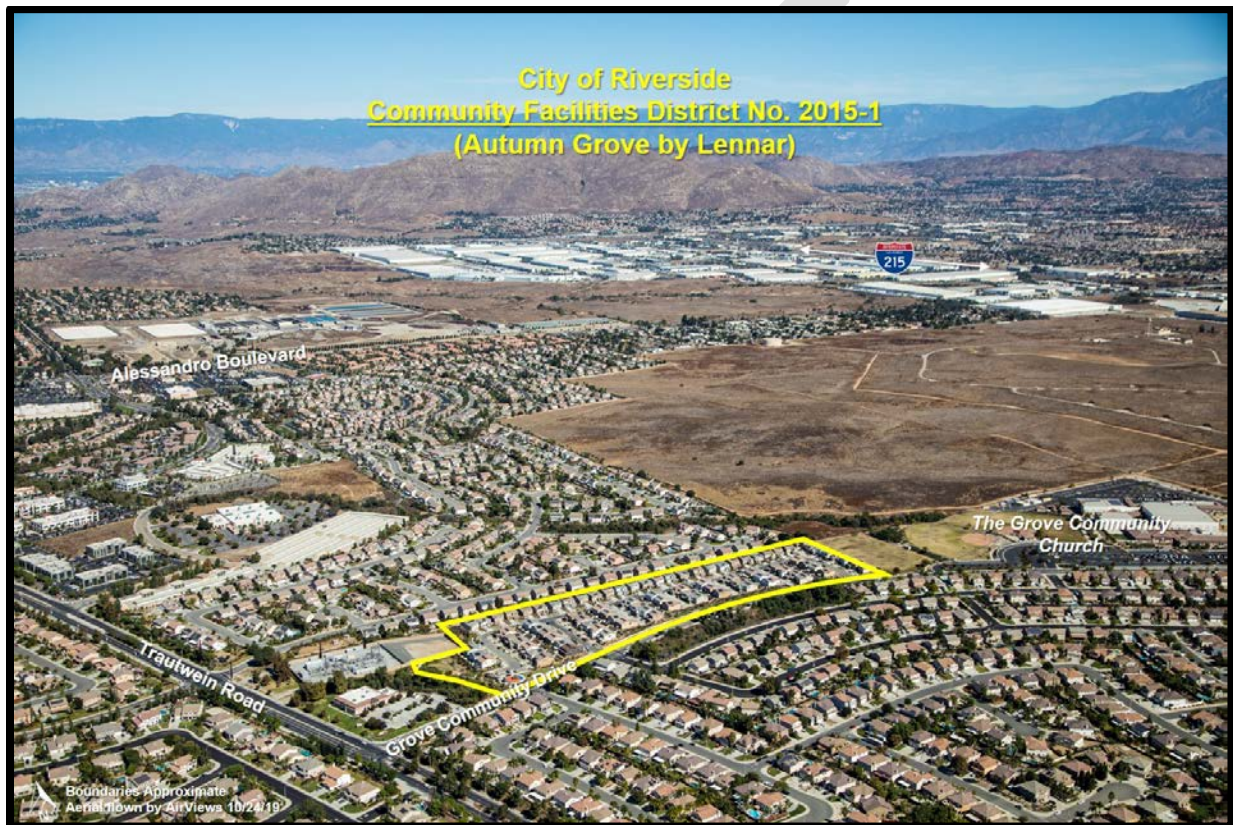


APPRAISAL REPORT

CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (Orangecrest Grove)

Tract No. 39534
City of Riverside, Riverside County, California
(Appraisers' File No. 2019-1203)



Prepared For
City of Riverside
3900 Main Street 6th Floor
Riverside, CA 92501

Prepared By
Kitty Siino & Associates, Inc.
115 East Second Street, Suite 100
Tustin, California 92780

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

January 7, 2020

Heidi Schrader, Debt Manager
City of Riverside
3900 Main Street, 6th Floor
Riverside, CA 92522

Reference: Appraisal Report – Community Facilities District No. 2015-1
Of the City of Riverside
(Orangecrest Grove – Lennar)
Northeast of the Trautwein Road and Orange Terrace Parkway Intersection,
City of Riverside, California

Dear Ms. Schrader:

At the request and authorization of the City of Riverside, we have completed an Appraisal Report for Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside ("Riverside CFD No. 2015-1"). Riverside CFD No. 2015-1 consists of approximately 13.528 acres covered by Tract Map No. 39534 which encompass a total of 85 single family detached lots. Out of the total 85 proposed homes, 83 have closed to individuals.

The 85 lots are being developed into one neighborhood known as Autumn Grove being built and marketed by Lennar Homes. The site was previously known as Orangecrest Grove and is a part of the Orangecrest area of Riverside. Autumn Grove is not part of a master-planned community. The lots range in condition from completed, individually owned homes to a completed builder-owned model in escrow and the final home under construction.

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 lien of the Riverside CFD No. 2015-1 Special Tax Bonds.

Ms. Heidi Schrader
City of Riverside
January 7, 2020
Page Two

As a result of our investigation, the concluded Minimum Market Value (as defined within this report) for the subject property is:

Autumn Grove by Lennar

| | |
|--|-----------------------------|
| Builder Owned (1 finished lot and 1 completed house) | \$ 588,762 |
| Individual Owned (83 completed houses) | <u>\$ 37,600,470</u> |
| Aggregate Value of Riverside CFD No. 2015-1 | <u>\$ 38,189,232</u> |

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 14, 2019.

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 2018) 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.

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

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.



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

TABLE OF CONTENTS

| | |
|--|----|
| Assumptions and Limiting Conditions..... | i |
| Aerial Photo of Riverside CFD No. 2015-1 | iv |
| Purpose of the Appraisal | 1 |
| The Subject Property..... | 1 |
| Intended Use of the Report | 2 |
| Definitions | 2 |
| Property Rights Appraised | 4 |
| Effective Date of Value..... | 4 |
| Date of Report..... | 4 |
| Scope of Appraisal | 4 |
| Regional Area Map..... | 7 |
| County of Riverside Area Description..... | 8 |
| Riverside Area Map..... | 16 |
| City of Riverside Description | 17 |
| Immediate Surroundings | 20 |
| Riverside CFD No. 2015-1 | 22 |
| Subject Property Description..... | 24 |
| Riverside County Housing Market..... | 29 |
| Highest and Best Use Analysis | 39 |
| Valuation Analysis and Conclusions | 43 |
| Appraisal Report Summary | 55 |
| Appraiser's Certification | 56 |

ADDENDA

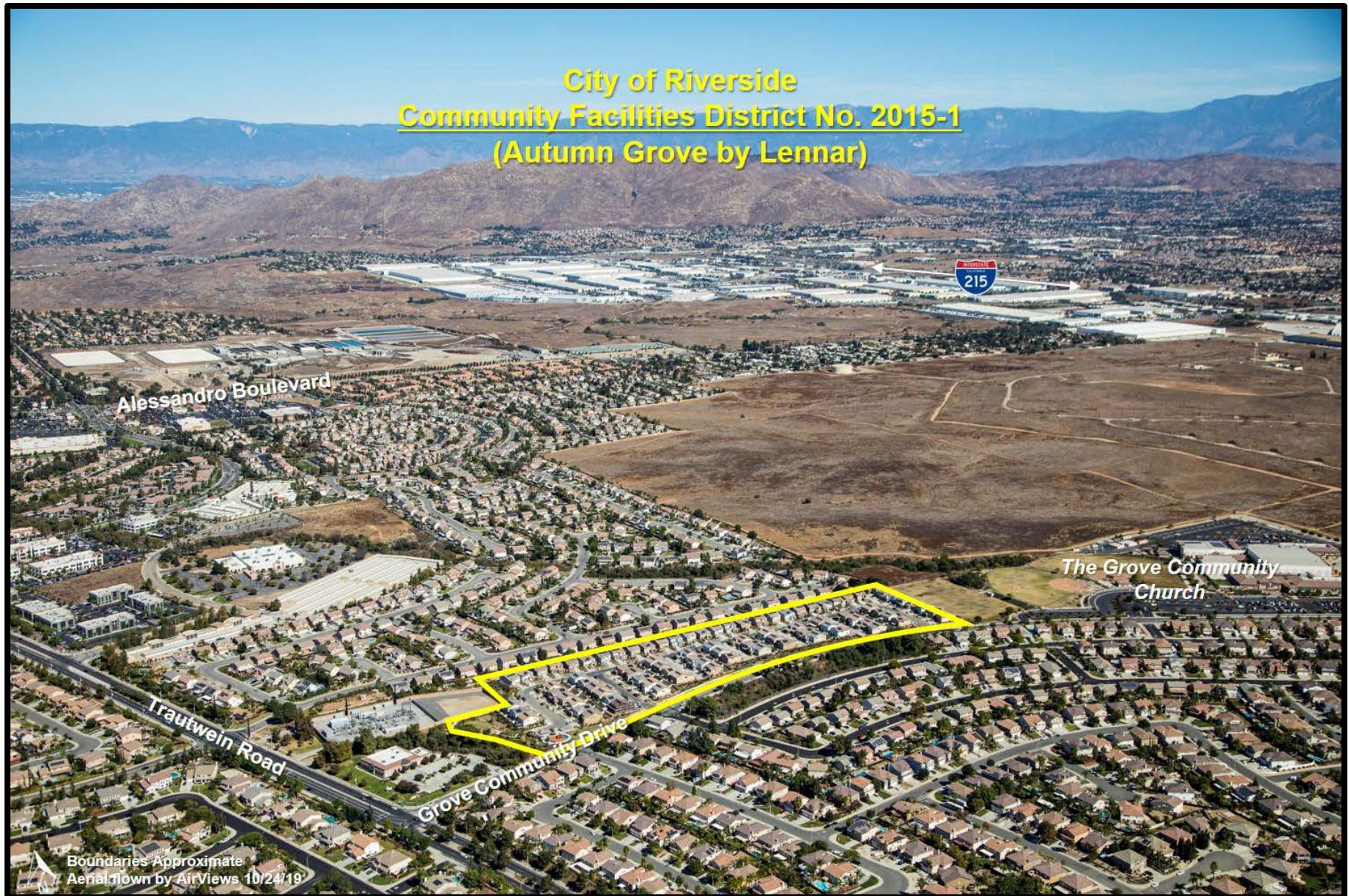
CFD Boundary Map for Riverside CFD No. 2015-1
Tract No. 39534
Discounted Cash Flow Analysis
Land Sales Map and Summary Chart
Improved Residential Sales Map and Summary Chart
Appraiser's Qualifications

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 Riverside CFD No. 2015-1.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Riverside CFD No. 2015-1 Special Tax Bonds.

City of Riverside
Community Facilities District No. 2015-1
(Autumn Grove by Lennar)



PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the Riverside CFD No. 2015-1 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 85 proposed single-family detached homes, which represent Tract No. 39534, being developed into a single neighborhood by Lennar which is being marketed as Autumn Grove, however was previously known as Orangecrest Grove. There are 83 homes completed and closed to individuals with one model in escrow and the final lot under construction (also in escrow). Sales began in the subject property in late-November of 2017. Below is a summary of the status of each lot.

| Description | No. Lots | Ownership | Condition/Status |
|--|-----------|-------------|--------------------------------------|
| <u>Autumn Grove – Tract No. 39534</u> | | | |
| Lots 1-70, 72 and 74-85 | 83 | Individuals | Complete Homes / Closed |
| Lot 73 | 1 | Lennar | Model Home (in escrow) |
| Lot 71 | 1 | Lennar | Homes Under Construction (in escrow) |
| RIVERSIDE CFD NO. 2015-1 TOTAL | 85 | | |

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Riverside, will utilize this report in disclosure documents associated with selling bonds for Riverside CFD No. 2015-1 and that this report is to be included in the Official Statement or similar document to be distributed in connection with the offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

DEFINITIONS

Market Value

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

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."¹

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

Aggregate Retail Proceeds

As used in the Discounted Cash Flow Analysis, Aggregate Retail Proceeds is defined:

"The sum of the appraised values of the individual units, as if all of the units were completed and available for retail sale, at date of value. This is not the market value of the project in bulk."

Discounted Cash Flow (DCF) Analysis

A Discounted Cash Flow Analysis is:

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity,

¹ The Appraisal of Real Estate, 13th Edition

variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.

Finished Lot

The term “Finished Lot” is defined as:

“A parcel which has legal entitlements created by a recorded subdivision map, whose physical characteristics are a fine graded level pad per lot with infrastructure contiguous to each individual lot, asphalt paved roads and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees.”

Minimum Market Value

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

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

Mass Appraisal

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

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

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

² USPAP 2016-2017 Edition

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest, subject to easements of record and Riverside CFD No. 2015-1. The definition of “fee simple estate” is defined by USPAP as:

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

EFFECTIVE DATE OF VALUE

The subject property is valued as of November 14, 2019.

DATE OF REPORT

The date of this report is January 7, 2020.

SCOPE OF APPRAISAL

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

- County of Riverside Description
- City of Riverside Description
- Immediate Surroundings Description
- Brief Description of Riverside CFD No. 2015-1
- Subject Property Descriptions
- Riverside County Housing Market Discussion
- Highest and Best Use Analysis
- Valuation Procedures, Analyses and Conclusions
- Appraisal Report Summary

The subject property consists of 85 proposed single-family detached homes. There are 85 homes sold, 83 of which are closed to individuals, with one model in escrow and one remaining lot under construction (former model parking lot). In valuing the subject property, the value estimates will be based upon the highest and best use conclusion

using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

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

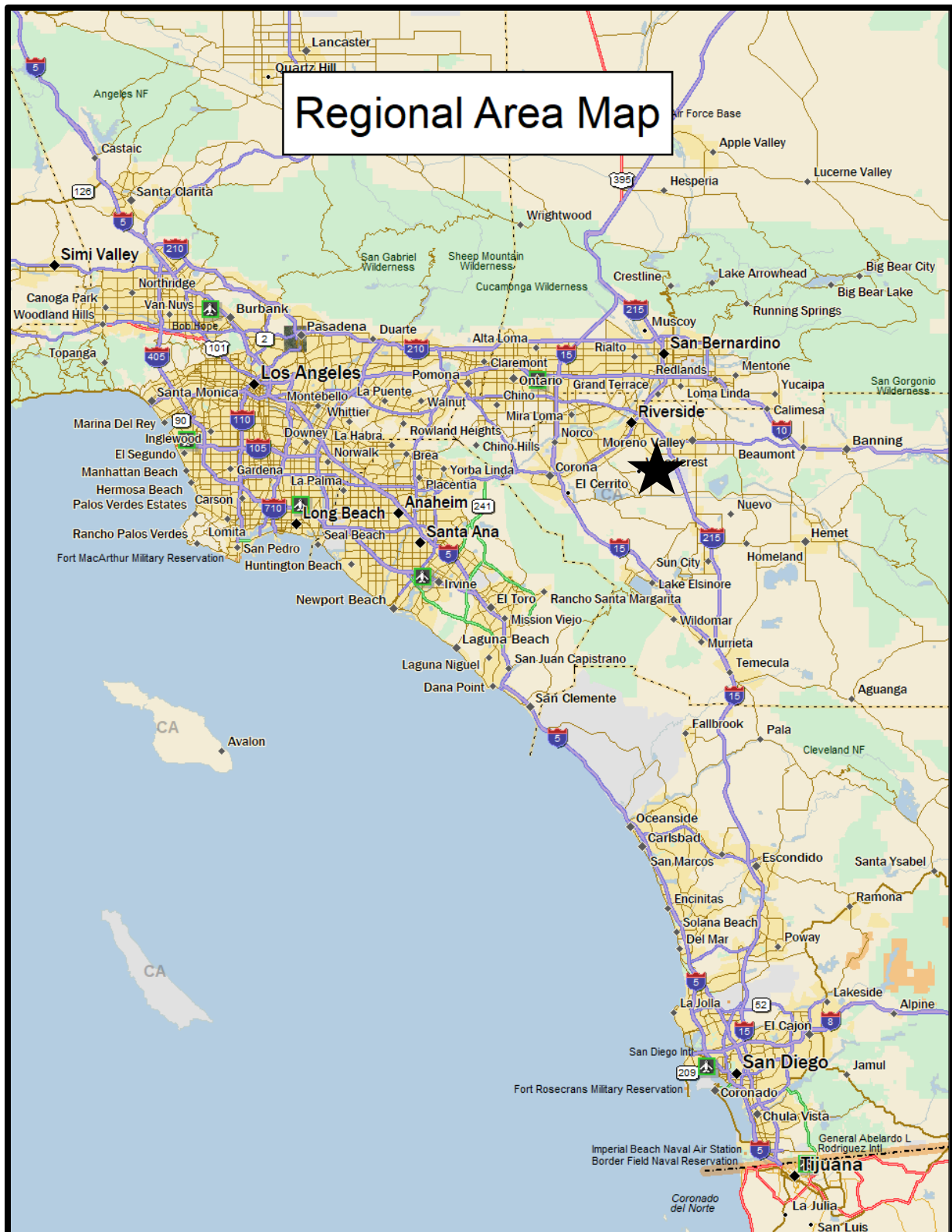
In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. A Discounted Cash Flow Analysis will also be utilized for the builder-owned home. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales, determining the prices for each plan type and using statistical analysis to analyze this information.

The due diligence of this appraisal assignment included the following:

1. Compiled demographic information and related that data to the subject property 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.
3. Inspected the subject property between October 1, 2019 and November 14, 2019.
4. Had the property flown for an aerial photograph on October 24, 2019.
5. Interviewed representatives from the builder and their consultants to obtain available information on the subject property.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed a soils report and environmental report on the property.

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

8. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.
9. Reviewed sales brochures and sales information on the subject neighborhood.
10. Reviewed actual developer sales information on all closed homes and current escrows.
11. Reviewed Multiple Listing Service ("MLS") information on any re-sales and current listings of existing homes within Riverside CFD No. 2015-1.
12. Inspected the subject property for any for-sale or property listing signs for re-sales that may not be listed on the MLS yet.
13. Searched the area for similar-type land sales and interviewed appropriate parties from each sale in order to ascertain details on each transaction.



COUNTY OF RIVERSIDE AREA DESCRIPTION

Location

The subject property is located in the northwestern portion of Riverside County (the "County") in the City of Riverside, on the west side of Interstate 215 and south of State Route 91. 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 two- and one-half miles west of Interstate 215 ("I-215") and approximately five miles southeast of State Route 91 ("SR-91"). More immediately, it is located just under one mile north of Van Buren Boulevard, one mile south of Alessandro Boulevard, and less than one quarter mile east of Trautwein Road. Alessandro Boulevard and Cactus Avenue (leading to Meridian Parkway) are the closest on/off ramps to the subject, both at just over two miles. Interstate 15 ("I-15") is located approximately 14 miles west of the subject and connects with I-215 about 23 miles north and 26 miles south of the subject. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. SR-91 is approximately five miles northeast of the subject and provides access into Corona and into central Orange County. In addition, the 60 Freeway runs in an east west direction approximately five 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 from Los Angeles to the west to Arizona to the east.

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 20 miles northwest of the subject property while the Orange County Airport is located approximately 35 miles southwest and the San Diego International Airport is located about 80 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, 2019 County population was 2.44 million (most current information from State of California). This represented a one-year increase of 1.1 percent. This compares to an average annual growth rate over the past eight years of 1.24 percent and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.857 million by 2030, indicating an average annual increase of approximately 1.4 percent over the next twelve years. The current growth of 1.1 percent is slightly lower than the previous eight-year annual average of 1.24 percent, however significantly lower than the previous 18 years average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

Economy

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 the last few years showing historical low unemployment. The unadjusted unemployment rate for the MSA was estimated at 3.6 percent (per the September 2019 Employment Development Department report), which is lower than 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. This is also down slightly from the August 2019 MSA unemployment rate of 4.4 percent. As of September 2019, Riverside County had a 3.8 percent unemployment rate while San Bernardino County had a 3.3 percent rate. The current MSA unemployment rate of 3.6 percent is similar to the California statewide unemployment rate of 3.5 percent and slightly above the September 2019 National rate of 3.3 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 | 9/19 | 4.5% |
| Riverside County | 9/19 | 3.8% |
| San Bernardino County | 9/19 | 3.3% |
| Orange County | 9/19 | 2.4% |
| San Diego County | 9/19 | 2.7% |

Source: State of California E.D.D. September 2019 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 seven years, the Inland Empire bounced back slower. Overall Riverside County is nearing the previous median home price peak; however, sales are significantly slower than prior to the recession. In late 2016 Riverside County saw builder land purchases increase however 2018 saw a slowdown in residential land sales once again with 2019 continuing to be sluggish. Builders have slowed production due to the hard lessons learned in the previous recession when inventories sat and some new home projects had to close. The first half of 2019 saw home sales dropping as prices continue to rise minimally, however the third quarter of 2019 saw a sales increase. Most economists think the late 2018 to early 2019 slow-down in sales was due to the higher price of housing, the tariff issues and the significant rainy season, rather than a lessor demand. Some economists are now suggesting we have an overheated housing market affecting affordability (in terms of

unstainable annual rates of housing price appreciation) which is creating a market correction in pricing. In surveying new home projects in the Inland Empire, there were some price reductions in early 2019 however prices appear to have stabilized due to the lowering of interest rates.

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 they began raising interest rates. There were nine interest rate hikes by the Board (each time at one-quarter percent) which brought the federal funds rate to 2.25 to 2.5 percent. The final increase in December 2018 appeared to affect the economy with home sales slowing and stock market volatility. In 2019 the Board stopped the increases and dropped the rate one-quarter percent July 31 (first drop in ten years) and another two times in September and October. The Federal Interest Rate in the US averaged 5.69 percent from 1971 to 2019 reaching an all-time high of 20 percent in March 1980 and a record low of .25 percent in December 2008. Current factors anticipated to affect the economy in a negative way include the trade conflicts and tariffs which the current administration is enforcing along with the fading of the benefits of the 2017 tax cuts. While the December 2017 adoption of the Tax Cuts and Jobs Act ("TCJA") spurred the economy in early 2018, the Sales and Local Tax limitation ("SALT") portion of the TCJA may be slowing home sales. Economists believe some homebuyers sat on the sidelines until after reviewing their 2018 tax returns and assessing the impact of SALT. The current positive influence on the economy is the low unemployment rate (nationally at 3.6 percent, near a 50-year low) which will accelerate wages and inflation along with mortgage interest rates at near historical lows.

The most recent UCLA Anderson Forecast (dated September 25, 2019) was very close to predicting a recession for the U.S. through its 2021 forecast horizon. The National Forecast calls for GDP growth of 2.1% in 2019 and 1.2% in 2020, and is predicting a steep decline to 0.4% for the second half of 2020. While the report does note that California is outperforming the U.S., the report does expect that the slowing national and world economies will take their toll. UCLA's research states some of the most reliable

indicators include weak residential and intellectual property investment and weak residential construction and consumer durables along with an inverted yield curve all which suggest a possible downturn. When the economy slows to 1 percent growth, the risk of a recession becomes very real. Unknown factors still include the downside risk from increased trade (tariff) tensions and the upside risk from the possibility of housing activity rising out of its stupor.

The University of California, Riverside is now reporting an Inland Empire Business Activity Index which draws on employment and other data. The latest report (Q2 of 2019) shows the region's business activity expanding by 2.5 percent after a lackluster first quarter expansion of just 0.8 percent, a reassuring sign of continued expansion in the Inland Empire's economy. The growth rate in year over year terms of business activity in the Inland Empire was reported at 1.8% from the second quarter of 2018 to the second quarter of 2019; slightly slower than the 2.3 percent year over year growth rate for the national GDP. While the Inland Empire has the largest number jobs in the health care industry, transportation and warehousing is the most competitive local industry with the least competitive industries being finance, insurance, management, professional and technical services, information and utilities. The strength of the transportation and warehousing industry is being partly driven by the rise in e-commerce, but it's the need for developable land which the Inland Empire has that makes the region so desirable to the industry.

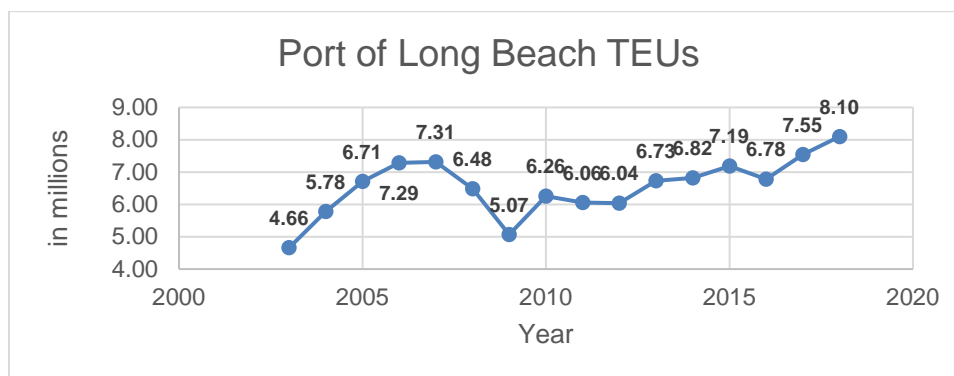
According to John Husing's Inland Empire Economic Partnership's Quarterly Economic Report dated July 2019, the Inland Empire is poised for growth due to the high cost of housing in the coastal communities. While the second quarter showed growth, it was slower growth than previously estimated with a 1.7 percent growth rate estimated for 2019 for the area. The affordability of homes is near the all-time low, between 20-25 percent, in Los Angeles, San Diego and Orange Counties, while in the Inland Empire the affordability is nearer 40-45 percent. Housing affordability is determined by the share of families that can afford the median priced homes in the county. According to Husing, families are forced to buy at lower inland prices due to income or families wanting a more upscale home that is unaffordable in the coastal markets.

Job growth in the Inland Empire is better balanced than California with 59.4 percent of the added jobs since 2011 being moderate and good paying (\$45,000 and above) while California's average was 45 percent in this category. The President's use of tariffs to impact international trade raises the possibility of significant local economic disruptions. The Inland Empire's employment is heavily dependent on handling imported goods through its logistics sector which has added 82,459 new jobs between 2011- 2018. This powerful local job growth could be adversely affected if trade wars ensue. The Inland Empire's job growth was 3.4 percent in 2018 which exceeded the growth rates of every other California metropolitan area. This was the sixth year in a row that local employment will have increased by close to 45,000 jobs annually. Looking at the period since the Great Recession, the Inland Empire has added 352,208 jobs or 22.8 percent to its local job base. That growth led all metropolitan areas in California. The logistics industry (wholesale trade, trucking and warehousing) has been the primary driver of the inland economy in recent years. The fact e-commerce continues to expand at a 15-16 percent compounded annual rate throughout 2010 – 2019 has forced retailers to begin aggressively embracing and staffing large, regional fulfillment centers. The Inland Empire's location and access from the Port of Long Beach along with land availability has made it the top area in Southern California for building fulfillment centers which typically cover over one-million square feet. The growth in 2018 was down slightly due to the difficulty in finding entitled sites for new buildings rather than a slow-down in demand.

One of the main reasons the MSA was 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 September 2019 MSA median price is \$385,000 per the California Association of Realtors, still slightly below the previous peak.

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. Generally, there has been increases with the exception of a slight dip in 2016 with 2018 hitting an all-time high.



Thus far in 2019, TEU activity is dipping slightly (3.2 percent) from where it was at this time last year (per the Port of Long Beach September 2019 report).

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 Riverside Unified School District which operates twenty-nine elementary schools, seven middle schools, six high schools, and one adult school. Higher education is available within the City at the University of California Riverside and Cal Baptist University. Additional higher education is available within an hour's drive at University of California 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 Riverside City 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 however existing home prices in the Inland Empire are still slightly below the previous peak. The past ten-years average new home sales in the Inland Empire are substantially below the sales numbers for new homes previous to the recession with second quarter 2019 showing a 7.8 percent decline year over year. The economy typically has cycles and most signs are suggesting the U.S. economy and Riverside County's economy which has been on an upswing may be slowing with 12 to 18 months additional in the expansion then possibly a recession in 2021. However, no one is predicting a decline similar to the Great Recession, but rather more of a slowdown. California's new administration is suggesting they want to gear up housing construction, however, time will tell how fast any changes can actually occur. The region's affordability coupled with the rising prices in the coastal market and the need for new housing is setting up for a potential boom in the Inland Empire, however with a slowing economy it is hard to anticipate when this may occur. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

[illegible]

CITY OF RIVERSIDE DESCRIPTION

The subject property is located in the southeastern portion of the City of Riverside ("City"), five miles southeast of the 91 freeway and two miles west of I-215. The City incorporated on October 11, 1883 and is located 50 miles east of Los Angeles and 100 miles north of San Diego. Riverside is the 12th largest city in California, 6th in Southern California and the largest city in Riverside County with a present land area of approximately 81 square miles. Originally an agricultural (citrus) center, the City has evolved into a commercial and governmental center as the City is the County seat. Riverside is surrounded by the cities of Norco and Corona to the west, Jurupa Valley and unincorporated Riverside County to the north, the City of Moreno Valley and unincorporated areas of Riverside County to the east and unincorporated areas to the south. The City is made up of several neighborhoods with the subject being located in the neighborhood of Orangecrest, known as a newer portion of the City.

Population

The City has an estimated population of 328,101 per the California Department of Finance as of January 1, 2019. The following chart depicts population growth in the City of Riverside.

| Year | Population | Avg. Annual % Increase |
|------|------------|------------------------|
| 1960 | 84,332 | --- |
| 1970 | 140,089 | 5.2% |
| 1980 | 170,876 | 2.0% |
| 1990 | 209,700 | 2.1% |
| 2000 | 262,744 | 2.3% |
| 2010 | 303,871 | 1.5% |
| 2015 | 318,914 | 0.9% |
| 2019 | 328,101 | 0.7% |

The slowdown in the past fifteen years is due to the essential build-out of the City coupled with the recession. The past five years of growth at less than one percent in the City compares to the County growth rate of 1.1 percent last year. The higher County rate is due to the better availability of land for development outside of the City limits.

Economy

The economy and labor force for Riverside have changed with growth. Historically hailed as the citrus capital of the world, Riverside has evolved into the business and industrial center of the Inland Empire. There are well over 100 manufacturing firms in the community. Leading group classes or products are aerospace and electronic components; mobile homes and RVs; printing, publishing and foam products. Additionally, the City offers an impressive choice of industrial sites and buildings.

The labor force is divided generally between the manufacturing, retail, services, and construction trades; however, the construction trade slowed considerably along with the housing market slowdown. There are abundant skilled and semi-skilled workers in the local labor pool with a variety of skills. The City houses the County seat which creates a financial and professional center offering the support of numerous legal, accounting, brokerage, architectural, engineering and technology firms as well as banking institutions. Businesses in the City also benefit from the exceptional freeway system, rail access, high-speed fiberoptic telecommunications, city-owned electrical and water systems, and a corporate jet and general aviation airport.

The 2017 estimated median household income (most recent available per Census.gov) is \$62,460 as compared to \$60,807 for the County, \$67,169 for the State and \$57,652 for the U.S. per the Census. The City of Riverside's major employers include the University of California Riverside, Riverside Unified School District, the City of Riverside, Pacific Bell – AT&T and Kaiser Permanente.

Transportation

Riverside is well served by the California freeway system, being bisected by the 91 Freeway and 60 Freeways and by Interstates 10 and 15. The 91 Freeway connects Riverside to Orange County on the southwest and to San Bernardino County on the northeast. The SR-91 is one of the area's busiest freeways with a substantial amount of congestion in the westbound direction during the morning hours and in the eastbound direction during the evening hours. This is due to the number of commuters living in

Riverside County and employed in Orange and Los Angeles Counties. Two toll roads (the SR-91 express lane and SR-241) opened during the latter half of the 1990s that help alleviate the traffic congestion. I-15 connects Riverside to San Diego County to the south and San Bernardino County to the north. I-10 connects Riverside to Los Angeles County to the west, while I-215 skirts the eastern edge of the City and generally parallels I-15 to the east.

The City is served by the Metrolink Rail with northwest routes to Los Angeles Union Station, passing through Riverside County, Orange County and into Los Angeles, along with southern routes to Oceanside which pass through Riverside County, Orange County and into San Diego County. At both Union Station and Oceanside, you can transfer to Amtrak which has routes throughout the United States. The Burlington-Santa Fe and the Union Pacific Railroads along with over 20 daily truck carriers serve Riverside. Ontario International Airport is 19 miles to the northwest and is served by most major airlines. The Riverside Municipal Airport serves general aviation and is located eight miles from the subject.

Conclusion

In summary, the future growth of Riverside should parallel that of the County, albeit at a lower rate due to the limited availability of land for development within the City limits. The location along with being the County seat has established Riverside as a continuing and prospering City for the future.

IMMEDIATE SURROUNDINGS

The subject property consists of Tract No. 39534, known as Autumn Grove, which encompasses the City of Riverside CFD No. 2015-1. Access into the community is considered to be good via I-215, exit Alessandro Boulevard if coming from the north, or Van Buren Boulevard if coming from the south, and head west three miles to Trautwein Road, then enter the community via Trautwein Road after turning east onto Grove Community Drive. The subject is on the north side of Grove Community Drive, with entrances into the subject from Plainview Street and Entrefina Way.

Autumn Grove is surrounded by The Grove Community Church's Counseling center known as "The Grove Corner" to the west, and existing residential to the north and the south. To the west of the subject is The Grove community sports park with two baseball diamonds and a soccer field, and just past that The Grove Church campus, complete with a coffee shop. Northeast of the site is a large open space that was once part of March Airforce Base, but now is vacant rolling hills.

March Air Reserve Base is located along I-215 about two miles west of the subject property. March Air Force Base began prior to WWI as the U.S. was gearing up for war. The Base became a training facility in the 1930s serving WWII, the Korean War, the Vietnam War and Operation Desert Storm and Desert Shield. In 1996 the Base was decommissioned and is now used for some special military training, an air museum with the runways used for logistics. The Base was DHL's home base from 2005-2008 however surrounding neighbors complained about the flight noise and DHL vacated. More recently Amazon is using the base for logistics; however, they have agreed to five flights in and out per day and only during certain hours.

The subject property is surrounded by the master planned community of Orangecrest which was developed in the 1990s and 2000s. Neighborhood shopping is available less than one mile south of the subject at the intersection of Van Buren Boulevard and Trautwein Road. There are two shopping centers on the north side of Van Buren

Boulevard, on both sides of Trautwein Road. The shopping centers are anchored by an Albertsons grocery store, Petco, Walgreens and Kohl's. They also house a variety of fast food options including Carl's Jr., Wendy's, Chipotle and Jack in the Box and include both a Shell and Chevron gas station.

DRAFT

CITY OF RIVERSIDE CFD NO. 2015-1

On June 23, 2015 the City Council of the City of Riverside declared the necessity for Riverside CFD No. 2015-1 to incur a bonded indebtedness for the purpose of providing and financing public facilities that are necessary to meet increased demands place upon the City ("City Facilities") and Riverside Unified School District ("School District Facilities"), due to the subject development. Community Facility Districts are common in the Inland Empire with the majority of the surrounding lands located within a similar CFD.

The proposition to the voters included that the bonded indebtedness for City of Riverside CFD No. 2015-1 shall not exceed \$3,000,000 and a maximum term of 40 years. The City Facilities are to include the design, construction and acquisition of street and road facilities, storm water drainage facilities, parks and park and recreation facilities, transportation facilities and electric transmission and distribution facilities of the City of Riverside. The School Facilities are to include K-12 school facilities of the Riverside Unified School District. Other costs include paying incidental expenses associated with the bonds.

The Riverside CFD No. 2015-1 bonds are anticipated to be funded in two Series, A and B. Proceeds of both series will be used to fund the City and School District facilities. Series A, with an current estimated par amount of \$2,410,000, will be tax exempt while Series B, with a current estimated par amount of \$350,000, will not be tax exempt.

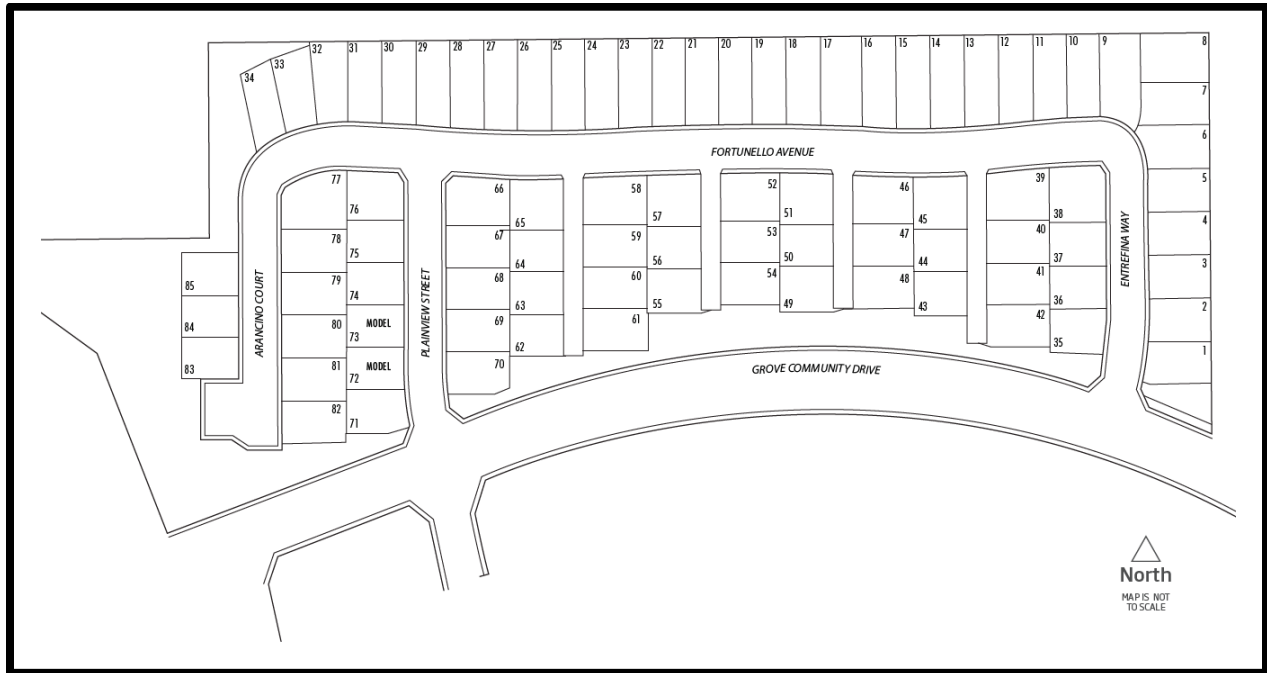
The assigned special taxes for land use categories of developed property per the Rate and Method of Apportionment are shown in the table below.

| Land Use | Home Size | Per DU Annual Amount |
|-------------|-----------------------|----------------------|
| Residential | Less than 2,700 sf | \$2,804 |
| Residential | 1,701 – 2,900 sf | \$2,865 |
| Residential | Greater than 2,901 sf | \$2,932 |

The estimated Bond Proceeds to be generated from the sale of the Riverside CFD No. 2015-1 Bonds per the latest CFD Bond Sizing (dated October 1, 2019) is \$2,760,000 plus \$203,902 from Other Sources (developer deposit, prior special tax collections and the estimated December 2019 special tax collection) for a total amount of \$2,960,478. The monies will be distributed with \$571,288 (tax exempt) for City Facilities, \$1,449,431 for RUSD facilities and \$394,910 (taxable) for City Facilities. In addition, other fund deposits will include \$233,701 for a supplemental reserve fund and the debt service reserve fund. Delivery Date expenses include \$311,148 for costs of issuance, underwriter's discount, developer's reimbursement and contingency. A copy of the Riverside CFD No. 2015-1 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 85 proposed single-family detached homes, composing a community being marketed as Autumn Grove. The 85 lots are being built out by Lennar Homes and are covered by Tract No. 39534. The neighborhood is described on the following pages.



Location: North side of Grove Community Drive, located northwest of the Trautwein Road and Grove Community Drive intersection, Orangecrest Neighborhood, City of Riverside, Riverside County.

Legal Property Description: Lots 1-85 of Tract No. 39534 in the City of Riverside, County of Riverside, State of California. A copy of Tract No. 39534 is located in the Addenda.

Property Owner: Lennar Homes of California, Inc., a California Corporation ("Lennar Homes"), as to Lot 71 and 73 of Tract No. 39534; and Individual owners as Lots 1-70, 72 and 74-85 of Tract No. 39534.

Assessors Parcel Nos.: 284-380-001 through 026, 284-380-029 thru 059, and 284-390-001 through 028 refer to the usable lots. APN's 284-390-29 thru 30 and 284-280-27, 28, 60 and 61 refer to open space or community areas along with private streets.

Property Taxes: We have reviewed a sample tax bill from Tract No. 39534 which is located on APN 284-380-020. The total assessed value is \$511,925 suggesting it was fully improved lot at time of assessment. The total taxes for the 2019-20 fiscal year are \$8,436.50 which includes \$5,119.24 in Ad-Valorem taxes, \$487.20 for Riverside Unified School 03-5801, \$75.56 for Riverside Community College District 03-9101, \$2,629.94 for Riverside CFD No. 2015-1 (subject CFD) and \$124.56 in miscellaneous charges. The parcel houses a 2,697 square foot home. Per the assessed value, the overall tax rate is 1.648 percent.

Three-Year Sales History: Lennar Homes of California, Inc. purchased Tract No. 39534 from Ridge Crest Cardinal-Riverside L.P. on December 29, 2016 for \$7,400,000. Lennar began closing completed houses to individual homebuyers in March 2018. Eighty-three homes have closed to individuals between March 30, 2018 and November 14, 2019.

Size and Shape: Tract No. 39534 is irregular in shape and contains 13.528 gross acres per the recorded Tract Map.

Zoning: The subject property is designated as Medium Density Residential per the current General Plan and as R-1-8500 per the current Riverside Zoning Map. On June 23, 2015 the City Council approved Tract No. 39534 subject to the completion of conditions pursuant to Section 18.090.060(C) of the Riverside Municipal Code. On May 16, 2017 City Staff determined that the developer had satisfied all of the conditions of the map and approved the final map.

Entitlements: The subject property is covered by Tract No. 39534 which recorded May 26, 2017 and divided the subject 13.528 acres into 85 single family detached lots with a minimum lot size of 3,600 square feet. A copy of the tract map is located in the Addenda.

Soils Review: Per LGC Geo-Environmental, Inc.'s As Graded Geotechnical Report of Rough Grading for Tract No. 39534 dated May 31, 2017, the building pads are considered suitable for the planned construction from a geotechnical standpoint. It is assumed all recommendations contained in the report were adhered to.

It is an assumption of this report that the soils are adequate to support the highest and best use.

Environmental Review: We have reviewed a Preliminary Environmental Site Assessment for the subject property prepared by CHJ Incorporated and dated January 14, 2002. The report was ordered by Victoria Community Church. At time of the report the site was generally vacant with a rolling topography and had previously been utilized for agriculture

(citrus groves). The report concluded that based on their findings, no evidence was found to indicate the site currently had significant problems associated with hazardous waste or materials.

It is an assumption of this report that there are no environmental issues which would slow or thwart development of the subject site.

**Easements and
Encumbrances:**

We have reviewed a Preliminary Title Report on Lots 36, 67 and 71-73 of Tract No. 39534 (builder owned lots at the time) prepared by First American Title Company dated October 25, 2019. The exceptions are as follows:

Item Nos. 1, 2, 3 and 4 all pertain to property taxes and special taxes on the property, including the subject Riverside CFD No. 2015-1 and CFD No. 2002-1 (not shown on current property tax invoice). Item No. 5 refers to water rights. Item No. 6 is in regards to a Memorandum of Agreement recorded in 1955 for an easement on the property however the title company could not determine the location of the easement. Item Nos. 7 and 13 refer to CC & Rs recorded on the property. Item Nos. 8, 12, 17-23, 25, 27 and 29-31 refer to easements for public utilities, solar, slopes, ingress & egress and a flight easement for March Base. Item No. 9 refers to a development Agreement between The Grove Community Church and the City of Riverside in 2003. Item No. 10 pertains to a temporary construction easement. Item No. 11 is a covenant and agreement for the water quality management plan. Item Nos. 14, 24, 26 and 28 refer to solar CC & Rs on the property. Item No. 15 is a notice filed for the Builder's election of handling construction claims. Item No. 16 pertains to a notice of charitable housing agreement for an Endowment Contribution. Item No. 32 refers to any rights of parties in possession of the property not shown by public records. Item No. 33 pertains to any rights or facts not shown by public record but which could be ascertained by an inspection. Item No. 34 states no known matters were intentionally deleted and Item No. 35 is in regards to an owner's affidavit that will be needed prior to issuing title insurance by the title company.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than Riverside CFD No. 2015-1.

Streets/Access:

Access to the subject project is via I-215 to Alessandro Boulevard, and west to Trautwein Road, and east onto Grove Community Drive which leads to the entrance to the subject via either Plainview Street or Entrefina Way, both of which are directly off Grove Community Drive.

I-15, which parallels the I-215 near the subject and merges north and south of the subject, is a major north/south freeway providing access to international borders both north and south. I-15 and I-215 is the main access into the City of Riverside from the north and south.

SR-91, is a major east/west freeway providing access between Orange County and Riverside County. SR-91 is located approximately five miles northeast of the subject.

Alessandro Boulevard has on/off ramps at I-215 and provides access into the southeastern part of the City. It is located approximately one mile north of the subject.

Van Buren Boulevard generally parallels SR-91 in southern Riverside and has major on/off ramps at I-215 and SR-91. Van Buren Boulevard is located approximately one mile south of the subject.

Grove Community Drive provides access to the subject and leads to Grove Community Church, located east of the subject. Grove Community Drive provides access into the subject via Plainview Street or Entrefina Way.

Internal streets within Autumn Grove include Plainview Street, Entrefina Way, Arancino Court, and Fortunello Avenue. There are two entrances into the community, both from Grove Community Drive (via Plainview Street or Entrefina Way).

Current Condition: The subject property has been developed into 85 single family detached lots with a minimum lot size of 3,600 square feet. There were two models for the project, both of which are located on Plainview Street, and both of which have been sold with one closed to a individual. There are 83 completed homes owned by individuals, one model in escrow (due to close November 15, 2019) and one remaining lot that is under construction (also in escrow) and scheduled to close early in 2020.

Home Owner Association:

Homeowner dues for the Autumn Grove Homeowner's Association are \$139 per month. The Association maintains the small community park, tot lot, private streets and community landscaping, as well as the small walking trail on Grove Community Drive.

Costs to Complete: The subject lands are fully improved with the only remaining land development cost being the final lift of the streets. The amount to complete the final lift is estimated at \$43,416 which is not the responsibility of the homeowners, but are attributable to the builder

Improvement
Description:

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

Autumn Grove includes 85 proposed homes being built by Lennar. The homes are of a California living style, featuring three floorplans in three distinct architectural styles. All of the homes feature two stories and two bay garages. All of the home exteriors include concrete roofing, dual glazed white vinyl windows, and dry-walled 2-car direct access garages with roll up sectional insulated garage doors. Interiors include ceramic tile entries with carpet, raised panel doors and wood cabinetry. The master suites include walk-in closets and a master bathroom with walk in shower and full bath tubs. Gourmet kitchens include large eat-in kitchens with breakfast bar islands, and stainless-steel appliances. The floorplans also feature great rooms with fireplaces and walk in linen closets, and second story lofts. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included the homes closing from March 30, 2018 through November 14, 2019. Sales prices range from \$419,360 to \$548,053. Per public record and our physical inspection, there is one pending re-sale of a home within Autumn Grove. The sizes per the brochure as well as ownership per plan are as shown below.

| Plan | Room Count | Floors/ Parking | Sq. Ft. | Ind. Own | Bldr. Own |
|--------|-------------|--------------------|------------|-------------|--------------|
| 1 | 3 + L / 2.5 | 2 / 2 | 2,295 | 22 | 0 |
| 2 | 4 + L / 3 | 2 / 2 | 2,547 | 27 | 0 |
| 3 | 4 + L / 3 | 2 / 2 | 2,700 | 34 | 1 |
| Totals | | | | 83 | 1 |

In addition to the above detailed houses there is one home under construction (under 95 percent complete) and no remaining finished lots.

RIVERSIDE COUNTY HOUSING MARKET

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

Population

The County population grew at a 1.1 percent increase over the past year. This compares to the 2.5 percent average annual percentage increase prior to the recession. 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 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. The unemployment rate for Riverside County was 3.8 percent (per the September 2019 Employment Development Department), significantly lower than the high of 15.1 percent in July 2010. The current rate is similar to California's

unemployment rate of 3.5 percent and slightly higher than the September 2019 National rate of 3.3 percent.

The housing market was a significant factor in magnifying 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.

Home ownership during this period across the U.S. saw a significant decline. Historically, since the 1970s, home ownership generally was between 64 and 66 percent until around 2000 when it began growing with a peak at 69.2 percent in fourth quarter 2004 prior to the Great Recession. After falling to a low of 62.9 percent in second quarter 2016, home ownership has been climbing with the current rate at 64.8 percent per 2019 third quarter data from FRED (Federal Reserve Economic Data). After the third quarter of 2019, Riverside County's home ownership rate was estimated at 66.3 percent, slightly higher than the overall US average.

The December 2017 approval of the Tax Cuts and Job Act ("TCJA") by the Federal Government caused concern for homebuyers. The two largest changes for homeowners are 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 mortgage deduction amount does not affect most people looking to

buy subject-type homes in the Inland Empire (generally in the \$350,000 to \$500,000 range), the SALT deduction may limit their tax deductions which could affect the more discretionary new-homebuyers in the market. While it is still too early to tell how much the TCJA will actually affect the new home market, it is thought that it may be playing a part in the sales slowdown as homebuyers wait to see what happens. One positive is that the TCJA 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 more.

Home loan mortgage rates have been and are still playing a large part in the housing market. The Federal Reserve Board had held mortgage rates at all-time lows after the Great Recession in an attempt to assist the housing market. The Board had 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. There were eight subsequent one-quarter point increases with the December 2018 increase bringing the Federal Rate to 2.25-2.5 percent. This increase appeared to affect the market with sales slowing. On July 30, 2019 the Board reduced the rate one-quarter percent (the first reduction in over 10 years) in an effort to spur the economy with a second reduction in September 2019, and third in October 2019. Low rates appeared to help for quite a while however first-time buyers are now having a hard time entering the housing market due to rising prices. The quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of November 7, 2019 was 3.69 percent, however that is up from the last low of 3.4 percent which occurred in the third quarter of 2016. The decreases by the Board and the current low rates should help the remainder of the 2019 home buying season.

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 2019, there has been a general incline in 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 feasible once

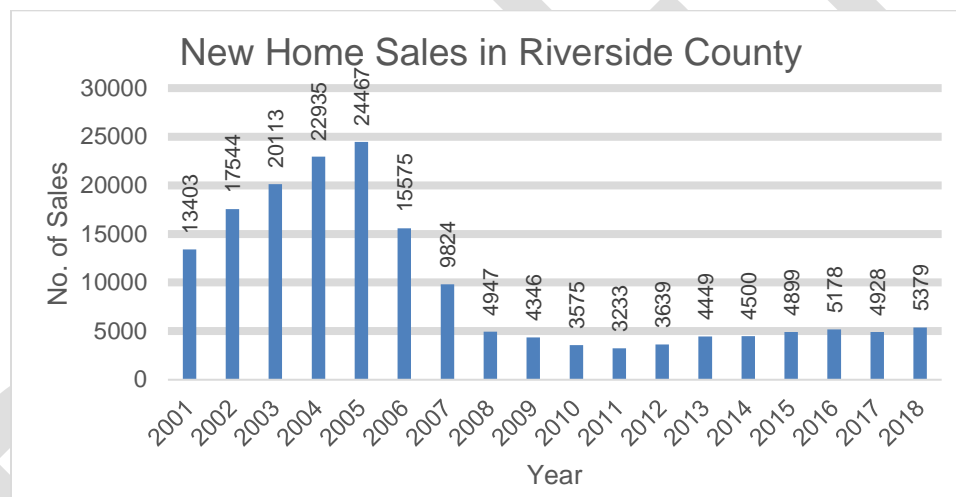
again for homebuilders, however master plan developers are sparse. There are currently no master planned communities supplying lots to home builders in the City of Riverside. The City of Riverside is largely built out without any large master planned communities. However, there are currently only three actively selling communities in the City of Riverside boundaries (this does not include the subject as it is sold out). There are several more communities near the City boundaries that fall in Unincorporated Riverside, including two master planned communities known as Spring Mountain Ranch and Citrus Heights. It is interesting to note that land developers of large specific plans which offer developed or partially developed lots to builders appear to be few and far between in the Inland Empire. The reason is thought to be two-fold: less profit for the middle developer due to higher land prices; and, the significant amount of red-tape to get a large-scale project approved in Southern California. Our search for land sales resulted in seven sales since late 2019 which are considered to be comparable to the subject property (listing located in Addenda).

Home Sales and Pricing

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. While overall new home sales in Riverside County were up 8.2 percent year over year from the second quarter of 2018 to the second quarter of 2019 (from 1,356 new home sales in Q2 2018 to 1,467 sales in Q2 2019), when reviewing month over month, there appears to be a slowdown. When taking into account all of the Inland Empire, new home sales are actually down 7.6 percent year over year (from the second quarter of 2018 to the second quarter of 2019) due to San Bernardino showing a significant decrease. This decrease is thought to be due to the high home prices rather than a slowdown in demand.

The second half of 2018 saw new home sales slow which made builders pull back on starts of new homes. Typical projects that were building phases of 10-12 new homes cut back to 4-6 new homes in a phase. However, due to the high number of land sales in 2017, new homes projects have increased 22 percent in the Inland Empire from 194 new home projects in November 2018 to 237 new home projects in the same area in

November 2019 (according to Ryness Company Report dated November 3, 2019). While this sounds like a huge increase, the number of new home projects and sales is still running about 75 percent below the average of 2002 through 2006. The fact that new homes sales volume has only increased eight percent in Riverside County over the past year while the number of new home projects have increased 22 percent (from 194 to 237), suggests there is a slowdown in average absorption rates for new home projects. Below is a graph showing Riverside County new home sales (both attached and detached SFR) between 2001 and 2018 with 2018 reflecting 5,379 new home sales. This compares with Riverside County's population growth suggesting the need for about 10,000 new residential units per year. In the first two quarters of 2019 there has been 2,549 new home sales in Riverside County, an increase from 2018 of 5.8 percent (per Husing's most recent Quarterly Economic Report dated July 2019).



Source: John Husing Quarterly Reports January 2019

New single-family home prices (combines both attached and detached) in the Inland Empire has also seen changes, however, not as drastic as the changes in sales numbers. The median new home price changed from the peak value of \$437,200 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 \$435,000 per John Husing's second quarter 2019 information. This reflects an increase of almost 60 percent from the bottom of the cycle and an increase of 1.4 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.

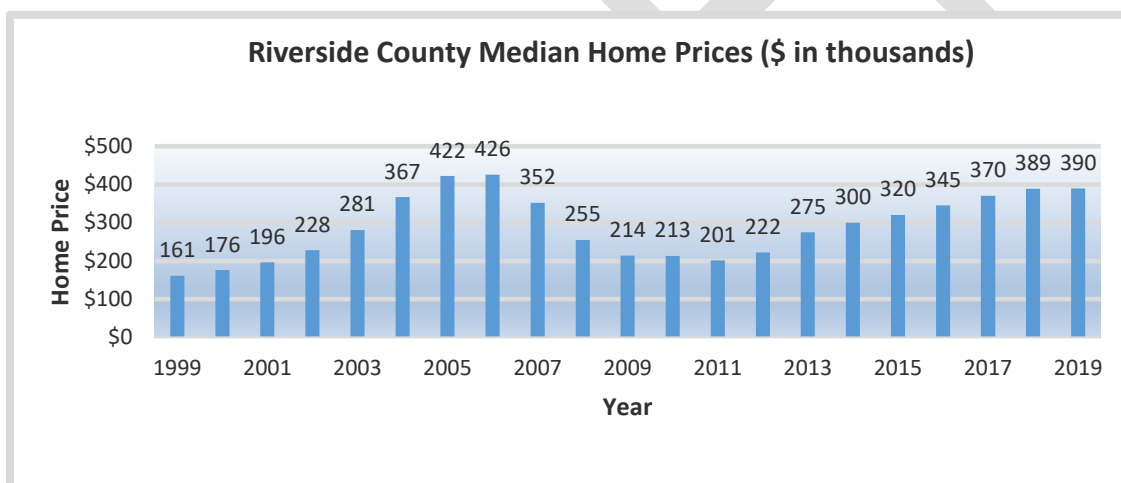
Existing single-family homes (again, combined both attached and detached) in the Inland Empire has seen similar changes to the new home sales prices. The median existing home price changed from the peak value of \$389,924 in third quarter 2006 to \$155,319 in 2009 (decrease of over 60 percent) while the second quarter 2019 existing home median price is \$390,000 per Husing, nearing the previous peak for existing home price. This reflects an increase of over 150 percent from the bottom of the cycle and an increase of 3.9 percent from the previous year.

One major cause of the slower sales of new homes in the area since the recession is thought to be the FHA loan limits. FHA financing requires a three percent down payment which allows for first time homebuyers to enter the market easier than the typical 20 percent down payment. 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 2019 FHA loan limits within Riverside County increased to a single-family home limit at \$431,250. 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 \$445,000 range. With the Riverside County's second quarter 2019 median new home price at \$435,000, it shows a little more than half of the new home buyers can use FHA financing. The subject property featured home sales prices from \$419,360 to \$556,330, however only three of the homes sold over \$500,000 (including the two model home sales). In reviewing the subject's sales prices only about one-fifth of the homes qualified for FHA financing. This limits the homebuyers within the subject community. Since the recession mortgage financing was extremely tight with typically only 20 percent down options other than FHA financing. Recently some new financing opportunities have been coming on the market allowing for less than a 20 percent down payment, some of which do not require PMI (mortgage insurance). Within Riverside County the current median home price (including both new and existing homes)

is \$390,000 (within the FHA home loan limits), which reflects an increase of 2.6 percent from one year prior (CoreLogic, August 2019 Southern California Data Brief).

Our search for comparable new home projects within the competitive market area resulted in six new home projects (not including the subject) with pricing generally ranging from \$367,990 to \$521,025 (not taking into account incentives). The subject's final base pricing ranged from \$452,060 to \$488,660 (not including incentives). The subject therefore offers prices between the mid-range and the high-end of the competitive marketplace.

The median home price in Riverside County of \$390,000 is up nearly 100 percent from the low in 2011 however not yet back to the peak in 2006. Below is a chart showing Riverside County median home prices (combined both new and existing).



Source: CoreLogic Southern California Data Brief August 2019

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 August 2019 (\$535,000) is down 0.9 percent month over month from July 2019 (\$540,000), and the same when compared year over year from \$535,000 in August 2018. The current median home price in overall Southern California is higher than the previous 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. Home sales in Southern California were down 1.2 percent overall in Southern

California in August 2019 based on a year-over-year change from 22,284 sales in August 2018 and 20,025 sales in August 2019. This appears to be due to several factors including affordability constraints, stock market volatility, concerns that home prices may have peaked and uncertainty over the tariff issues. Home sales in Southern California were also down 0.2 percent month over month; from 22,073 sales in July 2019 to 22,025 sales in August 2019. Shown below is a table comparing August 2018 to August 2019 for home sales and pricing (combining both new and existing homes) in Southern California by county and for Southern California as a whole.

| Southern California (New and Used) Home Sales | | | | | | |
|--|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| County | No. Sold Aug. 18 | No. Sold Aug. 19 | Percent Change | Median Aug. 18 | Median Aug. 19 | Percent Change |
| Los Angeles | 7,506 | 7,063 | -5.9% | \$615,000 | \$619,000 | 0.7% |
| Orange | 3,317 | 3,217 | -3.0% | \$727,000 | \$719,500 | -1.0% |
| Riverside | 3,735 | 3,984 | 6.7% | \$380,000 | \$390,000 | 2.6% |
| San Bernardino | 2,982 | 2,906 | -2.5% | \$328,500 | \$346,000 | 5.3% |
| San Diego | 3,765 | 3,835 | 1.9% | \$584,500 | \$584,000 | -0.1% |
| Ventura | 979 | 1,020 | 4.2% | \$586,500 | \$599,000 | 2.1% |
| SoCal | 22,284 | 22,025 | -1.2% | \$535,000 | \$535,000 | 0.0% |

Source: CoreLogic August 2019 Data Brief (most recent Data Brief)

Based on August 2019 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 \$194,000 as compared to San Diego County, \$209,000 as compared to Ventura County, \$229,000 as compared to Los Angeles County and \$329,500 as compared to Orange County. That is, in August 2019, the median priced home in Riverside County was \$329,500 less (or 45.7 percent less) than the median priced home in Orange County (\$719,500). However, San Bernardino County has a \$44,000 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’s September 2019 Southern California Home Resale Activity Report) 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.

| Community Name | ZIP Code | Border To Subject | Sales of SFD Homes Sept. 2019 | Sept. 2019 Price Median SFD | Sept. 2019 Median Price/ Sq. Ft. | Price % Change from Sept. 2018 |
|-------------------------|----------|-------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------------|
| Riverside (Orangecrest) | 92508 | Subject | 41 | \$502,000 | \$207 | 1.5% |
| Riverside | 92506 | Northwest | 59 | \$473,000 | \$257 | 5.5% |
| Riverside | 92507 | Northeast | 37 | \$398,000 | \$244 | 4.7% |
| March Airforce Base | 92518 | East | N/A | N/A | N/A | N/A |
| Perris | 92570 | South | 27 | \$375,000 | \$210 | 7.1% |
| Riverside | 92504 | Southwest | 53 | \$393,000 | \$275 | 0.8% |

Source: CoreLogic Southern California Home Resale Activity September 2019 (most recent)

The median home price of a detached resale home in the subject's zip code is \$502,000, the highest within the immediate surrounding area. The significant delta between the subject and its adjoining 92506 ZIP code versus that of the remaining surrounding area reveals a lot about the Orangecrest neighborhood which is newer than most of the surrounding communities. The above price trends compares to CoreLogic's overall Riverside County increase of 2.6 percent year over year from August 2018 to August 2019. However, it's important to note that the subject's zip code did not have a significant change in median price from the year prior, suggesting that pricing may be reaching their ceiling.

Autumn Grove Sales and Pricing

The subject neighborhood began the sale of homes in late November 2017 and the final sale in early October, 2019, with the first closing occurring in late March 2018. Within the subject there has been a total of 85 sales with 83 closings to date. The sales rate equates to an overall average per month of 3.86 home sales, considered good for the subject market for a new neighborhood. Our search for competitive new home neighborhoods resulted in six actively selling new home projects (not including the subject) which are listed in the Addenda. All are detached homes and feature square footages similar to the subject. Two of the comparable projects are in the City of Riverside, two are in Unincorporated Riverside County, and the remaining two are in Moreno Valley.

Summary

Riverside County has seen a substantial increase in pricing since 2012 with mid-2016 through mid-2018 showing some double-digit increases. The slowing sales numbers in 2019 appear to be slowing the appreciation. The Riverside County new home market is performing well, resulting in average to good sales rates within the comparable projects in the area. The Riverside City area saw an increase in pricing consistent with most of Southern California in 2018 and thus far in 2019. While there appeared to be a market disruption in the fourth quarter 2018, sales appear to be picking up with loans becoming easier to obtain and interest rates declining. It is generally thought the new tax laws may be keeping some buyers on the sidelines. Despite some uncertainty still clouding the current housing market, most observers agree that the Riverside County housing market is still positive and healthy population growth is occurring in the County. It is believed that as population continues to increase, housing growth will also continue.

HIGHEST AND BEST USE ANALYSIS

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

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

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

"As If Vacant"

In the following analysis, we have considered the 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 13.528 acres. The site is located in the City of Riverside in west Riverside County. The site's original topography was generally level and has been developed into single family detached lots with a minimum square foot size of 3,600. The site is surrounded by existing homes to the north and south, the Grove Community Church to the east and a Community Center to the west. Soils and environmental reports covering the property were reviewed. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that there are no environmental issues

⁴ The Appraisal of Real Estate, 11th Edition

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 properties.

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, suggest single-family residential use.

Legality of Use

The subject property is located within the City of Riverside, the entity responsible for land use and zoning regulation. Per the City General Plan and Zoning Map the subject property is shown as Orangecrest Specific Plan. Per the Specific Plan, the subject property is shown as R-1-80 allowing for Single Family Residential with a minimum of 8,500 square foot lots. On June 23, 2015 the City Council approved Tract No. 39534 subject to certain conditions which were met by Lennar in May 2017 and recommendations that the final map be approved pursuant to Section 18.090.060(c) of the Riverside Municipal Code were made. Tract No. 39534 was then recorded on the property May 26, 2017 which subdivided the subject property into 85 lots with a minimum lot size of 3,600 square feet. The surrounding lands to the north and south is surrounded by existing residential homes. The Grove Community Church is located to the east and a community center is located to the west. Based on the legality of use analysis, the type of development for which the subject property can be utilized is narrowed to residential use consistent with the approved mapping. 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 pricing and stabilized sales the past two years. Within Riverside CFD No. 2015-1 there have been 85 home sales and 83 home closings. All

structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in the Riverside area we found six projects (not including the subject) to be most comparable to the subject however there are additional new home projects in the area. Population growth is still occurring in the subject market and will continue to create the need for housing.

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

Maximum Productivity

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

Highest and Best Use Conclusion – “As If Vacant”

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

Highest and Best Use – “As Improved”

Autumn Grove consists of 85 proposed homes. The lots were developed in 2017 with the first home closings occurring in March 2018. There have been 85 sales and 83 closings within Autumn Grove resulting in an average sales rate of 3.86 sales per month. Autumn Grove has homes ranging from 2,295 to 2,700 square feet on 3,600 square foot lots with sales prices from \$419,360 to \$556,330. Our search within the subject area found six projects (not including the subject) considered to be comparable with similar sized homes. The sales rates within these projects ranged from 1.94 units per month to 9.05 units per month. Our search of the Multiple Listing Service and on-site inspection revealed one pending re-sale within the subject neighborhood.

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.

DRAFT

VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. For single-family detached lots, the lots are typically sold on a finished lot basis. That is, the sales price is determined by a finished lot value and then the remaining costs to develop the property to a finished lot condition are considered in the sales price. Therefore, in determining a current market value for the final lot, the current condition of the lot 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 land sales (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 then be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject final lot. While the final house does have a home under construction, it will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement. In the case of the completed (over 95 percent complete) builder-owned model, the home will be valued using the Sales Comparison Approach to value to conclude on a retail value for the plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the builder ownership. The DCF will take into account the fair market value of the completed home (utilizing the Sales Comparison Approach), remaining development costs (if any), 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 completed individually owned homes, the concluded base value of the homes 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. All of the value conclusions will take into consideration the improvements to be funded by the Riverside CFD No. 2015-1 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

Market Data Discussion – Detached Residential Lots

Within Autumn Grove there are a total of 83 individually owned homes, a builder-owned model home (in escrow) and a single home under construction which is under 95 percent complete (also in escrow). The home under construction will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, one lot will be valued. The lots within Autumn Grove are minimum 3,600 square feet.

We have searched the area and found the seven transactions summarized in the Addenda to be most comparable to the subject property. Four of the seven sales are located within the City of Riverside, two are located within unincorporated Riverside, and one is located within the City of Colton. 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 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 No. 1 refers to the most recent closing in the City of Riverside about six miles northwest of the subject property. R.C. Hobbs Company purchased 35 lots in October 2019. The lots have a minimum lot size of 4,000 square feet and were sold in an unimproved condition. The tentative tract map is still in process. The site sold for \$2,000,000 or \$57,143 per lot based on a reported finished lot cost of \$179,000. This transaction is considered to be a good comparable due to being the most recent transaction in the City of Riverside. In comparison with the subject property, this

transaction is considered similar in regards to location, lot size, and schools, but considered inferior in terms of the condition of the property at close of escrow. This site did not have approved mapping and was in a raw condition. While costs are taken into consideration, there is a risk factor associated with raw land that is not there when reviewing a finished lot such as the subject property.

Land Sale No. 2 refers to the May 2019 closing of 77 lots within the City of Colton in San Bernardino County about 12 miles north of the subject property. Richmond American Homes purchased the 2,000 square foot minimum lots for \$4,460,000 or \$57,922 per lot based on a reported finished lot price of \$140,000. The site was sold in an unimproved condition with an approved tentative tract map. Richmond American is marketing Blossom at Wildrose Village on the site with homes from 1,700 to 2,300 square feet. Per their web site it states the product is “coming soon”. In comparison with the subject property, this transaction is considered inferior in regards to location, lot size, and schools.

Land Sale No. 3 refers to the July 2018 closing in Unincorporated Riverside in the area known as Highgrove. Lennar purchased 72 lots from Shopoff Realty Investments within the community known as Spring Mountain Ranch in the Box Canyon area of Riverside about seven miles north of the subject property. The lots have a minimum lot size of 2,500 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$4,350,000 or \$60,417 per lot based on a reported \$145,000 finished lot. The project is currently actively selling called Bayberry with home sizes from 1,500 to 1,800 square feet and beginning pricing generally from \$385,000 to \$400,000. In comparison with the subject property, this transaction is considered similar in regards to location and schools; however, is considered inferior due to surroundings (across from industrial buildings) and slightly inferior due to lot size.

Land Sale No. 4 refers to a recent closing in Unincorporated Riverside in the area known as Home Gardens near the City of Corona about 12 miles west of the subject property. Woodside purchased 65 lots from Planet Home Living in June 2018. The lots have a minimum lot size of 2,500 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$6,172,500 or \$94,962 per lot based on a

finished lot value of \$189,000. The project is currently actively selling called Sausalito with home sizes from 1,350 to 1,800 square feet and beginning pricing generally from \$400,000 to \$450,000. In comparison with the subject property, this transaction is considered slightly superior in regards to location (closer in to Los Angeles and Orange County); however, it is considered slightly inferior due to lot size.

Land Sale No. 5 refers to a recent closing in City of Riverside about seven miles west of the subject property. KB Home purchased 62 lots from Coastal Commercial Properties in March 2018. The lots have a minimum lot size of 4,000 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$2,958,929 or \$47,725 per lot based on a finished lot value of \$179,000. The project is currently actively selling called Primrose with home sizes from 1,800 to 2,150 and pricing beginning pricing from \$415,000 to \$460,000. In comparison with the subject property, this transaction is considered similar in regards to location and lot size.

Land Sale No. 6 refers to the closing of the property known as Rivera in the City of Riverside about eight miles northeast of the subject property. RSI Communities (now William Lyon Homes) purchased 71 lots for an estimated finished lot price of \$160,000. The site was sold with recorded final map in a finished lot condition. The site sold in November 2017 for \$8,585,454 or \$120,921 per lot in a finished condition. Rivera is nearing build-out with home sizes generally from 2,000 to 2,800 square feet and base pricing from \$425,000 to \$520,000. This transaction is considered superior due to lot size, but is considered inferior due to location. The project is located adjacent to an industrial park.

Land Sale No. 7 refers to the sale of Hillcrest, which consists of 26 lots purchased by Frontier Homes from William Tilden in September 2017. The property is located about 10 miles west of the subject property. The minimum lot size within Hillcrest are 7,200 square feet. They were purchased in an unimproved condition with an approved tentative tract map. The land sold for \$1,200,000 or \$46,154 per lot with an estimated finished lot value of approximately \$215,000. In comparison to the subject property is considered similar in regards to location but superior in lot size.

The following chart summarizes the considerations used in adjusting the market data to the Subject Properties.

| Data No. | Location | Date of Sale | Lot Size / Density | Finished Lot Price | Comparison to Subject |
|-----------------|-----------------|---------------------|---------------------------|---------------------------|--|
| 1 | Riverside | 10/19 | 4,000 | \$179,000 | Similar – Location and Lot Size Inferior – Entitlements at close |
| 2 | Colton | 5/19 | 2,000 | \$140,000 | Inferior – Location, Schools, Lot Size |
| 3 | Riverside | 7/18 | 2,500 | \$145,000 | Similar – Location, Schools Inferior – Lot Size |
| 4 | Riverside | 6/18 | 2,500 | \$189,000 | Slightly Superior – Location Inferior – Lot Size |
| 5 | Riverside | 3/18 | 4,000 | \$179,000 | Similar – Location, Lot Size |
| 6 | Riverside | 11/17 | 7,000 | \$160,000 | Superior – Lot Size Inferior – Location |
| 7 | Riverside | 9/17 | 7,200 | \$215,000 | Superior – Lot Size Similar – Location Inferior – Project Size |

The market data has an overall finished lot range from \$145,000 - \$215,000. Data No. 7 at the high end of the range is considered similar in location but superior due to the 7,200 minimum lot sizes as compared to the subject's minimum lot size of 3,600 square feet. The low end of the range (Data Nos. 2 and 3) refer to sales in inferior locations and are smaller in size. The remainder of the market data (Data 1, 4, 5 and 6) ranges from \$160,000 to \$189,000 per finished lot. In addition to the above transactions, we have reviewed the subject purchase, however have kept the finished lot estimated price confidential at the request of the homebuilder. Based on the above information, we have concluded that the subject lots have a finished lot value of \$180,000 for the 3,600 square foot lots.

There are remaining development costs associated with the builder-owned property of \$43,416. The builder owns two remaining lots suggesting the remaining development costs associated with this lot is \$21,708 (\$43,415 divided by two). Based on the above analysis the value conclusion for the subject builder owned lots are as follows:

Builder-Owned Lot Final Valuation:

| | | |
|-----------------------|----|-----------------------|
| 1 Lot x \$180,000 | \$ | 180,000 |
| Less: Remaining Costs | | <u>(21,708)</u> |
| Current "As Is" Value | \$ | <u>158,292</u> |

Retail House Valuation

The builder owns the final model home which is in escrow and due to close November 15, 2019. The costs associated with the selling off of this home will be addressed below. First, we will conclude at a minimum market retail value for each plan using the Sales Comparison Approach. The remaining 83 completed homes are owned by individuals. A reporting of the concluded value for each plan will be followed by a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes.

Autumn Grove by Lennar

Autumn Grove consists of 83 individually owned homes and a final model home that is in escrow and due to close November 15, 2019 along with the final lot that is under construction. The remaining lot was valued above.

Below is a summary of the floor plans within Autumn Grove. A listing of the improved residential comparable properties is located in the Addenda of this report. The improved residential properties are located within Riverside and Moreno Valley. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in one pending re-sale of a Plan 1 and no other current listings of re-sales within Autumn Grove.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|---------------------|---------|--------------------|---------|---------------|----------------|
| Autumn Grove | | | | | |
| 1 | 3 / 2.5 | 2 / 2 | 2,295 | 22 | 0 |
| 2 | 4 / 3 | 2 / 2 | 2,547 | 27 | 0 |
| 3 | 4 / 3 | 2 / 2 | 2,700 | 34 | 1 |
| Subtotal | | | | 83 | 1 |

In addition to the above there is 1 home under construction.

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

| Data | Model | Rm. Ct. | Firs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 3 / 2.5 | 2 / 2 | 2,295 | -- |
| 1 | 3 | 4 / 3 | 2 / 2 | 2,131 | \$214.91 |
| 2 | 2 | 4 / 3 | 2 / 2 | 2,203 | \$184.56 |
| 2 | 3 | 4 / 3 | 2 / 2 | 2,232 | \$174.37 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,056 | \$203.25 |
| 4 | 7 | 3 / 2 | 1 / 2 | 2,091 | \$219.98 |
| 5 | 1 | 4 / 2 | 1 / 2 | 2,206 | \$208.51 |
| 6 | 6 | 3 / 2.5 | 2 / 2 | 2,237 | \$181.93 |

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 1 had a final base asking price of \$452,060 which is \$196.98 per square foot. The new homes comparables have a base price less concessions range from \$181.93 per square foot to \$219.98 per square foot. The lowest sales (Data Nos. 2 and 6) are both located in Moreno Valley, an inferior location. There have been 22 closings of Autumn Grove Plan 1 with sales prices ranging from \$182.73 to \$199.72 per square foot. There is one pending listing of a Plan 1 within Autumn Grove with an asking price of \$202.61 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 Autumn Grove Plan 1 has a base current market value of \$185.00 per square foot. This calculates as follows:

$$2,295 \text{ sf} \times \$185.00 = \$424,575$$

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

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 4 / 3 | 2 / 2 | 2,547 | -- |
| 2 | 4x | 4 / 3 | 2 / 3 | 2,420 | \$172.41 |
| 2 | 5 | 4 / 3.5 | 2 / 3 | 2,583 | \$175.95 |
| 3 | 3 | 4 / 3 | 2 / 2 | 2,468 | \$183.50 |
| 4 | 8 | 5 / 2.5 | 2 / 2 | 2,528 | \$188.68 |
| 5 | 3 | 4 / 2.5 | 1 / 2 | 2,628 | \$185.68 |
| 6 | 7 | 4 / 2.5 | 2 / 2 | 2,617 | \$199.09 |

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 2 had a final base price less concessions of \$189.57 per square. The new homes comparables have a base price less concessions range from \$172.41 to \$199.09 per square foot. There have been 27 closings of Autumn Grove Plan 2 with sales prices ranging from \$179.76 to \$195.04 per square foot (not including the model home sale which was higher). 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 Autumn Grove Plan 2 has a base current market value of \$180.00 per square foot. This calculates as follows:

$$2,547 \text{ sf} \times \$180.00 = \$458,460$$

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

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 3 | 2 / 2 | 2,700 | -- |
| 2 | 4x | 4 / 3 | 2 / 3 | 2,420 | \$172.41 |
| 2 | 5 | 4 / 3.5 | 2 / 3 | 2,583 | \$175.95 |
| 3 | 3 | 4 / 3 | 2 / 2 | 2,468 | \$183.50 |
| 4 | 8 | 5 / 2.5 | 2 / 2 | 2,528 | \$188.68 |
| 5 | 4 | 4 / 2.5 | 2 / 2 | 2,913 | \$175.41 |
| 6 | 7 | 4 / 2.5 | 2 / 2 | 2,617 | \$199.09 |

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 3 had a final asking base price of \$494,460 or \$183.13 per square foot. The new homes comparables have a base price less concessions range from \$168.22 to \$199.09 per square foot. There have been 34 closings of Plan 3 with sales prices ranging from \$172.80 to \$185.28 per square foot with the exception of the model home which is in escrow. There is a current escrow of the final production home which is under construction with a sales price of \$183.91 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 Autumn Grove Plan 3 has a base current market value of \$173.00 per square foot. This calculates as follows:

$$2,700 \text{ sf} \times \$173.00 = \$467,100$$

Builder-Owned Retail Value of Completed Home

Within Autumn there is a single model home that is complete, in escrow however not yet closed. There are certain costs associated with selling off a home. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar for dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$50,000 premium has been included with the subject model home. As concluded above, the retail base value conclusions for the builder-owned homes within Autumn Grove are calculated as follows:

| | |
|-------------------------------|-------------------|
| Plan 1 (0 x \$424,575) | \$ 0 |
| Plan 2 (0 x \$458,460) | 0 |
| Plan 3 (1 x \$467,100) | 467,100 |
| Model Upgrades (1 x \$50,000) | <u>50,000</u> |
| Total Retail Value | <u>\$ 517,100</u> |

Absorption Period

In order to arrive at an absorption period for the builder-owned home, the absorption rate for the subject neighborhood along with the surrounding developments has been reviewed. Autumn Grove has experienced a sales rate of 3.86 units per month and is sold out. It has been concluded that the final builder-owned home will be absorbed within a one-month period at the concluded value.

Remaining Costs

As discussed under the property description section above there are \$21,708 remaining development costs associated with the builder-owned lot. This is taken into consideration in this analysis.

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.

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the early 1990s recession, this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have been increasing. A six 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 Riverside 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

Autumn Grove has experienced a 3.86 sales per month absorption rate, considered good for the subject area. There is a single home remaining and it is in escrow. selling in September 2018 with the product being well received in the marketplace with a 3.75 sales per month average. Based on the sales rate within the subject project, the competition, the product and location, an eight 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 home within Autumn Grove is \$430,470.

Autumn Grove – Builder Ownership Valuation

The builder-owned property within Autumn Grove consist of one model and one final lot under construction. The final valuation of the Lennar Homes owned property is:

| | |
|-------------------------------------|--------------------------|
| 1 Lot in its "As Is" Condition | \$ 158,292 |
| 1 Model Home | <u>430,470</u> |
| Total Lennar Homes Ownership | <u>\$ 588,762</u> |

Individual Owners Value Conclusions – Autumn Grove by Lennar

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. The concluded values for the individually owned homes within Autumn Grove are:

| | |
|--|-----------------------------|
| Plan 1 (22 x \$424,575) | \$ 9,340,650 |
| Plan 2 (27 x \$458,460) | 12,378,420 |
| Plan 3 (34 x \$467,100) | <u>15,881,400</u> |
| Total Autumn Grove Individual Owned | <u>\$ 37,600,470</u> |

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Autumn Grove. Closings for the 83 homes occurred between March 2018 to November 14, 2019. The builder's reported closing prices for the individually owned homes total \$39,200,715. 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 consideration any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 4.1 percent of the actual sales prices on Autumn Grove. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property which consists of lands within Riverside CFD No. 2015-1 which consists of 85 proposed single-family homes being built in the community known as Autumn Grove in the City of Riverside in Riverside County. Out of the total 85 proposed homes, 83 are completed and have closed to individuals with the final model home in escrow and the final remaining lot currently under construction. We have reviewed the builder sales and reviewed the areas Multiple Listing Service. Our search resulted in one pending re-sale and no current re-sale listings of homes within Autumn Grove.

The subject property was valued using the Sales Comparison Approach to value, a Discounted Cash Flow Analysis along with a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation considered the improvements/benefits to be funded by Riverside CFD No. 2015-1 bond proceeds along with the Riverside CFD No. 2015-1 special tax lien. As a result of our investigation, the concluded value for the subject property is:

Autumn Grove by Lennar

| | |
|--|-----------------------------|
| Builder Owned (1 finished lot and 1 completed house) | \$ 588,762 |
| Individual Owned (83 completed houses) | <u>\$ 37,600,470</u> |
| Aggregate Value of Riverside CFD No. 2015-1 | <u>\$ 38,189,232</u> |

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 14, 2019.

APPRAISER'S CERTIFICATION

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

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



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

ADDENDA

DRAFT

CITY OF RIVERSIDE CFD No. 2015-1
BOUNDARY MAP

PROPOSED BOUNDARY MAP

SHEET 1 OF 1 SHEET

COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE) CITY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE), CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE, AT A REGULAR MEETING THEREOF, HELD ON 23rd DAY OF June, 2015, BY RESOLUTION NO. 22869

C. Shiel
CITY CLERK
CITY OF RIVERSIDE

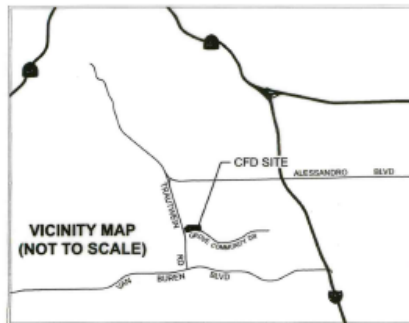
FILED IN THE OFFICE OF THE CITY CLERK, CITY OF RIVERSIDE, THIS 23rd DAY OF June, 2015

C. Shiel
CITY CLERK
CITY OF RIVERSIDE

RECORDED THIS 14 DAY OF July, 2015
AT THE HOUR OF 4:34 O'CLOCK PM IN BOOK 78
PAGE 43 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

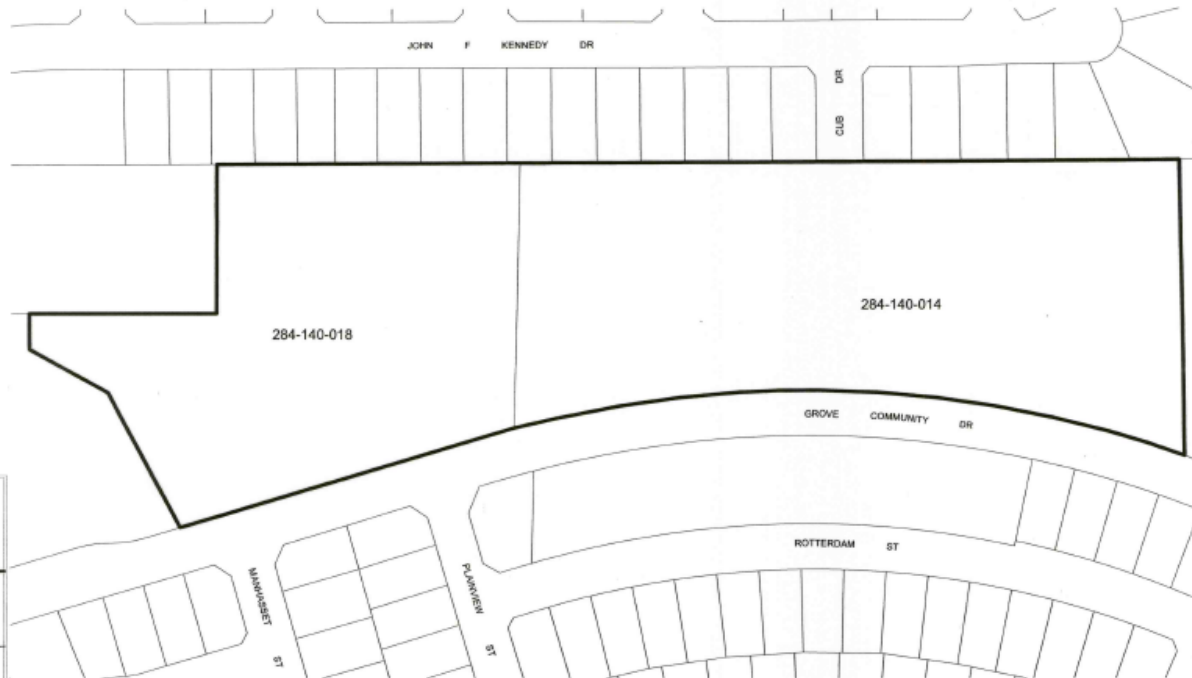
FEE: B 10 NO.: 2015-0308004
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: P. Garnett
DEPUTY



ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2014-2015.



LEGEND

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



W.O. 14-0238

0 200 400 Feet

TRACT MAP 39534

SURVEYOR'S NOTES

BASIS OF BEARINGS
THE BASIS OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA STATE PLANE COORDINATE SYSTEM CCS83, ZONE 6, BASED LOCALLY ON CONTROL STATIONS "TUMH" AND "MSP" NORTH AMERICAN DATUM 1983 (NAD 83) (2010 EPOCH) AS SHOWN HEREON. ALL BEARINGS SHOWN ON THIS MAP ARE TRUE, QUOTED BEARINGS AND BEARINGS AND DISTANCES ARE SHOWN PER THAT RECORD REFERENCE. ALL DISTANCES SHOWN ARE GROUND DISTANCES (UNLESS SPECIFIED OTHERWISE). GROUND DISTANCES MAY BE OBTAINED BY MEASURING THE GROUND DISTANCE BY A CONVENTIONAL FACTOR OF 0.9999275. CALCULATIONS WERE MADE AT THE NORTHWEST CORNER SECTION 20, T2S, R4W, WITH COORDINATES OF N. 2275005.630, E. 6238875.368, USING AN ELEVATION OF 1688.83 FEET.

MONUMENT NOTES

- - INDICATES FOUND MONUMENT AS NOTED.
- ⊙ - INDICATES FOUND 1" P & RCE 21740 TAG, FLUSH PER MB 406/8-13.
- - INDICATES SET 1" P & RCE 5380 TAG, FLUSH, UNLESS OTHERWISE NOTED.
- SET 1" P & RCE 5380 TAG, FLUSH AT ALL NEAR LOT CORNERS AND ANGLE POINTS, SET LEAD & RCE 5380 TAG IN TOP OF CURB AT PROLONGATION OF SIDE LOT LINES.
- THIS MAP CONTAINS 13.928 ACRES, MORE OR LESS WITHIN THE DISTINCTIVE BORDER.

(-) - INDICATES RECORD DATA PER REFERENCE LISTED BELOW

R1 - INDICATES RECORD DATA PER MB 406/8-13

R2 - INDICATES RECORD DATA PER MB 292/94-98

R3 - INDICATES RECORD DATA PER MB 161/82-83

R4 - INDICATES RECORD DATA PER MB 278/08-31

C.C.B.'S FOR THIS MAP RECORDED May 21, 2017, AS DOC. NO. 2017-010104

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

TRACT NO. 39534

BEING A SUBDIVISION OF A PORTION OF LOT 3 IN BLOCK 35 AND LOT 2 IN BLOCK 26, A PORTION OF JOHN F. KENNEDY DRIVE (INDICATED), AND CULE STREET (INDICATED), OF THE ALHAMBRA TRACT AS SHOWN BY MAP ON FILE IN BOOK 6, PAGE 13 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, LYING IN SECTION 20, T.2S., R.4W., S.B.M.

JANUARY 2016

**adkan
ENGINEERS**
RIVERSIDE, CA

SHEET INDEX MAP



GRAPHIC SCALE



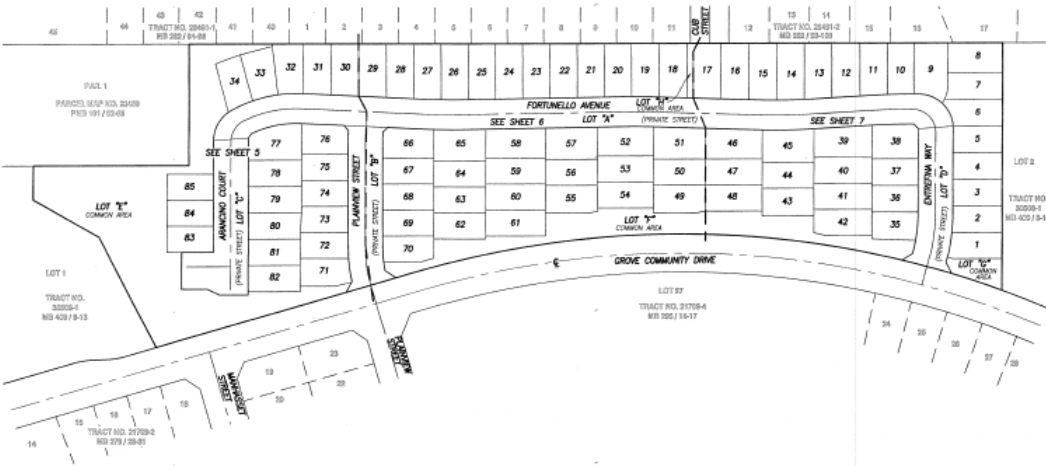
(IN FEET)

1 Inch = 100 Ft.

EASEMENT NOTES

AN EASEMENT FOR PIPELINES, CONDUITS, ROADS AND EGRESS AND INCIDENTAL PURPOSES FOR DOCUMENT RECORDED MARCH 4, 1983 IN BOOK 1740 PAGE 467 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY. (EASEMENT IS LOCATED FROM THE RECORD.)

2. WHICH BEARS PORT AIRPORT AUTHORITY, A CALIFORNIA AIRPORT AUTHORITY, HOLDER OF AN EASEMENT FOR AIRPORT AND INCIDENTAL PURPOSES PER DOCUMENT RECORDED MARCH 14, 2003 AS DOCUMENT NO. 2003-0008 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY. EASEMENT IS BLANKET IN NATURE AND AFFECTS ALL LOTS.

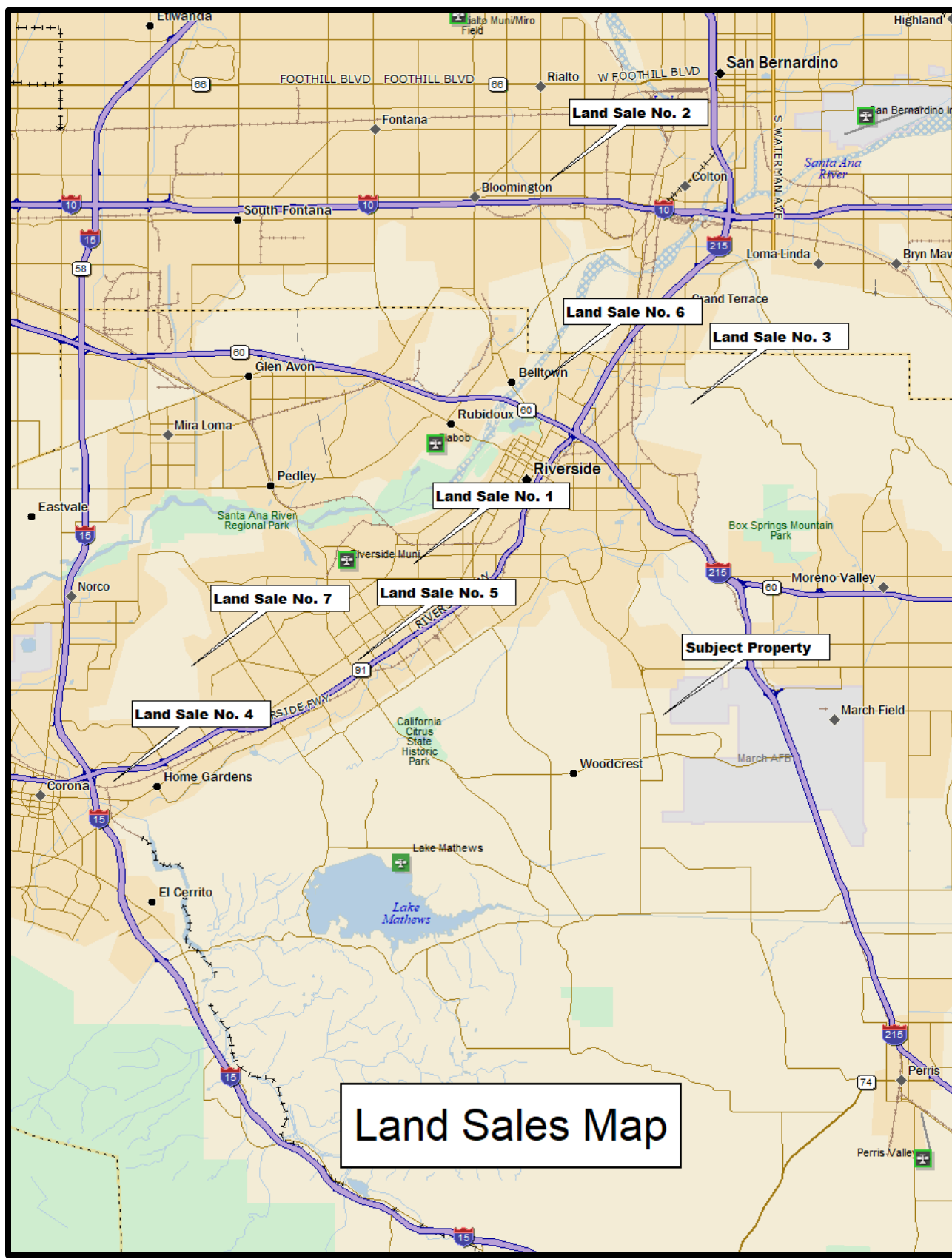


DISCOUNTED CASH FLOW ANALYSIS

Autumn Grove Builder-Owned House Discounted Cash Flow Analysis

| MONTH | Months | MONTH 1 | <u>TOTAL</u> |
|---------------------------------|---------|------------------|------------------|
| | 1 | | |
| INCOME: | | | |
| Retail Sales | 517,100 | \$517,100 | \$517,100 |
| TOTAL INCOME | | <u>\$517,100</u> | <u>\$517,100</u> |
| EXPENSES: | | | |
| Remaining Costs | | (\$21,708) | (\$21,708) |
| Marketing & Carrying Expenses | 6% | (\$31,026) | (\$31,026) |
| Profit | 6% | (\$31,026) | (\$31,026) |
| TOTAL EXPENSES | | (\$83,760) | (\$83,760) |
| NET CASH FLOW | | \$433,340 | \$433,340 |
| Discount Factor | 8% | <u>0.9934</u> | |
| DISCOUNTED CASH FLOW | | \$430,470 | \$430,470 |
| CUMULATIVE DISCOUNTED CASH FLOW | | <u>\$430,470</u> | <u>\$430,470</u> |

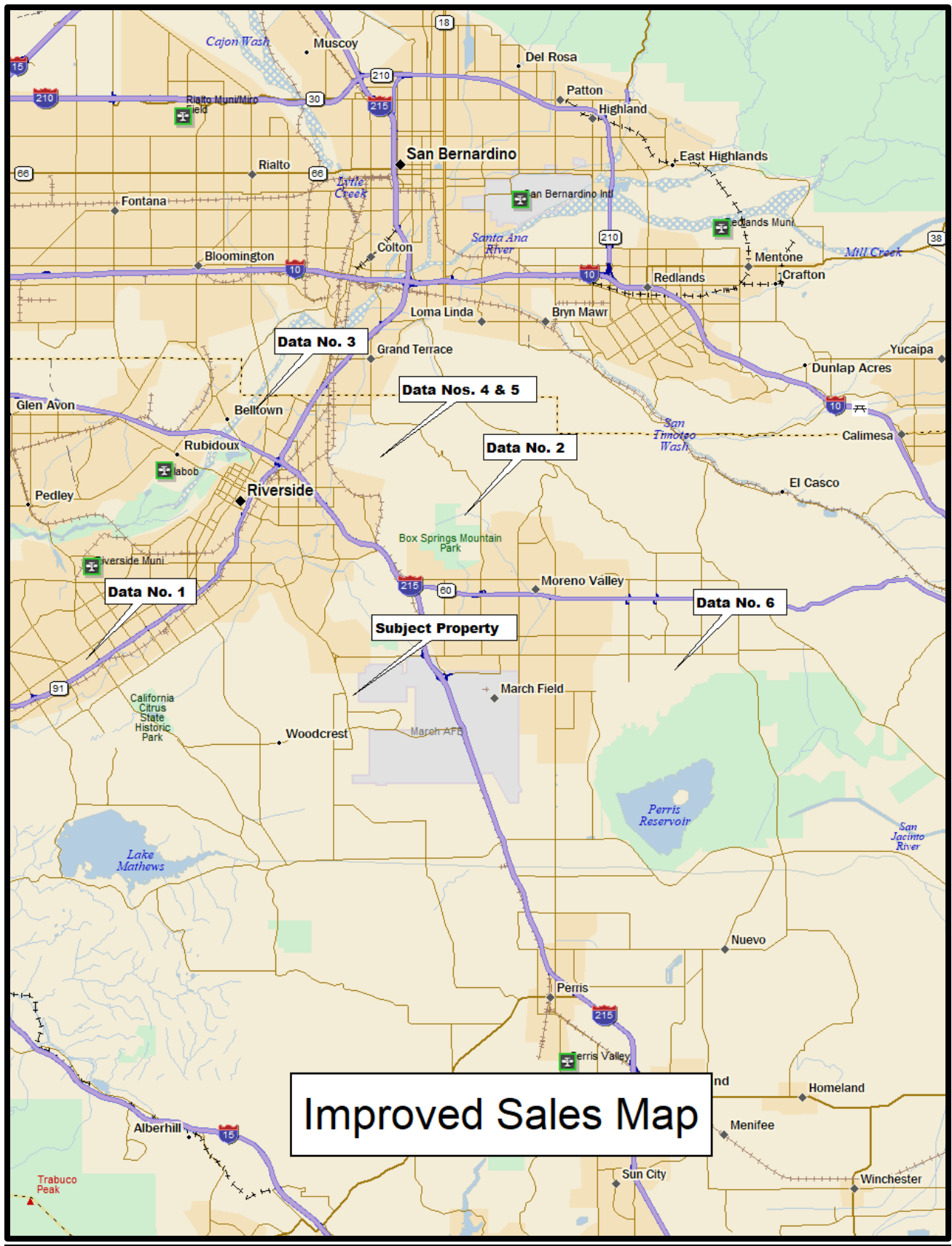
FINISHED LOT LAND SALES MAP &
SUMMARY CHART



FINISHED LOT LAND SALES SUMMARY CHART

| Data No. | Location / APN / Buyer / Seller | Sales Date | # Lots | Lot Size | Sales Price / Price per Lot | Est. Finished Lot Price | Comments |
|-----------------|--|-------------------|---------------|-----------------|------------------------------------|--------------------------------|---|
| 1 | 6789 Streeter Avenue, NWC of Streeter Avenue & Sierra Street, Riverside / 190-263-030 / R.C. Hobbs Company / Steve Kim | 10 / 19 | 35 | 4,000 | \$2,000,000 / \$57,143 | \$179,000 | Closed in unimproved condition. Per Roger Hobbs, they're processing a tentative tract map for 35 lots, but it does not appear on the City Council agenda. |
| 2 | Blossom at Wildrose Village, SE of North Wildrose Avenue & West San Bernardino Avenue, Colton / 0254-051-51 + 5 parcels / Richmond American Homes / John Reichel | 05 / 19 | 77 | 2,000 | \$4,460,000 / \$57,922 | \$140,000 | Closed in unimproved condition with an approved tentative tract map. |
| 3 | Bayberry at Spring Mountain Ranch, NWC of Palmyrita Avenue & Mt Vernon Avenue, Highgrove (Unincorporated Riverside County) / 255-140-031 / Lennar / Shopoff Realty Investments | 07 / 18 | 72 | 2,500 | \$4,350,000 / \$60,417 | \$145,000 | Closed in unimproved condition with an approved tentative tract map. The project consists of detached residences arranged in 4- and 6-pack courtyard clusters. This project is currently an actively selling community. |
| 4 | Sausalito, SWC of Magnolia Avenue & Grant Street, Home Gardens (Unincorporated Riverside County) / 115-300-047 + 2 parcels / Woodside Homes / Planet Home Living | 06 / 18 | 65 | 2,500 | \$6,172,500 / \$94,962 | \$189,000 | Closed in unimproved condition with an approved tentative tract map. The project consists of detached residences with conventional street frontage on a condominium map. This project is currently an actively selling community. |
| 5 | Primrose, NW of Primrose Drive & Myers Street, Riverside / 234-091-012 + 7 parcels / KB Home / Coastal Commercial Properties | 03 / 18 | 62 | 4,000 | \$ 2,958,929 / \$47,725 | \$179,000 | Closed in unimproved condition with an approved tentative tract map. This project is currently an actively selling community. |
| 6 | Rivera, SW of Main Street & Alamo Street, Riverside / 206-020-067 + 70 parcels / RSI Communities (William Lyon Homes) / Nova Homes | 11 / 17 | 71 | 7,000 | \$8,585,454 / \$120,921 | \$160,000 | Closed in finished condition with a recorded final map. The lots had been improved during the previous real estate cycle. This project is currently an actively selling community. |
| 7 | Hillcrest, SW of Norwood Avenue & Peacock Lane / 141-380-001 + 25 parcels / Frontier Communities / William Tilden | 09 / 17 | 26 | 7,200 | \$1,200,000 / \$46,154 | \$215,000 | Closed in unimproved condition with an approved tentative tract map. This project is currently an actively selling community. |

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART



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 |
|-------|---|------|---------------|---------------------|--------------|----------|------------------------|-----------------|---|--------------------------|---------------------------------|
| (Sub) | Autumn Grove / Grove Community Drive and Plainview Street, Riverside / Lennar | 1 | 3 / 2.5 | 2 / 2 | 2,295 | 3,600 | -- | 3.86 | -- | -- | -- |
| | | 2 | 4 / 3 | 2 / 2 | 2,547 | | | | | | |
| | | 3 | 4 / 3 | 2 / 2 | 2,700 | | | | | | |
| 1 | Primrose / Primrose Drive and Muir Avenue, Riverside / KB Home | 1 | 3 / 2.5 | 2 / 2 | 1,779 | 4,000 | \$415,990 | 1.94 | None | \$415,990 | \$233.83 |
| | | 2 | 3 / 2.5 | 2 / 2 | 1,984 | | \$434,990 | | | \$434,990 | \$219.24 |
| | | 3 | 4 / 3 | 2 / 2 | 2,131 | | \$457,990 | | | \$457,990 | \$214.91 |
| 2 | Meadow Creek / Pigeon Pass Road and Meadow Lark Avenue, Moreno Valley / Lennar | 2 | 4 / 3 | 2 / 2 | 2,203 | 4,500 | \$412,601 | 5.97 | \$6,000 towards closing with preferred lender | \$406,601 | \$184.56 |
| | | 3 | 4 / 3 | 2 / 2 | 2,232 | | \$395,210 | | | \$389,210 | \$174.37 |
| | | 4x | 4 / 3 | 2 / 3 | 2,420 | | \$423,240 | | | \$417,240 | \$172.41 |
| | | 5 | 4 / 3.5 | 2 / 3 | 2,583 | | \$460,483 | | | \$454,483 | \$175.95 |
| 3 | Rivera / Apple Grove and Cherry Grove, Riverside / William Lyon Homes | 1 | 4 / 2 | 1 / 2 | 1,935 | 7,000 | \$489,900 | 4.34 | \$5,000 towards closing costs with preferred lender | \$484,900 | \$250.59 |
| | | 2 | 3 / 2.5 | 2 / 2 | 2,056 | | \$422,900 | | | \$417,900 | \$203.25 |
| | | 3 | 4 / 3 | 2 / 2 | 2,468 | | \$457,900 | | | \$452,900 | \$183.50 |
| | | 4 | 5 / 3 | 2 / 2 | 2,714 | | \$475,425 | | | \$470,425 | \$173.33 |
| 4 | Santa Barbara at Spring Mountain Ranch, Unincorporated Riverside / KB Home | 1 | 3 / 2 | 1 / 2 | 1,392 | 7,200 | \$413,990 | 9.05 | None | \$413,990 | \$297.40 |
| | | 2 | 3 / 2 | 1 / 2 | 1,479 | | \$422,990 | | | \$422,990 | \$285.99 |
| | | 3 | 3 / 2 | 1 / 2 | 1,625 | | \$428,990 | | | \$428,990 | \$263.99 |
| | | 4 | 4 / 2 | 1 / 2 | 1,750 | | \$439,990 | | | \$439,990 | \$251.42 |
| | | 5 | 3 / 2 | 1 / 2 | 1,779 | | \$443,990 | | | \$443,990 | \$249.57 |
| | | 6 | 4 / 2 | 1 / 2 | 1,860 | | \$436,990 | | | \$436,990 | \$234.94 |
| | | 7 | 3 / 2 | 1 / 2 | 2,091 | | \$459,990 | | | \$459,990 | \$219.98 |
| | | 8 | 5 / 2.5 | 2 / 2 | 2,528 | | \$476,990 | | | \$476,990 | \$188.68 |
| | | 9 | 5 / 2.5 | 2 / 2 | 2,889 | | \$485,990 | | | \$485,990 | \$168.22 |
| 5 | Carmel Ridge at Spring Mountain Ranch , Unincorporated Riverside / KB Home | 1 | 4 / 2 | 1 / 2 | 2,206 | 7,200 | \$459,990 | 3.81 | None | \$459,990 | \$208.51 |
| | | 2 | 3 / 3 | 1 / 2 | 2,329 | | \$466,990 | | | \$466,990 | \$200.51 |
| | | 3 | 4 / 2.5 | 1 / 2 | 2,628 | | \$487,990 | | | \$487,990 | \$185.68 |
| | | 4 | 4 / 2.5 | 2 / 2 | 2,909 | | \$501,990 | | | \$501,990 | \$172.56 |
| | | 5 | 4 / 2.5 | 2 / 2 | 2,913 | | \$510,990 | | | \$510,990 | \$175.41 |
| | | 6 | 5 / 3.5 | 2 / 2 | 3,228 | | \$517,990 | | | \$517,990 | \$160.46 |
| | | 7 | 4 / 2 | 2 / 2 | 3,595 | | \$520,990 | | | \$520,990 | \$144.92 |
| 6 | Bella Cortina / Cactus Avenue and Goldenrod Street, Moreno Valley / KB Home | 1 | 3 / 2 | 1 / 2 | 1,477 | 6,000 | \$367,990 | 4.28 | None | \$367,990 | \$249.14 |
| | | 2 | 4 / 2 | 1 / 2 | 1,722 | | \$382,990 | | | \$382,990 | \$222.40 |
| | | 3 | 3 / 2 | 1 / 2 | 1,772 | | \$375,990 | | | \$375,990 | \$212.18 |
| | | 4 | 3 / 2 | 1 / 2 | 1,905 | | \$385,990 | | | \$385,990 | \$202.61 |
| | | 5 | 4 / 2 | 1 / 2 | 2,128 | | \$400,990 | | | \$400,990 | \$188.43 |
| | | 6 | 3 / 2.5 | 2 / 2 | 2,237 | | \$406,990 | | | \$406,990 | \$181.93 |
| | | 7 | 4 / 2.5 | 2 / 2 | 2,617 | | \$521,025 | | | \$521,025 | \$199.09 |
| | | 8 | 4 / 2.5 | 2 / 2 | 3,061 | | \$441,990 | | | \$441,990 | \$144.39 |

APPRAISER'S QUALIFICATIONS

DRAFT

QUALIFICATIONS OF KITTY S. SIINO, MAI

Education

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

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

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

Employment

1988 - Present:

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

1986-1988:

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

1981 - 1986

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

1980 - 1981

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

Licenses

Real Estate Sales Person, State of California, 1980

Certified General Appraiser, State of California (#AG004793)

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

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

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