

## APPRAISAL REPORT

# COMMUNITY FACILITIES DISTRICT NO. 2020-1 OF THE CITY OF MENIFEE MCCALL MESA (Remington Place by Lennar)

City of Menifee, Riverside County, California  
(Appraiser's File No. 2022-1270)



Prepared For  
City of Menifee  
29844 Haun Road  
Menifee, California 92586

Prepared By  
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**KITTY SIINO & ASSOCIATES, INC.**  
**REAL ESTATE APPRAISERS & CONSULTANTS**

December 19, 2022

Regina Funderbunk, Chief Financial Officer  
**City of Menifee**  
29844 Haun Road  
Menifee, California 92586

Reference: Appraisal Report – City of Menifee  
Community Facilities District No. 2020-1 (McCall Mesa)  
Remington Place by Lennar (2023 Bond Financing)  
Menifee, California

Dear Ms. Funderbunk:

At the request and authorization of the City of Menifee, we have completed an Appraisal Report for Community Facilities District No. 2020-1 (McCall Mesa) of the City of Menifee ("Menifee CFD No. 2020-1"). Our offices completed an appraisal of Menifee CFD No. 2020-1 in 2021 for the first bond financing. A second appraisal is needed in order to ascertain the value of the property for a second bond financing. Menifee CFD No. 2020-1 consists of a new home community known as Remington Place by Lennar Homes of California, LLC ("Lennar"). Remington Place has a total of 258 proposed single-family detached homes within two neighborhoods known as Trailhead at Remington Place ("Trailhead") and Westward at Remington Place ("Westward"). Trailhead includes 126 proposed homes and has five plans ranging in size from 1,769 to 2,767 square feet, while Westward includes 132 proposed homes and has four plans ranging in size from 2,590 to 4,134 square feet. Both Trailhead and Westward are sold out but have not yet closed out. Trailhead has closed 121 completed homes to individuals and Westward has closed 115 completed homes. The remainder of the lots are owned by Lennar; however, all are in escrow and range from models to production homes over 95 percent complete along with the final home under construction.

The valuation method used in this report is the Sales Comparison Approach along with a mass appraisal technique as defined within this report. The fee simple estate of the subject property has been valued subject to the Menifee CFD No. 2020-1 special tax lien. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by City of Menifee CFD No. 2020-1. As a result of our investigation, the concluded market value for the subject property is:

**Remington Place**

Lennar Ownership (1 lot & 21 houses)	\$ 9,201,246
Individual Owners (236 houses)	<u>129,532,068</u>
<b>Total Aggregate Value Menifee CFD No. 2020-1</b>	<b><u>\$138,733,314</u></b>

**CITY OF MENIFEE**

December 19, 2022

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The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 10, 2022.

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report. The appraised value contained within this report is being estimated with the hypothetical condition of the special tax lien of both series of Menifee CFD No. 2020-1 bonds.

This letter of transmittal is part of the attached report, which sets forth the data and analyses upon which our opinion of value is, in part, predicated.

Respectfully submitted,

**KITTY SIINO & ASSOCIATES, INC.**

A handwritten signature in cursive script, reading "K. Siino".

Kitty S. Siino, MAI  
California State Certified General  
Real Estate Appraiser (AG004793)

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### **ADDENDA**

CFD No. 2020-1 Boundary Map  
Tract Map No. 31098  
Discounted Cash Flow Analysis  
Residential Land Sales Map and Summary Chart  
Improved Residential Sales Map and Summary Chart  
Appraiser's Qualifications

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report 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. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. 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. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised subject to the special tax lien of City of Menifee CFD No. 2020-1.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the 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 ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. 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 person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Menifee CFD No. 2020-1 Special Tax Bonds.

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### **HYPOTHETICAL CONDITION**

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1. It is assumed that all improvements and/or benefits to the subject properties, which are to be funded by both series of the Menifee CFD No. 2020-1 Special Tax Bond proceeds, are completed and in place or have accrued to the property.

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### **EXTRAORDINARY ASSUMPTION**

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1. It is an extraordinary assumption that the reported sales and remaining land development costs as received from the builder are true and accurate. We have reviewed both the sales and cost information and they appear reasonable. However, we are not experts in cost estimating and if the cost estimates change, it may change the value conclusions.







## PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of both series of the City of Menifee CFD No. 2020-1 Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property is located at the southwest corner of Rouse and Menifee Roads in Menifee. It is encompassed by Menifee CFD No. 2020-1 and is proposed for 258 single-family detached homes on Tract Map No. 31098 being built out as Remington Place by Lennar. The 258 lots encompass two product lines: Trailhead at Remington Place and Westward at Remington Place. As of the date of value of this report, Remington Place (including both Trailhead and Westward) has a total of 236 completed homes closed to individuals, five model homes (all in escrow), 16 homes over 95 percent complete (all 16 in escrow) and one house under construction (in escrow and due to close upon completion). The status and ownership of the lots are detailed as follows:

Description	No. Lots	Owner	Condition/Status
<b>Trailhead at Remington Place (Lots 1-122 and 125-128 of Tract 31098)</b>			
Lots 1-115, 119-122, 126-127	121	Individuals	Completed Homes
Lots 116-118	3	Lennar	Model Homes (3 in Escrow)
Lot 128	1	Lennar	Over 95% Complete (in escrow)
Lot 125	1	Lennar	Home U/C (in escrow)
Trailhead Subtotal	126		
<b>Westward at Remington Place (Lots 123-124 and lots 129-258 of Tract 31098)</b>			
Lots 129-150, 152, 162-164, 166, 168-169 and 173-258	115	Individuals	Completed Homes
Lots 123-124	2	Lennar	Model Homes (2 in Escrow)
Lots 151, 153-161, 165, 167 and 170-172	15	Lennar	Over 95% Complete (15 in Escrow)
Westward Subtotal	132		
<b>Menifee CFD No. 2020-1 Total</b>	<b>258</b>		

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## INTENDED USE OF THE REPORT

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It is the appraiser's understanding that the client, the City of Menifee, will utilize this report in disclosure documents associated with selling bonds for Menifee CFD No. 2020-1 and that this report is to be included in the Official Statement or similar document to be distributed in connection with the offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

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## DEFINITIONS

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### **Market Value**

The term "Market Value" as used in this report is defined as:

"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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is 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 each acting in what he or she considers his or her own best interest;
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."<sup>1</sup>

Inherent in the Market Value definition is exposure time or the time the property would have had to have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions the exposure time for the builder-owned lots and houses or for an individually owned home is under one year.

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<sup>1</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition

### **Minimum Market Value**

The term “Minimum Market Value” as used in this report is defined as:

“The base market value of a home. That is, most buyers purchase some upgrades, options and/or lot premiums when purchasing a new home. The sales price for the new home typically includes the base price for the plan, plus any upgrades, options or lot premiums, less concessions, if any, which were given or paid for by the builder. The concluded minimum market value is for the base value of the plan only, not taking into consideration any upgrades, options or premiums.”

### **Mass Appraisal**

The term “Mass Appraisal” as used in this report is defined as:

“The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing”<sup>2</sup>

In the case at hand, the statistical testing included reviewing all original builder sales, reviewing the Multiple Listing Service for re-sales and current escrows (if any) and determining the actual range of sales and escrow prices for each plan type which is utilized in the valuation process.

### **Hypothetical Condition**

The term “Hypothetical Condition” is defined by USPAP as:

“That which is contrary to what exists but is supposed for the purpose of the analysis”

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by both series of Menifee CFD No. 2020-1.

### **Extraordinary Assumption**

The term “extraordinary assumption” is defined by USPAP as:

*“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusion”*

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<sup>2</sup> USPAP 2020-2021 Edition

The extraordinary assumption in this report is that the reported sales information and remaining land development cost information, as received from the builder, are true and accurate. We have reviewed the sales information and verified samples against public record information; however, all sales have not been verified through public record. In addition, we have reviewed the costs and they appear reasonable; however, we are not experts in the field of cost estimating. It should be noted that these costs were relied upon in the valuation of the subject properties and if the actual costs differ, it could alter the value conclusions.

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### **PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple interest, subject to easements of record and both series of Menifee CFD No. 2020-1 bonds. The definition of “fee simple estate” is defined by USPAP as:

“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

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### **EFFECTIVE DATE OF VALUE**

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The subject property is valued as of November 10, 2022.

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### **DATE OF REPORT**

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The date of this report is December 19, 2022.

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### **SCOPE OF APPRAISAL**

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As previously stated, the purpose of this appraisal is to report the appraiser’s best estimate of the market value for the subject properties. This appraisal will be presented in the following format:

- County of Riverside Description
- City of Menifee Description
- Immediate Surroundings



- Brief Description of City of Menifee CFD No. 2020-1
- Subject Property Description
- Riverside County Housing Market Discussion
- Highest and Best Use Analysis
- Valuation Procedures, Analyses and Conclusions
- Appraisal Report Summary

The subject property consists of 258 proposed single-family houses within two neighborhoods. There are 236 homes completed and closed to individuals, five models (all five in escrow), 16 homes over 95 percent complete (all 16 in escrow), and one home under construction (also in escrow) which was the parking lot for the model home complex. In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

“...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available.”<sup>3</sup>

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results.

The due diligence of this appraisal assignment included the following:

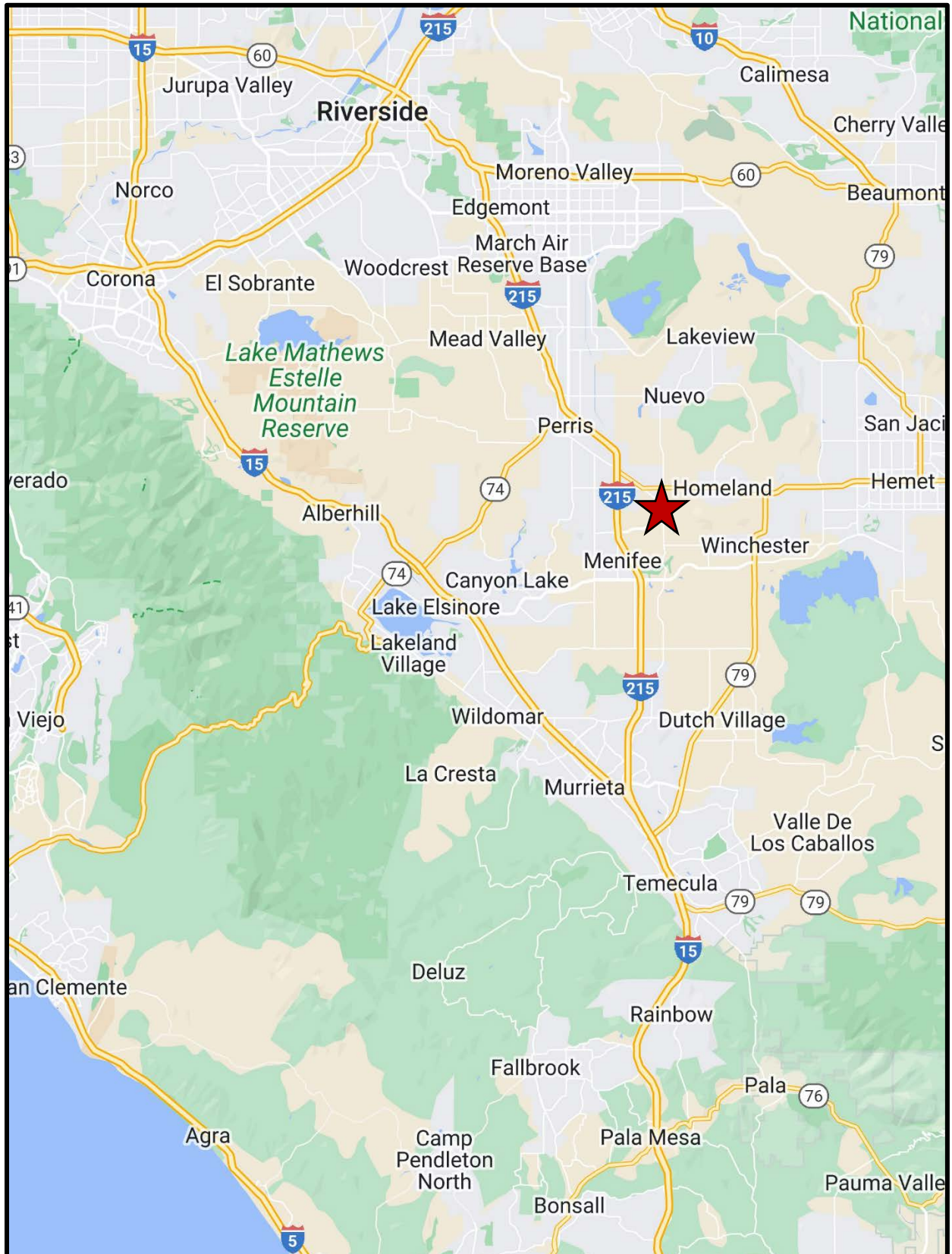
1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County and the Menifee area.
3. Inspected the subject property between October 1, 2022 and November 10, 2022.

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<sup>3</sup>Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, 2002

4. Had the property flown for an aerial photograph on October 18, 2022.
5. Interviewed representatives from the builders to obtain available information on the subject property.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed a Soils Report on the subject lots.
8. Reviewed the City of Menifee General Plan Land Use Map, Zoning Map and recorded Tract Map regarding entitlements and allowances on the subject site.
9. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.
10. Reviewed sales brochures and sales information on each of the subject neighborhoods.
11. Reviewed actual builder sales information on all closed homes and current escrows for each neighborhood.
12. Reviewed Multiple Listing Service ("MLS") information on re-sales and current listings of existing homes within City of Menifee CFD No. 2020-1.
13. Inspected the subject property for any for-sale or property listing signs that may not be listed on the MLS yet.

## REGIONAL AREA MAP



## COUNTY OF RIVERSIDE AREA DESCRIPTION

### **Location**

The subject property is located in the southwest portion of Riverside County (the “County”) east of I-215 and north of McCall Boulevard in the northern portion of the City of Menifee (“City”).

The County encompasses approximately 7,300 square miles, and includes large expanses of undeveloped deserts, valleys, canyons and mountains. The County is a major beneficiary of outward urban pressure from Orange and Los Angeles Counties as well as growth from San Diego County to the south. Although located at the periphery of most urban activity in Southern California, Riverside County, particularly the western area, has been a major growth area and is perceived by most observers as an area expected to continue to grow. Riverside and San Bernardino Counties are considered distinct from Los Angeles and Orange Counties and belong to the same Metropolitan Statistical Area (“MSA”). This area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

### **Transportation**

The subject property is situated northeast of I-15, east of I-215, north of McCall Boulevard and south of Highway 74 at the southwest corner of Menifee and Rouse Roads in Menifee. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. Highway 74 is approximately one mile north of the subject and provides access to the west into Orange County on what is also known as Ortega Highway and access to the east into the City of Hemet. Interstate 215 is approximately 1.75 miles west, travels in a northerly/southerly direction within the County, branching off from I-15 and heading generally north where it parallels I-15 to the east and merges back into I-15 approximately 37 miles northwest of the subject in San Bernardino County. In addition, the 60 Freeway runs in an east-west direction approximately 15 miles north of the subject providing access into Los Angeles County to



the west and merges with Interstate 10 to the east which provides access across California and into Arizona.

The County is served by Amtrak and Metrolink as well as several rail freight lines. The Ontario International Airport provides regional air service and is located approximately 33 miles northwest of the subject property while the Orange County Airport is located approximately 40 miles west and the San Diego International Airport is located about 70 miles south. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

### **Population**

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2022 County population was 2.436 million, representing a one-year increase of 0.5 percent. This compares to an average annual growth rate over the past twelve years of about 0.9 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.728 million by 2030, indicating an average annual increase of approximately 1.49 percent over the next eight years. The current growth of 0.5 percent is lower than the previous twelve-year annual average of about 0.9 percent likely due to the COVID pandemic disruption, and significantly lower than the previous 18-year average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

### **Economy**

The U.S. economy experienced what is now known as the COVID recession beginning in late February 2020 as the COVID pandemic began. The Federal, State, County and City Governments (“Governments”) originally shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with

reports of 40 million people filing for unemployment the first few months of the pandemic. The Governments attempted to curtail the job losses and hardships with the approval of legislation while the Federal Reserve Board (“Board”) reduced interest rates and started quantitative easing by buying bonds.

Between March 2020 and the end of 2021, the Governments approved legislation providing for over \$5.6 trillion in COVID relief to our nation including the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, Federal Reserve COVID loans and the American Rescue Plan Act. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of October 2022, the national inflation rate was 7.7 percent, down from September’s 8.2 percent and compared to an 4.7 percent for 2021, 1.24 percent for 2020 and an average of 1.74 for the previous ten years. Whether it is a result of the supply chain issues due to COVID or from the additional money entering the economy, inflation is hitting Americans hard. The Russian invasion of Ukraine created significant volatility in gas prices which has further increased inflation. In an effort to curb inflation the Federal Reserve Board has begun raising interest rates. Thus far in 2022, there have been six interest rate increases with another anticipated in December. Due to the slight decrease in inflation in October, it is thought that the December increase may not be at 0.75 percent but rather at 0.50 percent. The increases this year has increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to 7.08 percent as of November 10, 2022 (per Federal Reserve Economic Data-St. Louis) which is significantly affecting the real estate market.

In addition to increasing the Federal Reserve Rate (“FRR”), the Board began tapering off buying Treasury Bonds and Mortgage-Backed Securities (“MBS”). Along with dropping the interest rate at the beginning of the pandemic, the Board began quantitative easing by buying \$80 billion Treasury Bonds and \$40 billion MBS each month which put more new money into the economy. Towards the end of 2021, the Board began tapering off the purchases and in June 2022, began quantitative tightening which allows investments to mature and be removed from the marketplace. This will reduce the size of the Board’s balance sheet and further restrict credit activity. In September 2022, the amount of

quantitative tightening doubled, which is estimated to be equivalent to an additional 0.25 – 0.75 interest rate increase effect on the economy.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average (“DJIA”) dropping from 29,398 in February 2020 to 19,174 in March, 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to an all-time high of 36,799 in January 2022. In February 2022 Russia began invading Ukraine which caused volatility in world economics and, more recently, U.S. inflation is hitting historical highs, resulting in the Board raising interest rates. Both factors have caused a drop in the DJIA of over nine percent (to 33,399 as of November 10, 2022).

The significant increase in mortgage rates over the past nine months is just one part of the puzzle demonstrating the impact of housing on the broader economy. Additional risks include both existing and new supply chain challenges, companies trying to find balanced inventory levels, both wage and price spirals, and persistent inflation. Over the past 25 years, the Riverside County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Riverside County housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder’s original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID recession and is thought to be due to several factors including: a tight re-sale supply of homes; historically low interest rates; millennials finally buying homes; and, the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes.

While most jobs have come back, job losses were significant with the Nation’s unemployment rate going from 3.5 percent in February 2020 to 14.4 percent in April 2020

with the September 2022 National unemployment rate at 3.3 percent (California Department of Finance). On October 12, 2022 the Congressional Budget Office (“CBO”) Forecast for the U.S. Economy stated that economic weakness will intensify and spread more broadly over the coming months with a recession to begin before the end of 2022. They forecast that Real GDP growth will come in at 1.5 percent year-over-year in 2022 and that 2023 growth will slow to zero percent year-over-year. The CBO states they expect this coming recession to be relatively short and somewhat mild as the U.S. will begin to emerge from the slowdown in 2023. They do note that there are risks which can significantly change their forecast, including: (1) the Board may increase rates more aggressively than expected; (2) the housing market could see a major correction; and, (3) inflation could be even more persistent than forecasted. Each of these risks would result in a longer and deeper contraction in 2023. The only upside risk is if inflation has a rapid, unexpected decline.

Prior to the COVID-19 pandemic, the Nation was experiencing a strong economy. As with the rest of the nation, the Inland Empire experienced a strong multi-year recession, now referred to as the Great Recession, between 2006 and 2012. The MSA, which had strong employment over the ten previous years saw unemployment rates increase significantly between December 2006 and early 2010, at which time a leveling off occurred followed by continued employment growth (generally since July 2011) until the pandemic hit.

The unemployment rate for the MSA was estimated at 3.9 percent (as of September 2022 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. As of September 2022, Riverside County’s unemployment rate was 4.0 and San Bernardino County had a 3.8 percent unemployment rate. The current unemployment rate for the MSA of 3.9 percent is similar to the California rate at 3.7 percent and slightly higher than the September 2022 National rate of 3.3 percent. Below is a table comparing Riverside County’s unemployment rate to the unemployment rates of the surrounding counties as of September 2022.



Jurisdiction	As of	Unemployment Rate*
Los Angeles County	9/22	4.8%
Riverside County	9/22	4.0%
San Bernardino County	9/22	3.8%
Orange County	9/22	2.7%
San Diego County	9/22	3.1%

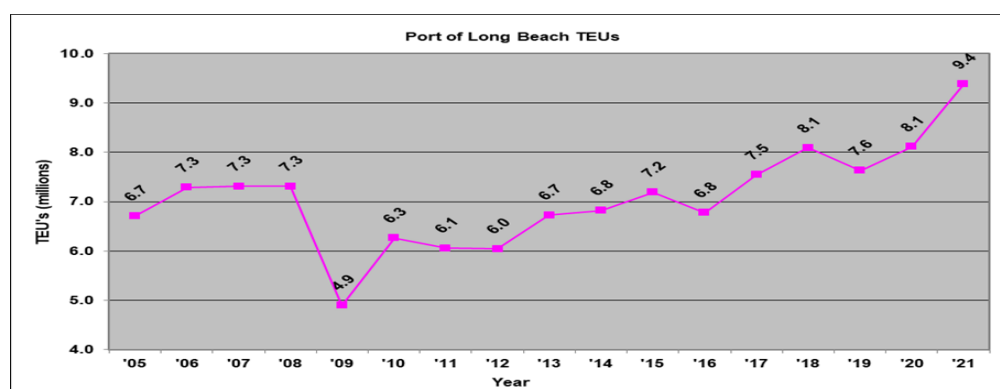
Source: State of California E.D.D.; \*Not Seasonally Adjusted

The latest UCLA Anderson Forecast (“Forecast”) was issued September 21, 2022 stating that the chance of a recession in the next 12 months is less than 50 percent; however, uncertainty remains with the FRR increases, which if too high and fast could drive the economy into a recession. The economy currently has mixed signals with the positives including: a robust labor market, strong consumer spending, an easing of COVID related supply chain constraints, an increase in government defense spending resulting from geopolitical instability, and the return of manufacturing to the U.S. from overseas. The possible negatives include: persistent inflation, increasing interest rates which will constrain consumer spending and business investment, consumer pessimism, and a downturn in the housing market. Unfortunately, since this UCLA Forecast was written, interest rates have risen, consumer pessimism appears to be growing, inflation is not being reduced as hoped and the housing market is seeing not only sales decrease but also price decreases. The Forecast for economic growth is similar to the CBO predictions with GDP estimated to grow on average 1.5 percent in 2022, 0.3 percent in 2023 and 2.0 percent in 2024.

The UCLA Forecast for California is generally positive with strong sectors in California including leisure and hospitality, health care and social services, technology and construction. Increases in U.S. defense spending and demand for technology will likely keep the State’s economy growing. However, they are examining the impact of the State’s recent declines in population. The migration out of State due to the pandemic coupled with a lack of international immigration and lower birth rates has resulted in a historic reversal of California’s annual population gains. In order to determine if the population decline will affect California’s economy, the Forecast reviewed the state’s GDP, investment, job growth and relative housing prices and the data collected refutes the notion that the state is in decline. They predict the average unemployment rate for

California to be 4.5 percent for 2022, 4.1 percent for 2023 and 4.5 percent for 2024, all historically low. Real personal income is forecast to decline by 4.5 percent in 2022, then grow by 2.4 percent in 2023 (as a function of the transfers from economic relief packages expiring) and then grow by 2.9 percent in 2024. The California Forecast states there will be continued demand for a limited housing stock and in spite of higher mortgage rates, increased homebuilding through 2024 with 124,000 new units permitted in 2022 growing to 143,000 new units in 2024.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The fiscal year to date through September is showing a 1.4 percent change over the previous year. Supply chain issues were increased during the pandemic due to the back-up at the Southern California ports. Per the Orange County Register (Lack of product demand hurts drivers, October 31, 2022) consumer demand has cooled recently leaving fewer TEUs needing to be driven from the ports. They are stating shipments have slowed due to American demand finally waning after the pandemic coupled with some major retailers bypassing the California ports for East Coast ports to avoid a possible upheaval by West Coast dockworkers as they negotiate a new contract. It is still early to tell if the slowdown in work for the dray operators (drivers who ship containers in and out of the ports) will result in a slowdown in overall TEU demand.



## **Government**

A Board of Supervisors oversees the County as the governing body of the County, certain County special districts, and the County Housing Authority. The Supervisors enact ordinances and resolutions, adopt the annual budget, approve contracts and appropriate funds, determine land use zoning for unincorporated areas, and appoint certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

## **Education**

Romoland School District (K thru 8<sup>th</sup>) and the Perris Union High School District serve the subject area. The Romoland School District operates four elementary schools and two middle schools. Perris Union High School District covers a larger area than Romoland and operates five high schools, four alternative high schools and one alternative middle school to serve the greater Perris area including Menifee. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

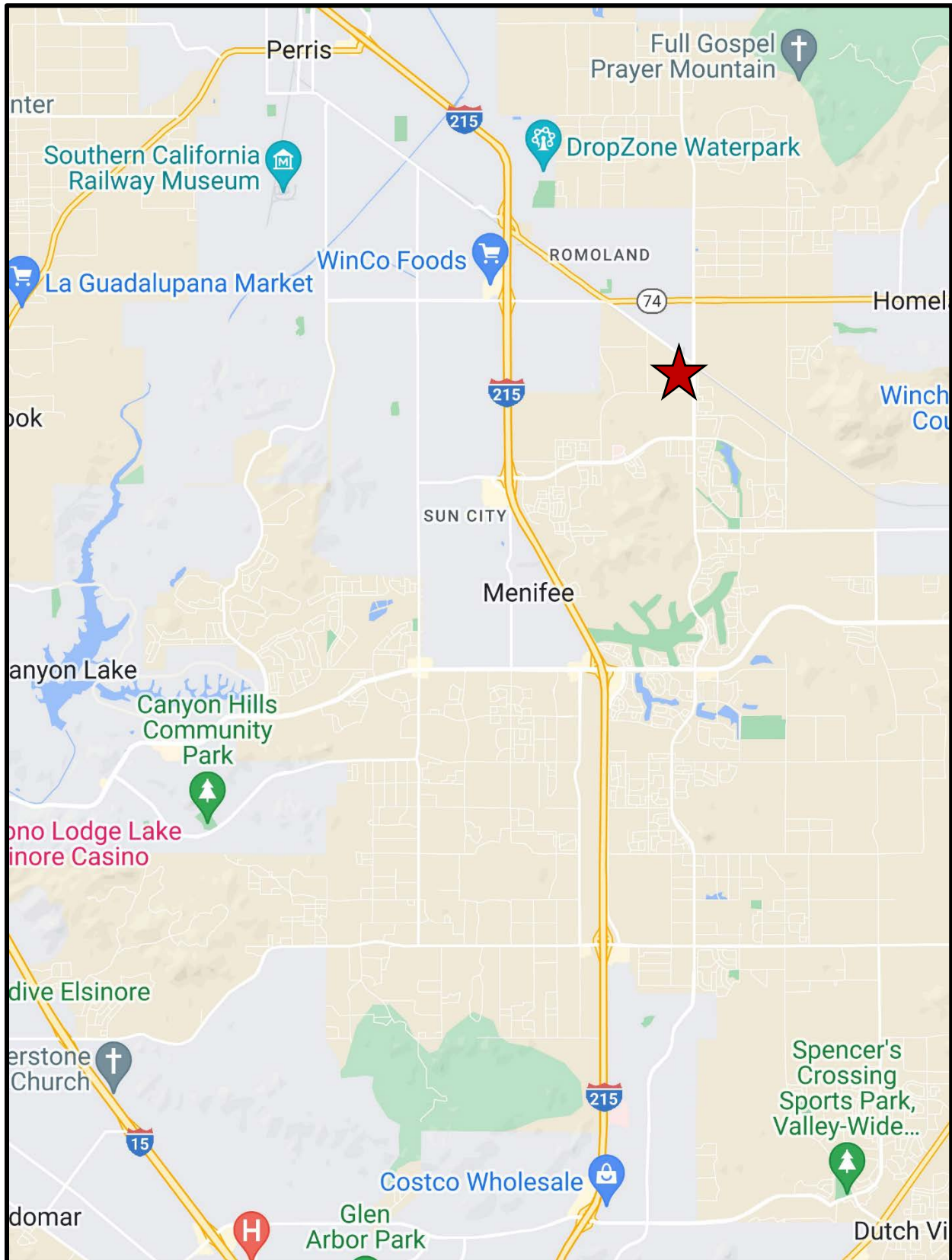
## **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth. The Nation's economy stalled during the COVID Recession in March 2020 with housing the one bright spot in the economy during the pandemic. The region's relative affordability, coupled with the rising prices in the coastal market and the need for new housing, set up a boom in the Inland Empire. Beginning the second half of 2020 through the first three months of 2022, Inland Empire new home sales skyrocketed, in part due to residents leaving urban areas for more suburban areas due to COVID factors coupled with historically low interest rates. The government interventions, while helping to shore up the economy, introduced a significant amount of new money into the system led to severe inflation, which is at the highest it has been in four decades leading to the Federal Reserve Board increasing interest rates. The FRR has gone from zero to four percent in the past six months. Current concerns in the Inland Empire economy

include inflation, the high prices of homes, rising interest rates, supply chain issues, and the Russian invasion of Ukraine, which are all creating volatility in both local and global financial markets. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles and San Diego Counties. However, due to inflation, rising interest rates, and other factors, there are some anticipated bumpy roads ahead.



## MENIFEE AREA MAP



## **CITY OF MENIFEE DESCRIPTION**

The subject property is located near the northern border of the City, which is located in the southwestern portion of the County. Menifee became a city in October 2008 after voting to incorporate. Menifee was the 26<sup>th</sup> city within the County of Riverside and is located along both sides of I-215 between Murrieta and Perris. The City includes the diverse lifestyle communities of Menifee, Sun City, Quail Valley and portions of Romoland. The City is bordered by unincorporated lands and the City of Murrieta to the south, the cities of Lake Elsinore and Canyon Lake to the west, the City of Perris and unincorporated lands to the north and unincorporated lands to the east.

In the 1960s, early development of the Menifee Valley began when the concept of an active retirement community was envisioned for Sun City. Since that time the Menifee Valley has grown substantially. At incorporation in 2008, the City of Menifee had a total population of 60,000 residents. The Menifee Valley includes some portions of Romoland that are not included within the city limits. Although this area currently serves as a bedroom community for the workforces of North San Diego County, Temecula, Riverside, Corona and Orange County, economic development groups are in the process of recruiting future quality employers to relocate in the Menifee Valley. There have been several new commercial developments on the I-215 corridor south of McCall Boulevard including major shopping centers at the Newport Road off ramp, the Menifee Town Center west of the off ramp and an additional shopping center at Clinton Keith Road. Per the City of Menifee Economic Development website, there are 28 commercial projects under active construction and an additional 17 commercial projects either under review or in the plan review process.

Between 1990 and 2003, there was an extraordinary growth rate of 48 percent in the community of Menifee. The population is estimated at 106,627 as of January 2022 per the Department of Finance, representing a growth of 2.9 percent year-over-year. This compares to the Riverside County past year's growth of 0.5 percent from January 2021 to January 2022. The City's higher growth rate than the County is due to the wide expanses of land available for development within the City, and because of the master planned communities such as Audie Murphy Ranch (recently built-out), Banner Park,

Quartz Ranch, Shadow Mountain (immediately west of subject), future development Legado (near I-215 and McCall) and Remington Park (subject), as well as single new home tracts.

In the past 15 years Menifee has had exceptional growth in the commercial and retail sector. Prior to the Great Recession several shopping centers were either constructed or planned. Included are the Town Center Marketplace, which is anchored by Aldi Market, Pet Smart and several national restaurants (located at the southwest corner of Haun and Newport Roads), and the popular Menifee Countryside Marketplace, which is anchored by Target, Lowe's, Kohls, Ulta, TJ Maxx, Best Buy and Home Goods along with numerous restaurants (located at the southeast corner of Haun and Newport Roads). The Town Center Specific Plan ("TCSP") includes 170-acres of mixed use with a proposed City Hall, a Fairfield Inn & Suites by Marriott on Town Center Drive, along with several recently closed out new home neighborhoods including: Camden Place by Taylor Morrison; The Townes; Union Place and The Village by Lennar; and Artesa, a large upscale apartment project. Prior to the COVID pandemic shutdowns, the Krikorian theaters were under construction within TCSP along with a Krikorian retail center planned adjacent to the theaters. However, the shutdown of the economy stopped construction. The theater has been caught in litigation for two years with contractor lawsuits. Aside from the Krikorian theater, other new commercial development is back underway with both Center Pointe (retail northwest of the theaters) and Menifee Plaza (retail northeast of theaters), which front Newport Road, resuming construction and signing new leases. Along the north side of Newport at Haun Road is a newer commercial area that houses the new Menifee Union School District's administration building, the existing City Hall, a new Post Office and several national chain restaurants.

The Menifee community also benefits from its proximity to Diamond Valley Lake, which was dedicated on March 18, 2000 and initially filled by the end of 2002. Diamond Valley Lake is located approximately five miles to the east of the City and is a 13,000-acre site with a 4,500-acre reservoir for boating and fishing. There is no swimming, water skiing or personal watercraft allowed in Diamond Valley Lake. The reservoir contains 800,000 acre-feet (260 billion gallons) of water and is owned by the Metropolitan Water District.

Access to Diamond Valley Lake is via Newport Road between I-215 and State Route 79, which was completed in 2008.

Land prices in the Menifee area have been historically lower than prices in the Murrieta and Temecula areas. As housing prices increased in the early 2000s, the price difference narrowed between Menifee and Murrieta/Temecula, however, there is still a variance. The price difference appears to be due to the Murrieta/Temecula area being along the I-15 corridor, which commands a premium due to easier commuting to adjacent counties. Menifee is located along the I-215 corridor, which creates a slightly longer commute to employment centers.

As discussed under the economy section under County of Riverside Area Description, new home sales had prospered during the COVID pandemic and Menifee is no exception. Per the October 23, 2022 Ryness Report (a new home sales tracking and research company), there are 49 new home projects currently selling in the South Riverside submarket with 27 of the 49 new home projects located in Menifee. The average sales rate per project for the week ending October 23, 2022 in the South Riverside submarket was 1.51 homes per month which is a significant drop from the average 2021 sales rate per project was 4.33 sales per month. This appears to be due to the rising mortgage rates and the high price of homes.

In summary, the future growth of Menifee should continue. There are several commercial and residential developments both under construction and planned in the area. Housing is less expensive than the Murrieta/Temecula neighboring communities which is attractive to homebuyers as price points are important in today's Inland Empire housing market. Diamond Valley Lake is another asset to the Menifee Valley area. The lower land prices and the availability of land for development combine to make Menifee an excellent candidate for future growth.

## IMMEDIATE SURROUNDINGS

The subject property is located at the southwest corner of Rouse Road and Menifee Road in the northern portion of the City of Menifee. The immediate area generally includes vacant lands, the Boulder Ridge Elementary School, recent development and planned development. To the north and northeast are Romoland and Homeland, two unincorporated communities in Riverside County. To the northwest is the City of Perris while to the east is the master planned community of Heritage Lake beyond which is the unincorporated area of Winchester with Hemet further to the east. To the south is a large vacant parcel with a hilly, undeveloped area to the south (beyond McCall Boulevard).

Immediately surrounding the subject site north of Rouse Road are generally vacant lands up to Matthews Road/Case Road beyond which is a large Edison transfer station. West of the subject is the new community of Shadow Mountain by KB Home with four new home communities currently selling known as Persano, Indigo and the recently opened Durango and Oak Shade, both within a microgrid community. South of the western portion of the subject is the Boulder Ridge Elementary School, while south of the eastern portion of the subject is a vacant parcel which is proposed for a future shopping center. South of Boulder Ridge and the vacant parcel is McCall Boulevard, a major arterial through the northern portion of Menifee with on/off ramps to I-215. East of the subject, across Menifee Road is the existing Heritage Ranch, a portion of the Menifee Valley Ranch Specific Plan No. 301. Specific Plan No. 301 was originally approved in 1997 however, there have been several amendments. The current plan allows for development of a maximum of 4,532 dwelling units, K-8 schools and a high school along with some commercial use, parks, greenbelts, the lake and a golf course. The southern half is built out with Heritage Lake complete surrounded by completed residential neighborhoods. The high school, Heritage High, is also complete in the northern portion of Specific Plan No. 301.

The subject property was generally level at street grade of surrounding Rouse and Menifee Roads when it was purchased by Lennar in December 2018. The site has been developed into 258 home sites along with a 4.97-acre landscaped open space/trail/drainage easement which bisects the site in an L-shape. In addition, there is

a 4.87-acre park site within the subject tract that is nearly complete which includes picnic areas, playgrounds, a tot lot/play area, sports courts and fields.

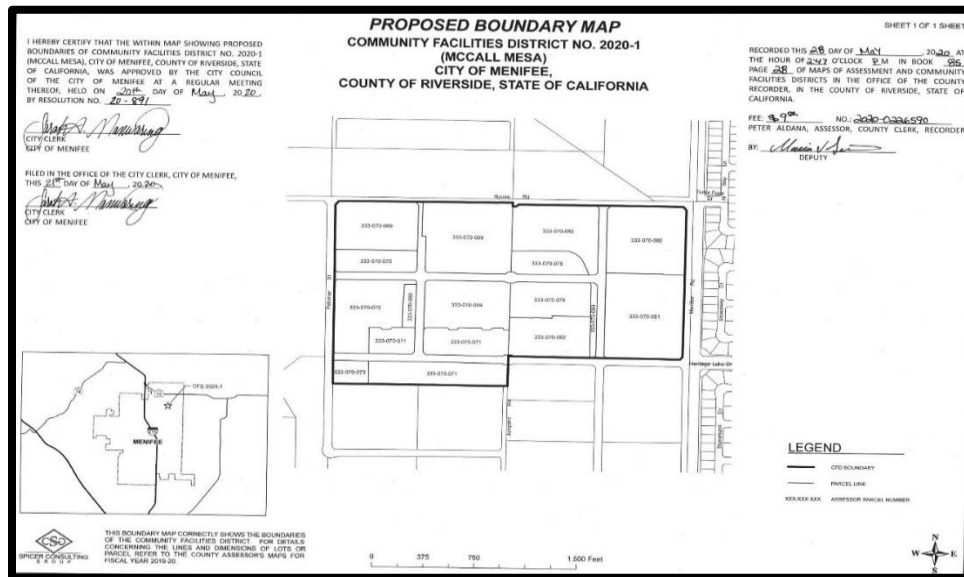
Shopping is available to the community within two miles at I-215 and McCall Road with several large centers anchored by a Vons and a Stater Brothers supermarket. About three miles south along Menifee Road at the corner of Newport Road is another neighborhood shopping center anchored by a second Stater Brothers supermarket. More regional shopping is available about three miles southwest at Menifee Countryside Marketplace at the southwest intersection of Newport Road and I-215. Countryside Marketplace is anchored by a Target, Home Depot and a Kohls. The new Menifee Towne Center is just west on Newport from the Countryside Marketplace. It was under construction prior to COVID however appears to have stopped construction at this time. Upon completion, Menifee Town Center will include movie theaters, a bowling alley and retail shops, along with the future City Hall. Approximately 14 miles south is Promenade Temecula, a major shopping mall anchored by Macy's, JC Penney and Edwards Cinema. The mall is located off the I-15 near the intersection of I-215 and Winchester Road (State Route 79). In addition to shopping and entertainment, the Menifee Global Medical Center is located on McCall Boulevard about 0.5 miles west of the subject.

The subject property is located within the Romoland School District (K-8<sup>th</sup>) and the Perris Union High School District (9<sup>th</sup> -12<sup>th</sup>). The community is served by Heritage High School, within two miles northwest of the subject; Ethan A Chase Middle School located a little over one mile southeast of the subject; and, Boulder Ridge Elementary School within walking distance from the subject (adjacent to the south of Westward).



## CITY OF MENIFEE CFD NO. 2020-1

Menifee CFD No. 2020-1 was formed per the Resolution of Intention of the City Council of the City of Menifee dated August 5, 2020 as Resolution No. 2020-941. Per the City of Menifee CFD No. 2020-1 CFD Report, as of fiscal year 2019/20 the CFD was comprised of seven Assessor Parcels covered by Tentative Tract Map No. 31098 which subsequently subdivided the site into 258 single family detached lots. The boundary map is shown below.



Per the CFD Report prepared by Spicer Consulting Group, the types of facilities that are proposed by Menifee CFD No. 2020-1 consist of the construction, purchase, modification, expansion, rehabilitation and/or improvement of (i) drainage, park, roadway, traffic, administration and community center facilities, and other public facilities of the City, including the foregoing public facilities which are included in the City's fee programs with respect to such facilities and authorized to be financed under the Mello-Roos Community Facilities Act of 1982, as amended (the "City Facilities") and (ii) water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of the Eastern Municipal Water District which are included in EMWD's water and sewer capacity and connection fee programs (the "Water District Facilities") and (iii) school facilities including the construction, purchase, modification, expansion, improvement or rehabilitation of school facilities for the Romoland School District and Perris Union High School District, including classrooms, multi-purpose facilities, administration and auxiliary space at school facilities, athletic fields, playgrounds and recreational facilities and

improvements thereto, landscaping, access roadways, drainage, sidewalks and gutters and utility lines, furniture, equipment and technology, including technology upgrades and mobile devices and infrastructure therefore, with a useful life of at least five years at such school facilities (the “School Facilities”), and (iv) electrical utility undergrounding and dry utilities (the “Utilities”), and all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities. In addition, incidental expenses include the cost of engineering, planning and designing the Facilities; and all costs including costs of the property owner petitioning to form the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District and any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities. According to the CFD Report, the Cost Estimate of the eligible facilities are \$4,166,855 for City of Menifee facilities and fees, \$4,027,560 for EMWD fees and facilities, Romoland School District fees of \$3,202,560, Perris Union High School District fees of \$744,014 and Dry Utility Improvements of \$800,000. In January 2022, the first series of bonds for City of Menifee CFD No. 2020-1 was funded in the amount of \$11,040,000. The maximum amount authorized for City of Menifee CFD No. 2020-1 is \$18,000,000 per the Resolution of Intention, leaving approximately \$7,000,000 for the second series of bonds. Per the latest sources and uses of funds dated November 15, 2022, they are projecting a bond par amount of \$3,050,000 along with a net original issue discount of \$48,325 which includes \$2,506,594 of project fund deposits, a debt service reserve fund of \$244,081 and costs of issuance and underwriter’s discount of \$251,000 (all estimated amounts subject to change). It is the appraiser’s understanding this is the second and final bond issuance for City of Menifee CFD No. 2020-1. A larger copy of the City of Menifee CFD No. 2020-1 boundary map is located in the Addenda for your review.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 258 proposed single-family homes within the community known as Remington Place being developed by Lennar.

**Location:** Southwest corner of Menifee and Rouse Roads, Menifee, California

**Legal Description:** Lots 1-258 of Tract No. 31098 located in City of Menifee, County of Riverside, California.

**Owner of Record:** Individual owners as to Lots 1-115, 119-122, 126-127, 129-150, 152, 162-164, 166, 168-169 and 173-258 of Tract No. 31098; and Lennar Homes of California, LLC as to Lots 116-118, 123-125, 128, 151, 153-161, 165, 167 and 170-172 of Tract No. 31098.

**Three-Year Sales History:** Lennar purchased the 258 lots in a raw land condition from Strata Equity Group in December 2018 for \$9,000,000 per public record documents. The property closed with an approved tentative tract map and final engineering in process. Of the 258 proposed homes, 236 homes have closed to individual homebuyers with closing dates between January 2, 2021 and November 10, 2022. As of November 10, 2022 the final 22 proposed homes are in escrow and due to close upon completion.

**Assessor's Parcel Numbers:** The subject 258 lots encompass Assessor's Parcel Numbers 333-840-001 thru 015; 333-841-001 thru 052; 333-850-001 thru 023; 333-851-001 thru 016; 333-852-001 thru 022; 333-860-001 thru 022; 333-870-001 thru 030 and 032 thru 061; 333-880-001 thru 020; and, 333-881-001 thru 028.

**Property Taxes:** We have reviewed the Riverside County Tax Collector's 2022/23 tax bill for APN 333-860-003, a sample lot within Remington Place. Per the tax collector the total 2022 property tax invoice is \$11,899.42 based on an assessed value of \$621,920. The general-purpose taxes are \$6,219.20; the miscellaneous charges (includes Perris Union HS, Mt. San Jacinto Jr. College, MWD East, Stormwater/Cleanwater, EMWD Infrastructure, V-Wide LMD, V-Wide Menifee North Park LMD and MWD Standby) total \$913.00; the special assessment for CFD 2017-1 (Maintenance Services) is \$972.90 and for CFD 2020-1 (subject CFD) is \$3,794.32. Based on the current assessed value of the home of \$621,920 the overall taxes equate to 1.91 percent.

Flood Zone:	Per the County of Riverside a flood plain review is not required.
Size and Shape:	The neighborhood is irregular in shape and includes 86.03 gross acres and 59.3 net acres per recorded Tract Map No. 31098. The difference between the gross and net acreage includes one-half width of Rouse and Palomar Roads, a 4.87-acre park/water quality basin site, 4.97 acres of the open space/trails/drainage easements and two water quality basins along with internal streets.
Zoning:	Per the City of Menifee Land Use Map, the subject site is shown as 2.1-5.0 R which is residential land use with between 2.1 and 5.0 dwelling units per acre. Per the City of Menifee Zoning Map, the subject property is shown as LDR-2 which is low density residential with a minimum lot size of 7,200 square feet.
Entitlements:	The subject property is covered by Tract Map No. 31098 which recorded March 26, 2020 and subdivides the site into 258 single-family detached lots with a minimum lot size of 7,200 square feet along with four open space lots which bisect the property in an "L" shape (open space/trails/drainage easement), two water quality basin parcels and a 4.87-acre park/detention basin site which is under construction. The 258 lots on the 86.03 gross acres equates to a density of 2.99 dwelling units per acre which is within the allowed density per the zoning and land use. A copy of Tract Map No. 31098 is located within the Addenda of this report.
Topography:	The original topography was generally level at street grade of surrounding streets (Menifee, Rouse and Palomar Roads). After grading, the lots are at street level of the surrounding and internal streets. The lands have been graded and developed into single-family detached lots. Drainage is within an engineered street drainage system with three detention/water quality basins onsite, one adjoining the park site.
Soils Condition:	We have reviewed an updated Geotechnical Report prepared by Alta California Geotechnical Inc. and dated August 20, 2018. The report concludes that the proposed development is feasible from a geotechnical standpoint, assuming all recommendations presented in the report are adhered to during construction. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that all recommendations made within the soil's reports were adhered to during construction. This is supported by existing development on the subject lands.
Seismic Conditions:	Per the USGS Geologic Hazards Science Center there are no active major earthquake faults within the City of Menifee with the nearest major faults being the Lake Elsinore Fault, over ten miles to the west

and the San Jacinto Fault, over ten miles to the northeast.

**Fire Hazard Map:** Per the CalFire Fire Hazard Security Zone Viewer the subject site is not located within a Moderate, High or Very High Fire Hazard Area.

**Environmental Concerns:** We have not received an environmental report to review. The builder and/or their representatives have stated (and this appraisal assumes) that there are no environmental issues that would slow or thwart development of the site. This is supported by existing development on the subject lands which were overseen by City inspectors.

**Easements/ Encumbrances:** We have reviewed a Preliminary Title Report on Tract Map No. 31098 prepared by Cal Atlantic Title and dated August 21, 2020 as Order No. 192002-1631098. The report is summarized below and had the following exceptions:

Item Nos. 1 – 10 refer to property taxes and CFD 2017-1 (maintenance serviced City of Menifee). Item No. 11 refers to water rights. Item No. 12 refers to the City of Menifee CFD No. 2020-1 (subject CFD). Item Nos. 13, 15, 16, 17, 19, 20, 21, 25, 26, 28, 29, 33 and 34-38 refer to public utility easements. Item No. 14 refers to CC & Rs recorded on the site in 1929. Item No. 18 states the property is within the I-215 Corridor Redevelopment Project Area. Item Nos. 22 and 27 refer to the drainage and trail easements on Lots 259-262. Item No. 23 is a dedication of Lot 263 for public park and detention basin purposes. Item No. 24 refers to the dedication of Lots 264 and 265 for water quality basins. Item No. 30 is in regards to an agreement that drainage within the site will not harm any downstream areas. Item No. 31 pertains to the Environmental Constraint Sheet of Tract Map 31098. Item No. 32 refers to CC & Rs for Remington Place. Item Nos. 39 and 40 refer to solar CC & Rs and easements. Item No. 41 pertains to the Builder's Notice of Election of Handling any construction claims. Item No. 42 states that no known matters were deleted from the report which were otherwise appropriate.

It is an assumption of this report that the subject property is free and clear of any liens and/or encumbrances with the exception of Menifee CFD No. 2020-1 and the other aforementioned special assessments.

**Utilities:** All normal utilities serve the subject site by the following companies:

- Electrical: Southern California Edison Company
- Natural Gas: The Gas Company
- Sewer/Water: Eastern Municipal Water District
- Schools: Romoland School District /  
Perris Union High School District

**Streets/Access:** Access to the subject is via I-15 to I-215 to McCall Road, east about two miles to Menifee Road and north 0.5 mile to Rouse Road. I-215 is a major Southern California Freeway beginning at the I-15 in Murrieta in Southern Riverside County and providing access north through Riverside and into San Bernardino where it combines with I-15 once again.

McCall Road is an arterial through the northern portion of the City of Menifee with on/off ramps to I-215. West of the freeway McCall currently terminates at Valley Boulevard about 1.5 miles from I-215. East of the freeway McCall Boulevard provides access to Heritage Lake, a master planned community and currently terminates at Briggs Road, about three miles east of the freeway.

I-15 is a major north/south freeway, which provides access to both international borders with Mexico and Canada.

Menifee Road is a north/south access road through Eastern Menifee terminating at Nuevo Road about five miles north of the subject and becoming Whitewood Road in Murrieta about six miles south of the subject.

Internal streets within Remington Place include Horsetail Circle, Endion Court, Outlaw Way, Hideout Court, Lookout Circle, Heritage Lake Drive, Old Minor Circle, Cattleman Circle, Junipero Road, Corral Court, Buckaroo Circle, Comrade Circle, Galloping Way, Stirrup Circle, Copper River Road, Lasso Way, Settlement Street and Great Plains Court.

**Current Condition:** The subject property has been developed into 258 single-family detached lots with a minimum lot size of 7,200 square feet. The lots are in a physically finished condition with streets complete and utilities stubbed to each lot. Two hundred thirty-six of the completed homes have closed to individuals and an additional 21 are over 95 percent complete with the final home under construction.

**Remaining Costs:** The subject property is in a physically finished lot condition with estimated remaining hard costs for land development including soft costs, erosion control, wet and dry utilities and street final cap of \$450,000. In addition, there are an estimated \$70,000 in final EMWD fees that are anticipated to be reimbursed through Menifee CFD No. 2020-1. As we are assuming the bonds have been funded and accrued to the property, the remaining fees for the subject property are zero. The remaining hard costs are associated with all of the builder-owned property or 22 lots (21 homes over 95 percent complete and one home under construction) suggesting an average amount of \$20,454.55 per lot in remaining hard costs for each of the



builder-owned parcels. These costs will be taken into consideration in the valuation section later within this report.

HOA Amounts: There is no homeowner's association on the subject property.

Improvement  
Description:

Remington Place by Lennar includes two neighborhoods known as Trailhead and Westward. Trailhead includes five floorplans, all one-story homes ranging in size from 1,769 to 2,767 square feet. Westward has four floorplans, one one-story and three two-story homes ranging in size from 2,590 to 4,134 square feet. Both Westward and Trailhead have the same Plan 4. All floorplans offer attached two or three-car garages, concrete tile roofs, roll-up insulated garage doors, gourmet kitchens with granite or smooth countertops, interior laundry rooms and primary suites with a soaking tub. Interiors include raised panel interior doors, bullnose corners and tile at entry. Homes include a Ring alarm system and doorbell and a smart-lock, kitchen islands open to great rooms, stainless steel GE appliances, tankless water heater, LED lighting and solar. Two hundred thirty-six of the 258 proposed homes have closed to individual homebuyers with closing dates between January 2021 and November 10, 2022. Actual sales prices (including premium, upgrades, options and incentives) within Remington Place ranged from \$433,400 to \$856,415. There are an additional 22 homes in escrow which are due to close upon completion. Base pricing at project opening in August 2020 ranged from \$424,900 to \$571,400 with final base pricing from \$472,900 to \$679,050 suggesting appreciation between 11.3 and 22.1 percent. It is interesting to note that base pricing in September 2021 ranged from \$557,900 to \$806,900 or 17 to 19 percent higher than the final base pricing. Our search of the MLS revealed no closed resales but one current resale listing within Remington Place. Our physical search noted all homes appeared to be in excellent condition. The plans are detailed on the following page.

Remington Place by Lennar					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Trailhead</b>					
1	4 / 2	1 / 2	1,769	29	0
2	3 / 2	1 / 2	1,912	28	1*
3	4 / 2	1 / 2	2,131	29	1*
4	5 / 3.5	1 / 2	2,767	27	2*
5	4 / 2	1 / 2	2,051	8	0
Subtotal Trailhead				121	4
<b>Westward</b>					
1	4 / 3	2 / 2	2,590	33	5
2	5 / 3	2 / 3	3,423	32	6*
3 (NG)	7 / 4.5	2 / 3	4,134	30	6*
4	5 / 3.5	1 / 2	2,767	20	0
Subtotal Westward				115	17
<b>Total Remington Place</b>				<b>236</b>	<b>21</b>

\*One of each of these plans is a model home. In addition to the above, the final home is under construction. NG stands for NextGen, representing a floorplan that features a first-floor suite with separate entrance and living area. There is one final home under construction which is not shown in the table above that is owned by Lennar.

## **RIVERSIDE COUNTY HOUSING MARKET**

In analyzing the County's housing market, population growth and economic conditions need to first be considered.

### **Population**

The County population grew at a 0.5 percent increase between January 2021 and January 2022 (per the Department of Finance). This compares to an average annual growth rate over the past ten years of about 0.9 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. The slowdown in population growth is similar to other Southern California counties during this time period, and is thought to be due to the Great Recession and the disruption from COVID. Predictions are for the County to grow at an average annual rate of 1.5 percent over the next eight years. This equates to an increase of approximately 36,000 residents per year, suggesting the need for about 10,000 homes per year within the County. The COVID influence is still unknown on the County's population growth. New home sales in most cities in the County in 2020 and 2021 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2022.

### **Economic Conditions**

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than that of other Southern California regions. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the State. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012 through January 2020. Once the COVID pandemic hit in March 2020, the economy entered what is now known as the COVID Recession. The housing market slowed down significantly early on, but by May 2020, new homes were going under contract and selling at well above average absorption rates from May 2020 through Spring of 2022 in the

region. Recently, the new home market has begun to see a slowdown in absorption rates due to the increasing interest rates, the high prices of homes, and the high rate of inflation which is shaking consumer confidence.

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking (negative 1.6 in Q1 and negative 0.6 in Q2) and, while the third quarter has seen growth, it is minimal at 2.6 percent. The most recent unemployment rate for the County is 4.0 percent (per the September 2022 EDD report), similar to the County's pre-COVID unemployment rate in February 2020 of 4.0 percent.

The housing market played a large role in the past two recessions. In the Great Recession, due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives, such as sub-prime and non-conventional mortgages, to artificially maintain the boom housing market of 2004 and 2005. By 2007, the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets, which played a role in the 2008 upheaval of Wall Street and contributed significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years and essentially remained flat until mid-2012 when home prices began a steady climb.

During the COVID recession, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the COVID pandemic, prices did not appear to change in the County. Some builders increased concessions in March 2020, but by May 2020 concessions were back to where they were prior to COVID, and prices increased significantly until recently. Per the Zonda National Economic and Housing Market Update (September 20, 2022), during their most recent survey of over 300 homebuilders nationwide, 87 percent of the builders stated they plan to slow housing starts or at least watch this month to assess future starts. The rising

interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases appears to have slowed home sales. With the recent higher interest rates and increased home prices, the average monthly mortgage payment is up over 50 percent year-over-year. It should be noted that current sales rates are being compared to 2021, which was a hugely successful year for the housing market. To put this in perspective, when comparing year to date average new home sales from October 2021 to October 2022, average sales numbers in the Inland Empire are down 23 percent (per the Ryness Report dated October 23, 2022); however, when comparing year to date average new home sales from October 2019 (prior to the pandemic) to October 2022, sales are up five percent.

Per the Zonda survey, as of mid-September 2022, over 50 percent of the 300 new home builders in the Nation surveyed were stating demand has slowed and is causing concern. Over 75 percent of builders are increasing incentives (typically closing costs and rate buy-downs, however some incentives tied to options and upgrades), while almost 30 percent are reporting dropping prices. The builders' largest concerns relate to: (1) increasing interest rates, (2) consumer confidence, (3) inflation, (4) new home affordability, (5) economic uncertainty, (6) land prices, (7) materials cost, and (8) materials availability. The last few months have seen a slowdown in both traffic and absorption due to the high inflation rates and resulting interest rate hikes.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID Recession in an attempt to assist the housing market's recovery. Low rates helped home sales during this time. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Per FRED, the average 30-year fixed mortgage has gone from 2.88 percent in September of 2021 to 7.08 percent as of November 10, 2022. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates, and the fear that they were going to start ticking up, which we are now seeing occur in real time. In March 2022, the Federal Reserve Board increased the rate 0.25 percent, followed by a 0.50 percent increase in

May 2022 and a historical 0.75 percent increase in each of June, July, September, and November 2022. The Board has recently stated they anticipate an additional increase in December. The Federal Reserve Rate increases are supposed to help slow the high inflation rate in the Nation.

### **Residential Land Development**

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012 combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to builders, there are fewer currently available in the Inland Empire. The majority of land sales over the past few years include individual tracts sold by a master developer within a master plan, single tracts of land with maps ready to record, or a public builder buying a larger piece of land, but developing the land for its own use (such as Banner Park by Pulte, Shadow Ridge by KB Home, and Sumac Ridge by Meritage Homes, all in Menifee).

Land sales slowly grew from 2012 up to a peak in 2017, with 2018 and 2019 showing lower land transactions. Once home sales exploded in May 2020, residential land sales followed with a significant number of residential land sales to builders in the second half of 2020 and throughout 2021. The beginning of 2022 continued with strong residential land sales until May when sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of September 2022 only six percent of the builders surveyed are "full steam ahead" with 57 percent "cautiously moving forward," 12 percent "bidding lower on land" and 24 percent "pausing transactions." In addition, many are delaying take-downs whenever possible. Currently there is a disconnect in the seller's expectations as they are still hoping for March 2022 land prices, however builders have seen new home prices dropping from 5-15 percent in the Inland Empire. As new

home pricing drops, the construction costs do not, thus the majority of the decrease typically falls to the land prices.

### **New Home Sales and Pricing**

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the October 23, 2022 Ryness Report, the year-to-date average sales rate (3.6 sales per month) is approximately 23 percent lower than the same time period of the previous year (4.7 sales per month). In the first quarter of the year, the average year to date sales rates for 2022 were higher than those of 2021, however it appears new home sales rates started to level off in late Spring 2022, likely due to the increase in mortgage interest rates. As rates go down, purchasing power becomes larger, which gives new-home buying a boost. However, the flip side is that as interest rates rise, purchasing power becomes lower and therefore fewer people purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the October 23, 2022 Inland Empire Ryness Report to one year prior, there are 26 additional projects (197 in October 2021 and 223 in October 2022) and sales are about 23 percent lower year-to-date than the previous year. Moreover, when reviewing the current week average sales rate compared to the average weekly sales rate of one year ago, sales are down 66 percent (from 4.4 sales per month average during the third week in October last year to 1.5 average sales per month for the week ending October 23, 2022). This does not appear to be due to limited inventory as there are additional projects, but rather because of an actual slowdown in sales activity likely due to the increase in interest rates.

New single-family home prices (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price



is a record high of \$646,000 per Zonda's latest market report (Riverside-San Bernardino-Ontario, CA CBSA November 2022). This reflects an increase of over 140 percent from the bottom of the cycle and an increase of nearly 48 percent over its previous peak, and an increase of 17 percent year over year. New home sale prices fluctuate based on the land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values, however there have been inflationary increases in construction costs adding to this increase.

Within our search for the most comparable actively selling new home communities, we searched the subject's city of Menifee as well as neighboring region of Winchester. Because Remington Place is located so close to the northern boundary of the City of Menifee, some of the new home neighborhood in neighboring communities are more comparable to the subject than others located within the city limits. The Menifee/Winchester/Homeland area is currently home to many actively selling new home communities, thus, we focused on those with the most similar product and that were nearest in proximity to the subject. Our search for similar new home projects to the subject area resulted in eleven new home projects (including the subject's two product lines) with base pricing ranging from \$472,900 to \$722,970, but the majority of base pricing in the \$500,000 to \$600,000 range. The subject's most recent base pricing falls within the comparables price range, from \$472,900 to \$679,050.

### **Existing Homes Sales and Pricing**

While the previous section looked at new home sales and pricing, this section refers to existing homes in Riverside County. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in September 2022 (\$783,380) reflects a decrease of 1.5 percent from the previous month, but up 3.8 percent year-over-year from \$755,000 in September 2021. Existing home sales in Southern California overall were down 32.6 percent year-over-year as of September 2022. The overall Southern California numbers compare to Riverside County with \$600,000 as the median price paid for an existing home in the County in September 2022, down 3.2 percent since August 2022, and up 5.3 percent on a year-over-year basis (\$570,000). Sales of existing homes in the County were down 31.0

percent year-over-year due to higher mortgage rates and higher home prices. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	September 2022	August 2022	September 2021	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$891,770	\$854,960	\$886,050	4.3%	0.6%	-31.7%
Orange	\$1,200,000	\$1,200,000	\$1,100,000	0.0%	9.1%	-30.9%
Riverside	\$600,000	\$620,000	\$570,000	-3.2%	5.3%	-31.0%
San Bernardino	\$480,000	\$472,750	\$437,000	1.5%	9.8%	-37.2%
San Diego	\$899,000	\$885,000	\$850,000	1.6%	5.8%	-33.2%
Ventura	\$850,000	\$884,000	\$815,000	-3.8%	4.3%	-36.0%
Southern Calif.	\$783,380	\$795,000	\$755,000	-1.5%	3.8%	-32.6%

Source: California Association of Realtors

Based on September 2022 median existing homes prices, in comparison to the majority of the surrounding counties, Riverside County has a definite price advantage. The “Riverside County Advantage” (price difference between Riverside and surrounding counties) is \$291,770 as compared to Los Angeles County, \$250,000 as compared to Ventura County, \$299,000 as compared to San Diego County and \$600,000 as compared to Orange County. That is, in September 2022, the median priced home in Riverside County was \$600,000 less, or one-half of the median priced home in Orange County (\$1,200,000). However, San Bernardino County has a \$120,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in the Inland Empire. It’s important to note that June of 2022 was the first month where the majority of Southern California counties showed median price decreases from the previous month. Most counties were seeing substantial month-to-month median price increases over the past two years, and the widespread decrease appears to be a sign that the market has turned and the pricing run up has come to an end.

In a separate attempt to capture the neighborhood specific price changes, the resale activity of existing homes in the subject area (per Redfin.com’s Housing Market Trends) has been reviewed. The number of sales and sale prices of existing homes within market areas in the immediate area of the subject are shown in the table on the following page.

Community Name	Border To Subject	Sales of Homes Sept. 2022	Sales % Change from Sept. 2021	Sept. 2022 Price Median	Price % Change from Sept. 2021	Sept. 2022 PSF Median
Menifee (entire City)	Subject	173	-17.6%	\$562,000	13.1%	\$264
Heritage Lake	Adjacent East	28	-37.8%	\$630,000	8.6%	\$242
Sun City	Southwest	58	-9.3%	\$403,000	11.8%	\$268
Romoland	North	3	N/A	\$550,000	6.8%	\$318
Homeland	Northeast	3	0.0%	\$470,000	13.3%	\$297
Winchester	East	27	-25.0%	\$585,000	-1.2%	\$270
French Valley	Southeast	43	-8.5%	\$653,000	8.8%	\$272
Murrieta	South	122	-47.9%	\$625,000	7.8%	\$302

Source: Redfin.com Housing Market Trends September 2022

The median home price of a detached resale home in the subject's immediate market area is \$562,000, which is mid-way in the range of average resale detached home prices in the subject's surrounding area. The above price fluctuations from year-to-year relate to the California Association of Realtors overall Riverside County detached home resale price increase of 5.3 percent year-over-year from September 2021 to September 2022. It should be noted that when reviewing the month-over-month statistics, prices have been decreasing.

### **Remington Sales, Pricing and Competition**

Remington Place opened for sale in August 2020 with opening base pricing ranging from \$424,900 to \$571,400. The most recent base pricing at Remington ranged from \$472,900 to \$679,050 which suggests appreciation from 11.3 to 22.1 percent in total over the past two years, depending on floorplan. However, base pricing as of September 2021 ranged from \$557,900 to \$806,900, resulting in appreciation the first year in the 31 to 41 percent range following by depreciation since then in the 18 to 19 percent range. Actual closed prices, including options, upgrades and premiums, have ranged from \$433,400 to \$856,415. Within the subject, Lennar has closed 236 homes to individuals between January 4, 2021 and November 10, 2022, with the final 22 homes currently in escrow. Sales began in August 2020 with the final sale occurring in October 2022. The total of 258 sales equates to an average overall absorption rate of about ten homes per month. When looking at each product line individually, the absorption is 4.8 for Westward and 5.5 for Trailhead. These are both considered to be good absorption rates for the subject marketplace, and slightly stronger than the Inland Empire's overall average sales rate during the same time period. According to the Ryness Report dated October 23, 2022,

there are currently 49 new home projects in the South Riverside submarket which includes the communities of Winchester, Menifee, Wildomar, Lake Elsinore and the French Valley. The 49 projects include 27 projects within Menifee. The average absorption rate within the 49 South Riverside communities' year to date per the October 23, 2022 Ryness Report is 3.1 sales per month. The subject sales rates in the 4.8 to 5.5 sales per month range compares favorably to the overall average in the area.

### **Summary**

Riverside County had seen substantial increases in pricing since 2012 with most areas, including the subject, showing astronomical increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics indicated a slowdown in sales as interest rates have risen substantially. The subject community has been performing at or above the Inland Empire average, resulting in strong sales rates and price increases through Spring 2022, followed by a slowing of sales and decreases. However, new homes are still selling. The South Riverside submarket is generally performing above market, resulting in strong sales rates within the comparable projects in the area. The subject's pricing and historical average absorption rate are in-line these comparable communities. The Menifee area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021, and appeared to be continuing in the beginning of 2022. The past few months have seen sales slow and pricing beginning to soften. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the Riverside County housing market is healthy and population growth is still estimated to occur in the County. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown starting in the near term.

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## HIGHEST AND BEST USE ANALYSIS

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The highest and best use is a basic concept in real estate valuation due to the fact that it represents the underlying premise (i.e., land use) upon which the estimate of value is based. In this report, the highest and best use is defined as:

*"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"<sup>4</sup>*

Proper application of this analysis requires the subject properties to first be considered "As If Vacant" in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use.

### **"As If Vacant"**

In the following analysis, we have considered the sites probable uses, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible uses, or those uses which generate a positive return on investment; and the maximally productive uses, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

### **Physically Possible Uses**

The subject property consists of 86.03 gross acres in an irregular shaped parcel at the southwest corner of Rouse and Menifee Roads. The site has good access from I-215 via McCall Boulevard. The site was generally level at street grade of both Rouse and Menifee Roads which are both paved. The site has been graded and developed into 258 generally level finished lots with internal streets complete with all utilities stubbed to each lot. The property is surrounded by new homes under development, existing homes, rural housing and vacant lands. Boulder Ridge Elementary School is located near the southwest corner of the site. We have reviewed a geotechnical report which concluded development of the

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<sup>4</sup> The Appraisal of Real Estate, 11<sup>th</sup> Edition

site for residential use was feasible from a geotechnical standpoint if all recommendations were adhered to. We have not received any environmental reports for our review. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that there are no environmental issues which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction. There is a 4.97-acre open space/trail/drainage easement which bisects the subject site. Drainage appears to be utilizing this easement/channel with three detention basins adjoining the park/trail. An engineered drainage system appears to have been designed to alleviate any potential flooding problems and to control project water runoff. All standard utilities serve the subject property. The site has good access via I-215 to McCall Boulevard, east to Menifee Road and north to the subject property. There is currently neighborhood shopping and major shopping centers within two to three miles of the subject site. A neighborhood center is planned adjacent to the subject site to the south at the northwest corner of McCall Boulevard and Menifee Road.

Based on the physical analysis, the size, access and topography make the subject property physically suited for numerous types of development; however, the grading and development that has occurred on the site along with the surrounding uses, suggests single-family residential use.

### **Legality of Use**

The subject property is located within the City of Menifee, the entity responsible for land use and zoning regulation. Per the City General Plan, the property is shown as 2.1-5.0 R which stands for residential land use with a density of 2.1 to 5.0 dwelling units per acre. Per the current Zoning Map, the subject property is shown as LDR-2 which stands for low density residential with a minimum square foot lot of 7,200 square feet. Recorded Tract Map No. 31098 subdivides the subject 86.03 gross acres into 258 single-family lots with a minimum lot size of 7,200 square feet. This equates to a density of 2.99 dwelling units per acre which is within the allowed density range. The approved mapping is also consistent with the current zoning on the property. The open space/trail/drainage easement that bisects the site has been incorporated into the neighborhood design and does not detrimentally affect the land use on the property. Based on the legality of use analysis, the type of development for which the subject properties can be utilized is

narrowed to residential use. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the market has shown strong increases in both sales and pricing in the past year, even with the COVID pandemic ongoing. Within Menifee CFD No. 2020-1, out of 258 proposed houses, there have been 258 home sales to date including 236 home closings. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Menifee, we found nine additional projects to be comparable to the subject properties. Homebuilding had not been able to keep up with the demand during COVID with low interest rates, millennials joining the home buying market and the work from home factor all adding to the demand. The Menifee housing market is priced slightly higher when compared to the nearby cities of Sun City and Lake Elsinore, however lower than Murrieta and Temecula (adjoining north San Diego County). Population growth is still occurring in the area and will continue to create the need for housing.

Based on the above analysis, the highest and best use for the subject property appears to be for single-family detached residential development at the right price points.

### **Maximum Productivity**

Based on the market activity of residential lands in the immediate area, we have concluded there is a need/demand for residential lands.

### **Highest and Best Use Conclusion – “As If Vacant”**

The final determinant of highest and best use, as vacant, is the interaction of the previously discussed factors (i.e., physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property “As if Vacant” is for residential development.



### **Highest and Best Use – “As Improved”**

The subject property consists of the community known as Remington Place which has two neighborhoods known as Trailhead at Remington Place and Westward at Remington Place, both being built out by Lennar. Remington Place opened for sale in August 2020. Trailhead has sold all 126 of its homes and closed 121 of those homes to date suggesting an average sales rate of 5.5 homes per month. Westward has sold also sold all 132 of its homes and closed 115 of those homes to date suggesting an average sales rate of 4.8 homes per month. There are 49 actively marketing new home communities in the subject's South Riverside submarket that have a year-to-date average absorption rate of 3.1 sales per month (according to the Ryness Report dated October 23, 2022). The subject properties have a higher than the average absorption of the 49 projects within their submarket. It appears that both Trailhead and Westward have been well received and are selling at or near the correct price points for the area. Our search within the subject area found nine additional projects considered to be comparable with similar sized homes. The sales rates within these projects ranged from 1.3 to 8.9 sales per month. Both communities within Remington Place are selling at good to very good absorption rates. Base pricing within the two communities within Remington Place have had price increases across all plans from a low of 7.2 percent to a high of 22.1 percent from Grand Opening to Sell Out. However, there was previously a much larger increase from Grand Opening pricing before the prices came back down to the most recent base prices.

The sales rate within the subject and the competitive projects in the immediate area suggest there is demand for new homes in the current market at the right price points. All of the homes are of good design and appear to be of good quality workmanship. Based on Remington Place's sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

## VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. For single-family detached lots, the lots are typically sold on a finished lot basis. That is, the sales price is determined by a finished lot value and then the remaining costs to develop the property to a finished lot condition are taken into account in the sales price. Therefore, in determining a current market value for the residential lands, the current condition of the lots will be considered. In the case of the existing home valuations, a single home sale is the unit of comparison. In determining the value for each existing house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

The valuation will be presented as follows. First, a discussion of the single-family detached lot market data will be given. Each of the comparable market data (on a finished lot basis) will be detailed along with a comparison discussion of their relationship to the subject property. The remaining construction costs and development fees will be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject property. Houses which are under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement. In the case of the completed (over 95 percent complete) builder-owned models and production units, the homes will be valued using the Sales Comparison Approach to value to conclude on a retail base value for each plan, followed by a Discounted Cash Flow (“DCF”) Analysis due to the “bulk” or single ownership. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), any remaining land development costs and fees, the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. In the case of the individually owned homes, a concluded base value will be used for each plan

and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In addition, any resales will be taken into consideration. All of the value conclusions will take into consideration improvements funded by the Menifee CFD No. 2020-1 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

### **Market Data Discussion – Detached Residential Lots**

Remington Place consists of 236 individually owned homes, five model homes (all in escrow), 16 production homes over 95 complete (all in escrow) and one final production home under construction (former parking lot for models) which is in escrow. All lots have a 7,200 square foot minimum lot size. The home under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed improvement. We have searched the area and found the seven land sales summarized in the Addenda. A discussion of each in relation to the subject site is below.

**Land Sale No. 1** refers to the most recent residential land transaction in the area. Pulte Group purchased the site within the master plan of Stratford Ranch in Perris, about nine miles north of the subject property. The lands were unimproved with an approved final map for 90 lots with a minimum lot size of 6,000 square feet. Stratford Ranch includes 400+ acres of mixed-use land being developed by Mission Pacific who is selling off tracts to builders with Richmond American and Pulte purchasing land in the master plan along with IDI purchasing an industrial site for a logistics center. Pulte purchased the 90 lots for \$4,906,130 or \$54,513 per lot based on an estimated finished lot price of \$225,000 assuming a similar CFD. In comparison to the subject site, this site is considered to be slightly inferior in location (Perris median price home - \$504,772 - is 11 percent less than Menifee median price home - \$562,490), slightly inferior in lot size (6,000 minimum lots versus the subject's 7,200 square foot minimum) and, slightly inferior in condition. The subject lots are finished while this land was unimproved at time of sale. While finishing

costs are taken into consideration, there is additional risk associated with the development.

**Land Sale No. 2** refers to the purchase of 220 single family detached lots with a minimum lot size of 6,000 square feet located about two miles southeast of the subject site at the southeast corner of La Ventana Road and Simpson Road in the Winchester area of unincorporated Riverside County. Forestar (in a related purchase to D.R. Horton) purchased the 220 lots from Rancon in April 2022 for \$8,000,000 or for \$36,364 per lot based on a reported finished lot cost of \$213,000. The lands were essentially level, in an unimproved condition with an approved final map at time of sale. The reported finished lot price reflects a proposed CFD on the property similar to the subject's CFD. In comparison to the subject property, this location is considered to be slightly inferior due to condition and lot size. The site is unimproved, thus there is risk associated with the development of the site. In addition, the lots are minimum 6,000 square feet compared to the subject's 7,200 minimum square feet.

**Land Sale No. 3** refers to the sale of the property known as Rockport Ranch which is located at the southwest corner of Old Newport and Briggs Road about three miles south of the subject site within the City of Menifee. Lennar purchased the 79-acre property which is entitled for 305 lots, including a mix of cluster lots and conventional single-family lots ranging from 5,000 to 6,500 square foot. The new community will be gated and include amenities of two lakes, a pool, park, social club and open space areas and will include a CFD similar to the subject property. Lennar purchased the site from the Abacherli Family for \$5,500,000 which equates to \$18,033 per lot based on reported finished lot prices ranging from \$181,000 for the cluster lots, \$205,000 for the 5,000 square foot lots, \$208,000 for the 6,000 square foot lots and \$213,000 for the 6,500 square foot lots. The high development costs are due to the requirement of the lakes and amenities within the project. The property sold in an unimproved condition with an approved tentative tract map. The community will have a similar CFD as the subject with similar overall tax rates. In comparison to the subject property, this transaction is considered to be similar in location however inferior in lot size and inferior due to the raw land nature of this site.

While costs are taken into account in our analysis, the risk associated with the development of the site is not.

**Land Sale No. 4** refers to the purchase of the north and final phase of the Braverde master planned community in Winchester. Global Investment Pool entitled and sold the property located along the north side of Wickert Road, just west of Leon about five miles south of the subject. The lots were in a partially finished condition at time of sale. Richmond American Homes purchased the first phase of Braverde in November 2020 for \$33,334,000 or \$133,336 per lot based on a reported finished lot of \$185,000. They then purchased the second phase in November 2021 (Land Sale No. 4) for \$41,685,876 or \$159,716 per lot based on a reported finished lot price of \$215,000. It is believed the increase is due to the appreciation in the subject market between November 2020 and November 2021. Braverde has a similar CFD to the subject property. In comparison to the subject property, these lots are considered to be slightly inferior due to the lot size (5,000 minimum square feet versus the subject's 7,200 minimum square feet).

**Land Sale No. 5** refers to the sale of 129 single family detached lots located southwest of Domenigoni Parkway and Rice Road in Winchester about 4.5 miles southeast of the subject property. D.R. Horton purchased the 6,000 square foot lots in an unimproved condition with approved mapping from SR Conestoga LLC for \$5,600,000 or \$42,411 per lot based on a reported finished lot price of \$202,000. The property is located within a planned CFD with similar overall proposed tax rates to the subject property. D.R. Horton is planning their community known as North Sky on the site. In comparison to the subject property this location is considered to be slightly inferior as the lots are smaller (6,000 square foot compared to the subject's 7,200 minimum square foot lots) and in condition as it is unimproved land. While costs are taken into account, there is risk associated with the grading of a site.

**Land Sale No. 6** refers to the purchase of 756 lots known as Cimarron Ridge, located about 3.5 miles west of the subject property at the northwest corner of Valley Boulevard and Chambers Avenue in Menifee. The site was entitled and mass graded prior to the Great Recession then sat for many years due to both the economy and the hilly nature of

the site, which increased the cost of land development on the site. The recent appreciation in the marketplace made the property once again feasible to develop. Pulte Homes has purchased the 756 lots, ranging in size from 5,000 to 10,000 square feet, from Van Daele Homes. Van Daele rough graded the property prior to sale along with mapping the site. Pulte purchased the site in July 2021 for \$47,000,000 or \$62,169 per lot based on a reported finished lot price of \$185,000, assuming a similar CFD to the subject. In comparison to the subject property this site is inferior in number of lots (this would be considered a bulk sale which would suggest a discount) and in condition. While finishing costs are taken into account, there is risk associated with developing raw land.

**Land Sale No. 7** pertains to the May 2021 closing of 175 single family detached lots with a minimum lot size of 6,000 square feet known as Parkside, located northwest of Scott Road and Lindemberger Road in Menifee, about six miles south of the subject property. Meritage Homes purchased the site in an unimproved condition with an approved tentative tract map for \$7,200,000 or \$41,143 per lot based on an estimated finished lot amount of \$170,000 assuming a similar CFD on the property. The site is generally level at surrounding streets; however, Lindemberger Road is an unpaved road at the site increasing the land development costs. While this transaction closed in May 2021, it was negotiated approximately two years prior. In comparison to the subject property this site is considered inferior in date of sale (negotiation) and the unpaved access and the raw land condition of the site (risk associated with the development) along with a slightly smaller minimum lot size.

The chart on the following page summarizes the considerations used in adjusting the market data to the subject lot.

Data No.	Location	Date of Sale	Lot Size	Finished Lot Price	Comparison to Subject
1	Perris	11/22	6,000	\$225,000	Inferior – Condition, Location & Lot Size
2	Winchester	4/22	6,000	\$213,000	Inferior – Condition & Lot Size
3	Menifee	12/21	Cluster – 5,500	\$181,000 - \$213,000	Inferior – Condition & Lot Size
4	Winchester	10/21	5,000 – 7,000	\$215,000	Slightly Inferior – Lot Size
5	Winchester	8/21	6,000	\$202,000	Inferior – Condition & Lot Size
6	Menifee	7/21	5,000 – 10,000	\$185,000	Inferior – No. of Lots & Condition
7	Menifee	5/21	6,000	\$170,000	Inferior – Condition, Lot size and Date of Negotiation

The market data has an overall finished lot range from \$170,000 to \$225,000. Data No. 1, at the high end of the range refers to the most recent sale in an inferior location. When reviewing the sales, there is a clear appreciation shown between May 2021 and November 2022. When pairing Data Numbers 2 and 5 it suggests there was a 5 percent increase between August 2021 and April 2022. When pairing Data Nos. 3 (large lots only) and Data No. 7, it suggests there was a 25 percent increase between May 2021 and December 2021. The largest lots within Data No. 3 which sold for \$213,000 finished are considered to be the most similar to the subject property, however this transaction closed in December 2021. The decrease in housing prices in the past few months due to the significant increase in interest rates is suggesting that residential land prices may decrease, however we haven't seen that in the market data yet. While residential land transactions in the Menifee area have slowed and some stopped, we do not have evidence of a decrease in pricing at this time. The latest sale occurred in November 2022 for a property with slightly smaller lots (6,000 sf versus the subject's 7,200 square feet) and in an inferior location in Perris. The above market data is considered to be good.

We have concluded that the subject lots have a current market value of \$220,000 for the minimum 7,200 square foot lots. As discussed under the Property Description Section, there are remaining costs associated with developing the subject property into true finished lots. These costs are estimated at \$20,455 per lot. The value conclusion for the final lot within Remington Place is calculated below:

1 Lot x \$220,000	\$ 220,000
Less: Remaining Costs	(20,455)
Current Value for Remaining Lot	<b><u>\$ 199,545</u></b>

### **Retail House Valuations**

Due to the single ownership of multiple houses by Lennar including model homes and production homes over 95 percent complete, a Discounted Cash Flow (“DCF”) analysis is needed in order to arrive at a bulk value for the homes. First, a retail value for each plan will be concluded followed by a DCF for the builder-owned lots, which will take into account the absorption time to sell off the houses, the costs associated with selling off the homes and any remaining costs owed by the builder. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value. The DCF analyses will be followed by a reporting of the concluded values for the individually owned homes using the concluded base retail value for each plan with a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes and considering any re-sale market data.

Remington Place consists of 236 individually owned homes, five model homes (five in escrow), 16 production homes over 95 complete (all in escrow), and one home under construction (in escrow). The home under construction has been valued above. The 21 builder-owned homes over 95 percent complete (including five model homes) are being addressed in this section with a separate valuation for each plan.

Below is a summary of the floor plans within both Trailhead and Westward in Remington Place. A listing of the improved residential comparable properties is located in the Addenda of this report. All of the improved residential properties are located within Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no closed resale and one current resale listing within Remington Place. The plans are detailed on the following page.



\*One of each of these plans is a model home. In addition to the above, there is one home under construction. NG stands for NextGen, representing a floorplan features a first-floor suite separate entrance and living area. There is one home under construction which is not shown in the table above that is owned Lennar.

The most appropriate

Remington Place by Lennar					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Trailhead</b>					
1	4 / 2	1 / 2	1,769	29	0
2	3 / 2	1 / 2	1,912	28	1*
3	4 / 2	1 / 2	2,131	29	1*
4	5 / 3.5	1 / 2	2,767	27	2*
5	4 / 2	1 / 2	2,051	8	0
Subtotal Trailhead				121	4
<b>Westward</b>					
1	4 / 3	2 / 2	2,590	33	5
2	5 / 3	2 / 3	3,423	32	6*
3 (NG)	7 / 4.5	2 / 3	4,134	30	6*
4	5 / 3.5	1 / 2	2,767	20	0
Subtotal Westward				115	17
<b>Total Remington Place</b>				<b>236</b>	<b>21</b>

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new home comparable data for Trailhead Plan 1 are shown below.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	4 / 2	1 / 2	1,769	--
1	2	3 / 2	1 / 2	1,912	\$264.85
3	2	3 / 2	1 / 2	1,620	\$303.70
3	3	4 / 2	1 / 2	1,846	\$274.10
4	1	3 / 2	1 / 2	1,891	\$271.28
7	4	4 / 2	1 / 2	1,779	\$314.78
7	5	3 / 2	1 / 2	1,860	\$305.37
9	1	4 / 3	1 / 2	1,898	\$289.25

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$264.85 to \$314.78 per square foot with generally, the smaller sized homes at the high-end of the price per square foot range and the larger sized homes at the low-end of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Trailhead Plan 1 had a final base asking price of \$267.33 per square foot. There have been 29 closings of Plan 1 with sales prices ranging from \$247.54 to \$316.28 per square foot with the latest sale closing at \$265.68 per square foot. There are currently no escrows of Plan 1. It should be noted that the reported sales prices include

upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Trailhead Plan 1 has a base current market value of \$265.00 per square foot. This calculates as follows:

$$1,769 \text{ sf} \times \$265.00 = \$468,785$$

The most appropriate new home comparable data for Trailhead Plan 2 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	3 / 2	1 / 2	1,912	--
1	1	4 / 2	1 / 2	1,769	\$267.33
3	3	4 / 2	1 / 2	1,846	\$274.10
4	1	3 / 2	1 / 2	1,891	\$271.28
4	2	4 / 2	1 / 2	2,035	\$257.49
5	1	3 / 2	1 / 2	2,091	\$247.25
6	1	3 / 2	1 / 2	2,099	\$247.73
7	5	3 / 2	1 / 2	1,860	\$305.37
9	1	4 / 3	1 / 2	1,898	\$289.25

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$247.25 to \$305.37 per square foot with generally the smaller sized homes at the high-end of the price per square foot range and the larger sized homes at the low-end of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Trailhead Plan 2 had a final base asking price of \$264.85 per square foot. There have been 28 closings of Plan 2 with sales prices ranging from \$226.67 to \$303.04 per square foot. There are currently two escrows of Plan 2 with a sales price range of \$268.10 to \$271.93 per square foot, the higher of which represents the Trailhead Plan 2 model home. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded

value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Trailhead Plan 2 has a base current market value of \$260.00 per square foot. This calculates as follows:

$$1,912 \text{ sf} \times \$260.00 = \$497,120$$

The most appropriate new home comparable data for Trailhead Plan 3 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	4 / 2	1 / 2	2,131	--
1	2	3 / 2	1 / 2	1,912	\$264.85
1	5	4 / 2	1 / 2	2,051	\$254.95
4	2	4 / 2	1 / 2	2,035	\$257.49
4	3	4 / 2	1 / 2	2,206	\$238.44
5	1	3 / 2	1 / 2	2,091	\$247.25
5	2	3 / 2	1 / 2	2,329	\$232.28
6	1	3 / 2	1 / 2	2,099	\$247.73
6	2	4 / 2	1 / 2	2,381	\$225.53
10	1	3 / 2	1 / 2	2,191	\$244.63

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$225.53 to \$264.85 per square foot with the smallest sized home at the high-end of the price per square foot range. Trailhead Plan 3 had a final base asking price of \$246.08 per square foot. There have been 29 closings of Plan 3 with sales prices ranging from \$214.55 to \$284.06 per square foot. There is currently one escrow with a sales price of \$259.69 per square foot, which represents the Trailhead Plan 3 model home. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Trailhead Plan 3 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$2,131 \text{ sf} \times \$245.00 = \$522,095$$

The most appropriate new home comparable data for Trailhead Plan 4 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	4	5 / 3.5	1 / 2	2,767	--
2	1	4 / 3	2 / 2	2,590	\$196.23
2	4	5 / 3.5	1 / 2	2,767*	\$216.26
5	3	4 / 2	1 / 2	2,628	\$213.47
5	4	4 / 2.5	1 / 2	2,913	\$201.16
6	3	4 / 2	1 / 2	2,621	\$209.84
6	4	4 / 2.5	1 / 2	2,906	\$198.90
8	2	4 / 3	2 / 2	2,673	\$191.62
9	5	4 / 3.5	2 / 2	2,617	\$233.47
10	3	3 / 2.5	1 / 3	2,462	\$230.70

\*Trailhead Plan 4 is the same plan as Westward Plan 4.

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$191.62 to \$233.47 per square foot with generally the smaller sized homes at the high-end of the price per square foot range and the larger sized homes at the low-end of the price per square foot range. Due to the limited large single-story homes, we have included a few two-story homes in this analysis. Two-story homes are generally lower on a price per square foot basis. This is typical due to the economies of scale which are obtained during construction. Trailhead Plan 4 had a final base asking price of \$213.73 per square foot. There have been 27 closings of Plan 4 with sales prices ranging from \$177.56 to \$234.56 per square foot. There are currently two escrows of Plan 4 with a sales price of \$224.43 per square foot (which represents the Trailhead Plan 4 model home) and one at \$234.03 per square foot. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been

concluded that Trailhead Plan 4 has a base current market value of \$210.00 per square foot. This calculates as follows:

$$2,767 \text{ sf} \times \$210.00 = \$581,070$$

The most appropriate new home comparable data for Trailhead Plan 5 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	5	4 / 2	1 / 2	2,051	--
1	2	3 / 2	1 / 2	1,912	\$264.85
1	3	4 / 2	1 / 2	2,131	\$246.08
3	3	4 / 2	1 / 2	1,846	\$274.10
4	2	4 / 2	1 / 2	2,035	\$257.49
5	1	3 / 2	1 / 2	2,091	\$247.25
6	1	3 / 2	1 / 2	2,099	\$247.73
9	1	4 / 3	1 / 2	1,898	\$289.25
10	1	3 / 2	1 / 2	2,191	\$244.63

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price less concessions range from \$244.63 to \$289.25 per square foot with the smallest sized home at the high-end of the price per square foot range. Trailhead Plan 5 had a final base asking price of \$254.95 per square foot. There have been eight closings of Plan 5 with sales prices ranging from \$225.06 to \$279.40 per square foot. There are currently no escrows of Plan 5. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Trailhead Plan 5 has a base current market value of \$257.00 per square foot. This calculates as follows:

$$2,051 \text{ sf} \times \$257.00 = \$527,107$$

The most appropriate new home comparable data for Westward Plan 1 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	1	4 / 3	2 / 2	2,590	--
1	4	5 / 3.5	1 / 2	2,767	\$213.73
3	6	4 / 3	2 / 2	2,454	\$222.49
4	5	4 / 2.5	2 / 2	2,544	\$218.55
8	2	4 / 3	2 / 2	2,673	\$191.62
9	3	4 / 3.5	2 / 2	2,435	\$245.17
9	4	5 / 3	2 / 2	2,537	\$235.31
9	5	4 / 3.5	2 / 2	2,617	\$233.47

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$191.62 to \$245.17 per square foot with generally the smaller sized homes at the high-end of the price per square foot range and the larger sized homes at the low-end of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Westward Plan 1 had a final base asking price of \$196.23 per square foot. There have been 33 closings of Plan 1 with sales prices ranging from \$190.42 to \$239.77 per square foot. There are currently five escrows of Plan 1 with a sales price range of \$194.03 to \$207.30 per square foot. The lowest escrow is the It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Westward Plan 1 has a base current market value of \$195.00 per square foot. This calculates as follows:

$$2,590 \text{ sf} \times \$195.00 = \$505,050$$

The most appropriate new home comparable data for Westward Plan 2 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	5 / 3	2 / 3	3,423	--
2	3 (NG)	6 / 4.5	2 / 3	4,134	\$164.26
4	7	5 / 3	2 / 2	3,086	\$199.28

8	3	5 / 3	2 / 3	3,010	\$190.57
8	4 (NG)	6 / 4.5	2 / 3	4,134	\$174.88
11	2 (NG)	5 / 3.5	2 / 3	3,047	\$201.51
11	3 (NG)	5 / 3.5	2 / 3	3,237	\$162.18

\*(NG) stands for Next Gen – representing a floorplan with a first-floor full suite option.

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$162.18 to \$201.51 per square foot with generally, the smaller sized homes at the high-end of the price per square foot range and the larger sized homes at the low-end of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Westward Plan 2 had a final base asking price of \$179.49 per square foot. There have been 32 closings of Plan 2 with sales prices ranging from \$153.64 to \$207.43 per square foot. There are currently six escrows of Plan 2 with a sales price range of \$172.36 to \$206.75 per square foot. The escrows include the Westward Plan 2 model which is priced at \$190.60 per square foot. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Westward Plan 2 has a base current market value of \$172.00 per square foot. This calculates as follows:

$$3,423 \text{ sf} \times \$172.00 = \$588,756$$

The most appropriate new home comparable data for Westward Plan 3 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	6 / 4.5	2 / 3	4,134	--
2	2	5 / 3	2 / 3	3,423	\$179.49
4	7	5 / 3	2 / 2	3,086	\$199.28
8	3	5 / 3	2 / 3	3,010	\$190.57
8	4 (NG)	6 / 4.5	2 / 3	4,134	\$174.88
11	2 (NG)	5 / 3.5	2 / 3	3,047	\$201.51
11	3 (NG)	5 / 3.5	2 / 3	3,237	\$162.18

\*(NG) stands for Next Gen – representing a floorplan with a first-floor full suite option.

The subject home is a NextGen home which includes a separate living area for another generation with its own entrance. The Westward Plan 3 is the largest home of all of the comparables. All of the new homes are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$162.18 to \$201.51 per square foot with generally the smaller sized homes at the high-end of the price per square foot range. Plan 3 had a final base asking price of \$164.26 per square foot. There have been 30 closings of Plan 3 with sales prices ranging from \$140.23 to \$207.16 per square foot. There are currently six escrows with a sales price range of \$164.07 to \$186.43 per square foot with the highest priced escrow the model home. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. There is one Westward Plan 3 home listed for re-sale at the time of the appraisal; 27175 Endion Court is a 5 bed, 5-bathroom, 4,134 square foot NextGen home currently priced at \$708,000 or \$171.26 per square foot. The home appears to have been listed for sale in July of 2022 for \$850,000 (\$205.61 per square foot) after the buyer closed in January of 2022 for \$819,000 (\$198.11). It then had a \$50,000 price decrease at the end of July, and a second \$50,000 at the end of August. It was contingent for a short period, then continued smaller price decreases until the current price of \$708,000 (as of November 8, 2022). The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis, as well as the current resale listing. It has been concluded that Plan 3 has a base current market value of \$160.00 per square foot. This calculates as follows:



$$4,134 \text{ sf} \times \$160.00 = \$661,440$$

The most appropriate new home comparable data for Westward Plan 4 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	4	5 / 3.5	1 / 2	2,767	--
2	1	4 / 3	2 / 2	2,590	\$196.23
1	4	5 / 3.5	1 / 2	2,767*	\$213.73
4	6	4 / 2.5	2 / 2	2,773	\$205.19
5	3	4 / 2	1 / 2	2,628	\$213.47
5	4	4 / 2.5	1 / 2	2,913	\$201.16
6	3	4 / 2	1 / 2	2,621	\$209.84
6	4	4 / 2.5	1 / 2	2,906	\$198.90
8	2	4 / 3	2 / 2	2,673	\$191.62
9	5	4 / 3.5	2 / 2	2,617	\$233.47
10	3	3 / 2.5	1 / 3	2,462	\$230.70

\*Westward Plan 4 is the same Plan as Trailhead Plan 4.

All new home comparables are located within Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price less concessions range from \$191.62 to \$233.47 per square foot with the smallest sized home at the high-end of the price per square foot range. Westward Plan 4 had a final base asking price of \$216.26 per square foot. There have been 20 closings of Plan 4 with sales prices ranging from \$181.89 to \$234.56 per square foot. There are currently no escrows of Plan 4. It should be noted that the reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. The increase in base pricing from project opening followed by the decrease since May 2022 is taken into consideration in our analysis. It has been concluded that Westward Plan 4 has a base current market value of \$210.00 per square foot. This calculates as follows:

$$2,767 \text{ sf} \times \$210.00 = \$581,070$$

### Builder-Owned Retail Value

Within Remington Place there are 21 builder-owned homes over 95 percent complete which includes five model homes. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-for-dollar basis. Based on actual sales information of the subject model homes and the current real estate market, a consideration of a \$25,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes are calculated as follows:

#### Trailhead:

Plan 1 (0 x \$468,785)	\$ 0
Plan 2 (1 x \$497,120)	497,120
Plan 3 (1 x \$522,095)	522,095
Plan 4 (2 x \$581,070)	1,162,140
Plan 5 (0 x \$527,107)	0

#### Westward:

Plan 1 (5 x \$505,050)	\$ 2,525,250
Plan 2 (6 x \$588,756)	3,532,536
Plan 3 (6 x \$661,440)	3,968,640
Plan 4 (0 x \$581,070)	0
Model Upgrades (5 x \$25,000)	<u>125,000</u>
Retail Value	<u>\$12,332,781</u>

### Absorption Period

In order to arrive at an absorption period for the 21 builder-owned homes, the absorption rate for the subject neighborhoods along with the surrounding developments has been reviewed. Remington Place opened in August 2020 and there have been 258 sales (final sale in October 2022) suggesting an average absorption of 10.75 homes per month between both projects. The sales rates per community are 5.5 within Trailhead and 4.8 within Westward. These rates are considered to be very good. All of the 21 builder-owned homes are in escrow with closings scheduled in the next month or so as the homes are finalized. Taking into consideration the product and concluded sales prices along with the current escrows and current market conditions, it is the appraiser's opinion that the 21 builder-owned homes will be absorbed within a four-month period at the concluded values.

### Remaining Costs

As discussed under the property description section above, there is \$20,455 per lot remaining for land development costs associated with the builder-owned property. For the 21 builder-owned homes, this equates to \$429,555 (\$20,455 x 21) in remaining costs. For analysis purposes this will be spread evenly over the four-month absorption period.

### Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Due to possible buy-downs of interest and help with closing costs in the current market, an eight percent marketing cost is estimated along with two percent for general and administrative costs for a total of ten percent in expenses for this analysis.

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the Great Recession, this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improves, so does the profits. This appears to have occurred as prices increased since opening; however, the market is now slowing with prices decreasing. A twelve percent profit is considered appropriate in the analysis for this project.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the Menifee area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject property

The homes within Remington Place began selling in August 2020 with the product being well received in the marketplace. Based on the sales rate within the subject project, the competition, the product and location, a ten percent discount rate is considered appropriate for this analysis.

#### Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in addenda) for the builder-owned homes is \$9,001,701.

#### Builder Ownership Valuation

The builder-owned homes within Remington Place consists of five models along with 16 production homes over 95 percent complete and one home under construction (valued based on a finished lot) owned by Lennar. The final valuation of the Lennar owned property is:

1 Lot	\$ 199,545
21 Houses	<u>9,001,701</u>
<b>Total Lennar Ownership</b>	<b><u>\$ 9,201,246</u></b>

#### Individual Owned Homes Valuation Conclusion

There are 236 individually owned homes within Remington Place. Based on the concluded value for each plan, the individually owned homes are valued as:

<u>Trailhead:</u>	
Plan 1 (29 x \$468,785)	\$ 13,594,765
Plan 2 (28 x \$497,120)	13,919,360
Plan 3 (29 x \$522,095)	15,140,755
Plan 4 (27 x \$581,070)	15,688,890
Plan 5 (8 x \$527,107)	4,216,856
<u>Westward:</u>	
Plan 1 (33 x \$505,050)	\$ 16,666,650
Plan 2 (32 x \$588,756)	18,840,192
Plan 3 (30 x \$661,440)	19,843,200
Plan 4 (20 x \$581,070)	<u>11,621,400</u>
<b>Total Individual Owned</b>	<b><u>\$129,532,068</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the Remington Place neighborhood. Closings for the 236 homes occurred between January 4, 2021 and November 10, 2022. The reported closing prices by the builder for the individually owned homes total \$138,492,904. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. The concluded values are 6.5 percent lower than the actual sales prices. When reviewing the actual sales prices to the base prices, the actual base prices of the homes total was \$134,582,732 which suggests each buyer paid an average of over \$16,500 more per home which is lower than typical. The lower upgrade and option purchases is partially due to Lennar's Everything's Included sales program. Our concluded value is 3.8 percent lower than the actual base prices. This is due to the increase in pricing since opening followed by the decrease in pricing over the past six months, coupled with a possible increase in concessions to close by year-end. The builder's fiscal year-end is November 30, 2022 which creates incentive for them to close homes before that date. Of the 22 homes in escrow, 21 are projected to close prior to November 30th. While all plans have had increases in their base pricing upwards of 10 percent, the trajectory of the market is currently down. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

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## APPRAISAL REPORT SUMMARY

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The appraisal assignment was to value the subject property which is within the boundaries of Menifee CFD No. 2020-1. The property is being developed into the community of Remington Place with two neighborhoods known as Trailhead and Westward, both by Lennar. Remington Place has been well received in the marketplace and both neighborhoods sold out.

Remington Place includes a total of 258 single-family proposed homes with 236 closed to individuals and the remaining 22 all in escrow. We have reviewed the builder sales and reviewed the areas Multiple Listing Service. Our search resulted in no resale homes and one current listing of a resale home within the subject property. All homes appear to be in excellent condition with no depreciation apparent. The 258 home closings occurred between January 4, 2021 and November 10, 2022. There are five models and 16 production homes over 95 percent complete, all in escrow and due to close within the next month or so. The final home (previous the model complex parking lot) is under construction and also in escrow with the closing estimated in February 2023.

The subject property was valued using the Sales Comparison Approach to value and a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation took into account the improvements/benefits to be funded by the both of the Menifee CFD No. 2020-1 bond series proceeds, along with the Menifee CFD No. 2020-1 special tax lien. As a result of our investigation, the concluded market value for the subject property is:

### **Remington Place**

Lennar Ownership (21 houses and 1 lot)	\$ 9,201,246
Individual Owners (236 houses)	<u>129,532,068</u>
<b>Total Aggregate Value Menifee CFD No. 2020-1</b>	<b><u>\$138,733,314</u></b>

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 10, 2022.

## APPRAISER'S CERTIFICATION

The appraiser certifies that to the best of his knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed appraisal services on the subject property in the past three years. An appraisal was completed in November with an October 8, 2021 date of value for the Menifee CFD 2020-1 first series of bonds sold in early 2022 along with a supplement to the appraisal completed January 3, 2022 with a date of value of December 1, 2021.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



Kitty S. Siino, MAI  
State Certified General  
Real Estate Appraiser (AG004793)

# **ADDENDA**



**CITY OF MENIFEE CFD NO. 2020-1**  
**BOUNDARY MAP**

**PROPOSED BOUNDARY MAP**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(MCCALL MESA)**  
**CITY OF MENIFEE,**  
**COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

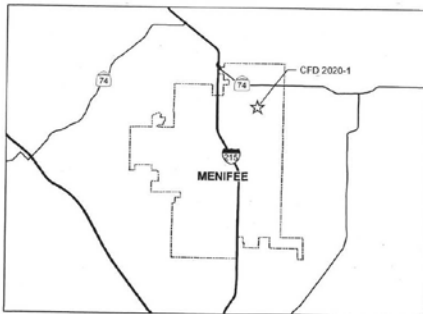
SHEET 1 OF 1 SHEET

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2020-1 (MCCALL MESA), CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MENIFEE AT A REGULAR MEETING THEREOF, HELD ON 20th DAY OF May, 2020, BY RESOLUTION NO. 20-891

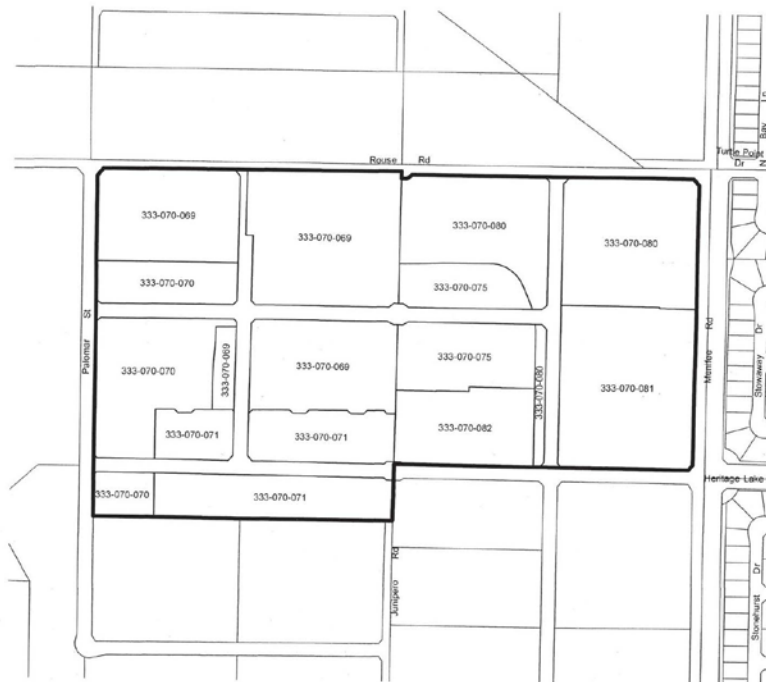
  
 CITY CLERK  
 CITY OF MENIFEE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF MENIFEE,  
 THIS 21st DAY OF May, 2020

  
 CITY CLERK  
 CITY OF MENIFEE



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2019-20.



0 375 750 1,500 Feet

RECORDED THIS 28 DAY OF May, 2020, AT THE HOUR OF 2:47 O'CLOCK P.M. IN BOOK 95, PAGE 28, OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: \$9.00 NO.: 2020-0326590  
 PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY:   
 DEPUTY

**LEGEND**

— CFD BOUNDARY  
 — PARCEL LINE  
 XXX-XXX-XXX ASSESSOR PARCEL NUMBER



**TRACT MAP NO. 31098**

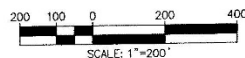
IN THE CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

# TRACT NO. 31098

BEING A SUBDIVISION OF LOTS 933 THROUGH 942, INCLUSIVE, LOTS 960 THROUGH 963, INCLUSIVE, AND LOTS 972 THROUGH 975, INCLUSIVE, OF ROMOLA FARMS NO. 10, AS SHOWN BY MAP ON FILE IN BOOK 15, PAGES 29 THROUGH 31, INCLUSIVE, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

**Michael Baker**  
INTERNATIONAL  
**SHEET INDEX MAP**

DATE OF SURVEY: FEBRUARY, 2019



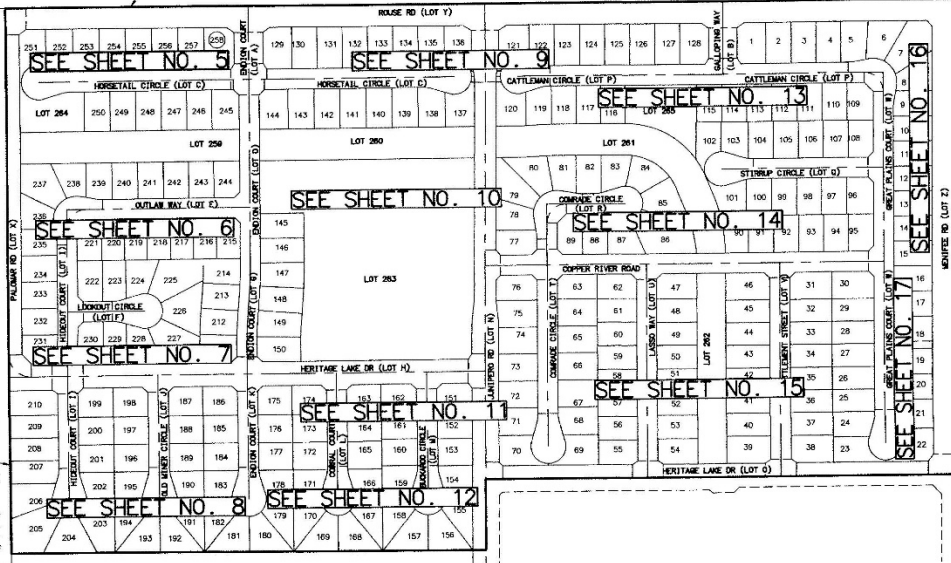
SEE SHEET 2 FOR BASIS OF BEARINGS, OLD NOTE, C.C.R. NOTE, DRAINAGE NOTE, AND ENVIRONMENTAL CONSTRAINT NOTE.

SEE SHEET 3 FOR SURVEYOR'S NOTES, MONUMENT NOTES, AND REFERENCE NOTES.

C/L ROUSE ROAD

C/L PALOMAR ROAD

C/L MENIFEE ROAD



SHEET 4 OF 17 SHEETS

## EASEMENT NOTES:

OIL, GAS, MINERALS, AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, THE RIGHT TO ENTER UPON THE SURFACE ON, IN, UNDER OR ACROSS THE SAME AND SUBSURFACE TO A DEPTH OF 500.00 FEET MEASURED IN A VERTICAL DIRECTION FROM THE EARTH'S SURFACE OF SAID LAND FOR THE EXPLORATION, DEVELOPING, EXTRACTING OR REMOVING ANY OIL, GAS OR OTHER HYDROCARBON OR MINERALS FOUND THEREIN AS RESERVED IN DEEDS RECORDED MAY 21, 1981, AS INSTRUMENT NOS. 92857 AND 92858 BOTH OF OFFICIAL RECORDS.

AN EASEMENT FOR POLE LINES AND CONDUITS AND INCIDENTAL PURPOSES, IN FAVOR OF SOUTHERN SIERRA POWER COMPANY, RECORDED MAY 11, 1928 IN BOOK 765 OF DEEDS, PAGE 183. THE LOCATION OF THE EASEMENT CANNOT BE DETERMINED FROM RECORD INFORMATION.

RIGHTS OF WAY, RESERVATIONS, COVENANTS, CONDITIONS AND RESTRICTIONS AS CONTAINED IN VARIOUS DEEDS OF RECORD FROM ALEXANDER HURSH, ROMOLA, INCORPORATED, AMONG THEM BEING DEEDS RECORDED SEPTEMBER 13, 1928 IN BOOK 779, PAGE 392, APRIL 4, 1929 IN BOOK 803, PAGE 578, MAY 10, 1929 IN BOOK 813, PAGE 230, DECEMBER 29, 1930 IN BOOK 865, PAGE 73, MARCH 26, 1931 IN BOOK 16, PAGE 338, AUGUST 17, 1927 IN BOOK 730, PAGE 296 OF DEEDS. THE LOCATION OF THE EASEMENT CANNOT BE DETERMINED FROM RECORD INFORMATION.

AN EASEMENT FOR TEMPORARY DRAINAGE AND INCIDENTAL PURPOSES, IN FAVOR OF HERITAGE SQUARE MENIFEE, LLC, RECORDED APRIL 30, 2018 AS INSTRUMENT NO. 2018-0166493 OF OFFICIAL RECORDS. THE LOCATION OF THE EASEMENT CANNOT BE DETERMINED FROM RECORD INFORMATION.

- ① AN EASEMENT FOR UNDERGROUND CONDUITS, MAN-HOLES, PEDESTALS, CABLES, WIRES AND APPURTENANCES AND INCIDENTAL PURPOSES, RECORDED AUGUST 21, 1974 AS INSTRUMENT NO. 107600 OF OFFICIAL RECORDS, IN FAVOR OF GENERAL TELEPHONE COMPANY OF CALIFORNIA, A CORPORATION.
- ② A IRREVOCABLE OFFER OF DEDICATION PER DECLARATION OF DEDICATION FOR PUBLIC ROAD, PUBLIC UTILITY AND INCIDENTAL PURPOSES, RECORDED JANUARY 19, 1979 AS INSTRUMENT NO. 14203, ABANDONED HEREON.
- ③ AN EASEMENT FOR PUBLIC ROAD, DRAINAGE, INCLUDING PUBLIC UTILITY, PUBLIC SERVICES AND INCIDENTAL PURPOSES, RECORDED AUGUST 7, 1981 AS INSTRUMENT NO. 81-020846 OF OFFICIAL RECORDS, IN FAVOR OF COUNTY OF RIVERSIDE, ABANDONED HEREON.
- ④ AN EASEMENT FOR PUBLIC ROAD, DRAINAGE, INCLUDING PUBLIC UTILITY, PUBLIC SERVICES AND INCIDENTAL PURPOSES, RECORDED AUGUST 7, 1981 AS INSTRUMENT NO. 81-020847 OF OFFICIAL RECORDS, IN FAVOR OF COUNTY OF RIVERSIDE, ABANDONED HEREON.
- ⑤ AN EASEMENT FOR ROAD AND PIPELINES AND INCIDENTAL PURPOSES, RECORDED JUNE 14, 1982 AS INSTRUMENT NO. 82-101527, IN FAVOR OF EASTERN MUNICIPAL WATER DISTRICT, PARTIALLY OBTAINED PER DOCUMENT RECORDED DECEMBER 20, 2019 AS INSTRUMENT NO. 2019-0528807 OF OFFICIAL RECORDS.
- ⑥ DRAINAGE EASEMENT TO ROMOLA SCHOOL DISTRICT PER THE TERMS, PROVISIONS AND EASEMENT(S) CONTAINED IN THE DOCUMENT ENTITLED "DRAINAGE EASEMENT" RECORDED MAY 14, 2004 AS INSTRUMENT NO. 2004-0364231 OF OFFICIAL RECORDS.
- ⑦ AN OFFER OF DEDICATION TO RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT FOR FLOOD CONTROL FACILITIES AND INCIDENTAL PURPOSES, RECORDED JANUARY 17, 2007 AS INSTRUMENT NO. 2007-0036546, ABANDONED HEREON.
- ⑧ AN EASEMENT TO SOUTHERN CALIFORNIA EDISON COMPANY FOR PUBLIC UTILITIES AND INCIDENTAL PURPOSES, RECORDED MAY 2, 2008 AS INSTRUMENT NO. 2008-0228672 OF OFFICIAL RECORDS.
- ⑨ INDICATES A DRAINAGE EASEMENT IN FAVOR OF THE CITY OF MENIFEE DEDICATED HEREON.
- ⑩ INDICATES A PUBLIC UTILITY EASEMENT IN FAVOR OF THE CITY OF MENIFEE DEDICATED HEREON.
- ⑪ INDICATES A STORM DRAIN, WATER QUALITY AND LANDSCAPE EASEMENT IN FAVOR OF THE CITY OF MENIFEE DEDICATED HEREON.
- ⑫ INDICATES AN EASEMENT FOR WATER, SEWER AND RECYCLED WATER PURPOSES IN FAVOR OF EASTERN MUNICIPAL WATER DISTRICT DEDICATED HEREON.
- ⑬ INDICATES AN EASEMENT FOR OPEN SPACE, TRAILS AND DRAINAGE PURPOSES IN FAVOR OF THE CITY OF MENIFEE DEDICATED HEREON.
- ⑭ INDICATES AN EASEMENT FOR MAINTENANCE PURPOSES IN FAVOR OF THE CITY OF MENIFEE DEDICATED HEREON.

SECTION 23, T.5S., R.3W., S.

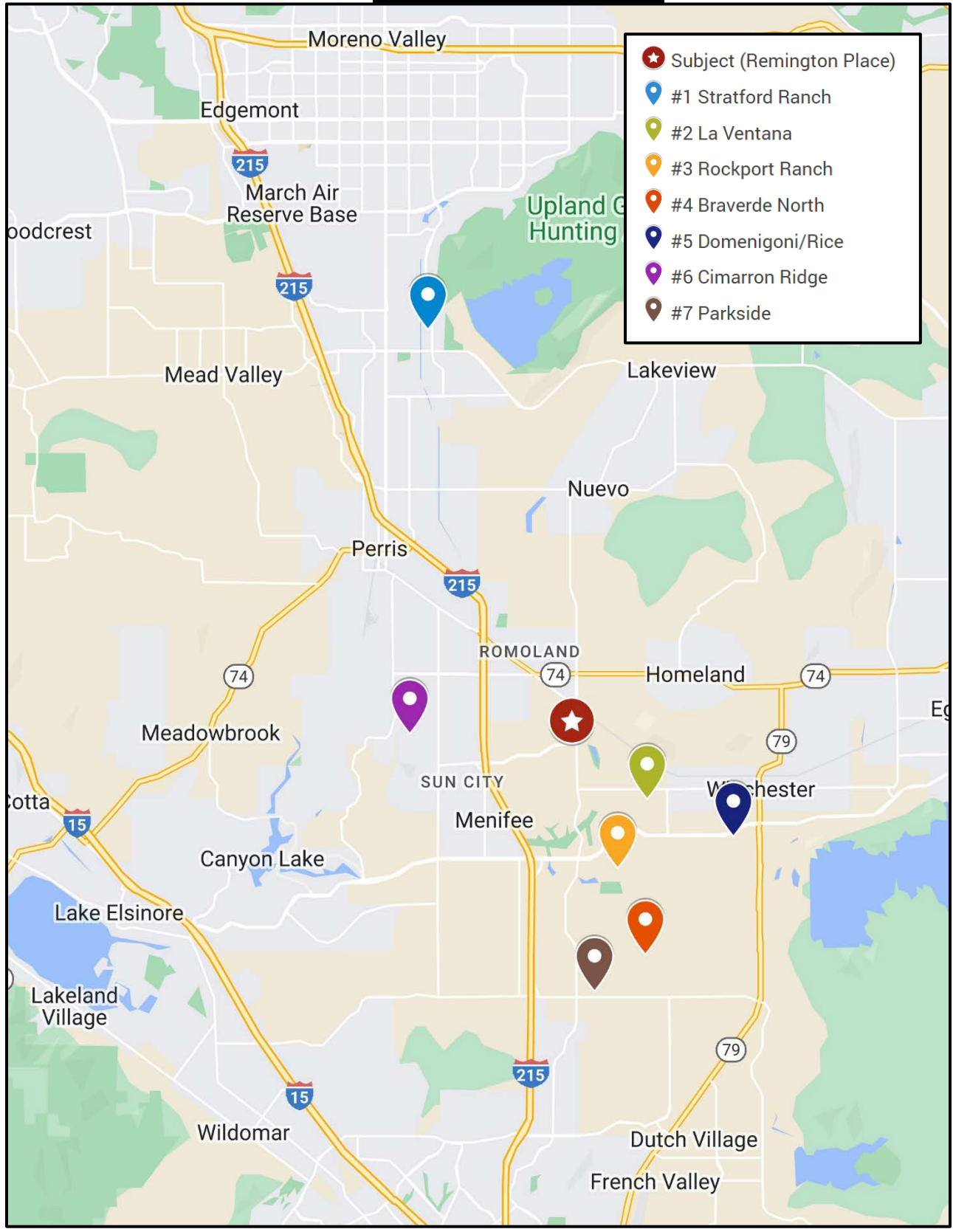
# **DISCOUNTED CASH FLOW ANALYSIS**

**City of Menifee Remington Place - Builder-Owned Houses Disc. Cash Flow Analysis**

MONTH	Months	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>MONTH 4</u>	<u>TOTAL</u>
	4					
INCOME:						
Retail Sales	12,332,781	\$3,083,195	\$3,083,195	\$3,083,195	\$3,083,195	\$12,332,781
TOTAL INCOME		<u>\$3,083,195</u>	<u>\$3,083,195</u>	<u>\$3,083,195</u>	<u>\$3,083,195</u>	<u>\$12,332,781</u>
EXPENSES:						
Remaining Costs		(\$107,388)	(\$107,389)	(\$107,389)	(\$107,389)	(\$429,555)
Marketing & Carrying Expenses	10%	(\$308,320)	(\$308,320)	(\$308,320)	(\$308,320)	(\$1,233,278)
Profit	12%	<u>(\$369,983)</u>	<u>(\$369,983)</u>	<u>(\$369,983)</u>	<u>(\$369,983)</u>	<u>(\$1,479,934)</u>
TOTAL EXPENSES		(\$785,691)	(\$785,692)	(\$785,692)	(\$785,692)	(\$3,142,767)
NET CASH FLOW		\$2,297,504	\$2,297,503	\$2,297,503	\$2,297,503	\$9,190,014
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	<u>0.9673</u>	
DISCOUNTED CASH FLOW		\$2,278,517	\$2,259,685	\$2,241,010	\$2,222,489	\$9,001,701
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$2,278,517</u>	<u>\$4,538,202</u>	<u>\$6,779,211</u>	<u>\$9,001,701</u>	<u>\$9,001,701</u>

**RESIDENTIAL LAND SALES MAP**  
**& SUMMARY CHART**

## Residential Land Sales Map



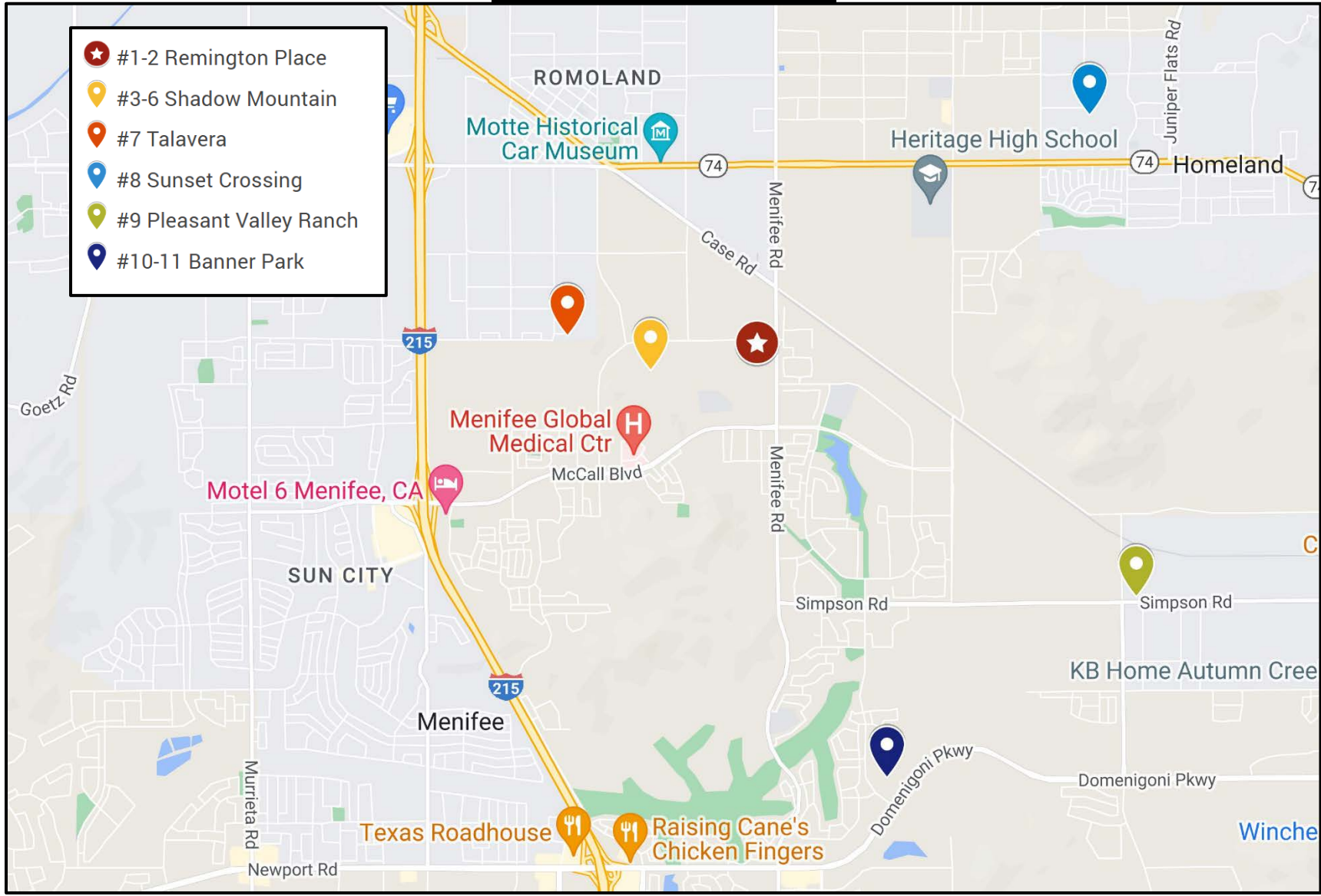


### **FINISHED LOT LAND SALES SUMMARY CHART**

<b>Data No.</b>	<b>Location / APN / Buyer / Seller</b>	<b>Sales Date</b>	<b># Lots</b>	<b>Lot Size</b>	<b>Sales Price / Price per Lot</b>	<b>Est. Finished Lot Price</b>	<b>Comments</b>
1	Stratford Ranch, Evans Road and Ramona Expressway, Perris / 302-150-049 / Pulte Group / Mission Pacific	11 / 22	90	6,000	\$4,906,130 \$54,513	\$225,000	Closed with an approved Final Map in an unimproved condition.
2	La Ventana, N. of Olive Avenue and La Ventana Road, Winchester / 461-460-008 / Forestar (D.R Horton OBS partner) / Rancon	4 / 22	220	6,000	\$8,000,000 \$36,364	\$213,000	Closed with a recorded Final Map in an unimproved condition.
3	Rockport Ranch, SWC of Briggs Road and Old Newport Road, Menifee / 364-190-004 / Lennar / Abacherli Family	12 / 21	305	Cluster – 6,500	\$5,500,000 / \$18,033	\$181,000 - \$213,000	Closed in an unimproved condition with an approved tentative tract map.
4	Braverde North, S of Garbani Road and La Ventana Lane, Menifee / 466-210-029 / Richmond American / IHP	10 / 21	261	5,000 – 7,000	\$41,685,876 / \$159,716	\$215,000	Closed with an approved Final Map in a Finished Lot Condition
5	Domenigoni/Rice / SW of Domenigoni Parkway and Rice Road, Winchester / 461-383-023 / D.R. Horton / SR Conestoga LLC	8 / 21	129	6,000	\$5,600,000 / \$43,411	\$202,000	Closed in unimproved condition with a Recorded final map.
6	Cimarron Ridge, NWC of Valley Boulevard & Chambers Avenue, Menifee / 330-220-016 / Pulte Homes / Van Daele Homes	7 / 21	756	5,000 - 10,000	\$47,000,000 / \$62,169	\$185,000	Closed in rough graded condition with an approved final map.
7	Parkside, NW of Scott Road & Lindenberger Road, Menifee / 372-160-006 / Meritage Homes / KGK Riverside Properties	5 / 21	175	6,000 - 10,000	\$7,200,000 / \$41,143	\$170,000	Closed in unimproved condition with an approved tentative tract map.

**IMPROVED RESIDENTIAL SALES MAP**  
**& SUMMARY CHART**

### Improved Residential Sales Map



### IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Floors/ Parking	Size (SF)	Lot Size or Density / Absorption	Base Sales Price	Price/SF
1	Trailhead at Remington Place / Menifee Road and Rouse Road, Menifee / Lennar	1	4 / 2	1 / 2	1,769	7,200 sf lots 5.5 sales/mo	\$472,900	\$267.33
		2	3 / 2	1 / 2	1,912		\$506,400	\$264.85
		3	4 / 2	1 / 2	2,131		\$524,400	\$246.08
		4	5 / 3.5	1 / 2	2,767		\$591,400	\$213.73
		5	4 / 2	1 / 2	2,051		\$522,900	\$254.95
2	Westward at Remington Place / Menifee Road and Rouse Road, Menifee / Lennar	1	4 / 3	2 / 2	2,590	7,200 sf lots 4.8 sales/mo	\$508,233	\$196.23
		2	5 / 3	2 / 3	3,423		\$614,400	\$179.49
		3 (NG)	6 / 4.5	2 / 3	4,134		\$679,050	\$164.26
		4	5 / 3.5	1 / 2	2,767		\$598,400	\$216.26
3	Oak Shade at Shadow Mountain / SW of Palomar Road and Rouse Road, Menifee / KB Home	1	3 / 2	1 / 2	1,472	7,200 sf lots 8.9 sales/mo	\$481,990	\$327.44
		2	3 / 2	1 / 2	1,620		\$491,990	\$303.70
		3	4 / 2	1 / 2	1,846		\$505,990	\$274.10
		4	4 / 3	2 / 2	1,977		\$515,990	\$261.00
		5	4 / 3	2 / 2	2,219		\$529,990	\$238.84
		6	4 / 3	2 / 2	2,454		\$545,990	\$222.49
4	Persano at Shadow Mountain / NW of Palomar Road and Rouse Road, Menifee / KB Home	1	3 / 2	1 / 2	1,891	8,000 sf lots 4.8 sales/mo	\$512,990	\$271.28
		2	4 / 2	1 / 2	2,035		\$523,990	\$257.49
		3	4 / 2	1 / 2	2,206		\$525,990	\$238.44
		4	4 / 3	1 / 2	2,358		\$555,990	\$235.79
		5	4 / 2.5	2 / 2	2,544		\$555,990	\$218.55
		6	4 / 2.5	2 / 2	2,773		\$568,990	\$205.19
		7	5 / 3	2 / 2	3,086		\$614,990	\$199.28
5	Indigo at Shadow Mountain / SW of Palomar Road and Rouse Road, Menifee / KB Home	1	3 / 2	1 / 2	2,091	8,000 sf lots 3.4 sales/mo	\$516,990	\$247.25
		2	3 / 2	1 / 2	2,329		\$540,990	\$232.28
		3	4 / 2	1 / 2	2,628		\$560,990	\$213.47
		4	4 / 2.5	1 / 2	2,913		\$585,990	\$201.16
6	Durango at Shadow Mountain / SW of Palomar Road and Rouse Road, Menifee / KB Home	1	3 / 2	1 / 2	2,099	8,000 sf lots 6.3 sales/mo	\$519,990	\$247.73
		2	4 / 2	1 / 2	2,381		\$536,990	\$225.53
		3	4 / 2	1 / 2	2,621		\$549,990	\$209.84
		4	4 / 2.5	1 / 2	2,906		\$577,990	\$198.90

7	Talavera / NEC Dawson Road and Rouse Road, Menifee / KB Home	1	3 / 2	1 / 2	1,392	7,200 sf lots 4.2 sales/mo	\$536,990	\$385.77
		2	3 / 2	1 / 2	1,479		\$544,990	\$368.49
		3	3 / 2	1 / 2	1,575		\$540,990	\$343.49
		4	4 / 2	1 / 2	1,779		\$559,990	\$314.78
		5	3 / 2	1 / 2	1,860		\$567,990	\$305.37
8	Outlook at Sunset Crossing / Highway 74 and Leon Road, Homeland / Lennar	1	4 / 3	2 / 2	2,203	8,000 sf lots 1.3 sales/mo	\$486,315	\$220.75
		2	4 / 3	2 / 2	2,673		\$512,200	\$191.62
		3	5 / 3	2 / 3	3,010		\$573,609	\$190.57
		4 (NG)	6 / 4.5	2 / 3	4,134		\$722,970	\$174.88
9	Pleasant Valley Ranch / NEC Simpson Road and Leon Road, Winchester / D.R. Horton	1	4 / 3	1 / 2	1,898	9,000 sf lots 8.0 sales/mo	\$548,990	\$289.25
		2	4 / 3.5	2 / 2	2,239		\$567,990	\$253.68
		3	4 / 3.5	2 / 2	2,435		\$596,990	\$245.17
		4	5 / 3	2 / 2	2,537		\$596,990	\$235.31
		5	4 / 3.5	2 / 2	2,617		\$610,990	\$233.47
10	Heritage at Banner Park / Domenigoni Pkwy and Lindenberger Road, Menifee / Pulte Homes	1	3 / 2	1 / 2	2,191	6,000 sf lots 4.4 sales/mo	\$535,990	\$244.63
		2	3 / 2.5	1 / 2	2,311		\$548,990	\$237.56
		3	3 / 2.5	1 / 3	2,462		\$567,990	\$230.70
11	Crest at Banner Park / Domenigoni Pkwy and Lindenberger Road, Menifee / Pulte Homes	1	4 / 2.5	2 / 3	2,845	6,000 sf lots 4.5 sales/mo	\$548,990	\$192.97
		2 (NG)	5 / 3.5	2 / 3	3,047		\$613,990	\$201.51
		3 (NG)	5 / 3.5	2 / 3	3,237		\$524,990	\$162.18

## **APPRAISER'S QUALIFICATIONS**

## QUALIFICATIONS OF KITTY S. SIINO, MAI

### Education

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-Graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and taking the Comprehensive Exam. Became a Member of the Appraisal Institute in December 1996. Have completed over 100 hours of continuing education through the Appraisal Institute every five years.

### Employment

1988 - Present:

Self-Employed Real Estate Appraiser. Duties include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. More complex assignments include easements, right-of-ways and special assessment districts. From 1996 to present, specialized in special assessment districts and community facilities districts appraisals for public entities, including Jurupa Community Services District, Corona Norco Unified School District, City of Corona, City of Chula Vista, City of San Marcos and City of Moreno Valley.

1986-1988:

Project Manager of Development for Ferguson Partners, Irvine, California. Duties included land acquisitions; review of fee appraisals and valuations; analysis of proposed development; planning and design; and management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986

Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with cities in forming new Assessment Districts and Community Facilities Districts to finance major infrastructure improvements. Types of properties were apartments and single-family residential lots on a for sale basis to apartment and homebuilders.

1980 - 1981

Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties, working with appraisals of properties and analyzing the investments.

#### Licenses

Real Estate Sales Person, State of California, 1980  
Certified General Appraiser, State of California (#AG004793)

#### Organizations

MAI #11145 - The Appraisal Institute

#### Public Financing

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2022

Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy Program, February 2009 and March 2011