



**AN APPRAISAL REPORT ESTIMATING JUST
COMPENSATION ASSOCIATED WITH:**

**AN ACQUISITION FOR CONSTRUCTION OF A
CITY FIRE STATION**

LOCATED ON THE:

E/S Lake Forest Drive, north of University Drive,
McKinney, Collin County, Texas 75069

Date of Report:

April 27, 2015

Prepared By:

APPRAISAL SOURCE, INC.
Jason Jackson, MAI
7080 Camp Bowie Boulevard
Fort Worth, Texas 76116

Prepared For:

CITY OF MCKINNEY
2251 North Tennessee Street
McKinney, Texas 75070

ASI File #: 15c01840



April 27, 2015

Mr. Thomas Muehlenbeck
Interim City Manager
City of McKinney
2251 North Tennessee Street
McKinney, Texas 75070

Re: Appraisal Report of a commercial lot located along the E/S Lake Forest Drive,
north of University Drive, McKinney, Collin County, Texas, 75069

Mr. Muehlenbeck,

At your request, we have completed an appraisal report of the above referenced property. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and solely for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it presents summarized information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment. This appraisal and report have been prepared in conformance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

The intended use of this appraisal is for the exclusive use of the City of McKinney for the estimation of Just Compensation related to the proposed taking of the subject property. We have inspected the subject property and neighborhood, and believe all data gathered is from reliable sources.

Mr. Thomas Muehlenbeck
City of McKinney
April 27, 2015
Page 2

We certify that we have no present or contemplated future interest in the subject property. The appraisers have not performed any services regarding the subject property in the three years prior to accepting this assignment.

The following Extraordinary Assumptions/Hypothetical Conditions apply:

1. None

The Part Acquired may be valued in two different manners. If the Part Acquired is not large enough to be considered an economic unit on its own, it is appraised in conjunction with the parent tract or a portion of the parent tract that results in the highest return to the subject property. If the Part Acquired can be considered an individual economic entity, then it is valued as an independent and separate parcel. In the case of the subject, the proposed acquisition consists of 3.294 acres which is rectangular in shape. It is of sufficient size and configuration for independent development and is an economic unit on its own. The economic unit is considered to be the whole property for the purposes of this analysis and is referred to as such. The land owner is the largest land owner in the area and the parent tract surrounding the proposed acquisition consists of about 1,200 acres. The proposed acquisition is not considered to have any measurable effect on the utility or marketability of the remainder of the parent tract; as such, the whole property and part acquired are synonymous and equal in this report.

Based on the analysis and conclusions in the accompanying report and subject to the definitions, assumptions, and limiting conditions expressed herein, the following opinions are expressed as of April 23, 2015:

Value of the Whole Property - Land Only	\$1,291,383
By Sales Comparison Approach	\$1,291,383
By Cost Approach	N/A
By Income Capitalization Approach	N/A
Reconciliation	\$1,291,383
Just Compensation	\$1,291,383

Respectfully submitted,

Appraisal Source, Inc.

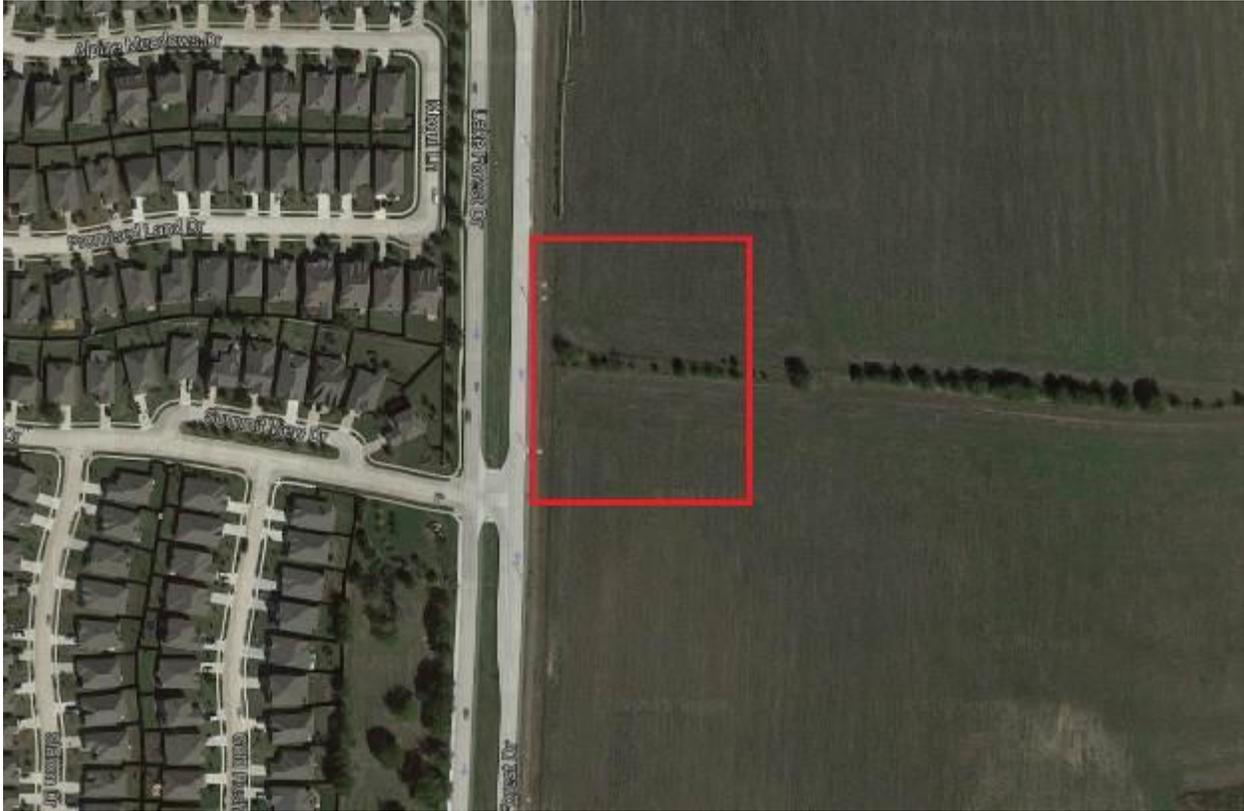


Jason Jackson, MAI
Certified General
Number TX-1336282-G

TABLE OF CONTENTS

Assumptions and Limiting Conditions	8
Intended Use and Users of the Appraisal.....	11
Interests Valued	11
Purpose of the Appraisal.....	11
Effective Dates.....	11
Date of the Report.....	11
Market Value Definition.....	11
Legal Description.....	11
Report Option.....	12
Ownership History.....	12
Marketing Period/Exposure Time.....	12
Competency	13
Scope of Work	13
Neighborhood Analysis	15
Location Map.....	20
Survey.....	21
Flood Boundaries Map.....	22
Description of the Site	23
Zoning Map.....	25
Highest and Best Use Analysis.....	26
Valuation of the Whole Property	27
Sales Comparison Approach – Land Only.....	28
Comparables	28
Location Map - Comparable Land Sales	34
Analysis Grid	34
Comparable Land Sales Adjustments	36
Sales Comparison Approach Conclusion – Land Only	38
Estimate of Just Compensation.....	38
Certification	39
Addenda	40

PHOTOGRAPHS OF THE SUBJECT PROPERTY



AERIAL PHOTOGRAPH FACING NORTH

PHOTOGRAPHS OF THE SUBJECT PROPERTY



LOOKING NORTHEAST FROM SOUTHWEST CORNER



LOOKING NORTH ALONG WESTERN BOUNDARY

PHOTOGRAPHS OF THE SUBJECT PROPERTY



VIEW OF LAKE FOREST DRIVE FACING NORTH



VIEW OF LAKE FOREST DRIVE FACING SOUTH

Assumptions and Limiting Conditions

- 1) This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it presents summarized information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- 2) The Appraiser assumes no responsibility for matters of a legal nature affecting the subject property being appraised or the title. It is assumed by the Appraiser that the legal description furnished to him is correct, and all necessary licenses or permits have been obtained.
- 3) The subject property is appraised as though free and clear of any or all liens or encumbrances unless otherwise stated, with the seller receiving cash or its equivalent, and it is assumed that the purchaser would take advantage of maximum financing available.
- 4) The property being appraised and the value estimates are based on the assumption that the property is under responsible ownership and competent management.
- 5) Certain information in regard to market and operating data was obtained from others. This information is verified, checked where possible, and is used in this appraisal report only if it is believed to be accurate, correct, and from reliable sources. However, the Appraiser assumes no responsibility for it, and such information is not guaranteed.
- 6) The various sketches and photographs included in this appraisal are placed herein only to assist the reader in visualizing the property being appraised. An appraisal is an estimate of value. Therefore, the opinions of value contained herein are only estimates. There is no guarantee, written or implied, that the subject property will sell for such an amount.
- 7) It is assumed by the Appraiser that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering that may be required to discover them. All mechanical, electrical, and plumbing equipment is assumed to be in proper working condition, unless otherwise noted.
- 8) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- 9) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.

- 10) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 11) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and there is no encroachment or trespass unless noted in the report.
- 12) The distribution, if any, of the total valuation in this report between the land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 13) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any other than the party to whom it is addressed without the written consent of the Appraiser, and in any event only with proper written qualification and only in its entirety.
- 14) The Appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
- 15) Neither all nor part of the contents of this appraisal report shall be disseminated to the public through the advertising media, public relations media, news media, sales media, or any other media without prior written consent and approval of the Appraiser.
- 16) The Appraiser is not qualified to detect the existence of potentially hazardous material that may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in the analysis to any potential diminution in value should such hazardous materials be found. The client is urged to retain an expert in the field before making a business decision regarding the property.
- 17) The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The Appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. The Appraiser is not qualified to make an analysis of the compliance. Currently, there is very little market data relating to this issue. If the building requires substantial improvements, this fact could have a negative effect upon the value of the property. Since the Appraiser is not qualified to determine what modifications may or may not be required for compliance, the cost of these possible modification, and because there is virtually no market data

relating to this issue, in this instance, no consideration was given to possible non-compliance with the requirements of ADA in estimating the value of the property.

- 18) Only the surface estate was valued. No minerals are included in this value estimate.

Intended Use and Users of the Appraisal

This appraisal may be used in connection with the proposed easement and associated Just Compensation of the required acquisition associated with the subject property. The Appraiser has been engaged by the Client (City of McKinney) to provide an opinion of the market value of the fee simple interest of the subject property in order to estimate Just Compensation in relation to the proposed taking. Any unauthorized use of the Appraisal will render the Appraisal null and void and of no force or effect. Intended users include the client only.

Interests Valued

The term “fee simple” is defined as:

Estate in which the owner has absolute ownership unencumbered by any other interest or estate.

Purpose of the Appraisal

The purpose of the appraisal is to estimate the Just Compensation of the required acquisition associated with the subject property.

Effective Dates

The effective date of the “As Is” value estimate is April 23, 2015, which was the date the property was physically inspected.

Date of the Report

The date of this report is April 27, 2015.

Market Value Definition

Market Value is defined by the case, *City of Austin v. Cannizzo*, 267 S.W.2d 808 (Tex. 1964).

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

Legal Description

The subject property is legally described as a 3.294 acre tract situated in the John McGarrah Survey, A-572, McKinney, Collin County, Texas.

Report Option

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it presents summarized information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment.

Ownership History

According to the Collin Appraisal District, the subject property is currently owned by two entities, South 720 LP and Brinkman Ranches of Collin Co. LP. These two entities are owned by the same individual, Mr. Baxter Brinkman. Mr. Brinkman has owned the property for a number of years. The subject is not currently listed for sale, nor are there any sales pending. There have been no transactions involving the subject property over the three years prior to the effective date of this appraisal.

Marketing Period/Exposure Time

The term “marketing period” is defined as:

The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal.

The term “exposure time” is defined as:

The time a property remains on the market. 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.

The definition of market value specifies a reasonable amount of time for market exposure. A reasonable amount of time would be the time necessary for a property to receive exposure to enough qualified market participants (provided there is an active market for the specific property type) to consummate a fair sale.

In the case of the subject, there is an active market for vacant commercial land. The subject property is not a specialized property with a limited market. Properties similar to the subject typically trade in the open market. A marketing period and exposure time of eight to twelve months is considered to be adequate for the property to receive exposure to a satisfactory number of qualified buyers. The preceding estimate is based on marketing times for the comparable sales as well as sales throughout the area not utilized in our analysis. It is difficult to estimate

exposure times based on the marketing times for comparable sales unless the exact asking prices and negotiations at various times during the marketing period are known.

Competency

The appraisers involved in this assignment have considerable experience appraising tracts of vacant land similar to the subject in the Dallas/Fort Worth area. The appraisers have adequate knowledge of the property type, geographical location, and analytical methods necessary to comply with the competency requirements of USPAP.

Scope of Work

The scope of this appraisal assignment includes conducting the research, confirmations, inspections, and analyses necessary to provide the client with an appraisal reporting the Just Compensation estimate in connection with the acquisition on the subject property. In the appraisal development process, the property owner was contacted and an inspection of the property was conducted. The following steps were executed during the appraisal process.

Market Area and Analysis of Market Conditions: A complete analysis of market conditions has been made. The appraiser maintains access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis.

Inspection of Subject and Comparable Data: A thorough investigation into the subject market for both general and specific data pertaining to the subject property has been conducted. In the course of the investigation, a physical inspection of the subject property, neighborhood, and all comparables has been made.

Highest and Best Use Analysis: A complete highest and best use analysis for the subject has been made. Physically possible, legally permissible, and financially feasible uses were considered, and the maximally productive use was concluded.

Valuation Analyses

Cost Approach: The Cost Approach was not applied as the subject is vacant land.

Sales Comparison Approach: The Sales Comparison Approach was applied as the subject is vacant land and this is the most applicable approach to value vacant land. There is adequate sales data to develop a value estimate for the subject land.

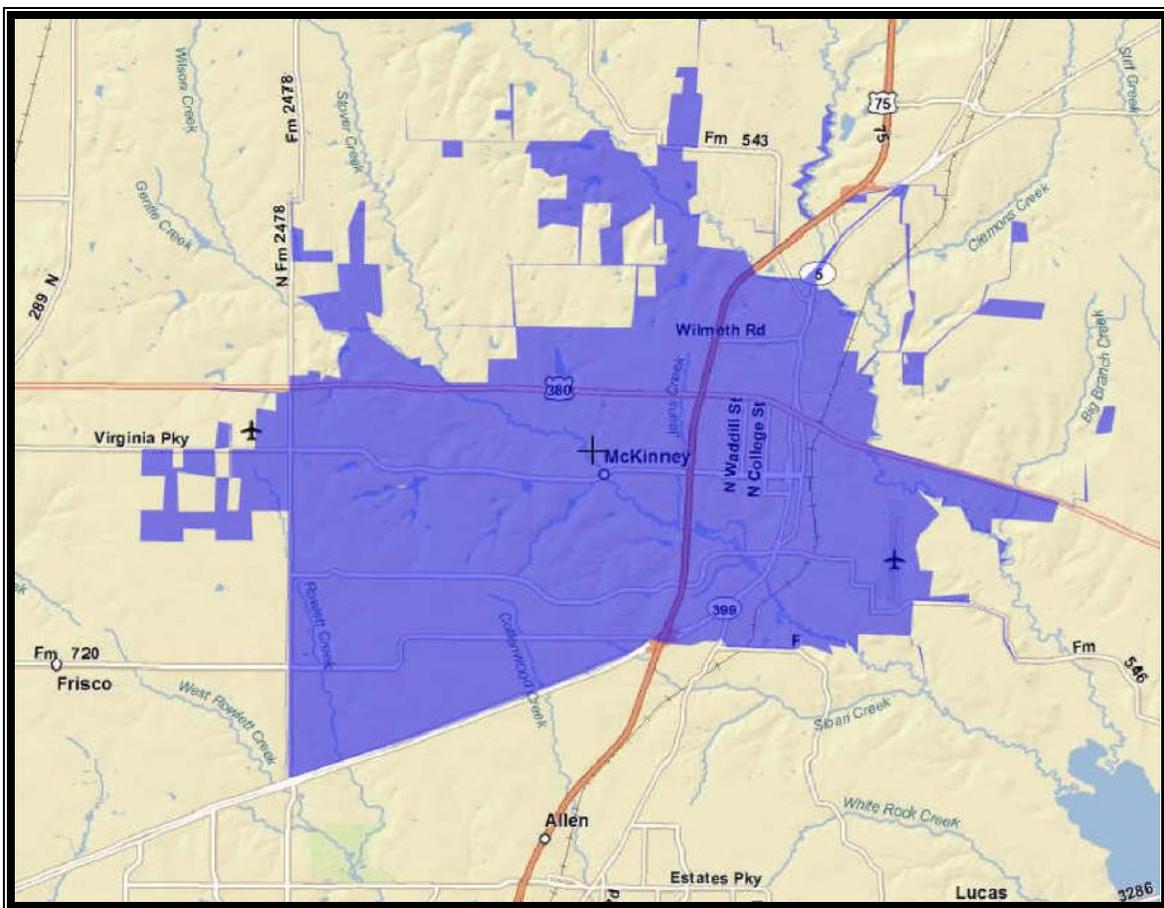
Income Capitalization
Approach:

The Income Capitalization Approach was not applied as the subject is vacant land and this is not an appropriate approach to value vacant land.

Neighborhood Analysis

A neighborhood is a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. The neighborhood analysis is the objective analysis of observable and/or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value; social, economic, governmental, and environmental factors. (Appraisal Institute, The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, pp. 133).

Location: The subject neighborhood is located in western Collin County within the McKinney city limits. This location is approximately 25 miles northeast of the Dallas/Fort Worth International Airport.



Access: Primary north-south access is provided by US75, a limited access, four-lane, divided roadway providing direct access to the Dallas Central Business District 30 miles south. East-west access is provided by US380 (University Drive) and SH121 (McDonald Street). Other major thoroughfares include Virginia Parkway (FM720) and Eldorado Parkway/Industrial Boulevard. The area is also served by an adequate

number of minor thoroughfares. All roads are in average to good condition. The primary intersections are US75 and US380, US75 and Virginia Street, and SH5 and US380. As the city has developed, Eldorado Parkway has become a primary thoroughfare and recently an improvement of the road between Custer Road and Preston Road in Frisco has been undertaken. The neighborhood is also adequately served with several secondary arterial roadways.

Boundaries: The neighborhood boundaries influencing the subject property can best be described as the Frisco city limits to the west, the city limits of Allen and Fairview to the south and unincorporated Collin County land to the north and east.

Composition: McKinney is composed of a variety of uses ranging from residential to industrial properties. Approximately 40% of the city is vacant land and all utilities are available to about 85% of the city. Some of the extreme northern and southern portions of the city are without wastewater service. A summary of current land uses, provided by the McKinney Chamber of Commerce, is presented in the following table.

McKinney Land Use Patterns	
Low Density Residential	21.1%
Medium Density Residential	21.6%
High Density Residential	24.1%
Retail/Commercial	26.0%
Regional Shopping Center	4.5%
<i>Source: McKinney Chamber of Commerce</i>	

Based upon development trends within the area, the life stage of the neighborhood is considered to be one of growth with single family subdivisions and supportive commercial being the primary form of growth within the area.

Towne Park is the city's premiere park facility. It is located across from the new McKinney High School along Wilson Creek Parkway, just east of US75 and directly north of the subject property. West Community Park, located along Eldorado Parkway, west of Hardin, features 150 acres with baseball fields and a variety of other recreational amenities.

Eldorado is an 870 acre master planned community along Eldorado Parkway and US75. It is oriented around the Eldorado Country Club which includes an excellent quality 18 hole golf course. The planned community has pocket parks, playgrounds, hike and bike trails, and is adjacent to Towne Lake and the Wilson Creek Park complex. Home prices range from \$100,000 to \$500,000+.

Stonebridge Ranch is the newest and largest development in the McKinney area. Stonebridge Ranch is a 6,300-acre, mixed-use development located in far west McKinney between Eldorado Parkway and SH380 on the north and south and Hardin Road and Custer Road on the east and west. At present, the project includes a variety of single-family subdivisions (ranging in prices from \$100,000 to over \$1,000,000), two golf courses (an 18 hole Pete Dye signature course and a 27 hole, Arthur Hills course), a beach and tennis club, conference center, 19 lakes, and more than 5 miles of hiking and bike trails. An additional public golf course, West Ridge, is located along Cotton Ridge Road and Custer Road on the western fringe of the development. This contains 18 holes with nine on the east side and nine on the west side of Custer Road.

Mallard Lakes is located on the north side of Virginia Parkway on the west side of the city and it contains 216 acres with 230, 1/3 to 3/4 acre home sites. The amenities provided include a swimming pool and cabana, lakes/wooded greenbelt areas, hike and bike trails, and lighted tennis/sports courts. Home prices in this subdivision range from \$250,000 to \$310,000+.

Craig Ranch is located on SH121 with access from Custer Road and FM720. Craig Ranch is northeast of the four corners of McKinney, Allen, Plano, and Frisco in Collin County. Using urban renewal concepts that include strategically placed town centers, Craig Ranch connects houses, apartments, loft living, retail, and light industry. The centerpiece of the community is the PGA Tour Tournament Players Club at Craig Ranch, which recently received the second highest rating in the US by the USGA and the highest rating of all courses in the TPC network. A \$15 million Cooper Aerobics Center, a 75 acre baseball and softball tournament facility, a multi-field soccer complex, and mixed use retail are all additional amenities available throughout the community.

The Heritage mixed use development is at the southeast quadrant of US75 and US380. This project consists of a retail center, multi-story office building, a medical office building, and an apartment complex. McKinney Marketplace was recently built along SH121 and US75 at Stewart Drive. This retail center contains a Kohl's and an Albertsons as anchors along with smaller supportive development.

Commercial, retail, and office uses are concentrated along major roads and US75. Industrial uses are located primarily near the airport, but are also found along US380, on the west side of town, on SH5 north of US380, and at the Texas Instruments complex west of US75, along US380. Vacant land is primarily located in the eastern sections of McKinney, and the northern and southern extremes of the city, where some utilities are not available.

Collin County Regional Airport (TKI) is located at the confluence of routes SH121, US75, and SH380. It is in close proximity to downtown Dallas, the Telecom Corridor, and Millennium and Legacy Business Parks. The airport is a general aviation reliever to DFW International Airport. The 7,000 foot runway makes it the only airport in Collin County capable of handling many of the largest general aviation aircraft. The airport is also home to a growing number of corporate flight departments including Texas Instruments and EDS, and is also home to 150 based aircraft. Owed by the City of McKinney, TKI prides itself on the broad range of services designed to enhance safety of flight. The airport has a 16/7 Federal Aviation Administration Contract Air Traffic Control Tower with radar monitoring capability, and Aircraft Rescue and Fire Fighting unit as part of a structural fire station on the airport, Automated Surface Observation System (ASOS), Remote Communications Outlet (RCO), and U.S. Customs Service. Hertz rental cars and on site maintenance and storage facilities are also available. TKI benefits from its location, amenities, and services, but the airport's most valuable attribute is the remaining room to expand.

The McKinney Industrial/Airport Park, which includes the Municipal Airport with a 7000' runway, is home to a majority of the industries in McKinney. The park permits a variety of uses with sites suitable for commercial, office, distribution and manufacturing. The Union Pacific rail line runs through the park and is researching plans for future expansion in addition to the following existing features.

**Taxing
Jurisdiction:**

The 2014 tax rate for the taxing authorities under which the subject neighborhood falls are as follows: Collin County, \$0.25300 per \$100; Collin County Junior College, \$0.08196 per \$100; city of McKinney, \$0.58300 per \$100; McKinney Independent School District, \$1.67000 per \$100. Hence, the total tax rate applicable for the subject property is \$2.58796 per \$100.

**School District/
City Services:**

The subject neighborhood is located within the McKinney Independent School District, which has a good reputation throughout the Metroplex.

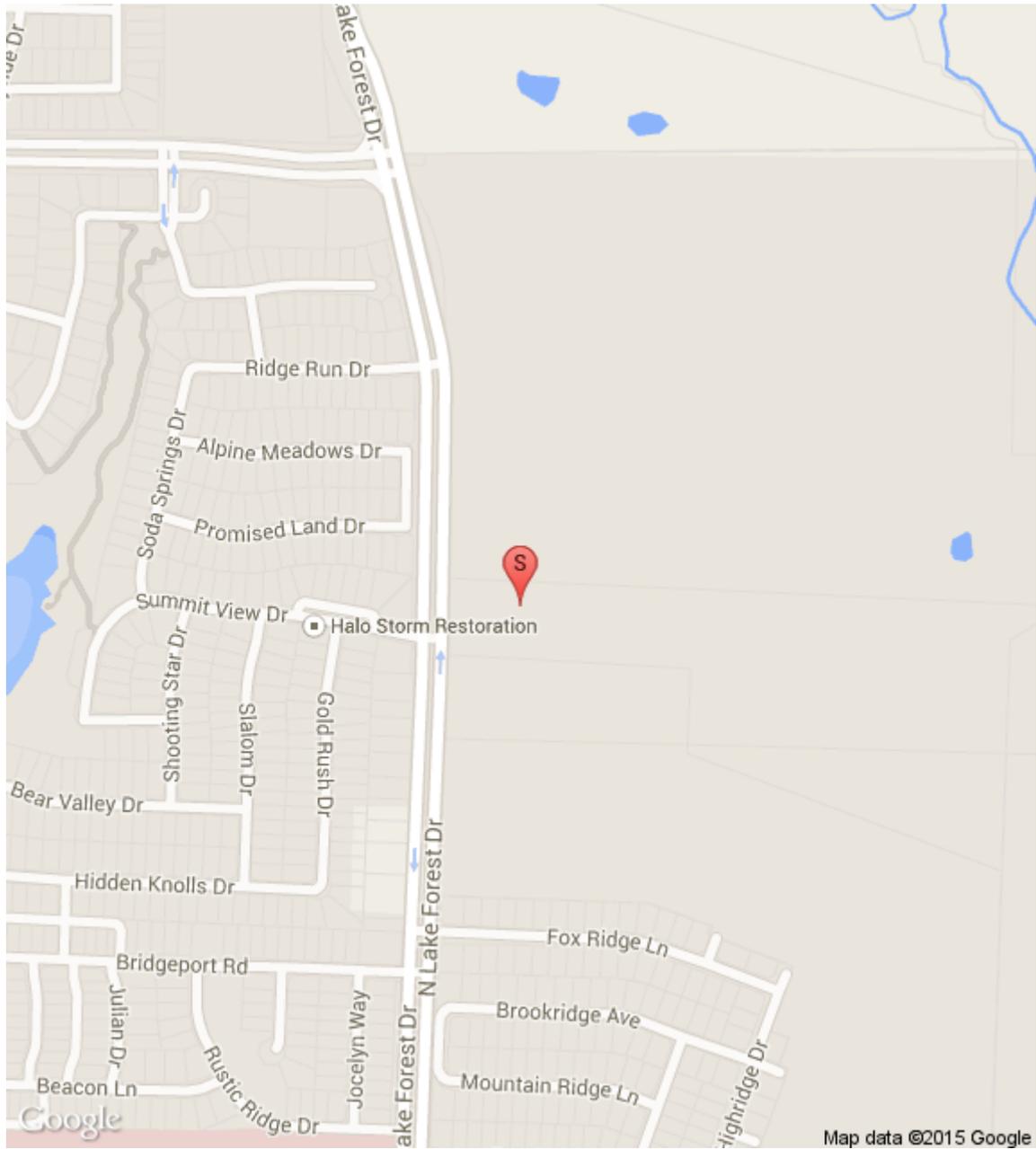
Public Utilities: The subject is adequately served by public utilities. The following summarizes the utilities/services in the subject neighborhood.

Service Providers	
Electricity	TXU Electric
Gas	Atmos Energy
Telephone	Verizon
Police/Fire	City of McKinney
Schools	McKinney ISD
Water/Sewer	City of McKinney

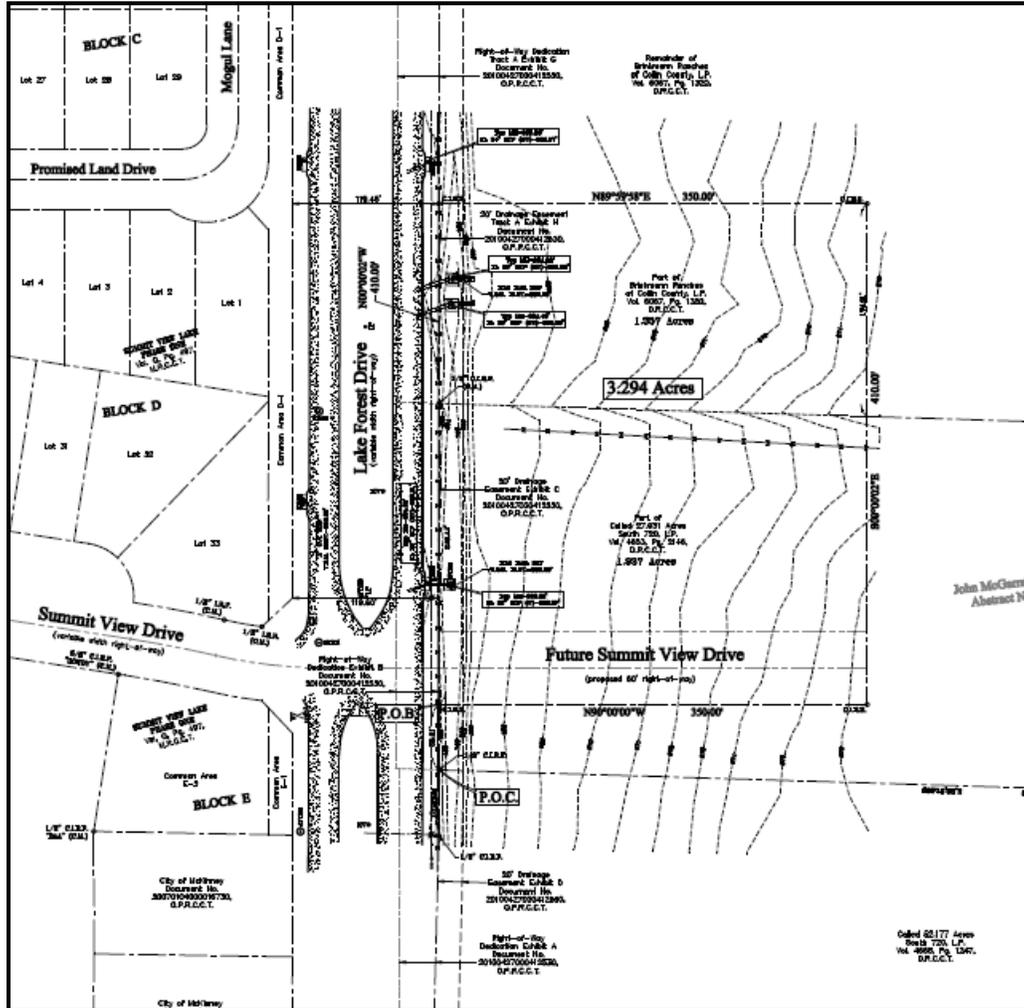
Topography: The topography within the subject neighborhood is best described as generally level to sloping and partially wooded. There is some floodplain associated with various smaller bodies of water in the area.

Summary: McKinney is enhanced by easy access to major employment centers and support facilities. The area, which is characterized by a majority of residential development along the interior and commercial development along highways and at major intersections, benefits from good accessibility and visibility. The influx of population has resulted in significant development over the last 10 years and, despite the recent downturn in the economy, should continue in the near future. The overall outlook for the neighborhood is good.

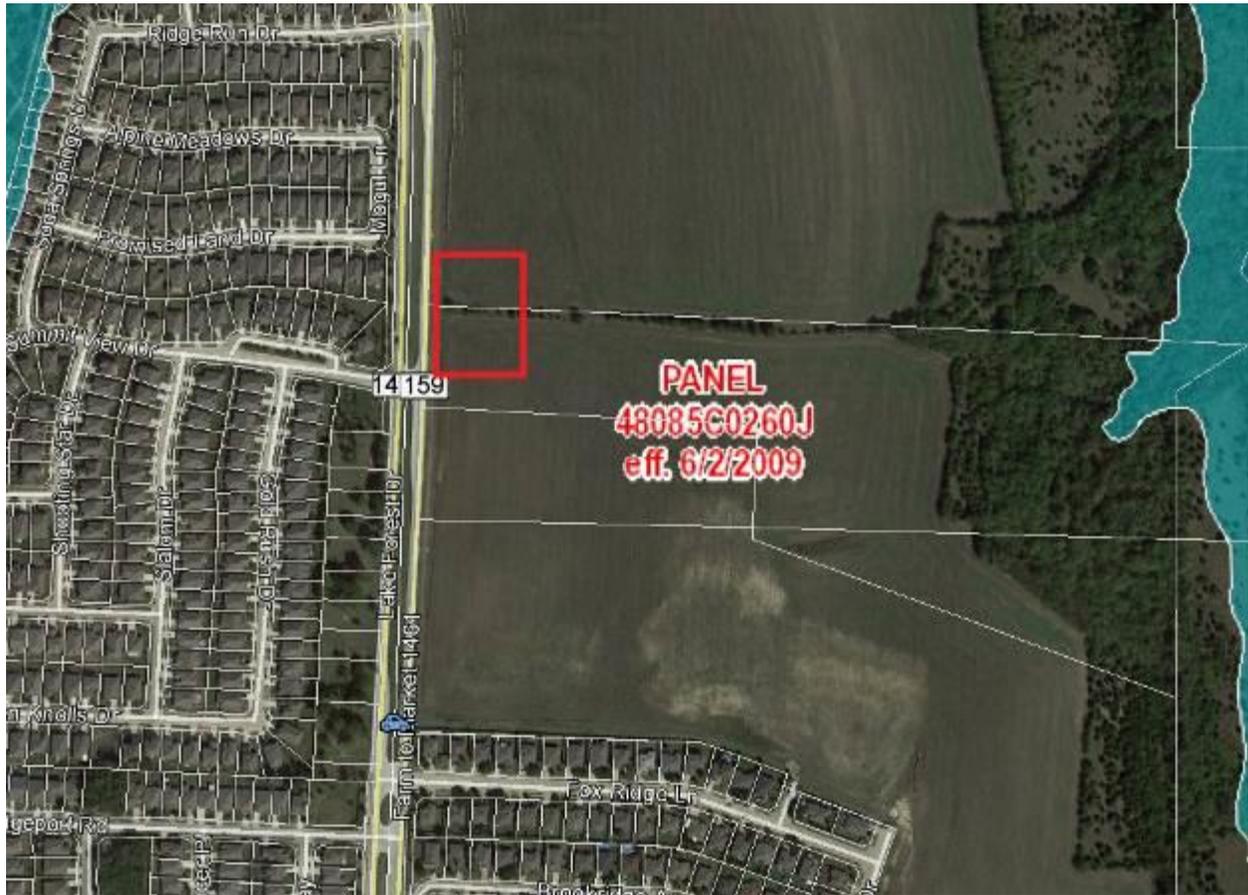
Location Map



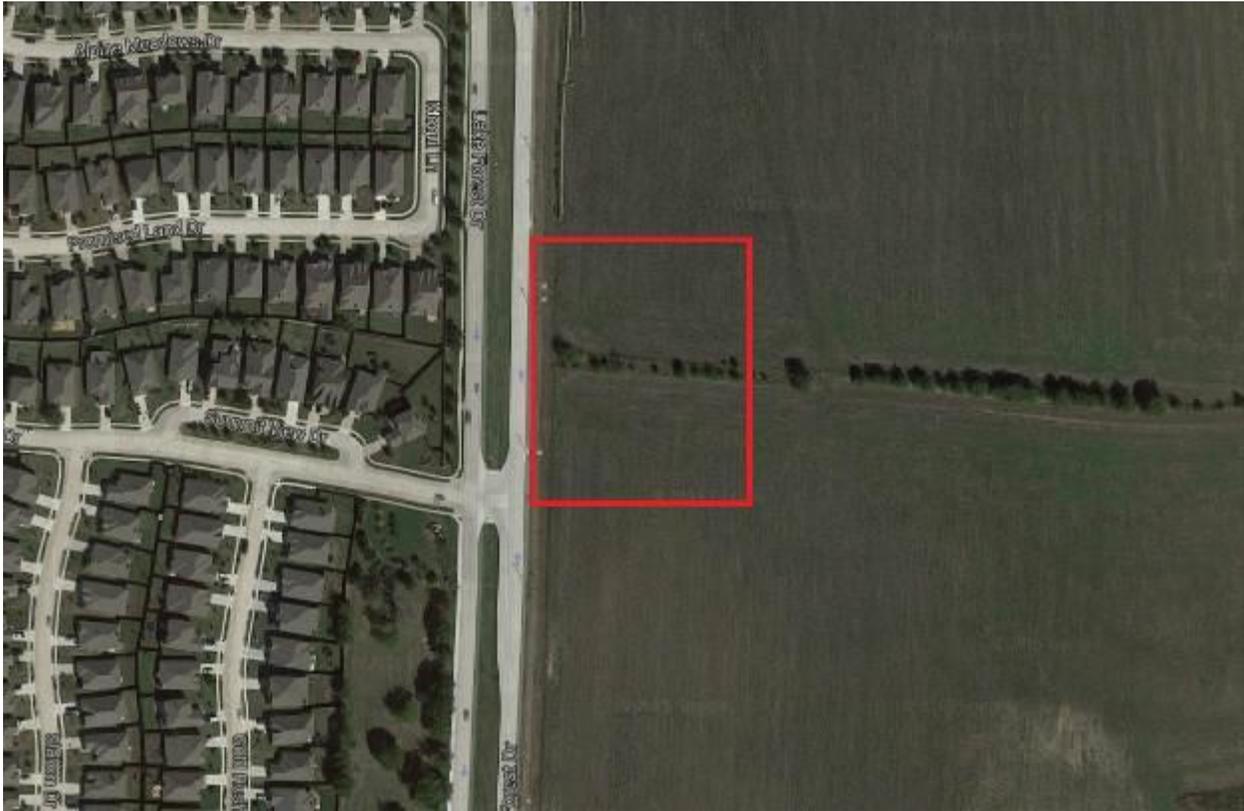
Survey



Flood Boundaries Map



Description of the Site

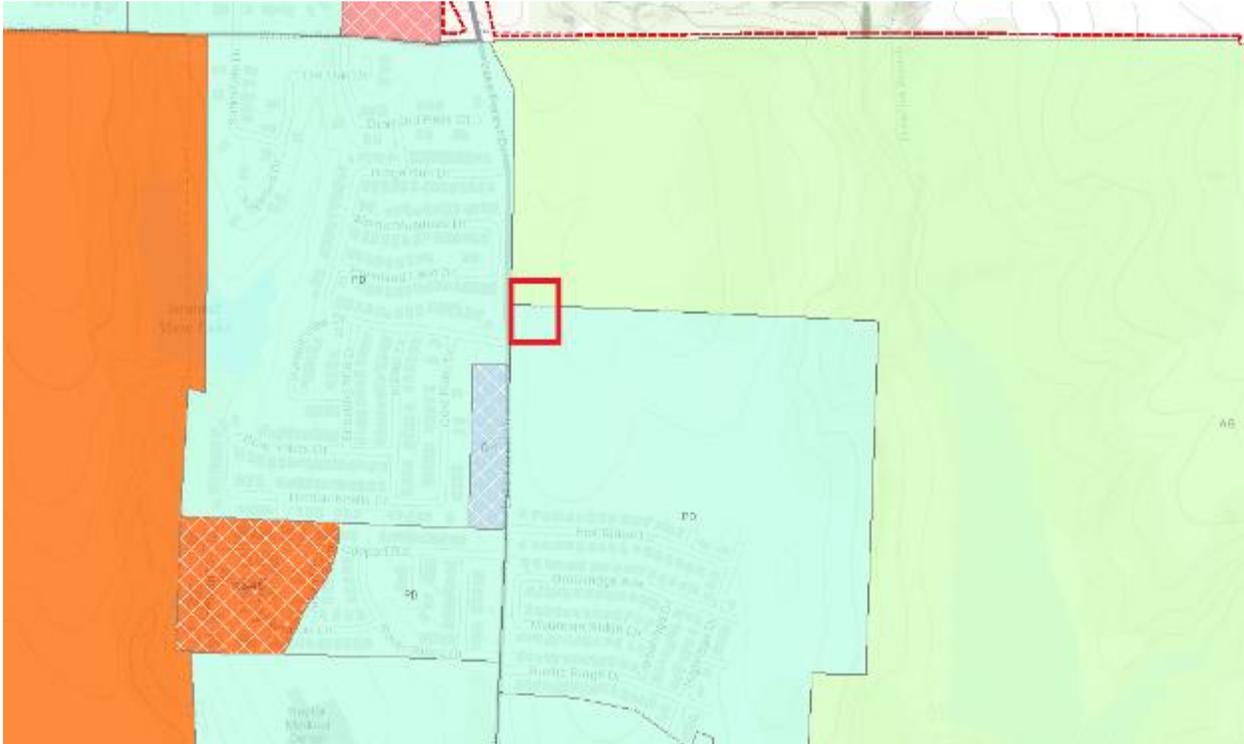


Aerial photo facing north with the approximate property boundaries outlined in red

- Location:** The subject site is located along the east side of Lake Forest Drive, less than one mile north of West University Drive (SH380) in the northwestern portion of the McKinney city limits.
- Economic Unit:** Based on the site's current zoning designation and physical characteristics, the site is of sufficient size to form an individual economic unit.
- Legal Description:** The subject is identified as a 3.294 acre tract situated in the John McGarrah Survey, A-572, McKinney, Collin County, Texas (Survey).
- Size:** The subject property includes 3.294 acres or 143,487 square feet of land based on the provided survey.
- Drainage:** The site appears to have adequate drainage.
- Access/Frontage:** The subject includes 410 feet of frontage along Lake Forest Drive. Lake Forest Drive is a four-lane, two-way, concrete paved primary roadway in the subject neighborhood with curbs and gutters and a grass median in front of the subject site.

Shape:	The site is rectangular in shape.
Utilities:	All utilities are available to the site. Electricity is provided by Oncor, natural gas service is provided by Atmos, and water and sewer services are provided by the city of McKinney.
Soil/Subsoil Conditions:	A soil study for the subject site was not performed. Based on surrounding development, the soil composition of the subject property appears satisfactory to support most types of development.
Floodplain Influence:	According to FEMA Map Number 48065C0260J dated June 2, 2009, the subject property is located in Flood Zones X, outside of the 500-year floodplain.
Easements/ Encroachments:	No adverse easements or encroachments were noted on inspection. However, a title policy was not provided for review. Therefore, no liability is assumed in this regard.
Surrounding Land Usage:	Surrounding land uses are predominantly single-family in nature (see aerial photograph). Development is predominantly concentrated on the west side of Lake Forest Drive. The residential development directly west of the subject along Lake Forest Drive is Summit View Lake #1. Homes in this subdivision were generally constructed in the 2005-2007 period and are in the \$225,000-\$275,000 price category. The development to the south, Highridge #1, is an older development with homes from the early 2000's in the \$150,000 to \$200,000 price range.
Topography:	The subject is mostly open and gently slopes toward the center of the tract from the north and south.
Improvements:	The site is vacant.
Conclusion:	The subject site contains 3.294 acres or 143,487 square feet of land. It is rectangular in shape. All utilities are available to the subject site. The subject property is located in Flood Zone X, outside the 500-year floodplain. Overall, the site has average utility.

Zoning Map



The subject is outlined in red above.

The subject site is zoned “PD” and “AG” by the city of McKinney. The Planned Development ordinance, No. 1478, allows single and multi-family uses as well as office development along the frontage similar to that on the opposite side of Lake Forest Drive (see map above). This area is designated as Office Park in the city’s future land use plan. A copy of the PD ordinance has been retained in our file.

Highest and Best Use Analysis

Highest and Best Use reflects a basic assumption about real estate market behavior: that the price a buyer will pay for a property is based on his or her conclusions about the most profitable use of the site or property.

Highest and Best Use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.

In estimating highest and best use, there are essentially four stages of analysis:

- 1) Legally permissible: What uses are permitted by zoning and deed restrictions on the site?
- 2) Physically possible: What uses of the site are physically possible?
- 3) Financially feasible: Which physically possible and legally permissible uses will produce a net return to the owner of the site?
- 4) Maximally productive: Among the financially feasible uses, which use will produce the highest price or value?

Highest and Best Use “As Though Vacant”

The subject property contains 3.294 acres or 143,487 square feet. The site is rectangular in shape. The subject is mostly open and gently slopes toward the center of the tract from the north and south. All utilities are available and the site is zoned “PD” and “AG” by the city of McKinney. This area is designated as Office Park in the city’s future land use plan. Surrounding improvements are primarily residential developments 10-15 years in age. The subject has average utility given its location proximate to a strong residential base. Commercial development is the most likely option for the site.

Based on rental rates in the subject area and prevailing market conditions, speculative commercial or retail development is not feasible at this time. The highest and best use of the site "as though vacant" is to hold for future commercial/retail development when demand warrants.

Valuation of the Whole Property

The traditional methods of processing market data into a value indication include:

- ❖ Cost Approach
- ❖ Sales Comparison Approach
- ❖ Income Capitalization Approach

The Cost Approach assumes that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements are relatively new and represent the highest and best use of the land, or when the property has unique or specialized improvements for which there are few or no sales or rentals of comparable properties.

The Sales Comparison Approach is a comparison of known market transactions of similar properties. When sufficient information is available in order to make a unit comparison, a supportable indication of value can be obtained. The underlying economic factor in this approach is the Principle of Substitution, which states that a prudent purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property. This approach to value is most applicable in owner-occupied buildings when a sufficient number of comparable sales are available.

The Income Capitalization Approach reflects the market's perception of a relationship between a property's potential income and its market value, a relationship expressed as a capitalization rate. Direct income capitalization is a method of converting a single year's estimate of net operating income into an indicated present value. This approach converts the anticipated benefits to be derived from the ownership of property into a value indication through capitalization.

Sales Comparison Approach – Land Only

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Comparables

We have researched multiple commercial land sales in the area. The five most comparable sales were analyzed in more detail and are presented in this section. The five comparables used for this analysis are documented on the following pages followed by a location map and analysis grid. All comparables have been researched through numerous sources, inspected and verified by a party to the transaction.

Land Comparable 1



Transaction

ID	22324	Date	1/31/14
Location	NEC Stacy Road and Watters Road	Price	\$1,650,000
City	Allen	Land SF Unit Price	\$10.07
State	TX	Financing	Cash to seller
Grantor	Unique Holdings, LLC	Property Rights	Fee Simple
Grantee	Stacy Village, LLC	Verification Source	Broker
Legal Description	Tract 10 Frances Dosser Survey, Abstract No. 280		

Site

Acres	3.763	Topography	Level with some trees
Land SF	163,934	Zoning	PD-Shopping Center
Shape	Rectangular	Zoning Type	Retail
Utilities	All Available	Encumbrance or Easement	None
Flood Zone	X	Environmental Issues	None

Notes

Purchased for future retail and office development. Property is currently vacant.

Land Comparable 2



Transaction			
ID	22308	Date	9/15/14
Location	SEC of Stonebridge Drive and Eldorado Parkway	Price	\$950,000
City	McKinney	Land SF Unit Price	\$7.62
State	Texas	Financing	Cash to seller
Grantor	United Central Bank	Property Rights	Fee Simple
Grantee	VCPF Enterprises, Inc.	Verification Source	Broker
Legal Description	Lots 1R & 2, Block A, Parcel 1017-1018 Addition		

Site			
Acres	2.861	Topography	Level & Open
Land SF	124,616	Zoning	PD
Shape	Rectangular	Zoning Type	Retail
Utilities	All Available	Encumbrance or Easement	None
Flood Zone	X	Environmental Issues	None

Notes

Two adjacent platted lots purchased by adjacent property owner for future retail development. Several easements for fire lane, access and utilities. Site is currently vacant. Zoned for office or retail.

Land Comparable 3



Transaction			
ID	22307	Date	9/30/14
Location	NE/S of Alma Road, north of Eldorado Parkway	Price	\$535,000
City	McKinney	Land SF Unit Price	\$6.02
State	TX	Financing	Cash to seller
Grantor	Fourteenth Street Limited Partnership	Property Rights	Fee Simple
Grantee	Emerald Cottages of Stonebridge, Ltd.	Verification Source	OS
Legal Description	Lot 4, Block A, Lot 4, Block A, Parcel 905		
Site			
Acres	2.041	Topography	Level & Open
Land SF	88,906	Zoning	PD
Shape	Basically Rectangular	Zoning Type	Office
Utilities	All Available	Encumbrance or Easement	Drainage
Flood Zone	X	Environmental Issues	None
Notes			

Irregular-shaped interior platted lot, with 218 feet of frontage along Alma Road. Drainage feature and easement runs along northwestern and southwestern boundaries.

Land Comparable 4



Transaction

ID	21570	Date	10/28/13
Location	N/S Plano Parkway b/n Midway Road & Chapel Hill Blvd.	Price	\$818,325
City	Plano	Land SF Unit Price	\$15.00
State	TX	Financing	Cash to seller
Grantor	Midway Parkway Investments, Ltd	Property Rights	Fee Simple
Grantee	Owens Exchange Property, LLC; Fred D. Owens, MD & Robert M. Owens, MD Properties, LLC	Verification Source	Broker
Legal Description	pt of J.W. Haynes Survey, A-456		

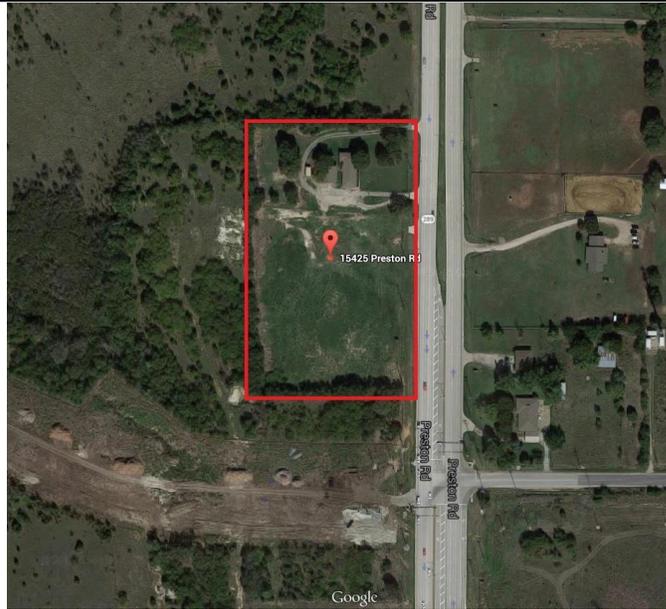
Site

Acres	1.253	Topography	Level & Open
Land SF	54,564	Zoning	"RC"
Shape	Basically Rectangular	Zoning Type	Commercial
Utilities	All Available	Encumbrance or Easement	None
Flood Zone	X	Environmental Issues	None

Notes

Lots were purchased for immediate development of one lot w/owner occupied medical office bldg & future development of second medical office. This sale was negotiated as one tract but buyers preliminarily platted prior to closing and purchased each lot under a separate entity. Other deed is 20131030001477760. This site had some concrete access already in place at time of sale.

Land Comparable 5



Transaction

ID	22329	Date	12/16/13
Location	W/S Preston Road (SH289), just north of Rockhill Road	Price	\$2,696,393
City	Frisco	Land SF Unit Price	\$12.12
State	TX	Financing	Cash to seller
Grantor	Like Mind Strategy Group, Ltd.	Property Rights	Fee Simple
Grantee	Preston Pad Partners, LLC	Verification Source	Broker
Legal Description	Collin County School Land Survey, Abstract No. 148, City of Frisco		

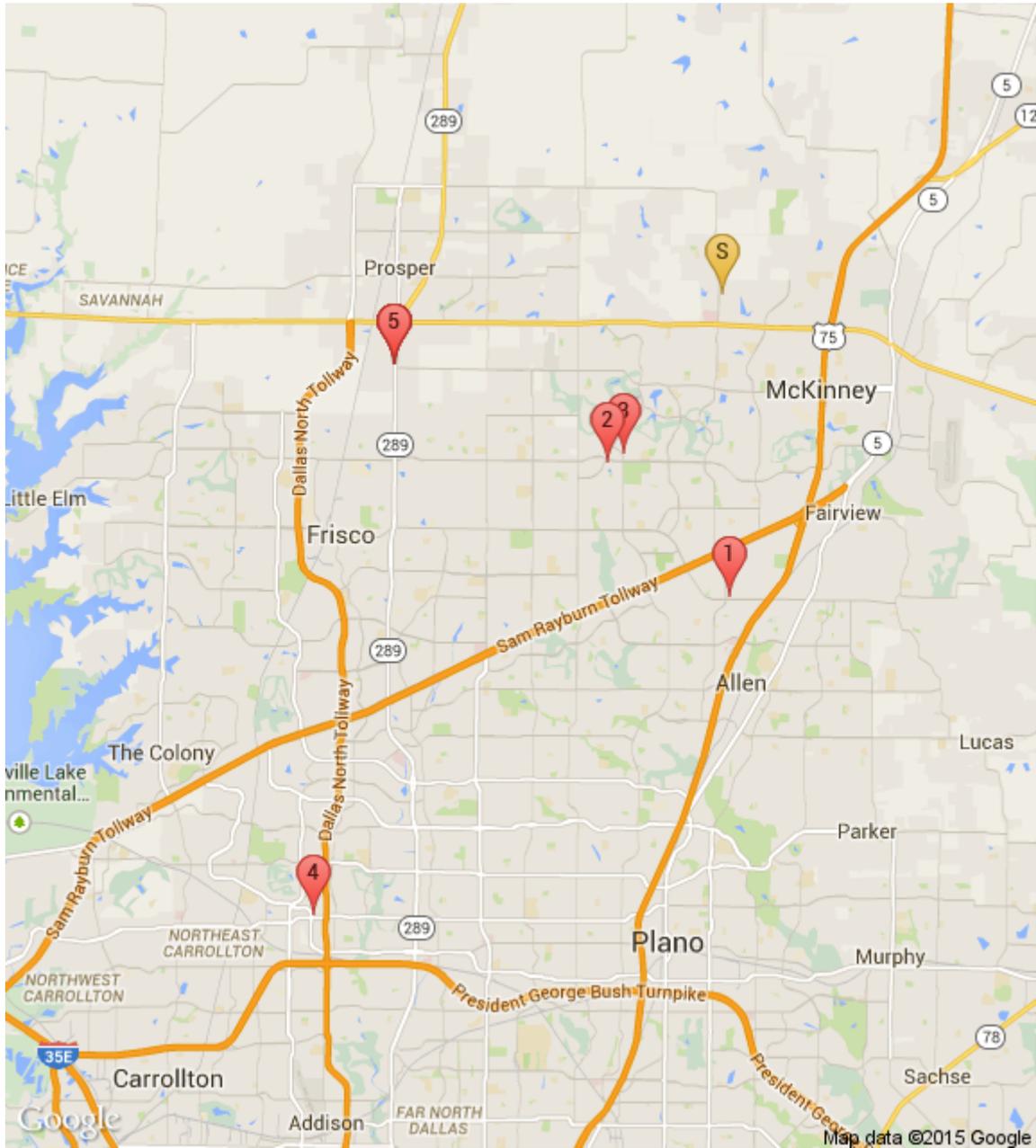
Site

Acres	5.106	Topography	Lightly Wooded
Land SF	222,417	Zoning	R
Shape	Rectangular	Zoning Type	Retail
Utilities	All Available	Encumbrance or Easement	None
Flood Zone	X	Environmental Issues	None

Notes

Purchased by adjacent property owner for future retail development. City of Frisco is currently extending Rockhill Road to connect with Dallas North Tollway to the west. Bridge over railroad tract under construction. Improved ATOS with an old single-family house (YOC-1970) with no contributory value.

Location Map - Comparable Land Sales



Analysis Grid

The preceding sales have been analyzed and compared with the subject property. On the following page is a sales comparison grid displaying the subject property, the land comparables and the adjustments applied to each comparable.

Land Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address	E/S Lake Forest Drive, north of University Drive	NEC Stacy Road and Watters Road	Stonebridge Drive	Alma Rd	6509 Plano Parkway	15425 Preston Road
City	McKinney	Allen	McKinney	McKinney	Plano	Frisco
State	Texas	TX	Texas	TX	TX	TX
Date	4/23/2015	1/31/2014	9/15/2014	9/30/2014	10/28/2013	12/16/2013
Price	--	\$1,650,000	\$950,000	\$535,000	\$818,325	\$2,696,393
Land SF	143,487	163,934	124,616	88,906	54,564	222,417
Land SF Unit Price	--	\$10.07	\$7.62	\$6.02	\$15.00	\$12.12
Transaction Adjustments						
Property Rights	Fee Simple	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%
Financing	Cash to seller	Cash to seller 0.0%	Cash to seller 0.0%	Cash to seller 0.0%	Cash to seller 0.0%	Cash to seller 0.0%
Conditions of Sale	Arm's Length	Arm's Length 0.0%	Arm's Length 0.0%	Arm's Length 0.0%	Arm's Length 0.0%	Arm's Length 0.0%
Expenditures After Sale		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Land SF Unit Price		\$10.07	\$7.62	\$6.02	\$15.00	\$12.12
Market Trends Through	4/23/15 0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Land SF Unit Price		\$10.07	\$7.62	\$6.02	\$15.00	\$12.12
Location	Average	Superior	Similar	Similar	Superior	Superior
% Adjustment		-10%	0%	0%	-30%	-20%
\$ Adjustment		-\$1.01	\$0.00	\$0.00	-\$4.50	-\$2.42
Land SF	143,487	163,934	124,616	88,906	54,564	222,417
% Adjustment		0%	0%	-5%	-5%	5%
\$ Adjustment		\$0.00	\$0.00	-\$0.30	-\$0.75	\$0.61
Shape	Rectangular	Rectangular	Rectangular	Basically Rectangular	Basically Rectangular	Rectangular
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	All Available	All Available	All Available	All Available	All Available	All Available
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Topography	Open/Gently sloping	Level with some trees	Level & Open	Level & Open	Level & Open	Lightly Wooded
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zoning	PD/Ag	PD-Shopping	PD	PD	"RC"	R
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Flood Zone	X	X	X	X	X	X
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Encumbrance or Easement	No adverse	None	None	Drainage	None	None
% Adjustment		0%	0%	25%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$1.50	\$0.00	\$0.00
Adjusted Land SF Unit Price		\$9.06	\$7.62	\$7.22	\$9.75	\$10.30
Net Adjustments		-10.0%	0.0%	20.0%	-35.0%	-15.0%
Gross Adjustments		10.0%	0.0%	30.0%	35.0%	25.0%

Comparable Land Sales Adjustments

The preceding five land sales are considered to be the most similar and recent transaction for comparison with the subject site. The sales have been analyzed and adjusted for value-related differences when compared to the subject site. The sales have been analyzed for:

1. Property rights conveyed
2. Financing terms
3. Conditions of sale (motivation)
4. Date of sale (market conditions)
5. Physical characteristics of the site

Property Rights Conveyed

The sales price of a property is always affected by the real property interest conveyed. All the comparable land sales represent a conveyance of the fee simple interest of the site. Therefore, no adjustments were necessary.

Financing Terms

Seller financing that utilizes terms or conditions that deviate from typical financing that would not be considered available from a third-party lender can influence a sale price. All the sales have been analyzed for other than market financing. All of the comparable sales closed with the seller receiving cash at closing. Therefore, no adjustments were necessary.

Conditions of Sale

The conditions of a sale can often affect the sale price of a property. All sales are considered to represent arm's length transactions consistent with the previous definition of value. Therefore, no adjustments in this regard were necessary for the sales.

Market Conditions

Differences in market conditions can substantially influence sale prices, development feasibility, highest and best use analyses, and thus overall values. The sale dates for the comparable land sales range from October 2013 to September 2014. No adjustments are necessary for the sales. They are overall similar with regard to market conditions.

Location

The locational attributes of the comparable sales have been given full consideration. These features include the type of street or highway frontage, accessibility and exposure, surrounding developments within the neighborhood, and the general surrounding amenities affecting the comparable sale properties and the subject.

The subject site is located along the east side of Lake Forest Drive, less than one mile north of West University Drive (SH380) in the northwestern portion of the McKinney city limits. It has average locational attributes. Surrounding land uses are predominantly single-family in nature (see aerial photograph). Development is predominantly concentrated on the west side of Lake Forest Drive. The residential development directly west of the subject along Lake Forest Drive is Summit View Lake #1. Homes in this subdivision were generally constructed in the 2005-2007 period are in the \$225,000-\$275,000 price category. The development to the south, Highridge #1, is an older development with homes from the early 2000's in the \$150,000 to \$200,000 price range.

Sales 1, 4 and 5 are overall superior and are adjusted downward. Sale 1 is in a generally similar area, but is a corner lot and requires a slight downward adjustment. Sale 4 is located in a densely developed area with little remaining vacant land. Sale 5 is located in Frisco which is a generally superior demographic area. Further, there is a direct extension to the Dallas North Tollway under construction directly south of this tract. Sales 2 and 3 are similar and do not require adjustments.

Size

The size of a property will affect the overall sale prices given development possibilities, economies of scale, and possibilities of subdivision. The subject site contains 3.294 acres or 143,487 square feet of land. Sales 1 and 2 are overall similar. Sales 3 and 4 are smaller and are adjusted downward. Sale 5 is larger and is adjusted upward.

Topography

The subject is mostly open and gently slopes toward the center of the tract from the north and south. It is not affected by floodplain. The sales are overall similar.

Shape/Configuration

The shape of a site can influence development potential and therefore the sale price of a site. The subject has a rectangular shape. The sales are overall similar. No adjustments are required.

Utilities

Availability of public utilities is also an important factor. Sales with utilities available tend to command higher prices than those with partial or no utilities available. All utilities are available to the site. Sales 1-5 are overall similar.

Zoning

The zoning category of a property often dictates the ultimate use of the property. The subject and each comparable sale have similar zonings or highest and best uses. No adjustments are necessary.

Easements/Encroachments

We were not provided with a title policy; however, the provided survey indicates the subject is unencumbered by any adverse easement. Sales 1, 2, 4 and 5 are unencumbered and are overall similar. Sale 3 had some drainage issues and is adjusted upward. At the time of inspection, there was a significant amount of dirt work being completed on-site.

Sales Comparison Approach Conclusion – Land Only

The adjusted values of the comparable land sales range from \$7.22 per square foot to \$10.30 per square foot with an average of \$8.79 per square foot and a median of \$9.06 per square foot. A value reconciled between the mean and median is reasonable. Based on the preceding analysis of the comparables and how they relate to the subject, we estimate the market value of the fee simple interest of the subject Whole Property as follows:

Sales Comparison Approach Conclusion	
Indicated “As Is” Value per Square Foot:	\$9.00
X SF:	<u>143,487 square feet</u>
Equals:	\$1,291,383
Indicated Value “As Is” (Rounded):	\$1,291,383

Estimate of Just Compensation

Value of the Whole Property - Land Only	\$1,291,383
By Sales Comparison Approach	\$1,291,383
By Cost Approach	N/A
By Income Capitalization Approach	N/A
Reconciliation	\$1,291,383
Just Compensation	\$1,291,383

Certification

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

The statements of fact contained in this appraisal report are true and correct.

The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased, professional analyses, opinions, conclusions, and recommendations.

I have no present or prospective interest in the property that is the subject of this appraisal report, and I have no personal interest with respect to the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal assignment.

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 assignment.

My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Jason Jackson has made a personal inspection of the property that is the subject of this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to its review by duly authorized representatives.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

As of the date of this report, Jason Jackson has completed the continuing education program for Designated Members of the Appraisal Institute.



Jason Jackson, MAI
Certified General
Number TX-1336282-G

Addenda

QUALIFICATIONS OF JASON JACKSON, MAI

BUSINESS

ADDRESS: Appraisal Source, Incorporated
7080 Camp Bowie Boulevard
Fort Worth, Texas 76116
(817) 763-8000 (817) 763-8017 (FAX) (817) 969-4627 (DIRECT)
Jason.Jackson@asidfw.com

FORMAL

EDUCATION: Graduate of Baylor University (2001) with a Bachelor's of Business Administration Degree in Finance with an emphasis in Real Estate. Graduate of Irving public schools (1996).

GENERAL

EDUCATION: Successfully completed the following real estate courses at Baylor University:
Principles of Real Estate
Real Estate Appraisal
Real Estate Investments
Successfully completed all required courses by the Appraisal Institute for professional designation (MAI).
Successfully completed all required courses by the State of Texas for Salesperson and Broker certification.
The Discounted Cash Flow Model: Concepts, Issues & Apps. – A.I.
2014-15 USPAP Update

EMPLOYMENT: March 2002 to present – Associate Appraiser, Appraisal Source, Inc.

PROFESSIONAL ACTIVITIES:

MAI - Appraisal Institute - Member #476819
Licensed Real Estate Broker, State of Texas #0598228
State Certified, General Real Estate Appraiser #TX 1336282-G
Member Greater Fort Worth Association of Realtors
Guest Speaker at Appraisal Institute Seminar, *Review of Appraisal Institute Designation Requirements*
Education Chair – Central Texas Chapter, A.I. (2015)

ASSIGNMENTS: Prepared appraisals and/or feasibility analysis on the following types of real estate; residential, multi-family, commercial, industrial, residential and commercial subdivision developments, special purpose, golf courses, country clubs, golf course planned unit developments, and vacant land for banks, lending institutions, mortgage companies, various government agencies, tax representation agents, developers, brokers, law firms and individual clients. Appraised 50+ parcels for condemnation purposes, many of which were complex assignments with remainder damages. Provided expert witness testimony in court proceedings. Prepared appraisals in Texas, California, Oklahoma, Louisiana, Missouri, Ohio, New York, New Jersey, Connecticut, Illinois, Mississippi, Arizona and Arkansas.

Texas Appraiser Licensing and Certification Board

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

Certified General Real Estate Appraiser

Number#: **TX 1336282 G**

Issued: **07/31/2014**

Expires: **07/31/2016**

Appraiser: **JASON SCOTT JACKSON**

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



Douglas E. Oldmixon
Commissioner

