

APPRAISAL REPORT

FOR

Mr. Robert Adams
UALR Vice Chancellor for Finance and Administration
The University of Arkansas at Little Rock



CLIENT: MR. ROBERT ADAMS
UALR VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION
2801 SOUTH UNIVERSITY AVENUE
LITTLE ROCK, ARKANSAS 72204

INTENDED
USERS: Mr. Robert Adams, UALR Vice Chancellor for Finance and Administration, Mr. Ron Copeland, Director, University District Partnership, members of the staff of the University of Arkansas at Little Rock involved in preparation and writing of a TIGER Grant Application to assist in funding the University Avenue Redesign Project and officials involved with decision making regarding funding of a TIGER grant for the University.

INTENDED
USE: To provide the appraiser's best estimate of the market value of the land of the subject larger parcel, a strip of land of varying width that is between the existing eastern limit of the right of way of University Avenue and the east boundary of an existing easement (fluctuates from 15 feet to 20 feet in width) in favor of Central Arkansas Water which will be required for submission of a TIGER grant by the University. The "across the fence" market value of the subject larger parcel is reported, and this document is expected to be used in the University's TIGER grant application for assistance in funding the University Avenue Redesign Project.

This analysis will be presented in the format of an Appraisal Report which is intended to comply with the requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation and the Appraisal Institute. As such, it presents summaries of discussions of the data, and the reasoning and analyses that were used in the appraisal process to develop the appraiser's

opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this instrument.

CLIENT:

Mr. Robert Adams
UALR Vice Chancellor for Finance and Administration
2801 South University Avenue
Little Rock, Arkansas 72204

**OTHER INTENDED
USERS:**

Mr. Ron Copeland, Director, University District Partnership, Members of the staff at the University of Arkansas at Little Rock involved in preparation and writing of a TIGER Grant Application to assist in funding the University Avenue Redesign Project and officials involved with decision making regarding funding of a TIGER grant for the University

**INTENDED
USE OF THE
APPRAISER'S
OPINIONS AND
CONCLUSIONS:**

Intended use of this Appraisal Report is as an aid in assessing the worth of the subject larger parcel, a strip of land that is between the existing east line of the right of way of University Avenue and the east boundary of an existing easement in favor of Central Arkansas Water which will be required for submission of a TIGER grant by the University. The "across the fence" market value of the subject larger parcel is reported, and this document is expected to be used in the University's TIGER grant application for assistance in funding the University Avenue Redesign Project.

**EFFECTIVE
DATE
OF VALUE:**

May 24, 2015

**DATE OF
THE REPORT:**

May 30, 2015

REPORT:

Appraisal Report of the estimated "All Cash" market value of a parcel of land that extends from the south right of way of West 28th Street to the northern right of way of Asher Avenue

**DATE OF
INSPECTION:**

May 24, 2015

VALUATION

CONCLUSION:

Land Only

University Avenue from West 28th Street to the southern limit of the UALR campus

Unencumbered: 30,451.34 SF X \$10.00 per SF = \$304,513

Encumbered: 51,318.51 SF X \$10.00 per SF X 0.75 = \$384,889

University Avenue from the southern limit of the UALR campus to Asher Avenue

Encumbered: 10,582.08 SF X \$12.00 per SF X 0.75 = \$ 95,239

TOTAL \$784,641

ROUNDED \$800,000

**EXTRAORDINARY
ASSUMPTIONS:**

An environmental audit for the property was not provided for the analysis, and no pollution confirmation for the topic site was available. The real estate, however, has been treated as "clean," if that hypothesis is untrue, the remediation and/or stigma could diminish the value conclusion.

No personal property, equipment or machinery or intangibles are included in this valuation assignment.

That the land areas used in the report as the basis for the value conclusions are correct and accurate, should they be materially different, the dollar amounts could also change.

A sketch prepared by Garver USA, was provided for the project detailing the position of the waterline easement in favor of Central Arkansas Water and its relationship to the right of way of University Avenue, the sketch detailed the area between the south right of way of West 28th Street to the north right of way of Asher Avenue and is the basis for the land areas used in this document.

**IDENTITY OF THE
REAL ESTATE:**

A legal description of the area that is the subject of this report was not provided. Garver USA, however, provided a sketch of the area on the east side of University Avenue in the ownership of the University of Arkansas at Little Rock that is between the eastern right of way of University Avenue and the east line of a 20 foot wide easement held by Central Arkansas Water, the width of the easement varies from 20 feet at West 28th Street to the southern extreme of the campus, to 15 feet from the southern limit of the campus to Asher Avenue. A copy of the drawing is included in the addendum of this document. The area that is between the right of way of University Avenue and the east line of the 20 foot wide Central Arkansas Water easement is detailed in two configurations, unencumbered and encumbered. From West 28th Street south to the southern limit of the University campus, according to Garver USA, the

unencumbered area consists of 30,541.34 square feet and the encumbered area is 51,600 square feet, more or less. From the southern limit of the campus south to Asher Avenue, there is no unencumbered area, but 10,500 square feet, more or less is encumbered by a 15 foot wide Central Arkansas Water easement.

**REAL PROPERTY
INTEREST
APPRAISED:**

Market value of the fee simple ownership of a strip of land in the ownership of the University of Arkansas at Little Rock and the easement encumbered worth of two segments of a water easement (15 feet and 20 feet in width) in favor of Central Arkansas Water that are part of the University of Arkansas' ownership

**OWNER'S
NAME AND
ADDRESS:**

University of Arkansas at Little Rock
2801 South University Avenue
Little Rock, Arkansas 72204

**SUBJECT
PROPERTY
ADDRESS:**

Subject Property Address is 2801 South University Avenue, Little Rock, Arkansas

**LAND AREA OF THE
FEE OWNERSHIP:**

30,541.34 SF*

LAND AREA IN THE 20 FOOT WIDE CENTRAL

ARKANSAS WATER EASEMENT: 51,318.51 SF*

LAND AREA IN THE 15 FOOT WIDE CENTRAL

ARKANSAS WATER EASEMENT: 10,582.08 SF*

*As indicated, the land areas in the encumbered and unencumbered portions of the subject are taken from a drawing provided for the assignment that was prepared by Garver USA.

**IDENTITY OF THE CHARACTERISTICS OF THE PROPERTY THAT ARE RELEVANT TO THE
PURPOSE AND INTENDED USE OF THE APPRAISAL:**

(DIMENSIONS OF THE SITES ARE AS PRESENTED ON THE DRAWING THAT WAS FURNISHED BY
THE UNIVERSITY OF ARKANSAS AT LITTLE ROCK FOR THE ASSIGNMENT)

FRONTAGE: 3,280 feet, more or less, along the east right of way of University Avenue

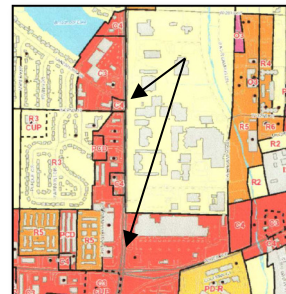
DEPTH: The area that is the topic of this analysis consists of a 30,541.34 square foot strip of vacant land that extends south between the east right of way of University Avenue and a 20 foot wide Central Arkansas Water easement in a 2,580 foot expanse from West 28th Street south to the southern limit of the University of Arkansas at Little Rock campus. The University Avenue right of way width and location is based on information on undated construction plans by Carter-Burgess which are identified as preliminary. The depth of the areas of encumbered and unencumbered ground vary from north to south along the ownership. From the southern limit of the University campus to the right of way of Asher Avenue, there is a 15 foot wide easement area in favor of Central Arkansas Water that encumbers 10,500 square feet of the University's ownership.

TOPOGRAPHY: The site is rolling, sloping away from the right of way of University in some areas, while in others it is rolling to level.

IMPROVEMENT: The strip of land has a metal fence, landscaping and mature tree growth.

UTILITIES: Electricity, telephone, natural gas, public water, sanitary sewer, and cable television.

ZONING: “R-2” Single Family Residential District, Minimum land area of 7,000 square feet, from West 28th Street to the southern limit of the campus. At the southern extreme of the UALR campus, the area that was once a retail center, University Plaza Center, is zoned “C-3” General Commercial District with a minimum site size of 14,000 square feet.



The subject property is an irregularly shaped parcel of land that extends from the south right of way of West 28th Street at the north to the north right of way of Asher Avenue at the south paralleling the right of way of South University Avenue. As indicated by Charlie Macom, Garver USA survey technician, the right of way of South University in its original configuration was Hayes Street and was 80 feet in width. Mr. Macom confirmed this by two subdivision plats, but an undated document by Carter-Burges show wider areas on the west side of University Avenue. The Little Rock City Engineer’s office was consulted for right of way information and stated that the right of way of University Avenue was 110 feet wide, but no drawings or documents could be found to confirm the 110 foot width.

In the subject larger parcel, there are two distinct ownership entities. For the area that is between West 28th Street and the southern limit of the University campus, part is owned in a fee simple estate by the University of Arkansas at Little Rock, and consists of the ground that extends east from the right of way of South University to the western limit of a 20 foot wide Central Arkansas Water easement. To the east of the fee ownership, there is an area that extends the east boundary of a 20 foot wide Central Arkansas Easement and is identified in this analysis as encumbered area. The easement and the right of way areas are basically parallel to each other, there are instances, as indicated by the drawing provided for the assignment where the water line is actually outside the easement area, and meanders along the campus over non-encumbered areas. Total area in this part of the ribbon of land is 30,541.34 square feet unencumbered and 51,600 square feet encumbered by the 20 foot wide water easement.

At the southern limit of the University campus, the adjoining University owned ownership, University Plaza retail center, extends about 700 feet to the north right of way of Asher Avenue. This part of the ownership has only encumbered areas, about 10,500 square feet, more or less, of ground that is in a 15 foot wide Central Arkansas Water easement. In this portion of the ribbon of land, the water line is mostly outside the easement area, and there is no area between the right of way of University Avenue and the east boundary of the 15 foot wide easement area. Total area in this part of the subject is 10,500 square feet, all encumbered.

HISTORY OF THE OWNERSHIP:

Conforming to Standards Rule 1-5:

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business¹

(a) analyze all agreements of sale, options, and listings of the subject property current as of the effective

¹ See Advisory Opinion 24, *Normal Course of Business*

date of the appraisal; and

- (b) analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal²**

Comment: See the Comments to Standards Rules 2-2(a)(viii), 2-2(b)(viii), for corresponding reporting requirements relating to the availability and relevance of information.

Information gained from the Pulaski County Tax Assessor indicates that the subject property is in the ownership of the University of Arkansas at Little Rock. There were no known contracts for sale or purchase at the time of this analysis.

INTENDED USE OF THE APPRAISAL REPORT:

Prepared for the use and benefit of the client, Mr. Robert Adams, UALR Vice Chancellor for Finance and Administration, this Appraisal Report was arranged with the objective of estimating the Market Value of a narrow strip of land that extends from the south right of way of West 28th Street to the north right of way of Asher Avenue at the south. This appraisal assignment is to produce an opinion of the estimated market value of the subject larger parcel, and to report the conclusions in an appraisal report format as defined in the *Uniform Standards of Professional Appraisal Practice* (USPAP).

By agreement with the party to whom this analysis is directed, only the Sales Comparison Process for the underlying land was utilized in the value estimate, and to that end, the Income Capitalization and Cost Approaches were excluded. Inherent in the presentation of the document is that it is to be employed in estimating the worth of 30,541.34 square feet of land that is owned in a fee simple estate and 51,600 square feet encumbered by a 20 foot wide water easement and another tract, 10,500 square feet, more or less, that is encumbered by a 15 foot wide water line easement, both easements in favor of Central Arkansas Water.

SCOPE OF WORK:

Writing in her book, *Scope of Work*, Stephanie Coleman, MAI, SRA, states that: "Scope of work encompasses all of the steps taken in the appraisal development process, not only those that are specifically mentioned in USPAP's standards rules."

In Standard 1, which sets out the requirements for developing a real property appraisal, the following statement appears:

In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

Comment: STANDARD 1 is directed toward the substantive aspects of developing a credible appraisal of real property. The requirements set forth in STANDARD 1 follow the appraisal development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a convenient checklist.

Further, **Standards Rule 2-2(a)(vii)** states:

- (vii) summarize the scope of work used to develop the appraisal;³**

² See Advisory Opinion 1, *Sales History*.

³ *Uniform Standards of Professional Appraisal Practice*, The Appraisal Foundation, 2014-2015, See Advisory Opinion 28, *Scope of Work*

Comment: Because intended users' reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. When any portion of the work involves significant real property appraisal assistance, the appraiser must summarize the extent of that assistance. The name(s) of those providing the significant real property appraisal assistance must be stated in the certification, in accordance with Standards Rule 2-3.

As a further reference, the *Uniform Standards of Professional Appraisal Practice's* definition section includes the following entry:

“SCOPE OF WORK: the type and extent of research and analyses in an appraisal or appraisal review assignment.”

The Scope of Work Rule further elaborates on the definition:⁴

For each appraisal and appraisal review assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results;
and
3. disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

Problem Identification

An appraiser must gather and analyze information about those assignment elements that are necessary to

Decision, Performance, and Disclosure, and Advisory Opinion 29, An Acceptable Scope of Work.

⁴ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

properly identify the appraisal or appraisal review problem to be solved.

Comment: The assignment elements necessary for problem identification are addressed in the applicable Standards Rules (i.e., SR 1-2, SR 3-2, SR 6-2, SR 7-2 and SR 9-2). In an appraisal assignment, for example, identification of the problem to be solved requires the appraiser to identify the following assignment elements:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review assignments.

Communication with the client is required to establish most of the information necessary for problem identification. However, the identification of relevant characteristics is a judgment made by the appraiser that requires competency in that type of assignment.

Assignment conditions include assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work. Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.

Scope of Work Acceptability⁵

The scope of work must include the research and analyses that are necessary to develop credible assignment results.

Comment: The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work.

An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the

⁵ See Advisory Opinion 29, *An Acceptable Scope of Work*.

assignment results are not credible in the context of the intended use.

Comment: If relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can:

- modify the assignment conditions to expand the scope of work to include gathering the information; or
- use an extraordinary assumption about such information, if credible assignment results can still be developed.

An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. The report must contain sufficient information to allow intended users to understand the scope of work performed.

Disclosure Obligations

Comment: Proper disclosure is required because clients and other intended users rely on the assignment results. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

Conforming to Standards Rule 1-6:

In developing a real property appraisal, an appraiser must:

- (a) **reconcile the quality and quantity of data available and analyzed within the approaches used; and**
- (b) **reconcile the applicability and relevance of the approaches, methods and techniques used to Arrive at the value conclusion(s).**

FOR AN APPRAISAL REPORT, THE DOCUMENT PREPARED FOR THIS ASSIGNMENT:

STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Comment: STANDARD 2 addresses the content and level of information required in a report that communicates the results of a real property appraisal.

STANDARD 2 does not dictate the form, format, or style of real property appraisal reports. The form, format, and style of a report are functions of the needs of intended users and appraisers. The substantive content of a report determines its compliance.

Standards Rule 2-1

Each written or oral real property appraisal report must:

- (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- (b) **contain sufficient information to enable the intended users of the appraisal to understand the**

report properly; and

- (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.**

Standards Rule 2-2

Each written real property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁶

Comment: When the intended users include parties other than the client, an Appraisal Report must be provided. When the intended users do not include parties other than the client, a Restricted Appraisal Report may be provided.

The essential difference between these two options is in the content and level of information provided. The appropriate reporting option and the level of information necessary in the report are dependent on the intended use and the intended users.

An appraiser must use care when characterizing the type of report and level of information communicated upon completion of an assignment. An appraiser may use any other label in addition to, but not in place of, the label set forth in this Standard for the type of report provided.

The report content and level of information requirements set forth in this Standard are minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.

2-2(a) The content of an Appraisal Report must be consistent with the intended use of the appraisal, and at a minimum:

- (i) **state the identity of the client and any intended users, by name or type;⁷**

Comment: An appraiser must use care when identifying the client to ensure a clear understanding and to avoid violations of the Confidentiality section of the ETHICS RULE. In those rare instances when the client wishes to remain anonymous, an appraiser must still document the identity of the client in the workfile but may omit the client's identity in the report.

Intended users of the report might include parties such as lenders, employees of government agencies, partners of a client, and a client's attorney and accountant.

⁶ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

⁷ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

- (ii) **state the intended use of the appraisal;**⁸
- (iii) **summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment;**⁹

Comment: The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch, and/or photographs or the like. The summarized information can include a property sketch and photographs in addition to written comments about the legal, physical, and economic attributes of the real estate relevant to the type and definition of value and intended use of the appraisal.

- (iv) **state the real property interest appraised;**

Comment: The statement of the real property rights being appraised must be substantiated, as needed, by copies or summaries of title descriptions or other documents that set forth any known encumbrances.

- (v) **state the type and definition of value and cite the source of the definition;**

Comment: Stating the definition of value also requires any comments needed to clearly indicate to the intended users how the definition is being applied.

When reporting an opinion of market value, state whether the opinion of value is:

- in terms of cash or of financing terms equivalent to cash, or
- based on non-market financing or financing with unusual conditions or incentives.

When an opinion of market value is not in terms of cash or based on financing terms equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value.

When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 1-2(c), the opinion must be stated in the report.¹⁰

- (vi) **state the effective date of the appraisal and the date of the report;**¹¹

⁸ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁹ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

¹⁰ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

¹¹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

Comment: The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market and property as of the effective date of the appraisal was prospective, current, or retrospective.

(vii) summarize the scope of work used to develop the appraisal;¹²

Comment: Because intended users' reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant real property appraisal assistance, the appraiser must summarize the extent of that assistance. The name(s) of those providing the significant real property appraisal assistance must be stated in the certification, in accordance with Standards Rule 2-3.¹³

(viii) summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;

Comment: An Appraisal Report must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1. The amount of detail required will vary with the significance of the information to the appraisal. The appraiser must provide sufficient information to enable the client and intended users to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches, in accordance with Standards Rule 1-6.

When reporting an opinion of market value, a summary of the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5 is required. If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.¹⁴

- (ix) state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal;**
- (x) when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion;**
- (xi) clearly and conspicuously:**

¹² See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

¹³ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

¹⁴ See Advisory Opinion 1, *Sales History*.

- **state all extraordinary assumptions and hypothetical conditions; and**
- **state that their use might have affected the assignment results; and**
- (xii) **include a signed certification in accordance with Standards Rule 2-3.**

In preparing this appraisal report, the appraiser:

EXTENT TO WHICH THE PROPERTY WAS IDENTIFIED:

- Sara W. Stephens, MAI, AI-GRS, CRE, and Richard A. Stephens, MAI, AI-GRS, SRA, CRE, ARA, externally observed and photographed the subject on May 24, 2015 to facilitate the gathering of information relative to the physical characteristics of the site that are relevant to the valuation problem;
- reviewed a drawing by Garver USA, supplied by Mr. Ron Copeland at the University of Arkansas at Little Rock, to determine information about the scope and character of the site size, and the area to delineated as encumbered and unencumbered for preparation of a TIGER grant. Included in the drawing was an estimate of the areas in each of the configurations found in the site;
- reviewed the drawing of the subject parcel supplied by the University, and supporting information, was collected from the records of the Pulaski County Tax Assessor and Circuit Clerk;
- undertook to gauge the influence of the "100 year flood plain" and "floodway;" as identified on the Flood Insurance Rate Map (FIRM), prepared through the National Flood Insurance Program, for the city of Little Rock, Pulaski County, Arkansas, Map Panels 050181 0102F and 050181 0104F, with an effective date of October 19, 2001, which indicates that there are areas on the east side of the UALR campus within an identified flood hazard region, part of the flood areas that are associated with the meanderings of Coleman Creek; the flood hazard areas, however, do not impede the subject larger parcel;
- implemented evidence gathered from the Map of Little Rock acquired from the Arkansas Highway and Transportation Department (AHTD) to indicate the placement of the subject property as well as the comparable sales;

EXTENT TO WHICH THE PROPERTY WAS INSPECTED:

- Sara W. Stephens, MAI, AI-GRS, CRE, and Richard A. Stephens, MAI, AI-GRS, SRA, CRE, ARA, externally observed and photographed the subject on May 24, 2015;

TYPE AND EXTENT OF THE DATA RESEARCHED:

- reviewed details of sales of vacant parcels with buyers and sellers that have occurred in the vicinity of the topic property; most of the transfers were vacant sites, along and in the market area of the right-of-way of University Avenue;
- the subject, at the effective date of value, was a narrow ribbon of land on the campus of the University of Arkansas at Little Rock, and the area to be studied is vacant (except for the presence of an iron fence, landscaping and tree growth), the only valuation method to be included in the analysis will be the Sales Comparison Process for the vacant land;
- explored information obtained from the Pulaski County Collector's, Tax Assessor's and Circuit

Clerk's Offices relating to the subject property and the comparable sales;

TYPE AND EXTENT OF ANALYSIS APPLIED:

- analyzed the Highest and Best Use of the subject property, and utilizing the evidence developed in the exercise produced other information relating to competitive tracts in the immediate confines of the subject;
- opinions presented in this document are based on the review and analysis of market conditions affecting real property prices, including land values, the attributes of competitive properties, and sales data for similar sites;
- confirmed and analyzed the data and applied the Sales Comparison Approach for the portion of the subject land under consideration from the south right of way of West 28th Street to the north right of way of Asher Avenue;
- after selecting the sales for subject larger parcel, the underlying land in the topic ownership, a comparative analysis of relevant factors that influence value was undertaken to adjust the sales to the subject property based on the actions and preferences demonstrated by participants in the market;
- after considering the data presented in the Sales Comparison Approach to value developed in this report, the conclusions were reconciled to arrive at a final opinion of value for the acquisition parcel as of May 24, 2015;
- photographed the Comparable Sales on May 24, 2015.

Taxes and Assessment:

Pulaski County Tax Assessor's records reflect that the subject is a parcel in the ownership of the University of Arkansas. There is no assessment for the part of the subject that is within the campus of the University; however, the part of the subject that is associated with the former University Plaza retail center is a parcel on the Pulaski County tax role. Taxes applicable to the former retail center, are \$7.05 per \$1,000 of the Assessed Value. The chart below summarizes the assessed value, and extends the property taxes for the subject.

<i>Parcel No.</i>	<i>Assessed Value</i>	<i>Tax Rate</i>	<i>General Taxes</i>	<i>Special Improvement Taxes</i>	<i>Total Taxes for 2014 Payable in 2015</i>
34L-298.00-055.00	\$312,530	0.0705	\$22,033	None Known	\$22,033
34L-298.00-056.00	45,250	0.0705	\$3,190	None Known	\$3,190
	\$357,780		\$25,223		\$25,233

The information in the chart above relates only to the retail center that is at the southern limit of the University campus. Arkansas law requires assessments to be at 20% of the market value of the underlying ground. As

established by the Pulaski County Tax Assessor, the site is valued at \$809,750 for that total site acreage of 16.56 acres, or about \$1.12 per square foot for the underlying land in the retail center, much lower than the estimate used in this analysis.

EXISTING USE OF THE REAL ESTATE

At the effective date of the appraisal, the subject larger parcel was a strip of land of varying width which extends from the southern right of way of West 28th Street to the northern right of way of Asher Avenue, positioned on the campus of the University of Arkansas at Little Rock between the eastern limit of University Avenue and the eastern extreme of a Central Arkansas Water easement. Portions of the strip are owned in fee simple, and there are areas that are encumbered by either a 20 foot wide or 15 foot wide Central Arkansas Water easement. The parcel is a vacant tract, and only the Sales Comparison Approach for the vacant site will be considered in this analysis.

USE OF THE REAL ESTATE REFLECTED IN THE APPRAISAL

At the effective date of the appraisal, the subject larger parcel was a strip of land of varying width which extends from the southern right of way of West 28th Street to the northern right of way of Asher Avenue, positioned on the campus of the University of Arkansas at Little Rock between the eastern limit of University Avenue and the eastern extreme of a Central Arkansas Water easement. Portions of the strip are owned in fee simple, and there are areas that are encumbered by either a 20 foot wide or 15 foot wide Central Arkansas Water easement. The parcel is a vacant tract, and only the Sales Comparison Approach for the vacant site will be considered in this analysis.

HIGHEST & BEST USE:

Highest and Best Use is defined as "The reasonably probable use that produces the most benefits and highest land value at any given time."

Highest and best use as though vacant.

Analyzing the physically possible, legally permissible, financially feasible and maximally productive alternatives, the highest and best use conclusions as though the site were vacant and available for development, are channeled into some type of assemblage to adjacent parcels in the ownership of the University. Legally permissible options are focused on the residential zoning of the area that extends from West 28th Street to the southern limit of the campus, and for the part of the strip of land that extends south from the campus to the right of way of Asher, zoning is "C-3" General Commercial District reflective of its former use as a retail center prior to its acquisition by the University. The area along University from West 28th to the southern limit of the campus is zoned for residential utility, but a school or university is an allowable use under Accessory uses. With the preponderance of commercial utility on the west side of University in the vicinity of the subject, a transition from the residential use classification to a higher intensity use has occurred and a better representation of the current use would be a "C-3" zoning classification which would be in accord with the zoning at the southern end of the strip from the southern limit of the campus to the right of way of Asher Avenue. A university is a permitted use in the "C-3" classification.

The position of the subject with frontage along University Avenue would indicate some use that would take advantage of its position in the market area, and the highest and best use determination is for some type of commercial utility and assemblage to adjacent parcels to form a larger landholding would be the only practical use of the ribbon of land.

IDENTITY OF THE TYPE OF APPRAISAL AND DEFINITION OF VALUE PERTINENT TO THE PURPOSE OF THE ASSIGNMENT:

The role of this Appraisal Report is to estimate the "Market Value" of the fee simple and easement encumbered strip of land that is the subject of this analysis. "Market Value" is to be estimated within very exact parameters and the definition, as it relates to this report, and the characteristics involved is explained as follows:

MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.¹⁵

Additionally, Market value appraisals are distinct from appraisals using other types of value because market value appraisals are based on a market perspective and on a normal or typical premise. These criteria are illustrated in the following definition of *Market Value**, provided here only as an example.

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

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

* This example definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and

¹⁵ *Uniform Standards of Professional Appraisal Practice*, 2014 – 2015 Edition, Appraisal Foundation, p. U-3.

August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, FRS, and FDIC on June 7, 1994, and in the *Interagency Appraisal and Evaluation Guidelines*, as revised and updated December 2010.

In addition, this analysis will be presented in the format of an Appraisal Report which is intended to comply with the requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* (USPAP).

The focus of the study is to estimate the fee simple and easement encumbered "All Cash Market Value" of the subject property in its "as is" condition in the format of an Appraisal Report. In its complete makeup, the attempt is to reflect all the significant information that affects the land, its utility and value. In addition, this Appraisal Report is intended to comply with the requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* (USPAP).

PROPERTY RIGHTS APPRAISED

In this valuation assignment the estate to be analyzed will be focused on the unencumbered and encumbered fee simple position. The fee simple estate is an absolute ownership unencumbered by any other interest or estate and is subject only to the four powers of government. Making up the four powers of government are taxation, eminent domain, police power and escheat, which also limit the fee simple title that signifies ownership of all the rights in a parcel of real property. Those rights in the bundle of rights are the right to use real estate, to sell it, to lease it, to enter it, to give it away, to exercise all of the rights or to refuse to exercise any of the rights, also subject to private and governmental restrictions and limitations. The fee simple interest is also an inheritable estate.

In addition, standing alone, the fee simple title creates an absolute estate, and is limited to a person and his or her heirs and assigns forever without limitation or condition, subject to powers of government. An absolute or fee simple estate is one in which the owner is entitled to the entire property, with unconditional power of disposition during one's life, and descending to one's heirs and legal representatives upon one's death intestate. Such estate is unlimited as to duration, disposition, and descendibility.

Fractional interests include leased fee and leasehold estates. The leased fee is an ownership interest held by a landlord with the right 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. By comparison, the leasehold estate is held by a lessee (the tenant and renter) who receives the right of use and occupancy for a stated term and subject to certain conditions.

An encumbrance is any right to, or interest in, land which may subsist in another to diminution of its value, but consistent with the passing of the fee by conveyance. A claim, lien, charge or liability attached to and binding real property; e.g. a mortgage; judgment lien; mechanics lien; lease; security interest; easement or right-of-way; accrued and unpaid taxes all represent those rights.

By way of explanation, then, an encumbrance is an interest or right in real property that may decrease or increase the value of the fee but does not prevent its conveyance by the owner. Mortgages, taxes and judgments are encumbrances called liens; restrictions, easements, and reservations are encumbrances, but not liens. A lien is also a charge against property in which the ownership is the security for payment of the debt.

An easement is a right of use over the property of another. Traditionally the permitted kinds of uses were limited, the most important being rights-of-way and rights concerning flowing water. The easement was normally for the benefit of adjoining lands, no matter who the owner was (an easement appurtenant) rather than for the benefit of a specific individual (easement in gross). The land having the right of use as an appurtenance is known as the

dominant tenement and the land which is subject to the easement is known as the servient tenement. In addition, it is a right in the owner of one parcel of land, by reason of such ownership, to use the land of another for a special purpose not inconsistent with a general property in the owner. Also, it is an interest which one person has in the land of another. A primary characteristic of an easement is that its burden falls upon the possessor of the lands from which it issued and that characteristic is expressed in the statement that the land constitutes a servient tenement. Also, an interest in land in and over which it is to be enjoyed, and is distinguishable from a "license" which merely confers personal privilege to do some act on the land. Equitable easements are created by derivation of ownership of adjacent proprietors from a common source, with specific intentions as to buildings for certain purposes, or with implied privileges in regard to certain uses.

As stated in prior paragraphs, the subject has about 51,318.51 square feet encumbered by a 20 foot wide waterline easement that extends from West 28th Street to the southern limit of the campus, and about 10,582.08 square feet encumbered with a 15 foot wide waterline easement that extends from the southern limit of the campus to Asher Avenue across the former University Plaza retail center.

The following language regarding description of easement rights is taken from the right of way easement document filed in Book 1254 at Page 398, records of Pulaski County, dated July 13, 1973:

"A permanent right, privilege and easement for the purpose of permitting the Little Rock Municipal Water Works to install, operate, maintain, repair and replace one or more underground water mains and appurtenances thereto, now and at different times in the future, upon the following lands situated in Pulaski County, Arkansas.

However, these easements are granted subject to the following additional conditions:

1. The permanent easement granted herein generally parallels the East boundary of University Avenue. The terrain abutting the street is irregular, sometimes lying level with or below the grade of the street and sometimes above. It is possible that university Avenue will be extended to the East upon the Grantor's property at some time in the future. Therefore, the pipeline(s) to be installed under this easement shall be constructed below the existing subsurface grade of University Avenue so as not to interfere with any future widening of the street.
2. Upon completion of the initial or any subsequent work by the Water Works, the Water Works shall backfill and thoroughly compact all excavations to minimize settling and shall level the surface over excavations and pipelines, remove all excess excavated materials and debris, replace any shrubbery removed, replace any sod removed or satisfactorily re-seed any sodded area disturbed and leave the premises in a clean and sanitary condition. Further, the Water Works shall place additional backfill material in all excavations where settlement has occurred within a period of one year after the initial excavation commences.
3. Except as hereinafter stated, the Water Works shall have the exclusive use of the surface and subsurface of the permanent easement:
 - After completion of the initial construction, the Grantor may permit other public or private utilities to use the easement subject to the prior rights of the Water Works, but no such other utility facility may be installed above a water main except to cross it at right angles. Furthermore, if a sewer main is subsequently installed in the easement, the specifications for and the location of the sewer main must be in accordance with regulations of the Health Department of the State of Arkansas.
 - The Grantor may install signs and wire fences on the easement, may pave the surface and may use the surface for yard space, driveways, walks and parking. In addition, any part of the land conveyed herein may be dedicated by the Grantor as right of way for a public street to be placed

over the waterworks facilities.

- No obstruction, building, wall, structures or other improvement except as authorized in the foregoing subsections may be placed on the easement.
- Anything to the contrary herein notwithstanding, the Grantor may not lower the surface grade of the easement below the existing subsurface grade of University Avenue without first complying with whatever specifications the Water Works may prescribe at the time for protection of its utility facilities.”

The following is the language specific to the 15 foot wide easement encumbering the subject from the southern limit of the campus to the northern right of way of Asher Avenue:

“A permanent right, privilege and easement for the purpose of permitting the Little Rock Municipal Water Works to clear and keep clear the surface of the right of way and to lay, construct, maintain, repair, replace, test and inspect underground water mains, whether one or more and surface appurtenances thereto, now and at different times in the future, without the payment of additional compensation therefor. Subject to prior easements of record and except as hereinafter stated, the Water Works shall have the exclusive use of the right of way. The defendants may hereafter use the surface of the easement for any purpose not inconsistent with the rights hereby conveyed, but may not place a building, footing, wall, structure or other improvement upon the right of way except that, after the initial waterworks construction is completed, the defendants may pave the easement surface and may use it for driveways, walks or parking areas. The defendants may permit other utility services to cross the easement at approximately right angles, but only if such utilities first comply with whatever specifications the Water Works may designate at the time for protection of its own facilities.”

ESTIMATED EXPOSURE TIME

Inherent in the overall analysis is an estimate of "Exposure Time," which is defined as: "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges under various market conditions.¹⁶

Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time, but also adequate, sufficient and reasonable effort. This statement focuses on the time component. The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and completion of negotiations between the seller and buyer); and the analysis of future income expectancy projected from the effective date of the appraisal.

The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

- statistical information about days on market;
- information gathered through sales verification; and,

¹⁶ The Dictionary of Real Estate, Fifth Edition, Appraisal Institute (Chicago, IL), 2010, p. 73.

- interviews of market participants.

Related information garnered through this process includes the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms. Reasonable exposure period is a function of price, time and use, not an isolated estimate of time alone.

For tracts of land that have similar highest and best use alternatives to the subject parcel, with appropriate pricing levels, adequate, and sufficient effort expended, eighteen to twenty-four months is considered reasonable. In developing the market value estimate, and exposure time, interviews were conducted with local brokers and market participants. To the contrary, "Exposure Time" is a different concept than "Marketing Time." "Exposure Time" is calculated on the basis that it precedes the effective date of the value; "Marketing Time," however, is an estimate of the time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal. "Marketing Time" is related to, but is apart from the appraisal process and its estimate exceeds the normal information required for the conduct of the valuation procedure.

Sales Comparison Approach - Land Value

Sales comparison is usually the preferable methodology for developing an opinion of site value. When this method is used, most of the techniques for selecting comparable sales and making adjustments can be applied to site valuation. When there are not enough sales of similar parcels for the application of sales comparison, alternative methods such as market extraction, allocation, and various income capitalization techniques may be used. The income capitalization techniques applied can be divided into direct capitalization techniques (i.e., land residual and ground rent capitalization) and yield capitalization techniques (i.e., the subdivision development method using discounted cash flow analysis).

Sales Comparison:

Sales comparison may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land, and it is the preferred method when comparable sales are available. To apply this method, data on sales of similar parcels of land is collected, analyzed, compared, and adjusted to provide a value indication for the site being appraised. In the comparison process, the similarity or dissimilarity of the parcels is considered.¹⁷

Appraisers perform several tasks in developing an opinion of site value:

- Gather data on actual sales as well as listings, offers, and options based on highest and best use.
- Identify the similarities and differences in the data.
- Identify the highest and best use and other characteristics of each potential comparable sale and then choose the appropriate sales for analysis.
- Identify units of comparison that explain market behavior.
- Adjust the appropriate unit prices of the comparable sales to account for the dissimilar characteristics of the site being appraised.
- Form a conclusion as to the market value of the subject site.

¹⁷ Appraisal Institute, *The Appraisal of Real Estate 14th Edition*, 200 West Madison, Chicago, IL, 2013, p. 364.

The objective of sales comparison is to select the most comparable sales and then adjust the comparable sales for differences that cannot be eliminated within the selection process. Elements of comparison may include property rights, financing terms, conditions of sale (motivation), expenditures immediately after purchase, market conditions (changes over time), location, physical characteristics, available utilities, and zoning. The physical characteristics of a parcel of land include, but are not limited to, its size, shape, frontage, topography, soil conditions, location, and view. Unit prices may be expressed as price per square foot, front foot, acre, lot, dwelling unit, floor area ratio (FAR), or other unit used in the market.

If sale prices have been changing rapidly over the past several years and an adequate amount of sales data is available, the sales selected for comparison should take place as close as possible to the effective appraisal date. When current data on local sales is not available, appraisers may need to expand the search to another market area, which may call for an adjustment for location, or extend the search back in time in the same market area, which usually calls for an adjustment for market conditions. The decision to use sales from another market area or older sales should be based on which adjustment has more support—the location adjustment or the market conditions adjustment.

Among generally similar sales, size may be less important as an element of comparison than date and location. Most land uses have an optimal site size. If the site is too large, the value of the surplus land tends to decline at an accelerating rate. Because sales of different sizes may have different unit prices, appraisers ordinarily give more weight to comparables that are approximately the same size as the subject property.

Zoning is a basic criterion in selecting comparables. Sites zoned the same as the subject property generally have the same or a similar highest and best use and may be the most appropriate comparables. However, zoning can be less important than utility or highest and best use in areas that are in transition or Sales comparison is the most commonly used and preferred method of valuing land. Data on sales of similar parcels of land is collected, analyzed, compared, and adjusted to reflect the similarity or dissimilarity of those parcels to the subject property. If sufficient sales in the same zoning category are not available, data from similar zoning categories can be used and adjustments may be necessary.¹⁸

To apply the sales comparison approach, appraisers follow a systematic procedure:

1. Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Information on agreements of sale, options, listings, and bona fide offers may also be collected. The characteristics of the properties such as property type, date of sale, size, physical condition, location, and land use constraints should be considered. The goal is to find a set of comparable sales or other evidence such as property listings or contracts as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property such as buyer motivation, economic characteristics (if the property is income-producing), value component allocations, and other significant factors as well as information about the market to ensure that comparisons are credible.
3. Select the most relevant units of comparison used by participants in the market (e.g., price per acre, price per square foot, price per front foot, price per dwelling unit) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.
4. Look for differences between the comparable sale properties and the subject property using all appropriate

¹⁸ Ibid., pp. 366-367.

elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.

5. Reconcile the various value indications produced from the analysis of comparables into a value conclusion. A value opinion can be expressed as a single point estimate, as a range of values, or in terms of a relationship (e.g., more or less than a given amount).¹⁹

Elements of Comparison

Elements of comparison are the characteristics of properties and transactions that help explain the variances in the prices paid for real property. The appraiser determines the elements of comparison for a given appraisal through market research and supports those conclusions with market evidence. When properly identified, the elements of comparison describe the factors that are associated with the prices paid for competing properties. The market data, if analyzed properly, will identify the elements of comparison within the comparable sales that are market-sensitive.

The basic elements of comparison that should be considered in sales comparison analysis are as follows:

Transactional Adjustments

real property rights conveyed	fee simple estate, leased fee interest, leasehold interest
financing terms—i.e., cash equivalency	all cash, market financing, seller financing, special or atypical terms
conditions of sale—i.e., motivation	short sale, bank-owned real estate (REO)
expenditures made immediately after purchase	new roof, renovation costs
market conditions	changes in supply and demand

Property Adjustments

location	interior lot, waterfront
physical characteristics	size, soils, access, construction quality, condition
economic characteristics	expense ratios, lease provisions, management, tenant mix
legal characteristics	zoning, environmental regulations, building codes, flood zones
non-realty components of value	personal property, furniture, fixtures, and

¹⁹ Ibid., pp 381-382.

equipment (FF&E), franchises, trademarks

Other possible elements of comparison include governmental restrictions, such as conservation or preservation easements, and off-site improvements required for the development of a vacant site. The differences in some of these elements of comparison can be so large or so significant that the sale is no longer comparable.

Often a basic element of comparison is broken down into subcategories that specifically address the property factor being analyzed. For example, physical characteristics may be broken down into subcategories for age, condition, size, and so on. There is no limit to the number of elements of comparison that may be found in a market, so it is important to remember that another line can always be added to an adjustment grid for an additional item recognized in the market. For example, an appraiser may need to add “deck” as an element of comparison if the market makes distinctions in sale price based on the presence or absence of a deck. However, note that adding elements of comparison for adjustment may lead to multiple adjustments for the same factor, a common error.

Sequence of Adjustments

The sequence in which adjustments are applied to the comparable sales is determined by the market data and the appraiser’s analysis of that data. As mentioned earlier, the first five elements of comparison in the list are considered transactional adjustments, while the latter five are considered property adjustments. The transactional adjustments are generally applied in the order listed. The property adjustments are usually applied after the transactional adjustments, but in no particular order. The five categories of property adjustments—location, physical characteristics, economic characteristics, legal characteristics, and non-realty components—correspond to the criteria of highest and best use:

- physical possibility—location and physical characteristics
- legal permissibility—legal characteristics such as zoning
- financial feasibility—economic characteristics and non-realty components that influence the value of the real property

Using the adjustment sequence, the appraiser applies successive adjustments to the prices of comparable properties.

Most property types are adjusted on a unit price basis. Property adjustments for location, physical characteristics, economic characteristics, legal characteristics, and non-realty components are typically applied to a unit price.²⁰

Reconciling Value Indications in the Sales Comparison Approach

Reconciliation is necessary in nearly all sales analyses because the appraiser will usually analyze many sales that may lead to several different conclusions. These value indications are resolved into a range of value or a single value indication (i.e., a point estimate). It is important that the appraiser consider the strengths and weaknesses of each comparable sale, examining the reliability and appropriateness of the market data compiled and the analytical techniques applied in the comparative analysis. The appraisal report should clearly communicate how the appraiser arrived at the value indication using the sales comparison approach:

- What does the data show and how did the appraiser come to the value conclusion?
- What data was good, bad, missing, and so on?

²⁰ *Ibid.*, pp. 390-391,

- How and why did the appraiser come to the conclusion in the sales comparison approach?

In reconciling value indications in the sales comparison approach, the appraiser evaluates the number and magnitude of adjustments and the importance of the individual elements of comparison in the market to judge the relative weight a particular comparable sale should have in the comparative analysis. For example, location is the most important element of comparison for some properties and other factors are of lesser importance. For such a property, comparable sales that required less adjustment for differences in location are likely to be given more weight in the reconciliation than comparable sales that may have had fewer adjustments for other, less-important elements of comparison. In addition to reconciliation within the sales comparison approach, reconciliation is also required when value indications are derived using two or more approaches to value. At that point in the valuation process, reconciliation results in the opinion of value identified in the definition of the appraisal problem.

If a comparable transaction requires fewer adjustments than the other comparable transactions and the magnitude of the adjustments is approximately the same, an appraiser may attribute greater accuracy and give more weight to the value indications obtained from the transaction with the fewest adjustments. Similarly, the gross adjustment amount can be a significant factor in the reconciliation of various value indications. Even though the number of adjustments made to the sale prices of the comparable properties may be similar, the gross dollar amount of the total adjustments might vary considerably. For example, suppose an appraiser analyzes five comparable properties, each of which require several adjustments. However, the gross dollar amount of adjustments for one comparable property totals 15% of the sale price, while the gross dollar adjustment for each of the other four properties is less than 5% of the sale price. If the sales are similar otherwise, less accuracy may be attributable to the comparable property that required the larger adjustment as a percentage of the sale price.

The magnitude of net adjustments is often a less reliable indicator of accuracy. The net adjustment is calculated by totaling the positive and negative adjustments. A net adjustment figure may be misleading because the appraiser cannot assume that any inaccuracies in the positive and negative adjustments will cancel each other out. For example, if a comparable property is 20% superior to the subject in some characteristics and 20% inferior in others, the net adjustment is zero but the gross adjustment is 40%. Another comparable sale may require several adjustments, all positive or all negative, resulting in a net adjustment of 30%. This property may well be a more accurate indicator of the subject's value than the comparable sale with the 0% net adjustment, which had large positive and negative adjustments that cancel each other out mathematically.

It is also good practice in the reconciliation process to reexamine the major elements of comparison for which no adjustments were made and to explain why these elements of comparison did not require any adjustments.

Even when adjustments are supported by comparable data, the adjustment process and the indicated values should reflect judgment. Small inaccuracies can be compounded when several adjustments are added or multiplied, and thus seemingly precise arithmetic conclusions derived from adjusted data might contradict the appraiser's judgment. The sales comparison approach is not formulaic. It does not lend itself to detailed mathematical precision. Rather, it is based on judgment and experience as much as quantitative analysis.²¹

In the immediate market area of the subject property, research of sites that are competitive with the topic land was conducted. The investigation revealed several transfers of ground that are comparable to the subject. Parameters in the search included:

1. Fee simple transfers
2. Cash to the seller financing terms
3. Arms length transactions
4. The most recent sales activity
5. Competitive geographical locations

²¹ *Ibid.*, pp. 392-394.

6. Topographic conditions that were similar
7. Land areas that were as near comparable as possible
8. Similar ingress and egress qualities
9. All public utilities were available
10. Employment and transportation linkages that were parallel
11. Zoned for similar use
12. Had similar functions as the highest and best use

The following comparable land sales are presented for comparison to the subject site:

COMPARISON WITH SUBJECT PROPERTY

LAND VALUE

Sale No. Address	Grantor	Grantee	Consideration	Size \$/SF	Zoning
1 4220 S. University	Van D'Lay Industries, LLC	Jonesboro Carwash, LLC	\$700,000	68,694 \$10.19	"C-3"
2 4200 S. University	Elrod Real Estate et al	Ozarks Waffles, LLC	\$260,000	36,445 \$7.13	"C-3"
3 6201 Colonel Glenn SW Corner University and Colonel Glenn	Van D'Lay Industries, LLC	KG Store 140	\$1,083,000	87,991 \$12.31	"C-3" CUP
4 1100 S. University	MBC Holdings Worldwide, LLC	BH University Development, LLC	\$3,000,000 <u>340,000</u> Demolition \$3,340,000	252,212 135,615 SF X \$2.50/SF \$13.24	"I-2"
5 1900 N. University	R Street Springdale, LLC	Regions Bank	\$2,200,000	50,500 \$43.56	"R-3"

CONCLUSION OF LAND VALUE

Data collection for the assignment included attempts to survey the recent transfers of sites along University with emphasis on the areas near the subject property. Several sales were assembled for consideration, however, five were considered the best comparisons to the subject strip. Sales south of Asher Avenue considered included three sites that had been utilized in the automobile industry as the sites for new and used automobile dealerships. Sites at 5806, 5720 and 5700 South University were investigated, zoning was either "I-2" or "C-4" but they were not considered as comparables having characteristics most similar to the subject. Similarly, sales at 5102 and 5015 South University were also considered and for similar concerns to those expressed in former sentences, they studied but not relied on.

There were three sales near the University that were also considered as comparables, but they were improved with a variety of structures, ranging from a former quick lube facility to a tobacco store and a game exchange and fast food restaurant. These transfers were also not weighted as comparables due to the lack of information regarding the contribution of the structures to the ultimate sales price.



Five exchanges of vacant sites were assembled, they are considered superior indicators of market value for the subject property with characteristics that are similar to the subject property.

Comparable Sale One is the sale of a vacant parcel that is on the eastern limit of the former K-Mart retail center. It is south of the subject, positioned on the west side of University Avenue. The out parcel has been improved with a carwash since the time of sale. The site has about 264 feet, more or

less, with the right of way of South University and depth at the north and south of about 260 feet, more or less. Rectangular in shape, the site area is about 68,694 per square feet, is zoned “C-3” General Commercial District and has highest and best use alternatives for assemblage to adjacent tracts to form a larger landholding or holding for eventual speculative development with a use that is compliant in the “C-3” district. Nearby land use includes other retail facilities including a restaurant and fueling station.



Sale Two is the mid 2014 transfer of the smallest tract in the sales sample, about 36,445 square feet positioned along South University Avenue, just south of the intersection with Asher Avenue. The tract is on the west side of University, has about 140 feet of contact with the right of way and depth of about 260 feet at the north and south. Topographical variations are minimal, zoning is “C-3” General Commercial District, and since the sale, the parcel has been improved with a Waffle House restaurant. Highest and best use alternatives focus on holding for eventual speculative development or assemblage to adjacent ownerships to form a larger land holding.

An April, 2012 transfer of a vacant parcel at the southwest quadrant of the intersection of South University and Colonel Glenn Road (the western part of the right of way of Asher Avenue), Sale Three represents the second largest parcel in the data set. At one time, the site was part of the K-Mart retail center, Sales One and Two are to the south, and since the date of sale, the tract has been improved with a Kum and Go Store (a convenience store and fueling station). The site is level to rolling, at the grade of adjoining street rights of way. There is about 450 feet, more or less, of contact with South University, and a small extension along Colonel Glenn Road. Zoning is “C-3” General Commercial District, and highest and best use alternatives are for assemblage to adjacent ownerships to form a larger landholding or holding for eventual speculative development.



Positioned at the northwest corner of the intersection of West 12th Street and University Avenue, Sale Four is the mid 2013 transfer of a tract of land that was improved at the time of sale with a former furniture store. The structure was demolished immediately after the sale, and an estimate for the demolition cost of \$2.50 per square foot for the 135,615 square foot structure added to the sales price to arrive at a unit price for the exchange of \$13.24 per square foot. The site is above the grade of University, sloping up to the west from the right of way. Zoning at the time of sale was “I-2” Light Industrial District. Since the demolition of the structure, there have been attempts to improve the site with a convenience store/fueling station, but at the time of the analysis, they had not been successful. There is contact with the right of way of West 12th Street at the southern limit of the site. Highest and best use options include assemblage to adjacent ownerships to form a larger landholding or holding for eventual speculative development.



Sale Five represents the mid 2014 transfer of a vacant parcel, about 50,500 square feet, more or less, an assemblage of parcels that were improved with four single family dwellings and a house of worship. “R” Street, an east-west street right of way severed the tract, and according to the seller, the sales price did not include any consideration for altering the zoning, which was “R-3” Residential and did not guarantee that the right of way of “R” Street would be closed to form a contiguous parcel. The grantee, Regions Bank, did get the zoning altered as well as the street closed, and since the sale, construction has begun on a branch bank facility. The tract is level to



rolling, there is contact at the eastern limit of the site with the western right of way of North University Avenue. Highest and best use options focus on assemblage to adjacent tracts to form a larger landholding or holding for eventual speculative development.

In order to extract a value estimate for the subject site, several characteristics will be examined:

Condition of Sale: All of the Comparables in the sample were acquired on an arms length basis. As the premise in the subject is also focused on open market activity, adjustments are not necessary.

Market Conditions (Sales Date): While none of the sales in the grid are a sale and resale, the optimum data source for an adjustment based on time, it appears that variances in unit price is more closely aligned to physical characteristics such as location rather than the passage of time. With inconclusive information to extract a market conditions adjustment, there will be no alteration to the sales prices of the comparables for changes in market exchange rates over time, but consideration for other characteristics which might influence ultimate unit price differences

Location - The position of One, Two and Three is more closely aligned with the location of the subject than Comparable Five, which is at the northern extreme of North University, and to some degree to Sale Four which is to the north of the University at the intersection of West 12th and University. Both of the transfers would require some downward consideration for their superior location when compared to the subject property.

Size - No direct or inverse relationship for a size adjustment was demonstrated by the sales. Sale Four represents the largest land mass, and demonstrates a unit price in the range of about \$13.24 per square foot, while Sale Three is an exchange that is much smaller, but the unit price is only about \$1.00 less per square foot. The smallest parcel in the sales set, Comparable Two demonstrates that smallest unit price. Lacking any clear pattern, there will be no adjustment to the comparables for a size/price relationship.

Topography – Considering the comparables, there would necessarily be some upward adjustment in Comparable Sale Four, which is above the grade of University and considered inferior to the topography of the subject property.

Utilities - No adjustment for utilities (equal)

Zoning – With the exception of Sales Four and Five, all of the comparable sales are all zoned for some form of commercial utility, and in the case of Comparable Five, the “R-3” zoning was not considered a hindrance in the consummation of the sale. The “I-2” zoning in Sale Four allows a multitude of uses, but would not be considered as superior a classification as the “C-3” category in Sales One, Two and Three.

CORRELATION OF INDICATED VALUES:

Within the comparable sales, a spread in unit price from \$7.13, Comparable Two, up to \$43.56 per square foot, Sale Five, was indicated. Sale Five is north of the subject, purchased for ultimate development with a branch banking facility. The buyer purchased with the understanding that several issues would have to be resolved to develop the site including, at a minimum, zoning and closure of a street right of way. Sale Four is the transfer of an improved site, the ultimate estimate for the unit price of the land includes adding the estimated cost to demolish a large furniture store, about 135,615 square feet, positioned on the site. The site’s topography is considered inferior to that of the subject, but its location is superior.

Comparables One, Two and Three are south of the subject in the same part of the University right of way as the subject property. All of the sites are in what was at one time the perimeter of the K-Mart retail center. Sales prices range from \$7.13 per square foot for the smallest land mass up to \$12.31 per square foot for the 87,991 square feet represented by Sale Three.

All of the comparables represent vacant tracts. Sales One, Two and Three share locational features with the subject, and are considered most similar to the subject. The unit price for the subject would be in the range created by the transfers, in a range of from \$7.13 up to \$12.31 per square foot. For the portion of the subject that is between West 28th Street and the southern edge of the University campus, a unit price in the range of about \$10.00 per square foot will be considered reasonably supported by Sales One and Two, while for the area that is in the former University Plaza retail center, a unit price in the range of about \$12.00 per square foot is considered supportable by the data in the sales sample.

The unit prices developed above, \$10.00 and \$12.00 per square foot are for the unencumbered parts of the subject property. There are, as discussed in this document, areas that are encumbered by a Central Arkansas Water easement, ranging in width from 15 to 20 feet. Some of the ownership rights were relinquished by the University when the easements were placed on the subject, and as a result, the estimated fee worth of the subject will also be reduced.

The following is the language specific to the 20 foot wide easement encumbering the subject from the right of way of West 28th to the southern limit of the University campus:

“ A permanent right, privilege and easement for the purpose of permitting the Little Rock Municipal Water Works to install, operate, maintain, repair and replace one or more underground water mains and appurtenances thereto, now and at different times in the future, upon the following lands situated in Pulaski County, Arkansas.

However, these easements are granted subject to the following additional conditions:

1. The permanent easement granted herein generally parallels the East boundary of University Avenue. The terrain abutting the street is irregular, sometimes lying level with or below the grade of the street and sometimes above. It is possible that university Avenue will be extended to the East upon the Grantor's property at some time in the future. Therefore, the pipeline(s) to be installed under this easement shall be constructed below the existing subsurface grade of University Avenue so as not to interfere with any future widening of the street.
2. Upon completion of the initial or any subsequent work by the Water Works, the Water Works shall backfill and thoroughly compact all excavations to minimize settling and shall level the surface over excavations and pipelines, remove all excess excavated materials and debris, replace any shrubbery removed, replace any sod removed or satisfactorily re-seed any sodded area disturbed and leave the premises in a clean and sanitary condition. Further, the Water Works shall place additional backfill material in all excavations where settlement has occurred within a period of one year after the initial excavation commences.
3. Except as hereinafter stated, the Water Works shall have the exclusive use of the surface and subsurface of the permanent easement:
 - After completion of the initial construction, the Grantor may permit other public or private utilities to use the easement subject to the prior rights of the Water Works, but no such other utility facility may be installed above a water main except to cross it at right angles. Furthermore, if a sewer main is subsequently installed in the easement, the specifications for and the location of the sewer main must be in accordance with regulations of the Health Department of the State of Arkansas.
 - The Grantor may install signs and wire fences on the easement, may pave the surface and may use the surface for yard space, driveways, walks and parking. In addition, any part of the land conveyed herein may be dedicated by the Grantor as right of way for a public street to be placed over the waterworks facilities.

- No obstruction, building, wall, structures or other improvement except as authorized in the foregoing subsections may be placed on the easement.
- Anything to the contrary herein notwithstanding, the Grantor may not lower the surface grade of the easement below the existing subsurface grade of University Avenue without first complying with whatever specifications the Water Works may prescribe at the time for protection of its utility facilities.”

The following is the language specific to the 15 foot wide easement encumbering the subject from the southern limit of the campus to the northern right of way of Asher Avenue:

“A permanent right, privilege and easement for the purpose of permitting the Little Rock Municipal Water Works to clear and keep clear the surface of the right of way and to lay, construct, maintain, repair, replace, test and inspect underground water mains, whether one or more and surface appurtenances thereto, now and at different times in the future, without the payment of additional compensation therefor. Subject to prior easements of record and except as hereinafter stated, the Water Works shall have the exclusive use of the right of way. The defendants may hereafter use the surface of the easement for any purpose not inconsistent with the rights hereby conveyed, but may not place a building, footing, wall, structure or other improvement upon the right of way except that, after the initial waterworks construction is completed, the defendants may pave the easement surface and may use it for driveways, walks or parking areas. The defendants may permit other utility services to cross the easement at approximately right angles, but only if such utilities first comply with whatever specifications the Water Works may designate at the time for protection of its own facilities.”

Utilities in the Central Arkansas area typically purchase easements at from 20% to 40% reduction in the unit price of the fee ownership. According to Mr. Jim Ferguson with Central Arkansas Water, about 25% is the general reduction that the utility would apply to reduce the unit price of the fee ownership when encumbering an area with a Central Arkansas easement.

Therefore, the estimated value of the subject, as of May 24, 2015 would be in the range of:

University Avenue from West 28th Street to the southern limit of the UALR campus

Unencumbered:	30,451.34 SF X \$10.00 per SF	=	\$304,513
Encumbered:	51,318.51 SF X \$10.00 per SF X 0.75	=	\$384,889

University Avenue from the southern limit of the UALR campus to Asher Avenue

Encumbered:	10,582.08 SF X \$12.00 per SF X 0.75	=	<u>\$ 95,239</u>
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TOTAL			\$784,641
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ROUNDED			\$800,000
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**EXTRAORDINARY
ASSUMPTIONS:**

An environmental audit for the property was not provided for the analysis, and no pollution confirmation for the topic site was available. The real estate, however, has been treated as "clean," if that hypothesis is untrue, the remediation and/or stigma could diminish the value conclusion.

No personal property, equipment or machinery or intangibles are included in this valuation assignment.

That the land areas used in the report as the basis for the value conclusions are correct and accurate, should they be materially different, the dollar amounts could also change.

A sketch prepared by Garver USA, was provided for the project detailing the position of the waterline easement in favor of Central Arkansas Water and its relationship to the right of way of University Avenue, the sketch detailed the area between the south right of way of West 28th Street to the north right of way of Asher Avenue and is the basis for the land areas used in this document.

ASSUMPTIONS AND LIMITING CONDITIONS

Assumptions

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute and the Appraisal Foundation. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. Furthermore, the information contained in this appraisal narrative is specific to the needs of the client and for the intended uses stated in this report. The appraiser is not responsible for unauthorized use of this document.
2. A survey was not furnished for the assignment; that title to the property is good and merchantable. All existing liens and encumbrances other than those referred to in the report have been disregarded and the real property has otherwise been analyzed as though free and clear of additional burdens, under responsible ownership and competent management.
3. That dimensions, as evidenced by measurements, available maps and plats are accurate. It has been presumed that the apparent boundaries are correct, and that there are no encroachments, except those explained in the commentary.
4. Responsible ownership and competent property management is implied unless otherwise stated in the appraisal narrative.
5. That the present zoning for the subject larger parcel was verified with the City of Little Rock and was documented by local planning officials, but the consultant cannot be responsible for errors reported by members of the staff. Any restrictive covenants, whether of record or not, are believed to be in accord with the basic theory of use.
6. That no part of the subject larger parcel is within an identified flood hazard.
7. That information furnished by others is presumed to be reliable; but no responsibility, whether legal or otherwise, is inferred for its accuracy and it cannot be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of other data.
8. It is also believed that all information known to the client and relative to the valuation of the subject larger parcel has been accurately furnished to the appraiser and that there are no undisclosed leases, agreements (including, but not limited to purchase options, conditional offers, or pending offers), easements, liens or other encumbrances affecting the use of the topic ownership.
9. All estimates, projections and forecasts contained in this report are considered to be reasonable probabilities, but are in no manner guaranteed and I take no liability for any deviation in those calculations.
10. Any sketch in this synopsis may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this study are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this evaluation inquiry.
11. All engineering is inferred to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

12. That no contamination exists on the subject property.
13. It is believed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this communication.
14. At the time of the property observation, the subject larger parcel was a vacant tract and no environmental study was furnished for the analysis.

Limiting Conditions

1. The consultant is not responsible for any matters legal in character, nor is any opinion rendered as to title, which is hypothecated to be marketable.
2. The values reflected in this report apply only to the program of utilization considered. The use of the estimates in conjunction with any other analysis or under other influences invalidates the conclusions that follow.
3. The investigation was made and the Appraisal Report prepared for the exclusive use and benefit of the client to whom it is addressed; and, possession of this product or a copy does not carry with it the right of publication, nor may it be used for any purpose other than that intended without the previous written consent of the consultant; and, in any event, only the entire study may be used, and no part shall be taken or used out of context.
4. No feasibility or land use analysis has been made and none has been available to the consultant.
5. This assignment does not contemplate court action. If court action or appearance becomes necessary in the interest of the client, the terms for the additional service shall be negotiated as a separate contract.
6. No responsibility is taken for changes in market conditions after the effective date of the value, May 24, 2015.
8. No effort has been made to determine the impact of possible energy shortages or the effect on the property of future federal, state, or local legislation, including any environmental or ecological matters or interpretations of them.
9. The date of valuation to which the value estimate conclusion applies is set forth within the body of the report. The value is based on the purchasing power of the U.S. dollar as of that date.
10. Disclosure of the contents of this Appraisal Report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this study (especially any conclusions as to value, the identity of the consultant or firm with which she is connected, or any reference to the Appraisal Institute, or the MAI or AI-GRS designations, the American Society of Real Estate Counselors or the CRE designation), shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the author.
11. The signatory of this appraisal narration, Sara W. Stephens, is an MAI Member and an AI-GRS Member of the Appraisal Institute. Bylaws and Regulations of the Institute require each person to control the use and distribution of each appraisal report signed by such individual. Therefore, except as hereinafter provided, the party for whom this document was prepared may distribute copies of this study, in its entirety to such third factions as may be selected by the group for whom this valuation investigation was prepared; however, selected portions of this assessment shall not be given to third parties without the prior written

consent of the signatory of this evaluation inquiry. Further, neither all nor any part of this diagnosis shall be disseminated to the general public by the use of advertising media, public relations communications, news and sales information or other technology for public transmission without the prior written consent of the signatory of this value summary.

12. Acceptance of and/or use of this report constitutes approval of all of the foregoing assumptions and special conditions.
13. The Appraisal Institute conducts programs of continuing education for their designated members. As of the date of this report, Sara W. Stephens has completed the requirements of the Continuing Education Program of the Appraisal Institute.

CERTIFICATION OF VALUE

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

1. The statements of fact contained in this Appraisal Report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. I have not performed appraisal related services on the subject larger parcel in the last three years.
5. My engagement in this task was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this Appraisal Report has been prepared, in conformity with the minimum standards set forth in the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Institute and The Appraisal Foundation.
8. I made an external review of the real estate that is the subject of this study on May 24, 2015. In addition to a review of the subject ownership, additional information was provided by aerial photographs and topographical maps as well as data from Mr. Cory Sutton, City of Little Rock.
9. The reported analyses, opinions, and conclusions were developed and this Appraisal Report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this document is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report Sara W. Stephens has completed the requirements of the Sequential Education Program of the Appraisal Institute.
12. Mr. Jim Ferguson, Central Arkansas Water; Mr. Ron Copeland, University of Arkansas at Little Rock; Mr. Charlie Macom, Garver USA, and Mr. Jim Irwin, Irwin Partners, furnished information about the subject parcel, as well as information relating to configuration, size, and physical characteristics, information that is regarded as significant professional assistance to the person signing this report.



Sara W. Stephens, CRE, MAI, AI-GRS
Arkansas State Certified General Appraiser #00447

**EXTRAORDINARY
ASSUMPTIONS:**

An environmental audit for the property was not provided for the analysis, and no pollution confirmation for the topic site was available. The real estate, however, has been treated as "clean," if that hypothesis is untrue, the remediation and/or stigma could diminish the value conclusion.

No personal property, equipment or machinery or intangibles are included in this valuation assignment.

That the land areas used in the report as the basis for the value conclusions are correct and accurate, should they be materially different, the dollar amounts could also change.

A sketch prepared by Garver USA, was provided for the project detailing the position of the waterline easement in favor of Central Arkansas Water and its relationship to the right of way of University Avenue, the sketch detailed the area between the south right of way of West 28th Street to the north right of way of Asher Avenue and is the basis for the land areas used in this document.

PHOTOGRAPHS OF THE SUBJECT PROPERTY
Photographed by Sara W. Stephens, MAI, AI-GRS, CRE, May 24, 2015



Photograph of the subject looking east across South University Avenue.



South University Avenue looking north, the subject property is in the right portion of the view.

PHOTOGRAPHS OF THE SUBJECT PROPERTY
Photographed by Sara W. Stephens, MAI, AI-GRS, CRE, May 24, 2015



South University Avenue near its intersection with West 28th Street looking south, the subject is in the left portion of the view.



Interior view of the subject.

PHOTOGRAPHS OF THE SUBJECT PROPERTY
Photographed by Sara W. Stephens, MAI, AI-GRS, CRE, May 24, 2015



South University Avenue looking south near the entrance to the University, the subject is in the left portion of the view.



South University Avenue looking north, near the entrance to the University, the subject is in the right portion of the view.

PHOTOGRAPHS OF THE SUBJECT PROPERTY
Photographed by Sara W. Stephens, MAI, AI-GRS, CRE, May 24, 2015



South University Avenue looking north from an entrance to the University Plaza retail center, the subject property is in the mid portion of the view.



South University Avenue looking south near an entrance to the University Plaza retail center, the subject is in the mid portion of the view.

PHOTOGRAPHS OF THE SUBJECT PROPERTY
Photographed by Sara W. Stephens, MAI, AI-GRS, CRE, May 24, 2015

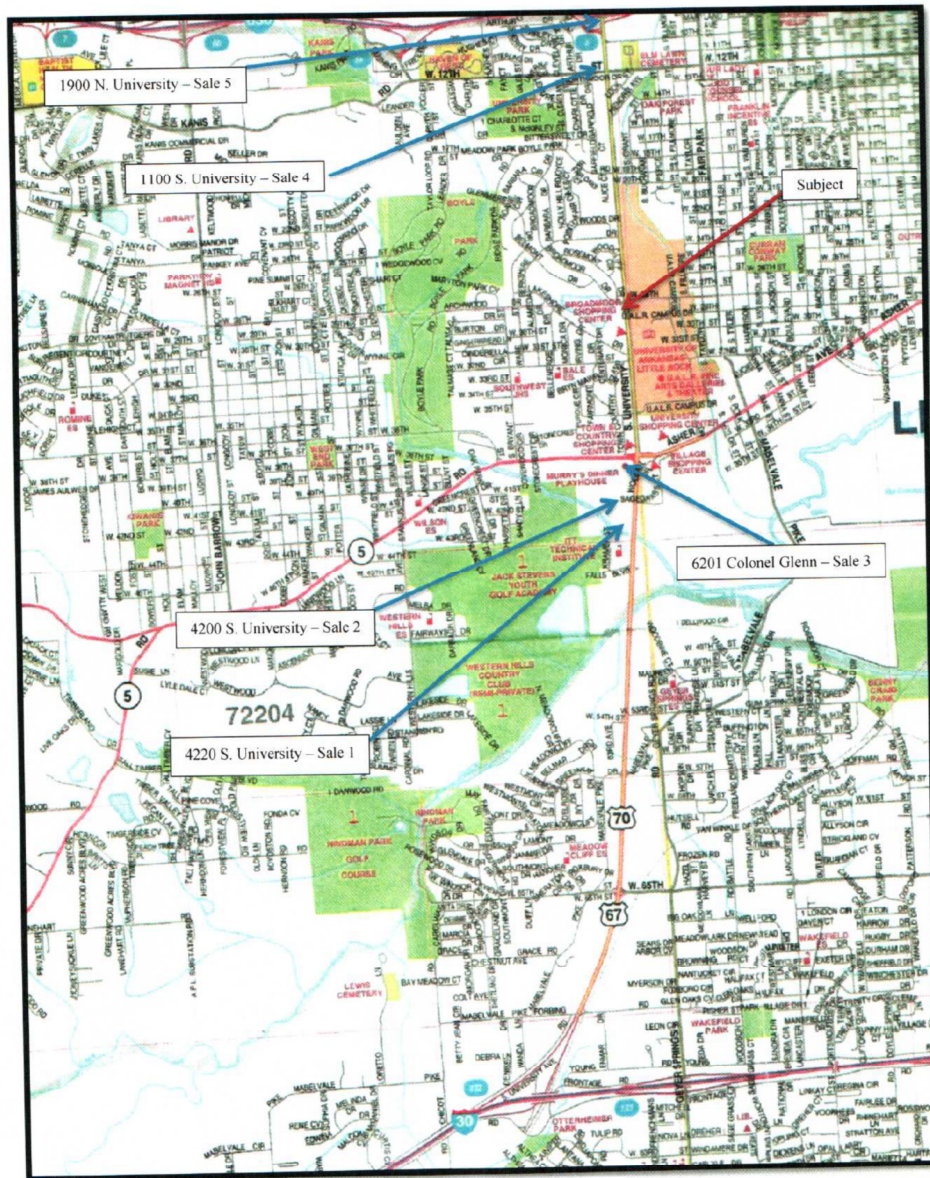


South University Avenue looking north near its intersection with Asher Avenue, the subject is in the right portion of the view.



South University Avenue looking south near its intersection with Asher Avenue, the subject is in the left portion of the view.

COMPARABLE LAND SALES



SARA W. STEPHENS, MAI, AI-GRS, CRE
ARKANSAS STATE CERTIFIED GENERAL APPRAISER #00447

Richard A. Stephens and Associates, Inc.

Phone: 501.372.7513

FAX: 501.272.7535

E-Mail: swstephens@prodigy.net

Professional Experience

Sara W. Stephens, MAI, AI-GRS, CRE is a graduate of the University of Arkansas at Fayetteville with a Master of Arts, Secondary Education with Emphasis in Mathematics, and received a Bachelor of Science Degree, Magna Cum Laude, with emphasis in Mathematics and English from the University of Arkansas at Little Rock (UALR).

Recent professional honors include:

- Served as 2012 International President of the Appraisal Institute, a global organization with over 23,000 members. She was the second woman elected as president of the organization in its 83 year history, and the only Arkansan elected to the position
- Elected as founding President of the International Center for Valuation Certifications (ICVC), a wholly owned subsidiary of the Appraisal Institute. The Center will offer certification opportunities in the valuation profession, the first opportunity for advanced study in valuation outside current professional organizations
- Chosen as an initial member of the International Property Measurement Standards Committee, one of nineteen members selected by the International Property Measurement Standards Coalition from professionals world-wide, and the only woman appointed to the committee. The committee is charged with creating the first global standard for measuring property.
- Testified before the House Committee on Financial Services Subcommittee on Insurance, Housing and Community Opportunity in 2011 and 2012, discussing mortgage origination, real estate appraisal issues
- Testified before the U.S. Sentencing Commission in 2012 relative to proposed amendments to the mortgage fraud sentencing guidelines, discussing real estate appraisal issues
- Presented papers and led discussions on real estate valuation issues to the following international groups: United Nations Economic Commission for Europe, Cannes France; TEGoVA (The European Group of Valuers' Associations), Cluj Romania, Krakow Poland, Rome Italy; Chinese Appraisal Groups, Beijing and Singapore, China; HypZert (Appraisal Organization), Berlin, Germany

Richard A. Stephens and Associates, Inc. provides appraisal services across the state of Arkansas and accepts appraisal assignments focusing on all property types. Our primary geographic focus is within the state of Arkansas. We have performed appraisals on agricultural, industrial, and commercial property as well as vacant land. Our expertise extends to appraisals under both

USPAP and *Uniform Standards for Federal Land Acquisitions*, highest and best use studies, market analysis, real estate tax appeals and real estate counseling. Attended a two day course sponsored by the Appraisal Institute on the *Uniform Standards for Federal Land Acquisitions*. We have completed a number of assignments for agencies of the Federal Government including the U.S. Army Corps of Engineers (easements, flowage easements, fee acquisitions), U.S. Department of Agriculture, General Services Administration and the Federal Aviation Agency.

2002 to Present - Richard A. Stephens and Associates, Inc., Principal

1994 to 2002 - Richard A. Stephens and Associates, Inc., Senior Staff Appraiser

1983 to 1994 - Richard A. Stephens and Associates, Inc., Senior Research Assistant

1967 to 1994 - Little Rock Public Schools, Little Rock, Arkansas

Public Appraisal Clients Include: Arkansas State Highway and Transportation Department; Arkansas Department of Parks and Tourism; Arkansas State Building Services; Arkansas State Prison System; Little Rock Convention Bureau; Little Rock Wastewater Utility; Bill and Hillary Clinton National Airport; Metropolitan Emergency Medical System, MEMS; Cities of: Little Rock, North Little Rock, Pine Bluff and Russellville; General Services Administration of the United States; Little Rock Housing Authority; Pulaski County, and Pulaski County Special School District; United States Army Corps of Engineers; and United States Postal Service.

Private Appraisal Clients Include: Aluminum Company of America; Arkansas Baptist Hospital; Arkansas Power and Light Company; O.S. Kelley Company; Chicago Title Insurance Company; J. P. Morgan Mortgage Capital, Inc.; Sprint Telephone Company; Catholic Diocese of Little Rock; F.D.I.C.; Regions Bank; NationsBank; Missouri Pacific Railroad; Motel 6 Properties; Prudential Insurance Company; Resolution Trust (RTC); Southwestern Bell Telephone Company; St. Vincent's Hospital; Santa Fe - Burlington Railroad; Union Pacific Railroad; Universal Field Services; Whitney National Bank; and various other corporations, law firms, mortgage companies, title companies, savings and loan associations, banks and individuals.

Educational Background and Training

Master of Arts, Secondary Education with Emphasis in Mathematics, 1979, University of Arkansas, Fayetteville, Arkansas, Recipient of numerous National Science Foundation Grants for Graduate and Post Graduate Study

Bachelor of Science (Magna Cum Laude), Mathematics and English, 1967, University of Arkansas at Little Rock, Little Rock, Arkansas, Recipient of Trinity Foundation Honor Scholarship for Undergraduate Study

Successfully Completed Real Estate Appraisal Principles, June 1986, Tufts University, Boston, Boston, Massachusetts, American Institute of Real Estate Appraisers

Successfully Completed Basic Valuation Procedures, August, 1984, Dartmouth College, Lebanon, New Hampshire, American Institute of Real Estate Appraisers

Successfully Completed Capitalization Theory and Techniques, Part A, August, 1985, Dartmouth College, Lebanon, New Hampshire, American Institute of Real Estate Appraisers

Successfully Completed Capitalization Theory and Techniques, Part B, June, 1986, Tufts University, American Institute of Real Estate Appraisers

Successfully Completed Case Studies in Real Estate Valuation, July, 1990, University of Alabama, Tuscaloosa, Alabama, American Institute of Real Estate Appraisers

Successfully Completed Report Writing and Valuation Techniques, July, 1990, University of Alabama, Tuscaloosa, Alabama, American Institute of Real Estate Appraisers

Successfully Completed "Spreadsheet Analysis" Seminar, American Institute of Real Estate Appraisers, 1984

Successfully Completed "Overview of Capitalization Parts A and B" Seminar, September, American Institute of Real Estate Appraisers, 1987

Successfully Completed "Understanding Limited Appraisals and Appraisal Reporting Options" General Seminar, Appraisal Institute, July, 1994

Successfully Completed Uniform Standards of Professional Appraisal Practice, Parts A and B, Appraisal Institute, September, 1995

Technical Reviewer "Mathematics for Real Estate Appraisers," 1996, a publication of the Appraisal Institute

Successfully Completed "Data Confirmation and Verification Methods," Appraisal Institute, May 1996

Successfully Completed "Demonstration Appraisal Report Writing Seminar," Appraisal Institute, April 1996

Successfully Completed "High Tech Appraisal Office Seminar," Appraisal Institute, April 1997

Successfully Completed "Home Building for Fun and Profit Seminar," Arkansas Chapter, Appraisal Institute, March, 1998

Successfully Completed "Advanced Writing Skills for the Residential Appraiser Seminar," Appraisal Institute, April, 1998

Successfully Completed "Internet Search Strategies for Real Estate Appraising Seminar," Appraisal Institute, April, 1998

Successfully Completed "Condemnation Appraising: Advanced Topics and Applications Seminar," Appraisal Institute, December, 1998.

Successfully Completed "The Appraiser as an Expert Witness Seminar," Appraisal Institute, February, 1999.

Successfully Completed "Standards of Professional Practice, Part C Seminar," Appraisal Institute, January, 2000.

Successfully Completed Course 510, "Advanced Income Capitalization," Appraisal Institute,

May, 2001.

Successfully Completed Course 530, "Advanced Sales Comparison and Cost Approaches," Pepperdine University, Los Angeles, California, Appraisal Institute, July, 2001.
Passed the General Comprehensive Examination for the MAI designation, August, 2001.

Completed the General Demonstration Report requirement for the MAI designation, April, 2002.

Successfully Completed "Scope of Work," Appraisal Institute, September, 2003

Successfully Completed "Land Valuation Assignments," Appraisal Institute, September, 2003

Successfully Completed "Land Valuation Adjustment Procedures," Appraisal Institute, September, 2003

Successfully completed "Evaluating Residential Construction," 2004

Successfully completed "Rates and Ratios: Making Sense of GIM's OAR's and DCF's," 2004

Successfully completed "Effective Appraisal Writing," 2004

Successfully completed "Business Practices and Ethics," 2004

Successfully completed "Market Analysis and the Site to Do Business," 2005

Successfully completed "Uniform Appraisal Standards for Federal Land Acquisitions," 2006

Successfully completed "Scope of Work: Expanding Your Range of Services," 2006

Successfully completed "What Clients Would Like Their Appraisers to Know," 2006

Successfully completed "Forecasting Revenue," 2007

Successfully completed "Subdivision Valuation," 2007

Successfully completed Certification Program "Valuation of Conservation Easements," 2007

Successfully completed "Review Theory – General," Appraisal Institute, 2013

Professional Designations

American Society of Real Estate Counselors - CRE

Appraisal Institute, MAI and AI-GRS Member

Founding President of the International Center for Valuation Certifications, a wholly owned subsidiary of the Appraisal Institute, 2014

Appraisal Institute representative to the International Property Measurement Standards Setting Committee 2014 – 2017. One of 20 international delegates to the Committee.

International Immediate Past President Appraisal Institute 2013

International President Appraisal Institute 2012

International President-Elect Appraisal Institute 2011

International Vice President Appraisal Institute 2010

Chair Region IX, Representative to the Board of Directors of the Appraisal Institute, 2009

Chair, National Audit Committee Appraisal Institute, 2009

Vice Chair Region IX, Representative to the Board of Directors of the Appraisal Institute, 2008.

Member, National Audit Committee Appraisal Institute 2008

Member Appraisal Institute Relief Foundation 2008 – 2009

Member National Admissions Designation Qualifications Committee Appraisal Institute 2003 – 2009

Chair, Alternative Demonstration Appraisal Report Project Team 2008-2009

Region IX Representative to the Board of Directors of the Appraisal Institute as a Third Director, 2007.

President, Arkansas Chapter Appraisal Institute, 2003 and 2004

Regional Representative to Region IX, Appraisal Institute from the Arkansas Chapter, 2003 and 2004

Leadership Advisory Committee, Appraisal Institute, a group of 100 appraisers selected from across the United States, March 22 - 24, 2000, Washington, D.C.

Leadership Advisory Committee, Appraisal Institute, a group of 100 appraisers selected from across the United States, April 2 - 4, 2001, Washington, D.C.

Leadership Advisory Committee, Appraisal Institute, a group of 100 appraisers selected from across the United States, April 21- 2, 2002 Washington, D.C.

Selected as a 2003 Discussion Leader, Leadership Advisory Committee, Appraisal Institute

Chair and Member - National Associate Member Guidance Subcommittee, Appraisal Institute, August, 2003 - December, 2004

Vice Chair and Member - National Associate Member Guidance Subcommittee, Appraisal Institute, 2003 - 2004

Member - National General Appraiser Council Admissions Committee, 2003 and 2004

Member - National Curriculum Committee, Appraisal Institute, 2003 - 2005

Member - National Chapter Leadership and Development Committee, Appraisal Institute, 2004 - 2007.

General Associate Member - National Associate Member Guidance Subcommittee, Appraisal Institute, 2001 - 2002

General Associate Member - National Communications Subcommittee, Appraisal Institute, 2002

General Associate Member - Cadre Team, National Associate Member Guidance Subcommittee, Appraisal Institute, 2000 - 2002

General Associate Member - National Membership Development and Retention Committee, Appraisal Institute, 2001

President-elect, Arkansas Chapter, Appraisal Institute, 2001-2002

Education Chairperson, 1996, 1997, 1999 - 2000, 2001 - 2002, Arkansas Chapter Appraisal Institute

President - Associates' Group, Arkansas Chapter Appraisal Institute