

APPRAISAL REPORT

CITY OF MENIFEE COMMUNITY FACILITIES DISTRICT NO. 2021-2 SUMAC RIDGE BY MERITAGE HOMES

City of Menifee, Riverside County, California
(Appraiser's File No. 2022-1282)



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

July 26, 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. 2021-2
Sumac Ridge by Meritage Homes, 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. 2021-2 of the City of Menifee ("Menifee CFD No. 2021-2"). Menifee CFD No. 2021-2 encompasses a new home community known as Sumac Ridge by Meritage Homes. Sumac Ridge consists of two product lines known as Cedar and Sage. The two product lines are spread throughout Sumac Ridge, which is covered by Tract Map 37668, with generally Cedar in the northern half of the tract and Sage in the southern half. Sumac Ridge consists of a total of 175 detached homes, with the Sage product line situated on minimum 5,000 square foot lots and the Cedar product line situated on minimum 7,000 square foot lots. The subject 175 lots include 78 completed homes closed to individuals and seven builder owned homes over 95 percent complete, including four models (none in escrow) and three production homes (all in escrow and due to close upon completion). There are an additional 22 homes under construction (10 in escrow) and 68 remaining lots (none in escrow).

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. 2021-2 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 Menifee CFD No. 2021-2. As a result of our investigation, the concluded market value for the subject property is:

Sumac Ridge by Meritage Homes

Meritage Homes Ownership (7 houses & 90 lots)	\$ 21,155,860
Individual Owners (78 houses)	<u>\$ 45,236,813</u>

Total Aggregate Value	<u>\$ 66,392,673</u>
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The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of June 19, 2023.

Margarita Cornejo
CITY OF MENIFEE
July 26, 2023
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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 Menifee CFD No. 2021-2.

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

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.

A handwritten signature in black ink, reading "K. Siino". The signature is written in a cursive, flowing style.

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

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ADDENDA

CFD No. 2021-2 Boundary Map
Tract Maps No. 37668
Discounted Cash Flow Analyses
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 Menifee CFD No. 2021-2.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Menifee CFD No. 2021-2 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and/or benefits to the subject properties, which are to be funded by the Menifee CFD No. 2021-2 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 information and remaining land development costs as received from the builders are true and accurate. We have reviewed both the sales and cost information and they appear reasonable. However, we are not experts in cost estimating and if the cost estimates change, it may change the value conclusions.
2. It is an extraordinary assumption that there are no remaining conditions which could slow or thwart building permits or certificates of occupancy on the subject property. Per Meritage representatives, they do not believe that Condition No. 90 (Landscaping and Recreation Amenities Installation) or Condition No. 174 (completion of primary and alternate access roads, interior roads, storm drains, water systems, sewer systems and landscaping irrigation) will slow or hinder any certificates of occupancy. They believe they are on time to complete the improvements in a timely manner.

City of Menifee
Community Facilities District No. 2021-2
Sumac Ridge by Meritage Homes



Boundaries Approximate
Aerial flown by AirViews 6/17/23

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 Menifee CFD No. 2021-2 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 175 proposed single-family homes which are encompassed within Tract Map No. 37668. The tract is being developed into a community known as Sumac Ridge, which is divided into two product lines that are spread throughout the tract: Cedar at Sumac Ridge and Sage at Sumac Ridge. Both product lines are being built and sold by Meritage Homes. Of the total 175 proposed homes, 91 have been sold and 78 of those have closed to individuals. Each lot's physical status and ownership are detailed as follows:

Tract and Lot Numbers	No. Lots	Ownership	Condition
Sumac Ridge by Meritage Homes (Tract No. 37668)			
Lots 13-14, 16-18, 20-22, 24-33, 44-53, 62-97, 100-106, and 169-175 of Tract 37668	78	Individuals	Completed Homes
Lots 37-38 and 41-42 of Tract 37668	4	Meritage	Model Homes (none in escrow)
Lots 15, 19, and 23 of Tract 37668	3	Meritage	Over 95% Complete (3 in escrow)
Lots 7-12, 107-109, 118-129, and 161 of Tract 37668	22	Meritage	Under Construction (10 in escrow)
Lots 1-6, 34-36, 39-40, 43, 54-61, 98-99, 110-117, 130-160, and 162-168 of Tract 37668	<u>68</u>	Meritage	Finished Lots (none in escrow)
TOTAL	175		

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 bonds for Menifee CFD No. 2021-2 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 each of the builder-owned lots and houses in bulk 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."

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 Menifee CFD No. 2021-2.

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”

There are two extraordinary assumptions in this report. The first 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.

² USPAP 2020-2021 Edition

The second extraordinary assumption that there are no remaining conditions which could slow or thwart building permits or certificates of occupancy on the subject property. Per Meritage representatives, they do not believe that Condition No. 90 (Landscaping and Recreation Amenities Installation) or Condition No. 174 (completion of primary and alternate access roads, interior roads, storm drains, water systems, sewer systems and landscaping irrigation) will slow or hinder any certificates of occupancy. They believe they are on time to complete the improvements in a timely manner.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest, subject to easements of record and Menifee CFD No. 2021-2. 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 June 19, 2023.

DATE OF REPORT

The date of this report is July 26, 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 Menifee CFD No. 2021-2
- 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 175 proposed single-family houses. There are 78 homes completed and closed to individuals, four models (none in escrow), three homes over 95 percent complete (all three in escrow), 22 homes under construction (10 in escrow) and 68 remaining 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.”³

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.

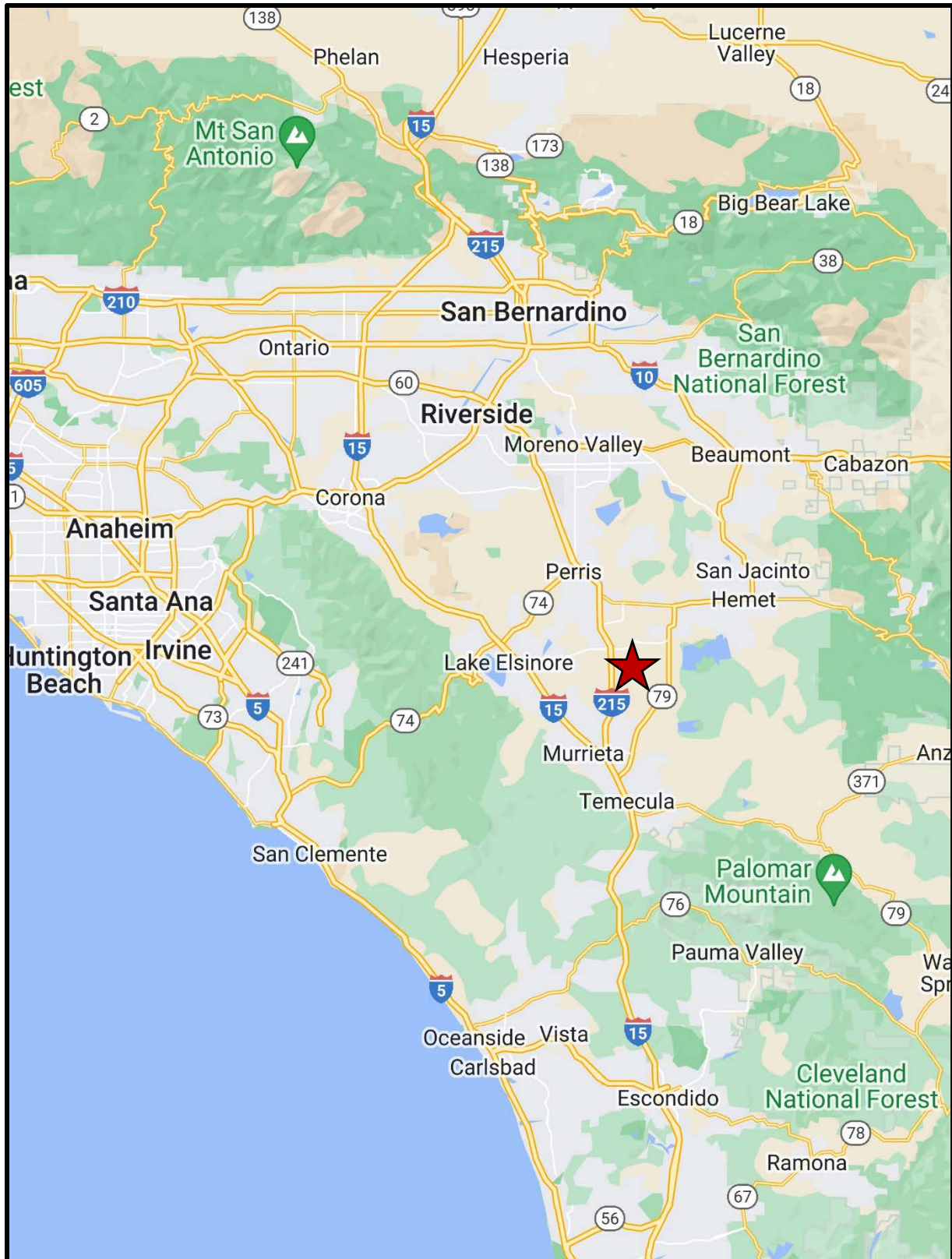
The due diligence of this appraisal assignment included the following:

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 June 1, 2023 and June 25, 2023.
4. Had the property flown for an aerial photograph on June 17, 2023.
5. Interviewed representatives from the builder to obtain available information on the subject property.

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

6. Reviewed a Preliminary Title Report on the subject property.
7. Searched the area for residential land sales and interviewed buyers, sellers or brokers knowledgeable on the transactions.
8. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.
9. Reviewed sales brochures and sales information on each of the subject neighborhoods.
10. Reviewed actual builder sales information on all closed homes and current escrows for the subject neighborhood.
11. Reviewed Multiple Listing Service ("MLS") information on re-sales and current listings of existing homes within Menifee CFD No. 2021-2.
12. 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 southwestern portion of Riverside County (the "County"), northeast of the merging of Interstate 15 ("I-15") and Interstate 215 ("I-215"), and southwest of Diamond Valley Lake, to the east of I-215 and on the north side of Scott Road. The area is located near the southeastern boundary of the City of Menifee (the "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 and east of I-215, on the north side of Scott Road at Lindenberger Road. The I-15 is approximately eight miles west of the subject and travels in a northerly/southerly direction, providing access to Barstow and Nevada to the north and San Diego to the south. Interstate 215 is approximately 1.3 miles west of the subject, 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 43 miles northwest of the subject in San Bernardino County. Highway 74 is approximately seven miles north and provides access to the west into Orange County on what is also known as Ortega Highway. In addition, the 60 Freeway runs in an east-west direction approximately 21 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 38 miles northwest of the subject property, while the Orange County Airport is located approximately 41 miles west, and the San Diego International Airport is located about 63 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 is experiencing challenging times due to reactions from the COVID recession. These economic challenges include: significant inflation, increasing interest rates, banks' instability, and turmoil prior to reaching an agreement on the debt ceiling. During COVID, 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 over 5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board ("Board") reduced interest rates and started quantitative easing by buying bonds. 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 May 2023, the national inflation rate was 4.0 percent, down from 4.9 percent in April and down from the peak in June 2022 of 9.1 percent. This compares 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.

In an effort to curb inflation, the Federal Reserve Board began raising interest rates. Since March 2022, there have been ten interest rate increases, raising the Federal Funds Rate ("FFR") from 0.25 – 0.50 percent to 5.0 – 5.25 percent. While these increases appeared to help slow inflation, the quick, significant increases have strained bank balance sheets. Three major banks have failed in the past four months with the government taking unprecedented action to help shore them up. At the most recent Board meeting (June 14, 2023) they paused the rate increases; however, additional minimal increases are expected later in the year. In addition to causing bank instability, the FFR increases over the past 15 months 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 6.69 percent as of June 15, 2023 (per Federal Reserve Economic Data-St. Louis). This steep increase of mortgage interest rates has significantly affected the real estate market.

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 followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. All of these factors caused a drop in the DJIA of nearly eight percent from January 2022 to June 21, 2023 (33,952). The nation's debt limit can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debt limit which was in danger of being reached, and the stock market's volatility throughout May due to this stand-off was evident. However, a deal was reached in early June (before the deadline), and the stock market should start showing less volatility.

The significant increase in mortgage rates over the past year is just one piece of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, 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 with new home sales being 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. As rates began increasing in early 2022, there was a significant slowdown in sales and softening of prices within the Inland Empire, with year-over-year decreases in sales as of June 2023 of more than 15 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 share 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 as the Nation's unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the May 2023 National unemployment rate at 3.4 percent (Employment Development Department, not seasonally adjusted). The Congressional Budget Office ("CBO") Forecast for the U.S. Economy (published February 2023) predicted 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. In summation, the CBO projects for 2023: 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.

The unemployment rate for the MSA was estimated at 4.4 percent (as of May 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 May 2023, Riverside County's unemployment rate was 4.4 and San Bernardino County had a 4.3 percent unemployment rate. The current unemployment rate for the MSA of 4.4 percent is slightly lower than the California rate at 4.5 percent and higher than the May 2023 National rate of 3.4 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of May 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	May-2023	4.8%
Riverside County	May -2023	4.4%
San Bernardino County	May -2023	4.3%
Orange County	May -2023	3.2%
San Diego County	May -2023	3.5%

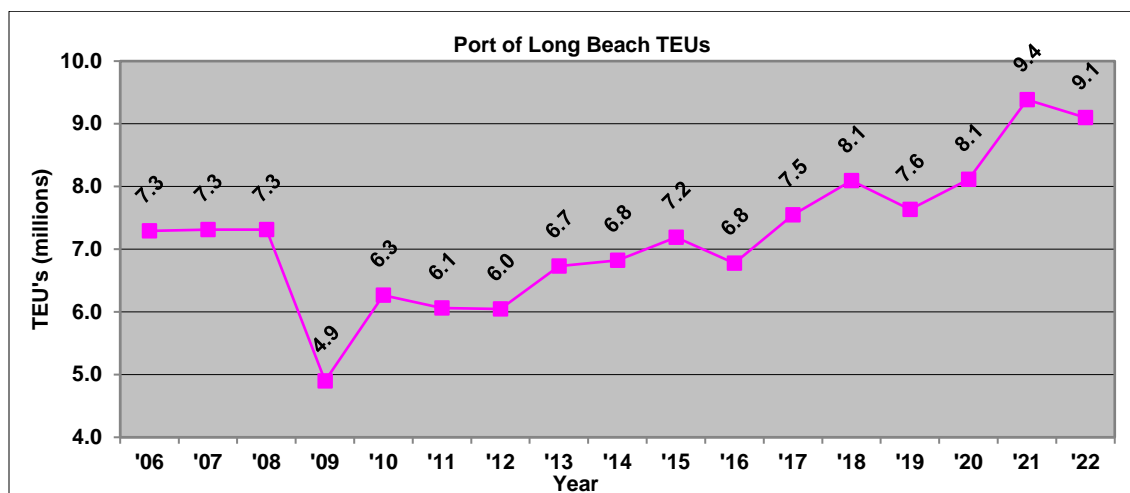
Source: State of California E.D.D.; *Not Seasonally Adjusted

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 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. May 2023 was nearly 15 percent below May of 2022 (758,225 versus 890,989 total TEUs). It should be noted that Spring 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 cooled in mid-2022 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

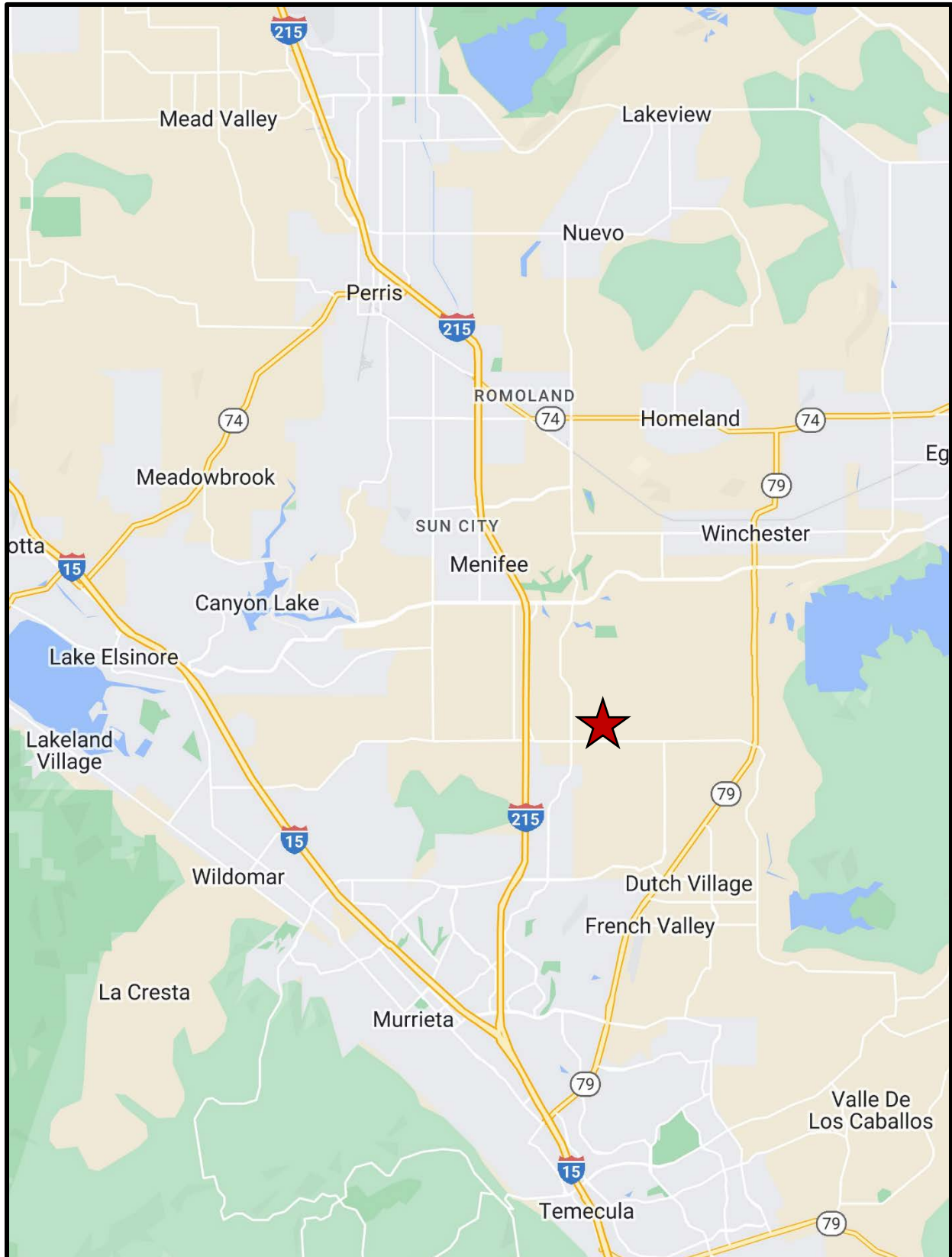
Menifee Union School District (TK through 8th) and the Perris Union High School District (9th through 12th) serve the subject area. The Menifee Union School District operates one preschool, eleven elementary schools, and three middle schools. Perris Union High School District covers a larger area than Menifee and operates four high schools, three 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, even though the State is reported to be losing population. The Nation's economy has been slowing after the Board increased the FFR five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages. Current concerns for the Inland Empire economy include: stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, recent bank failures along with 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.

MENIFEE AREA MAP



CITY OF MENIFEE DESCRIPTION

The subject property is located near the southeastern border of the City, which is located in the southwestern portion of the County. Menifee became a city in October 2008 after voting to incorporate. Menifee was the 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, Shadow Mountain, the future development of Legado (near I-215 and McCall) and Remington Place (recently sold out), as well as single new-home tracts (such as the subject, Sumac Ridge).

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, PetSmart 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 Road 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 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 Domenigoni 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 neighboring 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's location 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 June 18, 2023 Ryness Report (a new home sales tracking and research company), there are 50 new home projects currently selling in the South Riverside submarket with 26 of the 50 new home projects located in Menifee. The average year to date sales rate per project for the week ending June 18, 2023, in the South Riverside submarket was 4.4 homes per month, which is slightly higher than but similar to the average 2021 sales rate of 4.3 sales per month per project.

In summary, the future growth of Menifee is expected to 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.

IMMEDIATE SURROUNDINGS

The subject property is located in the southeastern portion of the City of Menifee, specifically on the north side of Scott Road at Lindemberger Road. Access into the community is considered to be very good via I-215 (nearest highway, exit Scott Road), and is also possible via I-15. Sumac Ridge is surrounded by vacant lands to the north, existing residential homes to the immediate east, northwest, and south. There are rural lands to the southeast, and a church (Revival Christian Fellowship) immediately adjacent to the southern half of the site to the west. Rural residential lands continue past the vacant lands to the north as well as to the southeast. The residential tract adjacent south of the subject is known as the Berkshire community, and was built in the early 2000s. This community surrounds Woodbine Park, a public park with lots of greenspace located less than one half mile from the subject, on the west side of Lindemberger Road. The housing tract adjacent east of the subject was also built in the early 2000s and abuts Mira Park, another public park with a baseball diamond, situated less than one quarter mile north of the subject on Mira Street. The tract of homes adjacent west to the northern portion of the subject was also built in the early 2000s. Past the existing residential and rural lands to the northeast (less than one mile from the subject) is the actively selling new home master planned community of Braverde, being built, and sold by Richmond American Homes. The subject's vicinity is home to several actively selling new housing developments, further east on Scott Road (just past Winchester Road) as it turns into Washington Street, is Pulte's Eagle Vista community, as well as Taylor Morrison's Siena community, which features three product lines. While both these communities fall outside the Menifee city boundary, they were included as comparables due to their close proximity to the subject (within four miles). North of the subject along Domenigoni Parkway is another stretch of actively selling communities, including Lennar's Rockport Ranch, Pulte's Banner Park, KB Home's Olivebrook, TriPointe's Outlook, and Lennar's Prairie Crossing.

The subject is served by Menifee Union School District and Perris Union High School District. Sumac Ridge residents will attend: Harvest Hill STEAM Academy for kindergarten through eighth grade (2.7 miles southeast of the subject) and Liberty High School (1.5 miles northeast of the subject).

Shopping is easily accessible to the community. Approximately one and one-quarter mile west on Scott Road at the I-215 intersection are two neighborhood shopping centers known as Heritage Market Place (anchored by an Alberton's grocery store, with a Wells Fargo, Seven Eleven, Del Taco, Carl's Junior, UPS Store and more) and Antelope Square (featuring a Walgreens, Chevron gas station, Jack in the Box, and several dining options). Three miles northwest at the I-215 and Newport Road intersection is an abundance of shopping options featuring the Menifee Countryside Marketplace, Menifee Town Center, and Menifee Lakes Plaza. Menifee Town Center (at the southeast corner of Newport Road and I-215) includes a Ralphs Grocery Store, Dollar Tree, Living Spaces, Ross Dress for Less, Shell Gas Station and a multitude of dining options. Menifee Lakes Plaza (northeast corner of Newport Road and I-215) is anchored by an LA Fitness and includes a smaller neighborhood market (Barons Market), a salon, Raising Cane's Chicken Fingers, The Coffee Bean and Tea Leaf, Blaze Pizza and more. On the west side of the I-215 at the southwest corner of Newport Road and I-215, is Menifee Countryside Marketplace which includes a Target, Lowes Home Improvement, Kohl's Best Buy, Boot Barn, and a wide selection of dining options. Just over three miles southeast of the subject in Murrieta at Clinton Keith Road and the I-215 are several more shopping centers which include a Target, Starbucks, Dollar Tree, Del Taco, and a new center anchored by a Costco. Approximately eight miles south of the subject is Promenade Temecula, a major shopping mall anchored by Macy's and JC Penney. The mall is located off the I-15 near the intersection of where the I-15 and the I-215 merge. In addition to shopping and entertainment, the subject is approximately 2.5 miles northeast of the Loma Linda University Medical Center.

CITY OF MENIFEE CFD NO. 2021-2

We have reviewed the Community Facilities District Report for the City of Menifee CFD No. 2021-2 (Sumac Ridge) prepared by Spicer Consulting Group dated November 3, 2021 ("Report"). Per the Report, the subject property is identified as Menifee CFD No. 2021-2 and includes 56.35 gross acres proposed for 175 single family detached homes. The acreage differs slightly from the engineered tract map acreage of 59.042 gross acres which is used in this report. Per the Report, the Community Facilities District may pay for facilities which may include: all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge or assessment levied, provide for the purchase, construction, expansion or rehabilitation for any real or other tangible property with an estimated useful life of five years or longer, which is necessary to meet increased demands placed upon local agencies as a result of development and/or rehabilitation occurring within Menifee CFD No. 2021-2.

The types of facilities to be financed with the proceeds of special taxes and bonds issued by CFD No. 2021-2 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 Eastern Municipal Water District ("EMWD") and facilities including EMWD water and sewer capacity and connection fee programs (the "Water District Facilities"); (iii) interim and permanent school facilities of Menifee Union School District, including classrooms, multi-purpose facilities, administration and auxiliary space at school facilities, athletic fields, playgrounds and recreational facilities and improvements thereto, landscaping, access roadways, drainage, sidewalks and gutters and utility lines, furniture, equipment and technology, including technology upgrades and mobile devices and infrastructure therefore, with a useful life of at least five years at such school facilities (the "School Facilities"); and (iv)

electrical utility undergrounding and dry utilities (the “Utilities”) (and together, with the City Facilities, Water Facilities and School Facilities, the “Facilities”), and all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities. In addition, Incidental Expenses to be paid from bond proceeds and/or special taxes include (a) the cost of engineering, planning and designing the Facilities; and (b) all costs to form the District, 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 (c) any other expenses incidental to the construction acquisition, modification, rehabilitation, completion and inspection of the Facilities. The cost estimate of facilities including incidental expenses, to be financed through the issuance of CFD No. 2021-2 Bonds is estimated to be \$9,302,057 based on 2021-22 current year dollars. The costs are estimated as follows:

Description	Est. Eligible Costs	Bond Allocation
City of Menifee Fees		
Law Enforcement	\$40,425	\$40,425
Fire Facilities	\$107,450	\$107,450
Circulation	\$817,250	\$817,250
Storm Drainage	\$400,050	\$400,050
General Government	\$178,675	\$178,675
Public Use Facilities	\$26,950	\$26,950
Quimby	\$404,950	\$404,950
Parks – Improvements	\$115,675	\$115,675
City Facilities	\$337,295	\$337,295
Subtotal – City of Menifee Fees	<u>\$2,428,720</u>	<u>\$2,428,720</u>
City of Menifee Facilities		
Offsite Landscaping (Scott & Lindenger)	\$524,482	\$524,482
Offsite Streets (Scott Road)	\$1,100,940	\$1,100,940
Public Park	\$977,027	\$977,027
Subtotal City of Menifee Facilities	<u>\$2,602,449</u>	<u>\$2,602,449</u>
Eastern Municipal Water District		
Sewer Financial Participation Charge	\$517,650	\$517,650
Sewer Treatment Plant Capacity Fee	\$1,054,725	\$1,054,725
Water Financial Participation Fee	\$977,200	\$977,200
Water Supply Development Fee	\$52,500	\$52,500
1” Meter Drop-In Fee	\$65,975	\$65,975
Irrigation Meter Drop-In Fee	\$1,461	\$1,461
Total Eastern Municipal Water District	<u>\$2,744,421</u>	<u>\$2,744,421</u>
Menifee Union School District		
School Fees	\$1,632,723	\$1,526,467
Total Eligible Fees/Improvements	\$9,408,313	\$9,302,057
Incidental Financing Costs		\$1,522,943
Total Funded by Bond Proceeds		\$10,825,000
Total Fees/Improvements Funded by Developer		\$106,256

The difference between the eligible costs and the bond proceeds will be paid by the developer.

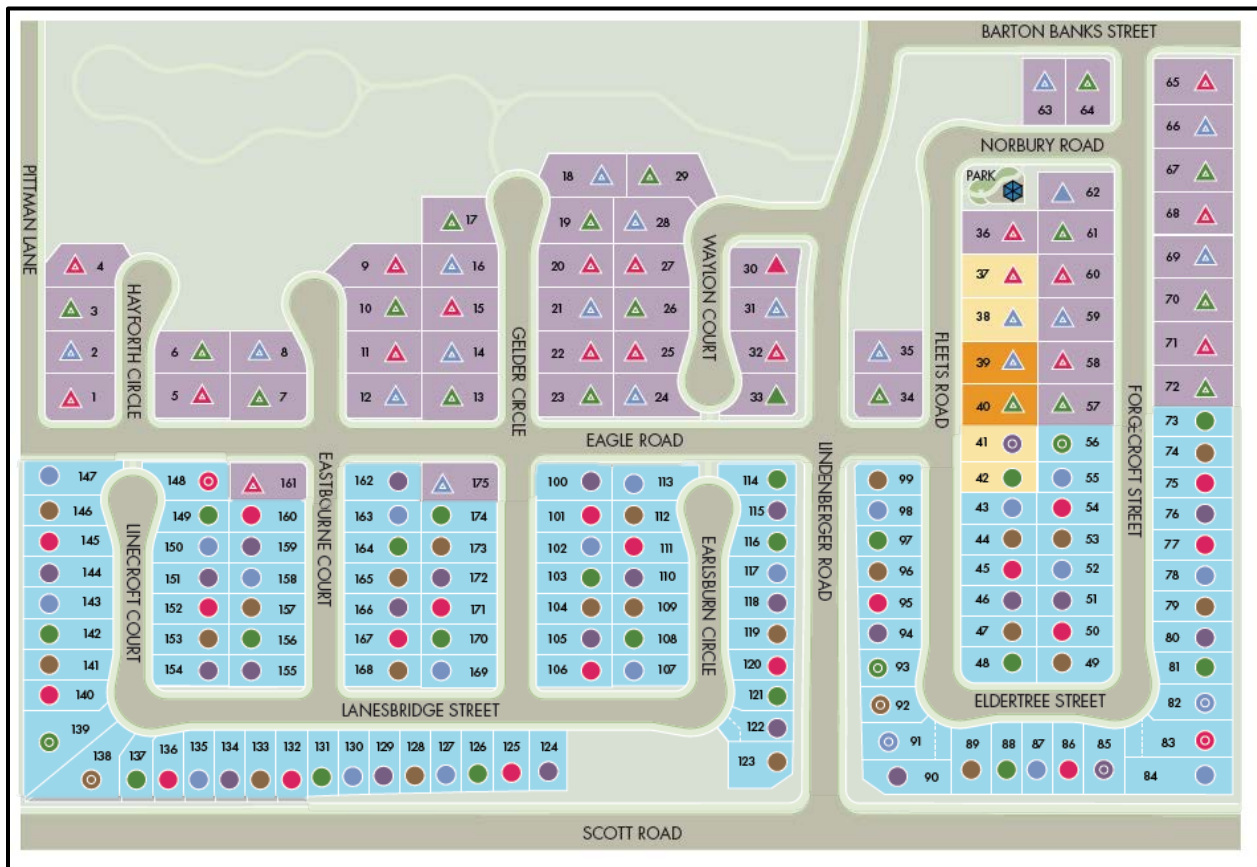
It should be noted that the above cost estimate was per the CFD Report and based on 2021/2022 current dollars and amounts were allocated based upon estimated bond sizing and may change based upon market conditions at the time of bond issuance.

Per the current sources and uses of funds (dated July 19, 2023), the bond par amount is estimated at \$9,825,000 and a net premium of \$60,652 with \$8,580,546 in project fund deposits, \$878,747 in debt service reserve fund, \$98,634 in capitalized interest and \$327,725 in cost of issuance and underwriter's discount (all amounts subject to change).

A copy of the Menifee CFD No. 2021-2 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 175 proposed single-family homes being developed into the community known as Sumac Ridge. There are two product lines within Sumac Ridge: Sage and Cedar, with Cedar generally on the northern half of the community and Sage generally on the southern portion. Sumac Ridge in its entirety is described below, and the site plan below depicts Cedar in purple and Sage in blue, while the models and model parking are depicted in gold.



Location: North side of Scott Road at Lindenberger Road, City of Menifee, California.

Legal Description: Lots 1-175 of Tract 37668 located in City of Menifee, County of Riverside, California. Cedar as to Lots 1-40, 57-72, 161 and 175; and Sage as to Lots 41-56, 73-160, and 162-174.

Owner of Record: Individual owners as to 13-14, 16-18, 20-22, 24-33, 44-53, 62-97, 100-106, and 169-175 of Tract 37668, and Meritage Homes as to all remaining lots.

Three-Year Sales History:	Meritage Homes of California, Inc. (a related entity to Meritage) purchased the subject property from KGK Riverside Properties LLC for \$7,200,000 on March 22, 2021 per public record. The site was undeveloped with an approved tentative tract map at the time of sale. Out of the total 175 homes, 78 have closed escrow to individual homeowners with closing dates between November 8, 2022 and June 16, 2023.
Assessor's Parcel Numbers:	The new APN map with parceled out lots is not yet available, however the original APNs for the subject were: 372-160-06 through -08, -13 and 372-190-03.
Property Taxes:	We were unable to review a sample tax bill for the subject property. It is an assumption of this appraisal report that the overall property taxes on the subject property are under two percent.
Flood Zone:	Per the County of Riverside a flood plain review is not required. Per FEMA the subject is located on Map Number 06065C2070H dated August 18, 2014 and is within Zone X – outside of the 0.2 percent annual chance floodplain.
Size and Shape:	The subject property is roughly rectangular in shaped and contains 59.042 gross acres and 58.805 net acres per Tract Map 37668. The tract map includes 213 numbered lots and 17 lettered lots, but only 175 of the 213 numbered lots include proposed houses. The remaining 38 numbered lots range from drainage basins, to a community park, to open space. The lettered lots make up the internal streets. It should be noted that the open space, drainage basin, and park acreage, while located within Menifee CFD No. 2021-2, will not be taxed, and thus are not included in this valuation.
Zoning:	Per the City of Menifee General Plan Land Use Map, the subject is shown as Residential with 2.1 – 5.0 dwelling units per acre. Per the City's Zoning Map, the subject property is shown as LDR-2 which refers to Low Density Residential-2, or minimum lot sizes of 7,200 square feet.
Entitlements:	The subject property is covered Tract Map No. 37668, which was recorded April 5, 2022 and subdivides 59.042 acres into 175 single family detached lots with a minimum lot size of 5,000 square feet, as well as drainage basins, open space lots, and a park site. The density of the recorded map is 2.96 dwelling units per acre, which is within the General Plan Land Use range. Per Meritage Homes representatives, the average lot size within Tract Map No. 37668 is over 7,200 square feet which the City approved. A copy of the Tract Map is located within the Addenda of this report.

Topography: The topography is generally flat, and currently the subject property is at street level of the surrounding streets. The lands have been developed into single-family detached lots. Drainage appears to be within an engineered street drainage system with additional drainage throughout the open space and drainage basin lots within the Tract Map.

Soils Condition: We have reviewed a Geotechnical Report of Rough Grading for Tract 37668 prepared by Petra Geosciences, Inc, and dated October 19, 2021. The report concludes that, in their opinion, the overall site appears suitable for the intended use provided their recommendations are properly incorporated during the design and construction phases of development. 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: It is an assumption that the property is not located within an Alquist Priolo Earthquake Study Zone.

Environmental Review: We have reviewed a Phase I Environmental Assessment dated July 23, 2018 ("ESA"), as well as a Limited Phase II Environmental Soil Residue Survey, dated August 15, 2018 ("Soil Residue Survey"), both covering the subject property and prepared by Petra Geosciences, Inc. The ESA concluded that no recognized environmental conditions of any kind were identified, but recommend that the site owner pursues a Limited Phase II Soil Residue Survey due to the historical use of crops on the site and potential for previous pesticide use. The Soil Residue Survey revealed no elevated pesticide or arsenic concentrations above the applicable regulatory levels, and therefore no further assessment was recommended.

It is an assumption of this appraisal report that there are no environmental issues which would thwart or slow development of the subject property or create any adverse reactions to the houses. This is evidenced by City inspectors on-site throughout construction.

Cal Fire Hazard Designation: Per the Cal Fire California Fire Hazard Map, the subject is not in a high fire hazard zone.

Easements/ Encumbrances: We have reviewed a Preliminary Title Report prepared by First American Title Company as Order No. NHSC-6490642 dated February 17, 2022, which covers a portion of Tract 37668. The report is summarized below and had the following exceptions.

Item No. 1 refers to property taxes and assessments. Item Nos. 2 and 6 have been intentionally deleted. Item No. 3 refers to the lien of

supplemental taxes, if any. Item No. 3A refers to CFD No. 2017-1 (City Maintenance Services) while Item 3B refers to the subject CFD. Item No. 4 pertains to the terms and provisions of a document entitled resolution No. 2002-239 recorded July 12, 2002. Item No. 5 pertains to an easement for road, utility slope, drainage, and incidental purposes. Item No. 7 was for a temporary access easement. Item No. 8 is in regard to the rights of the public in and to that portion of the land lying within any Road, Street, Alley, or Highway.

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. 2021-2 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-15 to I-215 to Scott Road, east 1.5 miles to Lindemberger Road, and north on Lindemberger Road into the subject. The subject is located on the north side of Scott Road on both sides of Lindemberger Road. The models are located on the east side of Lindemberger Road, just north of Scott Road, on Fleets Road (via Eagle Road).

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

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.

Scott Road is an arterial through the southern portion of the City of Menifee with on/off ramps to I-215. Scott Road turns into Bundy Canyon Road at the Murrieta Road intersection, between the I-15 and I-215. West of I-215 at SR 79, Scott Road turns into Washington Street, where it turns south into the French Valley area.

Internal streets within Sumac Ridge include: Lindemberger Road, Eagle Road, Hayforth Circle, Linecroft Court, Lanesbridge Street, Eastbourne Court, Gelder Circle, Earlsburn Circle, Waylon Court, Baron Banks Street, Forgecroft Street, Eldertree Street, Fleets Road, and Norbury Road.

Current Condition: The subject property has been developed into 175 single-family lots with a minimum lot size of 5,000 square feet generally on the southern half of the site (Sage) and a minimum lot size of 7,000 square feet generally on the northern half of the site (Cedar). The overall average lot size is over 7,200 square feet per the builder. The lots are in a finished condition with streets complete and utilities stubbed to each lot. There are 78 completed homes owned by individuals, seven homes over 95 percent complete (including the four models), 22 homes under construction (less than 95 percent complete), and 68 finished lots.

Costs: Per Meritage representatives, there are \$4,478,044 in remaining land development costs and fees; however, this includes some fees that will be reimbursed by the subject CFD. These include a portion of the school fees, DIF fees, Water and Sewer Connection Fees, Fire, Library and Police Fees, storm drain fees and open space fees which total \$1,895,334 of the remaining land development costs/fees, leaving \$2,582,710 in remaining costs and fees for the builder to pay. These are associated with the Meritage owned property only which equates to \$26,625.88 per lot (\$2,582,710 divided by 97 builder-owned homes and lots).

HOA Amounts: Per Meritage representatives, the monthly HOA is \$110 per month.

Improvement Description: Tract 37668 is being marketed as Sumac Ridge by Meritage Homes. Sumac Ridge features two product lines, Cedar (which is generally on the northern half of the tract with the larger lots) and Sage (which is generally on the southern half of the site and houses the smaller lots). Both product lines at Sumac Ridge grand opened May of 2022 and the two product lines feature a total of eight floorplans (three at Cedar and five at Sage). The eight floorplans range in size from 1,910 to 3,247 square feet, and feature one to two stories and two-to three-car garages. The home exteriors feature 8-foot Therma-Tru insulated fiberglass entry doors with Kwikset front hardware, lighted address plaques, and two-bay garage doors with LiftMaster openers. Interiors include five panel hollow core doors, open floorplan designs, ASHRAE 62.2 Ventilation system, indoor airPLUS certification, PEX plumbing, LED lighting, tankless water heaters, and Low-E windows. Gourmet kitchens at Sumac Ridge include large eat-in islands, hard wood cabinets, stainless steel single-bowl sinks with Moen chrome one-handle pull down faucets, stainless steel Whirlpool appliances and solid stone countertops with 6-inch granite backsplash. Primary suites feature walk-in closets, fiberglass showers with clear glass enclosures, and dual sinks. Meritage advertises their included M.Connected Home automation system which includes an advanced thermostat, door sensors, motion

detector, smart door lock, smart garage door, Smart Home hub and app, USB outlets, and video doorbells. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included 91 sales, with 78 home closings from November 8, 2022 through June 16, 2023. Actual closed sales prices have ranged from \$520,000 to \$711,245. Per our review of the local Multiple Listing Service, there have not been any resales within Sumac Ridge and per our inspection there were no homes listed for resale. Original base pricing at grand opening in May of 2022 ranged from \$546,000 to \$643,000, while the latest base sales prices range from \$553,000 to \$648,000 (as of July 1, 2023). The houses which are over 95 percent complete are detailed below.

Sumac Ridge by Meritage Homes					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
Sage Plan 1 (S1)	4 / 2.5	1 / 2	1,910	8	0
Sage Plan 2 (S2)	4 / 3	2 / 2	2,320	9	1*
Sage Plan 3 (S3)	4 / 3	2 / 2	2,541	10	0
Sage Plan 4 (S4)	4 / 3	2 / 2	2,771	10	1*
Sage Plan 5 (S5)	5 / 3	2 / 2	2,948	11	0
Cedar Plan 1 (C1)	4 / 3	1 / 2	2,527	12	1*
Cedar Plan 2 (C2)	4 / 3	2 / 3	2,992	9	2
Cedar Plan 3 (C3)	5 / 3.5	2 / 3	3,247	<u>9</u>	<u>2*</u>
Total				78	7

*One of each plan is a model home. In addition to the above there are 22 homes under construction (less than 95 percent complete) and 68 additional finished lots.

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 impact of COVID is still unknown on the County's population growth. New home sales in most cities in the County in 2020 through 2022 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 2023.

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 were 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 2022's growth at 2.6 percent. The most recent unemployment rate for the County is 4.4 percent (per the May 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 five months of 2023 has shown unemployment rising. While unemployment rates are near 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 because of 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, both sales and prices increased significantly throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. 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.

Per the Zonda National Economic and Housing Market Update in May 2023, the rate of growth of new home sales is off from recent highs but up from pre-pandemic numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In May, the survey resulted in 40 percent of the builders stating their pricing was flat and 60 percent of builders stating they were increasing pricing. This is a very different dynamic which is partly due to seasonality, partly due to builder's readjusting concessions (interest rate buy-downs), and partly due to price changes. The larger public homebuilders are typically offering significant interest rate buy-downs in order to keep absorption rates steady, which is reportedly costing between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. Per Zonda a combination of price cuts of between 10-15 percent combined with a rate buy down is obtaining the best results in the marketplace.

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 6.67 percent as of June 22, 2023. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board has increased the rate ten times in the past 15 months, which increased the FFR from 0-0.25 percent to 5.00-5.25 percent. At the latest Board meeting in mid-June, they paused the increases for the month and suggested there may be additional increases later this year. The FFR 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 May 2023 at 4.0 percent, down from a high of 9.1 percent in June 2022.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 has brought optimism to builders once again. Sales were up month over month as buyers adjusted to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 6+ percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes capture 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing well over 30 percent of all home sales in the Inland Empire.

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, has 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 various builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record or a public builder buying a larger piece of land but develops the land for its own use, such as Banner Park by Pulte, Cimarron Ridge by Pulte, Quartz Ranch by Lennar, or Rockport Ranch by Lennar, all located 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, 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 FFR 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 January 2023 only 2 percent of builders surveyed were "full steam ahead," and almost 40 percent were pausing transactions or bidding lower on land transactions. As of March 2023, these percentages have changed drastically with 13 percent stating they are going "full steam ahead" and 62 percent moving "cautiously forward." The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory.

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 report we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the June 18, 2023, Ryness Report, the year-to-date average sales rate (4.1 sales per month) is approximately 16 percent lower than the same time period of the previous year (4.9 sales per month). 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 June 18, 2023, Inland Empire Ryness Report to one year prior, there are 53 additional projects (197 in June 2022 and 250 in June 2023) and sales are 16 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. 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 June 2022 to June 2023, average sales numbers in the Inland Empire are down 16 percent (per the Ryness Report dated June 18, 2023); however, when comparing average new home sales from 2019 (prior to the pandemic) to June 2023, sales are a little stronger (3.5 sales per month per project average in 2019 versus 4.1 sales per month year-to-date average in June 2023). This increase over 2019 suggests new home buyers can weather the higher mortgage rates.

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, the amount is not reflected in the recorded 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 as well as neighboring region of Winchester and French Valley. Because Sumac Ridge is located so close to the southeastern boundary of the City of Menifee, some of the new home communities in Winchester and French Valley are more comparable to the subject than others located within the city limits. The Menifee/Winchester/French Valley area is currently home to many actively selling new home communities, thus, we focused on those with the most similar product and that were

nearest in proximity to the subject. Our search for similar new home projects to the subject area resulted in seventeen new home projects (including the subject's two product lines) with base pricing ranging from \$479,990 to \$793,990. The subject's most recent base pricing falls within the range, spanning from \$553,000 to \$648,000.

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 May 2023 (\$800,000) reflects an increase of 1.9 percent from the previous month, but a decrease of 5.9 percent year-over-year from \$845,000 in May 2022. Existing home sales in Southern California overall were down 22.3 percent year-over-year as of May 2023. The overall Southern California numbers compare to Riverside County with \$629,000 as the median price paid for an existing home in the County in May 2023, up 2.3 percent since April 2023, but down 3.2 percent on a year-over-year basis (\$650,000). Sales of existing homes in the County were down 22.9 percent year-over-year due to the limited supply of existing homes along with 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	May 2023	April 2023	May 2022	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$744,770	\$738,520	\$798,720	0.8%	-6.8%	-20.9%
Orange	\$1,256,500	\$1,225,000	\$1,295,000	2.6%	-3.0%	-21.9%
Riverside	\$629,000	\$615,000	\$650,000	2.3%	-3.2%	-22.9%
San Bernardino	\$455,000	\$450,000	\$490,000	1.1%	-7.1%	-22.8%
San Diego	\$935,000	\$930,000	\$970,000	0.5%	-3.6%	-24.1%
Ventura	\$925,500	\$885,500	\$915,000	4.5%	1.1%	-21.9%
Southern Calif.	\$800,000	\$785,000	\$845,000	1.9%	-5.9%	-22.3%

Source: California Association of Realtors

Based on May 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 \$115,770 as compared to Los Angeles County, \$296,500 as compared to Ventura

County, \$306,000 as compared to San Diego County and \$627,500 as compared to Orange County. That is, in May 2023, the median priced home in Riverside County was \$627,500 less, or almost one-half of the median priced home in Orange County (\$1,256,500). However, San Bernardino County has a \$174,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in the Inland Empire. It 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. And more recently, March 2023 was the first month since summer of 2022 where the majority of Southern California counties are showing median price increases month to month. Most counties were seeing substantial month-to-month median price increases from 2020 to 2022, and the widespread decrease from mid-2022 to early-2023 appears to have been a sign that the market turned, and the pricing run up had come to an end. The increase in pricing beginning in March is thought to be due to limited supply coupled with buyers' acceptance of higher rates along, with builders including rate buy downs along with other concessions.

In a separate attempt to capture the neighborhood specific price changes, the resale activity of existing homes in the subject area 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 below.

ZIP Code/Community Name	Border To Subject	Sales of Homes May 2023	Sales % Change from May 2022	May 2023 Price Median	Price % Change from May 2022	May 2023 PSF Median
92584 (Subject ZIP)	Subject	220	-26.9%	\$590,000	-4.8%	\$273
92586 (Sun City)	Northwest	126	-23.6%	\$366,500	-10.5%	\$301
92585 (North Menifee)	North	104	-36.2%	\$560,495	-5.4%	\$250
92587 (Canyon Lake)	Northwest	68	-34.0%	\$643,000	-1.1%	\$303
92532 (Lake Elsinore)	West	75	-40.0%	\$580,000	-4.6%	\$217
92596 (Winchester)	East	142	3.6%	\$600,128	-7.7%	\$252
92563 (Murrieta Hot Springs)	Southeast	215	-37.1%	\$640,000	-4.5%	\$290
92595 (Wildomar)	Southwest	69	-40.0%	\$610,000	-6.4%	\$264
92562 (Murrieta/La Cresta)	South	207	-43.4%	\$642,500	-1.6%	\$304

Source: Redfin.com Housing Market Trends May 2023

The median home price of a detached resale home in the subject's immediate market area is \$590,000, which is mid-way in the range of average resale detached home prices in the subject's surrounding area. The above price fluctuations from year-to-year relate to

the California Association of Realtors overall Riverside County detached home resale price decrease of 3.2 percent year-over-year and 22.9 percent sales decrease from May 2022 to 2023.

Sumac Ridge Sales, Pricing and Competition

Sumac Ridge opened for sale in May 2022 with opening base pricing ranging from \$546,000 to \$643,000. The most recent base pricing at Sumac Ridge ranged from \$553,000 to \$648,000 which suggests appreciation from 0.3 to 2.3 percent over the majority of the floorplans over the past 13 months. Actual closed prices, including options, upgrades, premiums, and concessions, have ranged from \$520,000 to \$711,245. Total incentives within the project have generally ranged from \$20,000 to \$70,000. Within the subject, Meritage has closed 78 homes to individuals between November 8, 2022, through June 16, 2023, with an additional 13 homes in escrow. The total of 91 sales equates to an overall absorption rate of 7.0 sales per month. When looking at each product line individually, the absorption has been 4.2 sales per month at Sage, and 2.8 sales per month at Cedar. These are considered to be average absorption rates for the subject marketplace, but Cedar's is slightly weaker than the Inland Empire's overall average sales rate. According to the Ryness Report dated June 18, 2023, there are currently 50 new home projects in the South Riverside submarket which includes the communities of Winchester, Menifee, Lake Elsinore, and the French Valley. The 50 projects include 26 projects within Menifee, which includes the subject community. The average absorption rate within the 50 South Riverside communities' year to date per the June 18, 2023, Ryness Report is 4.4 sales per month. The subject sales rates in the 2.8 to 4.2 sales per month range compares slightly lower than 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 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 be 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; however, the past couple months have seen new home builders' optimism return as new home absorption is generally increasing. 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 expected 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"⁴

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 site's 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 59.042 gross acres within Tract Map 37668, located on the north side of Scott Road at Lindemberger Road in the City of Menifee. Scott Road is known as Bundy Canyon Road at the Murrieta Road intersection, west of the subject, and is a heavily traveled east/west arterial road through southern Menifee and into Wildomar, with access from both I-15 (Bundy Canyon Road) and I-215 (Scott Road, with on/off ramps just west of the subject). The site has been graded with the subject property developed into 175 single-family detached lots. The site is surrounded by existing residential homes to the east, south, and northwest, with vacant lands to the north and a

⁴ The Appraisal of Real Estate, 11th Edition

church (Revival Christian Fellowship) to the southwest. Soils and environmental reports covering the property were reviewed. 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. 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 Scott Road. There are regional shopping centers within three miles of the subject site, and neighborhood shopping centers within 1.5 miles.

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 general plan, the site is designated for residential use with a density of 2.1 to 5.0 dwelling units per acre. Per the current Zoning Map, the subject properties are shown as LDR-2, or Low Density Residential with a minimum lot size of 7,200 square feet. Per the approved tract map, the subject properties have an allowed 175 residential dwelling units. Recorded Tract Map No. 37668 covers the subject 175 single-family lots with a minimum lot size of 5,000 square feet, but the average lot size is 7,200 square feet. Per the builder, this satisfies the LDR-2 zoning. 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. 2021-2, out of 175 proposed houses, there have been 91 home sales including 78 home closings. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Menifee, Winchester, and French Valley, we found 17 projects (including the subject's two product lines) to be comparable to the subject property. Until recently, homebuilding had not been able to keep up with the demand during COVID due to the low interest rates, millennials entering the home buying market and the work from home factor all adding to the demand. However, the recent rise in mortgage rates in an attempt to rein in inflation has slowed sales in the area. The low supply of existing homes for sale has boosted the new home market. The Menifee housing market is priced slightly higher when compared to the nearby cities of Wildomar and Lake Elsinore, however lower than neighboring Murrieta and Temecula. Population growth is still occurring in the area and will continue to create the need for housing.

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

Maximum Productivity

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

Highest and Best Use Conclusion – “As If Vacant”

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

Highest and Best Use – “As Improved”

The subject property consists of the neighborhood of Sumac Ridge being built out by Meritage Homes in the City of Menifee. Sumac Ridge consists of 175 proposed detached homes situated on lots with an average size of 7,200 square feet and spread across two product lines (or a total of eight floorplans). Sumac Ridge began selling in May of 2022 and features homes ranging in size from 1,910 to 3,247 square feet, with most recent base pricing ranging from \$553,000 to \$648,000. Base pricing has increased slightly (from 0.3 to 2.3 percent) for seven of the eight floorplans since grand opening; however, one floor plan's pricing has decreased by -0.2 percent since opening. There have been 91 sales within Sumac Ridge resulting in an average sales rate of 7.0 sales per month. It's important to note that this absorption rate is for both product lines, and when looking at each product line specifically, the subject's absorption rate ranged between 2.8 sales per month (Cedar) to 4.2 sales per month (Sage), which is in line with the average sales rates in the market area. Our search within the subject area found fifteen projects considered to be comparable to the subject with similar sized homes and similar product types. The average sales rates within these projects range from 2.5 to 9.1 sales per month. While there are two outlying projects performing far above the market, Cheyenne at Olivebrook and South Shore at Rockport Ranch, both projects recently opened, and therefore don't reflect an accurate absorption history. The remainder of the market data are selling well with sales rates in the 2.5 and 6.0 sales per month range. Our search of the Multiple Listing Service and on-site inspection revealed no current resale listings and no closed resales within the subject neighborhood.

The sales rate within the subject and the majority of 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. The sales rates are within the market's range, suggesting they are selling at the correct price points. Based on the subject neighborhood's sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

VALUATION ANALYSIS AND CONCLUSIONS

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

The valuation will be presented as follows. First, a discussion of the single-family detached lot market data will be given. Each of the comparable market data (on a finished lot basis) will be detailed along with a comparison discussion of their relationship to the subject property. The remaining construction costs and development fees will be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject. 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 utilize the Sales Comparison Approach to conclude on a retail base value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the "bulk" or single ownership. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), any remaining land development costs and fees, the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. In the case of the individually owned homes, a concluded base value will be used for each plan and a mass appraisal technique

will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In addition, any resales will be taken into consideration. All of the value conclusions will take into consideration improvements funded by the Menifee CFD No. 2021-2 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

Market Data Discussion – Detached Residential Lots

Within Sumac Ridge there are a total of 78 individually owned homes, seven homes over 95 percent complete (including four model homes), 22 homes under construction, and 68 remaining finished lots. The 22 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 house; therefore, 90 lots will be valued. The lots within Sumac Ridge contain an average of 7,200 square feet.

We have searched the area and found the seven transactions summarized in the Addenda to be most comparable to the subject property. The transactions are reported both on a purchase price basis and a “finished lot” basis when available. The actual purchase price is typically less, depending on the condition of the land (lots) at the time the property was acquired. Although some of the transactions refer to the land being in a finished or nearly finished condition, these transactions consist of land with physically finished lots with development impact and other fees remaining to be paid in order to be considered a true “finished lot.” Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject lands.

Land Sale No. 1 refers to the most recent residential land transaction in the area. Pulte Homes purchased the site within the master plan of Stratford Ranch in Perris, about 14 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 Homes purchasing land in the master plan along with IDI purchasing an industrial site for a logistics center. Pulte

Homes purchased the 90 lots for \$4,906,130 or \$54,513 per lot based on a reported 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 7,200 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 2.5 miles northeast 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 importing dirt 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 assumes 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 average 7,200 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 four 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 7,200 average square feet.

Land Sale No. 4 refers to the sale of the property known as Rockport Ranch which is located 2.5 miles south of the subject at the southwest corner of Old Newport and Briggs Road in 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 Wickerd Road, just west of Leon about 1.25 miles northeast 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 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 7,200 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 five miles northeast 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 7,200 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 seven miles northwest 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 Homes 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.

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

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. 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. In contrast, homebuilders are showing more optimism and home prices have risen the past couple months. The latest sale occurred in November 2022 for a property with smaller lots (6,000 square feet versus the subject's 7,200 average square feet) and in an inferior location in Perris. The above market data is considered to be good.

Value Conclusion – Residential Lots

Based on the above analysis the value conclusion for the subject builder-owned lots are as follows:

90 Lots x \$225,000	\$ 20,250,000
Less: Remaining Costs (90 x \$26,625.88)	(2,396,329)
Current Value for Remaining 90 Lots	<u>\$ 17,853,671</u>

Retail House Valuations

Due to the single ownership of multiple houses by the various builders within the subject property 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 within the subject neighborhood that are builder-owned. First, a retail value for each plan will be concluded followed by a DCF for the builder-owned homes, which will take into account the absorption time to sell off the houses, the costs associated with selling off the homes and any remaining land development costs owed by the builder. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value. This DCF analysis 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.

Sumac Ridge consists of 78 individually owned homes, four model homes (none in escrow), three production homes over 95 complete (all in escrow), 22 homes under construction (10 in escrow), and 68 additional finished lots (none in escrow). The finished lots along with the homes under construction have been valued above. The seven builder-owned homes over 95 percent complete (including four model homes) are being addressed in this section with a separate valuation for each plan.

Below is a summary of the floor plans within Sumac Ridge. 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 the Menifee/Winchester/French Valley

marketplace. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no resales and no current resale listings within Sumac Ridge.

Sumac Ridge by Meritage Homes					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
Sage Plan 1 (S1)	4 / 2.5	1 / 2	1,910	8	0
Sage Plan 2 (S2)	4 / 3	2 / 2	2,320	9	1*
Sage Plan 3 (S3)	4 / 3	2 / 2	2,541	10	0
Sage Plan 4 (S4)	4 / 3	2 / 2	2,771	10	1*
Sage Plan 5 (S5)	5 / 3	2 / 2	2,948	11	0
Cedar Plan 1 (C1)	4 / 3	1 / 2	2,527	12	1*
Cedar Plan 2 (C2)	4 / 3	2 / 3	2,992	9	2
Cedar Plan 3 (C3)	5 / 3.5	2 / 3	3,247	<u>9</u>	<u>2</u> *
Total				78	7

*One of each plan is a model home. In addition to the above there are 22 homes under construction (less than 95 percent complete) and 68 additional finished lots.

The most appropriate new home comparable data for Sage Plan S1 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	S1	4 / 2.5	1 / 2	1,910	--
1	S2	4 / 3	2 / 2	2,320	\$241.81
3	2	3 / 2	1 / 2	1,740	\$309.19
3	3	3 / 2	1 / 2	2,080	\$266.82
8	1	3 / 2	1 / 2	1,939	\$267.31
9	1	3 / 2	1 / 2	1,764	\$274.26
10	1	3 / 2	1 / 2	2,191	\$252.85
13	4	3 / 2	1 / 2	1,927	\$259.98
14	2	3 / 2	1 / 2	1,751	\$280.98
14	3	4 / 2	1 / 2	2,026	\$261.59
16	1	4 / 2	1 / 2	2,028	\$285.99

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$241.81 to \$309.19 per square foot, with generally the smallest sized home at the high end of the price per square foot range and the largest sized home 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. Sage Plan S1 has a current

base asking price of \$289.53 per square foot. There have been eight closings of Plan S1 with sales prices ranging from \$272.25 to \$311.84 per square foot. There are currently no escrows of Plan S1. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Sage Plan S1 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$1,910 \text{ sf} \times \$270.00 = \$515,700$$

The most appropriate new home comparable data for Sage Plan S2 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	S2	4 / 3	2 / 2	2,320	--
1	S3	4 / 3	2 / 2	2,541	\$225.50
4	1	4 / 3	2 / 2	2,480	\$237.50
6	1	3 / 2.5	2 / 2	2,370	\$235.86
9	2	4 / 3	2 / 2	2,443	\$227.04
11	1	4 / 2.5	2 / 2	2,391	\$233.79
13	5	4 / 2.5	2 / 2	2,519	\$220.72
17	2	4 / 3	2 / 2	2,203	\$240.53
17	3	4 / 3	2 / 2	2,419	\$224.94

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$220.72 to \$240.53 per square foot, with generally the smallest sized home at the high end of the price per square foot range and the largest sized home 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. Sage Plan S2 has a current base asking price of \$241.81 per square foot. There have been nine closings of Plan S2 with sales prices ranging from \$235.00 to \$260.95 per square foot. There are currently two escrows of Plan S2 with a price range of \$249.65 to \$257.20 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It

has been concluded that Sage Plan S2 has a base current market value of \$236.00 per square foot. This calculates as follows:

$$2,320 \text{ sf} \times \$236.00 = \$547,520$$

The most appropriate new home comparable data for Sage Plan S3 are shown below.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	S3	4 / 3	2 / 2	2,541	--
1	S2	4 / 3	2 / 2	2,320	\$241.81
1	S4	4 / 3	2 / 2	2,771	\$211.48
4	1	4 / 3	2 / 2	2,480	\$237.50
6	2	3 / 2.5	2 / 2	2,680	\$215.67
9	2	4 / 3	2 / 2	2,443	\$227.04
9	3	4 / 3	2 / 2	2,612	\$221.44
11	2	4 / 2.5	2 / 2	2,654	\$221.93
13	6	4 / 2.5	2 / 2	2,537	\$211.27
16	2	4 / 3	2 / 2	2,429	\$261.42
17	4	4 / 3	2 / 2	2,590	\$231.32

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$211.27 to \$261.42 per square foot, with generally the smallest sized home at the high end of the price per square foot range and the largest sized home 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. Sage Plan S3 has a current base asking price of \$225.50 per square foot. There have been ten closings of Plan S3 with sales prices ranging from \$217.63 to \$244.47 per square foot. There are currently two escrows of Plan S3 with a price range of \$226.56 to \$235.61 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Sage Plan S3 has a base current market value of \$220.00 per square foot. This calculates as follows:

$$2,541 \text{ sf} \times \$220.00 = \$559,020$$

The most appropriate new home comparable data for Sage Plan S4 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	S4	4 / 3	2 / 2	2,771	--
1	S3	4 / 3	2 / 2	2,541	\$225.50
1	S5	5 / 3	2 / 2	2,948	\$203.87
4	2	4 / 3	2 / 2	2,730	\$228.57
6	2	3 / 2.5	2 / 2	2,680	\$215.67
7	1	3 / 2.5	2 / 2	2,780	\$219.78
8	3	4 / 2.5	2 / 2	2,835	\$216.22
11	2	4 / 2.5	2 / 2	2,654	\$221.93
11	3	5 / 3	2 / 2	2,824	\$208.57
12	1	4 / 2.5	2 / 3	2,845	\$213.00
13	7	5 / 3	2 / 2	2,874	\$202.15
16	3	5 / 3	2 / 2	2,716	\$240.42

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$202.15 to \$240.42 per square foot, with generally the smallest sized home at the high end of the price per square foot range and the largest sized home 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. Sage Plan S4 has a current base asking price of \$211.48 per square foot. There have been ten closings of Plan S4 with sales prices ranging from \$206.42 to \$228.16 per square foot. There are currently two escrows of Plan S4 with a price range of \$211.76 to \$217.79 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Sage Plan S4 has a base current market value of \$208.00 per square foot. This calculates as follows:

$$2,771 \text{ sf} \times \$208.00 = \$576,368$$

The most appropriate new home comparable data for Sage Plan S5 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	S5	5 / 3	2 / 2	2,948	--
1	S4	4 / 3	2 / 2	2,771	\$211.48
2	C2	4 / 3	2 / 3	2,992	\$208.89
4	3	5 / 3.5	2 / 2	2,940	\$216.32
7	2	3 / 2.5	2 / 2	2,910	\$220.96
8	3	4 / 2.5	2 / 2	2,835	\$216.22
11	3	5 / 3	2 / 2	2,824	\$208.57
12	1	4 / 2.5	2 / 3	2,845	\$213.00
12	2 (NG)	5 / 3.5	2 / 3	3,047	\$208.40
13	8	5 / 3	2 / 2	2,882	\$193.27
16	4	5 / 3	2 / 2	3,016	\$212.20

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$193.27 to \$220.96 per square foot. Sage Plan S5 has a current base asking price of \$203.87 per square foot. There have been 11 closings of Plan S5 with sales prices ranging from \$201.27 to \$219.62 per square foot. There is currently one escrow of Plan S5 with a price of \$209.06 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Sage Plan S5 has a base current market value of \$198.00 per square foot. This calculates as follows:

$$2,948 \text{ sf} \times \$198.00 = \$583,704$$

The most appropriate new home comparable data for Cedar Plan C1 is shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	C1	4 / 3	1 / 2	2,527	--
1	S3	4 / 3	2 / 2	2,541	\$225.50
5	2	3 / 2.5	1 / 2	2,490	\$246.18
5	3	3 / 2.5	1 / 2	2,610	\$229.11
8	2	5 / 3.5	1 / 2	2,752	\$222.94
10	3	3 / 2.5	1 / 3	2,462	\$238.01
14	6	4 / 2	1 / 2	2,387	\$225.38
15	1	5 / 3	1 / 2	2,641	\$258.99

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$222.94 to \$258.99 per square foot. Cedar Plan C1 has a current base asking price of \$243.37 per square foot. There have been 12 closings of Plan C1 with sales prices ranging from \$235.46 to \$257.90 per square foot. There is currently one escrow of Plan C1 with a price of \$250.22 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. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Cedar Plan C1 has a base current market value of \$238.00 per square foot. This calculates as follows:

$$2,527 \text{ sf} \times \$238.00 = \$601,426$$

The most appropriate new home comparable data for Cedar Plan C2 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	C2	4 / 3	2 / 3	2,992	--
1	S5	5 / 3	2 / 2	2,948	\$203.87
4	3	5 / 3.5	2 / 2	2,940	\$216.32
6	3	4 / 2.5	2 / 2	3,040	\$197.04
7	2	3 / 2.5	2 / 2	2,910	\$220.96
7	3	3 / 2.5	2 / 3	3,020	\$217.88
8	3	4 / 2.5	2 / 2	2,835	\$216.22
12	1	4 / 2.5	2 / 3	2,845	\$213.00
12	2 (NG)	5 / 3.5	2 / 3	3,047	\$208.40
13	8	5 / 3	2 / 2	2,882	\$193.27
16	4	5 / 3	2 / 2	3,016	\$212.20

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$193.27 to \$220.96 per square foot. Cedar

Plan C2 has a current base asking price of \$208.89 per square foot. There have been nine closings of Plan C2 with sales prices ranging from \$198.90 to \$212.76 per square foot. There are currently two escrows of Plan C2 with a price range of \$207.22 to \$215.57 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Cedar Plan C2 has a base current market value of \$204.00 per square foot. This calculates as follows:

$$2,992 \text{ sf} \times \$204.00 = \$610,368$$

The most appropriate new home comparable data for Cedar Plan C3 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	C3	5 / 3.5	2 / 3	3,247	--
2	C2	4 / 3	2 / 3	2,992	\$208.89
6	3	4 / 2.5	2 / 2	3,040	\$197.04
7	4	4 / 2.5	2 / 2	3,040	\$206.58
7	5	4 / 3.5	2 / 3	3,510	\$192.30
8	4 (NG)	5 / 3.5	2 / 3	3,146	\$211.70
12	2 (NG)	5 / 3.5	2 / 3	3,047	\$208.40
12	3 (NG)	5 / 3.5	2 / 3	3,237	\$199.56
15	2	5 / 4	2 / 2	3,336	\$214.03

All new home comparables are located within Menifee, Winchester, and French Valley. 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 \$192.30 to \$214.03 per square foot. Cedar Plan C3 has a current base asking price of \$199.57 per square foot. There have been nine closings of Plan C3 with sales prices ranging from \$200.80 to \$219.05 per square foot. There are currently three escrows of Plan C3 with a price range of \$204.28 to \$210.44 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with

no depreciation visible. It has been concluded that Cedar Plan C3 has a base current market value of \$195.00 per square foot. This calculates as follows:

$$3,247 \text{ sf} \times \$195.00 = \$633,165$$

Builder-Owned Retail Values – Sumac Ridge by Meritage Homes

Within Sumac Ridge there are three remaining builder-owned homes over 95 percent complete (all three of which are in escrow), and four builder-owned model homes (none of which are in escrow). 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 historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$50,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes within Sumac Ridge are calculated as follows:

Plan S1 (0 x \$515,700)	\$ 0
Plan S2 (1 x \$547,520)	547,520
Plan S3 (0 x \$559,020)	0
Plan S4 (1 x \$576,368)	576,368
Plan S5 (0 x \$583,704)	0
Plan C1 (1 x \$601,426)	601,426
Plan C2 (2 x \$610,368)	1,220,736
Plan C3 (2 x \$633,165)	1,266,330
Model Upgrades (4 x 50,000)	<u>200,000</u>
Retail Value	<u>\$ 4,412,380</u>

Absorption Period

In order to arrive at an absorption period for the builder-owned homes in the subject, the absorption rate for each product line along with the surrounding developments have been reviewed. Sumac Ridge opened for sale in May of 2022. There have been 91 sales since then, suggesting an average absorption of 7.0 sales per month across the two product lines (or approximately 2.8 sales per month at Cedar, and 4.2 sales per month at Sage) which is considered to be average. Three of the seven builder-owned homes are in escrow. Taking

into consideration the product, current escrows, current market conditions and the concluded sales prices, it is the appraiser's opinion that the seven builder-owned homes will be absorbed within a two-month period at the concluded values.

Remaining Costs

As discussed under the property description section there are \$26,625.88 in remaining land development costs and fees per lot associated with the builder-owned property. For the seven builder-owned homes, this equates to \$186,381 ($\$26,625.88 \times 7$) in remaining costs. For purposes of this analysis, we are assuming the remaining costs will be spread evenly over the two-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. Eight percent has been estimated for marketing expenses for the home and two percent for general and administrative costs for a total of ten percent.

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 early 1990s 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 improved, so did the profits. This appears to be occurring once again as prices have been increasing. A ten 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 Sumac Ridge began selling in May of 2022 with the product being well received in the marketplace. Based on the sales rate within the subject project, the competition, current market conditions, the product and location, a 10 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 within Sumac Ridge is **\$3,302,189**.

Sumac Ridge – Total Builder-Owned Property Value

The builder-owned lands within Sumac Ridge consists of four models along with three production homes over 95 percent complete and 90 lots, 22 of which are under construction (under 95 percent complete), owned by Meritage. The final valuation of the builder-owned property is:

90 Lots	\$ 17,853,671
7 Houses	<u>3,302,189</u>
Total Meritage Ownership	<u>\$ 21,155,860</u>

Sumac Ridge – Individual Owned Homes Valuation Conclusion

There are 78 individually owned homes within the subject. Based on the concluded value for each plan, the individually owned homes within the subject portion of Sumac Ridge are:

Plan S1 (8 x \$515,700)	\$ 4,125,600
Plan S2 (9 x \$547,520)	4,927,680
Plan S3 (10 x \$559,020)	5,590,200
Plan S4 (10 x \$576,368)	5,763,680
Plan S5 (11 x \$583,704)	6,420,744
Plan C1 (12 x \$601,426)	7,217,112
Plan C2 (9 x \$610,368)	5,493,312
Plan C3 (9 x \$633,165)	<u>5,698,485</u>
Total Individual Owned	<u>\$45,236,813</u>

In an additional review, we have reviewed the original builder sales prices for the homes within the subject. Closings for the 78 homes occurred between November 2022 and June 2023. The reported closing prices by the builder for the individually owned homes total \$47,209,737.08. The builder's reported prices include premiums, upgrades, and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. Typically, the actual sales prices are higher than the base pricing due to the purchase of options and upgrades. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property which consists of lands within Menifee CFD No. 2021-2 proposed for 175 single-family detached homes on minimum 5,000 square foot lots, being built out into the community known as Sumac Ridge in the City of Menifee, County of Riverside. The neighborhood is being built and sold by Meritage Homes and includes two different product lines with Cedar generally situated on the northern half of the tract and Sage generally situated on the southern half of the tract. Sumac Ridge opened for sale in May of 2022 and is currently selling. Out of the total 175 proposed homes, 78 are completed and have closed to individuals with an additional 13 homes in escrow. The remainder of the lots range from completed model homes to production homes over 95 percent complete to homes under construction to finished lots. We have reviewed the builder's sales information and reviewed the areas Multiple Listing Service along with a physical inspection with no resales and no resale listings found.

The subject property was valued using the Sales Comparison Approach to value and a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation took into account the improvements/benefits to be funded by Menifee CFD No. 2021-2 bond proceeds along with the Menifee CFD No. 2021-2 special tax lien. As a result of our investigation, the concluded market value for the subject property is shown below.

Sumac Ridge by Meritage Homes

Meritage Homes Ownership (7 houses & 90 lots)	\$ 21,155,860
Individual Owners (78 houses)	<u>\$ 45,236,813</u>

Total Aggregate Value	<u>\$ 66,392,673</u>
------------------------------	-----------------------------

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of June 19, 2023.

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 not performed any appraisal services on the subject property in the past three years.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



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

ADDENDA

MENIFEE CFD NO. 2021-2
BOUNDARY MAP

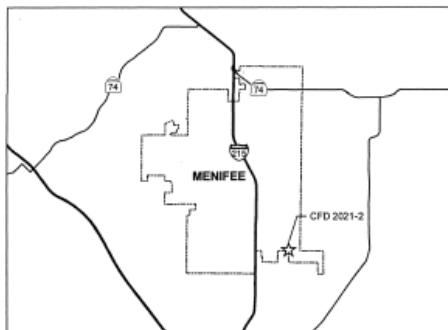
PROPOSED BOUNDARY MAP
COMMUNITY FACILITIES DISTRICT NO. 2021-2
(SUMAC RIDGE)
CITY OF MENIFEE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2020-3 (SUMAC RIDGE), 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 15 DAY OF September, 2021, BY RESOLUTION NO. 21-106de

[Signature]
 CITY CLERK
 CITY OF MENIFEE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF MENIFEE,
 THIS 15th DAY OF September, 2021

[Signature]
 CITY CLERK
 CITY OF MENIFEE



RECORDED THIS 22 DAY OF September, 2021 AT
 THE HOUR OF 3:16 O'CLOCK PM IN BOOK 87
 PAGE 66 OF MAPS OF ASSESSMENT AND COMMUNITY
 FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY
 RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF
 CALIFORNIA.

FEE: \$9⁰⁰ NO.: 2021-0565134
 PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: *[Signature]*
 DEPUTY

LEGEND

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



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

0 375 750 1,500 Feet



TRACT MAP NO. 37668

LEGEND

- INDICATES THE BOUNDARY OF THE LAND BEING SUBDIVIDED BY THIS MAP
- INDICATES SHEET LIMITS
- INDICATES SHEET NUMBER
- INDICATES LAST LOT

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

TRACT NO. 37668

BEING A SUBDIVISION OF A PORTION OF PARCEL 1 AND PARCELS 2 THROUGH 4, INCLUSIVE, OF PARCEL MAP NO. 6904, AS PER MAP RECORDED IN BOOK 21, PAGE 10, OF PARCEL MAPS, TOGETHER WITH PARCEL 3 OF PARCEL MAP NO. 6743 AS PER MAP RECORDED IN BOOK 22, PAGE 37, OF PARCEL MAPS, BOTH RECORDS OF RIVERSIDE COUNTY, LYING WITHIN SECTION 13, TOWNSHIP 6 SOUTH, RANGE 3 WEST

KIMLEY-HORN AND ASSOCIATES, INC

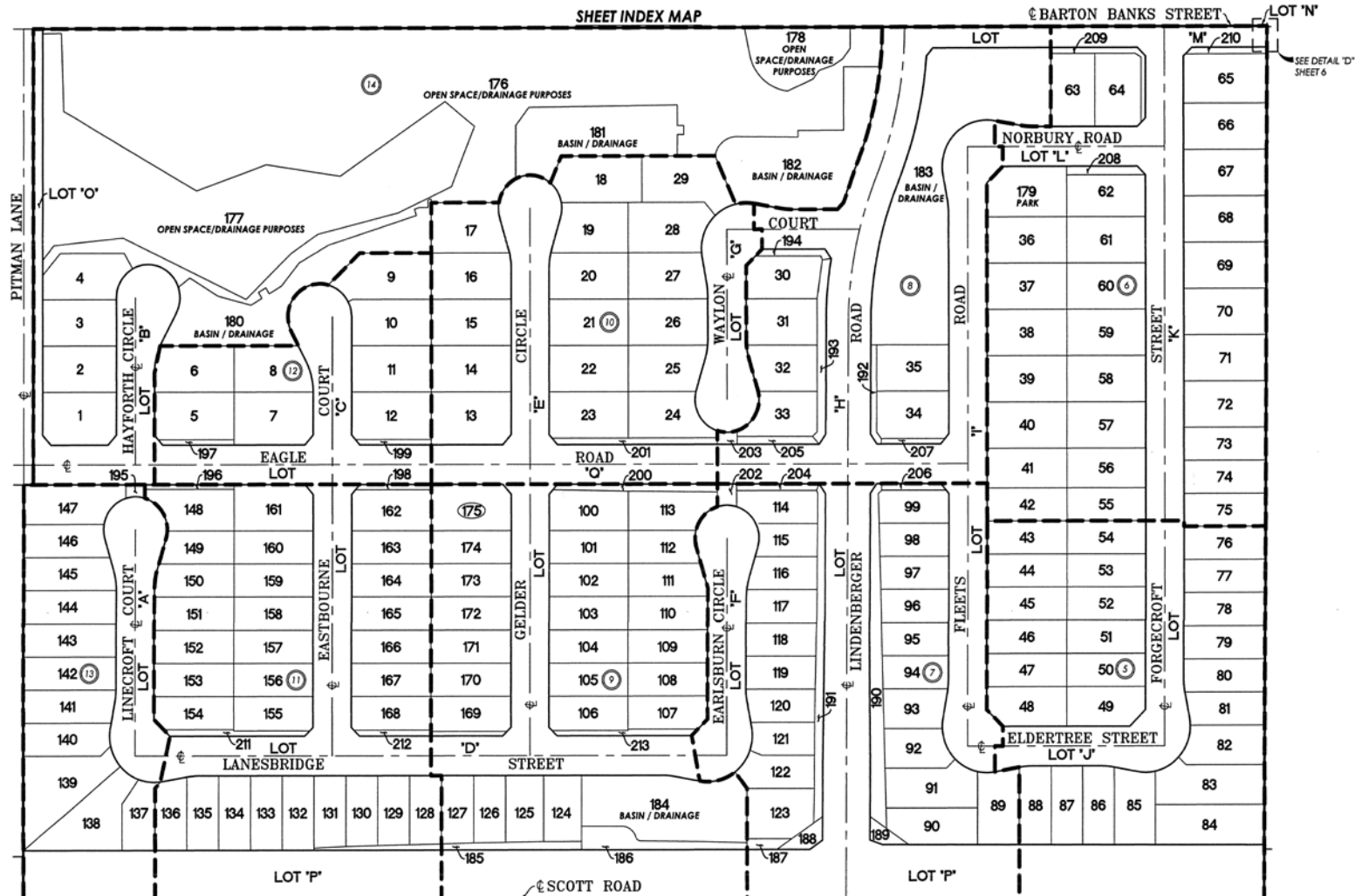
MARCH 2022

SHEET 4 OF 14 SHEETS



GRAPHIC SCALE IN FEET
0 50 100 200

SHEET INDEX MAP



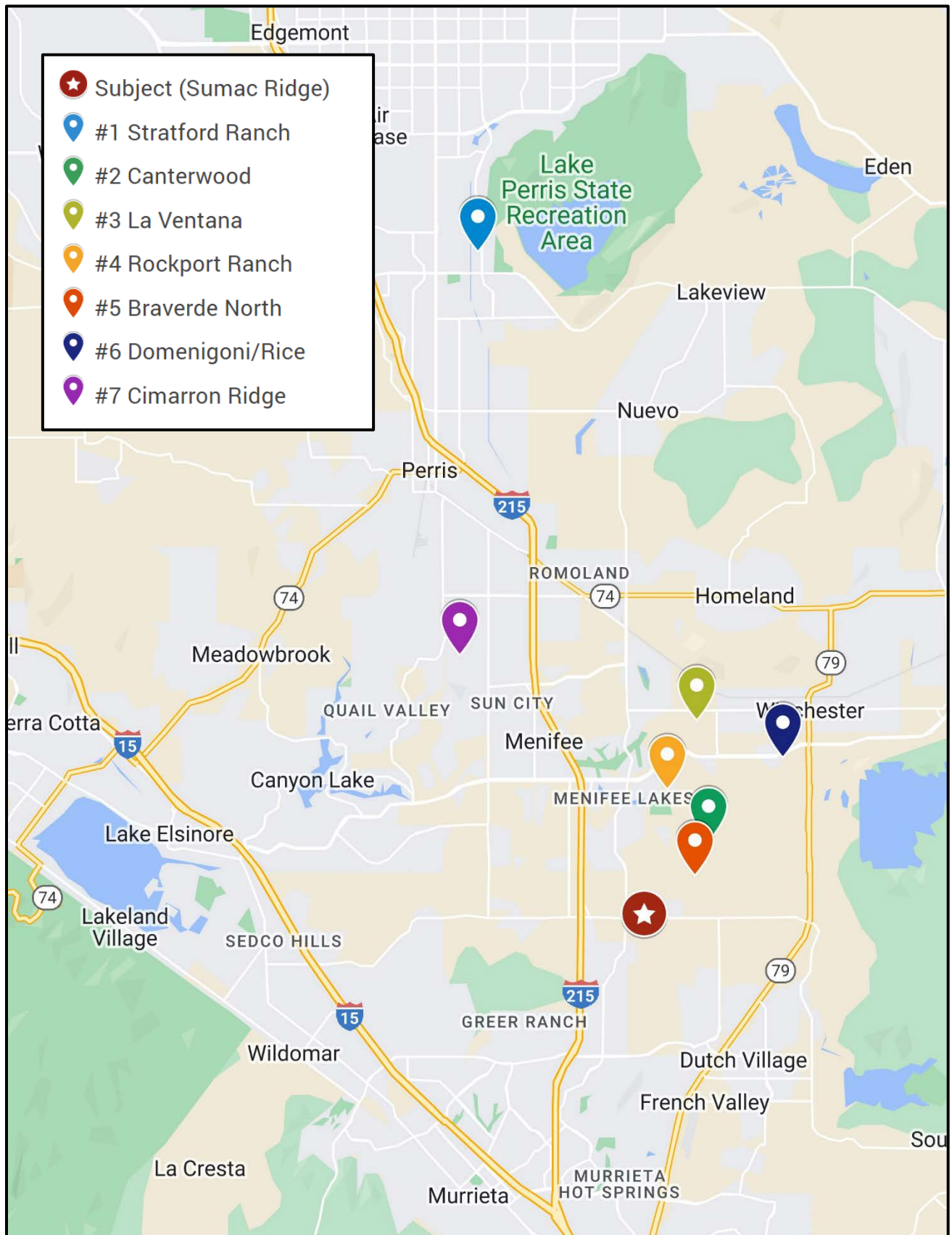
DISCOUNTED CASH FLOW ANALYSIS

Sumac Ridge Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months	MONTH 1	MONTH 2	<u>TOTAL</u>
	2			
INCOME:				
Retail Sales	4,412,380	\$2,206,190	\$2,206,190	\$4,412,380
TOTAL INCOME		<u>\$2,206,190</u>	<u>\$2,206,190</u>	<u>\$4,412,380</u>
EXPENSES:				
Remaining Costs		(\$93,190)	(\$93,191)	(\$186,381)
Marketing & Carrying Expenses	10%	(\$220,619)	(\$220,619)	(\$441,238)
Profit	10%	(\$220,619)	(\$220,619)	(\$441,238)
TOTAL EXPENSES		(\$534,428)	(\$534,429)	(\$1,068,857)
NET CASH FLOW		\$1,671,762	\$1,671,761	\$3,343,523
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	
DISCOUNTED CASH FLOW		\$1,657,946	\$1,644,243	\$3,302,189
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$1,657,946</u>	<u>\$3,302,189</u>	<u>\$3,302,189</u>

RESIDENTIAL LAND SALES MAP
& SUMMARY CHART

FINISHED LOT LAND SALES SUMMARY MAP

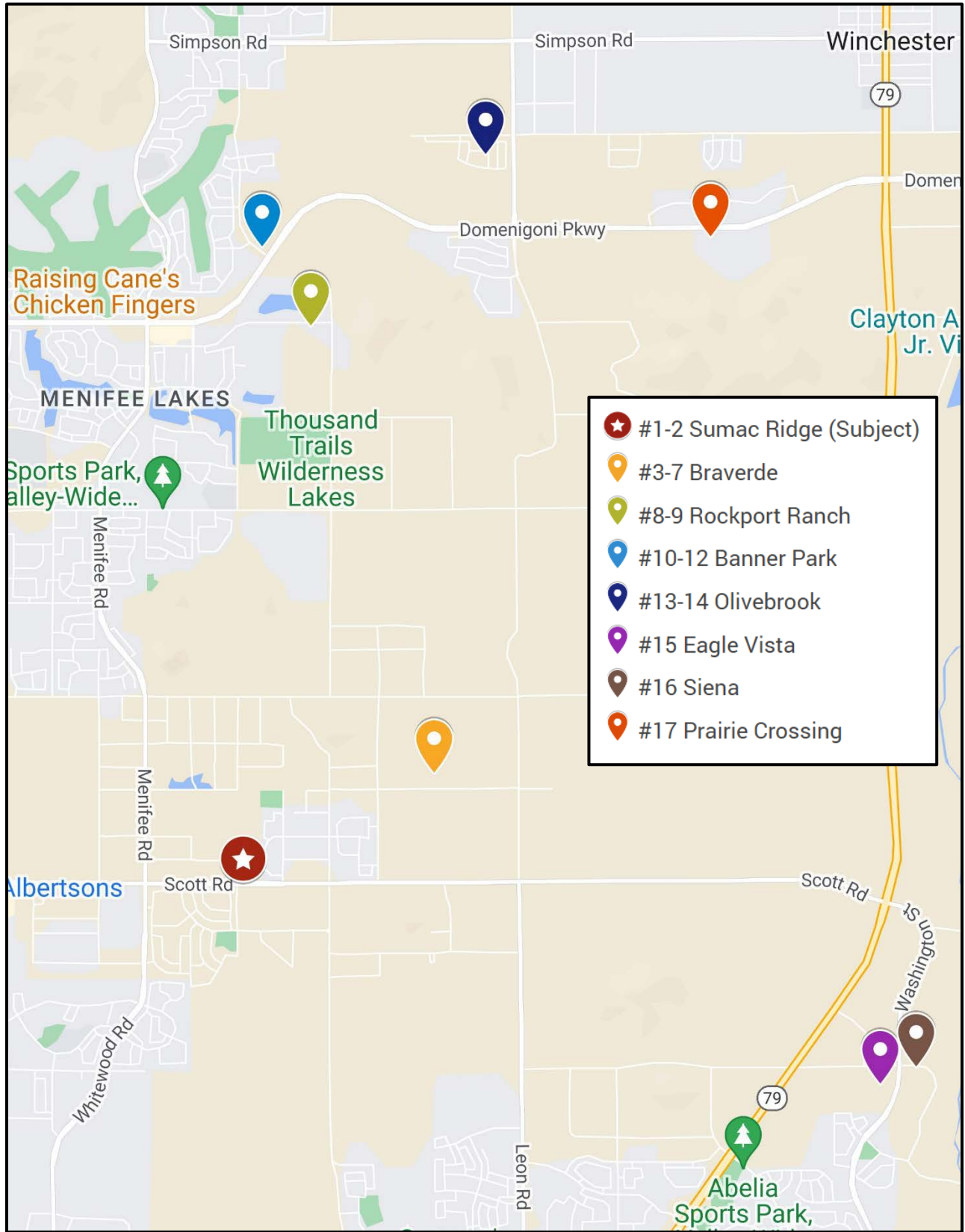


FINISHED LOT LAND SALES SUMMARY CHART

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 Homes / 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.

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

IMPROVED RESIDENTIAL SALES MAP



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Floors/ Parking	Size (SF)	Lot Size or Density / Absorption	Base Sales Price	Price/SF
1	Sage at Sumac Ridge / NE of Scott Road and Menifee Road, Menifee / Meritage Homes	S1	4 / 2.5	1 / 2	1,910	5,000 sf lots 4.2 sales/mo	\$553,000	\$289.53
		S2	4 / 3	2 / 2	2,320		\$561,000	\$241.81
		S3	4 / 3	2 / 2	2,541		\$573,000	\$225.50
		S4	4 / 3	2 / 2	2,771		\$586,000	\$211.48
		S5	5 / 3	2 / 2	2,948		\$601,000	\$203.87
2	Cedar at Sumac Ridge / NE of Scott Road and Menifee Road, Menifee / Meritage Homes	C1	4 / 3	1 / 2	2,527	7,000 sf lots 2.8 sales/mo	\$615,000	\$243.37
		C2	4 / 3	2 / 3	2,992		\$625,000	\$208.89
		C3	5 / 3.5	2 / 3	3,247		\$648,000	\$199.57
3	Seasons Ranch at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	2 / 2	1 / 2	1,410	5,000 sf lots 3.3 sales/mo	\$511,990	\$363.11
		2	3 / 2	1 / 2	1,740		\$537,990	\$309.19
		3	3 / 2	1 / 2	2,080		\$554,990	\$266.82
4	Heritage at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	4 / 3	2 / 2	2,480	5,000 sf lots 3.6 sales/mo	\$588,990	\$237.50
		2	4 / 3	2 / 2	2,730		\$623,990	\$228.57
		3	5 / 3.5	2 / 2	2,940		\$635,990	\$216.32
5	Liberty at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	3 / 2.5	1 / 2	2,290	6,500 sf lots 3.5 sales/mo	\$583,990	\$255.02
		2	3 / 2.5	1 / 2	2,490		\$612,990	\$246.18
		3	3 / 2.5	1 / 2	2,610		\$597,990	\$229.11
6	Seasons Elevated at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	3 / 2.5	2 / 2	2,370	5,500 sf lots 3.6 sales/mo	\$558,990	\$235.86
		2	3 / 2.5	2 / 2	2,680		\$577,990	\$215.67
		3	4 / 2.5	2 / 2	3,040		\$598,990	\$197.04
7	Legacy at Braverde / Wickerd Road and El Centro Lane, Menifee / Richmond American	1	3 / 2.5	2 / 2	2,780	7,200 sf lots 2.9 sales/mo	\$610,990	\$219.78
		2	3 / 2.5	2 / 2	2,910		\$642,990	\$220.96
		3	3 / 2.5	2 / 3	3,020		\$657,990	\$217.88
		4	4 / 2.5	2 / 2	3,040		\$627,990	\$206.58
		5	4 / 3.5	2 / 3	3,510		\$674,990	\$192.30

8	South Shore at Rockport Ranch / SWC of Old Newport Road and Briggs Road Menifee / Lennar	1	3 / 2	1 / 2	1,939	6,000 sf lots 8.0 sales/mo	\$518,315	\$267.31
		2	5 / 3.5	1 / 2	2,752		\$613,520	\$222.94
		3	4 / 2.5	2 / 2	2,835		\$612,995	\$216.22
		4 (NG)	5 / 3.5	2 / 3	3,146		\$666,005	\$211.70
		5 (NG)	7 / 4.5	2 / 3	4,134		\$786,740	\$190.31
9	North Shore at Rockport Ranch / SWC of Old Newport Road and Briggs Road Menifee / Lennar	1	3 / 2	1 / 2	1,764	5,000 sf lots 5.6 sales/mo	\$483,795	\$274.26
		2	4 / 3	2 / 2	2,443		\$554,650	\$227.04
		3	4 / 3	2 / 2	2,612		\$578,410	\$221.44
10	Heritage at Banner Park / Domenigoni Pkwy and Lindenberger Road, Menifee / Pulte Homes	1	3 / 2	1 / 2	2,191	7,900 sf lots 3.7 sales/mo	\$553,990	\$252.85
		2	3 / 2.5	1 / 2	2,311		\$566,990	\$245.34
		3	3 / 2.5	1 / 3	2,462		\$585,990	\$238.01
11	Merit at Banner Park / Domenigoni Pkwy and Lindenberger Road, Menifee / Pulte Homes	1	4 / 2.5	2 / 2	2,391	6,000 sf lots 3.5 sales/mo	\$558,990	\$233.79
		2	4 / 2.5	2 / 2	2,654		\$588,990	\$221.93
		3	5 / 3	2 / 2	2,824		\$588,990	\$208.57
12	Crest at Banner Park / Domenigoni Pkwy and Lindenberger Road, Menifee / Pulte Homes	1	4 / 2.5	2 / 3	2,845	6,500 sf lots 4.0 sales/mo	\$605,990	\$213.00
		2 (NG)	5 / 3.5	2 / 3	3,047		\$634,990	\$208.40
		3 (NG)	5 / 3.5	2 / 3	3,237		\$645,990	\$199.56
13	Cheyenne at Olivebrook / Leon Road and Olive Avenue, Winchester / KB Home	1	3 / 2	1 / 2	1,383	4,000 sf lots 9.1 sales/mo	\$484,990	\$350.68
		2	3 / 2	1 / 2	1,551		\$479,990	\$309.47
		3	3 / 2	1 / 2	1,771		\$490,990	\$277.24
		4	3 / 2	1 / 2	1,927		\$500,990	\$259.98
		5	4 / 2.5	2 / 2	2,519		\$555,990	\$220.72
		6	4 / 2.5	2 / 2	2,537		\$535,990	\$211.27
		7	5 / 3	2 / 2	2,874		\$580,990	\$202.15
		8	5 / 3	2 / 2	2,882		\$556,990	\$193.27
14	Rock Meadows at Olivebrook / Leon Road and Olive Avenue, Winchester / KB Home	1	3 / 2	1 / 2	1,470	6,000 sf lots 6.0 sales/mo	\$494,990	\$336.73
		2	3 / 2	1 / 2	1,751		\$491,990	\$280.98
		3	4 / 2	1 / 2	2,026		\$529,990	\$261.59
		4	4 / 2	1 / 2	2,035		\$509,990	\$250.61
		5	4 / 2	1 / 2	2,378		\$557,990	\$234.65
		6	4 / 2	1 / 2	2,387		\$537,990	\$225.38

15	Eagle Vista / SW of Washington Street and Keller Road, French Valley / Pulte Homes	1	5 / 3	1 / 2	2,641	7,000 sf lots 3.2 sales/mo	\$683,990	\$258.99
		2	5 / 4	2 / 2	3,336		\$713,990	\$214.03
		3	6 / 4	2 / 2	3,699		\$773,990	\$209.24
		4	6 / 4.5	2 / 2	3,961		\$793,990	\$200.45
16	Rosa at Siena / SE of Washington Street and Keller Road, French Valley / Taylor Morrison	1	4 / 2	1 / 2	2,028	6,000 sf lots 2.5 sales/mo	\$579,990	\$285.99
		2	4 / 3	2 / 2	2,429		\$634,990	\$261.42
		3	5 / 3	2 / 2	2,716		\$652,990	\$240.42
		4	5 / 3	2 / 2	3,016		\$639,990	\$212.20
17	Prairie Crossing Meadow View / Domenigoni Pkwy and Prairie Crossing Dr, Winchester / Lennar	1	3 / 2.5	2 / 2	1,823	5,500 sf lots 4.3 sales/mo	\$496,810	\$272.52
		2	4 / 3	2 / 2	2,203		\$529,880	\$240.53
		3	4 / 3	2 / 2	2,419		\$544,130	\$224.94
		4	4 / 3	2 / 2	2,590		\$599,108	\$231.32

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