

HARLOW APPRAISAL SERVICES

Narrative Appraisal Real Estate Appraisal Report

Of

Vacant Land



2801 Highway 95, Lake Havasu City,
Mohave County AZ, 86406

As of

May 25, 2023

Prepared For

Lake Havasu City
Attn: Jeff Thuneman, C.B.O.
Development Services Director
2330 McCulloch Blvd N
Lake Havasu City, AZ 86403

Prepared by

Harlow Appraisal Services
Michael Harlow, AZ-#32236

File Name: MH2023-097

HARLOW APPRAISAL SERVICES

November 13, 2023

FILE: MH2023-061

Michael G
Harlow

Harlow Appraisal
Services

Lake Havasu City
Attn: Jeff Thuneman, C.B.O.
Development Services Director
2330 McCulloch Blvd N
Lake Havasu City, AZ 86406
Email: ThunemanJ@lhcaz.gov

**Real Estate
Appraisal &
Real Estate
Consulting**

RE: For an appraisal report communicated in narrative appraisal format as defined by USPAP Standards 2-2(a). We have been asked to provide the Current "as is" and Hypothetical "as is" market value of the property identified by the physical address of 2801 Highway 95, Lake Havasu City, Mohave County, AZ 86406. The property can also be identified by the Mohave County Assessor Parcel Number: 106-28-050A. This is a REVISED version of the original report dated 6/29/2023. We have been asked to revise the original report due to a terms and conditions of sale with the subject property that was recently provided to the appraiser after the original appraisal report date. This additional information was not provided to the appraiser for the original appraisal. Other additional site information was also found and updates made. The terms and conditions of sale is detailed in the report (see Addendum for full details. This additional information (from additional interviews and the terms and conditions of sale) changes the HBU of the site (the zoning and the land sales change as well). Also, after a recent interview with LHC Planning and Zoning, a zoning change to remove the PD is also under consideration. For this reason, a hypothetical 'as is' value (assuming the PD is removed with a C-2 zoning change) has also been included in the analysis. The value conclusions HAVE changed as a result.

Including:

Financing

Condemnation

Partial Interests

Lease-by-Lease

Dear Jeff:

**Leasehold
Interests**

In response to your request and authorization, Michael G Harlow has prepared an appraisal report utilizing all applicable approaches to value with the conclusions and supporting data reported in an appraisal report format.

**General
Consulting**

The purpose of this appraisal is to estimate the Current 'as is' and Hypothetical 'as is' Market Value for the subject property. The intended use of this appraisal will be for the client to use for internal decision making regarding the potential sale of the subject property, and the appraisal will assist in this matter. The client is identified as Lake Havasu City, Attn: Jeff Thuneman, C.B.O., Development Services Director for Lake Havasu City. The client is the only identified user of this appraisal. No additional assignees have been identified. Any use of the appraisal by a third party, or for a use other than the use stated above, is an unintended and unauthorized use.

Please reference the scope of work section of this report for information regarding the scope of research and analysis employed for this appraisal, including property identification, inspection, highest and best use analysis, and valuation methodology. We certify that we have no present or contemplated future interest in the property beyond this estimate of value. Your attention is directed to the limiting conditions and general assumptions section of this

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report. The acceptance of this report constitutes an agreement with these conditions and assumptions.

The analyses, opinions, and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP); the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The definition of market value is provided in the definitions section of the appraisal. The summary of support for our estimate of a reasonable exposure and marketing period is provided in the summary of salient facts.

The client has requested an appraisal report which will include all applicable approaches to value, a discussion of significant data, analysis and support of assignment results, and an in-depth market analysis. The reporting option for the conclusions reached is considered an Appraisal Report per USPAP Standards 2-2(a). The report has been prepared based upon the intended use and intended user. There is enough supporting data provided in the report for the intended user to understand the property and improvements, market area conditions, highest and best use and the reasoning for the conclusions reached. Additional supporting documentation is retained in the work file for the interested reader.

We have completed the appraisal presuming the subject is free and clear of any encumbrances and/or adverse easements. We were not provided with a title report and found no other evidence of adverse encumbrances or easements.

We have not been provided with an environmental assessment or study pertaining to the appraised subject parcel. For the purposes of this report, we have employed several assumptions including the presumption that environmental and/or any other unknown conditions do not exist or adversely affect the subject property. We have not been informed of any adverse environmental soil, mineral, or otherwise adverse conditions. Please refer to the Limiting Conditions and General Assumptions sections for more details.

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Based on the data summarized in this report and retained in our workfile, and taking into consideration the limiting conditions and general assumptions reported as part of this analysis, we have provided a supported opinion for the **Hypothetical** Current “as is”, Fee Simple market value for the subject property as of May 25, 2023 to be as follows:

TWO MILLION SIX HUNDRED THOUSAND DOLLARS

\$2,600,000***

**Rounded to the Nearest \$10,000*

***See Extraordinary Assumption*

****See Hypothetical Condition*

Based on the data summarized in this report and retained in our workfile, and taking into consideration the limiting conditions and general assumptions reported as part of this analysis, we have provided a supported opinion for the Current “as is”, Fee Simple market value for the subject property as of May 25, 2023 to be as follows:

ONE MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS

\$1,740,000**

**Rounded to the Nearest \$10,000*

***See Extraordinary Assumption*

Thank you for giving us the opportunity of appraising this property for you. If there are any questions concerning this appraisal report, please do not hesitate to contact us.

Respectfully submitted,



Michael G Harlow

Certified General Appraiser

Arizona General Certification #32236

Expires 08/31/2025

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ADDENDUM

PROFESSIONAL QUALIFICATIONS OF THE APPRAISER
STATE APPRAISER CERTIFICATION
ENGAGEMENT LETTER
PHOTOGRAPHS
ZONING REGULATIONS
ASSESSOR PAGE & LEGAL DESCRIPTION
LHC ORDINANCE 08-936
ABBREVIATIONS

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**GENERAL**

SUBJECT:	2801 Highway 95, Lake Havasu City, Mohave County, AZ 86406 APN: 106-28-050A
OWNER:	Lake Havasu City
LEGAL DESCRIPTION:	LOT 19 AND ABANDONED CUL DE SAC'S FOR DEEPWATER DR AND CACTUS WREN LN PER ABANDONMENT 7182/906 RES #08-2277, BLK 2, TRACT 2277, SEC 3, T13N, R20W, LAKE HAVASU CITY, MOHAVE COUNTY, AZ (See addendum for full Mohave County Assessor details).
ORIGINAL REPORT DATE:	June 29, 2023
INSPECTION DATE:	May 25, 2023
EFFECTIVE DATE:	May 25, 2023
REVISED REPORT DATE:	November 13, 2023
INTENDED USE:	The intended use of this appraisal will be for the client to use for internal decision making regarding the potential sale of the subject property, and the appraisal will assist in this matter.

**INTENDED
USER(S):**

The client, Lake Havasu City, Attn: Jeff Thuneman, C.B.O., Development Services Director, Lake Havasu City. The appraisal report is written specifically for the client. Any use of the appraisal by a third party, or for a use other than the stated below, is an unintended and unauthorized use. We note the previous appraisal listed Luke Morris, AICP as an intended user; however, Luke has since retired and Jeff Thuneman, C.B.O. has taken over his position as the intended user of this revised appraisal report. The client remains the same, Lake Havasu City. No other users are intended by Appraiser.

**PURPOSE OF
APPRAISAL:**

The purpose of this appraisal is to estimate the Current 'as is' Market Value and Hypothetical 'as is' Market Value for the subject property.

There was additional information that was not previously provided to the appraiser for the original appraisal. The terms and conditions of sale is detailed in the report (see Addendum for full details) and changes to the HBU of the site (zoning changes and updated land sales as well) were warranted. Also, after a recent interview with LHC Planning and Zoning, a zoning change to remove the PD is also under consideration. For this reason, a hypothetical 'as is' value (assuming the PD is removed with a C-2 zoning change) has also been included in the analysis. The value conclusions HAVE changed as a result.

2022 ASSESSMENT:

Taxes are currently exempt due to government ownership.

SALE HISTORY:

The subject has not sold, and no prior transfers were found in the last three years according to Mohave County and recorder record. We note the subject did go to auction on 8/7/2023. Per an interview with the client, there was only one bid for \$2,100,000 and the terms and conditions of sale was in place at that time. Given the limited demand at the auction for the subject property (only one bid) this bid price is given little consideration in the analysis but is one indication of a floor value indication for the subject property.

**CURRENT
LISTING/CONTRACT(S):**

Subject is not currently listed and no listing history was found within the last 12 months, per our search of FlexMLS and LoopNet.

LAND:

Land Summary						
Parcel ID	Gross Land Area	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
106-28-050A	10.29	448,232	10.29	448,232	Sloping	Rectangular

Notes: See Planned Development Ordinance for details regarding the additional setbacks being located near SFR type uses. This decreases the overall net usable area of the site.

ZONING: C-1/PD; Limited Commercial, Planned Development Overlay. C-2 PD zoning is a likely zoning change per LHC. See HBU and Zoning Section for more details.

TYPE OF VALUE: Current 'as is' Market Value

Marketing and Exposure Time: There have been limited sales over the past 12-18 months for similar larger vacant land parcels within the Lake Havasu market area. Based upon the limited number of sales, interviews with market participants, and an analysis of current supply we have concluded a reasonable exposure time for the subject property is 6-12 months (for the 'as is' condition and the hypothetical 'as is' condition). Market conditions in this segment have been improving, and most market indicators support an average exposure and marketing period of 6-12 months (for the 'as is' condition and the hypothetical 'as is' condition) if marketed aggressively near the value conclusion opined herein.

Marketing and exposure times will be similar due to a forecast of relatively stable market conditions over the next 12 to 18 months.

VALUE INDICATIONS		
Land Value:	\$2,600,000***	\$1,740,000**
Cost Approach:	NA	NA
Sales Comparison Approach:	\$2,600,000***	\$1,740,000**
Income Approach:	NA	NA
Reconciled Value(s):	Hypothetical As Is	Current As Is
Value Conclusion(s)	\$2,600,000***	\$1,740,000**
Effective Date (s)	May 25, 2023	May 25, 2023
Property Rights	Fee Simple	Fee Simple
*Rounded to the nearest \$10,000		
**See Extraordinary Assumption		
***See Hypothetical Condition		

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

1. This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.
2. No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.
3. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
4. All files, work papers and documents developed in connection with this assignment are the property of Harlow Appraisal Services. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.
5. No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.
6. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.
7. Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.
8. Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

9. Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.
10. It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.
11. The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Harlow Appraisal Services regular per diem rate plus expenses.
12. Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.
13. I acknowledge that any intentional or negligent misrepresentation(s) contained in the appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws. I understand that a substantial or gross valuation misstatement resulting from an appraisal of the value of property that the appraiser knows, or reasonable should have known, would be used in a connection with a return or claim for refund, may subject the appraiser to a civil penalty under §6695A.

The appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applied only under the stated program of utilization. The separate values allocated to the land and the buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
5. Any opinions of value provided in the report apply to the entire property, and any pro-ration or division of the total into fractional interests will invalidate the opinion of value, unless such pro-ration or division of interests has been set forth in the report.
6. Only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.
7. Any proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform to the building plans referenced in the report.
8. The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.
9. No legal description or survey was furnished, so the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted at possible additional expense to the client.
10. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued state economy. These forecasts are, therefore, subject to changes with future conditions.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

Appraisal Definitions

Market Value: As defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

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

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

A **Fee Simple** interest is defined¹ as:

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.

A **Leased Fee** interest is defined¹ as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by a lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

Marketing Time is defined¹ as:

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010)

consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)

Exposure Time is defined¹ as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions")

Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented. (The Report of the Appraisal Institute Special Task Force on Value Definitions qualifies exposure time in terms of the three above-mentioned values.) See also marketing time.

Gross Building Area (GBA) is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.¹

Rentable Area (RA) is the amount of space on which the rent is based; calculated according to local practice.¹

Gross Leasable Area (GLA) the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent.¹

As Is Value

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.¹

Stabilized Value

1. A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value.
2. A value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a bonus or premium for material, the abnormal inefficiency of labor, the cost of delay or an excessive sale price, e.g., a premium paid due to a temporary shortage of supply.¹

In layman's terms, stabilized value is the prospective value of a property after construction has been completed and market occupancy and cash flow have been achieved.²

As Complete Value

The prospective value of a property after all construction has been completed. This value reflects all expenditures for lease-up and occupancy that may be expected to have occurred at that point in time, which may or may not put the property at stabilized value.¹

² Narrative1.com. Thomas W. Armstrong, MAI