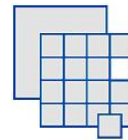


Bella Encanta
(ZON18-00181)
a Mixed Density Community
Hampton Avenue & Crismon Road
Mesa, Arizona
Minor General Plan Amendment Narrative
July 3, 2018

Submitted by:



Pew & Lake, P.L.C.
Real Estate and Land Use Attorneys

Reese L. Anderson
1744 S. Val Vista Drive, Suite 217
Mesa, AZ 85204
Phone: (480) 461-4670
Email: reese.anderson@pewandlake.com

On behalf of:
Bela Flor Communities, LLC



1. Introduction

Pew & Lake PLC, on behalf of our client Bela Flor Communities, LLC¹, is pleased to submit this project narrative and exhibits in support of a minor general plan amendment request for approximately 32.23 gross acres (the “Property”) located west of the northwest corner of the Superstition Freeway (US-60) and Crismon Road. The parcel is shown below and may be identified on the Maricopa County Assessor’s map as parcels 220-80-002X, 220-80-009G, and portions of 220-80-009H and 220-80-008B. This request is being made concurrently with a request for approval of a rezoning and preliminary plat. If approved, the requests will allow for the development of a 258-unit, for sale, mixed density community.

Figure 1 – Aerial Photo



2. Existing Designations and Site Conditions

As shown in the figures on the next page, the parcel is currently designated in the City of Mesa General Plan 2040 as Employment and is classified on the Zoning Map as Planned Employment Park (PEP) and Neighborhood Commercial (NC).

¹ The legal owner is Crismon BFC, LLC, an Arizona limited liability company, which is an affiliate of Bela Flor Communities, LLC, and has signed all of the appropriate forms for this application.

Figure 2 – General Plan Character Designations

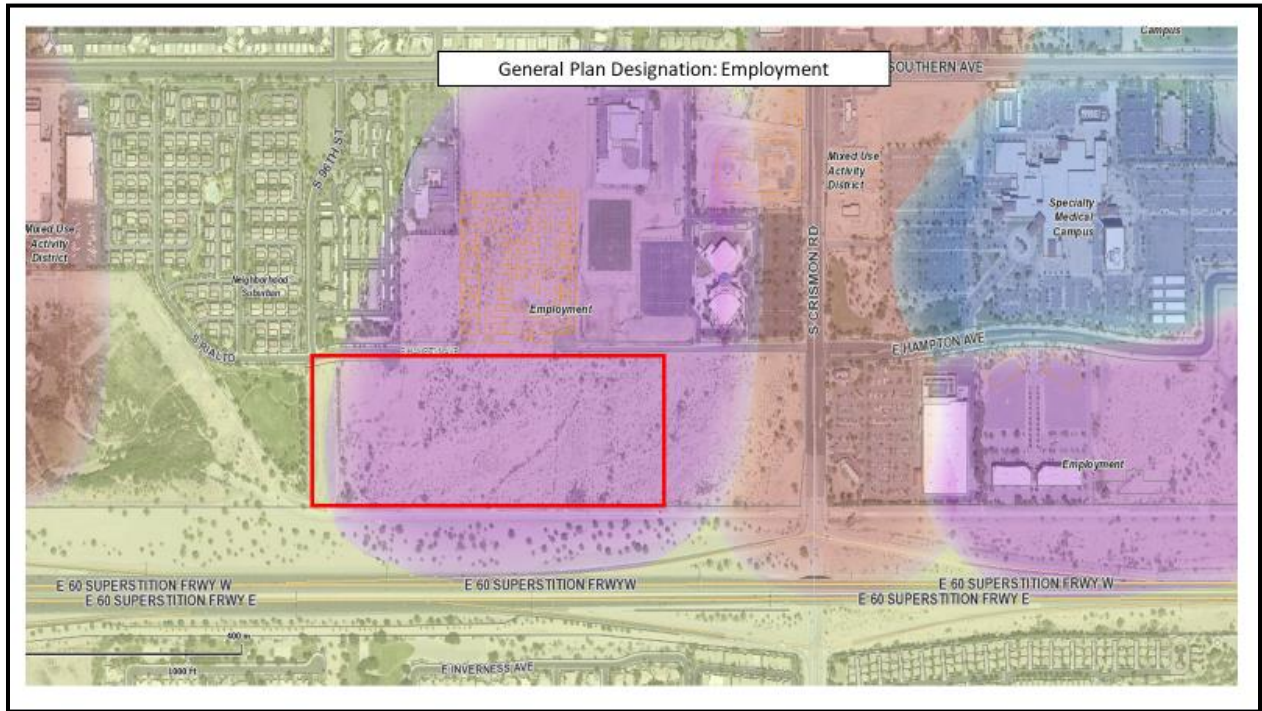
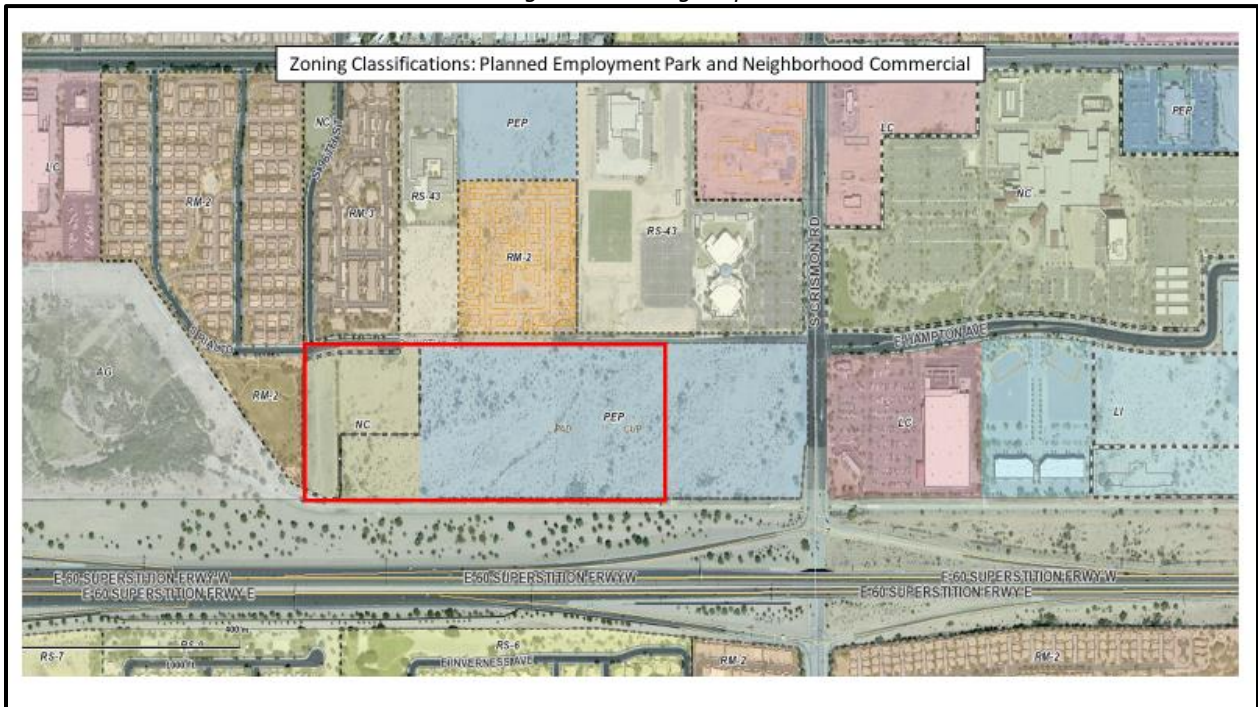


Figure 3 – Zoning Map



The rectangular parcel is currently vacant and is unremarkable in its topography. The parcel slopes slightly from the northeast corner to the southwest corner, and there is an open storm water conveyance channel running north/south near the west end of the property.

3. Relationship to Surrounding Properties

The property is bound on the north by multi-family uses, vacant land and Christ’s Church of the Valley. To the west is a storm water retention basin for the Muirfield Village Condo Association and an ADOT regional drainage basin. On the south, the property is bounded by the Superstition Freeway / ADOT right-of-way. To the east is a proposed office and commercial retail center, with a proposed hotel, which was recently approved by the Mesa P&Z Board under Case No. ZON18-00149.

<i>Figure 4 – Adjacent Uses</i>			
Direction	General Plan Character Area	Existing Zoning	Existing Use
North	Neighborhood Suburban & Employment	RM-3, RM-2 & RS-43	Multi-Family / Vacant / House of Worship
East	PEP & Mixed Use Activity	PEP	Vacant (Proposed as Office / Hospitality / Commercial)
South	n/a	n/a	US-60 / ADOT ROW
West	Neighborhood Suburban	RM-2	Storm Water Retention
Project Site	Employment	NC & PEP	Vacant

The conversion of this property from vacant land to a high quality, medium density, residential use follows the pattern of development established in the immediate area and still provides for commercial, employment and retail uses on the property fronting onto Crismon Road. It also provides an additional “ownership” type product to that area to help increase property values and support the existing businesses in the area. Bella Encanta is also compatible with Crismon Estates, which is currently under construction to the north, across Hampton Ave.

4. Request

Our request to the City of Mesa is as follows:

1. A minor General Plan amendment to change the designation on the Property from Employment to Neighborhood Suburban.

As noted above, this request, if approved, will facilitate the development of a 258-unit, for-sale, mixed density community on 32.23 acres. A copy of the Revised Conceptual Site Plan is included in the submittal. As shown on the site plan, the proposed density for this development is 8.0 du/ac. This density is allowed in the Neighborhood Suburban character area of the General Plan, which we are seeking.

5. The Development Plan

Product Mix

This mixed density community will feature two different housing products- single family, detached homes and condominiums. The homes in the single-family detached portion of this community will range from 1,718 to 2,347 sq. ft. and most will be two (2) stories in height. Of the 6 floor plans, 1 plan is single-story, while 5 of the plans are two-story. Additionally, there will be 119 condominiums that are designed in buildings featuring seven (7) units apiece. The size of the condominiums will range from 830 sq. ft. to 2,148 sq. ft. The buildings themselves, are 2-stories in height, but some units exist solely on a single level. Each of these home-types are discussed in more detail below. A perspective of the condominiums is provided below in Figure 5.

Figure 5 – Perspective of Proposed Condominiums



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13911 Von Karman Ave,
Suite 200
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949.851.2122
ktgy.com



Site Plan Consultant
1120 N. Central Road Suite 115
Mesa, AZ 85205

BELLA ENCANTA
ARIZONA
2017-0476

SCHEMATIC DESIGN
June 29, 2018

7-PLEX CONCEPTUAL STREET ELEVATION & PERSPECTIVE

Site Plan

As shown on the site plan for Bella Encanta in Figure 6 (shown on the next page), access to the project will be from Hampton Avenue through three (3) gated entrances. The primary entrance (the central entrance) is gated and has been designed in such a way that it is directly opposite from the entrance of the Crismon Estates project which is located on the north side of Hampton Ave. Crismon Estates is single story, detached, rental project, which was approved and rezoned in 2017 and will start leasing in the Summer/Fall of 2018.

Design Intent

As stated above, the project consists of 139 single-family detached homes that will range from 1,718 sq. ft. to 2,347 sq. ft. Plans for the proposed single-family, detached homes include 1, single-story plan and 5, two-story plans. Each plan will have space to park at least two (2) cars in a garage, with 2 additional driveway spaces, and each home will have its own private backyard satisfying the requirement for private open space.

The project also contains 119 condominiums which range in size from 830 sq. ft. to 2,148 sq. ft. Each condominium building will have ten (10) garaged spaces and three (3) driveway/carport spaces for a total of 13 dedicated parking spaces per building.

Bela Flor has engaged the well-known and respected architectural firm, KTG, to develop the proposed homes. They feature a variety of different architectural elements and are designed to be functional and attractive to both the consumers and the communities in which they are located.

6. Minor General Plan Amendment

As previously noted, our request is to change the Land Use designation on this property from Employment to Neighborhood Suburban. Mesa's 2040 General Plan defines the Employment District Focus as the following:

Employment District is a character type that is primarily used for employment-type land uses of at least 20 acres and typically have minimal connection to the surrounding area. Examples of employment districts include areas for large manufacturing facilities, warehousing, business parks, etc. Employment districts may include supporting retail and office areas but rarely include any type of residential uses. If residential uses are included, they need to be done in a manner that supports the continued development of the employment uses. The goal for these districts is to provide for a wide range of employment opportunities in high quality settings.

The City's current general plan and prior versions have designated this property and the surrounding areas as Employment or similar land use designation for 30 plus years. Despite this designation, no employment or commercial uses have materialized on the property. Based on the evidence presented below, and the past 30 plus years of experience dealing with this property, we strongly believe the intersection of Southern Avenue and Crismon Road is a good place for commercial, employment and retail uses, but not at the scale and intensity that is currently shown on the Mesa General Plan. Rather, for the southwest corner of Southern Ave. and Crismon Road, the historical land use development, and the lack of sufficient demographics in the area, do not sustain nor support the amount of employment land as currently shown. Therefore, the amount of commercial / employment land should be reduced and a high quality, residential, ownership project should be carefully considered as the highest and best use.

An email dated March 22, 2017, from Susan Demmitt, the prior property owner's attorney, was presented to the Mesa City Council as part of the Crismon Estates (Case Z17-005) proceedings. In the email, she wrote:

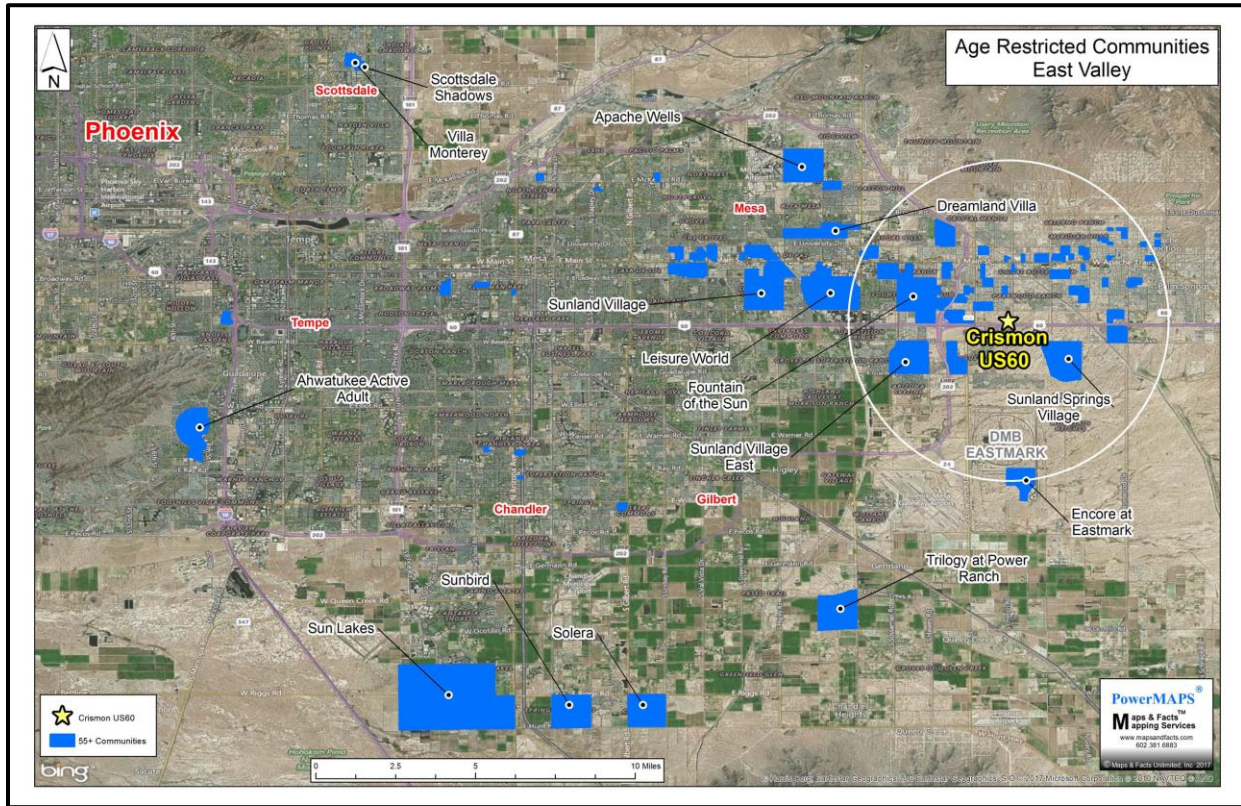
“Crismon Superstition Partners has owned its land for 30 years During our 30 years of ownership, we never received serious or legitimate offers to develop our property with employment uses, despite its considerable frontage along the US 60 freeway. The market and demographics have never provided support for this type of development.”

In short, the designation of “Employment” on the west side of Crismon Road is simply too large and needs to be reduced to a size commensurate with the realistic expectation of economic activity and development trends that have already occurred in the area. One challenge for this area, and specifically the area west of Crismon Road and between Southern Avenue and the US60 Freeway, is that the pattern of development has not resulted in Class A office space and employment uses as the City had hoped. The map below shows the existing uses and users in the immediate area.



Another factor affecting the ability of this property to become an employment node is the demographics of the immediately surrounding trade area. To illustrate one component of this analysis, the density and concentration of 55+ age restricted communities in the near vicinity

is illustrated in the blue colors on the map on the next page. The amount of land designated for Employment on this property is simply too great, when much of the population in the surrounding community is not only near or past retirement age, but very migratory with a significant number only residing in Arizona during the winter months.



As additional evidence, we asked well known commercial real estate broker, Tracy Glass with Insight Land & Investments, to analyze this property for employment and commercial uses. Mr. Glass' letter, dated May 12, 2017, is attached hereto. Below are some of the key points from his letter:

- Even though the site is close to the freeway, there is a 350-foot wide setback for the ADOT regional flood canal that runs parallel to the freeway in this area. Typically, a large office user would prefer to be up against the freeway for visibility reasons (like the new Metro East Commerce Center near Mesa Drive and US 60).
- There are better areas within Mesa for office buildings and plenty of office land available, such as Riverview, Signal Butte, Eastmark, downtown Mesa, south side of Ellsworth and the 202, to name a few;
- Many prospects have felt the Property is too far from the core of activity that drives a large employment park, such as a larger population base,

concentration of other employment centers nearby, a lower median age, higher income within the trade area and especially, proximity to Sky Harbor Airport.

- The five-mile radius near the site is disproportionately full of mobile-home parks and 55+ age restricted communities relative to where many user/developers like to be.;
- The surrounding uses aren't typically found in or around office park environments: The Home Depot, Jack-in-the-Box, custard shop, assisted living, large church and large residential communities all along the south side of the freeway;
- In particular, the western half of the Property without the major arterial access along Crismon and the direct identification with Mountain Vista Hospital, Home Depot, associated retail pads and medical offices is less desirable from a user/developer standpoint.
- [Previously,] Opus (one of the leading office developers in the country) put a trailer onsite [to] market the Property to all their clients for over a year, but still no buyers. After that, Sunwest, another large office developer, tied up the Property for two years spending \$200,000 on entitlements and marketing diligently trying to attract office tenants but couldn't gain any traction.

Going a step further, Bela Flor engaged Troy Glover, MAI, Glover Valuation Group, to provide a market analysis of the viability of this property for employment uses. Mr. Glover's full evaluation is included with this narrative. On page 2 of his letter, Mr. Glover states:

"While the City of Mesa has classified the Subject as employment and related uses, the market does not support this as the highest and best use. In fact, the market does not support office use even as a viable use, whether now or in the future. The factors that lead to this conclusion include access and exposure/visibility, competitive supply and market conditions as well as surrounding land use patterns and demographics. I analyzed these factors to determine a highest and best use for the Subject."

To be clear, Mr. Glover was not opining that all of the land in the area be changed to residential. Rather, he was of the clear opinion that Mesa had simply designated too much as employment. On page 7 of his letter, he wrote:

"On the other hand, the adjacent property to the east of the Subject running to Crismon Road is a good location for commercial development because of its visibility and frontage along a major arterial street. My understanding is that this parcel is marketed for commercial development. I believe the characteristics of the surrounding area support this use for the land with Crismon Road frontage."

We also asked Brent Moser, at Cushman & Wakefield, to share his thoughts on the property and whether all of it should be retained with an employment land use designation. In Mr. Moser's letter dated, May 30, 2017, he wrote the following:

"I am familiar with the +/- 30 acre parcel you own west of Crismon and south of Hampton, near the US60. I understand that the City of Mesa would like to see it developed as office/employment. Unfortunately, it is highly unlikely that you would be able to sell the Property to an office developer or another commercial user".

Following is a summary of some of the reasons Mr. Moser believes that this property will never fully be built with employment uses: (1) the location is not close to a city core where office parks thrive and where there are sufficient densities of people, (2) the average income of residents that live close to area is not above \$100,000, which is the minimum needed for higher end employment spaces and Class A offices, (3) the rental rates in the area will not justify new office space at this location since most developers are looking for \$34 PSF NNN to start a project, and rates in Mesa overall are at or below \$20 PSF NNN, and (4) there are better, closer locations for employment uses within Mesa, such as Riverview, Eastmark and the Tempe/Mesa Corridor along the US60.

Mr. Moser concluded with the following statements: *"Office parks in better locations than yours that were built in Chandler and Gilbert in the last few years [and they] are struggling right now, and office developers are aware of this. Your location is inferior to these locations. Why would they buy the Property when better locations in Chandler and Gilbert are struggling? . . . To be candid, Phoenix metro has a surplus of office space now, and will for the foreseeable future. While I would like to tell you that the Property could be sold to an office developer, that just isn't going to happen, in my opinion, for a very long time, if ever."*

Given the forgoing, it can be clearly demonstrated that despite the City's vision for employment uses on this property, is not realistic to the scale and level that is currently shown in the existing General Plan.

In addition to the foregoing, please note that while the Bella Encanta property is situated with US 60 freeway frontage, it is challenging from a development perspective due to the long rectilinear shape of the property, limited accessibility, a setback from the freeway of over 300 ft., and a large ADOT storm water conveyance channel. The only meaningful, high visibility access to the property, as a whole, is directly off and fronting Crismon Road, which includes only 725 ft. of frontage with right in/right out access only. This results in a limited window of visibility into the site and severely limits the attraction of development and opportunities for the western portion of the site.

The Hampton Avenue alignment to the north provides a fair opportunity for secondary access with a signalized intersection at Crismon, but with existing residential development to the west and north (Crismon Estates) this road is also diminished in size and capacity to that of a local, neighborhood street. To the west of the Bella Encanta project is the ADOT regional

retention facilities, further constricting access to roadway and sewer infrastructure to the west and cutting off access to Ellsworth Road.

The western portion of this vacant property is most suitable for a continuation of the high quality, medium density residential development that now exists off 96th Street and to the north.

In sum, it can clearly and convincingly said that based on these constraints, the Employment Land Use Designation is inappropriate for this Property. By amending the General Plan Land Use designation on this property to Neighborhood: Suburban, the pattern of development already established by the property to the west will be continued, while preserving a significant number of acres of Employment property to the east.

General Plan Evaluation Criteria

As outlined in Chapter 15 of the Mesa 2040 General Plan, the following Development Criteria must be considered when evaluating a minor General Plan Amendment:

A. Is the proposed development consistent with furthering the intent and direction contained in the General Plan? **ANSWER: YES. By continuing the Neighborhood Suburban pattern of development that already exists west of this project, this proposal furthers the intent of the General Plan designation already established in this area.**

B. Is the proposed development consistent with adopted sub-area or neighborhood plans? **ANSWER: Not applicable. There is no adopted sub-area plan in this part of the City.**

C. Is the proposed development consistent with the standards and guidelines established for the applicable character type(s)? **ANSWER: YES. The height of the proposed homes is appropriate for Neighborhood Suburban area, as is the density of the proposed development. Bella Encanta is an integrated development plan with carefully designed amenities, and an abundance of usable community space provides exactly the type of community envisioned in the Neighborhood designation.**

D. Will the proposed development serve to strengthen the character of the area by:

- Providing appropriate infill development; **ANSWER: YES.**
- Removing development that is deteriorated and/or does not contribute to the quality of the surrounding area; **ANSWER: YES.**
- Adding to the mix of uses to further enhance the intended character of the area; **ANSWER: YES.**
- Improving the streetscape and connectivity within the area; **ANSWER: YES.**
- Improving safety within the area; **ANSWER: YES.**

- Adding to the sense of place; and, **ANSWER: YES.**
- Meeting or exceeding the development quality of the surrounding area?
ANSWER: YES.

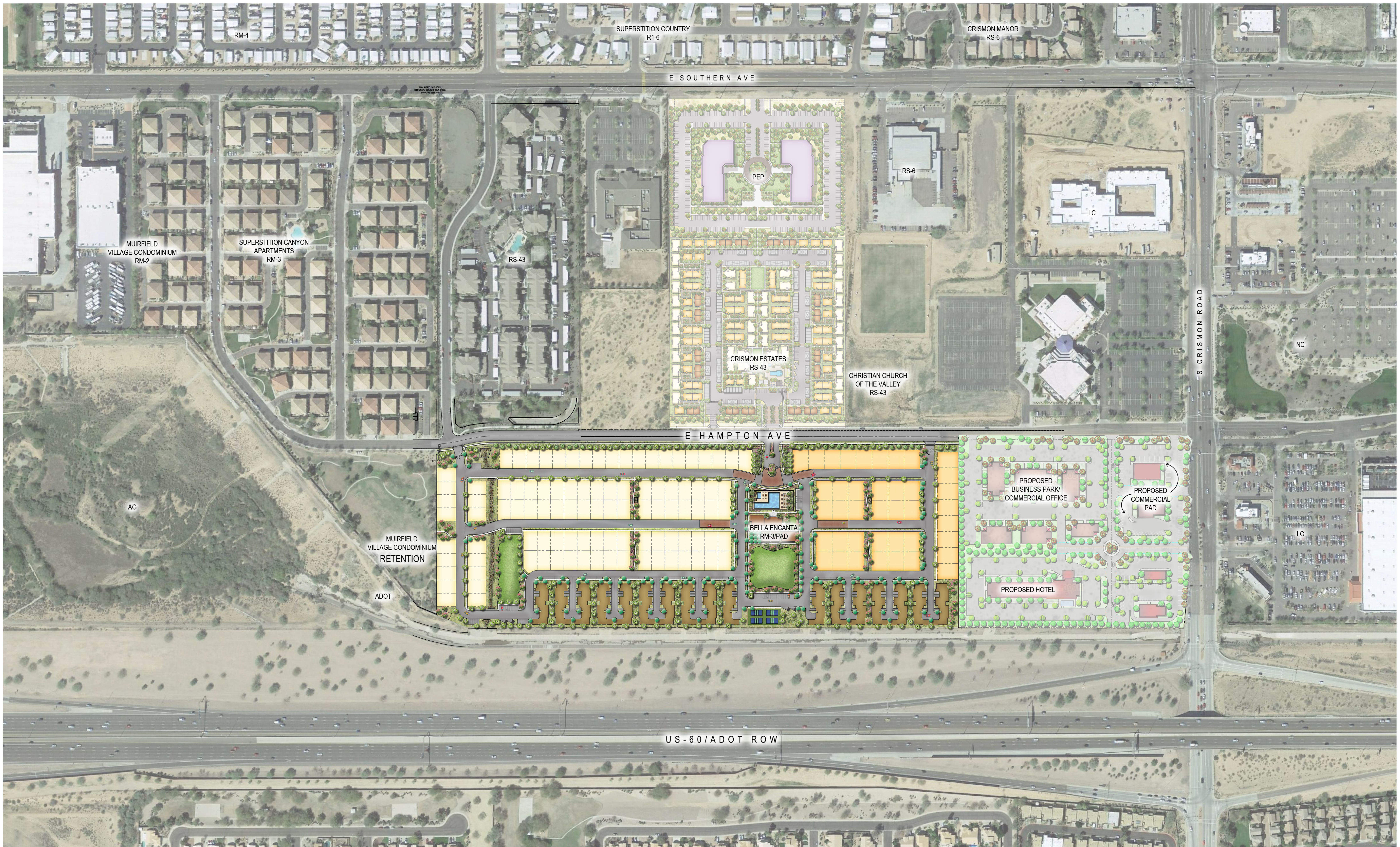
ANSWER: The character of the area will be improved by the proposed development by bringing forth a quality, infill development project. The absorption of a vacant, unused lot that has become a trash and dumping lot and home for vagrants and drug users is always a good thing for a community. Plus, the completion of Hampton Road to the west will provide connectivity to the surrounding area and an additional access point for the residents in the area to access Crismon Road and the US60 freeway. Finally, it is clear that the overall quality of proposed Bella Encanta development will exceed that in the immediate area.

E. Does the proposed development provide appropriate transitions between uses? In more urban areas these transitions should generally be accomplished by design elements that allow adjacent buildings to be in close proximity to one another. In more suburban locations these transitions should be addressed through separation of uses and/or screening? ANSWER: YES. This proposed development provides appropriate transitions between uses. It will provide a buffer from the existing neighborhoods to the proposed commercial development to the east. We have worked with the adjacent property owner to ensure that their proposed development includes landscaping adjacent to our residential project, while at the same time allowing pedestrian access between the two projects as recommended by City staff.

F. Compliance with the character area is based on both the zoning being consistent with the range of zoning designations approved for each character type and on the development form, design, and quality being consistent with the standards and guidelines provided in this Plan, any adopted sub-area or neighborhood plans, and the context of the neighborhood surrounding the proposed development. ANSWER: The RSL-2.5 and RM-3 zoning districts we are seeking are consistent with the Neighborhood Suburban designation we are seeking. As noted in the answer to Question “C”, above, the standards and guidelines discussed in the Neighborhood Suburban character area are met with this proposed subdivision.

6. Implementation & Conclusion

The Bella Encanta development will be implemented in conformance with the regulations and guidelines contained within the City of Mesa Zoning Ordinance and Subdivision Regulations, as modified by this application. Additionally, this development will be administered and enforced by the Development Services Department. We look forward to working with City staff during all aspects of development to make our vision for this parcel a reality.



Reese Anderson

From: Susan E. Demmitt <sdemmitt@qblaw.com>
Sent: Wednesday, March 22, 2017 4:25 PM
To: John Wesley; Reese Anderson
Subject: Z17-005 / Crismon Estates

John and Reese,

On behalf of Crismon Superstition Partners, owner of the approximately 20 acres at the immediate northwest corner of Crismon Road and US60, I would like to express our support the rezoning and site plan proposal for Crismon Estates (Z17-005). I would like to further express that Reese Anderson is authorized to speak on our behalf at today's Planning & Zoning Board hearing.

The proposed mixed-use project with high density residential and office components is consistent with the emerging development pattern in the area, consistent with our future development plans and, most importantly, consistent with the demands of the market.

Crismon Superstition Partners has owned its land for 30 years (and previously owned the adjacent 20 acres recently purchased by Bela Flor Communities, as represented by Reese Anderson). During our 30 years of ownership, we've never received serious or legitimate offers to develop our property with employment uses, despite its considerable frontage along the US 60 freeway. The market and demographics have never provided support for this type of development.

We urge you to recommend approval of Z17-005.

Susan E. Demmitt
602.256.4456 Direct | 602.762.0466 Mobile
sdemmitt@qblaw.com | [Profile](#)

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May 12, 2017

Hudd Hassell, President
Bela Flor Communities, LLC
1635 N. Greenfield Rd., Suite 115
Mesa, AZ 85205

RE: 40 Acres Located at Crismon & US 60, Mesa, AZ ("Property")

Dear Hudd:

As you know, I am a licensed real estate broker in Arizona and have been retained by Mr. Bill Grodnik and Superstition Partners to market the Property located near Crismon & US 60 during the last five years.

My clients have owned the Property for over 31 years and during that time, have worked diligently to sell it as a commercial —including office, retail or some other type of mixed use. During my listing period we installed onsite marketing signage (for local traffic), the Property has been listed on the City of Mesa's website, LoopNet, MLS, Costar and other listing services. My experience with commercial property in metro Phoenix is that buyers are sophisticated. If they desire land in a certain area for a project, they'll find the owner and make an offer. The technology available in the industry makes this easy to do.

After marketing the Property continuously thru me or others the owners have had no commercial buyers. In the five years that I've had the listing, I've received one lead from the city of Mesa Economic Development team but nothing ever materialized. Prior to my involvement, the owner received a similar amount of support from the city. At one point eight or nine years ago, we allowed Opus (one of the leading office developers in the country) to put a trailer onsite and market the Property to all their clients for over a year, but still no buyers. After that, Sunwest, another large office developer, tied up the Property for two years spending \$200,000 on entitlements and marketing diligently trying to attract office tenants but couldn't gain any traction.

I am aware that the Property is considered part of an employment zone in the Mesa General Plan. However, I have concluded that it's not likely to be sold for office use. After speaking with dozens of brokers and potential buyers over the years, here's a summary of what I've learned:

- Many prospects have felt the Property is too far from the core of activity that drives a large employment park, such as a larger population base, concentration of other employment centers nearby, a lower median age, higher income within the trade area and especially, proximity to Sky Harbor Airport.

- The surrounding uses aren't typically found in or around office park environments: The Home Depot, Jack-in-the-Box, custard shop, assisted living, large church and large residential communities all along the south side of the freeway;
- The five-mile radius near the site is disproportionately full of mobile-home parks and 55+ age restricted communities relative to where many user/developers like to be.;
- Even though the site is close to the freeway, there is a 350-foot wide setback for the ADOT regional flood canal that runs parallel to the freeway in this area. Typically, a large office user would prefer to be up against the freeway for visibility reasons (like the new Metro East Commerce Center near Mesa Drive and US 60).
- There are better areas within Mesa for office buildings and plenty of office land available, such as Riverview, Signal Butte, Eastmark, downtown Mesa, south side of Ellsworth and the 202, to name a few;
- In particular, the western half of the Property without the major arterial access along Crismon and the direct identification with Mountain Vista Hospital, Home Depot, associated retail pads and medical offices is less desirable from an user/developer standpoint.

The Property has always been priced very competitively, cheaper than competing office land in the area and Mesa in general. Yet, even a cheaper price hasn't really helped because the land component is only about 10% of the total construction costs of an office complex.

Given the current level of demand for office property within the city, Mesa has an abundance of office land. And because there are many other excellent locations to choose from, I do not believe the Property will be sold as office. For example, just a mile east of the Property is a superior and much larger office location, on the north side of US 60 and Signal Butte. Debartolo, one of the top commercial developers in the county, tried to develop this area but couldn't attract any of their usual tenants and had to abandoned the project. For office purposes, the land at Signal Butte is superior to the Property and is ready to go today with all infrastructure in place – water, streets, sewer and power. Yet, no buyers. And if the Signal Butte property is not selling as office—just a mile away—then our Property will likely not sell as office either.

Out of frustration in an attempt to create some activity after these many years my owners elected to sell to you at a reduced price. Their hope is that your higher density residential project would spur some commercial or employment oriented development. Now at 18 acres there is a more realistic and financially viable opportunity to improve the site to attract the small office user or retail pad user. There is a saying in real estate, "retail follows rooftops." My owners are certainly hoping that the recent sale will help to turn that metaphor into a reality.

Sincerely,



Tracy Glass
Insight Land and Investments

GLOVER VALUATION GROUP

Troy D. Glover, MAI

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June 28, 2017

Mr. Hudd Hassell
Bela Flor Communities, L.L.C.
1635 N. Greenfield Rd., Suite 115
Mesa, AZ 85205

RE: An analysis of ± 29.6 acres of vacant land located west of the southwest corner of Hampton Avenue and Crismon Road, Mesa, AZ 85205; GVG File No.: A17-080L

Dear Mr. Hassell:

You have requested my analysis as to whether the above-noted property (a.k.a. Subject) is viable as office or employment-related uses. I conclude that office and related employment type development of the Subject is not viable at present or in the foreseeable future. My summarized analysis is contained in this letter.

I have been appraising and analyzing real estate in the metropolitan Phoenix area for over 30 years. My appraiser certification and curriculum vitae are attached hereto. I researched and analyzed the Subject in connection with your request. This document summarizes the results and conclusions of the analysis. While there are many factors to be considered when performing a site analysis, I focused on a few key elements. The Subject represents a ± 29.6 acre parcel of vacant land that is generally located west of the southwest corner of Hampton Avenue and Crismon Road within the City of Mesa. I physically inspected the Subject on June 16, 2017.

The Subject constitutes Maricopa County Assessor's Parcel Numbers 220-80-002X and 009G as well as portions of 220-80-008B and 009H. The City of Mesa has classified the western $\pm 25\%$ to $\pm 30\%$ of the Subject within the NC (Neighborhood Commercial) zoning district. The remaining $\pm 70\%$ to $\pm 75\%$ of the Subject is classified within the PEP (Planned Employment Park) zoning district. Furthermore, the entire Subject is envisioned by the City of Mesa for Employment and related uses as designated by the City of Mesa General Plan. In terms of additional physical characteristics, the Subject was generally considered to have adequate functional utility. The Subject is not located within any potential flood hazard zones and utilities appear to be available to the Subject in adequate capacity to support future development.

According to zoning and general plan data published by the City of Mesa, it appears that Mesa envisions future potential uses of the Subject to primarily consist of office type uses such as an office campus or a similar business/commerce park development.

While the City of Mesa has classified the Subject as employment and related uses, the market does not support this as the highest and best use. In fact, the market does not support office use even as a viable use, whether now or in the future. The factors that lead to this conclusion include access and exposure/visibility, competitive supply and market conditions as well as surrounding land use patterns and demographics. I analyzed these factors to determine a highest and best use for the Subject.

The Subject is located along the south side of Hampton Avenue approximately 1200 feet to the west of Crismon Road, a major arterial. The Subject has adequate access from Crismon Road via Hampton Avenue although Hampton Avenue is not fully improved at present adjacent to the Subject. Moreover, the right-of-way dedication and the paving improvements dead end along the Subject frontage as illustrated by the aerial map in the attached Addenda. Additional access to the western portions of the Subject is available via travel to Hampton Avenue along 96th Street from Southern Avenue but Hampton Avenue does not currently connect.

As noted, the Subject is over 1,200 feet from any major arterial street (in this case, Crismon Road or Southern Avenue) which makes the Subject less desirable for an office park or office use than other locations with such frontage. Based on data reported by market participants (i.e. surveyed real estate brokers, developers, investors, etc.), office projects that are developed and then operate with long term stability typically include frontage along an arterial street. Additionally, successful projects have good exposure and visibility that is typically the result of frontage along the arterial roadway and do not depend entirely on freeway frontage, which may provide visibility, but not convenient access. The Subject does not exhibit this feature as the Hampton Avenue right-of-way is considered to be an interior surface street and the Subject is removed from the arterial by approximately 1,200 feet. The Subject's sole frontage and access along an interior surface street reduces exposure, visibility and ease of access, which are very influential factors in the decision to develop a property for office and related uses.

As mentioned, while the Subject has some visibility and exposure from the Superstition Freeway (U.S. 60) to the south of the Subject, it is separated from the freeway by a large canal right-of-way which reduces visibility. This factor, coupled with the Subject's lack of frontage along and convenient access to an arterial street, which are the more critical factors, reduces the desirability of the Subject for use as an office development.

The Subject is located within the southeastern portion of the metropolitan area and in terms of existing office inventory, the Subject's immediate or micro market area (i.e. a five (5) mile radius from the Subject) already has enough office supply with no anticipated increase in demand in the foreseeable future due to generally fixed land uses in the micro market area. The office market in general is in a period of correction where it is experiencing increased average occupancy levels and stable rental rates. The present conditions are part of an ongoing corrective trend that has taken place over the past five (5) years or so. The corrective trend was the result of a major economic recession that had significant impact on commercial real estate in the metropolitan area. At the time that the recession began (2007/2008), construction activities and delivery of new space had created a fairly substantial oversupply or oversaturation of office product.

While the micro market area surrounding the Subject is showing positive signs in terms of continued improvements, the Subject's potential for future office development is not considered to be probable at any point in the foreseeable future given the large amount of existing and planned supply of office product within a five-mile radius of the Subject. In other words, while it is true that the market is improving in the general area of the Subject, there is more than enough existing and planned office product for many years to come. According to data provided by CoStar Realty Information, Inc. (a.k.a. CoStar), there is approximately 1.66 million square feet of office space existing within a five-mile radius of the Subject. The following graph (published by CoStar) illustrates several trends for office properties within the five-mile radius of the Subject.



As illustrated in the foregoing graph, the average vacancy has been trending downward over the past several years (since mid-2013) and has shown a general trend downward over the past ten (10) years. This downward trending is generally the result of the absorption in part of a large amount of new inventory that was added to the market in 2007 before the most recent recession. While the general downward trending of the average vacancy is a positive sign, there has been sporadic positive net absorption over the past ten (10) years and new deliveries have been nominal since the significant amount of new space delivered in 2007. This would suggest that demand for office space is not strong enough from an historical perspective to support the addition of a large amount of new office space that the current City General Plan and Zoning call for upon the Subject property and immediate area. Assuming a land-to-building ratio of 5.00:1 (which is a typical ratio for similar office developments) a capacity for $\pm 257,000$ square feet of office space on the Subject would be anticipated. This would represent a substantial 15% increase in the total inventory within a five-mile radius. The market wouldn't be able to absorb that amount, even if development of the Subject as an office park were pushed out decades into the future.

Additionally, I reviewed existing and planned (or under construction) projects within a five-mile radius of the Subject. There is roughly 670,000 square feet of new (recently completed) or planned office space. Given the amount of historical absorption in the immediate area, and these other projects are far superior to the Subject because of their more desirable location and near-term availability. Some of these development projects include: Odyssey Medical & Professional Office Park (located at the intersection of Baseline and Crismon Roads), Mesa Elliot Tech Park (located at the intersection of Ellsworth and Elliot Roads), Baywood Square (located to the east of the intersection of University Drive and Power Road), etc. In the case of the office development projects noted previously, they exhibited better accessibility and exposure given they all have frontage on at least one (1) major arterial road. They also had surrounding land uses that were more supportive of office development due to the amount of existing residential rooftops and more desirable (i.e. affluent) demographic indicators as well as complementary surrounding developments (i.e. large-scale commercial retail or mixed-use developments, etc.) that attract users and clients/customers to the immediate area.

As such, an office or related development on the Subject would largely be less desirable not only among developers, but more importantly, among office users as many other existing and recently completed or planned projects are already available in more desirable locations.

The Subject's physical features such as street frontage, exposure and visibility, access, etc. as well as the competitive supply in the Subject's immediate area do not appear to support viability of developing the Subject with an office or similar employment-related type use in the near term or in the foreseeable future.

In addition to these factors, analysis of the Subject's surrounding land uses does not support office type development. A review of land uses immediately surrounding the Subject (see Zoning Map in the Addenda) indicates that the majority of adjacent land uses are comprised of predominantly residential and related developments including a religious facility (zoned RS-43), a vacant land parcel (zoned RM-2), a post office (zoned RS-43) and an apartment project (zoned RM-3). These land uses are all located to the north of the Subject and the land to the west (zoned RM-2) and east (Zoned PEP) of the Subject are also undeveloped. There is also some commercial development further to the east (across Crismon Road) consisting of a Home Depot and some smaller fast food restaurants. These surrounding land uses do not appear to be conducive to a successful office development of the Subject from a typical developer's perspective and this opinion appears to be further supported by the fact that several attempts to garner a large user as a tenant at the Subject have been unsuccessful over the past 30 years or more.

Office and other similar type developments (including flex and light industrial, research and development, etc.) can be driven by surrounding land uses that provide supportive services for businesses and employees or that have a complementary use. In the case of the Subject, the Mountain Vista Medical center is located near the Subject but across Crismon Road at the southeast corner of Crismon Road and Southern Avenue.

Mr. Hudd Hassell

June 28, 2017

Page 5 of 7

In many cases, hospitals facilitate development of office projects to accommodate outpatient services and other medical office uses that are complementary to the hospital. In fact, there is a significant amount of existing and planned or under construction developments of medical and general office properties that are immediately adjacent to this hospital. However, each of these projects has closer proximity to the hospital and thus each is superior relative to the Subject. Specifically, the Mountain Vista Business Center is located along the south side of Hampton Avenue to the immediate south of the hospital. This project includes multiple development phases. The first phase has already been completed and was comprised of a couple larger (each building has $\pm 70,000$ square feet) two-story office buildings that are occupied primarily by medical users. The next phase is being marketed to potential tenants and will include two additional office buildings ($\pm 70,000$ square feet each).

In addition, there is the Mountain Vista Medical Office Buildings project, which includes an existing 100,000 square foot mid-rise building and an additional 100,000 square foot mid-rise office building planned soon. Again, both large buildings are in a more desirable location relative to the Subject because they are adjacent the existing hospital. Added together, these Mountain Vista developments will provide the area with all the office space that it needs, and perhaps a surplus. While the location of the hospital proximate the Subject is usually considered to have a positive impact on the Subject's marketability as a potential office use, the existence and superior location of several other office projects and parcels nearer the hospital reduces significantly the hospital's positive impact on the Subject.

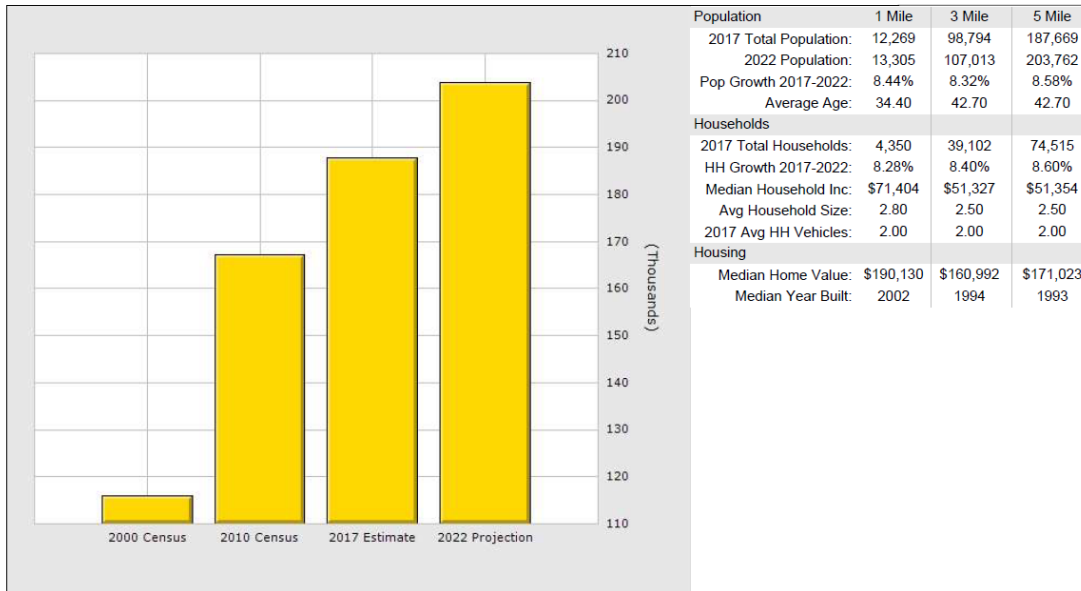
Beyond the Subject's immediate surrounding land uses, the neighborhood area was comprised of a variety of land uses within the residential, commercial and industrial sectors though the predominant land use was considered to be medium density residential and related uses. However, the neighborhood area (generally comprising a five-mile radius from the Subject) includes a large amount of age-restricted mobile home and RV parks that cater to the area's seasonal residents.

Based on these demographics, one might think that there is a sufficient population density support for office uses at this location if the analysis was simply a counting exercise. But, since these seasonal residents are typically retired and only in Arizona for a few months of the year, there is not a true market demand for office or related uses in this area. Discussions with market participants revealed that an additional factor to consider with surrounding land uses was the surrounding demographics, which do not support the planned employment uses at this location.

An illustrative graph published by CoStar is included below to summarize demographic indicators within the Subject's five (5) mile radius area.

Population for 5 Mile Radius

10141 E Hampton Ave, Mesa, AZ 85209



As illustrated in the foregoing graph, the total population is projected to increase at a stable rate over the next five years or so. However, the median household income within a five mile radius of the Subject was reported to be \$51,354, which is well below typical figures as reported by market participants (developers and large office users who typically prefer to see a median income closer to \$100,000) when determining a location for a viable office project.

As noted, the amount of age-restricted communities in the neighborhood area impacts the median household income for the area and based on driving through the neighborhood area, as well as a review of aerial photography, the Subject does not have an adequate number of affluent residential demographic indicators to support development of an additional large office project.

Furthermore, and as noted above, the amount of vacant land in the area suggests that there are several substitute properties with superior locational and physical features that developers and large office tenants would likely analyze and consider acquiring before opting to review the Subject as a potential development project.

In light of the Subject's surrounding land uses in the immediate area, as well as the Subject's neighborhood area, there are several factors related to demographic indicators and the lack of nearby supportive or complementary land uses that suggest an alternative use of the Subject rather than for office and related development.

In conclusion, the Subject is not viable for office or employment uses because of a combination of the following reasons:

1. The area's demographics (including numerous age-restricted communities and lower income households) do not support building new office space on the Subject.
2. The Subject's lack of frontage on an arterial street limits visibility and accessibility, and thus limits its desirability as an office location.
3. There are superior locations in Mesa for office development and many within the five-mile radius of the Subject.
4. The amount of existing and planned office inventory in Mesa within the five-mile radius is ample, and further office development will result in even more oversaturation.
5. Some of the Subject's immediate surrounding land uses are not conducive to a viable office park.
6. Office developers have not shown an interest in the Subject (as a potential office project site) for 30 years, and such developers generally prefer to be in locations that are more centrally located.
7. This empirical data strongly suggests that the Subject, for whatever combination of reasons, is not desirable for office development.

On the other hand, the adjacent property to the east of the Subject running to Crismon Road is a good location for commercial development because of its visibility and frontage along a major arterial street. My understanding is that this parcel is marketed for commercial development. I believe the characteristics of the surrounding area support this use for the land with Crismon Road frontage.

In conclusion: after carefully and thoughtfully considering the Subject's features and characteristics, particularly the assigned zoning districts and land uses immediately surrounding the Subject, I opine that office and related employment type development of the Subject is not viable at present or in the foreseeable future despite these uses being legally permitted and physically possible. I consider the highest and best use to be residential, and do not see any other viable uses now or in the foreseeable future.

If you have any questions, please call me. The opportunity to assist you has been appreciated.

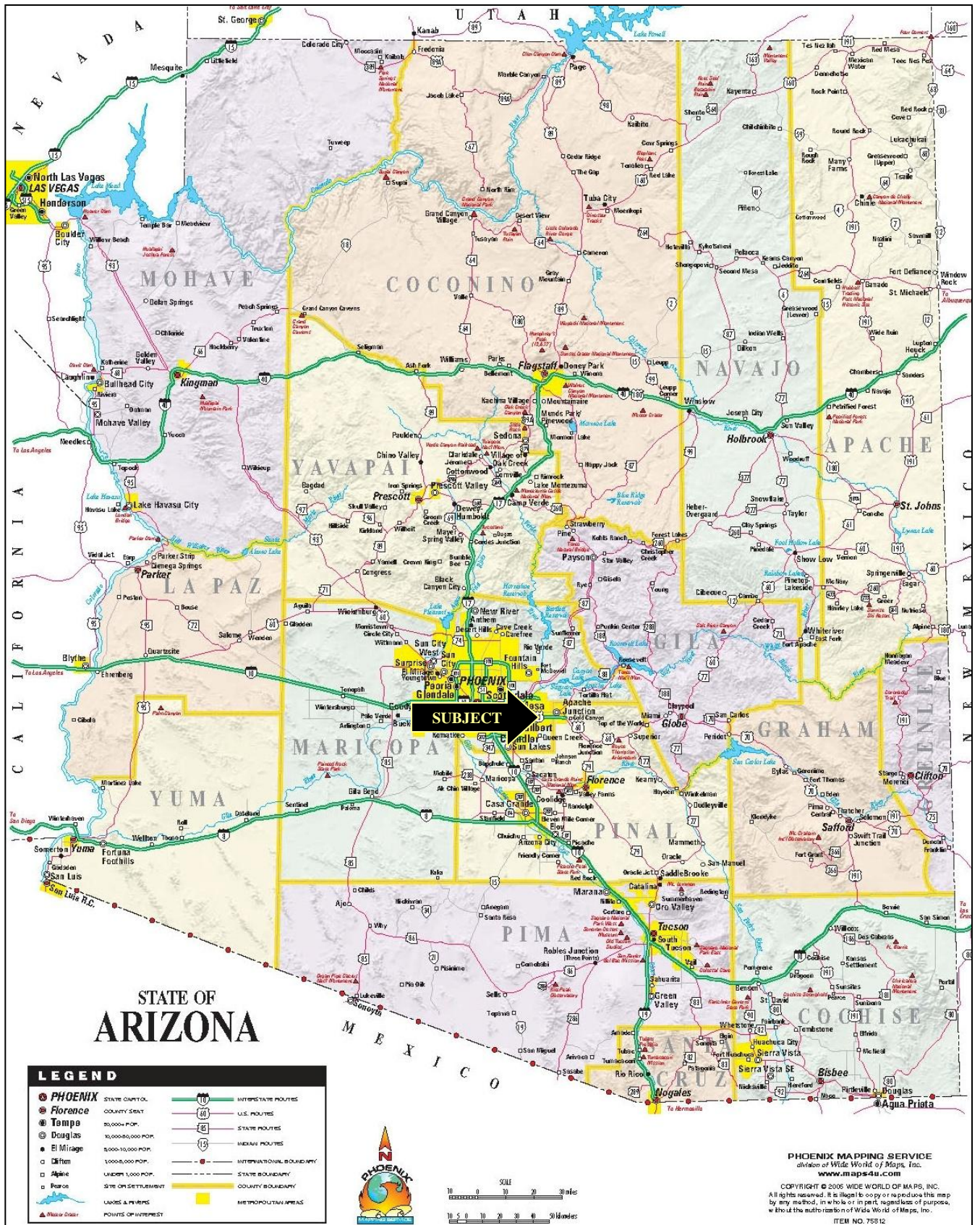
Respectfully submitted,

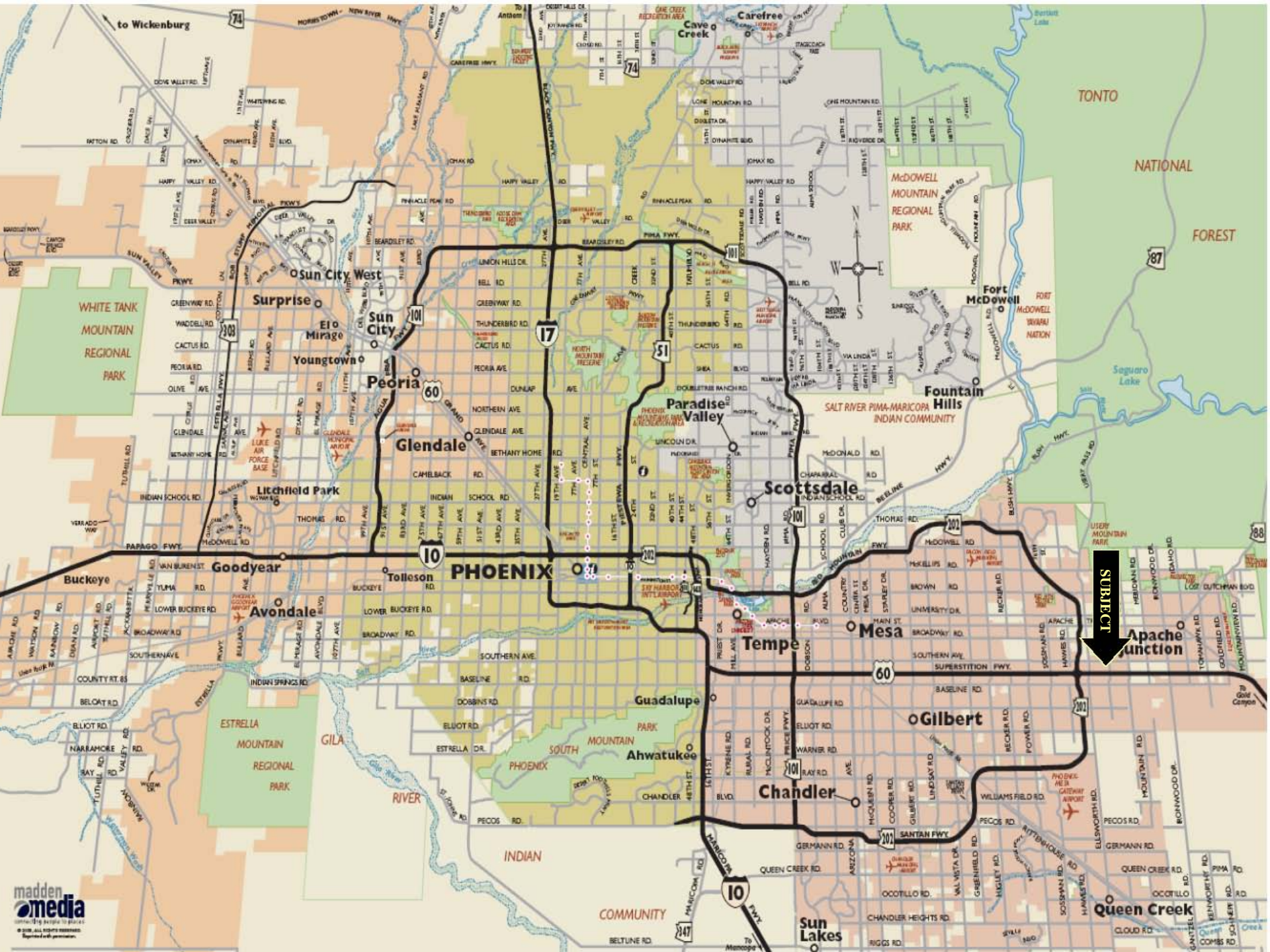


Troy D. Glover, MAI
Certified General Real Estate Appraiser
Certificate No. 30337
State of Arizona

ADDENDA

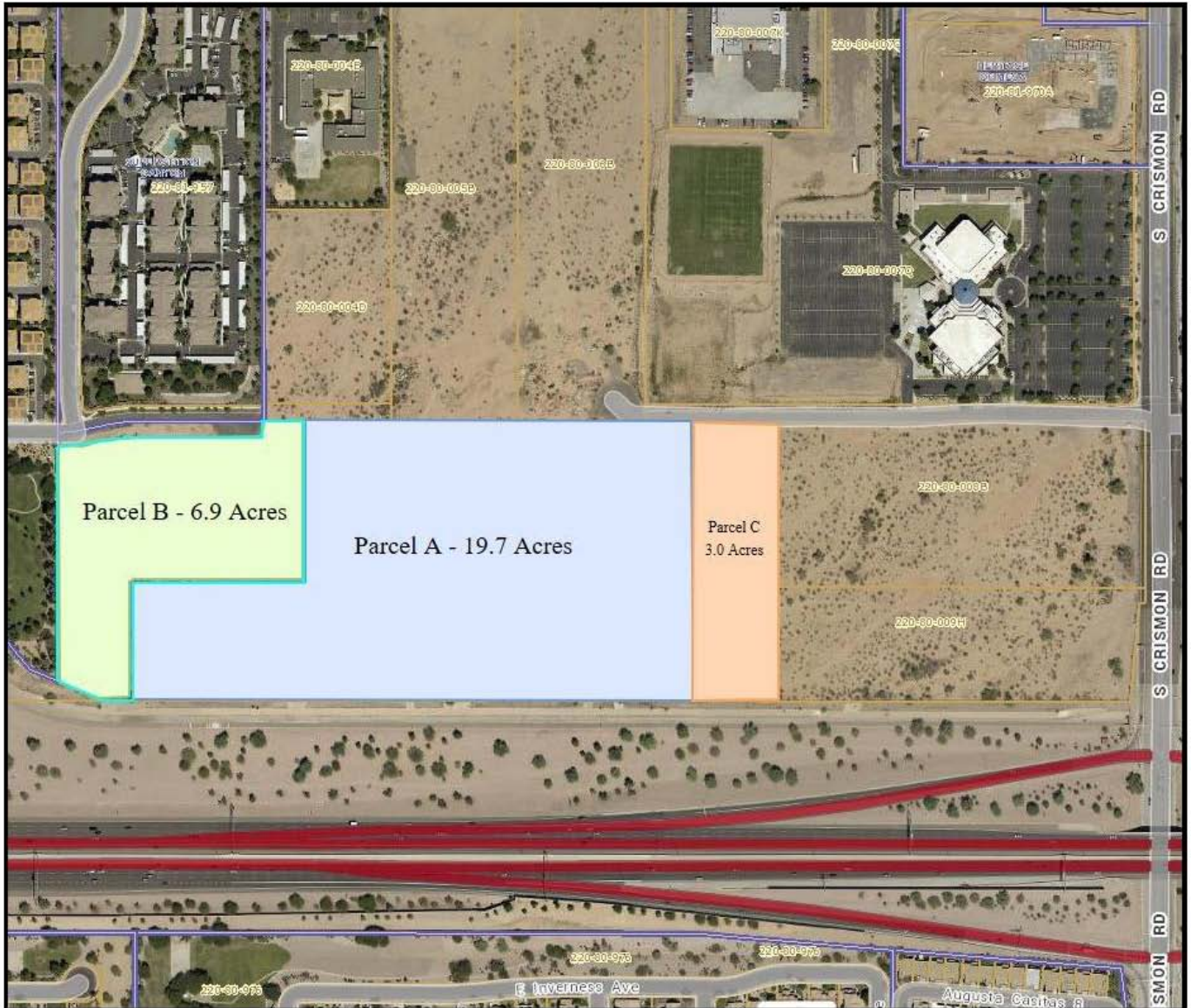
MAPS/EXHIBITS





SUBJECT

AERIAL EXHIBIT

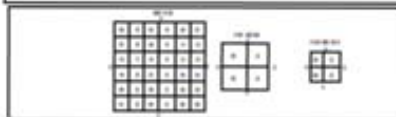
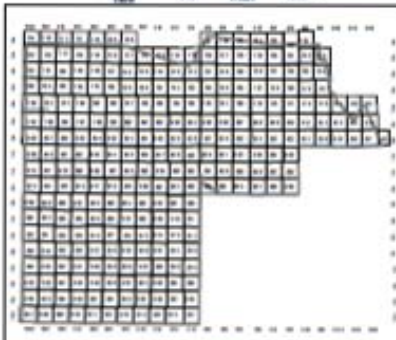


MARICOPA COUNTY
STATE OF ARIZONA

PT. SECTION 34 TO 1N R07E

855 - 34 - 01 - 00

1/2" = 100'



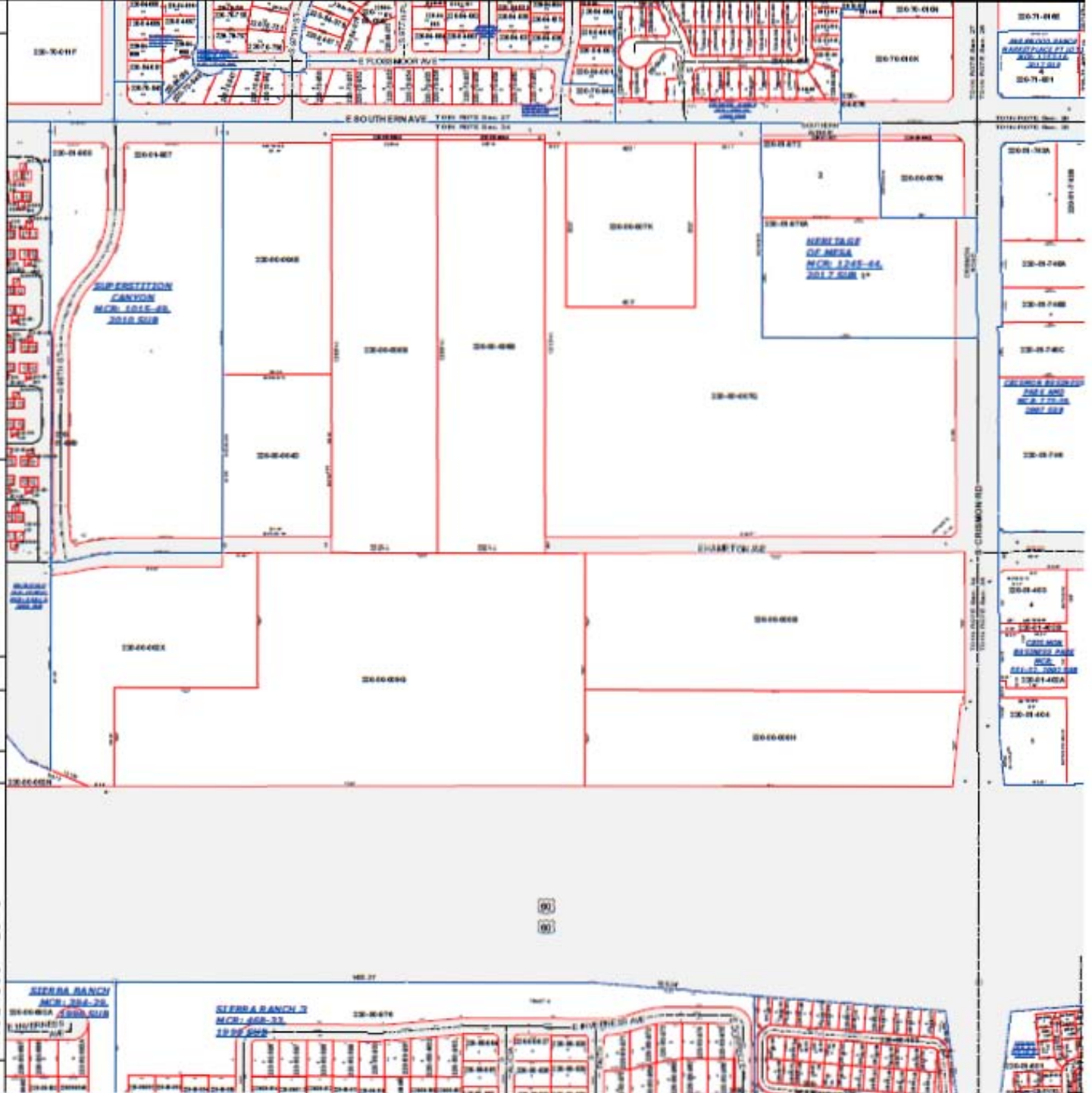
MARICOPA COUNTY
ASSESSOR'S OFFICE
301 W Jefferson Street
Phoenix, AZ 85003
Date: 01/03/17 <http://www.maricopa.gov/assessor>

LEGEND
▬ Parcels
▬ Subdivisions
 Section Corners
▬ Section
▬ Centerlines

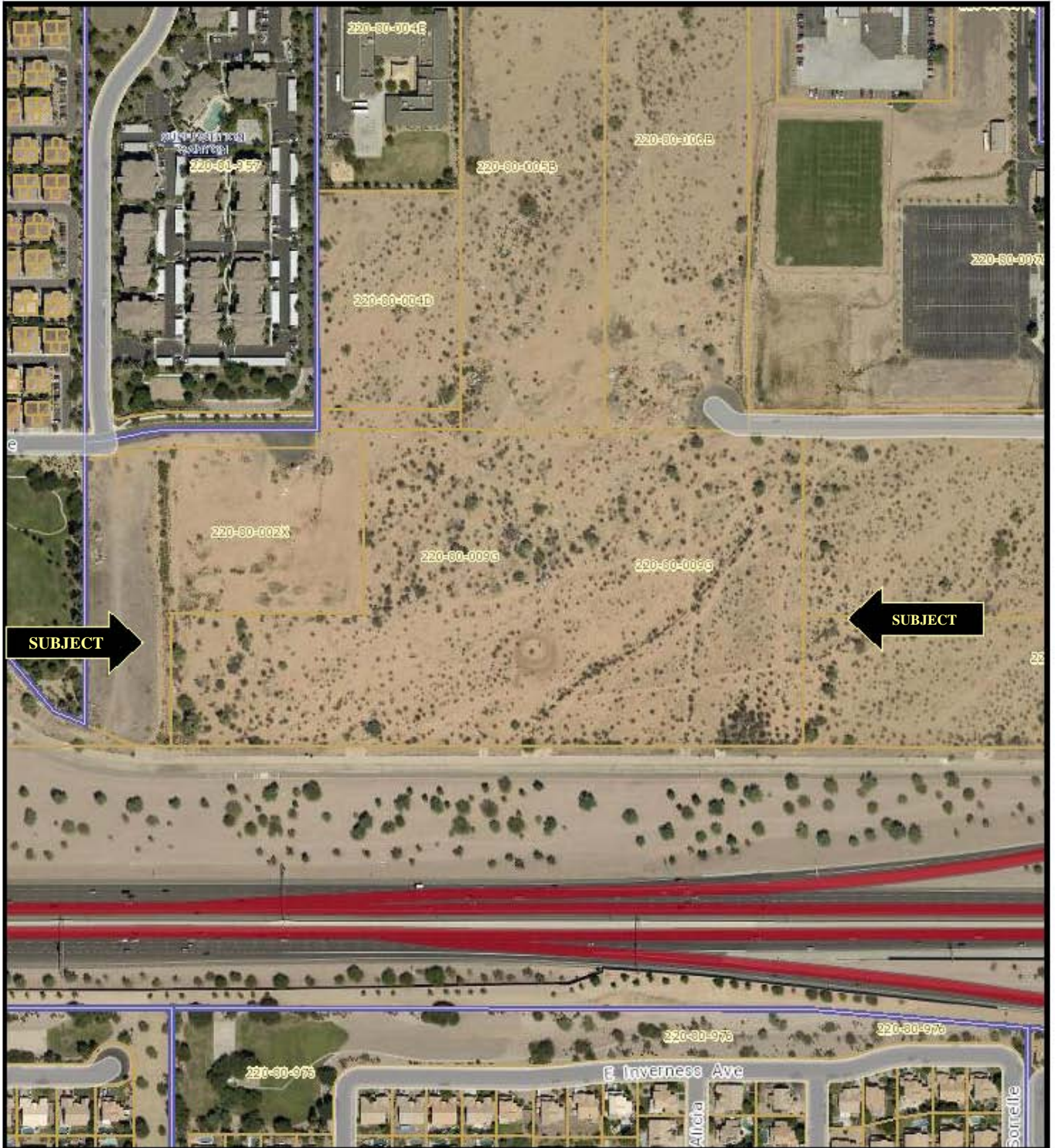
Disclaimer - Indemnification
CAUTION: USERS SHOULD INDEPENDENTLY RESEARCH AND VERIFY INFORMATION WITH THIS DATA BY OTHER SOURCES RELYING ON IT.

The Assessor's Office has compiled information on which this dataset or map was created to identify, classify, and value real and personal property. Please contact the Assessor's Office at (602) 955-3900 if you believe any information is incomplete, out of date, or incorrect so that appropriate corrections can be addressed. Please note that a statutory process is also available to correct errors pursuant to Arizona Revised Statutes 42-1025A.

The Assessor does not guarantee that any information contained within this dataset or map is accurate, complete or current. In many instances, the Assessor has gathered information from independent sources and made it available within this dataset or map, and the original information may have contained errors and omissions. Errors and omissions may have occurred in the process of gathering, interpreting, and reporting the information contained within this dataset or map is not updated "real time." In addition, users are cautioned that the process used within this dataset or map to locate the boundaries of adjacent parcels is not always consistent with the recorded documents for such parcels. The parcel boundaries depicted within this dataset or map are for illustrative purposes only and the exact ownership of adjacent parcels should be independently researched and verified. The information provided within this dataset or map is not the product of a title report or a real estate survey. Users should independently research, investigate, and verify all information before relying on it or using it in the preparation of legal documents.



AERIAL MAP



ZONING CLASSIFICATION MAP








FLOOD MAP



MAP DATA

FEMA Special Flood Hazard Area: **No**
 Map Number: **04013C2315L**
 Zone: **X500**
 Map Date: **October 16, 2013**
 FIPS: **04013**

MAP LEGEND

- | | |
|--|---|
|  Areas inundated by 500-year flooding |  Protected Areas |
|  Areas inundated by 100-year flooding |  Floodway |
|  Velocity Hazard |  Subject Area |

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APPRAISER QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS

TROY D. GLOVER, MAI

GLOVER VALUATION GROUP
2444 E. SOUTHERN AVENUE, SUITE 110
MESA, ARIZONA 85204
(480) 545-8908 ext. 110
E-Mail: troy@gvgaz.com

Education:

- Bachelors of Science Degree, Arizona State University, College of Business, Specializing in Real Estate

American Institute of Real Estate Appraisers (AIREA) Sponsored:

- Course 1A-1: "Real Estate Appraisal Principles," Tempe, AZ, 1986
- Course 1A-2: "Basic Valuation Procedures," Tempe, AZ, 1986
- Seminar: "Highest and Best Use," Tucson, AZ, 1986
- Course 2-3: "Standards of Professional Practice," Tempe, AZ, 1986
- Course 1B-A: "Capitalization Theory & Techniques, Part A," Tempe, AZ, 1988
- Course 1B-B: "Capitalization Theory & Techniques, Part B," Tempe, AZ, 1989

College Courses Completed (Real Estate Related):

- Real Estate Principles, Arizona State University, 1990
- Real Estate Appraisal, Arizona State University, 1990
- Real Estate Investment, Arizona State University, 1990
- Real Estate Analysis, Arizona State University, 1991
- Real Estate Finance, Arizona State University, 1991
- Real Estate Law, Arizona State University, 1991
- Urban Planning, Arizona State University, 1991

Appraisal Institute (AI) Sponsored:

- Seminar: "Appraisal Law," Scottsdale, AZ, 1991
- Seminar: "Uniform Standards of Professional Practice," Scottsdale, AZ, 1991
- Course SPPA: "Standards of Professional Practice, Part A," Scottsdale, AZ, 1991
- Course SPPB: "Standards of Professional Practice, Part B," Scottsdale, AZ, 1991
- Course 2-1: "Case Studies in Real Estate Valuation," Tempe, AZ, 1991
- Course 2-2: "Report Writing and Valuation Analysis," San Diego, CA, 1991
- Seminar: "Environmental Factors - Identification & Liability," Phoenix, AZ, 1992

Appraisal Institute (AI) Sponsored (Cont.):

- Seminar: "Reviewing Appraisals," Phoenix, AZ, 1992
- Seminar: "Feasibility Analysis - Highest & Best Use," Tempe, AZ, 1992
- Seminar: "Subdivision Analysis," Phoenix, AZ, 1993
- Seminar: "Understanding Limited Appraisals/Reporting Options," Scottsdale, AZ, 1994
- Seminar: "Highest and Best Use Applications," Phoenix, AZ, 1996
- Course 430: "Standards of Professional Practice, Part C," Phoenix, AZ, 1997
- Seminar: "Analyzing Operating Expenses," Phoenix, AZ, 1998
- Seminar: "New Industrial Valuation," Phoenix, AZ, 1998
- Course 510: "Advanced Income Capitalization," Tempe, AZ, 1998
- Seminar: "Appraisal of Local Retail Properties," Tempe, AZ, 1998
- Seminar: "Attacking & Defending an Appraisal in Litigation," Tempe, AZ, 2000
- Course 720: "Condemnation Appraising: Advanced Applications," Tempe, AZ, 2000
- Course 430: "Standards of Professional Practice, Part C," Tempe, AZ, 2001
- Course 410: "Standards of Professional Practice, Part A," Tempe, AZ, 2003
- Course 420: "Business Practice and Ethics," Tempe, AZ, 2003
- Seminar: "Appraising Manufactured Housing," Tempe, AZ, 2004
- Seminar: "Evaluating Commercial Construction," Tempe, AZ, 2004
- Seminar: "Land Valuation Adjustment," Tempe, AZ, 2004
- Seminar: "AZ Property Tax System/Maricopa County GIS Website," Tempe, AZ, 2006
- Seminar: "7-Hour National USPAP Update Course," Tempe, AZ, 2006
- Seminar: "Internet Search Strategies for Real Estate Appraisers," Online, 2006
- Seminar: "Analyzing Distressed Real Estate," Online, 2006
- Course 420: "Business Practice and Ethics," Online, 2006
- Seminar: "Identify & Prevent Real Estate Fraud," Mesa, AZ, 2007
- Seminar: "What Commercial Clients Would Like Appraisers To Know," Online, 2008
- Seminar: "7-Hour National USPAP Update Course," Phoenix, AZ, 2008
- Seminar: "Office Building Valuation: A Contemporary Perspective," Phoenix, AZ, 2008
- Seminar: "Analyzing Distressed Commercial Real Estate," Online, 2008
- Seminar: "Supervising Appraisers in Arizona," Mesa, AZ, 2008
- Seminar: "7-Hour National USPAP Update Course," Phoenix, AZ, 2010
- Seminar: "Scope of Work: Expanding Your Range of Services," Online, 2010
- Seminar: "Eminent Domain and Condemnation," Online, 2010
- Seminar: "Feasibility, Market Value, Investment Timing: Option Value," Online, 2010
- Seminar: "Analyzing Tenant Credit Risk and Commercial Lease Analysis," Mesa, AZ 2011
- Seminar: "Introduction to Valuation for Financial Reporting," Phoenix, AZ 2011
- Seminar: "AZ Property Tax System & Maricopa County GIS/Website," Phoenix, AZ 2011
- Seminar: "7-Hour National USPAP Update Course," Phoenix, AZ, 2012
- Seminar: "Litigation Appraising: Specialized Topics and Applications," Phoenix, AZ, 2012
- Seminar: "Online Business Practices and Ethics," Online, 2012
- Seminar: "Appraisal Curriculum Overview – Residential," Online, 2012
- Seminar: "Appraisal Curriculum Overview - General," Online, 2012
- Webinar: "Appraisal of Real Estate 14th Edition Changes," Online, 2013
- Seminar: "7-Hour National USPAP Update Course," Scottsdale, AZ, 2013
- Seminar: "7-Hour National USPAP Update Course," Phoenix, AZ, 2015

Other Courses:

- Seminar: "FIRREA Overview and Practical Application," Phoenix, AZ, 1993
- Seminar: "The Impact of Value of Highway/Freeway Construction," Tempe, AZ, 2000
- Seminar: "Association of Realtors Code of Ethics," Mesa, AZ, 2000
- Course: "The Nuts and Bolts of Green Building for Appraisers," Online, 2014
- Seminar: "Mold, a Growing Concern," Online, 2014
- Course: "Real Estate Legal Issues," Online, 2016
- Course: "Fair Housing," Online, 2016
- Course: "Real Estate Contract Law," Online, 2016

Organizations:

- ❖ MAI - Member Appraisal Institute (Member No. 9281) Since 1991
- ❖ Past Chair - Mesa Housing Advisory Board
- ❖ Member - Mesa 1995 General Plan Steering Committee

Expert Witness:

- ❖ Testified as an expert witness on valuation matters in several different courts including Superior Courts in Arizona and Federal Bankruptcy Court

Certification/Licensure:

- ❖ Certified General Real Estate Appraiser (State of Arizona), Certificate No. 30337, Expiration Date - August 31, 2018
- ❖ Licensed Real Estate Broker (State of Arizona), License No. BR104947000, Expiration Date – April 30, 2018
- ❖ Registered Property Tax Agent (State of Arizona), Registration No. 920119, Expiration December 14, 2016

Education Certification:

- ❖ The Appraisal Institute conducts a voluntary program of continuing education for its designated members. Members who meet the minimum standards of this program are awarded educational certification. Troy D. Glover, MAI, is certified under this program.

Real Estate Experience:

- ❖ President: Glover Valuation Group, 2444 East Southern Avenue, Suite 110, Mesa, AZ, April 1993 to present
- ❖ President/Designated Broker: The READY Group, 2444 East Southern Avenue, Suite 110, Mesa, AZ, February 2001 to present
- ❖ Partner: Slade & Glover, 1855 East Southern, Suite 103, Mesa, AZ, October, 1991 to April 1993
- ❖ Assistant Vice President: Desert Sun Real Estate Corporation (a wholly-owned subsidiary of the Chase Manhattan Corporation), 7501 East McCormick Parkway, Scottsdale, AZ, April 1990 to October 1991
- ❖ Associate Commercial Real Estate Appraiser: Sell, Huish & Associates, Inc., 4625 South Lakeshore Drive, Tempe, AZ, March 1986 to April 1990
- ❖ Real Estate Researcher: Naylor Appraisal Company, Inc., 55 East Main Street, Mesa, AZ, March 1984 to March 1986

General Appraisal Assignments Completed:

- Hotel/Motel
- Gas Stations
- Vacant Land
- Golf Courses
- Condemnation
- Big Box Retail
- Bank Branches
- Market Studies
- Office Buildings
- Auto Care Malls
- Auto Dealerships
- Office-warehouses
- Convenience Stores
- Feasibility Analyses
- Retail Shopping Centers
- Residential Subdivisions
- Mobile Home & RV Parks
- Professional Office Buildings
- Medical/Dental Office Buildings
- Multi-family Apartment Projects
- Leased Fee & Leasehold Interests
- Industrial Research & Development

Geographic Areas of Experience:

- Arizona
- Nevada
- California

STATE OF ARIZONA

**Department of Financial Institutions
Real Estate Appraisal Division**

BE IT KNOWN THAT

Troy D. Glover

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

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

CERTIFICATE NUMBER

30337

EXPIRATION DATE

August 31, 2018

In witness whereof the Real Estate Appraisal Division of the Department of Financial Institutions caused to be signed by the Division Manager on behalf of the Superintendent on the 13th day of June, 2016.



Debra Rudd



2555 East Camelback Road
Suite 400
Phoenix, AZ 85016
Tel +1 602 954 9000
Fax +1 602 468 8588
cushmanwakefield.com

May 30, 2017

Hudd Hassell
President
Bela Flor Communities, LLC
1635 N. Greenfield Rd., Suite 115
Mesa, AZ 85205

RE: +/- 30 acres west of Crismon and south of Hampton, near US60 (“Property”)

Dear Hudd:

I have been a broker for over 17 years, and am employed at one of the largest brokerage firms in the country. My experience is in the disposition of residential and commercial land for development and investment in Arizona with career transactions totaling just over \$1,000,000,000. I have been recognized as a Top Producer both locally and nationwide since 2005. Prior to joining Cushman & Wakefield, I worked in the Land Division at CB Richard Ellis and was a partner at DAB Realty in Vicksburg, Mississippi.

I am familiar with the +/- 30 acre parcel you own west of Crismon and south of Hampton, near the US60. I understand that the City of Mesa would like to see it developed as office/employment. Unfortunately, it is highly unlikely that you would be able to sell the Property to an office developer or another commercial user. Let me explain why.

In Phoenix metro, we have plenty of office sites available to developers. We aren't facing the shortages that developers in San Francisco, New York, Los Angeles or some other metro areas are facing. Since we have plenty of this land developers are very picky. Having worked with many office developers over the years, these are some of the factors they look for:

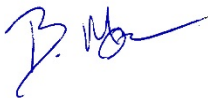
1. *Location close to city core.* Office parks thrive where there are people. In Phoenix metro, this means being closer to the city core, or along a strong corridor such as the 101. Office parks in better locations than yours that were built in Chandler and Gilbert in the last few years are struggling right now, and office developers are aware of this. Your location is inferior to these locations. Why would they buy the Property when better locations in Chandler and Gilbert are struggling?

2. *Average income above \$100,000.* Office developers focus on locations where the average income is above \$100,000 per household, so that people can live close to where they work. Also, office developments in higher income areas attract higher-end employers, who will pay higher rent. I haven't pulled the demographics for this area of Mesa, but I can already tell you that it isn't \$100,000 per household. This area contains many age-restricted communities and RV resorts—it isn't a location that will be attractive to office developers. In fact, the RV resorts and age-restricted communities are a distinct turn-off to office developers.
3. *Rental rates above \$34PSF NNN.* To justify the high expense of a new office development, what I'm hearing is that developers need to see rental rates above \$34PSF, on a triple net basis. We aren't seeing that at all in east Mesa. In fact, we are seeing rates in Mesa that are at or *below* \$20PSF NNN. This isn't close to the level that we need to see for significant new office development. I don't think office rates in east Mesa will get anywhere close to this rate for a decade or more—and by then, the "hurdle" rate will be far above \$34PSF NNN.
4. *Better Locations.* There are better locations than the Property within Mesa, such as Riverview, Eastmark, Tempe/Mesa corridor, and other locations closer to the "city core." Your location has nothing unique that makes it attractive, when compared to the competition.

To be candid, Phoenix metro has a surplus of office space now, and will for the foreseeable future. While I would like to tell you that the Property could be sold to an office developer, that just isn't going to happen, in my opinion, for a very long time, if ever.

I think you need to go back to the City of Mesa and continue to explore options to develop the Property as residential. It makes good sense as a residential development, as it fits the neighborhood and area.

Very truly yours,



Brent Moser
Executive Managing Director
+1 602 224 4486
brent.moser@cushwake.com