

# APPRAISAL REPORT

**DRAFT No. 1**

## COMMUNITY FACILITIES DISTRICT NO. 2016-2 (CANYON HILLS - WESTRIDGE) OF THE CITY OF LAKE ELSINORE

City of Lake Elsinore, Riverside County, California  
(Appraisers' File No. 2016-1163)



Prepared For  
City of Lake Elsinore  
130 S. Main Street  
Lake Elsinore, CA 92530

Prepared By  
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Tustin, California 92780

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

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April 27, 2018

Mr. Jason Simpson, Assistant City Manager  
**City of Lake Elsinore**  
130 S. Main Street  
Lake Elsinore, CA 92530

Reference: Appraisal Report – Community Facilities District No. 2016-2  
of the City of Lake Elsinore  
(Canyon Hills – Westridge)  
West Side of Railroad Canyon Road at Canyon Hills Road  
City of Lake Elsinore, California

Dear Mr. Simpson:

At the request and authorization of the City of Lake Elsinore, we have completed an updated Appraisal Report for a portion of Community Facilities District No. 2016-2 of the City of Lake Elsinore ("Lake Elsinore CFD No. 2016-2"). Lake Elsinore CFD No. 2016-2 consists of approximately 72 usable acres covered by Tract Maps 36117 and 36118, which are currently being developed into five neighborhoods, or 456, single family detached condo homes and a future commercial parcel.

The five residential neighborhoods are currently being developed by Pardee Homes ("Pardee") as Aura, Overlook, Starling, Vantage, and Viewpoint, along with a commercial parcel. The neighborhood of Viewpoint is built and closed out with the remaining four neighborhoods currently selling homes. These five neighborhoods along with the commercial parcel compose Westridge, a portion of Lake Elsinore's master planned community of Canyon Hills, which consists of about 4,000 planned units, mostly built-out. Pardee, owned by TRI Pointe Group, is the master developer of the entire project. The lots range in condition from completed, individually owned homes to homes under construction and finished lots under builder ownership.

The valuation methods used in this report include the Sales Comparison Approach, a Discounted Cash Flow Analysis and a mass appraisal technique as defined within this report. The fee simple estate of the subject property has been valued subject to the Lake Elsinore CFD No. 2016-2 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 Lake Elsinore CFD No. 2016-2.

As a result of our investigation, the concluded Minimum Market Value (as defined within this report) for the subject property is shown on the following page.

Mr. Jason Simpson  
**City of Lake Elsinore**  
April 27, 2018  
Page Two

**Builder-Owned –**

Aura	\$ 6,138,268	
Overlook	\$ 2,916,741	
Starling	\$ 6,695,113	
Vantage	\$ 6,060,664	
Viewpoint	\$ 0	
Commercial Parcel	<u>\$ 2,071,560</u>	
Total Builder Owned		\$23,882,346

**Individual Owners –**

Aura	\$21,751,660	
Overlook	\$33,632,530	
Starling	\$10,281,793	
Vantage	\$23,774,938	
Viewpoint	<u>\$23,689,755</u>	
Total Individual Owners		<u>\$113,130,676</u>

**Aggregate Value of Lake Elsinore CFD No. 2016-2 \$137,013,022**

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of April 15, 2018.

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 2016) 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 Lake Elsinore CFD No. 2016-2.

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.**

**DRAFT**

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

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### **ADDENDA**

CFD Boundary Map for City of Lake Elsinore CFD No. 2016-2  
Tract Map 36117 and 36118  
Residential Land Sales Map and Summary Chart  
Commercial Land Sales Map and Summary Chart  
Improved Residential Sales Map and Summary Chart  
Discounted Cash Flow Analyses  
Appraiser's Qualifications

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2 of the Uniform Standards of Professional Appraisal Practice. 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 Lake Elsinore CFD No. 2016-2.
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 Lake Elsinore CFD No. 2016-2 Special Tax Bonds.

## **HYPOTHETICAL CONDITION**

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the Lake Elsinore CFD No. 2016-2 Special Tax Bond proceeds, are completed and in place.



**City of Lake Elsinore  
Community Facilities District No. 2016-2  
(Canyon Hills – Westridge)**

*(Audie Murphy Ranch)*

*(Canyon Lake)*



Aerial Taken 3/29/18 by AirViews  
Boundaries Approximate



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## **PURPOSE OF THE APPRAISAL**

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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 Lake Elsinore CFD No. 2016-2 Special Tax Bonds.

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## **THE SUBJECT PROPERTY**

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The subject property consists of 456 proposed single-family homes on approximately 72 usable acres, which are covered by Tract Maps 36117 and 36118 and are being developed into five neighborhoods and a commercial parcel by Pardee Homes. These five neighborhoods and the commercial parcel compose Westridge which is also known as Phase 8 of Canyon Hills. There are 321 homes completed and closed to individuals, 12 models (three in escrow), 19 homes over 95 percent complete (16 in escrow), 25 homes under construction (22 in escrow) and 79 remaining finished lots (11 in escrow). Sales began in the subject property in July 2016 with 373 sales to date (including 321 closed homes). The following page shows a summary of each neighborhood and the status of each lot.

Description	No. Lots	Ownership	Condition/Status
<b>RESIDENTIAL LANDS</b>			
<b>Aura - PA 2D</b>			
Lots 188-223, 237-252, 256-260, 264-266 of Tract 36118	60	Individuals	Complete Houses / Closed
Lots 229-231 of Tract 36118	3	Pardee	Model Homes (0 in escrow)
Lots 253-255, 261-263 of Tract 36118	6	Pardee	Homes over 95% complete (4 in escrow)
Lots 85-100, 186-190 of Tract 36117; Lots 224-228, 232-236 of Tract 36118	31	Pardee	Finished Lots (3 in escrow)
<b>Subtotal Aura</b>	<b>100</b>		
<b>Overlook - PA 2C Tract 36118</b>			
Lots 76-115, 117-118, 120-122, 126-132, 139-149, 152-187	99	Individuals	Complete Houses / Closed
Lots 135-137	3	Pardee	Models (3 in escrow)
Lots 116, 119, 123-125	5	Pardee	Homes over 95% complete (5 in escrow)
Lots 133-134, 138, 150-151	5	Pardee	Homes U/C (5 in escrow)
<b>Subtotal Overlook</b>	<b>112</b>		
<b>Starling - PA 1B North Tract 36117</b>			
Lots 68-72, 75, 101-105, 127-140	25	Individuals	Complete Houses / Closed
Lots 63-65	3	Pardee	Models (0 in escrow)
Lots 73, 74, 76, 77	4	Pardee	Homes over 95% complete (3 in escrow)
Lots 144-148, 159-163	10	Pardee	Homes U/C (7 in escrow)
Lots 66-67, 78-84, 141-143, 149-158, 174-177	26	Pardee	Finished Lots (0 in escrow)
<b>Subtotal Starling</b>	<b>68</b>		
<b>Vantage – PA 1A and 1B South 36117</b>			
Lots 5-52, 56-62, 106-107, 121-125	62	Individuals	Complete Houses / Closed
Lots 2-4	3	Pardee	Model Homes (0 in escrow)
Lots 108, 119-120, 126	4	Pardee	Homes over 95% complete (4 in escrow)
Lots 109-118	10	Pardee	Homes U/C (10 in escrow)
Lots 1, 53-55, 164-173, 178-185	22	Pardee	Finished Lots (8 in escrow)
<b>Subtotal Vantage</b>	<b>101</b>		
<b>Viewpoint – PA 2A Tract 36118</b>			
Lots 1-75	75	Individuals	Complete Houses / Closed (Inc. 3 Models)
<b>Subtotal Viewpoint</b>	<b>75</b>		
<b>Total Residential</b>	<b>456</b>		
<b>COMMERCIAL LANDS</b>			
<b>Lot 2 of Tract 36118</b>	<b>7.9 Ac</b>	Pardee	Mass graded site – Net usable acres 6.0

## INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Lake Elsinore, will utilize this report in disclosure documents associated with selling bonds for Lake Elsinore CFD No. 2016-2 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."<sup>1</sup>

Inherent in the Market Value definition is exposure time or the time the property would have had to have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions the exposure time for each developer owned neighborhood or for an individually owned home is under twelve months.

### **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."

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<sup>1</sup> The Appraisal of Real Estate, 13<sup>th</sup> 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”<sup>2</sup>

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

## **Hypothetical Condition**

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

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

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Lake Elsinore CFD No. 2016-2.

## **Extraordinary Assumptions**

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

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

The extraordinary assumption in this report is that the reported remaining costs as received from the developer are true and accurate. We have reviewed the costs and they appear reasonable, 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 property.

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<sup>2</sup> USPAP 2016-2017 Edition



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## **PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple interest, subject to easements of record and Lake Elsinore CFD No. 2016-2. 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.”

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## **EFFECTIVE DATE OF VALUE**

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The subject property is valued as of April 15, 2018.

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## **DATE OF REPORT**

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The date of this report is April 27, 2018.

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## **SCOPE OF APPRAISAL**

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

- County of Riverside Description
- City of Lake Elsinore Description
- Immediate Surroundings Description
- Brief Description of Lake Elsinore CFD No. 2016-2
- 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 456 proposed single-family homes and a commercial parcel. There are 321 homes completed and closed to individuals, 12 model homes (three in escrow), 19 homes over 95 percent complete (16 in escrow), 25 homes under construction (22 in escrow) and 79 remaining finished lots (11 in escrow). The commercial parcel has been mass graded. In valuing the subject property, the value estimates will be

based upon the highest and best use conclusion using the Sales Comparison Approach.

The Sales Comparison Approach to value is defined as:

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

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

The due diligence of this appraisal assignment included the following:

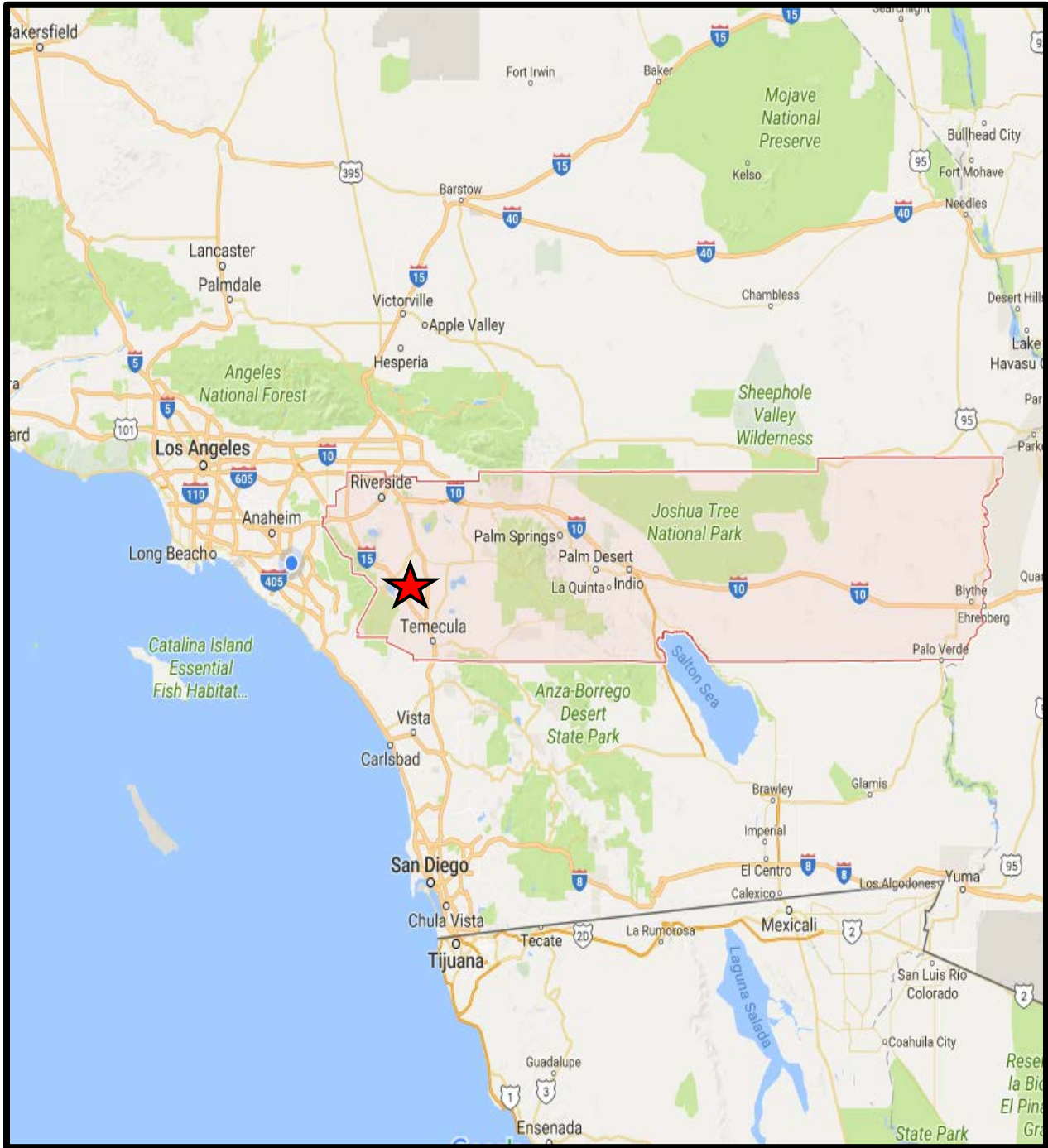
1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County and the Lake Elsinore area.
3. Inspected the subject property between March 15, 2018 and April 15, 2018.
4. Had the property flown for an aerial photograph on March 29, 2018.
5. Interviewed representatives from the builder to obtain available information on the subject property.
6. Reviewed the Canyon Hills Specific Plan.
7. Reviewed Preliminary Title Reports on portions of the subject property.
8. Reviewed a Soils Report and a Report on Regulatory Services on the property.
9. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.

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

10. Reviewed the market area for relevant comparable commercial land sales and interviewed representatives, when available, regarding the sales.
11. Reviewed sales brochures and sales information on each of the subject neighborhoods.
12. Reviewed actual developer sales information on all closed homes and current escrows.
13. Reviewed Multiple Listing Service ("MLS") information on re-sales and current listings of existing homes within Lake Elsinore CFD No. 2016-2.
14. Inspected the subject property for any for-sale or property listing signs that may not be listed on the MLS yet.

**Riverside County Regional Area Map**  
(Red Star is approximate subject location)





## **COUNTY OF RIVERSIDE AREA DESCRIPTION**

### **Location**

The subject property is located in the southern portion of Riverside County (the “County”) in the southeastern portion of the City of Lake Elsinore, on the north side of Railroad Canyon Road, east of Interstate 15. The County encompasses approximately 7,300 square miles, which includes large expanses of undeveloped deserts, valleys, canyons and mountains. The County is the major recipient of outward urban pressure from Orange and Los Angeles Counties as well as northerly growth from San Diego County. Although located at the periphery of most urban activity in Southern California, Riverside County, in particular the south and westerly region, is clearly perceived by most observers as a major growth area well into the foreseeable future. Because of mountain ranges limiting road access into Los Angeles and Orange Counties, Riverside and San Bernardino Counties belong to the same Metropolitan Statistical Area (“MSA”). This MSA is designated as (and commonly referred to as) the Inland Empire.

### **Transportation**

The subject property is situated approximately 1.75 miles east of I-15 and from the Railroad Canyon Road on/off ramps to I-15. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. Highway 74 is approximately four miles north and provides access to the west into Orange County on what is also known as Ortega Highway. Interstate 215 is approximately five miles east, travels in a northerly/southerly direction within the County, branching off from I-15 and heading generally north where it parallels I-15 to the east and merges back into I-15 approximately 35 miles northwest of the subject in San Bernardino County. In addition, the 60 Freeway runs in an east west direction approximately 20 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.

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 40 miles northwest of the subject property while the Orange County Airport is located

approximately 30 miles northwest and the San Diego International Airport is located about 60 miles south. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

### **Population**

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2017 County population was 2,384,783 (most recent data available). This represents a one-year increase of 1.6 percent and an average annual growth rate of approximately 2.5 percent for the previous sixteen-year period. Current County projections suggest the population is anticipated to reach approximately 2.546 million by 2020 and 2.862 million by 2030, indicating an average annual increase of approximately 2.20 percent for the next three years and an average annual increase of approximately 1.41 over the next 13 years. The current growth of 1.6 percent is lower than the previous 16 years average likely due to the Great Recession, however higher than the previous year (1.3 percent). The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

### **Economy**

As with the rest of the nation, the Inland Empire experienced a significant multi-year recession, now known as the Great Recession, between 2007 and mid-2012. The MSA, which had strong employment over the previous decade, saw unemployment rates increase significantly between 2007 and 2010. Unemployment has declined substantially since that time with recent reports showing historical low unemployment. The unadjusted unemployment rate for the MSA was estimated at 4.1 percent (per the March 2018 Employment Development Department), which is similar to the pre-recession low of 4.3 percent in January 2006, and a significant decrease since the unemployment peak in July 2010 of 15.1 percent. As of March 2018, Riverside County had a 4.2 percent unemployment rate while San Bernardino County had a 3.9 percent rate. The current MSA unemployment rate of 4.1 percent is similar to the current California statewide unemployment rate of 4.2 percent and the same as the March 2018 National

unemployment rate of 4.1 percent. Below is a table comparing Riverside County's unemployment rates to the unemployment rates of the surrounding counties.

<u>Jurisdiction</u>	<u>As of</u>	<u>Unemployment Rate</u>
Los Angeles County	3/18	4.5%
<b>Riverside County</b>	<b>3/18</b>	<b>4.2%</b>
San Bernardino County	3/18	3.9%
Orange County	3/18	2.8%
San Diego County	3/18	3.2%

*Source: State of California E.D.D. March 2018 Report*

Over the past 20 years, the Riverside County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Riverside County housing market seeing an improvement beginning in mid-2012. While coastal Southern California housing enjoyed significant increases over the past five years, the Inland Empire has bounced back slower. Riverside County is still not yet at the previous median home price peak and sales are significantly slower than prior to the recession. In late 2016 Riverside County saw builder land purchases increase as sales of new homes picked up. In 2017, the County saw good increases in both sales and pricing. These upward trends appear to be continuing in 2018.

The Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages during the Great Recession. The Federal Reserve Board ("Board") kept interest rates below historical averages, dropping rates to zero in December 2008 until the December 2015 Board meeting, when interest rates were raised one quarter of a percent, followed by a quarter percent rate hike in December 2016 and three one-quarter percent increases in 2017 and one thus far in 2018 bringing the benchmark interest rate to 1.75 percent. Current estimates are for additional increases in 2018. This signifies the possibility for robust growth nationally however the beginning of 2018 has seen volatility in the markets driven by possible changes in trade policies, proposed tariffs and the uncertainty of inflation and the Federal Fund rate increases.

The 2016 election of Donald Trump into the United States Presidency is anticipated to have a profound effect on the economy. While the Trump Administration aimed to positively affect the national economy with plans to roll back financial regulations, implement tax cuts, enact new taxes on imports, and increase infrastructure spending, the national and international skepticism of the new administration's economic policy is abundant. With the December 2017 adoption of the Tax Cuts and Jobs Act ("TCJA"), uncertainty is proliferating as the Country enters 2018. While the TCJA aims to save taxes and spur the economy, there are some limitations which may negatively affect real estate, particularly in California. It is too early to know how the TCJA will affect homeowners at this time, however mortgage interest rates have begun to increase.

California's labor markets make it easy to understand why the mid-2000s downturn is being called the Great Recession. After peaking at 15.454 million non-farm jobs in June 2007, the State shed over 1.33 million non-farm positions by February 2010. Since hitting bottom, California has now added back 2.92 million jobs for a total of 17.05 million non-farm jobs as of March 2018, per the California Employment Development Department. This well surpasses the previous peak, however, there are a high number of part-time jobs included in this number.

According to the most recent UCLA Anderson Forecast ("Forecast" – March 9, 2018), the nation's economy is moving from one of sluggish growth and low inflation to one of accelerating growth and moderate inflation. At the beginning of February 2018, the Nation saw a sudden 10 percent decline in stock prices and a rise in long-term interest rates. This was due to the economic shift from one of sluggish growth to accelerating growth. Concurrently monetary policy is transitioning from one of accommodating to one of normalization, with an estimated four Federal Fund hikes in 2018. The National Forecast states due to the U.S. consuming more than it produces, it needs to make up the difference in imports creating a trade deficit. Real GDP growth is on track to continue its 3.0 percent pace, established in second quarter 2017. A growth rate of 2.9 percent is predicted for 2018 followed by a 2.6 percent rate in 2019 and a sluggish 1.6 percent rate in 2020. The forecasted slowdown is due to the Nation already operating at full employment and is bound by slow labor force growth and sluggish productivity. The



National housing forecast is for housing to expand through 2019 but it will be far from a boom due to higher interest rates and higher home prices. After recording 1.2 million housing starts in 2017, the Forecast anticipated 1.3 million in 2018, 1.38 million in 2019 and 1.36 million in 2020.

The UCLA California Forecast for March 2018 states California continued to be a leader in the Nation in job growth, hitting all time high employment in December 2017. While growth in net new jobs in the Bay Area eased in 2017, growth in the Inland Empire, San Joaquin Valley, Sacramento and the Delta showed growth increases. With the Federal Budget calling for a significant increase in the purchase of sophisticated defense durable goods, demand for manufacturing and engineering in California should increase. This increased investment is likely to be in technologically advanced equipment and software. Thus, the California tech industry should see a bump in demand, needing more labor, which suggests that wages will need to increase in order to bring more labor in.

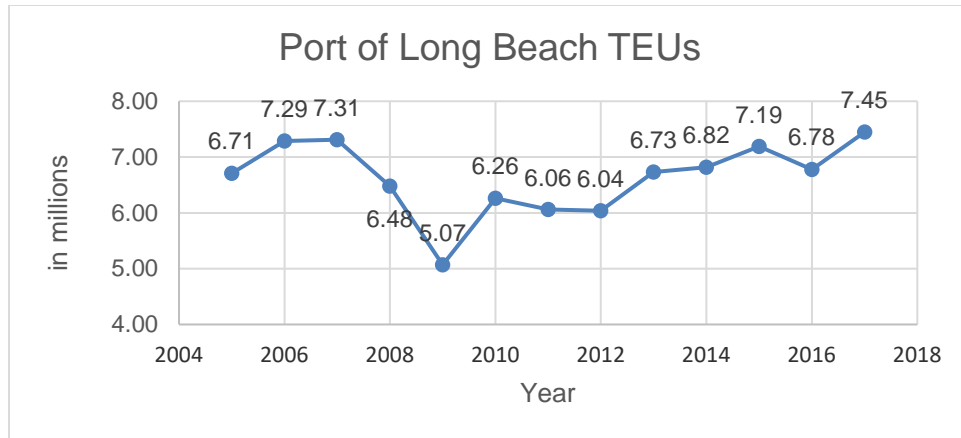
The California Forecast states that homebuilding in California will accelerate to 138,000 units by 2020 after building 118,000 new units in 2017. The Forecast also states total employment growth is estimated at 2.2 percent for 2018, 1.7 percent for 2019 and 0.9 percent for 2020. They are anticipating payrolls to grow at about the same rates while person income growth is forecast to be 3.1 percent, 3.6 percent and 2.8 percent in 2018, 2019 and 2020 respectively.

According to John Husing's Inland Empire Economic Partnership's Quarterly Economic Report dated January 2018, the Inland Empire is poised for job growth that is better balanced than the State. The Inland Empire has added 292,797 jobs since 2011 with approximately 75 percent of those jobs in the moderate paying (\$45,000 - \$60,000) and good paying sector (\$60,000 plus) while in overall California the moderate and good paying new jobs captured 61 percent. The 2017 data on job growth in the Inland Empire remains strong with over 43,000 new jobs this past year. The region is headed for a new employment record (1,445,667 – an increase of 3 percent) with job quality as good as before the recession. This is in contrast to the State's record where middle-income sectors are growing weakly.

John Husing also reports on the housing industry stating within the Inland Empire's home market, price rises continue however volume of home sales remains flat. In the fourth quarter 2017 the Inland Empire recorded 16,493 existing and new home sales, which results in volume being essentially flat for the past eight years. However, Husing predicts that 2018 will bring about added volume growth returning to the market. Price trends however have increased over six percent in the past year with the median existing home price in the Inland Empire rising to \$334,697 and the new home price in the Inland Empire rising to \$439,612 over the past year. The existing home price is still 14.2 percent below the 2006 peak (\$389,924) however the new home price is now 0.6 percent above the prior peak (\$437,200).

One of the main reasons the MSA has been slow to pull out of the recession relates to housing. Both Riverside and San Bernardino Counties saw a considerably steeper rise and then subsequent fall of housing prices than almost anywhere else in the State. Inland Empire median existing housing prices went from \$388,000 at the peak of the market in 2006 to \$155,100 in 2009. The March 2018 MSA median price was \$351,450 in the Inland Empire per the California Association of Realtors. Foreclosures and short sales, which constituted a large number of housing sales over the past nine years, have decreased significantly to the point where they are no longer affecting prices.

As a final indicator of overall economic activity for the region, we have reviewed the rise or 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 linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. The activity resulted in a flattening of TEUs during 2006 and 2007, decreases occurring in 2008 and 2009, and an increase in 2010 followed by stabilization until 2013 with increases until 2016, which showed a 5.7 percent slowdown. The year 2017 showed a ten percent increase over 2016 with 7.45 million TEUs. The chart below shows historical TEU activity with the 2017 total showing a new peak.



### **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 Board enacts ordinances and resolutions, adopts the annual budget, approves contracts and appropriates funds, determines land use zoning for unincorporated areas, and appoints certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

### **Education**

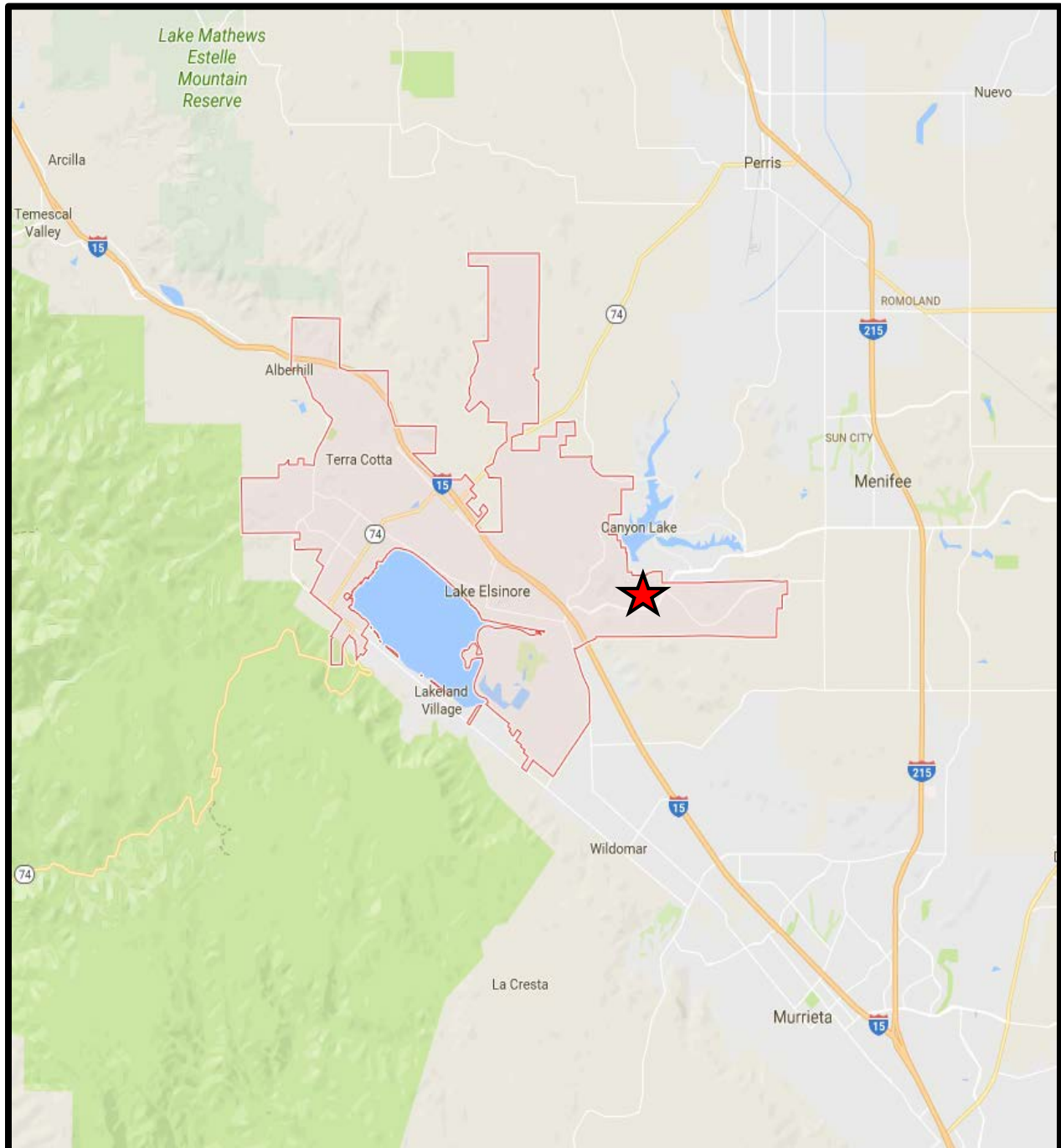
The subject area is served by the Lake Elsinore Unified School District, which operates eleven elementary schools, two K-8 schools, four middle schools, three high schools, one continuation school, one adult school and one alternative school. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

### **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled starting in 2006 due to the housing downturn, unemployment and the credit crisis. The housing market saw a resurgence beginning the second half of 2012 with prices and sales increasing by double

digits through 2013 with pricing growth slowing to more normal levels and sales essentially flat until 2016 when builders started buying land once again. The economy typically has cycles and most signs are suggesting the U.S. economy and Riverside County's economy is on an upswing. However, unlike previous recovering economies, housing growth has been slow to come back. While the new Administration is suggesting there will be changes in the economy, time will tell how fast the changes actually occur. The year 2017 brought new optimism from economists in terms of the Inland Empire housing market which has continued into 2018. The region's affordability coupled with the rising prices of the coastal market is setting up for a potential boom in the Inland Empire. 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 prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

**Lake Elsinore Area Map**  
(Red Star is approximate subject location)



## **CITY OF LAKE ELSINORE DESCRIPTION**

The subject property is located within the master planned community of Canyon Hills, in the easterly portion of the City of Lake Elsinore ("City"). Lake Elsinore is approximately half way between the cities of Los Angeles and San Diego, about 25 miles east of the Pacific Ocean. Downtown Riverside, which houses the County seat, is approximately 20 miles north. The City is situated along I-15 at the intersection of State Route 74 and encompasses an estimated 41 square miles. It is generally surrounded by unincorporated County lands to the north and east, the City of Wildomar to the south and the Ortega Mountains and the Cleveland National Forest to the west.

### **History**

The Luiseno Native Americans are the earliest known inhabitants of the Elsinore Valley prior to when settlers came in the early 1800s due to the natural springs which were said to have healing qualities. In the 1850s, the area housed a stagecoach stop for the Butterfield Overland Mail route between the Temecula station (20 miles south) and the Temescal Station (10 miles north). The rich and fertile farm lands and natural resources of clay, coal, sand and gravel within the Elsinore Valley kept people in the area. At incorporation in 1888 the City was originally in San Diego County however became part of Riverside County upon its creation in 1893. The City was named Elsinore after a city in Denmark which is featured in the Shakespeare play, Hamlet. In the 1920s and 1930s, the area became a Hollywood getaway with many stars building homes in the hills surrounding the Lake.

Lake Elsinore (the "Lake") was originally known as Laguna Grande and is the largest natural lake in Southern California. The Lake is situated at the lowest point within the 750-mile San Jacinto River watershed with headwaters from the western slopes of San Jacinto Peak and Lake Hemet. Lake Elsinore levels are at 1,244 feet above sea level with a volume of 30,000-acre feet that use to change substantially prior to federal grants to prevent the flooding and ebbing of the lake. The largest flooding came in the 1930s when the Lake rose from 8,000-acre feet to 92,000-acre feet. In 1951, the Lake dried up and

remained dry for about 10 years. In 1981 and 1983, the El Nino rains again flooded the area and in 1984 the City was successful in obtaining Federal grants for the major project to regulate the Lake and end the cycle of flooding and drying. Now at 1,255 feet, the Lake spills into the outflow channel known as the Temescal Wash, flowing northwest along I-15 to Temescal Creek which dumps into the Santa Ana River near the city of Corona and flows to Orange County and out into the Pacific Ocean.

### **Population**

The City had enjoyed rapid population growth in the mid-2000's, which altered the appearance of the City from a small lakeside town of 3,800 people in 1976, to a bedroom community of upper middle-class professionals. From 2000 to 2008 the City was known as the 12<sup>th</sup> fastest growing city in the State going from 28,928 residents in 2000 to 51,821 residents in 2010 which suggests an average annual increase of 6.0 percent. Between 2010 and 2015 the city increased to 59,142 residents (average annual increase of 2.67 percent) and between January 2016 and January 2017 the City experienced a 2.0 percent population increase, with a January 2017 population estimate of 62,092. This significant growth between 2000 and 2010 includes the residential boom prior to the Great Recession while the slowdown between 2010 and 2015 reflects the Great Recession. The past year's growth is partially due to the increase of available new homes in the area, including the master planned communities of Summerly, Canyon Hills (subject) and Alberhill Ranch. The growth in the City is due to the more affordable housing with convenient access along the I-15 corridor providing access to the employment centers in Riverside, Orange, Los Angeles and San Diego Counties. The population has a very diverse racial make-up with the median age estimated at 30.7 years old.

There are three master planned communities currently selling homes in the City: Summerly, Alberhill Ranch and Canyon Hills. Summerly consists of a total of 700 acres and is proposed for about 1,500 residential units and is approximately 50 percent complete. Alberhill Ranch is currently proposed for around 1,000 residential units and is about 30 percent built-out. Canyon Hills is proposed for approximately 4,300 residential units and is approximately 95 percent built out.



## **Economy**

The City of Lake Elsinore has enjoyed industrial and commercial development along the I-15 Corridor including the Lake Elsinore Outlet Center which was opened in the 1990s as one of the first Outlet Malls in Southern California. The City has been promoting its economic platform by becoming more business friendly. The 2016 estimated median household income (most recent data per Census.gov) is \$63,306 as compared to \$57,972 for the County and \$63,783 for the State. Per the City of Lake Elsinore's 2017 Comprehensive Annual Financial Report, the top employers were as reported below.

<b><u>Summary of Major Employers</u></b>	
<b><u>Employer</u></b>	<b><u>No. of Employees</u></b>
Lake Elsinore Unified School District	2,644
M & M Framing	500
Stater Bros (3 locations)	319
Lake Elsinore Hotel & Casino	275
Costco	259
Walmart	234
Riverside County (Dept. of Social Services)	173
EVMWD	154
Home Depot	150
Target	150

## **Entertainment**

While the area was a get-away from the movie industry in the 1920s, the area also began emerging as an entertainment/sports area when it hosted Olympic teams for training along with high speed boat racing on the Lake. In 1964 the Skylark Airport (located approximately three miles south of the subject) emerged as a world class skydiving drop zone due to the thermals from the surrounding mountains. This is still one of the most prominent drop zones in Southern California. The Lake Elsinore Motorsports Park for off-road racing is located three miles southwest of the subject lands. In 1991, the Lake Elsinore Outlet Center opened boasting 100 outlets while in 1994 Diamond Stadium was constructed which is the home of the Lake Elsinore Storm, an affiliate of minor league baseball. Diamond Stadium is located about three miles west of the subject, adjacent to the master planned community of Summerly.

## **Transportation**

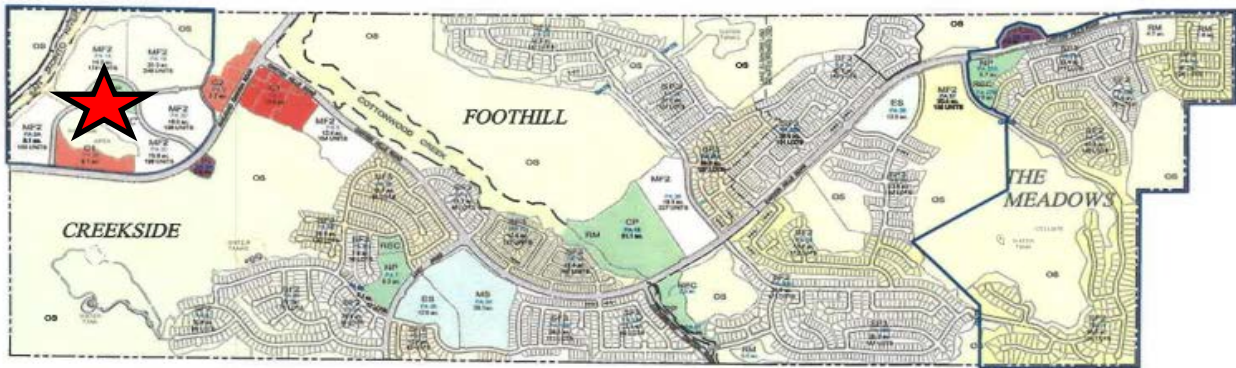
Interstate 15 is the major access for the City with State Route 91 approximately 20 miles north and I-215 about 10 miles south. I-15 provides access to State borders to the north in Nevada and to the south where it merges with I-5 before going into Mexico. State Route 91 (20 miles north on I-15) provides freeway access into Orange and Los Angeles Counties to the west and to San Bernardino County to the east. I-215 provides northerly access connecting to State Route 60 which provides access to the west into Los Angeles and to the east where it merges with I-10 and provides access to the State border with Arizona. The nearest freeway intersection to the subject property is the Diamond Drive/Railroad Canyon Road exit (less than two miles west) where the arterial is Diamond Drive to the west of I-15 and Railroad Canyon Road to the west. State Route 74 is a winding road through the Ortega Mountains (also known as Ortega Highway west of Lake Elsinore) that provides a more direct access into South Orange County which is located approximately 25 miles west.

## **Conclusion**

In summary, the City of Lake Elsinore has experienced above average growth over the past 18 years. Future growth of the City should continue, although at a slower rate than what has previously occurred. Lake Elsinore's housing market is currently healthy and the subject's community of Westridge is being well received in the marketplace at this time. The City's abundant recreation, expanding employment opportunities, location, reasonable land prices and the availability of land for development combine to make the City a prime area for future growth.

## THE MASTER PLANNED COMMUNITY OF CANYON HILLS

Canyon Hills was originally approved as the Cottonwood Hills Specific Plan. The site was annexed into the City of Lake Elsinore per Re-Zone and Annexation No. 88-1. In addition, General Plan Amendment No. 88-1 included the Cottonwood Hills Specific Plan in the Lake Elsinore General Plan's Land Use Map. The City of Lake Elsinore originally approved the Cottonwood Hills Specific plan in 1989. The original Specific Plan allowed for 4,275 dwelling units on 1,968 acres for an overall density of 2.17 dwelling units per acre. The first Amendment to the Cottonwood Hills Specific Plan was approved in April 2003 and changed the name to Canyon Hills along with realigning entitlements to the current market. The second amendment was approved in May 2007 and again realigned the land use to the current market. Below is a Map showing all of Canyon Hills with the subject property outlined in blue on the west side of the map with the red star.



The third and latest amendment to the Specific Plan was approved in 2009 and included approvals for the subject property (Westridge) and the east portion of the property known as The Meadows (not included in this appraisal report). Phases one through five were developed prior to the great recession and included 2,529 dwelling units, which have been built and sold. Phase 6 included an additional 268 units that have also been constructed and sold out. Phase 7 (shown as The Meadows on the above map) includes 563 units and is currently under development (not included in this appraisal report). The subject property includes Phase 8, which was originally slated for 915 dwelling units, has now been mapped and is entitled for 456 dwelling units and a commercial parcel and is known as Westridge at Canyon Hills. Westridge (the subject property) is a gated community with five neighborhoods (one closed out and four currently selling) along with a future commercial parcel.

## IMMEDIATE SURROUNDINGS

The subject property consists of Phase 8 of the Canyon Hills Specific Plan whose borders are the same as City of Lake Elsinore CFD No. 2016-2. Access into the community is considered to be good via I-15, exit Diamond Drive/Railroad Canyon Road, east approximately one and three-quarters mile to the entrance to Westridge. The subject is at the northwest corner of the residential portion of the Canyon Hills Master Planned community. Westridge is adjacent to existing residential homes to the north and west and is located just south of Canyon Lake. Bordering the south of the community is Railroad Canyon Road, which beyond which are acres of sloped vacant and undeveloped land. Canyon Lake Country Club and Golf Course are located northeast of the subject, with Canyon Hills Marketplace (anchored by a Stater Brothers Market) lying between the subject and the Country Club. Lake Elsinore City Center, which includes a Walmart, Starbucks, Vons, UPS Store, Wells Fargo, and several restaurants, is located west of the subject at the intersection of Railroad Canyon Road and I-15 within 1.5 miles of the subject.

West of I-15 approximately four miles from the subject property and east of Lake Elsinore is the master plan of Summerly. Summerly includes seven currently selling new home communities (two nearing build-out) and is adjacent to the Links at Summerly Golf Course and Diamond Stadium, the Skylark Airport, and Lake Elsinore Motorsports Park.

Diamond Stadium (Lake Elsinore Diamond) is a state of the art baseball stadium managed by Storm Entertainment, a division of Storm Baseball. The stadium seats 8,000 for minor league baseball and can be converted to approximately 14,000 seats for a concert venue. The Links at Summerly is a 72-par links course in the traditional Scottish style which is open to the public. The Skylark Airport is a private airport with three turf runways ranging from 1,850 to 2,800 feet in length. Skylark is the home of Skydive Elsinore which is advertised as the premier skydiving center of Southern California. The Lake is the largest natural lake in Southern California and offers several activities including boating, swimming, water skiing, fishing along with an RV Park and Marina.

## CITY OF LAKE ELSINORE CFD NO. 2016-2

We have reviewed the Community Facilities District Report for the City of Lake Elsinore 2016-2 ("District"), prepared by Spicer Consulting Group and dated December 13, 2016 ("CFD Report"). On October 25, 2016 the City Council of Lake Elsinore adopted a Resolution of Intention to form CFD No. 2016-2 (Resolution No. 2016-120) and ordered the CFD Report to be prepared. Per the CFD Report the CFD is proposed to finance (i) drainage, library, park, roadway and other public facilities of the City, including the foregoing public facilities which are included in the City's fee programs; (ii) water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of the Elsinore Valley Municipal Water District which are included in Elsinore Valley Municipal Water Districts water and sewer capacity and connection fee programs and (iii) the payment of all amounts necessary to pay, repay or defease any obligation to pay or any indebtedness secured by any special tax levied for Improvement Area B of the City of Lake Elsinore Community Facilities District No. 2003-2 (Canyon Hills) within the area of CFD 2016-2 and to finance the incidental expenses to be incurred. **Do we want to add a discussion on the pay-off of 2003-2? If so wording?**

The bond allocation per the cost estimate per the CFD Report is as follows:

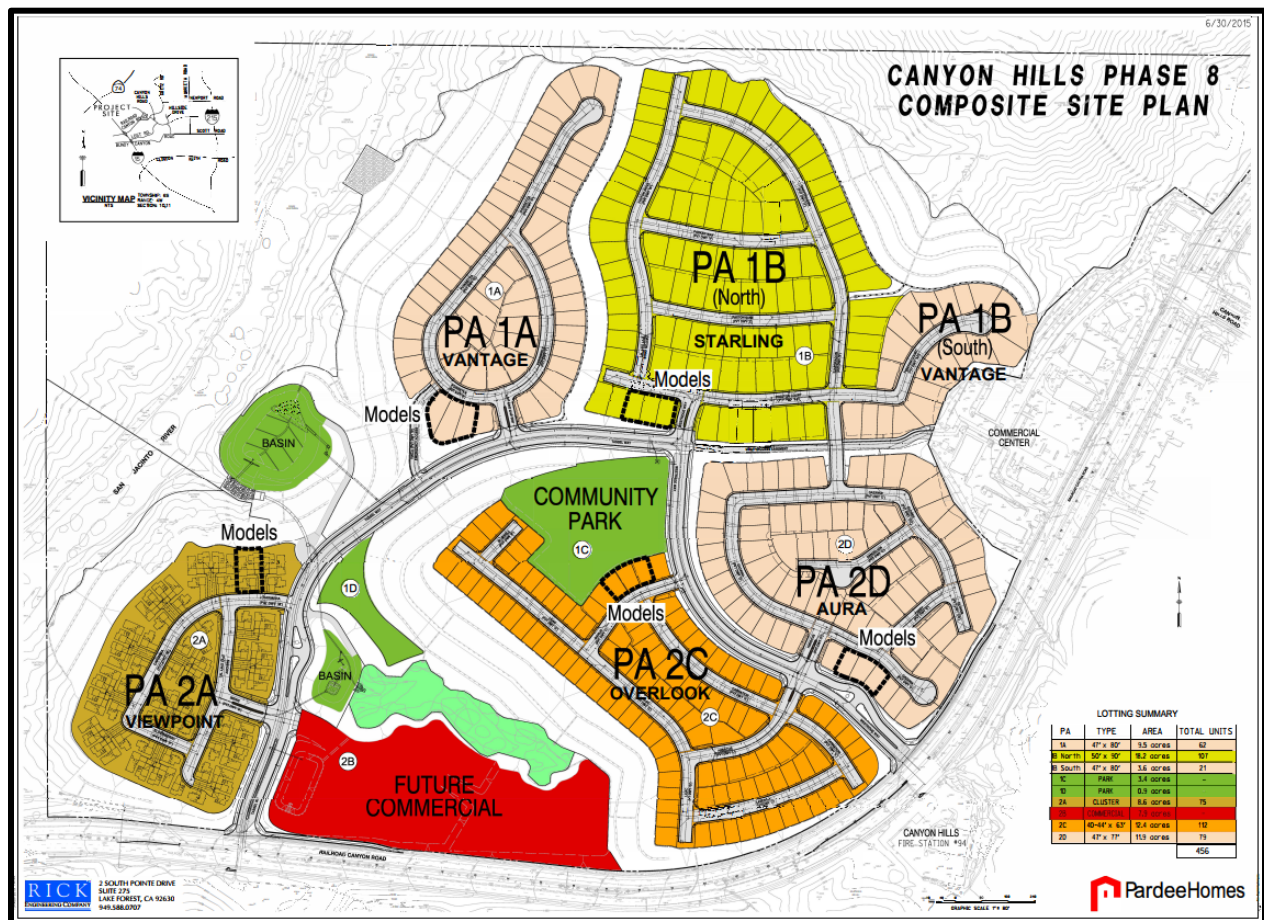
City of Lake Elsinore Facilities	Bond Allocation
Storm Drain	\$3,200,000
Sewer & Water	\$1,350,000
Road and Traffic Signals	\$295,821
CFD 2003-2 IA B Lien Prepayment	\$11,912,979
Incidental Financing Costs	<u>\$2,626,200</u>
Total	\$19,385,000

The current estimated proceeds to be generated from the sale of the Lake Elsinore CFD No. 2016-2 Bonds per the latest CFD **Bond Sizing is \$???** with an **additional \$???** of incidental expenses (includes Debt Service reserve fund and costs of issuance offset by the original issue discount) associated with the formation and issuance of the Bonds (all

amounts are subject to change). A copy of the Lake Elsinore CFD No. 2016-2 boundary map is located in the Addenda for your review.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 456 proposed single-family homes and a commercial parcel, constituting Westridge (or Phase 8 of Canyon Hills). The 456 lots have been developed into five neighborhoods by Pardee Homes: Aura, Overlook, Starling, Vantage, and Viewpoint. The property is shown on the map below with the subject property (Lake Elsinore CFD No. 2016-2) in color. It should be known that the northern portion of Planning Area 1B has been divided into some Starling units, some Vantage units and some Aura units, rather than all Starling units as depicted on the map. The property is described on the following pages.



**Location:** Northeast corner of Railroad Canyon Road and Westridge Way, Community of Westridge, Master Plan of Canyon Hills, City of Lake Elsinore, Riverside County.

**Legal Property**



Description: Tract Maps 36117 and 36118 in the City of Lake Elsinore, County of Riverside, State of California.

Property Owner: Pardee Homes and Individual Owners. See Table on Page 2 for details.

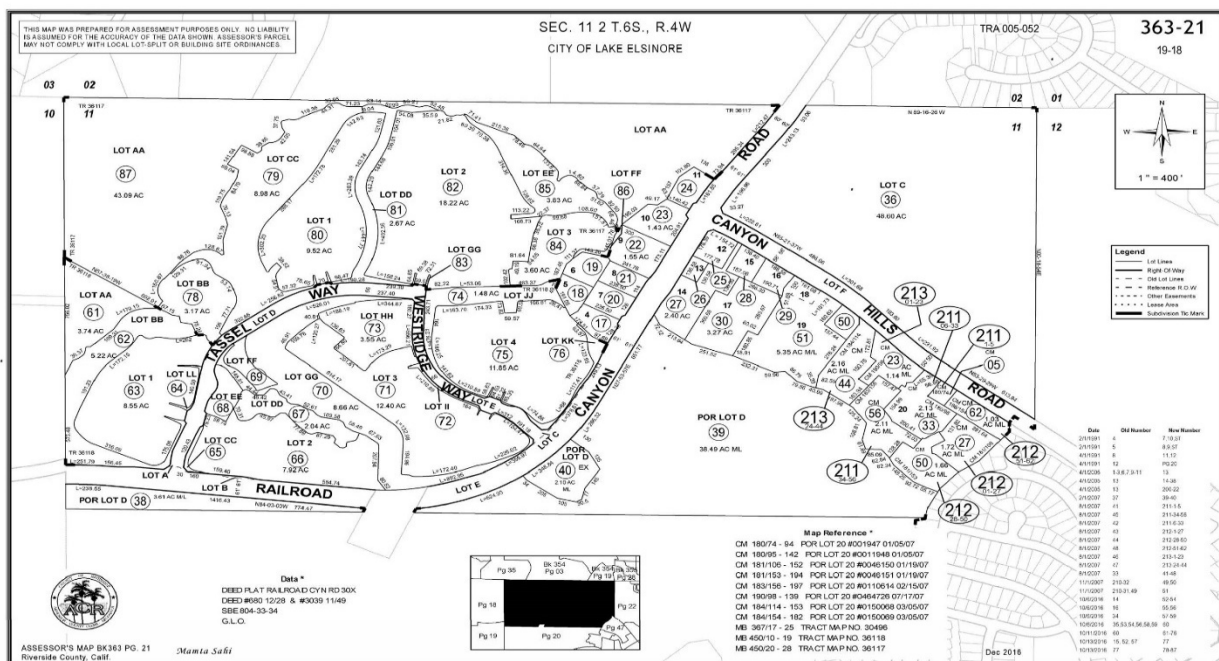
Assessors

Parcel Nos.: While the subject property encompasses APN's 363-210-61 thru 87, the majority of these parcels are open space areas, water quality basins or park sites. The Assessor Parcel Numbers that are being developed, thus will be taxed by Lake Elsinore CFD 2016-2 and are included in this appraisal are as follows:

APN	Neighborhood	Size
363-210-063	Viewpoint	8.55 Acres
363-210-066	Commercial Pcl	7.92 Acres
363-210-071	Overlook	12.40 Acres
363-210-075	Aura	11.85 Acres
363-210-080	Vantage (north)	9.52 Acres
363-210-082	Starling*	18.22 Acres
363-210-084	Vantage (south)	3.60 Acres
	Total	72.06 Acres

\*Note that the Starling neighborhood has been divided up between Starling and additional Vantage and Aura Units. Above acreage does not include the move but rather depicts the original Starling plan.

Below is the Assessor's Parcel Map showing the subject property.



**Property Taxes:** We have reviewed two sample tax bills for 2017/2018, one from Tract 36117 and one from Tract 36118. The first is within Tract 36117 in regards to APN 363-931-025 which shows an assessed value of \$191,841 and total taxes of \$5,622 including \$2,403 for CFD 2016-2, \$396 for the Lake Elsinore Public Safety CFD, \$343 for Lake Elsinore AD 93-1 and \$380 for CFD 2009-1 for parks and lighting. It appears that the parcel was not assessed on the completed home and that there will be a supplemental tax invoice. The second is within Tract 36118 and refers to APN 363-941-001 which has an assessed value of \$313,500 and total taxes of \$6,389 which includes \$1,975 for CFD 2016-2, \$395 for the Lake Elsinore Public Safety CFD, \$278 for Lake Elsinore AD 93-1 and \$380 for CFD 2009-1 for parks and lighting.

**Three-Year Sales History:** Pardee Homes, a California corporation formerly known as Pardee Construction Company, a California corporation has owned Tracts 36117 and 36118 for the past three years. **Do we want to add something about TRIPointe/Pardee merger??? – Wording???** Pardee began closing completed houses to individual homebuyers in July 2016. Three Hundred twenty-one (321) homes have closed to individuals between July 2016 and April 15, 2018.

**Size and Shape:** Westridge, or Phase 8 of Canyon Hills, is irregular in shape and contains 72.067 developable acres per the recorded tract maps. Per the AP Maps, the developable portion of Westridge contains 72.06 acres. The acreage of each parcel is shown on the detailed grid above.

**Entitlements:** The subject property is covered by Tract Maps 36117 and 36118 which were recorded on May 12, 2016. Additional Condo Maps were used to divide the larger lots into individual detached condo lots. These condo maps divide the subject into 456 single family detached condo lots. Copies of the tract maps are located in the Addenda. Below is a table showing the various Tract Maps and Condo lots.

<u>Project</u>	<u>Planning Area</u>	<u># Units</u>	<u>Condo Lots</u>
Aura	2D 1B north (p)	100	188-266 Tract 36118; 85-100 and 186-190 of Tract 36117
Overlook	2C	112	76-187 Tract 36118
Starling	1B north (portion)	68	63-84, 101-105 and 127-163 and 174-177 of Tract 36117
Vantage	1A 1B south 1B north (p)	101	1-62 and 106-126 and 164-173 and 178-185 of Tract 36117
Viewpoint	2A	75	1-75 Tract 36118
Commercial	2B	N/A	N/A

We have reviewed the densities (dwelling units per acre) for each of the planning areas. Planning Area 1B north was divided into additional units for Aura and Vantage rather than all be built out with all Starling homes. This change was for marketing purposes and has been well received in the marketplace. Prior to Planning Area 1B North being divided into Aura, Vantage and Starling, the number of units and the densities for each neighborhood were as shown on the table below.

<u>Project</u>	<u>Planning Area</u>	<u>Units</u>	<u>Tract/Lot/Acres</u>	<u>Density/Lot Size</u>
Aura	2D	79	Lot 4 of 36118 / 11.9	6.64 du/ac / 3,500
Overlook	2C	112	Lot 3 of 36118 / 12.5	8.96 du/ac / 2,500
Starling	1B north (portion)	107	Lot 2, 3 36117 / 21.9	5.84 du/ac / 4,500
Vantage	1A and 1B south	83	Lot 1 of 36117 / 9.5	6.53 du/ac / 3,500
Viewpoint	2A	75	Lot 1 of 36118 / 8.8	8.52 du/ac / Cluster

As we do not have the acreage calculation of the lots which were divided up in between Aura, Starling and Vantage in Planning Area 1B north coupled with the fact the densities within the three neighborhoods are all similar (5.84 to 6.64 dwelling units per acre), we are using the above densities in our analysis.

The future commercial parcel is at the entrance to Westridge with access off Tassel Way and Railroad Canyon Road. While the commercial parcel does have frontage along Railroad Canyon, there is no access directly off the main arterial as it is below grade of the existing street. Per the Specific Plan, Planning Area 2B is zoned C1 which allows for neighborhood commercial land use which includes businesses, both office and retail whose business is conducted entirely within a complete enclosed building. A list of the permitted uses appears typical for the C-1 zoning.

#### Topography:

The entire 72+ acres was originally hilly along with west side of Railroad Canyon Road which has been widened to a four-lane arterial in both directions. The site was mass graded in 2015/16 into five residential neighborhoods and the single commercial parcel. It appears drainage is into an engineered storm drain system within the project. There are water quality basins, one adjacent to the future commercial parcel along Tassel Way and another adjacent to Overlook. The water quality basins are intended to help contain run-off. Each residential neighborhood was further graded into single family detached lots. There is a riparian corridor adjacent to the

water quality basin along the north side of the commercial parcel.

**Soils Review:** We have reviewed a Preliminary Geotechnical Investigation and Grading Plan Review for Canyon Hills Phase 8, Vesting Tentative Tract Map Nos. 36117 and 36118 prepared for Pardee Homes by Alta California Geotechnical Inc., of San Diego which is dated March 31, 2014. The report concludes that the proposed grading for Canyon Hills Phase 8 is feasible from a geotechnical perspective, provided that the recommendations presented in this report are incorporated into the grading and improvement plans and implemented during site development.

It is an assumption of this report that the soils are adequate to support the highest and best use conclusion. This is evidenced by City inspectors being on-site throughout development of the site and by existing residences completed on the site.

**Environmental Review:** We have not received a Phase I environmental report on Tract 36117 or 36118. We have reviewed a report by Glenn Lukos Associates, Regulatory Services that states a U.S. Army Corps of Engineers Section 404 Permit was obtained; a 401 Water Quality Certification for the overall Canyon Hills Development was obtained from the Santa Ana Regional Water Quality Control Board; and, a California Department of Fish and Wildlife Section 1602 Streambed Alteration Agreement was obtained. It is an assumption of this report that there are no environmental issues which would slow or thwart development of this site.

**Easements and Encumbrances:** We have reviewed two Preliminary Title Reports, one for Tract 36117 and one for Tract 36118, both prepared by First American Title Company.

The first is for Tract 36117 and is dated October 17, 2013. The exceptions are as follows: Item Nos. 1 thru 13 refer to property taxes and special assessments including, EVMWD CFD 98-1, CFD 2001-1, CFD 2003-1 (Law Enforcement, Fire and Paramedic Services), CFD 2003-2 (subject CFD), CFD 2009-1 and pending assessment District 93-1. Item No. 14 refers to the rights of the public in the portion of land lying in public roads. Item Nos. 15, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 28, 31, 32, 34 and 35 refer to easements recorded on the property. The easements are for public utilities, slopes, walls and/or bridges along Railroad Canyon Road, rights of way, drainage and access and slope maintenance. Item No. 16 refers to CC&Rs recorded on the property. Item No. 22 pertains to a Development Agreement recorded on the site in 1990 and amended in 2010. Item No. 29 refers to a Memorandum of Agreement recorded in 2004 on the site. Item No. 30 refers to subsurface water rights. Item No. 33

pertains to ingress and egress to or from Railroad Canyon Road. Items 36, 37 and 38 refer to items the title company will need prior to issuing a policy of title insurance.

The second Preliminary Title Report is for Tract 36118 and is also dated October 17, 2013. The exceptions are as follows: Item Nos. 1 thru 8 refer to property taxes and special assessments including, EVMWD CFD 98-1, CFD 2001-1, CFD 2003-1 (La Enforcement, Fire and Paramedic Services), CFD 2003-2 (subject CFD), CFD 2009-1 and pending assessment District 93-1. Item No. 9 refers to the rights of the public in the portion of land lying in public roads. Item Nos. 10, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 26, 27, 29 and 30 refer to easements recorded on the property. The easements are for public utilities, slopes, walls and/or bridges along Railroad Canyon Road, rights of way, drainage and access and slope maintenance. Item No. 11 refers to CC&Rs recorded on the property. Item No. 17 pertains to a Development Agreement recorded on the site in 1990 and amended in 2010. Item No. 24 refers to a Memorandum of Agreement recorded in 2004 on the site. Item No. 25 refers to subsurface water rights. Item No. 28 pertains to ingress and egress to or from Railroad Canyon Road. Items 31, 32 and 32 refer to items the title company will need prior to issuing a policy of title insurance.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than Lake Elsinore CFD No. 2016-2 and the other aforementioned CFDs.

**Streets/Access:** Access to the subject project is via I-15 to Railroad Canyon Road/Diamond Drive, east on Railroad Canyon Drive to Tassel Way or remain on Railroad Canyon to Westridge Way.

I-15 is a major north/south freeway providing access to international borders both north and south. I-15 is the main access into the City of Lake Elsinore from the north and south.

Railroad Canyon Road/Diamond Drive has on/off ramps at I-15 and provides access easterly (Railroad Canyon Road) into the eastern portion of Lake Elsinore on the east side of I-15 while to the west the arterial is known as Diamond Drive and provides access to Diamond Stadium. East of Canyon Hills Railroad Canyon Road becomes Newport Road as it crosses into the City of Menifee approximately three miles east of the freeway.

Tassel Way is the entrance into the community closest to the I-15. It connects to Railroad Canyon Road and provides access to Westridge. Tassel Way provides the most direct access to Viewpoint

(PA 2A). Tassel Way merges into a utility easement after connecting with Westridge Way.

Westridge Way is an internal street within Westridge providing the second access point into Phase 8. Westridge Way provides the most direct access to four of the five neighborhoods in Westridge: Aura (PA 2D), Overlook (PA 2C), Starling (PA 1B North), and Vantage (PA 1A and 1B South).

Internal streets within the subject include:

Aura (PA 2D): Hibiscus, Gazania, Pansy, Dandelion, and Clover;

Overlook (PA 2C): Hibiscus, Carnation, Lavender, Lilac, and Dahlia;

Starling (PA 1B North): Preston Court, Payton Drive, Snapdragon, Paxton Lane, and Parker Way;

Vantage (PA 1A and 1B South): Preston Court, Poinsettia, Periwinkle, and Iris;

Viewpoint (PA 2A): Iberis, Savory, Elderberry, and Darmera.

Commercial Parcel (PA 2B): Entrance off Tassel Way.

Current Condition: Aura (PA 2D) - Aura has been developed into 100 single family detached condo lots with a minimum lot size of 3,500 square feet. The models for the project are located on Gazania. There are 60 completed homes owned by individuals, nine homes over 95 percent complete (three of which are models and four which are in escrow), and 31 remaining finished lots (three of which are in escrow).

Overlook (PA 2C) - Overlook has been developed into 112 single family detached condo lots with a minimum lot size of 2,500 square feet. The models for the project are located on Dahlia. There are 99 completed homes owned by individuals, eight homes over 95 percent complete (three that are models and all of which are in escrow), and five additional homes under construction (all of which are in escrow).

Starling (PA 1B North) - Starling has been developed into 68 single family detached condo lots with a minimum lot size of 4,500 square feet. The models for the project are located on Preston Court. There are 25 completed homes owned by individuals, seven homes over 95 percent complete (three of which are models and three of which are in escrow), ten additional homes under construction (seven of which are in escrow), and 26 remaining finished lots.

Vantage (PA 1A and 1B South) - Vantage has been developed into 101 single family detached condo lots with a minimum lot size of 3,500 square feet. The models for the project are located on Poinsettia. There are 62 completed homes owned by individuals, seven homes over 95 percent complete (three of which are models

and four which are in escrow), ten additional homes under construction (ten of which are in escrow), and 22 remaining finished lots.

Viewpoint (PA 2A) – Viewpoint has been developed into 75 single family detached condos arranged in motor court 6-plexes with a density of 9 du/acre. The models for the project were located on Darmera. All of the 75 homes are completed and closed to individuals.

Commercial Parcel (PA 2B) – The commercial parcel has been mass graded into a site which slopes down from Railroad Canyon Road to the pad area. Per Pardee, there is remaining grading to be done on the site before it is considered to be in a saleable condition. The site has an entrance off Tassel Way, before the gate into the Westridge project, which will make the commercial parcel accessible for the wider public. The site is adjacent to a riparian open space area with natural vegetation and to a water quality basin.

Home Owner  
Association:

The Homeowners Association for Westridge is currently estimated at \$215/month and is the same for all five neighborhoods within the community. At build-out the Homeowners Association is anticipated to be \$165.70 per month per the Budget Worksheet prepared for the Bureau of Real Estate. The Association maintains the private gates, Summit Park (which includes a basketball court, tot lot, picnic tables and BBQs, showers, sun deck and cabanas, pool, fire pit, and spa), Bark Park (a large dog park), and the common area landscaping within Westridge.

Costs to Complete: The subject lots are in a near physically finished condition however there are some minimal remaining hard costs and some remaining fees which need to be paid. The remaining hard costs include:

Residential Lands -

Street R & R and Slurry	\$150,000
Remaining Dry Utilities	5,000
Remaining Sidewalk	10,000
Remaining Walls	<u>50,000</u>
Remaining Costs for Residential Lands	\$215,000

There are 135 remaining builder owned lots (both developed and undeveloped) at this time. Dividing the \$215,000 into 135 suggests an average of \$1,592.59 per unit in remaining hard costs.

Commercial Lands -

Finish Rough Grade of Commercial Site	\$150,000
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The remaining fees include Development Impact Fees and School Fees. These fees have been estimated by the owner as follows:

Aura	\$ 540,250
Overlook	\$ 0
Starling	\$ 376,581
Vantage	\$ 286,313
Viewpoint	\$ 0

The above remaining fees are associated with the builder owned units which haven't pulled building permits. These remaining costs will be taken into consideration under the valuation section later within this report.

Improvement  
Description:

**Aura (PA 2D)** includes 100 proposed homes being built by Pardee. The homes feature impressive Spanish, French, and Traditional architecture. All of the home exteriors include dual-pane Low-E tempered vinyl windows, Therma-Tru Smooth Star insulated entry doors, insulated metal roll-up garage doors with automatic opener, concrete walks and driveway, and a high-performance stucco system. Interiors include LED recessed lighting, raised two-panel interior doors, carpet/tile/vinyl flooring throughout, and interior laundry rooms with shelving. The master suites include large walk-in closets and a master bath with large soaking tub and quartz countertops. Gourmet kitchens include large eat-in kitchen islands, stainless steel General Electric appliances, decorative recessed panel maple cabinetry, and large pantries. All homes appear to be in excellent condition with no visible depreciation. All floorplans have two stories and a two-car attached garage space. Per the brochure, the square footages of the home sizes are 2,151, 2,339 and 2,493 square feet. Per Pardee, the home square footages are 2,130, 2,338 and 2,493 square feet. We have used the brochure square footages in this appraisal report in order to reflect the market as to what the homebuyers are purchasing.

We have reviewed sales information from the builder and First American Title Company which included the homes closing from April 21, 2017 through April 5, 2018. Sales prices ranged from \$345,000 to \$442,335. Per public record, there have been no re-sales and per our inspection there were no homes listed for sale. Base asking prices currently range from \$368,500 to \$379,500. The houses which are over 95 percent completed are detailed below.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Own	Bldr. Own
1	3-4 / 2.5-3	2 / 2	2,151	13	3*
2	3-4 / 2.5-3	2 / 2	2,339	22	3*
3	3-5 / 2.5-3	2 / 2	2,493	25	3*
Totals				60	9

**One of each of the above builder-owned plans is a model.** In addition to the above detailed houses there are 31 finished lots.

**Overlook (PA 2C)** includes 112 proposed homes being built by Pardee. The homes feature impressive Spanish, French Country, and Northern Italian architecture. All of the home exteriors include dual-pane Low-E tempered vinyl windows, Therma-Tru Smooth Star insulated entry doors, insulated metal roll-up garage doors with automatic opener, concrete walks and driveway, and a high-performance stucco system. Interiors include LED recessed lighting, raised two-panel interior doors, carpet/tile/vinyl flooring throughout, and interior laundry rooms with shelving. The master suites include large walk-in closets and a master bath with large soaking tub and quartz countertops. Gourmet kitchens include large eat-in kitchen islands, stainless steel General Electric appliances, decorative recessed panel maple cabinetry, and large pantries. All homes appear to be in excellent condition with no visible depreciation. All floorplans have two stories and a two-car attached garage space. Per the brochure, the square footages of the home sizes are 1,798, 2,059 and 2,203 square feet. Per Pardee, the home square footages are 1,798, 2,059 and 2,203 square feet.

We have reviewed sales information from the builder and First American Title Company which included the homes closing from December 14, 2016 through April 9, 2018. Sales prices ranged from \$302,389 to \$429,990. Per public record, there have been no re-sales and per our inspection there were no homes listed for sale. This project is sold-out with only model homes remaining for sale. The final base pricing for production homes was from \$325,000 to \$345,500. Per the MLS there is one house currently listed for resale which will be discussed under the valuation section for Overlook. The houses which are over 95 percent completed are detailed below.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Own	Bldr. Own
1	3 / 2.5	2 / 2	1,798	27	2*
2	3-4 / 2.5-3	2 / 2	2,059	38	3*
3	3-4 / 2.5-3	2 / 2	2,203	34	3*
Totals				99	8

\*One of each of the builder-owned plans is a model. In addition to the above detailed houses there are 5 homes under construction (under 95 percent complete).

**Starling (PA 1B North)** includes 68 proposed homes being built by Pardee. The homes feature impressive Spanish, Italian, and Traditional architecture. All of the home exteriors include dual-pane Low-E tempered vinyl windows, Therma-Tru Smooth Star insulated entry doors, insulated metal roll-up garage doors with automatic opener, concrete walks and driveway, and a high-performance stucco system. Interiors include LED recessed lighting, 5 ¼ inch baseboards throughout, raised two-panel interior doors, carpet/tile/vinyl flooring throughout, and interior laundry rooms with shelving. The master suites include large walk-in closets and a master bath with large soaking tub and quartz countertops. Gourmet kitchens include large eat-in kitchen islands, stainless steel General Electric appliances, decorative recessed panel maple cabinetry, and large pantries. All homes appear to be in excellent condition with no visible depreciation. All floorplans have two stories and a three-car attached garage space. Per the brochure, the square footages of the home sizes are 2,936, 3,037 and 3,255 square feet. Per Pardee, the home square footages are 2,913, 3,037 and 3,271 square feet. We have used the brochure square footages in this appraisal report in order to reflect the market as to what the homebuyers are purchasing.

We have reviewed sales information from the builder and First American Title Company which included the homes closing from no closings to date. Current escrow prices range from \$420,750 to \$507,200. Per public record, there have been no re-sales and per our inspection there were no homes listed for sale. Base asking prices currently range from \$422,500 to \$428,500. The houses which are over 95 percent completed are detailed below.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Own	Bldr. Own
1	4-5 / 3-4	2 / 3	2,936	6	1*
2	4-5 / 3	2 / 3	3,037	10	2*
3	4-5 / 3-4	2 / 3	3,255	9	4*
Totals				25	7

One of each of the builder-owned plans is a model home. In addition to the above detailed houses there are 10 homes under construction (under 95 percent complete) and 26 finished lots.

**Vantage (PA 1A and 1B South)** includes 101 proposed homes being built by Pardee. The homes feature impressive Spanish, French Country, Northern Italian, and Classical architecture. All of the home exteriors include dual-pane Low-E tempered vinyl windows, Therma-Tru Smooth Star insulated entry doors, insulated metal roll-up garage doors with automatic opener, concrete walks and driveway, and a high-performance stucco system. Interiors

include LED recessed lighting, raised two-panel interior doors, carpet/tile/vinyl flooring throughout, and interior laundry rooms with shelving. The master suites include large walk-in closets and a master bath with large soaking tub and quartz countertops. Gourmet kitchens include large eat-in kitchen islands, stainless steel General Electric appliances, decorative recessed panel maple cabinetry, and large pantries. All homes appear to be in excellent condition with no visible depreciation. All floorplans have two stories and a two-car attached garage space, with the exception of Plan 3 that has a three-car attached garage. Per the brochure, the base square footages of the home sizes are 2,539, 2,789 and 2,870 square feet. Per Pardee, the home square footages are 2,539, 2,758 and 2,870 square feet. We have used the brochure square footages in this appraisal report in order to reflect the market as to what the homebuyers are purchasing.

We have reviewed sales information from the builder and First American Title Company which included the homes closing from December 14, 2016 through April 2, 2018. Sales prices ranged from \$355,175 to \$489,834. Per public record, there have been no re-sales and per our inspection there were no homes listed for sale. Base asking prices currently range from \$385,000 to \$403,500. The houses which are over 95 percent completed are detailed below.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Own	Bldr. Own
1	4 / 3	2 / 2	2,539	15	1*
2	4-5 / 3	2 / 2	2,789-2,813	24	2*
3	4-5 / 3	2 / 3	2,870-2,883	23	4*
Totals				62	7

One of each of the builder-owned plans is a model. In addition to the above detailed houses there are 10 homes under construction (under 95 percent complete) and 22 finished lots.

Melissa - (Per Permits there are 18 total Plan 1s and 24 total plan 2s) – see emails on 4/22 – 4/23)

**Viewpoint (PA 2A)** includes 75 completed homes built by Pardee. The homes feature impressive Spanish, French Country, Northern Italian, and Traditional architecture. All of the home exteriors include dual-pane Low-E tempered vinyl windows, Therma-Tru Smooth Star insulated entry doors, insulated metal roll-up garage doors with automatic opener, concrete walks and driveway, and a high-performance stucco system. Interiors include LED recessed lighting, raised two-panel interior doors, carpet/tile/vinyl flooring throughout, and interior laundry rooms with shelving. The master suites include large walk-in closets and a master bath with large soaking tub and quartz countertops. Gourmet kitchens include large eat-in kitchen islands, stainless steel General Electric appliances, decorative

recessed panel maple cabinetry, and large pantries. All homes appear to be in excellent condition with no visible depreciation. All floorplans have two stories and a two-car attached garage space. Per the brochure, the base square footages of the home sizes are 1,750, 1,845, 1,871 and 2,115 square feet. Per Pardee, the home square footages are 1,750, 1,848, 1,862 and 2,136 square feet. We have used the brochure square footages in this appraisal report in order to reflect the market as to what the homebuyers are purchasing

We have reviewed sales information from the builder and First American Title Company which included the homes closing from December 15, 2016 through January 3, 2018. Sales prices ranged from \$286,350 to \$408,198. Per public record, there is one home currently listed for re-sale which is discussed under the valuation section. The houses which are over 95 percent completed (all) are detailed below.

<b>Plan</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Sq. Ft.</b>	<b>Ind. Own</b>	<b>Bldr. Own</b>
1	3 / 2.5	2 / 2	1,750	27	0
2	3 / 2.5	2 / 2	1,845-1,858	16	0
2X	3 / 2.5	2 / 2	1,871-1,889	9	0
3	3-4 / 2.5	2 / 2	2,115	23	0
Totals				<u>75</u>	<u>0</u>

**Melissa - (Per permits there are 10 Plan 2x and 15 Plan 2) – see emails 4/22 & 4/23**

## **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 1.28 percent increase over the past year. This compares to the 2.5 percent average annual percentage increase over the previous sixteen years. The slowdown in population growth is primarily due to the sluggish national economy. This slowdown is similar to other Southern California counties during this time period. Predictions are for the County to grow at an average annual rate of 1.4 percent over the next four years. This equates to an increase of approximately 35,000 residents per year suggesting the need for about 10,000 homes per year within the County.

### **Economic Conditions**

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The recession of the early 1990s impacted the Inland Empire significantly and resulted in a longer recovery period than in other areas of Southern California. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the state. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012. The price appreciation in the housing market since then has helped alleviate the negative equity situation in the Inland Empire.

Economic growth in the Inland Empire was strong between 2002 and 2007. Job losses occurred between 2007 and 2009, with a leveling out in 2010, a slight upturn in 2011, and generally increases since that time with current rates near all-time lows. The unemployment rate for Riverside County was 4.6 percent (per the February 2018 Employment Development Department), significantly lower than the high of 15.1 percent

in July 2010. The current rate is slightly higher than California's unemployment rate of 4.3 percent and the February 2018 National rate of 4.1 percent.

The housing market was a significant factor in strengthening the impact of 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. In 2007 the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets. In March 2007, the Federal Government initiated efforts to stop or limit sub-prime mortgages. Unfortunately, the damage had already been done with sub-prime mortgages playing a role in the 2008 shake out of Wall Street and contributing significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years. With the exception of a small increase in 2010, primarily due to government offered homebuyer credits, prices/sales essentially remained flat until mid-2012, when prices began a steady climb with double-digit increases into 2013, with a slower appreciation between 2013 and 2016 when appreciation began strong once again. The increase of the housing market generally follows the lowering of the unemployment rate – as jobs grow, so do home sales and prices.

There were several factors adding to the recent price appreciation including limited supply and constrained lending. The main factor in prices rising is an imbalance in supply and demand. Near the bottom of this past real estate cycle it was not financially feasible to develop land and build a house in portions of Riverside County. Thus, land development slowed, significantly restricting supply. Home ownership across the U.S. has declined to 63.9 percent (Third Quarter 2017 Census.gov) from a high of 69.2 percent in 2004. This downward trend in home ownership is anticipated to stabilize at 63 percent. One major cause of slow sales of new homes in the area is thought to be the FHA Loan Limits. During the recession, the FHA Loan Limits were increased in order to make financing via the Federal Housing Authority easier. However, in January 2015 the FHA loan limits were reduced in Riverside County to \$356,500. The 2018 FHA Loan Limits were recently



announced, with Riverside county's single-family home limit at \$405,950. This is a step in the right direction from the 2015 limit, but still not completely in tune with the Riverside County housing market. A three percent down payment (minimum allowed with FHA financing) suggests the maximum price paid for a home purchased through FHA financing would be in the \$418,000 range. With Riverside County's fourth quarter 2017 median new home price at \$422,500 (up 0.6% from fourth quarter 2016), it is obvious that there is a slight disconnect. The subject property features base home prices from \$325,000 to \$428,500, with the majority of the homes within the FHA loan limits. This benefit is reflected in the good absorption rate of the subject property. Within Riverside County the current median detached home price (existing – not new) is \$375,000, also within the FHA home loan limits, which reflects an increase of 6.1 percent from one year prior (California Association of Realtors).

The December 2017 approval of the TCJA by the Federal Government is causing concern that home sales may slow once again. The two largest changes for homes owners is the limitation at \$10,000 for the deduction for state income tax and local taxes ("SALT"), along with a limitation on the mortgage deduction for loans that exceed \$750,000. While this amount does not affect most people looking at subject-type homes in the Inland Empire (generally in the under \$500,000 range), the SALT deduction may limit their tax deductions. It is still too early to tell how much the TCJA will actually affect the new home market, however it is thought that it won't affect the Inland Empire as much as the California coastal cities where mortgages are generally larger due to higher home costs and therefore may be affected.

Home loan mortgage rates were playing a large part in the housing market. The Federal Reserve had held mortgage rates at all-time lows for the past few years in an attempt to assist the housing market. Low rates appeared to help for quite a while however first-time buyers are now having a hard time entering the housing market. The Federal Reserve Board ("Board") has kept interest rates below historical averages dropping rates to zero in December 2008 until the December 2015 Board meeting when interest rates were raised one quarter of a percent. In 2017 the Board increased its benchmark interest rate three times, one quarter point each time. It appears 2018 will have at least three

additional increases. This signifies the possibility for robust growth nationally. Unlike the 2008 to 2015 decisions to maintain the rates at zero, regular hikes are anticipated for the foreseeable future. The current quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of March 1, 2018 is 4.43 percent. This is up from an average of 3.65 percent over 2016. These increases are also putting pressure on homebuyers.

### **Residential Land Development**

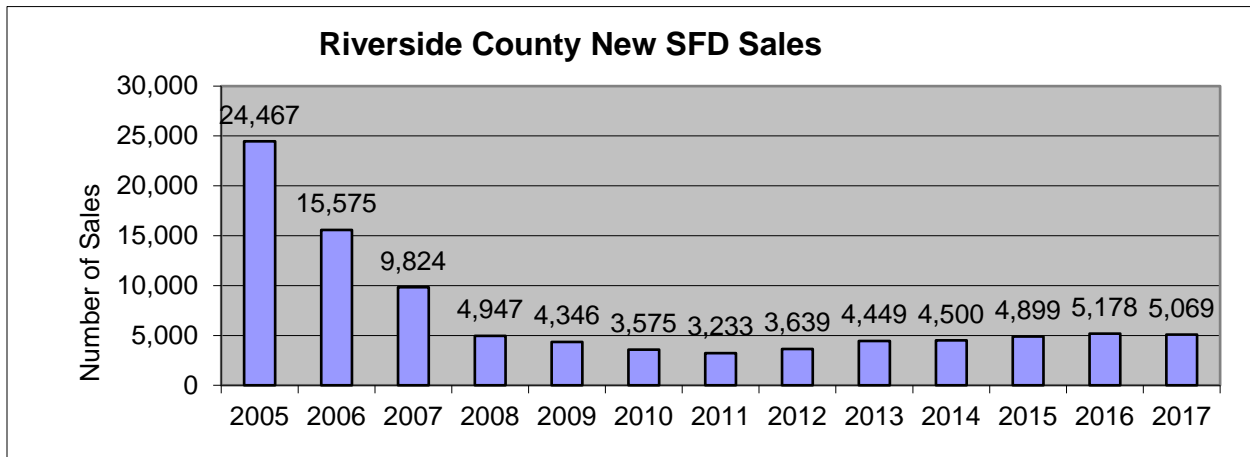
While there had been little land development going on in most of the Inland Empire during the years 2008-2011, the second half of 2012 saw a resurgence. From 2013 to 2018, there has been a general incline in the amount of actively selling projects and pricing, which has prompted an increase in land development activity. The increase in housing prices coupled with the limited availability of supply has made land development more feasible once again for homebuilders. In recent years in the subject's immediate area, master planned community activity includes Canyon Hills, Alberhill Ranch and Summerly, all in the City of Lake Elsinore. In addition, Audie Murphy Ranch, Pacific Mayfield and Menifee Town Center, are all within ten miles.

According to The Ryness Report dated April 15, 2018, a real estate consulting company, there are 35 new home selling projects within the "South Riverside" market, which includes the communities of Lake Elsinore, Menifee, Winchester, French Valley and Wildomar. Our search for land sales resulted in ten land sales since early 2017 that are considered to be comparable to the subject property (listing located in Addenda).

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

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. While overall new home sales in Riverside County were down 2.1 percent year over year (from 5,178 new home sales in 2016 to 5,069 sales in), this slight downturn is not considered significant, as the general trend for new home sales in Riverside County appears to be rising. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. Below is a graph showing Riverside County new home sales (both attached and

detached single family residences) between 2005 and 2017. It is interesting to note that average annual home sales are still at a level that is approximately one-third of the average annual sales between 2005 and 2006. It is thought the downturn between 2016 and 2017 is due to limited availability rather than limited demand.

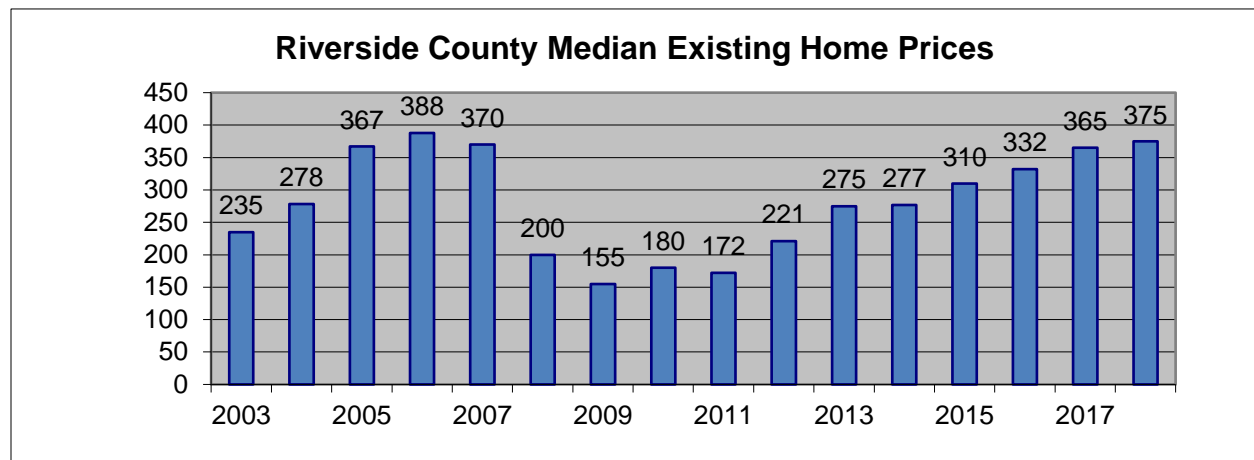


New single-family detached home pricing in Riverside County has also seen changes, however, not as drastic as the changes in sales numbers. The median new home price changed from \$520,152 in the third quarter of 2006 to \$275,000 in the first quarter of 2009 (decrease of 47 percent) while the current new home median price is \$422,500 per John Husing, an area economist's fourth quarter 2017 information. This reflects an increase of over 54 percent from the bottom of the cycle and an increase of 0.6 percent year-over-year. New home sale prices fluctuate based on the land value more than the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis do not fluctuate as much as land values, however there have been inflationary increases in construction costs adding to this increase.

Our search for comparable new home projects within the competitive market area resulted in fourteen new home Single Family Detached projects, with pricing generally ranging from \$325,000 to the low \$500,000s.

## **Existing Home Sales and Pricing**

The median existing detached home price in Riverside County of \$375,000 (as of February 2018 per CoreLogic) is up over 100 percent from the low in second quarter 2009 (\$155,100) and up 6.1 percent from the previous year. It should be noted that the median existing home price in Riverside County is still down approximately 3.4 percent from the median price at the peak in 2006 (\$388,000). Thus, even though the housing market is recovering, it is still below the previous cycle's peak.



According to CoreLogic, within Southern California (Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties), the median price paid for a home (both new and existing) in February 2018 (\$506,750) is down 0.54 percent from the revised all-time high of \$509,500 in December 2017, but up 10.2 percent year over year from \$460,000 in February 2018. The current median existing home price in overall Southern California is above to the peak in mid-2007 when the median price was \$505,000 and up more than 100 percent from the low point of the cycle which was a \$247,000 median price in April 2009. However, when adjusted for inflation, the February 2018 median sales price is 14.3 percent below the 2007 peak. Home sales in Southern California were up 0.6 percent overall in Southern California in February 2018 based on a year-over-year change. Shown below is a table comparing February 2017 to February 2018 for both new and existing home sales and pricing in Southern California by county and for Southern California as a whole. Sales numbers are still below historical numbers however

this is due to fewer homes for sale rather than fewer buyers on the market. This limited supply is putting pressure on prices which is seen in the table below.

Southern California (New and Used) Home Sales						
County	No. Sold Feb. 17	No. Sold Feb. 18	Percent Change	Median Feb. 17	Median Feb. 18	Percent Change
Los Angeles	4,915	4,765	-3.1%	\$525,000	\$580,000	10.5%
Orange	2,267	2,296	1.3%	\$645,000	\$710,000	10.1%
Riverside	2,732	2,771	1.4%	\$345,000	\$375,000	8.7%
San Bernardino	1,965	2,020	2.8%	\$290,000	\$336,500	16.0%
San Diego	2,631	2,692	2.3%	\$492,000	\$535,000	8.7%
Ventura	581	645	11.0%	\$520,000	\$555,000	6.7%
<b>SoCal</b>	<b>15,091</b>	<b>15,189</b>	<b>0.6%</b>	<b>\$460,000</b>	<b>\$506,750</b>	<b>10.2%</b>

Source: CoreLogic February 2018 Data Brief (most recent Data Brief)

Based on February 2018 median new and 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 \$160,000 as compared to San Diego County, \$180,000 as compared to Ventura County, \$205,000 as compared to Los Angeles County and \$335,000 as compared to Orange County. That is, in February 2018, the median priced home in Riverside County was \$335,000 less (or 47 percent less) than the median priced home in Orange County (\$710,000). However, San Bernardino County has a \$38,500 price advantage over Riverside County. As the price advantage widens, homebuyers are more open to commuting to further out areas.

In a separate attempt to capture the increase in home prices, the resale activity of existing homes in the subject area (per CoreLogic) 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. We have not included Orange County, which is beyond the Cleveland National Forest to the west of Lake Elsinore as it is not relevant.

Community Name	ZIP Code	Border To Subject	Sales of SFD Homes Feb. 2018	Feb. 2018 Price Median SFD	Feb. 2018 Median Price/ Sq. Ft.	Price % Change from Feb. 2017
Lake Elsinore (Canyon Hills)	92532	Subject	31	\$375,000	\$166	12.4%
Lake Elsinore (Summerly)	92530	West	43	\$306,000	\$203	1.8%
Corona (southernmost)	92883	Northwest	39	\$493,000	\$215	14.5%
Perris	92570	North	21	\$265,000	\$209	-14.5%
Canyon Lake	92587	Northeast	22	\$420,000	\$191	25.2%

Menifee	92584	East	62	\$380,000	\$181	7.0%
Wildomar	92595	South	24	\$402,000	\$176	4.4%
Murrieta (east side)	92562	South	60	\$400,000	\$201	0.1%

Source: CoreLogic February 2018

The table above depicts price changes over the past year on existing single-family detached home sales prices. The subject's location in the eastern portion of Lake Elsinore appears to suggest that prices are similar to the Menifee, Canyon Lake, Murrieta, and Wildomar areas, significantly higher than the Perris area prices, and lower than the Corona area. The above price increases relate to CoreLogic's overall Riverside County increase of 10.5 percent increase year over year.

### **Commercial Parcel**

The subject includes a commercial parcel that is zoned C-1 for neighborhood commercial use. The commercial parcel encompasses 7.92 gross acres and is estimated per the property owner at 6.0 net usable acres due to slopes and setback areas. The larger community of Canyon Hills includes two additional commercial parcels, both which have been developed into the Canyon Hills Marketplace. Canyon Hills Marketplace opened when the first phases of Canyon Hills were developed prior to the Great Recession. Canyon Hills Marketplace is bisected by Railroad Canyon Road with the larger center anchored by Stater Brothers, CVS, Bank of America and Jack in the Box at the southeast corner of Canyon Hills Road and Railroad Canyon Road. The smaller area of the center is located on the northside of Railroad Canyon Road at signalized intersection of Canyon Hills Road, adjacent to Westridge (subject property). The smaller area includes a Chevron, Carl's Jr, Papa John's, Joe's Hardware and a recently leased Starbucks which is under construction on a pad within the center. There are two small units for lease within the smaller center, one within the new Starbucks building (not yet completed) and the other within the Papa John's building. The larger center includes 21 tenants with one small in-line space currently available for lease. The small amount of vacancies in these centers suggests that another neighborhood center in the area could be supported with the additional 456 homes that are being built.

## **Summary**

Riverside County saw a substantial increase in both sales and pricing between mid-2012 and late 2013. It appears the significant appreciation of homes slowed to a more normal sustainable rate in 2014 through mid-2016 with a more significant increase in the past year. New home sales prices are still slightly below the previous peak but have recently began increasing at a higher rate than the previous few years. The Lake Elsinore residential market has remained strong with ten detached new home neighborhoods within the city currently active in the market. Communities within the Lake Elsinore submarket are experiencing above average sales rates. The subject property (Westridge at Canyon Hills) has experienced healthy sales rates with the pricing appearing to have increased since the project opened. While loans are still difficult to obtain and rates have risen slowly, rates have continued to be at historical lows. Despite some uncertainty still clouding the current housing market, most observers are in agreement that the housing market is still gaining strength and healthy population growth is occurring in the County. It is believed that as population continues to increase, housing growth will also continue.

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## HIGHEST AND BEST USE ANALYSIS

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

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

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

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

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

### **Physically Possible Uses**

The subject property consists of an approximate 72-acre parcel of land. The site is located in the City of Lake Elsinore in southwest Riverside County. The property is located along the north side of Railroad Canyon Road, a heavily traveled arterial providing access into the Menifee and Murrieta area from I-15. The site was originally hilly however has been graded into 456 single family detached lots and a commercial parcel along with water quality control basins, open space areas (some in riparian corridors), a swim club and two parks, one with play areas, two jungle gyms, the swimming pool and spa, BBQ areas and

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



a full basketball court while the other has both play and BBQ areas. The site is surrounded by vacant lands beyond which is the development of Canyon Lake to the north and northeast, the north portion of Canyon Hills Marketplace and Railroad Canyon Road to the southeast, and vacant lands beyond which is the community of Tuscany Hills to the west. The remainder of the Canyon Hills Master Planned Community is located southeast of the subject site, across Railroad Canyon Road. Soils reports covering the property were reviewed. A Phase I Environmental Assessment was not reviewed, however the development which has occurred suggest there are not environmental issues with the site due to City approvals. 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 has 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-15 to Railroad Canyon Road with the property approximately 1.5 miles from I-15. There is neighborhood shopping within one-half mile of the subject site at the intersection of Railroad Canyon Road and Canyon Hills Road with a supermarket anchored shopping center.

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 with possible service commercial.

### **Legality of Use**

The subject property is located within the City of Lake Elsinore, the entity responsible for land use and zoning regulation. Per the City General Plan and Zoning Map the subject property is shown as Canyon Hills Specific Plan. Per the current Specific Plan, the subject property has an allowed 915 dwelling units however maps have been recorded which have created 456 single family detached condominium residential lots. The lower density is allowed per the Specific Plan. The subject property encompasses Planning Areas 1A, 1B, 2A, 2B, 2C and 2D which make up the five residential neighborhoods (one which is

closed out and four currently selling) along with the future commercial parcel. In addition, Tract Maps 36117 and 36118 have been recorded on the subject property creating seven developable lots, six of which have been subdivided via condominium maps into 456 single family detached lots. The approved mapping is consistent with the current zoning on the property. Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use and a 7.92 gross acre commercial use. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the market has showed strong increases in both sales and pricing thus far in 2017. Within Lake Elsinore CFD No. 2016-2 there have been 321 home closings. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Lake Elsinore and Menifee we found 14 projects to be most comparable to the subject however there are additional new homes projects in the market area. The master developer is building out all five neighborhoods, thus there were no land sales. Adjacent to the east of the subject is the remainder of the Canyon Hills Master Planned Community. The Lake Elsinore housing market is priced similar to the adjacent cities of Wildomar and Menifee, however lower than Murrieta and Temecula (adjoining north San Diego County) and lower than Corona (location nearer in to job centers). Population growth is still occurring in the area and will continue to create the need for housing. The existing Canyon Hills development has two commercial centers which are currently over 95 percent leased with minimal vacant spaces.

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 with commercial/retail use needed to support the additional 456 residential units.

### **Maximum Productivity**

The current housing market is still giving some mixed messages. Market conditions of a sluggish economy and limited credit availability had kept sales slow in 2014 and 2015 with an uptick in sales in 2016 and strong sales thus far in 2017, however, sales are still significantly slower than the average few years prior to the recession. The limited availability of homes for sale created higher prices and attracted developers to begin new projects which is seen in the increasing number of new home projects in the area. Based on the current active projects in the area coupled with population growth projected in the subject marketplace, it is our opinion that the subject property is feasible for residential development with support commercial.

### **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 with support commercial.

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

The subject property consists of the neighborhoods of Aura, Overlook, Starling, Vantage and Viewpoint by Pardee along with a commercial parcel, all within the gated community known as Westridge, a portion of the master planned community of Canyon Hills. The entire Canyon Hills project consists of over 4,000 proposed homes (the majority of which are completed), however this appraisal is for 456 of the proposed homes only along with a commercial parcel (subject property). The lots were developed in 2015/16 with the first home sales occurring in July 2016. Overlook, Vantage and Viewpoint all began sales in summer 2016 while Aura began sales in December 2016 and Starling opened for sale in May 2017. Aura has home sizes from 2,151 to 2,493 square feet with base pricing from \$368,500 to \$379,500 and has an average sales rate of 3.5 homes per month. Overlook has home sizes from 1,798 to 2,203 square feet with base pricing from \$325,000 to \$345,500 and an excellent absorption rate of 5.7 units per month. Starling has home sizes from 2,936 to 3,255 square feet with base pricing from \$422,500 to \$428,500 and

has an average sales rate of 2.7 units per month however has only been open for four months. Vantage has home sizes from 2,539 to 2,870 and base pricing from \$385,000 to \$403,500 and a sales rate of 4.2 units per month. Viewpoint has sold out. The more entry level houses (Overlook and Viewpoint) appear to be selling quicker than the larger, more expensive homes (Starling and Vantage). It appears that each of the five products are being well received and the neighborhoods are selling at or near the correct price points for the area. Our search within the subject area found fourteen projects considered to be comparable with similar sized homes. The sales rates within these projects ranged from 2.8 units per month to 5.9 units per month. All of the subject's projects appear to be selling at average or well above average absorption rates. Our search of the Multiple Listing Service and on-site inspection revealed two current re-sale listings and no closed re-sales within the subject neighborhoods.

The subject residential development is bringing 456 new homes to the immediate area. There are two existing commercial centers within Canyon Hills, both which are leased up with minimal space available. The subject has a 6.0 net acre commercial parcel that is designated C-1 (neighborhood commercial) which allows for office/retail to support surrounding neighborhoods. The parcel has access off Railroad Canyon Road to Tassel Way (entrance into the Westridge neighborhood) with the access in front of the gate for the community allowing access for the main public. Once constructed the site will have some visibility from Railroad Canyon Road which has an estimated 34,000 cars drive by per day.

The sales rate within the subject and the competitive projects in the immediate area suggest there is demand for new homes in the current market at the right price points. All of the homes are of good design and appear to be of good quality workmanship. Based on 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 for the residential areas and for future commercial use for the commercial parcel.

## 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. While the subject residential lots are condominium lots, they are detached condominium lots, thus they are treated the same as single family detached lots in the market. 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. In determining the value for the commercial parcel, commercial lands are typically sold on a square foot basis for a superpad (graded lot). Therefore, in determining a current market value for both the residential and commercial lands, the current condition of the lots/parcel 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 each neighborhood. 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. Next the commercial parcel will be valued. The commercial land sales will each be discussed and detailed along with a comparison to the subject commercial parcel followed by a value conclusion for the commercial parcel. In the case of the completed (over 95 percent complete) builder owned models and production units, the homes will be valued using the Sales Comparison Approach to value to conclude on

a retail base value for each plan, followed by a Discounted Cash Flow (“DCF”) Analysis due to the “bulk” or single ownership. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), any remaining development costs, 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, all re-sales and current re-sale listings will be reviewed and considered. All of the value conclusions will take into consideration improvements funded by the Lake Elsinore CFD No. 2016-2 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**

Aura consists of 100 proposed homes on lots with a minimum lot size of 3,500 square feet. There is a total of 60 individually owned homes, nine homes over 95 percent complete (including three model homes), zero homes under construction, and 31 finished lots. Twenty-one of the remaining 31 lots have a minimum lot size of 4,500 (were originally in the Starling neighborhood).

Overlook consists of 112 proposed homes on lots with a minimum lot size of 2,500 square feet. There is a total of 99 individually owned homes, eight homes over 95 percent complete, five homes under construction, and zero finished lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, five lots will be valued within Overlook.

Starling consists of 68 proposed homes on lots with a minimum lot size of 4,500 square feet. There are 25 individually owned homes, seven homes over 95 percent complete (including three model homes, ten homes under construction, and 26 finished lots. The

homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, 36 lots will be valued within Starling.

Vantage consists of 101 proposed homes on lots with a minimum lot size of 3,500 square feet. There is a total of 62 individually owned homes, seven homes over 95 percent complete (including three model homes), ten homes under construction, and twenty-two finished lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, 32 lots will be valued in Vantage.

Viewpoint consists of a total of 75 single family detached “cluster” homes which have an overall density of about nine dwelling units per acre. All seventy-five homes are individually owned.

We have searched the area and found the ten transactions summarized in the Addenda to be most comparable to the subject property. Four of the ten sales are located within the master-planned community of Summerly in the City of Lake Elsinore, Two are recent transactions in the city of Menifee in the community known as Mosaic, two are located with Canyon Cove/Audie Murphy in the City of Menifee, one is located in the new masterplan called Menifee Town Center in the City of Menifee, while the remaining sale is located in the City of Lake Elsinore, northwest of Machado Street and Lakeshore Drive. The sales are reported both on a purchase price basis (when available) and on a “finished lot” basis. 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 sales refer to lands in a nearly finished condition, they are typically physically finished lots with some fees remaining to be paid in order to be considered a true “finished lots.” 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 Nos. 1 and 2** refer to the two most recent land transactions that are located in the city of Menifee. Both are in the neighborhood known as “Mosaic” which was

originally graded prior to the recession. Mosaic is located about five and a half miles east of the subject property and includes 127 lots with a minimum lot size of 7,200 square feet.

Land Sale No. 1 refers to the most recent closing in Mosaic. Pulte Homes purchased 64 lots from McKinley Capital on February 28, 2018. The lots have a minimum lot size of 7,200 square feet and were sold in a rough grade condition. The site sold for \$64,453 per lot with a finished lot value estimate of \$140,000. In comparison with the subject property, this transaction is considered superior in lot size and inferior in amenities.

Land Sale No. 2 refers to the other sale within Mosaic. Pulte Homes purchased 63 lots from Watt Communities on February 8, 2018. The lots have a minimum lot size of 7,200 square feet and were sold in a rough grade condition. The site sold for \$53,603 per lot with a finished lot value estimate of \$140,000. In comparison with the subject property, this transition is considered superior in lot size and inferior in amenities.

**Land Sale Nos. 3, 7, 8, and 10** pertain to land transactions in the master planned community of Summerly in the City of Lake Elsinore. Over the last few years, Summerly has consistently supplied merchant builders with blue-topped lots in the Lake Elsinore market. In comparison to the subject Westridge, Summerly has similar amenities however is considered a slightly inferior location.

Land Sale No. 3 refers to the most recent closing in Summerly. Richmond American Homes purchased 51 lots from McMillin Summerly LLC on January 31, 2018. The neighborhood is referred to as "Marisol". The lots have a minimum lot size of 5,000 square feet and were sold in a blue-topped condition, similar to all the closings in Summerly. The site sold for \$83,400 per lot with a finished lot value of \$147,000. This transaction is considered to be a good comparable due to being in a similar masterplan in a slightly inferior location, however the lot size is slightly larger than all of the subject lots which is considered superior.



Land Sale No. 7 refers to another recent land sale in Summerly. Richmond American Homes purchased 51 lots from McMillin Summerly LLC on June 21, 2017. The site is referred to as PA-15. The lots have a minimum lot size of 7,200 square feet and were sold in a blue-topped condition, similar to all the closings in Summerly. The site sold for \$65,010 per lot with a finished lot value of \$132,000. This transaction is considered to be a good comparable due to being in a similar masterplan in a slightly inferior location, however the lot size is considerably larger than all of the subject lots which is considered superior.

Land Sale No. 8 refers to the sale of PA-16 of Summerly. RSI Communities purchased 65 lots from McMillin Summerly, LLC on May 12, 2017. The lots have a 5,500-square foot minimum lot size and were sold in a blue-topped condition. The sold for \$66,154 per lot basis on a finished lot value of \$125,000. The site located in Summerly adjacent to the actively selling communities of Claiborne. This transaction is considered to be a good comparable due to being in a similar masterplan in a slightly inferior location, however the lot size is larger which is considered superior.

Land Sale No. 10 refers to the closing of PA-18 in Summerly. D.R. Horton purchased 95 lots from McMillin Summerly LLC on February 16, 2017. The site is referred to as Linden Pointe and begin selling homes in August 2017. The lots have a minimum lot size of 3,525 square feet and were sold in a blue-topped condition, similar to all of the closings in Summerly. The site sold for \$51,921 per lot based on a finished lot price of \$119,000. This is considered to be a good comparable to the subject property due to being in a similar masterplan in a slightly inferior location and with a similar lot size in comparison to some of the subject lots.

**Land Sale No. 4** refers to a recent land sale in Menifee Town Center. RSI Communities purchased 151 lots from Regent Communities on November 7, 2017. The lots have a minimum lot size of 4,600 square feet and were sold in a rough grade condition. The site sold for \$64,559 per lot with a finished lot value of \$126,000. This transaction is considered to be a good comparable due to being in a similar masterplan, and the lot size is similar to the subject property. However, this is the first sale within the new community

which, at times, can be sold at a slight discount in order to get the synergy of the neighborhood going. That is, the subject neighborhood of Westridge has had good sales and has been well received by the market with good to excellent absorption rates. Menifee Town Center is now under development with no homes yet for sale, thus there is more risk associated with the Menifee Town Center location when compared to the Westridge community where demand for the area is known.

**Land Sale No. 5 and 6** refer to land transactions within the master-planned community of Audie Murphy Ranch, approximately 2.5 miles east of the subject in the western portion of the city of Menifee. Audie Murphy Ranch is a master planned community proposed for over 2,000 units with neighborhood parks, two swim clubs and open spaces with trails. Audie Murphy Ranch is located within the Menifee Union School District which is considered superior to the Lake Elsinore Unified School District.

Land Sale No. 5 represents Meritage Homes' purchase of 102 lots with a minimum lot size of 5,000 square feet. The site sold for \$104,475 per lot based on an estimated finished lot value of \$154,000. The site was delivered in a finished condition. In comparison with the subject property, the site has similar amenities, however the slightly larger lot size is considered superior.

Land No. 6 refers to Planning Area 14 in Audie Murphy Ranch comprised of 52 lots with a minimum lot size of 6,000-square feet. The lots were sold in a finished condition for \$114,923 per lot based on a finished lot estimated cost of \$160,000. D.R. Horton purchased the site from Brookfield Residential on October 19, 2017. Brookfield is the master developer of Audie Murphy Ranch/Canyon Cove. The transaction includes some profit participation to the seller after the builder achieves an 8 percent profit. In comparison to the subject property this lot size is considered to be superior, however the location and amenities area considered similar.

**Land Sale No. 9** pertains to the purchase 81 lots with a minimum lot size of 7,200 located in the City of Lake Elsinore located approximately 6.5 miles north of the subject property.

This site, commonly known as “Makenna Pointe” was purchased by D.R. Horton on April 13, 2017. Makenna Pointe was delivered in rough graded condition with an approved Final Map. D.R. Horton purchased the site for \$70,370 per lot with a finished lot value of \$126,000. In relation to the subject property, this location is considered to be less desirable due to a lack of amenities and overall location, but the larger lots are considered superior.

<b>Data No.</b>	<b>Location</b>	<b>Date of Sale</b>	<b>Lot Size / Density</b>	<b>Finished Lot Price</b>	<b>Comparison to Subject</b>
1	Menifee	2/18	7,200	\$140,000	Superior – Lot size Inferior – Amenities
2	Menifee	2/18	7,200	\$140,000	Superior – Lot size Inferior – Amenities
3	Summerly / Lake Elsinore	1/18	5,000	\$147,000	Superior – Lot Size Inferior – Location
4	Menifee Town Center / Menifee	11/17	4,600	\$126,000	Comparable – Lot size, amenities
5	Audie Murphy Ranch / Menifee	11/17	5,000	\$154,000	Superior – Lot size, schools Comparable – location, amenities
6	Audie Murphy Ranch / Menifee	10/17	6,000	\$160,000	Superior – Lot size, schools Comparable – location, amenities
7	Summerly / Lake Elsinore	6/17	7,200	\$132,000	Superior – Lot size Inferior - Location
8	Summerly / Lake Elsinore	5/17	5,500	\$125,000	Slightly superior – Lot size Inferior – Location
9	Lake Elsinore	4/17	7,200	\$126,000	Superior – Lot size Inferior - amenities
10	Summerly / Lake Elsinore	2/17	3,525	\$115,000	Similar – Lot size Inferior – Location

The market data has an overall finished lot range from \$115,000 - \$160,000. Data No. 6 at the high end of the range is considered superior due to lot size and better schools. Comparing Data Nos. 7 to Data Nos. 3 suggest there has been appreciation in the land market between 2017 and 2018. The most similar sized lots refer to Land Sale No. 4 and 10. Land Sales 3, 7, 8, and 10 all refer to 2017 and 2018 sales within Summerly with a finished lot price range of \$115,000 - \$147,000. Data No. 10 at the lowest end of the range refers to Summerly PA-18 or Linden Place with smaller sized lots which are more similar to the subject lots, however Summerly is considered slightly inferior in location. Based on the above information, we have concluded that the subject lots have a finished

lot value of \$130,000 for the 4,500 square foot lots, \$125,000 for the 3,500 square foot lots, \$120,000 for the 2,500 square foot lots and \$110,000 for the cluster lots. The subject lots are in a generally physically finished condition, however there is a final lift to be completed on the streets and there are some remaining fees which need to be considered.

As discussed under the Property Description Section there are remaining costs which will be considered below. The value conclusion for the subject builder owned lots are detailed below.

### **Value Conclusion – “As Is” Residential Lots**

Aura – Pardee owns twenty-one lots with a minimum 4,500 square feet and 10 lots with a minimum lot size of 3,500 square feet. The homes under construction will be valued as a finished lot rather than attribute value to a partially complete improvement. As previously discussed there are \$1,592.59 per lot remaining in hard costs and \$540,250 in remaining fees associated with Aura. The value is calculated as follows:

21 Lots x \$130,000	\$ 2,730,000
10 Lots x \$125,000	1,250,000
Less: Remaining Costs (1,592.59 x 31)	(49,370)
Less: Remaining Fees	<u>(540,250)</u>
“As is” Value for Aura Lots	<b><u>\$ 3,390,380</u></b>

Overlook – Pardee owns five lots which are under construction and zero remaining lots, all with a minimum lot size of 2,500 square feet. The homes under construction will be valued as a finished lot rather than attribute value to a partially complete improvement. As previously discussed there are \$1,592.59 per lot remaining in hard costs and no remaining fees associated with Overlook. The value is calculated as follows:

5 Lots x \$120,000	\$ 600,000
Less: Remaining Costs (1,592.59 x 5)	<u>(7,963)</u>
“As is” Value for Overlook Lots	<b><u>\$ 592,037</u></b>

Starling – Pardee owns ten lots which are under construction and twenty-six remaining lots, all with a minimum lot size of 4,500 square feet. The homes under construction will

be valued as a finished lot rather than attribute value to a partially complete improvement. As previously discussed there are \$1,592.59 per lot remaining in hard costs and \$376,581 in remaining fees associated with Starling. The value is calculated as follows:

36 Lots x \$130,000	\$ 4,680,000
Less: Remaining Costs (1,592.59 x 36)	(57,333)
Less: Remaining Fees	(376,581)
"As is" Value for Starling Lots	<u>\$ 4,246,086</u>

Vantage – Pardee owns ten lots which are under construction on 3,500 square foot minimum lots and twenty-two remaining lots, eighteen with a minimum lot size of 4,500 square feet and four with a minimum lot size of 3,500 square feet. The homes under construction will be valued as a finished lot rather than attribute value to a partially complete improvement. As previously discussed there are \$1,592.59 per lot remaining in hard costs and \$286,313 in remaining fees associated with Vantage. The value is calculated as follows:

18 Lots x \$130,000	\$ 2,340,000
14 Lots x \$125,000	1,750,000
Less: Remaining Costs (1,592.59 x 32)	(50,963)
Less: Remaining Fees	<u>286,313</u>
"As is" Value for Vantage Lots	<u>\$ 3,752,724</u>

Viewpoint – Pardee owns zero lots which are under construction and no remaining lots within the Viewpoint neighborhood.

### **Market Data Discussion – Commercial Parcel**

We searched the area and found two current listings and five sales which we considered to be relevant in comparison to the subject commercial parcel. The market data comparables are shown in the Addenda and discussed in relationship to the subject site below.

Commercial Land Data No. 1 and 2 refer to two current listings of smaller parcels located 1.5 miles west of the subject near the Railroad Canyon Road and I-15 on/off ramps. The parcels are located near the entrance of Tuscany Hills, a master planned community.

Rather than a shopping center this shopping area contains a horseshoe street providing access to several parcels with other businesses that include a Car Wash, Shell Station and Circle K (access off Summerhill, the main entrance road), a Chase Bank (fronting Canyon Estates Drive), an animal hospital, a medical office building, Data No. 1 (corner of Canyon Estates Drive and Boulder Vista Drive), another vacant lot (Data No. 2) and a Holiday Inn Express. Data No. 1 is listed for sale with an asking price of \$330,000 or \$14.02 per square foot while Data No. 2 has an asking price of \$13.39 per square foot. Data No. 1 is better located as it has frontage on Canyon Estates Drive and is adjacent to a Holiday Inn Express while Data No. 2 is on the interior street. Per the listing broker for Data No. 1, they have had lots of activity on the site and have had offers on the property however due to confidentiality he could not share the offers. In comparison to the subject site, these two parcels are considered to be superior as they are surrounded by existing commercial use and superior in size as smaller lots typically sell for a higher price per square foot.

Commercial Land Data No. 3 refers to the December 2017 closing of a 1.81-acre parcel located between Mission Trail and Casino Drive about two miles west of the subject property. The generally level, vacant site between two retail centers, one anchored by a Cardenas Supermarket and the other with various small tenants. Imperial Solutions LLC purchased the site from Terraplus USA for \$875,000 or \$11.10 per square foot in December 2017. The site has good access from the I-15 via Diamond Drive. In comparison to the subject property this site is more of an infill site with a slightly superior location for commercial use, however the property is not in a mass graded condition.

Commercial Land Data No. 4 pertains to the purchase of a 6.97-acre parcel located along Collier Street two parcels east of Central Avenue, south of I-15 in Lake Elsinore. This site has freeway frontage and is located approximately four miles northwest of the subject property. The site is generally level at street grade and had been cleared of vegetation. Collier Street is fully improved at the site. The property is across from industrial buildings and showrooms and is within 0.25 mile of a Lowe's Center, a Target Center and a Home Depot Center, all at the I-15 and Central Avenue Interchange. Srz Yuma LLC purchased the site from The Northern Trust Company on August 8, 2017 for \$3,200,000 or \$10.53

per square foot. In comparison to the subject property, this site is considered inferior in condition (not a graded pad), however superior in surrounding commercial use.

Commercial Land Data No. 5 refers to the sale of a smaller commercial parcel located at southwest corner of Diamond Drive and Mission Trail in Lake Elsinore, approximately 1.6 miles west of the subject property. DMSD Properties purchased the property on May 31, 2017 for \$285,000 or \$15.40 per square foot. The site is near the entrance to Summerly, a master planned community. In comparison to the subject site this parcel is significantly smaller in size which is considered superior on a per square foot comparison (larger lots typically sell for a smaller price per square foot), however is considered inferior to the subject in condition (raw land versus the subject's graded pad).

Commercial Land Data Nos. 6 and 7 refer to the assemblage purchase of two parcels for a community shopping center at the entrance of Spencer's Crossing in the French Valley near Murrieta approximately ten miles southeast of the subject property. Target sold Data No. 6, a 11+ acre parcel within a larger proposed shopping center for \$10.00 per square foot to a partnership that is planning on building an approximate 50-acre center. They are anticipating the center to be anchored by either a Target, Lowe's or another big box tenant. Data No. 7 included approximately 38 acres that was purchased by the same partnership from FV Commons, a related entity to Regency for about \$8.00 per square foot. In comparison to the subject property Data No. 5 is considered closer in size while Data No. 7 is significantly larger, which is considered to be inferior as it typically commands a smaller price per square foot.

The market data has a range from \$8.00 to \$14.02 per square foot with Data Nos. 1 and 2 (13.39 and \$14.02 per square foot) being for asking prices only and not closed sales. Data No. 5 is for a small commercial parcel located at a busy intersection which is considered to be superior to the subject property. Data Nos. 3, 4, 6 and 7 sold within the range of \$8.00 to \$11.10 per square foot. Data No. 7 (\$8.00 per square foot) is significantly larger in size (38+ acres compared to the subject's 6 acres). While having visibility from Railroad Canyon Road, the subject site does not have access off the main road with the entrance off Tassel Way, one of the gated entrances into Westridge. The

entrance is before the gate; thus, the site will be accessible to more than just the residents of Westridge. Based on the market data along with our discussions with several commercial brokers familiar with the subject property, we have concluded that the subject commercial parcel has a current market value of \$8.50 per square foot.

### **Commercial Lands Value Conclusion**

The subject commercial parcel contains an estimated 6.0 usable acres due to the slope and grading that has occurred on the site. The site has had dirt dumped on-site and will need some additional grading to get to a super pad condition. The costs of the grading have been estimated at \$150,000 per the property owner. The value for the commercial parcel is calculated as follows:

6.0 Acres (261,360 square feet) x \$8.50	\$2,221,560
Less: Remaining Development Costs	<u>(150,000)</u>
"As Is" Value for the Commercial Parcel	<b><u>\$2,071,560</u></b>

### **Retail House Valuation**

Due to the single ownership of multiple houses by the builder within each neighborhood 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 each neighborhood. First, a retail value for each plan within each neighborhood will be concluded. Next, a DCF will be conducted which will take into account the absorption time to sell off the builder owned houses, the costs associated with selling off the homes and any remaining costs owed by the builder within each neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder owned bulk value for each neighborhood. These DCF analyses will be followed by a reporting of the concluded values for the individually owned homes within each neighborhood 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.



### **Aura at Westridge (Canyon Hills) by Pardee Homes**

Aura consists of 60 individually owned homes, nine builder owned houses over 95 percent complete (including three models), and 31 remaining lots.

Below is a summary of the floor plans within Aura. 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 Lake Elsinore and Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no current listings and no re-sales within Aura.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Aura</b>					
A-1	3 / 2.5	2 / 2	2,151	13	3*
A-2	4 / 2.5	2 / 2	2,339	22	3*
A-3	4 / 3.5	2 / 2	2,493	25	3*
Subtotal				<u>60</u>	<u>9</u>

\*One of each of these plans is a model home. In addition to the above there are 31 finished lots.

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	A-1	3 / 2.5	2 / 2	2,151	--
1	2	4 / 3.5	2 / 2	2,339	\$156.26
2	2	3 / 2.5	2 / 2	2,059	\$164.88
5	1	3 / 2.5	1 / 2	2,182	\$176.02
9	3	4 / 3	2 / 2	2,350	\$163.82
14	1	3 / 2.5	1 / 2	2,260	\$177.38

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Aura Plan 1 has a current asking base price less concessions of \$166.20 per square foot. The new homes comparables have a base price less concessions range from \$156.26 to \$177.38 per square foot. There have been 13 closings of Plan 1 with sales prices ranging from \$161.97 to \$207.67 per square foot. There are two current escrows with a sales price range of \$170.08 to \$176.09 per square foot. It should be noted that these 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 Plan A-1 has a base current market value of \$165.00 per square foot. This calculates as follows:

$$2,151 \text{ sf} \times \$165.00 = \$354,915$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	A-2	4 / 3.5	2 / 2	2,339	--
1	2	3 / 2.5	2 / 2	2,151	\$166.20
1	3	4 / 3.5	2 / 2	2,493	\$147.81
4	1	4 / 3	2 / 2	2,539	\$146.90
5	2	3 / 2.5	2 / 3	2,521	\$164.01
9	3	4 / 3	2 / 2	2,350	\$163.82
13	2	3 / 2.5	2 / 2	2,370	\$168.70
14	2	4 / 3	2 / 2	2,269	\$172.71

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Aura Plan 2 has a current asking base price less concessions of \$156.26 per square. The new homes comparables have a base price less concessions range from \$146.90 to \$172.71 per square foot. There have been 22 closings of a Plan 2 with sales prices ranging from \$153.44 to \$184.78 per square foot. There are three current escrows with a sales price range of \$163.39 to \$167.66 per square foot. It should be noted that these 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 Plan A-2 has a base current market value of \$155.00 per square foot. This calculates as follows:

$$2,339 \text{ sf} \times \$155.00 = \$362,545$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	A-3	4 / 3.5	2 / 2	2,493	--
1	2	4 / 3.5	2 / 2	2,339	\$156.26
4	1	4 / 3	2 / 2	2,539	\$146.90
5	2	3 / 2.5	2 / 3	2,521	\$164.01
7	1	4 / 2.5	1 / 2	2,553	\$156.28
9	3	4 / 3	2 / 2	2,350	\$163.82
10	1	3 / 2.5	1 / 2	2,550	\$156.07
13	3	4 / 3	2 / 2	2,628	\$154.02

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Aura Plan 3 has a current asking base price less concessions of \$147.81 per square foot. The new homes comparables have a base price less concessions range from \$146.90 to \$164.01 per square foot. There have been 25 closings of a Plan 3 with sales prices ranging from \$146.56 to \$174.06 per square foot. There are two current escrows with a sales price range of \$151.22 to \$153.23 per square foot. It should be noted that these 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 Plan A-3 has a base current market value of \$147.00 per square foot. This calculates as follows:

$$2,493 \text{ sf} \times \$147.00 = \$366,471$$

### **Overlook at Westridge (Canyon Hills) by Pardee Homes**

Overlook consists of 99 individually owned homes, eight builder owned houses over 95 percent complete (including three models), and five houses are under construction. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement.

Below is a summary of the floor plans within Overlook. 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 Lake Elsinore and Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in one current listing and no re-sales within Overlook.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Overlook</b>					
O-1	3 / 2.5	2 / 2	1,798	27	2
O-2	3 / 2.5	2 / 2	2,059	38	3
O-3	4 / 3	2 / 2	2,203	34	3
Subtotal				<u>99</u>	<u>8</u>

In addition to the above there are 5 homes under construction.

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	O-1	3 / 2.5	2 / 2	1,798	--
1	1	3 / 2.5	2 / 2	2,151	\$166.20
2	2	3 / 2.5	2 / 2	2,059	\$164.88
6	3	3 / 2.5	2 / 2	1,974	\$190.47
9	2	3 / 2.5	2 / 2	2,112	\$179.87
11	2	4 / 3	2 / 2	1,769	\$201.80
11	3	4 / 3	2 / 2	1,895	\$192.60

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Overlook Plan 1 is currently sold out except for one model home however their latest base pricing was at \$180.76 per square foot. The new homes comparables have a base price less concessions range from \$166.20 to \$201.80 per square foot. There have been 27 closings of Plan 1 with sales prices ranging from \$168.18 to \$206.68 per square foot. There are three current escrows with a sales price range of \$191.55 to \$205.78 per square foot. It should be noted that these 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 Plan O-1 has a base current market value of \$180.00 per square foot. This calculates as follows:

$$1,798 \text{ sf} \times \$180.00 = \$323,640$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	O-2	3 / 2.5	2 / 2	2,059	--
1	1	3 / 2.5	2 / 2	2,151	\$166.20
2	1	3 / 2.5	2 / 2	1,798	\$180.76
2	3	4 / 3	2 / 2	2,203	\$156.83
6	3	3 / 2.5	2 / 2	1,974	\$190.48
9	2	3 / 2.5	2 / 2	2,112	\$179.87

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Overlook Plan 2 is sold out except for the final model however their final asking base price less concessions was \$164.88 per square. The new homes comparables have a base price less concessions range from \$156.83 to \$190.48 per square foot. There have been 38 closings of a Plan 2 with sales prices ranging from \$152.16 to \$180.77 per square foot. There are five current escrows with a sales price range of \$172.27 to \$194.27 per square foot. It should be noted that these 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 Plan O-2 has a base current market value of \$165.00 per square foot. This calculates as follows:

$$2,059 \text{ sf} \times \$165.00 = \$339,735$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
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Subj.	O-3	4 / 3	2 / 2	2,203	--
1	1	3 / 2.5	2 / 2	2,151	\$166.20
1	2	4 / 3.5	2 / 2	2,339	\$156.26
2	2	3 / 2.5	2 / 2	2,059	\$164.88
6	3	3 / 2.5	2 / 2	1,974	\$190.47
9	3	4 / 3	2 / 2	2,350	\$163.82
13	2	3 / 2.5	2 / 2	2,370	\$168.76
14	2	4 / 3	2 / 2	2,269	\$172.71

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Overlook Plan 3 is sold out except for the final model however the last asking base price less concessions was \$156.83 per square foot. The new homes comparables have a base price less concessions range from \$156.26 to \$172.71 per square foot. There have been 34 closings of a Plan 3 with sales prices ranging from \$149.49 to \$184.51 per square foot. There are five current escrows with a sales price range of \$164.33 to \$195.18 per square foot. It should be noted that these reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. There is currently one Plan 3 listed for sale with an asking price of \$395,000 or \$179.30 per square foot. It has been concluded that Plan O-3 has a base current market value of \$160.00 per square foot. This calculates as follows:

$$2,203 \text{ sf} \times \$160.00 = \$352,480$$

### **Starling at Westridge (Canyon Hills) by Pardee Homes**

Starling consists of 25 individually owned homes, 7 completed builder owned houses (3 models), 10 houses are under construction, and 26 remaining lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement.

Below is a summary of the floor plans within Starling. 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 Lake Elsinore and Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no current listings and no re-sales within Starling.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Starling</b>					
S-1	5 / 4	2 / 2	2,936	6	1*
S-2	5 / 3	2 / 2	3,037	10	2*
S-3	5 / 4	2 / 2	3,255	9	4*
Subtotal				25	7

\*One of each of these plans is a model home. In addition to the above there are 10 homes under construction and 26 finished lots for a total of 36 lots.

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	S-1	5 / 4	2 / 2	2,936	--
3	2	5 / 3	2 / 2	3,037	\$137.14
4	2	5 / 3	2 / 2	2,789	\$138.22
4	3	5 / 3	2 / 2	2,870	\$136.41
5	3	4 / 3.5	2 / 3	2,742	\$157.51
7	2	4 / 3	2 / 3	2,854	\$140.43
14	4	4 / 3	2 / 2	2,744	\$148.68

All new home comparables are located within Lake Elsinore Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Starling Plan 1 has a current asking base price less concessions of \$141.52 per square foot. The new homes comparables have a base price less concessions range from \$136.41 to \$157.51 per square foot. There have been six closings of Plan 1 with sales prices ranging from \$136.77 to \$171.03 per square foot. There is one current escrow with sales prices of \$153.18 per square foot. It should be noted that these 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 Plan S-1 has a base current market value of \$138.00 per square foot. This calculates as follows:

$$2,936 \text{ sf} \times \$138.00 = \$405,168$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	S-2	5 / 3	2 / 2	3,037	--
3	1	5 / 4	2 / 2	2,936	\$141.52
3	3	5 / 4	2 / 2	3,255	\$127.95
4	3	5 / 3	2 / 2	2,870	\$136.41
5	1	4 / 3.5	2 / 3	2,742	\$157.51
7	2	4 / 3	2 / 3	2,854	\$140.43
14	4	4 / 3	2 / 2	2,744	\$148.68

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Starling Plan 2 has a current asking base price less concessions of \$137.14 per square foot. The new homes comparables have a base price less concessions range from \$127.95 to \$157.51 per square foot. There have been ten closings of Plan 2 with sales prices ranging from \$133.80 to \$198.87 per square foot. There are two current escrows with prices ranging from \$139.84 to \$156.00 per square foot. It should be noted that these 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 Plan S-2 has a base current market value of \$136.00 per square foot. This calculates as follows:

$$3,037 \text{ sf} \times \$136.00 = \$413,032$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	S-3	5 / 4	2 / 2	3,255	--



3	2	5 / 3	2 / 2	3,037	\$137.14
4	3	5 / 3	2 / 2	2,870	\$136.41
7	2	4 / 3	2 / 3	2,854	\$140.43
7	3	4 / 3	2 / 3	3,184	\$130.16
8	1x	5 / 3.5	2 / 3	3,014	\$166.55
13	4	3 / 2.5	2 / 2	2,716	\$151.64
14	4	4 / 3	2 / 2	2,744	\$148.68

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Starling Plan 3 has a current asking base price less concessions of \$127.95 per square foot. The new homes comparables have a base price less concessions range from \$130.16 to \$174.33 per square foot. There have been nine closings of Plan 3 with sales prices ranging from \$129.01 to \$148.16. There are seven current escrows with sales prices ranging from \$133.53 to \$154.08 per square foot. It should be noted that these 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 Plan S-3 has a base current market value of \$127.00 per square foot. This calculates as follows:

$$3,255 \text{ sf} \times \$127.00 = \$413,385$$

### **Vantage at Westridge (Canyon Hills) by Pardee Homes**

Vantage consists of 62 individually owned homes, seven builder owned houses over 95 percent complete (including three models), 10 houses are under construction, and 22 remaining lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement.

Below is a summary of the floor plans within Vantage. 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 Lake Elsinore and Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no current listings and no re-sales within Vantage.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Vantage</b>					
V-1	4 / 3	2 / 2	2,539	15	1*
V-2	5 / 3	2 / 2	2,789	24	2*
V-3	5 / 3	2 / 2	2,870	23	4*
Subtotal				<u>62</u>	<u>7</u>

\*One of each of these plans is a model home. In addition to the above there are 10 homes under construction and 22 finished lots for a total of 32 lots.

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

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	V-1	4 / 3	2 / 2	2,539	--
1	3	4 / 3.5	2 / 2	2,493	\$147.81
4	2	5 / 3	2 / 2	2,789	\$138.22
5	2	3 / 2.5	2 / 3	2,521	\$164.01
5	3	4 / 3.5	2 / 3	2,742	\$157.51
13	3	4 / 3	2 / 2	2,628	\$154.02
14	3	4 / 3	2 / 2	2,485	\$160.15

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Vantage Plan 1 has a current asking base price less concessions of \$146.90 per square foot. The new homes comparables have a base price less concessions range from \$138.22 to \$164.01 per square foot. There have been 15 closings of Plan 1 with sales prices ranging from \$139.89 to \$174.37 per square foot. There are four current escrows with a sales price range of \$151.63 to \$162.17 per square foot. It should be noted that these 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 Plan V-1 has a base current market value of \$146.00 per square foot. This calculates as follows:

$$2,539 \text{ sf} \times \$146.00 = \$370,694$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	V-2	5 / 3	2 / 2	2,789	--
4	1	4 / 3	2 / 2	2,539	\$146.90
4	3	5 / 3	2 / 2	2,870	\$136.41
5	3	4 / 3.5	2 / 3	2,742	\$157.51
7	2	4 / 3	2 / 3	2,854	\$140.43
13	4	3 / 2.5	2 / 2	2,716	\$151.64
14	4	4 / 3	2 / 2	2,744	\$148.68

All new home comparables are located within Lake Elsinore. 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 Vantage Plan 2 has a current asking base price less concessions of \$138.22 per square foot. The new homes comparables have a base price less concessions range from \$136.41 to \$157.51 per square foot. There have been 24 closings of Plan 2 with sales prices ranging from \$135.43 to \$161.15 per square foot. There are six current escrows with a sales price range of \$144.31 to \$163.86 per square foot. It should be noted that these 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 Plan V-2 has a base current market value of \$138.00 per square foot. This calculates as follows:

$$2,789 \text{ sf} \times \$138.00 = \$384,882$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	V-3	5 / 3	2 / 2	2,870	--
3	2	5 / 3	2 / 2	3,037	\$137.14
4	2	5 / 3	2 / 2	2,789	\$138.22
5	3	4 / 3.5	2 / 3	2,742	\$157.51
7	2	4 / 3	2 / 3	2,854	\$140.43
13	4	3 / 2.5	2 / 2	2,716	\$151.64
14	4	4 / 3	2 / 2	2,744	\$148.68

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Vantage Plan 3 has a current asking base price less concessions of \$136.41 per square foot. The new homes comparables have a base price less concessions range from \$137.14 to \$174.33 per square foot. There have been 23 closings of Plan 3 with sales prices ranging from \$130.30 to \$157.51 per square foot. There are four current escrows with a sales price range of \$141.81 to \$153.11 per square foot. It should be noted that these 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 Plan V-3 has a base current market value of \$136.00 per square foot. This calculates as follows:

$$2,870 \text{ sf} \times \$136.00 = \$390,320$$

#### **Viewpoint at Westridge (Canyon Hills) by Pardee Homes**

Viewpoint consists of 75 individually owned homes on cluster lots. Viewpoint sold out in late 2017.

Below is a summary of the floor plans within Viewpoint. 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 Lake Elsinore and Menifee. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in one current listing and no re-sales within Viewpoint.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Viewpoint</b>					
V-1	3 / 2.5	2 / 2	1,750	27	0
V-2	3 / 2.5	2 / 2	1,845	16	0
V-2x	3 / 2.5	2 / 2	1,871	9	0
V-3	3 / 2.5	2 / 2	2,115	<u>23</u>	<u>0</u>
Subtotal				<u>75</u>	<u>0</u>

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	V-1	3 / 2.5	2 / 2	1,750	--
2	1	3 / 2.5	2 / 2	1,798	\$180.76
2	2	3 / 2.5	2 / 2	2,059	\$164.88
6	3	3 / 2.5	2 / 2	1,974	\$190.47
11	2	4 / 3	2 / 2	1,769	\$201.80
11	3	4 / 3	2 / 2	1,895	\$192.60

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new homes comparables have a base price less concessions range from \$164.88 to \$201.80 per square foot. There have been 27 closings of Plan 1 with sales prices ranging from \$163.63 to \$186.09 per square foot. It should be noted that these 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 Plan V-1 has a base current market value of \$175.00 per square foot. This calculates as follows:

$$1,750 \text{ sf} \times \$175.00 = \$306,250$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	V-2	3 / 2.5	2 / 2	1,845	--
2	1	3 / 2.5	2 / 2	1,798	\$180.76
2	2	3 / 2.5	2 / 2	2,059	\$164.88
6	3	3 / 2.5	2 / 2	1,974	\$190.47
11	2	4 / 3	2 / 2	1,769	\$201.80
11	3	4 / 3	2 / 2	1,895	\$192.60

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new

homes comparables have a base price less concessions range from \$164.88 to \$201.80 per square foot. There have been 16 closings of Plan 2 with sales prices ranging from \$163.69 to \$202.92 per square foot. It should be noted that these 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 Plan V-2 has a base current market value of \$170.00 per square foot. This calculates as follows:

$$1,845 \text{ sf} \times \$170.00 = \$313,650$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	V-2x	3 / 2.5	2 / 2	1,871	--
2	1	3 / 2.5	2 / 2	1,798	\$180.76
2	2	3 / 2.5	2 / 2	2,059	\$164.88
6	3	3 / 2.5	2 / 2	1,974	\$190.47
11	2	4 / 3	2 / 2	1,769	\$201.80
11	3	4 / 3	2 / 2	1,895	\$192.60

All new home comparables are located within Lake Elsinore and Menifee. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new homes comparables have a base price less concessions range from \$164.88 to \$201.80 per square foot. There have been nine closings of Plan 2x with sales prices ranging from \$164.41 to \$192.06 per square foot. It should be noted that these 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. There is one current listing of a Plan 2x in Viewpoint with an asking price of \$373,000 which equates to \$199.35 per square foot. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan V-2x has a base current market value of \$170.00 per square foot. This calculates as follows:

$$1,871 \text{ sf} \times \$170.00 = \$318,070$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	V-3	3 / 2.5	2 / 2	2,115	--
1	1	3 / 2.5	2 / 2	2,151	\$166.20
2	2	3 / 2.5	2 / 2	2,059	\$164.88
2	3	4 / 3	2 / 2	2,203	\$156.83
6	3	3 / 2.5	2 / 2	1,974	\$190.47
9	2	3 / 2.5	2 / 2	2,112	\$179.87

All new home comparables are located within Lake Elsinore. 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 homes comparables have a base price less concessions range from \$156.83 to \$190.47 per square foot. There have been 23 closings of Plan 3 with sales prices ranging from \$150.43 to \$191.10 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 Plan V-3 has a base current market value of \$155.00 per square foot. This calculates as follows:

$$2,115 \text{ sf} \times \$155.00 = \$327,825$$

### **Builder Owned Retail Values**

#### **Aura**

Within Aura there are nine builder owned homes which include three models (none in escrow) and six production homes over 95 percent complete which four 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 \$35,000 premium



has been included with each of the model homes. The retail base value conclusions for the builder-owned homes within Aura are calculated as follows:

Plan A-1 (3 x \$354,915)	\$ 1,064,745
Plan A-2 (3 x \$362,545)	1,087,635
Plan A-3 (3 x \$366,471)	1,099,413
Model Upgrades (3 x \$35,000)	<u>105,000</u>
Total Aura Retail Value	<u>\$ 3,356,793</u>

### Overlook

Within Overlook there are eight builder-owned homes which are over 95 percent complete, with all eight 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 \$35,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes within Overlook are calculated as follows:

Plan O-1 (2 x \$323,640)	\$ 647,280
Plan O-2 (3 x \$339,735)	1,019,205
Plan O-3 (3 x \$352,480)	1,057,440
Model Upgrades (3 x \$35,000)	<u>105,000</u>
Total Outlook Retail Value	<u>\$ 2,828,925</u>

### Starling

Within Starling there are seven builder owned homes which include three models (none in escrow) and four production homes over 95 percent complete, three 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 \$35,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes within Starling are calculated as follows:

Plan S-1 (1 x \$405,168)	\$ 405,168
Plan S-2 (2 x \$413,032)	826,064
Plan S-3 (4 x \$413,385)	1,653,540
Model Upgrades (3 x \$35,000)	<u>105,000</u>
Total Starling Retail Value	<u>\$ 2,989,772</u>

### Vantage

Within Vantage there are seven builder owned homes which include three models (none in escrow) and four production homes over 95 percent complete, three 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 \$35,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes within Vantage are calculated as follows:

Plan V-1 (1 x \$370,694)	\$ 370,694
Plan V-2 (2 x \$384,882)	769,764
Plan V-3 (4 x \$390,320)	1,561,280
Model Upgrades (3 x \$35,000)	<u>105,000</u>
Total Vantage Retail Value	<u>\$ 2,806,738</u>

### Viewpoint

Within Viewpoint all of the homes have closed to individuals.

### **Absorption Period**

In order to arrive at an absorption period for the builder-owned homes in each neighborhood, the absorption rate for each neighborhood along with the surrounding developments have been reviewed. As discussed under the Highest and Best Use section earlier within this report, the five subject neighborhoods have average sales rates from 2.7 to 5.6 sales per month with an overall average of 4.1 sales per month. The sales rates within all of the comparable projects also range from 2.9 to 5.9 sales per month with an overall average of 3.9 sales per month. Both sales rates are considered to be excellent.

Aura - Within Aura there are nine builder owned homes, four which are in escrow. Based on the previous sales rate of both the Aura neighborhood (3.5 sales per month average) along with other comparable neighborhoods, and taking into consideration the current escrows, it has been concluded that the nine builder owned homes will be absorbed within a four-month period at the concluded values.

Overlook – Within Overlook there are eight builder owned homes, all which are in escrow. Based on the previous sales rate of both the Overlook neighborhood (5.7 sales per month average) along with other comparable neighborhoods, and taking into consideration the current escrows, it has been concluded that the eight builder owned homes will be absorbed within a three-month period at the concluded values.

Starling– Within Starling there are seven builder owned homes, three which are in escrow. Based on the previous sales rate of both the Starling neighborhood (2.7 sales per month average) along with other comparable neighborhoods, and taking into consideration the current escrows, it has been concluded that the seven builder owned homes will be absorbed within a four-month period at the concluded values.

Vantage– Within Vantage there are seven builder owned homes, three which are in escrow. Based on the previous sales rate of both the Vantage neighborhood (4.2 sales per month average) along with other comparable neighborhoods, and taking into consideration the current escrows, it has been concluded that the seven builder owned homes will be absorbed within a three-month period at the concluded values.

Viewpoint– Within Viewpoint there are no builder owned homes.

### **Remaining Costs**

As discussed under the remaining costs section within the Property Description section earlier within this report the are \$1,592.59 in remaining hard costs with each builder-owned lot. The remaining fees have been taken into account under the lot valuation section for each neighborhood. The remaining hard costs are as follows:

Aura (9 x \$1,592.59)	\$ 14,333
Overlook(8 x 1,592.59)	\$ 12,741
Starling (7 x 1,592.59)	\$ 11,148
Vantage (7 x 1,592,59)	\$ 11,148

For purposes of this analysis we have determined the remaining costs will be spread evenly over the absorption period for each neighborhood.

### **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. Six percent has been estimated for marketing expenses and two percent for general and administrative costs for a total of eight percent in expenses for this analysis.

### **Profit**

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the 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. An eight 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 Lake Elsinore 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 the subject property began selling in June 2016 with all five projects having absorption rates which are considered to be good to excellent for the area. Based on the sales rate within the subject project, the competition, 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 each neighborhood is:

Aura -	\$2,747,888
Overlook -	\$2,324,704
Starling -	\$2,449,027
Vantage -	\$2,307,940

### **SUMMARY OF BUILDER-OWNED PROPERTY VALUATIONS**

The builder-owned property value conclusions are summarized below.

#### **Aura**

Within the community of Aura, Pardee owns nine homes over 95 percent complete (production and models) and 31 remaining lots. The final value conclusion for the Aura builder owned property is shown below.

31 Lots "As is" Condition	\$3,390,380
9 Houses	<u>2,747,888</u>
Total Aura Builder-owned	<b><u>\$6,138,268</u></b>

#### **Overlook**

Within the community of Overlook, Pardee owns eight homes over 95 percent complete (production and models) and five remaining lots with homes under construction on the five lots. The final value conclusion for the Overlook builder owned property is shown below.

5 Lots "As is" Condition	\$ 592,037
8 Houses	<u>2,324,704</u>
Total Overlook Builder-owned	<b><u>\$2,916,741</u></b>

### **Starling**

Within the community of Starling, Pardee owns seven homes over 95 percent complete (production and models) and 36 remaining lots (ten with homes under construction). The final value conclusion for the Starling builder owned property is shown below.

36 Lots "As is" Condition	\$4,246,086
7 Houses	<u>2,449,027</u>
Total Starling Builder-owned	<b><u>\$6,695,113</u></b>

### **Vantage**

Within the community of Vantage, Pardee owns seven homes over 95 percent complete (production and models) and 32 remaining lots (ten with homes under construction). The final value conclusion for the Vantage builder owned property is shown below.

32 Lots "As is" Condition	\$3,752,724
7 Houses	<u>2,307,940</u>
Total Vantage Builder-owned	<b><u>\$6,060,664</u></b>

### **INDIVIDUAL OWNERS VALUE CONCLUSIONS**

In determining the value for the individually owned homes, we have considered the concluded base price value for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some addition upgrades, options or pay some premiums for the lot.

Aura - The concluded values for the 60 individually owned homes within Aura are:

Plan A-1 (13 x \$354,915)	\$ 4,613,895
Plan A-2 (22 x \$362,545)	7,975,990
Plan A-3 (25 x \$366,471)	<u>9,161,775</u>
Total Aura Individual Value	<b><u>\$21,751,660</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Aura. Closings for the 60 homes occurred between April 2017 and April 15, 2018. The builder's reported closing prices for the individually owned homes total \$23,192,221. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the

base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 6.2 percent of the actual sales prices on Aura. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

Overlook - The concluded values for the 99 individually owned homes within Overlook are:

Plan O-1 (27 x \$323,640)	\$ 8,738,280
Plan O-2 (38 x \$339,735)	12,909,930
Plan O-3 (34 x \$352,480)	<u>11,984,320</u>
Total Overlook Individual Value	<b><u>\$ 33,632,530</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Overlook. Closings for the 99 homes occurred between December 14, 2016 and April 15, 2018. The builder's reported closing prices for the individually owned homes total \$34,291,091. 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. Overlook opened for sale in December 2016. Due to the increases in prices over the past 18 months, some of this difference due to the buyers purchasing upgrades and options are off-set. The above concluded values are within 1.9 percent of the actual sales prices on Overlook. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

Starling - The concluded values for the 25 individually owned homes within Starling are:

Plan S-1 (6 x \$405,168)	\$ 2,431,008
Plan S-2 (10 x \$413,032)	4,130,320
Plan S-3 (9 x \$413,385)	<u>3,720,465</u>
Total Starling Individual Value	<b><u>\$ 10,281,793</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Starling. Closings for the 25 homes occurred between September 2017 and April 15, 2018. The builder's reported closing prices for the individually owned homes total \$11,366,593. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 9.4 percent of the actual sales prices on Starling. Starling are larger homes, a more move-up product rather than a first-time buyer product. Move-up buyers typically purchase more options and/or upgrades than a first-time buyer who is limited due to the down payment needed at closing. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

Vantage - The concluded values for the 62 individually owned homes within Vantage are:

Plan V-1 (15 x \$370,694)	\$ 5,560,410
Plan V-2 (24 x \$384,882)	9,237,168
Plan V-3 (23 x \$390,320)	8,977,360
Total Vantage Individual Value	<b><u>\$ 23,774,938</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Vantage. Closings for the 62 homes occurred between December 2016 and April 15, 2018. The builder's reported closing prices for the individually owned homes total \$25,705,436. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 7.1 percent of the actual sales prices on Vantage. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.



Viewpoint - The concluded values for the 75 individually owned homes within Viewpoint are:

Plan V-1 (27 x \$306,250)	\$ 8,268,750
Plan V-2 (16 x \$313,650)	5,018,400
Plan V-2X (9 x \$318,070)	2,862,630
Plan V-3 (23 x \$327,825)	<u>7,539,975</u>
Total Viewpoint Individual Value	<b><u>\$ 23,689,755</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Viewpoint. Closings for the sixty-two homes occurred between December 2016 and January 3, 2018. The builder's reported closing prices for the individually owned homes total \$24,772,500. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 4.4 percent of the actual sales prices on Viewpoint. 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 is a portion of the lands within Lake Elsinore CFD No. 2016-2 consisting of approximately 72 usable acres covered by two recorded tract maps along with condominium maps being built out into five neighborhoods and a commercial parcel in the gated community known as Westridge within the master planned community of Canyon Hills in Lake Elsinore.

The subject property includes 456 single-family lots and a commercial parcel. The residential lots are being developed by Pardee. Out of the total 456 proposed homes, 321 are completed and have closed to individuals with the remainder of the lots ranging from completed model homes to homes under construction to finished lots and a commercial parcel. We have reviewed the builder sales and reviewed the areas Multiple Listing Service. Our search resulted in no re-sales and two current listings of re-sale homes within the project.

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 Lake Elsinore CFD No. 2016-2 bond proceeds along with the Lake Elsinore CFD No. 2016-2 special tax lien. As a result of our investigation, the concluded value for the subject property is:

### **Builder-Owned –**

Aura	\$ 6,138,268	
Overlook	\$ 2,916,741	
Starling	\$ 6,695,113	
Vantage	\$ 6,060,664	
Viewpoint	\$ 0	
Commercial Parcel	<u>\$ 2,071,560</u>	
Total Builder Owned		\$23,882,346

### **Individual Owners –**

Aura	\$21,751,660	
Overlook	\$33,632,530	
Starling	\$10,281,793	
Vantage	\$23,774,938	
Viewpoint	<u>\$23,689,755</u>	
Total Individual Owners		<u>\$113,130,676</u>

**Aggregate Value of Lake Elsinore CFD No. 2016-2      \$137,013,022**

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of April 15, 2018.

## APPRAISER'S CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed an appraisal 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.

**DRAFT**

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

# **ADDENDA**

**LAKE ELSINORE CFD NO. 2016-2**  
**BOUNDARY MAP**

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2016-2 (CANYON HILLS), CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE AT A REGULAR MEETING THEREOF, HELD ON 25<sup>th</sup> DAY OF October, 20 16, BY RESOLUTION NO. 2016-180

Susan M. Omin  
CITY CLERK  
CITY OF LAKE ELSINORE

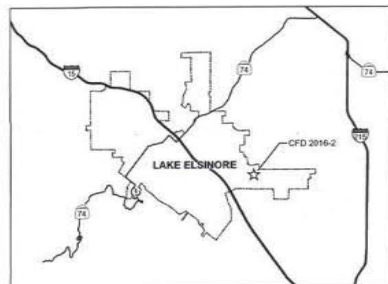
FILED IN THE OFFICE OF THE CITY CLERK, CITY OF LAKE ELSINORE, THIS 24<sup>th</sup> DAY OF October, 20 16.

Susan M. Omin  
CITY CLERK  
CITY OF LAKE ELSINORE

RECORDED THIS 4<sup>th</sup> DAY OF NOVEMBER, 20 16 AT THE HOUR OF 2:51 O'CLOCK AM. IN BOOK 80 PAGE 20 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: \$10- NO.: 2016-0490179  
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

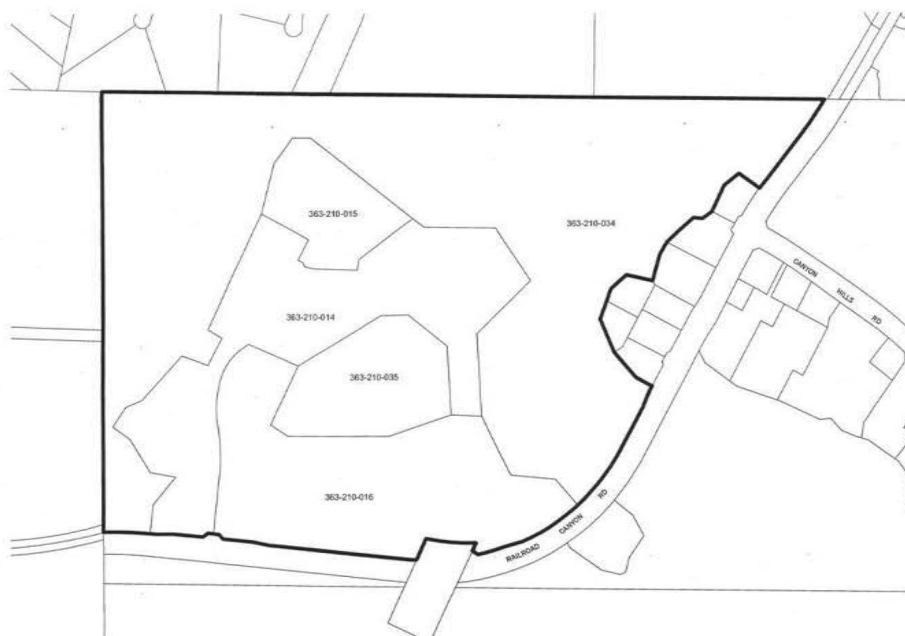
BY: Maria Theresa S. Aldana  
DEPUTY



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 2016-17.

COMMUNITY FACILITIES DISTRICT NO. 2016-2  
(CANYON HILLS)  
CITY OF LAKE ELSINORE,  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

SHEET 1 OF 1 SHEET



LEGEND

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

0 500 1,000 2,000 Feet



**TRACT MAPS 36117 & 36118**



IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

# TRACT MAP NO. 36117

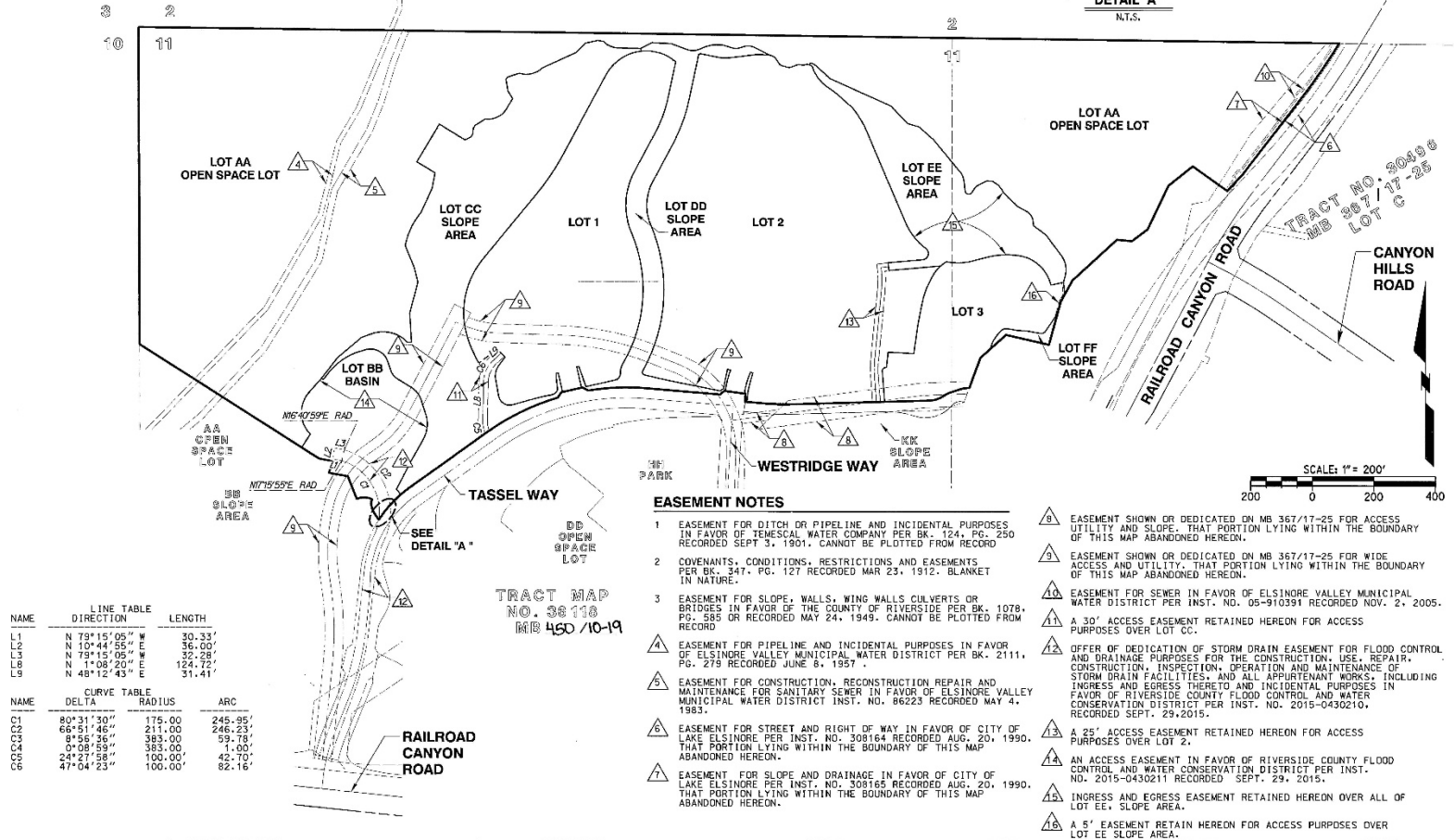
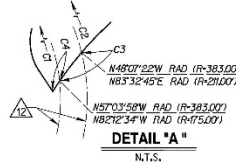
LOT 2 AND A PORTIONS OF LOTS 1 AND 3 AND PORTIONS OF LETTERED LOTS "A" AND "B" OF TRACT NO. 30496, SHOWN BY MAP ON FILE IN BOOK 367, PAGES 17 THROUGH 25, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, LYING WITHIN SECTION 11, TOWNSHIP 6 SOUTH, RANGE 4 WEST, SAN BERNARDINO BASE AND MERIDIAN.  
RICK ENGINEERING COMPANY

EASEMENT SHEET

MAY 2015

SHEET 9 OF 9 SHEETS  
NOTES

1. SEE SHEET NO. 2 FOR SURVEYOR'S NOTES.
2. DRAINAGE EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND OBSTRUCTIONS.



NAME	DIRECTION	LENGTH
L1	N 79°15'05" W	30.33'
L2	N 10°44'55" E	26.00'
L3	N 79°15'05" W	32.28'
L8	N 1°08'20" E	124.72'
L9	N 48°12'43" E	51.41'

NAME	DELTA	RADIUS	ARC
C1	80°31'30"	175.00'	245.95'
C2	68°51'46"	211.00'	246.23'
C3	8°56'36"	383.00'	59.78'
C4	0°08'59"	383.00'	1.00'
C5	24°27'58"	100.00'	42.70'
C6	47°04'23"	100.00'	82.16'

## EASEMENT NOTES

1. EASEMENT FOR DITCH OR PIPELINE AND INCIDENTAL PURPOSES IN FAVOR OF TEMESCAL WATER COMPANY PER BK. 124, PG. 250 RECORDED SEPT. 3, 1901. CANNOT BE PLOTTED FROM RECORD.
2. COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS PER BK. 347, PG. 127 RECORDED MAR. 23, 1912. BLANKET IN NATURE.
3. EASEMENT FOR SLOPE, WALLS, WING WALLS, CULVERTS OR BRIDGES IN FAVOR OF THE COUNTY OF RIVERSIDE PER BK. 1078, PG. 585 OR RECORDED MAY 24, 1945. CANNOT BE PLOTTED FROM RECORD.
4. EASEMENT FOR PIPELINE AND INCIDENTAL PURPOSES IN FAVOR OF ELSINORE VALLEY MUNICIPAL WATER DISTRICT PER BK. 2111, PG. 279 RECORDED JUNE 8, 1957.
5. EASEMENT FOR CONSTRUCTION, RECONSTRUCTION REPAIR AND MAINTENANCE FOR SANITARY SEWER IN FAVOR OF ELSINORE VALLEY MUNICIPAL WATER DISTRICT INST. NO. 86223 RECORDED MAY 4, 1983.
6. EASEMENT FOR STREET AND RIGHT OF WAY IN FAVOR OF CITY OF LAKE ELSINORE PER INST. NO. 308164 RECORDED AUG. 20, 1990. THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.
7. EASEMENT FOR SLOPE AND DRAINAGE IN FAVOR OF CITY OF LAKE ELSINORE PER INST. NO. 308165 RECORDED AUG. 20, 1990. THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.
8. EASEMENT SHOWN OR DEDICATED ON MB 367/17-25 FOR ACCESS UTILITY AND SLOPE. THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.
9. EASEMENT SHOWN OR DEDICATED ON MB 367/17-25 FOR WIDE ACCESS AND UTILITY. THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.
10. EASEMENT FOR SEWER IN FAVOR OF ELSINORE VALLEY MUNICIPAL WATER DISTRICT PER INST. NO. 06-910391 RECORDED NOV. 2, 2005.
11. A 30' ACCESS EASEMENT RETAINED HEREON FOR ACCESS PURPOSES OVER LOT CC.
12. OFFER OF DEDICATION OF STORM DRAIN EASEMENT FOR FLOOD CONTROL AND DRAINAGE PURPOSES FOR THE CONSTRUCTION, USE, REPAIR, CONSTRUCTION, INSPECTION, OPERATION AND MAINTENANCE OF STORM DRAIN FACILITIES, AND ALL APPURTENANT WORKS, INCLUDING INGRESS AND EGRESS THEREON AND INCIDENTAL PURPOSES IN FAVOR OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT PER INST. NO. 2015-0430210, RECORDED SEPT. 29, 2015.
13. A 25' ACCESS EASEMENT RETAINED HEREON FOR ACCESS PURPOSES OVER LOT 2.
14. AN ACCESS EASEMENT IN FAVOR OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT PER INST. NO. 2015-0430211 RECORDED SEPT. 29, 2015.
15. INGRESS AND EGRESS EASEMENT RETAINED HEREON OVER ALL OF LOT EE, SLOPE AREA.
16. A 5' EASEMENT RETAINED HEREON FOR ACCESS PURPOSES OVER LOT EE SLOPE AREA.

## NOTES

MAY 2015

EASEMENT SHEET

1 EASEMENT FOR DITCH OR PIPELINE AND INCIDENTAL PURPOSES  
IN FAVOR OF TEMESCAL WATER COMPANY PER BK. 124, PG. 250  
RECORDED JUNE 1, 1957. THIS EASEMENT IS ABANDONED RECORD.

2 COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS  
PER BK. 347, PG. 127 RECORDED MAR. 23, 1912. BLANKET  
IN NATURE.

3 EASEMENT FOR SLOPE, WALLS, WING WALLS, CULVERTS OR  
BRIDGES IN FAVOR OF RIVERSIDE WATER DISTRICT PER BK. 1078,  
PG. 585 OR RECORDED MAY 24, 1949. CANNOT BE PLOTTED FROM  
RECORD.

4 EASEMENT FOR PIPELINE AND INCIDENTAL PURPOSES IN FAVOR  
OF RIVERSIDE WATER DISTRICT PER BK. 2111, PG. 279 RECORDED JUNE 8, 1957.

5 INTENTIONALLY DELETED.

6 EASEMENT FOR CONSTRUCTION, RECONSTRUCTION REPAIR AND  
MAINTENANCE FOR SANITARY SEWER IN FAVOR OF ELSINORE VALLEY  
MUNICIPAL WATER DISTRICT INST. NO. 06223 RECORDED MAY 4,  
1985.

7 EASEMENT FOR ROAD PURPOSES IN FAVOR OF ELSINORE VALLEY  
MUNICIPAL WATER DISTRICT PER INST. NO. 113909 RECORDED MAR.  
30, 1990.

8 EASEMENT FOR STREET AND RIGHT OF WAY IN FAVOR OF CITY OF  
LAKE ELSINORE PER INST. NO. 308164 RECORDED AUG. 20, 1990.  
THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP  
ABANDONED HEREON.

9 EASEMENT FOR SLOPE AND DRAINAGE IN FAVOR OF CITY OF  
LAKE ELSINORE PER INST. NO. 308165 RECORDED AUG. 20, 1990.  
THAT PORTION LYING WITHIN THE BOUNDARY OF THIS MAP  
ABANDONED HEREON.

10 EASEMENT FOR SEWER AND WATER PIPELINES IN FAVOR OF  
ELSNORE VALLEY MUNICIPAL WATER DISTRICT PER INST.  
NO. 106457 RECORDED MAY 21, 1991.

11 EASEMENT FOR GRAINAGE IN FAVOR OF CITY OF LAKE ELSINORE  
PER INST. NO. 06248 RECORDED MAY 21, 1991. THAT PORTION  
LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.

12 EASEMENT FOR SLOPE AND DRAINAGE IN FAVOR OF CITY OF LAKE  
ELSNORE PER INST. NO. 87773 RECORDED FEB. 28, 1992. THAT  
PORTION LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED  
HEREON.

13 EASEMENT SHOWN OR DEDICATED ON MAP 367/17-25 FOR ACCESS  
UTILITY AND SLOPE AFFECTS LOT A. THAT PORTION LYING  
WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.

14 EASEMENT SHOWN OR DEDICATED ON MAP 367/17-25 FOR WIDE  
ACCESS AND UTILITY AFFECTS LOTS 1 AND 3. THAT PORTION  
LYING WITHIN THE BOUNDARY OF THIS MAP ABANDONED HEREON.

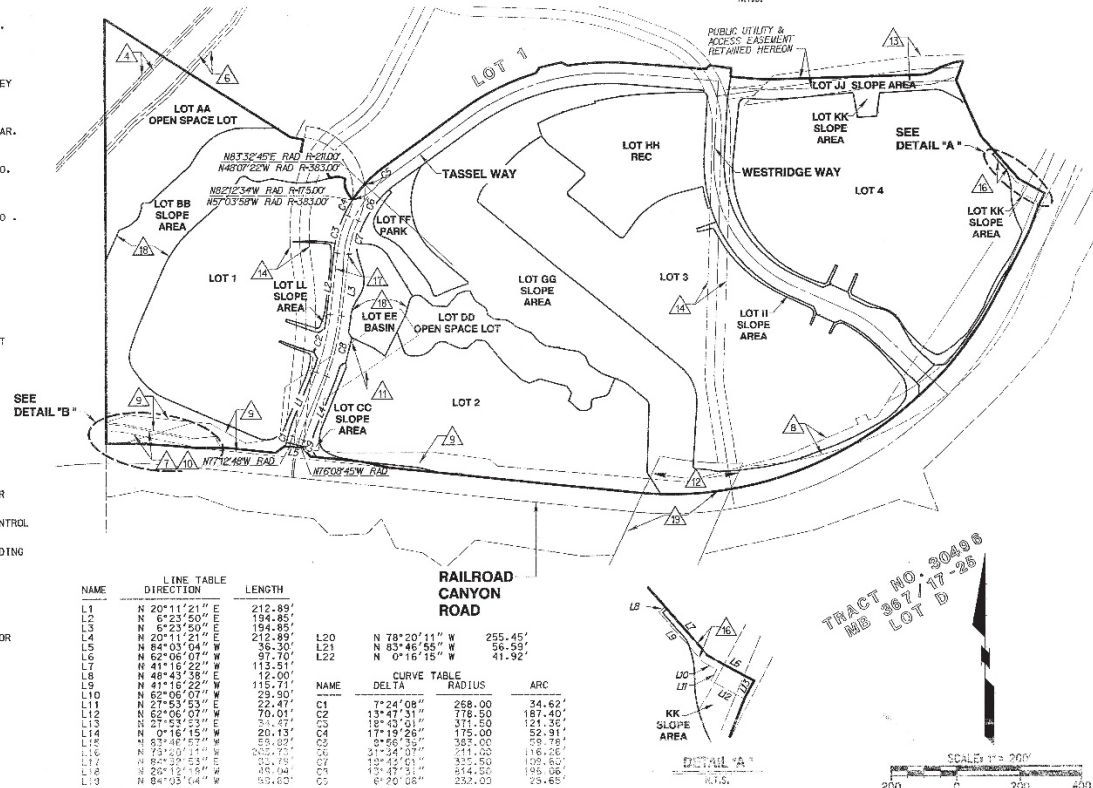
15 ABUTTERS RIGHTS OF INGRESS AND EGRESS TO OR FROM  
RAILROAD CARRIED RELINQUISHED PER INST. NO. 367/17-25.

16 EASEMENT FOR STORM DRAIN FACILITIES IN FAVOR OF  
C.N.M.P., LLC, A CALIFORNIA LIMITED LIABILITY COMPANY PER  
INST. NO. 05-062745 RECORDED AUG. 15, 2005.

17 OFFER OF DEDICATION OF STORM DRAIN EASEMENT FOR GOVT. CONTROL  
AND MAINTENANCE OF STORM DRAINAGE SYSTEMS. THIS OFFER, REPAIR,  
CONSTRUCTION, INSPECTION, OPERATION AND MAINTENANCE OF  
STORM DRAIN FACILITIES, AND APPURTENANT WORKS, INCLUDING  
CONSTRUCTION AND EROSION CONTROL AND INCIDENTAL PURPOSES IN  
FAVOR OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER  
CONSERVATION DISTRICT PER INST. NO. 2015-043002,  
RECORDED SEPT. 29, 2015.

18 EASEMENT RETAINED HEREON FOR INGRESS AND EGRESS  
OVER ALL OF LOT BB, SLOPE AREA AND LOT EE, BASIN.

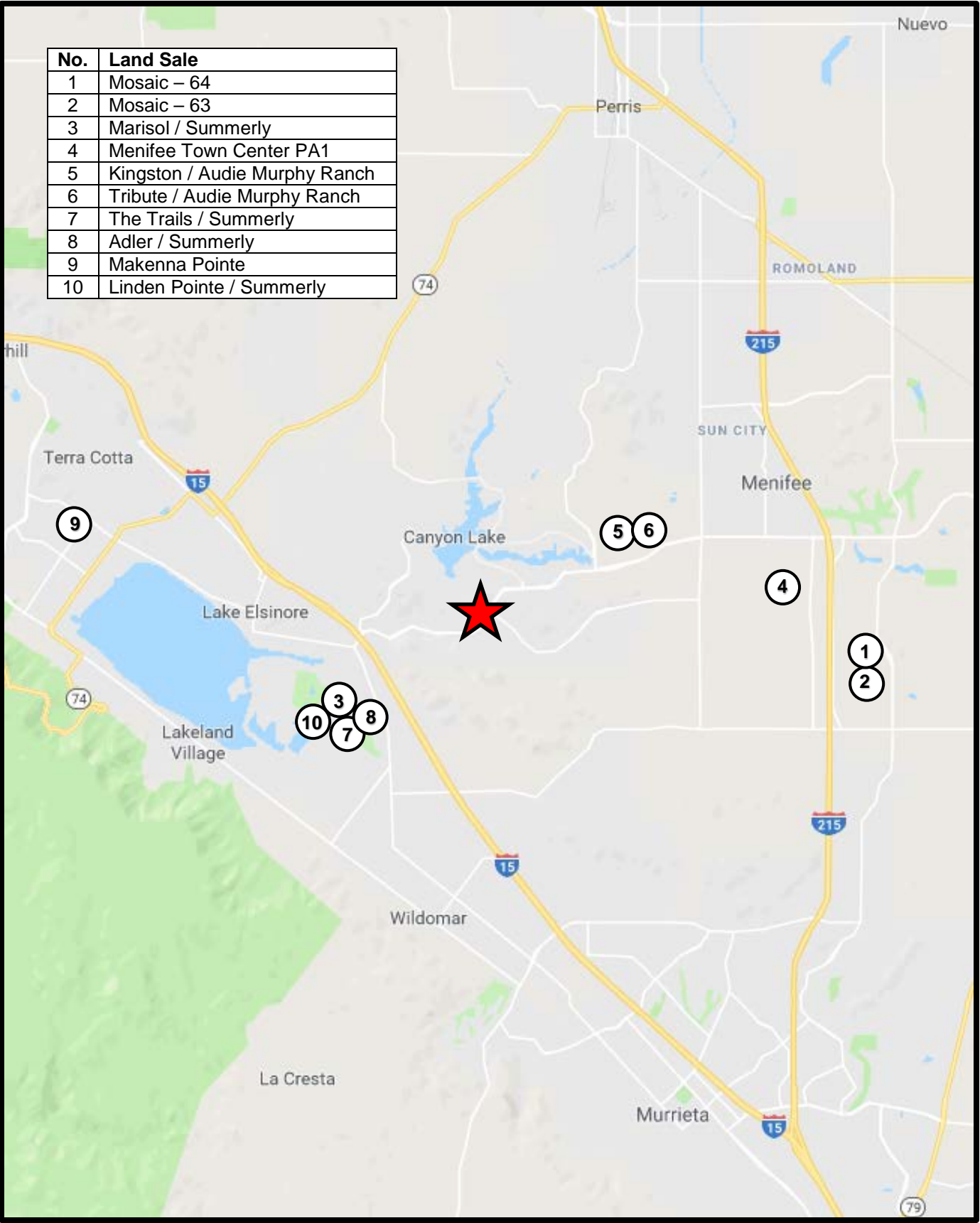
19 EASEMENT FOR RIGHT OF WAY AND INCIDENTAL PURPOSES IN FAVOR  
OF LAKE ELSINORE PER INST. NO. 06-259266 RECORDED  
APRIL 12, 2006.



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

**Finished Lot Land Sales Map**

No.	Land Sale
1	Mosaic – 64
2	Mosaic – 63
3	Marisol / Summerly
4	Menifee Town Center PA1
5	Kingston / Audie Murphy Ranch
6	Tribute / Audie Murphy Ranch
7	The Trails / Summerly
8	Adler / Summerly
9	Makenna Pointe
10	Linden Pointe / Summerly

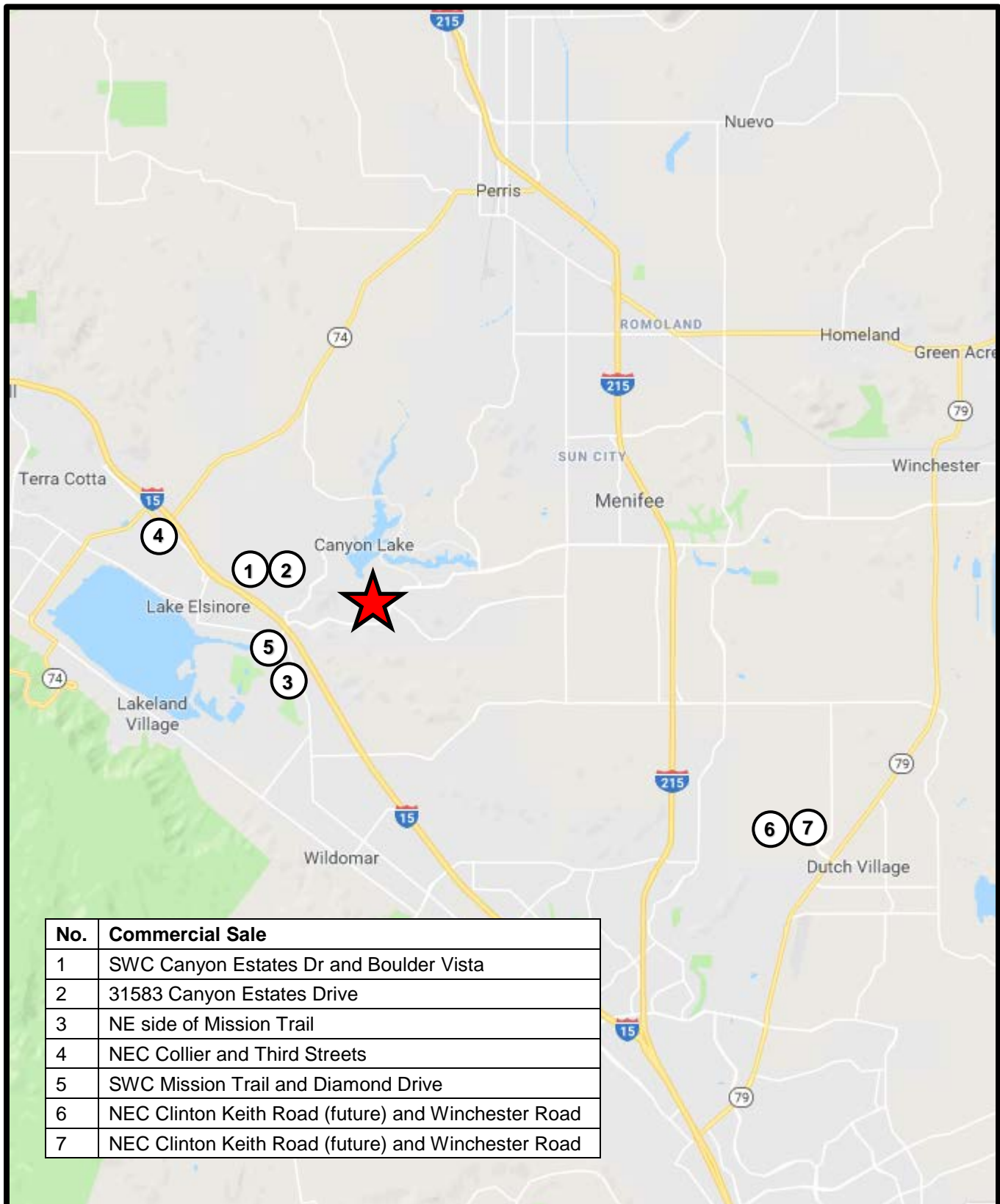


### **FINISHED LOT LAND SALES SUMMARY CHART**

<b>No.</b>	<b>Location/APN / Buyer / Seller</b>	<b>C.O.E.</b>	<b># Units</b>	<b>Density/ Min. Lot Size</b>	<b>Cond. At Closing</b>	<b>Sales Price/Price per Unit</b>	<b>Est. Finished Lot Price</b>	<b>Comments</b>
1	Mosaic – 64 / SWC of Craig Ave. & Palomar Road / Menifee / 372-050-032 / Pulte Homes / Mckinely Capital	2/28/2018	64	7,200 sf	Rough Graded	\$4,125,000 \$64,453	\$140,000	Delivered rough graded with an approved Final Map.
2	Mosaic – 63 / SW of Craig Ave. & Palomar Road / Menifee / 372-050-035 / Pulte Homes / Watt Communities	2/8/2018	63	7,200 sf	Rough Graded	\$3,377,000 \$53,603	\$140,000	Delivered rough graded with an approved Final Map.
3	/ Summerly / SW of Mission Trail & Malaga Road / Lake Elsinore / 371-270-023 / Richmond American Homes / DMB Pacific Ventures	1/31/2018	65	5,000 sf	Blue Topped	\$5,421,000 \$83,400	\$147,000	Delivered blue topped with an approved Final Map.
4	Menifee Town Center PA1 / SWC of Huan Road & La Piedra Road / Menifee / 360-110-019 / RSI Communities / Regent Properties	11/7/2017	151	4,600 sf	Rough Graded	\$9,748,500 \$64,559.60	\$126,000	Delivered rough graded with an approved Tentative Tract Map.
5	Kingston / Audie Murphy Ranch / NEC of Newport Road & Goetz Road / Menifee / 358-070-009 / Meritage Homes / Brookfield Residential	11/7/2017	102	5,000 sf	Finished	\$10,656,500 \$104,475	\$154,000	Delivered finished with an approved Final Map.
6	Tribute / Audie Murphy Ranch / NEC of Newport Road & Goetz Road / Menifee / 358-070-009 / D.R. Horton / Brookfield Residential	10/19/2017	52	6,000 sf	Finished	\$5,976,000 \$114,923	\$160,000	Delivered finished with an approved Final Map
7	Mosaic / Summerly / SW of Mission Trail & Malaga Road / Lake Elsinore / 371-270-049 / Richmond American / McMillin Summerly	6/21/2017	51	7,200 sf	Blue Topped	\$3,315,500 / \$65,010	\$132,000	Delivered in a blue-topped condition.
8	Adler / Summerly / SW of Mission Trail & Malaga Road / Lake Elsinore / 371-270-020 / RSI Communities / McMillin Summerly	5/12/2017	65	5,500 sf	Blue Topped	\$4,300,000 / \$66,154	\$125,000	Delivered in a blue-topped condition.
9	Makenna Pointe / NW of Lakeshore Drive & Machado Street / Lake Elsinore / 379-150-050 / D.R. Horton / Spring Pacific Capital	4/13/2017	81	7,200 sf	Rough Graded	\$5,700,000 / \$70,370	126,000	Delivered rough graded with an approved Final Map.
10	Linden Pointe / Summerly / SW of Mission Trail & Malaga Road / Lake Elsinore / 371-270-004 / D.R. Horton / McMillin Summerly	2/16/2017	95	3,525 sf	Blue Topped	\$4,932,500 / \$51,921	\$115,000	Delivered blue-topped with an approved final map.

**Commercial Land Sales Map**  
**And Summary Chart**

## Commercial Land Sales Map



### COMMERCIAL LAND SALES SUMMARY CHART

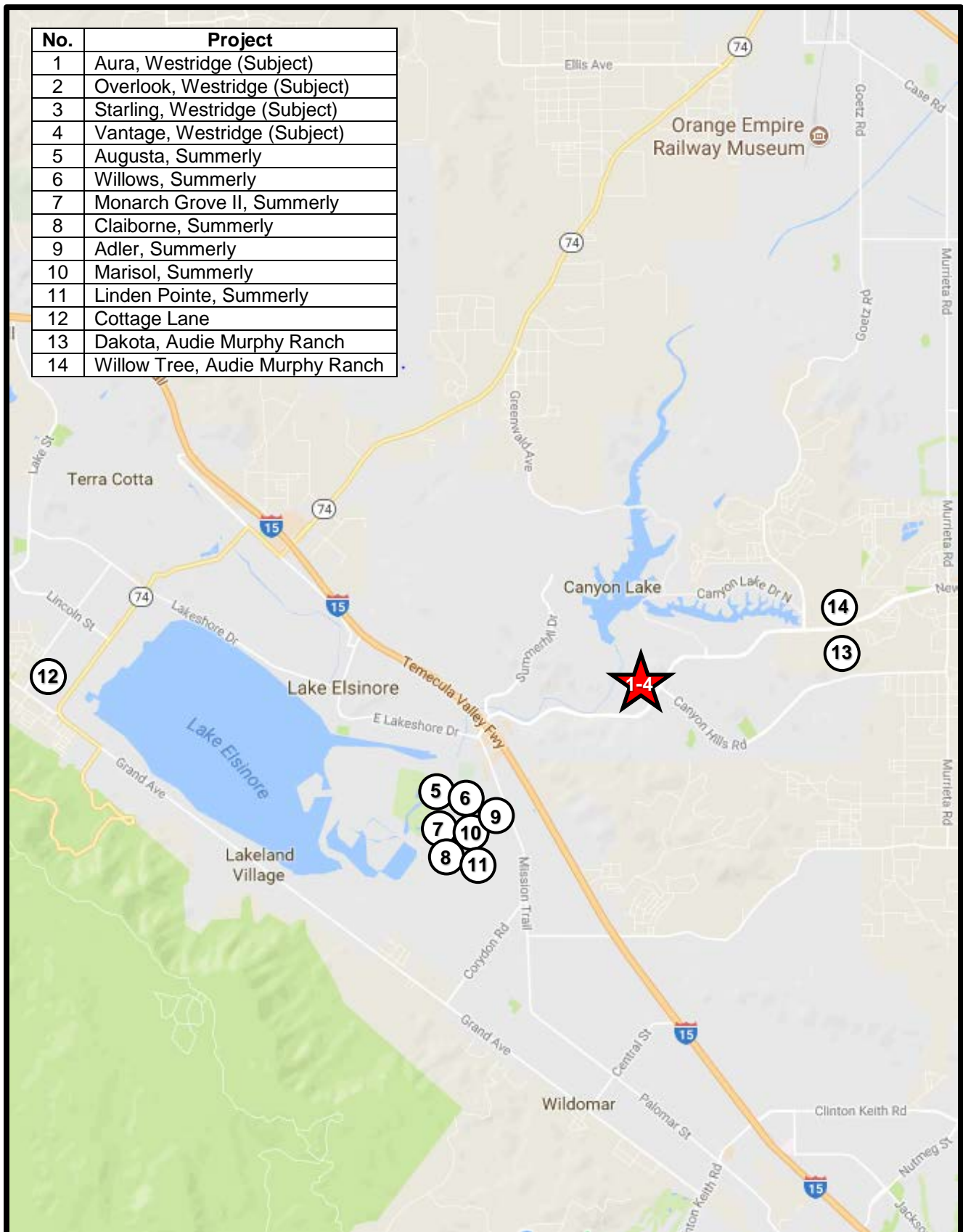
No.	Location/APN / Buyer / Seller	Sales Date.	Acres / SF	Condition / Zoning	Sales Price	Price/SF	Comments
1	SWC Canyon Estates Dr and Boulder Vista, Lake Elsinore / 363-670-008 / N/A / Lawyers Sons LLC	Currently For Sale	0.54 / 23,522	Graded Pad	\$330,000	\$14.02	Within a shopping area near entrance to Tuscan Hills (near Data 2). Adjacent to Holliday Inn and Chase Bank.
2	31583 Canyon Estates Drive, Lake Elsinore / 363-670-004 / N/A / Oakwood Investments LLC	Currently For Sale	0.60 / 25,136	Graded Pad	\$350,000	\$13.39	Within a shopping area with horseshoe street installed (near Data No. 1). Adjacent to Animal Hospital, Shell Station, Holiday Inn and Chase Bank.
3	NE side of Mission Trail, five parcels east of Diamond Drive, Lake Elsinore / 363-172-016 / Imperial Solutions / Terraplus USA LLC	12/18/17	1.81 / 78,844	Unimproved Level Site	\$875,000	\$11.10	Parcel located adjacent to a shopping center along Mission Blvd.
4	NEC Collier and Third Streets, Lake Elsinore / 377-080-053, 057 and 079 / SRZ Yuma LLC / Northern Trust Co.	8/8/2017	6.97 / 303,613	Unimproved Level Site	\$3,200,000	\$10.53	Unimproved level site with I-15 Frontage near Central Street. Collier St. is improved at the site.
5	SWC Mission Trail and Diamond Drive, Lake Elsinore / 363-150-02, 04 and 25 / Robinson, Kamphefer et al / Elsinore Valley Municipal Water District	6/7/17	0.424 / 18,506	Unimproved Vacant Lot	\$285,000	\$15.40	Unimproved parcel covered with vegetation at busy intersection. Adjacent to existing residence however zoned commercial. Both Diamond Drive and Mission Trail are improved.
6	NEC Clinton Keith Road (future) and Winchester Road, French Valley / 963-450-001 / Target / Murrieta Marketplace	1/8/16	11.47 / 499,633	Mass graded Portion of future shopping cntr	\$5,000,000	\$10.00	Target sold portion of future shopping center to Murrieta Marketplace, buyer also of Data No. 5.
7	NEC Clinton Keith Road (future) and Winchester Road, French Valley / 963-060-065, 066; 963-450-02 thru 019 and 480-100-073, 074 / Murrieta Marketplace / JV Commons, LLC	1/7/16	38+-	Mass graded	\$13,336,000	\$8.00	Mass graded site previously owned by Regency. New buyers proposing a large center with anchor such as Target or Lowes. At intersection of Winchester and (future) Clinton Keith Road.



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

## Improved Residential Sales Map

No.	Project
1	Aura, Westridge (Subject)
2	Overlook, Westridge (Subject)
3	Starling, Westridge (Subject)
4	Vantage, Westridge (Subject)
5	Augusta, Summerly
6	Willows, Summerly
7	Monarch Grove II, Summerly
8	Claiborne, Summerly
9	Adler, Summerly
10	Marisol, Summerly
11	Linden Pointe, Summerly
12	Cottage Lane
13	Dakota, Audie Murphy Ranch
14	Willow Tree, Audie Murphy Ranch



### IMPROVED RESIDENTIAL SALES SUMMARY CHART

No.	Project Name Location / Developer	Plan	Room Count	Floors / Parking	Size (SF)	Lot Size	Base Sales Price	Absorp. Rate	Incentives/ Concessions	Price Less Incentives	Price/SF After Incentives
1	Aura, Westridge – Canyon Hills, SW of Railroad Canyon Road and Canyon Hills Road / Pardee Homes (Subject)	1 2 3	3 / 2.5 4 / 3.5 4 / 3.5	2 / 2 2 / 2 2 / 2	2,151 2,339 2,493	3,500	\$368,500 \$376,500 \$379,500	3.5	\$11,000 towards closing costs	\$357,500 \$365,500 \$368,500	\$166.20 \$156.26 \$147.81
2	Overlook, Westridge – Canyon Hills, SW of Railroad Canyon Road and Canyon Hills Road / Pardee Homes (Subject)	1 2 3	3 / 2.5 3 / 2.5 4 / 3	2 / 2 2 / 2 2 / 2	1,798 2,059 2,203	2,500	\$325,000 \$339,500 \$345,500	5.7	None – end of project	\$325,000 \$339,500 \$345,500	\$180.76 \$164.88 \$156.83
3	Starling, Westridge – Canyon Hills, SW of Railroad Canyon Road and Canyon Hills Road / Pardee Homes (Subject)	1 2 3	5 / 4 5 / 3 5 / 4	2 / 2 2 / 2 2 / 2	2,936 3,037 3,255	4,500	\$422,500 \$428,500 \$428,500	2.7	\$12,000 towards closing with preferred lender	\$415,500 \$416,500 \$416,500	\$141.52 \$137.14 \$127.95
4	Vantage, Westridge – Canyon Hills, SW of Railroad Canyon Road and Canyon Hills Road, / Pardee Homes (Subject)	1 2 3	4 / 3 5 / 3 5 / 3	2 / 2 2 / 2 2 / 2	2,539 2,789 2,870	3,500	\$385,000 \$397,500 \$403,500	4.2	\$12,000 towards closing costs	\$373,000 \$385,500 \$391,500	\$146.90 \$138.22 \$136.41
5	Augusta, Summerly, Railroad Canyon and Diamond Drive / Woodside	1 2 3	3 / 2.5 3 / 2.5 4 / 3.5	1 / 2 2 / 3 2 / 3	2,182 2,521 2,742	5,500	\$389,090 \$418,485 \$436,905	2.9	\$5,000 towards closing with preferred lender	\$384,090 \$413,485 \$431,905	\$176.02 \$164.01 \$157.51
6	Willows, Summerly, SW of Mission Trail and Malaga Rd. / Beazer Homes	1 2 3	3 / 2 3 / 2 3 / 2.5	1 / 2 1 / 2 2 / 2	1,552 1,790 1,974	5,000	\$364,990 \$379,990 \$380,990	4.4	\$5,000 towards closing with preferred lender	\$361,990 \$374,990 \$375,990	\$233.24 \$209.49 \$190.47
7	Monarch Grove II, Summerly, Railroad Canyon and Diamond Drive / CalAtlantic	1 2 3	4 / 2.5 4 / 3 4 / 3	1 / 2 2 / 3 2 / 3	2,553 2,854 3,184	6,000	\$404,000 \$405,800 \$419,450	2.8	\$5,000 towards closing with preferred lender, \$4,000 options	\$399,000 \$400,800 \$414,450	\$156.28 \$140.43 \$130.16

8	Claiborne, Summerly, SEC Hidden Trail and Village Parkway / Van Daele	1	4 / 3.5	1 / 3	2,338	6,000	\$411,653	3.1	\$5,000 with preferred lender and \$5,000 with design center	\$406,653	\$173.93
		1X	5 / 3.5	2 / 3	3,014		\$506,990			\$501,990	\$166.55
		2	4 / 3	2 / 3	2,954		\$519,990			\$514,990	\$174.33
		3	5 / 4.5	2 / 2	3,424		\$544,990			\$539,990	\$157.70
9	Adler, Summerly, SW of Mission Trail & Malaga Rd. / William Lyon Homes	1	3 / 2	1 / 2	1,941	5,500	\$384,900	-	\$5,000 towards closing with preferred lender	\$379,900	\$195.72
		2	3 / 2.5	2 / 2	2,112		\$384,900			\$379,900	\$179.87
		3	4 / 3	2 / 2	2,350		\$390,000			\$385,000	\$163.82
10	Marisol, Summerly, SW of Mission Trail & Malaga Rd. / Richmond American Homes	1	3 / 2.5	1 / 2	2,550	5,500	\$409,990	3.2	\$12,500 towards closing with preferred lender	\$397,990	\$156.07
		2	3 / 2.5	1 / 3	2,490		\$417,990			\$405,990	\$163.04
		3	3 / 2.5	1 / 3	2,800		\$439,990			\$427,990	\$152.85
11	Linden Pointe, Summerly, Diamond Drive and Summerly Place / D.R. Horton	1	3 / 2	1 / 2	1,387	3,525	\$339,990	5.9	\$5,000 towards closing with preferred lender	\$334,990	\$241.52
		2	4 / 3	2 / 2	1,769		\$361,990			\$356,990	\$201.80
		3	4 / 3	2 / 2	1,895		\$371,990			\$364,990	\$192.60
12	Cottage Lane / Riverside Drive & Grand Avenue / Lake Elsinore / Frontier Communities	1	3 / 2	1 / 2	1,860	4,000	\$385,032	4.2	\$7,000 towards closing with preferred lender	\$378,032	\$203.24
		2	3 / 2	1 / 2	1,946		\$391,269			\$384,269	\$197.46
13	Dakota, Audie Murphy Ranch / Newport Road and Goetz Road / Woodside Homes	1	3 / 2.5	1 / 2	2,164	5,500	\$432,290	3.3	\$7,500	\$424,790	\$196.29
		2	3 / 2.5	2 / 2	2,370		\$407,480			\$399,980	\$168.76
		3	4 / 3	2 / 2	2,628		\$412,290			\$404,790	\$154.02
		4	3 / 2.5	2 / 2	2,716		\$419,380			\$411,880	\$151.64
14	Willow Tree, Audie Murphy Ranch / Newport Road and Goetz Road / William Lyon Homes	1	3 / 2.5	1 / 2	2,260	5,000	\$405,900	5.4	\$5,000	\$400,900	\$177.38
		2	4 / 3	2 / 2	2,269		\$396,900			\$391,900	\$172.71
		3	4 / 3	2 / 2	2,485		\$402,990			\$397,990	\$160.15
		4	4 / 3	2 / 2	2,744		\$412,900			\$407,990	\$148.68

# **DISCOUNTED CASH FLOW ANALYSES**

### Aura at Westridge Discounted Cash Flow Analysis

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>MONTH 4</u>	<u>TOTAL</u>
INCOME:					
Retail Sales	\$839,198	\$839,198	\$839,198	\$839,198	\$3,356,793
TOTAL INCOME	<u>\$839,198</u>	<u>\$839,198</u>	<u>\$839,198</u>	<u>\$839,198</u>	<u>\$3,356,793</u>
EXPENSES:					
Remaining Costs	(\$3,583)	(\$3,583)	(\$3,583)	(\$3,583)	(\$14,333)
Marketing & Carrying Expenses	(\$67,136)	(\$67,136)	(\$67,136)	(\$67,136)	(\$268,543)
Profit	<u>(\$67,136)</u>	<u>(\$67,136)</u>	<u>(\$67,136)</u>	<u>(\$67,136)</u>	<u>(\$268,543)</u>
TOTAL EXPENSES	(\$137,855)	(\$137,855)	(\$137,855)	(\$137,855)	(\$551,420)
NET CASH FLOW	\$701,343	\$701,343	\$701,343	\$701,343	\$2,805,373
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	<u>0.9673</u>	
DISCOUNTED CASH FLOW	\$695,547	\$689,799	\$684,098	\$678,444	\$2,747,888
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$695,547</u>	<u>\$1,385,346</u>	<u>\$2,069,444</u>	<u>\$2,747,888</u>	<u>\$2,747,888</u>

### Overlook at Westridge Discounted Cash Flow Analysis

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>TOTAL</u>
INCOME:				
Retail Sales	\$942,975	\$942,975	\$942,975	\$2,828,925
TOTAL INCOME	<u>\$942,975</u>	<u>\$942,975</u>	<u>\$942,975</u>	<u>\$2,828,925</u>
EXPENSES:				
Remaining Costs	(\$4,247)	(\$4,247)	(\$4,247)	(\$12,741)
Marketing & Carrying Expenses	(\$75,438)	(\$75,438)	(\$75,438)	(\$226,314)
Profit	<u>(\$75,438)</u>	<u>(\$75,438)</u>	<u>(\$75,438)</u>	<u>(\$226,314)</u>
TOTAL EXPENSES	(\$155,123)	(\$155,123)	(\$155,123)	(\$465,369)
NET CASH FLOW	\$787,852	\$787,852	\$787,852	\$2,363,556
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW	\$781,341	\$774,883	\$768,479	\$2,324,704
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$781,341</u>	<u>\$1,556,224</u>	<u>\$2,324,704</u>	<u>\$2,324,704</u>

### **Starling at Westridge Discounted Cash Flow Analysis**

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>MONTH 4</u>	<u>TOTAL</u>
INCOME:					
Retail Sales	\$747,443	\$747,443	\$747,443	\$747,443	\$2,989,772
TOTAL INCOME	<u>\$747,443</u>	<u>\$747,443</u>	<u>\$747,443</u>	<u>\$747,443</u>	<u>\$2,989,772</u>
EXPENSES:					
Remaining Costs	(\$2,787)	(\$2,787)	(\$2,787)	(\$2,787)	(\$11,148)
Marketing & Carrying Expenses	(\$59,795)	(\$59,795)	(\$59,795)	(\$59,795)	(\$239,182)
Profit	<u>(\$59,795)</u>	<u>(\$59,795)</u>	<u>(\$59,795)</u>	<u>(\$59,795)</u>	<u>(\$239,182)</u>
TOTAL EXPENSES	(\$122,378)	(\$122,378)	(\$122,378)	(\$122,378)	(\$489,512)
NET CASH FLOW	\$625,065	\$625,065	\$625,065	\$625,065	\$2,500,260
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	<u>0.9673</u>	
DISCOUNTED CASH FLOW	\$619,899	\$614,776	\$609,695	\$604,657	\$2,449,027
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$619,899</u>	<u>\$1,234,675</u>	<u>\$1,844,371</u>	<u>\$2,449,027</u>	<u>\$2,449,027</u>



**Vantage at Westridge Discounted Cash Flow Analysis**

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>TOTAL</u>
INCOME:				
Retail Sales	\$935,579	\$935,579	\$935,579	\$2,806,738
TOTAL INCOME	<u>\$935,579</u>	<u>\$935,579</u>	<u>\$935,579</u>	<u>\$2,806,738</u>
EXPENSES:				
Remaining Costs	(\$3,716)	(\$3,716)	(\$3,716)	(\$11,148)
Marketing & Carrying Expenses	(\$74,846)	(\$74,846)	(\$74,846)	(\$224,539)
Profit	<u>(\$74,846)</u>	<u>(\$74,846)</u>	<u>(\$74,846)</u>	<u>(\$224,539)</u>
TOTAL EXPENSES	(\$153,409)	(\$153,409)	(\$153,409)	(\$460,226)
NET CASH FLOW	\$782,171	\$782,171	\$782,171	\$2,346,512
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW	\$775,706	\$769,296	\$762,938	\$2,307,940
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$775,706</u>	<u>\$1,545,002</u>	<u>\$2,307,940</u>	<u>\$2,307,940</u>

## **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 and 2015  
Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy Program, February 2009 and March 2011