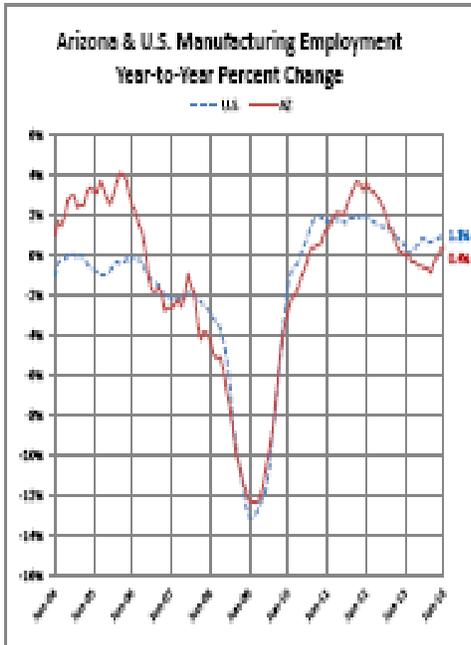
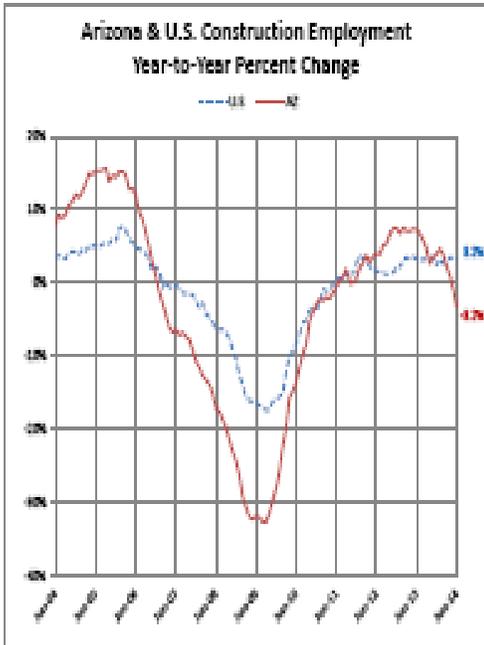
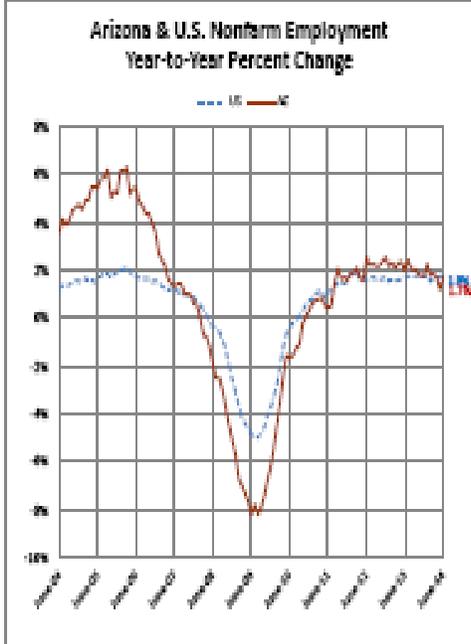
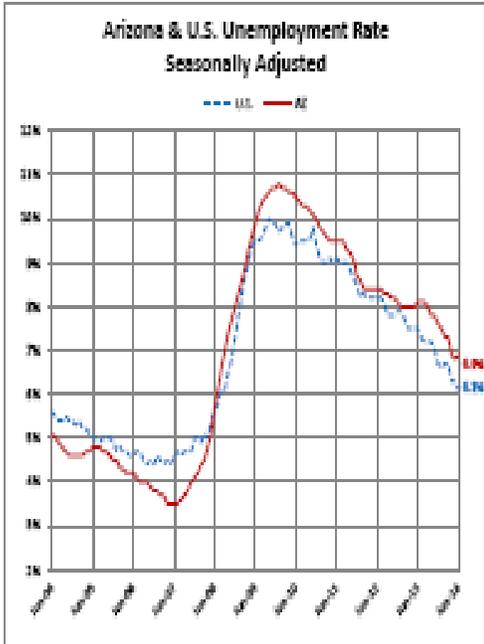
Five of the eleven major sectors added jobs and six reported jobs losses (see **Figure 3**) over the month in June. Professional and Business Services (3,900 jobs) recorded the largest gain. The other gaining sectors over the month were Financial Activities (2,200 jobs), Manufacturing (900 jobs), Natural Resources and Mining (300 jobs) and Information (300 jobs). Government (-36,000 jobs) recorded the largest loss over the month in June. Other sectors with job losses over the month included Educational and Health Services (-5,500 jobs), Leisure and Hospitality (2,500 jobs), Other Services (-2,000 jobs), Trade Transportation, and Utilities (-700 jobs) and Construction (-400 jobs). Historically ('90-'13), losses have been observed in Government and Leisure and Hospitality sectors in June.



Over the Year

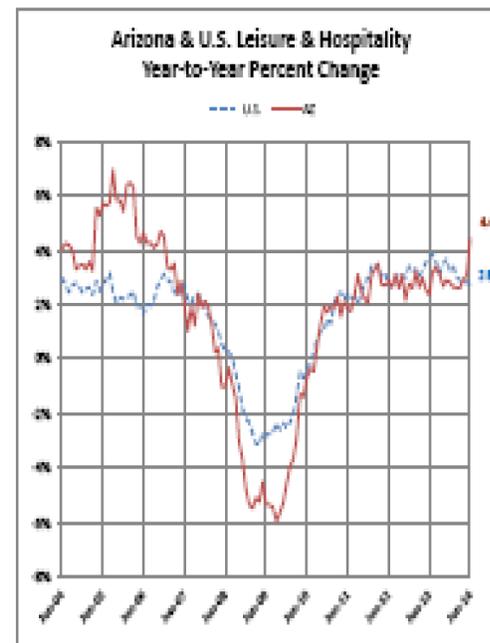
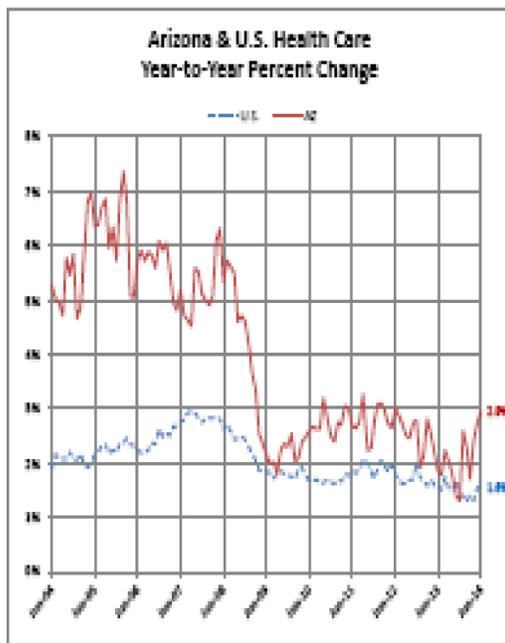
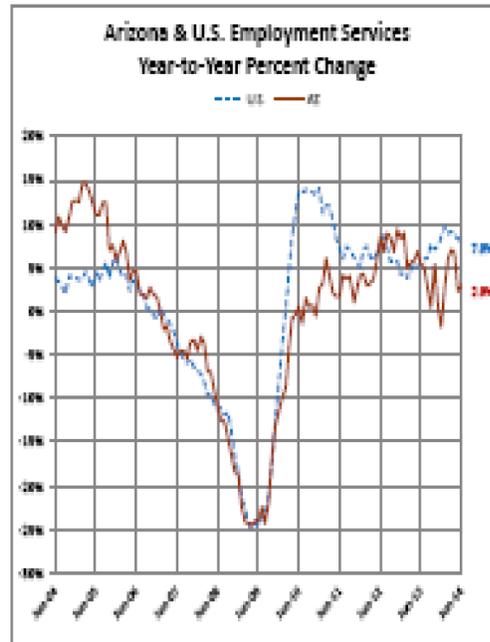
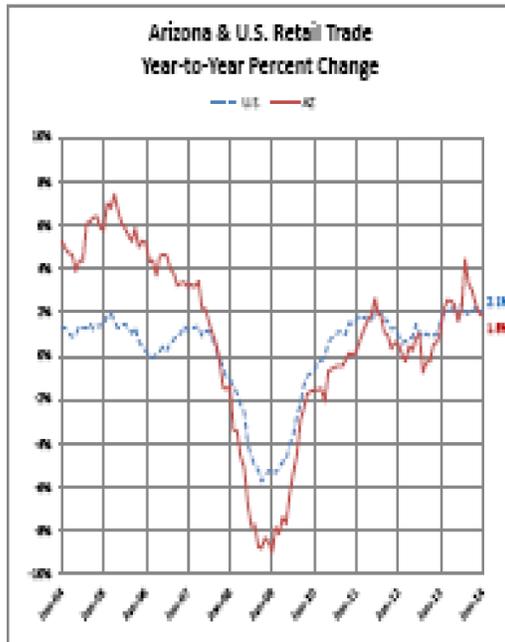
Over the year, Arizona added 31,000 Nonfarm jobs (1.2%), the lowest reported over-the-year growth since July 2010. The Private Sector accounted for all of the gains adding 42,700 jobs (2.0%) over the year in May. Government reported a loss of 11,700 jobs, with Federal, State, and Local Government all shedding jobs. Eight of the eleven major sectors added jobs and three reported losses over the year. Education and Health Services reported the largest gain of 13,800 jobs (3.7%). Sectors with relatively larger gains were: Leisure and Hospitality (8,700 jobs); Trade; Transportation and Utilities (8,500 jobs); Financial Activities (7,600 jobs); Sectors with relatively smaller gains were Professional and Business Services (2,500 jobs), Other Services (1,700 jobs), Manufacturing (900 jobs), and Natural Resources and Mining (100 jobs), Government shed 11,700 jobs.

LABOR MARKET TRENDS CHARTS



Source: Prepared by the Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

LABOR MARKET TRENDS CHARTS



Source: Prepared by the Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

MARICOPA COUNTY UNEMPLOYMENT RATES

Year	Annual Average
2000	2.7%
2001	3.9%
2002	5.6%
2003	4.9%
2004	4.0%
2005	4.1%
2006	3.5%
2007	3.6%
2008	5.7%
2009	7.7%
2010	8.6%
2011	7.7%
2012	7.1%
2013	6.7%
3/14	6.3%

Source: Arizona Workplace Informant 4-17-2014

Population Data and Trends

The US Census Bureau estimates population in Maricopa County of 4,009,412 in 2013 compared to a population of 3,072,149 in 2000. This represents a compounded growth rate of 2.07% per year. The following table illustrates population growth in Maricopa County from 2000-2013.

MARICOPA COUNTY HISTORIC POPULATION GROWTH

Year	Population	% Change From Previous Year
2000	3,072,149	+6.2%
2001	3,192,125	+3.9%
2002	3,259,500	+2.1%
2003	3,397,260	+4.2%
2004	3,559,540	+4.8%
2005	3,648,545	+2.6%
2006	3,768,123	+3.3%
2007	3,907,492	+3.7%
2008	3,954,598	+1.2%
2009	4,023,331	+1.7%
2010	3,817,117	-5.13%
2011	3,843,370	+0.7%
2012	3,942,169	+2.6%
2013	4,009,412	+1.71%

Source: Office of Employment & Population Statistics, Arizona Dept. of Administration

Most of the population growth has occurred outside the city of Phoenix where there is more developable land. Population increases are primarily attributed to employment opportunities, affordable housing, good weather and economic dislocation from other regions.

Although the Phoenix metropolitan area has exhibited strong long-term historical growth, annual net population gains have varied substantially, following the economic cycles affecting the region. During economic downturns, new in-migration typically declines. Maricopa County currently accounts for about 60 percent of the State's population.

The region typically attracts a continual flow of immigrants seeking new opportunities. This employment related in-migration has brought a large number of young, well-educated residents to the region. The median age of Maricopa County residents is 33.6 years, which is somewhat younger than the national median of 36 years. About 50 percent of the population is in the prime work force age range of 20 to 59 years old. The median household income is \$55,099 in Maricopa County per the 2012 data. Maricopa County also offers a well-educated work force. About 26 percent of adults have some college education, and an additional 33 percent have completed an associate's, bachelor's or graduate degree.

Housing

During the boom period of 2003 through 2007, metropolitan Phoenix averaged 49,158 single family permits per year with 60,872 permits issued in 2004 and 63,570 permits issued in 2005, according to R.L. Brown. In 2011 there were only 7,204 permits issued and 11,852 were issued in 2012. In 2013 there were 12,432 permits issued. The Town of Gilbert Planning Department provided the statistics found in the following table. This table depicts the single family building permit activity for most of the cities in the metro area.

	2013							2014						YTD 2013	YTD 2014	Pct Change from YTD 2013	2013 Total	2012 Total	2011 Total	2010 Total	2009 Total
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun								
Apache Junction	15	-	11	-	1	6	3	4	15	1	2	1	5	47	25	-45%	68	153	57	104	35
Avondale	1	2	3	6	2	2	8	1	7	8	6	3	4	32	29	-9%	55	3	23	59	110
Buckeye	77	64	76	71	78	41	55	59	60	30	76	48	73	391	343	-12%	777	691	508	385	488
Casa Grande	21	10	14	7	4	2	11	9	15	18	9	6	7	81	59	-28%	128	58	68	136	202
Chandler	51	57	41	35	35	26	41	25	31	31	57	40	50	310	294	-5%	545	598	669	518	592
Coolidge	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	2	4	7	4	3
Florence	15	11	19	8	14	11	13	15	8	15	11	15	8	107	73	-32%	193	198	107	177	201
Gilbert	197	174	199	128	154	109	146	113	105	175	125	112	116	1,077	769	-29%	1,927	2,418	1,545	1,082	1,278
Glendale	17	9	4	9	5	1	2	1	1	1	1	1	1	89	6	-93%	119	281	143	74	50
Goodyear	71	86	83	63	52	24	97	70	57	39	68	98	69	511	455	-11%	916	976	592	511	574
Maricopa	38	39	33	17	39	24	17	15	14	25	36	16	37	275	144	-48%	444	312	120	187	400
Maricopa County	70	92	68	67	62	47	54	64	62	53	65	54	64	409	382	-7%	799	577	355	338	447
Mesa	145	128	121	83	104	53	69	72	51	83	109	86	114	551	515	-7%	1,109	890	496	486	470
Paradise Valley	5	1	2	4	5	4	2	7	4	3	4	4	5	23	27	17%	41	39	22	25	25
Peoria	78	113	81	48	78	55	65	104	83	112	114	107	95	441	633	37%	872	768	430	440	297
Phoenix	191	154	120	194	123	75	120	95	113	147	138	139	220	948	942	-1%	1,674	1,651	1,018	1,181	1,332
Pinal County	104	104	112	61	89	74	89	60	98	86	89	113	110	641	553	-13%	1,170	1,031	558	914	1,304
Queen Creek	56	88	55	71	65	20	34	63	49	81	59	80	50	312	385	23%	645	478	116	161	216
Scottsdale	60	19	17	33	21	25	42	31	44	54	44	39	38	220	250	13%	407	297	148	151	118
Surprise	48	47	50	21	47	34	32	31	40	23	27	17	33	320	171	-47%	551	529	220	216	285
Total	1,201	1,188	1,049	866	980	633	902	840	906	1,026	1,070	1,009	1,103	6,814	5,954	-13%	12,432	11,932	7,204	7,109	8,388

*Permit Number Estimated

The following statistics are provided by to the Arizona Regional Multiple Listing Service (MLS)

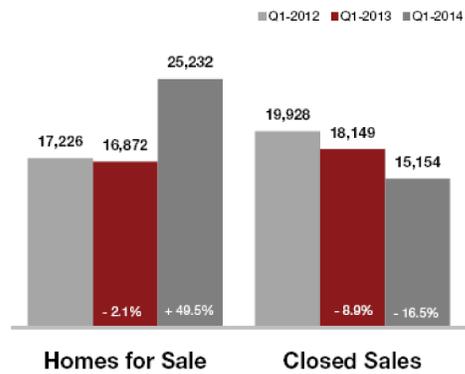
	Median Sales Price		Average Sales Price		Pct. of List Price Received		Days on Market		Closed Sales	
	Q1-2014	1-Yr Chg	Q1-2014	1-Yr Chg	Q1-2014	1-Yr Chg	Q1-2014	1-Yr Chg	Q1-2014	1-Yr Chg
Maricopa	\$193,000	↑ +13.6%	\$255,167	↑ +13.0%	97.4%	↓ -1.2%	62	↑ +17.5%	15,154	↓ -16.5%
Pinal	\$143,000	↑ +10.9%	\$157,908	↑ +11.4%	96.6%	↓ -0.8%	82	↑ +14.2%	1,619	↓ -22.1%

Maricopa County

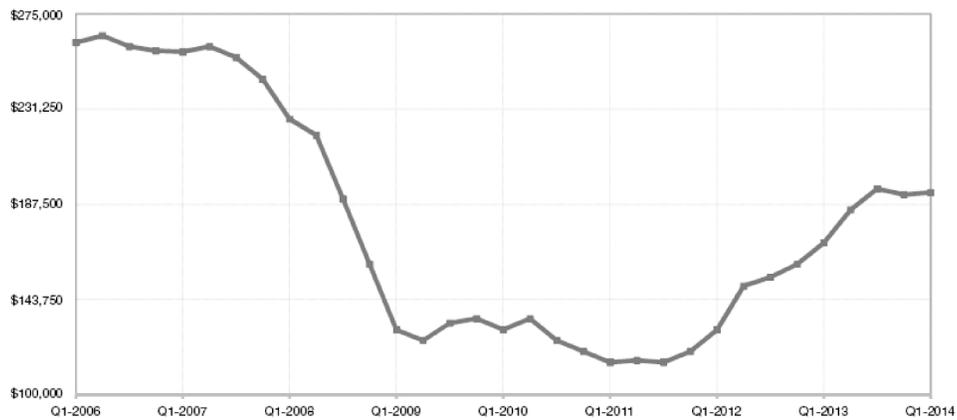
Key Metrics

	Q1-2014	1-Yr Chg
Median Sales Price	\$193,000	+13.6%
Average Sales Price	\$255,167	+13.0%
Pct. of List Price Received	97.4%	-1.2%
Homes for Sale	25,232	+49.5%
Closed Sales	15,154	-16.5%
Months Supply	4.4	+62.2%
Days on Market	62	+17.5%

Market Activity



Historical Median Sales Price for Maricopa County



About 92 percent of the housing stock is made up of single family houses and townhouses. Relative to other large urban areas, Maricopa County offers a wide variety of reasonably priced, newer housing. Near the end of 2012 and through 2013, single family home sales showed increasing list and sale prices. Most recently, Realtors report that it has become a “buyer’s market,” with fewer offers and longer listing times required to sell a house.

Housing prices had been increasing since the bottom of the market in early 2011, but there has been increasing inventory and longer listing times, which is now translating to a softening in prices.

Maricopa Association of Governments
Population and Housing Inventory Projections for Maricopa County

Year	Total Resident Population		Total Housing Units	
	Total	In Households	Total	Occupied
2005	3,681,025	3,616,690	1,479,767	1,352,967
2010	4,216,499	4,142,401	1,685,134	1,556,706
2020	5,230,300	5,139,943	2,104,440	1,959,300
2030	6,135,000	6,029,587	2,502,040	2,331,270

The housing inventory projections reflect net additions to the inventory after demolitions and therefore, understate in a relatively minor way total new construction activity. Recent trends have surpassed previous projection estimates which has led to the overbuilt market.

Phoenix Retail Market ³

The Phoenix retail market did not experience a significant change in market conditions in the first quarter 2014. The vacancy rate went from 10.4% in the previous quarter to 10.3% in the current quarter. Net absorption was positive 53,061 square feet, and vacant sublease space increased by 63,725 square feet. Quoted rental rates increased from fourth quarter 2013 levels, ending at \$14.09 per square foot per year. A total of nine retail buildings with 64,197 square feet of retail space were delivered to the market in the quarter, with 200,434 square feet still under construction at the end of the quarter.

Net Absorption

Retail net absorption was flat in Phoenix in the first quarter of 2014, with positive 53,061 square feet absorbed in the quarter. In the fourth quarter 2013, net absorption was positive 742,682 square feet, while in third quarter 2013, absorption came in at positive 1,377,914 square feet. In the second quarter 2013, positive 997,795 square feet were absorbed in the market.

³The following summaries of the Phoenix retail, industrial and office markets are taken from CoStar Quarterly Market Reports

Vacancy

Phoenix's retail vacancy rate decreased in the first quarter 2014, ending the quarter at 10.3%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 11.0% in the second quarter 2013, to 10.6% at the end of the third quarter 2013, 10.4% at the end of the fourth quarter 2013, to 10.4% in the current quarter.

The amount of vacant sublease space in the Phoenix market has also trended down over the past four quarters. At the end of the second quarter 2013, there were 902,699 square feet of vacant sublease space. Currently, there are 829,974 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2014 included: the 25,840 square foot lease signed by Ross Dress For Less at 5350 West Indian School Road; the 22,613 SF deal by Planet Fitness at 3975 East Thomas Road; and the 18,321 SF lease signed by Furniture Warehouse Factory Direct at 7720 West Bell Road.

Rental Rates

Average quoted asking rental rates in the Phoenix retail market are up over previous quarter levels, and down from their levels four quarters ago. Quoted rents ended the first quarter 2014 at \$14.09 per square foot per year. That compares to \$13.93 per square foot in the fourth quarter 2013, and \$14.26 per square foot at the end of the second quarter 2013. This represents a 1.1% increase in rental rates in the current quarter, and a 1.21% decrease from four quarters ago.

Inventory & Construction

During the first quarter 2014, nine buildings totaling 64,197 square feet were completed in the Phoenix retail market. Over the past four quarters, a total of 1,684,875 square feet of retail space has been built in Phoenix. In addition to the current quarter, 27 buildings with 425,533 square feet were completed in the fourth quarter 2013; 13 buildings totaling 695,804 square feet completed in third quarter 2013, and 499,341 square feet in 25 buildings were completed in the second quarter 2013. There were 200,434 square feet of retail space under construction at the end of the first quarter 2014. Some of the notable 2014 deliveries include: 6045 North Scottsdale Road, a 12,500 square foot facility that was delivered in the first quarter 2014 and is now 100% occupied, and 18520 East San Tan Boulevard, an 11,385 SF foot building that was delivered in the first quarter 2014 and is now 10% occupied. Total retail inventory in the Phoenix market area amounted to 216,063,918 square feet in 13,061 buildings and 1,958 centers as of the end of the first quarter 2014.

Shopping Centers

The Shopping Center market in Phoenix currently consists of 1,869 projects with 104,307,274 square feet of retail space in 4,580 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers. After absorbing 232,771 square feet and delivering 26,803 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 14.9% at the end of the fourth quarter 2013 to 14.7% this quarter. Over the past four quarters, the Shopping Center vacancy rate has gone from 15.3% at the end of the second quarter 2013, to 15.1% at the end of the third quarter 2013, to 14.9% at the end of the fourth quarter 2013, and finally to 14.7% at the end of the current quarter.

Rental rates ended the first quarter 2014 at \$13.49 per square foot; up from the \$13.43 they were at the end of fourth quarter 2013. Rental rates have trended down over the past year, going from \$13.55 per square foot a year ago to their current levels. Net absorption in the Shopping Center sector has totaled 1,386,024 square feet over the past four quarters. In addition to the positive 232,771 square feet absorbed this quarter, positive 301,455 square feet was absorbed in the fourth quarter 2013, positive 223,963 square feet was absorbed in the third quarter 2013, and positive 627,835 square feet was absorbed in the second quarter of 2013.

Power Centers

The Power Center average vacancy rate was 5.7% in the first quarter 2014. With positive 35,295 square feet of net absorption and no new deliveries, the vacancy rate went from 5.9% at the end of last quarter to 5.7% at the end of the first quarter 2014. In the fourth quarter 2013, Power Centers absorbed positive 49,094 square feet, delivered no new space, and the vacancy rate went from 6.1% to 5.9% over the course of the quarter. Rental rates started the quarter at \$20.64 per square foot and ended the quarter at \$20.31 per square foot.

A year ago, in the first quarter 2013, the vacancy rate was 6.9%. Over the past four quarters, Power Centers have absorbed a cumulative 283,618 square feet of space and delivered 9,085 SF of new space. Vacant sublease space has gone from 155,296 square feet to 138,599 square feet over that time period, and rental rates have gone from \$20.16 to \$20.82. At the end of the first quarter of 2014, there was no space under construction in the Phoenix market. The total stock of Power Center space in Phoenix currently sits at 24,047,323 square feet in 51 centers comprised of 588 buildings.

General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 5.8% at the end of first quarter 2014. There was a total of 3,578,359 square feet vacant at that time. The General Retail sector in Phoenix currently has average rental rates of \$13.52 per square foot per year. There are 178,934 square feet of space under construction in this sector, with 37,394 square feet having been completed in the first quarter. In all, there are a total of 7,511 buildings with 62,192,169 square feet of General Retail space in Phoenix.

Specialty Centers

There are currently ten Specialty Centers in the Phoenix market, making up 1,862,391 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers. Specialty Centers in the Phoenix market have experienced negative (8,397) square feet of net absorption in 2014. The vacancy rate currently stands at 9.6%, and rental rates average \$9.74 per square foot.

Malls

Malls recorded net negative absorption of (333,547) square feet in the first quarter of 2014. This net absorption number, combined with no new space that was built in the quarter, caused the vacancy rate to go from 6.4% a quarter ago to 7.8% at the end of the first quarter 2014. Rental rates went from \$29.88 per square foot to \$28.80 per square foot during that time. In this report the Mall market is comprised of 28 Lifestyle Center, Regional Mall and Super Regional Malls.

Sales Activity

Tallying retail building sales of 15,000 square feet or larger, Phoenix retail sales figures rose during the fourth quarter 2013 in terms of dollar volume compared to the second quarter of 2013. In the fourth quarter, 35 retail transactions closed with a total volume of \$201,875,997. The 35 buildings totaled 1,937,538 square feet and the average price per square foot equated to \$104.19 per square foot. That compares to 36 transactions totaling \$138,403,514 in the third quarter 2013. The total square footage in the third quarter was 1,579,278 square feet for an average price per square foot of \$87.64.

Total retail center sales activity in 2013 was down compared to 2012. In 2013, the market saw 145 retail sales transactions with a total volume of \$636,494,583. The price per square foot averaged \$88.43. In 2012, the market posted 128 transactions with a total volume of \$926,311,561. The price per square foot averaged \$109.07.

Cap rates were slightly lower in 2013, averaging 8.25% compared to 2012 when they averaged 8.28%. One of the largest transactions that has occurred within the last four quarters in the Phoenix market is the sale of the Shea Plaza in Scottsdale. This 160,228 square foot retail center sold for \$44,500,000, or \$277.73 per square foot. The property sold on February 5, 2014.

Phoenix Office Market

The Phoenix Office market ended the first quarter 2014 with a vacancy rate of 17.8%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 750,157 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 790,491 square feet. Rental rates ended the first quarter at \$20.42, an increase over the previous quarter. A total of two buildings were delivered to the market in the quarter totaling 272,710 square feet, with 1,791,653 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Phoenix office market was positive 750,157 square feet in the first quarter 2014. That compares to positive 701,474 square feet in the fourth quarter 2013, positive 1,050,123 square feet in the third quarter 2013, and positive 98,414 square feet in the second quarter 2013.

The Class-A office market recorded net absorption of positive 363,969 square feet in the first quarter 2014, compared to positive 114,640 square feet in the fourth quarter 2013, positive 136,741 in the third quarter 2013, and positive 203,664 in the second quarter 2013.

The Class-B office market recorded net absorption of positive 463,159 square feet in the first quarter 2014, compared to positive 541,402 square feet in the fourth quarter 2013, positive 914,181 in the third quarter 2013, and positive 21,288 in the second quarter 2013.

The Class-C office market recorded net absorption of negative (76,971) square feet in the first quarter 2014 compared to positive 45,432 square feet in the fourth quarter 2013, negative (799) SF in the third quarter 2013, and negative (126,538) in the second quarter 2013.

Net absorption for Phoenix's central business district was positive 55,180 square feet in the first quarter 2014. That compares to positive 8,440 square feet in the fourth quarter 2013, positive 186,997 SF in the third quarter 2013, and negative (65,421) in the second quarter 2013.

Net absorption for the suburban markets was positive 694,977 square feet in the first quarter 2014. That compares to positive 693,034 square feet in fourth quarter 2013, positive 863,126 SF in the third quarter 2013, and positive 163,835 SF in the second quarter 2013.

Vacancy

The office vacancy rate in the Phoenix market area decreased to 17.8% at the end of the first quarter 2014. The vacancy rate was 18.3% at the end of the fourth quarter 2013, 18.8% at the end the third quarter and 19.5% at the end of the second quarter. Class-A projects reported a vacancy rate of 18.2% at the end of the first quarter 2014, 19.1% at the end of the fourth quarter 2013, 19.4% at the end of the third quarter 2013, and 19.6% at the end of the second quarter 2013. Class-B projects reported a vacancy rate of 18.5% at the end of the first quarter 2014, 19.0% at the end of the fourth quarter 2013, 19.7% at the end of the third quarter 2013, and 20.7% at the end of the second quarter 2013.

Class-C projects reported a vacancy rate of 14.1% at the end of the first quarter 2014, 14.2% at the end of fourth quarter 2013, 14.3% at the end of the third quarter 2013, and 14.5% at the end of the second quarter 2013. The overall vacancy rate in Phoenix's central business district at the end of the first quarter 2014 stayed at 20.2% as it was at the end of the third and fourth quarters of 2013. It was 21.1% at the end of the second quarter 2013. The vacancy rate in the suburban markets decreased to 17.4% in the first quarter 2014. The vacancy rate was 18.0% at the end of the fourth quarter 2013, 18.6% at the end of the third quarter 2013, and 19.3% at the end of the second quarter 2013.

Largest Lease Signings

The largest lease signings occurring in 2014 included: the 90,000 square foot lease signed by Rural Metro Operating Company at 8465 North Pima Road in the Scottsdale market; the 75,537 square foot deal signed by Wageworks, Inc. at 1850 West Rio Salado Parkway in the Airport Area market; and the 26,166 square foot expansion deal signed by the Arizona Department of Economic Security at 3443 North Central Avenue in the Central Corridor market.

Sublease Vacancy

The amount of vacant sublease space in the Phoenix market increased to 790,491 square feet by the end of the first quarter 2014, from 739,800 square feet at the end of the fourth quarter 2013. There were 780,833 square feet vacant at the end of the third quarter 2013 and 800,124 square feet at the end of the second quarter 2013. Phoenix's Class-A projects reported vacant sublease space of 444,518 square feet at the end of first quarter 2014, up from the 400,652 square feet reported at the end of the fourth quarter 2013. There were 451,855 square feet of sublease space vacant at the end of the third quarter 2013, and 441,780 square feet at the end of the second quarter 2013. Class-B projects reported vacant sublease space of 307,429 square feet at the end of the first quarter 2014, up from the 305,324 square feet reported at the end of the fourth quarter 2013. At the end of the third quarter 2013 there were 299,771 square feet, and at the end of the second quarter 2013 there were 306,951 square feet vacant.

Class-C projects reported increased vacant sublease space from the fourth quarter 2013 to the first quarter 2014. Sublease vacancy went from 33,824 square feet to 38,544 square feet during that time. There were 29,207 square feet at the end of the third quarter 2013, and 51,393 square feet at the end of the second quarter 2013. Sublease vacancy in Phoenix's central business district stood at 162,666 square feet at the end of the first quarter 2014. It was 163,327 square feet at the end of the fourth quarter 2013, 146,180 square feet at the end of the third quarter 2013, and 163,903 square feet at the end of the second quarter 2013.

Sublease vacancy in the suburban markets ended the first quarter 2014 at 627,825 square feet. At the end of the fourth quarter 2013, sublease vacancy was 576,473 square feet, was 634,653 square feet at the end of the third quarter 2013, and was 636,221 square feet at the end of the second quarter 2013.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$20.42 per square foot per year at the end of the first quarter 2014 in the Phoenix market area. This represented a 0.6% increase in quoted rental rates from the end of the fourth quarter 2013, when rents were reported at \$20.29 per square foot.

The average quoted rate within the Class-A sector was \$23.91 at the end of the first quarter 2014, while Class-B rates stood at \$19.64, and Class-C rates at \$15.19. At the end of the fourth quarter 2013, Class-A rates were \$23.67 per square foot, Class-B rates were \$19.41, and Class-C rates were \$15.18. The average quoted asking rental rate in Phoenix's CBD was \$20.79 at the end of the first quarter 2014, and \$20.35 in the suburban markets. In the fourth quarter 2013, quoted rates were \$20.65 in the CBD and \$20.22 in the suburbs.

Deliveries and Construction

During the first quarter 2014, two buildings totaling 272,710 square feet were completed in the Phoenix market area. This compares to one building totaling 5,200 square feet that were completed in the fourth quarter 2013, two buildings totaling 74,252 square feet completed in the third quarter 2013, and three buildings with a total of 196,153 SF in the second quarter 2013. There were 1,945,720 square feet of office space under construction at the end of the first quarter 2014. Some of the notable 2014 deliveries include: 435 North 5th Street, a 155,000 square foot facility that was delivered in the first quarter of 2014 and is now 0% occupied, and 2005 East Indian School Road, a 117,710 square foot building that was delivered in the first quarter of 2014 and is now 82% occupied. The largest projects underway at the end of first quarter 2014 were 300 East Rio Salado Parkway, Building B, a 600,000 square foot building with 100% of its space pre-leased, and 300 East Rio Salado Parkway, Building D, a 415,000 square foot facility that is 100% pre-leased.

Inventory

Total office inventory in the Phoenix market area amounted to 159,680,677 square feet in 8,093 buildings as of the end of the first quarter 2014. The Class-A office sector consisted of 41,092,825 square feet in 252 projects. There were 4,455 Class-B buildings totaling 95,699,434 square feet, and the Class-C sector consisted of 22,888,418 square feet in 3,386 buildings. Within the Office market there were 856 owner-occupied buildings accounting for 14,653,273 square feet of office space.

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Phoenix office sales figures fell during the fourth quarter 2013 in terms of dollar volume compared to the third quarter of 2013. In the fourth quarter, 28 office transactions closed with a total volume of \$270,214,080. The 28 buildings totaled 2,542,086 square feet and the average price per square foot equated to \$106.30 per square foot. That compares to 23 transactions totaling \$326,244,066 in the third quarter 2013. The total square footage in the third quarter was 2,199,831 square feet for an average price per square foot of \$148.30. Total office building sales activity in 2013 was down compared to 2012. In 2013, the market saw 94 office sales transactions with a total volume of \$892,524,473. The price per square foot averaged \$121.11. In 2012, the market posted 115 transactions with a total volume of \$1,217,470,984. The price per square foot averaged \$140.15.

Cap rates were lower in 2013, averaging 7.15% compared to 2012 when they averaged 7.20%. One of the largest transactions that has occurred within the last four quarters in the Phoenix market is the sale of 100-150 West University Drive in Tempe. This 298,954 square foot office building sold for \$57,500,000, or \$192.34 per square foot. The property sold on December 19, 2013.

Phoenix Industrial Market

The Phoenix Industrial market ended the first quarter 2014 with a vacancy rate of 13.1%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 597,026 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 2,026,589 square feet. Rental rates ended the fourth quarter at \$6.68, an increase over the previous quarter. A total of three buildings were delivered to the market in the quarter totaling 2,790,757 square feet, with 2,551,721 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Phoenix Industrial market was positive 597,026 square feet in the first quarter 2014. That compares to positive 2,677,479 square feet in the fourth quarter 2013, negative (208,254) square feet in the third quarter 2013, and negative (72,981) square feet in the second quarter 2013.

The Flex building market recorded net absorption of negative (222,449) square feet in the first quarter 2014, compared to positive 284,501 square feet in the fourth quarter 2013, negative (179,086) SF in the third quarter 2013, and positive 142,033 in the second quarter 2013. The Warehouse building market recorded net absorption of positive 819,475 square feet in the first quarter 2014 compared to positive 2,392,978 square feet in the fourth quarter 2013, negative (29,168) SF in the third quarter 2013, and negative (215,014) in the second quarter 2013.

Vacancy

The Industrial vacancy rate in the Phoenix market area increased to 13.1% at the end of the first quarter 2014. The vacancy rate was 12.5% at the end of the fourth quarter 2013, 13.0% at the end of the third quarter 2013, and 12.6% at the end of the second quarter 2013. Flex projects reported a vacancy rate of 20.4% at the end of the first quarter 2014, 19.7% at the end of the fourth quarter 2013, 20.6% at the end of the third quarter 2013, and 19.5% at the end of the second quarter 2013. Warehouse projects reported a vacancy rate of 12.2% at the end of the first quarter 2014, 11.6% at the end of fourth quarter 2013, 12.1% at the end of the third quarter 2013 and 11.7% at the end of the second quarter 2013.

Largest Lease Signings

The largest lease signings occurring in 2014 included: the 85,245 SF lease signed by Consumer Cellular at 7410 South Roosevelt Street in the Southeast market; the 63,840 SF deal signed by CFA Cabinetry at 420 South 53rd Avenue in the Southwest market; and the 45,228 SF lease signed by PetClub at 860 West Carver Road in the Southeast market.

Sublease Vacancy

The amount of vacant sublease space in the Phoenix market increased to 2,026,589 square feet by the end of the first quarter 2014, from 2,024,363 square feet at the end of the fourth quarter 2013. There were 1,927,763 square feet vacant at the end of the third quarter 2013 and 1,881,396 square feet at the end of the second quarter 2013. Phoenix's Flex projects reported vacant sublease space of 268,182 square feet at the end of first quarter 2014; up from the 268,102 square feet reported at the end of the fourth quarter 2013. There were 264,277 square feet of sublease space vacant at the end of the third quarter 2013, and 267,169 square feet at the end of the second quarter 2013. Warehouse projects reported increased vacant sublease space from the fourth quarter 2013 to the first quarter 2014. Sublease vacancy went from 1,756,261 square feet to 1,758,407 square feet during that time. There were 1,663,486 square feet at the end of the third quarter 2013, and 1,614,227 square feet at the end of the second quarter 2013.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.68 per square foot per year at the end of the first quarter 2014 in the Phoenix market area. This represented a 2.3% increase in quoted rental rates from the end of the fourth quarter 2013, when rents were reported at \$6.53 per square foot. The average quoted rate within the Flex sector was \$11.78 per square foot at the end of the first quarter 2014, while Warehouse rates stood at \$5.54. At the end of the fourth quarter 2013, Flex rates were \$11.41 per square foot, and Warehouse rates were \$5.52.

Deliveries and Construction

During the first quarter 2014, three buildings totaling 2,790,757 square feet were completed in the Phoenix market area. This compares to four buildings with a total of 1,265,477 SF in the fourth quarter 2013, seven buildings totaling 1,605,725 square feet that were completed in the third quarter 2013 and six buildings totaling 2,051,304 square feet completed in the second quarter 2013.

There were 2,397,654 square feet of industrial space under construction at the end of the first quarter 2014. Some of the notable 2014 deliveries include; 4500 South Dobson Road; a 2,145,757 SF facility that was delivered in the first quarter of 2014 and is now unoccupied and 16575 West Commerce Drive; a 360,000 SF building that was delivered in the first quarter of 2014 and is now 100% occupied.

Inventory

Total Industrial inventory in the Phoenix market area amounted to 302,787,000 square feet in 9,890 buildings as of the end of the first quarter 2014. The Flex sector consisted of 33,856,099 square feet in 1,136 projects. The Warehouse sector consisted of 268,930,901 square feet in 8,754 buildings. Within the Industrial market there were 2,130 owner-occupied buildings accounting for 89,768,480 square feet of Industrial space.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Phoenix industrial sales figures rose during the fourth quarter 2013 in terms of dollar volume compared to the third quarter of 2013. In the fourth quarter, 40 industrial transactions closed with a total volume of \$287,531,213. The 40 buildings totaled 3,945,206 square feet and the average price per square foot equated to \$72.88 per square foot. That compares to 48 transactions totaling \$177,860,432 in the third quarter. The total square footage was 2,862,028 for an average price per square foot of \$62.14.

Total year-to-date industrial building sales activity in 2013 is up compared to the previous year. In 2013, the market saw 167 industrial sales transactions with a total volume of \$912,959,492. The price per square foot averaged \$72.90 in 2013. In 2012, the market posted 185 transactions with a total volume of \$786,334,632. The price per square foot averaged \$56.61. Cap rates were lower in 2013, averaging 7.86%, compared to 2012 when they averaged 8.06%. One of the largest transactions that has occurred within the last four quarters in the Phoenix market is the sale of the First Solar building at 3740 South Signal Butte Road in Mesa. This 1,328,075 square foot industrial building sold for \$107,600,000, or \$81.02 per square foot. The property sold on 10/31/2013.

Utilities

Although water supply is constrained in an arid desert climate such as Phoenix, there is generally adequate water for the overall region. The completion of the Central Arizona Project (CAP) has allowed the Phoenix area to receive water transported from the Colorado River to supplement local surface and groundwater supplies. However, increasing limitations on groundwater pumping have been mandated by the Arizona Groundwater Management Code, requiring a gradual total cutback in the 500,000 acre-feet of groundwater which is over drafted annually. These regulations will have an impact on development patterns in the metropolitan area, but are not generally expected to constrain overall growth in the economy and population. The Palo Verde Nuclear Power Project is expected to provide adequate electrical power to serve anticipated population and employment growth. Utility services are adequate and are typically provided by the following:

Electricity:	Salt River Project, Arizona Public Service Company
Natural Gas:	Southwest Gas Company
Telephone:	CenturyLink & others
Water:	Salt River Project/Municipal
Sewer:	Municipal

Availability of water, sewer, electricity and gas has historically been adequate in the metro area. Utility costs have been average for the metro area, particularly when compared with other similar metro areas in the West. At this time, there are no factors which suggest any changes in the adequacy of utility services in the metro area. The trend for solar use and development is gaining momentum. Future development potential is not hampered by current or foreseeable utility shortages in the metro area.

Transportation

The metropolitan area has major airport and freeway infrastructure developments underway which will substantially improve accessibility within the region. According to the public information office at Sky Harbor International Airport, the airport is the 9th busiest airport in the country in terms of number of total passengers. Airline passenger traffic for 2011 was 40,591,948, which is up from 38,554,530, in 2010. There were 40,341,614 total passengers served at Sky Harbor in 2013. Future forecasts suggest a continuing upward trend assuming stable economic conditions. Passenger activity is improving as the economy pulls out of the recession.

Construction of Terminal Four was completed in late 1991. In order to meet continued demand, the airport currently has extensive upgrades and projects planned and in process at an estimated cost of \$2.0 billion. These projects include an automated train, new taxiways, and continuation of on-going improvements to airport security.

The Phoenix metropolitan area is served by Interstate 17 (I-17), which runs in a north/south direction and Interstate 10 (I-10), which merges with I-17 near Sky Harbor International Airport. I-17 provides access to Prescott and Flagstaff to the north. I-10 provides access to Los Angeles to the west and Texas, New Mexico and Southeastern and Atlantic Seaboard states to the east. Other metro freeways such as the Loop 101, Loop 202 and the San Tan Freeway also provide access for travelers.

According to The Maricopa Association of Governments, new freeways will be added over the next several years, some of which are currently under construction. If population continues to grow as in the past, the freeway system will most likely remain over-taxed. Inefficient transportation has resulted from the development of urban centers and residential developments scattered throughout the metropolitan area. This situation has exacerbated the problem of designing an efficient mass transit system. The light rail project opened for operation in December 2008. The light rail is also to be expanded to Mesa. Transportation availability and efficiency remains one of the Phoenix area's challenges to future economic growth.

Financial

Numerous state and national banks are located throughout the Phoenix area. State-chartered credit unions also serve metropolitan Phoenix. The Phoenix metro area is presently served by a number of large financial institutions such as Bank of America, JP Morgan Chase and Wells Fargo to name a few. Extensive branch banking operations are also maintained by the large national banks as well as many local and regional banks. Banking and financial services adequately serve the needs of the growing metro area.

Education

Metropolitan Phoenix offers a broad educational system from elementary through doctoral degree programs. There are numerous schools of higher learning in the Phoenix area, including Arizona State University. Arizona State University is a major university offering numerous bachelor's degree programs, master's degree programs and doctoral degree programs. ASU has developed a 300-acre site in west Phoenix.

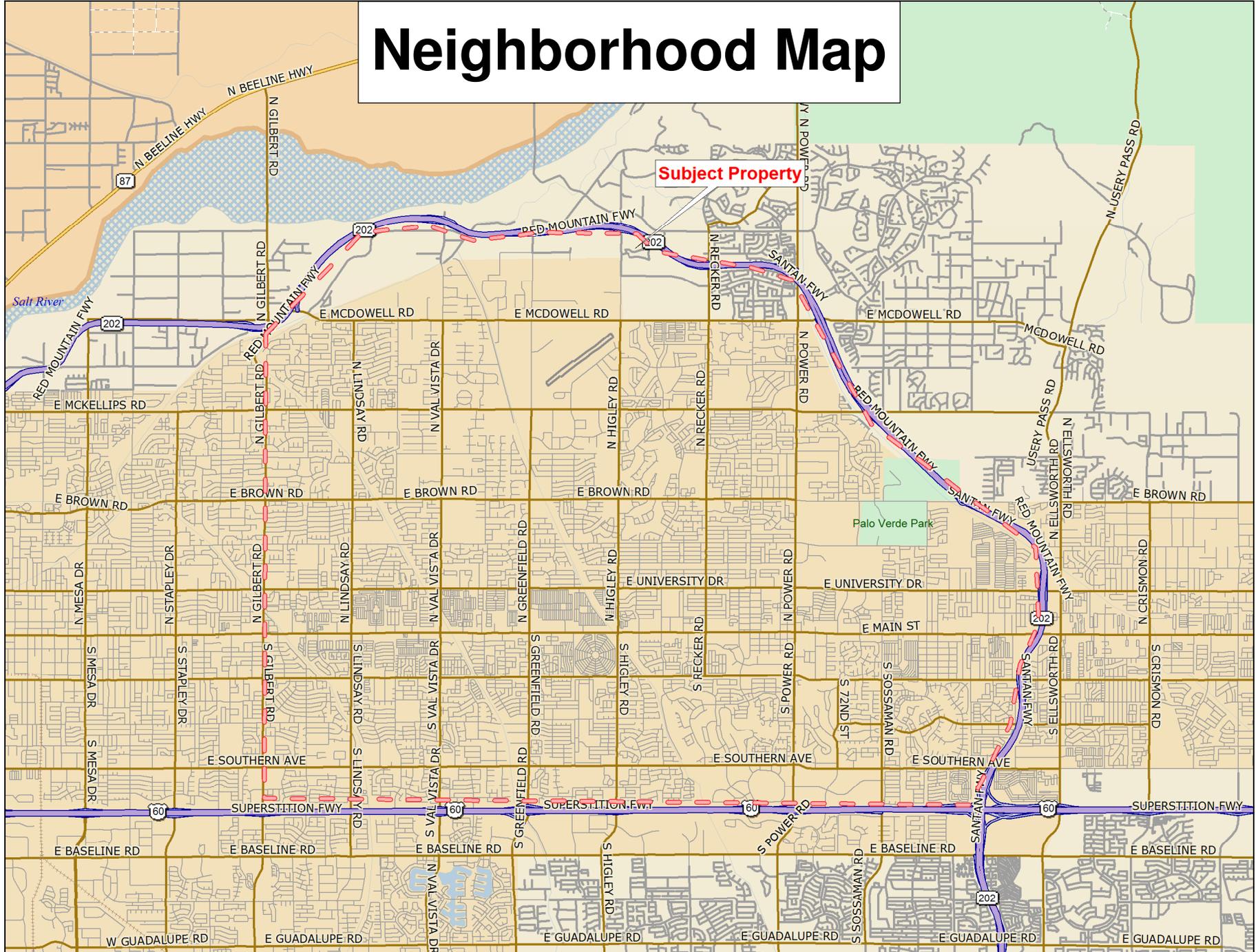
There is also an ASU East Campus located at the Williams Gateway Airport facility. The Phoenix metropolitan area also offers community colleges and other private technical schools offering a wide range of educational opportunities. Due to Arizona's recent economic slowdown, ASU has eliminated and cut back several programs.

Summary

The seasonally adjusted unemployment rate in Arizona reported a slight uptick from 6.8% in May to 6.9% in June. The U.S. seasonally adjusted unemployment rate dropped two-tenths of a percentage point to 6.1% in June. A year ago, the Arizona seasonally adjusted rate was 8.1% and the U.S. rate was 7.5%. Arizona shed 39,500 Nonfarm jobs (-1.5%) over the month in June. This loss was fewer than the ten-year ('04-'13) average job loss of 44,000 jobs and the post-recessionary ('10-'13) average loss of 55,000 jobs. Losses were primarily in Government which shed 36,000 jobs. These were seasonal losses in Local (-30,400 jobs) and State (-6,000 jobs) Public Education. The Private Sector lost 3,500 jobs, a smaller loss than the ten-year-average ('04-'13) loss of 4,600 jobs and post-recession ('10-'13) average loss of 8,200 jobs. Five of the eleven major sectors added jobs and six reported jobs losses over the month in June. The largest gain was in Professional and Business Services (3,900 jobs). This gain was more than four-times the ten-year-average gain of 900 jobs and nearly twenty-times the post-recessionary ('10-'13) gain of 200 jobs. Financial Activities added 2,200 jobs, the largest over-the-month gain on record ('90-'14) for the month of June. Financial Activities has averaged a gain of 200 jobs over ten years ('04-'13) and a post-recessionary ('10-'13) average gain of 300 jobs. Manufacturing (900 jobs), Natural Resources and Mining (300 jobs), and Information (300 jobs) all added jobs over the month. Government lost 36,000 jobs, a smaller loss in comparison to the ten-year-average ('04-'13) loss of 39,400 jobs and post-recessionary ('10-'13) average loss of 46,800 jobs. The below average Government loss in June may be the result of a shift in the education schedule as above-average losses were observed in Government in May. Other sectors with job losses include Education and Health Services (-5,500 jobs), Leisure and Hospitality (-2,500 jobs), Other Services (-2,000 jobs), Trade, Transportation and Utilities (-700 jobs), and Construction (-400 jobs). Losses in Construction are atypical for June which has averaged a gain of 2,400 jobs over ten-years ('04-'13).

Over the year, Arizona added 42,800 Nonfarm jobs (1.7%) to the payroll in June. All the gains were from the Private Sector which added 45,900 jobs (2.2%). Government lost 3,100 jobs (-0.8%). Seven of the eleven major sectors added jobs, one reported no change, and three sectors lost jobs. Education and Health Services reported the largest over-the-year gains of 15,200 jobs. Leisure and Hospitality added 12,100 jobs, the largest over-the-year gain in this sector since November 2006. Financial Activities added 9,100 jobs followed by Trade, Transportation and Utilities (7,500 jobs), and Professional and Business Services (5,500 jobs). Manufacturing (600 jobs), and Information (400 jobs) had small gains. Natural Resources and Mining was flat over the year. Construction shed 4,000 jobs, the second consecutive over-the-year loss since June 2011. Government (-3,100 jobs) and Other Services (-500 jobs) both shed jobs.

Neighborhood Map



36

Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2010.

www.delorme.com



Scale 1 : 93,750



1" = 1.48 mi

Data Zoom 11-1

NEIGHBORHOOD SUMMARY

Neighborhood - A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.³

The subject property is located at the southeast corner of Loop 202 and Higley Road, in Mesa. The subject property is under the jurisdiction of Mesa. Most of the land surrounding the subject property is commercially developed. The neighborhood is bounded by US 60 on the south, Loop 202 on the north and east, and Gilbert Road on the west. The Boeing Company Helicopter Airfield and Mesa Falcon Field Municipal Airport are located to the southwest and the Sunshine Acres Children's Home is to the south of Mesa-owned land that is along the subject property's south boundary. To the north of the site, north of the Loop 202, is mountain preserve land and the Salt River Pima-Maricopa Indian Community.

According to the Falcon Field Airport Sound Contours and Primary Flight Track recorded in document 2001-0285395 on April 10, 2001, the subject property is located in "Area B," the General Overflight Area of the airport, as well as directly within the Primary Takeoff & Landing Patterns Area.

In the subject neighborhood, arterial streets are mostly asphalt paved streets with two or three lanes in each direction with all off site improvements in place.

Mesa is a suburb of Phoenix, located in the southeast portion of the Valley. It is bounded on the east by the City of Apache Junction in Pinal County; on the south by Gilbert, Chandler and Queen Creek; on the west by Tempe and on the north by the Salt River Pima-Maricopa Indian Reservation.

The Salt River Pima-Maricopa Indian Community is comprised of two Native American tribes: The Pima, or "Akimel Au-Authm," (River People); and the Maricopa, or "Xalychidom Piipaash," (People who live toward the water).

The Maricopa tribes were small bands that lived along the lower Gila and Colorado rivers. In the early 1800's they migrated toward Pima villages. The Pima, known as a friendly tribe, established a relationship with the Maricopa. Both tribes provided protection against the Yuman and Apache tribes.

Primary transportation routes through the subject neighborhood are provided by arterial streets arranged on a one-mile grid aligned on section lines. The north-south arterials include Gilbert Road, Lindsay Road, Val Vista Road, Greenfield Road, Higley Road, Recker Road and Power Road. All of these north-south arterials except Recker Road provide full-diamond interchanges at their connection with the US 60 freeway located approximately 6.5 miles south of the subject. Major east-west arterials include McDowell Road, Mckellips Road, Brown Road, University Drive, Main Street, Broadway Road and Southern Avenue. US 60 provides direct access to the Loop 101 Price Freeway approximately ten miles west of the subject. All arterial streets in the neighborhood are asphalt paved with curbs, gutters, sidewalks and streetlights. The Loop 101 and Loop 202 freeways link the subject neighborhood with a network of interstate freeways and state highways serving most other areas of the Valley.

³Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. s.v. "neighborhood" (Chicago: Appraisal Institute, 2002). CD-ROM

Mesa is the third-largest city in Arizona, after Phoenix and Tucson, and the 38th largest in the Country. It was incorporated in 1883.

Surrounding Land Uses

North:	Freeway and vacant (mountain preserve and Indian Reservation)
East:	Vacant
South:	Vacant and children's home
West:	Industrial and gravel extraction, Boeing Co. Helicopter Airfield

Summary and Conclusion

The subject is located in the southeast Valley in Mesa. Overall the subject neighborhood is comprised of mixed land uses. It is generally considered a stable neighborhood with a combination of residential, commercial and light industrial development. It appears that property values may have stabilized after a protracted and severe recession. Projections are for a slow recovery period.

SITE DESCRIPTION

Location

The subject site is located at the SEC of Loop 202 and Higley Road, in Mesa, Maricopa County, Arizona.

Assessor Parcel Numbers

The subject parcel is Maricopa County Assessor Numbers 141-40-003L, Q and S.

Site Area/Dimensions

I was not provided with an ALTA survey. The assessor map shows that the subject site has ± 300 feet of frontage along Higley Road. The site is ± 500 feet deep and abuts the south side of Loop 202.

Street Improvements

Higley Road is an asphalt paved roadway with street lights, curbs, gutters and sidewalks along the subject's west boundary. Loop 202 is an access controlled freeway with all required off sites in place, and is located to the north of the subject. There are no offsites adjacent to the subject property as it has no direct street frontage.

Traffic Counts

The traffic count adjacent to the subject property on Higley Road was 13,700 ADT according to the City of Mesa 2014 traffic count map. The traffic count adjacent to the subject property on Loop 202 was 70,700 ADT according to the City of Mesa 2014 traffic count map.

FCV and Taxes

The subject is identified by assessor parcel Numbers 141-40-003L, Q and S. The subject property is owned by the Arizona State Department of Transportation and is exempt from taxes. The assessed values are as follows: Parcel 141-40-003L - \$116,700 FCV (2015); Parcel 141-40-003Q - \$293,300 (2015); and Parcel 141-40-003S - \$116,600 (2015). There are no delinquent taxes owed on the subject according to the records of the Maricopa County Treasurer.

Site Characteristics

The site area is approximately ± 1.61 acres ($\pm 70,323$ SF), per information provided by the client. The subject site is an irregular shaped corner parcel with ± 300 feet of frontage on the east side of Higley Road and ± 500 feet of frontage on the south side of Loop 202.

Higley Road is an asphalt paved roadway with concrete curbs, gutters, sidewalks, street lights and a median. Loop 202 is an asphalt paved, access controlled freeway with all required off sites in place. Municipal water and sewer are in the street in front of the subject property. The subject site is gently rolling native desert land and below grade of the surrounding streets and at grade with surrounding properties.

Utilities

The utilities which are available to the subject are shown below and are considered adequate.

Gas:	Southwest Gas
Electricity:	Arizona Public Service

Water: City of Mesa
Sewer: City of Mesa
Trash Disposal: Private
Telephone: CenturyLink

Flood Plain

The subject is located in a Zone “X” flood plain (Map/Panel #04013C2280L), effective October 16, 2013. Zone X is the area determined to be outside the 500-year flood and protected by levee from the 100-year flood. Flood hazard insurance is not typically required for a Zone “X” district.

Environmental

A Phase I environmental study was not provided by the client, however, we did receive an environmental clearance from Thor Anderson, Manager of the Environmental Planning Group with the Arizona Department of Transportation. No evidence of environmental problems was noted during the inspection of the subject; however, we are not trained to detect environmental contamination. The opinion of value assumes the subject is free and clear of any environmental problems.

Easement and Restrictions

A title report by Security Title Agency was provided to the appraiser. There are a number of utility easements affecting the subject, as is common in the area. However, none are considered to unduly hamper the subject's development potential as compared with other competing property in the neighborhood.

Access

The subject site is not currently legally accessible. Access and ingress/egress to the subject are non-existent.

Zoning

According to Mesa's Planning and Zoning Department, the subject property is zoned RS-90, residential, with a minimum lot size of 90,000 SF. The City of Mesa's General Plan designates the site for Business Park use. The site does not conform to the zoning ordinance with regard to minimum lot size.

According to John Wesley, the Director of Planning at the City of Mesa, the subject's General Plan designation was established with the adoption of the current plan in 2002. At that time the Loop 202 was not built; however, it was in the planning stage. Mr. Wesley was not in his current position at the time and was not a party to the discussions regarding the potential uses of the subject property. Mr. Wesley reports that there has been long term planning for industrial/business park development around Falcon Field and Boeing to avoid conflicts with residential uses.

While the subject property is planned for business park uses on the Mesa General Plan, there are copious finished industrial lots in the submarket that do not present the challenges the subject property does (size and access). As discussed in the highest and best use analysis, we conclude that most likely use of the subject would best be for assemblage with the surrounding Mesa-owned land and the children's home to the south.

A copy of a portion of the City's official zoning ordinance is an addenda items and a copy of a portion of the City's zoning map covering the subject property is an exhibit on a following page.

EXCESS LAND EXHIBIT

L-M-493



02 Loc

34035

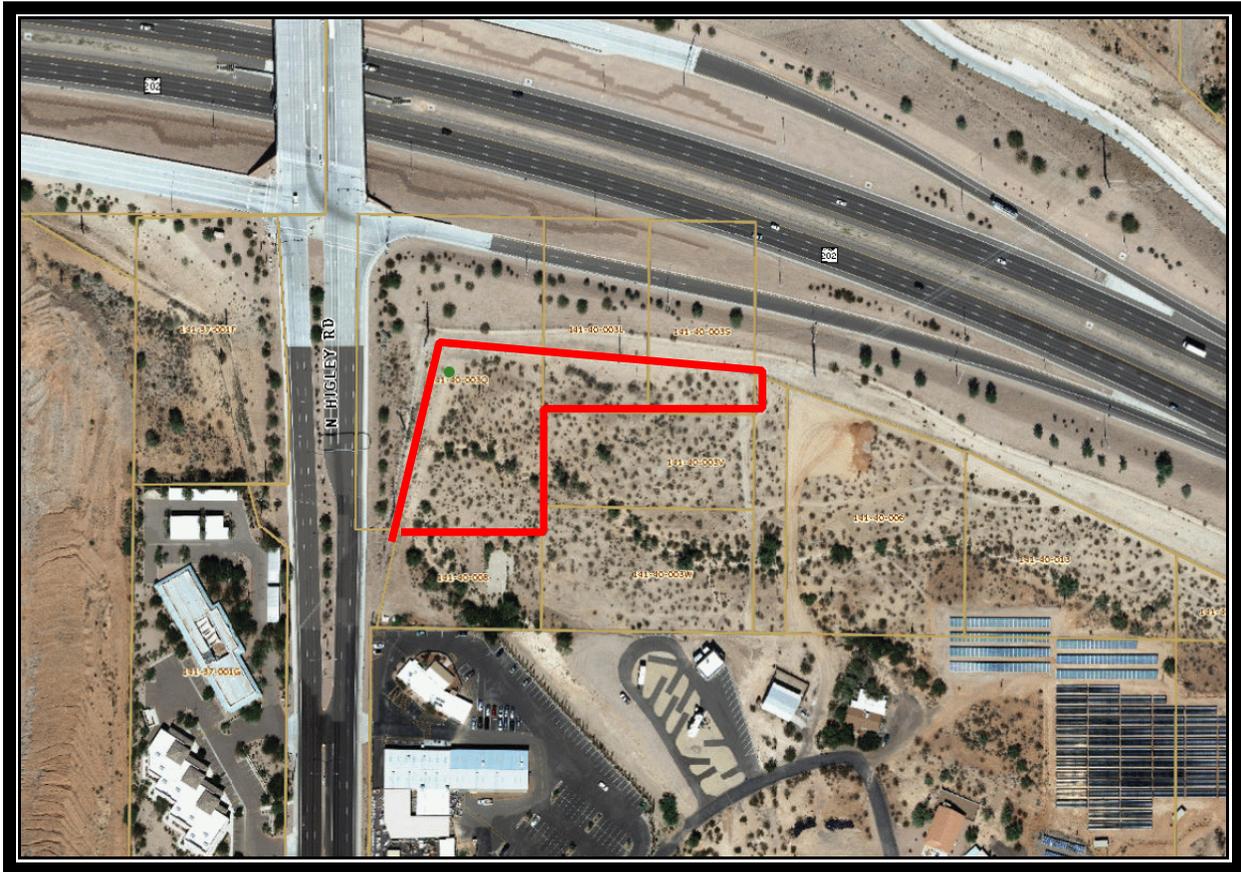
DRAW/DATE: bgurney 1-22-09

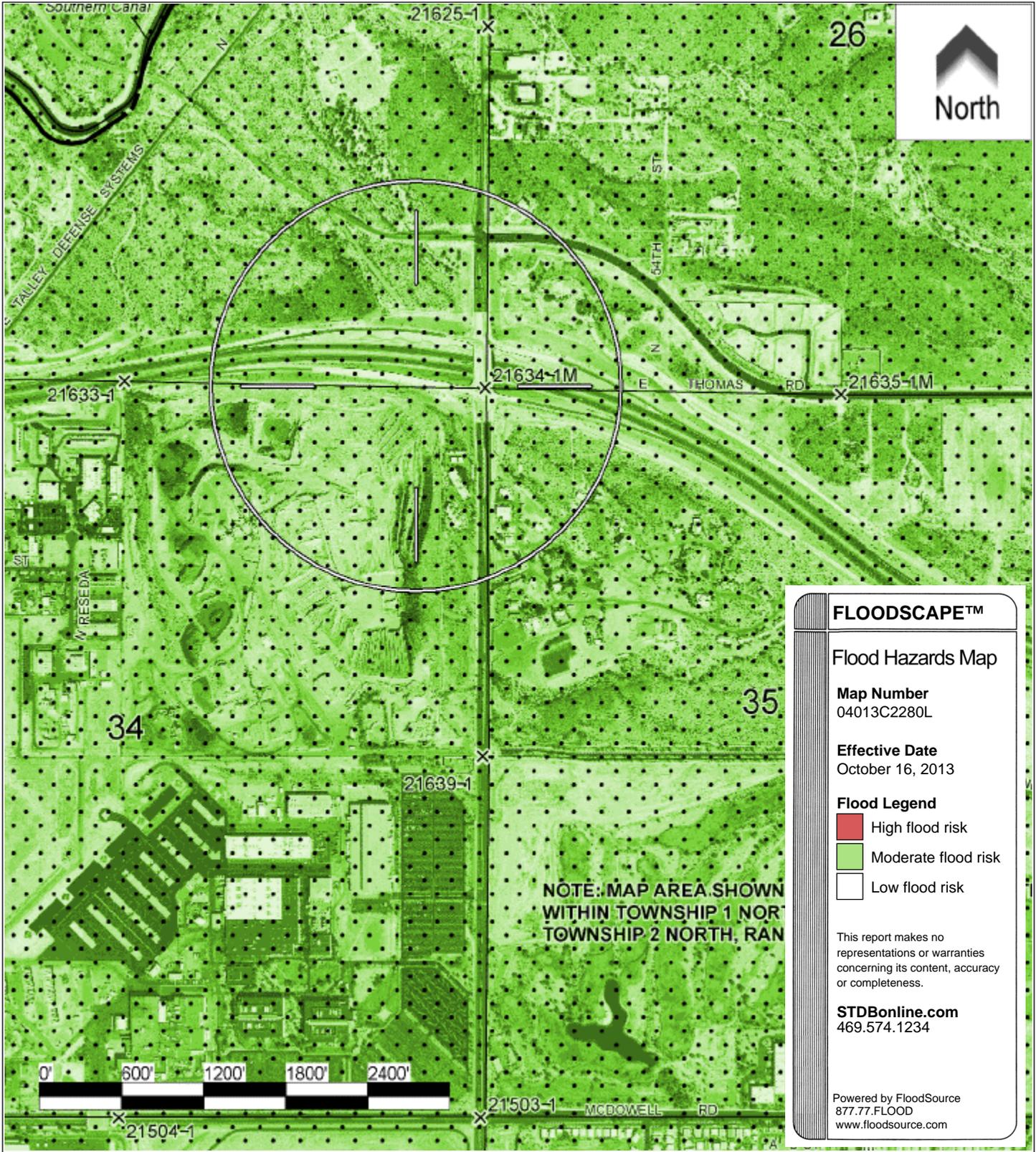
HIGHWAY: RED MOUNTAIN FREEWAY SECTION: Gilbert Rd. - Higley Rd. TRACS: 2021 MA 000 H5400 OIR FED ID: RAM 600-8-803 Sheet 1 of 1

... \DGN\MISC-DISPOSALS.DGN 01/22/09 6:17:33 AM

FIGURE OF THE PLANS SECTION 2021-12-710

Aerial Photograph





FLOODSCAPE™

Flood Hazards Map

Map Number
 04013C2280L

Effective Date
 October 16, 2013

- Flood Legend**
- High flood risk
 - Moderate flood risk
 - Low flood risk

This report makes no representations or warranties concerning its content, accuracy or completeness.

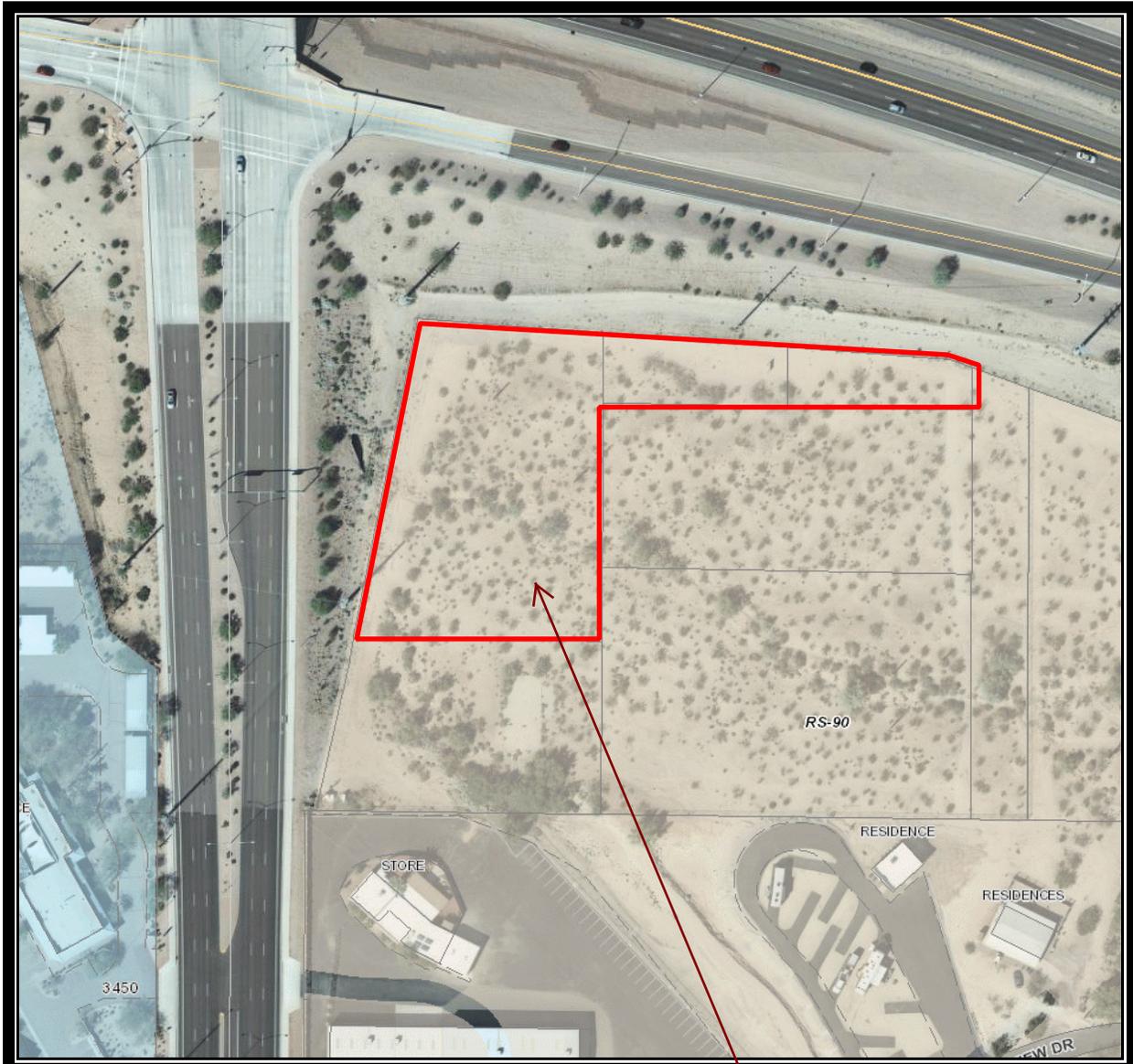
STDBonline.com
 469.574.1234

Powered by FloodSource
 877.77.FLOOD
 www.floodsource.com

NOTE: MAP AREA SHOWN WITHIN TOWNSHIP 1 NORTH TOWNSHIP 2 NORTH, RAN



Zoning Map



Subject Property
RS-90

HIGHEST AND BEST USE SUMMARY

Highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.⁴

The definition of highest and best use indicates that there exist two types of highest and best use. The first type is the highest and best use of the land or site "as if vacant." The second is the highest and best use "as improved." Moreover, in each case the existing use may or may not be different from the site's highest and best use. The subject property is vacant land.

The determination of highest and best use results from the appraiser's judgment and analytical skills. The eventual use determined from the analysis represents an opinion, or conclusion, rather than an absolute fact. To determine the highest and best use, four criteria must be considered sequentially. For a use to be the highest and best use, it must be:

- 1) Legally permissible
- 2) Physically possible
- 3) Financially feasible
- 4) Maximally productive

Legally Permissible

The subject is zoned RS-90, residential. This zoning calls for a site which is a minimum of 90,000 SF. The subject site, containing 70,323 SF, does not meet this criteria. The vested zoning is not consistent with the City's General Plan which shows the subject in an area intended for business park uses. Based on discussions with John Wesley, the Director of Planning with Mesa, the subject's General Plan designation was established with the adoption of the current plan in 2002. At that time the Loop 202 was not built; however, it was in the planning stage. There has been long term planning for industrial/business park development around Falcon Field and Boeing to avoid conflicts with residential uses. The subject property currently has no legal access. While it is theoretically possible for the owner of the subject property to apply for industrial zoning, it would not be feasible to do so considering the expense involved in the process as compared with the marginal utility and size of the subject property.

Physically Possible

The subject site contains ±1.61 acres (±70,323 SF) of land area. The subject is below the grade of Loop 202 and Higley Road. A soil study was not provided. Based on the inspection, which included a visual observation of the subject site, and based on surrounding development, there do not appear to be any soil or site development problems. This appraisal assumes that no hazardous environmental conditions exist on or around the subject property and the values shown herein are subject to the property being free from any environmental problems. Utilities are available and are reported to be adequate. There are no topography problems evident.

⁴Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. s.v. "highest and best use" (Chicago: Appraisal Institute, 2002). CD-ROM

Financially Feasible

The surrounding area is mostly either vacant, City-owned or developed with commercial/industrial uses with some residential areas to the east and south. To the immediate south of the subject property is vacant land that is owned by the City of Mesa, with a children's home to the south of that. The subject property does not meet minimum lot size requirements. The subject property would be most productive if it were assembled with the Mesa-owned land and the children's home to the south.

Maximally Productive

Due to the subject's lack of legal access, the small size of the property (1.61 acres), the availability of more sizable, accessible and desirable vacant properties, an industrial or business park use would not be likely at the subject property's location. We conclude that the highest and best use of the subject property would best be for assemblage for recreational uses in conjunction with the Mesa-owned property and the children's home to the south.

Conclusion

The subject site would be most desirable for a recreational use and/or an assemblage with the children's home to the south. Due to its lack of access, small size, location, and lack of market demand for additional industrial or business park uses at this location, it would not be suitable for industrial uses. Nor would the market support even low-density residential uses at this location in my opinion, with the adjacent industrial uses and negative influence from the freeway and the nearby airport and heliport. Therefore, I have concluded that the highest and best use of the subject site is for assemblage for recreational use in conjunction with the children's home to the south.

As stated in the definition of highest and best use, the conclusion of highest and best use does not represent an absolute fact. Rather, the conclusion is the most reasonable and probable conclusion based on market research.

VALUATION PROCESS

Typically, the market value of real estate can be estimated by applying three approaches: cost, sales comparison and income. Rthe subject property is vacant land.

Cost Approach: That approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market.⁵ Since the subject property is vacant land, the cost approach is not employed.

Sales Comparison Approach: Traditionally, an appraisal procedure in which the market value opinion is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, also, © the degree of comparability or extent of adjustment necessary for time differences, as well as (d) the absence of nontypical conditions affecting sales price.⁶ This approach to value will be used to value the subject site.

Income Approach: That procedure in appraisal analysis which converts anticipated benefits (dollars, income or amenities) to be derived from the ownership of property into a value opinion. The income approach is applied widely in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.⁷ Vacant land is not typically leased in the subject's market area and therefore, the income approach is not utilized in the appraisal.

⁵Byrl N. Boyce, Ph.D., SRPA (ed.), *Real Estate Appraisal Terminology*, The Society of Real Estate Appraisers (Cambridge: Ballinger Publishing Co., 1984), page 63.

⁶Ibid, page 160.

⁷Ibid, page 132.

LAND VALUATION

The subject site will be valued using the sales comparison approach. The sales comparison approach provides an estimate of market value by comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in this approach is the principle of substitution which holds that “when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.”⁸

By analyzing sales which qualify as arms’-length transactions with reasonable market exposure between willing and knowledgeable buyers and sellers, price trends can be identified from which value parameters may be extracted. Comparability in physical, locational and economic characteristics represent important criteria in analyzing the sales in relation to the subject property. The basic steps involved in the application of this approach are as follows:

1. *Researching recent, relevant sales throughout the competitive area for sales similar to the subject property;*
2. *Selecting properties considered most comparable to the subject, and then analyzing the selected comparable properties giving consideration to the date of sale and any change in economic conditions which may have occurred since the date of value. Other relevant factors of a physical, functional or locational nature are also considered as well as the interest conveyed;*
3. *Reducing the sales price to common units of comparison as indicated by the market;*
4. *Making appropriate adjustments between the comparable properties and the subject property; and,*
5. *Interpreting the adjusted sales data and reaching a valid conclusion of market value.*

To apply this approach to value, the market was searched for land sales considered to be the most similar in terms of location, size, highest and best use, zoning, etc. The sales were analyzed and adjusted for differences between the subject and the comparable. The subject is a parcel of RS-90 zoned land, with 1.61 acres of land area. The General Plan shows the subject in an area intended for industrial uses. We have concluded that the subject property has a highest and best use of assemblage for recreational uses, in conjunction with a residential facility located to the south. The subject property does not have legal access as of the date of value and is surrounded by land owned

⁸Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. s.v. “substitution” (Chicago: Appraisal Institute, 2002). CD-ROM

by the City of Mesa. We first compare the subject property to properties that have legal and physical access and conclude to a value subject to the hypothetical condition that it does have access. We then make an adjustment for this factor after the first analysis under the existing condition wherein it is landlocked.

The unit of comparison used for the subject site is price per SF, as this is the unit commonly used by market participants in the subject's market. Finally, the sales are reconciled into a final indication of market value. The basic elements of comparison have been considered in the adjustment process.

Sales sheets detailing the salient details of the sales are presented in the following pages followed by a summary table and a location map. Following these items is an analysis of the sale comparisons and an adjustment grid, followed by the conclusion of value.

These are the best available sales based on the market research. The sales were all fee simple transactions which were found to be arms'-length. Every sale was verified with a broker or a party to the sale when possible. In addition, every sale was verified with recorded and notarized documents, which included the sale price.

VACANT LAND COMPARABLE NUMBER 1



Property Identification Data

Location: South side of Appleby Road west of Gilbert Road, Chandler, AZ

Legal Description: A portion of Section 13, T2S, R5E of the G&SRB&M, Maricopa County, Arizona

Assessor's Tax Parcel Number: 303-43-020H (now multiple parcels)

Sale Data

Conditions of Sale: Arms'-length

Sale Price: \$503,635

Interest Conveyed: Fee simple

Financing Terms: Cash

Cash Equivalency Adjustment: N/Ap

Cash Equivalent Price: \$503,635
Unit Price: \$3.16/SF
Date of Sale: March 2012
Date of Sale Recording: March 25, 2013
Instrument Type: Special warranty deed
Instrument Number: 2013-0269856
Seller: RL Chandler Investments, LLC
Buyer: Community Development Capital Group LLC
Confirmed By: Jennifer Chesebrough
Confirmed With: Jeremy McArthur, broker with McArthur Land Company, LLC jmcarther@mclandco.com (602) 743-1295
Date Inspected: July 21, 2014
Sales History: There were no prior sales found within the last five years.

Site Data

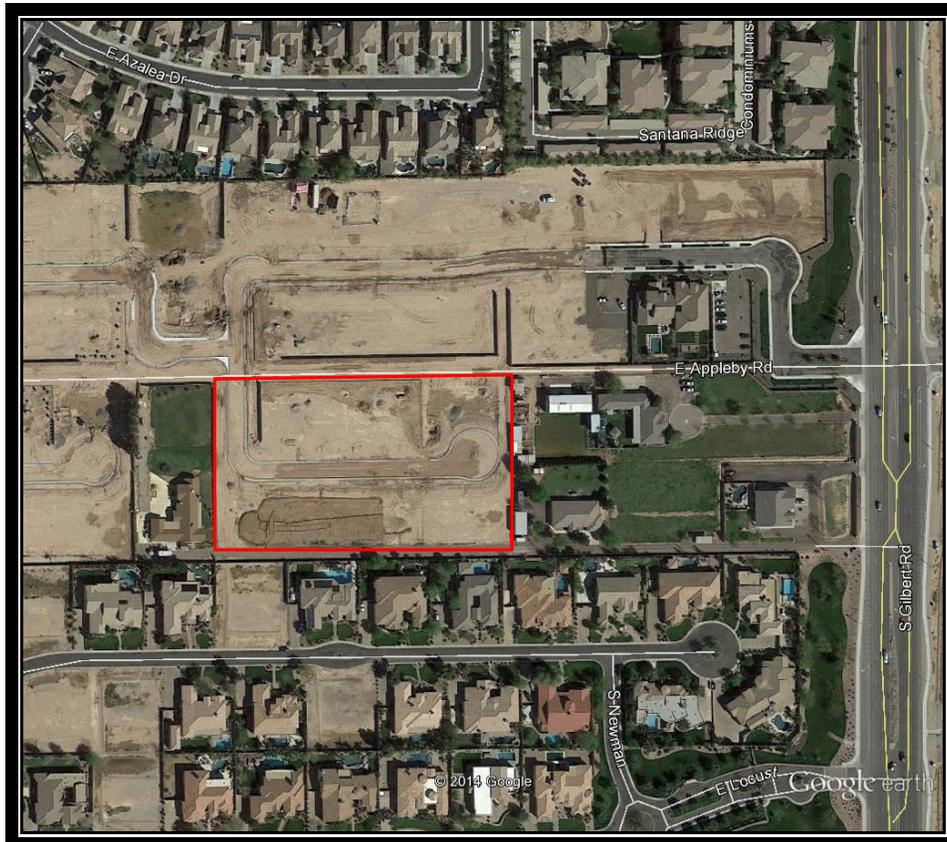
Shape: Rectangular
Size: ± 3.66 acres or 159,552 SF
Zoning: RU-43, Maricopa County (County island, Chandler zoning map shows a PAD zoning)
Frontage: Approximately 657 feet on Appleby Road
Traffic Count: N/A
Legal Access: Yes
Visibility: Average
Topography: Level

Flood Zone:	X
Utilities:	All to site
Off Sites:	Paved street, concrete curb, gutter, sidewalk (at the time of the sale there was only a dirt road, the developer put in the off-sites)
Site Utility:	Adequate
Highest and Best Use:	Residential development

Comments:

This site was assembled by the developer, Ashton Woods Homes. It was combined with other parcels to create Belmont Estates (Book 1152 Page 04) containing a total of 91 lots, 34.2632 acres gross, zoned PAD. This particular portion of the subdivision contains 11 residential lots as well as street improvements and drainage and open space areas. The street improvements were completed after this sale. The broker reported that the property was in escrow for approximately one year while zoning was being secured.

Assessor Map & Aerial Photograph - Land Sale 1



VACANT LAND COMPARABLE NUMBER 2



Property Identification Data

Location: South side of Spectrum Way west of Val Vista Drive, Gilbert, AZ

Legal Description: A portion of Parcel 16, The Spectrum at Val Vista - Phase I, according to book 573 of Maps, Page 36, records of Maricopa County, Arizona

Assessor's Tax Parcel Number: 304-45-037A

Sale Data

Conditions of Sale: Arms'-length

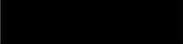
Sale Price: \$1,200,000

Interest Conveyed: Fee simple

Financing Terms: Private lender

Cash Equivalency Adjustment: N/Ap

Cash Equivalent Price: \$1,200,000

Unit Price:	\$6.64/SF
Date of Sale:	March 2013
Date of Sale Recording:	May 21, 2014
Instrument Type:	Special warranty deed
Instrument Number:	2014-0329554
Seller:	Desert Cross Lutheran Church, Inc.
Buyer:	Desert Viking - Spectrum, L.L.C.
Confirmed By:	
Confirmed With:	Cherie Moore, sales agent and assistant to Rebecca Hidalgo Rains, Integrity AllStar Realty (480) 243-4242
Date Inspected:	July 21, 2014
Sales History:	There were no prior sales found within the last five years.
<u>Site Data</u>	
Shape:	Irregular
Size:	± 4.15 acres or 180,728 SF
Zoning:	SF-8, Gilbert
Frontage:	Approximately 366 feet on SpectrumWay
Traffic Count:	N/A
Legal Access:	Yes
Visibility:	Average
Topography:	Sloping, above grade
Flood Zone:	X
Utilities:	All to site

Off Sites: Paved street, concrete curb, gutter, sidewalk street lights and center median

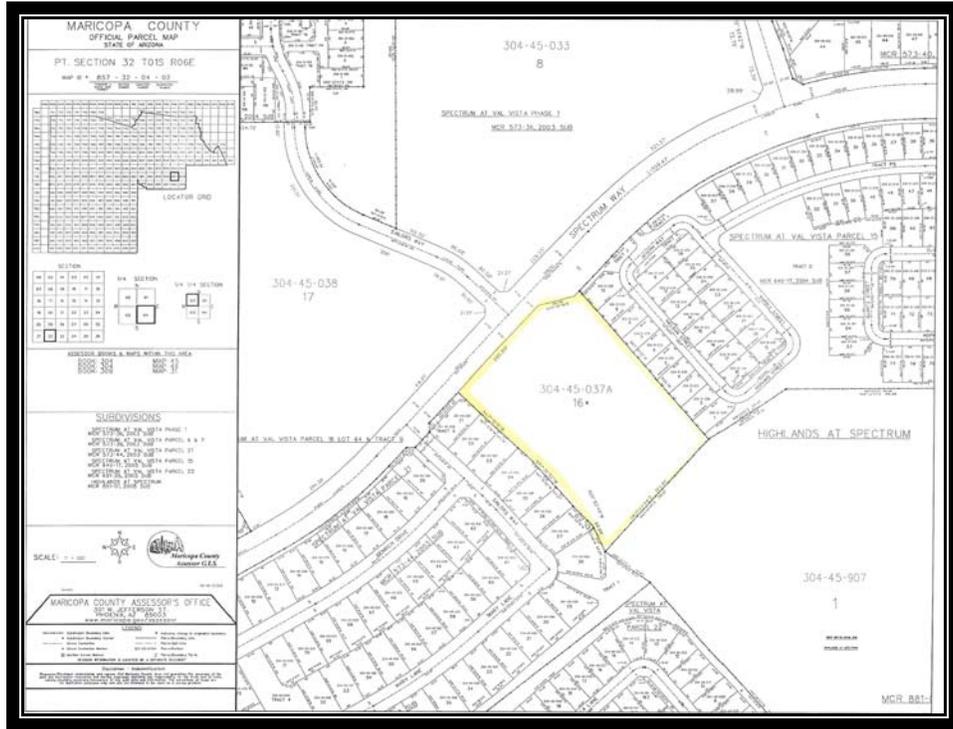
Site Utility: Adequate

Highest and Best Use: Hold for future residential development

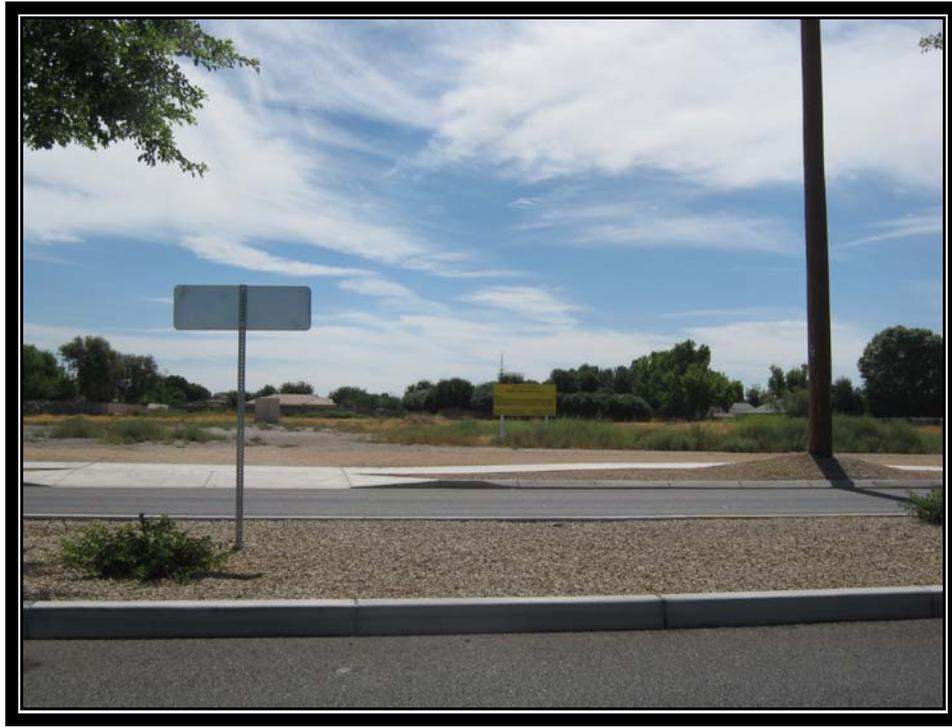
Comments:

This property was a stand alone piece of property and had all of the infrastructure in place at the time of the sale. Plans are to develop the site with 14 residential lots.

Assessor Map & Aerial Photograph - Land Sale 2



VACANT LAND COMPARABLE NUMBER 3



Property Identification Data

Location: South of Queen Creek Road on the east side of Greenfield Road, Gilbert, AZ

Legal Description: A portion of the NW1/4 of Section 15, T2S, R6E of the G&SRB&M, Maricopa County, Arizona

Assessor's Tax Parcel Number: 304-70-083A and 085A

Sale Data

Conditions of Sale: Arms'-length

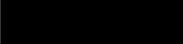
Sale Price: \$525,000

Interest Conveyed: Fee simple

Financing Terms: Cash

Cash Equivalency Adjustment: N/Ap

Cash Equivalent Price: \$525,000

Unit Price: \$2.51/SF
Date of Sale: June 2013
Date of Sale Recording: July 17, 2013
Instrument Type: Warranty deed
Instrument Number: 2013-0652125
Seller: Crosswalk Christian Church
Buyer: Gateway Church of Christ, Inc.
Confirmed By: 
Confirmed With: Shane McCormick, sales agent with Commercial Properties Inc. (480) 720-6250
Date Inspected: July 21, 2014
Sales History: There were no prior sales found within the last five years.

Site Data

Shape: Rectangular
Size: ± 4.81 acres or 209,398 SF
Zoning: SF-43, Gilbert
Frontage: Approximately 331 feet on Greenfield Road
Traffic Count: +/- 10,700 ADT according to Town of Gilbert 2014 Traffic Count Map
Legal Access: Yes
Visibility: Average
Topography: Level
Flood Zone: X
Utilities: All to site

Off Sites: Paved street, concrete curb, gutter, sidewalk, street lights, median in Greenfield Road to the north

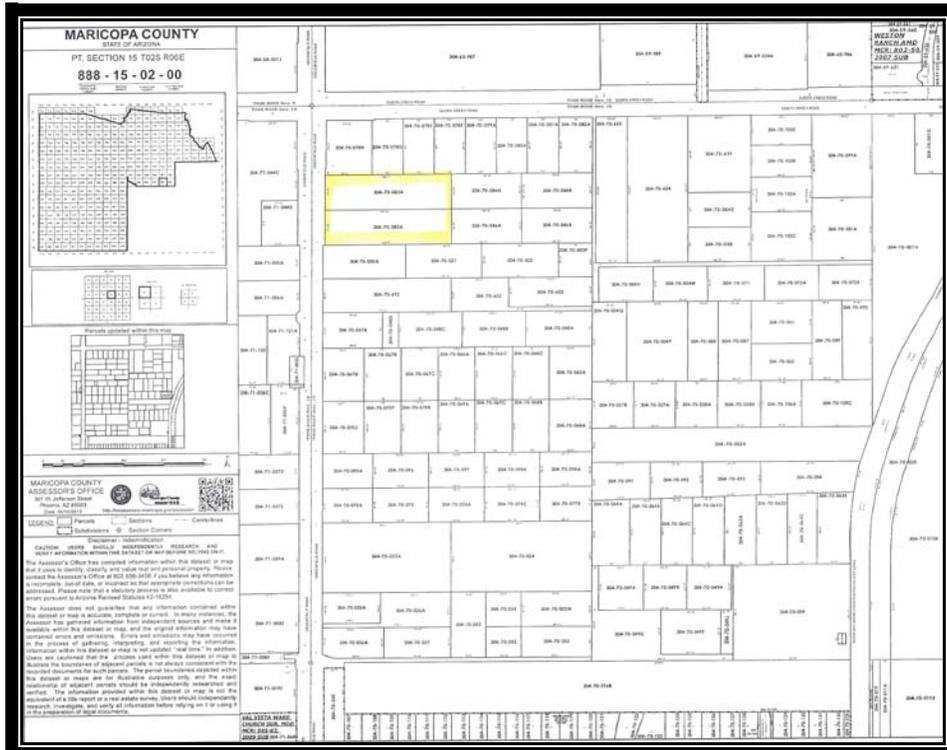
Site Utility: Adequate

Highest and Best Use: Hold for future development

Comments:

This site sold for less than half of the asking price and both entities are non-profit organizations. The site is planned for a church.

Assessor Map & Aerial Photograph - Land Sale 3



VACANT LAND COMPARABLE NUMBER 4



Property Identification Data

Location: 1900 East Fairview Street, Chandler, AZ

Legal Description: A portion of the NE1/4 of the SE1/4 of Section 35, T1S, R5E of the G&SRB&M, Maricopa County, Arizona

Assessor's Tax Parcel Number: 303-02-025W

Sale Data

Conditions of Sale: Arms'-length

Sale Price: \$650,000

Interest Conveyed: Fee simple

Financing Terms: Seller loan with \$200,000 cash down payment

Cash Equivalency Adjustment: N/Ap

Cash Equivalent Price: \$650,000

Unit Price: \$3.31/SF

Date of Sale: May 2014

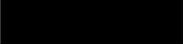
Date of Sale Recording: June 2, 2014

Instrument Type: Special warranty deed

Instrument Number: 2014-0360020

Seller: Glen O. Gaddie and Janiece Gaddie

Buyer: Four Aces Holdings LLC

Confirmed By: 

Confirmed With: Bryan Waggoner, sales agent with Insight Land and Investments (602) 385-1520

Date Inspected: July 21, 2014

Sales History: There were no prior sales found within the last five years.

Site Data

Shape: Irregular

Size: ± 4.51 acres or 196,465 SF

Zoning: AG-1, Chandler

Frontage: Approximately 883 feet on Cooper Road and 389 feet on Fairview Street

Traffic Count: 18,600 ADT on Cooper Road according to City of Chandler 2014 Traffic Count Map

Legal Access: Yes

Visibility: Average

Topography: Level

Flood Zone: AH

Utilities:	All to site
Off Sites:	Paved streets, concrete curbs, gutters, sidewalks, street lights, center median in Cooper Road
Site Utility:	Adequate
Highest and Best Use:	Hold for future development

Comments:

The buyers of this site are reportedly speculators and plan on holding the property for investment purposes. There are no current development plans. The seller loan did not affect the purchase price. This site is located in FEMA Zone "AH" which is an area subject to inundation by 1-percent-annual-chance shallow flooding (usually areas of ponding) where average depths are 1-3 feet. FBEs derived from detailed hydraulic analyses are shown in this zone.

Assessor Map & Aerial Photograph - Land Sale 4



VACANT LAND COMPARABLE NUMBER 5



Property Identification Data

Location: 8112-8144 East Inverness Avenue, Mesa, AZ

Legal Description: Lots 282-288, Casa Mia Unit 2-B, recorded in Book 179, Page 8, Maricopa County, Arizona

Assessor's Tax Parcel Number: 218-63-(282-288)

Sale Data

Conditions of Sale: Arms'-length

Asking Price: \$175,000

Interest Conveyed: Fee simple

Financing Terms: Cash

Cash Equivalency Adjustment: N/Ap

Cash Equivalent Price: \$175,000

Unit Price: \$2.74/SF

Date of Sale: July 2014

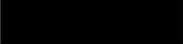
Date of Sale Recording: Listing in escrow

Instrument Type: Listing in escrow

Instrument Number: Listing in escrow

Seller: Arizona State Department of Transportation

Buyer: Listing in escrow

Confirmed By: 

Confirmed With: Deborah Fisher, ADOT (602) 712-7457 and appraisal from ADOT

Date Inspected: July 21, 2014

Sales History: There were no prior sales found within the last five years.

Site Data

Shape: Irregular

Size: ± 1.47 [sic] acres or 63,817 SF (per ADOT appraisal)

Zoning: RS-7, Mesa

Frontage: Approximately 578 feet on US 60 Frontage Road, 473 feet on Inverness Avenue and 54 feet on 82nd Street

Traffic Count: 68,694 ADT on US 60 per ADOT 2013 traffic counts

Legal Access: Yes

Visibility: Average

Topography: Level

Flood Zone: X

Utilities: All to site

Off Sites: Paved street, rolled curb, gutter, no sidewalk, street lights

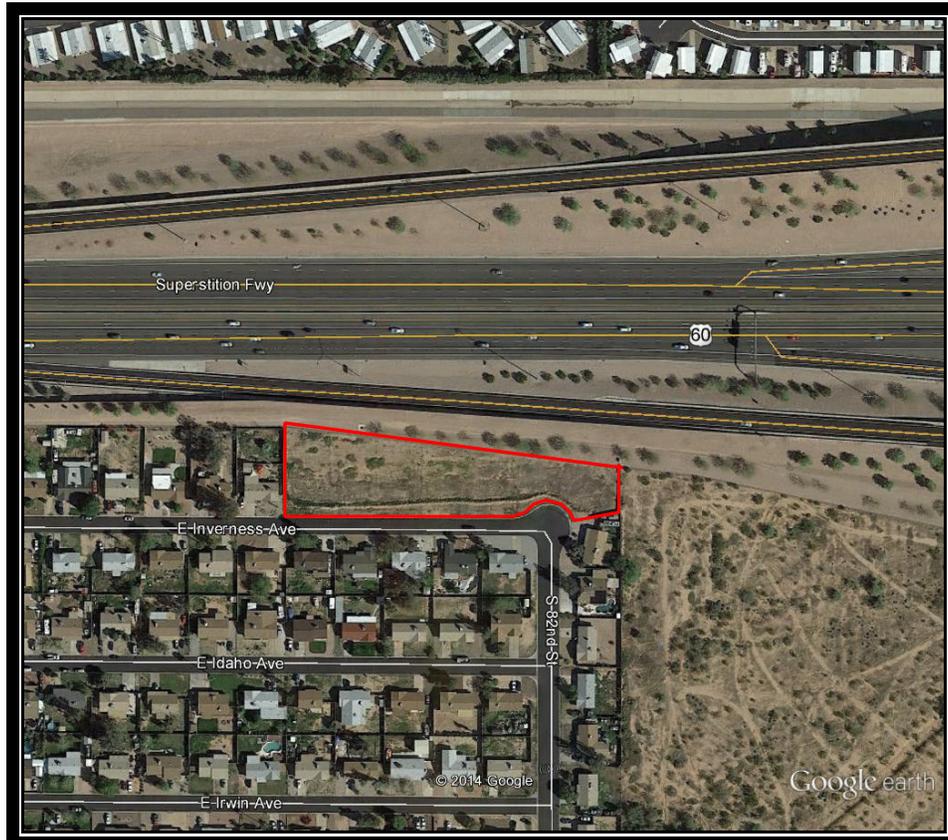
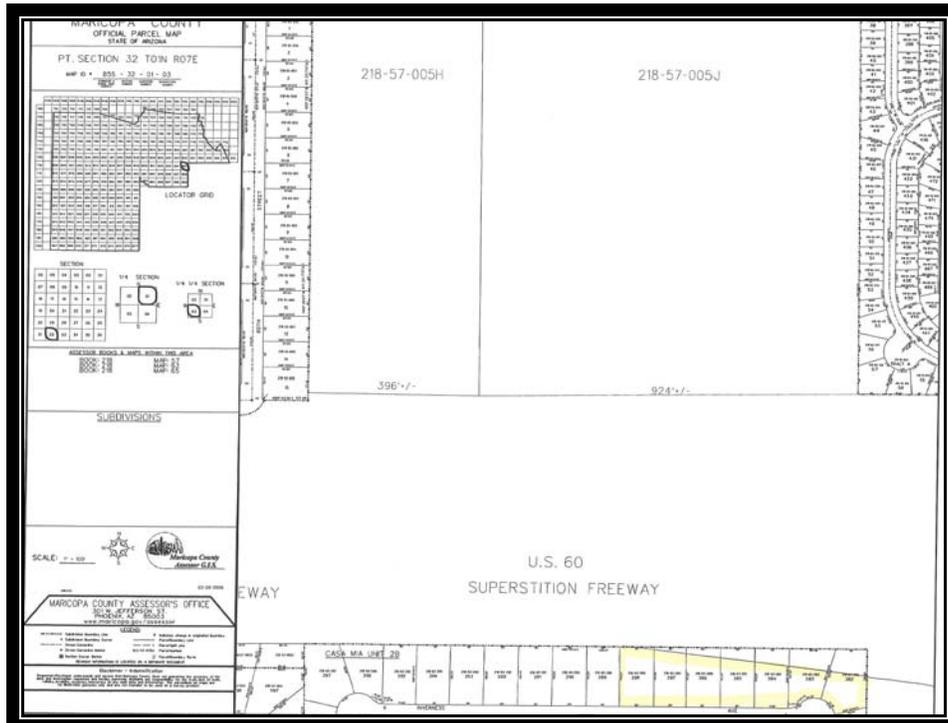
Site Utility: Adequate

Highest and Best Use: Hold for future residential development

Comments:

This is an excess remnant currently listed for sale by ADOT. It is assumed that the property would sell at or very near the asking price.

Assessor Map & Aerial Photograph - Land Sale 5

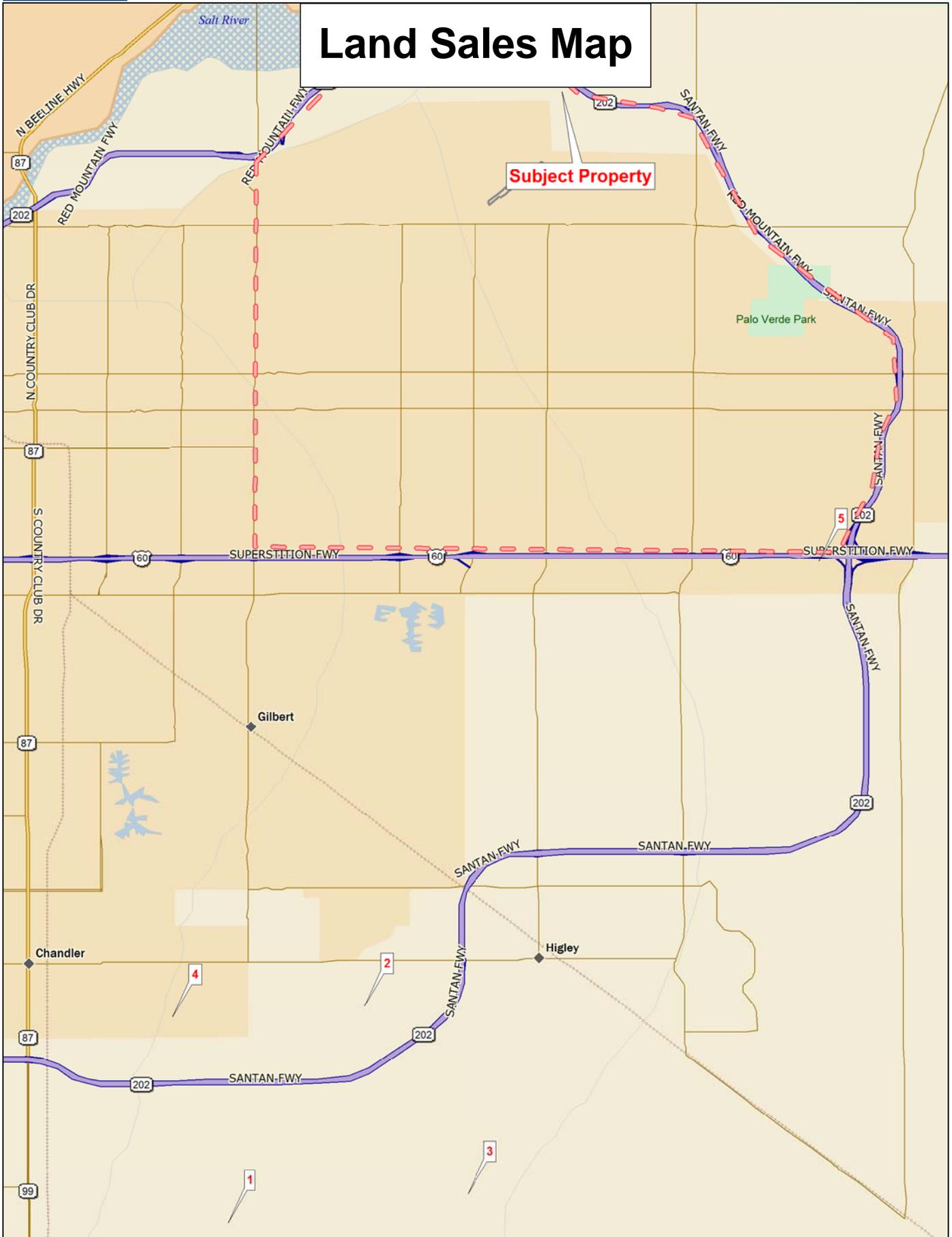


Summary Table of Comparable Land Sales

Sale	1	2	3	4	5
Location	SEC Loop 202 and Higley Road, Mesa	South side of Spectrum Way west of Val Vista Drive, Gilbert	South of Queen Creek Road on the east side of Greenfield Road, Gilbert	1900 East Fairview Street, Chandler	8112-8144 East Inverness Avenue, Mesa
Date of Sale	July 9, 2014 (DOV)	March 2013	June 2013	May 2014	July 2014
Price	\$503,635	\$1,200,000	\$525,000	\$650,000	\$175,000*
Recording Number	2013-0269856	2014-0329554	2013-0652125	2014-0360020	N/A
Financing	Cash	C/E	Cash	Seller loan	Cash
Site Area (acres)	1.61	4.15	4.81	4.51	1.47
Topography	Gently rolling, below grade	Sloping, above grade	Level, at grade	Level, at grade	Level, at grade
Utilities	All available	All available	All available	All available	All available
Zoning	RS-90	SF-8	SF-43	AG-1	RS-7
Flood Zone	X	X	X	AH	X
Off Sites	None	Paved street, curb, gutter, sidewalk, street lights	Paved street, curb, gutter, sidewalk, street lights	Paved streets, curb, gutter, sidewalk, street lights	Paved street, rolled curb, street lights
Sale Price/SF	\$3.16	\$6.64	\$2.51	\$3.31	\$2.74

*Assumed

Land Sales Map



Subject Property

Palo Verde Park

Gilbert

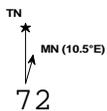
Chandler

Higley

Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2010.

www.delorme.com



Scale 1 : 112,500



1" = 1.78 mi

Data Zoom 10-7

Discussion of Adjustments

All sales were fee simple, cash equivalent (Sale 4 involved a seller loan which did not affect the purchase price), arms'-length transactions and therefore do not require any adjustments for property rights conveyed, financing or conditions of sale. The other adjustment considerations were for market conditions (time), differences in location, zoning, available utilities, parcel shape, parcel size, flood plain, topography and off-site improvements. When a sale's characteristic is considered to be inferior to the subject by comparison, a positive adjustment is made to the comparable's sale price. Conversely, when a sale's characteristic is considered superior in comparison to the subject, a negative adjustment is applied.

An adjustment grid showing the adjustments to the comparables is located at the end of this discussion.

Market Conditions

No paired sales were discovered from which a market conditions adjustment could be extracted. Generally speaking, the market for residential land in the Valley peaked in late 2005 or early 2006. Single family residential development slowed during the severe and prolonged recession, with some improvement and accelerating permitting activity over the past several quarters. Market conditions are improving for single-family residential land in the metro area, including the Mesa area, although indicators are mixed. A +10% annual market conditions adjustment is well-supported.

Location

The locational adjustment refers to each property's physical location and surrounding property uses in comparison to the subject. The subject is located in northeast Mesa in an area with relatively sparse development. A sand and gravel extraction facility is located to the west. The Salt River Pima Maricopa Indian Reservation is located a short distance to the north. The subject is located at a freeway interchange. The negatives of freeway proximity somewhat cancel out the advantages, which are better access, visibility and ease of marketing. Overall, no adjustment for location is applied to sales 3, 4 or 5, which are on busy streets or freeways.

Land Sale 1 has a superior location than the subject property, being an interior parcel, surrounded by relatively attractive residential development. A -10% location adjustment is applied.

Land Sale 2 is located within the Spectrum master-planned community in Gilbert. It has an excellent location in the interior of the community with frontage on the opposite side of the street from an elementary school and a public park. The surrounding houses are attractive and well-maintained. Land Sale 2 requires a significant -15% location adjustment.

Zoning

The subject is zoned RS-90, by the City of Mesa with a General Plan designation of Business Park. Land Sales 1, 3 and 4 share a similar low density residential zoning designation and no adjustment is necessary. Land Sales 2 and 5 have a higher density residential zoning and both require a downward adjustment of -10%.

Available Utilities

The subject has availability to all utilities. Available utilities are considered to be adequate. All of the comparable land sales are similar and no adjustment is made to any of the sales for this factor.

Shape

The subject site is irregular in shape. All of the sales are either rectangular or irregular in shape and all are large enough that a shape adjustment is not warranted.

Size

The market typically reflects higher sale prices per SF for smaller sales and lower sale prices per SF for larger transactions as there is a larger pool of potential purchasers who can afford to compete for smaller sites. The subject parcel is about 1.61 net acres in size, according to the client. Land Sale 5 contains 1.47 acres and requires no adjustment for size. Land Sales 1, 2, 3 and 4 with 3.66 acres, 4.15 acres, 4.81 acres and 4.51 acres, respectively, are larger than the subject and require an adjustment of +10% for this element of comparison.

Flood Plain

The subject is in Zone "X" - Map 04013C2280L. The effective date of the map is October 16, 2013. Land Sale 4 is located in a flood plain, Zone "AH." This sale would require flood insurance and an adjustment of +10% is warranted.

Topography

The subject parcel has a gently rolling topography and is below the street grade; however, its topography would not have a measurable effect on the development potential of the site. Land Sale 2 has a sloping topography with portions above grade with surrounding properties. This does not have an effect on the development potential of the site. Sales 1, 3, 4 and 5 are level and at grade with the surrounding properties. No adjustments are applied to any of the sales for topography.

Off-Sites In Place

This element of comparison refers to the existence of off site improvements such as paved streets, curbs, etc. If these items are not in place a developer will consider his cost to install them at the time of development. This portion of the appraisal report assumes the subject is accessible via Higley Road, which is an asphalt paved roadway with concrete curbs, gutters, sidewalk, street lights and center median. Loop 202, on which the subject has frontage, is an access controlled highway. A potential developer of the site would not be required to make any more off site improvements. All of the land sales, with the exception of Land Sale 1, have frontage and access to paved streets and no adjustment is applied. Land Sale 1, at the time of the sale, had no paved street, curbs, gutters, sidewalk or street lights. An upward adjustment of +10% is applied for this criterion.

The following table sets forth the adjustment process described above.

Land Sales Adjustment Grid

	Subject	L-1	L-2	L-3	L-4	L-5
Price/SF		\$3.16	\$6.64	\$2.51	\$3.31	\$2.74
Property Rights Conveyed	Fee Simple	Fee simple 0%	Fee simple 0%	Fee simple 0%	Fee simple 0%	Fee simple 0%
Financing	Cash/C.E.	Cash 0%	Cash/C.E. 0%	Cash 0%	Seller loan/C.E. 0%	Cash 0%
Conditions of Sale	Arms' -length	Arms' -length 0%	Arms' -length 0%	Arms' -length 0%	Arms' -length 0%	Arms' -length 0%
Adjusted Price/SF		\$3.16	\$6.64	\$2.51	\$3.31	\$2.74
Sale Date +10%/year	07/09/2014 (DOV)	03/2012 +24%	03/2013 +14%	06/2013 +11%	05/2014 +2%	07/2014 0%
Adjusted Price/SF		\$3.92	\$7.57	\$2.79	\$3.38	\$2.74
Location	Average	Superior -10%	Superior -15%	Average 0%	Average 0%	Average 0%
Zoning	RS-90	RU-43 0%	SF-8 -10%	SF-43 0%	AG-1 0%	RS-7 -10%
Available Utilities	All to site	All to site	All to site	All to site	All to site	All to site
Shape	Irregular	Rectangular 0%	Irregular 0%	Irregular 0%	Irregular 0%	Irregular 0%
Size	1.61	3.66 +10%	4.15 +10%	4.81 +10%	4.51 +10%	1.47 0%
Flood Plain	X	X 0%	X 0%	X 0%	AH +10%	X 0%
Topography	Gently rolling, below grade	Level 0%	Sloping, above grade 0%	Level 0%	Level 0%	Level 0%
Off-Sites in Place	Paved street, curb, gutter, sidewalk, street lights	None +10%	Paved street, curb gutter, sidewalk, street lights 0%	Paved street, curb, gutter, sidewalk, street lights 0%	Paved streets, curb, gutter, sidewalk, street lights 0%	Paved street, rolled curb, street lights 0%
Cumulative Adjustment		+10%	-15%	+10%	+20%	-10%
Adjusted Price/SF		\$4.31	\$6.43	\$3.07	\$4.06	\$2.47

Land Valuation Summary

The adjusted sale prices range from \$2.47 to \$6.43/SF with a mean of \$4.07/SF. Land Sale 2 showed the highest value. Land Sale 5 had the lowest adjusted value. If the high and low indications are removed, the range is much tighter at \$3.07-\$4.31/SF with a similar mean of \$3.81/SF.

Conclusion

In reference to the previously discussed land valuation and after considering the merits of each sale and other market data, it is my opinion that the subject's hypothetical site value, subject to the hypothetical condition that the subject has physical and legal access, is \$4.00/SF for the ±1.61 net acre (70,323 SF) subject parcel, as follows:

$$\pm 70,323 \text{ SF} \times \$4.00/\text{SF} = \$281,292$$

TWO HUNDRED EIGHTY-ONE THOUSAND TWO HUNDRED NINETY-TWO DOLLARS

"As Is" Value

"As is," the subject has no physical nor legal access. It is surrounded by land that is in the ownership of the City of Mesa to the south and east, where access might be achievable. North and west of the subject is Loop 202. It is unclear whether an easement could be secured through the Mesa property.

The only potential use of the subject property "as is," is for assemblage purposes. There are only two potential buyers of the subject property, since it is landlocked and has little utility except to the adjacent owners who could provide access. The limited market puts downward pressure on the achievable price. However, there is reportedly some demand for the subject property. We spoke to a Mesa government employee who reported that the City has attempted to make an agreement with ADOT to possibly assemble the subject property and the Mesa-owned freeway remnant that abut the subject property. She said those efforts to cooperate with ADOT had not resulted in an agreement as of the date of value. She reported that Sunshine Acres Children's Home had recently leased the Mesa-owned property to the south of the subject property, but would not disclose the lease rate.

We then spoke to John Markwell, facilities Director for the home (480) 832-2540 jmarkwell@sunshineacres.org. He said the school is now leasing the Mesa-owned property to the north for a nominal amount of \$1.00/year. The lease began early in 2014 and runs for 20 years, after which the City will deed the property to the home. He said that the residents of the home are now using both the Mesa-owned land as well as the ADOT-owned parcels for recreation and that the school wants to acquire the property so that ADOT does not bear the liability for their use. He said part of the ADOT land, if acquired by the home, might be used to expand the solar panel array that services the home. He said the children use the Mesa property and the ADOT property for recreational pursuits such as horse riding and archery.

The most difficult part of the assignment is to determine the impact of the lack of legal access on the subject property.

The appraiser previously made a paired sales analysis of the value of landlocked property as compared to homogeneous property that does have access. The samples were four sales of landlocked residential properties in the Rainbow Valley area of Maricopa County and four sales of similar properties with access. The sales occurred during a period with high activity levels and were very similar to one another in terms of market conditions, size, shape, location, zoning and highest and best use. The use of these paired sales permitted the value of access versus non-access to be well isolated. The conclusion of value for the parcels that had access was \$25,000/acre as compared with \$11,000/acre for the sales that did not have access, or 56% less. The situation is not exactly analogous to the subject's, because the access challenge would likely have been cured with the purchase of easements and the expenditure of legal fees. However, it supports the fairly obvious conclusion that, all other things being equal, a parcel with access is significantly more valuable than a parcel without access.

Another perspective from which to view the subject's situation is to recognize that there can be no vertical development on the subject property without access. The surface rights have largely been negated if the access problem cannot be solved. This viewpoint would indicate a much greater adjustment, say in the 80% range. Considering the lack of potential users for the subject property, but taking into account that there appears to be demand for the subject property by the adjacent owner, I conclude that the subject's value in its "as is" condition is 60% less than it would be subject to the hypothetical condition. Thus:

Conclusion

In reference to the previously discussed land valuation and after considering the merits of each sale, the broker opinions and other market data, it is my opinion that the subject's "as is" site value, subject to the lack of physical and legal access, is \$4.00/SF X 40% for the ±1.61 net acre (70,323 SF) subject parcel, as follows:

$$\pm 70,323 \text{ SF} \times \$4.00/\text{SF} \times 40\% = \$112,517$$

ONE HUNDRED TWELVE THOUSAND FIVE HUNDRED SEVENTEEN DOLLARS

Marketing Period/Exposure Time

In researching the market for comparables, real estate agents active with this type of property indicated that a marketing period of approximately 6-9 months is typical for this type of property in the current market. Exposure time would be similar. This opinion applies to both the before and after situations.

CERTIFICATION

RE: An Appraisal Report of a Parcel of Excess Land with No Access, Located at the SEC of Loop 202 and Higley Road, Mesa, Maricopa County, Arizona

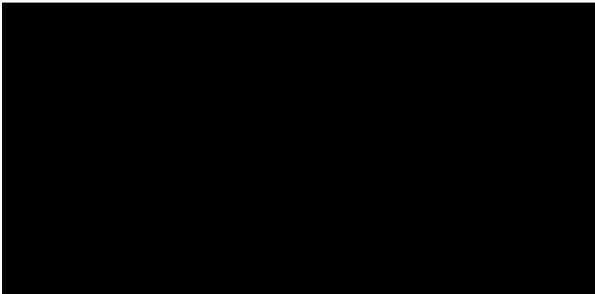
I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. It is noted that Ms. Jennifer Chesebrough assisted significantly with this report by performing the following tasks under the direction of the appraiser: researched subject and comparable sale information and developed the report. The conclusions and analyses contained in the report are mine alone.

CERTIFICATION (continued)

RE: An Appraisal Report of a Parcel of Excess Land with No Access, Located at the SEC of Loop 202 and Higley Road, Mesa, Maricopa County, Arizona

10. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
11. 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. As of the date of this report, [REDACTED] has completed the requirements of the continuing education program of the Appraisal Institute and the State of Arizona.
12. The appraisal assignment and my value conclusions as well as other opinions, analysis and/or judgment expressed herein are not based on a requested minimum valuation, specific valuation or the approval of a loan.
13. The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Professional Qualifications located in the Addenda.
14. The appraiser has not performed any services regarding the subject property within the three-year period immediately preceding acceptance of this assignment.



August 6, 2014
Date

ADDENDA

Appraisal License

Qualifications of the Appraiser

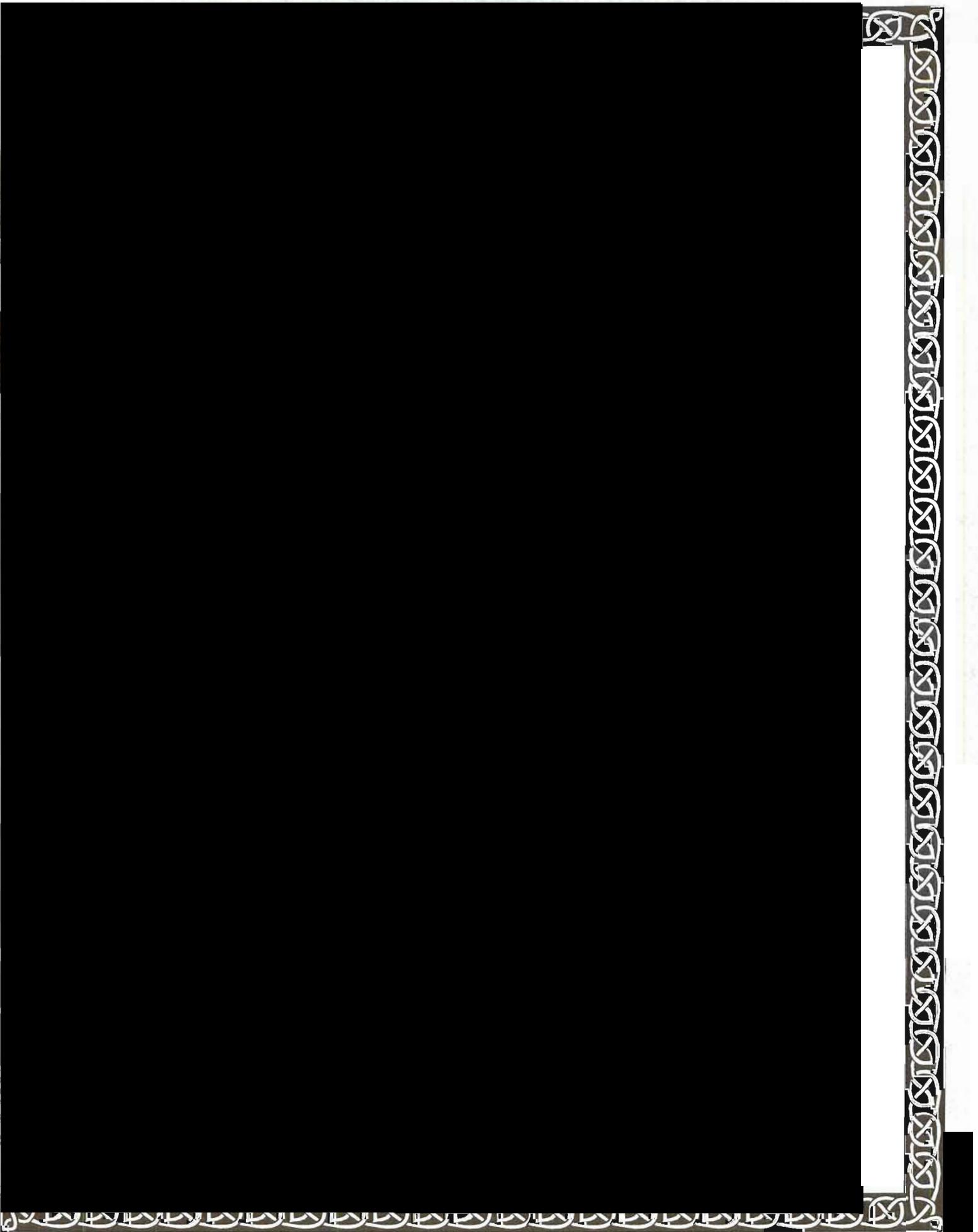
Legal Description of the Subject Property

Title Report

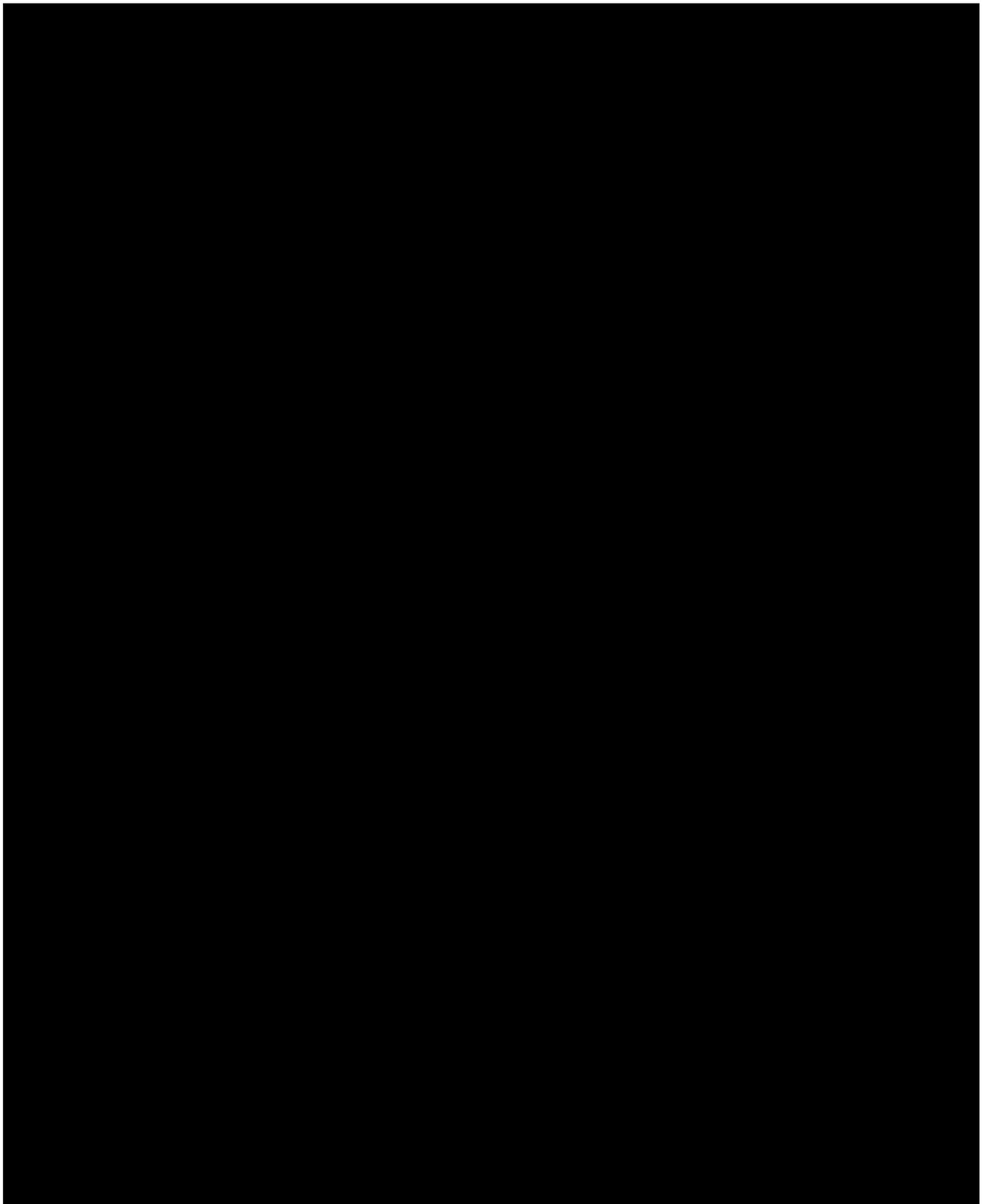
Zoning Ordinance Excerpt

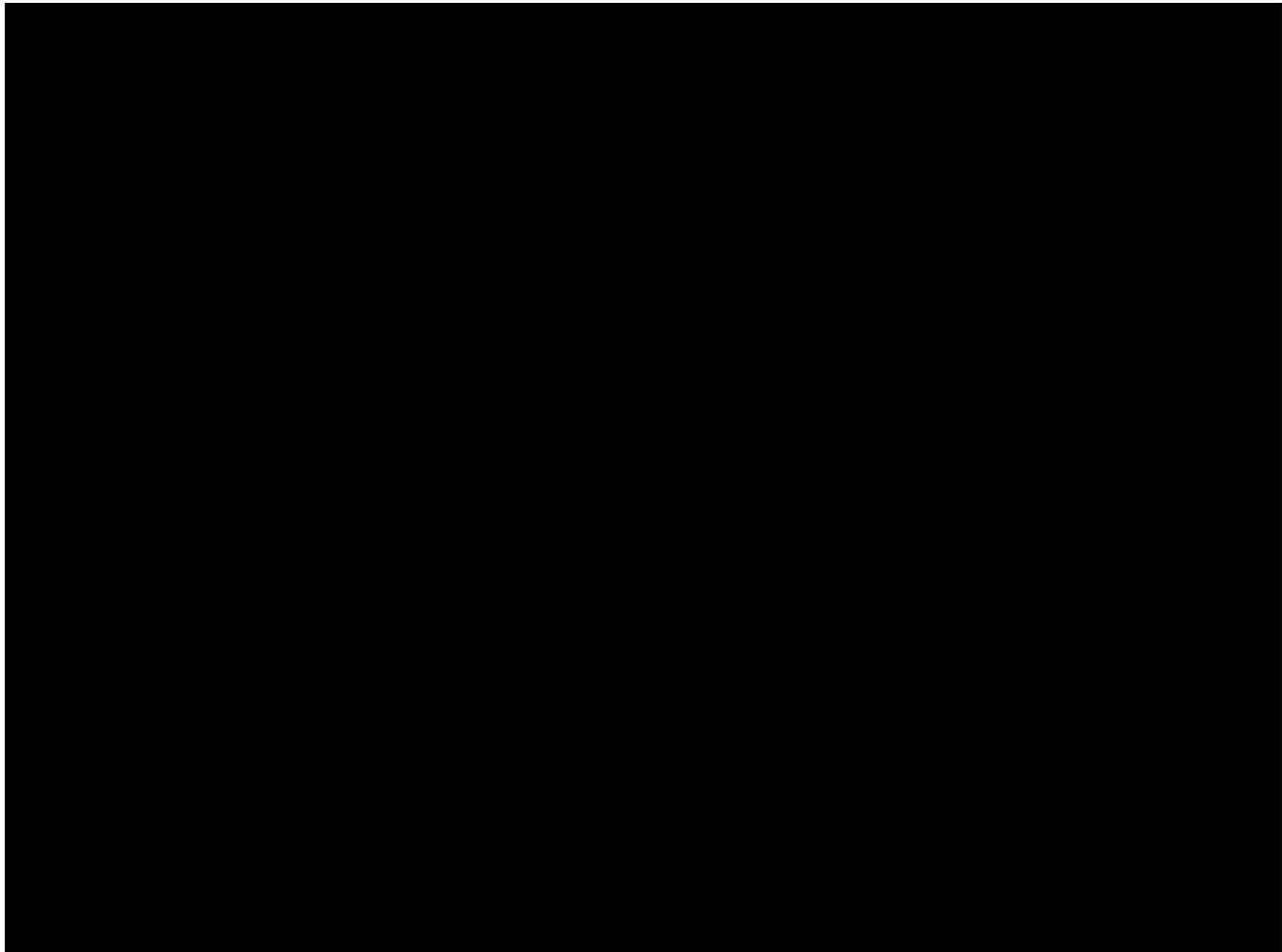
Contract Letter for Appraisal Services

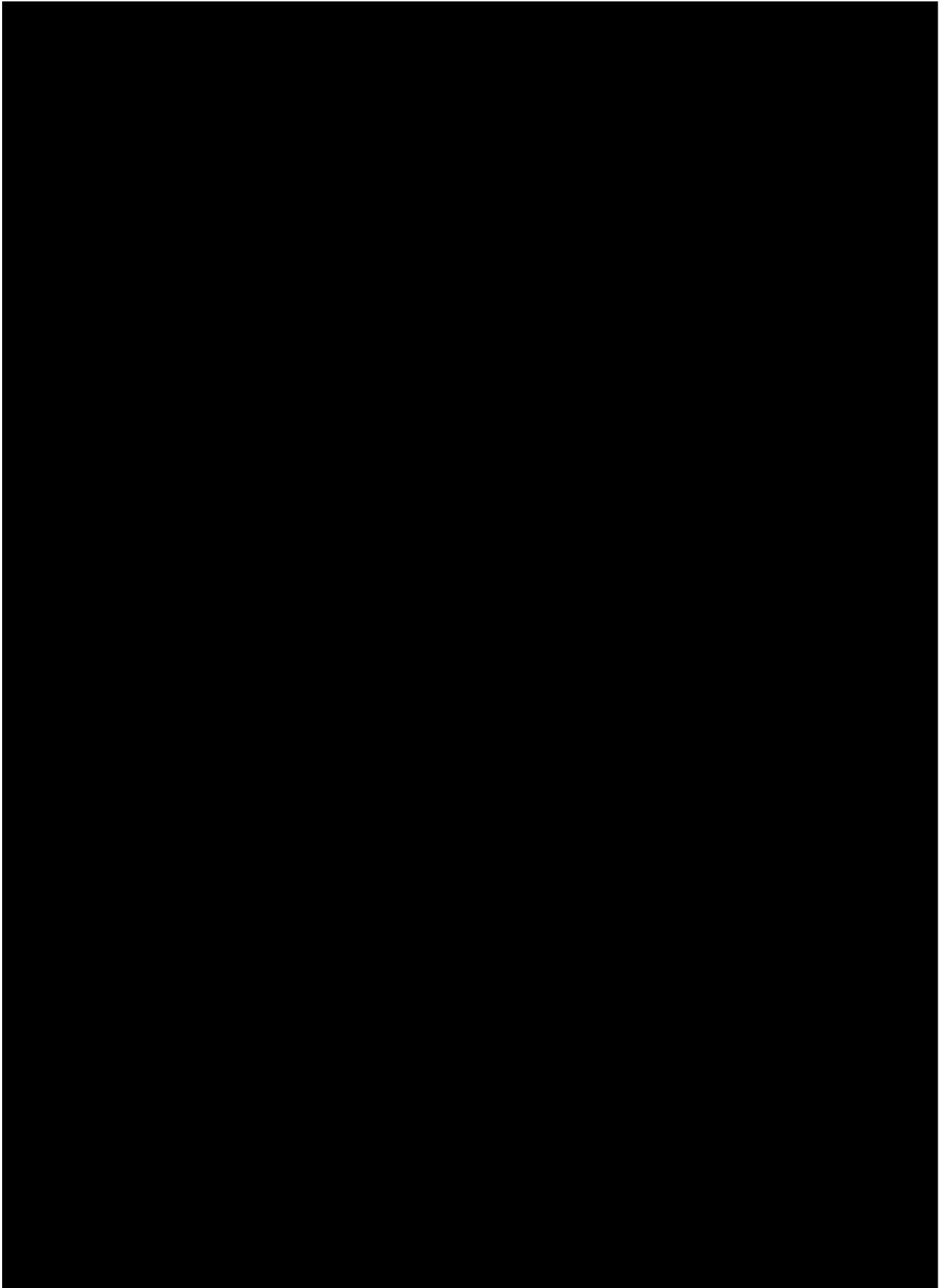
Appraisal License



Qualifications of the Appraiser







Legal Description of the Subject Property

EXHIBIT "A"

That portion of the Grantors' property that is described in the following PROPERTY DESCRIPTION located in the Northwest quarter of the Northwest quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 35, Township 2 North, Range 6 East, Gila and Salt River Meridian, Maricopa County, Arizona, which lies South of the following described EXISTING RIGHT OF WAY LINE:

PROPERTY DESCRIPTION:

Parcel No. 1: (Document No. 90-015160, Maricopa County, Arizona)

The South 268.12 feet of the North 308.12 feet of the East half of the East half of the Northwest quarter of the Northwest quarter of the Northwest quarter (E $\frac{1}{2}$ E $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 35, Township 2 North, Range 6 East, of the Gila and Salt River Meridian, Maricopa County, Arizona.

Parcel No. 2: (Document No. 2000-0710306, Maricopa County, Arizona)

The South 268.12 feet of the North 308.12 feet of the West one-half of the East one-half of the Northwest one-quarter of the Northwest one-quarter of the Northwest one-quarter of Section 35, Township 2 North, Range 6 East, of the Gila and Salt River Base and Meridian [sic, Maricopa County, Arizona].

Together with any of Grantor's underlying interest in and to that portion of Road to County recorded in Docket 5456, Page 458, dated March 1, 1965 which lies with the Northwest quarter of the Northwest quarter of the Northwest quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$) of said Section 35.

Parcel No. 3: (Document No. 00-0391595, Maricopa County, Arizona)

The West half of the Northwest quarter of the Northwest quarter of the Northwest quarter (W $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 35, Township 2 North, Range 6 East, Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT the South 152.57 feet thereof.

(continued)

EXHIBIT "A"

PAGE 1

PROJECT: 202L MA 000 H5400 01R
RAM 600-8-803

LOCATION: Gilbert Road - Higley Road
Disposal

PARCEL: L-M-493
sw 10/24/2013

EXISTING RIGHT OF WAY LINE DESCRIPTION:

Commencing at a ½ inch rebar marking the Northwest corner of said Section 35, being North 00°22'58" East 2691.08 feet from a Maricopa Department of Transportation (MCDOT) brass cap in hand hole marking the West quarter corner of said Section 35;

thence along the North line of said Section 35, South 88°56'29" East 624.02 feet to the existing construction centerline of State Route 202L (RED MOUNTAIN FREEWAY);

thence along said existing construction centerline, from a Local Tangent Bearing of South 72°08'12" East, along a curve to the Right, having a radius of 5729.58 feet, a length of 474.33 feet;

thence South 22°36'24" West 244.13 feet to the POINT OF BEGINNING on the existing southwesterly right of way line of said State Route 202L;

thence along said existing southwesterly right of way line of State Route 202L North 70°05'50" West 368.37 feet;

thence continuing along said existing southwesterly right of way line of State Route 202L North 85°39'19" West 470.80 feet to the existing easterly right of way line of Higley Road;

thence along said existing easterly right of way line of Higley Road South 11°17'25" West 308.75 feet;

thence continuing along said existing easterly right of way line of Higley Road South 12°23'25" West 134.29 feet;

thence North 89°37'02" West 74.42 feet to the POINT OF ENDING on the West section line of said Section 35, being South 00°22'58" West 673.27 feet from said Northwest corner of Section 35.

70,323 square feet, more or less.

GRANTOR RESERVES unto the public and various utility companies, easements for existing utilities, if any, within the above described property, in accordance with Arizona Revised Statute 28-7210. Access to the existing utilities will be by way of what exists at the time of this conveyance and shall be the responsibility of the Grantee herein and of the public or utility companies to show where that access is located.

(continued)

EXHIBIT "A"

PAGE 2

The parcel of land herein conveyed shall have no right or easement of access to said State Route 202L.

The parcel of land described above is landlocked, having no means of access to or from any public way. By acceptance of this deed, the Grantee acknowledges awareness of the landlocked condition of this parcel prior to purchase and further acknowledges that it is the Grantee's expressed intention to acquire a landlocked parcel of land. The Grantor makes no warranty, covenant or assurance, expressed or implied, concerning the suitability or usability of this parcel of land for any purpose.

EXHIBIT "A"

PAGE 3

PROJECT: 202L MA 000 H5400 01R	LOCATION: Gilbert Road - Higley Road	PARCEL: L-M-493
RAM 600-8-803	Disposal	sw 10/24/2013

Title Report



SECURITY TITLE AGENCY

Title No.: ST09006240

COMMITMENT FOR TITLE INSURANCE

Issued by

Ticor Title Insurance Company

Ticor Title Insurance Company ("Company"), for a valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the Proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedules A and B, and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the Proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate 6 months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The Company will provide a sample of the policy form upon request.

IN WITNESS WHEREOF, TICOR TITLE INSURANCE COMPANY has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

Jon Fossan

Countersigned



TICOR TITLE INSURANCE COMPANY

BY

Gregory L. ...

President

ATTEST

[Signature]

Secretary

Title No.: ST09006240

SECURITY TITLE AGENCY

7600 N 15th St, Suite 200
Phoenix, AZ 85020

SCHEDULE A

Title Officer: Sue Calca
Escrow Officer: Karen Roswell

Escrow No.: PROJECT 202L MA000 H5400 01R ADOT Parcel L-M-493 APN 141-40-003Q, -003L, -003S
ST09006240-ST15

1. Effective date: April 14, 2009 at 07:30 AM
2. Policy or Policies to be issued: Amount
 - (a) Owner's Policy (ALTA Owner's Policy (06/17/2006) Standard Coverage)
Proposed Insured:
To Come
3. The estate or interest in the land described or referred to in this Commitment is:
A Fee
4. Title to the estate or interest in the land is at the Effective Date vested in:
State of Arizona, by and through its Department Transportation
5. The land referred to in the Commitment is described as follows:
SEE EXHIBIT "ONE" ATTACHED HERETO AND MADE A PART HEREOF

Issuing Agent For Ticor Title Insurance Company

SECURITY TITLE AGENCY
LEGAL DESCRIPTION
EXHIBIT "ONE"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF MARICOPA, STATE OF ARIZONA AND IS DESCRIBED AS FOLLOWS:

That portion of the Grantors property that is described in the following PROPERTY DESCRIPTION located in the Northwest quarter of the Northwest quarter (NW1/4 NW1/4) of Section 35, Township 2 North, Range 6 East, Gila and Salt River Meridian, Maricopa County, Arizona, which lies South of the following described EXISTING RIGHT OF WAY LINE:

PROPERTY DESCRIPTION:

Parcel No. 1: (Document No. 90-015 160, Maricopa County, Arizona)

The South 268.12 feet of the North 308.12 feet of the East half of the East half of the Northwest quarter of the Northwest quarter of the Northwest quarter (E1/2 E1/2 NW1/4 NW1/4 NW1/4) of Section 35, Township 2 North, Range 6 East, of the Gila and Salt River Meridian, Maricopa County, Arizona.

Parcel No. 2: (Document No. 2000-0710306, Maricopa County, Arizona)

The South 268.12 feet of the North 308.12 feet of the West one-half of the East one-half of the Northwest one-quarter of the Northwest one-quarter of the Northwest one-quarter of Section 35, Township 2 North, Range 6 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Together with any of Grantor's underlying interest in and to that portion of Road to County recorded in Docket 5456, Page 458, dated March 1, 1965 which lies with the Northwest quarter of the Northwest quarter of the Northwest quarter (NW1/4 NW1/4 NW1/4) of said Section 35.

Parcel No. 3: (Document No. 2000-0391595, Maricopa County, Arizona)

The West half of the Northwest quarter of the Northwest quarter of the Northwest quarter (W1/2 NW1/4 NW1/4 NW1/4) of Section 35, Township 2 North, Range 6 East, Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT the South 152.57 feet thereof

EXISTING RIGHT OF WAY LINE DESCRIPTION:

Commencing at a 1/2 inch rebar marking the Northwest corner of said Section 35, being North 00 degrees 22 minutes 58 seconds East 2691.08 feet from a Maricopa Department of Transportation (MCDOT) brass cap in hand hole marking the West quarter corner of said Section 35;

thence along the North line of said Section 35, South 88 degrees 56 minutes 29 seconds East 624.02 feet to the existing construction centerline of State Route 202L (RED MOUNTAIN FREEWAY);

thence along said existing construction centerline, from a Local Tangent Bearing of South 72 degrees 08 minutes 12 seconds East, along a curve to the Right, having a radius of 5729.58 feet, a length of 474.33 feet;

thence South 22 degrees 36 minutes 24 seconds West 244.13 feet to the POINT OF BEGINNING on the existing southwesterly right of way line of said State Route 202L;

thence along said existing southwesterly right of way line of State Route 202L North 70 degrees 05 minutes 50

EXHIBIT "ONE"

(Continued)

seconds West 368.37 feet;

thence continuing along said existing southwesterly right of way line of State Route 202L North 85 degrees 39 minutes 19 seconds West 470.80 feet to the existing easterly right of way line of 1-Higley Road;

thence along said existing easterly right of way line of Higley Road South 11 degrees 17 minutes 25 seconds West 308.75 feet;

thence continuing along said existing easterly right of way line of Higley Road South 12 degrees 23 minutes 25 seconds West 134.29 feet;

thence North 89 degrees 37 minutes 02 seconds West 74.42 feet to the POINT OF ENDING on the West section line of said Section 35, being South 00 degrees 22 minutes 58 seconds West 673.27 feet from said Northwest corner of Section 35.

**SECURITY TITLE AGENCY
SCHEDULE B - SECTION I
REQUIREMENTS**

1. Pay the agreed amounts for the interest in the Land and/or the mortgage to be insured.
2. Pay us the premiums, fees and charges for the policy.
3. Documents satisfactory to us creating the interest in the Land and/or the mortgage to be insured must be signed, delivered and recorded.
4. You must tell us in writing the name of anyone not referred to in this commitment who will get an interest in the Land or who will make a loan on the Land. We may then make additional requirements or exceptions.
5. A cursory search of the title does not indicate a right of way access to this property. In order to attempt to reduce the potentially vast number of properties that may need to be searched to determine the existence of such right, we require a map showing the physical route taken to and from the Land. No further search for access will be attempted until such map is received. Further, additional charges may be made to make the necessary examinations of property to determine access. However, no work that would incur additional charges shall be commenced without approval of the appropriate parties to this transaction. An exhaustive search of the surrounding properties does not guarantee the existence of insurable access even though the roads providing physical access to the property are maintained by a government entity. In the event this transaction is closed prior to a final determination of the existence of an insurable right of access, the following exception shall be placed in Schedule B of the policy:

"The lack of a right of access to and from the Land."

6. In order to complete this report the Company requires the following:

Information requested: The name(s) of the proposed insured(s)
Party(s): Buyer

The Company reserves the right to make additional requirements or add additional items or exceptions after review of the requested documentation.

7. Furnish for recordation a deed as set forth below:

Type of deed:	Warranty Deed
Grantor(s):	State of Arizona, by and through its Department Transportation
Grantee(s):	To Come

Tax Note:

Year: 2008	
Tax Parcel No:	141-40-003S
First Installment Amount:	\$0
Second Installment Amount:	\$0

Tax Note:

Year: 2008	
Tax Parcel No:	141-40-003L
First Installment Amount:	\$0
Second Installment Amount:	\$0

SCHEDULE B - SECTION I

(Continued)

Tax Note:

Year: 2008

Tax Parcel No: 141-40-003Q

First Installment Amount: \$0

Second Installment Amount: \$0

Note: The only conveyance(s) affecting said Land, which recorded within 5 Years of the date of this report, are as follows:

Parcel No. 1:

FINAL ORDER OF CONDEMNATION

Grantor/Defendant: David Keilholtz and Carol Keilholtz, husband and wife;
Charles R. Dingman, a single man and Maricopa County Treasurer
Grantee/Plaintiff: State of Arizona
Recording Date: January 11, 1990
Recording No.: 90-0015160

Parcel No. 2:

WARRANTY DEED

Grantor: David Keilholtz and Carol Keilholtz, husband and wife
Grantee: State of Arizona, by and through its Department of Transportation
Recording Date: September 15, 2000
Recording No.: 2000-0710306

Parcel No. 3:

WARRANTY DEED

Grantor: Vera Irene Dingman, Trustee of the Vera Irene Dingman Trust
Agreement, dated June 11, 1992
Grantee: State of Arizona, by and through its Department of Transportation
Recording Date: May 23, 2000
Recording No.: 2000-0391595

Note: Pursuant to Arizona Revised Statutes 11-480, effective January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

- (a) Print must be ten-point type or larger.
- (b) Margins of at least one-half inch along all sides, including top and bottom, except the top of the first page which must be at least two inches for recording and return address information. The margin must be clear of all information including but not limited to, notaries, signatures, page numbers.
- (c) Each instrument shall be no larger than 8 - 1/2 inches in width and 14 inches in length.

SCHEDULE B - SECTION I

(Continued)

Note: Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirement cannot be met, please call the Company at the number provided in this report.

Note: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.

END OF SCHEDULE B - SECTION I

SECURITY TITLE AGENCY
SCHEDULE B - SECTION II
EXCEPTIONS

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the Effective Date but prior to the date the Proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.
2. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
3. Any rights, interests or claims, which are not shown by the public records but which could be ascertained by an inspection of the Land or which may be asserted by persons in possession thereof.
4. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
5. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other matters which a correct survey would disclose and which are not shown by the public records.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown in the public records.
7. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the year 2009.
8. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose:	Highway
Recording Date:	April 13, 1967
Recording No:	Docket 6521, Page 835
9. Any action that may be taken by the Arizona Department of Transportation to acquire right of way and access for State Highway, as disclosed by Resolution of Establishment recorded in Docket 6570, Page 496.
10. Any action that may be taken by the Arizona Department of Transportation to acquire right of way and access for State Highway, as disclosed by Resolution of Establishment recorded in Recording No. 85-0212888 and in Recording No. 87-0578095.
11. Any action that may be taken by the Arizona Department of Transportation to acquire right of way and access for State Highway, as disclosed by Resolution of Establishment recorded in Recording No. 2001-0207167 re-recorded in Recording No. 2001-0398085 and Resolution of Establishment recorded in Recording No. 2003-0663258 and Amendment recorded in Recording No. 2004-0000108.
12. Matters contained in that certain document

Entitled:	Falcon Field Airport Sound Contours and Primary Flight Tract
Recording Date:	April 10, 2001
Recording No:	2001-0285395

Reference is hereby made to said document for full particulars.

SCHEDULE B - SECTION II
(Continued)

13. Matters contained in that certain document

Entitled: Development Agreement for Improvements to Sunshine Acres
Property
Recording Date: January 10, 2003
Recording No: 2003-0032046

Reference is hereby made to said document for full particulars.

14. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Ingress, Egress and Utilities
Recording Date: January 22, 2003
Recording No: 2003-0076514

15. Notwithstanding the covered risks as set forth in the policy, the company does not insure against loss or damage by reason of a lack of a right of access to and from the Land.

END OF SCHEDULE B - SECTION II

SECURITY TITLE AGENCY

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.
4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.
5. *The policy to be issued contains an arbitration clause. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. You may review a copy of the arbitration rules at <<http://www.alta.org/>>.*

Exhibit A (Revised 09-04-07)

AMERICAN LAND TITLE ASSOCIATION
RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - * land use
 - * improvements on the land
 - * land division
 - * environmental protection
- This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
- This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
 - * a notice of exercising the right appears in the public records
 - * on the Policy Date
 - * the taking happened prior to the Policy Date and is binding on you if you bought the land

3. Title Waks:
 - * that are created, allowed, or agreed to by you
 - * that are known to you, but not to us, on the Policy Date --- unless they appeared in the public records
 - * that result in no loss to you
 - * that first affect your title after the Policy Date --- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
 4. Failure to pay value for your title.
 5. Lack of a right:
 - * to any land outside the area specifically described and referred to in Item 3 of Schedule A
 - * in streets, alleys, or waterways that touch your land
- This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

SCHEDULE B
EXCEPTIONS

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and the expenses resulting from:

1. Any rights, interests or claims of parties in possession of the land not shown by the public records,
2. Any easements or liens not shown by the public records. This does not limit the lien coverage in

3. Item 8 of Covered Title Risks.
4. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered title Risks.
5. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

AMERICAN LAND TITLE ASSOCIATION
HOMEOOWNER'S POLICY OF TITLE INSURANCE (10/22/83)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. Land use
 - d. Improvements on the Land
 - e. Land division
 - f. environmental protection
- This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
- This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
 3. The right to take the Land by condemning it, unless:

- a. a notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on You if You bought the Land without knowing of the taking.
 4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - b. that are known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8, 22, 23, 24 or 25.
 5. Failure to pay value for Your Title.
 6. Lack of a right:
 - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
- This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

For Covered Risk 14, 15, 16 and 18, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 14:	1.0 % of Policy Amount or \$2,500 (whichever is less)	\$10,000
Covered Risk 15:	1.0 % of Policy Amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 16:	1.0 % of Policy Amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 18:	1.0 % of Policy Amount or \$5,000 (whichever is less)	\$5,000

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
SCHEDULE OF EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at

2. Date of Policy.
3. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy; but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
4. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or

- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
- 4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
- 5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereon, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
- 6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- 1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
- 2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession

- 7. Any claim, which arises out of the transaction creating the interest of the mortgage insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgage being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgage as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgage being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

- 3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
- 4. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (06-17-06) SCHEDULE OF EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to:
 - (i) the occupancy, use, or enjoyment of the land;
 - (ii) the character, dimensions, or location of any improvement erected on the land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion (a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion (b) does not modify or limit the coverage provided under Covered Risk 5.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed, or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the Public Records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
- (e) resulting in loss or damage that would not have been sustained if the insured claimant had paid value for the insured mortgage.
- 4. Unenforceability of the lien of the insured mortgage because of the inability or failure of an insured to comply with applicable doing business laws of the state where the land is situated.
- 5. Invalidity or unenforceability in whole or in part of the lien of the insured mortgage that arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
- 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the insured mortgage, is:
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
- 7. Any lien on the title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the insured mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11 (a).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

- 1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the land or that may be asserted by persons in possession of the

- Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the land and not shown by the Public Records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-02) SCHEDULE OF EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to:
 - (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- 2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taxing which has become prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
- 3. Defects, liens, encumbrances, adverse claims or other matters:

- (a) created, suffered, assumed or agreed to by the insured claimant;
- (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy; or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
- 4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following Exceptions from Coverage:

**SCHEDULE B
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession

thereof.

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to:
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1 (a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1 (b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**SCHEDULE B
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

PART 1

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.

3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, easement, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys fees or expenses which arise by reason of:

- (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or

- (a) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(a) and 26.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the insured has knowledge that the facts shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the life, the existence of which are known to the insured at:
 - (a) The time of the advance; or
 - (b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

**RESIDENTIAL TITLE INSURANCE POLICY
ONE-TO-FOUR FAMILY RESIDENCE
ENHANCED VERSION (1997)**

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. Land use
 - b. improvements on the Land
 - c. Land divisions; or
 - d. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.

This Exclusion does not limit the coverage described in Item 12c and d, 13 and 18 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - a. a notice of exercising the right appears in the public records on the Policy Date; or

- b. the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.

3. Title Risks:
 - a. that are created, allowed, or agreed to by you;
 - b. that are known to you, but not to us, on the Policy Date - unless they appeared in the public records;
 - c. that result in no loss to you; or
 - d. that first affect your title after the Policy Date - (this does not limit the coverage described in Items 3b, 8, 17, and 19 of Covered Title Risks.

4. Failure to pay value for your title

5. Lack of a right: (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A or (b) to streets, alleys, or waterways that touch your land.

This exclusion does not limit the coverage described in Items 5 and 12a of the Covered Title Risks.

Effective Date: 5/1/2008

Fidelity National Financial, Inc.
Privacy Statement

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explains FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in this Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

Personal Information Collected

We may collect Personal Information about you from the following sources:

- Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information, and income information;
- Information we receive from you through our Internet websites, such as your name, address, email address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites;
- Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transaction, account balances, and credit card information; and
- Information we receive from consumer or other reporting agencies and publicly recorded documents.

Disclosure of Personal Information

We may provide your Personal Information (excluding information we receive from consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

- To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- To third-party contractors or service providers for the purpose of determining your eligibility for an insurance benefit or payment and/or providing you with services you have requested;
- To an insurance regulatory authority, or a law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation;
- To companies that perform marketing services on our behalf or to other financial institutions with which we have joint marketing agreements and/or
- To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Effective Date: 5/1/2008

Disclosure to Affiliated Companies – We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties – We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlined herein or as otherwise permitted by law.

Confidentiality and Security of Personal Information

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Personal Information.

Access to Personal Information/

Requests for Correction, Amendment, or Deletion of Personal Information

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information. However, FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.

For your protection, all requests made under this section must be in writing and must include your notarized signature to establish your identity. Where permitted by law, we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer
Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, FL 32204

Changes to this Privacy Statement

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

Zoning Ordinance Excerpt

Table 11-5-2: Residential Districts				
Proposed Use	RS	RSL	RM	Additional Use Regulations
Patient and Caregiver Cultivations				Marijuana Facilities

1. Permitted in the RM-4 District only with approval of a [Planned Area Development](#).
2. Only permitted or conditionally permitted in the [RM-4](#) district; prohibited in the other RM subdesignations.
3. Riding and boarding stables are permitted in the [RS-43 and RS-90](#) districts with approval of a [SUP](#) on sites of 10 acres or more. Other Large-Scale Commercial Recreation uses are not permitted.
4. Comprehensive Youth Residence permitted in [RS-90](#) district with approval of a [SUP](#).
5. Stands are permitted for the sale of agricultural or horticultural products produced on the premises in the [RS-35, RS-43 and RS-90](#) zoning districts with approval of a Special Use Permit. Farm stands are prohibited in the remaining RS sub-designations.
6. Reserved.
7. Plant Nurseries may be located in the [RS-43 and RS-90](#) districts with approval of a [Special Use Permits](#). Criteria include that specified for the AG district, Sec [Section 11-4-4\(C\)](#). Plant Nurseries are prohibited in the remaining RS sub-designations.
8. Day Care Centers permitted only as an accessory activity when provided as an amenity by homeowner’s association (HOA) for the principal benefit of residents of that same HOA.
9. Not permitted in [RM-5](#) district.
10. Permitted only with approval of a [Special Use Permits](#), and if the location is coterminous to an intersection of an arterial street with a local or collector street, and the aggregate maximum gross floor area is less than 2,000 square feet in floor area, exclusive of any residential uses.
11. Permitted only with approval of a [Special Use Permits](#), and if the location is coterminous to an intersection of an arterial street with a local or collector street, and the aggregate maximum gross floor area is less than 1,500 square feet in floor area, exclusive of any residential uses No drive-through window services are permitted.
12. Detached Single Residence is not permitted in [RM-5](#) district.
13. Use not permitted when the property is subject to the [AOA 1](#) overflight area, see [Sec. 11-19-2](#), [Runway Protection Zones](#) and [Airport Overflight Areas](#).
14. Use not permitted when the property is subject to the [AOA 2](#) overflight area, see [Sec. 11-19-2](#), [Runway Protection Zones](#) and [Airport Overflight Areas](#).
15. Use permitted with approval of a [\(CUP\) Council Use Permits](#) when the property is subject to the [AOA 1](#) overflight area, see [Sec. 11-19-2](#), [Runway Protection Zones](#) and [Airport Overflight Areas](#).
16. Use permitted with the approval of a [\(CUP\) Council Use Permits](#) when the property is subject to the [AOA 2](#) overflight area, see [Sec. 11-19-2](#), [Runway Protection Zones](#) and [Airport Overflight Areas](#).
17. Special Use Permit options for expanded Home Occupations are allowed only in the [RS-90 and RS-43](#) districts.
18. Required to be a minimum distance of 25-miles from closest [Medical Marijuana Dispensary](#).
19. Use is Permitted. Special Use Permit is required if Accessory Dwelling Unit is leased or rented as a secondary apartment.

11-5-3: Development Standards for the RS District

Table 11-5-3 prescribes the development standards for each RS district. The “Additional Standards” column lists additional standards that apply in some or all districts. Section numbers in this column refer to other sections of the [Zoning Ordinance](#), while individual letters refer to subsections that directly follow the table.

Design Intent: To create an aesthetically pleasing streetscape that includes active areas and passive surveillance of the public right-of-way.

Table 11-5-3: Development Standards – RS Residential Single Dwelling Districts								
<i>Standard</i>	<i>RS-90 (R1-90)</i>	<i>RS-43 (R1-43)</i>	<i>RS-35 (R1-35)</i>	<i>RS-15 (R1-15)</i>	<i>RS-9 (R1-9)</i>	<i>RS-7 (R1-7)</i>	<i>RS-6 (R1-6)</i>	<i>Additional Standards</i>
Lot and Density Standards								
Minimum Lot Area (sq ft)	90,000	43,560	35,000	15,000	9,000	7,000	6,000	11-5-3(A)
Minimum Lot Width – Interior Lot (ft)	150	130	130	110	75	65	55	11-5-3(B)
Minimum Lot Depth (ft)	150	150-	150	120	100	94	90	11-5-3(C)
Minimum Lot Depth abutting Arterial Street (ft)	150	150	150	120	110	104	100	
Maximum Density								
Conventional Subdivisions (units/gross acre)	Based on compliance with minimum lot size requirements, and with off-site improvement and right-of-way requirements specified in MCC Title 9 .							
Planned Area Development (PAD) Overlay District (units/net acre)	0.48	1.0	1.24	2.9	4.84	6.22	7.26	
Building Form and Location								
Maximum Height (ft)	30	30	30	30	30	30	30	
Minimum Yards (ft)								
Front (Enclosed Livable Areas, Porches and Porte Cochères)	22	22	22	22	15	10	10	
Garages and Carports – front and side yards	30	30	30	30	25	20	20	
Interior Side: Minimum either side	20	10	10	7	7	5	5	11-5-3(D)
Interior Side: Minimum aggregate of 2 sides	40	30	30	20	17	15	15	
Street Side	20	30	10	10	10	10	10	
Rear	30	30	30	30	25	20	20	11-5-3(D)
Rear Yard Abutting Arterial Street	30	30	30	30	30	30	30	11-5-3(D)
Maximum Building Coverage (% of lot)	25	25	35	40	45	45	50	
Building Form Standards								11-5-3(E)
Additional Standards								
Accessory Structures	Section 11-5-7(B)							
Community Gardens	Section 11-31-10							
Driveways	Section 11-5-3(F)							
Fences and Walls	Section 11-5-7(D)							
Landscaping	Chapter 33, Landscaping							
Limitation on Paving of Front and Street-Facing Side Yards	Section 11-5-7(E)							
Lots Splits and Subdivisions	Section 11-30-6 ; and Title 9, Chapter 6, Subdivision Regulations							
Off-Street Parking and Loading	Chapter 32, On-Site Parking, Loading, and Circulation (including Tandem Parking)							
Projections above Height Limits	Section 11-30-3, Exceptions to Height Limits							
Projections into Required Yards	Section 11-5-7(A)							
Screening	Section 11-30-9, Screening							
Signs	Article 5, Signs							
Solar Panels	Section 11-30-15, Solar Panels and Other Energy Production Facilities							

Table 11-5-3: Development Standards – RS Residential Single Dwelling Districts								
Standard	RS-90 (R1-90)	RS-43 (R1-43)	RS-35 (R1-35)	RS-15 (R1-15)	RS-9 (R1-9)	RS-7 (R1-7)	RS-6 (R1-6)	Additional Standards
<i>Lot and Density Standards</i>								
Swimming Pools	Section 11-30-11							
Trash Storage and Screening	Section 11-5-7(G) & Section 11-30-12 , Trash and Refuse Collection Areas							
Visibility at Intersections	Section 11-30-14, Setbacks at Intersections							

- A. **Reductions to Lot Area.** Creation of a new lot that is less than the required minimum lot area requires approval of a [Planned Area Development](#) (PAD) or [Bonus Intensity Zone](#) (BIZ) overlay.

- B. **Additional Lot Width for Corner Lots.**
 - 1. *At Local or [Local-Collector Street Intersections](#).* Additional lot width equivalent to 10 percent of the standard lot width for the zoning district shall be provided on the recorded document for corner lots located at the intersection of:
 - a. 2 local streets, or
 - b. a local street and collector street.

 - 2. *At Arterial and Collector or Arterial and Local Street Intersections.* Additional lot width equivalent to 15 percent of the standard lot width for the zoning district shall be provided on the recorded document for corner lots located at the intersection of:
 - a. 2 collector streets,
 - b. 2 arterial streets, or
 - c. a collector and arterial street.

 - 3. *Lots With 2 or More Intersection Corners.* For lots that have more than 1 corner, the percent of lot increase required will be based on the highest classified intersection.

- C. **Lot Depth Adjacent to Arterial Street.** Where the rear lot line of a lot in the [RS-7 or RS-6 District](#) directly abuts the right of way of an arterial street, the minimum lot depth shall be increased by an additional 10 feet. Rear lot lines separated from arterial street right-of-way by a separate tract of land with a depth of 10 or more feet are excluded from this requirement.

D. Yards.

1. **Rear Yard Adjacent to Arterial Street.** A rear yard adjacent to an arterial street shall be at least 30 feet in depth. If a landscape tract, stormwater retention basin or privately owned and maintained recreation open space separate, any of which is a minimum of 10-feet deep from the street, separates the residential lot from the arterial street, this requirement shall not apply.
2. **Rear Yard Adjacent to Alley.** Rear yard setbacks adjacent to a 16-foot or wider alley may be measured from the centerline of the alley.
3. **Side Yards for Vehicular Access.** Unless otherwise modified by approval of a [PAD](#) (or [DMP](#) under a previous zoning ordinance) overlay zone, interior lots with no access to an alley shall maintain 1 side yard with a minimum width of 10 feet to allow access to the rear yard.
4. **Zero-Lot-Line Developments.** Zero-lot-line developments are permitted in the [RS-6 and RS-7 districts](#). In a zero-lot-line development, no interior side yard need be provided on 1 side of a lot if the minimum aggregate setback stated in [Table 11-5-3](#) is provided on the opposite side of the same lot. Where a zero side yard is used, the abutting property must be held under the same ownership at the time of initial construction, or the owner of the property abutting the zero side yard must sign an agreement that permanently grants consent in writing to such zero setback. Additionally, owners of zero-lot-line developments must provide a permanent access and maintenance easement providing the owner of the zero-lot-line structure with access to the adjacent lot with the side yard to maintain the structure. A copy of the easement shall be provided to the City prior to recording the document in the [Maricopa County Recorder's Office](#)

E. Building Form.

1. **Garage Frontage and Location.**
 - a. Where garage doors are oriented parallel or within 10 degrees of parallel to the front property line of the lot, the aggregate width of garage doors attached to a primary residence and facing the front of the lot shall not exceed 50 percent of the aggregate width of those elevations of the building that face the front of the lot. Garages oriented parallel or within 10 degrees of parallel to the front of the lot, shall be located at least 3-feet behind the primary wall facing the street, and never less than the required garage setback.

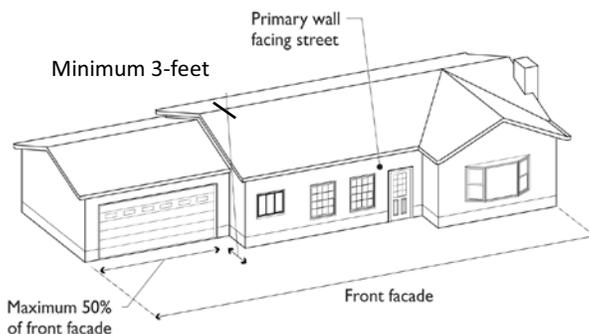


FIGURE 11-5-3.E.1: GARAGE FRONTAGE AND LOCATION

- b. Garages with 3 or more doors, or designed to accommodate 3 or more non-tandem parked cars, are permitted only on lots 75 feet wide or greater, and at least one (1) garage front must be separated from the remaining garage fronts by at least 2 feet. Exceptions:
 - i. Garages entries oriented parallel or within 10 degrees of parallel to side or rear property lines and that do not directly face a street, or
 - ii. Garages set a distance of 1.5 times the minimum front yard for garages and carports, based on the requirement for each zoning district, from the front property line, as specified by [Table 11-5-3](#).
- c. **Façade Articulation Alternative:** Applicants developing subdivisions having more than 25 lots may request a waiver of the requirement to set the garage façade back 3-feet from the primary wall. This option is applicable for a maximum of 40-percent of the lots or parcels developed in the same subdivision.
 - i. The requested waiver shall document by graphic and narrative means at time of application that a maximum of 60-percent of the front elevation of any individual residence shall occur on the same plane, and
 - ii. Residences with two planes parallel or within 10 degrees of parallel of the street shall provide a minimum undulation of four feet, and residences with three or more planes shall have a minimum undulation of two feet between planes.
 - iii. The front elevation of garages placed in front of the livable area under this waiver shall require a minimum undulation between planes of at least 1 foot for 33% of the width of the elevation.
 - iv. Side entry garages with bay entries set perpendicular to the front property line may be set at 10-feet from the front property line, provided the maximum overall number of garages within the subdivision that are subject to the waiver remains within the number specified in c, above. To be considered a side entry garage, the minimum angle between the bay entry and the front property line is 90-degrees.

2. **Window Trim or Recess.** On all street-facing facades, trim at least two inches in depth must be provided on at minimum two sides of all windows, or windows must be recessed at least four inches from the outside plane of the surrounding exterior wall. This includes rear facing facades for lots with rear property lines abutting open space, parks, streets or alleys.

3. **Two-story Dwellings on Corner Lots.** Two-story dwellings located on corner lots shall include windows on the façade facing each street. No second-story street-facing wall shall run in a continuous plane of more than twenty feet without a window, or without a projection, offset, or recess of the building wall at least one (1) foot in depth.

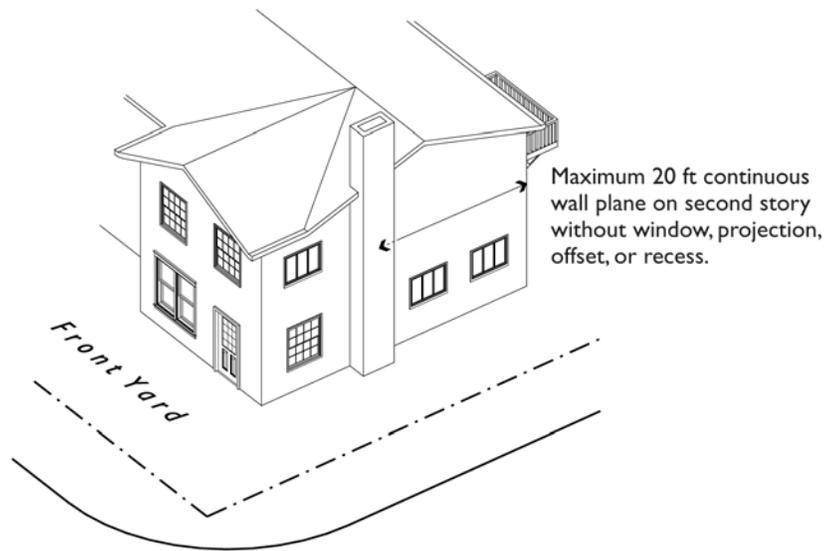


FIGURE 11-5-3.E.3: TWO-STORY DWELLINGS ON CORNER LOT

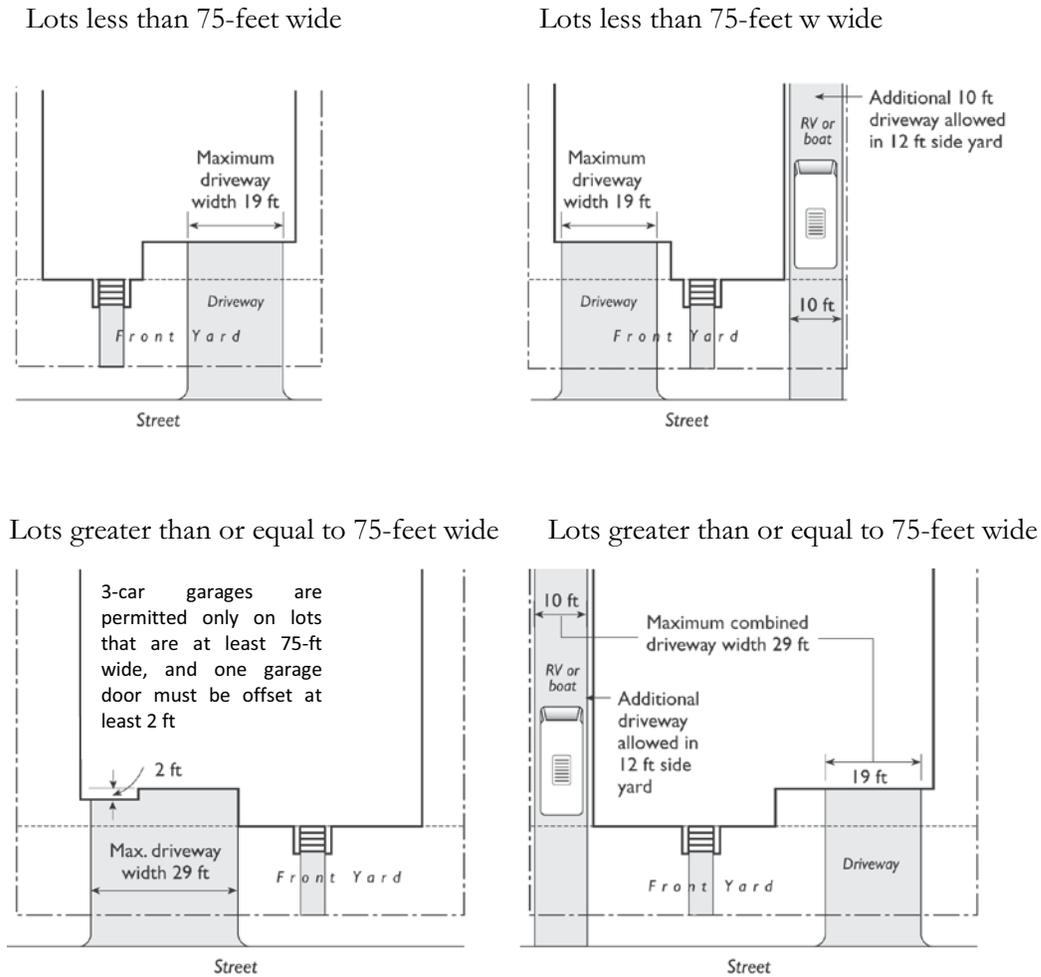
F. Driveways—Maximum Number and Width.

1. For lots less than 75 feet wide, a maximum of 1 driveway up to 19 feet wide is permitted for required parking. One additional driveway up to 10 feet wide is permitted, if it leads to an interior side yard at least 12 feet wide.

2. For lots greater than 75 feet wide or more, the combined width of all driveways may not exceed 29 feet.

- G. **Subdivision Design.** The design of residential subdivisions of 5 acres or more shall comply with the [City of Mesa's Residential Development Guidelines](#) (1998), or subsequently adopted guidelines.
- H. **Site Layout.** Residential subdivisions shall provide pedestrian and bicycle connectivity to adjacent schools, places of work or services, and abutting residential developments.

FIGURE 11-5-3.F: RS DRIVEWAYS



11-5-4: Development Standards for the [RSL](#) District

A. Lot Area.

1. **Minimum Lot Area—By-Right.** The minimum lot area in the RSL District is 4,500 square feet, indicated by the designator RSL-4.5.

Contract Letter for Appraisal Services

RESPONSIBLE PHONE

VENDOR COPY