

APPRAISAL OF

2600 GALISTEO STREET
SANTA FE, NM 87505

DATE OF THE REPORT

MARCH 25, 2014

EFFECTIVE DATE OF VALUATION

MARCH 3, 2014

PREPARED FOR

SANTA FE COUNTY
102 GRANT AVENUE
SANTA FE, NM 87504

PREPARED BY

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March 25, 2014

Santa Fe County
Mr. Steve Brugger
102 Grant Avenue
Santa Fe, NM 87504

RE:	Appraisal of 2600 Galisteo Street, Santa Fe, NM 87505
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Dear Mr. Brugger;

Pursuant to your request, I have appraised the above referenced property. The depth of discussion and supporting documentation contained in this report are specific to the needs of the client. The appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice and is subject to the assumptions and limiting conditions found in the report.

Based on my investigation and analysis, and the data and analyses contained in this report, it is my opinion that the most probable market value of the Fee Simple ownership interest - subject to the hypothetical conditions, extraordinary assumption, easements and restrictions of record - in the subject 'as is' as of March 3, 2014 is:

FINAL VALUE

Subject: 2600 Galisteo Street		
Market value – As Proposed	Fee Simple	Four Hundred Thousand Dollars \$400,000

Hypothetical Conditions

1. The subject property is assumed to be vacant and ready for development.
2. The subject property is assumed to be zoned R10 (assumed zoning based on an approved zoning classification in the Santa Fe Land Use Code and the midpoint of the range of existing residential zoning designations in the subject's immediate neighborhood: R5 to R21. The assumed zoning is not intended to represent the only possible zoning, merely the mid-point.)

Extraordinary Assumption

The appraisal assumes no adverse environmental issues to exist on the subject site, which at one time housed and serviced large commercial road equipment and underground gas tanks were located on the site to serve that equipment.

I respectfully refer you to the following appraisal report containing 38 pages plus addenda. If I can be of further service to you in regard to this appraisal or in any other matter, please do not hesitate to call.

Respectfully submitted,

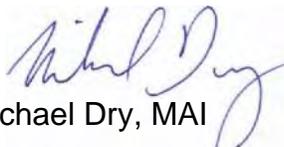

Michael Dry, MAI

Table of Contents

SUMMARY OF SALIENT FACTS, DATA AND CONCLUSIONS 1

CERTIFICATION..... 2

ASSUMPTIONS AND LIMITING CONDITIONS 3

INTRODUCTION..... 5

 Type And Definition Of Value: 6

 Intended Use of the Appraisal: 6

 Intended User of the Report: 6

 Interest Valued: 6

 Effective Date of Value: 6

 Date of the Report: 6

 Legal Description..... 6

 Property Taxes 7

 Scope Of The Appraisal: 8

 Marketing Time and Exposure Time 9

DESCRIPTION OF REAL ESTATE APPRAISED 12

 Location Description-City 12

 Location Description-Neighborhood 13

 Legal Use Of The Property 16

 Property Description 18

HIGHEST AND BEST USE..... 20

 Highest and Best Use As Vacant 20

 Highest and Best Use As Improved 21

VALUATION 22

Sales Comparison Approach – Methodology 1..... 22

Sales Comparison Approach – Methodology 2..... 29

 Retail Value of the individual lots (as complete) 36

Reconciliation and Value Conclusion 38

Addenda

SUMMARY OF SALIENT FACTS, DATA AND CONCLUSIONS

Summary	
Property location	2600 Galisteo Street Santa Fe, NM 87505
Client	Santa Fe County
Owner of record	Santa Fe County
Current use	Vacant/Improved Site – former County Maintenance Complex
Highest and best use	Future residential development
Date of valuation	March 3, 2014
Date of report	March 25, 2014
Purpose of the appraisal	Market Value
Intended use of the appraisal	Asset valuation purposes/portfolio analysis
Intended user of the appraisal	Santa Fe County
Land area	Gross: 6.144 acres or 267,642 square feet± Net (less area within Galisteo Road): 5.116 acres or 222,844 square feet±
Building area	Land assumed vacant
Zoning	Current: R1 Assumed: R10



VALUE INDICATIONS – AS IS

Methodology	Value
Sales Comparison – Methodology 1	\$400,000
Sales Comparison – Methodology 2	\$400,000
Final Value	\$400,000

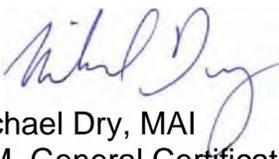
Hypothetical Conditions
1. The subject property is assumed to be vacant and ready for development.
2. The subject property is assumed to be zoned R10 (assumed zoning based on an approved zoning classification in the Santa Fe Land Use Code and the midpoint of the range of existing residential zoning designations in the subject’s immediate neighborhood: R5 to R21. The assumed zoning is not intended to represent the only possible zoning, merely the mid-point.)
Extraordinary Assumption
The appraisal assumes no adverse environmental issues to exist on the subject site, which at one time housed and serviced large commercial road equipment and underground gas tanks were located on the site to serve that equipment.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- 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.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is the subject of this report.
- The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute
- 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, Michael Dry has completed the continuing education program for Designated Members of the Appraisal Institute
- As of the date of this report, Michael Dry has completed the requirements for the continuing education program of the State of New Mexico Real Estate Appraisers Board for General Certification.

Certified by,



Michael Dry, MAI
N.M. General Certificate #02739G

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been prepared with the following specific assumptions:

1. It is assumed that the supporting documentation provided for the appraisal and for previous appraisals is correct.
2. I have relied on information prepared by licensed professionals in making certain decisions in the process of this appraisal. I have accepted this information as accurate, based on the fact that they represent matters beyond my expertise as an appraiser along with the fact that they were prepared by recognized professionals.

This report has been made with the following general assumptions:

3. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
4. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
5. Responsible ownership and competent property management are assumed.
6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
7. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them.
9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use has been stated, defined, and considered in the report. Please refer to the discussion of zoning found within the report.
11. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
13. Unless otherwise stated in this report, the existence of hazardous substances, including, without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to my attention nor did I become aware of such during the inspection. I have no knowledge of the

existence of such materials on or in the property unless otherwise stated. However, I am not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, ureaformaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or engineering knowledge required to discover them.

14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

The report has been prepared with the following limiting conditions:

15. The conclusions expressed in this appraisal report apply only as of the stated date of the appraisal and I assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions stated herein.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization.
17. By reason of the assignment I am not required to give consultation, testimony, or be in attendance in court or any other hearing with reference to the property unless written contractual arrangements have been previously made relative to such additional services.
18. Disclosure of the contents of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
19. Neither all, nor any part of this report, or copy thereof shall be used for any purposes by anyone other than the client to which the report is addressed without the prior written consent of the appraiser, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, or any other means of communication (including without limitation prospectus, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraiser.

INTRODUCTION

Appraisal Report: This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice 2014-2015. The report and the level of information in the report are based on the needs of the client.

Property Identification: The subject of the appraisal is comprised of a Vacant/Improved Site – former County Maintenance Complex at 2600 Galisteo Street, Santa Fe, NM 87505.

Property Ownership And History: The ownership of the subject property is in the following table.

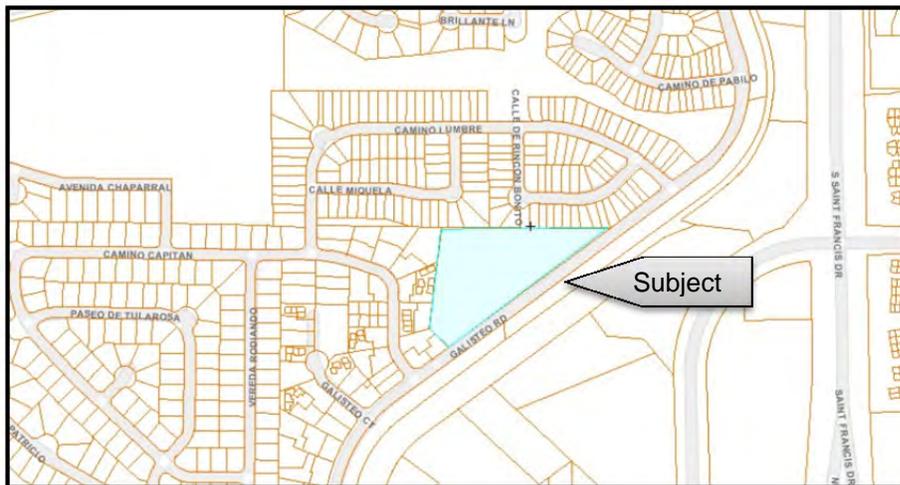
OWNERSHIP CHART

Property	Ownership
2600 Galisteo Street	Santa Fe County

The subject has been owned by Santa Fe County for many years and no listing or other agreement of sale as of the effective date of value was discovered during the course of the appraisal.

Location Of The Property: 2600 Galisteo Street, Santa Fe, NM 87505 – The subject property is physically located on the west side of Galisteo Street, approximately 975 feet north of its intersection with Rodeo Road in Santa Fe, New Mexico

LOCATION MAP



Type And Definition Of Value: The purpose of the appraisal is to provide the appraiser's best estimate of the market value of the subject property as of the effective date. Per the client, the market value definition is defined by FIRREA:

Market Value definition
The most probable price which a property should bring in a competitive and open market under 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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
<ol style="list-style-type: none"> 1. Buyer and seller are typically motivated; 2. Both parties are well informed or well advised, and each acting in what they consider their own best interests; 3. A reasonable time is allowed for exposure in the open market; 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Intended Use of the Appraisal: Asset valuation purposes/portfolio analysis.

Intended User of the Report: The report is intended for use by the client: Santa Fe County. Any other party who chooses to rely on this report is advised that the appraiser is not obligated to any party other than the original intended user, nor does reliance on the report by a party other than the original intended user result in such party becoming an intended user of the report.

Interest Valued: The subject is currently essentially vacant. The ownership interest which was valued is Fee Simple.

Definition: Fee Simple
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. ²

Effective Date of Value: The effective date of value of the subject 'as is' is March 3, 2014, which is the date of the inspection of the property.

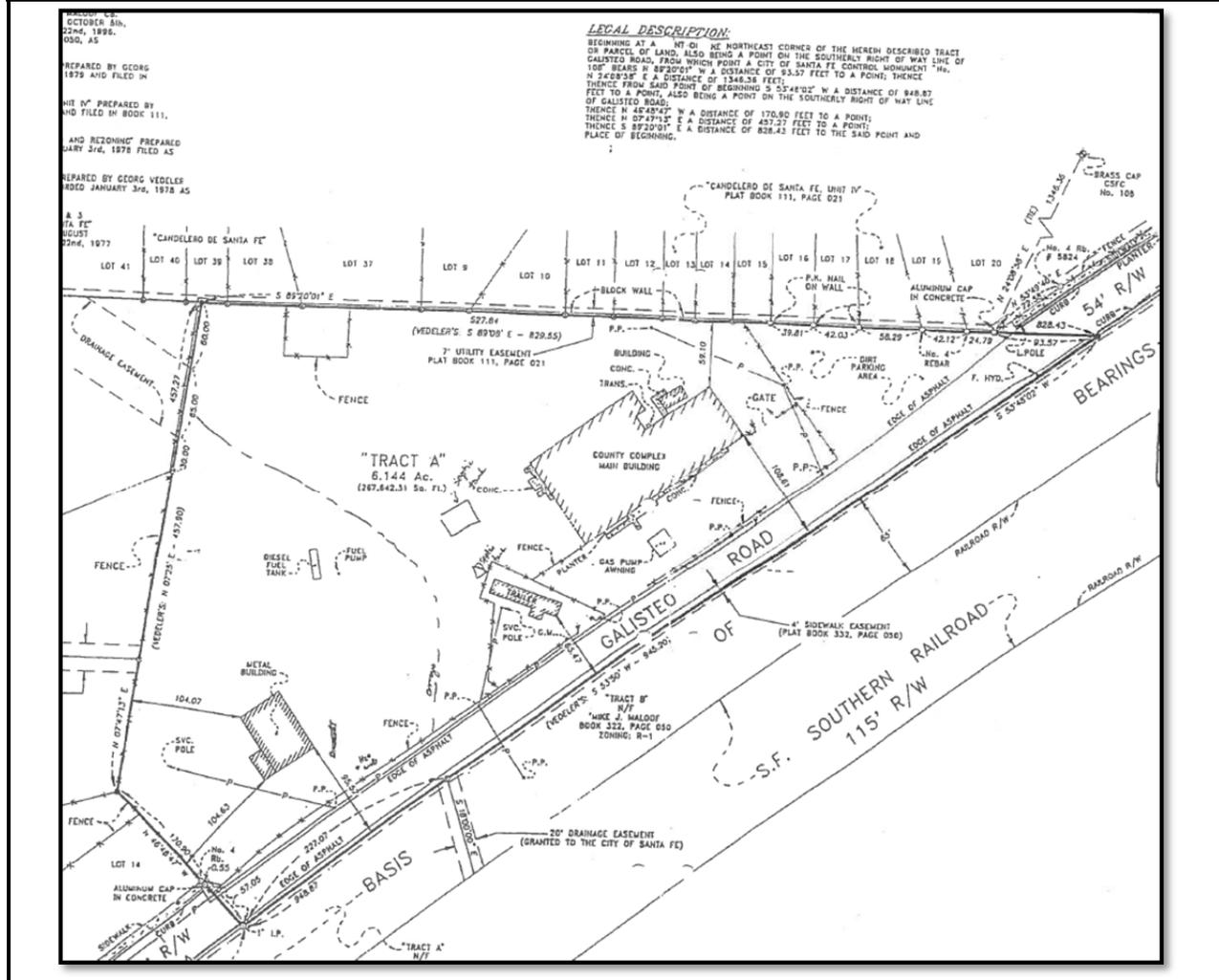
Date of the Report: March 25, 2014.

Legal Description: The subject is identified on the excerpt from the plat in the following table. A copy of the entire plat is located in the addenda.

¹ Department of Treasury, 12 CFR 34

² The Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed., (Chicago: The Appraisal Institute, 2010), p. 78

Legal description



Property Taxes: Santa Fe property tax records were researched for the subject's current tax data. The tax data is found in the following table.

Property Tax Table		
Tax Account ID	018102995	
2013 Property Tax	\$0	
Assessor	Land appraisal	\$0
	Improvement appraisal	\$0
	Total appraisal	\$0
Comments	Since the property is County owned, it is not subject to County property taxes.	

Scope Of The Appraisal: The subject is comprised of a lot with existing improvements which is to be appraised as a proposed Vacant/Improved Site – former County Maintenance Complex. Preparation of the appraisal involved the following:

Scope of Work
1. Inspected the site
2. Gathered and confirmed information on comparable land sales – raw land and land with entitlements
3. Confirmed and analyzed the data and developed the sales comparison approach
4. Reconciled the sales comparison approaches to form final value. – final value subject to hypothetical conditions and extraordinary assumption

The estimated value in the appraisal requires hypothetical conditions because the client requested assumptions be made in the valuation which do not currently exist. The client requested that the site be appraised as if vacant and ready for development. In addition, the client requested that the subject be appraised based on a potential zoning for the site. The potential zoning is selected based on the mid-point of the range of existing residential zoning classifications in the subject's immediate vicinity and is not intended to represent the only possible zoning, merely the mid-point. The assumptions appear reasonable.

Definition: Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions, or trends; or about the integrity of data used in an analysis. ³
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Hypothetical Conditions

- | |
|--|
| 1. The subject property is assumed to be vacant and ready for development. |
| 2. The subject property is assumed to be zoned R10 (assumed zoning based on an approved zoning classification in the Santa Fe Land Use Code and the midpoint of the range of existing residential zoning designations in the subject's immediate neighborhood: R5 to R21. The assumed zoning is not intended to represent the only possible zoning, merely the mid-point.) |

The estimated value in the appraisal also requires an extraordinary assumption because the value is based on a condition that, if found to be false, could alter the appraiser's opinions or conclusions. The assumption appears reasonable.

³ The Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed., (Chicago: The Appraisal Institute, 2010), p 97

Definition: Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions

Comment Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis⁴

Extraordinary Assumptions

The appraisal assumes no adverse environmental issues to exist on the subject site, which at one time housed and serviced large commercial road equipment and underground gas tanks were located on the site to serve that equipment.

Marketing Time and Exposure Time: Marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal. It should be noted that marketing time differs from exposure time which is always presumed to precede the effective date of an appraisal.

Marketing Time definition

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.⁵

Exposure Time definition

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.⁶

In a stable market the marketing time and the exposure time should be the same. The Santa Fe market has been in a state of varying levels of decline for the past four years with some of the market exhibiting tepid performance and some of the market exhibiting significant shifts. The shifts could cause a difference in the marketing time and exposure time. However, based on economic data over the past 12 months the market appears to have begun to bottom out with less evidence of any shifts in the market that could cause a difference in the marketing or exposure time. Therefore, they have been assumed to be the same in this analysis.

Marketing time will be affected by the supply and demand factors within the market place. Typically, support for a marketing time is sought from the known

⁴ USPAP 2014-2015 Edition

⁵ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed., (Chicago: The Appraisal Institute, 2010), p. 78

⁶ Ibid., p. 73

marketing time of similar properties. Large tracts of land for residential subdivision are rarely listed in the Multiple Listing Service. Residential developers typically find that land acquisition is a matter of seek and find for suitable properties. Since the properties are not typically exposed to the market through an MLS listing, actual marketing times are not usually available. Because of this, other market pressures were observed to determine their effect on the market. The highest and best use for the subject is residential development.

The demand for developable land is generated by the demand for residential lots. Because there were few listings or sales of developable tracts, the secondary market of residential lots was examined. The supply side of this market was analyzed through examination of the number of current listings of residential lots. The following chart displays data relating to listings of residential lots ready for home construction in the City and the surrounding metro region. The Metro Region encompasses the City and the region around it extending about five to eight miles in some directions. Hence, it includes areas like Eldorado and Tesuque and development north and west of the City.

LOT LISTING CHART – CITY

In City	Current Listings	Sold	
		2012	2013
Count	110	44	34
Average price	\$286,521	\$176,170	\$190,041

The overall listings and 2013 sales in the city show just over a three year supply ($110/34 = 3.2$ years). The decline in lot sales in 2013 may likely be due to a decrease in available inventory in city.

LOT LISTING CHART – METRO REGION

Metro Region	Current Listings	Sold	
		2012	2013
Count	491	132	160
Average price	\$219,366	\$128,027	\$129,880

The overall listings and sales in the metro region show just under a four year supply ($491/160 = 3.1$ years). It should be noted that the metro region data includes the in city data.

Market demand was analyzed through examination of building permits issued for single family detached housing. Comparison of the current listings and the building permits reveals that demand for lots as exhibited in the number of building permits

(single family) is below supply as exhibited through current listings. This oversupply should in turn put downward pressure on the demand for developable land. There is limited developable land within the city. However, the current market for developable land is stagnant with investors taking a wait and see position. The purchase of developable land is primarily speculative at this point and based on the recovery, which is estimated to be mild, marketing time is lengthened unless marketed at a liquidation value. Hence, a marketing time/exposure time for the subject as vacant with assumed zoning (R10) is estimated to be three months to two years, if the property is actively and competently marketed at or near the appraised value.

DESCRIPTION OF REAL ESTATE APPRAISED

Location Description-City

Santa Fe is a small city with a population of 67,947 per the 2010 census, which is an increase of 9.23% from the 2000 census. Since 1980 the population has increased yearly approximately 1% per year. Santa Fe County’s population was estimated to be 144,170 per the 2010 census which is an increase of 11.5% from the 2000 census. The Santa Fe economy is based primarily on tourism and government employment. Neither area produces high incomes, although the government sector is considered stable.

Economic indicators such as gross receipts tax, lodger's tax, and real estate sales exhibited increasingly high growth rates prior to 2000. After 2000, gross receipts posted their first decline in fiscal year 2008/2009, which was followed by a decline in fiscal year 2009/2010. Fiscal year 2010/2011 showed a nominal increase in gross receipts tax, which appears to continue in fiscal year 2011/2012. The lodger’s tax has primarily followed the same pattern. Occupancy rates at hotels and motels showed an overall increase through 2005, which included increases in average daily room rates. The year 2006 showed a decline in both occupancy and RevPAR (Revenue Per Available Room). Statistics for 2007 show occupancy remaining fairly level from the previous year, with room rates slightly higher. The years 2008 and 2009 saw small declines in occupancy and RevPAR from the year before. The year 2010 has shown an increase in occupancy and RevPAR from the previous year with slight declines in the years 2011 and 2012 from the high in 2010. Even with the declines, Santa Fe remains one of the premier tourist destinations in the country according to national surveys.

Government employment, which is the largest employment sector in Santa Fe, has shown moderate but steady increases in previous years, with the most recent years remaining fairly stable or showing slight declines. The annual unemployment rates since 2007 are in the following table. Note that third quarter, 2013 is the most recent data available for 2013. The unemployment rate is based on the civilian labor force.

UNEMPLOYMENT RATE TABLE

Area	Annual Unemployment Rate						
	2013	2012	2011	2010	2009	2008	2007
New Mexico	6.7%	6.9%	7.7%	7.9%	6.8%	4.5%	3.5%
Santa Fe County	5.3%	5.5%	6.0%	6.5%	6.0%	3.8%	2.8%

The most recent unemployment rate for the City of Santa Fe was 5.1% for December 2013 up 0.3% from the previous month; down from 5.2% in December 2012. Although these rates are high, they are lower than the state average. In addition, they are currently lower than the national average; however, the national average is moving lower at a quicker pace than the local and state unemployment rates. The economic outlook for Santa Fe and the surrounding suburban area is tepid at this time. The impact on the residential and commercial real estate market continues to be seen in decreasing property values, specifically in the residential arena. The residential market showed significant softening, beginning in 2006/2007, with a subsequent softening of the commercial market. The last year, however, the residential market has been stabilizing due to increases in activity and better balance of supply/demand, and there are even examples of slight upturns in values in some areas.

Location Description-Neighborhood

The subject lies in the southern quadrant of the city just west of St. Francis Drive, the primary north/south transportation corridor in Santa Fe, between Rodeo and Zia Roads.

NEIGHBORHOOD BOUNDARY

The subject's neighborhood is the largest residential tract home area in the city ranging north from I-25 to St. Michael's Drive and west from St. Francis Drive to Cerrillos Road
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St. Francis Drive is the major north/south arterial in Santa Fe, including the middle of three access ramps into Santa Fe off Interstate Highway 25. Rodeo Road and Zia Road, which spurs off Rodeo in the center of this neighborhood, form the primary east/west arterial roads in southern Santa Fe. The Railrunner commuter train also traverses the neighborhood just west of St. Francis Drive, with the future Zia Station stop lying at the corner of Zia Road and St. Francis Drive, within three blocks of the subject property. Most commercial uses in the neighborhood range along the arterials at its perimeter and along Rodeo Road. A small neighborhood shopping center is located in the middle of the neighborhood and the largest shopping mall in the city (Santa Fe Place), a Sam's Club and another larger strip center lie at the far western end of the neighborhood off Rodeo Road. A small industrial island remains at the extreme eastern end of the neighborhood, off Rodeo Road and Galisteo/Sawmill, directly across

the street east of the subject, and an office park lies just south of Rodeo Road, directly south of the industrial area. Genoveva Chavez Recreation Complex also lies toward the western end of the neighborhood. The remainder of the neighborhood is primarily residential in nature, including mostly single family homes, but including scattered multi-family nodes throughout the neighborhood. The largest high school in the city, Santa Fe High, lies in the middle of the neighborhood, and four public elementary schools, Chaparral, Kearny, Nava and Piñon are situated throughout the neighborhood. The residential land use within these neighborhood boundaries ranges from R1 (1 dwelling unit per acre) to R21 (21 dwellings per acre allowed).

The essentially triangular shaped subject site fronts on Galisteo Street. It is located approximately 975 feet north of the intersection of Galisteo Road with Rodeo Road and 1,925 south of its intersection with Zia Road. The property is bounded by single family detached and attached townhomes to the north, small income properties (2-6 plexes) to the south and west (some of which have been converted to condominiums), and industrial zoned property and the Railrunner tracks across Galisteo Road to the east. East of the railroad tracks lie two beer distributors and an older mom and pop industrial property, which is currently being partially demolished, and Sawmill Road (which is visible from the subject site) currently includes two gas station/convenience stores, a Century Link telephone substation and two fast-food outlets. The subject is the current site of the county maintenance yard. As vacant, it comprises one of the only remaining vacant parcels in the neighborhood. A proposed mixed use (commercial/residential) project lies at the corner of Zia Road and St. Francis/Galisteo, surrounding the Railrunner stop, however at this point the future implementation of that project is not finalized or city approved. A neighborhood center with an Albertsons grocery lies off Zia Road, just east of St. Francis Drive. Chaparral Elementary School lies about .35 mile northwest and Santa Fe High School lies just under .6 miles northwest, in direct lines from the subject.

Residential development in the neighborhood ranges from modest 50+-year old tract built homes at the northwest portion of the neighborhood to new semi-custom homes in Tuscany Subdivision at the extreme southern end. The Candlelight built townhomes to the north of the subject range from about 30 to 35 years old and from

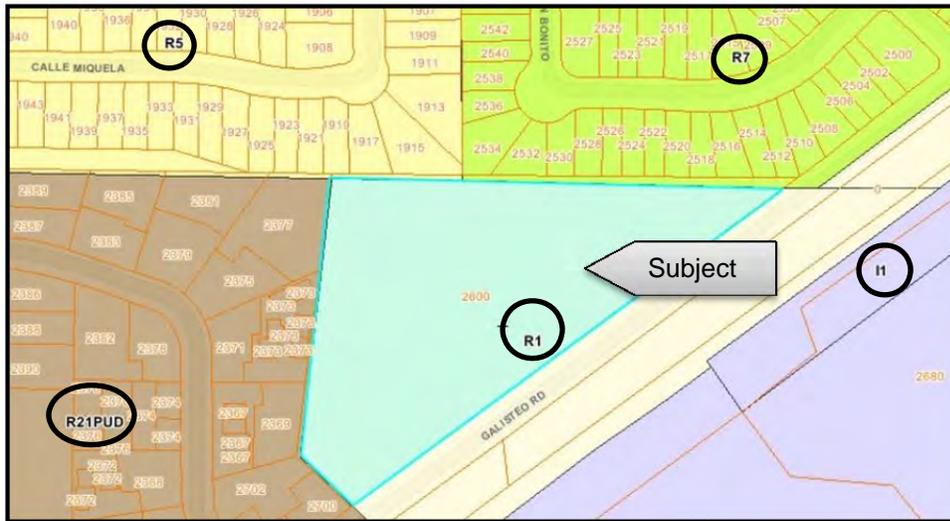
about \$125,000 to \$300,000 in price, and the condominiums (converted from apartments) to the south and west are similar in age and range in price from about \$75,000 to \$175,000. Rents in the apartments to the west and south typically range from about \$500 to \$1,000 per month, depending on size, utility and condition.

Conclusion: the defined neighborhood encompasses an active residential area in Santa Fe. This is a very viable area economically, and the outlook for the future is good.

Legal Use Of The Property

The subject is zoned R1 - Residential District. At the request of the client, the subject is valued based on an assumed zoning. The subject is bounded by R5, R7, and R21 zoning. Within these zoning classifications, the Santa Fe Land Use Code includes R5, R6, R7, R8, R9, R10, R12, and R21. R10 zoning is selected as the mid-point and is used in the appraisal.

ZONING MAP



The existing and assumed zoning districts per the Santa Fe Land Use Code.

Existing District: R1 - Residential District		
The purpose of the R1 residential district is to be residential areas with low population densities		
Assumed District: R10 - Residential District		
The purpose of the R10 district is to make available a variety of dwelling unit types to serve a wide range of household needs at medium- and high-density levels.		
ZONING DETAIL		
District	R1 - Residential District Existing	R10, Residential District Proposed
Max. Gross Density (dwelling units per acre) <small>Note 2</small>	R1=1	R10=10
Minimum Lot Size <small>Note 2, Note 3</small>	Area: Single-family dwellings: 4,000 sq. ft. minimum; 2,000 sq. ft. if common open space is provided (Note 3) Multiple-family dwellings: 4,000 sq. ft. per dwelling unit	Area: Single-family: 3000 sq. ft. (may be reduced to 2000 sq. ft. if common open space is provided) Note 3 Multiple-family: As required to comply with gross density factor.
Maximum Height of Structures <small>Notes 6,8</small>	Residential structures: 24; Nonresidential structures: 35 (See Note 6 for required height stepback from side and rear property lines)	R10: 24, (See Note 6 for required height stepback from side and rear property lines)

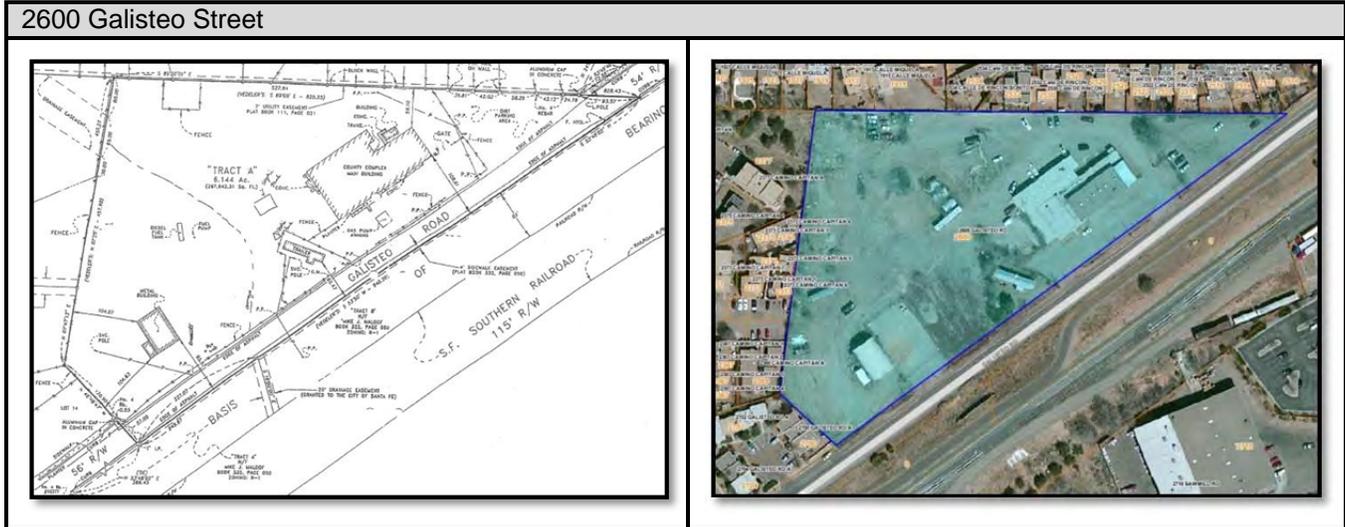
Minimum Yard Requirements (feet) Notes 5, 6, 7	Street: 7 (20 for garage or carport; Note 4) Side: 5 or 10 (See Note 6 for required height stepback from side and rear property lines) Rear 15, or 20% of the average depth dimension of lot, whichever is less	Same as for R7 through R9 districts. (See Note 6 for required height stepback from side and rear property lines)
Maximum Lot Coverage (%) Note 10	40; may increase to 50 if private open space is provided (See §14-7.5(C)(1): Increase in maximum lot coverage if private open space is provided.)	Multiple-family of 6 or more units: 40 single-family, two-family, or multiple-family of less than 6 units: 40; 70 if private open space is provided. (See §14-7.5(C)(1): Increase in maximum lot coverage if private open space is provided.)
Minimum Required Qualifying Open Space (square feet) Note 9,	Detached single family dwellings: None except as provided for lot size averaging per Note 3 Multiple-family dwellings: common open space = 50% total gross floor area of all buildings, plus private open space = 25% of gross floor area of each unit	Detached single-family dwellings or multiple-family dwellings: 250 square feet of common and/ or private open space per unit
<p>NOTES:</p> <ol style="list-style-type: none"> Provisions of overlay districts, including historic, escarpment or neighborhood districts may override standards in this table. Refer to Article 14-5 (Overlay Zoning Districts) and zoning map. See Section 14-7.2(B) (Calculation of Allowable Dwelling Units), number of <i>lots</i> created and number of <i>dwelling units</i> constructed cannot exceed allowed density. See also Section 14-7.2(C) (Lot Size Averaging in Single-Family Subdivisions). See Section 14-7.1(F)(4) (Street Setback for Garage or Carport): A <i>garage</i> or carport with a vehicle entrance facing the <i>street</i> must be set back 20 feet from the <i>street property</i> line as shown in Illustration 14-7.1-3. <i>Side and rear required yards</i> may be reduced with the concurrence of adjoining <i>property owners</i> as shown on a recorded agreement, <i>plat</i> or other recorded declaration signed by the adjoining <i>property owners</i> in a form approved by the <i>land use director</i>, and in compliance with the Building Code as set forth in Article 7-1 SFCC 1987 (Building Codes; General Provisions). Within ten (10) feet of a side or rear <i>property</i> line, no point on a <i>structure</i> shall be higher than fourteen (14) feet above the finished grade at the closest point on the perimeter of the <i>structure</i>. Within fifteen (15) feet of a side or rear <i>property</i> line, no point on a <i>structure</i> shall be higher than twenty-four (24) feet above the finished grade at the closest point on the perimeter of the <i>structure</i>. (Ord. No. 2013-16 § 40) See also Section 14-8.4(J)(3) (Buffer for Nonresidential Development Abutting Residential). See also Section 14-7.1(B) for calculation of maximum height limits. See Section 14-7.5 for <i>qualifying open space</i> regulations. See Section 14-7.5 (D) for amount of <i>open space</i> required for <i>non-residential</i> uses. <p>Source: Santa Fe Land Use Code (Ord. No. 2013-16 §§ 37–40)</p>		

Property Description

Site

The subject site consists of a single tract. It is identified in the following excerpt from the plat and aerial from the Santa Fe GIS Interactive Mapping System.

SITE



The site details are found in the following table.

SITE DETAILS	
Size	Gross: 6.144 acres or 267,642 square feet (per provided plat) Usable/Net: 5.116 acres or 222,844 square feet (per City GIS-Galisteo Street deducted from gross)
Site dimension	See entire plat in addenda
Shape	Irregular triangle
Frontage	Galisteo Street to the southeast
Access	Galisteo Street – 2-lane asphalt street, no curbs, gutters or sidewalks
Easements/ Encroachments	7' utility easement along north boundary/ Galisteo St encroaches along the entire front of the property, resulting in a loss of 44,798 square feet, or 1.028 acres of usable area/per city GIS.
Existing Zoning	Existing: R1 - Residential District Assumed R10 - Residential District
Flood	Flood zone X: Site is not located in a flood hazard zone. Flood Insurance Rate Map 35049C0414E dated December 4, 2012
Utilities	Standard/city
Soil	A soil survey was not provided, and it is not known if one has been prepared. Construction on neighboring properties and on the subject appears to be stable. For the purpose of the appraisal, it is assumed that soils are adequate to support construction. However, no warranties are made or implied by the appraiser. Furthermore, it is assumed no environmental contamination exists on the site, which has had underground tanks on the parcel in the past.
Comments	No external obsolescence was noted. The site is assumed to be vacant.

Improvements

The subject property includes a block warehouse building and various other structures, which at the client's request is not included in this appraisal.

SUBJECT PHOTOGRAPHS



HIGHEST AND BEST USE

Highest and Best is defined as:

The reasonably probable and legal use of vacant land or 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.⁷

When studying the highest and best use of a site, the following items should be analyzed:

Highest and Best Use Criteria

- A) Is the use physically possible?
- B) Is the use legally permissible?
- C) Is the use financially feasible?
- D) Is the use maximally productive?

In addition to the four tests, appropriate use is included. It is not a specific test for Highest and Best Use, but a test that is a function of the four tests. The highest and best use of a property is typically determined both as if vacant and as improved. At the request of the client, the subject is appraised as vacant. In addition, an assumed zoning of R10 (10 dwelling units per acre) is selected as a mid-point representing the existing zoning classifications surrounding the subject (R5 to R21). Therefore, only the Highest and Best Use as Vacant subject to the proposed zoning is developed.

Highest and Best Use As Vacant

LEGALLY PERMISSIBLE: Assumed zoning R10 - Residential District. This zoning allows for residential development: 10 dwelling units per acre. The dwelling units can range from single family lots within a residential subdivision to units within a development. This zoning is assumed, but is considered reasonable based on the subject's location. A change in zoning to increase or decrease density is possible due to zoning in the area.

PHYSICALLY POSSIBLE: Physically the subject is large enough for a moderate residential development. Access appears adequate for a residential development. Based on the net size of the subject and the assumed zoning, the subject would allow for 51 dwelling units: 5.116 acres(gross) x 10 dwelling units per acre. The development

⁷ Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed., (Chicago: Appraisal Institute, 2010), p. 93

may consist of single family homes or a multi-family development.

APPROPRIATE: Appropriate use is not a specific test for Highest and Best Use, but a test that is a function of the four tests. The subject is located on Galisteo Street and is bounded by residential development on the south, west and north. To the east is the railroad/rail trail; to the northeast is a proposed mixed use development; and, to the southeast is a small pocket of light industrial uses as well as commercial office use. Galisteo Street relative to the subject connects Zia Road on the north to Rodeo Road on the south. St. Francis Drive is east of Galisteo and is a commercial corridor in Santa Fe. Based on its size, location, and legal use, residential development is most appropriate.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE: This aspect of highest and best use considers which use will provide the greatest economic return to the land. Paramount in this consideration is the concept of supply and demand. Greatest economic return will result from a land use where there is a strong demand and a limited supply. Previous considerations of the aspects of highest and best use have led to the conclusion that residential use is most appropriate, legal and physically possible. Therefore, the discussion of what is financially feasible was limited to this land use. The subject is appraised as vacant. It is not entitled, but is appraised per an assumed zoning: R10 10 dwelling units per acre. Development of the site is not supported by the return of the sales of residential lots and/or development as development costs have remained level and/or increased and demand has declined.

Conclusion: Based on the foregoing discussion, the highest and best use of the subject property is identified as future residential development, as a residential subdivision or a multi-family development, when financially feasible.

Highest and Best Use As Improved

The subject is being appraised 'as vacant'. The improvements are not considered in the appraisal.

VALUATION

The valuation process is the procedure by which an estimate of value is determined for the subject. The process is addressed in the scope of work section on page 8 of the appraisal report.

For the valuation, two methodologies are developed. Both methodologies utilize the sales comparison approach, which is the most appropriate and direct method of valuation of vacant land.

Definition: Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁸

SALES COMPARISON APPROACH – METHODOLOGY 1

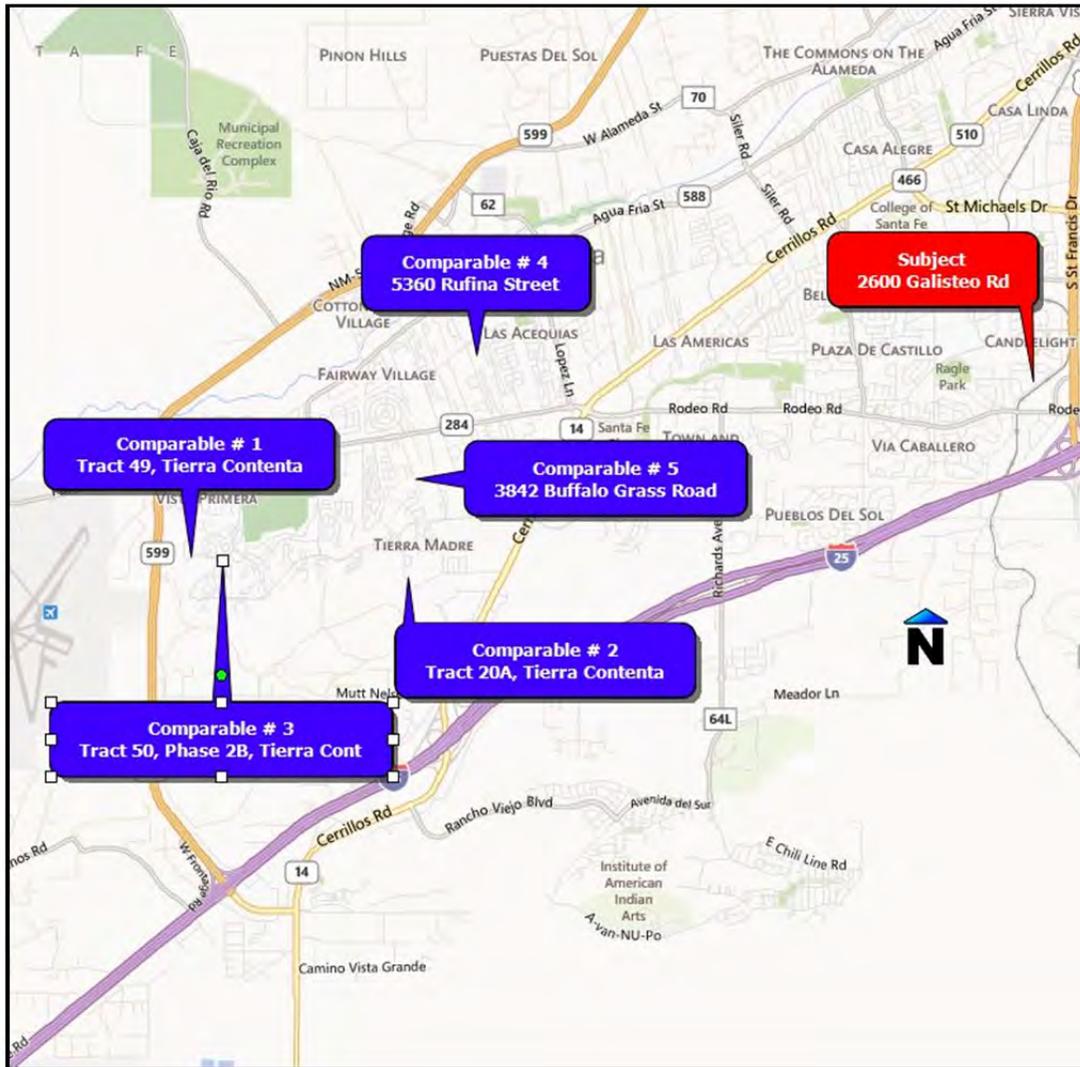
While there are seldom exact duplicate properties available to a buyer, the prices paid for similar properties are indicative of value. In this approach to value a common denominator is used in comparing sales to the subject. In this case the price per dwelling unit was used. The subject's neighborhood is primarily built out. In addition, the current economic downturn which began in 2007/2008 resulted in a significant decline in the sale of developable land. Based on the limited data, the search was extended to include 2008 and outward to competing neighborhoods in Santa Fe. In addition to the sales, one current listing was included. The sales/listing are summarized in the following chart.

LAND SALES CHART

No	Location	Date of sale	Sales price	Size in acres	Price per acre	Zoning/ lots	Price per lot	Average lot size
1	Tract 49, Tierra Contenta	08/2008	\$708,000	7.30	\$96,986	PRC 68 units	\$10,412	4,676 sf
2	Tract 20A, Tierra Contenta	10/2008	\$600,000	6.27	\$95,694	PRC 60 Units	\$10,000	4,555 sf
3	Tract 50, Phase 2B Tierra Contenta	04/2011	\$175,000	3.84	\$45,573	PRC 27 Units	\$6,481	6,202 sf
4	5360 Rufina Street	11/2012	\$430,000	8.08	\$53,218	R7 49 Units	\$8,776	7,183 sf
5	3842 Buffalo Grass Road (MLS # 906430)	Listing	\$233,000	6.81	\$34,214	R5/AC 34 Units	\$6,853	8,725 sf

⁸ Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed., (Chicago: Appraisal Institute, 2010), p. 175

LAND SALES MAP



Analysis and conclusions

The comparables represent the most recent sales of vacant land parcels with similar utility and general location/locational attributes to the subject. All of the comparable sales were purchased for residential development. None had any entitlements at the time of sale.

Several elements of comparison can affect the value of vacant land. The elements of comparison and their resulting adjustments fall into two categories: transactional adjustments and property adjustments.

CHART OF ADJUSTMENTS

Category	Adjustment
Transactional	Real property rights conveyed Financing terms Conditions of sale Expenditures made immediately after purchase Market conditions
Property	Physical characteristics Location Economic characteristics Use/zoning Non-realty components value

These elements are analyzed to determine if an adjustment is required. They are discussed below and the findings summarized and reconciled on a comparison grid at the end of the land valuation section. Only those items requiring adjustment are discussed. The transactional adjustments are applied in sequence. The property adjustments do not need to be applied in a specific sequence.

TRANSACTIONAL ADJUSTMENTS

Real property rights conveyed: All of the sales and listing are fee simple.

Financing terms: The financing terms were cash to the seller/cash equivalent for all the comparables. No adjustment was made to any of the comparables for terms of sale.

Condition of sale: Comparable 3 was a bank owned property. Analysis of this comparable did not produce a condition of sale adjustment; however, it is at the bottom of the range. No adjustment for the condition of sale was used, but this sale was discussed in the reconciliation.

Expenditures after sale: No adjustments for expenditures after sale were needed.

Market conditions: The sales span a time period of 66 months from the first sale to the date of valuation March 3, 2014. It is reasonable to expect that values have changed over that time period. The most accurate measure of change in value is the comparison of a sale and resale of the same property. The comparisons are found in the following table. The first table shows the comparisons of sale/resales of the same lot. The second table compares the sales of similar lots in the same subdivisions.

MARKET CONDITIONS ADJUSTMENT: SALE/REALE – SAME LOT

Comparison	Adjustment
1	11 Calle Altura sold 08/2007 for \$180,000, resold 02/2012 for \$60,000 Adjustment: -1.2% per month
2	2955 Tesuque Overlook sold 12/2008 for \$350,000, resold 03/2011 for \$235,000 Adjustment: -1.2% per month
3	124 Cantera Circle sold 10/2008 for \$225,000; resold 03/2012 for \$155,000 Adjustment: -0.8% per month
4	3325 Monte Sereno (Lot 72) sold 08/2008 for \$430,000; resold (short sale) 07/2012 for \$230,000 Adjustment: -1.0% per month
5	Lot 750 Windmill Ridge, Unit 4 sold 10/2006 for \$195,000; resold 10/2012 for \$105,500 Adjustment: -0.6% per month
6	Lot 460, Nava Ade sold 12/2007 for \$65,000, resold 11/2012 (short sale) for \$33,000 Adjustment: -0.8% per month

These comparisons produced market conditions adjustments of -0.8% per month to -1.2% per month. Most of these comparisons represent the middle to high end lots in the market.

MARKET CONDITIONS ANALYSIS: SIMILAR LOTS IN THE SAME SUBDIVISIONS

Market Conditions			
Comparison 1	105 Calle Lemita, Aldea	32 Calle Lemita, Aldea	Difference
Price	\$132,050	\$80,000	-39.4%
Sales Date	July 2007	January 2009	18
Time of sale adj.			-2.2% per month
Comparison 2	425 Brunn School Rd, Vallecito	Lot 8 Brunn School Rd, Vallecito	Difference
Price	\$200,000	\$109,500	-45.3%
Sales Date	January 2008	September 2008	8
Time of sale adj.			-5.7% per month
Comparison 3	Lot 165, Oshara	Lot 144, Oshara	Difference
Price	\$144,000	\$105,000	-27.1%
Sales Date	January 2007	February 2009	25
Time of sale adj.			-1.1% per month
Comparison 4	1 New Village Ave, Oshara	1 New Village Ave, Oshara	Difference
Price	\$367,000	\$235,000	-36.0%
Sales Date	May 2008	February 2010	21
Time of sale adj.			-1.7% per month
Comparison 5	Lot 4, Cristobal Ln	Lot 1, Cristobal Ln	Difference
Price	\$449,000	\$295,000	-34.3%
Sales Date	November 2007	June 2009	19
Time of sale adj.			-1.8% per month
Comparison 6	Lot 12, Cristobal Ln	Lot 2, Cristobal Ln	Difference
Price	\$449,000	\$295,000	-34.3%
Sales Date	April 2008	June 2009	14
Time of sale adj.			-2.4% per month

Comparison 7	Lot 12, Cristobal Ln	Lot 13, Cristobal Ln	Difference
Price	\$449,000	\$260,000	-42.1%
Sales Date	April 2008	April 2010	24
Time of sale adj.			-1.8% per month
Comparison 8	Lot 160, Tesuque Overlook Monte Sereno S/D	Lot 160, Tesuque Overlook Monte Sereno S/D	Difference
Price	\$350,000	\$235,000	-32.9%
Sales Date	December 2008	March 2011	27
Time of sale adj.			-1.2% per month

These comparisons are not of the same lot, but of lots that share similar physical and locational attributes and differ primarily in date of sale. The comparisons reflect the direction and movement of the market. In the first comparison, the second sale in Aldea represents the desire by the seller to divest themselves of one of the last few lots in Aldea. In the second comparison, an agent involved in the sales in Vallecito stated that the first sale in January 2008 was considered high. In addition, the second sale represents the price decrease necessary to quickly sale the lots in Vallecito based on the developers desire to exit this particular market. The comparison of the lot sales in Oshara Village and Cristobal Lane/Monte Sereno shows the discount necessary to sale these respective lots in the current market. These two subdivisions represent the moderate and the high end of available lots. In addition, the market has begun showing some recovery. However, the largest depreciation rates occurred at the bottom of the economic downturn. Based on the subject's location and the current market, a downward market conditions adjustment of 0.8% per month was applied to the comparable sales.

Sale/List: In addition, Comparable 5 is a listing and a market conditions adjustment is therefore not warranted; however, properties rarely sale for their listing price. An adjustment for listing price to sale price of 8% based on sales of residential lots is applied to this comparable.

PROPERTY ADJUSTMENTS

Physical characteristics: Physically, the comparables are all developable parcels located in Santa Fe and share similar attributes. The only physical variable is the sizes of the lots associated with the comparables. Normally, as the size of a lot increases the price per square foot will decrease. The subject is developable land and an adjustment

based on a price per square foot of a developed lot exaggerates the difference. The only subdivision with adequate data to do a full size study is Oshara Village.

Examination of the many lot sales in Oshara Village did reveal a trend in value as a function of size. Several comparisons were made of lot sales in Oshara. The data and calculations are summarized in the following chart. The analysis is based on the percentage change in value per one percent change in size.

SIZE COMPARISON CHART

Lot number	Sales Price	Size	Extracted size adjustment (change in value)
90	\$83,000	3,112 sf	0.21% per 1% change in size
50	\$96,000	8,906 sf	
90	\$83,000	3,112 sf	0.14% per 1% change in size
33	\$89,000	5,828 sf	
88	\$83,000	3,189 sf	0.13% per 1% change in size
120	\$88,000	5,725 sf	
34	\$88,000	4,592 sf	0.18% per 1% change in size
50	\$96,000	8,706 sf	

Based on this discussion and the subject's location, an adjustment of 0.15% per 1% change in size is applied to the comparables. The adjustment is applied to the average size of a subject lot based on a density of 10 dwelling units per acre: 4,356 per DU (43,560 sf/10 DUs) – assumes maximum density.

Location: Location of the subject and the comparables is also examined. All of the sales are located in the southwest quadrant of Santa Fe, three within Tierra Contenta. Comparable 4 is located on Rufina Street, in an area of fairly high density housing. Comparable 5 (listing) is located at the end of Buffalo Grass Road, off Airport Road. The subject is located in the southeast/central area of Santa Fe. The comparables did not produce the basis for a location comparison. Comparison of the average and median home prices from the two areas produced an upward adjustment of 11.5%.

LOCATION ANALYSIS

Area	Median home price	Adjustment
Southwest Quadrant	\$185,250	+11.5%
Subject's neighborhood	\$206,500	

Based on this, a rounded location adjustment of 12% is applied to the comparables.

The adjustments are summarized in the following chart. Only those items requiring adjustments are shown.

LAND ADJUSTMENT CHART

No.	Price per DU	Market condition/ adjustment	Size/ adjustment	Location/ adjustment	Adjusted price per unit
1	\$10,412	08/2008 ----- -\$5,498	4,676 sf ----- -\$54	Inferior ----- \$583	\$5,443
2	\$10,000	10/2008 ----- -\$5,120	4,555 sf ----- -\$33	Inferior ----- \$582	\$5,429
3	\$6,481	04/2011 ----- -\$1,763	6,202 sf ----- -\$300	Inferior ----- \$530	\$4,948
4	\$8,776	11/2012 ----- -\$1,053	7,183 sf ----- -\$752	Inferior ----- \$837	\$7,808
5	\$6,853	Listing -8% ----- -\$548	8,725 sf ----- -\$1,031	Inferior ----- \$633	\$5,907

Reconciliation

The comparables produced a range of \$4,948 per lot to \$7,808 per lot with an average of \$5,907 per lot. Comparables 1-3 are located within Tierra Contenta. However, Comparable 3 was the sale of a bank owned property. Comparable 4 is located north of the Tierra Contenta. Comparable 5 is a listing and does not represent a closed sale; although, it represents the direction of the market and did receive adjustments for listing-to-sale and size. Comparable 4 produced the highest price per lot and is the most recent sale. Based on this discussion, Comparable 4 is weighted and the average value of a subject dwelling unit (DU) of \$7,800 is estimated.

LAND VALUE PER THE SALES COMPARISON APPROACH

# of Development Units x estimated price per unit (lot) =	Value
51 DUs (estimated) x \$7,800 per unit =	\$397,800
Rounded:	\$400,000

SALES COMPARISON APPROACH – METHODOLOGY 2

The subject is appraised as vacant land. The highest and best use of the property is identified as residential development. The subject does not have any entitlements other than its assumed zoning which stipulate the number of dwelling units per acre. Due to the downturn in the economy and resulting decline in demand for residential dwelling units/lots at this time there is no incentive to entitle the property.

Note: once the dwelling units/lots are recorded, they will be reassessed and subject to additional property taxes. Therefore, the developer will likely hold off on entitlement and recordation until development is imminent.

The subject is compared to tracts of land that were entitled for residential development. The market for developable land has declined significantly during the economic downturn. Therefore, it was necessary to go back several years to find comparables. The subject is limited to the underlying assumed zoning. Four of the comparables had master plan approval at the time of sale and five of the comparables had final plat approval at the time of sale. The subject's location and a zoning is most similar to the comparables with master plan approval. However, the differences in these entitlements are reconciled in the analysis. Due to the differences inherent in the comparable subdivisions and the subject, refinement of the data was needed. In this case a ratio was established between the actual price per unit (entitled lot) that was paid and the estimated retail value of the developed lots within the subdivision. This allowed use of subdivision sales that would not normally be considered comparable to the subject. The ratio expresses the return a prudent investor expects on his initial investment. This particular approach incorporates consideration of the initial outlay of money and eventual return on that investment. The impact of the current downturn and current market for lots is reflected in the subject's estimated current retail lot value. Nine closed sales were selected. They are summarized in the following chart and described individually on the pages following. Plats of each of the comparable sales may be found in the addenda to the report.

SUBDIVISION LAND SALES

No.	Identification	Date of sale	Sales price	Number of units	Price per unit	Retail price per unit	Ratio
1	Jaguar Village	09/03	\$800,000	43	\$18,605	\$50,000	37%
2	Ridge Point	11/03	\$1,202,496	39	\$30,833	\$125,000	25%
3	The Hills at Las Estrellas, Phase 1	12/03	\$645,740	18	\$35,874	\$140,000	26%
4	The Villas at Ridge Point	05/05	\$1,165,000	35	\$33,286	\$132,429	25%
5	The Hills at Las Estrellas, Phase 2	09/05 est.	\$1,000,000	17	\$58,824	\$184,500	32%
6	Vistas Bonitas Subd.	10/06	\$1,820,000	78	\$23,333	\$82,000	29%
7	Casas de Cipriano	07/07	\$1,000,000	16	\$62,500	\$134,500	46%
8	Emmanuel Place	07/08	\$1,750,000	6	\$291,667	\$555,000	53%
9	Casas Bonitas	11/12	\$430,000	49	\$8,776	\$45,000	20%

SUBDIVISION LAND SALE MAP



SUBDIVISION LAND SALE – SUMMARY DETAIL

Comparable 1	Location	South end of Lucia Lane near Jaguar Drive
	Subdivision Name	Jaguar Village
	Grantor	Montoya Irrevocable Great Grandchildren Trust.
	Grantee	BT Homes, Inc.
	Date of Sale	September 2003
	Price/Entitlement	\$800,000/ Plat approval
	Size	7.45 acres
	Price Per Acre	\$107,383
	Number of Lots	43
	Price per Lot	\$18,605
	Estimated average retail price per lot	\$50,000
	Terms	Cash to the seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	37%
Comments: This subdivision is located in the southwest quadrant of the City near Tierra Contenta. Homes constructed. The buyer purchased it to develop a subdivision intended primarily for public school teachers.		
Comparable 2	Location	East side of North Ridgetop Road
	Subdivision Name	Ridge Pointe
	Grantor	Santa Fe Estates, Inc.
	Grantee	BT Homes, Inc.
	Date of Sale	November 2003
	Price/Entitlement	\$1,202,496/Master Plan approval
	Size	20.641 acres
	Price Per Acre	\$58,258
	Number of Lots	39
	Price per Lot	\$30,833
	Estimated average retail price per lot	\$125,000
	Terms	Cash to the seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	25%
Comments: This subdivision is located in Las Estrellas. The land was master planned at the time of purchase but had no plat approvals.		
Comparable 3	Location	Via Bosque
	Subdivision Name	The Hills at Las Estrellas Phase I
	Grantor	Santa Fe Estates, Inc.
	Grantee	Chapman Company
	Date of Sale	December 2003
	Price/Entitlement	\$645,740/Master Plan approval
	Size	14.254 acres
	Price Per Acre	\$45,302
	Number of Lots	18
	Price per Lot	\$35,874
	Estimated average retail price per lot	\$140,000
	Terms	Cash to seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	26%
Comments: This property is located in Las Estrellas which was formerly known as Santa Fe Estates. The developer built some of the homes, but also sold some of the lots.		

Comparable 4	Location	Via Bosque
	Subdivision Name	The Villas at Ridge Pointe
	Grantor	Santa Fe Estates, Inc.
	Grantee	BT Homes, Inc.
	Date of Sale	May 2005
	Price/Entitlement	\$1,165,000/Master Plan approval
	Size	9.870 acres
	Price Per Acre	\$118,034
	Number of Lots	35
	Price per Lot	\$33,286
	Estimated average retail price per lot	\$132,429
	Terms	Cash to seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	25%
Comments: Houses in this subdivision are currently under construction. The developer sold no lots and is building out all of the homes.		
Comparable 5	Location	Via Bosque
	Subdivision Name	The Hills at Las Estrellas, Phase 2
	Grantor	Santa Fe Estates, Inc.
	Grantee	Chapman Company
	Date of Sale	September 2005
	Price/Entitlement	\$1,000,000/Master Plan approval
	Size	20.611 acres
	Price Per Acre	\$48,518
	Number of Lots	17
	Price per Lot	\$58,824
	Estimated average retail price per lot	\$184,500
	Terms	Cash to seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	32%
Comments: Homes in this comparable are currently under construction. The property is located in Las Estrellas. The developer may build some of the homes, but will also sell lots.		
Comparable 6	Name of subdivision	Vistas Bonitas
	Location	Both sides of Calle Nueva Vista
	Grantor	Vista Hermosa Investments, LLC
	Grantee	Dennis Branch
	Date of sale	October 2006
	Price/Entitlement	\$1,820,000/Plat approval
	Size	11.784 acres
	Price per acre	\$154,447
	Number of lots	78 lots
	Price per lot	\$23,333
	Average lot size	4,806 square feet
	Estimated average retail price per lot	\$82,000
	Terms	Cash and trade to seller
	Utilities	All city utilities
Ratio (Price per lot/Avg. retail price per lot)	29%	
Comments: Sellers of this property had acquired it previously in October 2004 through assemblage of two contiguous tracts of raw land. They acquired annexation and plat approval before this sale. Part of the purchase price was paid in a trade for other real estate. The details are unknown.		

Comparable 7	Name of subdivision	Casas de Cipriano
	Location	1837 Paseo de la Conquistadora
	Grantor	Dennis Branch
	Grantee	Lawrence Boyd
	Date of sale	July 2007
	Price/Entitlement	\$1,000,000
	Size	2.928 acres
	Price per acre	\$341,530/Plat approval
	Number of lots	16 lots
	Price per lot	\$62,500
	Average lot size	6,000 square feet
	Estimated average retail price per lot	\$134,500
	Terms	Conventional loan, cash to seller
	Utilities	All city utilities
	Ratio (Price per lot/Avg. retail price per lot)	46%
Comments: Purchased as vacant land by Dennis Branch from Charles Leroy Vigil for \$450,000 September 2004. Subsequent to purchase, the buyer acquired final plat approval for a 16 lot subdivision. Buyer, Boyd, originally intended to construct the infrastructure and construct homes. Value enhanced: one affordable home required - sales price of \$154,176 home. One affordable - constitutes 6% of total 16 lots whereas subdivisions requirement: 30% of the units as affordable.		
Comparable 8	Subdivision Name	Emmanuel Place
	Location	621 Garcia St.
	Grantor	Emmanuel Ramirez
	Grantee	Stephen Kalnowski
	Date of Sale	July 2008
	Price/Entitlement	\$1,750,000/Plat approval
	Size	1.388 acres
	Price Per Acre	\$1,260,807
	Number of Lots	6
	Price per Lot	\$291,667
	Average lot size	~8,500 square feet
	Estimated average retail price per lot	\$555,000
	Terms	Cash to seller
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	53%
Comments: Small subdivision - high end lots in very good location. Construction costs ~ low.		
Comparable 9	Subdivision Name	Casas Bonitas
	Location	5360 S. Rufina St.
	Grantor	Walton Chapman Builders Company
	Grantee	Peter and Rose Chylek
	Date of Sale	November 2012
	Price/Entitlement	\$430,000/Plat approval
	Size	8.020 acres
	Price Per Acre	\$53,616
	Number of Lots	49 approved lots: 34 market/15 affordable
	Price per Lot	\$8,776
	Estimated average retail price per lot	\$45,000
	Terms	Cash/cash equivalent
	Utilities	All public
	Ratio (Price per lot/Avg. retail price per lot)	20%
	Comments: Property previously purchased for \$425,000 in October 2006 by Walton Chapman Builders Company. Developer purchased to hold for appreciation in market/future sale of lots.	

Analysis and conclusions

The estimated average lot prices that were given for each comparable were developed from information supplied by the developers. The ratio of the retail value of the lots to the purchase price of the undeveloped lots for each of the comparables is listed below. In addition, the level of entitlement for each comparable is included in the chart.

COMPARABLE SALE - RATIO

No.	Ratio	Entitlement
Subject		Zoning
1	37%	Plat approval
2	25%	Master Plan approval
3	26%	Master Plan approval
4	25%	Master Plan approval
5	32%	Master Plan approval
6	29%	Plat approval
7	46%	Plat approval
8	53%	Plat approval
9	20%	Plat approval

The range of the ratios cited above is from 20% to 53%. This is a wide range and dependent on several factors, including status of entitlements, cost of construction, number of lots, retail sales price of the lots and affordable housing requirement.

Comparables 2 through 5 had master plan approval, but no plat approval at the time of sale. Comparison of the average ratio for the properties with master plan approval and the average ratio for the properties with plat approval produced a downward adjustment of 27% for plat approval to master plan approval. In addition, a study was done comparing several sales of tracts in Tierra Contenta which had master plan approval at the time of sale with Comparable 1, which is located very close to Tierra Contenta and also had plat approval at the time of sale. The two most similar comparisons produced upward adjustments of 65% and 76%. However, these comparisons preceded the current economic downturn. The ratios after adjustment are in the following chart.

ADJUSTMENT CHART – ENTITLEMENT

Comparable	Entitlement	Adjustment	Adjusted Ratio
Subject	Master Plan approval		
1	Plat approval	-27%	27%
2	Master Plan approval	-0-	25%
3	Master Plan approval	-0-	26%
4	Master Plan approval	-0-	25%
5	Master Plan approval	-0-	32%
6	Plat approval	-27%	21%
7	Plat approval	-27%	34%
8	Plat approval	-27%	39%
9	Plat approval	-27%	15%

The comparables produced a range of adjusted ratios of 15% to 39% with an average of 27%. Comparable 9 is the most recent sale and the only sale that occurred subsequent to the economic downturn. Comparables 2 - 5 and 8 are in a superior location where lots sell for higher prices than Comparables 1, 6, 7 and 9. The subject is in a location most similar to Comparable 6 based on retail lot price. Comparable 9 is closest to the subject in number of lots. This comparable produced a ratio at the bottom of the range. Comparable 8 is smallest in size and had the highest retail price per unit. This comparable produced a ratio at the very top of the range. Comparable 7 was enhanced by the requirement for only one affordable home in the subdivision and Comparable 8 had no affordable requirement. Another factor is the cost of development. The higher the cost to develop tends to drive the ratio down. Comparable 8 is an example of this relationship. The cost of development of this tract was relatively low and the ratio for this sale was very high. The number of lots also affects the ratio. Examination of the ratios as a function of size revealed a trend downward for the larger subdivisions. The subject's terrain is slightly sloping to the west and will likely have a moderate cost of development and is benefited by the proximity of infrastructure, specifically utilities.

This valuation methodology applies a ratio to the estimated retail value of the lot. The retail value of the lot should reflect the decline in value in the market. However, this decline in value does not reflect the relative demand for developable land which has softened significantly. The following quote is from the National Land Development Market in the PwC Real Estate Investor Survey for the 4th quarter of 2013, (formerly Korpacz).

As we head into a new year, our Survey results suggest that investors anticipate commercial real estate (CRE) fundamentals to continue to improve, opening up diverse development land opportunities across all property types.

It should be noted that the survey’s positive outlook is primarily based on: *Strong local economies are the driving force behind the development expectations for these markets, as well as rebounding single-family housing markets.*

At this point, Santa Fe’s market is beginning to show signs of leveling off.

Based on this discussion, primarily the current market for developable/developed land as well as the subject’s location, affordable requirement, and number of lots, the bottom of the range was weighted and a ratio of 15% is deemed appropriate for the subject. This ratio is based on land with entitlement – master plan approval. The subject is not entitled. Comparison of the adjusted lot price after adjustment of the comparables from the Sales Comparison Approach – Methodology 1 – to the estimated average retail lot value for these comparables produced a range of ratios from 9% to 14%. Based on the estimated ratio based on the land with entitlements and the ratio of the non-entitled land, a reconciled ratio of 12% is selected and used in the analysis.

Retail Value of the individual lots (as complete)

The retail value was developed by comparison to lot sales that display the highest degree of similarity. Data source for the sales was the Multiple Listing Service of the Santa Fe Association of Realtors. The subject’s neighborhood is virtually built out. The Multiple List Service lists only one sale of a lot in the past 10 years in the subject’s immediate neighborhood. Lacking sales of lots in the subject neighborhood, the search was expanded. According to FNMA guidelines, the lot value should not exceed 30% of the total value. In the Santa Fe home market, the lot value historically approaches 30% for homes under \$300,000. Data from the subject’s immediate neighborhood is in the following table.

SUBJECT’S NEIGHBORHOOD – ESTIMATED LOT VALUE

Subject’s Neighborhood	Sales price - Total	Estimated Lot Value per FNMA – 30% of Total
Average	\$219,631	\$65,889.30
Median	\$216,500	\$64,950.00

Based on this, the average retail lot value as complete is estimated.

AVERAGE RETAIL LOT VALUE – AS COMPLETE

Market Rate Lot
\$65,500

The ratio derived above was applied to the average lot value and the number of lots.

VALUE – SALES COMPARISON APPROACH METHODOLOGY 2

Number of lots	Avg. lot value	Total
51	\$65,500	\$3,340,500
	Ratio	12%
	Total Value 'as is'	\$400,860
	Rounded	\$400,000

RECONCILIATION AND VALUE CONCLUSION

The indications of values are as follows:

VALUE INDICATIONS	Value
Sales Comparison Approach – Method 1	\$400,000
Sales Comparison Approach – Method 2	\$400,000

The subject consists of a tract of land at 2600 Galisteo Street. The subject is appraised as if vacant and with assumed zoning (R10) and suitable for development for a residential use – single or multi-family- which is the subject’s highest and best use. The sales comparison approach was the only approach appropriate to the appraisal. There have been a limited number of sales of developable land. Therefore, two methodologies within the sales comparison approach are developed. The data appears adequate.

Based on the data presented in the report, it is my opinion that the most probable market value of the Fee Simple ownership interest (subject to the hypothetical conditions, extraordinary assumption, easements and restrictions of record) in the subject ‘as is’ as of March 3, 2014 is:

FINAL VALUE

Subject: 2600 Galisteo Street		
Market value – As proposed	Fee Simple	Four Hundred Thousand Dollars \$400,000

Hypothetical Conditions
1. The subject property is assumed to be vacant and ready for development.
2. The subject property is assumed to be zoned R10 (assumed zoning based on an approved zoning classification in the Santa Fe Land Use Code and the midpoint of the range of existing residential zoning designations in the subject’s immediate neighborhood: R5 to R21. The assumed zoning is not intended to represent the only possible zoning, merely the mid-point.)
Extraordinary Assumption
The appraisal assumes no adverse environmental issues to exist on the subject site, which at one time housed and serviced large commercial road equipment and underground gas tanks were located on the site to serve that equipment.

ADDENDA

ENGAGEMENT LETTER

HIPPAUF & ASSOCIATES, INC.
REAL ESTATE APPRAISERS AND CONSULTANTS

Peter H. Hippauf, MAI, SRA
Michael Dry, MAI
Kay L. Sutt, Associate
William S. Gee, Associate
Tim Connelly, Associate

404 Brunn School Road
Building B
Santa Fe, New Mexico 87505
(505) 988-8059
FAX: (505) 988-5743
www.hippauf.com

February 5, 2014

Santa Fe County
c/o Steve Brugger, Affordable Housing Administrator

RE:	Fee proposal to appraise: 2600 Galisteo – Santa Fe County Works site Santa Fe, New Mexico ----- Hypothetical condition: site as if vacant and proposed zoning (R10)
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Dear Mr. Brugger,

At your request, I am submitting this fee proposal to appraise the above referenced properties. Our fee to provide an appraisal in a summary report format is found in the following table.

FEE PROPOSAL

Property	2600 Galisteo – Santa Fe County Works site
Report Format	Summary
Price	\$3,029. inclusive of tax (\$2,800 plus tax)
Delivery	March 7, 2014
Interest valued:	Fee simple
Intended users:	Santa Fe County
Intended use:	Asset valuation purposes/portfolio analysis
Comments	Subject is comprised of an improved industrial property (SFC Public Works). The appraisal will be based on a hypothetical condition: site as if vacant and subject to proposed zoning. In addition, an adjustment will be developed based on possible changes in zoning that increase or decrease density.

Two hard copies as well as an electronic copy of the report will be provided to you unless otherwise noted. The delivery date is predicated on our engagement which is constituted by our receipt of a signed and dated copy of the fee proposal.

Attached to this letter are our General Assumptions and General Limiting Conditions which apply to the appraisal. The document becomes part of this contract. The appraisal will be completed in accordance with the Uniform Standards of Professional Appraisal Practice.

If this fee proposal is satisfactory, please sign below, initial the attached conditions and return them at your earliest convenience.

Yours truly,

Steve R Brugger 2/5/14

Michael Dry
Michael Dry, MAI

Approval Signature

Date



**PURCHASE
ORDER**

**SANTA FE COUNTY
SANTA FE, NEW MEXICO**

IMPORTANT
THIS PURCHASE ORDER NUMBER
MUST APPEAR ON ALL INVOICES
AND SHIPPING CONTAINERS.
INVOICES ARE TO BE IN DUPLICATE.

PAGE: 1
P.O. NO.: 142600
DATE: 10/04/13

TO: HIPPAUF & ASSOCIATES, INC.
404 BRUNN SCHOOL RD
BUILDING B
SANTA FE, NM 87505

SHIP TO/
INVOICE TO:

Santa Fe County
LAND USE DIVISION/GMD
SANTA FE COUNTY
102 GRANT AVENUE
SANTA FE, NM 87501

VENDOR NO.		NOTES			
5885		1	Federal Tax I.D. Number is required for payment.		
		2	If unable to fill at prices shown, or meet delivery day, please advise immediately.		
		3	All items subject to terms and conditions on reverse.		
DELIVER BY	SHIP VIA	F.O.B.		TERMS	
09/18/13				NET	
CONFIRM BY		CONFIRM TO		REQUISITIONED BY	
HIPPAUF, PETE		SEAN TRUJILLO		RBAILEY	
FREIGHT	CONTRACT NO.	ACCOUNT NO.	PROJECT	REQ. NO.	REQ. DATE
		23105414715003		142581	09/18/13
LINE NO.	QUANTITY	UOM	ITEM NO. AND DESCRIPTION	UNIT COST	EXTENDED COST
1	2800.00	EA	APPRAISAL OF 2600 GALISTEO (PLEASE SEE ATTACHED QUOTE) THIS REQUISITION IS BEING REQUESTED BY STEVE BRUGGER	1.0000	2800.00
2	229.00	EA	GRT	1.0000	229.00
				SUB-TOTAL	3029.00
				TOTAL	3029.00
REMARKS: 10/4/2013. REFER TO FILE FOR ATTACHED MEMO.					

NOT VALID UNLESS SIGNED BY THE COUNTY FINANCE DIRECTOR OR THE COUNTY PURCHASING AGENT.

AUTHORIZED SIGNATURE & TITLE

DEPARTMENT HEAD COPY



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AUTHORIZED SIGNATURE & TITLE

FILE COPY

PLAT

FLOOD MAP

QUALIFICATIONS OF THE APPRAISER

APPRAISER'S QUALIFICATIONS – MICHAEL DRY, MAI

Professional Memberships

- Member of the appraisal institute – designated as an MAI
- The New Mexico Real Estate Appraisers Board (General Certification #02739-G)

Professional Affiliations

- 2013 Current Past President (2012 President of the Rio Grande Chapter of the Appraisal Institute)
- 2013 Chair of the Rio Grande Chapter of the Appraisal Institute Board of Directors
- 2013 Chair of the Rio Grande Chapter of the Appraisal Institute Nominating Committee
- 2013 Chair of the Rio Grande Chapter of the Appraisal Institute Candidate Advisor Committee

Professional Education

- BBA, Anderson School of Management, The University of New Mexico (1993)
- Russian Language Certificate, Mendeleev Institute, Moscow, Russia (1994)
- Masters of Finance, Anderson School of Management, The University of New Mexico (2000)

Appraisal Courses and Seminars

<ul style="list-style-type: none">• Basic Appraisal Principles/Procedures/USPAP (2003)• National USPAP update (2007, 2009, 2010, 2012, 2014)• Regional Economic Forecast (2005, 2006, 2007, 2008, 2009, 2010, 2011)• Appraising agricultural land in transition (2005)• Professional's guide to the uniform Residential Appl. Report (2005)• Subdivision Valuation (2006)• Basic Income Capitalization (2006)• General Applications (2006)• Real Estate Finance Statistics and Valuation Modeling (2006)• Apartment Appraisal (2006)• Evaluating Commercial Construction (2006)• Advanced Income Capitalization (2007)• Highest and Best Use and Market Analysis (2007)• New Technology for RE Appraisers (2007)• Office Building Valuation: A Contemporary Perspective (2007)• Advanced Sales Comparison and Cost Approach (2008)• Report Writing and Valuation Analysis (2008)• Valuation of Green Buildings (2008)• Attacking and Defending an Appraisal in Litigation (2008)• Advanced Applications (2008)	<ul style="list-style-type: none">• Business Practices and Ethics (2009, 2014)• Appraisal Tools Tune-Up (2009)• Appraising in 2009 (2009)• Appraising the Appraisal Business (2009)• Stats and Graphs (2010)• Land Conservation Incentive Tax Credit Process With Special Emphasis on Appraisal Requirements (2010)• Lending World In Crisis – What Clients Need Their Appraisers to Know (2010)• Board Renewal Update Course (2010)• Understanding and Using Investor Surveys Effectively (2011)• Appraisal Review Seminar (2011)• Appraising Distressed Commercial Real Estate (2011)• IRS Seminar: Conservation Easements & Your Taxes (2011)• Real Estate Finance, Value, and Investment Performance (2011)• Marketability Studies: 6 step process/basic applications (2012)• Appraising the Appraisal: General (2012)• Marketability Studies: Advanced Considerations & Applications (2013)• Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets (2013)
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Expert Witness

- Certified as an expert witness in United States Bankruptcy Court (2011, 2013)
- Certified as an expert witness in the First Judicial District Court (2012)

Professional Experience

01/04 - Present: Hippauf and Associates, Inc., Associate Appraiser
06/00 - 06/05: Senior Financial Analyst, Intel

Clients

Clients include local and national lenders, attorneys, institutions, including state and local governmental entities, and individuals.

Classes of Properties Appraised

Commercial, existing and proposed, such as offices, retail and subdivisions, vacant land, special use properties and industrial properties.

