

APPRAISAL REPORT

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS) (Crimson Hills by KB Home)

City of Lake Elsinore, Riverside County, California
(Appraisers' File No. 2024-1285)



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

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

November 29, 2023

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

Reference: Appraisal Report – City of Lake Elsinore
Community Facilities District No. 2006-4 (Rosetta Hills)
Crimson Hills by KB Home
North of Rosetta Hills Road at Elsinore Hills Road, City of Lake Elsinore

Dear Mr. Simpson:

At the request and authorization of the City of Lake Elsinore, we have completed an Appraisal Report for Community Facilities District No. 2006-4 (Crimson Hills which was formerly known as Rosetta Hills) of the City of Lake Elsinore ("Lake Elsinore CFD No. 2006-4"). Lake Elsinore CFD No. 2006-4 consists of a new home community being marketed as Crimson Hills by KB Home Coastal, Inc ("KB Home"). Crimson Hills consists of a total of 178 proposed single-family detached homes. The community includes six floorplans sized from 1,551 to 2,882 square feet. Of the total 178 proposed homes, 102 have closed to individual homeowners to date, with an additional 18 homes in escrow which are due to close upon completion. The builder-owned property ranges from completed model homes to homes under construction to partially finished lots.

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 Lake Elsinore CFD No. 2006-4 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 Lake Elsinore CFD No. 2006-4 Special Tax Bonds.

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

Crimson Hills by KB Home

KB Home Ownership (12 homes & 64 lots)	\$ 14,609,867
Individual Owned (102 homes)	<u>\$ 57,581,225</u>

Aggregate Value of Lake Elsinore CFD No. 2006-4	<u>\$ 72,191,092</u>
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Mr. Jason Simpson
City of Lake Elsinore
November 29, 2023
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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 October 23, 2023.

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

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 Lake Elsinore CFD 2006-4
Tract Maps 30698 and 32129
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 Lake Elsinore CFD No. 2006-4.
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 Lake Elsinore CFD No. 2006-4 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the Lake Elsinore CFD No. 2006-4 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 the public record. We have reviewed and analyzed the remaining costs and they appear reasonable; however, we did not receive detailed information and do not have expertise in cost estimating. If the costs differ, it will affect the value of the property.

City of Lake Elsinore
Community Facilities District No. 2006-4 (Rosetta Hills)
(Crimson Hills by KB Home)



Boundaries Approximate
Aerial flown by AirViews 10/9/23

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the Lake Elsinore CFD No. 2006-4 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 178 proposed single-family detached homes, which represent two Tract Maps being developed into the neighborhood known as Crimson Hills (formerly known as Rosetta Hills) by KB Home. Tract Map 30698 includes 158 numbered lots however seven of the lots are detention basins leaving 151 residential lots included in this appraisal. Tract Map 32129 includes 27 residential lots for a total of 178 residential lots within Lake Elsinore CFD 2006-4. There are 102 homes completed and closed to individuals, three completed models (none in escrow), nine homes over 95 percent complete (eight in escrow), 25 homes under construction (ten in escrow) and 39 remaining lots, 12 within Tract 30698 (none in escrow) and 27 within Tract 32129 (none in escrow). Sales began in the subject property in October of 2021. Below is a summary of Crimson Hills along with the status and ownership of each lot.

Description	No. Lots	Owner	Condition/Status
Crimson Hills (Tract 30698 and Tract 32129)			
Lots 1-10, 27-42, 69-74, 77-78, 83-84, 86-116, 119-123, 128-130, 132-158 of Tract 30698	102	Individuals	Completed Homes
Lots 22-24	3	KB Home	Model Homes (0 in Escrow)
Lot 43-45, 75-76, 79, 82, 85, 131,	9	KB Home	Houses over 95% complete (8 in Escrow)
Lots 46-68 and 80-81 of Tract 30698	25	KB Home	Under Construction (10 in Escrow)
Lots 12-21 and 25-26 of Tract 30698 and Lots 1-27 of Tract 32129	<u>39</u>	KB Home	Remaining Lots
CFD No. 2006-4 TOTAL:	178		

*It should be noted that Lots 11, 117, 118 and 124-127 of Tract 30698 are detention basins for the project and are not included in this appraisal.

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Lake Elsinore, will utilize this report in disclosure documents associated with selling bonds for Lake Elsinore CFD No. 2006-4 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.

¹ The Appraisal of Real Estate, 13th Edition

Minimum Market Value

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

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

Mass Appraisal

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

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

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

Hypothetical Condition

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

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

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Lake Elsinore CFD No. 2006-4.

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”

² USPAP 2016-2017 Edition

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 they appear reasonable; however, we have not reviewed escrow documents on each sale. We have also reviewed the total remaining land development cost number which appears reasonable, however, did not have access to any detailed information. We are not experts in the field of cost estimating and it should be noted that these costs were 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 Lake Elsinore CFD No. 2006-4. 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 October 23, 2023.

DATE OF REPORT

The date of this report is November 29, 2023.

SCOPE OF APPRAISAL

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

- County of Riverside Description
- City of Lake Elsinore Description
- Immediate Surroundings Description
- Brief Description of Lake Elsinore CFD No. 2006-4
- 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 178 proposed single-family detached homes on lots with a minimum size of 6,000 square feet. There are 120 homes sold, 102 of which are closed to individuals, with the remaining lots including three models, nine production homes over 95 percent complete (eight in escrow), 25 homes under construction (under 95 percent complete with ten in escrow) and 39 remaining finished lots. 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

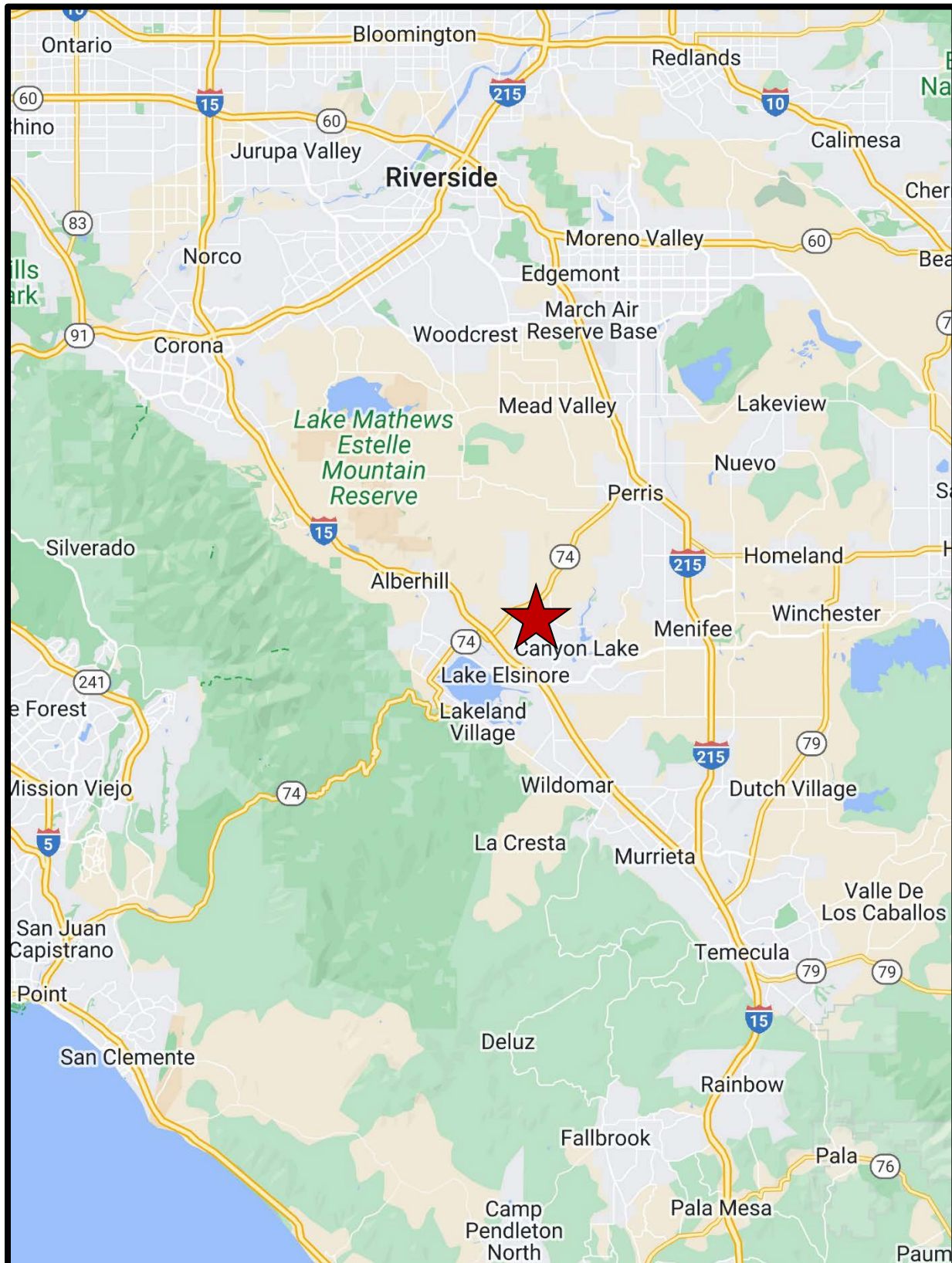
In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results.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

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

1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County and the Lake Elsinore area.
3. Inspected the subject property between October 1, 2023, and October 31, 2023.
4. Had the property flown for an aerial photograph on October 9, 2023.
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 Lake Elsinore CFD 2006-4 (one was found).
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 southern portion of Riverside County (the "County") in the City of Lake Elsinore, on the northeast side of Interstate 15 and Highway 74 (also known as Central Avenue). 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 approximately one mile northeast of Interstate 15 ("I-15") and one-half mile south of Highway 74, also known as Central Avenue in the area. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. Highway 74 provides access to the west into Orange County on what is also known as Ortega Highway. The I-15 and I-215 interchange is approximately 13 miles south. I-215 travels in a northerly/southerly direction within the County, branching off from I-15 and heading generally north where it parallels I-15 to the east and merges back into I-15 approximately 35 miles northwest of the subject in San Bernardino County. In addition, the 60 Freeway runs in an east-west direction approximately 15 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 the 91 Freeway runs in an easterly/westerly direction approximately 15 miles northwest of the subject, also providing access into Orange County and Los Angeles.

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 27 miles northwest of the subject property while the Orange County Airport is located approximately 30 miles west and the San Diego International Airport is located about 65 miles south. The Skylark Airport, a private airport generally used for skydiving with three turf runways, is located approximately 4.5 miles south, also in the City of Lake Elsinore. 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 is experiencing challenging times due to reactions from the COVID recession. 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 June 2023, the national inflation rate was at a two year low at 2.97 percent; down from February 2023's 6.0 percent and from the peak in June 2022 of 9.1 percent. However, the September 2023 U.S. inflation rate was 3.7 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of the Russian/Ukraine or Israel/Palestine wars, supply chain issues due to COVID or from the additional money entering the economy, inflation is hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board ("Board") began raising interest rates. Since March 2022, there have been eleven interest rate increases rising the Federal Reserve Rate ("FRR") from 0.25 – 0.50 percent to 5.25 – 5.50 percent. While these increases appeared to help slow inflation, the quick, significant increases have strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the June meeting the Board paused the increases; however, at the July meeting, they raised it another 0.25 percent increase while the most recent September meeting resulted in another pause in increases. At the September meeting, they did mention additional increases are expected before year-end and that the rate may need to stay high longer than originally anticipated. This has caused volatility in the bond market over the past month. In addition to causing bank instability, the FRR increases over the past two years have increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to a peak of 7.08 percent as of November 10, 2022, then dropped to an average around 6.5 percent until the past month couple of months with the October 19, 2023, rate at 7.63 percent (per Federal Reserve Economic Data-St. Louis). This steep increase over the past 20 months has significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average ("DJIA") dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to an all-time high of 36,799 in January 2022. In February 2022, Russia began invading Ukraine which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. All of these factors caused a drop in the DJIA of approximately ten percent from January 2022 to October 30, 2023 (32,929). The nation's debt limit can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debt limit which was in danger of being reached, and the stock market's volatility throughout May due to this stand-off was evident. However, a deal was reached in early June (before the deadline), and the stock market showed less volatility until the September Board meeting along with the Israel/Palestine war. Current concerns include the Federal Reserve decisions on interest rate increases.

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 COVID 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 and the first half of 2022. This exceptional activity in new home sales was the one bright spot in the COVID disruption 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 and softening of prices within the Inland Empire, with year-over-year decreases in sales as of July 2023 of more than 20 percent. It is interesting to note that there has been an increase in new home supply with a multitude of additional projects coming online (currently 251 projects in the Inland Empire versus September 2022's 209, per the Ryness Report dated September 10, 2023). The high mortgage rates have significantly slowed existing homeowners from moving, and the limited availability of existing homes on the market has resulted in new homes capturing a much larger share of the total home sales.

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 September 2023 National unemployment rate at 3.6 percent (Employment Development Department, not seasonally adjusted). The Congressional Budget Office ("CBO") Forecast for the U.S. Economy (published February 2023) predicted real GDP growth will come to a halt in 2023 then will average 2.4 percent from 2024 to 2027 and then 1.8 percent between 2028 to 2033. The CBO states they expect unemployment rates to rise through early 2024 reflecting the slowdown in economic growth. In summation, the CBO projects for 2023: stagnant output, rising unemployment, gradually slowing inflation, and interest rates to remain at or above their current levels. They believe that in 2023, non-interest spending will substantially exceed revenues with rising interest rates driving up the cost of borrowing which results in the government debt steadily increasing. Over the long term, they suggest changes in fiscal policy to address the rising costs of interest and mitigate other adverse consequences of high and rising debt.

The unemployment rate for the MSA was estimated at 5.0 percent (as of September 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 September 2023, Riverside County's unemployment rate was 5.2 and San Bernardino County had a 4.8 percent unemployment rate. The current

unemployment rate for the MSA of 5.0 percent is slightly higher than the California rate at 4.9 percent and higher than the September 2023 National rate of 3.6 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of September 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Sept-2023	5.8%
Riverside County	Sept-2023	5.2%
San Bernardino County	Sept-2023	4.8%
Orange County	Sept-2023	3.7%
San Diego County	Sept-2023	4.0%

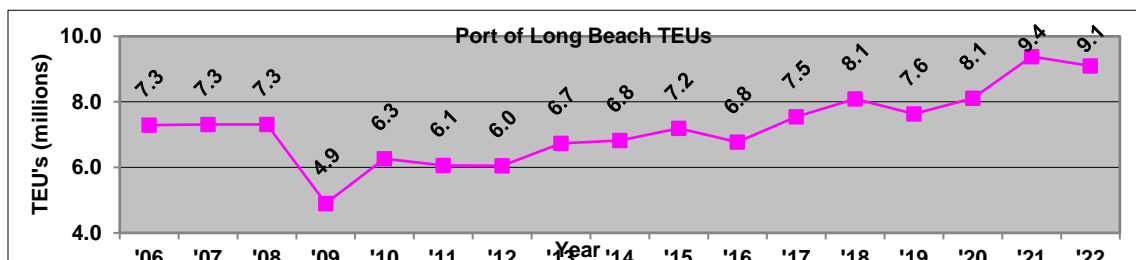
Source: State of California E.D.D.; *Not Seasonally Adjusted

The latest UCLA Anderson Forecast ("Forecast") was issued June 7, 2023, and stated that the potential action by the Federal Reserve will determine whether the nation continues to grow or experiences a mild, short-lived recession in 2023. They believe the economy is at a recession-related fork in the road with one path leading to continued economic growth (although slower than the recent 2.4 percent growth rate) and the other would lead to a mild short-lived recession. Whether the economy slips into recession or not will depend largely on inflation stickiness and the additional action the Federal Reserve takes to bring down inflation. The Forecast states that if the Federal Reserve moderates its aggressive tightening, quarterly economic growth for the second quarter to grow at 2.6 percent and around 1.0 percent quarterly growth for the second half of 2023. If the Federal Reserve keeps aggressively tightening, a mild recession will occur with the economy contracting beginning in the third quarter 2023 and deepening in the fourth quarter 2023 and the first quarter 2024 followed by the beginning of a slow rebound. The Forecast states under both scenarios, inflation will still be elevated but will be more persistent in the recession scenario requiring tighter monetary policy. They believe both outcomes will include persistent inflation with the no-recession scenario resulting in lower inflation and thus, more moderate monetary policy.

The UCLA Forecast for California is more positive than the overall Nation due to a strong demand for defense goods, labor saving equipment and software. In the no-recession

scenario unemployment rate averages by year are estimated at 4.1 percent for 2023, 4.0 percent for 2024 and 4.0 percent for 2025. In the recession scenario, unemployment rate averages are expected to be 4.4 percent for 2023, 4.8 percent for 2024 and 4.6 percent for 2025. Under both scenarios the California Forecast projects housing permits to grow to at least 157,000 in 2025 despite the higher interest rates. The fact that the California housing market is not overbuilt will offset the decrease in sales in the housing market. Overall, the Forecast believes that California will have a more moderate slowing or, in the case of a recession, a milder downturn than the U.S. overall.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 calendar year saw a decrease of 2.6 percent from the previous year. August 2023 was running 15.5 percent below August of 2022 (682,312 versus 806,940 total TEUs). It should be noted that Spring 2022 was a time when the back-up at the ports was still occurring due to supply chain issues. Per the Orange County Register (“Lack of product demand hurts drivers,” October 31, 2022) consumer demand cooled in mid-2022 leaving fewer TEUs needing to be driven from the ports. They are stating shipments have slowed due to American demand finally waning after the pandemic coupled with some major retailers bypassing the California ports for East Coast ports to avoid a possible upheaval by West Coast dockworkers as they negotiate a new contract. It appears that the slowdown in work for the dray operators (drivers who ship containers in and out of the ports) may be resulting from a slowdown in overall TEU demand.



Government

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

Education

The subject area is served by the Lake Elsinore Unified School District which operates 13 elementary schools, two K-8 schools, four middle schools, three high schools, one continuation school, one adult school and one alternative school. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

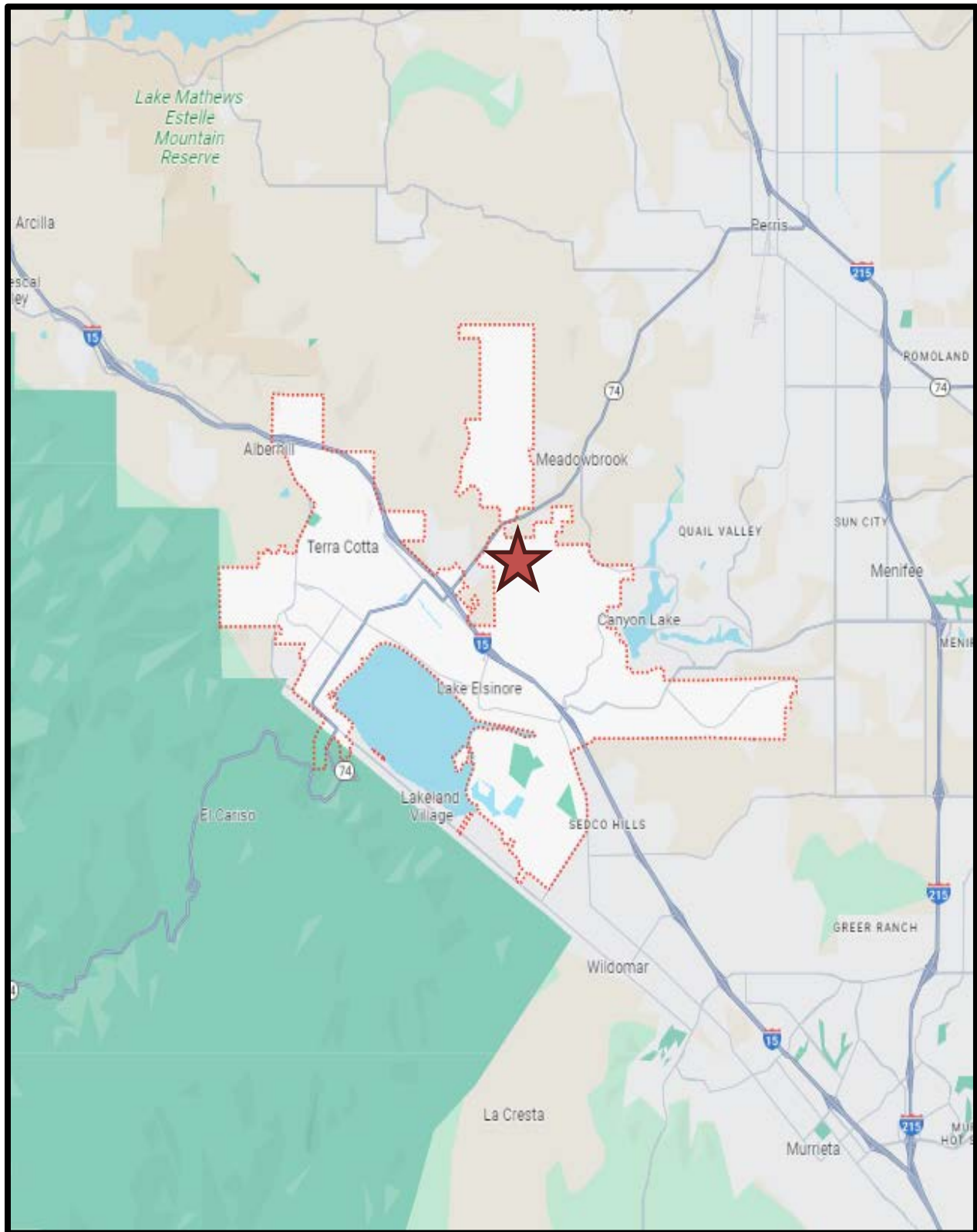
The subject property is served by Earl Warren Elementary School (located within walking distance from the subject), Elsinore Middle School (located 2.3 miles southwest of the subject) and Temescal Valley High School (located 1.75 miles west of the subject).

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 FFR over five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages. Current concerns for the Inland Empire

economy include stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, recent bank failures along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. A possible light recession is forecast for later this year into the beginning of 2024. What effect the bank failures will have on the economy is unknown at this time. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land, and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles, and San Diego Counties.

LAKE ELSINORE AREA MAP



CITY OF LAKE ELSINORE DESCRIPTION

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

History

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

Lake Elsinore (the "Lake") was originally known as Laguna Grande and is the largest natural lake in Southern California. The Lake is situated at the lowest point within the 750-mile San Jacinto River watershed with headwaters from the western slopes of San Jacinto Peak and Lake Hemet. Lake Elsinore levels are at 1,244 feet above sea level with a volume of 30,000-acre feet that use to change substantially prior to federal grants to prevent the flooding and ebbing of the lake. The largest flooding came in the 1930s when the Lake rose from 8,000-acre feet to 92,000-acre feet. In 1951 the Lake dried up and remained dry for about 10 years. In 1981 and 1983 the El Nino rains again flooded the

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

Population

The City had enjoyed rapid population growth in the mid-2000's, which altered the appearance of the City from a small lakeside town of 3,800 people in 1976, to a bedroom community of upper middle-class professionals. From 2000 to 2008 the City was the 12th fastest growing city in the State going from 28,928 residents in 2000 to 51,821 residents in 2010, suggesting an average annual increase of 6.0 percent. Between 2010 and 2015 the city increased to 59,142 residents (average annual increase of 2.67 percent), with a most recent January 2023 population estimate of 71,973 per the Department of Finance, which represents an annual increase of 0.0 percent since January 2022. This compares to the overall Riverside County growth of 0.03 percent during the past year. The significant growth between 2000 and 2010 includes the residential boom prior to the Great Recession. The population forecast for 2030 per the City of Lake Elsinore website shows approximately 88,500 which suggests an average annual growth of approximately three percent over the next seven years. The stagnant growth in the City over the past year was partially due to limited availability of new homes for sale as the two master plans sold out with only two new home communities selling earlier in 2022. In the past few months the number of active or "coming soon" new home projects within the City has grown from two communities to seven, suggesting increasing population growth. Lake Elsinore typically has positive population growth due to the convenient access along the I-15 corridor providing access to the employment centers in Riverside, Orange, Los Angeles, and San Diego Counties.

The subject is currently one of seven actively selling communities in the City of Lake Elsinore. Alberhill Ranch, a master planned community, is currently selling Fairfield by Pulte Homes and they are advertising their Linden and Ridgeline communities (also by Pulte) as "coming soon". Richmond American is selling their Running Deer Estates which

is nearing build-out. Meritage Homes is selling two communities known as Highland and Hilltop at their Nichols Ranch master plan. KB Home is selling their Carrera and Villa Real communities at Terracina along with their Crimson Hills (subject) neighborhood. For many years previously, Lake Elsinore featured several actively selling new master planned communities including Canyon Hills which sold out in early 2020, and more recently, Summerly, which is located on the south side of the Lake and sold out in 2021. Summerly, including The Links golf course consists of a total of 700 acres, was proposed for over 1,600 residential units and is now fully built out. Canyon Hills includes approximately 4,300 residential units and is also fully built out. It should be noted that Terracina, the new area of Alberhill Ranch and Nichols Ranch all opened in the past month or two.

Economy

The City of Lake Elsinore has enjoyed industrial and commercial development along the I-15 Corridor including the Lake Elsinore Outlet Center at Nichols Road which was opened in the 1990s as one of the first Outlet Malls in Southern California. The City has been promoting its economic platform by becoming more business friendly. The 2021 estimated median household income is \$80,350 for the City, as compared to \$76,066 for the County, \$84,097 for the State and \$69,021 for the United States per Census.gov. Per the City of Lake Elsinore's 2021 Comprehensive Annual Financial Report (fiscal year ending June 30, 2021), the top employers were as reported below. (Please note, while the City has released the 2022 Comprehensive Annual Financial Report, it does not include the top employers).

<u>Summary of Major Employers</u>	
<u>Employer</u>	<u>No. of Employees</u>
Lake Elsinore Unified School District	2,524
M & M Framing	450
Stater Bros (3 locations)	328
Costco	312
Walmart	295
Lake Elsinore Hotel & Casino	230
Riverside County (Dept. of Social Services)	179
EVMWD	167
Home Depot	143
City of Lake Elsinore	118

Per the City's Economic Development's General Plan Update 2023 Growth Report, there are 1,130 single family lots under construction and another 933 single family lots and 745 multi-family units going through the approval process at this time.

Entertainment

While Lake Elsinore served as a get-away for the movie industry in the 1920s, the area also began emerging as an entertainment/sports area when it hosted Olympic teams for training along with high-speed boat racing on the Lake. In 1964 the Skylark Airport (located southeast of the subject) emerged as a world class skydiving drop zone due to the thermals from the surrounding mountains. This is still one of the most prominent drop zones in Southern California. The Lake Elsinore Motorsports Park for off-road racing is located directly east of the Airport. In 1991 the Lake Elsinore Outlet Center opened boasting 100 outlets (currently 40 stores) and in 1994 Diamond Stadium was constructed which is the home of the Lake Elsinore Storm, an affiliate of minor league baseball. Diamond Stadium is located adjacent to the master planned community of Summerly, southwest about six miles from the subject. The major commercial centers are along I-15 at Central Avenue (Highway 74) with Walmart, Costco, Home Depot and Lowes as anchor tenants.

Transportation

Interstate 15 is the major arterial with access to the City, with State Route 91 approximately 20 miles north and I-215 about 10 miles south. I-15 provides access to State borders to the north in Nevada and to the south where it merges with I-5 before going into Mexico. State Route 91 (20 miles north on I-15) provides freeway access into Orange and Los Angeles Counties to the west and to San Bernardino County to the east. I-215 provides northerly access connecting to State Route 60, which provides access to the west into Los Angeles and to the east where it merges with I-10 and provides access to the Arizona state border. The nearest freeway access points to the subject property are the I-15 at Lake Street on/off ramp (approximately 3 miles northeast of the subject), Nichols Road on/off ramp (approximately 2.5 miles east of the subject) and the I-15 CA-74/Central Avenue on/off ramp (approximately 3.5 miles southeast of the subject). State Route 74 is located approximately two miles southeast of the subject and is a winding

road through the Ortega Mountains (also known as Ortega Highway west of Lake Elsinore) that provides a more direct access into South Orange County, which is located approximately 19 miles southwest.

Conclusion

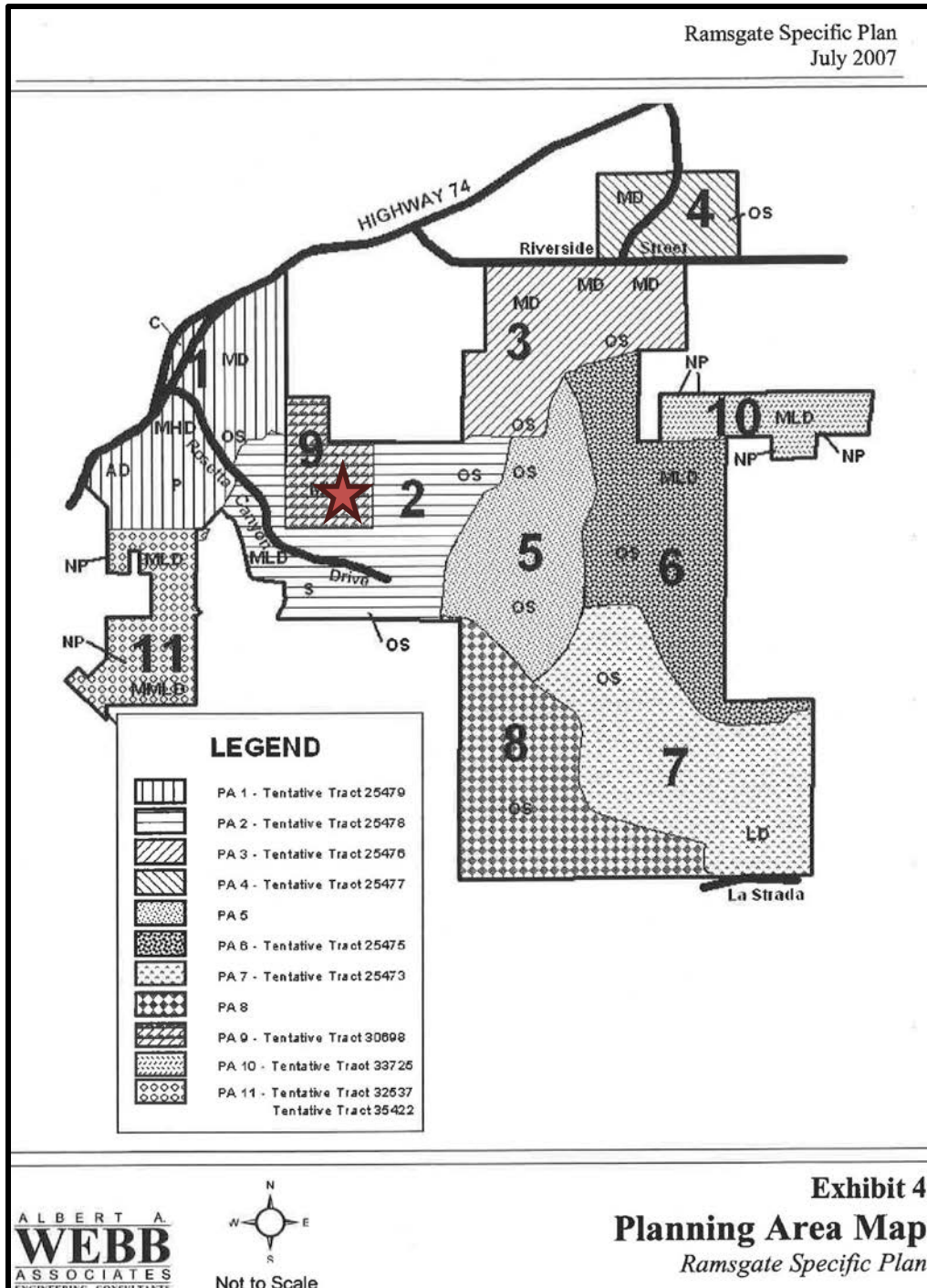
In summary, the City of Lake Elsinore experienced above average growth over the past 20 years, however, experienced a slowdown in the past year which is thought to be due to the limited availability of new homes. Future growth of the City should continue with over 1,100 single family lots under construction and over 900 in planning stages along with 745 multi-family units going through the approval process. Lake Elsinore's housing market is currently healthy and the subject is being well received in the marketplace at this time. Unknowns include the effect of a possible recession in the next year. The City's abundant recreation, expanding employment opportunities, location, reasonable land and home prices and the availability of land for development combine to make the City a prime area for future growth.

IMMEDIATE SURROUNDINGS

The subject property is located south of Highway 74 and east of I-15 north of Rosetta Canyon Drive at Elsinore Hills Road. Access to the community is considered to be excellent with off ramps from I-15 to Central Avenue (Highway 74) about one mile southwest of Rosetta Canyon Drive. The community is irregular in shape and comprises two non-contiguous parcels with a drainage channel/open space area dividing the two. The main entrance is off Rosetta Canyon Drive to Elsinore Hills Road and north two parcels to the entrance of Crimson Hills. The second entrance to the northern portion of the lands is through an existing neighborhood to the north from Highway 74 to Rosetta Canyon Drive, travel 0.10 mile to Sunblaze Road and turn north to Anabell Lane, right for two blocks to Starina Street which continues into the subject neighborhood.

The subject is surrounded by existing newer homes within Rosetta Canyon to the southeast, west and south and by vacant lands and rural development to the north and northeast. The subject is located approximately 2.5 miles northeast of the Lake, and between the subject and the Lake is vacant, rural and commercial lands. The Lake is the largest natural lake in Southern California and offers several activities including boating, swimming, water skiing and fishing along with an RV park and marina.

Rosetta Canyon was formerly known as Ramsgate. The Ramsgate Specific Plan's last Amendment was approved in July 2007 and included 1,366 acres planned for 2,759 residential units. The majority of the subject property (Tract Map 30698) is shown as Planning Area 9 within Ramsgate however the upper portion of the subject (Tract Map 32129) is not within the Specific Plan. It appears that Planning Areas 1, 2 and 3 within the Ramsgate Specific Plan have been developed with a substantial amount of development remaining as vacant lands. A picture of the Ramsgate Specific Plan Planning Area Map is shown below with the majority of the subject property identified as Planning Area 9 with the red star.



Within one-quarter of a mile to the south of the subject is Earl Warren Elementary School, which serves the subject and is part of the Lake Elsinore Unified School District. Residents will be able to enjoy a short walk to school for elementary aged children.

Shopping is available within one mile southwest of the subject, at Highway 74/Central Avenue and the I-15 offramps. There are three major shopping centers anchored by a Costco and Lowes at the northeast quadrant, a WalMart Supercenter at the southeast quadrant and a Home Depot and Aldi at the northwest quadrant.

CITY OF LAKE ELSINORE CFD NO. 2006-4 (Rosetta Hills)

We have reviewed the Amended Public Hearing Report for the City of Lake Elsinore 2006-4 (Rosetta Hills – former name of Crimson Hills), prepared by Spicer Consulting Group and dated June 23, 2020 (“CFD Report”). Per the CFD Report, CFD No. 2006-4 is comprised of approximately 52.53 gross acres which are expected to be developed into 178 single family detached dwelling units. The types of facilities that are proposed by CFD No. 2006-4 and financed with the proceeds of special taxes and bonds issued by CFD No. 2006-4 consist of the construction, purchase, modification, expansion, rehabilitation and/or improvement of (i) drainage, library, park, fire, roadway, traffic, administration and community center facilities, marina and animal shelter facilities, and other public facilities of the City, including the foregoing public facilities which are included in the City’s fee programs with respect to such facilities and authorized to be financed under the Mello-Roos Community Facilities Act of 1982, as amended (the “City Facilities”) and (ii) water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of the Elsinore Valley Municipal Water District which are included in the Elsinore Valley Municipal Water District’s water and sewer capacity and connect or fee programs (the “Water District Facilities” and together with the City Facilities, the “Facilities”), and all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities. In addition, incidental expenses to be paid from bond proceeds and/or special taxes include (a) the cost of engineering, planning and designing the Facilities; and (b) all costs including costs of the property owner petitioning to form the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and (c) any other expenses incidental to the construction, acquisition, modification, rehabilitation and completions and inspection of the Facilities.

Per the Public Hearing Report, the estimated cost of facilities includes the following:

Description	Total Amount	Bond Allocation
CITY IMPROVEMENTS		
Storm Drain Improvements	\$593,681	\$593,681
Street Improvements	\$1,687,960	\$1,687,960
Traffic Impact Fee	\$243,682	\$243,682
Library	\$26,700	\$26,700
City Hall & Public Works Facilities	\$144,002	\$144,002
Community Center	\$97,010	\$97,010
Marina Facilities	\$138,662	\$138,662
Animal Shelter	\$61,944	\$61,944
Fire Facility	\$133,678	\$133,678
Park Capital Improvement Fund	\$320,400	\$320,400
Drainage Fee	\$495,730	\$495,730
Total City	\$3,943,449	\$3,943,449
EVMWD IMPROVEMENTS		
Water Capacity Fee	\$1,011,264	\$1,011,264
Sewer Capacity Fee	\$970,416	\$233,547
Total EVMWD	\$1,981,680	\$1,244,811
Total Eligible Fees/Improvements	\$5,925,129	\$4,176,996
Incidental Financing Costs		\$878,004
Total Funded by Bond Proceeds		\$5,055,000
Total Fees/Imp. Funded by Developer		\$1,748,133

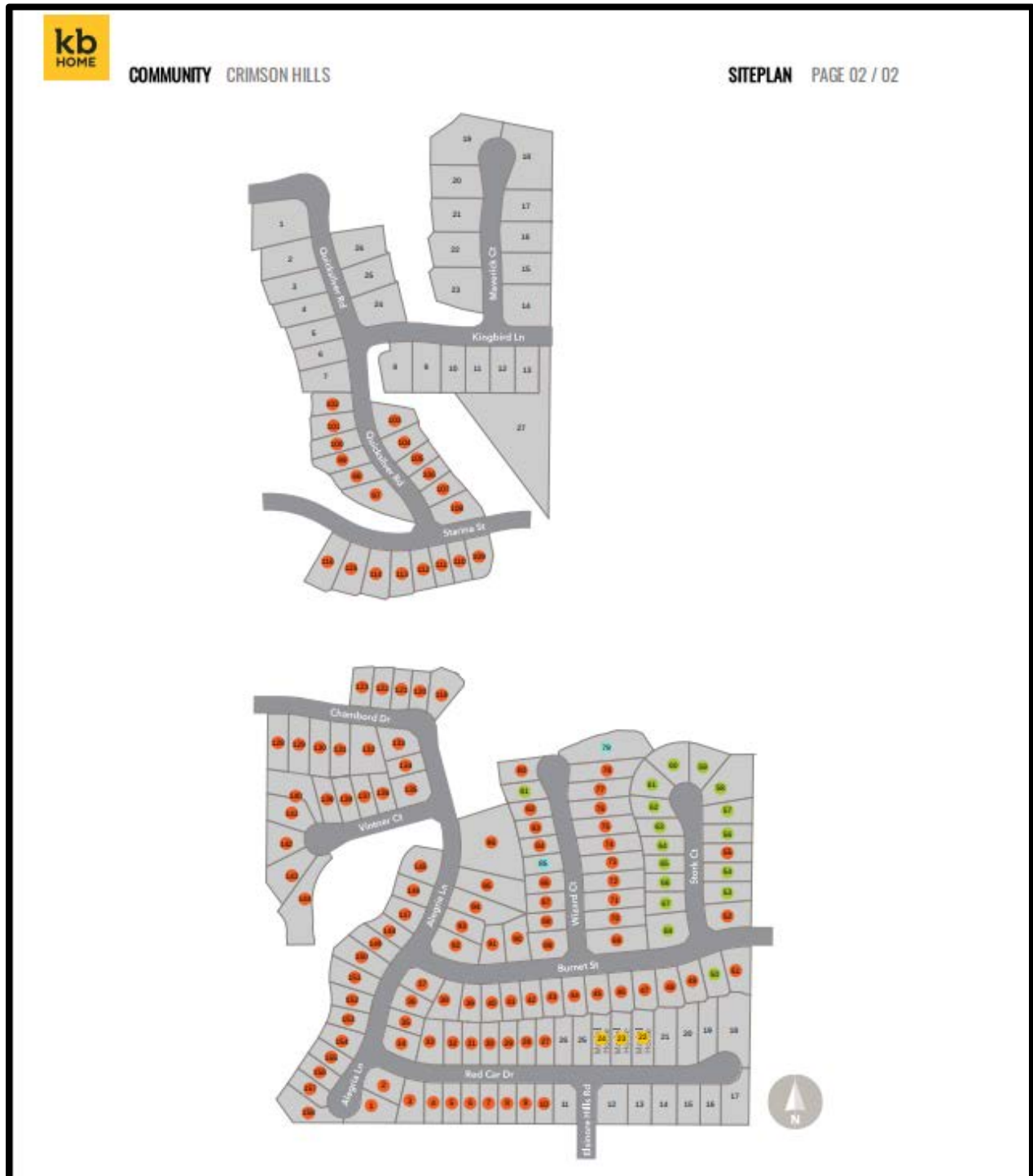
It should be noted that the facilities costs stated above are estimates at time of the report and are subject to change and may not be funded in their entirety by CFD No. 2006-4.

Per the CFD Report's Rate and Method, all developed residential units will be assigned a special tax between \$1,463 to \$1,805 based on their building square footage (amount subject to annual allowed increases).

The Project Fund Deposit to be generated from the sale of the Lake Elsinore CFD No. 2006-4 Bonds per the latest CFD Bond Sizing is \$4,822,852 and a total Bond Par Amount estimated at \$4,810,000 with the difference being the net premium. The project fund deposit is estimated at \$4,088,603 with the debt service reserve fund of \$438,049 and costs of issuance of \$296,200 (above amounts are subject to change). A copy of the Lake Elsinore CFD No. 2006-4 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 178 proposed single-family detached homes, which make up the community known as Crimson Hills by KB Home. The neighborhood is shown in the site plan below and described as follows.



Location: The subject lands are divided by a drainage channel of open space lands. The southern portion is located along both sides of Elsinore Hills Road, two parcels north of Rosetta Canyon Drive, City of Lake Elsinore, Riverside County. The northern portion is located along both sides of Starina Street, two parcels east of Promise Road, City of Lake Elsinore, Riverside County.

Legal Property Description: Lots 1-10, 12-116, 119-123 and 128-158 of Tract 30698 and Lots 1-27 of Tract 32129, both in the City of Lake Elsinore, County of Riverside, State of California. A copy of both Tract Maps is in the Addenda. It should be noted that Lots 11, 117-118 and 124-127 of Tract 30698 are water quality/detention basins and are not included in this appraisal report.

Property Owner: Individuals as to Lots 1-10, 27-42, 69-74, 77-78, 83-84, 86-116, 119-123, 128-130, 132-158 of Tract 30698. KB Home Coastal, Inc. as to Lots 12-26, 43-68, 75-76, 79-82, 85 and 131 of Tract 30698 and Lots 1-27 of Tract 32129.

Assessors Parcel Nos.: Tract Map 30698: 347-560-001 thru 010 and 012 thru 42; 347-561-001 thru 018; 347-562-001 thru 017; 347-570-001 thru 022; 347-571-001 thru 028; 347-580-001 thru 006; 347-581-001 thru 006; and 008; 347-582-001 thru 008 and 012 thru 015 and 021. It should be noted that APN's 347-566-011 and 347-582-009-010 and 016 thru 019 are detention basins (there is no APN 347-582-011). In addition, 347-581-008 is a portion of Lot 27 of Tract Map 32129.

Tract Map 32129: 347-610-001 thru 007; 347-611-001 thru 007; 347-612-001 thru 013. It should be noted that APN 347-611-007 is a portion of Lot 27 of Tract Map 32129 (Lot 27 encompasses two separate assessor parcel numbers).

Property Taxes: We have reviewed the Riverside County Tax Collector's 2023/24 tax bill for APN 347-560-002, a sample lot within Crimson Hills. Per the tax collector the total 2023/4 property tax invoice is \$11,001.10 based on an assessed value of \$650,919. The general-purpose taxes are \$6,509.19; the taxing authority charges (includes Lake Elsinore Unified School District, MWD West, and Mount Jacinto Jr. College) total \$232.37; the special assessment for CFD 2006-4 (subject CFD) is \$1,552.54 and CFD's 2015-2 (Maintenance Services Zone 11), CFD 2015-1 (Lake Elsinore Safety) total \$1,550.88; CFD 2005-6 IA B (Lake Elsinore USD) totals \$1,092.70 and miscellaneous charges of \$63.42. The total overall tax rate on the assessed value equates to 1.69 percent which is typical for homes within Lake Elsinore with similar CFDs.

**Three-Year
Sales History:**

KB Home Coastal Inc. purchased Tract 30698 on October 27, 2020, for \$12,250,000 per public record. They purchased Tract 32129 on September 10, 2021, for \$1,000,000 per builder representative. KB Home began closing homes to individual homebuyers in March of 2022. One hundred and two homes have closed to individuals between March 22, 2022, and October 10, 2023.

Size and Shape:

Tract 30698 and Tract 32129 are contiguous to each other and make up Lake Elsinore CFD 2006-4 (subject property). Together they are "L"-shaped and contain a total of 60.459 gross acres per recorded tract maps.

Zoning:

Per the City of Lake Elsinore's General Plan, the majority of the site (Tract 30698) is shown as Ramsgate Specific Plan and the northern portion of the site is shown as Low-Medium Residential land use. Per the City's Zoning Map, Tract Map 30698 is designated SP for Ramsgate Specific Plan and Tract Map 32129 is shown as R-1 which allows for single family detached homes with a minimum lot size of 6,000 square feet. Per the Ramsgate Specific Plan Tract 30698 is shown as Planning Area 9, which allows for 174 dwelling units.

Entitlements:

The subject property is covered by Tract Maps 30698 and 32129. Tract Map 30698 recorded October 19, 2006, and encompasses 49.812 gross acres and allows for 158 numbered lots (however seven of the lots are designated as water quality/detention basins) leaving 151 residential lots. Tract Map 32129 recorded November 17, 2022, and encompasses 10.647 gross acres and allows for 27 numbered residential lots. All lots have a minimum lot size of 6,000 square feet. Within Tract Map 30698 the gross acreage includes Lots L, M, N and O which are open space and total 14.001 gross acres along with internal streets and setback areas not included in this total. Within Tract Map 32129 the gross acreage includes Lots D and E which total 3.132 gross acres. In addition, there are internal streets and setback areas within both Tract Maps. The approved mapping suggests an overall density of just under 3 dwelling units per acre which is consistent with the zoning and general plan land use on the site. Copies of the tract maps are located in the Addenda.

Soils Review:

We have reviewed two Soils Reports covering the subject property: "Report of Geotechnical Testing and Observation Services on Rough Grading for Tract No. 32129 dated July 18, 2022, and an Updated Geotechnical Report for Tract No. 30298 dated December 9, 2020, both prepared by Geotek of Corona. Per both reports, 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.

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

**Easements and
Encumbrances:**

We have reviewed an amended Preliminary Title Report prepared by FNTG Builder Services dated December 28, 2020, and amended January 7, 2021 (Order Number 989-30056987-A-BAM) which covers Tract 30698. The exceptions are as follows:

Items A, B, C, D, E, F and G all relate to property taxes and special assessments including CFD 2005-6 (Lake Elsinore Unified School District), CFD 2006-4 (subject CFD for Services and for Facilities), CFD 2015-2 (maintenance services) and CFD 2015-1 (Safety Services). Item No. 1 pertains to water rights. Item Nos. 2 thru 15, 17 and 19-22 refer to easements for electric lines, public utilities, slope construction and maintenance, fuel modification, access roads, domestic water, private drainage, access over lots 119 and 145 and storm drain over Lot 119. Item No. 16 refers to the School Facilities Impact Mitigation Agreement. Item No. 18 is in regard to a recital as shown on Tract No. 30698 retaining Lots K thru P. Item No. 23 is for a temporary grading easement agreement while Item No. 24 is for a Reciprocal Grading License and Agreement. Item No. 25 states no deeds of trust were found. Item No. 26 is in regard to any rights of parties in possession which are not disclosed by public records. Item 27 pertains to matters which may be disclosed by an ALTA or land survey and Item No. 28 states no known matters, otherwise appropriate to be shown, were deleted from the report.

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 Lake Elsinore CFD No. 2006-4 and the aforementioned CFDs.

Streets/Access:

Access to the subject project is possible via I-15 to the Central Avenue/Highway 74 exit, head northeast one mile to Rosetta Canyon Drive. For the southern portion of the project go southeast about ½

mile to Elsinore Hills Road and north one-tenth of a mile to the model homes. Access to the northern portion is the same to Rosetta Canyon Drive, then southeast one-tenth of a mile to Sunblaze Road, north one-tenth of a mile to Anabell Lane, east on Anabell Lane 0.16 of a mile to Starina Street and east one-tenth of a mile into the northern portion of the project. The southern portion and the northern portion are divided by a large drainage, open space area.

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

Highway 74/Central Avenue has on/off ramps at I-15 and provides access northeasterly into Perris and to I-215. It provides westerly access around the lake and eventually to Orange County where it connects with I-5 in San Juan Capistrano.

Rosetta Canyon Drive has a signalized intersection at Highway 74 beginning at that point and proving the main access into Rosetta Canyon (formerly Ramsgate). Rosetta Canyon currently terminates about one mile southeast of Highway 74. The Rosetta Canyon Sports Park and the Earl Warren Elementary School are both located along Rosetta Canyon Drive.

Internal streets within Crimson Hills include Elsinore Hills Road (access to the entrance at Red Car Drive), Red Car Drive, Allegria Land, Burnet Street, Wizard Court, Stork Court, Vintner Court and Chambord Drive in the southern portion of the site and Starina Street and Quicksilver Road, Kingbird Lane and Maverick Court in the northern portion of the site.

Current Condition: The subject property has been developed into 178 single family detached lots with a minimum lot size of 6,000 square feet. There are three models for the project which are builder-owned and located on Red Car Drive. There are 102 completed homes owned by individuals, twelve homes over 95 percent complete owned by the builder (including the three models), 25 homes under construction (under 95 percent complete) and 39 remaining finished or partially finished lots.

Home Owner Association: Per the builder's representative, the homeowner's association amount at build-out is \$193 per month.

Costs to Complete: We have received estimated remaining land development costs and fees provided by the homebuilder. Tract 30698 is generally complete, and Tract 32129 is well underway with grading complete, utilities nearly complete and paving underway. The remaining land

development costs include soft costs (design, planning, engineering), fine grading/basins, utilities, sidewalks/streets and park, trails, landscaping, walls and common area. In addition, there are impact fees which are offset by the reimbursement of the subject CFD. The remaining hard and soft land development costs total \$4,345,462 and the land development fees total \$1,569,218, however \$811,080 of this amount will be funded by the CFD leaving \$758,138 in remaining impact fees to be paid by the builder. It is a hypothetical condition of this report that Lake Elsinore CFD No. 2006-4 has been funded and the benefits to the land have accrued to the property. Therefore, these remaining development costs and fees to be paid by the builder total \$5,103,600. These costs are associated with the builder-owned property only as the individual homeowners are not responsible for any of these costs. One hundred and two of the 178 total proposed homes are owned by individuals with the builder owning the remaining 76 (three models, nine production homes, 25 homes under construction and 39 lots). Dividing the \$5,103,600 in remaining land development costs and fees by the builder-owned 76 lots equates to \$67,152.63 per lot in remaining land development costs. These remaining costs and fees, which are the responsibility of the builder, will be taken into consideration in the final valuation later within this report.

Improvement
Description:

Crimson Hills includes 178 proposed single-family homes being built and sold by KB Home. The model homes are located near the entrance of the community on Red Car Drive off Elsinore Hills Drive and Rosetta Canyon Drive. Some lots have views ranging from good to excellent along with size premiums on some lots which are larger. The homes feature open floorplans and three architectural styles. Four of the plans are single story with two being two-story plans, all with two-car garages. Exterior features at Crimson Hills include recessed fire sprinklers, automatic garage doors, concrete tile roofs and coach lights on the garage. Interiors include finished garages, nine foot first floors and eight foot second floors, mirrored wardrobes and interior door hardware with antimicrobial technology, white thermofoil cabinets with square raised-panel doors and LED downlights. Kitchens include USB receptacles, stainless steel appliances, granite countertops and an island. Energy saving features include Energy star certified homes, a thermal enclosure system, water management systems, tankless water heaters, solar energy systems (choice of lease or purchase) and HVAC systems along with a smart thermostat. The larger homes feature a variety of room options as well as upgraded options. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included 102 home closings between March 22, 2022, and October 10, 2023,

along with an additional 18 escrows which are due to close upon completion. Actual closed sales prices as reported by the builder net of all reported concessions range from \$447,370 to \$786,393. Per our review of the local Multiple Listing Service along with our inspection, there is one home currently listed for re-sale which is a Plan 1 with an asking price of \$630,000. Original base pricing in late 2021 ranged from \$534,990 to \$605,990 while current base asking prices are from \$554,990 to \$659,990. The houses which are over 95 percent complete are detailed below.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	3 / 2	1 / 2	1,551	11	1
2	3 / 2	1 / 2	1,751	21	2*
3	4 / 2	1 / 2	2,035	17	2
4	4 / 2	1 / 2	2,206	18	3*
5	5 / 2.5	2 / 2	2,528	17	3*
6	5 / 3	2 / 2	2,882	18	1
Total				<u>102</u>	<u>12</u>

*One of each plan is a model home. In addition to the above there are 25 homes under construction and 39 lots.

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 impact of COVID is still unknown on the County's population growth. New home sales in most cities in the County in 2020 through 2022 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2023.

Economic Conditions

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

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking while the third and fourth quarters saw minimal growth, with 2022's annual growth at 2.6 percent. The most recent unemployment rate for the County is 5.2 percent (per the September 2023 EDD report). The end of 2022 saw lower unemployment rates than the County's pre-COVID unemployment rate in February 2020 of 4.0 percent, however the first eight months of 2023 has shown unemployment rising. While unemployment rates are still near historical lows, the inflation factor is significantly affecting the economy.

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

During the COVID 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 from May 2020 throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow

sales in Spring 2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases, slowed new home sales significantly in late 2022 and the beginning of 2023. In today's market over 60 percent of new-home builders in the U.S. are offering either full-term or temporary interest rate buy-downs (John Burns Research and Consulting) which is helping to sustain new home sales. In January 2022 mortgage rates were 3.22 percent (for a typical 30-year fixed conventional mortgage) while as of October 19, 2023, the rate for the same loan is 7.63 percent. On a \$500,000 mortgage, the monthly payment for this loan has increased from \$2,162 to \$3,518 or over 62 percent.

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. In their September survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders surveyed 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 Recession in an attempt to assist the housing market's recovery. Low rates helped home sales during this time. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board has increased the rate eleven times in the past 18 months, which increased the FFR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in mid-September, they paused the increases for the month and suggested there may be additional increases later this year along with suggesting rates may stay elevated longer than anticipated. Jerome Powell has spoken this month with slightly varying stands on additional increases but essentially it is assumed that in November the rate increases will be paused but there is the possibility of another increase this year. This has caused volatility in the financial markets in the past few weeks. The FFR increases are supposed to help slow the high inflation rate in the Nation, which appears to be occurring as the latest reports are showing inflation in September 2023 at 3.7 percent, down from a high of 9.1 percent in June 2022.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 has brought optimism to builders once again. Sales were up month over month as buyers adjusted to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 7+ 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 captured 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 33 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 Running Deer Estates by Richmond American or Crimson Hills by KB Home) or a public builder buying a larger piece of land but develops the land for its own use (such as Nichols Ranch by Meritage, Alberhill Ranch by Pulte or Terracina by KB Home, all in Lake Elsinore).

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 land sales began to fall sharply due to climbing interest rates. 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 September 2023, these percentages had changed drastically with 46 percent stating they are going "full steam ahead" and 47 percent moving "cautiously forward." The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory which is fueling new home sales. It should be noted however, that mortgage rates have increased 80 basis points since the September 2023 survey.

New Home Sales and Pricing

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this report we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the October 1, 2023, Ryness Report, the year-to-date average sales rate (3.9 sales per month) is essentially the same as the same time period of the previous year. New home sales rates started to level off in late Spring 2022, likely due to the increase in mortgage interest rates. As rates go down, purchasing power becomes larger, which gives new home buying a boost. However, the flip side is that as interest rates rise, purchasing power becomes lower and therefore fewer people are able to purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the October 1, 2023, Inland Empire Ryness Report to one year prior, there are 27 additional projects (222 in October 2022 and 249 in October 2023) and sales are virtually the same (three percent higher) year-to-date than the previous year. Looking back, in October 2021 the Inland Empire average sales rate was 5.24 homes per month; in October 2020 the average sales rate was 5.15 homes per month and in October 2019, prior to the pandemic, the average sales rate in the Inland Empire was 4.03 homes per month. The October 2023 average sales of 3.9 homes per month are slightly lower than the average sales rate in 2019, prior to COVID. This slight decrease over 2019 suggests new home buyers can weather the higher mortgage rates.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$565,500 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 August 2023). This reflects an increase of over 100 percent from the bottom of the cycle and an increase of more

than 29 percent over its peak during the Great Recession, however a decrease from the 2022 peak of 12.4 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. Construction materials have increased an estimated 40 percent since 2019.

Within our search for the most comparable actively selling new home communities, we searched the subject's area of Lake Elsinore along with the adjoining areas of Wildomar to the south and Temescal Valley to the north. Our search for comparable new home projects within the competitive market area resulted in thirteen new home projects including the subject, with overall advertised pricing ranging from \$541,990 to \$830,880. The subject's current base pricing ranges from \$552,990 to \$657,990 with all plans within the range of the competition.

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 sales data, within overall Southern California, the median price paid for an existing single-family home in September 2023 (\$820,000) reflects an increase of 4.7 percent from the previous year (\$783,380 in September 2022) and a slight decrease from the previous month (August 2023 \$830,000). Existing home sales in Southern California overall were down nearly 21.7 percent year-over-year as of September 2023 and down 12.4 percent from the previous month. The overall Southern California numbers compare to Riverside County with \$600,000 as the median price paid for an existing home in the County in September 2023, down 2.9 percent from the previous month (\$618,000 in August 2023) and equal to one year ago. Sales of existing homes in the County were down 14.8 percent month-over-month and 25.5 percent year-over-year due to limited inventory, 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 33 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	Sept. 2023	Aug. 2023	Sept. 2022	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$914,640	\$882,020	\$891,770	2.7%	2.6%	-18.3%
Orange	\$1,310,000	\$1,310,000	\$1,200,000	0.0%	9.2%	-19.6%
Riverside	\$600,000	\$618,000	\$600,000	-2.9%	0.0%	-25.5%
San Bernardino	\$475,000	\$495,000	\$480,000	-4.0%	-1.0%	-23.6%
San Diego	\$973,100	\$1,000,000	\$899,000	-2.7%	8.2%	-25.3%
Ventura	\$962,500	\$915,000	\$850,000	5.2%	13.2%	-15.7%
Southern Calif.	\$820,000	\$830,000	\$783,380	-1.2%	4.7%	-21.7%

Source: California Association of Realtors

Based on September 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 \$314,640 as compared to Los Angeles County, \$362,500 as compared to Ventura County, \$373,100 as compared to San Diego County and \$710,000 as compared to Orange County. That is, in September 2023, the median priced home in Riverside County was \$710,000 less (or more than 50 percent less) than the median priced home in Orange County (\$1,310,000). However, San Bernardino County has a \$125,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in the Inland Empire. It’s worth noting that the majority of Southern California counties showed median price decreases from the previous month suggesting that pricing may have hit bottom; however, this is also due to minimal inventory/supply which is upsetting the balance in the housing market coupled with the slow-down in the fall in home transactions.

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 Sept. 2023	Sept. 2023 Price Median	Sept. 2023 Median Price/SF	Price % Change from Sept. 2022
92532 (East Lake Elsinore)	Subject	60	\$579,000	\$276	+0.6%
92883 (Corona/Temescal Cyn)	Northwest	93	\$733,000	\$337	+2.2%
92570 (Perris)	North	20	\$583,000	\$265	+17.7%
92530 (West Lake Elsinore)	West	69	\$565,000	\$304	+2.7%
92595 (Wildomar)	Southeast	18	\$675,000	\$285	+12.5%
92562 (Murrieta)	South	198	\$656,250	\$322	+5.0%
92587 (Canyon Lake)	East	17	\$635,000	\$363	+1.4%

Source: Redfin.com Housing Market Trends September 2023

The median home price of a resale home in the subject's zip code is \$579,000, which is near the low end of the resale detached home prices in the subject area with the portion of Lake Elsinore west of I-15 the only lower-priced market. The two Lake Elsinore ZIP codes represent the most affordable option in the surrounding area. The highest priced homes is Corona, which is seen as the gateway to Orange County and one of the best markets in the Inland Empire due to its location. The above price fluctuations from year-to-year relate to the California Association of Realtors overall Riverside County detached home resale price change of 0.0 percent year-over-year and 25.5 percent sales decrease from September 2022 to 2023.

According to the Ryness Report dated October 1, 2023, there are currently 51 new home projects in the subject's immediate market area (south Riverside submarket plus Temescal Valley) which includes the cities of Lake Elsinore, Wildomar, Temescal Valley, Menifee and French Valley area.

Crimson Hills - Sales and Pricing

The subject property consists of Lake Elsinore CFD No. 2006-4 which includes 178 proposed homes being marketed as Crimson Hills by KB Home. Crimson Hill's first home sold October 12, 2021, with 120 homes sold to date suggesting an average sales rate of 5.0 homes per month. The subject's sales rate is considered to be good to very good. Per the October 1, 2023, Ryness Report which includes 249 projects in the Inland Empire,

the average sales rate per project is 3.9 homes per month (year to date) while the average sales rate for the same period of 2022 was similar at 3.8 homes per month; however the average sales rate for the same period in 2021 was 4.7 sales per month. Within the subject's South Riverside submarket, the 51 projects include four projects within Lake Elsinore (Crimson Hills, Nichols Ranch Highland and Hilltop by Meritage and Running Deer Estates by Richmond American) with sales rates from 2.9 sales per month to 5.28 sales per month. There are six new projects "coming soon" within Lake Elsinore with two products at Terracina (Carrera and Villa Real) by KB Home which are scheduled to Grand Open in late October 2023 and four projects by Pulte/Centex at Alberhill Ranch which do not have pricing available yet but are "coming soon" per their websites. The average absorption rate within the 51 communities in the South Riverside submarket communities' year to date per the October 1, 2023, Ryness Report is 4.1 sales per month. The subject's sales rate of 5.0 sales per month is higher than the overall average in the area.

Within Crimson Hills base pricing on all on the floor plans has increased since grand opening in fall of 2021 from a minimum of \$20,000 to a maximum of \$54,000. It should be noted that the net sales prices reported by the builder do not 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 \$58,620 with an average of \$6,642 per home on the 120 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 6.8 range for variable loans and 7.6 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 astronomical increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics suggest a slowdown in sales as interest rates continue to rise. The South 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. The past year has seen sales slow and prices lowering; followed by price increases as builders offered additional incentives. While builders' optimism returned, the past month of increasing rates may slow their optimism. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the Inland Empire housing market is still 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 "L-shaped" parcel that contains 60.459 gross acres and is located in the City of Lake Elsinore in southwest Riverside County. The site is in a hilly area allowing for some view potential and is bisected by a large open space/drainage area. The site has been graded with some sloping interior streets with some terraced lots allowing for some views. The lots have been graded to generally level pads. There are currently four entrances to the subject, three to the southern portion and one to the northern portion with additional entrances proposed for the northern portion into existing

⁴ The Appraisal of Real Estate, 11th Edition

and future planned neighborhoods. The southern portion which includes the majority of Tract 30698 has access via Rosetta Canyon Drive to Elsinore Hills Road north to Red Car Drive which houses the model complex. Secondary access to the southern portion is via the existing neighborhood to the west, from Rosetta Canyon Drive to Marquise Street to Chamboard Drive and the existing neighborhood to the east from Rosetta Canyon Drive to Sunsprite Street to Burnet Street. Access to the northern portion is via Rosetta Canyon Drive to Sunblaze Road, north to Anabell Lane, east to Starina Street. Future access to the northern portion will be via Sunblaze to Sonia Drive and east or via Highway 74 to Trellis Lane and south to Sonia Drive. Additional future access will be through undeveloped neighborhoods to the east. The surrounding lands become very hilly on the east side of the project (has a tentative tract map for residential development but currently raw land) with rural homes to the north and existing neighborhoods to the west and south side of the project. The subject site is being developed into 178 detached lots with a minimum lot size of 6,000 square feet. Tract Map 30698 has all internal streets paved and utilities installed to each lot while Tract Map 32129 is still under development with lots graded, and street, utilities and paving underway. There are several detention basins within the subject boundary lines in the southern portion of the community and the open space area (consisting of over nine gross acres) allows for drainage between the northern and southern portions of the property.

Earl Warren Elementary School is located about one-tenth of a mile south of the model complex, within walking distance while the Rosetta Canyon Sports Park, a large regional park, is located about one-quarter mile away. Soils reports covering the property were reviewed and it was determined the soils were adequate to support the highest and best use providing the recommendations contained in such reports were adhered to during construction. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that 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. All standard utilities serve the subject property. The overall site has good access via I-15 and is about one mile 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 Lake Elsinore, the entity responsible for land use and zoning regulation. Per the City General Plan, the site is identified as Ramsgate Specific Plan and for low to medium density residential land use per the general plan. Per the City Zoning Map, Tract Map 30698 is identified as Specific Plan under the Ramsgate Specific Plan while Tract Map 32129 is shown as R1- Single Family Residential. Per the City's definition of R-1 Single Family Residential zoning, this allows for lots containing a minimum of 6,000 square feet. Per the Ramsgate Specific Plan Tract Map 30698 is shown as Planning Area 9 which allows for 174 dwelling units. In addition, Tract Map 30698 recorded in October 2006 on a portion of the subject, subdividing it into 151 single family detached lots with a minimum lot size of 6,000 square feet, along with several detention basins and open space areas which is consistent with the zoning and Specific Plan requirements. Tract Map 32129 recorded November 2022 and subdivided the northern most portion into 27 single-family detached lots with a minimum lot size of 6,000 square feet. Both tracts total 60.459 gross acres suggesting the 178 total lots have an average of 2.94 dwelling units per acre. 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. Within Crimson Hills there have been 120 sales to date with the first sale occurring in October 2021, suggesting an overall sales rate of 5.0 sales per month which is considered to be very good. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Lake Elsinore, we found ten projects (including the subject) to be most comparable to the subject property. The subject area in Lake Elsinore is priced slightly higher than the homes in the older area of Lake Elsinore, however lower when compared to the nearby communities of Canyon Lake, Temescal Valley and Wildomar. 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 Crimson Hills. The project opened for sale in October 2021. There have been 120 sales, suggesting an average sales rate of 5.0 homes per month, which is considered to be very good. Per the Ryness Report dated October 1, 2023, there are 51 actively marketing new home communities in the subject's submarket with absorption rates ranging from 2.9 sales per month to 11.2 homes per month with an average sales rate per project of 4.1 sales per month. The subject community's sales rate is above the average of the 51 projects within its submarket with a sales rate of 5.0 homes per month. It appears that Crimson Hills has

been well received and is selling at or near the correct price points for the area. Our search within the subject area found ten projects (including the subject) considered to be most comparable to the subject with similar sized homes. The sales rates within these projects ranged from 2.4 to 5.3 sales per month. Crimson Hills 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 Crimson Hill'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 the individually owned homes, a concluded base value will be used for each plan and

a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In addition, 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 Lake Elsinore CFD No. 2006-4 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 Crimson Hills there are a total of 102 individually owned homes, 12 homes over 95 percent complete (including three model homes), 25 homes under construction, and 39 remaining lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, 64 lots will be valued. The lots within Crimson Hills are minimum 6,000 square feet, however, many are larger in size.

We have searched the area and found the nine transactions summarized in the Addenda to be most comparable to the subject property. There have been minimal land sales within Lake Elsinore in the past year, thus we expanded our search to include from Corona, down the Temescal Valley and up the Menifee Valley into Perris. There is one land sale in Lake Elsinore, two within Temescal Canyon in the master plan of Terramor, two in Menifee and one each in Perris, Temecula, Wildomar and Winchester. Two of the sales relate to cluster or detached condominium lots which are substantially smaller in lot size than the subject minimum 6,000 square foot lots. These have been included to show activity in the subject's market area. 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”. Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject lands.

Land Sale No. 1 refers to the most recent closing by a public homebuilder on a property located in Temecula, about 15 miles south of the subject just off I-15 near Highway 79. Meritage Homes purchased the site which is mapped for 237 small lots (minimum 3,000 square feet) in August 2023 for \$37,000,000 or \$156,118 per lot based on an estimated finished lot price of \$255,000. This is located within Planning Area 12 of the successful Harveston Specific Plan which was formerly designated as service commercial however amended in 2020 to have a residential overlay on the site. In addition, an approved final map was processed on the site for 237 lots with a minimum lot size of 3,000 square feet. The site had been mass graded in 2003 (at time of the original approvals for the Specific Plan). In comparison to the subject site this transaction is considered to be inferior in lot size and view potential, however superior in location (Temecula versus Lake Elsinore). Per Redfin Market Trends, the September median home price in Temecula was \$730,000 or 35 percent higher than the median home price in Lake Elsinore of \$538,000.

Land Sale No. 2 pertains to the D.R. Horton purchase of a parcel located on the south side of the I-15 in Wildomar at Palomar Street and Starbuck Circle about nine miles south of the subject property. The site is zoned R-1 for single family residential with a minimum lot size of 7,200 square feet. D.R. Horton purchased the site in June 2023 for \$7,000,000 or \$55,555 per lot based on an estimated finished lot price of \$265,000. The development costs are higher due to the offsite improvements which are needed and the fact that the site is unimproved. There is an approved final map for the 126 lots on the site. In comparison to the subject property this location is considered to be similar (Wildomar versus Lake Elsinore), however, the hillside nature of the subject property now that it is graded and has provided for many view premiums, makes this parcel inferior in view potential. These lots are slightly superior in lot size to the subject due to the minimum lot size of 7,200 versus the subject’s 6,000 minimum lot size. In addition, this sale is considered to be inferior due to the unimproved nature of the site versus the subject’s graded and finished or nearly finished condition. While costs are taken into account in our analysis, the risk associated with the development is not.

Land Sale No. 3 refers to the May 2023 D.R. Horton purchase of 420 small lots located at the northwest corner of Leon & Olive in Winchester, north of Domenigoni Parkway about 12 miles east of the subject. This area was developing prior to the Great Recession when all land sales halted due to the declining market. These lands had final map approval; however, it was in an unimproved condition at time of sale. The product includes 3,500 square foot conventional small lots and 2,900 square foot cluster lots. D.R. Horton purchased the 420 lots for \$12,078,000 (or \$28,757 per lot based on a reported finished lot estimate of \$175,000) from Rancon via an off-balance sheet partner (Brookfield). D.R. Horton also purchased the lands adjacent to the west for a larger lot project. In comparison to the subject site this location is considered to be inferior, further out for commuters, and the lot size is considered to be significantly inferior (2,900 and 3,500 square feet versus the subject's 6,000 square feet) and the view potential is considered inferior. The number of lots is also considered to be slightly inferior as a builder taking down over 400 lots in a single transaction would be considered a bulk sale and require a discount due to the absorption time of selling off that number of homes. In addition, the unimproved condition of the lands are considered to be inferior to the subject's physically finished lots. While the cost of land development is considered in our analysis, the risk associated with the grading and final approvals is not.

Land Sale No. 4 refers to the purchase of 90 lots located within Stratford Ranch in Perris, about 12 miles northeast of the subject. Pulte Group purchased the 90 lots with a minimum lot size of 6,000 square feet in November 2022 for \$4,906,130 or \$54,513 per lot based on a reported finished lot cost of \$220,000. The lands were in an unimproved condition with an approved final map at time of sale. In comparison to the subject property, these lots are considered to be inferior in location (Perris is further out for commuters), view potential and inferior due to their unimproved condition. While the cost of development is considered, there is risk associated with the grading and final approvals which is not considered.

Land Sale No. 5 pertains to the only residential land sale in the City of Lake Elsinore in the past 18 months. In May 2022 Pulte purchased a portion of Alberhill Ranch located at

Alberhill Ranch Road and Nicholas Road about three miles west of the subject site. This site is hilly with view potential similar to the subject site. Pulte purchased the 344 lots for \$37,056,914 or for \$107,723 per lot based on a reported finished lot of \$220,000. The lots have a minimum lot size of 6,000 square feet and were sold in an unimproved condition however with final map in place. Pulte is advertising their Crestly, Fairfield, Linden and Ridgeline, all at Alberhill Ranch, coming soon on their website with pricing beginning in the mid-\$500,000s. In comparison to the subject property this transaction is considered to be similar in lot size, however inferior in condition of land at time of sale. While the development costs are considered in our analysis, there is risk associated with the grading and development of a parcel when it is in an unimproved condition.

Land Sale No. 6 is located in Menifee, about 11 miles east of the subject property at the southeast corner of Holland and Leon Roads and pertains to 446 lots. The approximate 160-acre site was purchased by D.R. Horton (through an off-balance sheet partner) in April of 2022 for \$6,000,000 or \$13,453 per lot based on an estimated finished lot cost of \$175,000. This location is about a mile from existing homes and is surrounded by vacant lands with some rural farms which makes the development costs higher than typical for the area due to extensive offsites needed. This transaction includes 446 proposed lots with lot sizes from 5,000 to 7,000 square feet. In comparison to the subject property, this location is further out for commuters which is considered inferior to the subject site along with the extensive offsites (which is also considered to be inferior) and inferior due to no view potential. While the costs are taken into account, the risk of development is not. In addition, the number of lots over 400 is considered inferior, similar to Land Sale No. 3.

Land Sale No. 7 relates to the December 2021 purchase of 305 proposed lots ranging from cluster (2,500 square feet up to 6,500 square feet). Lennar purchased the site known as Rockport Ranch at the southwest corner of Briggs and Old Newport in Menifee (ten miles east of the subject) for \$5,500,000 or \$18,033 per lot based on estimated finished lot prices ranging from \$181,000 to \$213,000 depending on the lot size. The lands were sold in an unimproved condition with approved mapping and required several water features to be constructed for drainage. In comparison to the subject property, this transaction is considered to be inferior in lot size (the majority of the lots are cluster

product) and view potential along with being inferior due to the condition of the lands (raw) with the required water features for drainage along with being inferior in view potential. While the costs are taken into consideration, the risk of grading and extensive drainage construction is not.

Land Sale Nos. 8 and 9 pertain to the most recent land transactions in the master planned community of Terramor in the Temescal Canyon, about six miles northwest of the subject site along the I-15 Freeway. Terramor is one of the only currently selling master planned communities in the subject marketplace. Over the last few years, Terramor has supplied merchant builders with blue-topped and semi-finished lots for both market rate and age qualified product. Terramor includes significant amenities including two swim clubs and social clubs along with barbeque areas, several neighborhood pocket-parks and a large community park. Terramor is a hillside community with some neighborhoods having excellent view potential. Land Sale No. 8 refers to Pulte Homes purchasing 79 lots in December 2021 (Planning Area 13) with a lot size in the 4,500 square foot range for \$12,403,000 based on an estimated finished lot/pad price of \$230,000. Land Sale No. 9 pertains to Richmond American Homes purchasing 64 lots in December 2021 (Planning Area 12), also with a lot size in the 4,500 square foot range for \$9,919,500 or \$154,992 per unit based on an estimated finished lot/pad price of \$256,000. In comparison to the subject property these transactions are considered to be inferior in lot size (4,500 square feet versus 6,000 square feet minimum subject lots) however significantly superior in amenities associated with the master planned community and similar in view potential

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	Temecula	8/23	3,000	\$255,000	Superior – Location Inferior – Lot Size & Views
2	Wildomar	6/23	7,200	\$265,000	Superior – Lot Size Inferior – Condition & Views
3	Winchester	5/23	2,900 and 3,500	\$175,000	Inferior – Location, Condition, Lot Size, Views and No. of Lots
4	Perris	11/22	6,000	\$220,000	Inferior – Location, Condition
5	Lake Elsinore	5/22	6,000	\$220,000	Inferior – Condition
6	Menifee	4/22	5,000 – 7,000	\$175,000	Inferior – Location, No. of Lots, Condition
7	Menifee	12/21	Cluster – 6,500	\$213,000	Inferior – Lot Size, Views & Condition
8	Temescal Canyon	12/21	4,500	\$230,000	Inferior – Lot Size Superior – Amenities
9	Temescal Canyon	12/21	4,500	\$256,000	Inferior – Lot Size Superior – Amenities

The market data has an overall finished lot range from \$175,000 - \$265,000. The highest end of the range refers to Land Sale No. 2 with slightly larger lots, however in an unimproved condition with significant development risk. Data No. 1 is located in Temecula, a significantly superior location. Data Nos. 8 and 9 are both located within a master planned community with significantly superior amenities when compared to the subject property. The remainder of the market data ranges from \$175,000 to \$220,000. The land sale considered to be the best comparable is Land Sale No. 5 which sold in May of 2022 on the basis of a \$220,000 finished lot with similar sized lots and located in Lake Elsinore with similar view potential. The subject lots are now graded and generally physically finished, thus there is minimal remaining development risk associated with the subject lots. According to Redfin, the median price in Lake Elsinore is about the same as it was in May of 2022.

Lot Value Conclusion

Based on the market data and considering the subject property, we have concluded that the subject has a current finished lot value of \$225,000.

As discussed under the Property Description Section there are remaining costs which will be considered in the valuations below. Based on the above analysis the value conclusion for the subject builder-owned lots are as follows:

64 Lots x \$225,000	\$ 14,400,000
Less: Remaining Costs (\$67,152.63 x 64)	<u>(4,297,768)</u>
"As is" Value for Lots	<u>\$ 10,102,232</u>

Builder-Owned Retail House Valuations

Due to the single ownership of multiple houses by the builder within Crimson Hills, 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 Crimson Hills 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 Crimson Hills will be considered.

Crimson Hills consists of 102 individually owned homes, three model homes and nine production home (8 in escrow) over 95 percent complete owned by the builder, 25 houses under construction (under 95 percent complete with ten in escrow) and 39 remaining lots. The remaining lots and homes under construction (under 95 percent complete) were valued above. This section will address the twelve homes owned by the builder, followed by a valuation for the individually owned homes.

Below is a summary of the floor plans within Crimson Hills. A listing of the improved residential comparable properties is located in the Addenda of this report. The improved residential properties are located within Lake Elsinore, Wildomar and Temescal Valley. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no re-sales and one current re-sale listing within Crimson Hills.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	3 / 2	1 / 2	1,551	11	1
2	3 / 2	1 / 2	1,751	21	2*
3	4 / 2	1 / 2	2,035	17	2
4	4 / 2	1 / 2	2,206	18	3*
5	5 / 2.5	2 / 2	2,528	17	3*
6	5 / 3	2 / 2	2,882	<u>18</u>	<u>1</u>
Total				<u>102</u>	<u>12</u>

*One of each plan is a model home. In addition to the above there are 25 homes under construction and 39 lots.

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	3 / 2	1 / 2	1,551	--
1	2	3 / 2	1 / 2	1,751	\$325.52
4	1	3 / 2	1 / 2	1,435	\$378.39
4	2	3 / 2	1 / 2	1,663	\$336.13
5	1	3 / 2	1 / 2	1,539	\$360.62
5	2	3 / 2	1 / 2	1,742	\$327.20
7	1	3 / 2	1 / 2	1,508	\$371.35
7	2	3 / 2	1 / 2	1,586	\$357.50

All new homes are located within Lake Elsinore or Wildomar. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$325.52 to \$378.39 per square foot with the larger homes at the low-end of the range and the smallest home at the high end of the range. This is typical due to the economies of scale obtained during construction. The current base asking price for Plan 1 is \$356.54 per square foot. There have been 11 closings of Plan 1 with actual sales prices from \$295.34 to \$410.85 per square foot. There are two current escrows of Plan 1 with a sales price range of \$357.08 to \$372.04 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 including concessions. Our search found one Plan 1 home currently listed for resale within Crimson Hills. The home was listed on October 11 with an asking price of \$630,000.

which was reduced to \$620,000 on October 25 with no offers to date. It has been concluded that Plan 1 has a base current market value of \$320.00 per square foot. This calculates as follows:

$$1,551 \text{ sf} \times \$320.00 = \$496,320$$

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	3 / 2	1 / 2	1,751	--
1	1	3 / 2	1 / 2	1,551	\$356.54
1	3	4 / 2	1 / 2	2,035	\$289.43
4	3	3 / 2	1 / 2	1,840	\$311.95
5	2	3 / 2	1 / 2	1,742	\$327.20
5	3	4 / 2	1 / 2	2,027	\$292.05
6	1	3 / 2	1 / 2	2,012	\$290.75
7	3	3 / 2	1 / 2	1,860	\$317.74
7	4	4 / 2	1 / 2	2,238	\$276.13
8	1	3 / 2	1 / 2	2,190	\$247.48

All new home comparables are located within Lake Elsinore or Wildomar. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$247.48 to \$356.54 per square foot with the larger homes generally at the low-end of the range and the smallest plan at the high end of the range. This is typical due to economies of scale obtained during construction. The current base asking price for Plan 2 is \$325.52 per square foot. There have been 21 closings of Plan 2 with actual sales prices from \$255.49 to \$371.26 per square foot. There are three current escrows of Plan 2 with a sales price range of \$325.27 to \$353.40 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 less concessions. It has been concluded that Plan 2 has a base current market value of \$300.00 per square foot. This calculates as follows:

$$1,751 \text{ sf} \times \$300.00 = \$525,300$$

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	4 / 2	1 / 2	2,035	--
1	2	3 / 2	1 / 2	1,751	\$325.52
1	4	4 / 2	1 / 2	2,206	\$273.79
5	3	3 / 2	1 / 2	1,742	\$327.20
5	4	4 / 2	1 / 2	2,027	\$292.05
6	1	3 / 2	1 / 2	2,012	\$290.75
6	2	4 / 2	1 / 2	2,190	\$280.82
6	1	4 / 2	1 / 3	2,316	\$267.70
7	3	3 / 2.5	1 / 2	2,172	\$290.98
8	1	3 / 2	1 / 2	2,270	\$276.65

All new home comparables are located within Lake Elsinore, Wildomar and Menifee. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$267.70 to \$327.70 per square foot with generally the smaller sized homes at the high end of the scale and the larger sized homes at the low-end. This is typical due to economies of scale obtained during construction. The current base asking price for Plan 3 is \$289.43 per square foot. There have been 17 closings of Plan 3 with actual sales prices from \$264.73 to \$326.51 per square foot. There are three current escrows of Plan 3 with a sales price range of \$285.86 to \$309.01 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with any concessions given by the builder, while the concluded value relates to a base price for the plan. It has been concluded that Plan 3 has a base current market value of \$275.00 per square foot. This calculates as follows:

$$2,035 \text{ sf} \times \$275.00 = \$559,625$$

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	4 / 2	1 / 2	2,206	--
1	3	3 / 2	1 / 2	2,035	\$289.43
5	3	4 / 2	1 / 2	2,027	\$292.05
6	1	3 / 2	1 / 2	2,012	\$290.75
6	2	4 / 2	1 / 2	2,190	\$280.82
6	3	3 / 2.5	1 / 2	2,290	\$273.79
7	3	3 / 2	1 / 2	1,860	\$317.74
7	4	4 / 2	1 / 2	2,238	\$276.13
8	1	3 / 2	1 / 2	2,190	\$247.48
9	1	4 / 2	1 / 3	2,316	\$283.24

All new home comparables are located within Lake Elsinore or Wildomar. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$247.48 to \$317.74 per square foot with the highest price per square foot relating to the smallest home. This is typical due to economies of scale obtained during construction. The current base asking price for Plan 4 is \$273.79 per square foot. There have been 18 closings of Plan 4 with actual sales prices from \$249.97 to \$304.46 per square foot. There are two current escrows of Plan 4 with a price range from \$274.56 to \$283.95 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 less concessions. It has been concluded that Plan 4 has a base current market value of \$260.00 per square foot. This calculates as follows:

$$2,206 \text{ sf} \times \$260.00 = \$573,560$$

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	4 / 2.5	2 / 2	2,528	--
1	6	5 / 3	2 / 2	2,882	\$228.31
2	2	4 / 2	2 / 2	2,177	\$265.96
2	3	5 / 3	2 / 2	2,427	\$245.57
3	1	4 / 3	2 / 2	2,320	\$271.20
3	2	4 / 3	2 / 2	2,541	\$253.72
3	3	4 / 3	2 / 2	2,771	\$246.77
4	6	4 / 3	2 / 2	2,389	\$257.43
5	6	4 / 2.5	2 / 2	2,517	\$250.29
9	3	4 / 3	2 / 3	3,053	\$221.09

All new home comparables are located within Lake Elsinore and Wildomar. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$221.09 to \$271.20 per square foot. The current base asking price for Plan 5 is \$249.60 per square foot. There have been 17 closings of Plan 5 with actual sales prices from \$238.25 to \$286.96 per square foot. There are four current escrows of Plan 5 with a sales price range of \$250.19 to \$265.32 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 \$235.00 per square foot. This calculates as follows:

$$2,528\text{sf} \times \$235.00 = \$594,080$$

The most appropriate new home comparable data for Plan 6 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	6	5 / 3	2 / 2	2,882	--
1	5	4 / 2.5	2 / 2	2,528	\$249.60
2	3	5 / 3	2 / 2	2,427	\$245.57
3	2	4 / 3	2 / 2	2,541	\$253.72
3	3	4 / 3	2 / 2	2,771	\$246.77
3	4	5 / 3	2 / 2	2,948	\$236.53
9	3	4 / 3	2 / 3	3,053	\$221.09

All new home comparables are located within Lake Elsinore and Wildomar. All are of similar quality, design, and appeal. 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. The comparable new home sales have base prices ranging from \$221.09 to \$253.72 per square foot. The current base asking price for Plan 6 is \$228.31 per square foot. There have been 18 closings of Plan 6 with actual sales prices from \$215.47 to \$272.86 per square foot. There are three current escrows of Plan 6 with a sales price range of \$232.73 to \$249.74 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 6 has a base current market value of \$215.00 per square foot. This calculates as follows:

$$2,882\text{sf} \times \$215.00 = \$619,630$$

Retail Values – Crimson Hills

Within Crimson Hills there are 12 builder-owned homes that are over 95 percent complete including three models (not yet released for sale) and nine production homes over 95 percent complete, eight which are in escrow. Per interviews with builders, upgrades, and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-for-dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$40,000 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 \$496,320)	\$	496,320
Plan 2 (2 x \$525,300)		1,050,600
Plan 3 (2 x \$559,625)		1,119,250
Plan 4 (3 x \$573,560)		1,720,680
Plan 5 (3 x \$594,080)		1,782,240
Plan 6 (1 x \$619,630)		619,630
Model Upgrades (3 x \$40,000)		<u>120,000</u>
Total Crimson Hills Retail Value	\$	<u>6,908,720</u>

Absorption Period

In order to arrive at an absorption period for the builder-owned homes, the absorption rate for Crimson Hills along with the comparable projects have been reviewed. As discussed under the Highest and Best Use section earlier within this report, Crimson Hills has an overall average sales rate of 5.0 sales per month. The sales rates within the comparable projects range from 2.4 to 5.0 sales per month. Within Crimson Hills there are nine builder-owned production homes (over 95 percent complete), eight which are in escrow, and three model homes (not yet released for sale). Based on the sales rates along with the product and current escrow, it has been concluded that the twelve builder-owned homes will be absorbed within a three-month period at the concluded values.

Remaining Costs

As discussed under the remaining costs section within the Property Description section earlier within this report there are an average of \$67,152.63 remaining costs per lot associated with the builder-owned lots. We have considered the remaining costs associated with the existing builder homes of \$805,832 ($\$67,152.63 \times 12$) in the discounted cash flow. For purposes of this analysis, we have determined the remaining costs will be spread evenly over the three-month absorption period.

Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Eight percent has been estimated for marketing expenses 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 work force. With pricing increasing due to low interest rates and the demand for new homes at the subject price points, the builder profits have improved. A twelve percent profit is considered appropriate in the analysis for this project.

Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the Lake Elsinore/Menifee/Wildomar 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 October 2021 with Crimson Hills experiencing an absorption rate of 5.0 sales per month which is considered to be very good. Based on the sales rate within the subject project, the competition, the product and location, a ten percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in addenda) for the builder-owned homes within Crimson Hills is \$4,507,635.

Crimson Hills – Builder Ownership Valuation Conclusion

The builder-owned property in Lake Elsinore CFD No. 2006-4 consists of twelve homes over 95 percent complete and 64 remaining finished lots (six with homes under construction).

The final valuation of the builder-owned property is:

64 Lots in their "As Is" condition	\$ 10,102,232
12 Houses	<u>4,507,635</u>
Total Builder Ownership	<u>\$ 14,609,867</u>

Crimson Hills – Individual Owners Value Conclusion

There are 102 individually owned homes within Crimson Hills. Based on the concluded value for each plan, below are the individually owned homes within the subject property.

Plan 1 (11 x \$496,320)	\$	5,459,520
Plan 2 (21 x \$525,300)		11,031,300
Plan 3 (17 x \$559,625)		9,513,625
Plan 4 (18 x \$573,560)		10,324,080
Plan 5 (17 x \$594,080)		10,099,360
Plan 6 (18 x \$619,630)		<u>11,153,340</u>

Total Individual Owners Minimum Market Value **\$57,581,225**

In an additional review, we have reviewed the original builder sales prices for the closed homes within Crimson Hills. Closings occurred between March 2022 and October 10, 2023 with actual sales totaling \$57,301,589. In addition, mortgage incentives which are not reflected in the sales price totaled \$714,785 bringing the total builder sales prices after all concessions down to \$56,586,804. The current base pricing ranges from \$20,000 to \$54,000 higher, depending on the plan, than when the project opened in October 2021. This relates to base price increases from 3.75 percent up to 8.91 percent depending on the plan. The concluded valuation is 1.7 percent higher than the actual sales prices; however, this is due to base prices increasing over the life of the project which is offset by the options, premiums and upgrades purchased by new homeowners. 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 Lake Elsinore CFD No. 2006-4 proposed for 178 single-family detached homes being built out into the community of Crimson Hills by KB Home in the City of Lake Elsinore in Riverside County. Crimson Hills opened for sale in October 2021 and is currently selling. Out of the total 178 proposed homes, 102 are completed and have closed to individuals with an additional 18 homes in escrow and due to close upon completion. The remainder of the lots range from completed model homes to homes under construction to finished lots. We have reviewed the builder sales and reviewed the areas Multiple Listing Service along with a physical inspection with no re-sales and one current resale listing found.

The subject property was valued using the Sales Comparison Approach to value and a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation considered the improvements/benefits to be funded by Lake Elsinore CFD No. 2006-4 bond proceeds along with the Lake Elsinore CFD No. 2006-4 special tax lien. As a result of our investigation, the concluded value for the subject property is:

Crimson Hills by KB Home

KB Home Ownership (12 homes & 64 lots)	\$ 14,609,867
Individual Owned (102 homes)	<u>\$ 57,581,225</u>

Aggregate Value of Lake Elsinore CFD No. 2006-4 **\$ 72,191,092**

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



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

ADDENDA

CITY OF LAKE ELSINORE 2006-4
BOUNDARY MAP

**AMENDED BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2006-4
(ROSETTA HILLS)
CITY OF LAKE ELSINORE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

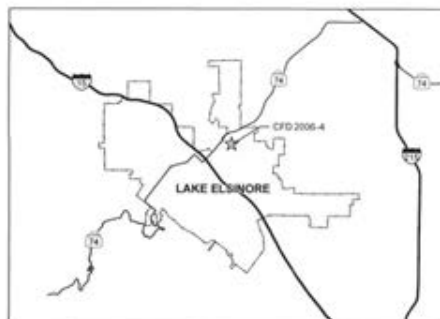
THIS MAP AMENDS THE BOUNDARY MAP RECORDED IN BOOK 67 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT PAGE 9 AS INSTRUMENT NO. 2006-0456002 IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2019-1 (WESTLAKE), CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE AT A REGULAR MEETING THEREOF, HELD ON 17th DAY OF May, 2020, BY RESOLUTION NO. 2020-047.


CITY CLERK
CITY OF LAKE ELSINORE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF LAKE ELSINORE,
THIS 19th DAY OF May, 2020.


CITY CLERK
CITY OF LAKE ELSINORE



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2019-20.



RECORDED THIS 20th DAY OF MAY, 2020 AT
THE HOUR OF 11:54 O'CLOCK A.M., IN BOOK 85
PAGE 21-22 OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY
RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF
CALIFORNIA.

FEE: \$ 11.00 NO.: 2020-0214926
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: 
DEPUTY

LEGEND

-  CFD BOUNDARY
-  PARCEL LINE
-  25 MAP REFERENCE NUMBER

0 375 750 1,500 Feet



TRACT MAP Nos. 30698 & 32129

TRACT MAP NO. 32129

BEING THE NORTHWEST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SECTION 29, TOWNSHIP 5 SOUTH, RANGE 4 WEST, SAN BERNARDINO MERIDIAN, ACCORDING TO OFFICIAL PLAT THEREOF, TOGETHER WITH LOT "P" OF TRACT NO. 30698 FILED IN BOOK 411 OF MAPS, PAGES 42 THROUGH 50 INCLUSIVE, BOTH RECORDS OF RIVERSIDE COUNTY, STATE OF CALIFORNIA.

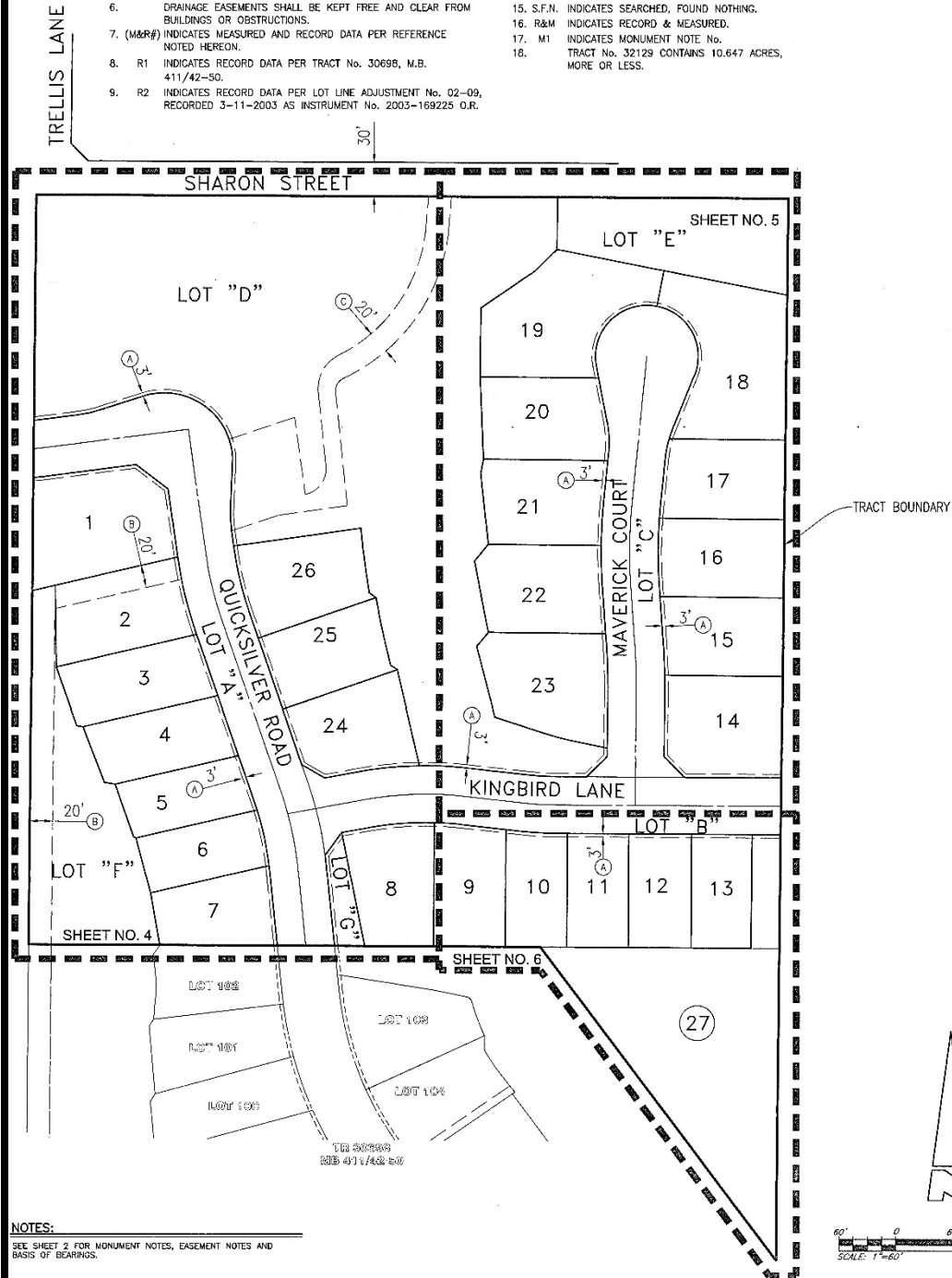
KWC ENGINEERS **FEBRUARY 2022**
INDEX SHEET

SURVEYOR'S NOTES:

1. ● INDICATES MONUMENT FOUND AS NOTED.
2. ○ SET 1" IRON PIPE, TAGGED L.S. 9029, FLUSH WITH SURFACE, UNLESS OTHERWISE NOTED.
3. SET LEAD & TAG "LS 9029" IN TOP OF CURB OFFSET ON SIDE LOT LINES PROJECTED.
4. SET LEAD & TAG "LS 9029" IN TOP OF CURB OFFSET FOR BC'S, EC'S, PCC'S, PRO'S AND CORNER CUTBACKS PROJECTED PERPENDICULAR OR RADIAL FROM CENTERLINE.
5. SET 1" IRON PIPE, TAGGED "LS 9029" FLUSH AT ALL LOT CORNERS, ANGLE POINTS IN SIDE OR REAR LOT LINES AND ANGLE POINTS IN SUBDIVISION BOUNDARY.
6. DRAINAGE EASEMENTS SHALL BE KEPT FREE AND CLEAR FROM BUILDINGS OR OBSTRUCTIONS.
7. (M&R#) INDICATES MEASURED AND RECORD DATA PER REFERENCE NOTED HEREON.
8. R1 INDICATES RECORD DATA PER TRACT No. 30698, M.B. 411/42-50.
9. R2 INDICATES RECORD DATA PER LOT LINE ADJUSTMENT No. 02-09, RECORDED 3-11-2003 AS INSTRUMENT No. 2003-169225 O.R.

SURVEYOR'S NOTES CONTINUED:

10. R3 INDICATES RECORD DATA PER TRACT No. 25479, M.B. 367/93-113.
11. R4 INDICATES RECORD DATA PER TRACT No. 25478, M.B. 374/80-94.
12. R5 INDICATES RECORD DATA PER PARCEL MAP No. 19924, P.M.B. 122/44-48.
13. R6 INDICATES RECORD DATA PER RECORD OF SURVEY R.S.B. 106/34-37.
14. R7 INDICATES RECORD DATA PER PARCEL MAP No. 12890, P.M.B. 93/35.
15. S.F.N. INDICATES SEARCHED, FOUND NOTHING.
16. R&M INDICATES RECORD & MEASURED.
17. M1 INDICATES MONUMENT NOTE No.
18. TRACT No. 32129 CONTAINS 10.647 ACRES, MORE OR LESS.



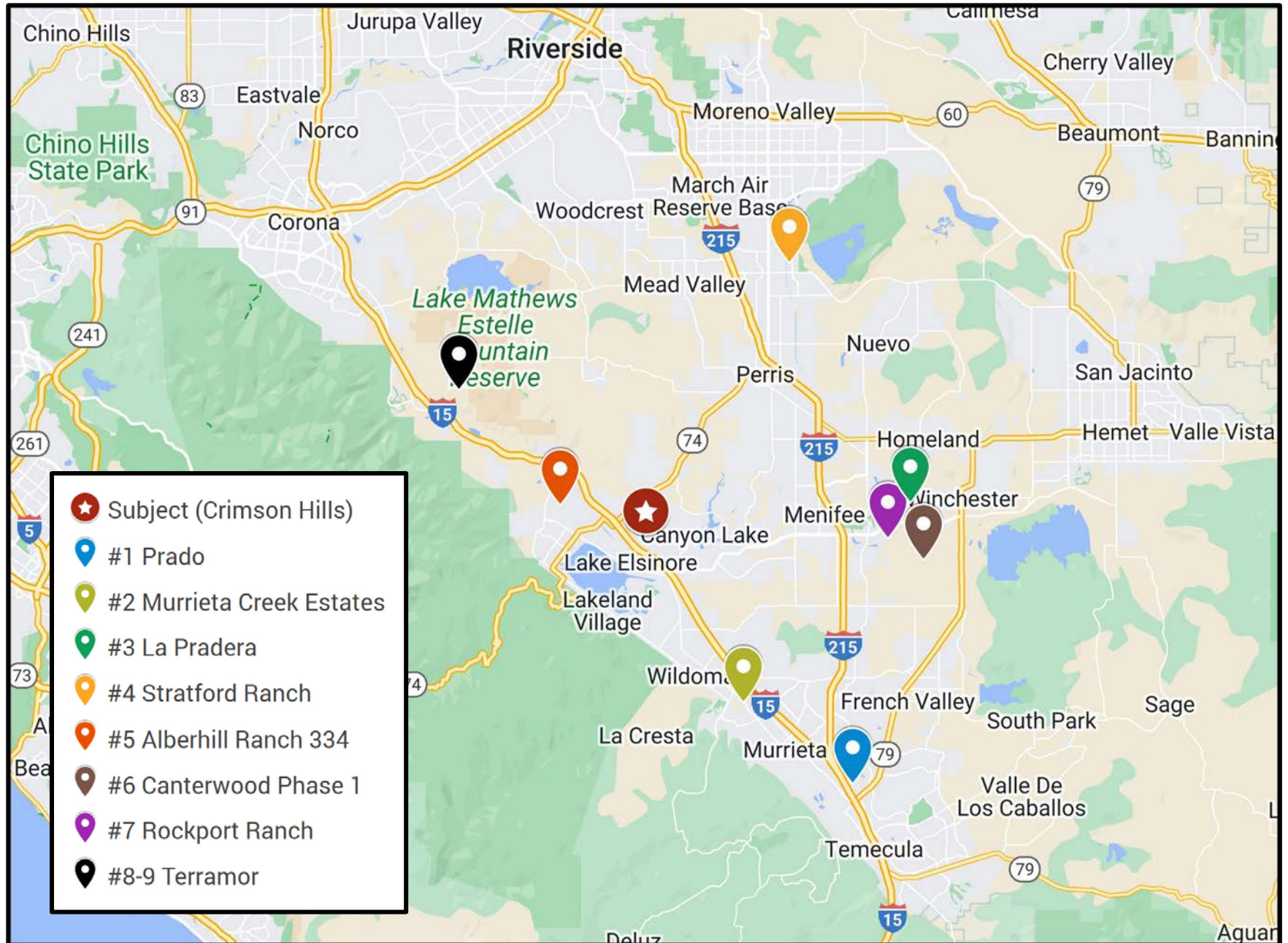
DISCOUNTED CASH FLOW ANALYSIS

Crimson Hills Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>TOTAL</u>
	3				
INCOME:					
Retail Sales	6,908,720	\$2,302,907	\$2,302,907	\$2,302,907	\$6,908,720
TOTAL INCOME		<u>\$2,302,907</u>	<u>\$2,302,907</u>	<u>\$2,302,907</u>	<u>\$6,908,720</u>
EXPENSES:					
Remaining Costs		(\$268,610)	(\$268,611)	(\$268,611)	(\$805,832)
Marketing & Carrying Expenses	10%	(\$230,291)	(\$230,291)	(\$230,291)	(\$690,872)
Profit	12%	(\$276,349)	(\$276,349)	(\$276,349)	(\$829,046)
TOTAL EXPENSES		(\$775,249)	(\$775,250)	(\$775,250)	(\$2,325,750)
NET CASH FLOW		\$1,527,657	\$1,527,656	\$1,527,656	\$4,582,970
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW		\$1,515,032	\$1,502,510	\$1,490,093	\$4,507,635
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$1,515,032</u>	<u>\$3,017,542</u>	<u>\$4,507,635</u>	<u>\$4,507,635</u>

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

FINISHED LOT LAND SALES SUMMARY MAP

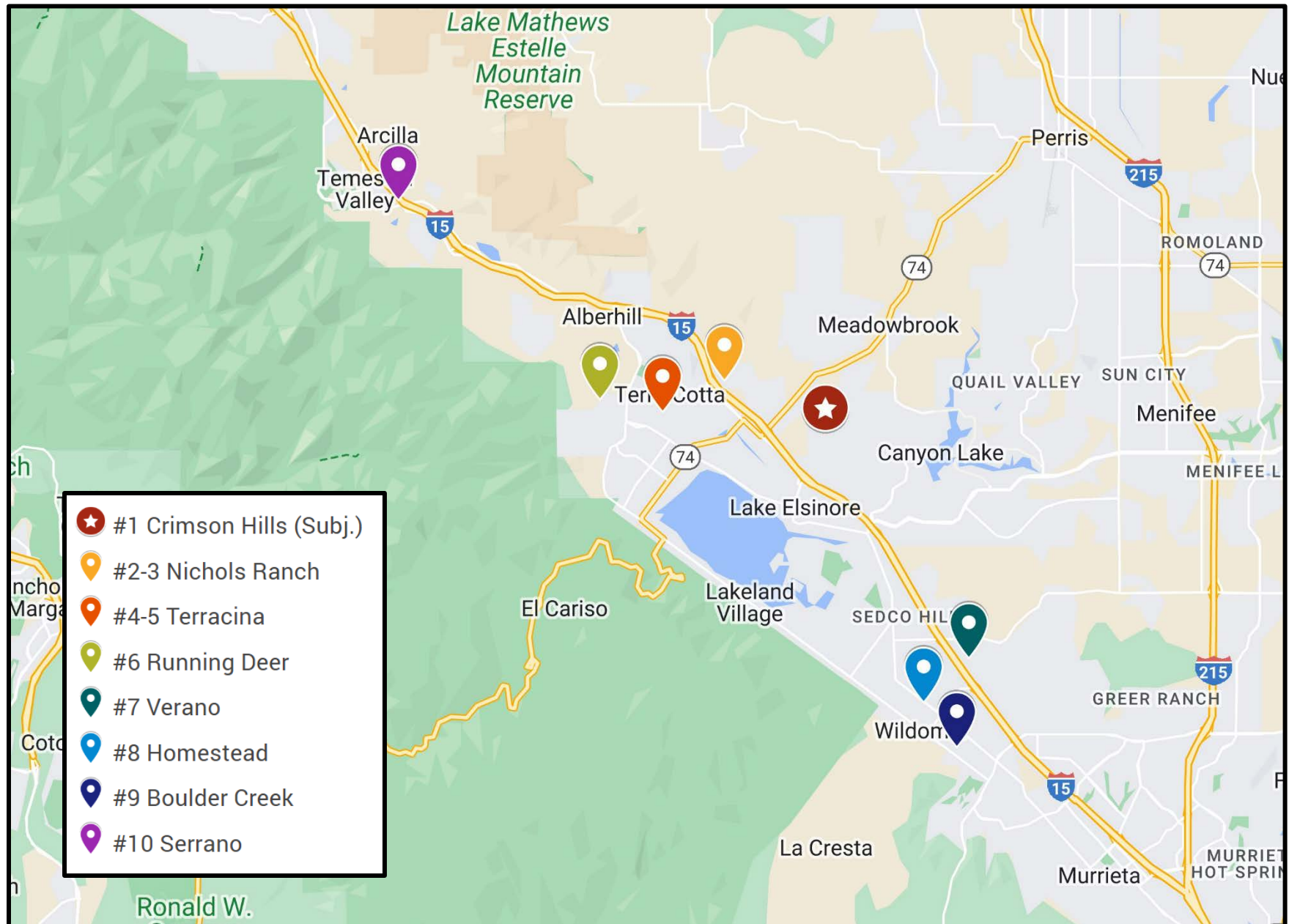


FINISHED LOT LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	Prado, Date Street and Temecula Center Drive, Temecula / 916-400-070 / Meritage Homes / AHV Homes	8/27/23	237	3,000	\$37,000,000 / \$156,118	\$255,000	Closed with an approved final map in an unimproved condition.
2	Murrieta Creek Estates, Palomar and Starbuck Circle, Murrieta / 380-210-004 / DR Horton / JPR Homes	6/9/23	126	7,200	\$7,000,000 / \$55,555	\$265,000	Closed with an approved final map in an unimproved condition.
3	La Pradera; NWC Leon & Olive, Winchester / 461-660-032 / D.R. Horton (Brpld – Brookfield OBS partner) / Rancon	5 / 23	420	3,500 & 2,900	\$12,078,000 / \$28,757	\$175,000	Closed with a recorded final map (34677) in an unimproved condition. Known as La Pradera.
4	Stratford Ranch, Evans and Ramona Expressway, Perris / 302-150-049 / Pulte Group / Mission Pacific	11 / 22	90	6,000	\$4,906,130 / \$54,513	\$220,000	Closed with an approved Final Map in an unimproved condition.
5	Alberhill Ranch Road and Nicholas Road, Lake Elsinore / 389-80 various / Pulte Homes / Lansing Companies	5 / 22	344	6,000	\$37,056,914 / \$107,723	\$220,000	Closed with a Final Map approved in an unimproved condition.
6	Canterwood Phase 1, SEC Holland Road and Leon Road, Menifee / 466-310-026 / D.R. Horton (Brpld – Brookfield is OBS partner) / Ambient (Bill Lo)	4 / 22	446	5,000 - 7,000	\$6,000,000 / \$13,453	\$175,000	Closed with an approved Final Map in an unimproved condition. Extensive offsites needed (increased risk).
7	Rockport Ranch, SWC Briggs and Old Newport, Menifee / 364-190-004 / Lennar / Abacherli Family	12 / 21	305	Cluster – 6,500	\$5,500,000 /	\$181,000 - \$213,000	Closed in an unimproved condition with an approved tentative tract map.
8	Planning Area 12 of Terramor, Temescal Hills Drive & Discovery Court, Temescal Canyon / 290-940-014 / Pulte Homes / Foremost Communities	12 / 21	79	4,500	\$12,403,000 / \$157,000	\$230,000	Closed in a blue-topped lot condition with an approved final map.
9	Planning Area 13 of Terramor, Starling Drive and Temescal Hills Drive, Temescal Canyon / 290-930-029 / Richmond American / Foremost Communities	12 / 21	64	4,500	\$9,919,500 / \$154,992	\$256,000	Closed in a blue-topped lot condition with an approved final map.

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

IMPROVED RESIDENTIAL SALES MAP



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Floors/ Parking	Size (SF)	Lot Size or Density / Absorption	Base Sales Price	Price/SF
1	Crimson Hills / Rosetta Canyon Drive and Elsinore Hills Road, Lake Elsinore / KB Home	1	3 / 2	1 / 2	1,551	6,000 sf lots 5.0 sales/mo	\$552,990	\$356.54
		2	3 / 2	1 / 2	1,751		\$569,990	\$325.52
		3	4 / 2	1 / 2	2,035		\$588,990	\$289.43
		4	4 / 2	1 / 2	2,206		\$603,990	\$273.79
		5	5 / 2.5	2 / 2	2,528		\$630,990	\$249.60
		6	5 / 3	2 / 2	2,882		\$657,990	\$228.31
2	Hilltop at Nichols Ranch, SEC Nichols Road and I-15, Lake Elsinore / Meritage Homes	1	4 / 3	2 / 2	2,020	4,500 sf lots 5.3 sales/mo	\$590,695	\$292.42
		2	4 / 3	2 / 2	2,177		\$579,000	\$265.96
		3	5 / 3	2 / 2	2,427		\$596,000	\$245.57
3	Highland at Nichols Ranch, SEC Nichols Road and I-15, Lake Elsinore / Meritage Homes	1	4 / 3	2 / 2	2,320	5,000 sf lots 2.9 sales/mo	\$629,195	\$271.20
		2	4 / 3	2 / 2	2,541		\$644,695	\$253.72
		3	4 / 3	2 / 2	2,771		\$683,795	\$246.77
		4	5 / 3	2 / 2	2,948		\$697,295	\$236.53
4	Carrera at Terracina / NEC Lakeshore Drive and Terra Cotta Road, Lake Elsinore / KB Home	1	3 / 2	1 / 2	1,435	6,000 sf lots Grand Opening	\$542,990	\$378.39
		2	3 / 2	1 / 2	1,663		\$558,990	\$336.13
		3	3 / 2	1 / 2	1,840		\$573,990	\$311.95
		4	3 / 2.5	2 / 2	1,976		\$584,990	\$296.05
		5	3 / 2.5	2 / 2	2,139		\$595,990	\$278.63
		6	4 / 3	2 / 2	2,389		\$614,990	\$257.43
5	Villa Real at Terracina / NEC Lakeshore Drive and Terra Cotta Road, Lake Elsinore / KB Home	1	3 / 2	1 / 2	1,539	6,000 sf lots Grand Opening	\$554,990	\$360.62
		2	3 / 2	1 / 2	1,742		\$569,990	\$327.20
		3	4 / 2	1 / 2	2,027		\$591,990	\$292.05
		4	3 / 2.5	2 / 2	2,218		\$603,990	\$272.31
		5	4 / 3	2 / 2	2,453		\$619,990	\$252.75
		6	4 / 2.5	2 / 2	2,517		\$629,990	\$250.29
6	Running Deer Estates / Lake Street and Mountain Street, Lake Elsinore / Richmond American	1	2 + Study / 2	1 / 2	2,012	6,000 sf lots 3.3 sales/mo	\$584,990	\$290.75
		2	3 + Study / 2	1 / 2	2,190		\$614,990	\$280.82
		3	3 / 2.5	1 / 2	2,290		\$626,990	\$273.79
		4	3 + Study / 2.5	1 / 2	2,290		\$627,990	\$274.23
		5	3 + Study / 2.5	1 / 3T	2,480		\$640,990	\$258.46

7	Verano / Monte Vista Drive and Summer Sage Way, Wildomar / KB Home	1	3 / 2	1 / 2	1,508	8,000 sf lots 4.4 sales/mo	\$559,990	\$371.35
		2	3 / 2	1 / 2	1,586		\$566,990	\$357.50
		3	3 / 2	1 / 2	1,860		\$590,990	\$317.74
		4	4 / 2	1 / 2	2,238		\$617,990	\$276.13
8	Homestead / SWC Palomar Street and Norgrove Place, Wildomar / Richmond American	1	3 / 2	1 / 2	2,190	8,000 sf lots 2.4 sales/mo	\$541,990	\$247.48
		2	3 / 2.5	1 / 3	2,410		\$628,990	\$260.99
		3	3 / 2.5	1 / 3	2,490		\$560,990	\$225.30
		4	3 / 2.5	1 / 3	2,540		\$658,990	\$259.44
9	Boulder Creek / NWC Grand Avenue and McVicar Street, Wildomar / Beazer Homes	1	4 / 2	1 / 3	2,316	9,000 sf lots 3.9 sales/mo	\$655,990	\$283.24
		2	4 / 2.5	1 / 3	2,599		\$675,990	\$260.10
		3	4 / 3	2 / 3	3,053		\$674,990	\$221.09
		4	5 / 3	2 / 3	3,462		\$709,990	\$205.08
10	Serrano / NWC Temescal Canyon Road and I-15, Temescal Valley / Taylor Morrison	1	3 / 2.5	2 / 2	1,732	3,600 sf lots 3.0 sales/mo	\$629,990	\$363.74
		2	4 / 3	2 / 2	2,059		\$677,990	\$329.28
		3	4 / 3	2 / 2	2,116		\$695,990	\$328.92
		4	4 / 3	2 / 2	2,238		\$693,990	\$310.09

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