

APPRAISAL REPORT

CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH) (Hillcrest by Beazer Homes)

City of Riverside, California
(Appraisers' File No. 2024-1287)



Prepared For
City of Riverside
3900 Main Street
Riverside, CA 92501

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

February 9, 2024

Meline Carranza, Debt & Treasury Manager
City of Riverside
3900 Main Street
Riverside, CA 92501

Reference: Appraisal Report – City of Riverside
Community Facilities District No. 2013-1 (Kunny Ranch)
Hillcrest by Beazer Homes
Both sides of Golden Star Avenue; S/O Tiger Tail Drive, City of Riverside

Dear Meline Carranza:

At the request and authorization of the City of Riverside, we have completed an Appraisal Report for Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside ("Riverside CFD No. 2013-1"). Riverside CFD No. 2013-1 consists of a new home community being marketed as Hillcrest by Beazer Homes Holdings, LLC ("Beazer") which was formerly known as Kunny Ranch. Hillcrest consists of a total of 74 proposed single-family detached homes on large lots. The community includes five floorplans sized from 2,462 to 3,702 square feet. Of the total 74 proposed homes, 53 have closed to individual homeowners to date, with an additional 16 homes in escrow which are due to close upon completion. The builder-owned property ranges from completed model homes to homes under construction. It should be noted that APN 242-150-016 (formerly APNs 242-150-009; 242-300-009 and a portion of 242-140-002/004), also known as Lot D Open Space per Tract Map 33029 is vacant common area/open space lands which are within the CFD, however not a part of this appraisal.

The valuation method used in this report is the Sales Comparison Approach along with 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. 2013-1 Special Tax Bonds. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by the Riverside CFD No. 2013-1 Special Tax Bonds.

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

Hillcrest by Beazer

Beazer Ownership (12 homes & 9 lots)	\$ 12,968,847
Individual Owned (53 homes)	<u>\$ 51,659,555</u>

Aggregate Value of Riverside CFD No. 2013-1	<u>\$ 64,628,402</u>
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Meline Carranza
City of Riverside
February 9, 2024
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The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of January 16, 2024.

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

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

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.

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

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

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ADDENDA

CFD Boundary Map for City of Riverside CFD No. 2013-1
Tract Maps 33029 and 33029-2
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. 2013-1.
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 conducted 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. 2013-1 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the Riverside CFD No. 2013-1 Special Tax Bond proceeds, are completed and in place.

EXTRAORDINARY ASSUMPTION

1. It is assumed that the cost and sales information provided by the builder is true and accurate. We have reviewed the sales, and they appear reasonable compared to sample public record documents, however we have not reviewed every home sale against public record documents. If the costs differ, it may affect the value of the property.

City of Riverside
Community Facilities District No. 2013-1 (Kunny Ranch)
(Hillcrest by Beazer Homes)



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. 2013-1 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 74 proposed single-family detached homes on large lots, which represent two Tract Maps being developed into the neighborhood known as Hillcrest (formerly known as Kunny Ranch) by Beazer. Tract Map 33029 includes 21 numbered lots and Tract Map 33029-2 includes 53 residential lots for a total of 74 residential lots within Riverside CFD 2013-1. There are 53 homes completed and closed to individuals, four completed models (three in escrow), eight homes over 95 percent complete (five in escrow), and nine homes under construction (eight in escrow). Sales began in the subject property in March of 2022 and the community is nearing sell out and build out, with all lots including either completed homes or homes under construction. Below is a summary of Hillcrest along with the status and ownership of each lot.

Description	No. Lots	Owner	Condition/Status
Hillcrest by Beazer (Tracts 33029 and 33029-2)			
Lots 1, 3-12, 14, 19-20 of Tract 33029 and Lots 1-9, 14-27, 38-53 of Tract 33029-2	53	Individuals	Completed Homes
Lots 31-34 of Tract 33029-2	4	Beazer	Model Homes (3 in Escrow)
Lots 2, 13, 15 & 21 of Tract 33029 and Lots 12-13 and 28-29 of Tract 33029-2	8	Beazer	Houses over 95% complete (5 in Escrow)
Lots 16-18 of Tract 33029 and Lots 10-11, 30, 35-37 of Tract 33029-2	<u>9</u>	Beazer	Under Construction (8 in Escrow)
CFD No. 2013-1 TOTAL:	74		

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. 2013-1 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.

Minimum Market Value

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

¹ The Appraisal of Real Estate, 13th Edition

"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.

Hypothetical Condition

The Term "Hypothetical Condition" is defined by USPAP as:

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

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Riverside CFD No. 2013-1.

Extraordinary Assumption

The term "extraordinary assumption" is defined by USPAP as:

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion"

The Extraordinary Assumption in this report is that the reported sales amounts and remaining land development costs as received from the builder are true and accurate. We have reviewed the sales amounts and checked some against the public record and

² USPAP 2016-2017 Edition

they appear reasonable; however, we have not reviewed escrow documents on each sale. Per the builder there are no remaining land development costs. It should be noted that this information was relied upon in the valuation of the subject property and if the costs change, the values may change.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest, subject to easements of record and Riverside CFD No. 2013-1. 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 January 16, 2024.

DATE OF REPORT

The date of this report is February 9, 2024.

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. 2013-1
- Subject Property Description
- Riverside County Housing Market Discussion
- Highest and Best Use Analysis
- Valuation Procedures, Analyses and Conclusions

- Appraisal Report Summary

The subject property consists of 74 proposed single-family detached homes on lots with a minimum size of 20,000 square feet with some lots over two acres in size. The site was extremely hilly which allowed for views from many of the lots, some excellent. Out of the 74 proposed homes, 53 have closed to individuals, with the remaining 21 lots including four models (three in escrow), eight production homes over 95 percent complete (five in escrow), and nine homes under construction (under 95 percent complete with eight in escrow). In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

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

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

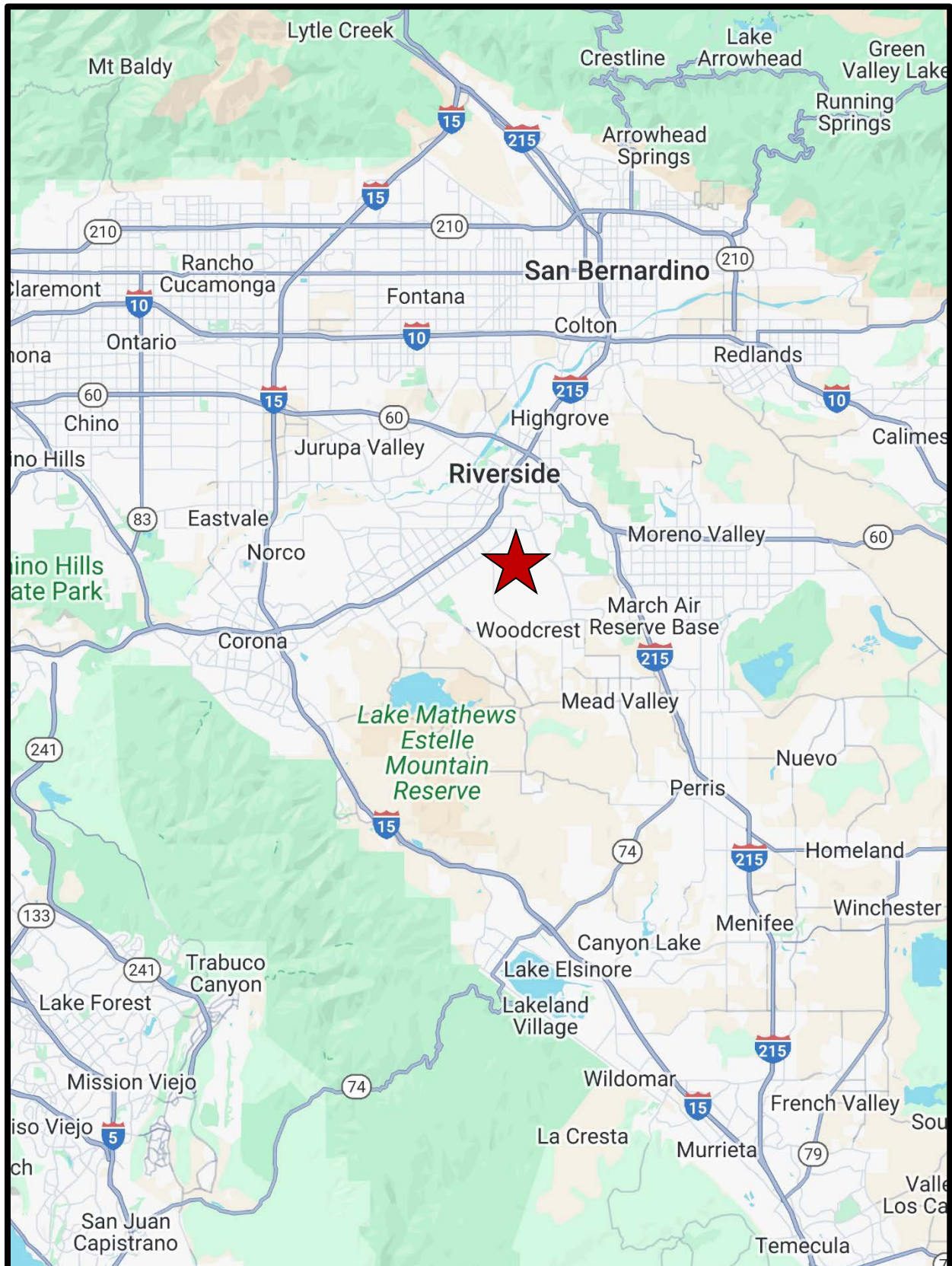
The due diligence of this appraisal assignment included the following:

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

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

3. Inspected the subject property between November 15, 2023, and January 15, 2024.
4. Had the property flown for an aerial photograph on January 2, 2024.
5. Interviewed employees and/or representatives from the builder in order to obtain available information on the subject property.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed soils reports on the property.
8. Reviewed sales brochures and marketing information on the subject neighborhood.
9. Reviewed actual developer sales information on all closed homes and current escrows.
10. Reviewed Multiple Listing Service ("MLS") information on any re-sales and current listings of existing homes within Riverside CFD 2013-1.
11. Inspected the subject property for any for-sale or property listing signs for re-sales that may not be listed on the MLS yet.
12. Searched the area for similar-type land sales and interviewed appropriate parties from each sale in order to ascertain details on each transaction.
13. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.

REGIONAL AREA MAP



COUNTY OF RIVERSIDE AREA DESCRIPTION

Location

The subject property is located in the northwestern portion of Riverside County (the "County"), approximately two and one-half miles southeast of the 91 Freeway, and five and one-half miles south of the 60 Freeway/Interstate 215 ("I-215")/91 Freeway interchange in the City of Riverside ("City"). The subject is located in the Alessandro Heights area of the City, just north of the community known as Woodcrest.

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

Transportation

The subject property is situated a little over two miles southeast of the 91 Freeway, midway between Interstate 15 ("I-15") and I-215, one-quarter mile north of Bradley Street and 0.5 miles east of Washington Street in Riverside. I-15 travels in a northerly/southerly direction about 10 miles southwest of the subject and provides access to Barstow and Nevada to the north and San Diego to the south. The 91 Freeway is generally in a southwest to northeast direction about 2.5 miles northwest of the subject and provides access into Los Angeles to the west and to the San Bernardino mountains to the north when it merges with Interstate 215 ("I-215"). The 60 Freeway runs in an east-west direction approximately six miles north of the subject providing access into Los Angeles County to the west and merges with Interstate 10 to the east which provides access across California and into Arizona.

The County is served by Amtrak and Metrolink as well as several rail freight-lines. The Ontario International Airport provides regional air service and is located approximately 16 miles northwest of the subject property while the Orange County Airport is located approximately 33 miles southwest and the San Diego International Airport is located about 82 miles south. The Riverside Municipal Airport, a small airport that serves general aviation as well as provides aircraft displays and hosts various aircraft events for the public, is located less than five miles northwest of the subject. 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, 2023, County population was 2.439 million, representing a one-year increase of 0.34 percent. This compares to an average annual growth rate over the past thirteen years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. It should be noted however, California's overall population decreased 0.35 percent during the past year. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.728 million by 2030, indicating an average annual increase of approximately 1.2 percent over the next seven years. The current growth of 0.34 percent is lower than the previous twelve-year annual average of about 0.8 percent likely due to the COVID pandemic disruption, and significantly lower than the previous 18-year average (2.5 percent) likely due to the Great Recession. Future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

Economy

The U.S. economy in the past few years has experienced challenging times due to reactions from the COVID disruption. These economic challenges include significant inflation, increasing interest rates, banks' instability and reaching an agreement on the debt ceiling. During COVID, the Federal, State, County and City Governments

("Governments") originally shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment the first few months of the pandemic. The Governments attempted to curtail the job losses and hardships with the approval of over \$5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board ("Board") reduced interest rates and started quantitative easing by buying bonds. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of November 2023, the national inflation rate was at 3.14 percent; up from a low of 2.97 in July 2023, and down from the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of the world turmoil, supply chain issues due to COVID or from the additional money entering the economy, inflation has been hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board ("Board") began raising interest rates. Between March 2022 and August 2023, there were eleven interest rate increases rising the Federal Funds Rate ("FRR") from 0.25 – 0.50 percent to 5.25 – 5.50 percent. The Board has not increased rates since August due to the decrease in inflation coupled with other signs in the economy. While the eleven increases appeared to help slow inflation, the quick, significant increases strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the most recent Board meeting (December 12, 2023) they continued to pause the increases and suggested rates may begin to come down in 2024. This created a boon to the economy as the stock market increased to an all-time high and bond rates decreased based on the news. In addition to causing bank instability, the FRR increases in 2022 and 2023 increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to the high of 7.79 percent as of October 2023; however, the rate has dropped to 6.60 percent as of January 18, 2024 (per Federal Reserve Economic Data-St. Louis).

This steep increase over the past two years has significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average ("DJIA") dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to a peak of 36,799 in January 2022. In February 2022, Russia began invading Ukraine which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. In addition, Israel declared war on Hamas on October 7, 2023, which added to the strain. All of these factors caused a drop in the DJIA of over ten percent from January 2022 to the low on October 27, 2023 (32,418); however, the Federal Reserve Board's notes this week have brought the stock market to a new all-time high of 37,863 (January 18, 2024). It appears the recent Board's decision not to increase rates further and their suggestion that a decrease may occur in the next year has been well received by investors. Current concerns on the U.S. economy include the nation's debt limit which can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debt limit which has been in danger of being reached numerous times with several temporary deals being reached, however, no permanent agreements at this time.

The significant increase in mortgage rates over the past year is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, the Inland Empire economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Inland Empire housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder's original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and

new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID recession and is thought to be due to several factors, including: a tight supply of resale homes; historically low interest rates; millennials finally buying homes; and, the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there was a significant slowdown in sales within the Inland Empire. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger share of the total home sales; however, new home sales are also down year-over-year.

While most jobs have come back, job losses were significant during the COVID recession as the Nation's unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the November 2023 National unemployment rate at 3.5 percent (Employment Development Department, not seasonally adjusted). The unemployment rate for the MSA was estimated at 5.1 percent (as of November 2023 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. As of November 2023, Riverside County's unemployment rate was 5.1 and San Bernardino County had a 5.0 percent unemployment rate. The current unemployment rate for the MSA of 5.1 percent is slightly higher than the California rate at 4.9 percent and higher than the November 2023 National rate of 3.5 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of November 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Nov-2023	4.9%
Riverside County	Nov-2023	5.1%
San Bernardino County	Nov-2023	5.0%
Orange County	Nov-2023	3.8%
San Diego County	Nov-2023	4.2%

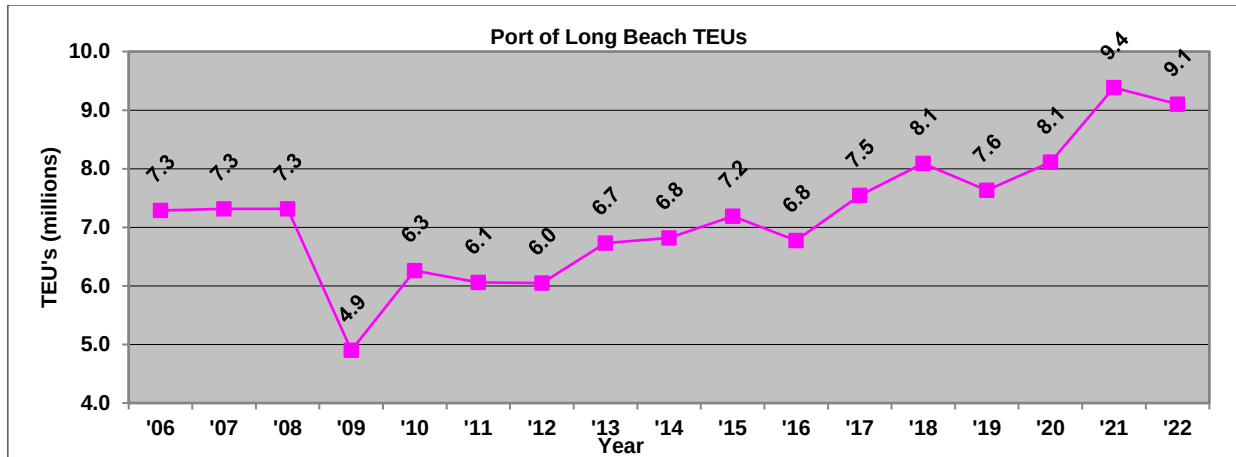
Source: State of California E.D.D.; *Not Seasonally Adjusted

The latest UCLA Anderson Forecast (“Forecast”) was issued October 4, 2023, and stated they predict no recession but a weak U.S. Economy in 2024. They believe with retail sales continuing to have robust growth and the backlog of durable goods orders growing along with factory construction soaring, that core inflation will continue to come down. As of October, they expected the Fed to increase the federal funds rate by 25 basis points and hold there until the sufficient weakness in the economy (forecast in 2024) results in moderate rate reductions after the first quarter of 2025. (Note – as of this week there will be no rate increases in 2023 and the notes suggest that rates may begin to decrease now in 2024). They opine that while monetary policy tightened, fiscal policy eased with the combination of the CHIPS Act, the Infrastructure Act and the Inflation Reduction Act which all added significant demand to the economy and increased investment. They do state that the impact of higher interest rates will be felt in restraining growth in 2024. It is interesting to note that in November (since the Forecast) Moody’s Investors Service changed the outlook on the Government of the U.S.’s ratings to “negative” from “stable” and state the key drivers of this change which include higher interest rates without effective fiscal policy measures to reduce government spending or increase revenues which will keep deficits very large and significantly weaken debt affordability. The Forecast mentions risks to their current forecast include a possible shutdown of government, geopolitical events and the possibility of a different national economic policy in 2025 due to the election.

The UCLA Forecast for California is more positive than the overall Nation due to job growth in California which shows that while the number of people employed is slightly under the pre-pandemic peak, California’s non-farm payroll jobs increased by 2.5 percent over this time period or 447,600 jobs. Jobs that were lost in some sectors were created in other sectors. The Forecast predicts the average unemployment rate for 2023, 2024 and 2025 to be 4.5 percent, 4.7 percent, and 4.6 percent respectively. In spite of the higher interest rates, the continued demand for limited housing stock, coupled with state policies inducing new homebuilding, should result in the beginning of a recovery this year followed by solid growth in new home production thereafter. They are estimating 120,000 net new units to be permitted in 2023 and grow to 144,000 in 2025 (however, down from their previous Forecast of 157,000 for 2025).

One bright spot in the current economy is sales of new homes. While existing homeowners are reluctant to put their houses on the market due to their under-four percent mortgages, new home sales continue. Even with rates in the seven percent range, new homes are still selling. This is partially due to the extremely limited availability of existing homes on the market, coupled with homebuilders offering to buy-down interest rates to help new home buyers. While new homes historically captured 10 – 13 percent of total home sales; over the past year new homes are capturing over 30 percent of total home sales. This rush to new home purchases has put pressure on pricing, even while interest rates have soared. During the Great Recession median housing prices (existing) in Riverside County dropped from a high of \$431,713 in June 2006 to a low of \$171,480 in April 2009. Median prices surpassed the pre-recession high in April 2020 (\$435,000), hit a peak in May 2022 of \$650,000 with the current November 2023 median home price in Riverside County at \$620,000 (all statistics per the California Association of Realtors). It should be noted that the median home price in Riverside County is up 6.9 percent year over year. This will be discussed further in the Riverside County Housing Market section later within this report.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 calendar year saw a decrease of 2.6 percent from the previous year and as of November 2023, the Port of Long Beach is running 14.9 percent lower than this time in 2023 (7,308,848 versus 8,589,553 total TEUs). It should be noted that consumer demand cooled in mid-2022 leaving fewer TEUs needed. Shipments have slowed due to American demand finally waning after the pandemic.



Government

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

Education

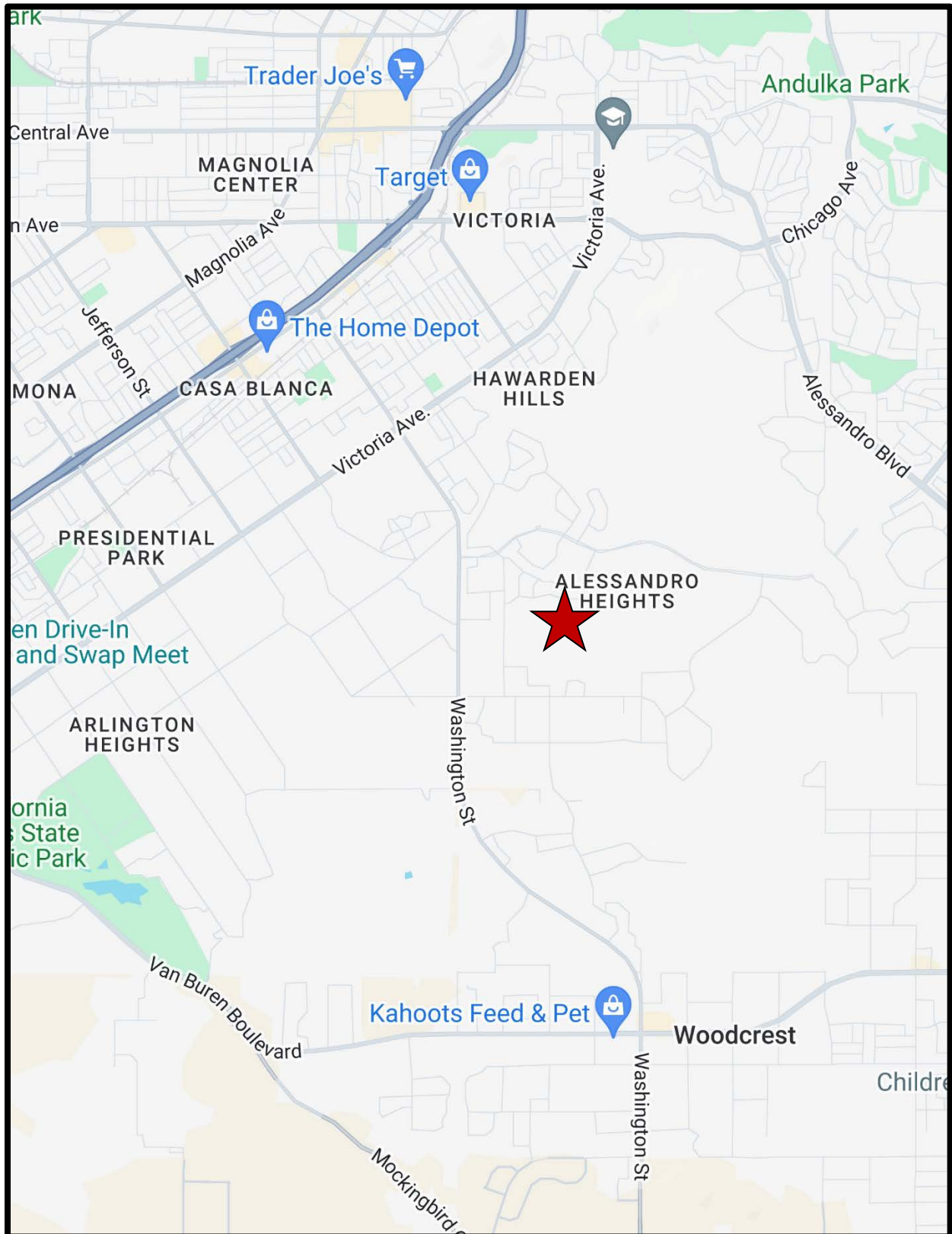
The subject area is served by the Riverside Unified School District which operates 29 elementary schools, seven middle schools, five high schools, and eight specialty schools including several virtual options. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton, and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

The subject property is served by George Washington Elementary School (located 1.5 miles north of the subject), Matthew Gage Middle School (located 1.8 miles north of the subject) and Riverside Polytechnic High School (located 2.5 miles north of the subject).

Conclusion

Population in the County has increased over the past 30 years with predictions for continued population growth, even though the State is reported to be losing population. The Nation's economy has been slowing after the Board increased the FRR five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages. Current concerns for the Inland Empire economy include: stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, bank failures, possible government shutdowns along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land, and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles, and San Diego Counties.

LOCAL AREA MAP



CITY OF RIVERSIDE DESCRIPTION

The subject property is located in the southern portion of the City of Riverside ("City"), about 2.5 miles southeast of the 91 freeway; ten miles northeast of I-15 and 5.5 miles south of the I-215/60 Freeway/91 Freeway interchange. 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 by population, 6th in Southern California and the largest geographical 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 Allesandro Heights, which is bounded by the Hawarden Hills and Victoria neighborhoods to the north, Arlington Heights neighborhood to the west, Mission Grove neighborhood to the east, and Woodcrest neighborhood to the south.

Population

The City has an estimated population of 313,676 per the California Department of Finance as of January 1, 2023 which is a decrease of 0.4 percent from the previous year's estimate of 314,818. The decrease is thought to be partially due to irregularities affecting the population count during the COVID pandemic. The following chart depicts population growth in the City.

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%
2020	328,766	0.8%
2023	313,676	-0.4%

The slowdown in the past twenty years is due to the essential build-out of the City coupled with the Great Recession. When averaging the past 13 years, the average growth rate of 0.25 percent compares to the of County average annual growth rate over the past 13 years of 0.8 percent. The higher County rate is due to the better availability of land for development outside of the City limits.

Per the City of Riverside's website, there are an estimated 97,235 households in the City, with 53,228 owner occupied housing units and 44,007 renter occupied housing units (2022). The subject is currently one of the 14 actively selling communities in the City of Riverside, which includes the master planned communities of Spring Mountain Ranch (with three actively selling product lines), Pulte's Highland Grove (with three actively selling product lines), and Pulte's Summit Canyon (with two actively selling product lines).

The current median home sales price in the County as of November 2023 was \$589,000 which reflects a 5.2 percent increase year over year (per Redfin). The current median home sales price in the City is \$640,000 which reflects a 9.7 percent increase year over year (also per Redfin). The higher existing median home price in the City is due to the limited availability of land and scarcity of homes on the market. The City of Riverside is generally built-out with limited open spaces to be developed. New homes will generally be on in-fill lots, harder to develop lands (such as the subject) or in redevelopment areas.

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 during the Great Recession. There are abundant skilled and

semi-skilled workers in the local labor pool with a variety of skills. The past 20 years have seen a resurgence of the construction trade due to new homebuyers wanting to get out of the more urban areas and many to enter the housing market as first-time homebuyers. 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 2018-2022 estimated average median household income (in 2022 dollars) was \$83,448 as compared to \$84,505 for the County, \$91,905 for the State and \$75,149 for the Nation (per Census.gov). The City of Riverside's major employers include the County of Riverside, University of California Riverside, March Air Force Reserve, Kaiser Permanente, Riverside Unified School District, the City of Riverside.

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 16 miles to the northwest of the subject and is served by most major airlines. The Riverside Municipal Airport serves general aviation and is located less than five miles northwest from the subject.

Conclusion

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

IMMEDIATE SURROUNDINGS

The subject property is located southeast of the 91 Freeway, south of Overlook Parkway, east of Washington Street, and north of Bradley Street in the city of Riverside's Alessandro Heights neighborhood. The subject is surrounded by existing residential homes to the north and to the west and is accessible from Golden Star Avenue (via Overlook Parkway) or Matterhorn Street (via Whitegate Avenue). Access to the community is considered to be average with offramps from the 91 Freeway approximately 2.3 miles northwest at Madison Street. From the 91 Freeway to the Madison Street exit, head southeast approximately one mile to Victoria Avenue, then northeast one-half mile to Washington Street. Head southeast on Washington Street approximately one mile to Overlook Parkway, then east less than one mile on Overlook Parkway to Golden Star Avenue. Golden Star Avenue provides the main entrance into the community and terminates within the subject property. The community is irregular in shape and is built around hilly vacant lands to the south and east. The slopes and hills provide for some excellent views from portions of the subject property.

The subject is immediately bounded by existing homes to the north and west and vacant hilly lands to the south and east, beyond which are additional existing executive-type homes in low-density neighborhoods. The adjacent neighborhood to the north and east is part of a community known as Whitegate which was built in the 1970s and 1980s. While these homes are older in chronological age, the majority of them appear to be well kept up and are situated on large, half-acre lots. Many of the Whitegate homes are over 2,500 square feet and have expansive lots with views of the surrounding hills.

The lands to the north are generally higher in elevation. When Overlook Parkway was constructed, it opened up the area for additional development of homes. Within a mile of the subject to the northeast, you can see small developments with either a single home under construction or a cul-de-sac with a few lots graded, with some being developed. There is a development known as Vista Montecito which was graded prior to the Great Recession and purchased in its entirety in 2011 via a quitclaim. Vista Montecito includes 14 lots with two developed with homes at this time, however recently a couple lots have

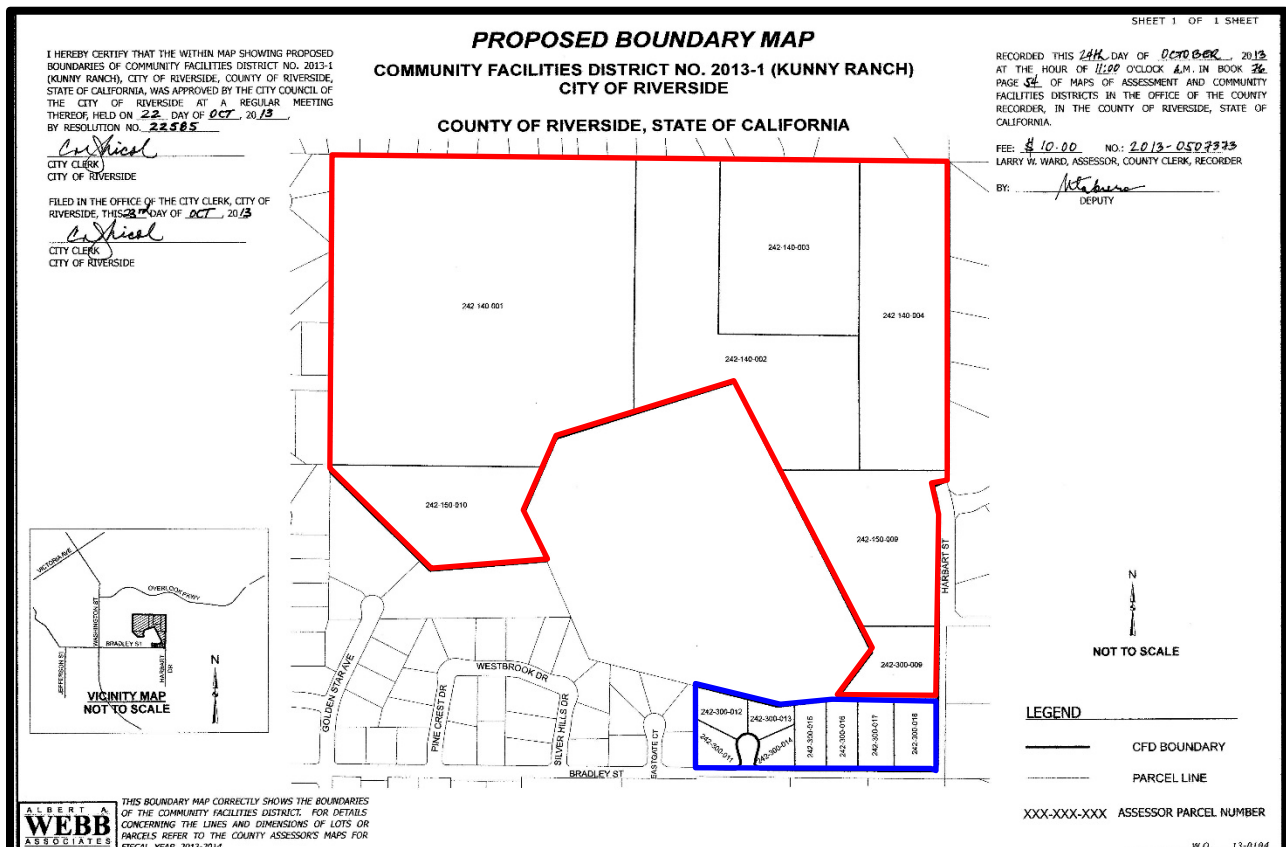
sold. In addition, directly south of the subject is Featherstone Court which consists of nine residential lots with four built out with homes and sold and five lots currently for sale. Another cul-de-sac adjacent to Via Montecito that is now known as Alabbasi Way, which originally consisted of seven lots, however it was purchased by a single owner (Alabbasi) who appears to be developing it into a single, 15-acre estate. In summary, the neighborhood is hilly, includes estate homes and vacant lands, many of which are being developed into executive homes on large lots.

Shopping is abundant within three miles of the subject. The closest shopping is available about 1.5 miles north, near Victoria and Mary Street with a Stater Bros market anchored center. Additional shopping is about 2.5 miles east at the Mission Grove Shopping Center anchored by a Stater Bros. market, Galaxy Theaters, Starbucks and a plethora of retail in-line space along with pad restaurants. A Sprouts market is also adjacent to the Mission Grove Shopping Center. The closest Target is about 2.25 miles north in the Victoria area near Arlington and the 91 Freeway and a Home Depot is at the 91 and Indiana, about 2.25 miles northwest. Finally, there is a Ralph's supermarket anchored center at Central Avenue and East Cerrito Drive, about 3.5 miles northeast in the Canyon Crest neighborhood.

The subject property is within the Riverside Unified School District boundaries with Washinton Elementary School (1.6 miles north) serving the area along with Gage Middle School (1.7 miles north) and Riverside Polytechnic High School (2.6 miles north) serving the community.

CITY OF RIVERSIDE CFD NO. 2013-1 (Kunny Ranch)

We have reviewed the formation proceedings for the proposed Community Facilities District No. 2013-1 (Kunny Ranch) approvals and agreement resolutions by the City of Riverside City Council dated October 22, 2013. Kunny Ranch is the former name of Hillcrest. Per the City documents, at time of formation CFD No. 2013-1 was comprised of approximately 100 gross acres known as Tract Map 33029 (APNs 242-140-001 thru 004; 242-150-009 and 010; and 242-300-009) and 33029-1 (APNs 141-300-011 thru 018). In 2018 a notice of cancellation of special tax lien was recorded on Tract 33029-1 (APNs 141-300-011 thru 018) which have subsequently been developed into eight dwelling units that are NOT included within Riverside CFD No. 2013-1 and thus are not included in this appraisal. Riverside CFD No. 2013-1 now includes Tract Maps 33029 and 33029-2 which encompass 74 proposed single-family lots which are located on the original APNs 242-140-001 thru 004; 242-150-009 and 010 and 242-300-009. A copy of the boundary map is shown below with the eight lots not included outlined in blue and the subject property outlined in red.



The types of facilities that are proposed by CFD No. 2013-1 and financed with the proceeds of special taxes and bonds issued by CFD No. 2013-1 per the Report of Responsible Officer dated December 3, 2013 include City Facilities for street and road facilities, including street lights and traffic signals, storm water drainage facilities, sewer system facilities, including capacity in existing facilities and sewage treatment capacity, parks and park and recreation facilities, transportation facilities and electric transmission and distribution facilities. Additionally, water fees and certain park fees will be funded by the CFD. Pursuant to a Joint Community Facilities Agreement between the City and Riverside Unified School District, bonds of CFD No. 2013-1 will be issued, a portion of which may be used to finance the construction of certain elementary school, middle school and high school facilities of the School District for the tracts located within CFD No. 2013-1.

It should be noted that internal streets (Lots A-C of Tract 33029 and Lots A-E of Tract 33029-2) and Lot D of Tract 33029 (18.077 acres) are within the boundary of CFD No. 2013-1, however, are not included in the valuation as they are not considered taxable property. Lot D includes 18.077 acres and is shown as open space/easement on the Tract Map and as common area on the Assessor's Maps.

Per the City approvals, the not to exceed amount for CFD No. 2013-1 is \$5,500,000.

The Bond Proceeds to be generated from the sale of the Riverside CFD No. 2013-1 Bonds per the latest CFD Bond Sizing (dated January 24, 2024) is \$4,309,832 with the Bond Par Amount estimated at \$4,190,000 and a premium of \$119,832. The project fund deposit is estimated at \$3,810,744 with the reserve fund of \$274,750 and costs of issuance and underwriter's discount of \$223,505 and additional proceeds of \$833 (above amounts are subject to change). A copy of the Riverside CFD No. 2013-1 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 74 proposed single-family detached homes, which make up the community known as Hillcrest by Beazer Homes. The neighborhood is shown in the site plan below and described as follows.



Location: The subject lands are located in the Alessandro Heights neighborhood, east of Whitegate Avenue and north of Bradley Street, south of Tiger Tail Drive, and on both sides of Golden Star Avenue, in the City of Riverside, Riverside County.

Legal Property Description: The appraised property includes Lots 1-21 of Tract 33029 and Lots 1-53 of Tract 33029-2, both in the City of Riverside, County of Riverside, State of California. A copy of both Tract Maps is in the Addenda. Included in the boundaries of the CFD is Lot D of Tract 33029 (also known as APN 242-150-016) which is an open space lot; however, not included in the valuation as it is not taxable property.

Property Owner: Individuals as Lots 1, 3-12, 14, 19-20 of Tract 33029 and Lots 1-9, 14-27, 38-53 of Tract 33029-2. Beazer Homes as to Lots 2, 13, 15-18, 21 of Tract 33029 and Lots 10-13, and 28-37 of Tract 33029-2; and Overlook at Kunny Ranch – Riverside L.P.P. as to Lot D of Tract 33029 (open space lot).

Assessors

Parcel Nos.: 242-330-001 through -009; 242-331-001 through -010; 242-340-001 through -004; 242-341-001 through -005; 242-342-001 through -018; 242-350-001 through -006, -008; 242-360-001 through -004; 242-361-001 through -007; 242-370-001 through -010. It should be noted that APN 242-150-016 which is identified as open space and contains 18.077 acres is within CFD No. 2013-1 however not included in this appraisal as it is not included in the taxable property.

Property Taxes: We have reviewed the Riverside County Tax Collector's 2023 tax bill for APN 242-342-016, a sample lot within Hillcrest. Per the tax collector the total 2023 property tax invoice is \$16,487.64 based on an assessed value of \$1,070,683. The general-purpose taxes are \$10,706.83; the taxing authority charges (includes City of Riverside, Riverside Unified School District, MWD West, and Riverside City Community College) total \$1,191.23; the special assessment for CFD 2013-1 (subject CFD) is \$4,533.00 and miscellaneous charges of \$56.58. The total overall tax rate on the assessed value equates to 1.54 percent which is typical for homes within Riverside with similar CFDs.

Three-Year

Sales History: It is the appraiser's understanding that a landbank purchased the property on November 19, 2020, and then sold the lots to Beazer over a series of takedowns on a phase-by-phase basis between October 25, 2021, and September 25, 2023. Per public record the final takedown in September was from Overlook at Kunny Ranch - Riverside, L.P., a Delaware limited partnership to Beazer Homes Holdings, LLC, a Delaware limited liability company. All takedowns were completed by the end of September 2023, and Beazer purchased the property from the landbank for a total of \$19,831,222 per builder representatives. Beazer began closing homes to individual homebuyers in August of 2022. Fifty-three homes have closed to individuals between August 10, 2022, and January 16, 2023. It should be noted that APN 242-150-016 (18.077 acres of open space) is still owned by Overlook at Kunny Ranch – Riverside, L.P. per public record.

Size and Shape: Tracts 33029 and 33029-2 are contiguous to each other and make up Riverside CFD 2013-1 (subject property). Together they are irregularly shaped and contain a total of 93.25 gross acres per recorded Plot Plan. This includes the 18.077-acre open space lot.

Zoning: Per the City of Riverside's General Plan Zoning Map, the majority of the site is shown as R-1- ½ acre land use. Per the City's residential zoning code, this allows for single family dwellings with a minimum lot size of 21,780 square feet with 125-foot lot width, but with a footnote denoting an exception on lot size on private streets if over 20,000 square feet.

Entitlements: The subject property is covered by Tract Maps 33029 and 33029-2 which encompass 93.25 gross acres. Tract Map 33029 recorded March 25, 2021, and encompasses 49.02 gross acres and allows for 21 numbered lots as well as a large open space lettered lot. Tract Map 33029-2 also recorded March 25, 2021, and encompasses 44.23 gross acres and allows for 53 numbered residential lots. All lots have a minimum lot size of 20,000 square feet. Within Tract Map 33029 the gross acreage includes Lot D which is a large open space lot which includes several easements and totals 18.077 acres per the Assessor's Map. In addition, there are internal streets and setback areas within both Tract Maps. Copies of the tract maps are located in the Addenda.

Soils Review: We have reviewed one Soils Report covering the subject property: "Updated Geotechnical Report for Overlook Project- Tract Nos. 33029 and 33029-2" dated January 18, 2021, prepared by Geotek of Corona. Per the report, the subject property was considered feasible for the proposed residential development from a soil and engineering geologic point of view, provided the recommendations contained in the reports are incorporated into the development and construction of the lands. It is assumed all recommendations contained in any and all reports were adhered to during development and construction. It is an assumption of this report that the soils are adequate to support the highest and best use.

Environmental Review: We have not received any environmental reviews of the subject site. However, we have reviewed the "Conditions of Approval" with the most recent approved October 11, 2005. These Conditions of Approval mention various environmental concerns and corresponding reports remediating these concerns.

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

Easements and Encumbrances: We have reviewed two Preliminary Title Reports prepared by First American Title Company, the first for the Beazer-owned property within Tract 33029 as of September 6, 2023, and the second which referred to Phase 12 of the project and was as of October 25, 2023. The exceptions are as follows:

(Order Number 6442308 dated September 26, 2023) – Items 1 through 3 refer to property taxes and special assessments including CFD 2013-1 (subject CFD). Item Nos. 4, 5, 11-14 16, 18-23 and 26 refer to various utility easements, an avigation easement, and

easements, covenants and conditions contained in the purchase deed along with Association Maintenance Area Easements for the project. Item No. 6 refers to CC & Rs on the property. Item Nos. 7-8 and 24-25 refer to the Option and Development Agreement when Beazer purchased the property. Item No. 9 is in regard to a Construction License and Indemnity Agreement. Item No. 10 pertains to the Assignment of Declarant's Rights. Item No. 15 refers to a deed of trust on the property. Item No. 17 refers to a supplemental declaration establishing a cost center, fire protection requirements, solar shade restrictions and dispute resolution restrictions for Hillcrest. Item No. 27 refers to water rights.

(Order Number 6473739-12 dated October 25, 2023) – Items 1A – 1F, 2 and 3 pertain to property taxes and special assessments. Item No. 4 is in regard to the avigation easement. Item Nos. 5, 9 and 11 were intentionally deleted. Item No. 6 pertains to a Construction License and Indemnity Agreement. Item No. 7 refers to CC & Rs on the property. Item No. 8 refers to easements. Item No. 10 refers to water rights.

The items appear typical for subject-type land; however, the appraiser is not an expert on title and if questions arise, it is suggested an expert be retained. 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. 2013-1.

Streets/Access:

Access to the subject project is possible via 91 Freeway to the Madison Street exit, head southeast approximately one mile to Victoria Avenue, then northeast one-half mile to Washington Street. Head southeast on Washington Street approximately one mile to Overlook Parkway, then east less than one mile on Overlook Parkway to Golden Star Avenue. Golden Star Avenue provides the main entrance into the community and terminates within the subject property.

91 Freeway is a northeast/southwest freeway providing access from the County of Los Angeles to the west through Orange County and through Riverside into San Bernardino County where it combines with Interstate 215 north of the subject property.

Madison Street has on/off ramps at the 91 Freeway and runs approximately 2.5 miles in the northwest, southeast direction through the subject area of the City of Riverside. Madison Street terminates into Arlington Avenue on the north side of the 91 Freeway and terminates at Dufferin Avenue south of the 91 Freeway.

Victoria Avenue is a main throughfare in Riverside running in the northeastern/southwestern direction. It begins at the Victoria Club golf course and runs through the Victoria neighborhood of Riverside, north of the subject, and runs through the Arlington Heights neighborhood before terminating just past La Sierra Avenue, south of the subject.

Washington Street in Riverside does not have freeway on/off ramps but is a major north/south arterial that provides access into the Woodcrest area of Riverside.

Overlook Parkway is a smaller street in Riverside beginning at Washington Street to the west and running east in a winding pattern before terminating approximately two miles east of Washington Street.

Internal streets within Hillcrest include Golden Star Avenue, Vista Court, Senith Court, Crownview Terrace, Capstone Court, Woodview Street, and Matterhorn Drive.

Current Condition: The subject property has been developed into 74 single family detached lots with a minimum lot size of 20,000 square feet with some lots over 2-acres in size. The models and sales office for the project are builder-owned and located on Capstone Court. There are 53 completed homes owned by individuals, 12 homes over 95 percent complete owned by the builder (including the four models), and nine homes under construction (under 95 percent complete).

Homeowner Association: Per the Hillcrest builder handout, the HOA fee will be \$215 per month at build out. This fee includes maintenance of common areas, parkways, streets, trees, and some community slopes.

Costs to Complete: The lots within both tracts have all been developed into a finished lot condition, thus there are no remaining land development costs. All building permits have been pulled with no remaining land development fees.

Improvement Description: Hillcrest includes 74 proposed single-family homes being built and sold by Beazer Homes. The model homes are located near the entrance of the community on Capstone Court off Crownview Terrace. Some lots have views ranging from good to excellent, along with size premiums on many lots. There are five plans which range in size from 2,462 square feet to 3,702 square feet. It should be noted that Plans 4 and 5 vary up to 38 square feet due to the architectural type with Plan 4 ranging from 3,370 to 3,380 square feet and Plan 5 ranging from 3,676 to 3,702 square feet. For the purposes of this analysis, we will use the smaller plan sizes in our valuation

conclusions. All homes feature open floorplans and three architectural styles (Spanish, Prairie, and Craftsman). Three of the plans are single story while two have two-stories, with attached two- and three-car garages per plan. Exterior features at Hillcrest include covered patios (per plan) and private rear yards, entry sidelights, Therma-Tru painted front doors with Venetian bronze hardware, and insulated sectional roll-up garage doors with automatic wireless transmitters. Beazer features include performance advantages such as superior air seals, framing and insulation, whole house fresh air system by Broan, energy efficient tankless water heater, HVAC system, and Tyvek Homewrap. Beazer also advertises that their homes are built Network Ready, including future exterior conduit for internet providers, hardwired RG6 and CAT6 media outlets and 30" low voltage panel. Kitchens at Hillcrest include Whirlpool stainless steel appliances, white thermofoil shaker cabinets with soft close and undercabinet lighting, islands, and quartz slab countertops. Interiors feature ceramic tile at entry and wet rooms, interior laundry rooms with sinks, two panel 8-foot interior doors, recessed lighting throughout, "stop-and-drop" cabinet with USB outlet, large rear sliders, and 10-foot and 9-foot ceilings per plan. Primary suites include separate acrylic tub and showers, dual sinks with E-stone marble countertops, spacious walk-in closets, compartmentalized water closets, and Moen plumbing fixtures. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included 53 home closings between August 10, 2022, and January 16, 2024, along with an additional 16 escrows which are due to close upon completion. Actual closed sales prices as reported by the builder net of all reported concessions range from \$817,927 to \$1,437,532. Per our review of the local Multiple Listing Service along with our inspection, there are no homes currently listed for resale. Original base pricing in March 2022 ranged from \$879,990 to \$1,049,990 while current base asking prices are from \$899,990 to \$1,099,990. The houses which are over 95 percent complete are detailed below.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	4 / 3	1 / 2	2,462	8	1
2	4 / 3	1 / 2	2,848	11	5*
3	5 / 3.5	1 / 3	3,167	11	3*
4	5 / 4	2 / 3	3,370-3,380	12	1*
5	5 / 4.5	2 / 3	3,676-3,702	<u>11</u>	<u>2*</u>
Total				<u>53</u>	<u>12</u>

*One of each of these plans is a model home. In addition to the above there are nine homes under construction.

RIVERSIDE COUNTY HOUSING MARKET

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

Population

The County population grew at a 0.34 percent increase between January 2022 and January 2023 (per the Department of Finance). This compares to an average annual growth rate over the past ten years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. The slowdown in population growth is similar to other Southern California counties during this time period and is thought to be due to the Great Recession and the disruption from COVID. Predictions are for the County to grow at an average annual rate of 1.2 percent over the next seven years. This equates to an increase of approximately 36,000 residents per year, suggesting the need for about 8,000 homes per year within the County. The total impact of COVID is still unknown on the County's population growth. New home sales in most cities in the County in 2020 through 2022 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2023.

Economic Conditions

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

at well above average absorption rates from May 2020 through Spring of 2022 in the region. Since May 2022, the new home market has seen a slowdown in absorption rates due to the increasing interest rates, the high prices of homes, and the high rate of inflation which shook consumer confidence.

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking while the third and fourth quarters saw minimal growth, with 2022's annual growth at 2.6 percent. The most recent unemployment rate for the County is 5.0 percent (per the November 2023 EDD report), higher than the County's pre-COVID unemployment rate in February 2020 of 4.0 percent. While unemployment rates are still near historical lows, the inflation factor has significantly affected the economy.

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

During the COVID disruption, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the onset of the COVID pandemic, both sales and prices increased significantly throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer

confidence, added to the significant interest rate increases slowed new home sales significantly in late 2022 and into most of 2023.

Per the Zonda National Economic and Housing Market Update in September 2023, the rate of growth of new home sales is off from COVID highs but up from pre-pandemic numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In May, the survey resulted in 40 percent of the builders stating their pricing was flat and 60 percent of builders stating they were increasing pricing. This is a very different dynamic than in January which was partly due to seasonality, partly due to builder’s readjusting concessions (interest rate buy-downs), and partly due to price changes.

The larger public homebuilders began offering significant interest rate buy-downs in early 2023 in order to keep absorption rates steady, which reportedly costs between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. Per Zonda, a combination of price cuts of between 10-15 percent combined with rate buy downs is obtaining the best results in the marketplace. In their September survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders were offering rate buydowns, 60 percent were offering funds towards closing costs, 33 percent were offering flex dollars, 22 percent were offering lower home prices and 20 percent were offering funds toward options and upgrades. The question is, how long can builders continue to offer these significant incentives. As rates go higher, the extent that builders can buy-down the mortgage rates goes down.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID disruption in an attempt to assist the housing market’s recovery. Low rates helped home sales during this time. However, first-time buyers are having a

hard time entering the housing market due to rising prices and rising interest rates. Per FRED, the average 30-year fixed mortgage has gone from 2.65 percent in January 2021 to 7.79 percent as in October 2023, with a decrease since then with current rates at 6.6 percent as of January 18, 2024. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board increased the rate eleven times between March 2022 and August 2023, which increased the FRR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in mid-December, they again paused the increases for the third time. The markets seemed to stabilize after the December Board meeting with rates falling over 50 basis points as investors seem to think the increases may be over. The FRR increases are supposed to help slow the high inflation rate in the Nation, which appears to have occurred as the latest reports are showing inflation in November 2023 at 3.1 percent, down from a high of 9.1 percent in June 2022. The Board has other considerations including employment numbers, wage growth and consumer confidence to balance along with inflation.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 brought optimism to builders once again. Sales were up month-over-month as buyers adjusted to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 6+ percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes capture 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing 33 percent of all home sales nationwide and well over 30 percent in the Inland Empire.

Residential Land Development

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012

combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to various builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record (such as the subject, Bridle Ridge by Legacy Homes, and Vistas at Mockingbird Canyon by Trumark Homes, all in Riverside) or a public builder buying a larger piece of land but develops the land for its own use (such as Highland Grove by Pulte or Spring Mountain Ranch by KB Home, both of which are in Riverside).

Land sales in the Inland Empire slowly grew from 2012 up to a peak in 2017, with 2018 and 2019 showing lower land transactions. Once home sales exploded in May 2020, land sales followed with a significant number of residential land sales to builders in the Inland Empire during the second half of 2020 and throughout 2021. In late 2021 and early 2022, prior to the FRR increases, builders were paying significantly more for residential land that was ready to develop as demand was up and supply was shrinking. The beginning of 2022 continued with strong residential land sales until May, when sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of January 2023 only 2 percent of builders surveyed were "full steam ahead," and almost 40 percent were pausing transactions or bidding lower on land transactions. As of July 2023, these percentages have changed drastically with 35 percent stating they are going "full steam ahead" and 41 percent moving "cautiously forward." Per the September survey 46 percent are "full steam ahead" and 47 percent are "moving cautiously forward". The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory which is fueling new home sales.

New Home Sales and Pricing

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing

new home sales in the Inland Empire market area, per the December 31, 2023, Ryness Report, the year-to-date average sales rate (3.56 sales per month) is 10 percent higher than the same time period of the previous year (3.22 sales per month). Surprisingly, even with the increases in pricing and mortgage rates, sales of new homes are occurring at a very good pace; however, this is partially due to the extremely limited supply of existing homes which is creating more demand for new homes. New home sales rates started to level off in late Spring 2022, likely due to the increase in mortgage interest rates. As rates go down, purchasing power becomes larger, which gives new home buying a boost. However, the flip side is that as interest rates rise, purchasing power becomes lower and therefore fewer people purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the December 31, 2023, Inland Empire Ryness Report to one year prior, there are 11 additional projects (234 in December 2022 and 245 in December 2023) and sales are about 10 percent higher year-to-date than the previous year at 3.56 sales per month. Looking back, in 2021 the average sales rate was 4.59 homes per month, in 2020 the average sales rate was 4.42 homes per month while in 2019, prior to COVID, the average sales rate was 3.29 homes per month per project.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$567,500 which is down from a record high of \$646,000 in July 2022 per Zonda's latest market report (Riverside-San Bernardino-Ontario, CA CBSA). This reflects an increase of over 111 percent from the bottom of the cycle and an increase of almost 30 percent over its peak prior to the Great Recession, however a decrease from the 2022 peak of over 12 percent. In reality, this decrease is actually larger as builders are buying down interest rates which costs the builder at times, up to \$100,000, however, the amount is not reflected in the recorded sales price. New home sale prices fluctuate based on the

land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values; however, there have been inflationary increases in construction costs adding to this increase.

Within our search for the most comparable actively selling new home communities, we searched the subject's area of Riverside. While the City currently offers over a dozen actively selling new home communities, we limited our search to similar projects with large lot sizes. Our search for comparable new home projects within the competitive market area resulted in eight new home projects including the subject, with overall advertised pricing ranging from \$621,990 to \$1,424,700. The subject's current base pricing ranges from \$899,990 to \$1,099,990 at the higher end of the range due to the larger lots and views. It's important to note that the subject along with one other community (Vistas at Mockingbird Canyon) are the only communities in the vicinity with homes over the \$1M price point, however, they are also the only communities featuring half-acre plus sized lots in the marketplace.

Existing Homes Sales and Pricing

While the previous section looked at new home sales and pricing, this section refers to existing homes in the Inland Empire. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in November 2023 (\$824,500) reflects an increase of 9.9 percent from the previous year (\$750,000 November 2022) and a 0.5 percent increase from the previous month (\$820,000 in October 2023). Existing home sales in Southern California overall were down 5.6 percent year-over-year as of November 2023. The overall Southern California numbers compare to Riverside County with \$620,000 as the median price paid for an existing home in the County in November 2023, up 6.9 percent from the previous year (\$580,000 in November 2022), but down 0.2 percent from the previous month (\$620,960 in October 2023). Sales of existing homes in the County were down 6.7 percent year-over-year due to higher mortgage rates and high home prices. The slower sales rates in the existing home sales market are reflective of homeowners not ready to sell due to the changing market. Historically, the new home market captures 10-13 percent of

the overall home sales; however, in the past year, new home sales are capturing over 30 percent of total home sales. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Nov. 2023	Oct. 2023	Nov. 2022	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$897,990	\$893,650	\$836,630	0.5%	7.3%	-5.1%
Orange	\$1,300,000	\$1,275,000	\$1,100,000	2.0%	18.2%	3.7%
Riverside	\$620,000	\$620,960	\$580,000	-0.2%	6.9%	-6.7%
San Bernardino	\$475,000	\$481,500	\$437,500	-1.3%	8.6%	-5.6%
San Diego	\$952,000	\$936,250	\$865,000	1.7%	10.1%	-12.2%
Ventura	\$902,500	\$899,000	\$860,000	0.4%	4.9%	-4.3%
Southern Calif.	\$824,500	\$820,000	\$750,000	0.5%	9.9%	-5.6%

Source: California Association of Realtors

Based on November 2023 median existing homes prices, in comparison to the majority of the surrounding counties, Riverside County has a definite price advantage. The “Riverside County Advantage” (price difference between Riverside and surrounding counties) is \$277,990 as compared to Los Angeles County, \$282,500 as compared to Ventura County, \$332,000 as compared to San Diego County and \$680,000 as compared to Orange County. That is, in November 2023, the median priced home in Riverside County was \$680,000 less (or more than 50 percent less) than the median priced home in Orange County (\$1,300,000). However, San Bernardino County has a \$145,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the COVID work-from-home concept, the suburban areas had seen more growth which put pressure on home prices in the Inland Empire.

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

ZIP Code/Community Name	Border To Subject	Sales of Homes Nov. 2023	Nov. 2023 Price Median	Nov. 2023 Median Price/SF	Price % Change from Nov. 2022
92506 (Riverside/Canyon Crest)	Subject	105	\$675,000	\$344	+0.8%
92507 (Central Riverside)	Northeast	75	\$600,000	\$350	+3.4%
92508 (Riverside/Orangecrest)	Southeast	41	\$749,000	\$319	+5.6%
92504 (Riverside/Arlington Heights)	South/West	66	\$622,500	\$375	+14.2%
92509 (Jurupa Valley)	Northwest	84	\$617,500	\$382	+5.6%
92501 (Downtown Riverside)	North	23	\$552,727	\$411	+2.4%

Source: Redfin.com Housing Market Trends November 2023

The median home price of a resale home in the subject's zip code is \$675,000, which is within the range of the resale detached home prices in the subject area. The downtown and central Riverside zip codes represent the lowest median price, but also the older more built out areas within the City, which typically have smaller homes. The highest median price in the surrounding area is the Orangecrest zip code, which is adjacent and very close to the subject, and widely known as one of the more coveted neighborhoods in Riverside. The above price fluctuations from year-to-year relate to the California Association of Realtors overall Riverside County detached home resale price change of 6.9 percent year-over-year from November 2022 to 2023.

According to the Ryness Report dated December 31, 2023, there are currently 24 new home projects in the subject's immediate market area (northwest Riverside) which includes the cities of Corona, Riverside, Jurupa Valley, and the south Corona area.

Hillcrest - Sales and Pricing

The subject property consists of Riverside CFD No. 2013-1 which includes 74 proposed homes being marketed as Hillcrest by Beazer. Hillcrest's first home sold March 6, 2022, with 69 homes sold to date suggesting an average sales rate of 3.1 homes per month. The subject's sales rate is considered to be good to very good for the high price point. Per the December 31, 2023, Ryness Report which includes 245 projects in the Inland Empire, the average sales rate per project is 3.6 homes per month (year to date) while

the average sales rate for the same period of 2022 was slightly lower at 3.2 homes per month; however, the average sales rate for the same period in 2021 was 4.6 sales per month. Within the subject's Northwest Riverside submarket, the 24 projects include fourteen projects within the city of Riverside, along with one project in Jurupa Valley, seven in Corona, and two in South Corona. It's important to note that the Corona and South Corona markets include two large master planned communities of Terramor (Corona) and Bedford (South Corona). Within the city of Riverside, there are also several smaller master planned communities with multiple product lines actively selling, including Pulte's Summit Canyon, Pulte's Highland Grove, and KB Home's Spring Mountain Ranch. The average absorption rate within the 24 communities in the Northwest Riverside submarket communities' year to date per the December 31, 2023, Ryness Report is 3.4 sales per month. The subject's sales rate of 3.1 sales per month is slightly lower than the overall average in the area, however, the subject's price point is much higher than the typical community in the subject's marketplace. The subject's large lot size is unusual for the new home market and justifies its higher price point. The subject's average sales rate of over three homes per month shows that it has been well received in the marketplace despite the higher price point.

Within Hillcrest base pricing on all on the floor plans has increased since grand opening in March of 2022 from a minimum of \$20,000 to a maximum of \$70,000. It should be noted that the net sales prices reported by the builder include mortgage incentives, which include mortgage rate buy-downs and help with closing costs. The builder has shared these costs, and they are included in our valuation analysis. The mortgage incentives range from a low of \$0 to a high of \$68,504 with an average of \$20,710 per home on the 69 sales to date. These incentives do not show up on the public record, however, are a cost to the builder. In addition, we have reviewed information from several marketing companies which report new home sales information, including John Burns and Zonda. Per John Burns, sixty percent of the builders across the U.S. are offering mortgage incentives. They believe the "magic mortgage rate" is around 5.5 percent. With current rates in the 6.6 range for fixed loans, there is a disconnect.

Summary

The Inland Empire had seen substantial increases in pricing since 2012 with most areas, including the subject, showing significant increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics indicate a slowdown in sales as interest rates have risen substantially. The Riverside new-home submarket is performing in line with the Inland Empire market as a whole. The subject market area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021 and appeared to be continuing in the beginning of 2022. In late 2022 sales slowed and prices began declining; however, the past few months have seen new home builders' optimism return as new home absorption is stabilizing with prices increasing. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the Inland Empire new home market is healthy and population growth is still estimated to occur in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown.

HIGHEST AND BEST USE ANALYSIS

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

"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"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 an irregular shaped parcel that contains 93.25 gross acres and is located in the City of Riverside in northwest Riverside County. The site is in a hilly area allowing for some excellent view potential. The site has been graded with some sloping interior streets with some terraced lots allowing for many views. The lots have been graded, each with a generally level pad area for the home. There are two entrances to the subject, one from the north via Golden Star Avenue, and a second from the west from Matterhorn Drive. The surrounding lands become very hilly on the south

⁴ The Appraisal of Real Estate, 11th Edition

and east side of the project with rural homes to the south and east, and existing neighborhoods to the west and north side of the project. The subject site is being developed into 74 detached lots with a minimum lot size of 20,000 square feet. Tract Maps 33029 and 33029-2 cover the subject and have all internal streets paved and utilities installed to each lot. There are several detention basins within the subject boundary lines as well as a large open space lot.

A soil report covering the property was reviewed and it was determined the soils were adequate to support the highest and best use providing the recommendations contained in the report were adhered to during construction. No environmental report was reviewed. It is an assumption of this report that both the soils and environmental factors are adequate to support the highest and best use conclusion and that there are no environmental issues which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction of existing homes. An engineered drainage system has been designed to alleviate any potential flooding problems and to control project water runoff with detention basins onsite. All standard utilities serve the subject property. The overall site has good access via the 91 Freeway and is about 2.25 miles from the Freeway.

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 adjoining land uses, suggest 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, the site is identified as R-1- ½ acre land use, allowing for low density single family residential. Per the City's residential zoning code, this allows for single family dwellings with a minimum lot size of 21,780 square feet with 125-foot lot width, but with a footnote denoting an exception on lot size on private streets if over 20,000 square feet. In addition, Tract Maps 33029 and 33029-2 recorded in March 2021 on the subject lands subdividing it into 74 single family detached lots with

a minimum lot size of 20,000 square feet (however some lots are over two-acre in size), along with several detention basins and open space areas which is consistent with the zoning requirements. The approved mapping on the parcel is consistent with the current zoning. Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the market had shown strong increases in both sales and pricing since COVID until late 2022 when high home prices and increasing interest rates began to slow sales. Overall home sales have slowed down significantly, partially due to existing homeowners not moving due to the higher interest rates, which is stifling the existing home market, at times leaving new homes the only option for homebuyers. The limited availability of existing homes is also putting pressure on pricing with home prices increasing, although interest rates have risen substantially. Within Hillcrest there have been 69 sales to date with the first sale occurring in March 2022, suggesting an overall sales rate of 3.1 sales per month which is considered to be very good at the subject's price point. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Riverside, we found eight projects (including the subject) to be most comparable to the subject property. Population growth is still occurring in the area and will continue to create the need for housing.

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

Maximum Productivity

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

Highest and Best Use Conclusion – “As If Vacant”

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

Highest and Best Use – “As Improved”

The subject property consists of the community known as Hillcrest. The project opened for sale in March 2022. There have been 69 sales, suggesting an average sales rate of 3.1 homes per month, which is considered to be very good for the subject’s price point. Per the Ryness Report dated December 31, 2023, there are 24 actively marketing new home communities in the subject’s submarket with absorption rates ranging from 1.0 sale per month to 7.5 sales per month with an average sales rate per project of 3.4 sales per month. The subject community’s sales rate is slightly lower than the average of the 24 projects within its submarket with a sales rate of 3.1 homes per month. However, this is likely due to the subject’s higher price point which fits its larger lot offering. When taking into account the higher price point, the subject’s absorption rate is considered very strong. It appears that Hillcrest has been well received and is selling at or near the correct price points for the area. Our search within the subject area found eight projects (including the subject) considered to be most comparable to the subject with similar sized homes. The sales rates within these projects ranged from 1.3 to 5.4 sales per month. Hillcrest is selling at a very good absorption rate. The pricing appears to be near or at market as the sales are consistent.

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 Hillcrest’s sales rate, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

VALUATION ANALYSIS AND CONCLUSIONS

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

The valuation will be presented as follows. First, a discussion of the single-family detached lot market data will be given. Each of the comparable market data (on a finished lot basis) will be detailed along with a comparison discussion of their relationship to the subject property. The remaining construction costs and development fees will be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject property.

Houses which are under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement. In the case of the completed (over 95 percent complete) builder-owned models and production units, the homes will be valued using the Sales Comparison Approach to value to conclude on a retail base value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the "bulk" or single ownership. The DCF will consider the fair market value of the completed homes (utilizing the Sales Comparison Approach), any remaining development costs, the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with considering the time value

of money during the estimated absorption period. In the case of individually owned homes, a concluded base value will be used for each plan and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In addition, the community will be searched for any resale homes or listings and found information will be considered in the valuation. All of the value conclusions will take into consideration the improvements to be funded by the Riverside CFD No. 2013-1 Special Tax Bonds along with taking into consideration 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 Hillcrest there are a total of 53 individually owned homes, 12 homes over 95 percent complete (including four model homes with eight in escrow), nine homes under construction (eight in escrow), and no remaining finished lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, nine lots will be valued. The lots within Hillcrest are minimum 20,000 square feet, however, many are larger in size.

We have searched the area and found the seven transactions summarized in the Addenda to be most comparable to the subject property. There have been minimal land sales with larger lots in the subject area within the past year, thus we expanded our search to include all detached lots and to be retroactive for 25 months. Our market area included Riverside along with one recent sale in Temescal Valley. Five of the land sales are for single family detached lots in the 5,000 to 6,000 square foot range with one for minimum 10,000 square foot lots and the final one for 1-acre minimum lots. The sales are reported both on a purchase price basis (when available) and on a “finished lot” basis (when available). The actual purchase price is typically less, depending on the condition of the land (lots) at the time the property was acquired. Although some of the 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”. In addition, we found listings of several single lots located in a tract just south of the subject property which will be discussed. Below are the details of each of the seven comparable residential 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 by a public homebuilder on a property located in the market area. This sale is in the Temescal Valley, about 13 miles south of the subject south of I-15 and adjacent to the master planned community of Horsethief Canyon. KB Home purchased the site which is mapped for 203 lots with a minimum lot size of 6,000 square feet in December of 2023 from Mission Pacific. KB Home paid \$27,539,637 for the lots which equates to \$135,663 per lot based on an estimated \$295,000 finished lot. The property closed with an approved final map in an unimproved condition. In comparison to the subject site this transaction is considered to be inferior in lot size (6,000 square foot lots versus the subject’s 20,000 square foot lots) and in view potential.

Land Sale No. 2 pertains to the Taylor Morrison purchase of 96 lots located at the northeast corner of Lurin Avenue and Wood Road in Riverside, about 3.5 miles southeast of the subject site. Taylor Morrison paid \$11,500,000 or \$119,792 per lot based on a reported finished lot price of \$300,000 for the 5,000 square foot minimum lots in August 2023. The property was unimproved with an approved tentative map at time of sale. In comparison to the subject site, this transaction is considered to be inferior in lot size and in view potential. It should be noted that Land Sale No. 7 is located diagonally adjacent to this site and depicts the increase in land pricing between October 2021 and August 2023.

Land Sale Nos. 3 & 4 refer to two purchases by KB Home of two tracts of homes located in the same block located at Mariposa and Cole and Mariposa and Barton about four miles southeast of the subject property near Orangecrest. The first transaction (Land Sale No. 3) sold in June 2022 for 138 lots with a 5,000 square foot minimum for \$10,628,500 or \$77,018 per lot based on a reported finished lot cost of \$244,000. The second transaction (Land Sale No. 4) sold in May 2022 and included 81 lots with a minimum lot

size of 5,000 square feet which sold for \$5,986,000 or \$73,901 per lot based on an estimated finished lot cost of \$244,000. Both were sold by Diversified Pacific in an unimproved condition with approved final maps. KB Home has graded the two sites however homes are not yet offered for sale. In comparison to the subject property, these transactions are considered to be inferior in lot size and view potential.

Land Sale No. 5 is considered to be the most similar in lot size and view potential when compared to the subject property. The 72 lots have a minimum lot size of 1-acre and sold in November 2021 for \$20,260,000 or \$281,389 per lot. Finished cost estimates were not available for this transaction, however we have included it due to the relevancy of the lot size and view potential. The lots were sold in a finished condition; however, land development fees had not been paid and final grading had not been completed at the time of sale. We have estimated \$50,000 per lot for land development fees (typically included in a finished lot estimate and based on historical cost information). Using this estimate suggests a \$331,389 finished cost per lot. The property is located east of Mockingbird Canyon Road in unincorporated Riverside County along Ginger Creek Drive about 2.9 miles south of the subject. The lots had been graded about 10 years ago and there are some good views from some of the lots. In comparison to the subject property, these lots are considered to be slightly superior in lot size; however, the date of sale is considered to be inferior. The community is known as Vistas at Mockingbird Canyon and is now selling homes generally from 4,000 – 5,000 square feet with pricing starting at \$1.3 million. When comparing Data Nos. 7 and 2 (located diagonally across the street) it suggests an increase of 50 percent in lot price between October 2021 and August 2023. For this transaction using a 50 percent increase on the estimated finished lot price of \$331,389 would suggest a finished lot in the \$495,000 range.

Land Sale No. 6 refers to the purchase of 103 lots with a minimum size of 10,000 square feet located at Lurin Avenue and Taft Street in Riverside, nearby Data Nos. 2 and 7 about 3.3 miles southeast of the subject, near the master planned community of Orangecrest. Legacy Homes purchased the lots in October 2021 for \$10,001,500 or for \$97,102 per lot based on a reported finished lot price of \$215,000. Legacy Homes is selling their Bridle Ridge community on this site with home prices beginning from \$840,000 to \$990,000.

When comparing Data Nos. 6 and 7, which are within a block of each other, Data No. 6 had 10,000 minimum square foot lots while Data No. 7 had 5,000 minimum square foot lots, both sold in October 2021, and both closed in unimproved condition. The larger lots sold for eight percent higher; however, there were some additional varying factors for each sale which also need to be considered. One additional difference was that Data No. 6 had a final map and Data No. 7 had a tentative map while another difference was that offsite improvements varied for the two projects. When comparing this transaction to the subject property, this transaction is considered to be inferior in lot size, inferior in view potential and inferior in date of sale.

Land Sale No. 7 is near Data No. 2, located about 3.5 miles southeast of the subject property near the master planned community of Orangecrest. KB Home purchased the 41 lots in October 2021 for \$3,174,500 or for \$77,427 per lot based on an estimated finished lot value of \$199,000. As discussed under Land Sale No. 2, when comparing Land Sale No. 2 and 7, these two sales suggest that prices have increased 50 percent (from \$200,000 to \$300,000 per finished lot) between October 2021 and August 2023. KB Home has built and nearly sold out of their Obsidian project on this site with homes generally in the \$650,000 to \$890,000 range. In comparison to the subject property, this transaction is considered to be inferior in lot size, inferior due to no view potential and inferior due to the date of sale.

The chart on the following page 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	Temescal Canyon	12/23	6,000	\$295,000	Inferior – Lot Size & Views
2	Riverside	8/23	5,000	\$300,000	Inferior – Lot Size & Views
3	Riverside	6/22	5,000	\$244,000	Inferior – Lot Size & Views
4	Riverside	5/22	5,000	\$244,000	Inferior – Lot Size & Views
5	Riverside County	11/21	1-Acre	\$331,389* *Est.	Superior – Lot Size Inferior – Date of Sale
6	Riverside	10/21	10,000	\$215,000	Inferior – Lot Size, Views and Date of Sale
7	Riverside	10/21	5,000	\$199,000	Inferior – Lot Size, Views & Date of Sale

The market data has an overall finished lot range from \$199,000 - \$331,389. The most comparable is Data No. 5 at the highest end of the range with one-acre minimum lots (larger than the subject) however with views, similar to the subject. This transaction occurred in 2021, prior to a significant amount of appreciation in the marketplace. When using the 50 percent increase suggested by pairing Data Nos. 2 and 7, this transaction suggests a current market value in the \$495,000 range. Data No. 3, which sold based on a \$300,000 finished lot, is near the subject and sold in the last six months, however had significantly smaller lots and no view potential. When pairing the lot sizes of Data Nos. 6 and 7 it suggested an eight percent increase between a 5,000 and 10,000 square foot lot. Using the eight percent difference against Data No. 2 suggests if the lots were minimum 10,000 square feet have a finished lot value in the \$325,000 range. However, the subject lots have a minimum of 20,000 square feet, many much larger and with excellent views. Actual lot premiums of up to \$250,000 were obtained for the views and lot sizes over the minimum (some over two acres) with the average lot premium obtained on the 53 sales being \$53,910. The subject lots have been constructed to a finished lot condition with no remaining land development costs or fees. All of the construction and development risks have been alleviated.

In an additional review, we have found five recent listings of lots located about 0.25 miles south of the subject on Featherstone Court. The lots were developed as Tract No. 34881

with nine, one-half acre minimum residential lots. Four of the lots have been developed with homes and sold. The remaining five lots are currently for sale with asking prices from \$365,000 to \$435,000 with the higher priced lots having better views.

Lot Value Conclusion

While there are few similar sales with minimum 20,000 square foot lots with excellent views, our search did find seven sales we consider to be comparable. The most relevant are Data Nos. 3 and 5, however both have varying factors which need to be considered when comparing today's current market value of the subject site. In addition, we have considered the recent listing of five single lots in the neighborhood. The subject includes nine lots in a single transaction which relates to a bulk purchase in comparison to the subject lots. Based on the market data and considering the subject property, we have concluded that the subject lots have a current finished lot value of \$375,000. As discussed under the property description section, the lots are in a true finished lot condition and all land development fees have been paid, thus there are no remaining land development costs. The final value conclusion for the nine remaining lots (all under construction with eight in escrow) is as follows.

Nine Lots x \$375,000

\$ 3,375,000

Builder-Owned Retail House Valuations

Due to the single ownership of multiple houses by the builder within Hillcrest, a Discounted Cash Flow ("DCF") analysis is needed in order to arrive at a bulk value for the builder-owned homes. First, a retail base value for each plan within Hillcrest will be concluded. Next, a DCF will be utilized which will take into consideration the absorption time to sell off the builder-owned houses, the costs associated with selling off the homes and any remaining costs owed by the builder. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value. The DCF analysis will be followed by a reporting of the concluded values for the individually owned homes using the concluded base retail value for each plan with a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes. In addition, any resales or resale listings of homes within Hillcrest will be considered.

Hillcrest consists of 53 individually owned homes, four model homes (three in escrow) and eight production home (five in escrow) over 95 percent complete owned by the builder, and nine houses under construction (under 95 percent complete with six in escrow) and no remaining lots. The remaining lots and homes under construction (under 95 percent complete) were valued above. This section will address the 12 homes owned by the builder, followed by a valuation for the individually owned homes.

Below is a summary of the floor plans within Hillcrest. A listing of the improved residential comparable properties is located in the Addenda of this report. The improved residential properties are all located within the city of Riverside. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no re-sales and no current re-sale listings within Hillcrest.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	4 / 3	1 / 2	2,462	8	1
2	4 / 3	1 / 2	2,848	11	5*
3	5 / 3.5	1 / 3	3,167	11	3*
4	5 / 4	2 / 3	3,370-3,380	12	1*
5	5 / 4.5	2 / 3	3,676-3,702	11	2*
Total				<u>53</u>	<u>12</u>

*One of each plan is a model home. In addition to the above there are nine homes under construction.

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	1	4 / 3	1 / 2	2,462	--
1	2	4 / 3	1 / 2	2,848	\$351.12
2	1	3 / 2	1 / 3	2,508	\$334.92
3	1	4 / 4.5	1 / 3	4,113	\$331.90
4	2	3 / 2	1 / 3	2,304	\$330.72
4	3	5 / 3	1 / 2	2,641	\$299.88
5	1	4 / 3	1 / 3	2,550	\$310.98
7	4	4 / 2	1 / 2	2,396	\$287.56
7	5	4 / 2.5	1 / 2	2,507	\$282.01

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered

(when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction). This comparable has been included due to the similarity of larger lots and view potential. The comparable new home sales have base prices ranging from \$274.52 to \$351.12 per square foot. The current base asking price for Plan 1 is \$365.55 per square foot. There have been 8 closings of Plan 1 with actual sales prices from \$332.22 to \$381.99 per square foot. There are two current escrows of Plan 1 with a sales price range from \$368.94 to \$378.40 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan taking into consideration all concessions. It has been concluded that Plan 1 has a base current market value of \$350.00 per square foot. This calculates as follows:

$$2,462 \text{ sf} \times \$350.00 = \$861,700$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	2	4 / 3	1 / 2	2,848	--
1	1	4 / 3	1 / 2	2,462	\$365.55
1	3	5 / 3.5	1 / 3	3,167	\$334.70
2	2	4 / 3	2 / 3	2,844	\$319.97
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	2	5 / 4.5	1 / 3	4,648	\$306.52
4	3	5 / 3	1 / 2	2,641	\$299.88
5	1	4 / 3	1 / 3	2,550	\$310.98
6	1	4 / 2.5	2 / 3	2,792	\$274.71
6	2	4 / 3.5	2 / 3	2,988	\$265.06
7	5	4 / 2.5	1 / 2	2,507	\$282.01

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger home sizes (which would typically

command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 2). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$249.82 to \$365.55 per square foot. The current base asking price for Plan 2 is \$351.12 per square foot. There have been 11 closings of Plan 2 with actual sales prices from \$326.04 to \$414.66 per square foot. There are four current escrows of Plan 2 with a sales price range of \$339.68 to \$406.95 per square foot, however the high end of the range is for the model home with the next highest escrow at \$356.95 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan taking into consideration all concessions. It has been concluded that Plan 2 has a base current market value of \$330.00 per square foot. This calculates as follows:

$$2,848 \text{ sf} \times \$330.00 = \$939,840$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	3	5 / 3.5	1 / 3	3,167	--
1	2	4 / 3	1 / 2	2,848	\$351.12
1	4	5 / 4	2 / 3	3,370	\$313.05
2	1	3 / 2	1 / 3	2,508	\$334.92
2	3	4 / 3.5	2 / 3	3,256	\$291.77
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	2	5 / 4.5	1 / 3	4,648	\$306.52
6	2	4 / 3.5	2 / 3	2,988	\$265.06
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 2). This comparable has been included due to the larger lot size and view potential. The comparable new home sales have

base prices ranging from \$249.40 to \$351.12 per square foot. The current base asking price for Plan 3 is \$334.70 per square foot. There have been 11 closings of Plan 3 with actual sales prices from \$321.28 to \$453.91 per square foot. There are five current escrows of Plan 3 with a sales price range of \$331.31 to \$409.52 per square foot, however the highest priced escrow is for a model home with the second highest price at \$390.23 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. It has been concluded that Plan 3 has a base current market value of \$315.00 per square foot. This calculates as follows:

$$3,167 \text{ sf} \times \$315.00 = \$997,605$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	4	5 / 4	2 / 3	3,370	--
1	3	5 / 3.5	1 / 3	3,167	\$334.70
1	5	5 / 4.5	2 / 3	3,676	\$299.24
2	3	4 / 3.5	2 / 3	3,256	\$291.77
2	4	4 / 3.5	2 / 3	3,475	\$284.89
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	3	5 / 4.5	2 / 3	4,905	\$279.96
5	2	5 / 4	2 / 3	3,520	\$246.30
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. It should be noted that single story homes, at times, carry a premium. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 3). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$246.30 to \$334.70 per square foot. The current base asking price for Plan 4 is \$313.05 per square foot. It's important to note that Plan 4's have a square footage range of 3,370 to

3,380 depending on the exterior elevation, but the small end of the range is what is being used for this analysis and valuation. There have been 12 closings of Plan 4 with actual sales prices from \$287.53 to \$377.00 per square foot. There is one current escrow of a Plan 4 with a price of \$302.65 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan less concessions. It has been concluded that Plan 4 has a base current market value of \$295.00 per square foot. This calculates as follows:

$$3,370 \text{ sf} \times \$295.00 = \$994,150$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	5	5 / 4.5	2 / 3	3,676	--
1	4	5 / 4	2 / 3	3,370	\$313.05
2	4	4 / 3.5	2 / 3	3,475	\$284.89
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	3	5 / 4.5	2 / 3	4,905	\$279.96
3	4	5 / 4.5	2 / 3	5,013	\$273.19
5	2	5 / 4	2 / 3	3,520	\$246.30
5	3	6 / 4	2 / 3	3,699	\$239.79
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. It should be noted that single story homes, at times, carry a premium. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger home sizes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 3 and 4). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$239.79 to \$331.90 per square foot. The current base asking price for Plan 5 is \$299.24 per square foot. It's important to note that Plan 5's have a square footage range of 3,676 to 3,702 depending on the exterior elevation, but the small end of the range is what is being

used for this analysis and valuation. There have been 11 closings of Plan 5 with actual sales prices from \$295.97 to \$366.10 per square foot. There are four current escrows of Plan 5 with a sales price range of \$302.65 to \$367.37 per square foot, however the highest priced escrow is for a model home with the second highest price at \$343.85 per square foot.. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan less concessions. It has been concluded that Plan 5 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$3,676 \text{ sf} \times \$285.00 = \$1,047,660$$

Retail Values – Hillcrest

Within Hillcrest there are 12 builder-owned homes that are over 95 percent complete including four models (3 in escrow) and nine production homes over 95 percent complete (five in escrow). Per interviews with builders, upgrades, and landscape/hardscape of up to \$300,000 are installed in the model homes in executive-type houses, 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 \$150,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (1 x \$861,700)	\$ 861,700
Plan 2 (5 x \$939,840)	4,699,200
Plan 3 (3 x \$997,605)	2,992,815
Plan 4 (1 x \$994,150)	994,150
Plan 5 (2 x \$1,047,660)	2,095,320
Model Upgrades (4 x \$150,000)	<u>600,000</u>
Total Hillcrest Retail Value	<u>\$12,243,185</u>

Absorption Period

In order to arrive at an absorption period for the builder-owned homes, the absorption rate for Hillcrest along with the comparable projects have been reviewed. As discussed under

the Highest and Best Use section earlier within this report, Hillcrest has an overall average sales rate of 3.1 sales per month. The sales rates within the comparable projects range from 1.3 to 5.4 sales per month. Within Hillcrest there are eight builder-owned production homes (over 95 percent complete), five of which are in escrow, and four model homes, three of which are in escrow. Based on the sales rates along with the product and current escrows, it has been concluded that the 12 builder-owned homes will be absorbed within a four-month period at the concluded values.

Remaining Costs

There are no remaining land development costs or land development fees associated with the subject property.

Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Eight percent has been estimated for marketing expenses and two percent for general and administrative costs for a total of ten percent in expenses for this analysis.

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the Great Recession this range was lowered considerably to, at times, six percent with some builders drastically lowering their profit potential in order to maintain their workforce. With pricing increasing and the demand for new homes at the subject price points, the builder profits have improved. A ten percent profit is considered appropriate in the analysis for this project.

Discount Rate

In selecting a discount rate, the following was completed:

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

The homes within the subject property began selling in March 2022 with Hillcrest experiencing an absorption rate of 3.1 sales per month which is considered to be good considering the subject's price point. Based on the sales rate within the subject project, the competition, the product and location, a ten percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analysis in addenda) for the builder-owned homes within Hillcrest is \$9,593,847.

Hillcrest – Builder Ownership Valuation Conclusion

The builder-owned property in Riverside CFD No. 2013-1 consists of 12 homes over 95 percent complete and nine remaining finished lots (all nine with homes under construction).

The final valuation of the builder-owned property is:

9 Lots in their "As Is" condition	\$ 3,375,000
12 Houses	<u>9,593,847</u>
Total Builder Ownership	<u>\$ 12,968,847</u>

Hillcrest – Individual Owners Value Conclusion

There are 53 individually owned homes within Hillcrest. Based on the concluded value for each plan, below are the individually owned homes within the subject property.

Plan 1 (8 x \$861,700)	\$ 6,893,600
Plan 2 (11 x \$939,840)	10,338,240
Plan 3 (11 x \$997,605)	10,973,655
Plan 4 (12 x \$994,150)	11,929,800
Plan 5 (11 x \$1,047,660)	<u>11,524,260</u>

Total Individual Owners Minimum Market Value **\$51,659,555**

In an additional review, we have reviewed the original builder sales prices for the closed homes within Hillcrest. Closings occurred between August 2022 and November 2023 with

actual sales totaling \$57,497,914. This is inclusive of all upgrades, premiums, options, and all incentives including but not limited to mortgage and closing cost incentives. The concluded valuation is over eleven percent lower than the actual sales prices. This is due to the options, upgrades, premiums purchased by the homeowners. The average option revenue for the 53 closings equates to \$86,023 per home or \$4,559,219 for the 53 closings. The current base pricing ranges from \$20,000 to \$70,000 higher, depending on the plan, than when the project opened in March 2022. This relates to base price increases from 2.3 percent up to 7.1 percent depending on the plan. This percentage of increase in the base pricing partially offsets the options, upgrades and premiums which were purchased above the concessions being offered. It is our conclusion that the original builder's 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. 2013-1 proposed for 74 single-family detached homes being built out into the community of Hillcrest by Beazer Homes in the City of Riverside in Riverside County. Hillcrest opened for sale in March of 2022 and is currently selling. Out of the total 74 proposed homes, 53 are completed and have closed to individuals with an additional 16 homes in escrow and due to close upon completion. The remainder of the lots range from completed model or production homes to homes under construction. We have reviewed the builder sales and reviewed the areas Multiple Listing Service along with a physical inspection with no re-sales or current listings.

The subject property was valued using the Sales Comparison Approach to value and a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation considered the improvements/benefits to be funded by Riverside CFD No. 2013-1 bond proceeds along with the Riverside CFD No. 2013-1 special tax lien. As a result of our investigation, the concluded value for the subject property is:

Hillcrest by Beazer Homes

Beazer Homes Ownership (12 homes & 9 lots)	\$ 12,968,847
Individual Owned (53 homes)	<u>\$ 51,659,555</u>

Aggregate Value of Riverside CFD No. 2013-1	<u>\$ 64,628,402</u>
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The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification.

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 person signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



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

ADDENDA

CITY OF RIVERSIDE 2013-1
BOUNDARY MAP

PROPOSED BOUNDARY MAP
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
CITY OF RIVERSIDE

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH), CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE AT REGULAR MEETING THEREOF, HELD ON 22 DAY OF OCT, 2013, BY RESOLUTION NO. 22585

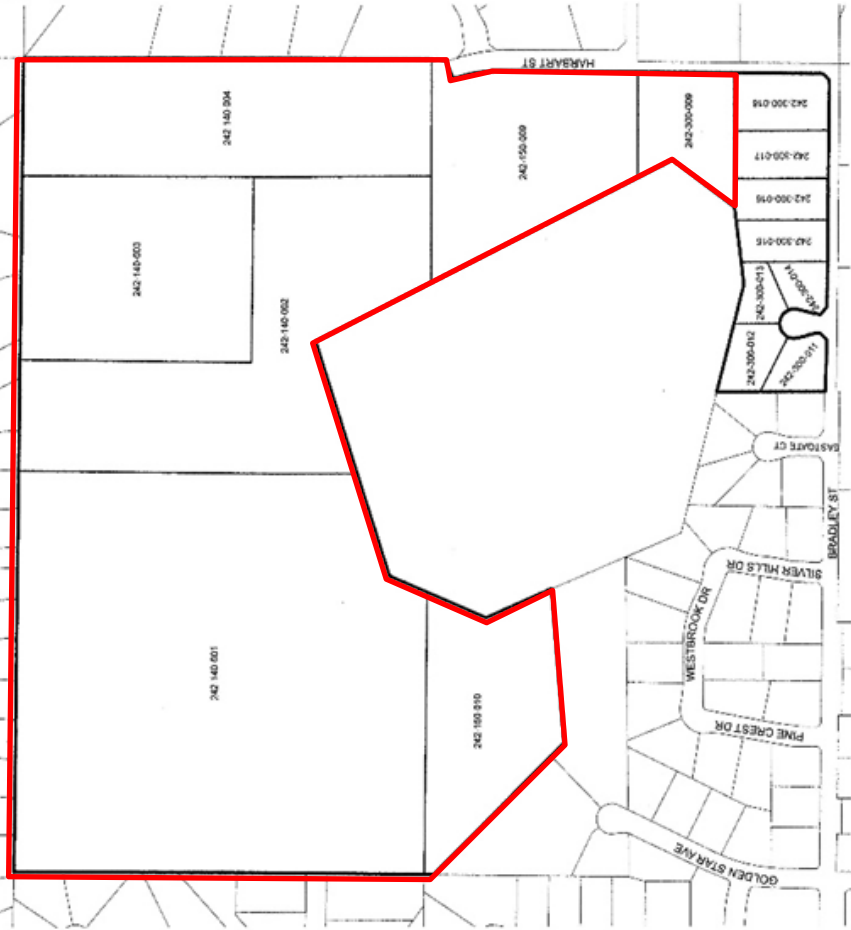
[Signature]
CITY CLERK
CITY OF RIVERSIDE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF RIVERSIDE, THIS 23 DAY OF OCT, 2013

[Signature]
CITY CLERK
CITY OF RIVERSIDE

RECORDED THIS 24 DAY OF OCTOBER, 2013, AT THE HOUR OF 11:00 O'CLOCK A.M. IN BOOK 76, PAGE 32, OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: \$ 10.00 NO: 2013-0507323
LARRY W. WARD, ASSESSOR, COUNTY CLERK, RECORDER
BY: *[Signature]* DEPUTY



NOT TO SCALE

LEGEND
CFD BOUNDARY
PARCEL LINE

XXX-XXX-XXX ASSESSOR PARCEL NUMBER
W.C. 13-0184

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 2013-2014.

The red outline is approximate boundaries of the CFD after the notice of cancellation of special tax lien on the eight residential lots along Bradley Street.

TRACT MAP Nos. 33029 and 33029-2

10/23

SHEET 3 OF 7 SHEETS

adkan
ENGINEERS
RIVERSIDE, CA

TRACT NO. 33029

IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
BEING A SUBDIVISION OF A PORTION OF THE WESTERLY QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH,
RANGE 5 WEST, SAN BERNARDINO MERIDIAN.

APRIL 2004

SURVEYOR'S NOTES

1. BASIS OF BEARINGS OF THIS SURVEY IS THE EXIST LINE SOUTH, RANGE 5 WEST AS SHOWN ON TRACT MAP 29515, MAP BOOK 397/60-75 BEING 00022-34" W.
2. THIS TRACT CONTAINS 49.02 ACRES.
3. DRAINAGE EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND ENCROACHMENTS.
4. ALL FRONT LOT CORNERS ARE MONUMENTED BY LEAD & TAG. L.S. 5/80 SET IN TOP OF CURB ON THE PROLONGATION OF THE LOT LINE.
5. ALL REAR LOT CORNERS ARE MONUMENTED BY A 1" IRON PIPE. L.S. 5/80 SET FLUSH WITH ORIGINAL, UNLESS OTHERWISE NOTED.
6. O INDICATES SET 1" IRON PIPE. FLUSH WITH L.S. 5/80 TAG, UNLESS OTHERWISE NOTED.
7. Δ INDICATES SET SPIKE & TAG. L.S. 5/80, FLUSH.
8. ● INDICATES FOUND MONUMENT, AS NOTED.
9. ▲ INDICATES FOUND 3/4" IRON PIPE, POSITION AS NOTED WITH PACE & WED TAG UNLESS OTHERWISE NOTED.
10. ○ INDICATES FOUND 1" IRON PIPE, POSITION AS NOTED WITH PACE & WED TAG UNLESS OTHERWISE NOTED.
11. () INDICATES RECORD DATA PER TRACT NO. 7090 MB 89/82-83.
12. [] INDICATES RECORD DATA PER TRACT NO. 8337 MB 119/16-17.
13. { } INDICATES RECORD DATA PER TRACT NO. 22527 MB 191/41-43.
14. < > INDICATES RECORD DATA PER TRACT NO. 22524 MB 193/80-84.
15. < > INDICATES RECORD DATA PER TRACT NO. 164/89-90.
16. < > INDICATES RECORD DATA PER TRACT NO. 28607-1 MB 330/26-32.
17. () INDICATES RECORD DATA PER TRACT NO. 33029-1.
18. [] INDICATES RECORD DATA PER TRACT NO. 33029-1.
19. { } INDICATES RECORD DATA PER TRACT NO. 33029-1.
20. < > INDICATES RECORD DATA PER TRACT NO. 29515 MB 397/60-75.
21. < > INDICATES RECORD DATA PER CITY OF RIVERSIDE CERTIFICATE OF CORNER PLACEMENT, RECORDED 8/5/2018, AS DOC. NO. 2018-044523.
22. < > INDICATES RECORD AND MEASURED DATA PER TRACT NO. 33029-2.

EASEMENT NOTES

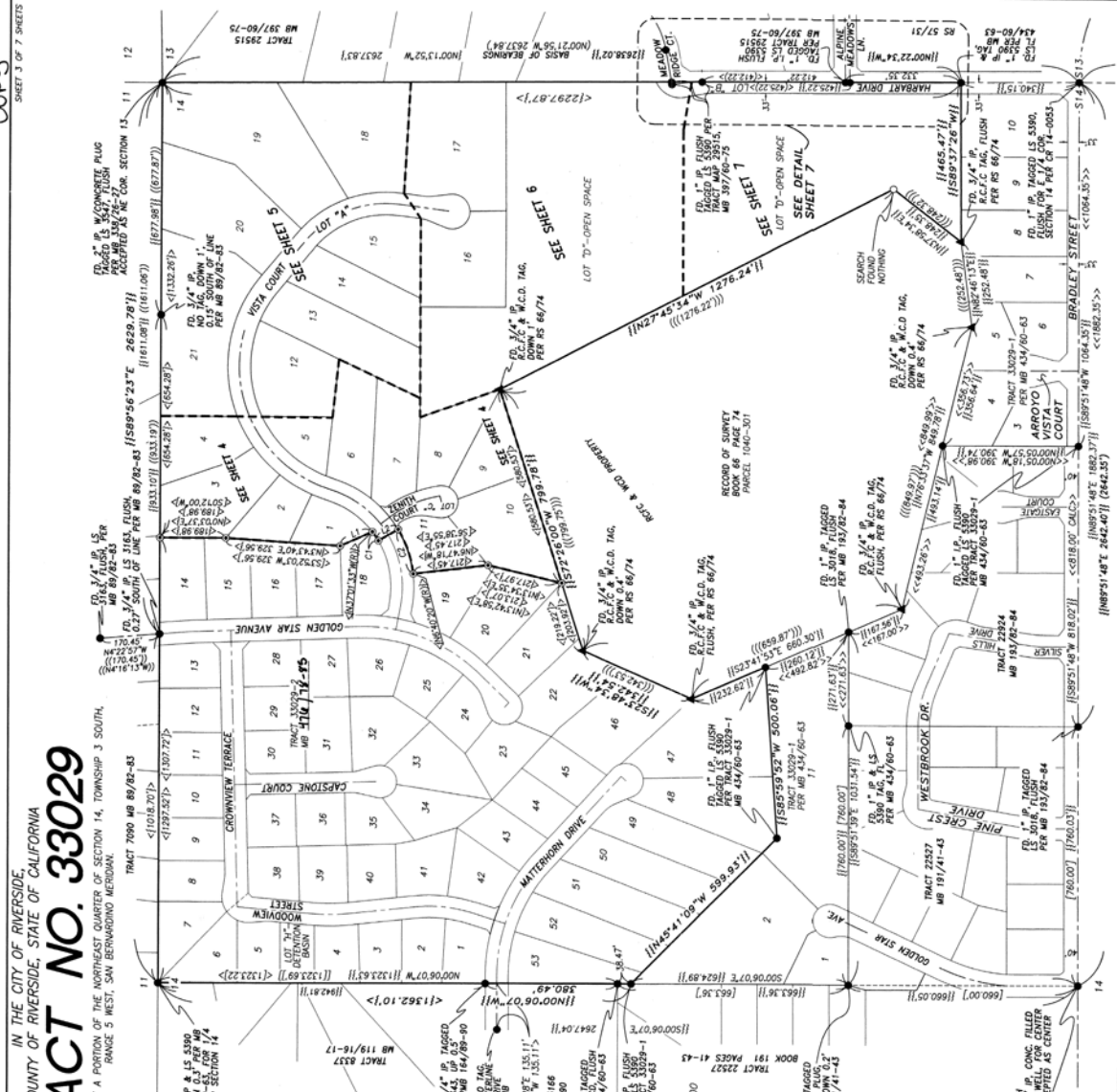
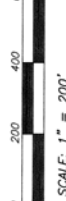
EASEMENT IN FAVOR OF MARCH INLAND PORT AIRPORT
PER DOCUMENT RECORDED OCTOBER 15, 2010 AS
INSTRUMENT NO. 2010-044523 OF OFFICIAL RECORDS.
EASEMENT IS BLANKET IN NATURE AND AFFECTS ALL
LOTS.

EASEMENT IN FAVOR OF THE CITY OF
RIVERSIDE FOR SLOPE AND DRAINAGE
PER DOCUMENT RECORDED OCTOBER 15, 2010 AS
INSTRUMENT NO. 2010-044523 OF OFFICIAL RECORDS.
EASEMENT IS BLANKET IN NATURE AND AFFECTS ALL
LOTS.



LINE TABLE	
LINE	BEARING
L1	<S23°14'W>
L2	<S23°14'W>

CURVE TABLE	
CURVE	DELTA
C1	<S23°14'W>
C2	<S23°14'W>



adkan
ENGINEERS
RIVERSIDE, CA

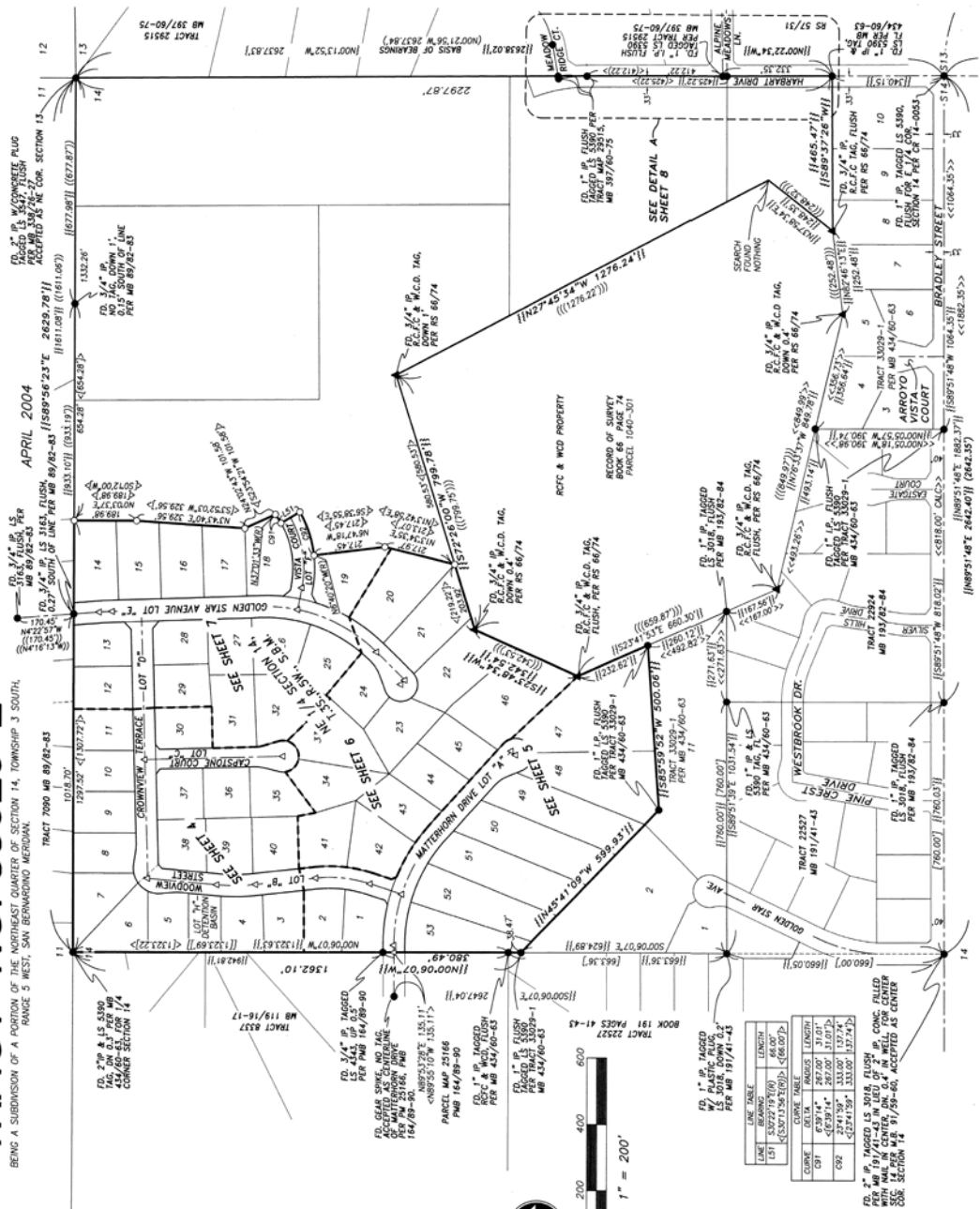
IN THE CITY OF RIVERSIDE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

TRACT NO. 33029-2

BEING A SUBDIVISION OF A PORTION OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH,
RANGE 5 WEST, SAN BERNARDINO MERIDIAN.

SURVEYOR'S NOTES

1. BAGS OF BARNINGS OF THIS SURVEY IS THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 NORTH, RANGE 10E, MERIDIAN 10W, MAP 2951A, MAP BOOK 397/60-75 BEING NOTED 24-74
2. THIS TRACT CONTAINS 41.2 ACRES.
3. GRASSHAW EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND OBSTRUCTIONS.
4. ALL FRONT LOT CORNERS ARE MONUMENTED BY LEAD. THE LOT LINE IS 5.930 SET IN TOP OF CURB ON THE PROLONGATION OF THE LOT LINE.
5. ALL START LOT CORNERS ARE MONUMENTED BY A 1" IRON PIPE SET IN 5.930 SET WITH CHAIN, UNLESS OTHERWISE NOTED.
6. O INDICATES SET 1" IRON PIPE, FLUSH, WITH 5.930 TAG, UNLESS OTHERWISE NOTED.
7. Δ INDICATES SET SPICE & TAG, IS 5.930, FLUSH.
8. ◆ INDICATES FOUND MONUMENT, AS NOTED.
9. ▲ INDICATES FOUND 1/4" IRON PIPE, POSITION AS NOTED WITH RITE & 3/4" TAG, UNLESS OTHERWISE NOTED.
10. ()--INDICATES RECORD DATA PER TRACT NO. 7099 MB 89/92-83
11. []--INDICATES RECORD DATA PER TRACT NO. 8337 MB 19/16-17
12. { }--INDICATES RECORD DATA PER TRACT NO. 23257 MB 19/41-43
13. < >--INDICATES RECORD DATA PER TRACT NO. 22024 MB 19/1/02-84
14. < >--INDICATES RECORD DATA PER TRACT NO. 164/89-90
15. < >--INDICATES RECORD DATA PER TRACT NO. 28807-1 MB 330/26-32
16. ()--INDICATES RECORD DATA PER TRACT NO. 35/69
17. /--ATES RECORD DATA PER TRACT NO. 35/69
18. II--INDICATES MEASURED AND RECORD DATA PER TRACT NO. 33029-1 MB 434/60-63
19. < >--INDICATES RECORD DATA PER TRACT NO. 29515 MB 397/60-75
20. Δ--INDICATES RECORD DATA PER CITY OF INDIANAPOLIS CERTIFICATE OF TITLE, 1918-1955558 OFFICIAL RECORDS OF INDIANA COUNTY, IND. NO. 2018-1055558



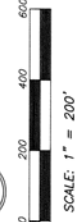
LINE TABLE		
LINE	BEARING	LENGTH
151	S30°22'19"E (R)	64.00'
<S30°13'56"E (N)>		<66.00'>

CURVE TABLE			
CURVE	CURTA	RADIUS	LENGTH
C91	6°39'14"	267.00'	31.01'
	<16°39'14"	267.00'	31.01'>
C92	2°41'59"	333.00'	137.74'
	<2°41'59"	333.00'	137.74'>

FD. 2" IP, TAGGED LS 3018, FLUSH

EASEMENT NOTES

EASEMENT IN FAVOR OF MARCH INLAND PORT AIRPORT
AUTHORITY FOR AVIATION AND INCIDENTAL PURPOSES
PER DOCUMENT RECORDED OCTOBER 15, 2010 AS
INSTRUMENT NO. 2010-0495573 OF OFFICIAL
RECORDS. EASEMENT IS BLANKET IN NATURE AND
AFFECTS ALL LOTS.



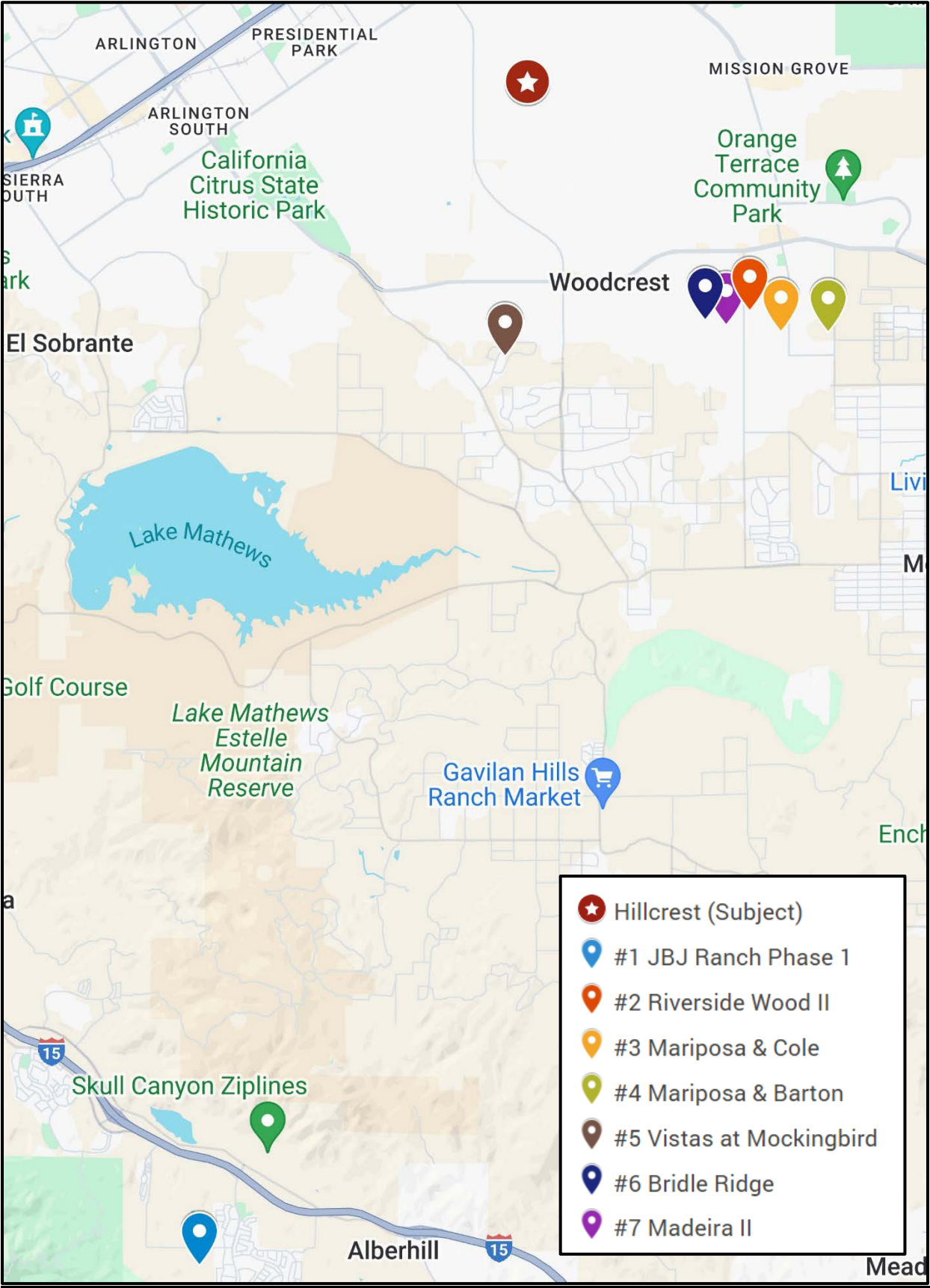
DISCOUNTED CASH FLOW ANALYSIS

Hillcrest Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months 4	MONTH 1	MONTH 2	MONTH 3	MONTH 4	TOTAL
INCOME:						
Retail Sales	12,243,185	\$3,060,796	\$3,060,796	\$3,060,796	\$3,060,796	\$12,243,185
TOTAL INCOME		<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$12,243,185</u>
EXPENSES:						
Remaining Costs						
Marketing & Carrying Expenses	10%	(\$306,080)	(\$306,080)	(\$306,080)	(\$306,080)	(\$1,224,319)
Profit	10%	(\$306,080)	(\$306,080)	(\$306,080)	(\$306,080)	(\$1,224,319)
TOTAL EXPENSES		<u>(\$612,159)</u>	<u>(\$612,159)</u>	<u>(\$612,159)</u>	<u>(\$612,159)</u>	<u>(\$2,448,637)</u>
NET CASH FLOW		\$2,448,637	\$2,448,637	\$2,448,637	\$2,448,637	\$9,794,548
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	<u>0.9673</u>	
DISCOUNTED CASH FLOW		\$2,428,400	\$2,408,331	\$2,388,427	\$2,368,688	\$9,593,847
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$2,428,400</u>	<u>\$4,836,731</u>	<u>\$7,225,159</u>	<u>\$9,593,847</u>	<u>\$9,593,847</u>

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

FINISHED LOT LAND SALES SUMMARY MAP

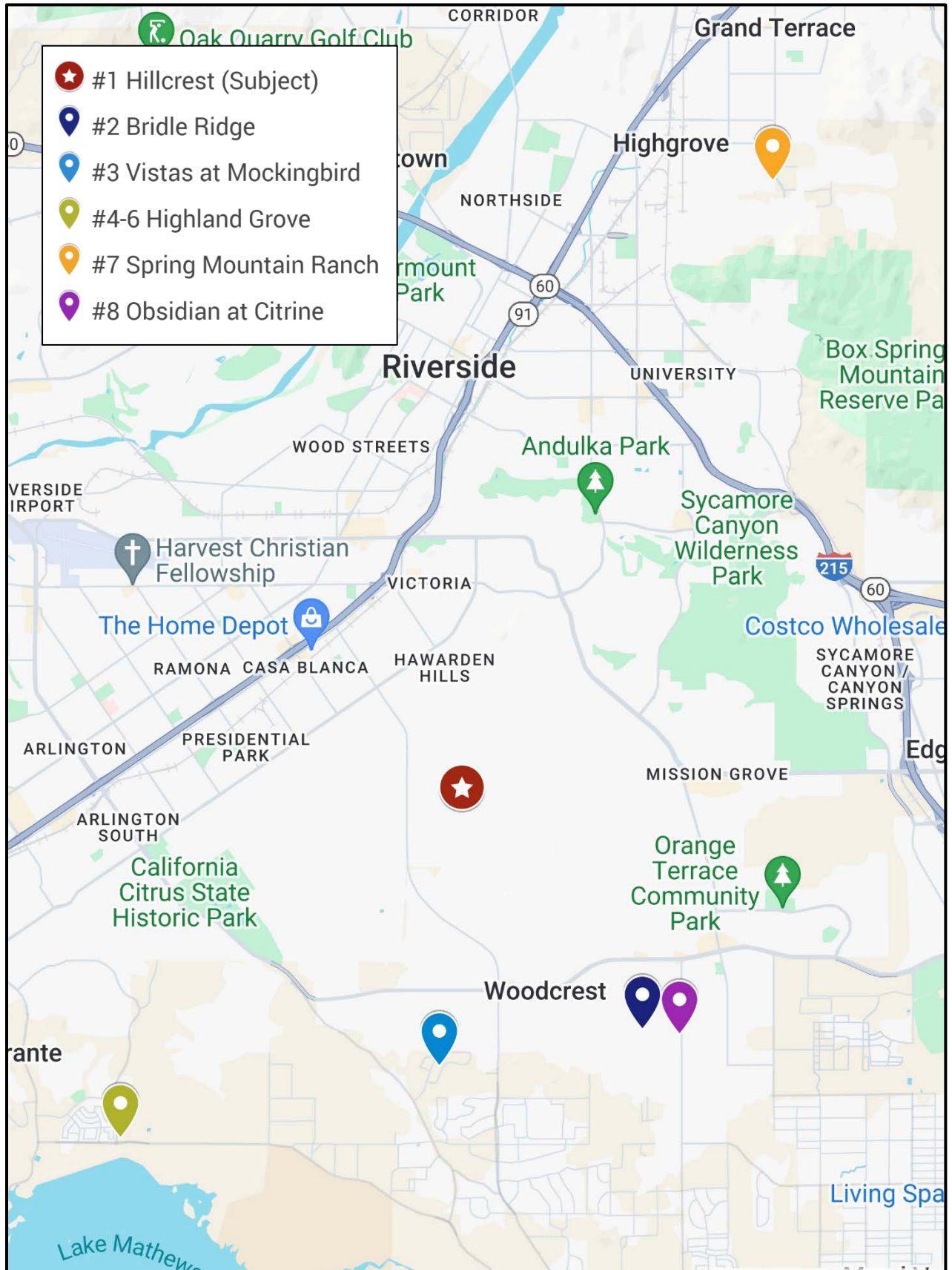


FINISHED LOT LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size (sf) or Density	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	JBK Ranch Phase 1, Mountain Road and Hidden Creek Drive, Temescal Valley / 393-310-005 / KB Home / Mission Pacific	December 2023	203	6,000	\$27,539,637 / \$135,663	\$295,000	Closed with an approved Final Map in an unimproved condition.
2	Riverside Wood II, NEC Lurin Avenue and Wood Road, Riverside / 266-130-023 / Taylor Morrison / Vista Emerald LLC	August 2023	96	5,000	\$11,500,000 / \$119,792	\$300,000	Closed in an unimproved condition with an approved TTM.
3	Mariposa & Cole, NWC Cole Avenue & Mariposa Avenue, Riverside / 266-140-021, 022, -029, -030, -049, -050 / KB Home / Diversified Pacific	June 2022	138	5,000	\$10,628,500 / \$77,018	\$244,000	Closed in an unimproved condition with an approved final map.
4	Mariposa & Barton, NWC Barton Street & Mariposa Avenue, Riverside / 266-160-006, -008, -018 / KB Home / Diversified Pacific	May 2022	81	5,000	\$5,986,000 / \$73,901	\$244,000	Closed in an unimproved condition with an approved final map.
5	Far West 72 (Vistas at Mockingbird Canyon), Mockingbird Canyon Road t Mariposa Avenue, Riverside / 273-580-016 / Trumark / Far West	November 2021	72	1 Acre	\$20,260,000 / \$281,389	\$331,389* *Estimated	Closed in a finished lot condition with an approved final map.
6	Lurin Avenue (Bridle Ridge), SEC Lurin Avenue and Taft Street, Riverside / 266-742-006 / Legacy Homes / HANSJVC LLC	October 2021	103	10,000	\$10,001,500 / \$97,102	\$215,000	Closed in an unimproved condition with an approved final map.
7	Madeira II, SW of Lurin Avenue & Wood Road, Riverside / 266-100-025 / KB Home / Diversified Pacific	October 2021	41	5,000	\$3,174,500 / \$77,427	\$199,000	Closed in unimproved condition with an approved tentative tract map.

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

IMPROVED RESIDENTIAL SALES MAP



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Floors/ Parking	Size (SF)	Lot Size / Absorption	Base Sales Price	Price/SF
1 (Subj.)	Hillcrest / S of Tiger Tail Drive at Golden Star Ave, Riverside / Beazer (Subject)	1	4 / 3	1 / 2	2,462	20,000 sf lots 3.1 sales/mo	\$899,990	\$365.55
		2	4 / 3	1 / 2	2,848		\$999,990	\$351.12
		3	5 / 3.5	1 / 3	3,167		\$1,059,990	\$334.70
		4	5 / 4	2 / 3	3,370		\$1,054,990	\$313.05
		5	5 / 4.5	2 / 3	3,676		\$1,099,990	\$299.24
2	Bridle Ridge / SEC Lurin Ave and Taft St, Riverside / Legacy Homes	1	3 / 2	1 / 3	2,508	10,500 sf lots 1.3 sales/mo	\$839,990	\$334.92
		2	4 / 3	2 / 3	2,844		\$909,990	\$319.97
		3	4 / 3.5	2 / 3	3,256		\$949,990	\$291.77
		4	4 / 3.5	2 / 3	3,475		\$989,990	\$284.89
3	Vistas at Mockingbird Canyon / S of Mariposa Ave at Ginger Creek Dr, Riverside / Trumark Homes	1	4 / 4.5	1 / 3	4,113	43,000 sf lots 1.9 sales/mo	\$1,365,110	\$331.90
		2	5 / 4.5	1 / 3	4,648		\$1,424,700	\$306.52
		3	5 / 4.5	2 / 3	4,905		\$1,373,181	\$279.96
		4	5 / 4.5	2 / 3	5,013		\$1,369,500	\$273.19
4	Haciendas at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	3 / 2	1 / 3	2,070	8,000 sf lots 1.7 sales/mo	\$748,990	\$361.83
		2	3 / 2	1 / 3	2,304		\$761,990	\$330.72
		3	5 / 3	1 / 2	2,641		\$791,990	\$299.88
5	Manors at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	4 / 3	1 / 3	2,550	8,500 sf lots 2.1 sales/mo	\$792,990	\$310.98
		2	5 / 4	2 / 3	3,520		\$866,990	\$246.30
		3	6 / 4	2 / 3	3,699		\$886,990	\$239.79
6	Villas at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	4 / 2.5	2 / 3	2,792	8,000 sf lots 2.5 sales/mo	\$766,990	\$274.71
		2	4 / 3.5	2 / 3	2,988		\$791,990	\$265.06
		3	5 / 4	2 / 3	3,336		\$831,990	\$249.40
7	Sonoma at Spring Mountain Ranch / SW of Spring Street & Mt. Vernon Ave, Riverside / KB Home	1	3 / 2	1 / 2	1,831	6,000 sf lots 5.4 sales/mo	\$621,990	\$339.70
		2	3 / 2	1 / 2	2,106		\$644,990	\$306.26
		3	4 / 2	1 / 2	2,206		\$664,990	\$301.45
		4	4 / 2	1 / 2	2,396		\$688,990	\$287.56
		5	4 / 2.5	1 / 2	2,507		\$706,990	\$282.01
8	Obsidian at Citrine / SWC Lurin Ave & Wood Road, Riverside / KB Home	1	3 / 2	1 / 2	1,627	5,500 sf lots 3.6 sales/mo	\$632,990	\$389.05
		2	3 / 3	2 / 2	2,227		\$674,990	\$303.09
		3	5 / 3	2 / 2	2,528		\$693,990	\$274.52
		4	5 / 3	2 / 2	2,882		\$719,990	\$249.82

APPRAISER'S QUALIFICATIONS

QUALIFICATIONS OF KITTY S. SIINO, MAI

Education

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

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

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

Employment

1988 - Present:

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

1986-1988:

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

1981 - 1986

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

1980 - 1981

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

Licenses

Real Estate Sales Person, State of California, 1980

Certified General Appraiser, State of California (#AG004793)

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

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

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