

**A REAL PROPERTY APPRAISAL REPORT  
OF  
THE SURFACE ESTATE  
IN  
0.119 ACRES OR 5,181 SQUARE FEET OF LAND  
BELONGING TO:  
WESTON PLACE, LTD.**

Located at the northwest corner of Bonnie Brae Street and Oak Street,  
Denton, Denton County, Texas 76201

**City of Denton, DME Program Management  
Project #DTN13535, Hickory to Locust TM Line, Parcel: 093**

**PREPARED FOR:**

**FREESE AND NICHOLS, INC.**  
c/o Mr. Phil Williams  
General Manager  
Denton Municipal Electric (DME)  
215 E McKinney Street  
Denton, Texas 76201

**EFFECTIVE DATE OF THE APPRAISAL:**  
March 31, 2017

**PREPARED BY:**



Real Estate Consultants & Appraisers  
**3208 COLLINSWORTH STREET  
FORT WORTH, TEXAS 76107**

Job No. - 17.1073

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## **SECTION I - APPRAISAL REPORT**

**O'BRIEN REALTY ADVISORS, LLC**  
**REAL ESTATE CONSULTANTS & APPRAISERS**  
**3208 COLLINSWORTH STREET**  
**FORT WORTH, TEXAS 76107**

April 18, 2017

FREESE AND NICHOLS, INC.  
c/o Mr. Phil Williams  
General Manager  
Denton Municipal Electric (DME)  
215 E McKinney Street  
Denton, Texas 76201

**SUBJECT:** 0.119 Acres or 5,181 Square Feet of Land  
Located at the northwest corner of Bonnie Brae Street and Oak  
Street, Denton, Denton County, Texas 76201

Dear Mr. Williams:

O'Brien Realty Advisors, LLC is pleased to present this appraisal report that was prepared on the above referenced property. The purpose of this appraisal is to derive an opinion of the market value of the subject property, as of March 31, 2017, the effective date of the appraisal.

The report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), The State of Texas, and the Standards of Professional Practice of the Appraisal Institute. Our opinion of market value is premised upon the Assumptions and Limiting Conditions outlined herein. The definition of market value may be found in Sections I and V.

## **SCOPE OF WORK**

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data.

- ❖ Mark R. Sadler, Mike C. O'Brien and Gina Cannova Phalen physically inspected the subject and the surrounding market area on March 7, 2017, and Mark Sadler inspected it again on March 31, 2017. The appraisers afforded the property owner, Craig Irwin, the opportunity to accompany us during the inspection; that Mr. Irwin allowed us to inspect the property unaccompanied. The inspection of the property is limited to those things readily observable without the use of special testing or equipment.
- ❖ Collected factual information about the subject and the surrounding market area and confirmed that information with various sources.
- ❖ Performed a highest and best use analysis of the subject site as vacant and as improved when applicable.
- ❖ Gathered market information on comparable sales. The comparable information was confirmed with at least one of the parties to the transaction.
- ❖ Analyzed market information and developed indications of value under the necessary approaches to value for a credible assignment result.
  - The appraisal of real estate typically employs three traditional valuation methods: the sales comparison approach, cost approach, and income approach. Only the sales comparison approach (land only) was used in this analysis.
- ❖ Prepared an appraisal report summarizing our analyses, opinions and conclusions.

## **COMPETENCY RULE**

We have the knowledge and experience of appraising similar type properties located within the subject's market area, and applying the approaches to value utilized; therefore, we are able to complete this assignment competently.

## JURISDICTIONAL EXCEPTION RULE

If any part of the *Uniform Standards of Professional Appraisal Practice* is contrary to the law or public policy of any jurisdiction, only that part shall be void and of no force or effect in that jurisdiction.

## EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions are specific to the assignment, as opposed to general assumptions, which could be applicable to any assignment. In this assignment, we have assumed typical general assumptions and limiting conditions as cited later in this report.

## HYPOTHETICAL CONDITIONS

A hypothetical condition is "that which is contrary to what exists but is supposed for the purpose of analysis." In the State of Texas, appraisal reports prepared for eminent domain purposes may recognize one or more hypothetical conditions. For example, the appraisal of a remainder property assumes that the proposed public or private improvements were complete as of the effective date of valuation, when in fact it is known that they are not. The use of hypothetical conditions derived from public policy and case law does not result in a process that is limited or renders the results no longer credible. No additional hypothetical conditions were used in this appraisal assignment.

## DEFINITION OF MARKET VALUE

"Market value," as used herein, is defined as:

*...the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future.*

*City of Austin v. Cannizzo, et al, 153 Tex. 324, 267 S.W.2d 808 (Tex. 1954).*

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

### 0.119 ACRES OR 5,181 SQUARE FEET OF LAND

<b>Location</b>	Located at the northwest corner of Bonnie Brae Street and Oak Street, Denton, Denton County, Texas
<b>Legal Descriptions</b>	The subject is legally described as all that certain 0.121 acre tract situated in the Eugene Puchalski Survey, Abstract No. 996, an addition to the City of Denton, Denton County, Texas.
<b>Owner of Record</b>	Weston Place, Ltd. 525 S. Carroll Blvd, Suite 100 Denton, TX 76201-7416
<b>Property Tax Number(s)</b>	179485
<b>Effective Date of the Appraisal</b>	March 31, 2017
<b>Date of the Report</b>	April 18, 2017
<b>Land Area</b>	5,181 square feet or 0.119 acres
<b>Improvements</b>	According to our inspection and Denton Central Appraisal District, the subject is currently vacant.
<b>Highest and Best Use</b>	Assemblage
<b>Estimated Exposure Time</b>	6 - 12 months
<b>Property Rights Appraised</b>	Fee simple estate (Surface Estate Only)
<b>Indicated Market Value</b>	\$22,019 or \$4.25 per SF (Land Only)

## AERIAL



Source: GoogleEarth © 2016

*LOCATION OF BOUNDARY IS APPROXIMATE*

**\*\*** Given the size and shape of the site, independent development of the site would be difficult, if not impossible. Therefore, the subject property is considered a non-economic unit. A non-economic unit is a tract of land that does not have the required physical features to have value as an independent parcel. Usually, the only way to recover any value of these parcels is to assemble with adjoining parcels of land. Because assemblage is the highest and best use, the market appeal is virtually non-existent. Although an adjacent owner may be able to use the property, they may have no necessity for it. In either case, the property owner would have a parcel that is not as marketable to the public.

The subject's highest and best use would be for assemblage with the adjoining 12,719 square foot parcel for multi-family residential use. Therefore, this adjoining tract to the west is considered the "parent tract" used for comparison. The value of the subject property is derived from taking the concluded unit value for the parent tract (\$17.00 per SF) and applying a non-economic unit discount (\$17.00 per SF x 25% = \$4.25).



## **DATE OF THE REPORT**

The date of the report is April 18, 2017.

## **EFFECTIVE DATE OF APPRAISAL**

The effective date of this appraisal (value) is March 31, 2017.

## **PURPOSE AND PROPERTY RIGHTS APPRAISED**

The purpose of this appraisal is to derive an opinion of market value of the subject, as of March 31, 2017, the effective date of the appraisal. The surface estate has been appraised.

## **IDENTITY OF THE CLIENT AND INTENDED USERS OF THE REPORT**

The client is Freese and Nichols, Inc., and the intended users are Freese and Nichols, Inc.; Denton Municipal Electric (DME); 7 Arrows Land Staff, LLC; and their agents, representatives and assigns.

## **INTENDED USE OF THE APPRAISAL**

This appraisal report has been prepared for Freese and Nichols, Inc.; DME; 7 Arrows Land Staff, LLC; and their assigns, for assistance in right-of-way negotiations and eminent domain proceedings, if necessary.

## **STATEMENT OF OWNERSHIP, SALES HISTORY AND STATUS**

According to the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisers are required to discuss and analyze any previous sales of the subject property within the previous three years for all properties. According to public records, the subject is currently owned by Weston Place, Ltd.. University Place, L.P. conveyed the property to Weston Place, Ltd. on November 17, 2003 as recorded in General Warranty Deed 2004-2471 in Denton County Real Property Records. No sales have been recorded in the previous three years.

The property does not currently appear to be listed for sale, and the appraisers are not aware of any options or contracts on the property.

## MARKET AREA ANALYSIS

A neighborhood is typically a segment of a community, city or town, which is a homogeneous grouping of individuals, buildings, or business enterprises within the larger community. A neighborhood has three stages of life and possibly a fourth. They are: (1) growth, (2) stability, (3) decline, and (4) revitalization and continuance of the neighborhood life cycle. Principal factors which improve neighborhood values are good schools, churches, rural residential facilities, homogeneity and civic responsibility, prestige and visual appeal, satisfactory transportation affording good ingress and egress, good planning, adequate utilities, conformity in land use, sensible zoning, and topographical and geographical advantages. Some factors which reduce neighborhood values are: the tendency of inhabitants to think the neighborhood is losing its desirability, movement of undesirable uses into the area, lack of zoning protection, increasing taxes, reduced rental rates and values of surrounding properties, lack of adequate planning, community pride, and nuisances. The book entitled *Real Estate Appraisal Terminology* defines a neighborhood as:

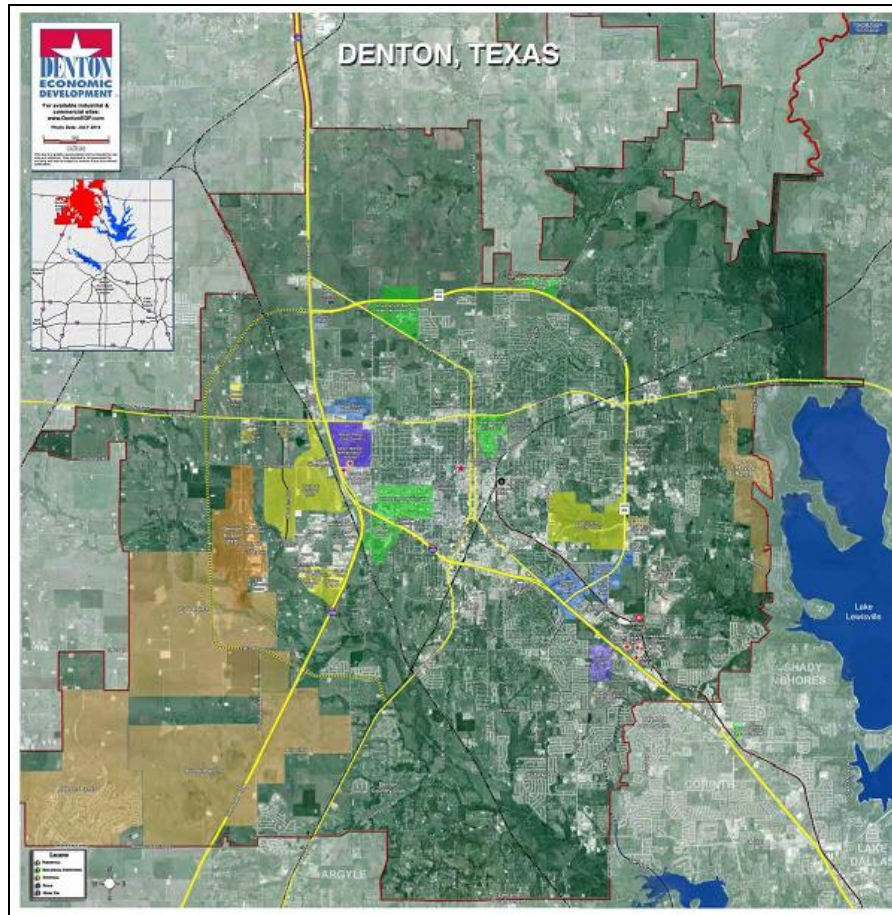
A portion of a larger community or an entire community in which there is a homogeneous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have more than a casual community of interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well defined by a distinct change in land use or in the character of the inhabitants.

The subject is located in central Denton County, in the City of Denton, Texas. The neighborhood is largely influenced by a mix of commercial, industrial, institutional and residential uses. The City of Denton encompasses a landmass of 97 miles and has a population of approximately 119,000. It's located approximately 35 miles north of Dallas and Fort Worth and is centrally located within the country (you can reach 98% of the US population within 48 hours by vehicle).

### ACCESS AND LINKAGES

IH-35, whose eastern and western segments intersect in the City of Denton, run through Dallas (IH-35E) and Fort Worth (IH-35W) to the south and continue past the Texas/Oklahoma border to the north. Other major thoroughfares in the area are Loop 288 and University Drive. The DFW Airport, the region's largest international airport, is approximately 22 miles to the south.

Access to Denton is good with IH-35 and US Highway 377 providing north/south travel and University Drive and US Highway 380 providing east/west travel.



Source: City of Denton

### **EMPLOYMENT**

The primary employment centers for the people living in the subject's neighborhood are located in the larger DFW Metroplex area. According to the *Dallas Business Journal Book of Lists 2016*, the major employers for North Texas are as follows:

Employer	Employees
Wal-Mart	34,000
American Airlines Group	27,000
Texas Health Resources	22,296
Dallas Independent School	19,740
Baylor Scott & White Health	16,500
Lockheed Martin Aeronautics	13,750
Bank of America	13,500
City of Dallas	13,336
UT Southwestern Medical	13,018
Texas Instruments Inc.	13,000
JPMorgan Chase Bank	12,676

The City of Denton also has many large employers - mostly in the industrial, health care and education fields. According to the *Denton Economic Development Partnership*, the top major employers for Denton are as follows:

Employer	Employees
University of North Texas	8,738
Denton ISD	4,417
Peterbilt Motors	2,314
Denton State Supported Living Ctr	1,700
Texas Women's University	1,672
Denton County	1,581
City of Denton	1,383
FEMA	594-1,100 (varies)
Denton Regional Medical Ctr	950
Sally Beauty Company, Inc.	950
Safran Electrical & Power	830

### **DEMAND GENERATORS**

**Retail** - *Rayzor Ranch* is a major mixed-use development that is planned to ultimately include more than 582,000 square feet of retail and commercial space. Stores in the development include Academy Sports and Outdoors, Kohl's, Ross Dress for Less, Famous Footwear, Boot Barn, Petco, Panera Bread, Jo-Ann's Fabric and DK Foot. A 600,000 square foot Rayzor Ranch Town Center are in development and plans include a Cinemark Movie Bistro.



*Golden Triangle Mall* is a major retail center that has had major renovations including adding a food court, interior landscaping, Wi-Fi and many new stores and restaurants. Tenants include Sephora, Buckle, Body Central,

Charlotte Russe, Tobu Asian Eatery, Italia Express and Smoothie Paradise. Two pad sites for Pollo Tropical and Corner Bakery were also added.

*Downtown Denton* continues to grow with the addition of H Squared, a new apartment complex with ground-floor retail and many new restaurants and bars.

The area around the University of North Texas has seen continued apartment activity, with new and redeveloped complexes coming online over the past few years.

**Business** - Denton experienced strong growth in 2015. Not only did four long-time Denton companies expand, but several new companies chose to move to Denton.

- An O'Reilly Hotel is developing an Embassy Suites and a 70,000-square foot convention center in the Rayzor Ranch Town Center.
- The Railyard Downtown Project - Rail Yard Partners, Ltd. is renovating an existing 28,000-square foot building as part of a larger transit-oriented development. The City will lease 9,216-square feet for a collaborative working space and business incubator.
- WinCo Foods - acquired 77 acres on the west side of Western Blvd., just north of Airport Road, to construct an 800,000-square foot distribution center. This project is projected to create 165 jobs.
- Buc-ee's - this "travel center" will be located along I-35E and will include 53,000-square feet of retail, fuel sales and a car wash.
- *Tetra Pak Materials*, a manufacturer and distributor of liquid foods, is expanding their current 220,000 square foot facility with an additional 32,000 square foot expansion, including relocating their headquarters from Chicago to Denton.
- Air Medical Group Holdings, Inc., a national helicopter ambulance company, plans to begin construction on its new headquarters and hangar near Denton Enterprise Airport - relocating their current headquarters from Lewisville.
- *Business Air* is planning an expansion at the Denton Enterprise Airport with plans to construct a 24,000 square foot hangar with an additional 4,000 square feet of office.

**Education** - City of Denton residents have access to several higher education facilities including the University of North Texas, Texas Woman's University and North Central Texas College.

The University of Texas just started construction on a new \$70 million College of Visual Arts and Design building that will be a 4-story and 145,000 square foot complex scheduled for completion by Fall 2018. This addition will give their College of Visual Arts and Design a total complex of 228,000 square feet.

**Recreation** - The city has many parks that provide playground areas, waterparks, walking/bike trails, picnic areas and dog parks.

In proximity to the City of Denton is Lake Lewisville. Lake Lewisville is one of the largest lakes in north Texas spanning 29,000 acres with 233 miles of shoreline. This recreational lake allows for fishing, skiing, swimming and recreational boating. There are numerous parks located around the lake. There are plenty of nice beaches, campgrounds, hiking and biking trails, golf courses, and other outdoor activities. Lewisville Lake is operated by the US Corps of Engineers and is a part of the Trinity Regional Project. The Trinity Regional Project is a cluster of seven local lakes: Bardwell, Benbrook, Grapevine, Joe Pool, Lavon, Lewisville and Ray Roberts.



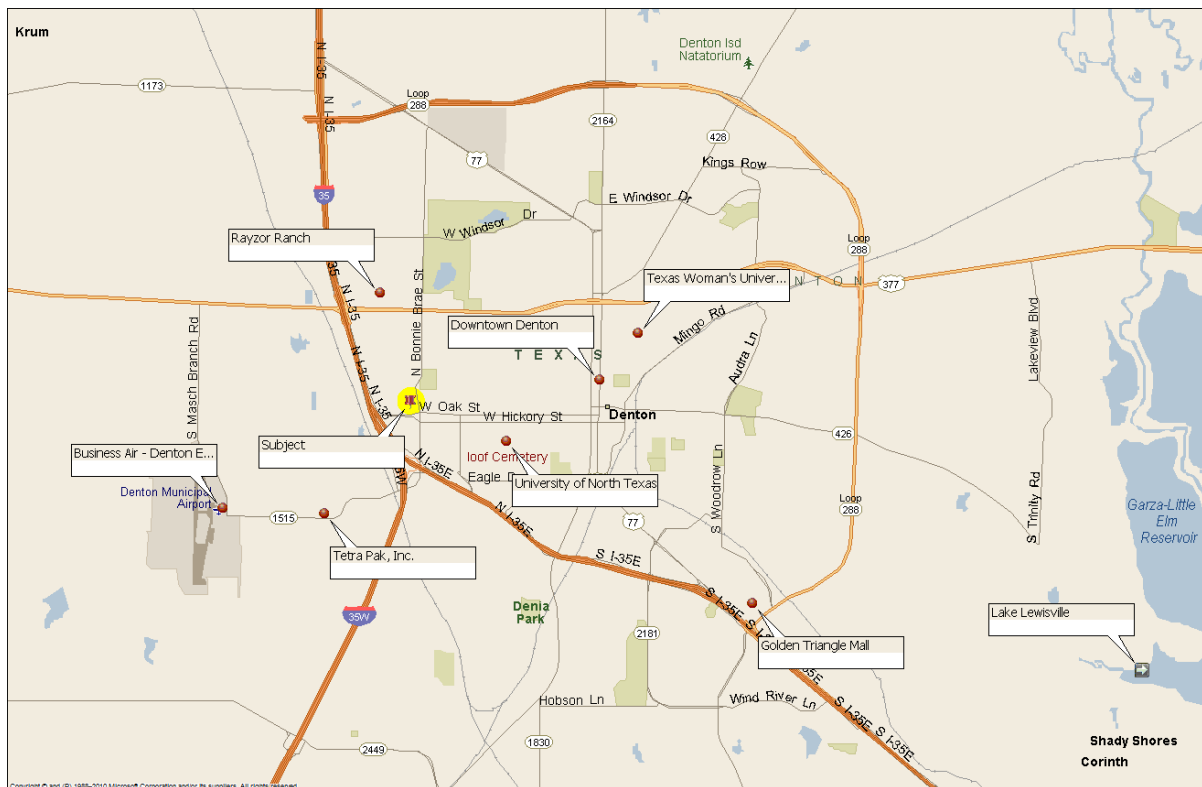
Lake Lewisville

Source: [www.lake-lewisville.org](http://www.lake-lewisville.org)

Source: [www.swf-wc.usace.army.mil](http://www.swf-wc.usace.army.mil)



**DEMAND GENERATORS MAP**



**PUBLIC SERVICES**

The area is served by the Denton Independent School District. Electric service is provided by Denton Municipal Electric (DME), the City of Denton provides water and waste services and gas is provided by Atmos Energy.

**LAND USE**

Neighborhood land use is primarily commercial, institutional and industrial along major thoroughfares, with residential infill.

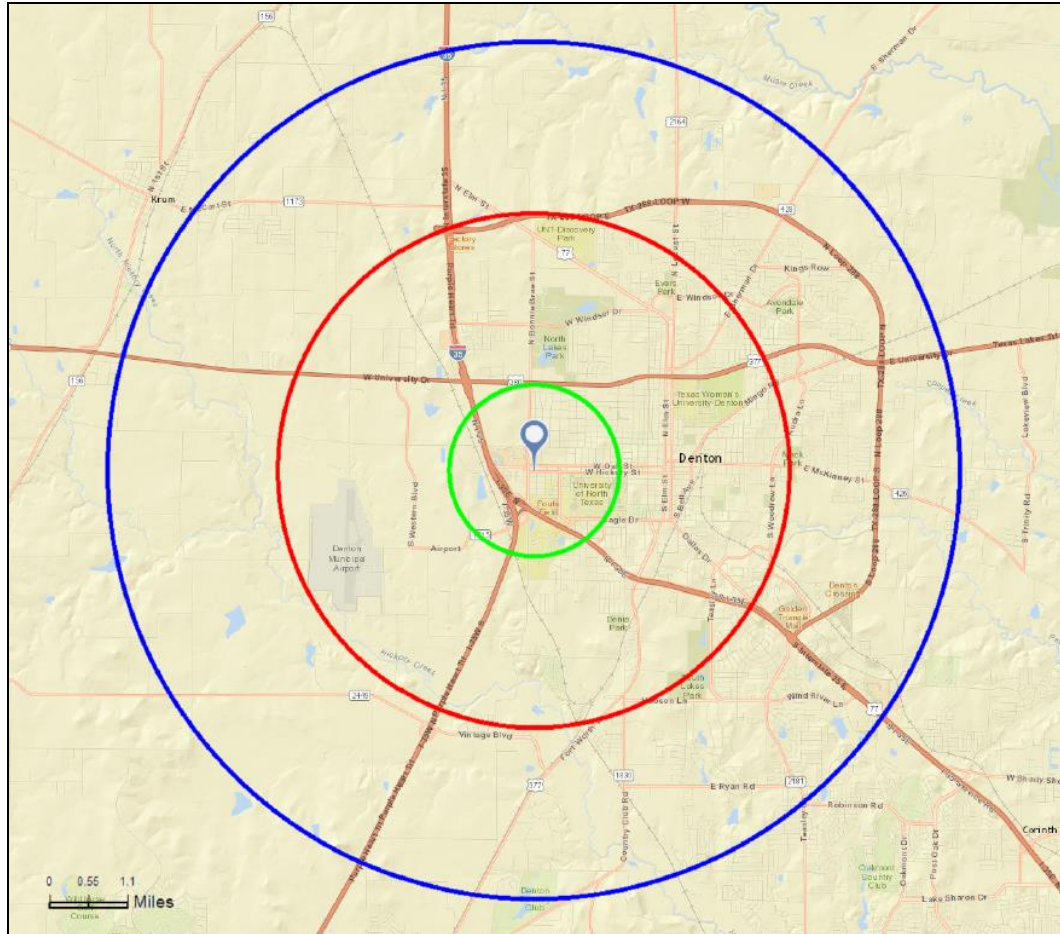
**RESIDENTIAL**

Residential housing is a mix of single-family (58%) and multi-family (42%) within the City of Denton. Multi-family continues to grow as 361 new units were added in 2015 and 607 new units were added in 2016.<sup>1</sup>

<sup>1</sup> Statistical Trends and News of Denton, December 2016

## DEMOGRAPHIC FACTORS

A demographic profile of the subject, as provided by Site to Do Business, is presented in the following tables:



	1 mile	3 miles	5 miles
<b>Population</b>			
2000 Population	13,114	51,148	80,857
2010 Population	13,880	56,508	98,210
2016 Population	15,109	60,743	107,150
2021 Population	16,214	65,466	117,005
2000-2010 Annual Rate	0.57%	1.00%	1.96%
2010-2016 Annual Rate	1.37%	1.16%	1.40%
2016-2021 Annual Rate	1.42%	1.51%	1.78%

	1 mile	3 miles	5 miles
<b>Median Household Income</b>			
2016 Median Household Income	\$20,136	\$31,644	\$41,985
2021 Median Household Income	\$19,952	\$30,252	\$41,884
2016-2021 Annual Rate	-0.18%	-0.90%	-0.05%
<b>Average Household Income</b>			
2016 Average Household Income	\$35,292	\$47,231	\$61,173
2021 Average Household Income	\$36,044	\$49,790	\$65,189
2016-2021 Annual Rate	0.42%	1.06%	1.28%



### ***OUTLOOK AND CONCLUSIONS***

The market area is in the growth stage of its life cycle. Given the history of the area and the growth trends, it is our opinion that property values will increase gradually, along with the national economy.

## **SITE ANALYSIS**

An analysis of the property is particularly important in estimating its highest and best use. Following is a discussion of those site characteristics considered most important.

### **PROPERTY LOCATION, SIZE AND SHAPE**

The subject is a 5,181 square-foot, triangular-shaped tract of land located at the northwest corner of Bonnie Brae Street and Oak Street, Denton, Denton County, Texas

### **LEGAL DESCRIPTION**

The subject is legally described as all that certain 0.121 acre tract situated in the Eugene Puchalski Survey, Abstract No. 996, an addition to the City of Denton, Denton County, Texas.

### **PROPERTY TAX INFORMATION**

Real estate tax assessments are estimated by jurisdiction on a county basis for the subject. The subject lies in Denton County. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. State law requires that all real property be revalued at least every three years. The following is a summary of the subject tax account.

<b>DENTON COUNTY MARKET AND ASSESSED VALUES</b>							
<b>Account</b>	<b>Tax Owner Name</b>	<b>Land Size (SF)</b>	<b>Tax Year</b>	<b>Land Value</b>		<b>Imps.</b>	<b>Assessed Value</b>
179485	Weston Place, Ltd.	5,271	2016	\$ 11,860	\$ 2.25	\$ -	\$ 11,860
	<b>Total</b>	5,271	2016	\$ 11,860	\$ 2.25	\$ -	\$ 11,860

The 2016 composite tax rate for the subject is itemized as follows:

<b>DENTON COUNTY 2016 COMPOSITE TAX RATE</b>	
<b>Taxing Entity</b>	<b>Tax Rate (/ \$100)</b>
Denton County	0.248409
City of Denton	0.683340
Denton ISD	1.540000
<b>Total</b>	<b>2.47175</b>

It is noted that 2017 values and tax rates have not been released yet.

***SITE ACCESS AND FRONTAGE***

<b>STREET</b>	<b>Bonnie Brae St.</b>	<b>Oak St.</b>
Frontage	±1 foot	±236 feet
Paving	Asphalt	Asphalt
Curbs/Gutters	Yes	Yes
Sidewalks	Yes	Yes
Direction of Traffic	North/South	East/West
Condition	Average	Good
Traffic Levels	Good	Average
Signals/Traffic Control	Signal at Oak St.	Signal at Bonne Brae
Access	None	Average
Visibility/Exposure	Average	Average

***ENVIRONMENTAL STATEMENT***

We are unaware of any detrimental environmental conditions that affect the property. For the purposes of our analysis we have estimated the market value of the site as if it is free from any adverse environmental conditions.

***IMPROVEMENTS***

According to our inspection, the subject is currently vacant.

***UTILITIES***

The following is a summary of the subject's utility service.

<b>UTILITY</b>	<b>PROVIDER</b>
Water	City of Denton
Sewer	City of Denton
Electricity	Denton Municipal Electric
Natural Gas	Atmos Energy
Local Telephone	Various

***FLOODPLAIN***

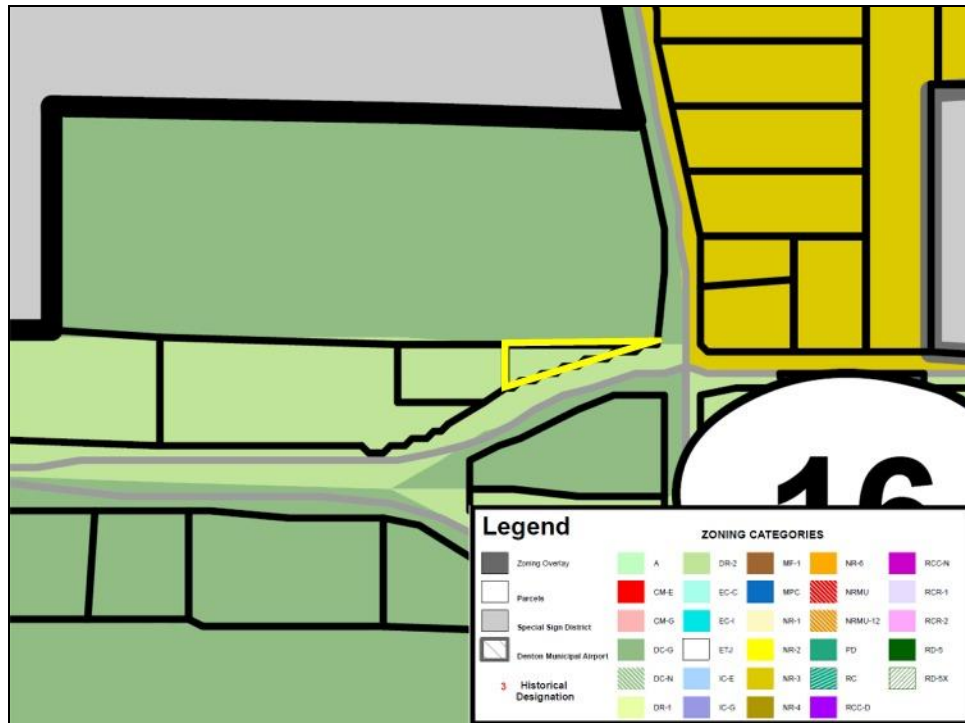
According to FEMA Map Panel 48121C0360G, dated April 18, 2011, the property appears to be outside of the 500-year floodplain. Please see "Exhibits" for a floodplain map.

***TOPOGRAPHY***

The property is a triangular-shaped tract with generally level terrain and larger trees along the north boundary.

## **ZONING**

The subject is located in the City of Denton, Texas and is zoned Downtown University Core with a land use category of DR-2, “Downtown Residential”. The purpose of the Downtown University Core District is to “encourage mixed use development within specified commercial areas of the district”. This district is a pedestrian friendly district. A zoning map and specific restrictions are presented below.



Minimum Lot Area	4,000 SF
Minimum Lot Width / Depth	40' / 80'
Minimum Residential Unit Size	500 SF
Maximum Lot Coverage	75%
Maximum Dwelling Units/Acre	30
Front/Rear Setbacks	10' minimum
Side Setback adjacent to SF Res.	10' minimum

**OTHER LEGAL AND REGULATORY CONSTRAINTS**

According to our research and inspection of the property, it appears that the property contains mostly typical perimeter easements. Based on the title report provided by the client, the property is subject to the restrictions shown below:

- a. **All visible and apparent easements or uses and all underground easements or uses, the existence of which may arise by unrecorded grant or by use. (May be amended or deleted upon approval of current survey.)**
- b. **Rights of parties in possession and rights of tenants in possession under any unrecorded leases or rental agreements. (May be amended or deleted upon execution of affidavit of parties in possession at closing.)**
- c. **All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed in Schedule B or not. There may be leases, grants, exceptions or reservations of mineral interest that are not listed.**
- d. **Any encroachments, encumbrances, violation, variation or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the land. (NOTE: UPON RECEIPT OF A SURVEY ACCEPTABLE TO THE COMPANY, THIS EXCEPTION WILL BE DELETED. COMPANY RESERVES THE RIGHT TO ADD ADDITIONAL EXCEPTIONS PER ITS EXAMINATION OF SAID SURVEY.)**

The property appears to be encumbered with overhead electric transmission lines along the western boundary. The triangular shape and small size of the property would limit the development potential of the property.

## **HIGHEST AND BEST USE ANALYSIS**

The following summarizes the highest and best use of the property.

### ***PROCESS***

Before a property's value can be concluded, the highest and best use of the property must be determined for both the subject site as though vacant, and for the property as currently improved (if applicable). The highest and best use must be:

- ❖ Legally permissible under the zoning laws and other restrictions that apply to the site.
- ❖ Physically possible for the site.
- ❖ Economically feasible.
- ❖ Capable of producing the highest net return on investment (i.e. highest value) from among the possible, permissible, and economically feasible uses.

### ***AS VACANT***

#### **LEGALLY PERMISSIBLE**

The subject is located in the City of Denton and is zoned Downtown University Core with a land use category of DR-2, "Downtown Residential". The appraisers are unaware of any deed restrictions or any further legal limitations on the property which would inhibit the property from being developed to its highest and best use.

#### **PHYSICALLY POSSIBLE**

The size, location, access, frontage, availability of utilities, floodplain characteristics and topography of the site affect the uses to which it can be developed. The subject consists of approximately 5,181 square feet of land and is located at the northwest corner of Bonnie Brae Street and Oak Street. The subject is a triangular-shaped tract of land with generally level terrain. The property is unencumbered by the 500-year floodplain and has access to all utilities. However, the property's shape, setback requirements and small size would limit development.

In addition, while the appraisers are not aware of any easements on the property, the inspection revealed overhead transmission lines along the western boundary. The clearance area required upon development may further impact the placement of a building along the western side.



### FINANCIALLY FEASIBLE

Proposed development must be financially feasible. Factors that must be considered include surrounding land uses, the supply and demand of the property type, the availability of financing, and the cost of land acquisition and building construction in relation to the property's income producing capacity.

Conformity is the appraisal principle that holds that real property values are created and sustained when the characteristics of the property conform to the demands of its current market. The styles and uses of the properties in an area may conform for several reasons, including economic pressures, the shared preference of owners of certain types of structures, amenities and services and the enforcement of uniform standards by means of zoning. Through local zoning ordinances, the government encourages conformity by restricting land use. Standards of conformity are set by the market and

are therefore subject to change. Zoning codes, however, tend to establish conformity in basic property characteristics including size, style, and design. A particular market also sets standards of conformity, especially in terms of price. Usually the value of an over improved property will decline, or regress towards the value of surrounding, conforming properties, while the value of an under improved property may increase, or progress towards the prevailing market standards.

Based on prevailing market conditions, land use patterns and the physical characteristics of the site, assemblage for multi-family use would appear to be financially feasible.

#### **MAXIMALLY PRODUCTIVE**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than assemblage for multi-family use.

#### ***AS IMPROVED***

According to our inspection and Denton Central Appraisal District, the subject is currently vacant.

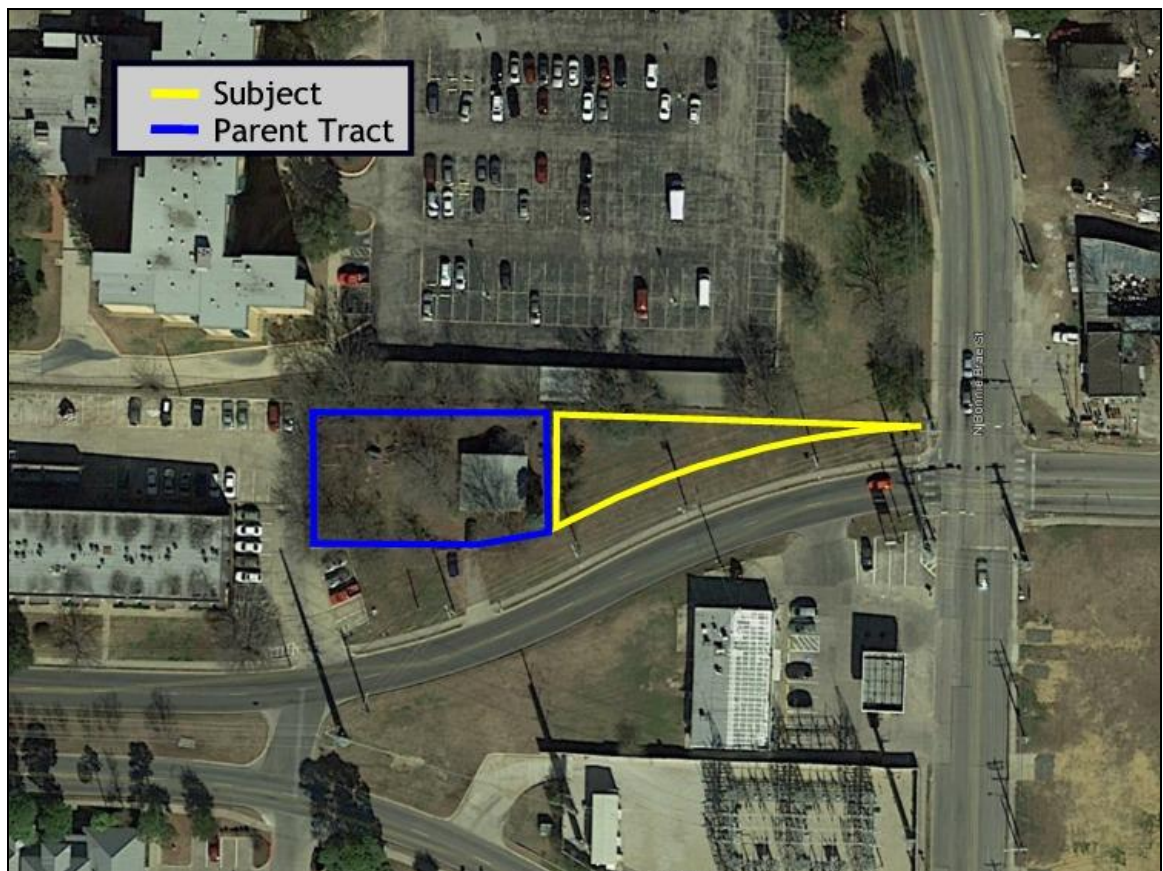


## **CONCLUSION**

Assemblage for multi-family use is the only use that meets the four tests of highest and best use. Therefore, it is concluded that the subject's highest and best use would be for assemblage with the adjoining 12,719 square foot property for multi-family use. Therefore, this adjoining 12,719 square foot tract to the west is considered the "parent tract" used for comparison.

The "parent tract" is legally described as all that certain lot situated in the E. Puchalski Survey, Abstract No. 996, City of Denton, Denton County, Texas. It is also zoned DR-2 and is currently improved with a 56-year old single-family home. It is the opinion of the appraisers that the highest and best use for the parent tract is for redevelopment as multi-family residential use.

Below is an aerial depiction of the parent tract.



## **MARKET VALUE ESTIMATE OF THE WHOLE PROPERTY**

We have estimated the value of the whole property, as vacant, by the sales comparison approach.

The appraisers have used the Sales Comparison Approach to estimate the value of the subject in the preparation of this report. The valuation of the subject does not rely on the Income Capitalization Approach, since there is no periodic economic income benefits associated with the tract under its current use. Also, the Cost Approach to value is not applicable as the site is valued as unimproved.

In order to derive an opinion of the market value of the subject land, assuming the property is available for development to its highest and best use, we have assembled sales data for similar properties in the area. After examining available sales data, we have selected the following land sale transactions as most comparable for this analysis. After an adjustment process, which compensates for the significant differences between these sales and the subject, these sales provide an indication of the subject's land value.

The identified sale prices have been adjusted to cash-equivalency, when appropriate. At the end of Section III is a Qualitative Adjustment Grid, which provides relevant data and shows the appropriate adjustments. For each element of comparison, each sale is rated as being superior, comparable, or inferior to the subject.

In analyzing the individual sales, we have selected the price per square-foot (SF) of land as the operative unit of comparison. This is the unit of comparison most commonly quoted by brokers, sellers, and purchasers when discussing sales transactions and is considered the most relevant for the subject. A presentation of the land sales follows.

SUMMARY OF COMPARABLE LAND SALES				
<u>Sale No.</u>	<u>Location</u>	<u>Date of Sale</u>	<u>Size (SF)</u>	<u>Effective Price per SF</u>
1	Located along the east side of Bernard St., north of Eagle Dr., Denton, Denton County, Texas	10/12/16	27,443	\$19.06
2	Located along the west side of Neff Street, north of Greenlee Street, Denton, Denton County, Texas	06/30/16	16,030	\$13.41
3	Located along the west side of Fort Worth Dr., south of Collins St., Denton, Denton County, Texas	04/19/16	88,645	\$9.59
4	Located at the northeast corner of Avenue E and Hickory St., Denton, Denton County, Texas	09/30/15	27,835	\$16.89
5	Located along the east and west sides of Avenue A at Underwood St., Denton, Denton County, Texas	09/11/14	77,739	\$12.50
6	Located along the south side of Hickory Street, east of Bonnie Brae St, Denton, Denton County, Texas	03/25/13	29,969	\$9.18
Parent Tract:	Located along the south side of Oak Street, apx. 236' west of Bonne Brae St., Denton, Denton County, Texas		12,719	

Map of Dallas, Texas, showing the Stemmons Freeway (I-35E) and surrounding areas. The map highlights five land sale locations with callouts:

- Land Sale 1: \$19.06/sf
- Land Sale 2: \$13.41/sf
- Land Sale 3: \$9.59/sf
- Land Sale 4: \$16.89/sf
- Land Sale 6: \$9.18/sf

The Parent Tract is also indicated. The map includes major roads like I-35, I-35E, Stemmons Fwy E, and various local streets. A copyright notice for Microsoft Corporation is visible at the bottom left.

**Land Value - Sales Comparison Approach**

<b>Land Sales Summary</b>							
	<b>Parent Tract</b>	<b>Sale #1</b>	<b>Sale #2</b>	<b>Sale #3</b>	<b>Sale #4</b>	<b>Sale #5</b>	<b>Sale #6</b>
Location:	Located along the south side of Oak Street, apx. 236' west of Bonne Brae St., Denton, Denton County, Texas	Located along the east side of Bernard St., north of Eagle Dr., Denton, Denton County, Texas	Located along the west side of Neff Street, north of Greenlee Street, Denton, Denton County, Texas	Located along the west side of Fort Worth Dr., south of Collins St., Denton, Denton County, Texas	Located at the northeast corner of Avenue E and Hickory St., Denton, Denton County, Texas	Located along the east and west sides of Avenue A at Underwood St., Denton, Denton County, Texas	Located along the south side of Hickory Street, east of Bonnie Brae St, Denton, Denton County, Texas
Sale Price/Effective Sale Price:		\$523,000	\$215,000	\$850,000	\$470,000	\$971,738	\$275,000
Sale Date:		10/12/2016	6/30/2016	4/19/2016	9/30/2015	9/11/2014	3/25/2013
Land Size (Gross Square Feet):	12,719	27,443	16,030	88,645	27,835	77,739	29,969
Price/Square Foot:	N/A	\$19.06	\$13.41	\$9.59	\$16.89	\$12.50	\$9.18
<b>Sales Adjustment</b>							
	<b>Sale #1</b>	<b>Sale #2</b>	<b>Sale #3</b>	<b>Sale #4</b>	<b>Sale #5</b>	<b>Sale #6</b>	
Property Rights Conveyed	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Financing Terms	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Conditions of Sale	Comparable	Comparable	Comparable	Comparable	Comparable	Inferior	Comparable
Market Conditions	Comparable	Comparable	Comparable	Comparable	Inferior	Inferior	Inferior
<b>Other Adjustments</b>							
	<b>Sale #1</b>	<b>Sale #2</b>	<b>Sale #3</b>	<b>Sale #4</b>	<b>Sale #5</b>	<b>Sale #6</b>	
Location	Superior	Comparable	Inferior	Superior	Comparable	Comparable	Comparable
Access	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Size	Inferior	Comparable	Inferior	Inferior	Inferior	Inferior	Inferior
Functional Utility	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Zoning/Utilities	Comparable	Inferior	Comparable	Comparable	Comparable	Comparable	Comparable
Net Other Adjustments	Comparable	Inferior	Inferior	Comparable	Inferior	Inferior	Inferior

**OVERVIEW OF ADJUSTMENTS**

Potential adjustments include the following categories, which typically affect sale prices. For each element of comparison, each sale has been rated as being superior, comparable, or inferior to the subject (see comparison grid on previous page).

***PROPERTY RIGHTS CONVEYED***

This adjustment considers the transfer of property rights, such as differences between properties owned in fee simple and in leased fee.

***FINANCING TERMS***

This adjustment considers the financing terms of a transaction, as compared to what is typical in the market.

***CONDITIONS OF SALE***

This adjustment considers the motivations of either the buyer or the seller in a transaction, e.g., when the comparable contains improvements with contributory value.

***MARKET CONDITIONS***

Real estate values normally change over time. This adjustment considers market differences occurring between the effective date of the appraisal and the sale date of the comparable, when values have appreciated or depreciated.

***LOCATION***

This adjustment considers the surrounding area influences, adjoining land uses, and overall location within the market area.

***ACCESS***

This adjustment considers access to the subject including the availability and amount of road frontage and multiple roadway access.

***SIZE***

This adjustment considers size. Typically, smaller sites will bring higher unit sales prices when compared to larger sites with similar characteristics.

***FUNCTIONAL UTILITY***

This adjustment considers physical attributes (i.e. water features, tree coverage, flood plain), site configuration, encumbrances, and/or topography.

***ZONING/UTILITIES***

This adjustment considers permissible uses under zoning laws and other legal restrictions that apply to a site as well as the availability of utilities.

As previously discussed, given the size and shape of the site, independent development of the subject site would be difficult, if not impossible. Therefore, the subject property is considered a non-economic unit.

A non-economic unit is a tract of land that does not have the required physical features to have value as an independent parcel. Usually, the only way to recover any value of these parcels is to assemble with adjoining parcels of land. Because assemblage is the highest and best use, the market appeal is virtually non-existent. Although an adjacent owner may be able to use the property, they may have no necessity for it. In either case, the property owner would have a parcel that is not as marketable to the public.

The subject's highest and best use is for assemblage with the adjoining 12,719 square foot parcel for multi-family residential use. Therefore, this adjoining tract to the west is considered the "parent tract" used for comparison. The value of the subject property is derived from taking the concluded unit value for the parent tract and applying a non-economic unit discount.

The above sales range from \$9.18 per SF to \$19.06 per SF. These sales are the most comparable to the parent tract in the market area. Based upon on our analysis of the comparables considered above, the appraisers estimate the market value of the parent tract to be \$17.00 per SF as of March 31, 2017.

The following is a summary of non-economic sales data which is retained in the appraisers work file.

#	Location	Date	Physical Characteristics	Apx. Discount
1	Dallas, TX	2/8/2007	Triangular shaped tract containing 34,177 SF	75%-80%
2	Fort Worth, TX	5/15/2012	Irregular shaped tract containing 1,439 SF	77%-80%
3	Hurst, TX	3/4/2011	Irregular shaped tract containing 13,666 SF	79%
4	Irving, TX	12/1/2010	Irregular shaped tract containing 24,742 SF	80%-90%
5	Waco, TX	12/10/2013	Triangular shaped tract containing 27,034 SF	90%
6	Dallas, TX	5/27/2012	Irregular shaped tract containing 8,000 SF	98%

Based on the preceding, support can be developed for a reasonable discount to the value of the subject. After analysis of this data, and considering the subject property's site characteristics, a discount of 75% appears reasonable ( $\$17.00/\text{SF} \times 25\% = \$4.25/\text{SF}$ ).



Given the concluded unit value of \$17.00 per square foot for the parent tract, and the 75% non-economic unit discount, a unit value of \$4.25 per square foot for the subject property appears reasonable. This equates to an estimated value of \$22,019 for the subject in the whole property condition.

The following is a summary of the whole property valuation.

WHOLE PROPERTY VALUATION SUMMARY	
Whole Property:	
5,181 SF @ \$17.00/SF @ 25%	\$ 22,019
<b>TOTAL VALUE AS A UNIT</b>	<b>\$22,019</b>

Based upon the previously discussed information, it is the opinion of the appraiser that the subject property has an estimated market value, via the Sales Comparison Approach, as of March 31, 2017 of:

**\$22,019**

**TWENTY-TWO THOUSAND NINETEEN DOLLARS.**

The appraisers have retained all information regarding this appraisal in the file. Please contact us if we can be of further assistance in this matter.

Sincerely,

**O'BRIEN REALTY ADVISORS**  
**REAL ESTATE CONSULTANTS & APPRAISERS**



Mark R. Sadler  
State of Texas Certification #TX-1380142-G



Mike C. O'Brien  
State of Texas Certification #TX-1331171-G

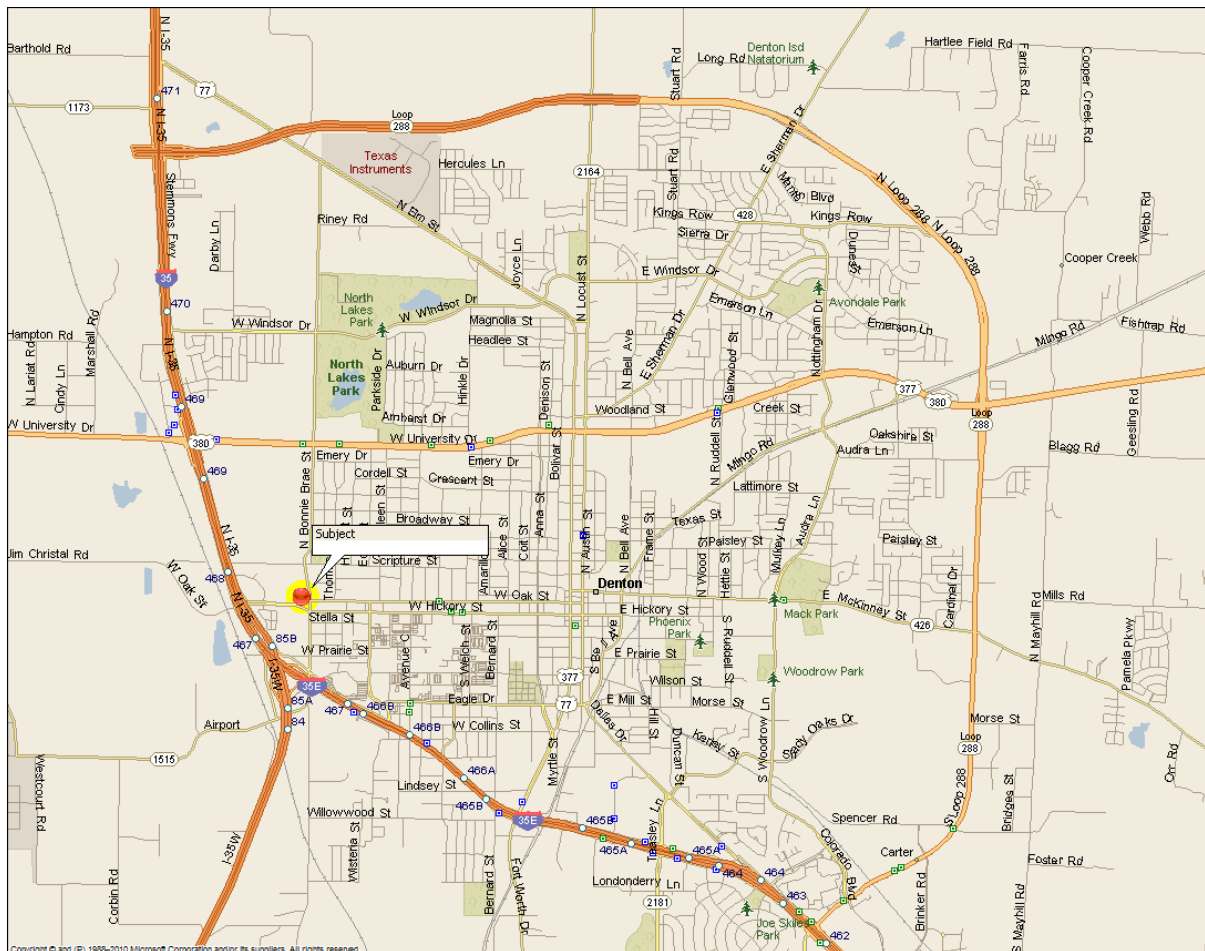


Gina Cannova Phalen  
State of Texas Certification #TX-1380648-G

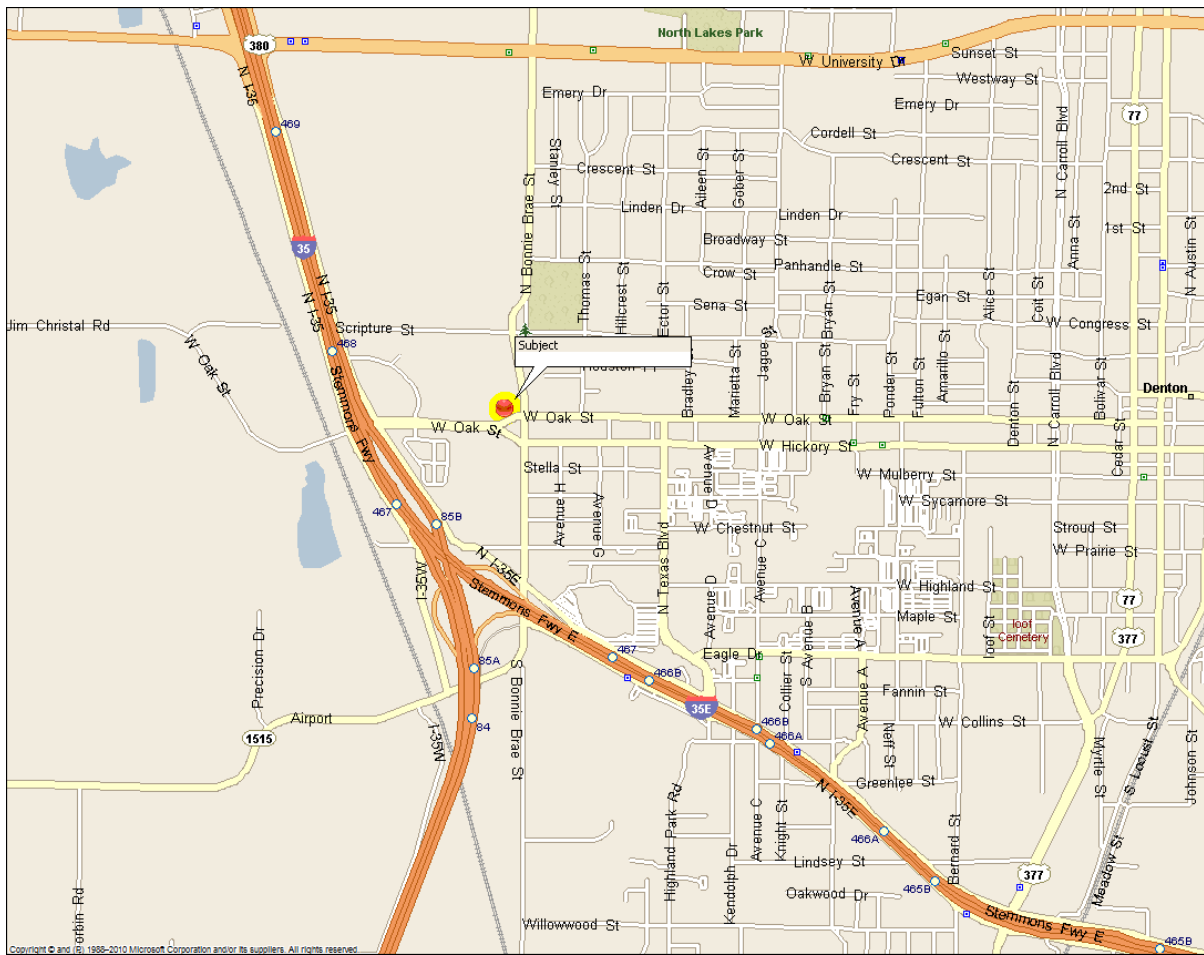


## **SECTION II - EXHIBITS**

## AREA MAP



## MARKET AREA MAP



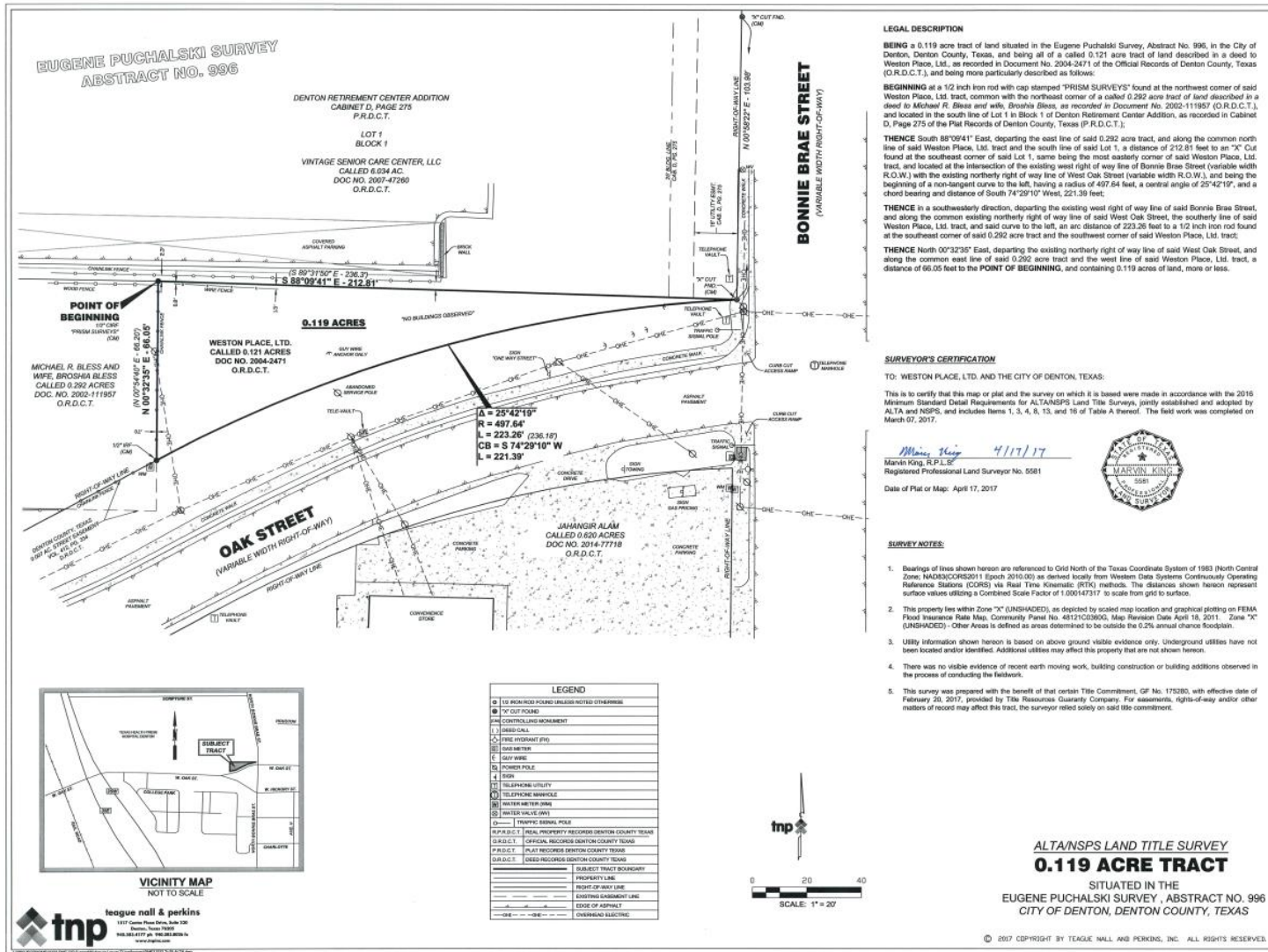
SUBJECT AERIAL



Source: GoogleEarth © 2016

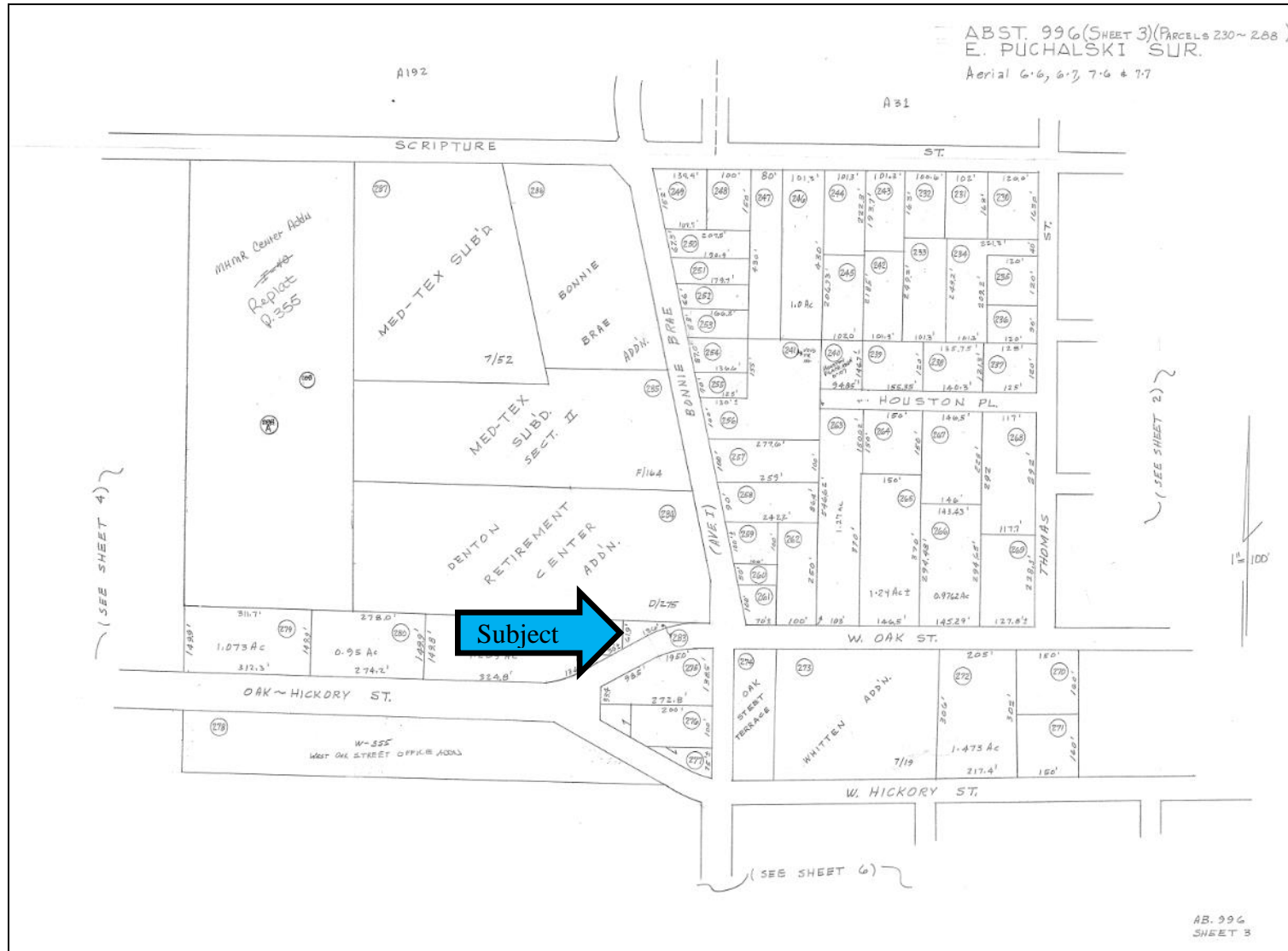
*\*LOCATION OF BOUNDARY IS APPROXIMATE*

# DME SURVEY





PLAT



## FLOOD PLAIN MAP



Source: GoogleEarth © 2016 with FEMA Overlay



## SUBJECT PHOTOS



Looking east along subject.



Looking east along subject and Oak Street towards Bonne Brae St.



## SUBJECT PHOTOS



Looking west along Oak Street.



Looking west along subject from eastern corner.

## **SECTION III - COMPARABLE SALES ANALYSIS**

## **SALES COMPARISON APPROACH**

The sales comparison approach is a set of procedures in which a value indication is developed by comparing the subject to similar properties that have recently sold or are listed for sale. The steps taken to apply the sales comparison approach are as follows:

- Research recent sales of comparable properties;
- Select sales most similar to the subject and assemble pertinent data;
- Compare the sales to the subject under various elements of comparison and adjust the sale prices to compensate for differences that affect value;
- Reconcile the adjusted prices of the sales into a value indication for the subject.

In order to derive an opinion of the market value of the parent tract land, assuming the property is available for development to its highest and best use, we have assembled sales data for similar properties in the area. After examining available sales data, we have selected the following land sale transactions as most comparable for this analysis. After an adjustment process, which compensates for the significant differences between these sales and the subject, these sales provide an indication of the parent tract's land value.

In analyzing the individual sales, we have selected the price per square foot of land as the operative unit of comparison. This is the unit of comparison most commonly quoted by brokers, sellers, and purchasers when discussing sales transactions and is considered the most relevant for the subject. A presentation of the land sales follows.

**Land Sale No. 1**



**Property Identification**

**Property Type** Multi-Family Residential  
**Address** 717, 801 and 803 Bernard Street, Denton, Denton County, Texas

**Sale Data**

**Grantor** Roy Allen Stone  
**Grantee** Dongdong Zhou  
**Sale Date** October 12, 2016  
**Deed Book/Page** 2016-129415  
**Property Rights** Fee simple  
**Financing** Cash to seller  
**Verification** Broker

**Contract Price** \$505,000  
**Effective Sale Price** \$523,000 (\$18,000 demo cost)

**Land Data**

**Zoning** DR-2 - Downtown Residential  
**Topography** Generally level  
**Utilities** All to site  
**Shape** Rectangular

**Land Size Information**

**Gross Land Size** 0.63 Acres or 27,443 SF

**Indicators**

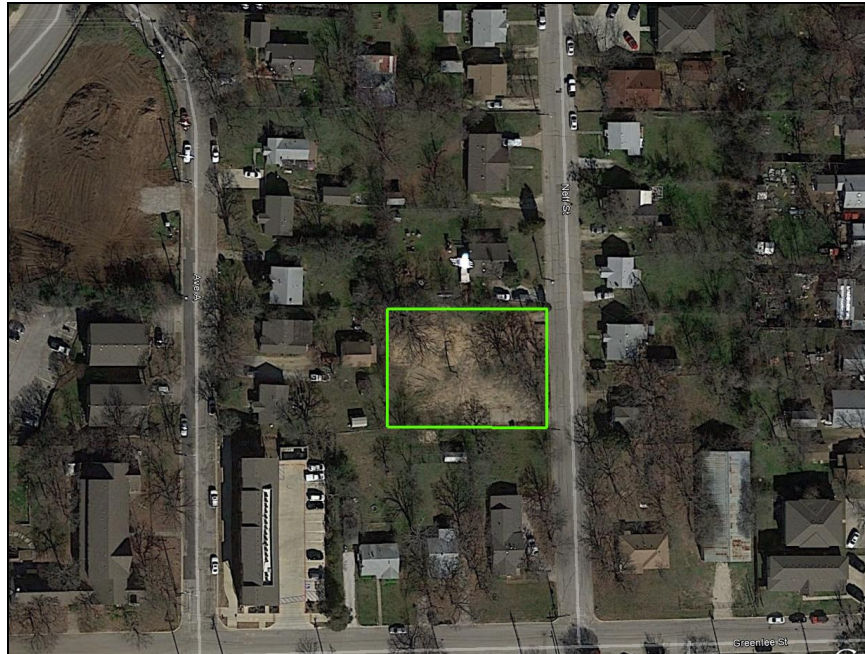
**Effective Price/Gross SF** \$19.06

**Remarks**

Homes were leased but leases were ending soon. Proximity to UNT made this a desirable location and the exposure time was very short. Plans to develop multi-family.



**Land Sale No. 2**



**Property Identification**

**Property Type** Multi-Family Residential  
**Address** 1320 Neff Street, Denton, Denton County, Texas

**Sale Data**

**Grantor** FAMVEST, LTD  
**Grantee** Aspire Investments, LLC  
**Sale Date** June 30, 2016  
**Deed Book/Page** 2016-79883  
**Property Rights** Fee simple  
**Financing** Cash to seller  
**Verification** Broker

**Effective Sale Price** \$215,000

**Land Data**

**Zoning** DR-1 - Downtown Residential  
**Topography** Generally level  
**Utilities** All to site  
**Shape** Rectangular

**Land Size Information**

**Gross Land Size** 0.368 Acres or 16,030 SF

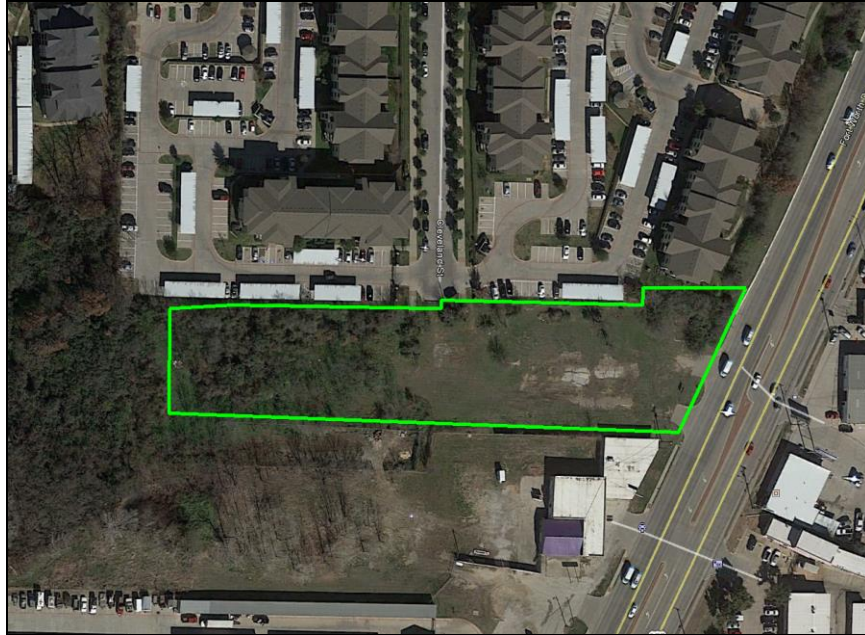
**Indicators**

**Effective Price/Gross SF** \$13.41

**Remarks**

Zoned Downtown Residential - 1, which allows duplexes but not multi-family development. There are several duplexes on this street on 7,000sf land sites. This property consists of 2 parcels so it would be feasible to develop a duplex on each parcel.

**Land Sale No. 3**



**Property Identification**

**Property Type** Multi-Family Residential  
**Address** 510 Fort Worth Drive, Denton, Denton County, Texas

**Sale Data**

**Grantor** CC Ballard Holdings, LLC  
**Grantee** Five Ten Villas, LLC  
**Sale Date** April 19, 2016  
**Deed Book/Page** 2016-44257  
**Property Rights** Fee simple  
**Financing** Cash to seller  
**Verification** Broker

**Effective Sale Price** \$850,000

**Land Data**

**Zoning** Downtown Commercial-General  
**Topography** Generally level  
**Utilities** All to site  
**Shape** Near rectangular

**Land Size Information**

**Gross Land Size** 2.035 Acres or 88,645 SF

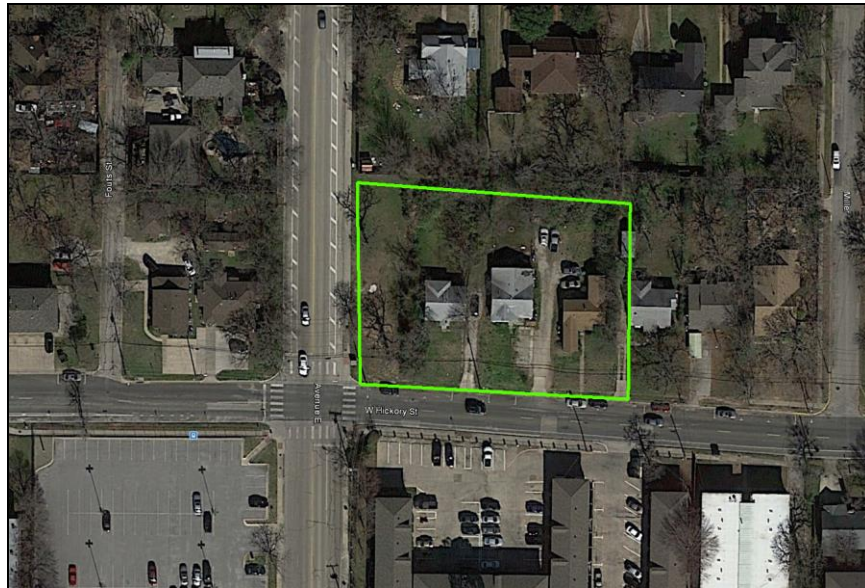
**Indicators**

**Effective Price/Gross SF** \$9.59

**Remarks**

Buyer intends to develop multi-family residential.

**Land Sale No. 4**



**Property Identification**

**Property Type**

Multi-Family Residential / Commercial

**Address**

2014, 2026 and 2030 W. Hickory St., Denton,  
Denton County, Texas

**Sale Data**

**Grantor**

Texas SB Holdings, LLC

**Grantee**

Golden Star Rock Investments, LLC

**Sale Date**

September 30, 2015

**Deed Book/Page**

2015-116099

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Broker

**Effective Sale Price**

\$470,000

**Land Data**

**Zoning**

DR-2 - Downtown Residential

**Topography**

Generally level

**Utilities**

All to site

**Shape**

Rectangular

**Land Size Information**

**Gross Land Size**

0.639 Acres or 27,835 SF

**Indicators**

**Effective Price/Gross SF**

\$16.89

**Remarks**

The property has 3 older rental homes at the time of sale. However, the intention is to demolish and build multi-family in the future.



**Land Sale No. 5**



**Property Identification**

**Property Type**

Multi-Family Residential / Commercial

**Address**

1216-1220 Avenue A and 1328 Underwood St., Denton,  
Denton County, Texas

**Sale Data**

**Grantor**

Chapel Hill Commercial Investments, LLC / Centennial Plaza  
Partners, Ltd.

**Grantee**

Ave A/Underwood LLC

**Sale Date**

September 11, 2014 and March 10, 2016

**Deed Book/Page**

2014-93731 / 2016-28557

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Broker

**Effective Sale Price**

\$971,738

**Land Data**

**Zoning**

DR-2 - Downtown Residential DC-G - Downtown Commercial

**Topography**

Generally level

**Utilities**

All to site

**Shape**

Triangular and Rectangular

**Land Size Information**

**Gross Land Size**

1.785 Acres or 77,739 SF

**Indicators**

**Effective Price/Gross SF**

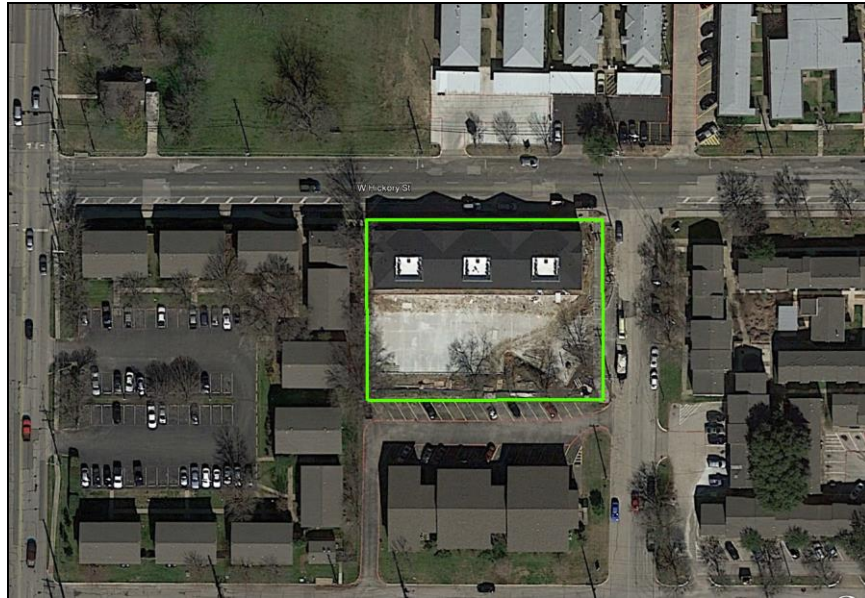
\$12.50

**Remarks**

The buyer has since developed apartments on the triangular parcel. Although the Grantor names differ, the broker advised us that these were the same parties and the sale price for both parcels was negotiated at the same time. The square parcel had some title issues that delayed closing until March 2016.



**Land Sale No. 6**



**Property Identification**

**Property Type**

Multi-Family Residential

**Address**

2505 W. Hickory Street, Denton, Denton County, Texas

**Sale Data**

**Grantor**

Speaking Properties, Inc. / Dentex Properties, Inc.

**Grantee**

PDI Group, LLC

**Sale Date**

March 25, 2013

**Deed Book/Page**

2013-33004 / 2013-33005

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Buyer

**Effective Sale Price**

\$275,000 (\$260,000 sale price plus \$15,000 demo)

**Land Data**

**Zoning**

DR-2 - Downtown Residential

**Topography**

Generally level

**Utilities**

All to site

**Shape**

Rectangular

**Land Size Information**

**Gross Land Size**

0.688 Acres or 29,969 SF

**Indicators**

**Effective Price/Gross SF**

\$9.18

**Remarks**

The buyer has since developed apartments on the property. This sale consisted of two parcels with different sellers, however, the buyer stated that the one owner was a broker who also represented the other parcel owner and the sale price for both parcels was negotiated at the same time as one price.

## QUALITATIVE ADJUSTMENT GRID

### Land Value - Sales Comparison Approach

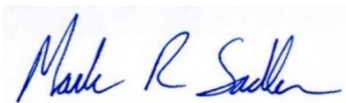
Land Sales Summary							
	Parent Tract	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location:	Located along the south side of Oak Street, apx. 236' west of Bonne Brae St., Denton, Denton County, Texas	Located along the east side of Bernard St., north of Eagle Dr., Denton, Denton County, Texas	Located along the west side of Neff Street, north of Greenlee Street, Denton, Denton County, Texas	Located along the west side of Fort Worth Dr., south of Collins St., Denton, Denton County, Texas	Located at the northeast corner of Avenue E and Hickory St., Denton, Denton County, Texas	Located along the east and west sides of Avenue A at Underwood St., Denton, Denton County, Texas	Located along the south side of Hickory Street, east of Bonnie Brae St, Denton, Denton County, Texas
Sale Price/Effective Sale Price:		\$523,000	\$215,000	\$850,000	\$470,000	\$971,738	\$275,000
Sale Date:		10/12/2016	6/30/2016	4/19/2016	9/30/2015	9/11/2014	3/25/2013
Land Size (Gross Square Feet):	12,719	27,443	16,030	88,645	27,835	77,739	29,969
Price/Square Foot:	N/A	\$19.06	\$13.41	\$9.59	\$16.89	\$12.50	\$9.18
Sales Adjustment							
		Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Property Rights Conveyed		Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Financing Terms		Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Conditions of Sale		Comparable	Comparable	Comparable	Comparable	Inferior	Comparable
Market Conditions		Comparable	Comparable	Comparable	Inferior	Inferior	Inferior
Other Adjustments							
		Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location		Superior	Comparable	Inferior	Superior	Comparable	Comparable
Access		Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Size		Inferior	Comparable	Inferior	Inferior	Inferior	Inferior
Functional Utility		Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Zoning/Utilities		Comparable	Inferior	Comparable	Comparable	Comparable	Comparable
Net Other Adjustments		Comparable	Inferior	Inferior	Comparable	Inferior	Inferior

## **SECTION IV - CERTIFICATION OF THE APPRAISAL**

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which includes the *Uniform Standards of Professional Appraisal Practice (USPAP)*.
9. Mark R. Sadler, Mike C. O'Brien and Gina Cannova Phalen made a personal inspection of the property that is the subject of this report.
10. No one has provided significant professional assistance to the persons signing this report.
11. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

12. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
13. It is our opinion that the subject does not include any enhancement in value as a result of any natural, cultural, agricultural or scientific influences retrospective or prospective.
14. We have extensive experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
15. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
16. As of the date of this report, Mark R. Sadler, Mike C. O'Brien and Gina Cannova Phalen have completed the Standards and Ethics Education Requirement for Candidates of the Appraisal Institute.



**Mark R. Sadler**  
*State of Texas Certification #TX-1380142-G*



**Mike C. O'Brien**  
*State of Texas Certification #TX-1331171-G*



**Gina Cannova Phalen**  
*State of Texas Certification #TX-1380142-G*

## **SECTION V - ASSUMPTIONS AND LIMITING CONDITIONS AND DEFINITIONS**

## **ASSUMPTIONS AND LIMITING CONDITIONS**

In conducting this appraisal, we have assumed, except as otherwise noted in our report, as follows:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property. This excludes the project which is addressed in this report.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
5. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
6. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the affect of subsequent events.
7. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
8. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
9. We are not required to give testimony or to be in attendance in court or any government or other hearing with reference to the property without written contractual arrangements having been made relative to such additional employment.
10. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be

scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

11. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
12. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
13. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This appraisal report shall be considered only in its entirety. No part of this appraisal report shall be utilized separately or out of context.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraisers.
15. Information, estimates and opinions contained in this report, obtained from sources outside of the office of the undersigned, are assumed to be reliable and have not been independently verified.
16. Any income and expense estimates contained in this appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
17. No assurance is provided that the methodology and/or results of the appraisal will not be successfully challenged by the Internal Revenue Service. In particular, the methodology for appraising certain types of properties, including without limitation, government subsidized housing, which has been the subject of debate.



18. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
19. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
20. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
21. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
22. The analyses contained in this report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to ADA. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
24. This appraisal report has been prepared for the exclusive benefit of Freese and Nichols, Inc.; DME; 7 Arrows Land Staff, LLC; and their agents, representatives and assigns. It may not be used or relied upon by any other party. All parties who use or rely upon any information in this report without our written consent do so at their own risk.

25. No studies have been provided to us indicating the presence or absence of hazardous materials on the site or in the improvements, and our valuation is predicated upon the property being free and clear of any environment hazards.
26. We have not been provided with any evidence or documentation as to the presence or location of any wetlands. Wetlands generally include swamps, marshes, bogs, and similar areas. We are not qualified to detect such areas. The presence of wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

## **SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS**

In addition to the previously discussed assumptions and limiting conditions, the appraisers are compelled to outline the following special assumption and limiting condition: None.

## DEFINITIONS

The definitions included in this Addendum have been extracted, solely or in combination, from definitions and descriptions printed in:

- The Uniform Standards of Professional Appraisal Practice 2016-2017 Edition (USPAP);
- The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (Dictionary);
- The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013; and/or

### *Appraisal*

The act or process of developing an opinion of value; an opinion of value. (USPAP)

### *Across the Fence Method*

A land valuation method often used in the appraisal of corridors. The across the fence method is used to develop a value opinion based on comparison to abutting land. (Dictionary)

### *Assemblage*

The combining of two or more parcels, usually but not necessarily contiguous, into one ownership or use. (Dictionary)

### *Effective Date of the Appraisal*

The date at which the value opinion is an appraisal applies, which may or may not be the date of inspection; the date of the market conditions that provide the context for the value opinion. Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report. Prospective value opinions (effective date of the appraisal subsequent to the date of the report) are intended to reflect the current expectations and perceptions along with available factual data. Retrospective value opinions are likely to apply as of a specific historic date; the opinions are intended to reflect the expectations and perceptions of market participants at the specified date, along with available factual data. Data subsequent to the effective date may be considered in estimating a retrospective value as a confirmation of trends. (Dictionary and USPAP)

### *Fee Simple Estate*

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

*Insurable Value*

The Appraisal Institute defines insurable value as the value based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. It is that portion of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. *Marshall & Swift* defines insurable value as the “replacement or reproduction cost less deterioration and non-insurable items.” (*MVS* and *Dictionary*)

*Leased Fee Estate*

An ownership interest held by a landlord with the rights of use and occupancy conveyed by 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. (*Dictionary*)

*Leasehold Estate*

The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions. (*Dictionary*)

*Market Value*

**Market value** is the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available in the reasonable future.

*City of Austin v. Cannizzo*, 153 Tex. 324, 267 S.W.2d 808, 815 (1954).

## SECTION VI - QUALIFICATIONS OF THE APPRAISERS

**PROFESSIONAL QUALIFICATIONS OF  
MARK R. SADLER**

<p><b>EXPERIENCE:</b></p> 	<p><b>Mark R. Sadler</b> is a Director with O'Brien Realty Advisors, LLC, a full service real estate consulting and appraisal firm. Mr. Sadler has performed valuation analysis on various properties including, but not limited to, industrial buildings, retail buildings, various special-purpose facilities, mixed-use properties and has worked extensively on eminent domain assignments of all types of properties.</p> <p>Prior to joining O'Brien Realty Advisors, LLC, Mr. Sadler was a Senior Analyst with Korman O'Brien, LLC and prior to that was an Analyst for four years with Integra Realty Resources' Fort Worth Office.</p> <p>Mr. Sadler is a 2005 graduate of Texas A&amp;M University in College Station with a Bachelor of Business Administration degree in Management. In 2006, Mr. Sadler earned his Master's degree of Land Economics and Real Estate from Texas A&amp;M University in College Station. Currently, Mr. Sadler is an advanced candidate progressing toward obtaining his MAI designation with the Appraisal Institute.</p>
<p><b>PROFESSIONAL ACTIVITIES:</b></p>	<ul style="list-style-type: none"> <li>▪ Texas State Certified General Real Estate Appraiser No. TX-1380142-G</li> <li>▪ Appraisal Institute – Candidate for Designation</li> <li>▪ Member – International Right of Way, Chapter 36</li> </ul>
<p><b>EDUCATION:</b></p>	<ul style="list-style-type: none"> <li>▪ Bachelor of Business Administration, Management Texas A&amp;M University, College Station, Texas, 2005</li> <li>▪ Master of Land Economics &amp; Real Estate Texas A&amp;M University, College Station, Texas, 2006</li> <li>▪ Master's Degree Course Work: <ul style="list-style-type: none"> <li>Real Property Valuation</li> <li>Real Estate Appraisal Case Studies</li> <li>Real Property Analysis</li> <li>Commercial Real Estate Law</li> <li>Analysis of Money &amp; Capital Markets</li> <li>Construction Practices</li> <li>Land Economics</li> <li>Real Property Finance</li> <li>Real Estate Development Analysis</li> <li>GIS in Land &amp; Property Management</li> </ul> </li> <li>▪ Additional Appraisal Course Work: <ul style="list-style-type: none"> <li>Standards of Professional Appraisal Practice (USPAP)</li> <li>Business Practices and Ethics</li> <li>Supervisor-Trainee Course for Texas</li> <li>Eminent Domain and Condemnation</li> <li>Valuation of Detrimental Conditions in Real Estate</li> <li>Analyzing Distressed Real Estate</li> <li>General Appraiser Site Valuation &amp; Cost Approach</li> <li>Apartment Appraisal, Concepts &amp; Applications</li> <li>Appraising Small Apartment Properties</li> <li>Appraisal of Assisted Living Facilities</li> <li>Advanced Hotel Appraising – Full Service Hotels</li> </ul> </li> </ul>

**Texas Appraiser Licensing and Certification Board**

P.O. Box 12188 Austin, Texas 78711-2188

**Certified General Real Estate Appraiser**


Number: **TX 1380142 G**

Issued: **04/29/2016**

Expires: **04/30/2018**


Appraiser: **MARK RICHARD SADLER**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.

  
Douglas E. Oldmixon  
Commissioner



**PROFESSIONAL QUALIFICATIONS OF  
MIKE C. O'BRIEN**

<p><b>EXPERIENCE:</b></p> 	<p><u><b>Mike C. O'Brien</b></u> is President of O'Brien Realty Advisors, LLC, a full service real estate consulting and appraisal firm. Mr. O'Brien has performed appraisals on various properties including, but not limited to, shopping centers, apartment complexes, industrial facilities, raw and developed land, office towers and complexes, restaurants, and mixed-use developments. Mr. O'Brien has valued and consulted on properties in Alabama, Arkansas, Illinois, Louisiana, Mississippi, Missouri, New Mexico, Ohio, Oklahoma, Texas and Wisconsin.</p> <p>He has provided consultation, feasibility studies, and has worked extensively on complex eminent domain assignments of all types of properties. Mr. O'Brien has worked on valuations of easement interest, partial interest, and undivided interest. Assignments have also included consultation for both ad valorem and estate tax purposes. He has testified in eminent domain proceedings before Texas courts and before numerous Special Commissioners hearings in various counties throughout Texas. In addition, Mr. O'Brien has been a guest lecturer to TCU's real estate appraisal course since 2008.</p> <p>Mr. O'Brien is a 1997 graduate from The University of Texas in Austin with a Bachelor of Science degree in Economics and a minor in Business Foundations. Prior to the formation of his company, he was a Principal with Korman O'Brien, LLC. Mr. O'Brien was a Senior Analyst with Integra Realty Resources' Fort Worth office from January 2003 to 2008. Prior to his work with Integra, Mr. O'Brien trained with Lewis Realty Advisors and Arthur Andersen and Company in Houston, Texas as a real estate associate on various appraisal projects. During college, he trained with the development firm of Barshop and Oles, Inc. in Austin, Texas as a real estate intern.</p> <p>Currently, Mr. O'Brien is an advanced candidate progressing toward obtaining his MAI designation with the Appraisal Institute.</p>
<p><b>PROFESSIONAL ACTIVITIES:</b></p>	<ul style="list-style-type: none"> <li>▪ Texas State Certified General Real Estate Appraiser Certificate No. TX-1331171-G Also licensed in Arkansas, Louisiana, New Mexico and Oklahoma</li> <li>▪ Appraisal Institute – Candidate for Designation Program <ul style="list-style-type: none"> <li>- Public Relations Committee, Central Texas Chapter (2010-2012)</li> </ul> </li> <li>▪ Member – International Right of Way, Chapter 36 <ul style="list-style-type: none"> <li>- Membership Committee Chairman (2013 – 2015)</li> <li>- Steve Baggett Memorial Golf Tournament Committee Co-Chair (2013 &amp; 2015)</li> </ul> </li> <li>▪ Member – Greater Fort Worth Real Estate Council <ul style="list-style-type: none"> <li>- Membership Committee (2011 – 2014)</li> </ul> </li> <li>▪ Member – Tarrant County Bar Association</li> <li>▪ Member – Fort Worth Chamber of Commerce</li> <li>▪ Leadership Fort Worth, Class of 2008</li> <li>▪ Overton Park Neighborhood Association – Parks Committee (2009 – 2012)</li> </ul>
<p><b>EDUCATION:</b></p>	<ul style="list-style-type: none"> <li>▪ Bachelor of Science, Economics, Minor in Business Foundations The University of Texas in Austin, 1997</li> <li>▪ Coursework accredited by the Appraisal Institute, The University of Texas, and the State of Texas</li> </ul>



**PROFESSIONAL QUALIFICATIONS OF  
GINA CANNOVA PHALEN**

**EXPERIENCE:**



**Gina L. Cannova Phalen** is a Senior Analyst with O’Brien Realty Advisors, LLC, a full service real estate consulting and appraisal firm. Ms. Phalen has consulted on various eminent domain assignments for all types of real estate.

Prior to joining O’Brien Realty Advisors, LLC, Ms. Phalen was an analyst with LandPro Valuation in Mesa, Arizona and Sell and Associates in Tempe, Arizona.

Ms. Phalen is a graduate of Arizona State University with a Bachelor of Business Administration degree in Supply Chain Management.

**PROFESSIONAL  
ACTIVITIES:**

Texas State Certified General Real Estate Appraiser No. TX-1380648

Appraisal Institute – Practicing Affiliate

International Right of Way, Chapter 36 – Member

CREW Network (Commercial Real Estate Women), Fort Worth Chapter

- CREW Communications Committee Co-Chair- 2016-2017

City of Southlake, Texas – Building Board of Appeals (2016-2018)

City of Southlake, Texas – Zoning Board of Adjustment (2016-2017)

**EDUCATION:**

Bachelor of Business Administration, Supply Chain Management  
Arizona State University, 1997

Coursework accredited by the Appraisal Institute and/or TALCB including:

Uniform Standards of Professional Appraisal Practice

Mastering Unique and Complex Properties

Expert Witness for Commercial Appraisers

General Appraiser Sales Comparison Approach

General Appraiser Site Valuation and Cost Approach

General Appraiser Market Analysis and Highest & Best Use

General Appraiser Income Approach Parts I & II

Eminent Domain Conference, CLE International – 2016

