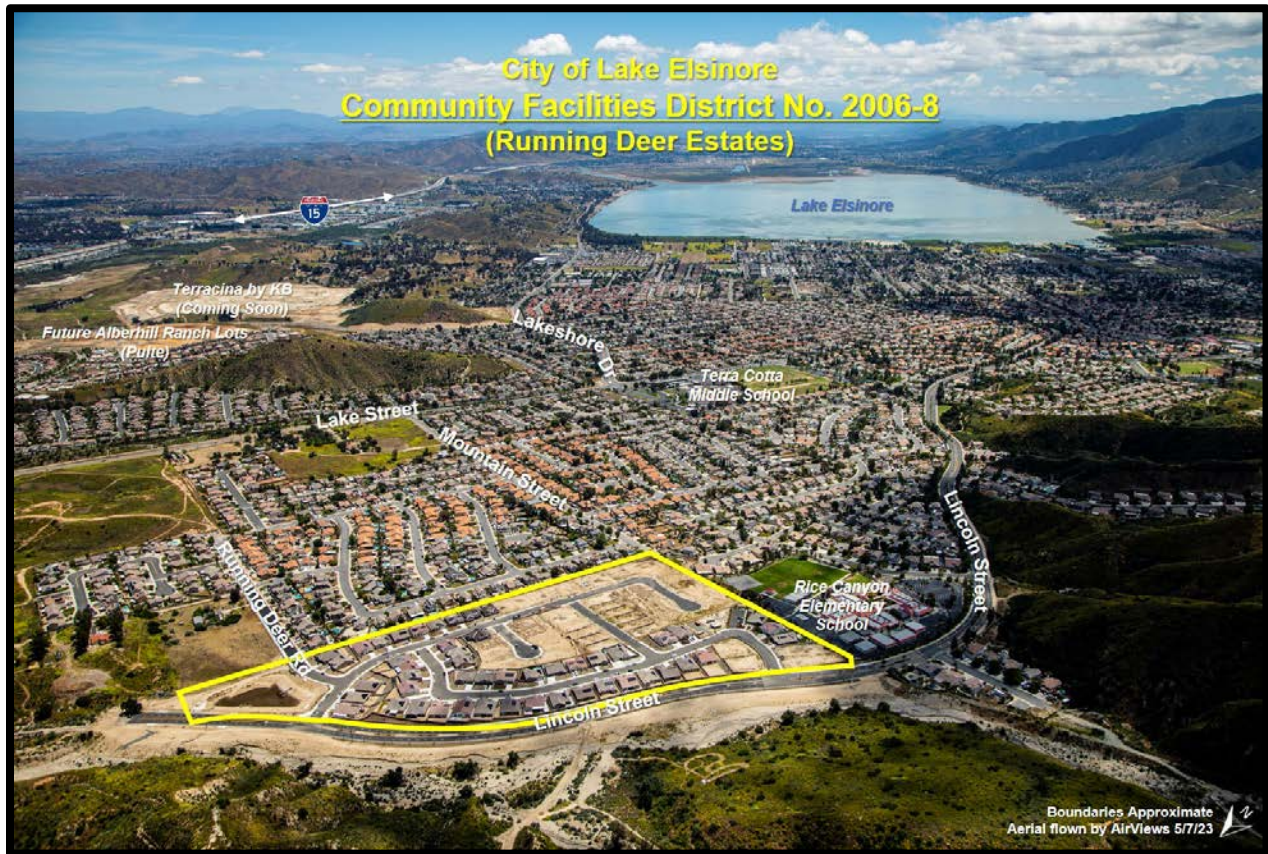


# APPRAISAL REPORT

## **CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-8 (RUNNING DEER ESTATES) (Running Deer Estates by Richmond American Homes)**

City of Lake Elsinore, Riverside County, California  
(Appraisers' File No. 2023-1279)



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

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

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

June 23, 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. 2006-8 (Running Deer Estates)  
Running Deer Estates by Richmond American Homes  
Lincoln Street at Elk Grove Lane, City of Lake Elsinore, California

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. 2006-8 (Running Deer Estates) of the City of Lake Elsinore ("Lake Elsinore CFD No. 2006-8"). Lake Elsinore CFD No. 2006-8 consists of a new home community known as Running Deer Estates by Richmond American Homes of Maryland, Inc. ("Richmond American"). Running Deer Estates consists of a total of 96 proposed single-family detached homes. The community includes five floorplans sized from 2,012 to 2,491 square feet, all of which feature single story living. Of the total 96 proposed homes, 42 have closed to individual homeowners to date, with an additional 12 homes in escrow which are due to close upon completion. The builder-owned property ranges from completed model homes to homes under construction to physically finished lots.

The valuation method used in this report is the Sales Comparison Approach along with 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. 2006-8 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. 2006-8 Special Tax Bonds.

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

Richmond American Owned (4 homes & 50 lots)	\$ 10,740,039
Individual Owned (42 homes)	<u>\$ 24,233,775</u>

**Aggregate Value of Lake Elsinore CFD No. 2006-8**                      **\$ 34,973,814**

Mr. Jason Simpson  
**City of Lake Elsinore**  
June 23, 2023  
Page Two

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of May 15, 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 2006-8  
Tract Map 31957  
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. 2006-8.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Lake Elsinore CFD No. 2006-8 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. 2006-8 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. 2006-8**  
**(Running Deer Estates)**



Boundaries Approximate  
Aerial flown by AirViews 5/7/23



## 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. 2006-8 Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property consists of 96 proposed single-family detached homes, which represent Tract Map 31957, being developed into the neighborhood known as Running Deer Estates by Richmond American. There are 42 homes completed and closed to individuals, three completed models (none in escrow), one home over 95 percent complete (in escrow), 6 homes under construction (5 in escrow) and 44 remaining finished lots (6 in escrow). Sales began in the subject property in December of 2021. Below is a summary of Running Deer Estates along with the status and ownership of each lot.

Description	No. Lots	Owner	Condition/Status
<b>Running Deer Estates by Richmond American Homes (Tract 31957)</b>			
Lots 1-33, 59-60, 89, 91-96	42	Individuals	Completed Homes
Lots 53-55	3	Richmond American	Model Homes (0 in Escrow)
Lot 90	1	Richmond American	Completed Homes (1 in Escrow)
Lots 34-35, 41-42, 87-88	6	Richmond American	Under Construction (5 in Escrow)
Lots 36-40, 43-52, 56-58, 61-86	44	Richmond American	Finished Lots (6 in Escrow)
<b>CFD No. 2006-8 TOTAL:</b>	<b>96</b>		

## 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. 2006-8 and that this report is to be included in the Official Statement or similar document to be distributed in connection with the offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

## DEFINITIONS

### **Market Value**

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

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

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

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

### **Minimum Market Value**

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

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

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

## **Mass Appraisal**

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

*"The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing"*<sup>2</sup>

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

## **Hypothetical Condition**

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

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

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Lake Elsinore CFD No. 2006-8.

## **Extraordinary Assumption**

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

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

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

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

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## **PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple interest, subject to easements of record and Lake Elsinore CFD No. 2006-8. The definition of “fee simple estate” is defined by USPAP as:

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

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## **EFFECTIVE DATE OF VALUE**

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The subject property is valued as of May 15, 2023.

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## **DATE OF REPORT**

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The date of this report is June 23, 2023.

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## **SCOPE OF APPRAISAL**

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As previously stated, the purpose of this appraisal is to report the appraiser’s best estimate of the market value for the subject 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. 2006-8
- 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 96 proposed single-family detached homes on lots with a minimum size of 6,000 square feet. There are 54 homes sold, 42 of which are closed to individuals, with the remaining lots including three models, one production home over 95 percent complete (in escrow), six homes under construction (under 95 percent



complete with five in escrow) and 44 remaining finished lots (six in escrow). In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

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

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

The due diligence of this appraisal assignment included the following:

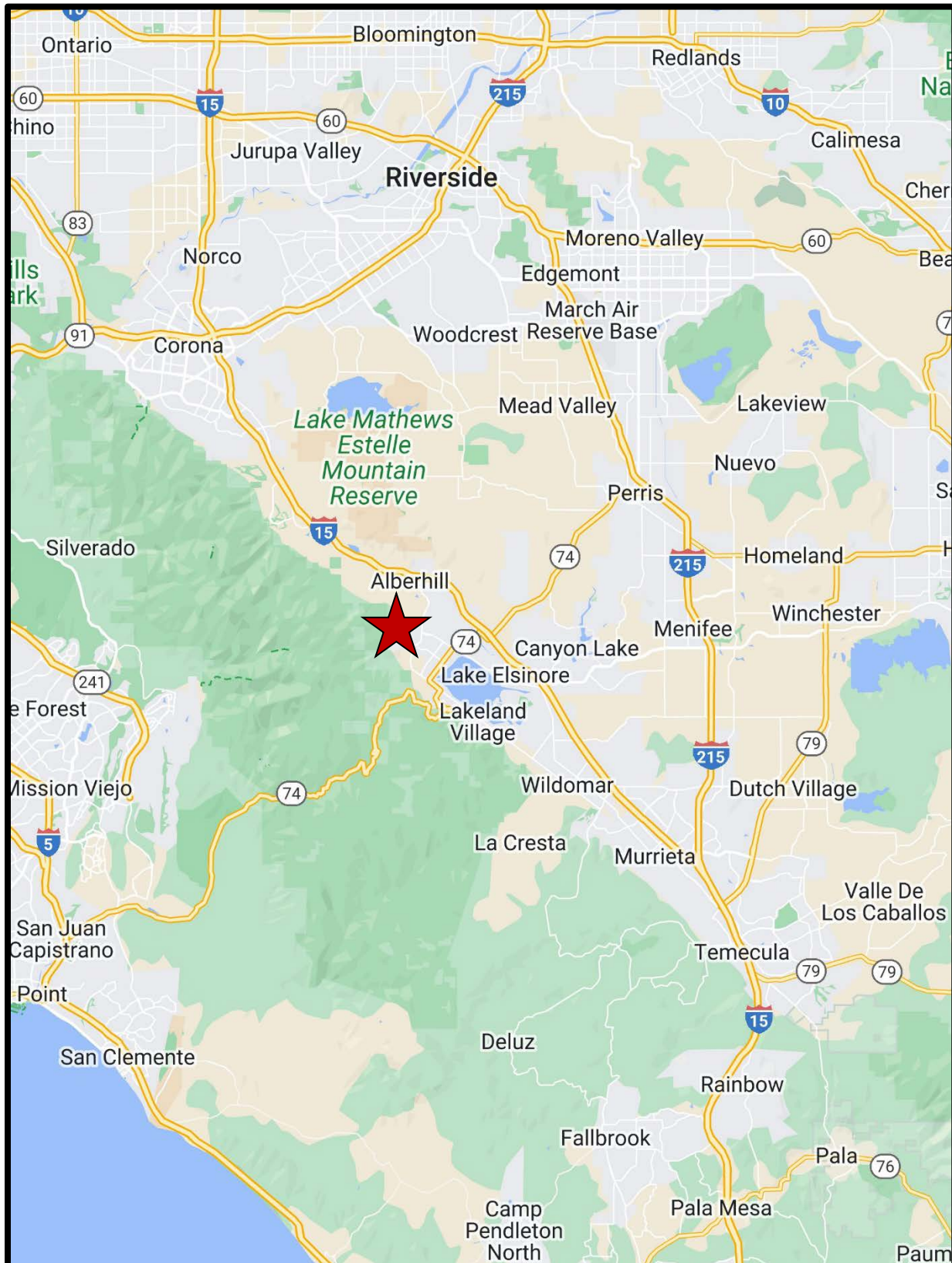
1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County and the Lake Elsinore area.
3. Inspected the subject property between May 1, 2023 and May 30, 2023.
4. Had the property flown for an aerial photograph on May 7, 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.

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

7. Reviewed a soils report and environmental report 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 2006-8 (none were 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 (none were found).
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 southwest side of Interstate 15 and north of the lake. Specifically, the subject sits approximately 2.2 miles southwest of Interstate 15, on the eastern side of Lincoln Street south of Running Deer Road. 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 2.2 miles southwest of Interstate 15 ("I-15") and 2.2 miles northwest of Highway 74, also known as Ortega Highway or Riverside Drive. 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. Interstate 215 is approximately 12 miles east, travels in a northerly/southerly direction within the County, branching off from I-15 and heading generally north where it parallels I-15 to the east and merges back into I-15 approximately 36 miles northwest of the subject in San Bernardino County. In addition, the 60 Freeway runs in an east west direction approximately 21 miles north of the subject providing access into Los Angeles County to the west and merges with Interstate 10 to the east which provides access across California, and the 91 Freeway runs in an easterly/westerly direction approximately 14 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 26 miles west and the San Diego International Airport is located about 67 miles south. The Skylark Airport, a private airport generally used for skydiving with three turf runways, is located approximately 7.5 miles southeast, 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 July 1, 2022 County population was 2.438 million, representing a one-year increase of 0.28 percent. This compares to an average annual growth rate over the past thirteen years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. It should be noted however, California's overall population decreased 0.54 percent during the past year. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.728 million by 2030, indicating an average annual increase of approximately 1.6 percent over the next seven years. The current growth of 0.28 percent is lower than the previous twelve-year annual average of about 0.8 percent likely due to the COVID pandemic disruption, and significantly lower than the previous 18-year average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

### **Economy**

The U.S. economy is experiencing challenging times due to reactions from the COVID recession. These economic challenges include significant inflation, increasing interest rates, banks' instability and 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 April 2023, the national inflation rate was 4.9 percent, down from 6.0 percent in February and down from the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of the Russian/Ukraine war, supply chain issues due to COVID or from the additional money entering the economy, inflation is hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board began raising interest rates. Since March 2022, there have been ten interest rate increases rising the Federal Funds Rate ("FRR") from 0.25 – 0.50 percent to 5.0 – 5.25 percent. While these increases appeared to help slow inflation, the quick, significant increases have strained bank balance sheets. Three major banks have failed in the past three months with the government taking unprecedented action to help shore them up. The current outlook from the Board is that at the June meeting, the FRR will either stay the same or increase a minimal 25 basis points. In addition to causing bank instability, the FRR increases over the past 15 months increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to 7.08 percent as of November 10, 2022; however, the rate has dropped to 6.35 percent as of May 11, 2023 (per Federal Reserve Economic Data-St. Louis). This steep increase 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 just over ten percent from January 2022 to May 16, 2023 (33,023). 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 in early June 2023. As of May 29, 2023, reports are that a deal is being reached which should cause the stock market to be less volatile.

The significant increase in mortgage rates over the past year is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, the Inland Empire economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Inland Empire housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder's original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID recession and is thought to be due to several factors, including: a tight supply of re-sale homes; historically low interest rates; millennials finally buying homes; and, the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there was a significant slowdown in sales and softening of prices with the Inland Empire with year over year decreases in sales as of May 2023 of more than 20 percent. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger percentage of the total home sales; however, new home sales are also down year over year.

While most jobs have come back, job losses were significant during the COVID recession with the Nation's unemployment rate going from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the April 2023 National unemployment rate at 3.1 percent (Employment Development Department, not seasonally adjusted). The Congressional Budget Office ("CBO") Forecast for the U.S. Economy (published February 2023) stated 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, for 2023 the CBO projects stagnant output, rising unemployment, gradually slowing inflation and interest rates to remain at or above their current levels. They believe that in 2023 non-interest spending will substantially exceed revenues with rising interest rates driving up the cost of borrowing which results in the government debt steadily increasing. Over the long term, they suggest changes in fiscal policy to address the rising costs of interest and mitigate other adverse consequences of high and rising debt.

The unemployment rate for the MSA was estimated at 4.1 percent (as of April 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 April 2023, Riverside County's unemployment rate was 4.1 and San Bernardino County also had a 4.1 percent unemployment rate. The current unemployment rate for the MSA of 4.1 percent is slightly lower than the California rate at 4.3 percent and higher than the April 2023 National rate of 3.1 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of April 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Apr-2023	4.5%
Riverside County	Apr-2023	4.1%
San Bernardino County	Apr-2023	4.1%
Orange County	Apr-2023	3.0%
San Diego County	Apr-2023	3.3%

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

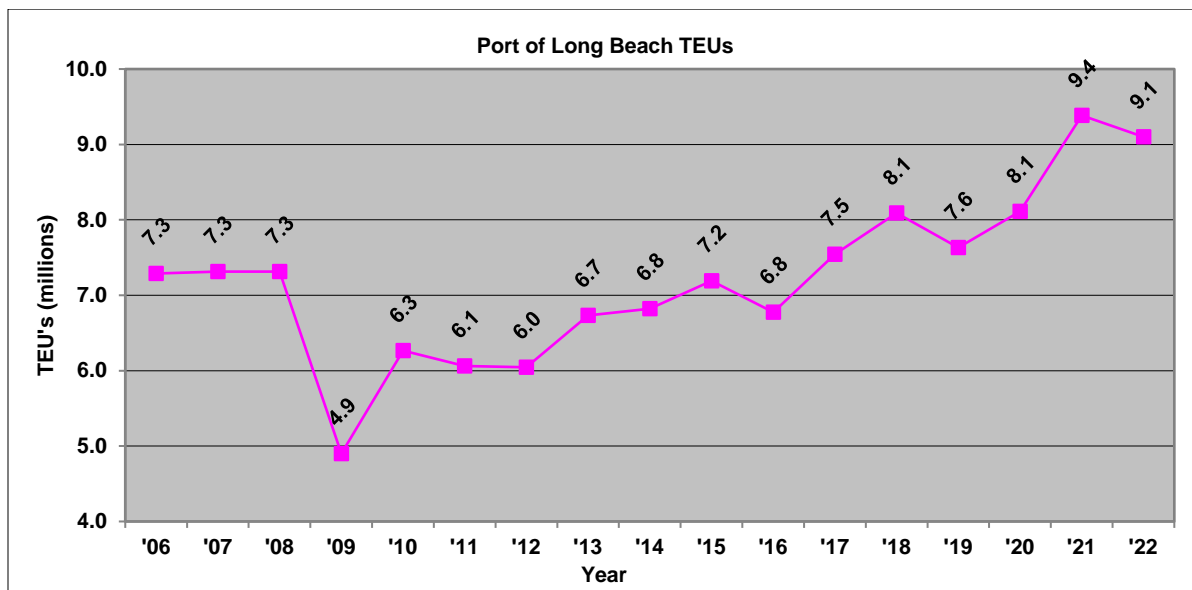


The latest UCLA Anderson Forecast (“Forecast”) was issued March 15, 2023 and stated that the potential action by the Federal Reserve will determine whether the nation continues to grow or experiences a mild, short-lived recession in 2023. They believe the economy is at a recession-related fork in the road with one path leading to continued economic growth (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, economic growth is expected to slow to 2.3 percent growth in first quarter 2023; 1.8 percent in 2<sup>nd</sup> quarter and 1.0 percent growth for the second half of 2023. If the Federal Reserve keeps aggressively tightening, a mild recession will occur with the economy contracting beginning in the third quarter 2023 and deepening in the fourth quarter 2023 and the first quarter 2024 followed by the beginning of a rebound. The Forecast states under both scenarios, inflation will still be elevated but will be more persistent in the recession scenario requiring tighter monetary policy. They believe both outcomes will include persistent inflation with the no-recession scenario resulting in lower inflation and thus, more moderate monetary policy.

The UCLA Forecast for California is more positive than the overall Nation due to a strong demand for defense goods, labor saving equipment and software. In the no-recession scenario unemployment rate averages by year are estimated at 4.0 percent for 2023, 3.9 percent for 2024 and 3.6 percent for 2025. In the recession scenario, unemployment rate averages are expected to be 4.3 percent for 2023, 4.8 percent for 2024 and 3.7 percent for 2025. Under both scenarios the California Forecast projects housing permits to grow to 150,000 in 2025 in spite of the higher interest rates. The fact that the California housing market is not overbuilt will offset the decrease in the housing market. Overall, the Forecast believes that California will have a more moderate slowing or, in the case of a recession, a milder downturn than the U.S. overall.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much

of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 calendar year saw a decrease of 2.6 percent from the previous year. April 2023 is running 20 percent below April of 2022 (656,049 versus 820,718 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.

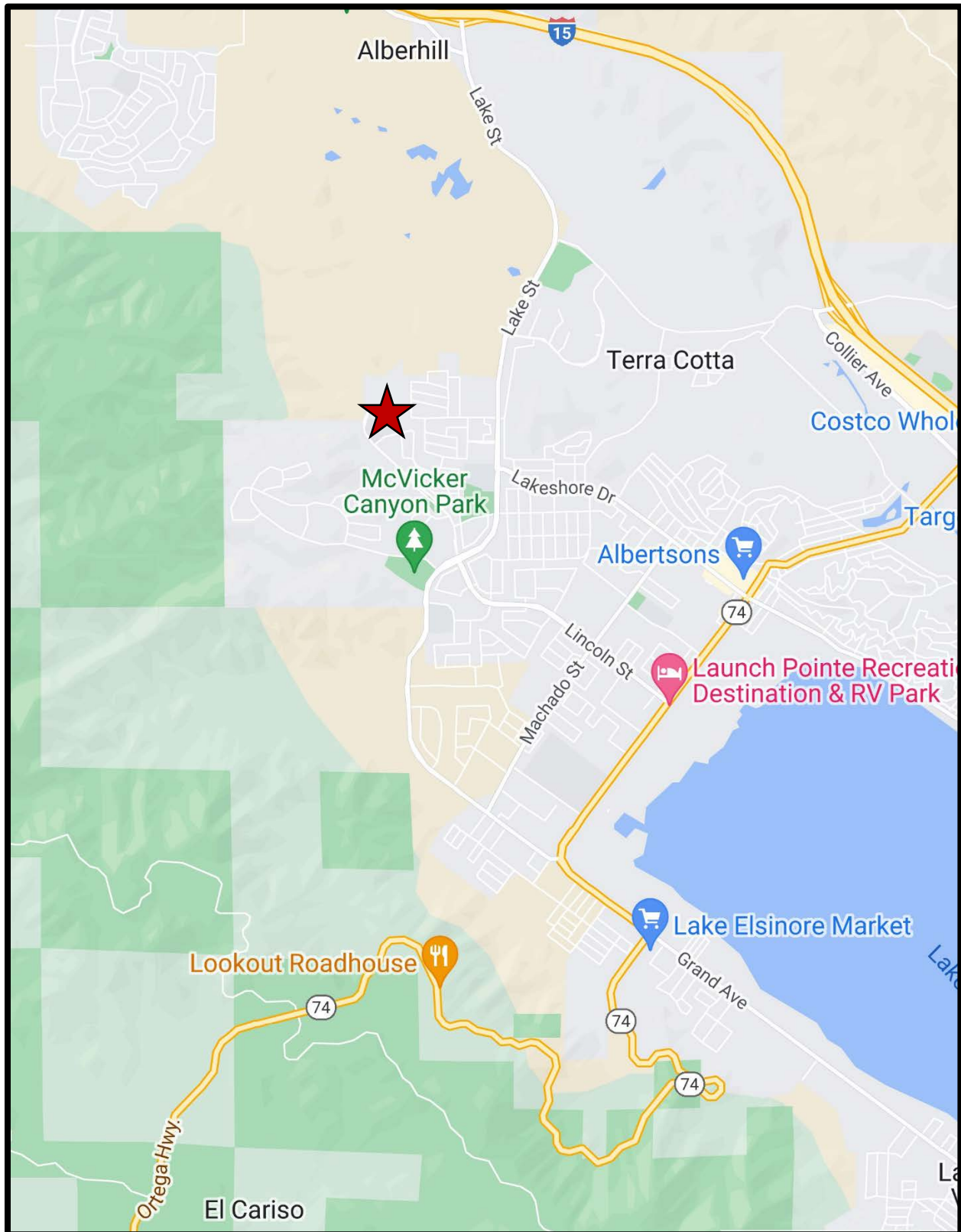
### **Education**

The subject area is served by the Lake Elsinore Unified School District which operates 14 elementary schools, two K-8 schools, four middle schools, three high schools, one continuation school, one adult school and one alternative school. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

### **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth even though the State is reported to be losing population. The Nation's economy has been slowing after the Board increased the FRR five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing with the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the need for new housing, set up a new housing. Current concerns for the Inland Empire economy include stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, and the Russian invasion of Ukraine, which are all creating volatility in both local and global financial markets. A possible light recession is forecast for later this year. What effect the recent bank failures will have on the economy is unknown at this time. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles, and San Diego Counties.

## 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"), northwest of the northern side of the Lake. 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 12<sup>th</sup> 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 2022 population estimate of 71,615 per the Department of Finance, which represents an annual increase of 1.0 percent since January 2021. This compares to the overall Riverside County growth of 0.28 percent during the past year. The significant growth between 2000 and 2010 includes the residential boom prior to the Great Recession. The growth in the City is largely due to the more affordable housing with convenient access along the I-15 corridor providing access to the employment centers in Riverside, Orange, Los Angeles, and San Diego Counties.

The subject is currently one of the two actively selling communities in the City of Lake Elsinore, neither of which are part of a master planned community. 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. 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. The projects currently selling within City limits are individual infill projects that are not associated with a master planned community. It is important to note that there are several upcoming communities in Lake Elsinore, including Terracina by KB Home, multiple communities coming to the Alberhill Ranch master plan by Pulte, both of

which are near the subject and multiple communities within Nichols Ranch by Meritage Homes on the northeast side of I-15.

### **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).

<b><u>Summary of Major Employers</u></b>	
<b><u>Employer</u></b>	<b><u>No. of Employees</u></b>
Lake Elsinore Unified School District	2,524
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

### **Entertainment**

While Lake Elsinore served as a get-away from the movie industry in the 1920s, the area also began emerging as an entertainment/sports area when it hosted Olympic teams for training along with high-speed boat racing on the Lake. In 1964 the Skylark Airport (located 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, southeast 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 for the City, with State Route 91 approximately 20 miles north and I-215 about 10 miles south. I-15 provides access to State borders to the north in Nevada and to the south where it merges with I-5 before going into Mexico. State Route 91 (20 miles north on I-15) provides freeway access into Orange and Los Angeles Counties to the west and to San Bernardino County to the east. I-215 provides northerly access connecting to State Route 60, which provides access to the west into Los Angeles and to the east where it merges with I-10 and provides access to the 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, as well as this past year with the population growth higher when compared to the overall County's growth. Future growth of the City should continue. 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 later half of this year. 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 on the eastern side of Lincoln Street, at Evans Way, approximately three miles northwest of Highway 74/Ortega Highway. Access into the community is considered to be good via I-15, exit Lake Street, head south on Lake Street three miles and continue as it turns into Grand Avenue, head north on Lincoln Street and continue up Lincoln Street for one mile. The community is on the east side of Lincoln Street, with entrances from Lincoln via Evans Way and Oak Grove Way. Access to the subject from Highway 74 is possible via Grand Avenue to Lincoln Street, northwest 3.1 miles to Evans Way. The subject is surrounded by vacant lands to the west and the north, existing residential land use to the east, and Rice Canyon Elementary School to the south. The subject is located approximately 2.5 miles northwest of the northwestern shore of the Lake, and between the subject and the Lake is largely existing residential 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.

Running Deer Estates is adjacent to existing residential lands to the east and southeast. The homes in the subject's immediate vicinity were largely built in the 1980s and 1990s. The lands to the north, west, and southwest of the subject are largely vacant with several rural residential properties. These surrounding lands are hilly in topography. Further north of the subject is what appears to be several mining operations and some concrete/gravel/building suppliers before I-15. Just south of I-15 (east of the subject) is the Alberhill region of Lake Elsinore, which includes the Alberhill Ranch community—a master planned community that's been selling on and off for several years. While there are no current new homes actively selling within Alberhill, there are several in the planning process with new homes "coming soon". There is another upcoming community within the subject's vicinity known at Terracina by KB Home; it is not part of the Alberhill Ranch community but is located just over one mile east of the subject. The only actively selling community within Lake Elsinore is farther from the subject, approximately five miles east across I-15 at Crimson Hills by KB Home. The subject is the only currently selling new home community in Lake Elsinore on the west side of I-15.

Adjacent to the south of the subject is Rice Canyon 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. Terra Cotta Middle School is the assigned junior high, and is located less than one mile southeast of the subject at the intersection of Lake Street/Grand Avenue and Lakeshore Drive, adjacent to Summerlake Park. For high school, residents at Running Deer Estates will attend Lakeside High School, located just over two miles south of the subject at Highway 74/Ortega Highway and Lakeside High School Stadium Way.

Shopping is available within two miles southeast of the subject, at Highway 74/Ortega Highway and Lakeshore Drive intersection. These two neighborhood scale shopping centers include a Stater Brothers Market, Albertsons Market, Starbucks, gas station, and several restaurants. Additional shopping is available at the I-15 and Highway 74/Ortega Highway intersection where the Lake Elsinore Market Place and neighboring centers feature a Target, Lowe's Home Improvement, Walmart, LA Fitness, Costco, Home Depot, Big 5 Sporting Goods, and a plethora of dining options. South of the subject approximately six miles, the City of Lake Elsinore features additional shopping at the I-15 and Diamond Drive/Railroad Canyon Road intersection. The southwest side of the I-15 (which includes Lake Elsinore Valley Center) houses a CVS, Mother's Market, Walgreens, McDonalds, Carl's Junior, a post office, Arco Gas station, and a several dining options. An In-N-Out Burger and Denny's restaurant reside on the northeast side of I-15 at Railroad Canyon Road along with a Goodwill, Wells Fargo and several other stores. South of Diamond Drive is several other shopping centers including Winston Plaza, Mission Trail Plaza, and Lake Elsinore Town Center, which is anchored by a Big Lots and Stater Brothers Market.

## CITY OF LAKE ELSINORE CFD NO. 2006-8

We have reviewed the Community Facilities District Report for the City of Lake Elsinore 2006-8 (Running Deer Estates), prepared by Harris & Associates and dated November 9, 2006 ("CFD Report"). Per the report, CFD No. 2006-8 is comprised of approximately 34.2 gross acres with an estimated 18.83 taxable acres which are expected to be developed into approximately 100 single family detached dwelling units (reduced to 96 per final mapping) and has a not to exceed amount of \$7,000,000. CFD No. 2006-8 is anticipated to provide for all or a portion of design, construction, indirect costs and administration relating to the following improvements associated with Tract Map 31957: Street improvements, landscaping improvements, storm drain improvements, sewer improvements and water improvements. CFD No. 2006-8 will also be authorized to finance city capital improvement fees imposed pursuant to City fee programs, fees and improvements of the Elsinore Valley Municipal Water District ("EVMWD") and fees for the Lake Elsinore Unified School District ("LEUSD"). In addition to the improvements stated above, the CFD is anticipated to cover the on-going costs for maintenance of the public parks, open space and storm drain improvements.

Per the CFD Report, the estimated cost of facilities includes the following:

<u>Description</u>	<u>Amount</u>
<u>CITY IMPROVEMENTS</u>	
Street Improvements	\$ 2,029,478
Landscaping	350,584
Storm Drain	321,148
City Impact Fees	1,836,304
<u>EVMWD IMPROVEMENTS</u>	
Sewer	\$ 362,615
Water	1158,013
EVMWD Impact Fees	1,098,100
LEUSD Impact Fees	<u>1,500,000</u>
Total Estimated Cost	\$ 8,656,243

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. 2006-8.

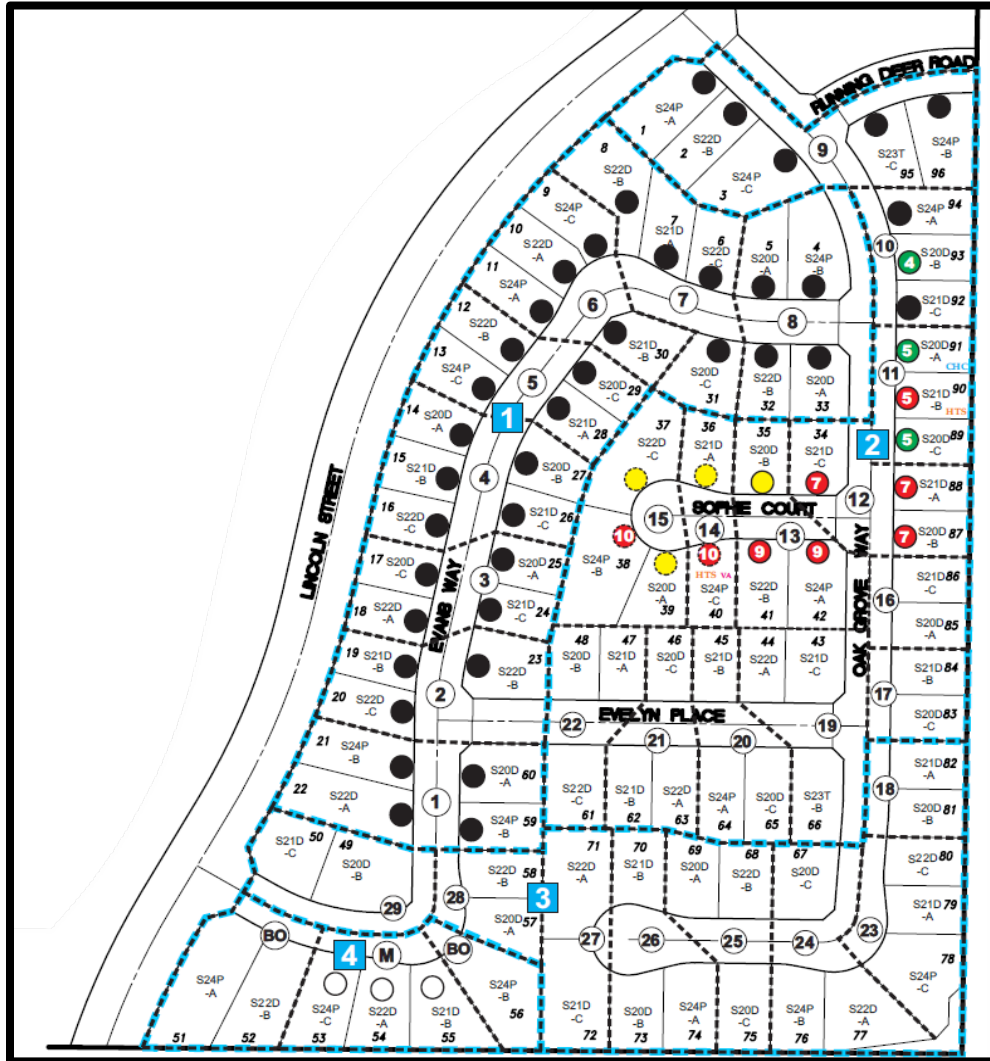


Per the CFD Report's Rate and Method, all developed residential units will be assigned a special tax between \$3,516 to \$4,510 based on their building square footage (amount subject to annual allowed increases).

The Project Fund Deposit to be generated from the sale of the Lake Elsinore CFD No. 2006-8 Bonds per the latest CFD Bond Sizing is \$3,486,604 and a total Bond Par Amount estimated at \$3,505,000 with the difference being the net original issue discount. The project fund deposit is estimated at \$2,808,695 with the debt service reserve fund of \$314,234; the capitalized interest fund of \$93,575 and costs of issuance of \$270,100 (above amounts are subject to change). A copy of the Lake Elsinore CFD No. 2006-8 boundary map is located in the Addenda for your review.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 96 proposed single-family detached homes, which make up the community known as Running Deer Estates by Richmond American Homes. The neighborhood is shown in the site plan below and described as follows.



**Location:** Southwest of Interstate 15, on the east side of Lincoln Street at Evans Way, City of Lake Elsinore, Riverside County.

**Legal Property Description:** Lots 1-96 of Tract 31957 in the City of Lake Elsinore, County of Riverside, State of California. A copy of Tract 31957 is located in the Addenda.

**Property Owner:** Individuals as to Lots 1-33, 59-60, 89, 91-96 of Tract 31957; Richmond American Homes of Maryland, Inc. as to Lots 34-58, 61-88, and 90 of Tract 31957.

Assessors  
Parcel Nos.:

394-320-001 through -010; 394-321-001 through -006 (394-321-007 is the drainage basin located within the CFD boundary); 394-330-001 through -009; 394-331-001 through -026; 394-332-001 through -008; 394-340-001 through -005; 394-341-001 through -032.

Property Taxes:

We have reviewed the Riverside County Tax Collector's 2022 tax bill for APN 394-340-002, a sample lot within Running Deer Estates. Per the tax collector the total 2022 property tax invoice is \$5,348.66 based on an assessed value of \$77,515 (which appears to not consider any land development or structural improvements). The general-purpose taxes are \$775.15; the miscellaneous charges (includes Lake Elsinore Unified School District, Mt. San Jacinto Jr. College, and MWD East 1301999) total \$27.67; the special assessment for CFD 2015-1 is \$866.74 while the subject CFD 2006-8 appears as two separate line items on the tax bill: one for \$2,511.24 and a second for \$1,118.94. There are several other smaller Special Assessment listings such as EVMWD regional Sewer, Lake Elsinore Stormwater, Lake Elsinore LLMD, Mosquito and Vector Control District, MWD Standby West, and Elsinore Valley MWD Standby, which total \$48.92.

Three-Year  
Sales History:

Richmond American Homes of Maryland, Inc. purchased the subject lands on November 19, 2020 for \$7,296,000 or \$76,000 per lot based on a finished lot value of \$186,160 per a builder representative. Richmond American began closing homes to individual homebuyers in July of 2022. Forty-two homes have closed to individuals between July 14, 2022 and May 15, 2023.

Size and Shape:

Tract 31957 is irregular but roughly triangular in shape and contains 34.25 gross acres per the recorded Tract Map.

Zoning:

Per the City of Lake Elsinore's Zoning Map, the site is designated as R1 – Single Family Residential, which allows for minimum lot size of 6,000 square feet. This is consistent with the City of Lake Elsinore's General Plan which calls out the subject as "Low-Medium Density Residential."

Entitlements:

The subject property is covered by Tract Map 31957 which recorded September 30, 2020. Tract Map 31957 subdivides the 34.25 gross acres into 96 residential lots with a minimum lot size of 6,000 square feet, as well as several lettered lots which includes Lot G, a drainage basin containing 1.89 acres. 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. A copy of the tract map is located in the Addenda.

**Soils Review:**

We have reviewed two Soils Reports covering the subject property: "Geotechnical Investigation of Tentative Tract 31957" prepared by Petra and dated February 21, 2006, and "Updated Geotechnical Evaluation & 40-Scale Grading Plan Review" prepared by GeoTek, Inc. and dated June 21, 2017. Per both reports, the subject property was considered feasible for the proposed residential development from a soils and engineering geologic point of view, provided the recommendations contained in the report are incorporated into the development and construction of the lands. It is assumed all recommendations contained in any and all reports were adhered to. It is an assumption of this report that the soils are adequate to support the highest and best use.

**Environmental Review:**

We have reviewed a Phase I Environmental Assessment prepared by Petra Environmental Division dated December 11, 2013 ("ESA"), as well as "The Initial Study for Mitigated Negative Declaration No. 2005-06" prepared by the City of Lake Elsinore dated July 2005 ("CEQA"), both of which cover the subject property. The ESA concluded that no recognized environmental conditions of any kind were identified, and recommend that the site owner remove and dispose of debris and miscellaneous materials in accordance with current regulations. The CEQA study found that the project had "Less Than Significant Impact with Mitigation Incorporated."

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 a Preliminary Title Report on Tract 31957 prepared by First American Title Company dated January 11, 2023 and amended February 15, 2023 (Order Number NHSC-6781661) which covers the subject property. The exceptions are as follows:

Item Nos. 1 thru 7 relate to property taxes and special assessments recorded on the property including CFD 2015-1 (for safety services) and CFD 2006-8 (subject CFD). Item Nos. 8 through 14, 16, 24A, and 25-28 pertain to easements for public road, utility, drainage, cable optic and other easements. Item No. 15 refers to the environmental constraint note on said map. Item No. 17 pertains to the retention of Lot I as stated on said map. Item Nos. 18 thru 24 and 29 were intentionally deleted. Item No. 24B and 30A refer to liens for unsecured property taxes in the amount of \$2,005.11 for year 2018-19 and \$36,315.77 for year 2022/23 (both items were paid in full per the Riverside County Tax Collector on November 22, 2022). Item No. 30 pertains to a cooperative agreement recorded in

2021 on the property. Item No. 31 pertains to the rights of the public in and to that portion of land lying within any Road, Street, Alley or Highway. Item No. 32 refers to water rights. Item No. 33 states any claim that the title is subject to a trust or lien created under the Perishable Agricultural Commodities Act, 1930 or the Packers and Stockyards Act or under similar state laws (it appears this affects only Parcel 1 which is not included in the subject area). Item No. 34 is in effect to the rights of parties in possession of said land.

Except for Item No. 33 the exceptions appear typical for subject-type lands; 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. 2006-8.

**Streets/Access:** Access to the subject project is possible via I-15 to the Lake Street exit, head south on Lake Street three miles and continue as it turns into Grand Avenue, head north on Lincoln Street and continue up Lincoln Street for one mile. The community is on the east side of Lincoln Street, with entrances from Lincoln via Evans Way and Oak Grove Way. Access to the subject from Highway 74/Ortega Highway is possible via Grand Avenue to Lincoln Street, northwest 3.1 miles to Evans Way.

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

Highway 74//Ortega Highway has on/off ramps at I-15 and provides access easterly into Perris and to I-215. It provides westerly access to Orange County where it connects with I-5 in San Juan Capistrano. Highway 74 winds through the hills between Orange County and Riverside County and eventually circumvents the westerly portion of the Lake.

Lake Street/Grand Avenue has on/off ramps at I-15 (as Lake Street) and provides access into the Alberhill region and northern portion of the city of Lake Elsinore, as well as north of the I-15 into the Lake Matthews Estelle Mountain Reserve and Walker Canyon Trailhead. Lake Street changes names to Grand Avenue at Lakeshore Drive, south of I-15, and Grand Avenue eventually provides access to Highway 74/Ortega Highway and then into the southern portion of the City of Lake Elsinore and into Wildomar before terminating at Clinton Keith Road in Murrieta.

Lincoln Street is a small local arterial that begins at Grand Avenue and terminates just north of the subject past Oak Grove Way. It appears that there could be future plans to extend Lincoln Street further north.

Internal streets within Running Deer Estates include Evans Way, Evelyn Place, Oak Grove Way, Sophie Court, and Running Deer Road.

**Current Condition:** The subject property has been developed into 96 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 Evans Way across from the community entrance off Lincoln Street. There are 42 additional completed homes owned by individuals, four homes over 95 percent complete owned by the builder (including the three models), six additional homes under construction and 44 remaining finished lots.

**Home Owner Association:** There is no Homeowner's Association for Running Deer Estates.

**Costs to Complete:** We have received estimated remaining land development costs and fees provided by the homebuilder. The subject lots are in a near physically finished condition, however there are some remaining land development costs which include erosion control, grading, curb and gutter, landscape, perimeter walls, retaining walls and repairs and replacement totaling \$1,285,000. In addition, there are remaining TUMF, MSHCP and School fees which will not be reimbursed out of CFD funds that total \$1,111,521. A portion of the remaining school fees may be paid out of the CFD funds, however, cannot be guaranteed at this time, thus we are assuming all remaining school fees will be paid by the builder. The remaining development costs and fees are associated with the builder-owned property only as the individual homeowners are not responsible for any of these costs. Forty-two of the 96 total proposed homes are owned by individuals with the builder owning the remaining 54 (three models, one production home, six homes under construction and 44 lots). Dividing the \$2,396,521 in remaining land development costs and fees by the builder-owned 54 lots equates to \$44,380 (\$2,396,521 / 54) per lot in remaining land development costs. These remaining costs will be taken into consideration in the final valuation later within this report.

**Improvement Description:** Running Deer Estates includes 96 proposed single-family homes being built and sold by Richmond American. The model homes are located near the entrance of the community on Evan's Way from Lincoln Street. The homes feature open floorplans and three architectural styles. All of the homes are single story with two to three

car garages. Homes at Running Deer Estates include Therma Tru fiberglass entry doors with Kwikset handles, Boral concrete roof tile with radiant barrier roof sheathing, Low E dual glazed windows, tankless water heaters, two hose bibs, sectional garage door with opener, and solar system lease. Interiors include Mohawk vinyl flooring, recessed can lights, 6-panel smooth hollow core interior doors, and interior laundry rooms. Running Deer Estates' kitchens feature eat-in islands, walk-in pantries, white thermofoil or maple shaker cabinets, granite countertops with backsplash, double bowl stainless steel sinks with Delta Chrome pull-out faucet, and GE stainless steel appliances. Primary bedrooms include walk in closets, dual sinks with E-stone vanity countertops, and separate fiberglass tubs and showers. The homes feature a variety of room options as well as upgrade options, including great room fireplace, covered patios, laundry room sinks, and more. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included 42 home closings from July 14, 2022 and May 15, 2023 along with an additional 12 escrows. Actual closed sales prices net of concessions range from \$596,795 to \$784,633. Per our review of the local Multiple Listing Service, there have been no resales and per our inspection there were no homes listed for resale. Current base asking prices are from \$570,990 to \$610,990. The houses which are over 95 percent complete are detailed below.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1 Decker (S20D)	2 + Study / 2	1 / 2	2,012	12	0
2 Daniel (S21D)	3 + Study / 2	1 / 2	2,191	8	2*
3 Delaney (S22D)	3 / 2.5	1 / 2	2,290	11	1*
4 Timothy (S23T)	3 + Study / 2.5	1 / 2	2,295	1	0
5 Paige (S24P)	3 + Study / 2.5	1 / 3T*	2,491	<u>10</u>	<u>1</u> *
<b>Total</b>				<u>42</u>	<u>4</u>

\*One of each plan being a model home. In addition to the above there are 6 homes under construction and 44 finished lots. "T" refers to a tandem garage.



## **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 0.28 percent increase between July 2021 and July 2022 (per the Department of Finance). This compares to an average annual growth rate over the past ten years of about 0.9 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. The slowdown in population growth is similar to other Southern California counties during this time period, and is thought to be due to the Great Recession and the disruption from COVID. Predictions are for the County to grow at an average annual rate of 1.5 percent over the next eight years. This equates to an increase of approximately 36,000 residents per year, suggesting the need for about 10,000 homes per year within the County. The COVID influence is still unknown on the County's population growth. New home sales in most cities in the County in 2020 through 2022 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2023.

### **Economic Conditions**

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than that of other Southern California regions. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the State. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012 through January 2020. Once the COVID pandemic hit in March 2020, the economy entered what is now known as the COVID Recession. The housing market slowed down significantly early on, but by May 2020, new homes were going under contract and selling at well above average absorption rates from May 2020 through Spring of 2022 in the

region. Since May 2022, the new home market has seen a slowdown in absorption rates due to the increasing interest rates, the high prices of homes, and the high rate of inflation which is shaking consumer confidence.

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking while the third and fourth quarters saw minimal growth with the advanced estimate for the year 2022 at 2.1 percent. The most recent unemployment rate for the County is 4.1 percent (per the April 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 quarter of 2023 has shown unemployment rising. While unemployment rates are near historical lows, the inflation factor is significantly affecting the economy.

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

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

2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases slowed new home sales significantly in late 2022 and the beginning of 2023.

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

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID Recession in an attempt to assist the housing market’s recovery. Low rates helped home sales during this time. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Per FRED, the average 30-year fixed mortgage has gone from 2.65 percent in January 2021 to 7.08 percent as in October 2022 with a decrease since then with current rates at 6.35 percent as of May 11, 2023. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board has increased the rate ten times in the past 15 months which increased the FRR from 0-0.25 percent to 5.00– 5.25 percent. At the latest Board meeting in early May, they alluded that this may have been the last rate increase

for the time being. The FRR 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 April 2023 at 4.9 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 are up month over month as buyers adjust to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 6+ percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are now homes. Per Zonda, historically new homes capture from 10-13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing well over 30 percent of all home sales in the Inland Empire.

### **Residential Land Development**

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012 combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record (such as the subject property) or a public builder buying a larger piece of land but develops the land for its own use (such as Nichols Ranch by Meritage, Teracina by KB Home and Alberhill Ranch by Pulte, 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 sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of January 2023 only 2 percent of builders surveyed were "full steam ahead", almost 40 percent were pausing transactions or bidding lower on land transactions. As of March 2023, these percentages have changed drastically with 13 percent stating they are going "full steam ahead" and 62 percent moving cautiously forward. The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory.

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

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the May 14, 2023, Ryness Report, the year-to-date average sales rate (4.1 sales per month) is approximately 22 percent lower than the same time period of the previous year (5.3 sales per month); however up from year-to-date averages in March 2023 (4.0 sales per month). New home sales rates started to level off in late Spring 2022, likely due to the increase in mortgage interest rates. As rates go down, purchasing power becomes larger, which gives new-home buying a boost. However, the flip side is that as interest rates rise, purchasing power becomes lower and therefore fewer people are able to purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the May 14, 2023 Inland Empire Ryness Report to one year prior, there are 69 additional projects (190 in May 2022 and 259 in May 2023) and sales are more than 20 percent lower year-to-date than the previous year. This does not appear to be

due to limited inventory as there are additional projects, but rather because of an actual slowdown in sales activity likely due to the increase in interest rates. It should be noted that current sales rates are being compared to early 2022, which was a hugely successful time for the housing market, prior to the shifting market of Spring of 2022. To put this in perspective, when comparing year to date average new home sales from May 2022 to May 2023, average sales numbers in the Inland Empire are down 22 percent (per the Ryness Report dated May 14, 2023); however, when comparing average new home sales from 2019 (prior to the pandemic) to May 2023, sales are actually a little stronger (3.5 sales per month per project average in 2019 versus 4.1 sales per month year-to-date average in May 2023). This increase over 2019 suggests new home buyers can weather the higher mortgage rates.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$525,000 which is down from a record high of \$646,000 in July 2022 per Zonda's latest market report (Riverside-San Bernardino-Ontario, CA CBSA April 2023). This reflects an increase of over 95 percent from the bottom of the cycle and an increase of more than 20 percent over its peak during the Great Recession, however a decrease from the 2022 peak of 18.7 percent. In reality this decrease is actually larger as builders are buying down interest rates which costs the builder at times, up to \$100,000, however, the amount is not reflected in the new home sales price. New home sale prices fluctuate based on the land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values, however there have been inflationary increases in construction costs adding to this increase.

Within our search for the most comparable actively selling new home communities, we searched the subject's city of Lake Elsinore as well the surrounding areas of Wildomar and the western portion of Menifee. We expanded our search to include Wildomar and Menifee in an effort to find similar single-level detached communities with similar home



and lot sizes to the subject. Our search for similar new home projects as compared to the subject communities within the competitive market area resulted in eight new home projects (including the subject) with base pricing ranging from \$519,000 to 706,990. The subject pricing falls in the middle of the range, with Running Deer Estate's current base pricing ranging from \$570,990 to \$610,990.

### **Existing Homes Sales and Pricing**

While the previous section looked at new home sales and pricing, this section refers to existing homes in Riverside County. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in April 2023 (\$785,000) reflects an increase of 1.9 percent from the previous month, but a decrease of 6.2 percent year-over-year from \$837,000 in April 2022. Existing home sales in Southern California overall were down 37.4 percent year-over-year as of April 2023. The overall Southern California numbers compare to Riverside County with \$615,000 as the median price paid for an existing home in the County in April 2023, up 0.5 percent since March 2023, but down 2.4 percent on a year-over-year basis (\$630,000). Sales of existing homes in the County were down 35.5 percent year-over-year due to the limited supply of existing homes along with higher mortgage rates and higher home prices. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

<b>Southern California Existing Home Sales</b>						
<b>County</b>	<b>April 2023</b>	<b>March 2023</b>	<b>April 2022</b>	<b>Price MTM % Change</b>	<b>Price YTY % Change</b>	<b>Sales YTY % Change</b>
Los Angeles	\$738,520	\$718,370	\$801,680	2.8%	-7.9%	-37.6%
Orange	\$1,225,000	\$1,250,000	\$1,325,000	-2.0%	-7.5%	-39.7%
Riverside	\$615,000	\$612,000	\$630,000	0.5%	-2.4%	-35.5%
San Bernardino	\$450,000	\$475,000	\$495,000	-5.3%	-9.1%	-37.9%
San Diego	\$930,000	\$915,000	\$975,000	1.6%	-4.6%	-36.9%
Ventura	\$885,500	\$849,000	\$955,000	4.3%	-7.3%	-37.4%
Southern Calif.	\$785,000	\$770,000	\$837,000	1.9%	-6.2%	-37.4%

Source: California Association of Realtors

Based on April 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 \$123,520 as compared to Los Angeles County, \$170,000 as compared to Ventura County, \$315,000 as compared to San Diego County and \$610,000 as compared to Orange County. That is, in April 2023, the median priced home in Riverside County was \$610,000 less, or almost one-half of the median priced home in Orange County (\$1,225,000). However, San Bernardino County has a \$165,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in the Inland Empire. It is important to note that June of 2022 was the first month where the majority of Southern California counties showed median price decreases from the previous month. And more recently, March 2023 was the first month since summer of 2022 where the majority of Southern California counties are showing median price increases month to month. Most counties were seeing substantial month-to-month median price increases from 2020 to 2022, and the widespread decrease from mid-2022 to early-2023 appears to have been a sign that the market turned and the pricing run up had come to an end. The increase in pricing beginning in March is thought to be due to limited supply coupled with buyers acceptance of higher rates along with builders including rate buy downs along with other concessions.

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

<b>ZIP Code/Community Name</b>	<b>Border To Subject</b>	<b>Sales of Homes Apr. 2023</b>	<b>Sales % Change from Apr. 2022</b>	<b>Apr. 2023 Price Median</b>	<b>Price % Change from Apr. 2022</b>	<b>Apr. 2023 PSF Median</b>
92530 (Lake Elsinore)	Subject	126	-39.1%	\$514,995	-8.0%	\$283
92883 (Corona)	Northwest	134	-18.3%	\$664,995	-11.3%	\$321
92570 (Perris)	North	58	-32.6%	\$555,000	-1.6%	\$284
92532 (East Lake Elsinore)	East	69	-42.5%	\$579,000	-3.5%	\$235
92595 (Wildomar)	Southeast	57	-50.9%	\$600,000	-7.7%	\$238
92562 (Murrieta)	South	184	-44.7%	\$613,500	-5.0%	\$312
92679 (Trabuco Canyon)	West	78	-49.4%	\$1,500,000	-3.2%	\$575

Source: Redfin.com Housing Market Trends March 2023

The median home price of a detached resale home in the subject's zip code is \$514,995, which is the low end of the resale detached home prices in the subject area. The subject's ZIP code represents the most affordable option in the surrounding area. It is important to note that the Trabuco Canyon ZIP Code is adjacent to the subject ZIP Code, but represents Orange County, and is therefore reflective of a significantly higher median home price. The other outlier 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 decrease of 2.4 percent year-over-year and 36.5 percent sales decrease from April 2022 to 2023.

Within the City of Lake Elsinore, there are two new home neighborhoods currently selling: Running Deer Estates by Richmond American Homes (subject) and Crimson Hills by KB Home with Ridgeline by TRI Pointe Homes recently sold out. It's interesting to note that while Lake Elsinore was previously often featuring new homes for sale in master planned communities such as Summerly, Canyon Hills and Tuscany Hills, none of the currently selling new home communities are part of a master plan. The larger master plans are now built and closed out. There are, however, several upcoming Lake Elsinore communities, including Terracina by KB Home, several Alberhill Ranch communities by Pulte, and Highland at Nichols Ranch by Meritage Homes. The two actively selling communities within the City have average absorption rates ranging from 3.2 sales per month (the subject) to 4.9 sales per month (Crimson Hills). Crimson Hills by KB Home features the most similar product to the subject: detached homes on 7,200 square foot lots (slightly larger than the subject's lots) with homes sized from 1,551 to 2,882 square feet, with the majority of the floorplans being single story. The remaining Lake Elsinore community is situated on smaller lots, but with similar home sizes to the subject. We expanded our search to include similar lot product in Wildomar, as well as Menifee. According to the Ryness Report dated May 14, 2023, there are currently 51 new home projects in the South Riverside submarket (includes Menifee, Winchester, Lake Elsinore, French Valley and Wildomar). The average absorption rate within the 51 projects in the subject's South Riverside submarket is 4.4 sales per month (year to date average), which is considered to be a good absorption rate. Running Deer Estates has a current

absorption rate of 3.2 sales per month which is slightly lower than the average. Running Deer Estates is in the mid-range of the price range for detached houses in the South Riverside submarket.

### **Running Deer Estates - Sales and Pricing**

Running Deer Estates is comprised of 96 single-family detached homes on minimum 6,000 square foot lots, with homes sized from 2,012 to 2,491 square feet. Running Deer Estates began selling homes in December of 2021 with opening base pricing ranging from \$544,990 to \$584,990. Current base pricing at Running Deer Estates ranges from \$570,990 to \$610,990, and ranges from 4.4 to 4.8 percent higher than opening base prices, depending on the floorplan. Actual closed prices, including options, upgrades, premiums and concessions, have ranged from \$596,795 to \$784,633. Within the subject, Richmond American has sold and closed 42 homes to individuals between July 14, 2022 and May 15, 2023, with an additional 12 homes in escrow and due to close at completion. The total of 54 sales equates to an absorption rate of 3.2 sales per month. This is considered to be an average absorption rate for the subject marketplace, and is slightly below the Inland Empire's overall average sales rate. Per the Ryness Report, as of May 14, 2023 the year-to-date average sales per project per month in the Inland Empire is 4.1 home sales.

### **Summary**

Riverside County had seen substantial increases in pricing since 2012 with most areas, including the subject, showing astronomical increases from mid-2020 through early 2022. While existing home sales were down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. In mid-2022 a slowdown in sales occurred as interest rates climbed to upwards of seven percent. Current rates in the mid-six percent range seem to be becoming accepted as builders work through various incentives to keep sales going. The South Riverside new-home submarket is performing slightly stronger than the Inland Empire market as a whole. The subject market area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021, and appeared to be continuing in the beginning of 2022. The past year has seen

sales slow and prices lowering; however, the past couple months have seen new home builders' optimism return as new homes absorption is generally increasing. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the Riverside County housing market is healthy and population growth is still estimated to occur in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown.

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## HIGHEST AND BEST USE ANALYSIS

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

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

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

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

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

### **Physically Possible Uses**

The subject property consists of an irregular shaped parcel that contains 34.25 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. The site has been graded with sloping interior streets with some terraced lots allowing for some view potential. The lots have been graded to generally level pads. Lincoln Street appears to gradually slope downward as it heads north. There are three entrances to the projects: two from Lincoln Street (via Evans Way and Oak Grove Way) and one via Running Deer Road (accessible through the

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

existing neighborhood to the east). The surrounding lands become very hilly on the west side of Lincoln Street and has been graded so that the southern portion of the site (including where the models are located) are at a slightly higher elevation than the northern portion of the site. The subject site has been developed into 96 detached lots with a minimum lot size of 6,000 square feet with internal streets paved. There is a detention basin within the subject boundary lines on the northern corner of the community. The site is bounded by vacant lands to the north and west, with what appears to be a dry creek bed on the western side of Lincoln Street. The subject is bounded by Rice Canyon Elementary school to the south, and existing homes to the east. The subject site has been developed into finished lots with both internal and surrounding streets improved with utilities constructed within the streets and pulled to each lot. Soils and environmental reports covering the property were reviewed. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that there are no environmental issues which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction. An engineered drainage system has been designed to alleviate any potential flooding problems and to control project water runoff along with a detention basin at the northern corner of the site. All standard utilities serve the subject properties. The overall site has good access via I-15 exit Lake Street or Highway 74/Ortega Highway. Neighborhood shopping is within two miles of the subject site at the intersection of Highway 74 and Lakeshore Drive.

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 for low to medium density residential land use. Per the City Zoning Map, the subject property 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. In addition, Tract Map 31957 has been recorded on the parcel, subdividing it into 96 single family detached lots with a minimum lot size of 6,000 square feet, which is consistent with the zoning requirements. The tract totals 34.25 acres suggesting the 96 total lots have an average of 2.8 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 residential land market showed strong increases in both sales and pricing in 2020, 2021 and the beginning of 2022, while the second half of 2022 and the beginning of 2023 saw a slowdown in sales as interest rates have risen substantially. The past two months have seen what appears to be a positive turn in the new home market as sales rates have begun to increase on a month-over month basis. Within Lake Elsinore CFD No. 2006-8 there have been 54 home sales, 42 of which have closed to homeowners. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in the subject market area, we found eight projects (including the subject) to be most comparable to the subject, however there are additional new homes projects in the market area which were not included in our evaluation due to differences from the subject. Population growth is still occurring in the area and will continue to create the need for housing. New land sales in the Lake Elsinore area have taken a pause since mid-2022, however there have been several transactions outside Lake Elsinore and it appears that land sales are starting to pick back up, with additional transactions expected to close throughout the remainder of the year.

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

### **Maximum Productivity**

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

### **Highest and Best Use Conclusion – “As If Vacant”**

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

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

The subject property consists of Running Deer Estates by Richmond American Homes which consists of 96 proposed single family detached homes. Running Deer Estates began selling in December of 2021 and features single-story homes with a range from 2,012 to 2,491 square feet on minimum 6,000 square foot lots with base pricing currently ranging from \$570,990 to \$610,990. There have been 54 sales within Running Deer Estates resulting in a sales rate of 3.2 sales per month, which is currently in the mid-range of sales rates in its market area. Our search within the subject area found eight projects (including the subject) considered to be comparable with similar sized homes. The average sales rates within these projects range from 2.9 to 4.9 sales per month. The subject has had an absorption rate of 3.2 sales per month within the range of the comparables. Our search of the Multiple Listing Service and on-site inspection revealed no current re-sale listings and no re-sales within the subject neighborhood.

The sales rate within the subject and the competitive projects in the immediate area suggest there is demand for new homes in the current market at the right price points. All of the homes are of good design and appear to be of good quality workmanship. Based on the subject neighborhood’s sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

## 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. All of the value conclusions will take into consideration the improvements to be funded by the Lake Elsinore CFD No. 2006-8 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

### **Market Data Discussion – Detached Residential Lots**

Within Running Deer Estates there are a total of 42 individually owned homes, four homes over 95 percent complete (including three model homes), six homes under construction, and 44 finished lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, 50 lots will be valued. The lots within Running Deer Estates are minimum 6,000 square feet.

We have searched the area and found the eleven 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 are two land sales in Lake Elsinore, two within Temescal Canyon in the master plan of Terramor and two within Corona in the master planned community of Bedford. Four of the sales relate to cluster or detached condominium lots which are substantially smaller 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 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 16 miles east of the subject. This area was developing prior to the great recession when all land sales halted due to the declining market. This is the most recent sale our search uncovered. The 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 (see Land Sale No. 7 below). 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). 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. 2** refers to the purchase of 90 lots located within Stratford Ranch in Perris, about 15 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) 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. 3** pertains to the May 2022 purchase of a portion of Alberhill Ranch located at Alberhill Ranch Road and Nicholas Road in Lake Elsinore about one mile east of 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 Nos. 4 and 5** relate to the two most recent sales within the master planned community of Bedford in South Corona, about 10.5 miles northwest of the subject property. Bedford is a master planned community which is now selling homes in its second phase along the 15 Freeway at the southern end of the City of Corona. Bedford includes significant amenities with several pools, gathering areas, a clubhouse with kitchen you can rent, parks and other amenities included within the community. Land Sale No. 4 refers to Beazer's purchase of 72 detached triplex lots which were sold for \$15,271,000 or \$212,097 per unit based on a finished lot value of \$270,000. Beazer is advertising their Coda product on the site to be coming soon with prices anticipated to begin in the high \$500,000s. Land Sale No. 5 pertains to Taylor Morrison purchasing 91 lots with a minimum lot size of 3,800 square feet which were purchased for \$24,131,500 or \$265,181 per lot based on an estimated finished lot price of \$360,000. Taylor Morrison is advertising their Harper at Bedford community with model homes recently opened and pricing beginning in the mid-\$800,000s. In comparison to the subject site in Lake Elsinore, the Bedford address is considered to be superior due to Corona being closer in to Orange and Los Angeles Counties for commuters and superior due to the significant amenities in the master planned community. However, the lot size of both of these transactions is considered to be significantly inferior when comparing detached triplex units and 3,800 sf foot lots to the subject 6,000 square foot lots.

**Land Sale No. 6** is located in Menifee, about 15 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 are also considered to be inferior. While the costs are taken into account, the risk of development is not. In addition, the number of lots of over 400 is considered inferior, similar to Land Sale No. 1.

**Land Sale No. 7** relates to the sale of 220 proposed lots with a minimum lot size of 6,000 square feet located adjacent to Land Sale No. 1 about 16 miles east of the subject property in Winchester. D.R. Horton purchased this site (along with Data No. 1) from Rancon via an off-balance sheet partner (Forestar). The 220 lots were purchased for \$8,000,000 or \$36,364 per lot based on a reported finished lot cost of \$213,000. The lands were sold in an unimproved condition with approved mapping. In comparison to the subject property, this transaction is considered to be inferior in location (further out for commuters) and similar in lot size.

**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 slightly superior in view potential

**Land Sale No 10** refers to the Lennar purchase of 305 various sized lots located at the southwest corner of Briggs and Old Newport Road in Menifee. The lots range in size from detached cluster lots to 6,500 square foot lots. The community is adjacent to the Lennar master planned community known as The Lakes at Menifee which was developed about ten years ago. This project will have three lakes within the community which create significant development costs. At time of purchase in December 2021 the site was unimproved. Lennar purchased the 305 proposed lots for \$5,500,000 or \$18,033 per lot based on estimated finished lot prices ranging from \$181,000 for the cluster detached lots to \$213,000 for the 6,500 square foot lots. In comparison to the subject this site is considered to be slightly inferior in lot size (some cluster detached lots) and inferior due to the unimproved state.

**Land Sale No. 11** refers to the KB Home purchase of what was known as Rosetta View Estates which is a 10-acre site located in Lake Elsinore about 2.5 miles east of the subject property. KB Home purchased the site from Spectrum Communities in September 2021 for \$1,000,000 or \$37,037 per lot based on a reported finished lot cost of \$220,000. There are 27 lots with a minimum lot size of 6,000 square feet tentatively mapped on the site. The property was in an unimproved condition which creates the high development costs. KB Home is currently selling their Crimson Hills community within the Rosetta Canyon area of Lake Elsinore. In comparison to the subject property this location and lot size are considered to be similar, however the condition and date of sale is considered to be inferior due to the change in the market between early 2021 (when this transaction was negotiated) and today's date.

The following chart summarizes the considerations used in adjusting the market data to the subject properties.



Data No.	Location	Date of Sale	Lot Size / Density	Finished Lot Price	Comparison to Subject
1	Winchester	5/23	2,900 and 3,500	\$175,000	Inferior – Location, Condition, Lot Size and No. of Lots
2	Perris	11/22	6,000	\$220,000	Inferior – Location, Condition
3	Lake Elsinore	5/22	6,000	\$220,000	Inferior – Condition
4	Corona	5/22	Det. Triplex	\$270,000	Inferior – Lot size Superior – Amenities, Location
5	Corona	5/22	3,800	\$360,000	Inferior – Lot size Superior – Amenities, Location
6	Menifee	4/22	5,000 – 7,000	\$175,000	Inferior – Location, No. of Lots, Condition
7	Winchester	4/22	6,000	\$213,000	Inferior – Location, Condition
8	Temescal Canyon	12/21	4,500	\$230,000	Inferior – Lot Size Superior – Amenities, Views
9	Temescal Canyon	12/21	4,500	\$256,000	Inferior – Lot Size Superior – Amenities, Views
10	Menifee	12/21	Cluster – 6,500	\$181,000 - \$213,000	Inferior – Lot Size, Condition
11	Lake Elsinore	9/21	6,000	\$220,000	Inferior – Condition & Date of Sale

The market data has an overall finished lot range from \$175,000 - \$360,000. The highest end of the range refers to Land Sale Nos. 4, 5, 9 and 10 which are all located within master planned communities. Master planned communities are considered to have 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. 3 which sold on the basis of a \$220,000 finished lot with similar sized lots and being located in Lake Elsinore. The subject property closed in November 2020, reportedly based on a \$186,160 finished lot with final map approval in place and in an unimproved condition. The subject lots are now physically finished, thus there is no remaining development risk associated with the subject lots. When comparing 2020 prices to today's prices, there has been a significant increase. In November 2020 the median home price in Lake Elsinore was \$460,000 as compared to the current median home price of \$552,500 suggesting an increase of 20 percent (per Redifin market trends).

### **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:

50 Lots x \$225,000	\$ 11,250,000
Less: Remaining Costs (\$44,380 x 50)	<u>(2,219,000)</u>
"As is" Value for Lots	<b><u>\$ 9,031,000</u></b>

### **Builder-Owned Retail House Valuations**

Due to the single ownership of multiple houses by the builder within Running Deer Estates, a Discounted Cash Flow ("DCF") analysis is needed in order to arrive at a bulk value for the homes. First, a retail base value for each plan within Running Deer Estates 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.

Running Deer Estates consists of 42 individually owned homes, three model homes and one production home (in escrow) over 95 percent complete owned by the builder, six houses under construction (under 95 percent complete with five in escrow) and 44 remaining lots (six in escrow). The remaining lots and homes under construction (under 95 percent complete) were valued above. This section will address the four homes owned by the builder, followed by a valuation for the individually owned homes.

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

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1 Decker (S20D)	2 + Study / 2	1 / 2	2,012	12	0
2 Daniel (S21D)	3 + Study / 2	1 / 2	2,191	8	2*
3 Delaney (S22D)	3 / 2.5	1 / 2	2,290	11	1*
4 Timothy (S23T)	3 + Study / 2.5	1 / 2	2,295	1	0
5 Paige (S24P)	3 + Study / 2.5	1 / 3T*	2,491	<u>10</u>	<u>1*</u>
<b>Total</b>				<u>42</u>	<u>4</u>

*\*One of each plan is a model home. In addition to the above there are 6 homes under construction and 44 finished lots.*

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	1	2 + Study / 2	1 / 2	2,012	--
1	2	3 + Study / 2	1 / 2	2,191	\$267.45
2	2	3 / 2	1 / 2	1,751	\$315.24
2	3	3 / 2	1 / 2	2,035	\$280.58
4	3	3 / 2	1 / 2	1,860	\$313.97
5	1	3 / 2	1 / 2	2,190	\$247.48
7	1	2 + Study / 3	1 / 2	1,755	\$315.10
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 \$247.48 to \$315.24 per square foot. The current base asking price for Plan 1 is \$283.79 per square foot. There have been 12 closings of Plan 1 with actual sales prices from \$296.62 to \$332.28 per square foot. There is one current escrow of Plan 1 with a sales price of \$313.63 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 1 has a base current market value of \$275.00 per square foot. This calculates as follows:

$$2,012 \text{ sf} \times \$275.00 = \$553,300$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
1 (Subj.)	2	3 + Study / 2	1 / 2	2,191	--
1	1	2 + Study / 2	1 / 2	2,012	\$283.79
1	3	3 / 2.5	1 / 2	2,290	\$260.69
2	3	3 / 2	1 / 2	2,035	\$280.58
2	4	4 / 2	1 / 2	2,206	\$265.63
4	4	4 / 2	1 / 2	2,238	\$269.88
5	1	3 / 2	1 / 2	2,190	\$247.48
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 \$247.48 to \$290.98 per square foot. The current base asking price for Plan 2 is \$267.45 per square foot. There have been eight closings of Plan 2 with actual sales prices from \$280.34 to \$312.17 per square foot. There are six current escrows of Plan 2 with a sales price range of \$267.45 to \$296.28 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 2 has a base current market value of \$260.00 per square foot. This calculates as follows:

$$2,191 \text{ sf} \times \$260.00 = \$569,660$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
1 (Subj.)	3	3 / 2.5	1 / 2	2,290	--
1	2	3 + Study / 2	1 / 2	2,191	\$267.45
1	4	3 + Study / 2.5	1 / 2	2,295	\$260.56
1	5	3 + Study / 2.5	1 / 3T	2,491	\$245.28
2	4	4 / 2	1 / 2	2,206	\$265.63
4	4	4 / 2	1 / 2	2,238	\$269.88
5	1	3 / 2	1 / 2	2,190	\$247.48
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 \$245.25 to \$290.98 per square foot. The current base asking price for Plan 3 is \$260.69 per square foot. There have been 11 closings of Plan 3 with actual sales prices from \$272.47 to \$303.95 per square foot. There are two current escrows of Plan 3 with a sales price range of \$268.57 to \$281.90 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 \$255.00 per square foot. This calculates as follows:

$$2,290 \text{ sf} \times \$255.00 = \$583,950$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
1 (Subj.)	4	3 + Study / 2.5	1 / 2	2,295	--
1	3	3 / 2.5	1 / 2	2,290	\$260.69
1	5	3 + Study / 2.5	1 / 3T	2,491	\$245.28
2	4	4 / 2	1 / 2	2,206	\$265.63
4	4	4 / 2	1 / 2	2,238	\$269.88
5	1	3 / 2	1 / 2	2,190	\$247.48
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 \$245.28 to \$290.98 per square foot. The current base asking price for Plan 4 is \$260.56 per square foot. There has been only one closing of Plan 4 with an actual sales price of \$281.08 per square foot. There are no current escrows of Plan 4. 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 4 has a base current market value of \$255.00 per square foot. This calculates as follows:

$$2,295 \text{ sf} \times \$255.00 = \$585,225$$

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

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
1 (Subj.)	5	3 + Study / 2.5	1 / 3T	2,491	--
1	3	3 / 2.5	1 / 2	2,290	\$260.69
1	4	3 + Study / 2.5	1 / 2	2,295	\$260.56
5	2	3 / 2.5	1 / 3	2,410	\$260.99
5	3	3 / 2.5	1 / 3	2,490	\$225.30
5	4	3 / 2.5	1 / 3	2,540	\$259.44
6	1	4 / 2	1 / 3	2,316	\$267.70
6	2	4 / 2.5	1 / 3	2,599	\$246.24
7	4	3 / 3	1 / 2	2,597	\$252.21
8	2	3 / 2.5	1 / 2	2,610	\$252.10

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 \$225.30 to \$267.70 per square foot. The current base asking price for Plan 5 is \$245.28 per square foot. There have been 10 closings of Plan 5 with actual sales prices from \$247.65 to \$314.99 per square foot. There are three current escrows of Plan 5 with a sales price range of \$256.89 to \$271.34 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 5 has a base current market value of \$242.00 per square foot. This calculates as follows:

$$2,491\text{sf} \times \$242.00 = \$602,822$$

#### Retail Values – Running Deer Estates

Within Running Deer Estates there are four builder-owned homes that are over 95 percent complete including three models (not yet released for sale) and one production home over 95 percent complete which is 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 (0 x \$553,300)	\$ 0
Plan 2 (2 x \$569,660)	1,139,320
Plan 3 (1 x \$583,950)	583,950
Plan 4 (0 x \$585,225)	0
Plan 5 (1 x \$602,822)	602,822
Model Upgrades (3 x \$40,000)	<u>120,000</u>
Total Running Deer Estates Retail Value	<u>\$ 2,446,092</u>

#### Absorption Period

In order to arrive at an absorption period for the builder-owned homes, the absorption rate for Running Deer Estates along with the comparable projects have been reviewed. As discussed under the Highest and Best Use section earlier within this report, Running Deer Estates has an overall average sales rate of 3.2 sales per month. The sales rates within the comparable projects range from 2.9 to 4.9 sales per month. Within Running Deer Estates there is one builder-owned production homes (over 95 percent complete) which is 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 four builder-owned homes will be absorbed within a two-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 \$44,380 remaining costs per lot associated with the builder-owned lots. We have considered the remaining costs associated with the existing builder homes of \$177,520 ( $\$44,380 \times 4$ ) in the discounted cash flow. For purposes of this analysis, we have determined the remaining costs will be spread evenly over the two-month absorption period.

### Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Eight percent has been estimated for marketing expenses 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/Murrieta/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 December 2021 with Running Deer Estates experiencing an absorption rate of 3.2 sales per month. 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 Running Deer Estates is \$1,709,039.

### **Running Deer Estates – Builder Ownership Valuation Conclusion**

The builder-owned property in Lake Elsinore CFD No. 2006-8 consists of four homes over 95 percent complete and 50 remaining finished lots (six with homes under construction).

The final valuation of the builder-owned property is:

50 Lots in their “As Is” condition	\$ 9,031,000
4 Houses	1,709,039
<b>Total Builder Ownership</b>	<b><u>\$ 10,740,039</u></b>

### **Running Deer Estates – Individual Owners Value Conclusion**

There are 42 individually owned homes within Running Deer Estates. Based on the concluded value for each plan, the individually owned homes within the subject property

Plan 1 (12 x \$553,300)	\$ 6,639,600
Plan 2 (8 x \$569,660)	4,557,280
Plan 3 (11 x \$583,950)	6,423,450
Plan 4 (1 x \$585,225)	585,225
Plan 5 (10 x \$602,822)	<u>6,028,220</u>

Total Individual Owners Min. Market Value	<b><u>\$24,233,775</u></b>
---	----------------------------

In an additional review, we have reviewed the original builder sales prices for the closed homes within Running Deer Estates. Closings occurred between July 14, 2022 and May 15, 2023 with actual sales totaling \$27,474,214. The builder’s reported prices include

premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. While current base pricing is about four percent higher than opening base pricing, it appears that base prices were significantly higher and then dropped, consistent with the marketplace throughout 2022. The concluded valuation is 11.8 percent below the actual sales prices; however, the valuation is for the minimum market value as it takes into consideration the base plan price only and does not consider any options, premiums or upgrades which were purchased by the buyers. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

## APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property which consists of lands within Lake Elsinore CFD No. 2006-8 proposed for 96 single-family detached homes being built out into the community of Running Deer Estates in the City of Lake Elsinore in Riverside County. The neighborhood is being built and sold by Richmond American Homes. Running Deer Estates opened for sale in December 2021 and is currently selling. Out of the total 96 proposed homes, 42 are completed and have closed to individuals with an additional 12 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 or re-sale listings found.

The subject property was valued using the Sales Comparison Approach to value and a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation considered the improvements/benefits to be funded by Lake Elsinore CFD No. 2006-8 bond proceeds along with the Lake Elsinore CFD No. 2006-8 special tax lien. As a result of our investigation, the concluded value for the subject property is:

### Running Deer Estates by Richmond American Homes

Richmond American Owned (4 homes & 50 lots)	\$ 10,740,039
Individual Owned (42 homes)	<u>\$ 24,233,775</u>

<b>Aggregate Value of Lake Elsinore CFD No. 2006-8</b>	<b><u>\$ 34,973,814</u></b>
--	-----------------------------

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 2006-8**  
**BOUNDARY MAP**

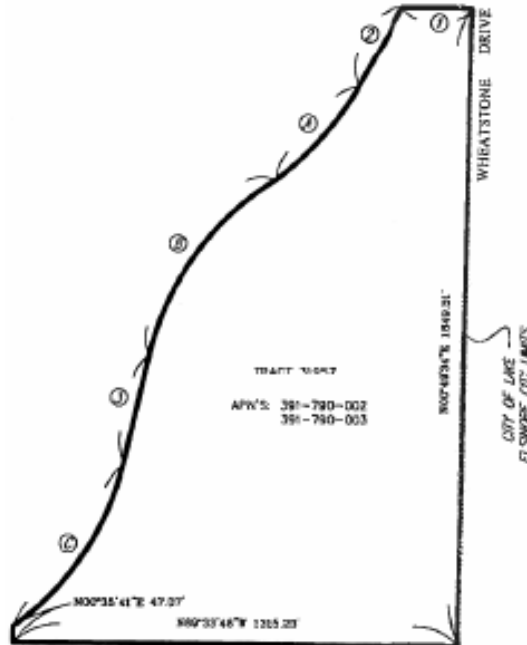
PROPOSED BOUNDARY OF  
COMMUNITY FACILITIES DISTRICT No. 2006-8  
OF THE CITY OF LAKE ELSINORE  
(RUNNING DEER ESTATES)  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

LINE DATA

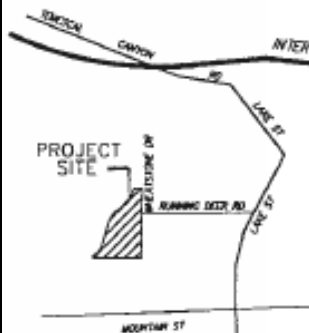
- ① 302°10'26"W 209.63'
- ② 329°00'20"W 288.87'
- ③ 312°10'41"W 300.00'

CURVE DATA

- ④ R=881.70'  $\Delta=23°50'13"$   
L=570.00' T=108.25'
- ⑤ R=803.00'  $\Delta=45°50'50"$   
L=544.15' T=340.44'
- ⑥ R=806.00'  $\Delta=42°50'40"$   
L=574.82' T=350.12'



SCALE: 1" = 200'



VICINITY MAP  
NO SCALE

LEGEND

———— DISTRICT BOUNDARY

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LAKE ELSINORE THIS 23 DAY OF October 2006.

*[Signature]*  
CITY CLERK OF THE CITY OF LAKE ELSINORE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2006-8 (RUNNING DEER ESTATES), CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE AT A REGULARLY SCHEDULED MEETING THEREOF, HELD ON THE 10 DAY OF October, 2006, BY ITS RESOLUTION NO. 2006-016.

*[Signature]*  
CITY CLERK OF THE CITY OF LAKE ELSINORE

FILED THIS 21st DAY OF October, 2006, AT THE HOUR OF 2:00 P.M. IN BOOK 68 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS PAGE NO. 15 THROUGH 20 AS INSTRUMENT NO. 2006-016 IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

*[Signature]*  
COUNTY RECORDER OF THE COUNTY OF RIVERSIDE  
Larry Wilch - Assessor-County Clerk

FILE # 7-

REFERENCE THE RIVERSIDE COUNTY ASSESSOR'S MAPS FOR A DETAILED DESCRIPTION OF PARCELS, LINES AND DIVISIONS.

PROPOSED BOUNDARY MAP

Community Facilities District No. 2006-8  
of the City of Lake Elsinore  
(Running Deer Estates)  
County of Riverside, California

Sheet 1 OF 1

**HARRIS & ASSOCIATES**  
24 Executive Park, Suite 100  
Irvine, CA 92614  
(949) 440-9800 • FAX (949) 440-9805

**TRACT MAP No. 31957**



# TRACT MAP NO. 31957

BEING A SUBDIVISION OF PARCELS 2 OF LOT LINE ADJUSTMENT NO. 2004-13 AS EVIDENCED BY RECORDS RECORDED MARCH 21, 2005 AS INSTRUMENT NO. 2005-005587 OF OFFICIAL RECORDS, LING WITHIN SECTION 28, TOWNSHIP 3 SOUTH, RANGE 3 WEST SAN DIEGO COUNTY, CALIFORNIA, WITHIN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

K & A ENGINEERING, INC. MAY, 2017

## TRACT BOUNDARY MAP & INDEX SHEET

SHEET 2 OF 9 SHEETS

SCALE 1"=200'



### BASEMENT NOTES

1. AN EASEMENT FOR ROAD PRIVILEGES AND INCIDENTAL PURPOSES IN FAVOR OF S.D. WATERBURY AND C.A. BISHOP, RECORDS MAY 12, 1980 IN BOOK 85 OF DEEDS, PAGE 200, (NOT PLATTED).
2. AN EASEMENT FOR POLE LINES, CONDUITS OR UNDERGROUND FACILITIES AND INCIDENTAL PURPOSES IN FAVOR OF CALIFORNIA ELECTRIC POWER COMPANY, RECORDS DECEMBER 6, 1983 AS INSTRUMENT NO. 108780 O.R. (TO BE AMENDED) - SEE ORIGINAL STATEMENT.
3. AN EASEMENT FOR EITHER OR BOTH POLE LINES, CONDUITS OR UNDERGROUND FACILITIES AND INCIDENTAL PURPOSES IN FAVOR OF CALIFORNIA WATER AND TELEPHONE COMPANY, RECORDS MAY 4, 1987 AS INSTRUMENT NO. 39463 O.R. (TO BE AMENDED) - SEE ORIGINAL STATEMENT.
4. AN EASEMENT FOR ROAD AND INCIDENTAL PURPOSES IN FAVOR OF THOMAS G. CORNELIUS, ET AL., RECORDS JANUARY 14, 1989 AS INSTRUMENT NO. 38919 AND REDEVELOPMENT O.R.
5. AN EASEMENT FOR PUBLIC ROAD, EASEMENT AND UTILITY SERVICES IN FAVOR OF LAKE ELSINORE CITY LLC, RECORDS OCTOBER 27, 2008 AS INSTRUMENT NO. 2008-070012 O.R.
6. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF EARL W. JOHNSON AND MERLE A. JOHNSON REVOCABLE TRUST AND THE FAMILY TRUST OF EARL W. AND MERLE A. JOHNSON REVOCABLE TRUST, RECORDS 5/2/2008 AS INSTRUMENT NO. 2008-017088, O.R.
7. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF JENNIFER C. F. ORNL, RECORDS 5/2/2008 AS INSTRUMENT NO. 2008-017088, O.R.
8. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF THE NATIONAL EQUESTRIAN SERVICES INC., RECORDS 5/2/2008 AS INSTRUMENT NO. 2008-017088, O.R.
9. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF CLAYTON L. HENRY AND DENISE L. HENRY, RECORDS 5/22/2008 AS INSTRUMENT NO. 2008-020406, O.R.
10. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY, RECORDS 6/18/2008 AS INSTRUMENT NO. 2008-020406, O.R.
11. AN EASEMENT FOR ACCESS PURPOSES IN FAVOR OF JAMES ROSSER AND ALICE ROSSER, RECORDS 6/18/2008 AS INSTRUMENT NO. 2008-020406, O.R.

NO.	BEARING	DISTANCE
1	N 0° 00' 00" E	100.00
2	S 89° 59' 59" W	100.00

NO.	BEARING	DISTANCE
1	N 0° 00' 00" E	100.00
2	S 89° 59' 59" W	100.00
3	N 0° 00' 00" E	100.00
4	S 89° 59' 59" W	100.00

LOT "A" OPEN SPACE SEE SHEET 6

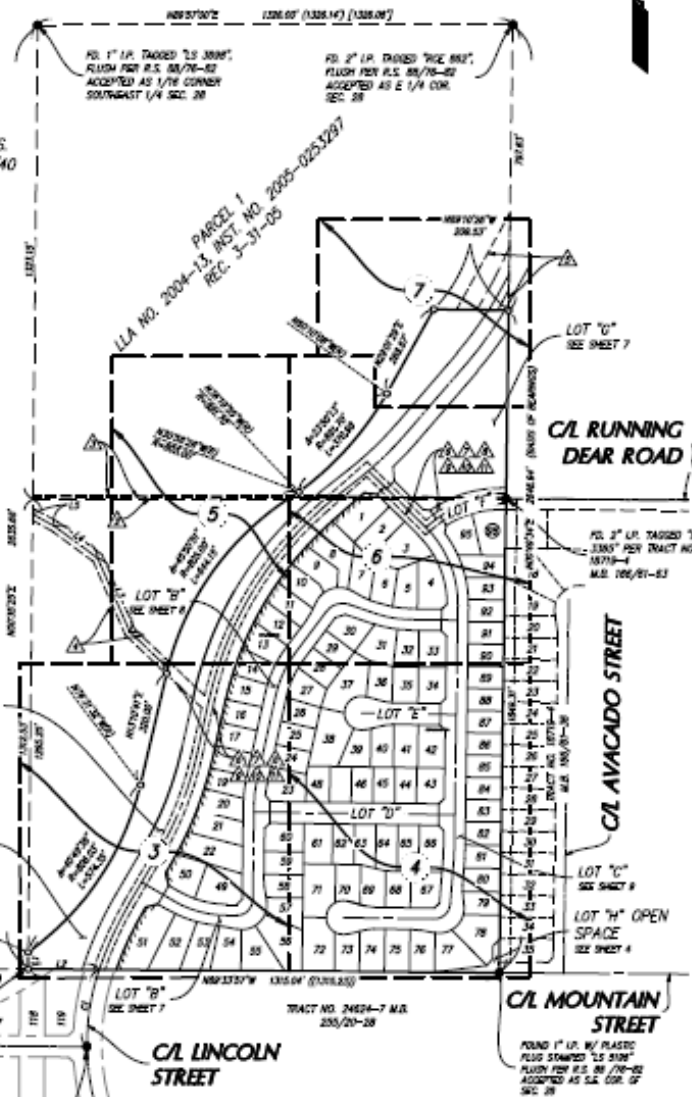
SEARCHED NOTHING FOUND

### ENVIRONMENTAL CONSTRAINT NOTE

AN ENVIRONMENTAL CONSTRAINT SHEET AFFECTING THIS MAP IS ON FILE IN THE OFFICE OF THE CITY ENGINEER, CITY OF LAKE ELSINORE, AND AFFECTS ALL LOTS.

### BASE OF RECORD

THE BASES OF RECORDS SHOWN ON THIS MAP ARE BASED ON THE BEARING OF THE EASTERLY LINE OF THE S.D. 1/4 SECTION 28, TOWNSHIP 3 SOUTH, RANGE 3 WEST SAN DIEGO COUNTY, CALIFORNIA, EAST FOR S.D. 86/76-82.



### SURVEYOR'S NOTE

- FOUND MONUMENT AS NOTED
- INDICATES SET 1" 1/8" LENGTH AND THICKNESS 1/2" 4700'S. CENTERLINE MONUMENTS ARE SET FLUSH WITH PAVEMENT SURFACE.
- SET 1/4" AND TWO 1/2" 4700'S IN TOP OF CURB ON THE PROLONGATION OF 1/4" LOT LINES IN CASE OF POINT LOT CORNERS.
- SET 1/4" AND TWO 1/2" 4700'S IN TOP OF WALL IN CASE OF NEAR LOT CORNERS WHERE APPLICABLE, FLUSH.
- SET 1" 1/8" 1/8" LENGTH AND THICKNESS WITH PLASTIC PLUS 1/2" 4700'S AT ALL NEAR LOT CORNERS WHERE APPLICABLE, FLUSH.
- ALL MONUMENTS SHOWN SET SHALL BE SET IN ACCORDANCE WITH RIVERSIDE COUNTY ORDINANCE 48.1.
- ( ) RECORD DATA FOR S.D. 72/80
- [ ] RECORD DATA FOR S.D. 86/76-82
- ( ) RECORD DATA FOR LOT LINE ADJUSTMENT 2004-13 WEST NO. 2004-005587 RECORDED 3/21/05 O.R.
- ..... UNDISTURBED ACCESS

ALL MONUMENTS SHOWN SET SHALL BE SET IN ACCORDANCE WITH RIVERSIDE COUNTY ORDINANCE 48.1. EASEMENT EASEMENTS SHALL BE SET FROM BUILDINGS AND CONSTRUCTIONS. THIS TRACT CONTAINS 34.25 ACRES GROSS.

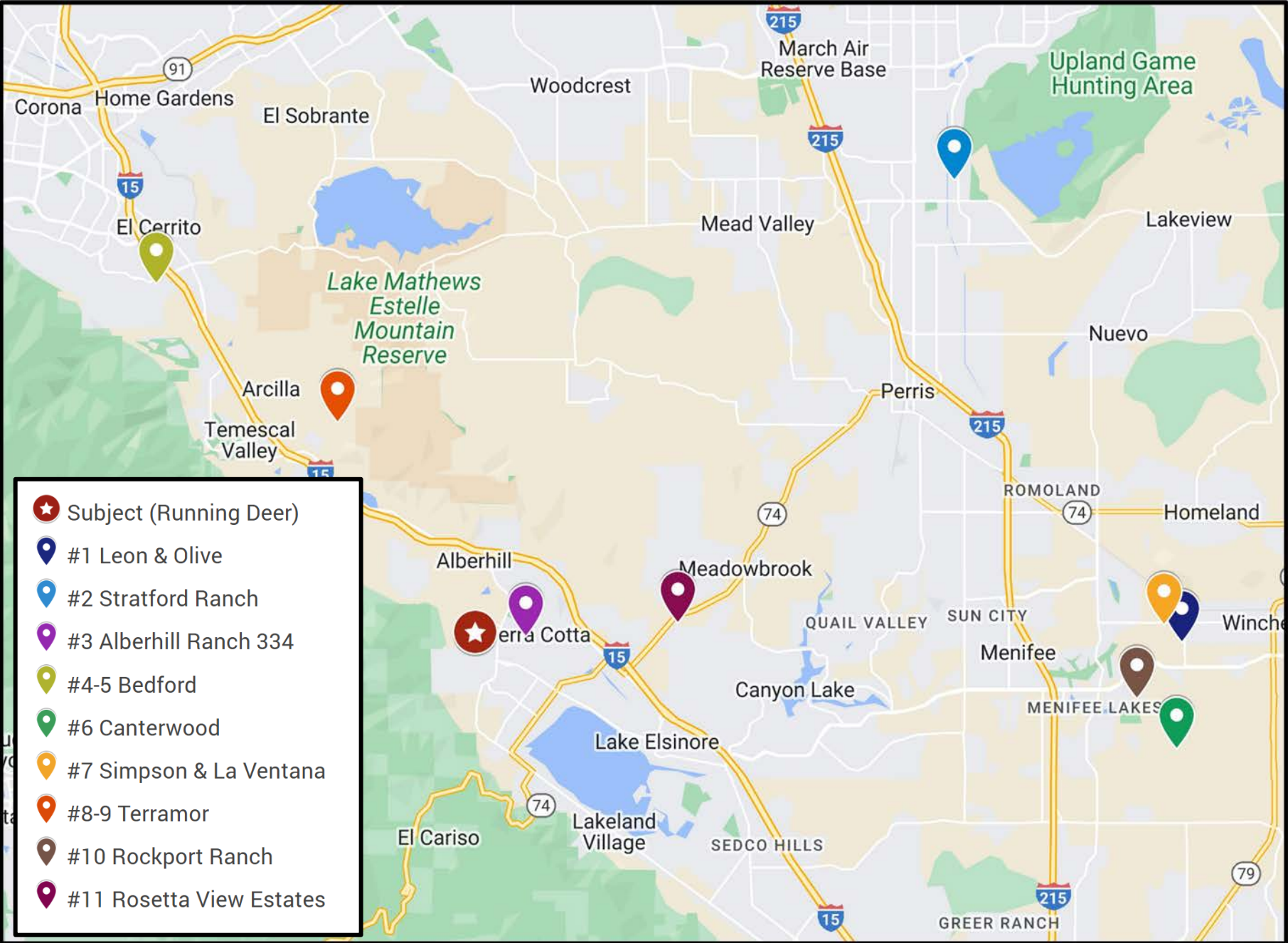
# **DISCOUNTED CASH FLOW ANALYSIS**

### Running Deer Estates Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months	MONTH 1	MONTH 2	<u>TOTAL</u>
	2			
INCOME:				
Retail Sales	2,446,092	\$1,223,046	\$1,223,046	\$2,446,092
TOTAL INCOME		<u>\$1,223,046</u>	<u>\$1,223,046</u>	<u>\$2,446,092</u>
EXPENSES:				
Remaining Costs		(\$88,760)	(\$88,760)	(\$177,520)
Marketing & Carrying Expenses	10%	(\$122,305)	(\$122,305)	(\$244,609)
Profit	12%	<u>(\$146,766)</u>	<u>(\$146,766)</u>	<u>(\$293,531)</u>
TOTAL EXPENSES		(\$357,830)	(\$357,830)	(\$715,660)
NET CASH FLOW		\$865,216	\$865,216	\$1,730,432
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	
DISCOUNTED CASH FLOW		\$858,065	\$850,974	\$1,709,039
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$858,065</u>	<u>\$1,709,039</u>	<u>\$1,709,039</u>

**FINISHED LOT LAND SALES MAP**  
**& SUMMARY CHART**

**FINISHED LOT LAND SALES SUMMARY MAP**



### FINISHED LOT LAND SALES SUMMARY CHART

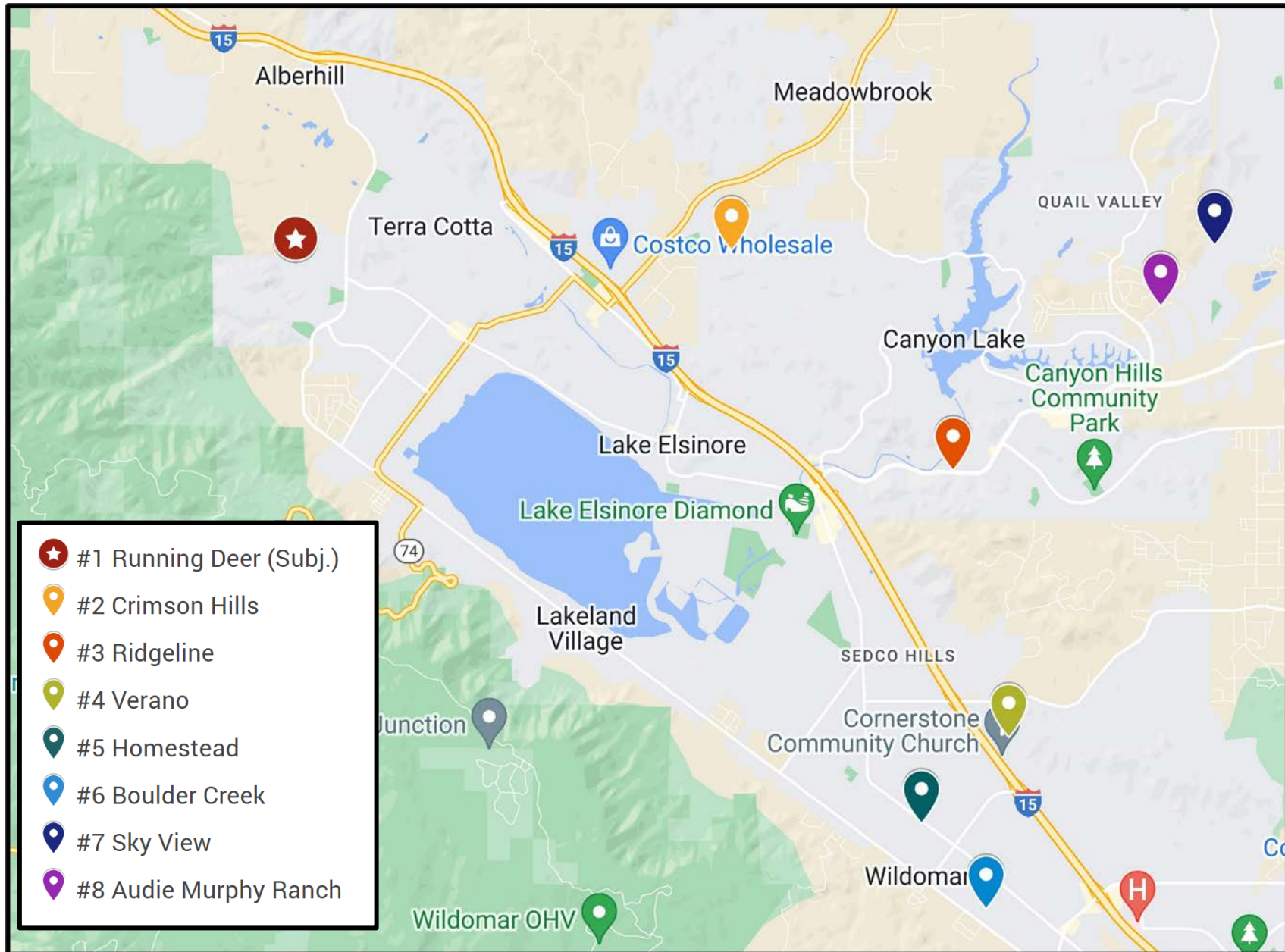
Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	NWC Leon & Olive, Winchester / 461-660-032 / D.R. Horton (Brpld – Brookfield OBS partner) / Rancon	5 / 23	420	3,500 & 2,900	\$12,078,000 / \$28,757	\$175,000	Closed with a recorded final map (34677) in an unimproved condition. Known as La Pradera.
2	Stratford Ranch, Evans Road 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.
3	Alberhill Ranch 344, 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.
4	Coda at Bedford, NEC Olvida Street and Shada Lane, Corona/ 279-540-24-29 / Beazer / Arantine Hills	5 / 22	72	Det. Triplex	\$15,271,000 / \$212,097	\$270,000	Closed with final map in a blue-topped, superpad condition.
5	Harper at Bedford, NWC Olvida Street and Pomelo Drive, Corona / 279-540-01 thru 11 / Taylor Morrison / Arantine Hills	5 / 22	91	3,800 sf	\$24,131,500 / \$265,181	\$360,000	Closed with final map in a blue-topped superpad 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	SEC Simpson and La Ventana, Winchester / 461-460-008 / Forestar (D.R Horton OBS partner) / Rancon	4 / 22	220	6,000	\$8,000,000 / \$36,364	\$213,000	Closed with a recorded Final Map in an unimproved condition.
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.
10	Rockport Ranch, SWC of Briggs Road and Old Newport Road, Menifee / 364-190-004 / Lennar / Abacherli Family	12 / 21	305	Cluster – 6,500	\$5,500,000 / \$18,033	\$181,000 - \$213,000	Closed in an unimproved condition with an approved tentative tract map.
11	Rosetta View Estates, Trellis Lane and Sharon Street, Lake Elsinore / KB Home / Spectrum	9 / 21	27	6,000	\$1,000,000 / \$37,037	\$220,000	Closed with a Final Map approved in an unimproved condition.

**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 (Subj.)	Running Deer Estates / Lake Street and Mountain Street, Lake Elsinore / Richmond American	1	2 + Study / 2	1 / 2	2,012	6,000 sf lots 3.2 sales/mo	\$570,990	\$283.79
		2	3 + Study / 2	1 / 2	2,191		\$585,990	\$267.45
		3	3 / 2.5	1 / 2	2,290		\$596,990	\$260.69
		4	3 + Study / 2.5	1 / 2	2,295		\$597,990	\$260.56
		5	3 + Study / 2.5	1 / 3T	2,491		\$610,990	\$245.28
2	Crimson Hills / Rosetta Canyon Drive and Elsinore Hills Road, Lake Elsinore / KB Home	1	3 / 2	1 / 2	1,551	7,200 sf lots 4.9 sales/mo	\$537,990	\$346.87
		2	3 / 2	1 / 2	1,751		\$551,990	\$315.24
		3	3 / 2	1 / 2	2,035		\$570,990	\$280.58
		4	4 / 2	1 / 2	2,206		\$585,990	\$265.63
		5	4 / 2.5	2 / 2	2,528		\$612,990	\$242.48
		6	5 / 3	2 / 2	2,882		\$639,990	\$222.06
3	Ridgeline, NEC Railroad Canyon and Tassel Way, Lake Elsinore / TRI Pointe Homes	1	3 / 2.5	2 / 2	1,794	3,375 sf lots 3.2 sales/mo	\$519,000	\$289.30
		2	3 / 2.5	2 / 2	2,021		\$548,987	\$271.64
		3	4 / 3	2 / 2	2,288		\$579,000	\$253.06
4	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	\$543,990	\$360.74
		2	3 / 2	1 / 2	1,586		\$550,990	\$347.41
		3	3 / 2	1 / 2	1,860		\$583,990	\$313.97
		4	4 / 2	1 / 2	2,238		\$603,990	\$269.88
5	Homestead / SWC Palomar Street and Norgrove Place, Wildomar / Richmond American	1	3 / 2	1 / 2	2,190	8,000 sf lots 2.9 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
6	Boulder Creek / NWC Grand Avenue and McVicar Street, Wildomar / Beazer Homes	1	4 / 2	1 / 3	2,316	9,000 sf lots 3.7 sales/mo	\$619,990	\$267.70
		2	4 / 2.5	1 / 3	2,599		\$639,990	\$246.24
		3	4 / 3	2 / 3	3,053		\$654,990	\$214.54
		4	5 / 3	2 / 3	3,462		\$689,990	\$199.30
7	Sky View / Ridgmoor Road and Triton Street, Menifee / Woodside Homes	1	2 + Study / 3	1 / 2	1,755	7,200 sf lots 4.0 sales/mo	\$553,000	\$315.10
		2	3 / 3	2 / 2	2,149		\$584,000	\$271.75
		3	3 / 2.5	1 / 2	2,172		\$632,000	\$290.98
		4	3 / 3	1 / 2	2,597		\$655,000	\$252.21
		5	3 / 3	2 / 3	2,697		\$653,500	\$242.31
		6	4 / 3	2 / 3	3,080		\$681,500	\$221.27

8	Noble at Audie Murphy Ranch / Goetz Road and Audie Murphy Road, Menifee / Richmond American Homes	1	3 / 2	1 / 2	2,270	7,500 sf lots 3.6 sales/mo	\$627,990	\$276.65
		2	3 / 2.5	1 / 2	2,610		\$657,990	\$252.10
		3	3 / 2.5	1 / 3	2,780		\$685,990	\$246.76
		4	3 / 2.5	1 / 3	3,130		\$706,990	\$225.88

## **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