

**Appraisal of Real Property**

**City of Beaumont CFD No. 2019-1**  
S/O Carnation Way, W/O Xenia Ave., et. al  
Beaumont, Riverside County, California 92223

**Prepared For:**  
City of Beaumont

**Effective Date of the Appraisal:**  
July 30, 2020

**Report Format:**  
Appraisal Report – Standard Format

**IRR - San Francisco**  
File Number: 192-2020-0326





**City of Beaumont CFD No. 2019-1**  
S/O Carnation Way, W/O Xenia Ave., et. al  
Beaumont, California



August 19, 2020

Mr. Todd Parton  
City Manager  
City of Beaumont  
550 E. 6th St.  
Beaumont, CA 92223

SUBJECT:       Market Value Appraisal  
                  City of Beaumont CFD No. 2019-1  
                  S/O Carnation Way, W/O Xenia Ave., et. al  
                  Beaumont, Riverside County, California 92223  
                  IRR - San Francisco File No. 192-2020-0326

Dear Mr. Parton:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal Report of the referenced property. The purpose of the appraisal is to develop an opinion of the market values (fee simple estate) of certain developed properties within the boundaries of the City of Beaumont Community Facilities District No. 2019-1 (Sundance) (“CFD No. 2019-1”). The client for the assignment is the City of Beaumont, and the intended use is for bond underwriting purposes.

CFD No. 2019-1 is comprised of residentially zoned land in the city of Beaumont. Specifically, the territory within CFD No. 2019-1 includes 118 lots which are being marketed as the Alisio, Elara, Daybreak, and Cascade Subdivisions within the Sundance master planned community. Of the 118 Assessor's parcels within the boundaries of CFD No. 2019-1, 102 have completed single-family homes. Of the 102 completed homes, none of the Assessor's parcels have a complete assessed value for both land and improvements. As such, a "not-less than" estimate of market value for each of the smallest floor plans within the four product lines being marketed within CFD No. 2019-1 was appraised and assigned to each respective Assessor's parcel. It's worth noting, of the 102 homes without complete assessed land and improvement value, 95 have sold to individual owners; the remaining 16 parcels comprise homes under construction.

This Appraisal Report is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the California Debt and Investment Advisory Commission (CDIAC) (2004), and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

We have been requested to provide a market value of the appraised properties by ownership and Assessor's parcel, as well as a cumulative, or aggregate, value of the properties, as of the date of value (July 30, 2020). The market value of the appraised properties, as well as the cumulative, or aggregate, value of the appraised properties in CFD No. 2019-1 account for the impact of the Lien of the Special Tax securing the CFD No. 2019-1 Special Tax Bonds ("Bonds").

As a result of our analysis, it is our opinion the cumulative, or aggregate, value, in accordance with the assumptions and conditions set forth in the attached document, as of July 30, 2020, are as follows:

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**Final Value Conclusions**

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Value Premise	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Completed Home*			
Elara	\$329,000	3	\$987,000
Alisio	\$298,000	81	\$24,138,000
Daybreak	\$361,000	18	\$6,498,000
Not-Less-Than Market Value (Homes under Construction)			
Alisio	\$98,000	3	\$294,000
Cascade	\$127,000	7	\$889,000
Daybreak	\$196,000	<u>6</u>	<u>\$1,176,000</u>
Total Aggregate Value of Appraised Properties		118	\$33,982,000

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\*Based on smallest floor plan within each subdivision

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### Extraordinary Assumptions and Hypothetical Conditions

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to reimburse for certain public improvements that have been completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2019-1 for the Special Taxes securing the Bonds.
- 

As of the date of value, the economy (globally, nationally, and locally) was in a state of rapid transition with a widespread expectation of the imminent onset of a significant recession. The outbreak of COVID-19 (coronavirus disease of 2019) in China was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Some market deterioration had occurred shortly before this date, but the declaration by the WHO soon led to municipal and statewide orders to “shelter in place,” causing widespread closures of businesses and a massive disruption to general commerce. The status of economic conditions is changing rapidly, creating great uncertainty in the markets. Our analysis of these and related issues is presented in the attached report. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time. Please refer to the *COVID-19 Impact on Valuation* section of the attached report.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan (by project) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned.

Any properties within CFD No. 2019-1 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites) are not a part of this Appraisal Report.

Please note the aggregate of the appraised values noted herein ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the “total of multiple market value conclusions.” For purposes of this Appraisal Report, market value is estimated by ownership.

Mr. Todd Parton  
City of Beaumont  
August 19, 2020  
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Respectfully submitted,

**INTEGRA REALTY RESOURCES - SAN FRANCISCO**



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558  
Telephone: 916-435-3883, ext. 228  
Email: esegal@irr.com



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567  
Telephone: 916-435-3883, ext. 224  
Email: kziegenmeyer@irr.com



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218  
Telephone: 916-435-3883, ext. 229  
Email: ktatton@irr.com

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# Summary of Salient Facts and Conclusions

Property Name	City of Beaumont CFD No. 2019-1
Address	S/O Carnation Way, W/O Xenia Ave., et. al Beaumont, Riverside County, California 92223
Property Type	Land - Residential Subdivision
Zoning Designation	SPA, Specific Plan Area (Sundance)
Highest and Best Use	Single-family residential
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	July 30, 2020
Date of the Report	August 19, 2020
Property Interest Appraised	Fee Simple

## Value Conclusion

Value Premise	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Completed Home*			
Elara	\$329,000	3	\$987,000
Alisio	\$298,000	81	\$24,138,000
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Not-Less-Than Market Value (Homes under Construction)			
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Cascade	\$127,000	7	\$889,000
Daybreak	\$196,000	6	\$1,176,000
Total Aggregate Value of Appraised Properties		118	\$33,982,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Beaumont and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

\*Based on smallest floor plan within each subdivision

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to reimburse for certain public improvements that have been completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2019-1 for the Special Taxes securing the Bonds.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan (by project) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned.

Please note the aggregate of the appraised values noted above ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the “total of multiple market value conclusions.” For purposes of this Appraisal Report, market value is estimated by ownership.

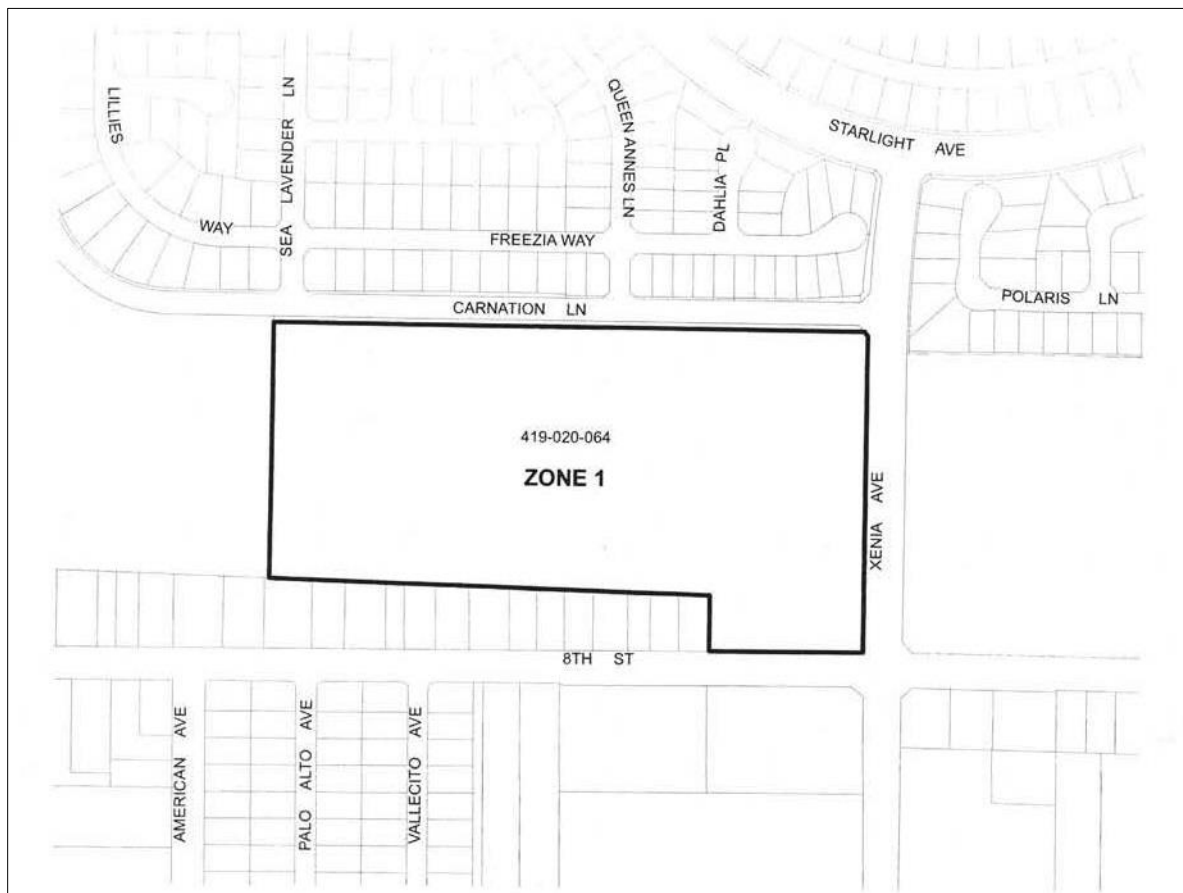


## General Information

### Identification of Subject

CFD No. 2019-1 is comprised of residentially zoned land in the city of Beaumont. Specifically, the territory within CFD No. 2019-1 includes 118 lots which are being marketed as the Alisio, Elara, Daybreak, and Cascade Subdivisions within the Sundance master planned community. Of the 118 Assessor's parcels within the boundaries of CFD No. 2019-1, 102 have completed single-family homes. Of the 102 completed homes, none of the Assessor's parcels have a complete assessed value for both land and improvements. As such, a "not-less than" estimate of market value for each of the smallest floor plans within the four product lines being marketed within CFD No. 2019-1 was appraised and assigned to each respective Assessor's parcel. It's worth noting, of the 102 homes without complete assessed land and improvement value, 95 have sold to individual owners; the remaining 16 parcels comprise homes under construction.

The boundaries of the subject are presented as follows:





## Sale History

The Appraisal Report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) for Mass Appraisals, inasmuch this Appraisal Report does not provide a discussion of the sales history for each parcel appraised herein during the past three years. The scope of work outlined in this Appraisal Report is based on the specific intended use of this Appraisal Report. As will be shown and detailed herein, the appraised properties have been the subject of previous, recent and pending transactions as completed single-family homes currently being marketed for sale by Pardee Homes within CFD No. 2019-1.

## Purpose of the Appraisal

The purpose of this Appraisal Report is to estimate the market value (*fee simple estate*), by ownership and Assessor's parcel, and the cumulative, or aggregate value of the appraised properties comprising a portion of the CFD No. 2019-1, subject to the hypothetical condition certain proceeds from the Bonds will be available to reimburse for certain public facilities, as of the effective date of the appraisal, July 30, 2020. The date of the report is August 19, 2020. The appraisal is valid only as of the stated effective date or dates.

## Definition of Market Value

Market value 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 and 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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Fee simple estate is defined 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.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))*

## Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client is the City of Beaumont. The intended users are the City of Beaumont and its associated finance team. The appraisal is not intended for any other use or user. No party or parties other than City of Beaumont and its associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;

- Applicable state appraisal regulations;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- California Debt and Investment Advisory Commission (CDIAC) (2004).

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

This Appraisal Report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the appraised properties were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Beaumont Planning Department (on-line resources). The subject’s earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Riverside Assessor’s Office on-line resources.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, land brokers, developers and local government agencies.

In this appraisal we determined the highest and best use of the subject property as though vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and

best use of the subject property is for near term single-family residential development (production homes).

The valuation began by employing the sales comparison approach to estimate the not-less-than market value for the completed single-family homes, based on the smallest floor plan marketed within each subdivision. Then, the extraction technique was utilized to estimate the market value of the single-family residential lots with homes under construction.

The market value estimates for the various taxable land use components described above were then assigned to the various Assessor's parcels comprising the Appraised Properties in order to derive the values, by ownership.

The market values estimated herein are based on a **hypothetical condition**. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis." It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to reimburse for certain public improvements. The estimate of market value accounts for the impact of the Lien of CFD No. 2019-1 for the Special Taxes securing the Bonds.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Eric Segal, MAI, conducted an on-site inspection on July 25, 2020.

# Economic Analysis

## Area Analysis – Riverside County

### Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and changing rapidly. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

Riverside County is part of a region known as the Inland Empire of southern California, southeast of Los Angeles. The county is bordered by San Bernardino County to the north, Orange County to the west, San Diego and Imperial counties to the south, and the state of Arizona to the east. Major cities in the county include Riverside, Moreno Valley, Corona, Murrieta and Temecula. In general, Riverside County is one of California's fastest growing metropolitan areas. Many new residents are coming from the more expensive metropolitan areas of Los Angeles and San Diego.

### Population

The county has a population of 2.44 million and has grown at a rate of 1.1% per year for the past five years. The following table illustrates recent population trends for Riverside County.



<b>Population Trends</b>							
City	2015	2016	2017	2018	2019	2020	%/Yr (5-year)
Banning	30,542	30,769	30,981	31,091	31,142	31,125	0.4%
Beaumont	43,108	44,685	46,025	47,776	49,630	51,475	3.9%
Blythe	18,904	19,410	19,313	19,524	19,256	19,255	0.4%
Calimesa	8,289	8,410	8,644	8,793	8,830	9,329	2.5%
Canyon Lake	10,852	10,899	10,962	10,970	10,995	11,000	0.3%
Cathedral City	52,441	52,576	52,868	53,104	53,320	53,580	0.4%
Coachella	44,809	45,382	45,813	46,317	46,885	47,186	1.1%
Corona	160,420	161,294	164,745	166,154	166,723	168,248	1.0%
Desert Hot Springs	28,299	28,692	28,937	29,525	29,683	29,660	1.0%
Eastvale	61,002	63,331	64,645	65,416	65,611	66,413	1.8%
Hemet	83,067	83,886	84,601	84,969	85,159	85,175	0.5%
Indian Wells	5,190	5,243	5,304	5,342	5,379	5,403	0.8%
Indio	85,212	86,625	87,898	88,989	90,087	90,751	1.3%
Jurupa Valley	98,855	100,196	102,468	104,728	106,115	107,083	1.7%
Lake Elsinore	58,480	60,408	61,574	62,536	63,154	63,453	1.7%
La Quinta	39,240	39,769	40,065	40,217	40,389	40,660	0.7%
Menifee	86,359	88,131	90,197	92,157	94,732	97,093	2.5%
Moreno Valley	200,818	202,021	203,661	205,549	207,181	208,838	0.8%
Murrieta	108,718	109,686	112,178	113,313	114,193	115,561	1.3%
Norco	26,058	26,543	26,618	26,557	26,426	27,564	1.2%
Palm Desert	51,250	51,863	52,389	52,726	52,911	52,986	0.7%
Palm Springs	46,367	46,628	47,005	47,148	47,296	47,427	0.5%
Perris	74,400	76,108	77,925	79,127	79,856	80,201	1.6%
Rancho Mirage	18,146	18,356	18,556	18,708	18,886	19,114	1.1%
Riverside	318,387	320,962	323,583	325,417	326,427	328,155	0.6%
San Jacinto	46,923	47,709	48,321	49,113	50,431	51,028	1.7%
Temecula	108,895	109,985	111,145	111,680	111,879	111,970	0.6%
Wildomar	34,810	35,351	36,113	36,698	37,126	37,183	1.4%
Unincorporated	365,865	368,867	374,046	377,118	382,444	385,388	1.1%
<b>Total</b>	<b>2,315,706</b>	<b>2,343,785</b>	<b>2,376,580</b>	<b>2,400,762</b>	<b>2,422,146</b>	<b>2,442,304</b>	<b>1.1%</b>

Source: California Department of Finance

Riverside is the fourth most populous county in California, following Los Angeles, San Diego and Orange Counties. The majority of residents live within incorporated areas, the largest of which is the city of Riverside, with a population of just over 328,000. The population in the region is expected to continue to grow; according to the California Department of Finance, the population in Riverside County is projected to increase to 2.72 million by 2030 and 3.07 million by 2050.

## Employment & Economy

The California Employment Development Department has reported the following employment data for Riverside County over the past few years.

<b>Employment Trends</b>						
	2014	2015	2016	2017	2018	2019
Labor Force	1,011,100	1,033,300	1,051,400	1,072,100	1,091,400	1,104,000
Employment	928,300	964,100	987,200	1,015,800	1,042,700	1,057,900
Job Growth	30,600	35,800	23,100	28,600	55,500	42,100
Unemployment Rate	8.2%	6.7%	6.1%	5.3%	4.5%	4.2%

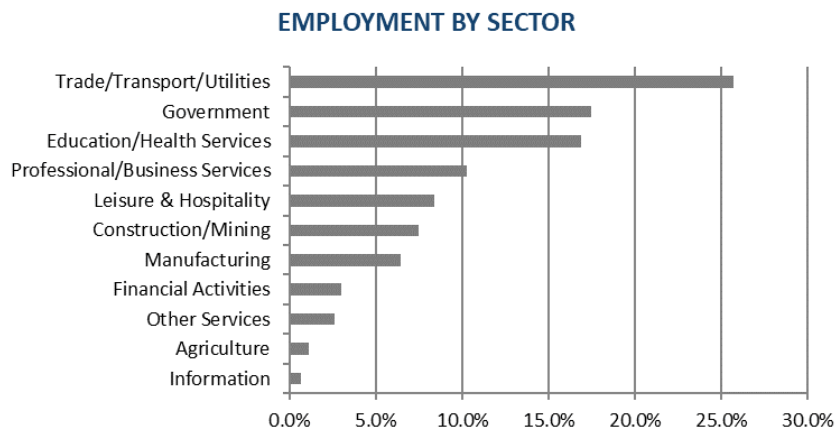
Source: California Employment Development Department

Most areas within the state and nation, including Riverside County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide public health Stay-At-Home Orders were issued on March 19<sup>th</sup> which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment, with some sectors of the workforce impacted more significantly than others.

The average annual unemployment rate in Riverside County was 4.2% in 2019 and remained in the 4.1% to 5.4% range during the first quarter of 2020. However, the unemployment rate spiked to 15.6% in April 2020 following non-essential business closures. The California Employment Development Department reported an unemployment rate of 14.8% in Riverside County in June 2020, compared to 15.1% for California and 11.2% for the nation.

As of June 2020, it was reported 145,900 non-farm jobs were lost (9.5% decline) in the Riverside-San Bernardino-Ontario MSA year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 57,900 jobs lost, followed by the Trade/Transportation/Utilities and Government sectors with 21,800 and 18,300 jobs lost, respectively.

The Riverside-San Bernardino-Ontario MSA has a diverse economy, with the majority of its employment distributed among several sectors of industry, as opposed to one or two key sectors. The following chart indicates the percentage of total employment for each sector as of June 2020.



Source: California Employment Development Department

As illustrated in the preceding chart, the region’s largest employment sectors are Trade/Transportation/Utilities, which includes wholesale and retail trade; Government; Education and Health Services; and Leisure and Hospitality. The region’s largest employers are listed in the following table.



<b>Top Employers - Riverside County</b>			
Employer	Location	Description	No. of Employees
County of Riverside	Countywide	County Government	21,672
Amazon	Countywide	E-Commerce	10,500
University of California, Riverside	Riverside	University	9,770
March Air Reserve Base	March ARB	Military Reserve Base	9,600
Stater Bros	Countywide	Retail Grocery	8,304
Kaiser Permanente Riverside Medical Center	Riverside	Hospital	5,700
Pechanga Resort & Casino	Temecula	Resort/Casino	5,078
Walmart	Countywide	Department Stores	4,931
Corona-Norco Unified School District	Corona	School District	4,903
Ross Dress For Less	Countywide	Department Stores	4,321
Hemet Unified School District	Hemet	School District	4,046
Riverside Unified School District	Riverside	School District	4,000
Eisenhower Medical Center	Rancho Mirage	Hospital	3,900
Moreno Valley Unified School District	Moreno Valley	School District	3,755
Lake Elsinore Unified School District	Lake Elsinore	School District	3,717
Desert Sands Unified School District	La Quinta	School District	3,437
Jurupa Unified School District	Jurupa Valley	School District	3,250
Temecula Valley Unified School District	Temecula	School District	3,057
Palm Springs Unified School District	Palm Springs	School District	2,737
Murrieta Valley Unified School District	Murrieta	School District	2,500
City of Riverside	Riverside	City Government	2,470
Riverside Community College District	Riverside	Community College District	2,342
JW Marriott Desert Springs Resort & Spa	Palm Desert	Resort & Spa	2,304
Agua Caliente Band of Cahuilla Indians	Palm Springs	Tribal Government / Casinos	2,300
Morongo Casino, Resort & Spa	Cabazon	Resort/Casino	2,300
Cal Baptist University	Riverside	University	2,285
Riverside Community Hospital	Riverside	Hospital	2,200
Desert Regional Medical Center	Palm Springs	Hospital	1,962
Alvord Unified School District	Riverside	School District	1,868
Coachella Valley Unified School District	Thermal	School District	1,805
Riverside County Office of Education	Riverside	Education	1,653
Mt. San Jacinto College	San Jacinto	Community College District	1,479
Corona Regional Medical Center	Corona	Hospital	1,250
Medline Professional Hospital Supply	Temecula	Medical / Hospital Equipment & Supplies	1,204
Fantasy Springs Resort and Casino and Tribe	Indio	Tribal Government / Casinos	1,202
UTC Aerospace Systems	Riverside	Aerospace Product & Parts Manufacturing	1,200
California Rehabilitation Center	Norco	Level II Prison	1,200
Fantasy Springs Resort Casino	Indio	Resort Casino	1,153
Parkview Community Hospital Medical Center	Riverside	Hospital	1,149
Ironwood State Prison	Blythe	Level I and III Prison	1,081

Source: Riverside County Economic Development Agency

## Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income of \$63,948 for Riverside County in 2018 dollars (most recent data available), which was lower than the state of California's median income of \$71,228.

## Transportation

Access to and through Riverside County is provided by several major routes, including Interstates 10, 15 and 215, as well as State Routes 60, 62, 74, 79, 86, 91, 111 and 243. Interstate 10 is the primary

east-west connector while Interstates 15 and 215 are the primary north-south connecting highways. The 91 Freeway is a major transportation arterial from the Inland Empire to Orange County via the 55 Freeway.

Interstate 10 is a major east-west route in Southern California, connecting the Pacific coast (Santa Monica) with the Arizona state line before traveling further east through the southern portion of Arizona, New Mexico, Texas, Louisiana, Mississippi, Alabama, and terminating in Jacksonville, Florida. Interstate 10 links the major California cities of Santa Monica, Los Angeles, Ontario, Beaumont, Palm Springs, Indio and Blythe.

As a primary east-west connector, Interstate 15 connects the counties of San Bernardino, Riverside and San Diego. The route extends north through Nevada, Arizona, Utah, Idaho and Montana to the Canadian border. Interstate 15 is a major thoroughfare for traffic between San Diego and the Inland Empire, as well as between Southern California and Las Vegas, Nevada. Interstate 215 comprises approximately 55 miles of interstate highway in the Inland Empire. The southern terminus of Interstate 215 is at the junction of Interstate 15 in Murrieta in south Riverside County and travels through Perris before joining the 60 Freeway in Moreno Valley. This interstate is considered an alternative to Interstate 15 for travel between Phoenix, Las Vegas, San Bernardino and the San Diego area.

Public transportation is provided by various agencies. Riverside Transit Agency serves the western third of Riverside County, SunLine Transit Agency serves Palm Springs and the Coachella Valley area, Palo Verde Valley Transit Agency serves Blythe near the Arizona border, Pass Transit serves the San Geronio Pass communities, and Corona Cruiser serves the community of Corona. In addition, Riverside County is also served by Greyhound buses and Amtrak passenger trains.

The county's main airport is the Palm Springs International Airport. This two-runway airport is located about two miles east of downtown Palm Springs and is highly seasonal, with most flights operating during the winter.

## **Recreation & Culture**

Riverside County offers innumerable recreational and cultural opportunities, including many public parks, schools, golf courses, museums and performing arts venues. Popular attractions include the Botanical Gardens at the University of California, Riverside; the historic Mission Inn in downtown Riverside; March Field Air Museum, an aviation museum near Moreno Valley and Riverside, adjacent to the March Air Reserve Base; Temecula Valley, a tourist destination in the southern part of the county with numerous wineries, wine tasting rooms, bed and breakfast inns and wedding venues; and Castle Park, an amusement park. Annual events in the county include the Festival of Lights in Riverside, known for its display of nearly three million Christmas lights; Ghost Walk Riverside; Temecula Valley Balloon and Wine Festival; and Harvest Wine Celebration.

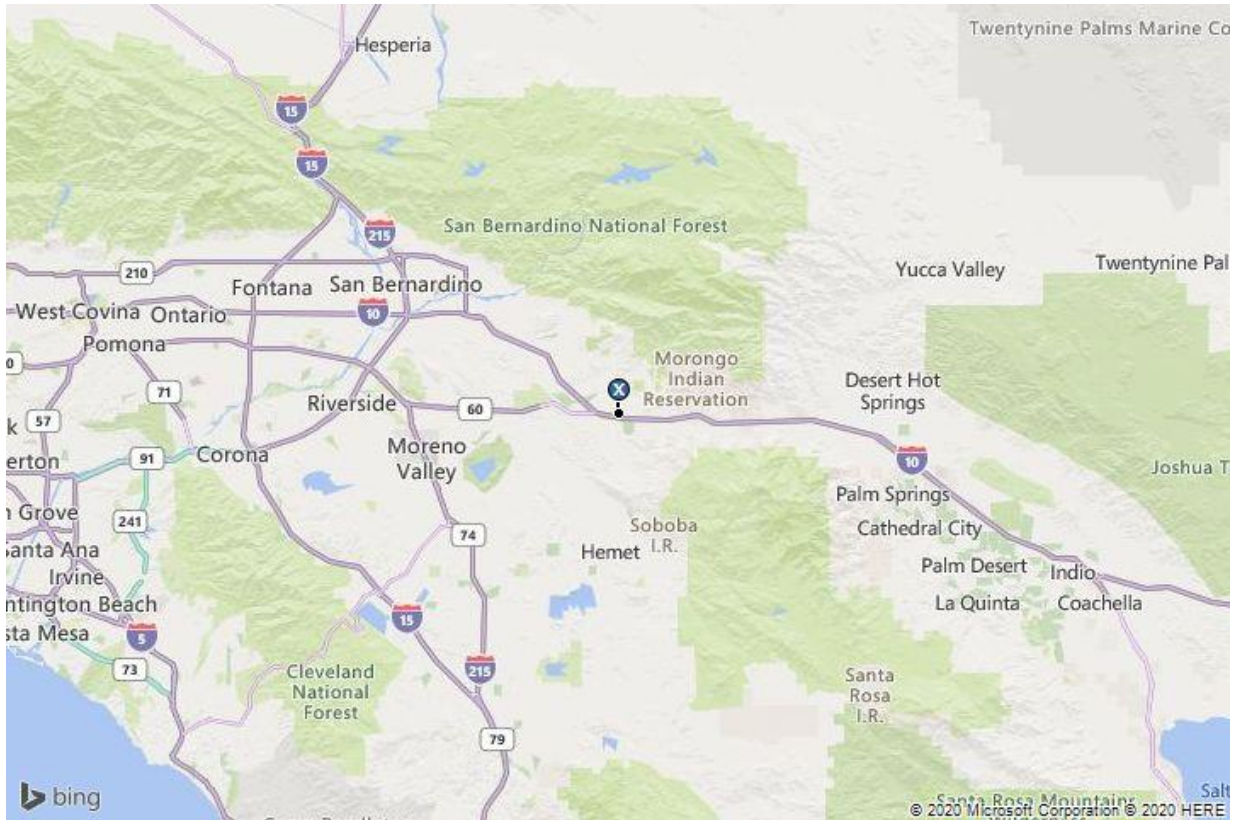
Riverside County is home to multiple higher education institutions including, but not limited to, the University of California Riverside, California Baptist University, California Southern Law School, California State University San Bernardino and Mt. San Jacinto College.

**Conclusion**

In general, Riverside County is one of the fastest growing areas in the state. Many new residents are relocating here from the more expensive metropolitan areas of Los Angeles and San Diego. The region offers diverse employment opportunities, numerous colleges and universities, extensive transportation routes, shopping centers, public services and recreational activities.

After a period of contraction in the economy and real estate markets around 2008-2010, the region experienced improvement in employment and economic conditions, and most real estate sectors showed signs of recovery or expansion. However, employment conditions declined sharply in April 2020 following stay-at-home mandates and non-essential business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

### Area Map





## Surrounding Area Analysis

This section of the Appraisal Report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.”

### Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located within the city of Beaumont, which is located in Riverside County, within the Inland Empire region of Southern California. It is bordered on the north by the unincorporated community of Cherry Valley, on the east by the City of Banning, on the south by the City of San Jacinto and on the west by the City of Calimesa. It has a land area of 30.9 square miles and an elevation of 2,500-3,000 feet above sea level. It is situated at the peak of the San Gorgonio Pass between the cities of San Bernardino and Palm Springs.

### Access and Linkages

Since the San Gorgonio Pass was discovered in 1853, it has been at the center of transportation in the region, beginning with early trails, then railroads, highways and interstates. Today, Beaumont is still a transportation hub with major routes extending in every direction. Three major interstates/highways intersect at what is known as the Beaumont Avenue interchange: Interstate 10, State Route 60 and State Route 79.

Interstate 10 is the primary transportation corridor through the city, with access to Santa Monica and the Pacific Ocean to the west and eastward to the low desert cities of Palm Springs and Indio, to the Southwest regions in Arizona and New Mexico, terminating in Jacksonville Florida on the east coast. The 60 Freeway is a major east/west transportation route linking Interstate 5 in downtown Los Angeles with Interstate 10 in Beaumont. The 60 Freeway provides direct access to most of the north/south freeways in the greater Los Angeles area, including the 215, 15, 91, 57, 605, 710 and 5 freeways. State Route 79 provides access to Hemet, Winchester and Temecula to the south. To the north, State Route 79 is Beaumont Avenue and provides access to the neighboring community of Cherry Glen and on to the scenic apple country of Oak Glen.

Public transit is available through the City of Beaumont Transit System, which also operates the Pass Transit System in collaboration with the City of Banning Transit. The system offers eight fixed routes and a commuter link to Calimesa, the San Bernardino Metrolink and the Loma Linda Veteran’s Hospital. Additional services include Dial-A-Ride and curb-to-curb service for ADA certified and seniors 65 years and older within Beaumont and parts of Cherry Valley.

In terms of air travel, there are several proximate airports available to residents of Beaumont. Palm Springs International Airport is the nearest major airport, located approximately 30 miles to the east and the LA/Ontario International Airport is located approximately 40 miles west in Ontario. Six additional airports offering commercial international and/or domestic flights are located within 100 miles. Local airports include the Banning Municipal Airport located less than 10 miles to the east; the Redlands Municipal Airport approximately 18 miles northwest; the Hemet-Ryan Airport 18 miles to the south; and several others in San Bernardino, Riverside and Colton, all within approximately 30 miles of Beaumont.

## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
2020 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	92223 (Beaumont, CA)	Riverside County, CA
Population 2010	7,877	40,443	67,602	44,136	2,189,641
Population 2020	9,458	47,480	79,588	54,317	2,477,088
Population 2025	10,121	50,478	84,467	58,203	2,598,248
Compound % Change 2010-2020	1.8%	1.6%	1.6%	2.1%	1.2%
Compound % Change 2020-2025	1.4%	1.2%	1.2%	1.4%	1.0%
Households 2010	2,742	14,181	24,775	14,983	686,260
Households 2020	3,241	16,379	28,798	18,185	766,375
Households 2025	3,455	17,338	30,462	19,426	801,362
Compound % Change 2010-2020	1.7%	1.5%	1.5%	2.0%	1.1%
Compound % Change 2020-2025	1.3%	1.1%	1.1%	1.3%	0.9%
Median Household Income 2020	\$62,886	\$67,941	\$65,469	\$79,501	\$70,895
Average Household Size	2.9	2.9	2.7	3.0	3.2
College Graduate %	18%	21%	23%	25%	22%
Median Age	37	39	42	38	36
Owner Occupied %	72%	73%	77%	77%	68%
Renter Occupied %	28%	27%	23%	23%	32%
Median Owner Occupied Housing Value	\$288,101	\$324,019	\$339,120	\$351,878	\$410,650
Median Year Structure Built	1987	1999	1998	2002	1990
Average Travel Time to Work in Minutes	35	34	34	36	36

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 47,480, and the average household size is 2.9. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the subject's 92223 zip code overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$67,941, which is lower than the household income for the 92223 zip code. Residents within a 3-mile radius have a lower level of educational attainment than those of the 92223 zip code and median owner occupied home values are also lower.

## Recreation & Community Facilities

The City of Beaumont offers adequate recreational opportunities and community facilities, with additional services accessible within 20-30 miles (30-40-minute driving time) in the larger cities of San Bernardino, Riverside and Moreno Valley. Beaumont hosts a number of family-oriented events throughout the year. The largest event is the Cherry Festival, which celebrated its 100<sup>th</sup> anniversary in May/June 2018. It is a four-day community festival with food and drinks, games, music, entertainment, rides and booths.

Beaumont offers two championship golf courses: Oak Valley Golf Club and Morongo Golf Club at Tukwet Canyon, which was formerly owned and operated by the PGA. Antique shops along 6<sup>th</sup> Street have long been a well-known attraction in Beaumont, providing a unique shopping experience. The nearby Cabazon Outlet Mall provides additional shopping, featuring 65,000 square feet of shops, representing 18 specialty retailers.

The nearest hospital is the San Geronio Memorial Hospital located just outside the Beaumont city limits, in Banning. The Beaver Medical Group, with offices throughout the Inland Empire, offers primary care, urgent care and laboratory services at its Beaumont location.

The city is served by seven elementary schools, two middle schools, two high schools and an adult school. Secondary education is accessible within approximately five to 20 miles in nearby communities, including Mt. Jacinto Community College with the San Geronio Pass Campus located in Banning and the main campus located in San Jacinto; Crafton Hills College in Yucaipa; Moreno Valley College in Moreno Valley; and University of Redlands in Redlands.

The Beaumont Civic Center houses two memorials. The Veteran's Memorial honors local veterans who served from World War I through present-day operations. The Public Safety Memorial honors police officers and firefighters who died in the line of duty or served in the community during their lifetime. In addition, the Centennial Memorial Bridge, located off Oak Valley Parkway, honors individuals who made significant contributions to the community within its first 100 years.

## Land Uses

Land uses in the immediate area include primarily residential, with supporting commercial services located proximate to Interstate 10.

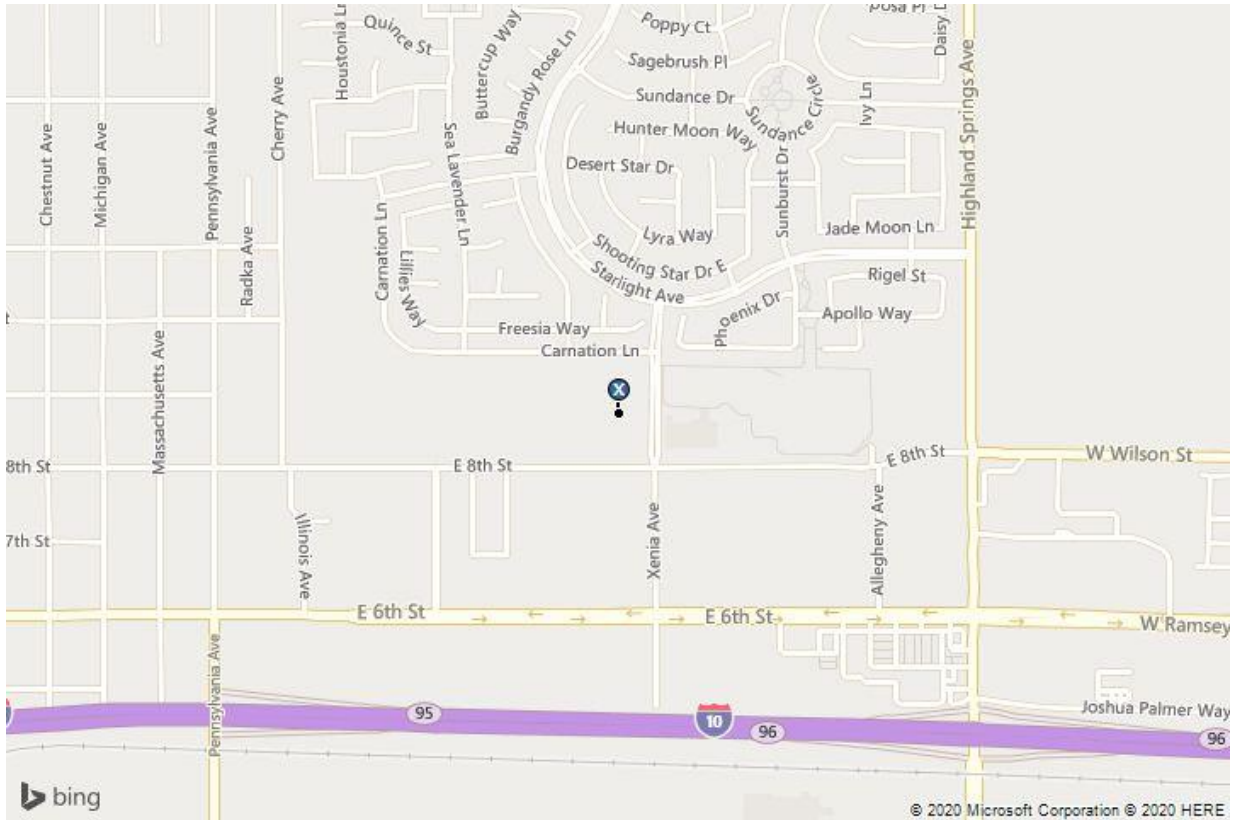
A neighborhood retail center anchored by Stater Bros. Market is located at the northeast corner of Oak Valley Parkway and Beaumont Avenue. A Food 4 Less anchored retail center is located at the southeast corner of North Highland Springs Avenue and East 6<sup>th</sup> Street. Just south of Interstate 10 at North Highland Springs Avenue is a high concentration of retail development, including Best Buy, Ross Dress for Less, Bed Bath & Beyond, The Home Depot and Wal-Mart, among other retailers. Just east of Best Buy, in the city of Banning, is Sun Lakes Village Shopping Center, which is anchored by Hobby Lobby, Rite Aid and Albertsons.

## Outlook and Conclusions

In conclusion, the subject's immediate neighborhood is growing in residential uses. The area is considered to be a middle-income neighborhood with adequate support facilities in proximity. The

overall condition and quality of the neighborhood is rated as good. The subject property is considered to have good transportation characteristics, including proximity to major neighborhood thoroughfares and freeway access. Overall, the subject is expected to perform reasonably well over the long term.

### Surrounding Area Map



## Residential Market Analysis

Given prevailing land use patterns and the subject's zoning, a likely use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

### Submarket Overview

The subject property is located within the Sundance Specific Plan, in the southwest portion of the urban area of the city of Beaumont, Riverside County. The neighborhood is characterized as a growing suburban area. Based on existing, surrounding homes and new projects under development, the subject characteristics best support projects designed for entry level to move-up buyers as well as empty nesters looking to downsize.

In this analysis of the housing market, we will analyze market trends within Riverside County and, more specifically, the city of Beaumont market area.

### Single-Family Building Permits

Single-family building permits for the city of Beaumont as well as Riverside County totals are shown in the following table.

<b>Building Permits</b>		
<b>Year</b>	<b>City of Beaumont</b>	<b>Riverside County</b>
2008	300	3,808
2009	350	3,079
2010	333	4,012
2011	169	2,350
2012	273	2,847
2013	500	4,328
2014	454	5,058
2015	466	4,325
2016	450	5,136
2017	741	5,827
2018	684	7,327
2019	535	6,267
2020 (May)	62	3,022

Source: SOCDs Building Permits Database

### Active New Home Projects Pricing and Absorption

There are 13 active projects within the city of Beaumont. These projects are summarized in the tables on the following page, based on data as of July 2020.



Active Projects												
Project	Master Plan	Community	Developer	Average Price	Avg. Home Size (SF)	Avg. Price/SF	Typical Lot Size	Units Planned	Units Sold	Avg. Sales/Wk	Avg. Sales/Month	
Abrio	Sundance	Beaumont	Pardee Homes	\$427,500	2,777	\$154	7,000	113	107	0.89	3.56	
Alisio*	Sundance	Beaumont	Pardee Homes	\$342,667	1,895	\$181	N/Av	84	82	1.07	4.28	
Avia	Olivewood	Beaumont	Taylor Morrison	\$347,700	1,751	\$199	5,000	302	83	0.77	3.08	
Avid <sup>^</sup>	Atlas	Beaumont	Pardee Homes	\$351,000	1,797	\$195	N/Av	103	25	0.26	1.04	
Beacon	Sundance	Beaumont	Pardee Homes	\$765,275	3,333	\$230	10,000	114	102	0.88	3.52	
Capella	Olivewood	Beaumont	Taylor Morrison	\$368,067	2,036	\$181	6,000	308	73	0.68	2.72	
Cascade*	Sundance	Beaumont	Pardee Homes	\$461,267	1,759	\$262	5,300	209	189	1.20	4.80	
Daybreak*	Sundance	Beaumont	Pardee Homes	\$535,000	2,244	\$238	5,600	159	156	1.20	4.80	
Elan <sup>^</sup>	Atlas	Beaumont	Pardee Homes	\$400,667	2,656	\$151	N/Av	81	35	0.37	1.48	
Lugano	Olivewood	Beaumont	Taylor Morrison	\$414,675	2,625	\$158	7,200	240	51	0.47	1.88	
Mira <sup>^</sup>	Atlas	Beaumont	Pardee Homes	\$377,000	2,345	\$161	N/Av	92	24	0.25	1.00	
Provence	Olivewood	Beaumont	Taylor Morrison	\$437,038	2,893	\$151	7,000	67	63	0.58	2.32	
Vita <sup>^</sup>	Atlas	Beaumont	Pardee Homes	\$324,333	1,563	\$208	N/Av	152	45	0.48	1.92	
			Minimum	\$324,333	1,563	\$151	5,000				1.00	
			Maximum	\$765,275	3,333	\$262	10,000				4.80	
			Average	\$427,091	2,283	\$190	6,638				<b>2.80</b>	

\*Subject Property represents a portion of  
<sup>^</sup>Age-restricted Project

As shown by the table, new home pricing in Beaumont is generally consistent among the active projects. The average sale price in the data set - \$427,091, is higher than recent sale prices among the subdivisions within the subject's boundaries. Average weekly sales for the above projects equate to a monthly average absorption rate of 2.80 homes.

### Resale Pricing

The following table shows historical resale data for more recently built homes (2012 and newer) in the city of Beaumont. We restricted our search to lot sizes with less than 15,000 square feet.

Resales										
Address	Sale Date	Living Area		Sale Price			Year Built	Days on		
		(SF)	Sale Price	Last List Price	/SF	Sale/List		Market	Lot Size	
464 Whitney Peak	7/15/2020	2,482	\$485,000	\$494,900	\$199	98.0%	2016	11	7,405	
36543 Straightaway DR	7/13/2020	3,102	\$424,000	\$427,000	\$138	99.3%	2013	28	8,276	
35300 Smith AVE	7/13/2020	2,402	\$468,500	\$477,000	\$199	98.2%	2016	56	6,534	
11430 Michelle LN	7/9/2020	1,718	\$365,000	\$374,900	\$218	97.4%	2018	29	6,970	
1472 Tinkers Creek	7/2/2020	1,859	\$370,000	\$370,000	\$199	100.0%	2013	29	6,534	
1323 Mandrake WAY	6/29/2020	1,906	\$360,000	\$349,999	\$184	102.9%	2013	6	6,534	
1548 Big Horn	6/29/2020	1,859	\$365,000	\$359,900	\$194	101.4%	2015	4	8,276	
1365 Shamrock WAY	6/29/2020	3,102	\$400,000	\$400,000	\$129	100.0%	2014	4	8,276	
1317 Heath LN	6/27/2020	3,258	\$449,000	\$444,900	\$137	100.9%	2015	93	7,405	
1349 Bannock ST	6/26/2020	2,116	\$385,000	\$387,000	\$183	99.5%	2015	9	6,534	
1573 Neptune WAY	6/26/2020	2,243	\$389,000	\$399,900	\$178	97.3%	2017	80	6,970	
1590 Stellar Peak	6/25/2020	2,239	\$410,000	\$414,900	\$185	98.8%	2015	96	6,534	
1527 Amethyst LN	6/22/2020	1,662	\$335,111	\$332,900	\$200	100.7%	2018	52	3,920	
1591 Alissa Flowers	6/16/2020	1,599	\$344,900	\$344,900	\$216	100.0%	2018	80	6,098	
1528 Onyx LN	6/16/2020	2,067	\$350,000	\$354,900	\$172	98.6%	2016	103	3,485	
1452 Yarrow LN	6/10/2020	2,051	\$365,000	\$375,000	\$183	97.3%	2015	44	7,841	
1386 Galaxy DR	6/10/2020	2,243	\$389,000	\$389,000	\$173	100.0%	2018	0	5,663	
1357 BANNOCK ST	6/4/2020	2,116	\$385,000	\$385,000	\$182	100.0%	2015	41	6,534	
36656 Straightaway	6/4/2020	3,102	\$460,000	\$460,000	\$148	100.0%	2012	34	9,148	
36614 Straightaway DR	5/30/2020	1,906	\$368,750	\$365,000	\$192	101.0%	2014	20	6,970	
1357 Mary LN	5/29/2020	1,538	\$335,900	\$329,900	\$215	101.8%	2016	27	5,227	
1545 Amethyst LN	5/29/2020	2,067	\$360,000	\$369,000	\$179	97.6%	2018	61	5,227	
36548 Gallery LN	5/29/2020	2,326	\$400,000	\$398,000	\$171	100.5%	2014	3	8,276	
851 Bogey DR	5/28/2020	1,968	\$358,000	\$355,000	\$180	100.8%	2013	43	9,148	
36607 Straightaway DR	5/27/2020	3,102	\$480,000	\$475,000	\$153	101.1%	2014	26	9,148	
13031 Bowker Play CT	5/22/2020	2,643	\$375,000	\$379,900	\$144	98.7%	2012	19	6,098	
38746 Amateur WAY	5/14/2020	2,701	\$400,000	\$425,000	\$157	94.1%	2014	30	6,970	
780 Brownie WAY	5/7/2020	1,232	\$303,000	\$315,000	\$256	96.2%	2012	8	6,970	
1423 Opal CT	5/5/2020	1,662	\$337,900	\$329,800	\$198	102.5%	2017	1	3,920	
1514 Milky Way	5/2/2020	1,544	\$355,000	\$359,999	\$233	98.6%	2018	18	7,840	
1530 Onyx LN	4/29/2020	1,864	\$324,000	\$319,900	\$172	101.3%	2016	131	3,920	
476 Harvard Peak	4/28/2020	1,706	\$355,000	\$355,000	\$208	100.0%	2016	30	6,098	
1462 Saffron CT	4/27/2020	2,493	\$420,000	\$422,900	\$170	99.3%	2013	46	9,583	
1371 Alpine AVE	4/24/2020	1,948	\$360,000	\$369,000	\$189	97.6%	2016	119	5,663	
271 Box Springs	4/16/2020	1,561	\$332,000	\$328,500	\$210	101.1%	2012	6	4,356	
36522 Straightaway DR	4/16/2020	2,664	\$410,000	\$410,000	\$154	100.0%	2013	82	6,970	
1635 Dodson LN	4/11/2020	2,116	\$389,800	\$394,800	\$187	98.7%	2017	32	8,276	
<b>Total Sales</b>	<b>37</b>	<b>2,167</b>	<b>\$382,807</b>	<b>\$384,968</b>	<b>\$183</b>	<b>99.5%</b>	<b>2015</b>	<b>41</b>	<b>6,746</b>	
		(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	

## Ability to Pay

There are four active product lines within the boundaries of CFD No. 2019-1 with base prices ranging from approximately \$294,000 to \$390,000, with an average of \$328,000. In this section, we will examine the ability to pay among prospective buyers for the average representative price point. First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rates of 4.00%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). As alluded to above, property tax payments are accounted for in the analysis. Ad valorem taxes are 1.0136299% of assessed value.

The appraised properties are encumbered by the Special Tax Lien of CFD No. 2019-1, with annual special taxes ranging from \$1,270 and \$1,450.

Given the discussion above, the following table shows the estimate of the annual household income that would be required to afford a home priced at \$328,000:

<b>Income Required</b>	
Home Price	\$328,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$262,400
Interest Rate	4.00%
Mortgage Payment	\$1,253
Property Taxes	\$277 Based on 1.013630%
CFD Special Tax	\$113
Property Insurance	\$55
Total Monthly Obligation	\$1,698
Mortgage Payment % of Income	40%
Monthly Income	\$4,245
Annual Income	\$50,935

We have obtained income data from Environics Analytics, for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

<b>Household Ability</b>					
<b>Household Income</b>	<b>Households</b>	<b>Percent of Households</b>	<b>Percent Able to Pay</b>	<b>Households</b>	<b>Households Able to Pay</b>
< \$15,000	5,753	10.2%	0.0%	0	0.0%
\$15,000 - \$24,999	4,958	8.8%	0.0%	0	0.0%
\$25,000 - \$34,999	4,849	8.6%	0.0%	0	0.0%
\$35,000 - \$49,999	7,253	12.8%	0.0%	0	0.0%
\$50,000 - \$74,999	9,744	17.2%	96.3%	9,380	16.6%
\$75,000 - \$99,999	6,765	12.0%	100.0%	6,765	12.0%
\$100,000 - \$149,999	9,503	16.8%	100.0%	9,503	16.8%
\$150,000 - \$199,999	3,731	6.6%	100.0%	3,731	6.6%
\$200,000 +	<u>4,033</u>	<u>7.1%</u>	100.0%	<u>4,033</u>	<u>7.1%</u>
	56,589	100.0%		33,412	59.0%

## Conclusions

Demand for homes in the subject's market area is considered to be moderate at the current time as indicated by the overall trend of building permit activity, new home sales prices and activity in recent quarters as well as the absorption rate within new home projects in the subject's area.

## COVID-19 Impact on Current Valuations

The prior market analysis focuses on historical trends before the impact of the COVID-19 crisis began showing up in the numbers. The historical reference is significant in that many market participants believe the commercial real estate (CRE) markets will return to trend – the only question is the depth and duration of the current economic climate. At a minimum, near term economic performance will remain dreadful. Shelter-in-Place and Stay-at-Home executive orders are having a profound impact on GDP with elevated unemployment hurting economic performance and CRE sector. How bad will things get (depth) and how long will it last (duration) are questions that simply cannot be answered at this point in time. The curve is flattening and restrictions are slowly easing in California, but Governor Newsom has yet to offer a timeline as when restrictions will be further relaxed. Numerous counties are in Stage 2 of a four-stage re-opening schedule, which permits the opening of lower risk workplaces and retail establishments with social distancing protocols. Nevertheless, by all accounts business operations are significantly down with the exception of essential businesses such as distribution facilities, medical facilities and grocery stores. As the crisis evolves, the market will provide clarity.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In the current phase of the pandemic, emerging trends include:

- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

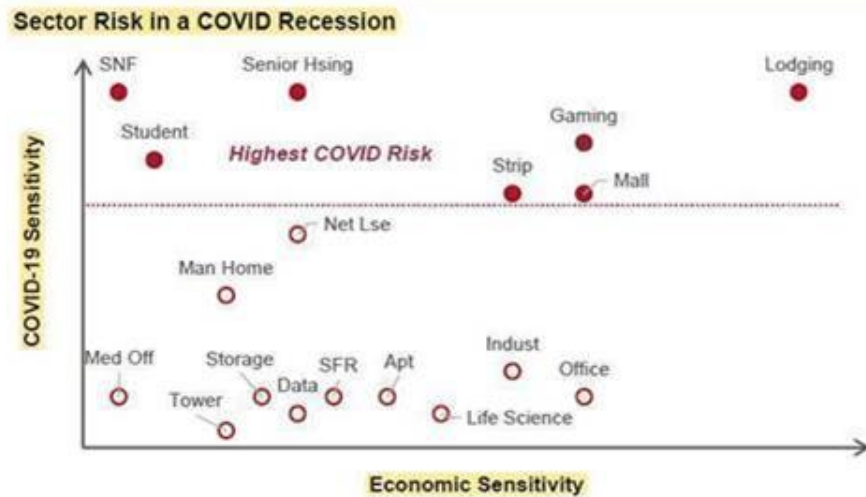
All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the CRE sector along a continuum of time. Our surveys of market participants indicate a focus in the following areas impacting value:

- Impact will vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class and location
- Capitalization rate premiums vary by property type, class and location
- Marketing times for most assets will increase

### Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater

sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.



**Cost of Capital/Liquidity**

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders are coming to grips with the severity of the economic outlook, many have pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly some lenders who are “out” while others remain in the market. There are fewer options in the market and those options are more expensive today than 30 days ago. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market while at the other end of the spectrum, financing a hotel is challenging, land financing is non-existent. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Equity is less clear at the moment. While large pools of capital were being raised through 2019 and into Q1-2020, the strategy has suddenly shifted. Equity is available, and deals are finalizing that were contracted pre-COVID, on the strength of the equity sponsor, but deal flow will likely pause for 15-30 days as equity repricing occurs.

**Declines in Property Operations/Forecasts**

The lodging, retail, student housing and senior sectors are generally viewed as expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having greatest risk but is expected to rebound quickly as pent-up demand explodes when everyone can



leave their home. Grocery retail is currently performing well with big box stores setting record sales per square foot.

Radical changes in the employment picture will begin to affect the housing sector, both single family and apartments. Apartments will not be immune or “safe” from lost rent, varying by type and location depending on the tenant base employment and its’ ability to whether a 6 to 12-month contraction. There is an expectation in the market that, for many retail centers, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases. Rent projections are being held flat in modeling cash flows going forward with the length of time dependent on the asset type.

Depending upon whether values are based on yield capitalization (DCF) or direct capitalization, care must be given to provide “stabilized” forecasts to capitalize; and to normalize yield levels for projecting variable year yield cap.

### **Market Segmentation Analysis – Single-Family Residential Development**

To assess the current for forecasted sentiment of market participants, we have completed a market survey of land developers, merchant builders, land brokers and developer consultants throughout California participating in ongoing residential developments.

Conversations with market participants capture an array of responses, but overall sentiment remains the current impacts of the COVID-19 pandemic is an interruption in “business as usual,” as many municipalities statewide have varying restrictions on development.

Interviews with merchant builders with new home communities marketed towards entry-level homebuyers report a limited interruption in sales pace. While there have been instances of cancellations, closings, overall, remain similar to that before the pandemic, all as the process of marketing new home communities has shifted to on-line and “by appointment only” for many builders. Conversely, new home communities with product lines targeting move-up homebuyers have reported a slowdown in new home sales in the current environment with stay-at-home orders affecting consumer behavior.

With respect to developable residential land, while the current stagnation in the global and national economy constrains many segments of the commercial market, several builders remain focused on their supply of buildable residential lots over the next 12 to 24 months. Thus, recent evidence demonstrates ongoing interest in a future supply of single-family residential lots within master planned communities in primary market areas, with Letters of Intent (LOIs) submitted, post COVID-19 pandemic, at price points commensurate with pre-pandemic prices.

Presented on the following page is a summary of survey responses by our office for the week ending March 27, 2020.



Market Participant	Region	Marketing			Business Operations			Financial						
		Change in sales volume	Deals cancelled	Still marketing properties	Price reductions	Interim Plan	Change in Materials & Labor	Normal operations by end of Q2	Gradual or quick resume	Employee retention	Bankruptcies	Leverage concern	Pursuing new deals	Pursuing Refinance
Land Developer	Northern CA	Yes	No	Yes	No	None	No	June 1st	Gradual	Yes	Yes - Apts & Hotels	No	Yes	Yes
Land Developer	Northern CA	Unsure	Yes / not many	Yes	No	Slight pause, but no change	Unsure	Yes	Unsure	Yes	No	No	No	No
Land Developer	Northern CA	--	Yes	Yes	No	Staff working from home	Yes	Yes	Gradual	Yes	Possible	No	Yes	No
Land Developer	Northern CA	--	No	Yes	No	None	No	Yes	Gradual	Yes	No	No	Yes	No
Land Developer	Northern CA	--	No	No	No	Yes / Wait & See	Yes	Yes	Unsure	Yes	Unsure	No	No	No
Land Developer	Southern CA	Yes	No	On Hold	No	Slowing down schedules	No	Yes	Unsure	--	Unsure	Yes	No	No
Broker	Northern CA	No	No	Yes	No	Slight pause, but no change	No	Yes	Quick	Yes	No	--	Yes	--
Broker	Northern CA	Yes	Yes	Barely	No	None / Wait and See	--	Yes	Gradual	--	No	--	No	--
Broker	Northern CA	No	No	Yes	No	Pause for now	--	Yes	Quick	Yes/possible furlough	Yes - small businesses	--	Yes	--
Broker	Northern CA	No	Yes / Two	Yes	No	--	No	Unsure	Quick	Yes	--	No	Yes	--
Broker	Northern CA	Unsure	No	Yes	No	Work from home / Usual	Unsure	No	Gradual	Yes	No	--	Yes	--
Consultant	Southern CA	--	Yes / One	Yes	No	Staff working from home	No	Yes	Unsure	Yes	No	--	Yes	--
Consultant	Southern CA	--	No	Yes	No	Work from home / Usual	No	Yes	Quick	Yes	No	--	Yes	--
Builder	Northern CA	No	Yes / not many	Yes	No	--	No	Yes	Unsure	Yes	--	No	Yes	--
Builder	Southern CA	--	Delayed	Yes	No	None	Lower	Yes	Quick	Yes	Yes	--	No	--



**Conclusion**

In the Valuation section of our report, we focus on transaction activity that forms the primary basis for our valuation analysis. The land sale data considered in the analysis herein (in terms of consummated transactions) is primarily from the pre-crisis market period. However, it's worth noting surveys and market data from the most recent two months following the initial pandemic suggest strong sales paces among the active subdivisions in the subject's Sundance Specific Plan, with ample demand for housing in the subject's market area.

## Property Analysis

### Land Description and Analysis

#### Land Description

Primary Street Frontage	Carnation Lane
Secondary Street Frontage	Xena Ave.
Shape	Rectangular
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed

Flood Area Panel Number	060247
Date	August 28, 2008
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

#### Zoning; Other Regulations

Zoning Jurisdiction	City of Beaumont
Zoning Designation	SPA
Description	Specific Plan Area (Sundance)
Legally Conforming?	N/Ap
Zoning Change Likely?	No
Permitted Uses	Single-family residential
Other Land Use Regulations	None reported or observed

#### Utilities

Service	Provider
Water	Beaumont-Cherry Valley Water District
Sewer	City of Beaumont
Electricity	Southern California Edison
Natural Gas	SoCal Gas Company
Local Phone	Comcast

### Entitlements

A summary of the current legal (entitlements) and physical status of the appraised properties is shown in the following table.

#### Entitlements

Description	
Completed Single-Family Homes without Assessed Values	102
Partially Completed Single-Family Homes (Under Construction)	<u>16</u>
<b>Total</b>	<b>118</b>

All improved single-family residential homes and lots (118 in total) have final maps in place.

### **Off-site Improvements**

As of the date of inspection, all off-site improvements (streets, curbs, gutters, sidewalks, streetlights) appeared to be in place along interior roads.

### **Easements, Encroachments and Restrictions**

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

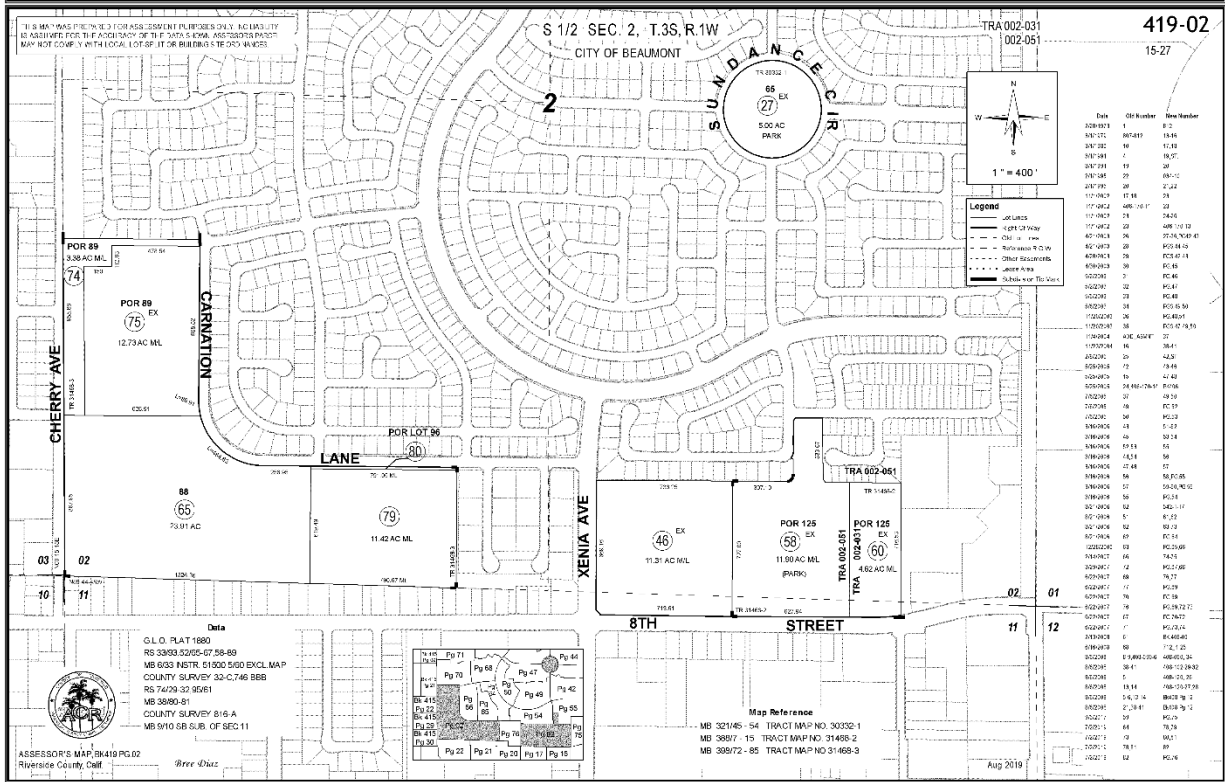
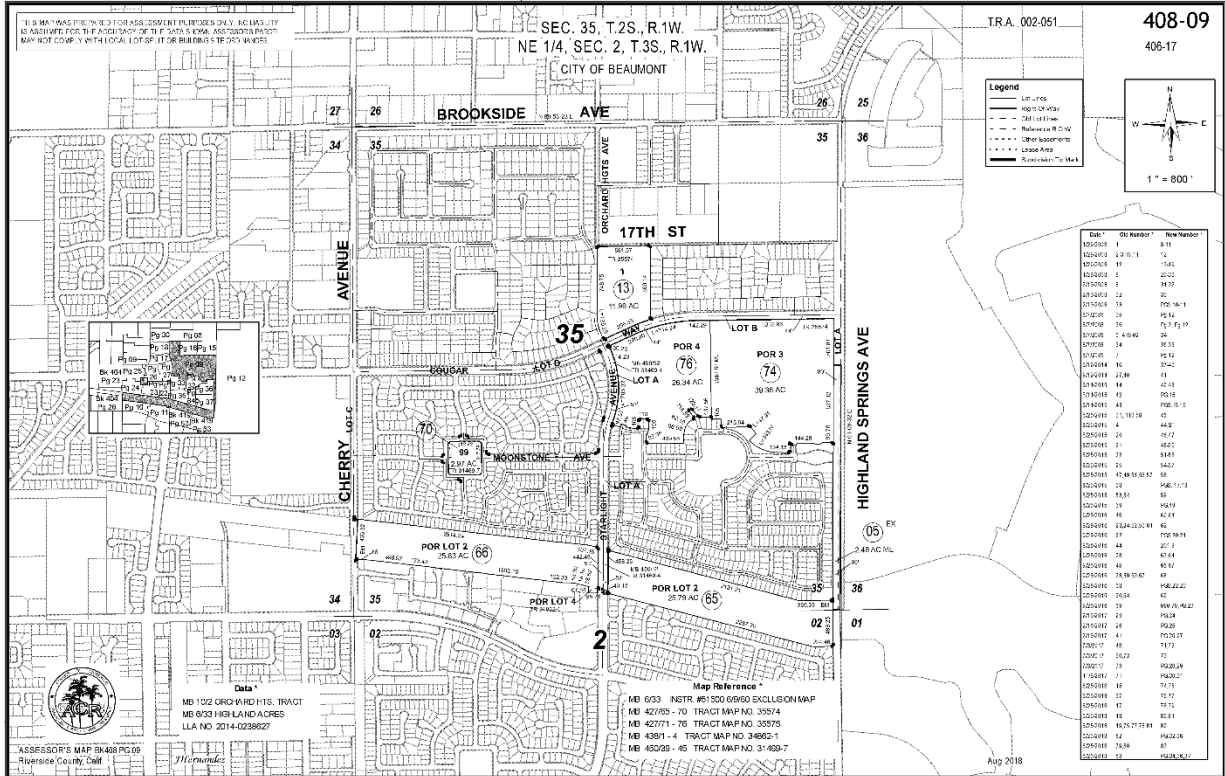
### **Seismic Hazards**

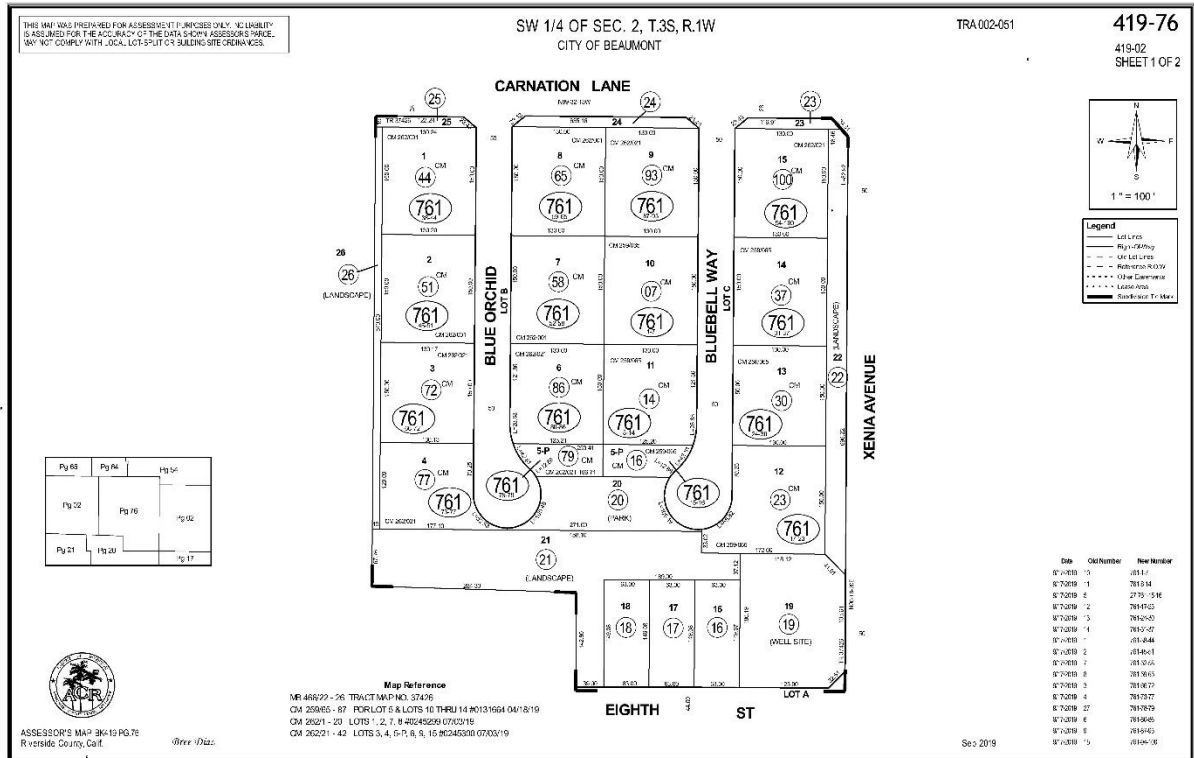
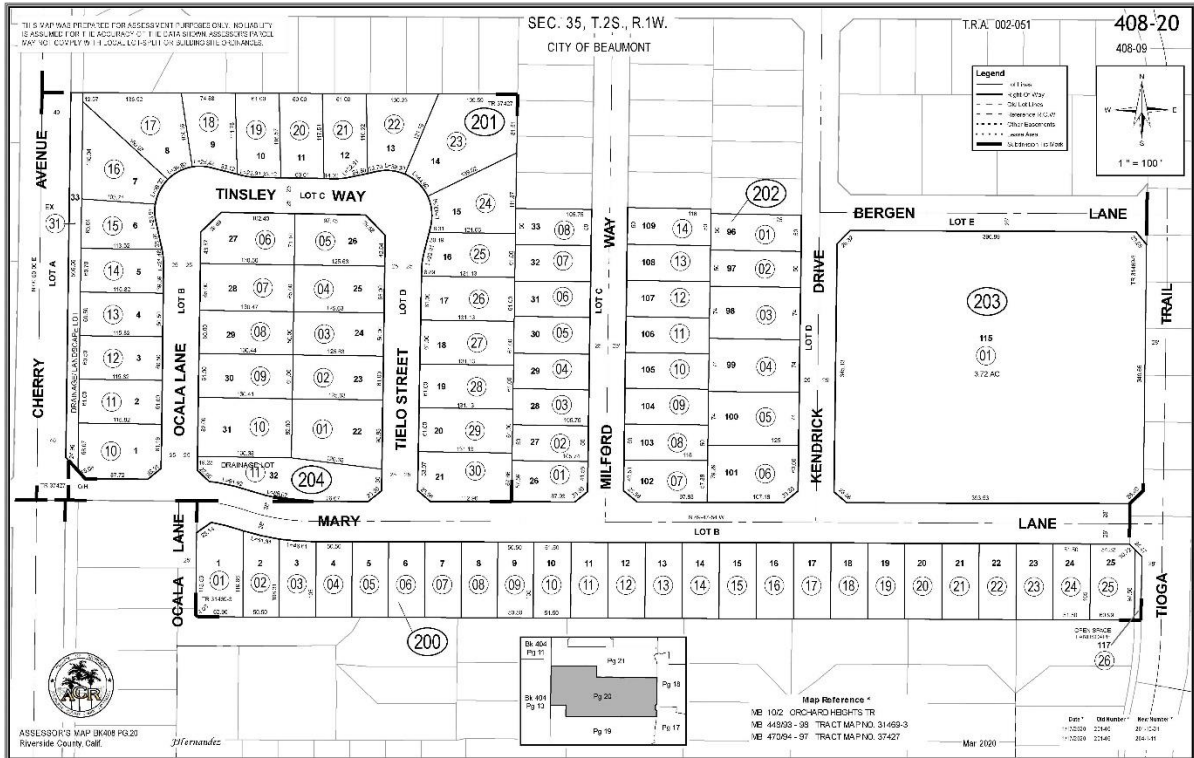
According to the Seismic Safety Commission, the subject property's site is located within Zone 4, which is considered to be the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject property is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. In general, a number of faults are located in southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

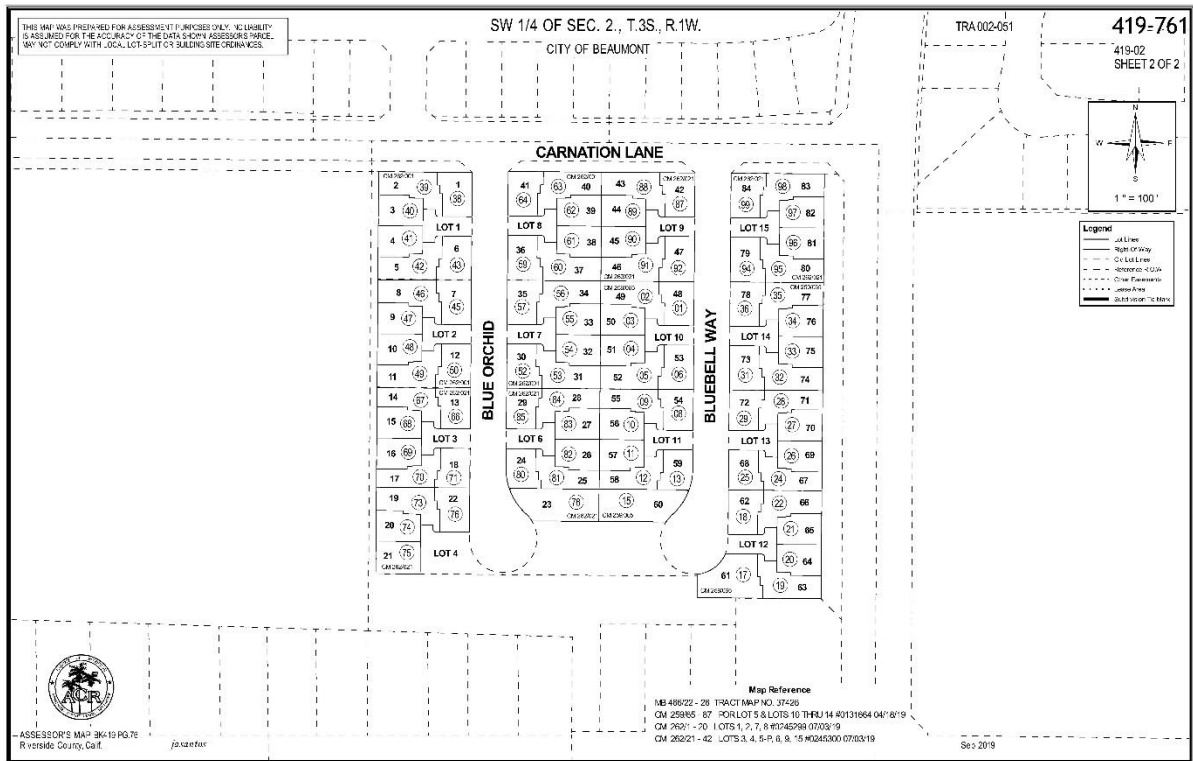
### **Conclusion of Site Analysis**

Overall, the physical characteristics of the subject parcels and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include single-family residential. We are not aware of any other particular restrictions on development.

### Assessor's Parcel Maps









### Aerials



























## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

### Ad Valorem Taxes

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Riverside County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.0136299% based on assessed value.

### Special Assessments

All of the appraised properties are encumbered by the Special Tax Lien of the City of Beaumont Community Facilities District No. 2019-1. With respect to such special taxes, we have relied upon information in the Rate and Method of Apportionment for Improvement Area 2019-1 for the annual special tax levy on the appraised properties, which are shown in the following table:

<b>CFD No. 2019-1</b>	
Building Square Footage	Assigned Special Tax per Dwelling unit
<b>Zone 1</b>	
< 1,800	\$1,270
1,800 - 2,000	\$1,360
> 2,000	\$1,450
<b>Zone 2</b>	
< 2,000	\$1,310
2,000 - 2,249	\$1,375
2,250 - 2,500	\$1,440
> 2,500	\$1,505

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The legal factors influencing the highest and best use of the appraised properties are primarily government regulations, such as zoning and building codes. The appraised properties are zoned and approved for single-family residential development uses. Overall, the legally permissible uses are to develop the appraised properties in accordance with the existing entitlements and land use designation (single-family residential), which have undergone extensive planning and review. A re-zone to any other land use is highly unlikely.

#### Physically Possible

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in uses consistent with the existing entitlements (i.e., single-family development); at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

The physical characteristics of the appraised properties support development. The subject property has good access and project roadways connect the various lots within the development. Public utilities are also in place to support development. Surrounding land uses are compatible and/or similar to the legally permissible use. Existing development in the subject property provides support that soils are adequate for development. In summary, single-family residential uses are considered physically possible.

#### Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, in recent months merchant builders have acquired unimproved lots in the area for near term construction, and there are multiple active projects in the area that demonstrate demand for new homes. Finished lots are transferring for prices that exceed the sum of unimproved lots and site development costs, which indicates completion of site development is financially feasible.

**Maximally Productive**

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and its highest and best use as vacant, is for near term single-family residential development.

**Highest and Best Use as Improved**

Highest and best use of the property as improved pertains to the use that should be made in light of its current improvements.

In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value, including those lots with home construction underway. The value of the subject property as improved exceeds its value as vacant less demolition. Further, a significant number of homes have already transferred to individual homeowners. The highest and best use of the subject property as improved is for completion of the last remaining single-family homes and sell to homebuyers.

**Probable Buyer**

The probable buyer of the subject property (as vacant and improved single-family residential lots) is a merchant builder. The probable buyer of the completed homes are individual homeowners.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis, and the subdivision development method.**

The **extraction** technique is a method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.<sup>1</sup>

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

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<sup>1</sup> The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 83.

## Market Valuation – Floor Plans

The market values of the subject’s floor plans are estimated in this section. The objective of the analyses is to estimate the base price per floor plan, net of incentives, upgrades and lot premiums. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. The base price pertains to the typical lot size within the subject (see summary below). The sales comparison approach to value is employed in order to establish the market values for each floor plan.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate, 14<sup>th</sup> Edition* (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

For this analysis, we will estimate the market value of the smallest floor plan offered within each product line in CFD No. 2019-1, as of the date of value, July 30, 2020, to apply to those lots with completed single-family homes *without* a complete assessed improvement value. The objective of the analyses is to estimate the base price of the smallest floor plan, net of incentives, upgrades and lot premiums. Base price pertains to the typical (median) lot size within the subject. The sales comparison approach to value is employed in order to establish the market values for each floor plan.

A summary of the active projects within the boundaries of the CFD No. 2019-1 provided below.

### Floor Plan Summary

Project	Living Area (SF)	Room Count			Garage	Typical Lot Size
		Bedroom	Bathroom	Stories		
Alisio	1,750	3	2.5	Two	2 Car	3,550
Cascade	1,544	3	2.0	One	2 Car	6,800
Daybreak	1,971	3	2.0	One	2 Car	9,000
Elara	1,868	3	2.0	One	2 Car	5,800



In order to estimate not-less-than market values for the various floor plans offered within each of the six product lines comprising CFD No. 2019-1, a summary of historical home sales, per square foot, within each subdivision were provided for consideration, which are summarized as follows:

### Historical Sales Prices

Subdivision	Floor Plan Size (SF)	Min. Price/SF	Max. Price/SF	Avg. Price/SF
<b>Alisio</b>	1,750	\$168.00	\$171.43	\$169.80
	1,858	\$164.69	\$176.53	\$169.95
	1,871	\$163.55	\$173.17	\$168.09
	1,889	\$165.70	\$173.64	\$170.59
	2,115	\$153.19	\$159.10	\$156.25
<b>Cascade</b>	1,544	\$218.26	\$218.91	\$218.59
	1,757	\$197.50	\$198.06	\$197.88
	1,975	\$181.77	\$182.28	\$182.03
<b>Daybreak</b>	1,971	\$181.13	\$184.42	\$183.00
	2,243	\$161.61	\$164.07	\$163.06
	2,518	\$150.52	\$155.08	\$152.60
<b>Elara</b>	1,868	\$170.77	\$170.77	\$170.77
	2,067	\$159.65	\$159.65	\$159.65

Comparable sales from competing projects within the Beaumont market area are summarized in the following table.

#### Sales Summary

No.	Location	Date	Sale Price	Living Area (SF)	Sale Price/SF	Room Count		Lot Size (SF)	Year Built	Garage	Stories
						Bedroom	Bathroom				
1	14246 Siena Ln	Jun-20	\$338,900	1,564	\$217	3	2.0	6,970	2020	2 Car	One
2	14244 Capezzana Cir	May-20	\$364,900	1,722	\$212	3	3.0	8,712	2019	2 Car	Two
3	36802 Cascina Ln	Mar-20	\$356,620	1,722	\$207	3	3.0	5,663	2020	2 Car	Two
4	35932 Michelle Ln	Mar-20	\$350,000	1,718	\$204	3	2.0	4,792	2018	2 Car	Two
5	14211 Volterra Way	Mar-20	\$363,345	1,806	\$201	4	2.0	6,970	2020	2 Car	One
6	1728 Boysen Way	Mar-20	\$371,256	1,755	\$212	4	2.0	8,340	2020	2 Car	One
7	14235 Siena Lane	Jan-20	\$347,900	1,564	\$222	3	2.0	6,098	2019	2 Car	One
8	1587 Triton Lane	Jan-20	\$345,000	1,544	\$223	3	2.0	6,970	2019	2 Car	One
9	900 Blue Orchid	Dec-19	\$329,596	1,871	\$176	3	3.0	2,800	2019	2 Car	Two
10	903 Blue Orchid	Dec-19	\$321,275	2,115	\$152	4	3.0	3,378	2019	2 Car	Two
11	14237 Bonavento Lane	Dec-19	\$349,900	1,806	\$194	3	2.0	6,970	2019	2 Car	One
13	36784 Cascina Lane	Aug-19	\$358,275	1,966	\$182	3	3.0	5,227	2019	2 Car	Two
14	1534 Amethyst Lane	Aug-19	\$365,000	2,068	\$176	4	3.0	4,356	2018	2 Car	Two
15	14226 Bonavento Lane	Aug-19	\$373,075	2,040	\$183	4	3.0	6,970	2019	2 Car	Two

## Analysis and Consideration of Sales

In order to estimate the market value for the smallest floor plans within CFD No. 2019-1, consideration for the following factors are warranted.

<b>Adjustment Factor</b>	<b>Accounts For</b>	<b>Comments</b>
Total Consideration	Special tax encumbrances	The comparables analyzed are all encumbered by similar tax rates and special assessments; thus, no consideration is necessary.
Upgrades and Incentives	The objective of the analysis is to estimate the base price per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs.	Incentives and upgrades included in the sales have been considered in this analysis.
Real Property Rights	Leased fee, fee simple, leasehold, partial interest, etc.	All of the comparables represent fee simple estate transactions. Therefore, consideration for this factor is not necessary.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	No consideration is required for this factor.
Conditions of Sale	Extraordinary motivation of buyer or seller.	All of the comparable transactions represent arm's-length, market transactions.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	New home pricing has been relatively stable in the subject property's market area during the past year; thus, no consideration is necessary.

Adjustment Factor	Accounts For	Comments
Location	Market or submarket area influences on sale price; surrounding land use influences. Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user.	The comparables are all located within similar areas of Beaumont and no consideration is warranted for this category.
Lot Size	The lot size adjustment pertains to the differences between the subject property's typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots.	Consideration is made for those lots with appreciably smaller/larger lot sizes when compared to the subject property's average lot size.
Lot Premiums	Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments.	All of the comparable sales have traditional lot configurations. The subject's Alisio subdivision is an alley 6-pack configuration, which is considered inferior to standard lots with private driveways. As such, consideration is recognized for the comparables when compared to the Subject's Alisio floor plan.

Adjustment Factor	Accounts For	Comments
Design and Appeal/Quality of Construction	<p>Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeal to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices.</p> <p>Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit.</p>	<p>The comparables are similar to the subject property in regard to design and appeal.</p> <p>In terms of quality of construction, the subject property represents good construction quality. All of the comparable sales feature similar construction quality and do not require consideration.</p>
Age/Condition	Effective age; physical condition.	<p>When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. However, as all of the sales represent new construction with a similar effective age as the subject property and do not require consideration.</p>
Number of Stories	<p>For similar size units, the differences between the number of stories is a buyer preference. Typically, more stories result in additional building area and are accounted for in the size adjustment.</p>	<p>All the comparable sales selected are of the same representative floor plan; thus, no consideration is necessary.</p>
Parking/Garage	<p>Differences in garage spaces typically affects value.</p>	<p>The subject property's floor plans and all of the comparables offer a two-car garage.</p>

### Conclusion of Floor Plan Values

The comparable sales applicable to each floor plan are summarized in the following table.

#### Comparable Sales Summary

Subdivision	Smallest Floor Plan Size (SF)	Min. Price/SF	Max. Price/SF	Avg. Price/SF
Alisio	1,750	\$201	\$212	\$207
Cascade	1,544	\$217	\$223	\$221
Daybreak	1,971	\$152	\$183	\$174
Elara	1,868	\$176	\$212	\$196

As shown at the beginning of this section, the recent and historical sales within the subject suggest a market value between \$150 and \$218 per square foot, all else being equal, with the low end reflective of the largest floor plan offered. These figures are supported by the comparable sales at competing projects. Based on the analysis herein, and reported sales from the active single-family subdivisions within the subject property, the following table reflects a not-less-than market value estimate for the representative floor plans/homes within the subject property:

#### Base Floor Plan Conclusions

Floor Plan	Living Area (SF)	Room Count		Typical Lot Size (SF)	Market Value/SF	Conclusion of Not-Less-Than Value
		Bedroom	Bathroom			
Alisio	1,750	3	2.5	3,550	\$170	<b>\$298,000</b>
Cascade	1,544	3	2	6,800	\$218	<b>\$337,000</b>
Daybreak	1,971	3	2	9,000	\$183	<b>\$361,000</b>
Elara	1,868	3	2	5,800	\$176	<b>\$329,000</b>

While the concluded value for the Alisio floor plan is below the range exhibited by the Comparables, these are 6-pack style lots with a considerably smaller typical lot size (3,550 square feet), which all else being equal, are inferior to traditional lots. Conversely, the concluded value for the Elara floor plan, which is at the low end of the range exhibited by the Comparables, is above the historical sale price range for this floor plan. However, most sales date back to early-mid 2019 and a slight increase in market appreciation is accounted for based on recent trends in sales within the subject's market area.

Please note, the subject property does not contain any completed single-family homes for the Cascade floor plan.

## Market Valuation – Partially Completed Homes

In this section of the Appraisal Report, we will utilize the extraction technique to estimate the market value of the subject's 16 lots (parcels) with homes currently under construction. The estimate of improved lot value assigns no value to the partially completed improvements and presumes the improved lots would sell on a bulk, or wholesale, basis. That is, a group of lots would transfer in one transaction to a single buyer. Consideration is, however, given to the building permits and impact fees remitted to the City.

### Extraction Analysis

An extraction (residual) analysis takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

### Revenue

The subject's finished lots and homes under construction consists of three different typical lots sizes, 9,000 square feet (Daybreak), 6,800 square feet (Cascade) and 3,550 square feet (Alisio). Please note, there are no homes under construction for the Elara product line. As such, we will utilize three different typical home sizes and corresponding home prices, shown in the following table.

<b>Extraction Revenue</b>			
Subdivision	Typical Lot Size	Typical Home Size	Corresponding Home Price
Daybreak	9,000	2,250	\$480,000
Cascade	6,800	1,760	\$345,000
Alisio	3,550	1,905	\$315,000

These figures are based on average home size and price within the respective projects and not the smallest floor plan valued in the preceding section.

### Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout California.



Subdivision Budgets													
Developer Classification	Budget Date	No. of Unit	Quality	Avg. Home Size (SF)	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Cost per Model	Profit % of Revenue	
Regional	2019	84	Average	2,349	4.0%	2.6%	\$90.21	14%	N/Av	\$46,576	\$106,667	12.6%	
Local	2019	48	Average	2,545	2.1%	5.7%	\$88.47	21%	\$63,645	\$72,300	\$133,333	6.8%	
Regional	2018	88	Average	2,421	N/Av	N/Av	\$81	N/Av	\$43,843	\$68,879	N/Av	N/Av	
Regional	2018	112	Average	N/Av	5.0%	5.0%	\$85	N/Av	\$50,000	\$67,000	\$40,000	15.0%	
Local	2018	35	Average	2,371	N/Av	N/Av	\$77.00	N/Av	N/Av	\$50,613	N/Av	N/Av	
Regional	2018	16	Good	2,765	N/Av	N/Av	\$83.88	N/Av	N/Av	\$57,097	N/Av	N/Av	
Regional	2018	46	Good	1,946	N/Av	N/Av	\$105.00	N/Av	N/Av	\$28,370	N/Av	N/Av	
Regional	2018	60	Average	2,179	N/Av	N/Av	\$61.52	N/Av	\$61,030	\$65,149	N/Av	N/Av	
Regional	2018	83	Average	1,728	N/Av	N/Av	\$69.50	N/Av	\$63,568	\$68,864	N/Av	N/Av	
Regional	2018	90	Average	2,502	N/Av	N/Av	N/Av	N/Av	\$93,027	\$63,750	N/Av	N/Av	
Local	2018	44	Average	2,114	N/Av	N/Av	\$86.00	N/Av	\$68,524	\$39,525	N/Av	N/Av	
Regional	2017	147	Average	2,100	N/Av	N/Av	\$73.00	N/Av	\$35,000	\$44,000	\$80,000	N/Av	
Regional	2017	44	Average	2,171	5.0%	5.0%	\$84.85	6%	\$68,524	\$33,323	N/Av	N/Av	
Local	2017	46	Average	1,874	N/Av	N/Av	\$90.33	14%	\$51,807	\$23,332	N/Av	N/Av	
Regional	2017	94	Average	2,188	5.0%	6.2%	\$80.54	11%	N/Av	\$35,000	\$41,512	10.1%	
National	2017	38	Average	2,078	N/Av	N/Av	\$62.70	N/Av	N/Av	\$46,822	N/Av	N/Av	
Regional	2016	42	Good	2,152	N/Av	1.3%	\$78.26	29%	\$46,977	\$29,290	\$67,500	11.1%	
Local	2016	32	Good	2,614	2.0%	5.1%	\$72.46	12%	\$64,490	\$46,000	\$27,372	8.8%	

Information from the survey above will contribute to the estimate of development expenses classified as follows.

### General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

### Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

### Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product line under development, direct cost estimates of \$70-\$80 per square foot are applied to the three different home sizes.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 10% is considered reasonable for the subject.

### **Permits and Fees**

Permits and impact fees are reported at \$29,306; however, these fees have already been remitted to the City and will not be deducted in our analysis.

### **Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### **Developer's Incentive**

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in this section, which ranged from 6.8% to 15.0%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements
- Anticipated completion of off-site development (assumed for analysis only)
- Good transportation linkages
- Steady pricing and steady absorption

There are generally few “negative” attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded estimates of 10%-14% for developer’s incentive.

### Conclusion

Our estimates of finished lot value for the subject’s lots via the extraction analysis are presented as follows.

#### Extraction Analysis - Daybreak

<b>Revenue</b>			
Average Floor Plan Size	2,250 SF		
Typical Home Price			\$480,000
<b>Expense Projections</b>			
G&A Costs	3.00% of Retail Value	\$14,400	
Marketing/Sales	6.00% of Retail Value	\$28,800	
Average Direct Costs	\$70.00 per SF	\$157,500	
Indirect Costs	10.00% of Direct Costs	\$15,750	
Developer's Incentive	14.00% of home price	\$67,200	
			\$283,650
Residual Lot Value			\$196,350
		<b>Rd.</b>	<b>\$196,000</b>

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**Extraction Analysis - Cascade**


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**Revenue**

Average Floor Plan Size	1,760 SF	
Typical Home Price		\$345,000

**Expense Projections**

G&A Costs	3.00% of Retail Value	\$10,350
Marketing/Sales	6.00% of Retail Value	\$20,700
Average Direct Costs	\$75.00 per SF	\$132,000
Indirect Costs	10.00% of Direct Costs	\$13,200
Developer's Incentive	12.00% of home price	\$41,400
		<hr/>
		\$217,650

Residual Lot Value		\$127,350
	<b>Rd.</b>	<b>\$127,000</b>

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**Extraction Analysis - Alisio**


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**Revenue**

Average Floor Plan Size	1,905 SF	
Typical Home Price		\$315,000

**Expense Projections**

G&A Costs	3.00% of Retail Value	\$9,450
Marketing/Sales	6.00% of Retail Value	\$18,900
Average Direct Costs	\$75.00 per SF	\$142,875
Indirect Costs	10.00% of Direct Costs	\$14,288
Developer's Incentive	10.00% of home price	\$31,500
		<hr/>
		\$217,013

Residual Lot Value		\$97,988
	<b>Rd.</b>	<b>\$98,000</b>

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As a check of reasonableness, we have arrayed a number of recent bulk lot transactions in the subject's market area.

Summary of Comparable Land Sales							
No.	Name/Address	Sale Date; Status	Sale Price; PV of Spec. Tax/Lot	Typical Lot Size	Number of Lots	\$/Lot	Site Dev. Costs/Lot; Permits & Fees/Lot
1	Stonewood 22 Lots Summerwind Trail Perris Tax ID: 318-292-008 through 013 and 021 through 035 Grantor: Miragedunes Properties LLC Grantee: CPRE Perris 22 LLC Document ID: 474065 <i>Comments: This is the sale of 22 nearly finished lots in Perris. The lots have a recorded final map. The lots required a total of 72,000 per lot for permits and fees and minor finishing costs.</i>	Nov-19 Closed	\$1,000,000 \$0	10,200	22	\$45,455	\$72,000 \$0
2	Talavera NEC Rouse & Dawson Rds Menifee Tax ID: 331-170-021, -022, -023, -026 thru -029 Grantor: TTLC Talavera, LLC. Grantee: KB Home Coastal, Inc. Document ID: 56617 <i>Comments: This comparable represents the sale of 173 rough graded lots, with a typical size of 7,200 square feet. KB Home is marketing the project as Talavera, which will offer 6 floor plans ranging in size from 1,557 to 2,789. Site development costs are \$106,098 per lot.</i>	Feb-18 Closed	\$5,000,000 \$0	8,400	173	\$28,902	\$106,098 \$0
3	Creekside Subdivision Olive Ave. Winchester Tax ID: 461-241-039 et al Grantor: Lansing Stone Star, LLC Grantee: KB Home Coastal Inc. Document ID: 2017-0547838 <i>Comments: This comparable is the December 2017 purchase of 112 nearly finished lots within the Creekside Subdivision in Winchester, Riverside County. According to marketing materials for the sale, costs to finish were reportedly \$58,000 per lot, net of \$26,000 in CFD proceeds (fee credits). According to public records, KB Home acquired the lots for \$55,357, indicating a finished lot value of \$113,357 per lot.</i>	Dec-17 Closed	\$6,200,000 \$0	6,000	112	\$55,357	\$58,000 \$0
4	Turtle Ranch Subdivision Thompson Rd. Winchester Tax ID: 964-010-001 Grantor: Javin Investments Sp Z o.o., a Polish corporation Grantee: KB Home Coastal Inc. <i>Comments: This comparable is the September 2017 sale of 51 unimproved lots in Winchester, Riverside County, within the Temecula Valley Unified School District. The typical lot size is 7,200 square feet (65' wide). Estimated costs to complete, including fees, is \$100,000, suggesting a finished lot price of \$142,157 per lot.</i>	Sep-17 Closed	\$2,150,000 \$0	10,000	51	\$42,157	\$100,000 \$0
5	McKenna Pointe Subdivision Machado St. Lake Elsinore Tax ID: 379-150-002, -041, -042, -043, -048 and -050 Grantor: Sam-McKenna LLC Grantee: Western Pacific Housing, Inc. Document ID: 0147979 <i>Comments: This comparable is the April 2017 sale of 81 blue top lots in Lake Elsinore, Riverside County. According to a representative of the buyer, D.R. Horton, Inc., the average lot size is 8,500 square feet and finishing costs were reportedly \$58,130 per lot, for a finished lot indicator of \$128,500 per lot.</i>	Apr-17 Closed	\$5,700,000 \$0	8,500	81	\$70,370	\$58,130 \$0
6	Spencer's Crossing (Tract 32290-1) N/O Baxter Rd., W/O Spencer's Crossing Pkwy. Murrieta Tax ID: 480-830-001 through 480-832-013 Grantor: Riverside Mitland 03 Grantee: Brookfield Juniper LLC <i>Comments: This comparable represents the December 2016 sale of 82 lots within the Spencer's Crossing master planned community. The buyer, Brookfield Residential, acquired 82 nearly finished lots and is marketing the Juniper subdivision with homes ranging in size from 3,212 to 4,091 square feet on a typical lot size of 8,400 SF. The costs to complete (developments costs and fees) are \$9,271/lot.</i>	Dec-16 Closed	\$6,811,063 \$0	8,400	82	\$83,062	\$9,271 \$0
<b>Subject</b> City of Beaumont CFD No. 2019-1 Beaumont, CA							

The comparables reflect a range of sales prices of \$92,333 to \$142,157 per lot. The wide disparity in the unadjusted range is largely attributable to lot condition at time of sale (unimproved lots, partially improved lots and improved lots), as well as differences in permits and fees, remaining site costs and bonds encumbrances. As previously discussed, the subject property is currently under development with all site development complete and permits & fees paid, which are considered in this analysis.



### Final Conclusion of Partially Completed Home (Improved Lot) Value

The extraction technique indicated values of \$98,000, \$127,000 and \$196,000 per finished lot. This method is credible and supported by a survey of bulk lot sales in the market. These figures will be utilized as our conclusions in bulk (no further discounting is warranted). The improved lot value will be assigned to each partially completed home within CFD No. 2019-1.

#### Partially Completed Home Values

Component	Value per Lot	No. of Parcels	Aggregate Value
Homes Under Construction			
Alisio	\$98,000	3	\$294,000
Cascade	\$127,000	7	\$889,000
Daybreak	\$196,000	<u>6</u>	<u>\$1,176,000</u>
Total		16	\$2,359,000

## Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

### Final Value Conclusions

Value Premise	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Completed Home*			
Elara	\$329,000	3	\$987,000
Alisio	\$298,000	81	\$24,138,000
Daybreak	\$361,000	18	\$6,498,000
Not-Less-Than Market Value (Homes under Construction)			
Alisio	\$98,000	3	\$294,000
Cascade	\$127,000	7	\$889,000
Daybreak	\$196,000	<u>6</u>	<u>\$1,176,000</u>
Total Aggregate Value of Appraised Properties		118	\$33,982,000

\*Based on smallest floor plan within each subdivision

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to reimburse for certain public improvements that have been completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2019-1 for the Special Taxes securing the Bonds.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan (by product line) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned.

Any properties within CFD No. 2019-1 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), in addition to those lots/parcels with completed improvements with an assigned assessed value for both land and improvements, are not a part of this Appraisal Report. We were requested to include the assigned assessed value for both land and improvements for the existing single-family homes (that have assessed improvement values) to provide the total aggregate value of the appraised and assessed properties.

Please note the aggregate of the appraised values noted above ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value

is the “total of multiple market value conclusions.” For purposes of this Appraisal Report, market value is estimated by ownership. The estimates of market value account for the impact of the lien of the Special Taxes securing the Bonds.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2019-1 are not marketed concurrently, which would suggest a market under duress.

### **Exposure Time**

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

### **Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject’s marketing period at 12 months.



## Certification

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, has made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, and Kari Tatton have not personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

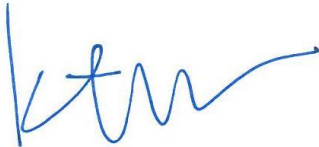
14. As of the date of this report, Eric Segal, MAI, Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
  19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
  26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
  27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
  28. The appraisal is also subject to the following:

---

### Extraordinary Assumptions and Hypothetical Conditions

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to reimburse for certain public improvements that have been completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2019-1 for the Special Taxes securing the Bonds.
- 

### IMPORTANT MARKET CONDITIONS WARNING: Market Uncertainty from Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are likely to feel the first negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Therefore, we recommend a more frequent review of this valuation, and advise the intended user to consider the current lack of overall economic stability in evaluating the use and reliability of the opinions expressed herein.

# **Addendum A**

## **Appraiser Qualifications**





# Eric Segal, MAI

## Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

## Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2019

## Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

**Integra Realty Resources**  
**Sacramento**

3825 Atherton Rd  
# 500  
Rocklin, CA 95765

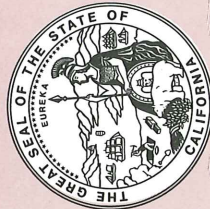
T 916-435-3883  
F 916-435-4774

irr.com

[esegal@irr.com](mailto:esegal@irr.com) - 916-435-3883 x228







Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019  
Date Expires: February 18, 2021

  
Jim Martin, Bureau Chief, BREA

3044479



# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

## Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Integra Realty Resources  
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



# Kevin Ziegenmeyer, MAI

## Education (Cont'd)

Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

**Integra Realty Resources**  
**San Francisco**

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

[irr.com](http://irr.com)

[kziegenmeyer@irr.com](mailto:kziegenmeyer@irr.com) - 916-435-3883 x224





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**

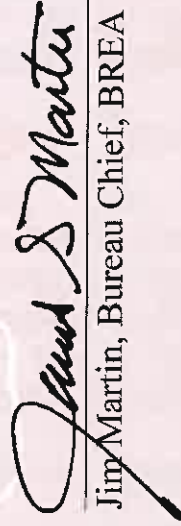
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019  
Date Expires: June 4, 2021

  
Jim Martin, Bureau Chief, BREA

3045137

# Kari Tatton

## Experience

Ms. Tatton is a Certified General real estate appraiser. After completing her bachelor's degree at California State University, Sacramento, Ms. Tatton began her career in real estate in March 2011, and has been writing narrative appraisal reports for a variety of commercial properties including office, retail, industrial, multifamily housing, land and special-purpose properties including self-storage facilities, religious facilities, schools and auto dealerships. She specializes in the appraisal of residential master planned communities and subdivisions, as well as Mello-Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate, 3002218, Expires June 2022

## Education

Academic:

Bachelor of Arts in Interior Design (Concentration in Interior Architecture)  
California State University, Sacramento

Appraisal and Real Estate Courses:

Basic Appraisal Principles  
Basic Appraisal Procedures  
Site Valuation & Cost Approach  
General Market Analysis & Highest and Best Use  
Sales Comparison Approach  
Income Capitalization Approach Part I  
Income Capitalization Approach Part II  
General Appraiser Report Writing and Case Studies  
Appraisal of Fast Food Facilities  
Appraising Small Apartment Properties  
Appraisal of Land Subject to Ground Leases  
Appraising Automobile Dealerships

**Integra Realty Resources**  
**Sacramento**

590 Menlo Drive  
Suite 1  
Rocklin, CA 95765

T 916-435-3883  
F 916-435-4774

irr.com







Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kari M. Tatton**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002218

Effective Date: June 2, 2020  
Date Expires: June 1, 2022

  
Jim Martin, Bureau Chief, BREAA

3052074

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com





## **Addendum B**

### **Definitions**



# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

## **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

## **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

## **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

- development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

**Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

**Fee Simple Estate**

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.

**Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

**Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)



**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

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 and 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:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## **Addendum C**

### **Value by Assessor's Parcel**





APN	Address	Lot	Tract	Community	Lot Status	Appraised Value
408201010	1659 OCALA LN LOT 1	1	37427	Daybreak	Under Construction	\$196,000
408201011	1663 OCALA LN LOT 2	2	37427	Daybreak	Under Construction	\$196,000
408201012	1667 OCALA LN LOT 3	3	37427	Daybreak	Under Construction	\$196,000
408201013	1671 OCALA LN LOT 4	4	37427	Daybreak	Under Construction	\$196,000
408201014	1675 OCALA LN LOT 5	5	37427	Cascade	Under Construction	\$127,000
408201015	1679 OCALA LN LOT 6	6	37427	Cascade	Under Construction	\$127,000
408201016	1683 OCALA LN LOT 7	7	37427	Cascade	Under Construction	\$127,000
408201017	1318 TINSLEY WAY LOT 8	8	37427	Cascade	Under Construction	\$127,000
408201018	1322 TINSLEY WAY LOT 9	9	37427	Cascade	Under Construction	\$127,000
408201019	1328 TINSLEY WAY LOT 10	10	37427	Cascade	Under Construction	\$127,000
408201020	1332 TINSLEY WAY LOT 11	11	37427	Daybreak	Completed/Sold	\$361,000
408201021	1336 TINSLEY WAY LOT 12	12	37427	Daybreak	Completed/Sold	\$361,000
408201022	1340 TINSLEY WAY LOT 13	13	37427	Daybreak	Completed/Sold	\$361,000
408201023	1690 TIELO ST LOT 14	14	37427	Daybreak	Completed/Sold	\$361,000
408201024	1684 TIELO ST LOT 15	15	37427	Daybreak	Completed/Sold	\$361,000
408201025	1678 TIELO ST LOT 16	16	37427	Daybreak	Completed/Sold	\$361,000
408201026	1672 TIELO ST LOT 17	17	37427	Daybreak	Completed/Sold	\$361,000
408201027	1668 TIELO ST LOT 18	18	37427	Daybreak	Completed/Sold	\$361,000
408201028	1664 TIELO ST LOT 19	19	37427	Daybreak	Completed/Sold	\$361,000
408201029	1660 TIELO ST LOT 20	20	37427	Daybreak	Completed/Sold	\$361,000
408201030	1652 TIELO ST LOT 21	21	37427	Daybreak	Completed/Sold	\$361,000
408204001	1661 TIELO ST LOT 22	22	37427	Daybreak	Completed/Sold	\$361,000
408204002	1665 TIELO ST LOT 23	23	37427	Daybreak	Completed/Sold	\$361,000
408204003	1669 TIELO ST LOT 24	24	37427	Daybreak	Completed/Sold	\$361,000
408204004	1675 TIELO ST LOT 25	25	37427	Daybreak	Completed/Sold	\$361,000
408204005	1679 TIELO ST LOT 26	26	37427	Daybreak	Completed/Sold	\$361,000
408204006	1678 OCALA LN LOT 27	27	37427	Cascade	Under Construction	\$127,000
408204007	1674 OCALA LN LOT 28	28	37427	Daybreak	Completed	\$361,000
408204008	1670 OCALA LN LOT 29	29	37427	Daybreak	Completed/Sold	\$361,000
408204009	1666 OCALA LN LOT 30	30	37427	Daybreak	Under Construction	\$196,000
408204010	1662 OCALA LN LOT 31	31	37427	Daybreak	Under Construction	\$196,000
419760016	1488 E. 8TH ST LOT 16	16	37426	Elara	Completed/Sold	\$329,000
419760017	1484 E. 8TH ST LOT 17	17	37426	Elara	Completed/Sold	\$329,000
419760018	1480 E. 8TH ST LOT 18	18	37426	Elara	Completed/Sold	\$329,000
419761001	931 BLUEBELL WAY LOT 48	48	37426	Alisio	Completed/Sold	\$298,000
419761002	929 BLUEBELL WAY LOT 49	49	37426	Alisio	Completed/Sold	\$298,000
419761003	927 BLUEBELL WAY LOT 50	50	37426	Alisio	Completed/Sold	\$298,000
419761004	925 BLUEBELL WAY LOT 51	51	37426	Alisio	Completed/Sold	\$298,000
419761005	923 BLUEBELL WAY LOT 52	52	37426	Alisio	Completed/Sold	\$298,000
419761006	921 BLUEBELL WAY LOT 53	53	37426	Alisio	Completed/Sold	\$298,000
419761008	881 BLUEBELL WAY LOT 54	54	37426	Alisio	Completed/Sold	\$298,000
419761009	879 BLUEBELL WAY LOT 55	55	37426	Alisio	Completed/Sold	\$298,000
419761010	877 BLUEBELL WAY LOT 56	56	37426	Alisio	Completed/Sold	\$298,000
419761011	875 BLUEBELL WAY LOT 57	57	37426	Alisio	Completed/Sold	\$298,000
419761012	873 BLUEBELL WAY LOT 58	58	37426	Alisio	Completed/Sold	\$298,000
419761013	871 BLUEBELL WAY LOT 59	59	37426	Alisio	Completed/Sold	\$298,000
419761015	841 BLUEBELL WAY LOT 60	60	37426	Alisio	Completed/Sold	\$298,000
419761017	840 BLUEBELL WAY LOT 61	61	37426	Alisio	Completed/Sold	\$298,000
419761018	850 BLUEBELL WAY LOT 62	62	37426	Alisio	Completed/Sold	\$298,000
419761019	842 BLUEBELL WAY LOT 63	63	37426	Alisio	Completed/Sold	\$298,000
419761020	844 BLUEBELL WAY LOT 64	64	37426	Alisio	Completed/Sold	\$298,000
419761021	846 BLUEBELL WAY LOT 65	65	37426	Alisio	Completed/Sold	\$298,000
419761022	848 BLUEBELL WAY LOT 66	66	37426	Alisio	Completed/Sold	\$298,000
419761024	872 BLUEBELL WAY LOT 67	67	37426	Alisio	Completed/Sold	\$298,000
419761025	870 BLUEBELL WAY LOT 68	68	37426	Alisio	Completed/Sold	\$298,000
419761026	874 BLUEBELL WAY LOT 69	69	37426	Alisio	Completed/Sold	\$298,000
419761027	876 BLUEBELL WAY LOT 70	70	37426	Alisio	Completed/Sold	\$298,000

419761028	878 BLUEBELL WAY LOT 71	71	37426	Alisio	Completed/Sold	\$298,000
419761029	880 BLUEBELL WAY LOT 72	72	37426	Alisio	Completed/Sold	\$298,000
419761031	920 BLUEBELL WAY LOT 73	73	37426	Alisio	Completed/Sold	\$298,000
419761032	922 BLUEBELL WAY LOT 74	74	37426	Alisio	Completed/Sold	\$298,000
419761033	924 BLUEBELL WAY LOT 75	75	37426	Alisio	Completed/Sold	\$298,000
419761034	926 BLUEBELL WAY LOT 76	76	37426	Alisio	Completed/Sold	\$298,000
419761035	928 BLUEBELL WAY LOT 77	77	37426	Alisio	Completed/Sold	\$298,000
419761036	930 BLUEBELL WAY LOT 78	78	37426	Alisio	Completed/Sold	\$298,000
419761038	951 BLUE ORCHID LOT 1	1	37426	Alisio	Completed/Sold	\$298,000
419761039	949 BLUE ORCHID LOT 2	2	37426	Alisio	Completed/Sold	\$298,000
419761040	947 BLUE ORCHID LOT 3	3	37426	Alisio	Completed/Sold	\$298,000
419761041	945 BLUE ORCHID LOT 4	4	37426	Alisio	Completed/Sold	\$298,000
419761042	943 BLUE ORCHID LOT 5	5	37426	Alisio	Completed/Sold	\$298,000
419761043	941 BLUE ORCHID LOT 6	6	37426	Alisio	Completed/Sold	\$298,000
419761045	913 BLUE ORCHID LOT 7	7	37426	Alisio	Completed/Sold	\$298,000
419761046	909 BLUE ORCHID LOT 8	8	37426	Alisio	Completed/Sold	\$298,000
419761047	907 BLUE ORCHID LOT 9	9	37426	Alisio	Completed/Sold	\$298,000
419761048	905 BLUE ORCHID LOT 10	10	37426	Alisio	Completed/Sold	\$298,000
419761049	903 BLUE ORCHID LOT 11	11	37426	Alisio	Completed/Sold	\$298,000
419761050	901 BLUE ORCHID LOT 12	12	37426	Alisio	Completed/Sold	\$298,000
419761052	900 BLUE ORCHID LOT 30	30	37426	Alisio	Completed/Sold	\$298,000
419761053	902 BLUE ORCHID LOT 31	31	37426	Alisio	Completed/Sold	\$298,000
419761054	904 BLUE ORCHID LOT 32	32	37426	Alisio	Completed/Sold	\$298,000
419761055	906 BLUE ORCHID LOT 33	33	37426	Alisio	Completed/Sold	\$298,000
419761056	908 BLUE ORCHID LOT 34	34	37426	Alisio	Completed/Sold	\$298,000
419761057	910 BLUE ORCHID LOT 35	35	37426	Alisio	Completed/Sold	\$298,000
419761059	940 BLUE ORCHID LOT 36	36	37426	Alisio	Completed/Sold	\$298,000
419761060	942 BLUE ORCHID LOT 37	37	37426	Alisio	Completed/Sold	\$298,000
419761061	944 BLUE ORCHID LOT 38	38	37426	Alisio	Completed/Sold	\$298,000
419761062	946 BLUE ORCHID LOT 39	39	37426	Alisio	Completed/Sold	\$298,000
419761063	948 BLUE ORCHID LOT 40	40	37426	Alisio	Completed/Sold	\$298,000
419761064	950 BLUE ORCHID LOT 41	41	37426	Alisio	Completed/Sold	\$298,000
419761066	861 BLUE ORCHID	13	37426	Alisio	Completed/Sold	\$298,000
419761067	859 BLUE ORCHID	14	37426	Alisio	Completed/Sold	\$298,000
419761068	857 BLUE ORCHID	15	37426	Alisio	Completed/Sold	\$298,000
419761069	855 BLUE ORCHID	16	37426	Alisio	Completed/Sold	\$298,000
419761070	853 BLUE ORCHID	17	37426	Alisio	Completed/Sold	\$298,000
419761071	851 BLUE ORCHID	18	37426	Alisio	Completed	\$298,000
419761073	835 BLUE ORCHID	19	37426	Alisio	Completed	\$298,000
419761074	833 BLUE ORCHID	20	37426	Alisio	Completed/Sold	\$298,000
419761075	831 BLUE ORCHID	21	37426	Alisio	Completed/Sold	\$298,000
419761076	837 BLUE ORCHID	22	37426	Alisio	Completed/Sold	\$298,000
419761078	840 BLUE ORCHID	23	37426	Alisio	Completed/Sold	\$298,000
419761080	850 BLUE ORCHID	24	37426	Alisio	Completed/Sold	\$298,000
419761081	852 BLUE ORCHID	25	37426	Alisio	Completed/Sold	\$298,000
419761082	854 BLUE ORCHID	26	37426	Alisio	Completed/Sold	\$298,000
419761083	856 BLUE ORCHID	27	37426	Alisio	Completed/Sold	\$298,000
419761084	858 BLUE ORCHID	28	37426	Alisio	Completed/Sold	\$298,000
419761085	860 BLUE ORCHID	29	37426	Alisio	Completed/Sold	\$298,000
419761087	971 BLUEBELL WAY LOT 42	42	37426	Alisio	Completed/Sold	\$298,000
419761088	969 BLUEBELL WAY LOT 43	43	37426	Alisio	Completed/Sold	\$298,000
419761089	967 BLUEBELL WAY LOT 44	44	37426	Alisio	Completed/Sold	\$298,000
419761090	965 BLUEBELL WAY LOT 45	45	37426	Alisio	Completed/Sold	\$298,000
419761091	963 BLUEBELL WAY LOT 46	46	37426	Alisio	Completed/Sold	\$298,000
419761092	961 BLUEBELL WAY LOT 47	47	37426	Alisio	Completed	\$298,000
419761094	960 BLUEBELL WAY LOT 79	79	37426	Alisio	Under Construction	\$98,000
419761095	962 BLUEBELL WAY LOT 80	80	37426	Alisio	Under Construction	\$98,000
419761096	964 BLUEBELL WAY LOT 81	81	37426	Alisio	Under Construction	\$98,000

419761097	966 BLUEBELL WAY LOT 82	82	37426	Alisio	Completed	\$298,000
419761098	968 BLUEBELL WAY LOT 83	83	37426	Alisio	Completed	\$298,000
419761099	970 BLUEBELL WAY LOT 84	84	37426	Alisio	Completed	\$298,000
<b>Total</b>						<b>\$33,982,000</b>