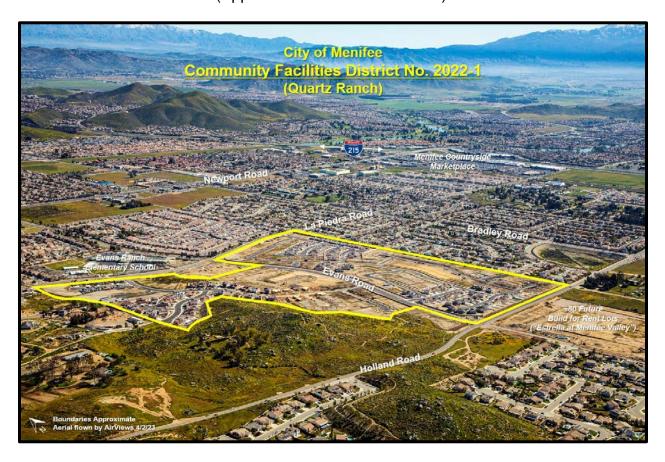
APPRAISAL REPORT

COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE CITY OF MENIFEE (Quartz Ranch by Lennar)

City of Menifee, Riverside County, California (Appraiser's File No. 2022-1278)



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

May 24, 2023

Margarita Cornejo, Acting Chief Financial Officer City of Menifee 29844 Haun Road Menifee, California 92586

Reference: Appraisal Report – City of Menifee

Community Facilities District No. 2022-1 (Quartz Ranch)

Quartz Ranch by Lennar (2023 Bond Financing)

Menifee, California

Dear Ms. Cornejo:

At the request and authorization of the City of Menifee, we have completed an Appraisal Report for Community Facilities District No. 2022-1 (Quartz Ranch) of the City of Menifee ("Menifee CFD No. 2022-1"). Menifee CFD No. 2022-1 consists of a new home community known as Quartz Ranch by Lennar Homes of California, LLC ("Lennar"). Quartz Ranch includes a total of 379 proposed single-family detached homes within three neighborhoods known as: Meadow Walk at Quartz Ranch ("Meadow Walk"), Ridgeline at Quartz Ranch ("Ridgeline"), and Canyon View at Quartz Ranch ("Canyon View"). Meadow Walk includes 158 proposed homes, with five plans ranging in size from 1,823 to 2,590 square feet, and has closed 23 completed homes to individuals, with an additional 19 homes in escrow. Ridgeline includes 96 proposed homes, with four plans ranging in size from 1,950 to 2,767 square feet, and has closed 29 completed homes to individuals, with an additional 20 homes in escrow. Canyon View includes 125 proposed homes, features the largest homes with four plans ranging in size from 2,649 to 4,134 square feet, and has closed 30 completed homes to individuals, with an additional 23 homes in escrow. The remainder of the lots are owned by Lennar and range from models to production homes over 95 percent to production homes under construction and finished and partially finished lots.

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. 2022-1 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. 2022-1. As a result of our investigation, the concluded market value for the subject property is:

Quartz Ranch

Lennar Ownership (262 lots & 35 houses) \$ 51,372,171 Individual Owners (82 houses) 42,548,514 Total Aggregate Value Menifee CFD No. 2022-1 \$ 93,920,685

Margarita Cornejo CITY OF MENIFEE May 17, 2023 Page 2

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of April 10, 2023.

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 the 2023 series of Menifee CFD No. 2022-1 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.

Kitty S. Siino, MAI

California State Certified General Real Estate Appraiser (AG004793)

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ADDENDA

CFD No. 2022-1 Boundary Map Tract Map Nos. 28786, 28791, 28792, 28793, and 28794 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. 2022-1.
- 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.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

- 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. 2022-1 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and/or benefits to the subject property, which are to be funded by the 2023 series of the Menifee CFD No. 2022-1 Special Tax Bond proceeds, are completed and in place or have accrued to the property.

EXTRAORDINARY ASSUMPTION

- 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. We have reviewed sample sales against public records in order to verify the sales information. However, we are not experts in cost estimating and if the cost estimates change, it may change the value conclusions.
- 2. It is an extraordinary assumption that the construction of the park within Quartz Ranch will not slow the construction or the obtaining of building permits or certificates of occupancy within the community. There is a condition of approval that 223 of the 379 building permits may be pulled prior to the park having undergone a 90-day maintenance with the City. Per the builder, the park is estimated to be completed on June 1, 2023, followed immediately by the 90-day maintenance period and is estimated to be turned over to the City on September 1, 2023. Per the builder, this should not slow construction or absorption of the homes.

Manifes CED No. 2022 4 (Quarter Danah), 2022 Series Bands



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 the 2023 series of the City of Menifee CFD No. 2022-1 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property is located south of La Piedra Road on both the east and west sides of Evans Road in Menifee. It is encompassed by Menifee CFD No. 2022-1 and is proposed for 379 single-family detached homes spread over five tract maps (Tract Map Nos. 28786, 28791, 28792, 28793, and 28794) being built out as Quartz Ranch by Lennar. The 379 lots encompass three product lines: Meadow View at Quartz Ranch, Ridgeline at Quartz Ranch, and Canyon View at Quartz Ranch. As of the date of value of this report, Quartz Ranch (including all three product lines) has a total of 82 completed homes closed to individuals, eight model homes (none in escrow), 27 homes over 95 percent complete (all in escrow), 65 houses under construction (35 in escrow and due to close upon completion), and 197 additional finished and/or partially finished lots (none in escrow). The status and ownership of the lots are detailed on the following page:

Manifes CED No. 2022 4 (Quarte Danck), 2022 Caring Bands

Quartz Ranch by Lennar:

Description	No. Lots	Owner	Condition/Status				
Meadow Walk at Quartz Ranch (Lots 36-44 of Tract 28786; Lots 3-73 of Tract 28792; Lot 79 of							
Tract 98792; Lots 1-77 of Tract 28793)							
Lots 21-36, 53-54 of Tract 28792; Lots 1,	23	Individuals	Completed Homes				
17-19, 21 of Tract 28793							
Lots 38-40 of Tract 28786	3	Lennar	Model Homes (0 in escrow)				
Lots 2-4, 12-16 of Tract 28793	8	Lennar	Over 95% Complete (8 in				
			escrow)				
Lot 79 of Tract 28792; Lots 5-11, 20, 22-	25	Lennar	Under Construction (11 in				
32, 73-77 of Tract 28793			escrow)				
Lots 36-37, 41-44 of Tract 28786; Lots 3-	99	Lennar	Finished Lots (0 in escrow)				
20, 37-52, 55-73 of Tract 28792; Lots 33-							
72 of Tract 28793							
Meadow Walk Subtotal	158						
Ridgeline at Quartz Ranch (Lots 47-49 of	Tract 28786	; Lots 1-80 of	Tract 28791; Lots 1-2, 74-78,				
80-85 of Tract 28792)							
Lots 5-12, 14-16, 18-19, 21-36 of Tract	29	Individuals	Completed Homes				
28791							
Lots 47-49 of Tract 28786	3	Lennar	Model Homes (0 in escrow)				
Lots 13, 17, 20 of Tract 28791; Lots 1-2,	11	Lennar	Over 95% Complete (11 in				
80-85 of Tract 28792			escrow)				
Lots 52-60 of Tract 28791; Lots 74-78 of	14	Lennar	Under Construction (9 in				
Tract 28792		escrow)					
Lots 1-4, 37-51, 61-80 of Tract 28791	<u>39</u>	Lennar	Finished Lots (0 in escrow)				
Ridgeline Subtotal	96						
Canyon View at Quartz Ranch (Lots 1-37,	41-46, 50-7	2 of Tract 287	'86; Lots 1-65 of Tract 28794)				
Lots 1-24, 57-61, 72 of Tract 28786	30	Individuals	Completed Homes				
Lots 45-46 of Tract 28786	2	Lennar	Model Homes (0 in escrow)				
Lots 62-64, 67-71 of Tract 28786	8	Lennar	Over 95% Complete (8 in				
			escrow)				
Lots 65-66 of Tract 28786; Lots 1-14, 27-	26	Lennar	Under Construction (15 in				
35, 65 of Tract 28794			escrow)				
Lots 25-35, 50-56 of Tract 28786; Lots 15-	<u>59</u>	Lennar	Finished Lots (0 in escrow)				
26, 36-64 of Tract 28794							
Canyon View Subtotal	125						
Menifee CFD No. 2022-1 Total	379						

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Menifee, will utilize this report in disclosure documents associated with selling the 2023 bonds for Menifee CFD No. 2022-1 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.

DEFINITIONS

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."1

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.

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; however, does take into consideration concessions given by the builder."

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¹ The Appraisal of Real Estate, 13th Edition

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"²

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 the 2023 series of bonds for Menifee CFD No. 2022-1.

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"

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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² USPAP 2020-2021 Edition

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest, subject to easements of record and the 2023 series of Menifee CFD No. 2022-1 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."

EFFECTIVE DATE OF VALUE

The subject property is valued as of April 10, 2023.

DATE OF REPORT

The date of this report is May 24, 2023.

SCOPE OF APPRAISAL

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. 2022-1
- 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 379 proposed single-family houses within three neighborhoods. There are 82 homes completed and closed to individuals, eight models (none in escrow), 27 homes over 95 percent complete (all in escrow), 65 homes under construction (35 in escrow), and 197 additional finished/partially finished lots (none in escrow). 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."

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:

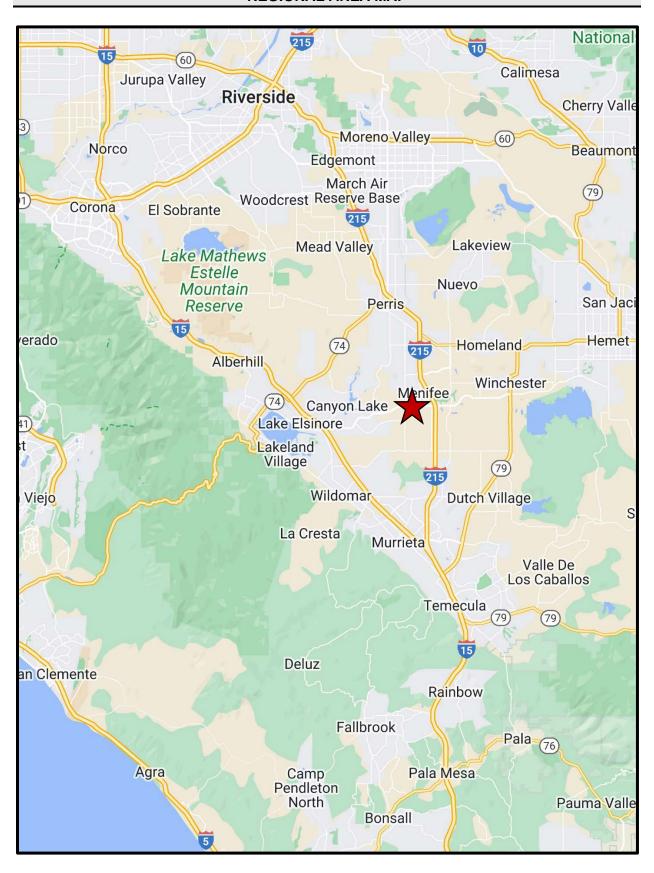
- 1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
- 2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County and the Menifee area.
- 3. Inspected the subject property between March 15, 2023 and April 20, 2023.
- 4. Had the property flown for an aerial photograph on April 2, 2023.
- 5. Interviewed representatives from the builders to obtain available information on the subject property.
- 6. Reviewed Preliminary Title Reports on the subject property.
- 7. Reviewed a Soils Report on the property.
- 8. Reviewed the City of Menifee General Plan Land Use Map, Zoning Map, Specific Plan, tentative map/site plan and recorded Tract Maps regarding entitlements and allowances on the subject site.

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³Dictionary of Real Estate Appraisal, 4th Edition, 2002

- 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. 2022-1.
- 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") west of I-215 and south of Newport Road in 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 east of I-15, west of I-215, south of Newport Road and north of Scott Road, on the south side of La Piedra Road at Evans Road 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 seven miles northwest 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 1.5 miles east, 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 40 miles northwest of the subject in San Bernardino County. In addition, the 60 Freeway runs in an east-west direction approximately 18 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 35 miles northwest of the subject property while the Orange County Airport is located approximately 38 miles west and the San Diego International Airport is located about 64 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 July 1, 2022 County population was 2.438 million, representing a one-year increase of 0.28 percent. This compares to an average annual growth rate over the past thirteen years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. It should be noted however, California's overall population decreased 0.54 percent during the past year. 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 1.6 percent over the next seven years. The current growth of 0.28 percent is lower than the previous twelve-year annual average of about 0.8 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 February 2023, the national inflation rate was 6.0 percent, down from the peak in June 2022 of 9.1 percent and compared to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of the Russian/Ukraine war, 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 also affected the economy.

In an effort to curb inflation, the Federal Reserve Board began raising interest rates. Since March 2022, there have been eight interest rate increases rising the Federal Funds Rate ("FRR") from 0.25-0.50 percent to 4.75-5.00 percent. The increases have begun to slow inflation which has made the last three rate hikes lower than the majority of the increases of the past 14 months. The December 2022 increase was slightly lower than the previous four 0.75 percent increases at 0.50 percent, while the January and March 2023 increases were 0.25 percent each. The FRR increases over the past 14 months have 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; however, the rate has dropped to 6.28 percent as of April 6, 2023 (per Federal Reserve Economic Data-St. Louis). This steep increase has significantly affected the real estate market.

In addition to increasing the 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 reduced the size of the Board's balance sheet and further restricted credit activity in an effort to slow inflation. In September 2022, the monthly amount of quantitative tightening doubled, which is estimated to be equivalent to additional interest rate increases on the economy. Current estimates are for quantitative tightening to slow in summer of 2023.

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 has hit historical highs, resulting in the Board raising interest rates. Both factors have caused a drop in the DJIA of nearly nine percent from January 2022 to April 10, 2023 (33,541).

The significant increase in mortgage rates over the past year is just one part of the puzzle demonstrating the impact of new 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 Inland Empire 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 Inland Empire 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 supply of re-sale 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. However, the past year has seen a significant slowdown in sales and softening of prices with the Inland Empire showing a year over year decrease in sales as of February 2023 of almost 50 percent. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger percentage of the total home sales; however, new home sales are also down year over year.

While most jobs have come back, job losses were significant during the COVID recession with the Nation's unemployment rate going from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the March 2023 National unemployment rate (latest available) at 3.6 percent (Employment Development Department, not seasonally adjusted). The Congressional Budget Office ("CBO") Forecast for the U.S. Economy (published February 2023) stated that the federal budget deficit will be \$1.4 trillion in 2023, then will average \$2.0 trillion per year for the following nine years. They forecast that Real GDP growth will come to a halt in 2023 then will average 2.4 percent from 2024 to 2027 and then 1.8 percent between 2028 to 2033. The CBO states they expect unemployment rates to rise through early 2024 reflecting the slowdown in economic growth. They are concerned by the debt ceiling which was reached in January of 2023; however, the Treasury is taking extraordinary measures which will keep the government funded until this summer. If the ceiling is not raised or suspended before the extraordinary measures are exhausted, the government would have to delay making payments for some activities or default on its debt obligations. In summation, for 2023 the CBO projects stagnant output, rising unemployment, gradually slowing inflation and interest rates to remain at or above their current levels. They believe that in 2023 non-interest spending will substantially exceed revenues with rising interest rates driving up the cost of borrowing which results in the government debt steadily increasing. Over the long term, they suggest changes in fiscal policy to address the rising costs of interest and mitigate other adverse consequences of high and rising debt. In the past few weeks two large U.S. banks have failed with another more recently in trouble. This has put pressure on the banking system with government intervention occurring to continue the public's faith in the country's banking system. At this time, it is too early to tell what effects this will have on the economy.

Prior to the COVID-19 pandemic, the Nation was enjoying 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 4.5 percent (as of February 2023 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 March 2023, Riverside County's unemployment rate was 465 and San Bernardino County had a 4.5 percent unemployment rate. The current unemployment rate for the MSA of 4.5 percent is slightly lower than the California rate at 4.8 percent and slightly higher than the March 2023 National rate of 3.6 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of March 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Mar-2023	5.0%
Riverside County	Mar-2023	4.6%
San Bernardino County	Mar-2023	4.5%
Orange County	Mar-2023	3.4%
San Diego County	Mar-2023	3.7%

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

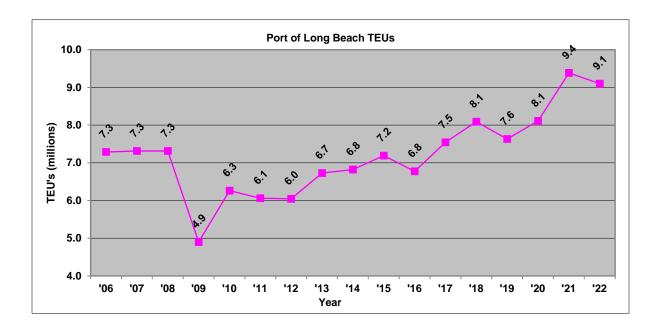
The latest UCLA Anderson Forecast ("Forecast") was issued March 15, 2023 and stated that the potential action by the Federal Reserve will determine whether the nation continues to grow or experiences a mild, short-lived recession in 2023. They believe the economy is at a recession-related fork in the road with one path leading to continued economic growth (although slower than the recent 2.4 percent growth rate) and the other would lead to a mild short-lived recession. Whether the economy slips into recession or not will depend largely on inflation stickiness and the additional action the Federal Reserve takes to bring down inflation. The Forecast states that if the Federal Reserve

moderates its aggressive tightening, economic growth is expected to slow to 2.3 percent growth in first quarter 2023; 1.8 percent in 2nd quarter and 1.0 percent growth for the second half of 2023. If the Federal Reserve keeps aggressively tightening, a mild recession will occur with the economy contracting beginning in the third quarter 2023 and deepening in the fourth quarter 2023 and the first quarter 2024 followed by the beginning of a rebound. The Forecast states under both scenarios, inflation will still be elevated but will be more persistent in the recession scenario requiring tighter monetary policy. They believe both outcomes will include persistent inflation with the no-recession scenario resulting in lower inflation and thus, more moderate monetary policy.

The UCLA Forecast for California is more positive than the overall Nation due to a strong demand for defense goods, labor saving equipment and software. In the no-recession scenario unemployment rate averages by year are estimated at 4.0 percent for 2023, 3.9 percent for 2024 and 3.6 percent for 2025. In the recession scenario, unemployment rate averages are expected to be 4.3 percent for 2023, 4.8 percent for 2024 and 3.7 percent for 2025. Under both scenarios the California Forecast projects housing permits to grow to 150,000 in 2025 in spite of the higher interest rates. The fact that the California housing market is not overbuilt will offset the decrease in the housing market. Overall, the Forecast believes that California will have a more moderate slowing or, in the case of a recession, a milder downturn than the U.S. overall.

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 2022 calendar year saw a decrease of 2.6 percent from the previous year. February 2023 is running 32 percent below February of 2022 (543,675 versus 796,560 total TEUs). It should be noted that February 2022 was a time when the back-up at the ports was still occurring due to supply chain issues. 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 appears that the slowdown in work for the dray operators (drivers who ship containers in and out of the ports) may be resulting from 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

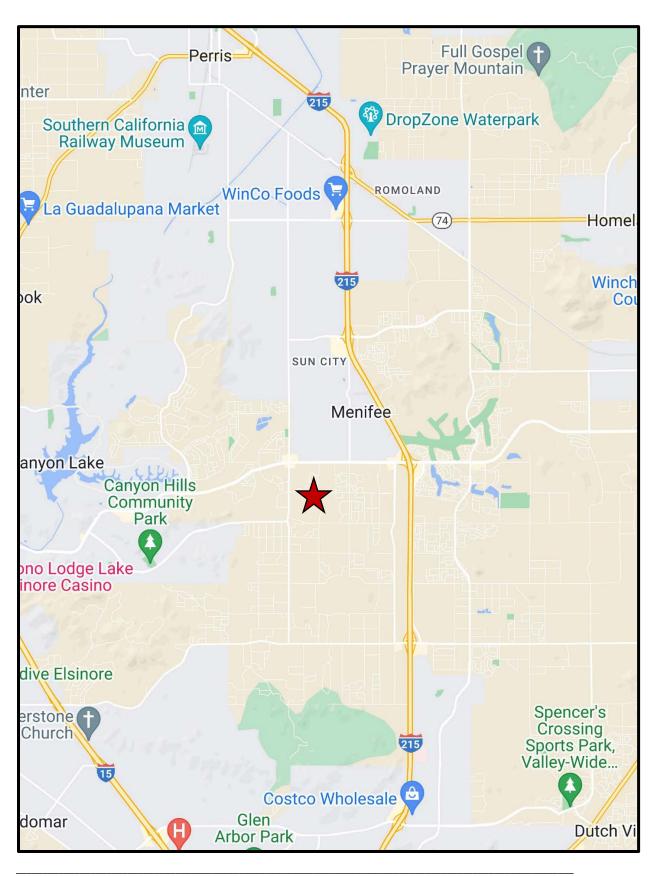
Menifee Union School District (K thru 8th) and the Perris Union High School District serve the subject area. The Menifee Union School District operates 11 elementary schools and

four middle schools, with two alternative schools and one preschool. Perris Union High School District covers a larger area than Menifee Union 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 quarter 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 contributing to severe inflation, which led to the Federal Reserve Board increasing interest rates. The FRR has significantly increased in the past 14 months which has more than doubled mortgage rates. Current concerns for 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. A possible light recession is forecast for later this year. What effect the recent bank failures will have on the economy is unknown at this time. 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, falling consumer confidence and other factors, there are some bumpy roads anticipated ahead.

MENIFEE AREA MAP



CITY OF MENIFEE DESCRIPTION

The subject property is located near the center 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 26th 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, area of Winchester and unincorporated lands to the north and unincorporated lands (portion known as the French Valley) 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 (most recent available), representing a growth of 2.9 percent year-over-year. This compares to the Riverside County past year's growth of 0.28 percent from July 2021 to July 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

planned communities such as Audie Murphy Ranch (recently built-out), Banner Park, Quartz Ranch (subject), Shadow Mountain, future development Legado (near I-215 and McCall) and Remington Place (recently sold out), 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 three 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, opening. Along the north side of Newport at Haun Road is a newer commercial area that houses the Menifee Union School District's administration building, the existing City Hall, a 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 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, which becomes Dominigoni Parkway east of 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 April 9, 2023 Ryness Report (a new home sales tracking and research company), there are 47 new home projects currently selling in the South Riverside submarket with 24 of the 47 new home projects located in Menifee. The average year to date sales rate per project for the week ending April 9, 2023 in the South Riverside submarket was 4.4 homes per month which is similar to the average 2021 sales rate per project was 4.3 sales per month.

In summary, the future growth of Menifee should continue. There are a significant number of new residential projects in Menifee, both currently selling 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.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

IMMEDIATE SURROUNDINGS

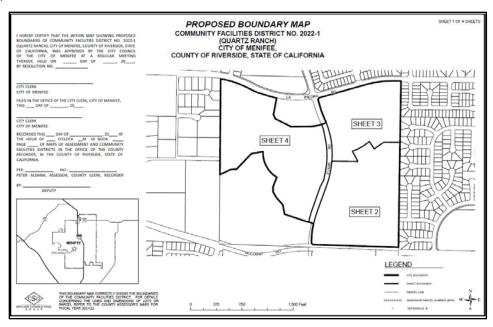
The subject site is located north of Holland Road, south of La Piedra Road along both sides of Evans Road in the central portion of the City, west of I-215 and south of Newport Road. The project has access both from I-215 and from I-15 via Canyon Hills Road which turns into Holland Road (via I-15) and Newport Road (via I-215). The area is generally made up of existing homes to the north and east and more rural existing homes along with vacant lands to the south and west. North of the subject across La Piedra Road is Evans Ranch Elementary School along with the Menifee Preschool. Menifee Town Center, a mixed-use master planned community is located about one mile northeast of the subject. The subject property was generally level at surrounding street grade it was purchased in a raw condition by Lennar in September of 2020.

Shopping is available to the community 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. There is an Aldi supermarket across from the Countryside Marketplace along with a Stater Brothers Market at Murrieta Road and Newport Road. At completion Menifee Town Center will include movie theaters, a bowling alley and retail shops, along with the future City Hall. Just north of Newport across from Menifee Town Center on Haun Road is commercial center which houses the existing City Hall for Menifee. In addition, there are several medical office buildings in this center. Approximately ten miles south is Promenade Temecula, a major shopping mall anchored by Macy's and JC Penney, located off the I-15 near the intersection of I-215 and Winchester Road (State Route 79). In addition to shopping and entertainment, the community is about 3.5 miles away from the Loma Linda University Medical Center.

The subject property is located within the Menifee Union School District (K-8th) and the Perris Union High School District (9th -12th). The community is served by Paloma Valley High School, less than one mile southeast of the subject; Menifee Valley Middle School located a little over one mile southwest of the subject; and, Evans Ranch Elementary School within walking distance from the subject (adjacent to the subject at the northwest corner of Evans Road and La Piedra Road).

CITY OF MENIFEE CFD NO. 2022-1

Menifee CFD No. 2022-1 was formed per the Resolution of Intention of the City Council of the City of Menifee dated April 6, 2022. Per the City of Menifee CFD No. 2022-1 CFD Report, the CFD is comprised of approximately 80 taxable acres within Tract Maps 28786, Tract 28791, Tract 29792, Tract 29793, and Tract 28794 which in total encompasses 379 single family detached lots proposed for 379 single family homes. The overall boundary map is shown below with a larger version of the overall map along with the additional Sheets 2, 3 and 4 located in the Addenda.



Per the CFD Report prepared by Spicer Consulting Group and dated May 18, 2022, the types of facilities that are proposed by Menifee CFD No. 2022-1 consist of the construction, purchase, modification, expansion, rehabilitation and/or improvement of (i) drainage, library, park, landscaping, roadway, traffic, administration and general government facilities, animal shelter facilities, fire and safety, law enforcement 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"); (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) interim and permanent school facilities of the Menifee Union School District, including

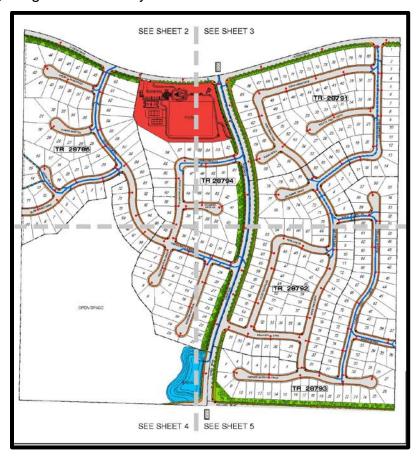
classrooms, mult-purpose facilities, administration and auxiliary space at school facilities, athletic fields, playgrounds and recreational facilities and improvements thereto, landscaping, access roadways, drainage, sidewalks and gutters and utility lines, furniture, equipment and technology, including technology upgrades and mobile devices and infrastructure therefore, with a useful life of at least five (5) years at such school facilities (the "School Facilities") (the City Facilities, the Water Facilities, and the School Facilities shall be referred to as the "Facilities"), and all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, testing, coordination, construction designing, materials staking, 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 \$3,441,017 for City Fees, \$5,654,550 for City Facilities, \$6,398,657 for Eastern Municipal Water District and \$3,279,405 for Menifee Union School District for a total eligible Fees/Improvements estimated at \$18,773,629 along with incidental Financing Costs estimated at \$2,951,371 for a total estimated Bond Proceeds of \$21,725,000.

Per the CFD Report, the Assigned Special Tax per developed unit ranges from \$2,781 to \$3,882 depending on the square footage of the home. It is the appraiser's understanding that this is the first of multiple bond issuances for City of Menifee CFD No. 2022-1. Per the latest sources and uses of funds dated May 4, 2023, they are projecting a bond par amount of \$11,100,000 along with a premium of \$217,757 which includes \$9,866,670 of project fund deposits, a debt service reserve fund of \$1,005,097 along with capitalized interest of \$79,490 and costs of issuance and underwriter's discount of \$366,500 (all estimated amounts subject to change). A larger copy of the City of Menifee CFD No. 2022-1 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 379 proposed single-family homes within the community known as Quartz Ranch being developed by Lennar. The 379 lots are divided among three single family detached neighborhoods within the Quartz Ranch community: Meadow Walk, Ridgeline and Canyon View.



Location: South side of La Piedra Road at Evans Road, and on both sides of

Evans Road, Menifee, California

Legal Description: Lots 1-72 of Tract No. 28786; Lots 1-80 of Tract No. 28791; Lots 1-

85 of Tract No. 28792; Lots 1-77 of Tract No. 28793; Lots 1-65 of Tract 28794, all located in City of Menifee, County of Riverside,

California.

Owner of Record: Individual owners as to: Lots 1-24, 57-61, 72 of Tract 28786; Lots 5-

12, 14-16, 18-19, 21-36 of Tract 28791; Lots 21-36, 53-54 of Tract 28792; and Lots 1, 17-19, 21 of Tract 28793. Lennar Homes of California, LLC as to: Lots 25-56, 62-71 of Tract 28786; Lots 1-4, 13, 17, 20, 37-80 of Tract 28791; Lots 1-20, 37-52, 55-85 of Tract 28792; Lots 2-16, 20, 22-77 of Tract 28793; and Lots 1-65 of Tract 28794.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

Kitty Siino & Associates, Inc.

Three-Year Sales History:

Lennar purchased the 379 lots from Pinehurst LLC in September 2020 for \$21,500,000 per public record documents. The property closed in an unimproved condition, with recorded tract maps. Of the 379 proposed homes, 82 homes have closed to individual homebuyers with closing dates between October 18, 2022 and March 31, 2023. As of April 10, 2023, an additional 62 proposed homes are in escrow and due to close upon completion.

Assessor's Parcel Numbers:

The subject 379 lots encompass Assessor's Parcel Numbers 360-890-016 through -034; 360-891-001 through-005; 360-900-001 through -017; 360-901-001 through -020; 360-902-001 through -011; 360-910-001 through -016; 360-911-001 through -013; 360-920-001 through -029; 360-921-001 through -006; 360-922-001; 360-930-001 through -017; 360-931-001 through -038; 360-932-001 through -025; 360-940-001 through -017; 360-941-001 through -006; 360-942-001 through -019; 360-943-001 through -004; 360-950-001 through -017; 360-951-001 through -016; 360-952-001 through -008; 360-953-001 through -012; 360-960-001 through -012; 360-961-001 through -008, -010 through -045; 360-962-001 through -005; and 360-963-001 through -002.

Property Taxes:

We have reviewed the Riverside County Tax Collector's 2022 tax bill for APN 360-902-003, a sample lot within Quartz Ranch. Per the tax collector the total 2022 property tax invoice is \$1,133.04 based on an assessed value of \$57,630.00 (which appears to not consider any improvements). The general-purpose taxes are \$576.30; the miscellaneous charges (includes Perris Union HS, Mt. San Jacinto Jr. College, MWD East, EMWD IMP U-35 and 36, and MWD East 1301999) total \$106.34; the special assessment for CFD 2015-2 is \$429.40 and for EMWD Infrastructures Availability Charge \$21.00. It appears there will be a supplemental tax invoice on the property which will include finishing costs of the land along with the improvements of the new house. In addition, CFD No. 2022-1 is not included on the tax invoice at this time. The overall property taxes are anticipated to be in the 1.8 – 2.0 percent range once all of the Menifee 2022-1 bonds are sold. This amount is typical for new homes in the subject market area.

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 118.882 gross acres and 89.361 net acres per recorded Tract Map Nos. 28786, 28791, 28792, 28793, and 28794. The difference between the gross and net acreage includes internal streets, several linear open space/landscaping lots, surrounding streets and setback areas, and

a 5.52-acre park (known as Lot 66) located in Tract 28794, which is not included within the CFD boundary lines.

Zoning:

Per the City of Menifee Land Use Map, the subject site is shown as the Newport Estates Specific Plan. The Newport Estates Specific Plan was adopted by the Riverside County Board of Supervisors in July of 2001. Per Specific Plan No. 140-W, Amendment No. 2/Substantial Conformance No. 1, the subject lands are a portion of Planning Areas 3 and 4. Planning Areas 3 and 4 are designated for Medium Density Residential with minimum lot sizes of 7,200 square feet with Planning Area 3 allowed for up to 3.3 dwelling units per acre and Planning Area 4 allowed up to 3.9 dwelling units per acre. Planning Areas 3 and 4 are approved for up to 379 dwelling units per the Specific Plan.

Entitlements:

The subject property is covered by Tract Map Nos. 28786, 28791, 28792, 28793, and a portion of 28794. All five tract maps were recorded on November 15, 2018 and have a minimum lot size of 7,200 square feet. Three of the 379 lots have a slightly smaller size of just under 7,000 square feet; however, the average lot size within Quartz Ranch is over 9,000 square feet. The maps are detailed in the table below:

Tract No.	Gross Ac.	Net Ac.	No. Lots
28786	24.134	18.800	72
28791	22.425	15.836	80
28792	23.723	17.207	85
28793	20.730	16.243	77
28794	27.870	<u>21.275</u>	<u>65</u>
Totals	118.882	89.361	379

^{*}The net acreage of Tract No. 28794 also includes a 5.52-acre community park which is not included in the CFD boundary lines.

The 379 total lots over the 118.882 gross acres equates to a density of 3.2 dwelling units per acre which is within the allowed density per the Specific Plan. Copies of the above tract maps are located within the Addenda of this report.

Topography:

The original topography was generally level at street grade of surrounding streets (La Piedra and Holland Roads). The terrain is hilly to the southeast of the subject, but the subject land themselves appear to have been generally level. After grading, the lots are at street level of both the surrounding and internal streets. The majority of 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.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

Soils Condition:

We have reviewed an Update Geotechnical Evaluation for Proposed Residential Development of Pacific Mayfield Project (covering Tract Map Nos. 28786, 28791, 28792, 28793, and 28794) prepared by GeoTek, Inc. and dated February 29, 2016. 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 County of Riverside, the subject is not located in a Fault Zone or in a Liquefaction Area.

Fire Hazard Map:

Per the County of Riverside, the subject Is not located in a Fire Hazard Zone.

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 five Preliminary Title Reports on the subject Tract Map Nos. 28786, 28791, 28792, 28793, and 28794 all prepared by Lennar Title. The Reports are dated and numbered as followed: Tract No. 28786 (Canyon View) covered by Order No. 192002-001185 and dated February 23, 2023; Tract No. 28791 (Ridgeline) covered by Order No. 192002-001186 and dated March 7, 2023; Tract No. 28792 (Ridgeline/Meadow Walk) covered by Order No. 192002-001187 and dated March 7, 2023; Tract No. 28793 (Meadow Walk) covered by Order No. 192002-001188 and dated March 7, 2023; and Tract No. 28794 (Canyon View) covered by Order No. 192002-001189 and dated February 23, 2023. We have reviewed the title reports and they appear typical for subject-type lands. As a sample we are providing the exceptions from Order No. 192002-001185 dated February 23, 2023, which covers the builder-owned lots within Tract 28786. All five title reports are similar. The exceptions within the sample report are as follows:

Item Nos. 1-2 pertains to property taxes and assessments on the property. Item No. 3 states the property is within EMWD CFD No. 2002-07 which was recorded in 2003 and amended in 2014. Item No. 4 refers to CFD No. U-1 for water and sewer facilities which was recorded in 1990. Item No. 5 states the site is within CFD No. 94-1 for Menifee Union School District which was recorded in 1994. Item

No. 6 states the property is within CFD No. 2015-2 (City of Menifee) for maintenance services. Item Nos. 7 and 8 refer to the subject CFD No. 2022-1 recorded on the property in 2022. Item Nos. 9, 12, 14, 20, 21, 22, 23, 24, 25, and 29-39 refer to easements for public utilities, cable, open space, public streets and solar. Item Nos. 10 and 11 refer to a memorandum of understanding between MUSD and a previous landowner (Pinehurst LLC). Item No. 13 refers to a notice of conditional cancellation of special taxes between Perris Union High School District and the Menifee Union School District. Item No. 15 refers to rights of access to surrounding streets. Item No. 16 is regarding the School Facilities Funding and Mitigation Agreement recorded in 2019. Item No. 17 pertains to water rights. Item Nos. 18 and 19 refer to water service and a notification of lowpressure water. Item No. 26 refers to CC & Rs recorded on the property in 2022. Item No. 27 pertains to the notice of builder's election of handling construction claims. Item No. 28 refers to the solar notice CC & Rs. Item No. 40 states no known matters were deleted from the report which would affect the property.

It is an assumption in this appraisal report that the subject lands are free and clear of any liens and/or encumbrances except for Menifee CFD No. 2022-1 and the aforementioned assessments and CFDs. The appraiser is not a title expert, and it is recommended that any concerns relating to title should be addressed to the appropriate experts.

It is an assumption in this report that the subject property is free and clear of any liens and/or encumbrances with the exception of Menifee CFD No. 2022-1 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: Menifee Union School District /

Perris Union High School District

Streets/Access:

Access to the subject is via I-215 to Newport Road, west about 1.4 miles to Evans Road and south 0.5 mile past La Piedra Road and into the Quartz Ranch community.

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.

Newport Road is a major commercial arterial through the City of Menifee with on/off ramps to I-215. West of the Freeway at the City

limits Newport Road becomes Railroad Canyon Road providing access into the Cities of Canyon Lake and Lake Elsinore. East of the Freeway Newport Road becomes Domenigoni Parkway and provides access into the area of Hemet and to Diamond Valley Lake, a large reservoir in Riverside County.

<u>Evans Road</u> is a small north/south access road through central Menifee that starts north of the subject at Newport Road, and runs approximately two miles, terminating south of the subject at Garbani Road.

<u>La Piedra Road</u> is a small east/west access road through central Menifee that starts west of the subject at Murrieta Road, and runs approximately 1.75 miles, terminating east of the subject at Haun Road, near the Menifee Countryside Marketplace.

Internal streets within Quartz Ranch include: Cherry Birch Avenue, Cherry Plum Circle, Painted Daisy Circle, Silber Birch Drive, Canary Palm Circle, Yellow Poplar Circle, Coral Berry Drive, Sycamore Pines Circle, Mountain Ash Circle, Oak Summit Drive, Penny Hedge Drive, Cotch Pine Circle, White Pines Drive, Rodin Circle, Ash Summit Circle, Butte Vista Drive, Noble Fir Drive, Valley Heights Drive, Mesa Vista Drive, Evergreen Crest Circle, Rancho Serena, Douglas Crest Circle, and Evans Road. The models are located at the northwestern corner of the subject on Cherry Plum Circle, near the La Piedra Road entrance via Cherry Birch Avenue.

Current Condition:

The subject property has been developed into 379 single-family detached lots with a minimum lot size of 7,200 square feet. The lots have been graded with most streets complete and utilities being stubbed to each lot. There are a few unpaved internal streets with utility construction within the streets now underway. Eighty-two of the completed homes have closed to individuals. In addition, there are eight completed model homes, an additional 27 production homes are over 95 percent complete, there are 65 homes under construction (under 95 percent complete) and there are 197 finished and/or partially finished lots.

Condition of Approval:

Within Quartz Ranch there are 379 total proposed homes. There is a condition of approval for the project that the neighborhood park within Quartz Ranch needs to undergo a 90-day maintenance period with the City prior to the 224th building permit being pulled. The park is estimated to be 90 percent complete and is anticipated to be complete by June 1, 2023, at which time the 90-day maintenance period will begin with the City. The 90-day period is anticipated to be completed on September 1, 2023, at which time additional building permits will be able to be pulled. As of April 10, 2023, there are 182 homes which had begun construction (82 closed, 35 over 95 percent

complete and 65 under construction) which leaves 41 remaining permits prior to September 1, 2023. Per the builder, this will not slow construction or absorption of the homes within Quartz Ranch. It is an extraordinary assumption of this report that the limitation on the building permits will not slow or thwart construction or sales of the homes within Quartz Ranch.

Remaining Costs:

The majority of the subject lots are in a physically finished lot condition with estimated remaining hard costs for land development including design planning and engineering, Development Impact Fees, Grading, Wet Utilities, Street Final Cap, Dry Utilities and Parks, Landscaping, Common Area and Walls to be \$24,560,678. This includes an estimated \$3,060,759 of costs which are anticipated to be reimbursed through the 2023 series Menifee CFD No. 2022-1 bonds (\$1,060,759 in EMWD Fees and \$2,000,000 in park costs/fees). As we are assuming the 2023 bonds have been funded and accrued to the property, the remaining costs for the subject property are \$21,499,919. The remaining hard costs are associated with all of the builder-owned property or 297 lots (35 homes over 95 percent complete, 65 lots with homes under construction and 197 remaining lots) suggesting an average amount of \$72,390.30 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 a Homeowner's Association at Quartz Ranch which maintains the community lighting and landscaping. The HOA monthly assessment will be \$27/month per home at build-out within Quartz Ranch (regardless of which neighborhood within the community). Per Lennar's community website, the current HOA assessment is estimated at \$72/month.

Improvement Description:

Quartz Ranch by Lennar includes three neighborhoods known as Meadow Walk, Ridgeline, and Canyon View. Meadow Walk includes five floorplans, featuring one and two-stories, ranging in size from 1,823 to 2,590 square feet. Ridgeline has four floorplans, all single story and ranging in size from 1,950 to 2,767 square feet. Canyon View features the largest homes with four floorplans ranging in size from 2,649 to 4,134 square feet with one- and two-story plans. Within both Ridgeline and Canyon View there is a NextGen home with separate living quarters including a kitchenette, bedroom, bathroom and living space with a separate entrance for multi-generational living. All floorplans across the three neighborhoods offer attached two or three-car garages, concrete tile roofs, roll-up insulated garage doors, gourmet kitchens with granite or slab quartz countertops, interior laundry rooms and primary suites with dual sinks and walk-in closets. Interiors include raised panel interior doors, bullnose corners, tile floors at entry and Shaw vinyl flooring at kitchen, dining,

laundry, and bathrooms. Homes include a Honeywell smart thermostat, kitchen islands open to great rooms, stainless steel GE appliances, tankless water heater, LED lighting and drought tolerant front yard landscaping with irrigation system. Eighty-two of the 379 proposed homes have closed to individual homebuyers with closing dates between October 18, 2022 and March 31, 2023. Actual sales prices (including premium, upgrades, options, and incentives) within Quartz Ranch ranged from \$459,428 to \$783,950. There are an additional 62 homes in escrow which are due to close upon completion. Base pricing at project opening in May 2022 ranged from \$557,990 to \$788,990 with current base pricing ranging from \$507,990 to \$811,990. It should be noted that Lennar is offering concessions, the most popular being an interest rate buydown. Concessions within Quartz Ranch have ranged from \$0 to upwards of \$100,000 with the average concession per home equating to just over \$50,000. The majority of plans have seen a base pricing decrease between -1.1 and -9.0 percent, while the largest three floorplans have increased in base price from 0.6 to 2.9 percent. Our search of the MLS revealed no closed resales and no current resale listings within Quartz Ranch. Our physical search noted all homes appeared to be in excellent condition. The plans are detailed below.

Quartz Ranch by Lennar							
		Floors/		Ind.	Bldr.		
Plan	Bd/Ba	Parking	Sq. Ft.	Owned	Owned		
		Mead	ow Walk				
1	3 / 2.5	2/2	1,823	4	2		
2	3/2	1/2	1,950	3	3*		
3	4/3	2/2	2,203	4	3*		
4	4/3	2/2	2,419	5	2*		
5	4/3	2/2	2,590	7	1		
Subtotal	Meadow W	alk:		23	<u>11</u>		
		Rid	lgeline				
1	3/2	1/2	1,950	8	3		
2	3/2	1/3	2,287	6	4*		
3 (NG)	4/3	1/3	2,434	8	3*		
4	4 / 3.5	1/2	2,767	7	4*		
Subtotal	Ridgeline:			<u>29</u>	<u>14</u>		
		Cany	on View				
1	4 / 3.5	2/3	2,649	8	2		
2	4/3.5	1/2	2,767	7	2		
3	4 / 2.5	2/2	2,809	9	4*		
4 (NG)	6 / 4.5	2/3	4,134	6	2*		
Subtotal	Canyon Vie	<u>30</u>	<u>10</u>				
	artz Ranch			82	35		

*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, kitchenette and living area. There are an additional 65 homes under construction, and 197 additional finished lots that are all owned by Lennar (not shown on the above table).

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 0.28 percent increase between July 2021 and July 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. Since May 2022, the new home market has seen 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 while the third and fourth quarters saw minimal growth with the advanced estimate for the year 2022 at 2.1 percent. The most recent unemployment rate for the County is 4.6 percent (per the March 2023 EDD report). The end of 2022 saw lower unemployment rates than the County's pre-COVID unemployment rate in February 2020 of 4.0 percent, however the first quarter of 2023 has shown unemployment rising. While unemployment rates are at historical lows, the inflation factor is significantly affecting the economy.

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 of the Great Recession. 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 onset of 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 spring 2022.

Per the Zonda National Economic and Housing Market Update (March 15, 2023), during their most recent survey of over 300 homebuilders nationwide, 79 percent of the builders say this spring, traffic is either stronger or what they had anticipated which is significantly up from their optimism in January. 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 slowed new home sales significantly in late 2022 and the beginning of 2023. With the recent higher interest rates and increased home prices, the average monthly mortgage payment is up over 50 percent year-over-year.

Per the Zonda survey, as of mid-March 2023, over 55 percent of the new home builders in the Nation surveyed were stating they anticipate new home starts to be down in 2023; however, this compares to over 75 percent believing this in January. In March 2023 the builders surveyed totaled 40 percent anticipating lower home prices in 2023 as compared to January when this percentage was 80 percent. Over 88 percent of builders are offering incentives (typically closing costs and rate buy-downs, however some incentives tied to options and upgrades), with Inland Empire projects averaging over \$10,000 or about 3.2 percent. Some of the larger public homebuilders are offering significant rate buy-downs in order to keep absorption rates which is reportedly costing between \$50,000 to \$100,000 in incentives. The builders are attempting to find the "sweet spot" in incentives. Per Zonda a combination of price cuts between 10-15 percent combined with a rate buy down is obtaining the best results in the marketplace. Sixty-two percent of the builders surveyed are buying down rates from the mid six range to a medium four to low five percent rate while 57 percent of builders have lowered prices 5-10 percent. These two actions seem to stop the fear of the buyer from buying at the top of the market.

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 2.65 percent in January 2021

to 7.08 percent as in October 2022 with a decrease since then with current rates at 6.28 percent as of April 6, 2023. 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, historical 0.75 percent increases in each of June, July, September, and November, a 0.50 percent increase in December 2022. Thus far in 2023 there have been two 0.25 percent increases (in February and March). This has increased the FRR from 0-0.25 percent to 4.75– 5.0 percent in the past 14 months. The next meeting of the Board is in early May with either a 25-basis point increase or no increase anticipated. The FRR increases are supposed to help slow the high inflation rate in the Nation which appears to be occurring as the latest reports are showing inflation in March 2023 at 5.0 percent, down from a high of 9.1 percent in June 2022.

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, the subject Quartz Ranch by Lennar and Sumac Ridge by Meritage Homes, all in Menifee).

Land sales in the Inland Empire 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 Inland Empire during the second half of 2020 and throughout 2021. In late 2021 and early 2022, prior to the FRR increases, builders were paying significantly more for residential land that was ready to develop as demand was up and supply was shrinking. 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 March 2023, 13 percent of the builders surveyed are "full steam ahead" (compared to only two percent in January) with 62 percent "cautiously moving forward" (up from 52 percent from January); 14 percent "bidding lower on land" (as compared to 17 percent in January) and 10 percent "pausing transactions" (down from 29 percent in January). Currently there is a disconnect between sellers and buyers, as the sellers are still hoping for March 2022 land prices, however builders have seen new home prices dropping from 5 to 20 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 value.

The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory. Historically, new homes capture between 10-13 percent of total home sales. Due to the limited amount of existing home inventory on the market, new home sales are capturing upwards of 30 percent of total home sales in the region.

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 April 9, 2023 Ryness Report, the year-to-date average sales rate (4.0 sales per month) is approximately 28 percent lower than the same time period of the previous year (5.5 sales per month). While it is early in the new year, the trend of a significant drop off in sales rates from the previous year has continued. 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 are able to 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 April 9, 2023 Inland Empire Ryness Report to one year prior, there are 59 additional projects (188 in April 2022 and 247 in April 2023) and sales are nearly 30 percent lower year-to-date than the previous year. 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. It should be noted that current sales rates are being compared to early 2022, which was a hugely successful time for the housing market, prior to the shifting market of Spring of 2022. To put this in perspective, when comparing year to date average new home sales from April 2022 to April 2023, average sales numbers in the Inland Empire are down 28 percent (per the Ryness Report dated April 9, 2023); however, when comparing average new home sales from 2019 (prior to the pandemic) to April 2023, sales are actually a little stronger (3.5 sales per month per project average in 2019 versus 4.0 sales per month year-to-date average in April 2023).

New single-family home pricing (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 \$525,000 which is down from a record high of \$646,000 in July 2022 per Zonda's latest market report (Riverside-San Bernardino-Ontario, CA CBSA April 2023). This reflects an increase of over 95 percent from the bottom of the cycle and an increase of more than 20 percent over its peak during the Great Recession, however a decrease from the 2022 peak of 18.7 percent. In reality this decrease is actually larger as builders are buying down interest rates which costs the builder at times, up to \$100,000, however, is not reflected in the new home sales price. 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, which has a multitude of actively selling new homes communities. Because the City currently holds so many new communities, 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 sixteen new home projects (including the subject's three product lines) with base pricing ranging from \$473,525 to \$811,990, but the majority of base pricing in the \$500,000 to \$700,000 range. The subject's most recent base pricing falls within the comparables price range, with the majority of the floorplans falling in the low to mid-range and the largest floorplan making up the top end of the range.

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 February 2023 (\$745,000) reflects an increase of 0.9 percent from the previous month, but a decrease of 2.0 percent year-over-year from \$760,000 in February 2022. Existing home sales in Southern California overall were down 33.8 percent year-over-year as of February 2023. The overall Southern California numbers compare to Riverside County with \$595,000 as the median price paid for an existing home in the County in February 2023, up 1.7 percent since January 2023, but down 1.7 percent on a year-over-year basis (\$605,030). Sales of existing homes in the County were down 35.5 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	February 2023	January 2023	February 2022	Price MTM % Change	Price YTY % Change	Sales YTY % Change				
Los Angeles	\$726,870	\$778,540	\$773,490	-6.6%	-6.0%	-33.5%				
Orange	\$1,159,000	\$1,194,500	\$1,260,000	-3.0%	-8.0%	-26.1%				
Riverside	\$595,000	\$585,000	\$605,030	1.7%	-1.7%	-35.5%				
San Bernardino	\$466,500	\$446,900	\$450,000	4.4%	3.7%	-41.6%				
San Diego	\$875,000	\$824,950	\$888,000	6.1%	-1.5%	-32.6%				
Ventura	\$805,000	\$815,000	\$887,500	-1.2%	-9.3%	-32.6%				
Southern Calif.	\$745,000	\$738,250	\$760,000	0.9%	-2.0%	-33.8%				

Source: California Association of Realtors

Based on February 2023 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 \$131,870 as compared to Los Angeles County, \$210,000 as compared to Ventura County, \$276,000 as compared to San Diego County and \$564,000 as compared to Orange County. That is, in February 2023, the median priced home in Riverside County was \$564,000 less, or nearly one-half of the median priced home in Orange County (\$1,159,000). However, San Bernardino County has a \$128,500 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 is 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 turned and the pricing run up had come to an end. That said, February 2023 has been the first month to show month over month pricing increases, although incremental.

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.

ZIP Code/Community Name	Border To Subject	Sales of Homes Feb. 2023	Sales % Change from Feb. 2022	Feb. 2023 Price Median	Price % Change from Feb. 2022	Feb. 2023 PSF Median
92584 (Subject ZIP)	Subject	174	-43.9%	\$569,995	-2.6%	\$259
92586 (Sun City)	North	108	-28.5%	\$362,500	-2.0%	\$273
92587 (Canyon Lake)	Northwest	48	-53.8%	\$585,000	-0.35%	\$351
92532 (Lake Elsinore)	West	71	-39.3%	\$577,000	-1.4%	\$242
92596 (Winchester)	East	56	N/A	\$590,000	-8.6%	\$238
92563 (Murrieta Hot Springs)	Southeast	153	-40.7%	\$625,000	-4.6%	\$265
92595 (Wildomar)	Southwest	22	N/A	\$628,000	-6.4%	\$271
92562 (Murrieta/La Cresta)	South	140	-51.4%	\$602,500	-1.2%	\$311

Source: Redfin.com Housing Market Trends February 2023

The median home price of a detached resale home in the subject's immediate market area is \$569,995, 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 decrease of 1.7 percent year-over-year and 35.5 percent sales decrease from February 2022 to 2023.

Quartz Ranch Sales, Pricing and Competition

Quartz Ranch opened for sale in June 2022 with opening base pricing ranging from \$557,990 to \$788,990. The current base pricing at Quartz Ranch ranges from \$507,990 to \$811,990, with the majority of the floorplans showing a decrease in base price since opening. Within Meadow Walk and Ridgeline, base pricing has decreased from 1.3 to 9.0 percent, or \$7,000 to \$50,000. However, base pricing at Canyon View actually increased since grand opening for its three larger floorplans (between 0.6 and 2.9 percent) and decreased only on its smallest floorplan (by -2.6 percent). The largest floorplan has seen the most significant increase with a \$23,000 increase since grand opening. It is important to note that the vast majority of the homes within Quartz Ranch are closing below base price due to incentives, which are common in today's marketplace. Actual closed prices, including options, upgrades, and premiums, along with taking concessions into consideration, have ranged from \$459,428 to \$783,950. Within the subject, Lennar has closed 82 homes to individuals between October 18, 2022 and March 31, 2023, with an additional 62 homes in escrow which are due to close upon completion. While the community grand opened in June 2022, the first contract was written in May 2022 with the most recent sale in April 2023. The total of 144 sales equates to an average overall

absorption rate of 13.7 homes per month. When looking at each product line individually, the absorption is: 4.0 homes per month for Meadow Walk; 4.7 homes per month for Ridgeline; and 5.0 homes per month for Canyon View. These are considered to be good absorption rates for the subject marketplace, and in line with the Inland Empire's overall average sales rate during the same time period. According to the Ryness Report dated April 9, 2023, there are currently 47 new home projects in the South Riverside submarket which includes the communities of Winchester, Menifee, Wildomar, Lake Elsinore and the French Valley. The 47 projects include 24 projects within Menifee. The average absorption rate within the 47 South Riverside communities' year to date per the April 9, 2023 Ryness Report is 4.4 sales per month. The subject sales rates in the 3.8 to 4.8 sales per month range compares similarly 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. In mid-2022 a slowdown in sales occurred as interest rates climbed to upwards of seven percent. Current rates in the mid-six percent range seem to becoming accepted as builders work through various incentives to keep sales going. The South Riverside new-home submarket is performing slightly stronger than the Inland Empire market as a whole. The subject market 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 year has seen sales slow and prices lowering. 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 area. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown.

HIGHEST AND BEST USE ANALYSIS

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"

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 118.882 gross acres in an irregular shaped parcel on the south side of La Piedra Road at Evans Road in Menifee. The site has good access from I-215 via Newport Road. The site was generally level at street grade of both La Piedra and Evans Roads, which are both paved. The site has been graded and developed into 379 generally level, mostly finished lots with internal streets nearing completion with utilities being stubbed to each lot. The property is surrounded by existing homes, rural housing, and vacant lands. Evans Ranch Elementary School and Menifee Preschool are located north of the subject across La Piedra Road. We have reviewed a geotechnical

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⁴ The Appraisal of Real Estate, 11th Edition

report which concluded development of the 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 5.52-acre park in the northern portion of the community which is not included in the subject boundary lines. 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 Newport Road, west to Evans Road and south to the subject property or via I-15 to Canyon Hills Road (turns into Newport Road) and east to Evans Road, south to the subject. There is currently neighborhood shopping and major shopping centers within two miles of the subject site.

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's Land Use Map, the subject site is designated as part of the Newport Estates Specific Plan. Per the Newport Estates Specific Plan, the subject lands are a portion of Planning Areas 3 and 4, which are designated as Medium Density Residential with minimum 7,200 square foot lots. Recorded Tract Map Nos. 28786, 28791, 28792, 28793, and 28794 subdivide the subject 118.872 gross acres into 379 single-family lots with a minimum lot size of 7,200 square feet. This equates to a density of 3.188 dwelling units per acre. The approved mapping is also consistent with the current Specific Plan entitlements on the property. There is a limitation on the number of building permits which can be issued prior to the builder turning over the neighborhood park to the City. It is an extraordinary assumption of this report that this limitation does not slow or thwart construction or sales of the homes as discussed under the property

description section. 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 Inland Empire Housing Market section earlier within this report, the residential land market showed strong increases in both sales and pricing in 2020 and 2021, while the second half of 2022 and thus far into 2023 has shown a slowdown in sales as interest rates have risen substantially.

Within Menifee CFD No. 2022-1, out of 379 proposed houses, there have been 144 home sales to date including 82 home closings. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Menifee, we found 13 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. As interest rates increased, the market softened, however the limited supply of existing homes on the market has increased the capture of new homes in the overall real estate market. 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. Our search of the Menifee area for comparable land sales resulted in five land sales within Menifee in the past 24 months, thus we expanded our search to include the surrounding areas of Perris and Winchester in order to get a better picture of the residential land market. The best land comparables which were included in our analysis resulted in three land sales in the past year and five in the previous year suggesting that land sales are slower than previous years, however, residential land is still selling in the overall market area.

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.

<u>Highest and Best Use Conclusion – "As If Vacant"</u>

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 Quartz Ranch which has three neighborhoods known as Meadow Walk, Ridgeline, and Canyon View, all being built, marketed and sold by Lennar. Quartz Ranch opened for sale in June 2022 and has sold 144 homes resulting in a total sales rate over the three projects of 13.7 sales per month. When reviewing each neighborhood, Meadow Walk has sold 42 homes suggesting an average sales rate of 4.0 homes per month. Ridgeline has sold 49 homes today resulting in an average sales rate of 4.66 homes per month. Canyon View has sold 53 homes to date suggesting an average sales rate of 5.05 homes per month. There are 47 actively marketing new home communities in the subject's South Riverside submarket (24 of those within Menifee) that have a year-to-date average absorption rate of 4.3 sales per month (according to the Ryness Report dated April 9, 2022). While Meadow Walk has a slightly lower sales rate, both Ridgeline and Canyon View have higher than average sales rate than the overall market area. When comparing the subject project's sales rates of 4.0, 4.66 and 5.05 home sales per month to the overall Inland Empire, the average sales rate is 3.9 sales per month, lower than all three of the subject projects. It appears all three neighborhoods have been well received and are selling at or near the correct price points for the area.

Our search within the subject area found 13 additional projects considered to be comparable with similar sized homes in the Menifee area. Two of the neighborhoods are "preselling", thus they have just come on the market. With the exception of these two neighborhoods, the sales rates within the comparable projects range from 2.1 to 6.4 sales per month. All three communities within Quartz Ranch are selling at good absorption rates.

Base pricing within the three neighborhoods within Quartz Ranch have had price adjustments since opening. Within Canyon View (generally larger homes and more expensive homes), three plans have had price increases of 0.6 percent, 0.6 percent and 2.9 percent (Plans 2, 3 and 4 from \$4,000 to \$23,000) while Plan One had a price decrease of 2.5 percent (\$16,000). Within Meadow Walk (the smallest homes and generally least expensive homes), all five plans have had price decreases ranging from 7.0 to 8.9 percent (\$43,000 to \$50,000). Within Ridgeline (mid-range sizes), all four plans had decreases ranging from 1.1 to 5.4 percent (\$7,000 to \$32,000). In addition to the price adjustments, the seller is offering incentives which typically includes a buy-down of the interest rate that ranges from \$0 to \$118,266 within Quartz Ranch with the average incentive just over \$50,000 per home. This is typical for public builders in the Inland Empire as they attempt to keep their absorption rates up as the interest rates have increased.

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 Quartz Ranch's sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

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 considered 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 for the subject site 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 consider 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, resales, if any, will be taken into consideration. All of the value conclusions will take into consideration improvements funded by the Menifee CFD No. 2022-1 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

<u>Market Data Discussion – Detached Residential Lots</u>

Quartz Ranch consists of 82 individually owned homes, eight model homes, 27 production homes over 95 complete (all in escrow), 65 homes under construction (under 95 percent complete) 35 In escrow and 197 remaining lots which are either in a finished condition or in a nearly finished condition. Three lots have a minimum square footage of 6,970 square feet while the rest are 7,200 square foot minimum lot size with the average lot size within the Quartz Ranch over 9,000 square feet. The homes 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, therefore, we will value 262 lots (197 lots plus 65 lots with homes under construction that are under 95 percent complete). We have searched the area and found the eight 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 12 miles north of the subject property in the City of Perris. 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 inferior in location (Perris median price home - \$488,000 - is over seven percent less than Menifee median price home - \$525,000), inferior in lot size (6,000)

minimum lots versus the subject's average 9,000 square foot) and, slightly inferior in condition. The subject lots are nearly finished while this land was unimproved at time of sale. While finishing costs are taken into consideration, there is additional risk associated with the grading and development of the raw land.

Land Sale No. 2 refers to the most recent sale within Menifee with D.R. Horton purchasing 446 lots known as Canterwood Phase 1 located at the southeast corner of Holland Road and Leon Road about 4.5 miles east of the subject site. D.R. Horton purchased the 446 lots from Ambient with the closing occurring in April 2022. They paid \$6,000,000 or \$13,453 per lot based on an estimated finished lot price of \$175,000 per brokers familiar with the transaction. The significant development costs include street improvements to the site along with drainage and significant grading which will include import on the property. D.R. Horton is advertising their Sycamore and Juniper communities on the site along with Willow Pointe at Canterwood, all stating "coming soon" on their websites. The finished lot price assums a similar CFD on this transaction. In comparison to the subject property, this site is considered to be inferior in condition. While the finishing costs are anticipated, the raw nature of the site along with the drainage and import needed creates a significant amount of risk in the development of the site. This transaction is also considered to be inferior in lot size. Canterwood has lot sizes ranging from 4,700 to 6,500 square feet, the subject lot sizes are generally a minimum of 7,200 square feet with an average of about 9,000 square feet.

Land Sale No. 3 refers to the purchase of 220 single family detached lots with a minimum lot size of 6,000 square feet located about 4.5 miles northeast 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 inferior due to condition and lot size. The site was sold in an unimproved condition, 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 9,000 average square feet.

Land Sale No. 4 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 east of the subject site, also 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. 5 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 southeast 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 inferior due to the lot size (5,000 minimum square feet versus the subject's 9,000 average square feet).

Land Sale No. 6 refers to the sale of 129 single family detached lots located southwest of Domenigoni Parkway and Rice Road in Winchester about 6.0 miles east 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 inferior (further out for commuters), the lots are smaller (6,000 square foot compared to the subject's 9,000 square foot average size) which is inferior and the condition of the lands was inferior at time of sale as it was unimproved land at time of sale. While costs are considered, there is risk associated with the grading of a site.

Land Sale No. 7 refers to the purchase of 756 lots known as Cimarron Ridge, located about 3.5 miles north 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 considered, there is risk associated with developing raw land.

<u>Land Sale No. 8</u> 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 Lindenberger Road in Menifee, about 3.5 miles southeast 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, Lindenberger Road was unpaved 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 unpaved access and the raw land condition of the site (risk associated with the development) along with smaller minimum lot size as compared to the subject's 9,000 square foot average lot size.

The chart below 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	Menifee	4/22	5,000- 7,000	\$175,000	Inferior – Condition & Lot Size
3	Winchester	4/22	6,000	\$213,000	Inferior – Condition & Lot Size
4	Menifee	12/21	Cluster – 5,500	\$181,000 - \$213,000	Inferior – Condition & Lot Size
5	Winchester	10/21	5,000 – 7,000	\$215,000	Inferior – Lot Size
6	Winchester	8/21	6,000	\$202,000	Inferior – Condition & Lot Size
7	Menifee	7/21	5,000 – 10,000	\$185,000	Inferior – No. of Lots & Condition
8	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 with inferior lot sizes. When reviewing the sales, there is a clear appreciation shown between May 2021 and November 2022. When pairing Data Numbers 3 and 6 it suggests there was a 5 percent increase between August 2021 and April 2022. When pairing Data Nos. 4 (large lots only) and Data No. 8, it suggests there was a 25 percent increase between May 2021 and December 2021. The largest lots within Data No. 4 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 suggests that residential land prices would also decrease, however we have not 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 smaller lots (6,000 square feet versus the subject's 9,000 average 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 \$225,000 for the average 9,000 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 \$72,390.30 per lot. The value conclusion for the final lot within Quartz Ranch is calculated below:

262 Lots x \$225,000 \$58,950,000 Less: Remaining Costs (\$72,390.30 x 262) (18,966,259) Current Value for Remaining Lots \$39,983,741

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 consider 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.

Quartz Ranch consists of 82 individually owned homes, eight model homes (none in escrow), 27 homes over 95 percent complete (all in escrow), 65 houses under construction (35 in escrow and due to close upon completion), and 197 additional finished/partially finished lots (none in escrow). The homes under construction and the lots have been valued above. The 35 builder-owned homes over 95 percent complete (including eight model homes) are being addressed in this section with a separate valuation for each plan.

Below is a summary of the floor plans within Meadow Walk, Ridgeline and Canyon View in Quartz Ranch. 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 resales and no current resale listings within Quartz Ranch. The plans are detailed below.

	Quartz Ranch by Lennar							
		Floors/		Ind.	Bldr.			
Plan	Bd/Ba	Parking	Sq. Ft.	Owned	Owned			
		Mead	ow Walk					
1	3 / 2.5	2/2	1,823	4	2			
2	3/2	1/2	1,950	3	3*			
3	4/3	2/2	2,203	4	3*			
4	4/3	2/2	2,419	5 7	2*			
5	4/3	2/2	2,590	7	1			
Subtotal	Meadow W	alk:		<u>23</u>	<u>11</u>			
		Rid	lgeline					
1	3/2	1/2	1,950	8	3			
2	3/2	1/3	2,287	6	4*			
3 (NG)	4/3	1/3	2,434	8	3*			
4	4/3.5	1/2	2,767	7	4*			
Subtotal	Ridgeline:			<u>29</u>	<u>14</u>			
		Cany	on View					
1	4/3.5	2/3	2,649	8	2			
2	4 / 3.5	1/2	2,767	7	2			
3	4 / 2.5	2/2	2,809	9	4*			
4 (NG)	6 / 4.5	2/3	4,134	6	2*			
Subtotal	Canyon Vie	ew:		<u>30</u>	<u>10</u>			
Total Qu	artz Ranch	1		82	35			

^{*}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, kitchenette and living area. There are an additional 65 homes under construction, and 197 additional finished lots that are all owned by Lennar (not shown on the above table).

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	3 / 2.5	2/2	1,823	
1	2	3/2	1/2	1,950	\$268.71
5	1	3/3	1/2	1,755	\$312.25
5	2	3/3	2/2	2,149	\$268.03
7	1	3 / 2.5	2/2	1,843	\$256.93
10	1	4/2	1/2	1,959	\$262.88
12	1	4 / 2.5	1/2	1,910	\$284.82
14	4	4/3	2/2	1,977	\$267.57
15	1	3/2	1/2	1,891	\$273.40

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 \$256.93 to \$312.25 per square foot with the smallest sized home at the high-end of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Meadow Walk Plan 1 has a current base asking price of \$278.66 per square foot. There have been four closings of Meadow Walk Plan 1 with sales prices ranging from \$252.02 to \$287.14 per square foot. There are currently three escrows of Meadow Walk Plan 1, with a price range of \$264.63 to \$302.17 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Meadow Walk Plan 1, the concessions range from \$9,811 to \$50,207 or from \$5.38 to \$59.75 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Meadow Walk Plan 1 has a base current market value of \$255.00 per square foot. This calculates as follows:

1,823 sf x \$255.00 = \$464,865

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	3/2	1/2	1,950	
1	1	3 / 2.5	2/2	1,823	\$278.66
2	1	3/2	1/2	1,950	\$282.05
7	2	3/2	1/2	1,950	\$243.72
10	1	4/2	1/2	1,959	\$262.88
12	1	4 / 2.5	1/2	1,910	\$284.82
14	3	4/2	1/2	1,846	\$281.14
15	1	3/2	1/2	1,891	\$273.40
15	2	4/2	1/2	2,035	\$260.93
16	1	3/2	1/2	2,099	\$253.93

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 \$243.72 to \$284.82 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. Meadow Walk Plan 2 has a current base asking price of \$268.71 per square foot. Meadow Walk Plan 2 is the same floorplan as Ridgeline Plan 1 (seen above as Data #2, Model #1). There have been three closings of Meadow Walk Plan 2 with sales prices ranging from \$250.73 to \$262.69 per square foot. There are currently three escrows of Meadow Walk Plan 2, with a price range of \$242.42 to \$261.01 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Meadow Walk Plan 2, the concessions range from \$27,256 to \$68,134 or from \$13.97 to \$34.94 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Meadow Walk Plan 2 has a base current market value of \$240.00 per square foot. This calculates as follows:

1,950 sf x \$240.00 = \$468,000

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	4/3	2/2	2,203	
1	4	4/3	2/2	2,419	\$230.26
5	2	3/3	2/2	2,149	\$268.03
6	1	4 / 2.5	2/2	2,391	\$233.79
7	3	4/3	2/2	2,203	\$219.63
10	2	5 / 2.5	2/2	2,397	\$225.28
12	2	4/3	2/2	2,320	\$237.93
14	5	4/3	2/2	2,219	\$244.70

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 \$219.63 to \$268.03 per square foot with the smallest sized home at the high-end of the price per square foot range and generally, the larger sized homes at the lowend of the price per square foot range. This is typical due to the economies of scale which are obtained during construction. Meadow Walk Plan 3 has a current base asking price of \$246.02 per square foot. There have been four closings of Meadow Walk Plan 3 with sales prices ranging from \$215.34 to \$233.44 per square foot. There are currently four escrows of Meadow Walk Plan 3, with a price range of \$217.59 to \$234.97 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Meadow Walk Plan 3, the concessions range from \$34,593 to \$85,130 or from \$15.70 to \$38.64 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Meadow Walk Plan 3 has a base current market value of \$215.00 per square foot. This calculates as follows:

2,203 sf x \$215.00 = \$473,645

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	4	4/3	2/2	2,419	
1	3	4/3	2/2	2,203	\$246.02
1	5	4/3	2/2	2,590	\$219.69
6	1	4 / 2.5	2/2	2,391	\$233.79
8	2	4/3	2/2	2,590	\$192.89
10	2	5 / 2.5	2/2	2,397	\$225.28
12	2	4/3	2/2	2,320	\$237.93
12	3	4/3	2/2	2,541	\$221.96
14	6	4/3	2/2	2,454	\$227.79
15	5	4 / 2.5	2/2	2,544	\$221.30

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 \$192.89 to \$246.02 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. Data No. 8 is located in the northernmost portion of Menifee which is considered an inferior location to the subject site. Meadow Walk Plan 4 has a current base asking price of \$230.26 per square foot. There have been five closings of Meadow Walk Plan 4 with sales prices ranging from \$207.22 to \$231.23 per square foot. There are currently five escrows of Meadow Walk Plan 4, with a price range of \$208.51 to \$225.69 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Meadow Walk Plan 4, the concessions range from \$2,500 to \$64,455 or from \$1.03 to \$26.64 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Meadow Walk Plan 4 has a base current market value of \$205.00 per square foot. This calculates as follows:

2,419 sf x \$205.00 = \$495,895

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	5	4/3	2/2	2,590	
1	4	4/3	2/2	2,419	\$230.26
3	1	4 / 3.5	2/3	2,649	\$230.27
5	5	3/3	2/3	2,697	\$238.23
6	2	4 / 2.5	2/2	2,654	\$217.40
8	2	4/3	2/2	2,590	\$192.89
12	3	4/3	2/2	2,541	\$221.96
14	6	4/3	2/2	2,454	\$227.79
15	5	4 / 2.5	2/2	2,544	\$221.30

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 \$192.89 to \$238.23 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. Data No. 8 is located in the northernmost portion of Menifee which is considered inferior to the subject site. Meadow Walk Plan 5 has a current base asking price of \$219.69 per square foot. There have been seven closings of Meadow Walk Plan 5 with sales prices ranging from \$180.91 to \$209.45 per square foot. There are currently four escrows of Meadow Walk Plan 5, with a price range of \$196.76 to \$213.25 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Meadow Walk Plan 5, the concessions range from \$35,294 to \$90,413 or from \$13.63 to \$34.91 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Meadow Walk Plan 5 has a base current market value of \$192.00 per square foot. This calculates as follows:

2,590 sf x 192.00 = 497,280

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	3/2	1/2	1,950	
1	2	3/2	1/2	1,950	\$268.71
7	2	3/2	1/2	1,950	\$243.72
10	1	4/2	1/2	1,959	\$262.88
12	1	4 / 2.5	1/2	1,910	\$284.82
14	3	4/2	1/2	1,846	\$281.14
15	1	3/2	1/2	1,891	\$273.40
16	1	3/2	1/2	2,099	\$253.93

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 \$243.72 to \$284.82 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. Ridgeline Plan 1 has a current base asking price of \$282.05 per square foot. Ridgeline Plan 1 is the same floorplan as Meadow Walk Plan 2 (seen above as Data #1, Model #2). There have been eight closings of Ridgeline Plan 1 with sales prices ranging from \$240.04 to \$255.03 per square foot. There are currently five escrows of Ridgeline Plan 1, with a price range of \$248.17 to \$268.23 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Ridgeline Plan 1, the concessions range from \$2,500 to \$83,255 or from \$1.28 to \$42.69 per square foot... All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Ridgeline Plan 1 has a base current market value of \$240.00 per square foot. This calculates as follows:

1,950 sf x \$240.00 = \$468,000

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	3/2	1/2	2,287	-
2	3 (NG)	4/3	1/3	2,434	\$258.42
4	1	3/2	1/2	2,270	\$270.48
5	3	3 / 2.5	1/2	2,172	\$285.91
8	1	4/2	1/2	2,336	\$214.97
13	1	3 / 2.5	1/2	2,290	\$248.03
15	3	4/2	1/2	2,206	\$246.14
16	2	4/2	1/2	2,381	\$230.99

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 \$214.97 to \$285.91 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. Ridgeline Plan 2 has a current base asking price of \$256.23 per square foot. There have been six closings of Ridgeline Plan 2 with sales prices ranging from \$217.31 to \$242.04 per square foot. There are currently five escrows of Ridgeline Plan 2, with a price range of \$220.01 to \$244.22 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Ridgeline Plan 2 the concessions range from \$33,394 to \$65,435 or from \$14.60 to \$28.62 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Ridgeline Plan 2 has a base current market value of \$220.00 per square foot. This calculates as follows:

$$2,287 \text{ sf } x \$220.00 = \$503,140$$

The most appropriate new home comparable data for Ridgeline Plan 3 (NG) are shown below.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	3 (NG)	4/3	1/3	2,434	
2	2	3/2	1/2	2,287	\$256.23
4	1	3/2	1/2	2,270	\$270.48
4	2	3 / 2.5	1/2	2,610	\$246.74
5	4	4/3	1/2	2,523	\$255.25
8	1	4/2	1/2	2,336	\$214.97
9	1	4/3	1/3	2,550	\$239.21
11	1	4/3	1/2	2,527	\$237.44
13	2	3 / 2.5	1/2	2,490	\$239.76
15	4	4/3	1/2	2,358	\$236.64
16	2	4/2	1/2	2,381	\$230.99

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 \$214.97 to \$270.48 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. Data No. 8 is located in the northernmost portion of Menifee which is further out for commuters. It is important to note that Ridgeline Plan 3 is a NextGen ("NG") floorplan, meaning it is designed for multi-generational living and features a first-floor suite with separate entrance, living room, laundry, and kitchenette. While NG plans have gained popularity, it is very rare to have a single-story home with NG floorplan, and Ridgeline Plan 3 is the only single-story NG home in the Menifee marketplace. Ridgeline Plan 3 (NG) has a current base asking price of \$258.42 per square foot. There have been eight closings of Ridgeline Plan 3 (NG) with sales prices ranging from \$223.22 to \$247.99 per square foot. There are currently five escrows of Ridgeline Plan 3 (NG), with a price range of \$227.06 to \$257.09 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Ridgeline Plan 3 the concessions range from \$5,000 to \$93,240 or from \$2.05 to \$38.31 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been

concluded that Ridgeline Plan 3 (NG) has a base current market value of \$222.00 per square foot. This calculates as follows:

$$2,434 \text{ sf x } \$222.00 = \$540,348$$

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	4	4/3.5	1/2	2,767	-
2	3 NG	4/3	1/3	2,434	\$
3	2	4 / 3.5	1/2	2,767	\$230.57
4	3	3 / 2.5	1/3	2,780	\$240.64
9	1	4/3	1/3	2,550	\$239.21
11	1	4/3	1/2	2,527	\$237.44
13	3	3 / 2.5	1/2	2,610	\$222.98
16	3	4/2	1/2	2,621	\$214.80
16	4	4 / 2.5	1/2	2,906	\$203.37

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 \$203.37 to \$240.64 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. Ridgeline Plan 4 has a current base asking price of \$228.04 per square foot. Ridgeline Plan 4 is the same floorplan as Canyon View Plan 2 (seen above as Data #3, Model #2). There have been seven closings of Ridgeline Plan 4 with sales prices ranging from \$193.09 to \$215.39 per square foot. There are currently five escrows of Ridgeline Plan 4, with a price range of \$188.79 to \$212.90 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Ridgeline Plan 4 the concessions range from \$32,979 to \$69,331 or from \$11.92 to \$25.06 per square foot... All of the homes appear to be in

excellent condition with no depreciation visible. It has been concluded that Ridgeline Plan 4 has a base current market value of \$190.00 per square foot. This calculates as follows:

2,767 sf x 190.00 = \$525,730

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	4 / 3.5	2/3	2,649	
1	5	4/3	2/2	2,590	\$219.69
3	2	4 / 3.5	1/2	2,767	\$230.57
5	5	3/3	2/3	2,697	\$238.23
6	2	4 / 2.5	2/2	2,654	\$217.40
8	2	4/3	2/2	2,590	\$192.89
12	3	4/3	2/2	2,541	\$221.96
12	4	4/3	2/2	2,771	\$208.23
15	5	4 / 2.5	2/2	2,544	\$221.30
15	6	4 / 2.5	2/2	2,773	\$207.71

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 \$192.89 to \$238.23 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. Data No. 8 is located at the northernmost part of Menifee which is farther out for commuters. Canyon View Plan 1 has a current base asking price of \$230.27 per square foot. There have been eight closings of Canyon View Plan 1 with sales prices ranging from \$199.56 to \$232.54 per square foot. There are currently four escrows of Canyon View Plan 1, with a price range of \$212.56 to \$223.36 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Canyon View Plan 1 the concessions range from \$12,000 to \$101,081 or from \$4.53 to \$38.16 per square foot. All of the homes appear to be

in excellent condition with no depreciation visible. It has been concluded that Canyon View Plan 1 has a base current market value of \$200.00 per square foot. This calculates as follows:

$$2,649 \text{ sf } x \$200.00 = \$529,800$$

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	4/3.5	1/2	2,767	
2	4	4/3.5	1/2	2,767	\$228.04
3	3	4 / 2.5	2/2	2,809	\$226.41
4	2	3 / 2.5	1/2	2,610	\$246.74
4	3	3 / 2.5	1/3	2,780	\$240.64
9	1	4/3	1/3	2,550	\$239.21
11	1	4/3	1/2	2,527	\$237.44
13	3	3 / 2.5	1/2	2,610	\$222.98
16	3	4/2	1/2	2,621	\$214.80
16	4	4 / 2.5	1/2	2,906	\$203.37

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 \$203.37 to \$246.74 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. Canyon View Plan 2 has a current base asking price of \$230.57 per square foot. Canyon View Plan 2 is actually the same floorplan as Ridgeline Plan 4 (seen above as Data #2, Model #4). There have been seven closings of Canyon View Plan 2 with sales prices ranging from \$206.95 to \$218.91 per square foot. There are currently five escrows of Canyon View Plan 2, with a price range of \$194.62 to \$218.22 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Canyon View Plan 2 the concessions range from \$30,367 to \$71,257 or from \$10.97 to \$25.75 per square foot. All

of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Canyon View Plan 2 has a base current market value of \$190.00 per square foot. This calculates as follows:

$$2,767 \text{ sf x } 190.00 = $525,730$$

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	4 / 2.5	2/2	2,809	
3	2	4/3.5	1/2	2,767	\$230.57
6	3	5/3	2/2	2,824	\$208.57
10	3	5/3	2/2	2,824	\$200.07
11	2	4/3	2/3	2,992	\$204.88
12	4	4/3	2/2	2,771	\$208.23
12	5	5/3	2/2	2,948	\$200.14
15	6	4 / 2.5	2/2	2,773	\$207.71

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 \$200.07 to \$230.57 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. Canyon View Plan 3 has a current base asking price of \$226.41 per square foot. There have been nine closings of Canyon View Plan 3 with sales prices ranging from \$186.33 to \$214.15 per square foot. There are currently seven escrows of Canyon View Plan 3, with a price range of \$194.72 to \$225.52 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Canyon View Plan 3 the concessions range from \$0 to \$83,105 or from \$0 to \$29.59 per square foot... All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Canyon View Plan 3 has

a base current market value of \$187.00 per square foot. This calculates as follows:

2,809 sf x \$187.00 = \$525,283

The most appropriate new home comparable data for Canyon View Plan 4 (NG) are shown below.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	4 (NG)	6 / 4.5	2/3	4,134	
7	4 (NG)	7 / 4.5	2/2	4,134	\$140.30
8	4 (NG)	7 / 4.5	2/2	4,134	\$143.93
9	2	5/4	2/3	3,520	\$190.34
9	3	6 / 4	2/3	3,699	\$183.83
9	4 (NG)	6 / 4.5	2/3	3,994	\$175.26
11	3	5 / 3.5	2/3	3,247	\$194.95

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 \$140.30 to \$194.95 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. It is important to note that Canyon View Plan 4 is a NextGen ("NG") floorplan, meaning it is designed for multi-generational living and features a first-floor suite with separate entrance, living room, laundry, and kitchenette. Canyon View Plan 4 (NG) has a current base asking price of \$196.42 per square foot. There have been six closings of Canyon View Plan 4 (NG) with sales prices ranging from \$161.87 to \$189.63 per square foot. There are currently seven escrows of Canyon View Plan 4 (NG), with a price range of \$163.56 to \$193.53 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 considering concessions. The builder is currently giving concessions which may include an interest rate buy-down. For Canyon View Plan 4 the concessions range from \$20,000 to \$118,266 or from \$4.83 to \$28.61 per square foot... All of the homes appear to be in excellent condition

with no depreciation visible. It has been concluded that Canyon View Plan 4 (NG) has a base current market value of \$162.00 per square foot. This calculates as follows:

$$4,134 \text{ sf } x \$162.00 = \$669,708$$

Builder-Owned Retail Value

Within Quartz Ranch there are 35 builder-owned homes over 95 percent complete which includes eight 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 \$35,000 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:

Meadow Walk:		
Plan 1 (2 x \$464,865)	\$	929,730
Plan 2 (3 x \$468,000)		1,404,000
Plan 3 (3 x \$473,645)		1,420,935
Plan 4 (2 x \$495,895)		991,790
Plan 5 (1 x \$497,280)		497,280
Ridgeline:		
Plan 1 (3 x \$468,000)	\$	1,404,000
Plan 2 (4 x \$503,140)		2,012,560
Plan 3-NG (3 x \$540,348)		1,621,044
Plan 4 (4 x \$525,730)		2,102,920
Canyon View:		
Plan 1 (2 x \$529,800)	\$	1,059,600
Plan 2 (2 x \$525,730)		1,051,460
Plan 3 (4 x \$525,283)		2,101,132
Plan 4 (NG) (2 x \$669,708)		1,339,416
Model Upgrades (8 x \$35,000)		<u>280,000</u>
Retail Value	<u>\$</u>	<u> 18,215,867</u>

Absorption Period

In order to arrive at an absorption period for the 35 builder-owned homes, the absorption rate for the subject neighborhoods along with the surrounding developments has been reviewed. Quartz Ranch grand opened in June 2022 and there have been 144 sales since, suggesting an average absorption of 13.7 homes per month between the three neighborhoods. The sales rates per community are 4.0 within Meadow Walk, 4.7 within

Ridgeline, and 5.0 within Canyon View. Each of these rates are considered to be good. Twenty-seven of the 35 builder-owned homes are in escrow (all but the models) with closings scheduled 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 35 builder-owned homes will be absorbed within a five-month period at the concluded values.

Remaining Costs

As discussed under the property description section above, there is \$72,390.30 per lot remaining for land development costs and fees associated with the builder-owned property. For the 35 builder-owned homes, this equates to \$2,533,660 (\$72,390.30 x 35) in remaining costs. For analysis purposes this will be spread evenly over the five-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 buydowns 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 Quartz Ranch grand opened in June 2022 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 \$11,388,430.

Builder Ownership Valuation

The builder-owned homes within Quartz Ranch consists of eight models along with 27 production homes over 95 percent complete, 65 homes under construction (valued based on a finished lot) and 197 additional finished lots owned by Lennar. The final valuation of the Lennar owned property is:

 262 Lots
 \$ 39,983,741

 35 Houses
 11,388,430

 Total Lennar Ownership
 \$ 51,372,171

Individual Owned Homes Valuation Conclusion

There are 82 individually owned homes within Quartz Ranch. Based on the concluded value for each plan, the individually owned homes are valued as:

Meadow Walk:

Plan 1 (4 x \$464,865)	\$ 1,859,460
Plan 2 (3 x \$468,000)	1,404,000
Plan 3 (4 x \$473,645)	1,894,580
Plan 4 (5 x \$495,895)	2,479,475
Plan 5 (7 x \$497,280)	3,480,960
Ridgeline:	
Plan 1 (8 x \$468,000)	\$ 3,744,000
Plan 2 (6 x \$503,140)	3,018,840

Plan 3-NG (8 x \$540,348)	4,322,784
Plan 4 (7 x \$525,730)	3,680,110
Canyon View:	•
Plan 1 (8 x \$529,800)	\$ 4,238,400
Plan 2 (7 x \$525,730)	3,680,110
Plan 3 (9 x \$525,283)	4,727,547
Plan 4 (NG) (6 x \$669,708)	<u>4,018,248</u>
Total Individual Owned	<u>\$42,548,514</u>

In an additional review, we have reviewed the original builder sales prices for the homes within the Quartz Ranch neighborhood. Closings for the 82 homes occurred between October 18, 2022 and March 31, 2023. The reported closing prices by the builder for the individually owned homes total \$45,002,857. 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 consider any options, premiums or upgrades which were purchased by the buyers. The majority of the plans have had minimal price decreases which is considered in our analyses. It is our conclusion that the original builder's sales prices further substantiate the concluded minimum market value for the individually owned homes.

Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

Kitty Siino & Associates, Inc.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property which is within the boundaries of Menifee CFD No. 2022-1. The property is being developed into the community of Quartz Ranch with three neighborhoods known as Meadow Walk, Ridgeline, and Canyon, all by Lennar. Quartz Ranch has been well received in the marketplace and with all three neighborhoods actively selling at absorption rates in line with the marketplace.

Quartz Ranch includes a total of 379 single-family proposed homes with 82 closed to individuals and an additional 62 in escrow. We have reviewed the builder sales and reviewed the area's Multiple Listing Service. Our search resulted in no resale homes and no current listings of a resale home within the subject property. All homes appear to be in excellent condition with no depreciation apparent. The 82 home closings occurred between October 18, 2022 and March 31, 2023. There are eight models and 27 production homes over 95 percent complete (all 27 production homes in escrow), with an additional 65 homes under construction (under 95 percent complete) and 197 finished lots.

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 considered the improvements/benefits to be funded by the both of the Menifee CFD No. 2022-1 bond series proceeds, along with the Menifee CFD No. 2022-1 special tax lien. As a result of our investigation, the concluded market value for the subject property is:

Quartz Ranch

 Lennar Ownership (262 lots & 35 houses)
 \$ 51,372,171

 Individual Owners (82 houses)
 42,548,514

 Total Aggregate Value Menifee CFD No. 2022-1
 \$ 93,920,685

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of April 10, 2023.

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Menifee CFD No. 2022-1 (Quartz Ranch) - 2023 Series Bonds

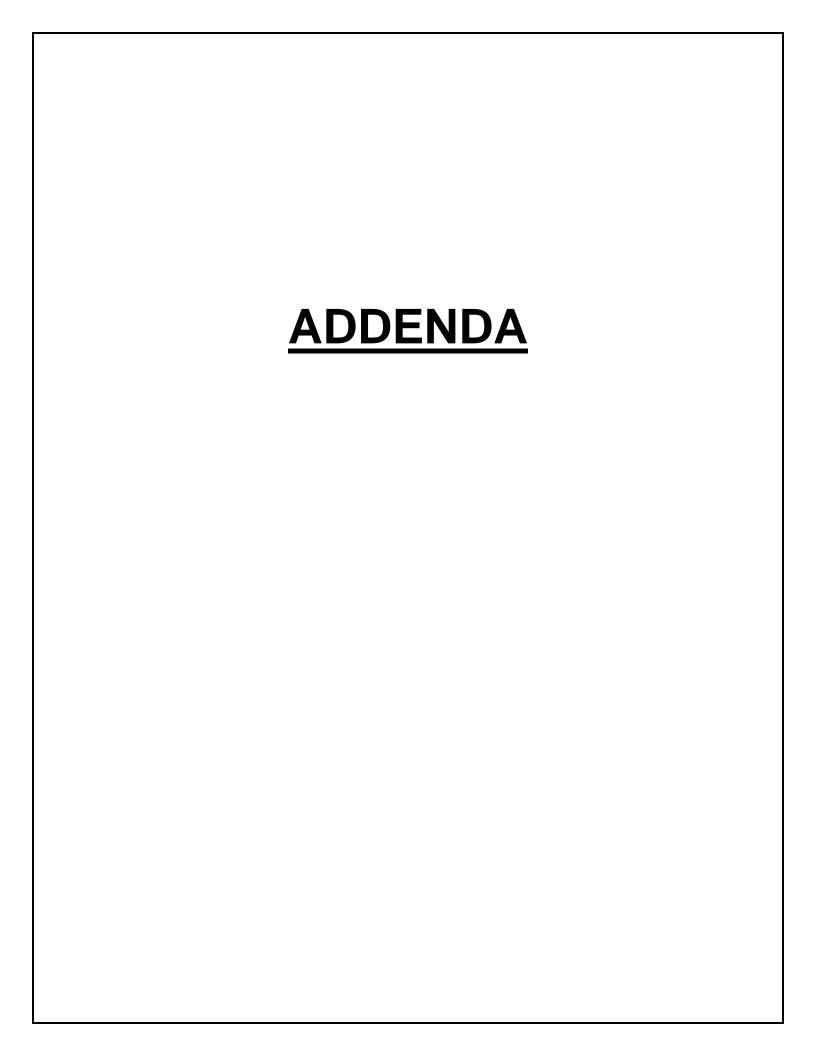
APPRAISER'S CERTIFICATION

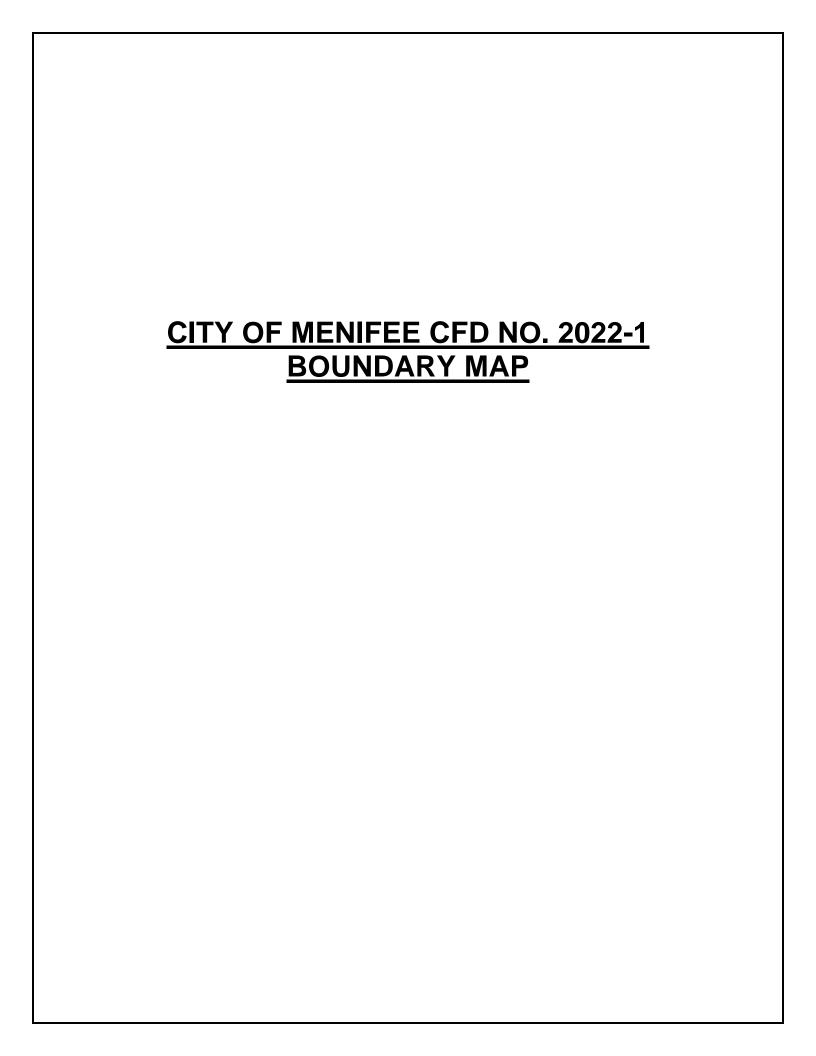
The appraiser certifies that to the best of his knowledge and belief:

- 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 2022-1 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)



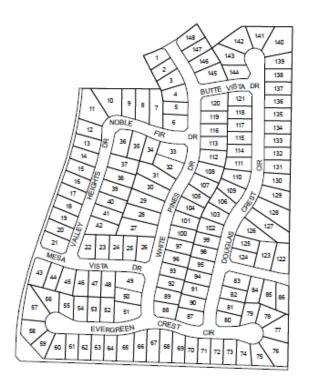


I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2022-1 (QUARTZ RANCH), CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MENIFEE AT A REGULAR MEETING THEREOF, HELD ON DAY OF 20,	PROPOSED BOUNDARY MAP COMMUNITY FACILITIES DISTRICT NO. 2022-1 (QUARTZ RANCH) CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA	SHEET 1 OF 4 SHEETS
CITY CLERK CITY OF MENIFEE FILED IN THE OFFICE OF THE CITY CLERK, CITY OF MENIFEE, THIS DAY OF, 20	IA PEDRA BD	
CITY CLERK CITY OF MENIFEE RECORDED THIS DAY OF	SHEET 4	SHEET 3
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER BY: DEPUTY DEPUTY		HEET 2
MENIFEE CFD 2022-1	HOCCAND RO	LEGEND CFD BOUNDARY
THIS BOUNDARY MAP CORRECTLY SHOWS THE BOOF THE COMMUNITY FACILITIES DISTRICT. FOR CONCERNING THE LINES AND DIMENSIONS OF PARCEL REFER TO THE COUNTY ASSESSOR'S IN FISCAL YEAR 2021-22.	LOTS OR	SHEET BOUNDARY PARCEL LINE XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

SHEET 2 OF 4 SHEETS

PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 2022-1 (QUARTZ RANCH) CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



REFERENCE#	APN	REFERENCE #	APN	REFERENCE#	APN	REFERENCE #	APN	REFERENCE #	APN
1	300-942-011	31	360-951-005	61	360-961-020	91	360-960-010	121	350-941-004
2	300-942-010	32	360-951-006	62	360-961-021	92	360-960-004	122	300-953-001
3	350-942-009	33	360-951-007	63	360-961-022	93	360-960-003	123	300-953-002
4	350-942-008	34	360-951-008	64	360-961-023	94	360-960-009	124	300-953-003
5	300-942-007	35	360-951-009	65	360-961-024	95	360-960-008	125	360-953-004
6	360-942-005	36	360-951-010	66	360-961-025	95	360-960-002	125	360-953-005
7	300-942-005	37	360-951-011	67	360-961-026	97	360-960-001	127	360-953-006
8	300-942-004	38	360-951-012	68	360-961-027	98	360-960-007	128	360-953-007
9	300-942-003	39	360-951-013	69	360-961-028	99	360-950-017	129	360-953-008
10	300-942-002	40	360-951-014	70	360-961-029	100	360-950-008	130	360-953-009
11	300-942-001	41	360-951-015	71	360-961-030	101	300-950-007	131	360-953-010
12	350-952-008	42	360-951-016	72	360-961-031	102	300-950-016	132	300-953-011
13	360-952-007	43	360-961-008	73	360-961-032	103	300-950-015	133	360-953-012
14	360-952-006	44	360-961-007	74	360-961-033	104	350-950-005	134	360-940-017
15	350-952-005	45	360-961-006	75	360-961-034	105	350-950-005	135	360-940-016
15	350-952-004	46	360-961-005	76	360-961-035	106	300-950-014	136	300-940-015
17	360-952-003	47	360-961-004	77	360-961-036	107	300-950-004	137	360-940-014
18	300-952-002	48	360-961-003	78	360-961-037	108	300-950-003	138	300-940-013
19	300-952-001	49	360-961-002	79	360-961-038	109	300-950-013	139	300-940-012
20	360-963-002	50	360-961-001	80	360-961-039	110	300-050-012	140	300-940-011
21	360-963-001	51	360-961-010	81	360-961-040	111	300-950-011	141	300-940-010
22	360-962-001	52	360-961-011	82	360-961-041	112	300-950-002	142	350-940-009
23	360-962-002	53	360-961-012	83	360-961-042	113	350-950-001	143	360-940-008
24	360-962-003	54	360-961-013	84	360-961-043	114	350-950-010	144	360-940-007
25	300-902-004	55	360-961-014	85	360-961-044	115	350-950-009	145	360-940-006
26	300-902-005	58	360-961-015	86	360-961-045	115	300-941-003	145	380-940-005
27	350-951-001	57	360-961-016	87	360-960-012	117	350-941-005	147	360-940-004
28	360-951-002	58	360-961-017	88	360-960-006	118	300-941-005	148	300-940-003
29	360-951-003	50	360-961-018	89	360-960-005	119	300-941-002		
30	350-951-004	60	360-961-019	90	360-960-011	120	350-941-001		

LEGEND

CFD BOUNDARY SHEET BOUNDARY

PARCEL LINE

XXXX-XXXX-XXXXX ASSESSOR PARCEL NUMBER (APN)



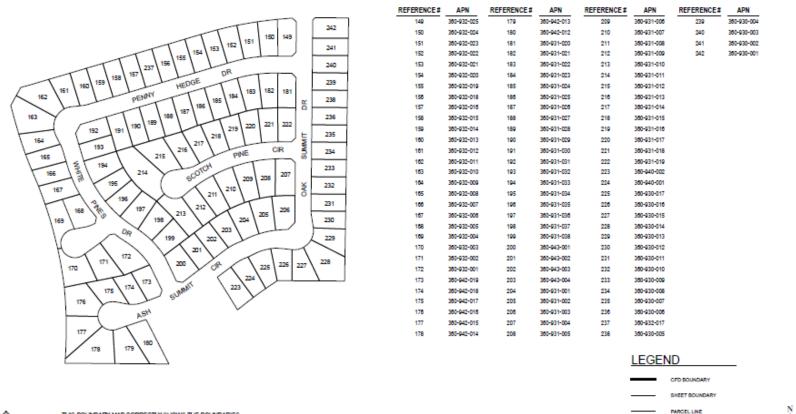
THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS ONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISICAL YEAR 2021-22.

250 1,000 Feet

SHEET 3 OF 4 SHEETS

PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 2022-1 (QUARTZ RANCH) CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA





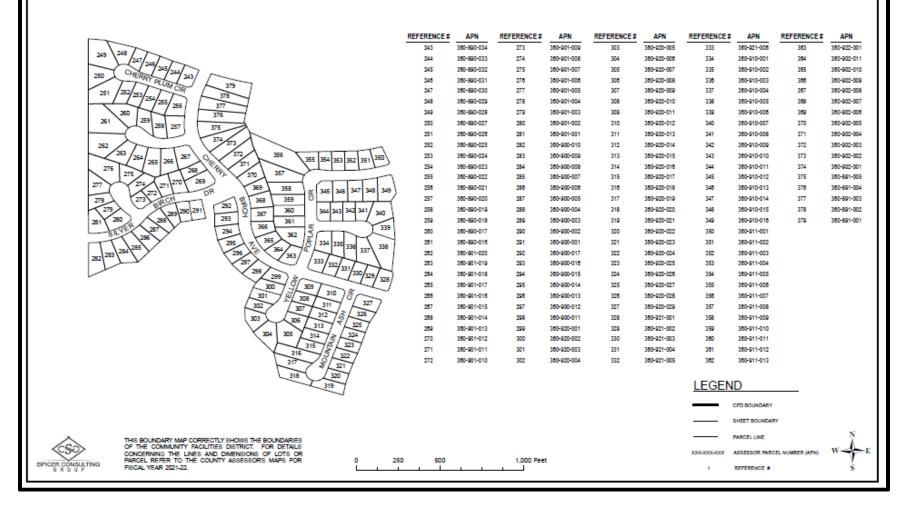
THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OF RARGEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2021-22.

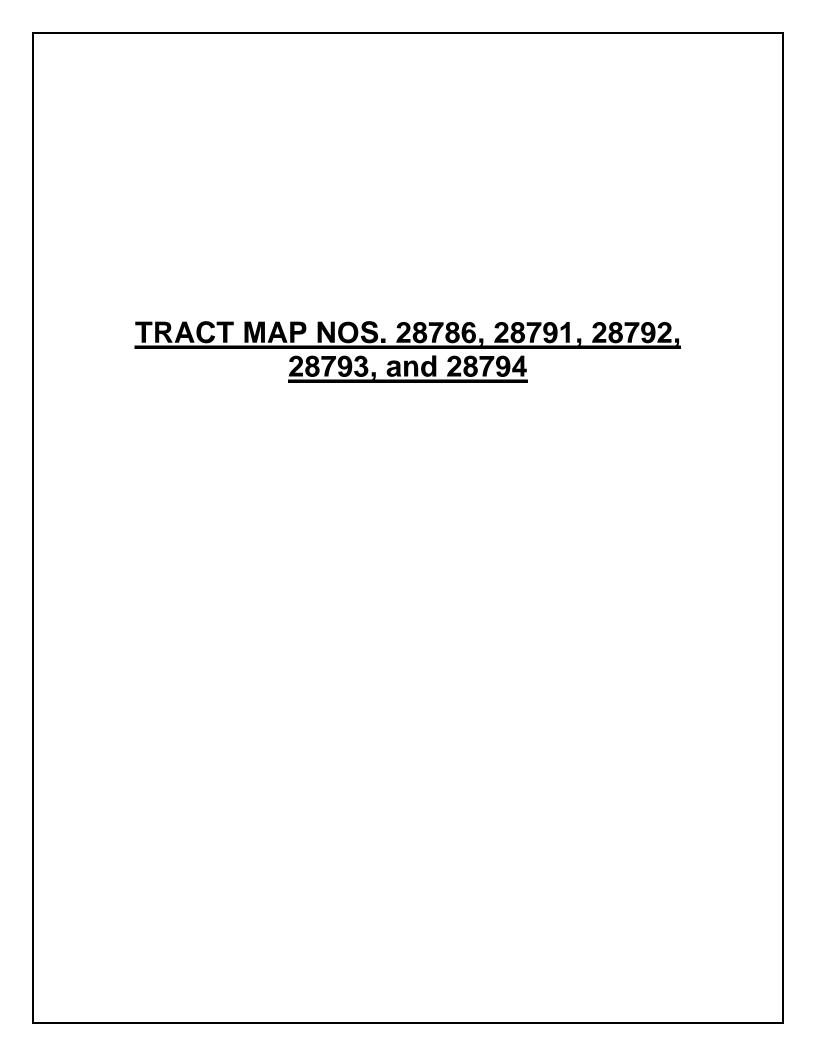
0 250 500 1,000 Feet

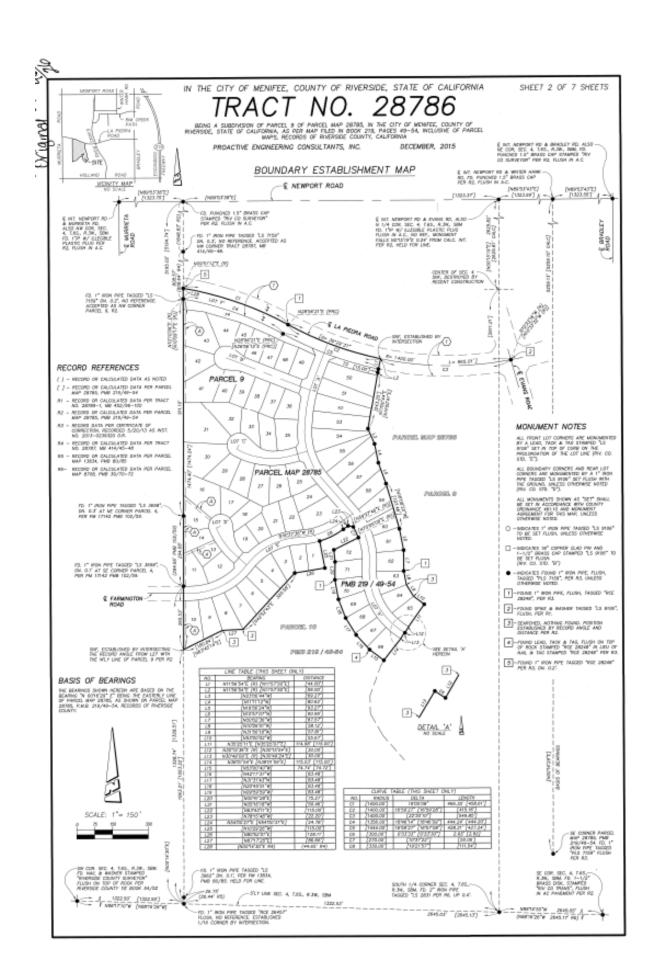
SHEET 4 OF 4 SHEETS

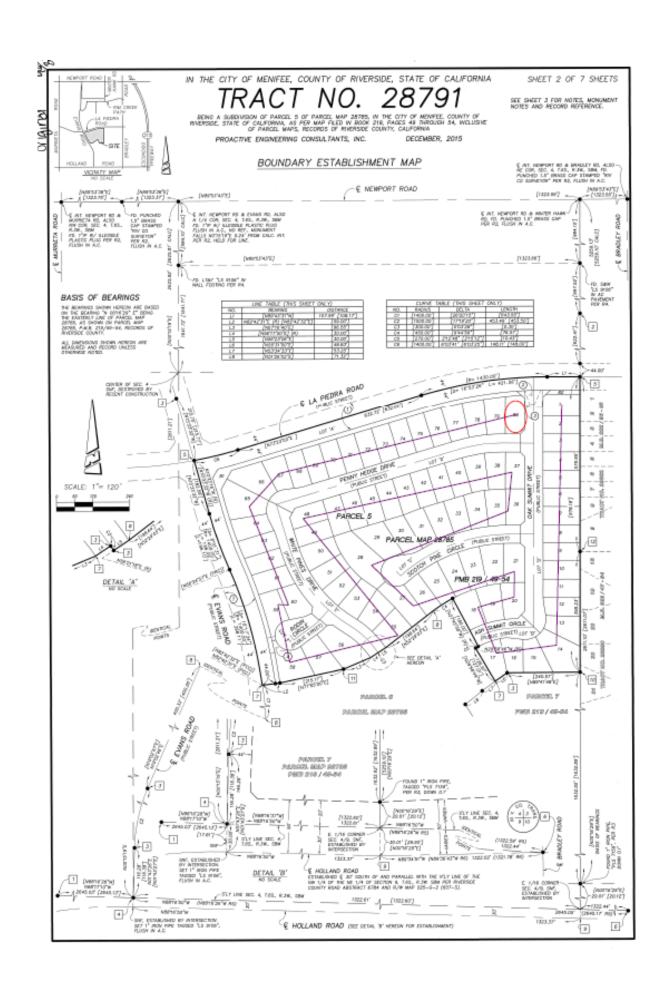
PROPOSED BOUNDARY MAP

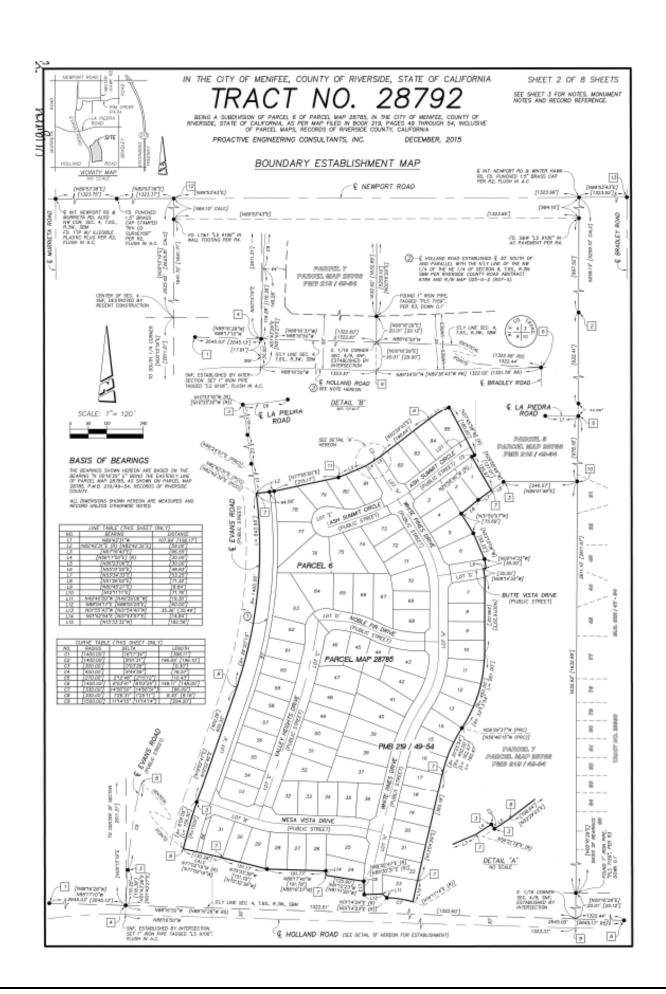
COMMUNITY FACILITIES DISTRICT NO. 2022-1 (QUARTZ RANCH) CITY OF MENIFEE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

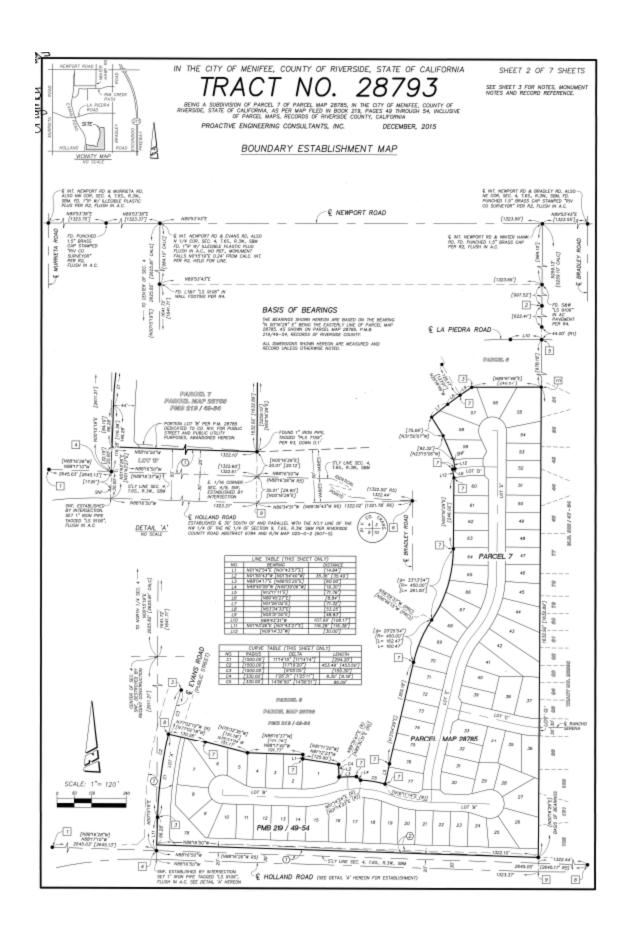


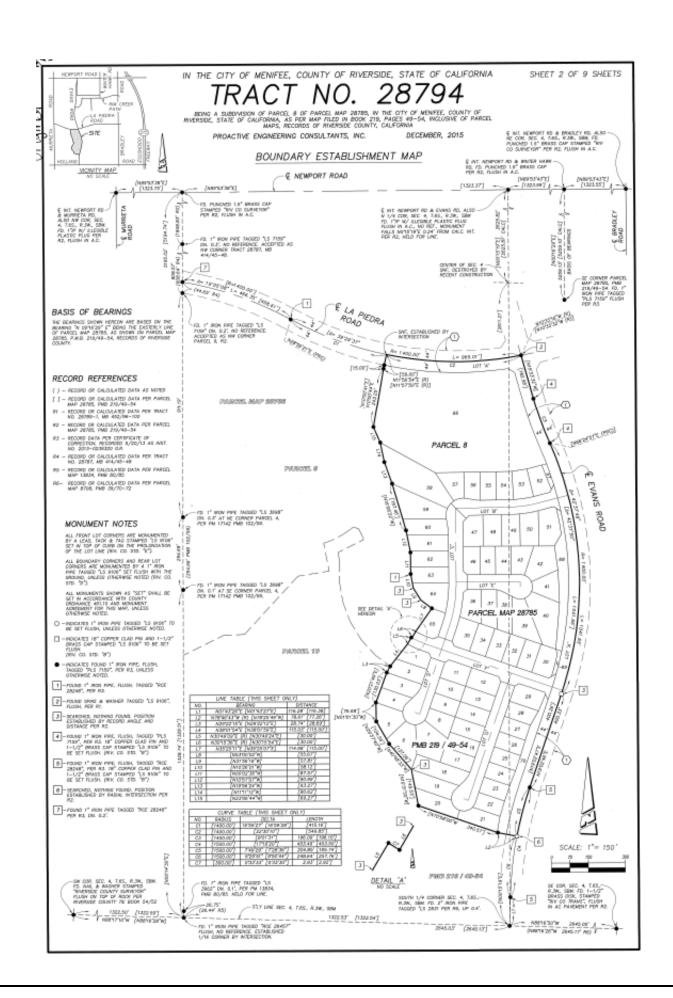












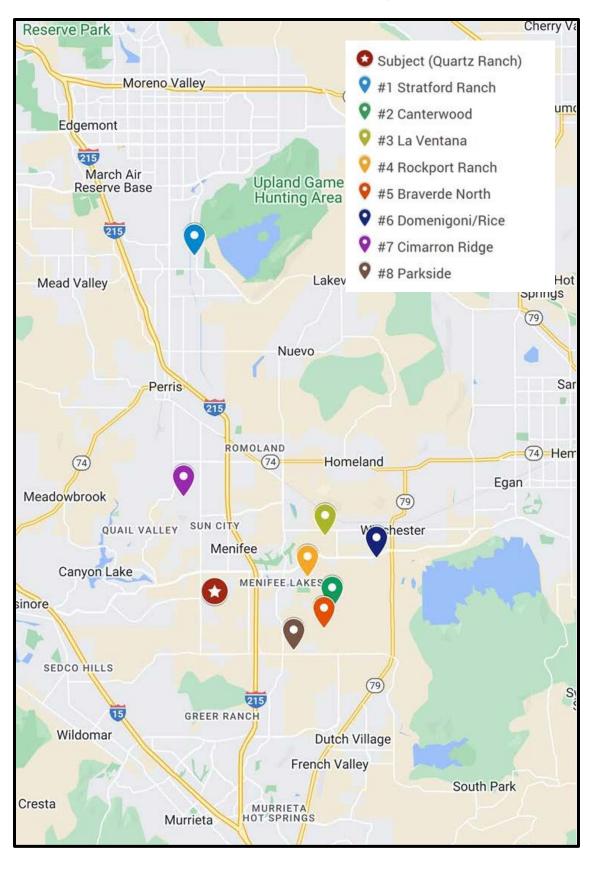
DISCOUNTED CASH FLOW ANALYSIS

Quartz Ranch Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months 5	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	<u>TOTAL</u>
INCOME:							
Retail Sales	18,215,867	\$3,643,173	\$3,643,173	\$3,643,173	\$3,643,173	\$3,643,173	\$18,215,867
TOTAL INCOME		\$3,643,173	<u>\$3,643,173</u>	<u>\$3,643,173</u>	<u>\$3,643,173</u>	<u>\$3,643,173</u>	<u>\$18,215,867</u>
EXPENSES:							
Remaining Costs Marketing & Carrying		(\$506,732)	(\$506,732)	(\$506,732)	(\$506,732)	(\$506,732)	(\$2,533,660)
Expenses	10%	(\$364,317)	(\$364,317)	(\$364,317)	(\$364,317)	(\$364,317)	(\$1,821,587)
Profit	12%	<u>(\$437,181)</u>	(\$437,181)	<u>(\$437,181)</u>	<u>(\$437,181)</u>	(\$437,181)	(\$2,185,904)
TOTAL EXPENSES		(\$1,308,230)	(\$1,308,230)	(\$1,308,230)	(\$1,308,230)	(\$1,308,230)	(\$6,541,151)
NET CASH FLOW		\$2,334,943	\$2,334,943	\$2,334,943	\$2,334,943	\$2,334,943	\$11,674,716
Discount Factor	10%	0.9917	0.9835	0.9754	0.9673	0.9594	, , , , ,
DISCOUNTED CASH FLOW		\$2,315,646	\$2,296,509	\$2,277,529	\$2,258,707	\$2,240,040	\$11,388,430
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$2,315,646</u>	<u>\$4,612,155</u>	\$6,889,684	<u>\$9,148,391</u>	<u>\$11,388,430</u>	<u>\$11,388,430</u>

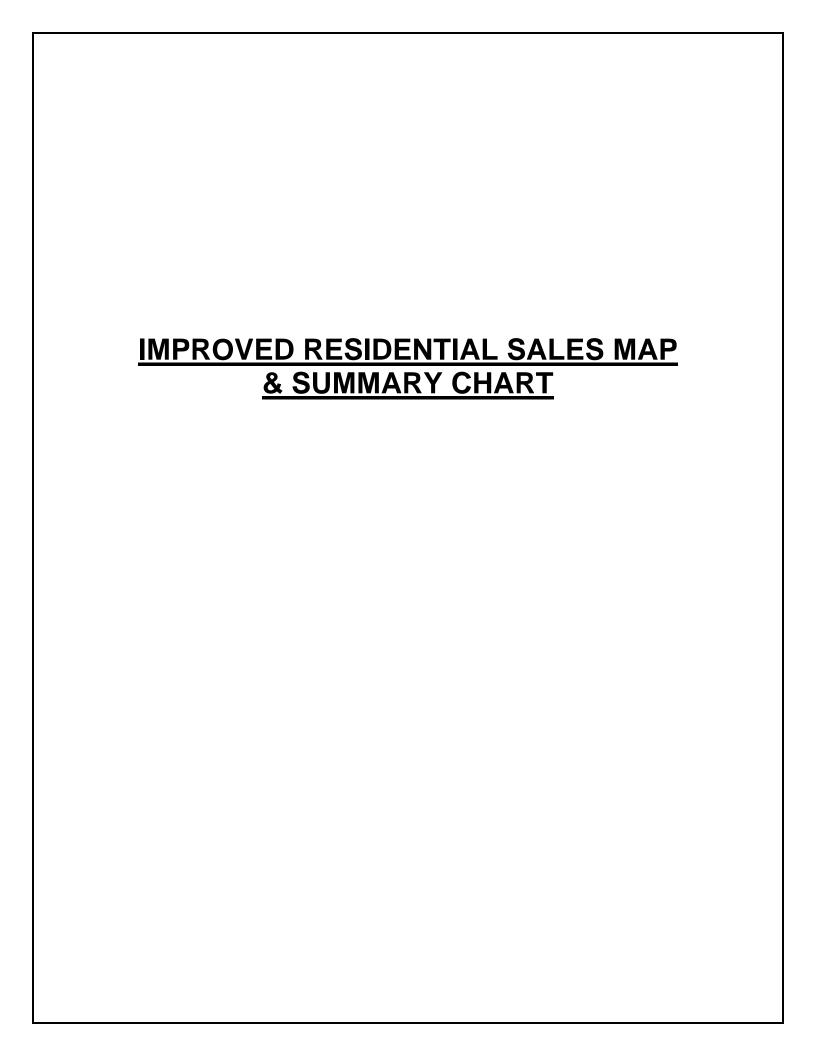
RESIDENTIAL LAND SALES MAP & SUMMARY CHART

Residential Land Sales Map

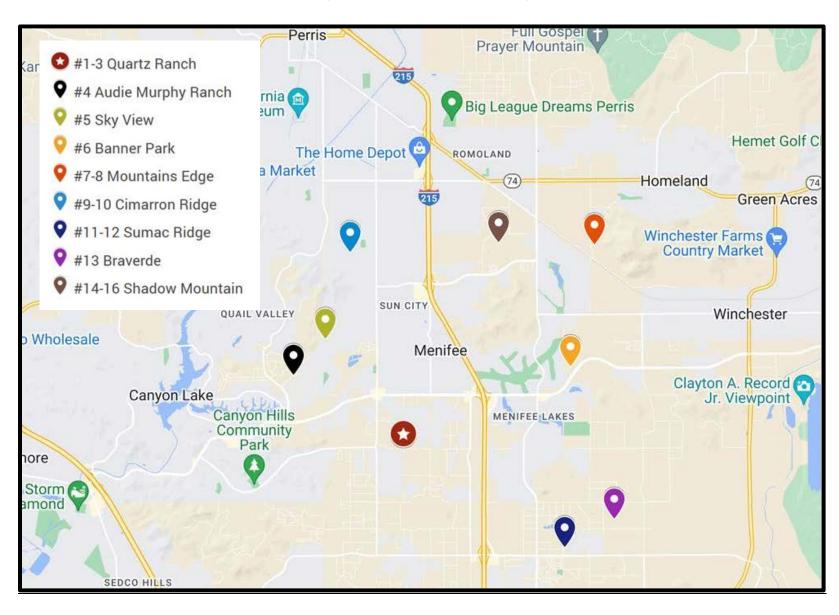


FINISHED LOT LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size	Sales Price / Price per Lot	Est. Finished Lot Price	Comments	
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	Canterwood Phase 1, SEC Holland Road and Leon Road, Menifee / 466- 310-026 / D.R. Horton / Ambient	4 / 22	446	5,000- 7,000	\$6,000,000 \$13,453	\$175,000	Closed with an approved Final Map in an unimproved condition. Extensive offsites needed (increased risk).	
3	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.	
4	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.	
5	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	
6	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.	
7	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.	
8	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



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	3 / 2.5	2/2	1,823		\$507,990	\$278.66
	Meadow Walk at Quartz Ranch, Evans and Cherry Birch Avenue,	2	3/2	1/2	1,950	7,200 sf lots	\$523,990	\$268.71
1		3	4/3	2/2	2,203	4.0 sales/mo	\$541,990	\$246.02
	Menifee / Lennar	4	4/3	2/2	2,419		\$556,990	\$230.26
		5	4/3	2/2	2,590		\$568,990	\$219.69
	Ridgeline at Quartz Ranch, Evans and Cherry Birch Avenue, Menifee / Lennar	1	3/2	1/2	1,950		\$549,990	\$282.05
2		2	3/2	1/2	2,287	7,200 sf lots	\$585,990	\$256.23
~		3 (NG)	4/3	1/3	2,434	4.7 sales/mo	\$628,990	\$258.42
		4	4 / 3.5	1/2	2,767		\$630,990	\$228.04
	Canyon View at Quartz Ranch, Evans and Cherry Birch Avenue, Menifee / Lennar	1	4 / 3.5	2/3	2,649		\$609,990	\$230.27
3		2	4 / 3.5	1/2	2,767	7,200 sf lots	\$637,990	\$230.57
3		3	4 / 2.5	2/2	2,809	5.0 sales/mo	\$635,990	\$226.41
		4 (NG)	6 / 4.5	2/3	4,134		\$811,990	\$196.42
	Noble at Audie Murphy Ranch / Goetz Road and Audie Murphy Road, Menifee / Richmond American Homes	1	3/2	1/2	2,270		\$613,990	\$270.48
4		2	3 / 2.5	1/2	2,610	7,500 sf lots	\$643,990	\$246.74
4		3	3 / 2.5	1/3	2,780	3.5 sales/mo	\$668,990	\$240.64
		4	3 / 2.5	1/3	3,130		\$709,990	\$226.83
	Sky View / Ridgmoor Road and Triton Street, Menifee / Woodside Homes	1	3/3	1/2	1,755		\$548,000	\$312.25
		2	3/3	2/2	2,149		\$576,000	\$268.03
5		3	3 / 2.5	1/2	2,172	7,200 sf lots	\$621,000	\$285.91
)		4	4/3	1/2	2,523	3.9 sales/mo	\$644,000	\$255.25
		5	3/3	2/3	2,697		\$642,500	\$238.23
		6	4/3	2/3	3,080		\$670,500	\$217.69

	Merit at Banner Park /	1	4 / 2.5	2/2	2,391	6,000 sf lots	\$558,990	\$233.79
6	Domenigoni Pkwy and	2	4 / 2.5	2/2	2,654	3.6 sales/mo	\$576,990	\$217.40
Lindenberger Rd, Menifee / Pulte		3	5/3	2/2	2,824		\$588,990	\$208.57
	Copper Hill at Mountains Edge, Briggs Road and Hillridge Street, Menifee / Lennar	1	3 / 2.5	2/2	1,843		\$473,525	\$256.93
7		2	3/2	1/2	1,950	7,000 sf lots	\$475,255	\$243.72
'		3	4/3	2/2	2,203	2.1 sales/mo	\$483,845	\$219.63
		4 (NG)	7 / 4.5	2/2	4,134		\$580,000	\$140.30
	Hidden Terrace at Mountains Edge, Briggs Road and Hillridge Street, Menifee / Lennar	1	4/2	1/2	2,336		\$502,175	\$214.97
8		2	4/3	2/2	2,590	7,000 sf lots	\$499,590	\$192.89
0		3	3 / 3.5	2/2	3,092	5.0 sales/mo	\$588,740	\$190.41
		4 (NG)	7 / 4.5	2/2	4,134		\$595,000	\$143.93
	Meadows at Cimarron Ridge, Goetz Road and Heard Court, Menifee / Pulte	1	4/3	1/3	2,550		\$609,990	\$239.21
9		2	5/4	2/3	3,520	6,000 sf lots	\$669,990	\$190.34
9		3	6/4	2/3	3,699	0.5 sales/mo	\$679,990	\$183.83
		4 (NG)	6 / 4.5	2/3	3,994		\$699,990	\$175.26
	Pathway at Cimarron Ridge, Goetz Road and Heard Court, Menifee / Pulte	1	4/2	1/2	1,959	6,000 sf lots	\$514,990	\$262.88
10		2	5 / 2.5	2/2	2,397	0.0 sales/mo	\$539,990	\$225.28
		3	5/3	2/2	2,824		\$564,990	\$200.07
	Cedar at Sumac Ridge / NE of Scott Road and Menifee Road, Menifee / Meritage Homes	1	4/3	1/2	2,527	7,000 sf lots	\$600,000	\$237.44
11		2	4/3	2/3	2,992	3.0 sales/mo	\$613,000	\$204.88
		3	5 / 3.5	2/3	3,247		\$633,000	\$194.95
12	Sage at Sumac Ridge / NE of Scott Road and Menifee Road, Menifee / Meritage Homes	1	4 / 2.5	1/2	1,910		\$544,000	\$284.82
		2	4/3	2/2	2,320	6,000 sf lots	\$552,000	\$237.93
		3	4/3	2/2	2,541	4.3 sales/mo	\$564,000	\$221.96
		4	4/3	2/2	2,771		\$577,000	\$208.23
		5	5/3	2/2	2,948		\$590,000	\$200.14

13	Liberty at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	3 / 2.5	1/2	2,290	6,500 sf lots	\$567,990	\$248.03
		2	3 / 2.5	1/2	2,490	3.3 sales/mo	\$596,990	\$239.76
		3	3 / 2.5	1/2	2,610		\$581,990	\$222.98
		1	3/2	1/2	1,472		\$494,990	\$336.27
	Oak Shade at Shadow Mountain / SW of Palomar Road and Rouse Road, Menifee / KB Home	2	3/2	1/2	1,620		\$504,990	\$311.72
14		3	4/2	1/2	1,846	7,200 sf lots	\$518,990	\$281.14
14		4	4/3	2/2	1,977	6.4 sales/mo	\$528,990	\$267.57
		5	4/3	2/2	2,219		\$542,990	\$244.70
		6	4/3	2/2	2,454		\$558,990	\$227.79
	Persano at Shadow Mountain / NW of Palomar Road and Rouse Road, Menifee / KB Home	1	3/2	1/2	1,891		\$516,990	\$273.40
		2	4/2	1/2	2,035		\$530,990	\$260.93
		3	4/2	1/2	2,206	8,000 sf lots	\$542,990	\$246.14
15		4	4/3	1/2	2,358	4.9 sales/mo	\$557,990	\$236.64
		5	4 / 2.5	2/2	2,544		\$562,990	\$221.30
		6	4 / 2.5	2/2	2,773		\$575,990	\$207.71
		7	5/3	2/2	3,086		\$631,990	\$204.79
16	Durango at Shadow Mountain / SW of Palomar Road and Rouse Road, Menifee / KB Home	1	3/2	1/2	2,099		\$532,990	\$253.93
		2	4/2	1/2	2,381	8,000 sf lots	\$549,990	\$230.99
16		3	4/2	1/2	2,621	4.6 sales/mo	\$562,990	\$214.80
		4	4 / 2.5	1/2	2,906		\$590,990	\$203.37

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