

# APPRAISAL REPORT

## COMMUNITY FACILITIES DISTRICT 16-I IMPROVEMENT AREA NO. 2 (MILLENIA) OTAY RANCH, CHULA VISTA

Chula Vista, California  
(Appraisers' File No. 2020-1226)



**Prepared For**  
City of Chula Vista  
276 Fourth Avenue  
Chula Vista, California 91910

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

January 11, 2021

Kim Elliott, Facilities Finance Manager  
**City of Chula Vista**  
276 Fourth Avenue  
Chula Vista, California 91910

Reference: Appraisal Report  
Community Facilities District No. 16-I Improvement Area 2  
(Portion of) Millenia, Otay Ranch  
Southwest Quadrant of SR 125 and Birch Road, Chula Vista, California

Dear Ms. Elliott:

At the request and authorization of the City of Chula Vista, we have completed an Appraisal Report of Improvement Area No. 2 of Community Facilities District No. 16-I of the City of Chula Vista ("CFD No. 16-I IA 2") which consists of a portion of the residential neighborhoods and commercial land known as Millenia in Otay Ranch. Meridian Development has been contracted by the property owner, SLF-IV Millenia LLC, to manage the development of Millenia. Current on-site builders/developers within Improvement Area 2 include Lennar Homes of California and Pinnacle New Homes LLC (a joint venture entity formed by SLF-IV Millenia LLC and Meridian Development). Millenia is proposed for a total of about 3,000 multi-family high density residential units and 75 acres of commercial use. Improvement Area No. 2, which is the subject of this appraisal, consists of 335 proposed residential units, 41 of which have closed to individuals as of November 15, 2020, with the remaining residential lands ranging from builder-owned model homes and standing inventory to homes under construction to mass graded pads. In addition, there is a commercial site within Improvement Area 2.

The valuation methods used in this report are the Sales Comparison Approach and a Discounted Cash Flow Analysis along with a mass appraisal technique for the existing homes as defined within this report. The fee simple estate of the subject property has been valued subject to the lien of CFD No. 16-I IA 2. It is the appraiser's understanding that all improvements to be funded by and any fee credits to be received as a result of the issuance of the Special Tax Bonds of CFD No. 16-I IA 2 are in place or have accrued to the subject properties.

Kim Elliott  
City of Chula Vista  
January 11, 2021  
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As a result of our investigation, the concluded minimum market value for the subject property is:

<u>Pinnacle by Meridian</u>	
Meridian Ownership	\$ 11,170,000
Individual Owners (36 houses)	<u>\$ 18,330,840</u>
Subtotal Pinnacle	\$ 29,500,840
<u>Vibe by Lennar</u>	
Lennar Ownership	\$ 13,600,000
Individual Owners (5 houses)	<u>\$ 2,423,268</u>
Subtotal Vibe	\$ 16,023,268
<u>Cleo by Lennar</u>	
Lennar Ownership	\$ 9,835,000
<u>SLF IV Millenia, LLC Ownership</u>	<u>\$ 3,635,000</u>
<b>Aggregate Value for CFD No. 16-I IA 2</b>	<b><u>\$ 58,994,108</u></b>

The values are stated subject to the Assumptions and Limiting Conditions, and the Extraordinary Assumptions of this report, the Appraiser's Certification and are as of November 15, 2020.

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

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

Respectfully submitted,

**KITTY SIINO & ASSOCIATES, INC.**



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

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### ADDENDA

CFD No. 16-I Improvement Area 2 Boundary Map  
Map Nos. 16081, 16377, 16408 and 16409  
Builder-Owned Homes Discounted Cash Flow Analyses  
Finished Lot Land Sales Map and Summary Chart  
Commercial Land Sales Map and Summary Chart  
Improved Residential Sales Map and Summary Chart  
Appraisers' Qualifications

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of CFD No. 16-I IA 2.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference

purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992 and has been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.

18. It is assumed that the sales information provided by the builders is true and accurate. We have reviewed and analyzed the sales along with checking samples on various public record documents and the information appears to be correct.
19. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the San Diego County CFD No. 16-I IA 2 Special Tax Bonds.

### **EXTRAORDINARY ASSUMPTIONS**

1. It is assumed that the remaining costs to develop the various neighborhoods and the planned non-residential property within the subject property are true and correct. We have received summarized remaining costs provided by the builders. We have reviewed these costs and they appear reasonable; however, we are not experts in the cost estimating field and are relying on these costs in the valuation. If actual remaining costs differ, it may change the value conclusions.
2. It is assumed that the master developer completes construction on Metro Park in accordance with the thresholds in the Millenia Parks Agreement. This is anticipated per the master builder.

City of Chula Vista  
Community Facilities District No. 16-1 (Millenia)  
Improvement Area No. 2





## PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the City of Chula Vista CFD No. 16-I Improvement Area No. 2 Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property consists of 335 proposed residential units and one commercial parcel within Millenia, a village within Otay Ranch in the City of Chula Vista. The entire Millenia project is expected to include approximately 3,000 proposed residential units and up to 3.3 million square feet of commercial development. Chula Vista CFD 16-I Improvement Area 2, the subject of this report includes three residential neighborhoods within Millenia and one parcel designated for commercial/mixed use. The ownership and condition of the lands is detailed below.

Description	No. Lots	Ownership	Condition/Status
<b>Pinnacle by Meridian (Units 1-126 of Lot 1 of Map No. 16377)</b>			
Units 1-36 of Map 16377	36	Individuals	Completed Houses / Closed
Units 121-126 of Map 16377	6	Meridian	Model Homes
None	0	Meridian	Homes over 95% Complete
Unit 37-78	42	Meridian	Homes U/C (41 In escrow)
Units 79-120	<u>42</u>	Meridian	Finished Lots (0 in escrow)
Subtotal Pinnacle	<b>126</b>		
<b>Vibe by Lennar Homes (Units 1-92 of Lot 1 of Map 16409)</b>			
Units 7, 8, 29-31 of Map 16409	5	Individuals	Completed Houses / Closed
Units 3-5 of Map 16409	3	Lennar Homes	Model Homes
Units 1-2, 6 and 9-16 of Map 16409	11	Lennar	Homes over 95% Complete (9 In escrow)
Units 26-28 and 32-53 of Map 16409	25	Lennar	Homes U/C (22 In escrow)
Units 17-25 and 54-92 of Map 16409	<u>48</u>	Lennar	Finished Lots (0 in escrow)
Subtotal Vibe	<b>92</b>		
<b>Cleo by Lennar Homes (Units 93-209 of Lot 1 of Map 16408)</b>			
Units 93-97, 104-109, 114-125 and 201-209	32	Lennar	Homes and Models U/C (24 in escrow)
Units 98-103, 110-113, 126-200	<u>85</u>	Lennar	Finished Building pads
Subtotal Cleo	<b>117</b>		
<b>Commercial Parcel</b>			
Lot 19 of Tract Map 16081	<u>N/A</u>	SLF IV-Millenia LLC	8.34-acre Finished Lot
<b>Total Residential Units</b>	<b>335</b>		

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## INTENDED USE OF THE REPORT

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It is the appraiser's understanding that the client, the City of Chula Vista, will utilize this report in disclosure documents related to the sale of the Special Tax Bonds of CFD No. 16-I IA 2. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

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## DEFINITIONS

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### **Market Value**

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

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

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

Inherent in the Market Value definition is exposure time or the time the subject properties would have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions the exposure time for each individually owned property, each builder-owned property or the master developer owned property in a bulk sale, is less than one year.

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

### **Aggregate Retail Proceeds**

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

*“The sum of the appraised values of the individual units, as if all of the units were completed and available for retail sale, at date of value. The sum includes an allowance for lot premiums, when applicable. This is not the market value of the project in bulk.”*

### **Bulk Value**

Bulk Value is defined as:

*The value of a group of lots, parcels, or homes to a single purchaser, on a specified date, under the terms and conditions of the definition of market value.*

### **Discounted Cash Flow (DCF) Analysis**

A Discounted Cash Flow Analysis is:

*The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.*

### **Finished Lot**

The term “Finished Lot” is defined as:

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

### **Finished Pad**

The term “Finished Pad” is defined as:

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

## **Minimum Market Value**

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

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

## **Mass Appraisal**

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

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

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service (“MLS”) for any re-sales and/or listings of each plan type. In addition, we have determined the actual range of sales prices for each plan type which will be utilized in the valuation process. The search of the MLS resulted in no current listings and no re-sales within the subject properties other than builder listings.

## **Super Pad**

A superpad is defined within this report as:

*A mass graded pad which is created in order to create earthwork balances within future subdivision parcels. Requires additional grading prior to building construction, may require additional mapping and may require additional entitlements. A rough-graded site with roads and utility lines extended to the boundary of the parcel.*

## **Extraordinary Assumptions**

The term “extraordinary assumption” is defined by USPAP as:

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

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<sup>2</sup> USPAP 2014-2015 Edition

There are two extraordinary assumptions in this report. The first extraordinary assumption in this report is that the reported remaining costs as received from the builders and master developer or their consultants are true and accurate. We have reviewed the costs and they appear reasonable; however, we are not experts in the field of cost estimating. It should be noted that these costs were relied upon in the valuation of the subject property and if the costs change, the values may change.

The second extraordinary assumption is that the master developer commences and completes construction of Metro Park in a timely manner which does not limit occupancy on the Meridian or Lennar parcels. Per the master developer, while Cleo and Vibe are subject to the specific threshold for Metro Park, the master developer has satisfied the thresholds in the Park Agreement that would limit building permit issuances and occupancies. The only remaining specific threshold is that the master developer completed the park construction in one year however the City can allow permits to continue within Millenia as long as the park is being completed in a timely manner.

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### **PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to CFD No. 16-I IA 2. The definition of “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.”<sup>3</sup>*

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### **EFFECTIVE DATE OF VALUE**

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The subject properties are valued as of November 15, 2020.

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<sup>3</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition

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## DATE OF REPORT

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The date of this report is January 11, 2021.

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## SCOPE OF APPRAISAL

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The purpose of this appraisal is to report the appraiser's best estimate of the market value for the subject property, CFD No. 16-I IA 2, which is known as a portion of Millenia. Millenia is being developed by SLF-IV Millenia LLC into a mixed-use master planned community previously known as the Otay Ranch Eastern Urban Center (EUC) which is a portion of Otay Ranch Village 12. Meridian Development has been contracted to manage all aspects of the remaining lands. The entire Millenia project is proposed for about 3,000 residential units, 42.3 acres of commercial use and 20 acres of public use while the subject property includes three proposed residential neighborhoods totaling 335 units and one commercial parcel. All three residential parcels are sold to builders with the master developer owning the commercial parcel. This appraisal will be presented in the following format:

- County of San Diego Description
- City of Chula Vista Description
- Immediate Surroundings / Otay Ranch / Millenia Description
- Brief Description of City of Chula Vista CFD 16-I IA 2
- Subject Property Descriptions
- San Diego County Residential and Commercial Market Analysis
- Highest and Best Use Analysis
- Valuation Procedure, Analyses and Conclusions
- Appraisal Report Summary

In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

*"...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred*

*method of land valuation when an adequate supply of comparable sales is available.”<sup>4</sup>*

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. A Discounted Cash Flow Analysis will also be completed for each ownership for the builder-owned homes. We will also utilize a mass appraisal technique which included reviewing all builder sales and searching the MLS for any re-sales and/or listings.

The due diligence of this appraisal report included the following:

1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macro-economic outlook within San Diego County and the Otay Ranch area.
3. Inspected the subject properties between October 1, 2020 and November 15, 2020.
4. Had the site flown by an aerial photographer on October 14, 2020.
5. Interviewed representatives and or consultants from Meridian Development in order to obtain information on Pinnacle and the commercial parcel.
6. Interviewed representatives from Lennar in order to obtain information on Vibe and Cleo.
7. Reviewed the Eastern Urban Center Sectional Planning Area (“SPA”) Plan.
8. Reviewed Preliminary Title Reports on the subject properties as provided by the property owners.
9. Reviewed a Final EIR for the subject property.
10. Searched the area for relevant comparable residential land sales, inspected and verified each sale with a buyer or seller or broker familiar with the transaction.

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

11. Searched the area for relevant comparable commercial land sales, inspected and verified each sale with a buyer or seller or broker familiar with the transaction when available.
12. Searched the area for relevant comparable new home residential projects, including sales prices and interviewed representatives from each comparable project.
13. Reviewed sales brochures and websites on the subject neighborhoods along with comparable neighborhoods.
14. Reviewed developer sales information on each home including current escrows.
15. Reviewed Multiple Listing Service information to determine if there were any re-sales, pending re-sales, or listings of existing homes.





## COUNTY OF SAN DIEGO AREA DESCRIPTION

### **General Surroundings**

The subject property is located in the City of Chula Vista in the southwestern most portion of the County of San Diego (the "County"). The County is located in the southwest corner of the State of California bordering Mexico on the south, Imperial County to the east, and Riverside and Orange Counties to the north and the Pacific Ocean to the west. The County has approximately 4,525 square miles (325 square miles of which is water) and includes terrain from ocean beaches to foothills to mountains and deserts. San Diego County has 70 miles of coastline and the climate ranges from Mediterranean to semi-arid.

### **Population**

The San Diego region experienced faster growth rates than most of California during the past several decades. In 2009 the County had a larger population than 20 of the 50 states. The County has experienced an increasing growth pattern for the past fifty years. Between January 1990 and January 2000, the population grew from 2,480,072 to 2,813,833 or an annual average growth of approximately 1.15 percent per year. According to the California Department of Finance, the January 2020 population for the County is estimated at 3,343,355 which is an increase of 0.1 percent from January 2019 and suggests an average annual increase of 0.86 percent for the previous twenty years. The slowdown in growth appears to be due to the recession which began in the mid-2000s along with the build-out of easily developable land. Current projections from SANDAG are for the County population to increase by one million people by 2050 which reflects a 0.86 percent average annual increase over the next thirty years.

### **Transportation**

Four major interstate freeways bisect the County; these are Interstate 5, Interstate 15, Interstate 8 and Interstate 805. Interstate 5 is the major north/south arterial throughout the State of California. It generally follows the coastal route in the San Diego County area. Interstate 15 is also a north/south arterial; however, it is located inland and through the

more mountainous regions of the County. Interstate 8 provides east/west access through the southern portion of the County, while Interstate 805 generally parallels Interstate 5 beginning near Del Mar, providing a third north/south route between I-15 and I-5. The subject area is served by State Route 125, a toll road giving access to the inland areas of southern San Diego County east of I-15. State Route 125 begins in Santee about 15 miles north and provides access through the communities of El Cajon, La Mesa, Lemon Grove, La Presa and Chula Vista and on to the national border with Mexico where it becomes State Route 905.

The County is well served with train service by Amtrak, Metrolink and the regional Coaster. In addition, downtown San Diego has a trolley which provides access around the downtown area and to the Mexican border. Air service is provided by San Diego International Airport (approximately 15 miles northwest), Palomar Airport in Carlsbad (approximately 40 miles north) and Brown Field, three miles south of the subject in Otay Mesa near the Mexican border.

### **Economy**

Beginning February 20, 2020, the U.S. along with the world began experiencing an unprecedented economic disruption due to the COVID-19 pandemic. Original predictions were for the virus to overwhelm hospitals and staff. While the U.S. has lost over 250,000 people due to COVID-19 as of the date hereof, and except for a few exceptions, hospitals have had the capacity to treat the patients. The Federal, State, County and City Governments (“Governments”) shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people in the U.S. filing for unemployment in the past eight months. This disruption originally caused extreme volatility in the stock market with an overall drop of 37 percent on March 23, 2020, however the stock market has now rose to near previous highs. The Federal Government attempted to curtail the job losses and hardships with the approval of the Coronavirus Aid, Relief and Economic Security (CARES) Act which was signed into

law March 27, 2020. The CARES Act appropriated over two-trillion dollars to people and businesses who were financially stunted by the COVID-19 pandemic. On April 9, 2020 the Federal Reserve took additional action to provide up to \$2.3 trillion in loans to support the economy and on April 23, 2020, Congress passed an additional \$484 billion in relief for small businesses and hospitals. It appears these stimuli helped shore up the economy. Currently the relief funds have generally been expended and the government is deciding on when and if future help will occur. Job losses were huge with the Nation's unemployment for October 2020 at 6.6 percent compared to 3.5 percent in February 2020. In June the news was positive with most states beginning to re-open, however since then, there has been surging cases of COVID in several states creating the need for additional shut-downs of non-essential activity once again. Most economists believe the economy will have good growth once COVID ends, however the timetable for ending the virus has not yet been discovered. While there has been positive news on a vaccine, the time table to vaccinate the public is uncertain at this time. Per the Congressional Budget Office, their prediction is that by the end of 2022, economic output will still be five percent below the output prior to the pandemic.

Prior to the COVID-19 pandemic, the nation was experiencing a strong economy. As with the rest of the nation, San Diego County experienced a significant multi-year recession, now known as the Great Recession, between 2007 and mid-2012. The County, which had strong employment over the previous decade, saw unemployment rates increase significantly between 2007 and 2010. Unemployment had declined substantially since that time with the last few years showing historically low unemployment, however this changed due to COVID. The unadjusted unemployment rate for the County was estimated at 7.7 percent (per the October 2020 Employment Development Department report), which is significantly higher than the February 2020 rate of 3.2 percent, however a decrease from the peak during the recession of 11.0 percent in 2010. The current unemployment rate for the County of 7.7 percent is lower than the California rate of 9.0 percent and higher than the October 2020 National rate of 6.7 percent. Below is a table depicting San Diego County in relationship to unemployment rates of the surrounding counties.

<u>Jurisdiction</u>	<u>As of</u>	<u>Unemployment Rate</u>
Los Angeles County	10/20	12.1%
Riverside County	10/20	9.0%
San Bernardino County	10/20	9.1%
Orange County	10/20	7.5%
<b>San Diego County</b>	10/20	<b>7.7%</b>

*Source: State of California E.D.D. October 2020 Report*

Over the past 20 years, the San Diego County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession taking prices back to 2002/03 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the San Diego County housing market seeing an improvement beginning in mid-2012 with increases since that time. When COVID hit, home sales stopped for a few months. However, new home sales began surging in May/June and have not eased yet. This is thought to be due to 1) Millennials finally entering the market; 2) historically low interest rates and 3) what is being called the COVID factor. The COVID factor brought a rush to own as people were restricted to their homes along with working from homes creating the need for a home-office and more space to spread out which most apartments do not provide. The existing home market was stagnant for a longer time due the unknowns as homeowners did not want to move. New home sales took off and have been a bright spot in the COVID economy with minimal inventory of existing homes. However, due to the limited supply and increased demand, prices have increased which has led existing homeowners to begin to move. Prices have surpassed the pre-recession highs with prices still rising.

During the Great Recession, the Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages during the Great Recession. The Federal Reserve Board (“Board”) has kept interest rates below historical averages, dropping rates to zero in December 2008 until the December 2015 Board meeting, when they began raising interest rates. The final increase in December 2018

appeared to partially affect the economy with home sales slowing and stock market volatility. In 2019 the Board stopped the increases and dropped the rate three times. On March 3, 2020 the Board dropped rates 50 basis points due to the stock market reaction to the COVID-19 pandemic while on March 16, 2020 the Board dropped the rate another 100 basis points to the historical level of 0 – 0.25 percent. At the most recent meeting of the Board, rates were left unchanged. The Federal Interest Rate in the US averaged 5.69 percent from 1971 to 2019 reaching an all-time high of 20 percent in March 1980 and the previous low of .25 percent in December 2008. While the Government has enacted several stimulus packages to try and stabilize the economy during the COVID-19 pandemic and is reviewing additional relief, it is too early to tell how much these will help.

The first 2020 UCLA Anderson Forecast (“Forecast”) was issued March 12, 2020, but for the first time in its 68-year history, the Forecast was updated four days later on March 16, 2020 due to the COVID-19 pandemic. The latest Forecast dated September 30, 2020 states the nation’s forecast is better than expected, however only compared to their earlier forecast (dated June 24, 2020) which declared the nation’s economy was in a “depression-like” crisis. Between June 24, 2020 and September 30, 2020, the economy opened more quickly than anticipated due to the quick adaptation by consumers and businesses to virtual interactions, safe physical distancing, unprecedented monetary support by the Federal Reserve and the fiscal stimulus. The Forecast does state that the good news is not without caveat and that is that it assumes the widespread availability and usage of an effective vaccine in early 2021 or that the pandemic abates and is relatively mild in 2021 and 2022. Estimates are for the economy not to return to its fourth quarter 2019 peak until early 2023. The GDP decline was 9.1 percent between April and June with an estimated 6.4 percent growth from July to September. After this projected third quarter increase, the fourth quarter GDP would be 4.5 percent below the fourth quarter 2019. This compares to a 4.0 peak to trough decline during the Great Recession of 2008.

The National Forecast states that even as the economy recovers, unemployment will continue. Following the peak of 14.7 percent in April and declining to 7.7 percent in

September, the Forecast predicts the U.S. will end the year with a 7.8 percent unemployment rate followed by a rate of 6.3 percent at the end of 2021 and 4.7 percent at the end of 2022 which is still above the pre-COVID national unemployment rate in February 2020 of 3.5 percent.

The Forecast for California looks at the COVID-19 risk similar to a transactions “tax” that is highest for crowds and less with more distance. Essential activities with low COVID-19 “taxes” (i.e. on-line shopping, virtual workspaces, zoom meetings, groceries, take-out restaurants) have already recovered and will grow as the economy grows. Avoidable activities with high COVID-19 transaction “taxes” (i.e. air travel, hotels, mass transit, in person classes, entertainment venues) have not recovered and will likely remain at low employment levels, even as the economy grows. California’s economy is expected to largely track that of the U.S., with areas such as leisure and hospitality hit harder in California than the overall U.S.

The final positive in the California Forecast is that the tech industry and its workers have been doing well with 349,000 workers in Santa Clara County (Silicon Valley) and 250,000 in Los Angeles. While the Bay Area, New York and Los Angeles have seen spectacular growth in the tech workforce in the past, the Forecast predicts slower growth in major cities in the future owing to the great acceptance of remote working which will create tech industry growth in more suburban areas.

We have reviewed San Diego’s Economic Pulse prepared by the San Diego Regional Economic Development Corporation and dated August 21, 2020. Within the County, the unemployment rate was 7.7 percent in October which is down from 12.3 percent in July but far above the 3.6 rate of one year prior. During the COVID-19 pandemic San Diego non-farm employment lost 144,400 jobs or a total of 10.2 percent of its workforce. This is a higher percentage than the California total loss of 1.6 million jobs which is about 8.0 percent. The largest sector of job losses in San Diego County during the COVID-19 pandemic is by far Leisure and Hospitality (-60,800 jobs) followed by Trade,

Transportation and Utilities (-18,400 jobs) and Government (-14,500 jobs). As of the November 2020 San Diego Economic Pulse, 52.4 percent of lost jobs have been recovered. The Economic Pulse believes creative training programs will be the key to get the workers employed in growing occupations for economic recovery. New home sales have surged with pending new home sales in July 2020 (latest statistic available), up 58 percent year over year in San Diego County.

During the Great Recession, commercial real estate hit bottom in 2010 with local absorption levels returning to positive territory in 2012 and generally growing until COVID hit. Office vacancy rates stabilized in 2012 with rents rising between 2013 to early 2020. Retail vacancies which grew during the Great Recession generally leased up with retail construction occurring once again, generally after 2016. This is evidenced by the successful Otay Ranch Town Center adjacent to the north of Millenia along with Millenia Commons, the Ayres Hotel and additional retail space developed and leased during this time. Chesnut Properties purchased one commercial parcel for office construction in Millenia and was in escrow on two additional parcels in 2017. They have building plans underway on the first parcel however have not yet begun construction. In early 2018 escrows on the additional two commercial parcels in Millenia (including the subject commercial parcel) were cancelled. We have reviewed CBRE's US Real Estate Market Outlook for 2021 which includes the effect of COVID on commercial real estate in the Nation. Overall, they believe that demand for office space will remain muted as most office occupiers plan for a gradual re-entry into the office throughout 2021.

## **Conclusion**

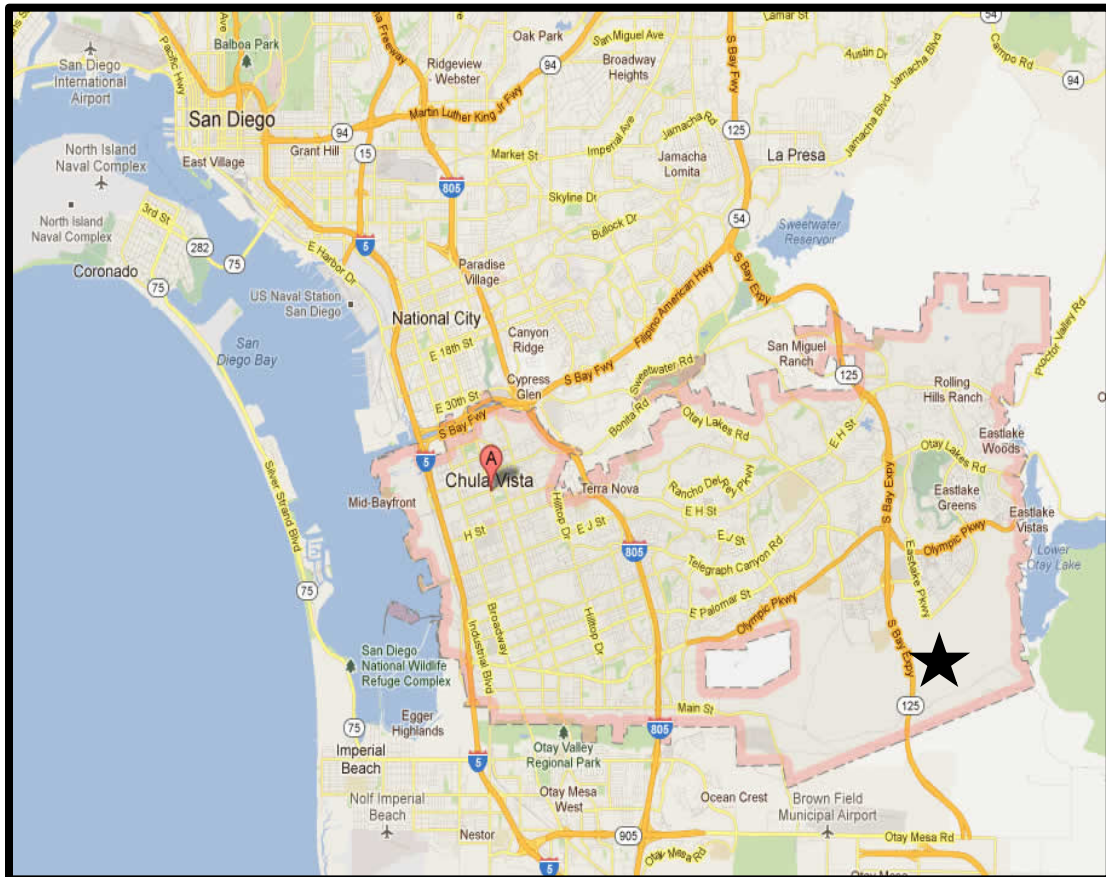
Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled during the Great Recession with a resurgence beginning in 2012. The County economy along with most of California and the Nation experienced the longest economic expansion in history between 2010 and 2020. While the expansion began slowing slightly in late 2019, the COVID-19 pandemic brought the economy to a halt in early 2020. Unemployment during this time rose from under 4 percent to over 12 percent in the County then lowered slightly to 7.7 percent in



October 2020. While several counties in California are beginning to cautiously reopen, no one knows how long it will be until the economy and life gets back to what was the pre-COVID normal. The one bright spot is new home sales which are showing a significant increase year over year. The commercial market is anticipated to be more stagnant in 2021 than was forecast in early 2020 due to COVID. In conclusion, the County is expected to continue to grow in population due to its Southern California location and availability of land, however residential real estate will enjoy more growth than commercial real estate.

## CITY OF CHULA VISTA

The subject property is located in the City of Chula Vista ("City"), located in the southern portion of San Diego County. Chula Vista is the second largest city in San Diego County, bordered by the San Diego Bay and Coronado to the west, Imperial Beach to the southwest, the California-Mexico border to the south, unincorporated area to the East, Lemon Grove to the north, and National City to the northwest. The City contains an estimated 50.1 square miles of land with Mediterranean and semi-arid climates. San Diego County averages 10 inches of precipitation annually. Rain occurs mainly between the months of December and March. Elevation ranges from sea level to 1,591 feet. The City is located 7 miles southeast of downtown San Diego. The City of Chula Vista was incorporated in 1911. In 1997, the City annexed 9,100 acres, the largest annexation in County history. Below is a map outlining the City with the black star representing the approximate site of the subject property.



The City began as a 5,000-acre development with the first house being built in 1887 and by 1889, having 10 homes on the development. The completion of the Sweetwater Dam in 1888 permitted irrigation after which Chula Vista became, for a while, the largest lemon-growing center in the world. This agriculture base helped the City get through the Great Depression. Agriculture does not continue to be as important to the City as it once was as now over 250,000 people reside in Chula Vista.

### **Population**

Chula Vista is the second largest City in San Diego County. As of January 1, 2020, the City had a population of 272,202, which is a 0.4 percent increase from the January 2019 which was 271,032. Since the year 2000 Chula Vista has experienced almost a 50 percent population increase indicating a very rapid growth in the population over the past 15 years, although it appears to be slowing. Between 2000 and 2010 the City population increased an average annual growth rate of 3.46 percent while between 2010 and 2016 the rate slowed to just over one percent per year showing the effects of the Great Recession. In 2016 Chula Vista was one of California's top 10 cities with the largest numerical change of cities with population growth. The City of Chula Vista has a median age of 34 years old with roughly 60% of the homes in the area owner-occupied.

### **Economy**

Chula Vista has been undergoing business expansion and attraction while collaborating with Baja California officials to create an environment for economic growth and prosperity. The City established economic development initiatives that have created quality infrastructure, a strong consumer base and a well-educated and experienced workforce. The City has two major malls besides the Otay Ranch Town Center and the historic downtown shopping district. Otay Ranch Town Center has more than 100 top specialty stores. According to the City's June 30<sup>th</sup> 2019 Comprehensive Annual Financial Report (latest available for review), the top employers in the City are as reported on the following page.

<u>Employer</u>	<u>No. of Employees</u>
Sweetwater Union High School District	4,133
Chula Vista Elementary School District	3,680
Sharp Chula Vista Medical Center	2,287
Rohr Inc./Goodrich Aerostructures	1,928
Southwestern College	1,743
Wal-Mart	1,323
City of Chula Vista	1,208
Scripps Mercy Hospital – Chula Vista	1,073

While COVID-19 has disrupted the economy in the City of Chula Vista, similar to all of Southern California and San Diego County, new home sales have been a bright spot. While new home sales are up significantly, existing home listings were way down. It is thought that this trend is a reaction to the COVID-19 pandemic with people owning homes staying put while millennials may be finally beginning to move out, partially due to low interest rates.

### **Education**

The City is home to two school districts, one elementary level and one high school level. The Chula Vista Elementary School District is the largest kindergarten through sixth grade district in the State of California with 49 campuses. Wolf Canyon Elementary will be serving the subject property. Sweetwater Union High School District serves as the primary secondary school district with Eastlake Middle School and Olympian High School serving the subject property. Mater Dei Catholic High School is located within Otay Ranch (about 0.5 miles northwest of subject) along with the Chula Vista Academy of the Arts Charter School (K-8<sup>th</sup> on Mater Dei campus). High Tech High Chula Vista, a public charter school for grades 9-12 is located within one mile southeast of the subject. Southwestern College is a community college in the city located about two and one-half miles northwest of the subject. Southwest College serves approximately 19,000 students annually.

### **Transportation**

The City is served by a large network of freeways and highways that include I-5 along the western edge of the City, which runs south to Tijuana and north to Los Angeles and onto Northern California. The I-805 serves as a bypass to the I-5. State Route 54 and State

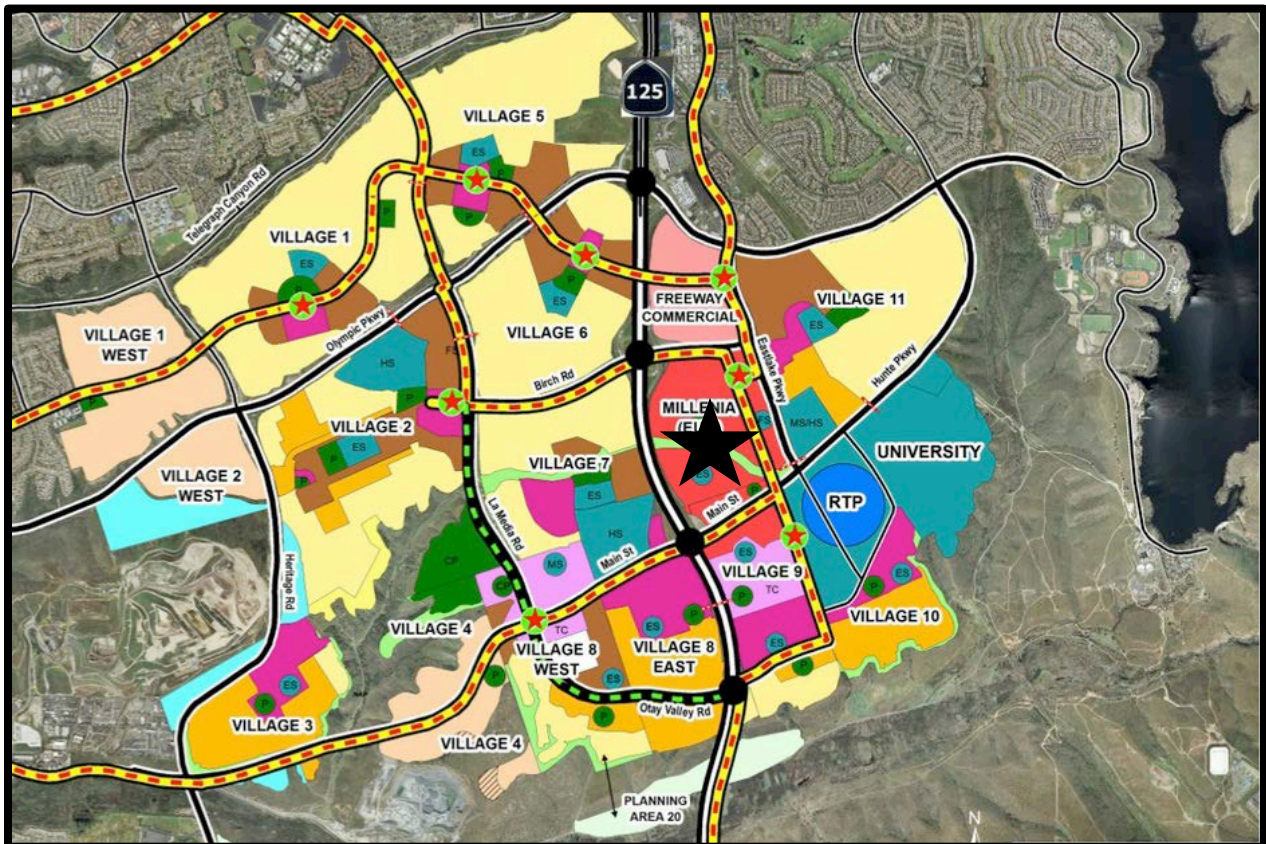
Route 125 serve as highways to East County cities. At the subject the 125 Freeway is a toll road. The San Diego International Airport is located about 12 miles northwest of the city and serves as the city's primary commercial airport. Brown Field, a municipal airport is located about three miles south of the subject.

### **Summary**

In summary, the City of Chula Vista experienced substantial growth in the last 20 years with future growth predicted. The City will play a significant role in the region's growth and is emerging as the hub of civic and cultural activity in South San Diego County. As the second largest City in the County and historically one of the fastest growing cities in the nation coupled with the business-friendly atmosphere and availability of land, there are many opportunities for both growing businesses and growing families in the City of Chula Vista.

## OTAY RANCH AND IMMEDIATE SURROUNDINGS

The Otay Ranch is a 5,300-acre pedestrian friendly master planned community located in the eastern portion of the City of Chula Vista. The master developer of Otay Ranch and the City planned a village planning concept which provides urban villages that are approximately one-mile square with distinct features defined by an open space system and major arterial streets. The concept promotes pedestrian-oriented villages providing essential facilities and services to be located in each village core. The highest density residential is located in each core and residential densities decrease towards each village perimeter. Below is a map showing the overall Otay Ranch with the black star showing the location of the project property.



The Millenia project in Otay Ranch consists of approximately 206 acres of mixed-use development that is bounded by Birch Road on the north, Eastlake Parkway on the east, Hunte Parkway on the south and the State Route 125 Freeway (South Bay Expressway) on the west. It is fully entitled for about 3,000 residential uses and up to 3.3 million square

feet of commercial and civic uses. Commercial development is to consist of retail, office, civic and hospitality land uses. Current, existing development within the Millenia Village consists of a variety of residential and commercial projects. Below is an artist rendition of Millenia with the subject sites identified by blue stars and proposed development summarized on the table.

**Meet your next-door neighbors.**

**A PULSE | For Lease**  
by Fairfield Residential  
Live in the epicenter of stylish design and elevated luxury, and across the street from 23 shops and eateries.

**B VOLTA & DUETTA | For Lease**  
by Chelsea Investments  
A collection of 210 stylish apartments designed around convenience and affordability.

**C EVO | METRO | TRIO | For Sale**  
by Meridian Communities  
Sophisticated townhomes, row homes, penthouse flats and two-story garden homes that offer the latest innovations in urban styling, sustainability, and comfort to create a unique upscale experience.

**D ELEMENT & Z | For Sale**  
by Shea Homes  
Enter the vibrant scene of Element and Z where urban living is transformed into a complete lifestyle. Element is a thriving neighborhood of 70 detached urban homes and Z is a neighborhood of 106 attached condominiums.

**E SKYLAR at MILLENIA | For Sale**  
by KB Home  
Skylar at Millenia offers two modern-styled detached homes, each showcasing a spacious three-story floor plan with an elevator.

**F BOULEVARD | For Sale**  
by Lennar  
A collection of 78 contemporary, attached row townhomes with second-story balconies. Choose from three unique floor plans. Amenities include outdoor recreation area with pool and BBQ.

**G ALEXAN RIVUE | Future For Lease**  
by Trammell Crow Residential  
253 contemporary, urban style apartments.

**H THINK. DISCOVER. INVENT.**  
by Chesnut Properties  
A cluster of office campus environments which will serve as a breeding ground for innovation and collaboration among academia, life science, research and technology.

**I AYRES HOTEL**  
Out of town guests and business travelers alike will love their stay at this stylish and contemporary boutique hotel. Coming 2019.

**J ALEXAN MILLENIA | For Lease**  
by Trammell Crow Residential  
This 309 unit mixed use community is filled with a myriad of amenities and offers one, two, and three bedroom floor plans and townhomes.

**K MILLENIA COMMONS and MILLENIA PLACE | Retail**  
by Sudberry Properties  
This 135,000 sq. ft. center features an eclectic mix of shops, services and restaurants including Starbucks, HomeGoods, Cost Plus World Market, Ross Dress for Less, buybuy Baby, Hurricane Grill & Wings, Board & Brew, Papagayos Grill & Cantina, Jamba Juice and much more.

<u>Phase 1 Millenia</u>	<u>Product</u>	<u>Status</u>	<u>DU/SF</u>	<u>Acres</u>	<u>Density</u>
Pulse	Apts.	Fully Leased	273 DU	9.28 Ac	29.4/Ac
Evo, Metro & Trio	Townhome	Sold Out	217 DU	12.8 Ac	17.0/Ac
Element & Z by Shea Homes	SFD / SFA	Sold Out	176 DU	10.26 Ac*	17.2/Ac*
<b>Phase 2 Millenia Map 16081</b>					
"Invent" – Lot 1	Office	Proposed	700,000 SF	10.93 Ac	N/A
Millenia Commons by Sudberry Properties Lot 2	Retail	Completed	105,000 SF	9.85 Ac	N/A
Millenia Place by Sudberry Properties, Lot 3	Retail	Completed	25,251 SF	2.85 Ac	N/A
Alexan Millenia by Trammel Crow Lots 4-6	Apts.	Completed	309 DU	9.25 Ac	33.4/Ac
Think - Chestnut – Lot 7	Office	Proposed	324,100 SF	7.06	N/A
Lot 8 & 21 Ryan Co.	Apts.	Proposed	480 DU	12.08	37.2/Ac
Volta & Duetta Lot 9-10	Affordable Apts.	Completed	210 DU	4.02 Ac	52.2/Ac
Lot 11 (Option to Chelsea	Affordable	Proposed	200 DU	3.07 Ac	19.54/Ac

Pinnacle/ Meridian Lot 12-13	SFA	Selling	126	5.95 Ac	21.2/Ac
Skylar by KB Home Lot 14	SFA	Sold Out	79 DU	7.27 Ac	10.9/Ac
Vibe by Lennar Lot 15	SFA	Selling	92 DU	5.47 Ac	16.82/Ac
Boulevard by Lennar Lot 17	SFA	Sold Out	78 DU	3.74 Ac	20.9/Ac
Alexan Rivue by Trammel Crow Lot 18	Apts.	Completed	253 DU	8.272 Ac	30.6/Ac
Commercial Lot 19	Mixed/Office	Proposed	700,000 SF	8.54 Ac	N/A
Ayres Hotel – Lot 20	Hotel	Completed and Open		2.51 Ac	N/A
Cleo by Lennar Lot 22	SFA	Selling	117 DU	5.276 Ac	22.2/Ac

Immediately north of Millenia, on the north side of Birch Road is a large retail center known as the Otay Ranch Town Center. Major tenants include Macy's, DSW Shoes, AMC Theatres, H & M, Bath & Body Works, Barnes & Noble, Aldo, Sephora, and Best Buy. Restaurants include Panera Bread, Cheesecake Factory, Panda Express and Jersey Mike's Subs. North of this retail area and along the northerly side of Olympic Parkway is another retail center with Home Depot, Walmart, Walgreens, Chase Bank and Chevron as anchors. Also, at this location, on the south side of Olympic Parkway is a new, Residence Inn by Marriott. Further north are residential neighborhoods in the community of Eastlake consisting of both single-family detached and attached product along with Eastlake High School, Eastlake Country Club and other community related facilities. Southwestern College (the local community college) is located about two miles northwest. North of Chula Vista are the communities of Lemon Grove, Springs Valley, Rancho San Diego and El Cajon.

Most areas east of Millenia consist of existing residential neighborhoods with both single-family detached and attached homes. The "Summit at Eastlake" is a neighborhood retail center at the southeast corner of Eastlake Parkway and Birch Road. It is anchored by a Von's market with supporting tenants that include a Denny's restaurant, In-and-Out Burger and Bank of America. "Windingwalk at Otay Ranch" is an attached residential project located adjacent to the retail center and there is a large vacant land parcel at the northeast corner of Eastlake Parkway and Hunte Parkway. Approximately two miles to the east and adjacent of Lower Otay Lake is the U.S. Olympic Training Center. It is on 155 acres and includes living and dining facilities with almost 300 beds as well as the training facilities. There are six, natural grass athletic fields as well as other training facilities for athletes. It is one of three such facilities in the country. Most of the land east



of Otay Lakes consists of vacant unincorporated land. An ecological preserve totaling 11,375 acres is located just east of Otay Lakes.

Land southerly of Millenia is also vacant and proposed for the future Otay Ranch Villages 8 and 9. Immediately to the southeast is a university site containing 375 acres of land owned by the City of Chula Vista that are also within the Otay Ranch master plan. This proposed university is projected for 20,000 students and would offer cross border programs. The Otay River basin is just over one mile south and Brown Field Municipal Airport about three miles south. The international border with Mexico is about 4.5 miles south and the Tijuana Airport, known as General Abelardo I. Rodriguez International Airport, is adjacent to the border and parallels Brown Field. There are two international border crossings nearby. One at the termination of Interstate 805 and the other at the termination of State Route 905.

State Route 125, known as the South Bay Expressway, is a toll road that forms the westerly boundary of Millenia. On and off-ramps at Birch Road provide immediate access to Millenia as well as areas to the east and west. Just west of the toll road are existing residential neighborhoods of Village 6 and Village 7 of Otay Ranch in Chula Vista. Several schools are located just west of SR 125 including Olympic High School, Wolf Canyon Elementary, East Hills Academy and Mater Dei Catholic High School. Otay Ranch Village 2 is also located west of SR 125 with new homes currently selling in the villages known as Escaya and Montecito. Of the projects currently offering product for sale, several are larger, single family detached homes that don't compete directly with the subject attached products. Interstate 805 is about 4.5 miles to the west and is a major freeway connecting with the international border to the south and combining with Interstate 5 to the north. I-5 travels through the City of San Diego, and the cities of Imperial Beach and National City. Major U.S. Navy facilities including North Island Naval Air Station are located in San Diego Bay. San Diego International Airport, also known as Lindbergh Field, is less than twelve miles northwest.

Millenia is in the path of growth in inland area of southwestern San Diego County. It is in the heart of the Otay Ranch Master Plan Community with an urbanized development plan that will be within walking distance to employment, retail shopping and recreation.

### **Immediate Surroundings**

As described, Millenia is a village within the larger master planned community of Otay Ranch. The community is accessible via SR 125, Birch Road, Olympic Parkway and Eastlake Parkway, all major improved streets providing access into Millenia.

Adjacent to the north is the Freeway Commercial area within Otay Ranch which has been developed into the Otay Ranch Town Center. Adjacent to the west is Village 11 which was developed in the early 2000s while to the south are the future villages of Otay Ranch Village 8 and 9. SR 125 forms the western border of Millenia beyond which is the existing Otay Ranch Village 7, beyond which are the Villages of 2 & 3, all of which are nearing build-out.

Within Millenia there are existing apartments, new homes, both attached and detached, over 1,000,000 planned square feet of office space, a new hotel and a 135,000 square foot retail center. Millenia is master planned as a walking neighborhood making walking to restaurants, shops, parks, the library and on scenic trails the emphasis of the community. As discussed and shown under the previous section, the subject property refers to four parcels that are scattered throughout the community.

## **CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 16-I**

A Resolution of Intention to form City of Chula Vista CFD No. 16-I (Millenia) was approved via Resolution No. 2016-154 by the City Council on August 2, 2016. At that time a CFD Report was prepared by Willdan Financial Services which included a brief description of CFD No. 16-I; a brief description of the facilities required at the time of formation to meet the needs of CFD No. 16-I; a brief description of the boundaries of CFD 16-I and an estimate of the cost of financing the bonds used to pay for the facilities.

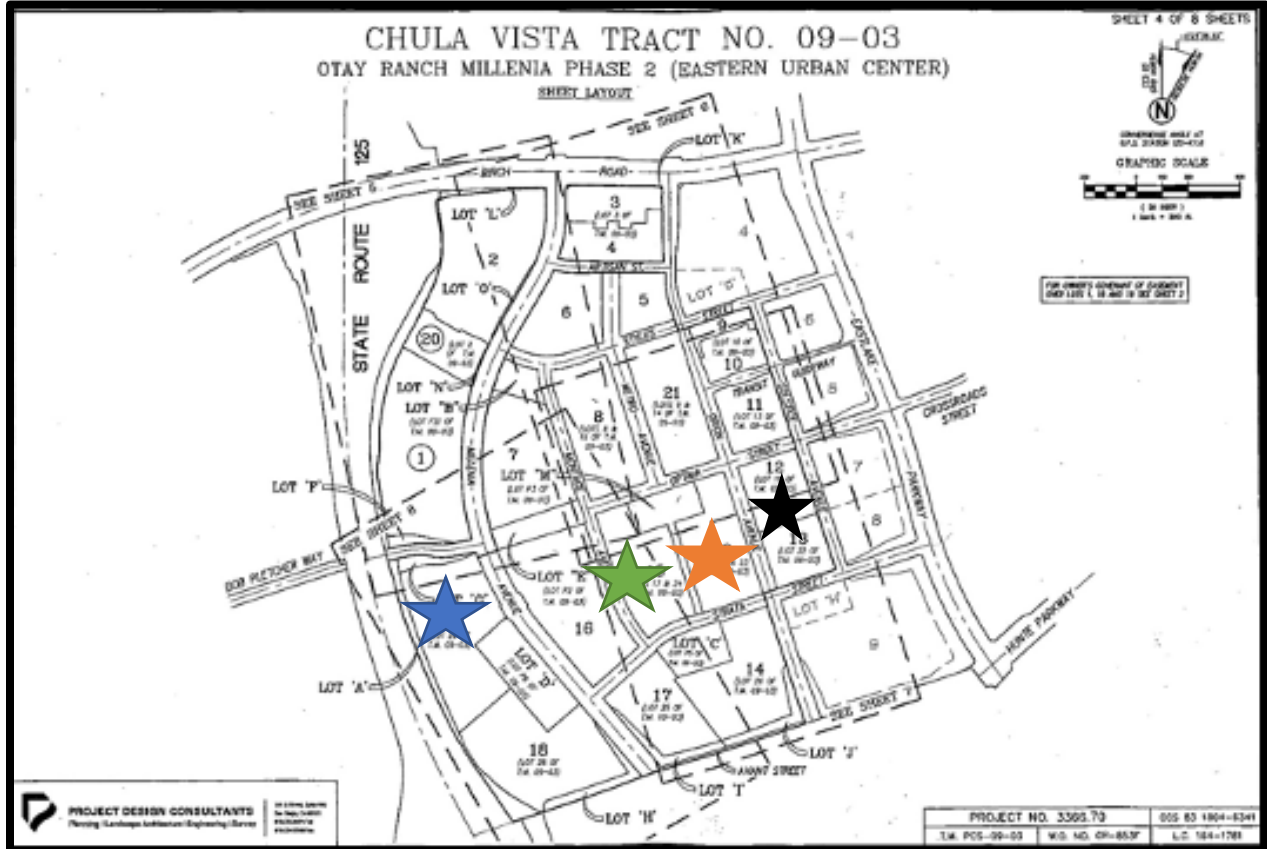
The types of facilities eligible to be financed by CFD 16-I include street and bridge improvements, sidewalks, trails, medians, traffic signalization and signage, street lights, utilities, storm water collection and conveyance facilities, off-site storm detention and treatment facilities, park and recreation facilities, fire facilities and equipment, library facilities and equipment, transit facilities, fiber optic telecommunication system facilities, general governmental office, administrative and meeting facilities, bus and rapid transit facilities and land, rights of way and easements necessary for any of such facilities.

The proposed maximum authorized bonded indebtedness for CFD No. 16-I is \$20,000,000 for Improvement Area No. 1 (bonds sold in 2018) and \$21,000,000 for Improvement Area No. 2 (the subject property). The proceeds of CFD No. 16-I will be used to fund public facilities as described above. At time of the CFD Report, the estimated cost of such facilities was approximately \$94.4 million, thus the CFD will not generate sufficient funds to finance all of the costs. Any facilities costs not covered by CFD bond proceeds and special taxes will remain the responsibility of the developer.

The CFD Report also included the Rate and Method of Apportionment (RMA) which provides sufficient information to allow a property owner within CFD No. 16-I to estimate the Maximum Special Tax for his or their property. Per the latest sources and uses report (dated December 1, 2020), CFD No. 16-I IA 2 bonds are anticipated to fund \$10,563,015, with \$1,022,786 in capitalized interest and debt service reserve fund and \$473,252 in issuance costs and underwriter's discount (all amounts subject to change).

## SUBJECT PROPERTY DESCRIPTIONS

The subject property consists of a portion of the community known as Millenia in the master planned community of Otay Ranch in the City of Chula Vista. Below is a map showing all of Millenia with the four subject parcels identified by different colored stars.



Color ID	Lot/Tract Number	Ownership	Acres	Units
Blue Star	Lot 19/16081	SLF – IV Millenia LLC [commercial parcel]	8.34	N/A
Black Star	Lot 1 of Tract 16377	Pinnacle New Homes LLC (Meridian)	5.95	126
Green Star	Lot 1 of 16409	Lennar Homes – Vibe	4.47	92
Orange Star	Lot 1 of 16408	Lennar Homes – Cleo	4.35	117

Each of the ownerships will be described on the following pages.

## SLF IV - Millenia LLC Ownership

SLF IV – Millenia LLC is the master developer ownership entity and has contracted with Meridian Development to act as development manager. SLF IV – Millenia LLC holds title to the commercial parcel shown below which is described in this section.



**Location:** South side of Bob Pletcher Way between Millenia Avenue and SR 125, Millenia, Otay Ranch, Chula Vista, California.

**Legal Property Description:** Lot 19 of Map 16081, City of Chula Vista

**Property Owner:** SLF IV Millenia LLC, a Delaware limited liability company.

**Assessor's Parcel No.:** 643-060-69-00

**Property Taxes:** Per the San Diego County Assessor's Office, the assessed value for APN 643-060-69-00 is \$2,458,925 and the 2020/21 property taxes

are \$29,825.12. The total property tax invoice includes \$24,589.24 for the basic levy, \$3,645.84 for voter approved bonds and fixed charged assessments of \$1,590.04 which includes City of Chula Vista CFD 97-2 in the amount of \$1,156.10 and \$433.94 in miscellaneous charges.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2020/21 property tax bill

Three-Year  
Sales History:

SLF IV-Millenia LLC has held title to the subject property for more than three years.

Size and Shape:

Lot 19 of Tract 16081 is generally L shaped and totals 8.34 acres per Map 16081.

Zoning:

The subject property is designated Eastern Urban Center (Millenia) per the current City of Chula Vista Zoning Map. Per the Otay Ranch Eastern Urban Center (EUC) Sectional Planning Area (SPA) Plan, Lot 19 is shown as a portion of the Business District,

The Business District which covers Lots 1 and 19 of Tract 16081, allows for a low of 800,000 square feet and a high of 1,900,000 square feet. In addition, the Business District allows for a low of 0 dwelling units to a high of 225 dwelling units.

Entitlements:

The subject property is encompassed by Chula Vista Tract No. 09-03 (Otay Ranch Millenia Eastern Urban Center) with further mapping under Map No. 16081 which is known as Otay Ranch Millenia Phase 2 and divides the site into 22 lot of which the subject is shown as Lot 19. A copy of the Map 16081 is located in the Addenda. Per the Business District zoning, there will be between 800,000 and 1,900,000 square feet of office combined between Lots 1 and 19. In addition, there is the possibility of up to 225 dwelling units combined between Lots 1 and 19. It is the appraiser's understanding that the dwelling units, if developed, can be built on either lot or a portion on each lot.

Topography:

The subject property has been mass graded into a generally level superpad with surrounding infrastructure in place. Drainage for the lot is provided via an in-street storm drain system.

Soils Condition:

We have reviewed a letter to SLF IV – Millenia, LLC regarding the Completion of Grading for Lots 12, 13, 15, 16, 18, 19 and D of Millenia Phase 2, prepared by Geocon Incorporated and dated July 27, 2016. The letter confirms that the grading of the subject lots was completed and from a geotechnical engineering standpoint, earthwork operations were performed in substantial conformance

with the recommendations provided in the referenced project geotechnical report.

In addition, we have reviewed the Final Report of Testing and Observation Services Performed During Site Grading for Millenia Phase 2 prepared by Geocon and dated June 13, 2017. The report concludes that based on their observations and test results, it is the opinion of Geocon Inc., that the grading was performed in substantial conformance with the recommendations of the referenced project geotechnical report. The report states several recommendations for construction. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that all recommendations made relating to soil conditions within any and all reports were adhered to or will be adhered to during construction.

Seismic  
Information:

Per the California Department of Conservation, the subject property is not located within an Alquist Priolo Earthquake Study Zone.

Environmental  
Concerns:

We have reviewed a Phase I Environmental Site Assessment for the entire Millenia project prepared by Coast 2 Coast Environmental, Inc. of Del Mar, California and dated May 22, 2013. Based on Coast 2 Coast's observations, the following recognized environmental conditions were observed:

- Three sites within one-half mile radius of the perimeter of Millenia appear on the State of California Department of Toxic Substances Control's EnviroStor and School databases and/or the State Water Resources Control Board's SLIC database. These sites were listed following soil testing for past pesticide use associated with agricultural row crops which were located on these sites from at least mid-1930s through 1996. Previous Phase I Environmental Site Assessments of the site have stated that it shared a similar agricultural history with the adjoining and nearby sites which were listed in the regulatory databases. In 2006 and 2007 soil sampling was conducted on the property for organochlorine pesticides and arsenic. Toxophene, an insecticide, was found in concentrations above the U.S. EPA Region IX's Preliminary Remediation Goals for residential use in the upper one foot of soil in three areas within Millenia.

The following recommendations were made:

- A soil reuse plan was prepared which recommended special handling in three areas with all soil reused onsite and no recommendations for offsite soil disposal necessary.

- Further environmental assessment of the site, beyond what is listed above, is not warranted at this time.

It is an assumption of this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in the FEIR were adhered to. This is suggested by City inspectors on site throughout construction and via as-graded reports provided by the master developer.

Flood Information: Per the City of Chula Vista Website, the subject property is not located within a FEMA Flood Zone.

Easements and Encumbrances: We have reviewed a Preliminary title Report prepared by First American Title Company, Order Number NHSC-6400439 (06) amended October 20, 2020. The exceptions are as follows:

Item Nos. 1, 2, 3, 4a, 4b and 5 refer to property taxes and special assessments including CFD 97-2, CFD No. 18 (CVESD), 16-1 (subject CFD) and CFD 14M-2 (Eastern Urban Center/Millenia). Item No. 6 refers to an agreement for the general plan amendment recorded in 1993. Item No. 7 refers to the Development Agreement recorded on the property while Item No. 8 pertains to Agreement Regarding Construction of Parks. Item No. 9 pertains to Resolution No. 2009-224 which recorded in 2011. Item Nos. 10, 11, 14 and 15 are Subdivision Improvement Agreements and Supplemental Subdivision Improvement Agreements recorded on the site. Item No. 12 is in regards to a Grant of Easements, License and Maintenance Agreement for Tract No. 09-03. Item No. 13 pertains to the Maintenance Agreement for Interim Drainage Improvements. Item No. 16 is in regards to an Easement for a public trail (6' jogging path with a 20' corridor) to be incorporated over Lot 19. Item No. 17 pertains to a Grant of Easements, License and Maintenance Agreement. Item Nos. 18 and 19 are for the Terms, Provisions and Easements contained in the Declaration of Restrictions, Grant of Reciprocal Easements, Joint Use and Maintenance Agreements. Item No. 21 pertains to water rights while Item No. 22 is in regards to the rights of parties in possession. Item NO. 23 states what the title company will need from the owner prior to issuing title insurance on the site.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than CFD 16-1 IA 1. The appraiser is not title experts and it is recommended that any concerns relating to title should be addressed to the appropriate experts.



Utilities: All normal utilities serve or will serve the subject property by the following companies:

Electrical: San Diego Gas & Electric Company  
Natural Gas: San Diego Gas & Electric Company  
Sewer: City of Chula Vista  
Water: Otay Water District  
Schools: Chula Vista Elementary School District  
Sweetwater Union High School District

Streets/Access: Access to Millenia is via SR 125, exit Birch Road and east to the subject property. SR 125 is accessible via I-5 or I-805 east on SR 54. Millenia is bounded by SR 125 on the west, Birch Road on the north and Eastlake Parkway on the east.

Lot 19 of Tract 16081 has frontage along SR 125 with access via Birch Road to Millenia Avenue and south to Lot 19. The northern border of the site is Bob Pletcher Way, which is completed, however not yet opened to provide access into Otay Ranch Village 7 to the west. Bob Pletcher Way becomes Optima Way, east of Millenia Avenue.

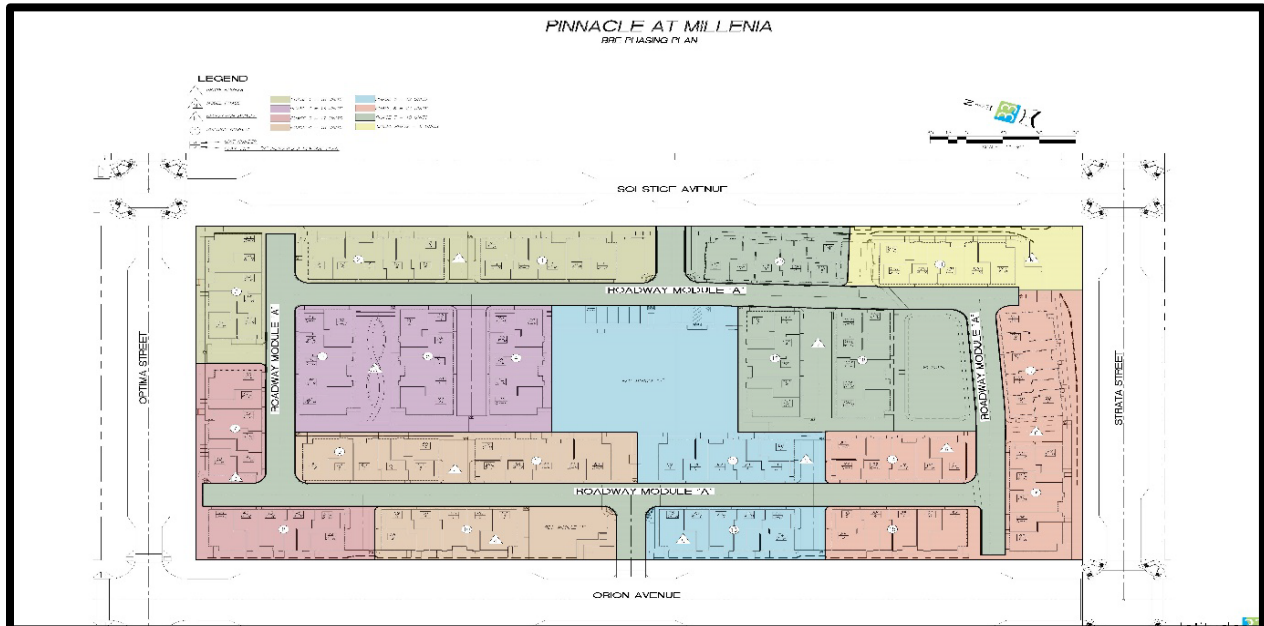
Current Condition: Lot 19 of Tract 16081 has been mass graded to a superpad with utilities stubbed to the property line.

Remaining Costs: Lot 19 of Tract 16081 – Commercial lands are typically sold either as raw land or in a superpad condition. This valuation is for the lands in their “as is” condition. As the property has already been mass graded and is in a superpad condition, there are no remaining costs to complete. The additional grading will be taken into consideration under the valuation section later within this report.

There is a master developer monthly HOA fee of \$45 per residence at buildout (currently \$42 per month) and \$1,092 per acre for the commercial property.

Proposed Improvements: Lot 19 of Tract 16081 is anticipated to include commercial (office) development with the possibility of a portion of the site to be developed with a target of 100 dwelling units and possibly up to 225 residential units mixed with the commercial uses. It is the appraiser’s understanding that there are no plans at this time in connection with the subject lot and that the possible residential units can be built either on Lot 1 or on Lot 19, or a portion of the units on each lot.

## Pinnacle New Homes LLC (Meridian)



**Location:** Bounded by Strata Street (south), Orion Avenue (west), Optima Street (north), and Solstice Avenue (east), Millenia, Otay Ranch,

**Legal Property Description:** Lot 1 of Tract Map 16377, formerly Lot 12 and 13 of Tract 16081 within Chula Vista Tract No. 09-03 Otay Ranch Millenia Phase 2 (Eastern Urban Center), City of Chula Vista. The property was further divided by a Condominium Plan into 126 units in eight phases (including the model phase) and two recreation modules (dog park and swim club).

**Property Owner:** Pinnacle New Homes, LLC, a Delaware Limited Liability Company as to Units 37-126. Individual homeowners as to Units 1-36.

**Assessors**

**Parcel Nos.:** 643-065-18 (subdivided AP Maps not yet available)

**Property Taxes:** Per the San Diego County Assessor's Office the Assessed value for APN 643-065-18 is \$3,753,600 and the 2020/21 property taxes are \$97,738.60. The total property tax invoice includes \$37,535.99 for the basic levy, \$5,565.45 for voter approved bonds and fixed charged assessments of \$54,637.16 which includes City of Chula Vista CFD 14M in the amount of \$12,246.40 and City of Chula Vista CFD 97-2 in the amount of \$1,769.48 and CVESD CFD No. 18 in the amount of \$40,491.00 and \$130.26 in miscellaneous charges. In addition, there is a separate charge on Parcel Number 900-000-50-00 (associated with APN 643-065-18-00) for \$71,000.10 for Sweetwater High CFD No 18 and for Parcel 900-000-51-00 (also associated with

APN 643-065-18-00) for \$74,012.46. The property does not appear to have been subdivided by the County Assessor at this time. It should be noted that the subject CFD 16-I is not yet listed in the 2020/21 property tax.

Three-Year  
Sales History:

SLF IV Millenia LLC sold the subject property to Pinnacle New Homes LLC (a joint venture formed by Meridian Development and SLF IV Millenia LLC) on 10/5/2018. The sales price has been kept in our files for confidentiality purposes. Pinnacle New Homes LLC has closed 36 homes to individual homebuyers between May 13, 2020 and November 15, 2020.

Size and Shape:

Lot 1 of Tract 16377 is rectangular shaped and totals 5.95 acres.

Zoning:

The subject property is designated Eastern Urban Center (Millenia) per the current City of Chula Vista Zoning Map. Per the Otay Ranch Eastern Urban Center (EUC) Sectional Planning Area (SPA) Plan, Lot 1 of Map 16377 is shown as a portion of the Southeastern and Northeastern Neighborhood Districts. The north half of the site is in the Northeastern District which allows for a low of 150 dwelling units and a high of 475 dwelling units along with a low of 2,000 square feet of commercial use and a high of 5,000 square feet of commercial use. The Southeastern Neighborhood District covers the southern half of the site along with the additional lands and allows for a low of 230 dwelling units and a high of 280 dwelling units. Per the City of Chula Vista Zoning Administrator, the property was approved for 126 attached condominium units on October 24, 2018.

Entitlements:

The subject property is encompassed by Chula Vista Tract No. 09-03 (Otay Ranch Millenia Eastern Urban Center) with further mapping under Tract Map No. 16081 which is known as Otay Ranch Millenia Phase 2. A copy of the Map is located in the Addenda where the site is shown as Lots 12 and 13. Map 16377 was further recorded on the site showing the property as Lot 1 of Map 16377. In addition, there have been eight condominium plans approved allowing for 126 units on the 5.95 acres allowing for a density of 21.2 dwelling units per acre.

Topography:

The subject property has been mass graded into a generally level superpad with surrounding streets (Strata Street, Orion Avenue, Optima Street, and Solstice Avenue) in place. Additional grading has been completed on condominium pads and internal streets. Drainage appears to be in an in-street storm drain system.

Soils Condition:

Please refer to the Soils Condition discussion above which relates to all of the subject property.

**Seismic Information:** Per the California Department of Conservation, the subject property is not located within an Alquist Priolo Earthquake Study Zone.

**Environmental Concerns:** We have reviewed a Phase I Environmental Site Assessment on the Pinnacle Site prepared by Coast to Coast Environmental Inc. and dated May 25, 2018. The report concluded that recognized environmental conditions were not found on the property during their assessment and that, in their opinion, further environmental assessments of the property are not warranted.

It is an assumption of this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in environmental reports were adhered to. This is suggested by City inspectors on-site during construction.

**Flood Information:** Per the City of Chula Vista Website, the subject property is not located within a FEMA Flood Zone.

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report prepared by First American Title (Order No. DTR-6162405 (CM) dated August 20, 2020. The report is for a sample unit within Pinnacle (Unit 36). The exceptions are as follows:

Item Nos. 1, 2 and 8 refer to property taxes on the unit. Item Nos. 3 thru 7 pertain to Special Assessments including CVESD CFD No. 18, Sweetwater High CFD No. 18, CFD No. 97-2 (Otay Ranch Preserve), CFD No. 16-I (subject CFD) and CFD 14M-2 (Eastern Urban Center/Millenia). Item Nos. 9 and 10 are in regards to the development agreement. Item No. 11 pertains to a Parks Agreement. Item No. 12 refers to Resolution No. 2009-224, Item Nos. 13, 14, 18, 19 and 31 refer to subdivision improvement agreements and supplemental agreements recorded September 23, 2013, December 28, 2015 and November 7, 2019. Item Nos. 15 and 20 are in regards to grant of easement, license and maintenance agreements for the underlying tract. Item No. 16 and 30 refer to SDGE Easements. Item No. 17 is for an agreement for interim drainage improvements. Item No. 21, 22 and 23 refer to a declaration of restrictions, grant of reciprocal easements, joint use and maintenance agreements recorded March 23, 2016, April 15, 2016 and December 19, 2017. Item No. 24, 25 and 32 refer to CC & Rs recorded on the property. Item No. 26 relates to a temporary construction easement. Item No. 27 pertains to a deed of trust for construction purposes. Item No. 28 refers to any statutory liens for labor or materials arising out of a work of improvement. Item No. 29 pertains to a Storm Water Management Plan. Item No. 33 refers to the master dispute resolution declaration

for Pinnacle. Item Nos. 34 and 35 are for easements for pedestrian and vehicular access and recreation facilities. Item No. 36 states the transaction may be subject to a Geographic Targeting Order issued pursuant to the Bank Secrecy Act and additional information needs to be submitted prior to issuing title insurance.

It is an assumption of this appraisal that the subject lands are free and clear of any liens and/or encumbrances other than CFD 16-I IA 2. The appraiser is not a title expert and it is recommended that any concerns relating to title should be addressed to appropriate experts.

**Utilities:** All normal utilities serve or will serve the subject property by the following companies:

Electrical:	San Diego Gas & Electric Company
Natural Gas:	San Diego Gas & Electric Company
Sewer:	City of Chula Vista
Water:	Otay Water District
Schools:	Chula Vista Elementary School District Sweetwater Union High School District

**Streets/Access:** Access to Millenia is via SR 125, exit Birch Road and east to the subject property. SR 125 is accessible via I-5 or I-805 east on SR 54. Millenia is bounded by SR 125 on the west, Birch Road on the north and Eastlake Parkway on the east.

Access to the subject parcel is via Birch Road to Orion Avenue, south to the subject site.

**Current Condition:** The subject site has been developed into 42 completed condominium units in seven buildings. The original site was mass graded and then further graded into building pads ready for 6-unit condominiums with utilities stubbed to each pad. The internal street is in place with utilities underground. There are an additional seven buildings which house 42 condominiums under construction and pads for the final seven buildings. At completion there will be a swim club, activity center and a dog park within Pinnacle.

**Costs to Complete:** Meridian Development has given us remaining costs of \$950,000 for the swim club and \$3,575,443 in remaining land development fees. Meridian owns 90 remaining units. The individual owners are not responsible for any of these costs. Therefore, the remaining costs are \$4,525,443 (\$3,575,443 + \$950,000) or \$50,283 (\$4,525,443 / 90) per unit average. These remaining costs will be taken into consideration later within the valuation section later in this report.

**HOA:** Per NTB Realty Advisors, Inc. the Assessment Schedule for Pinnacle at Millenia at build-out is estimated to be \$339.50 to \$389.36 per

Improvement  
Description:

month depending on the plan. The master developer HOA monthly fee is \$45 per residence at buildout (currently \$42) and is included in the above amounts.

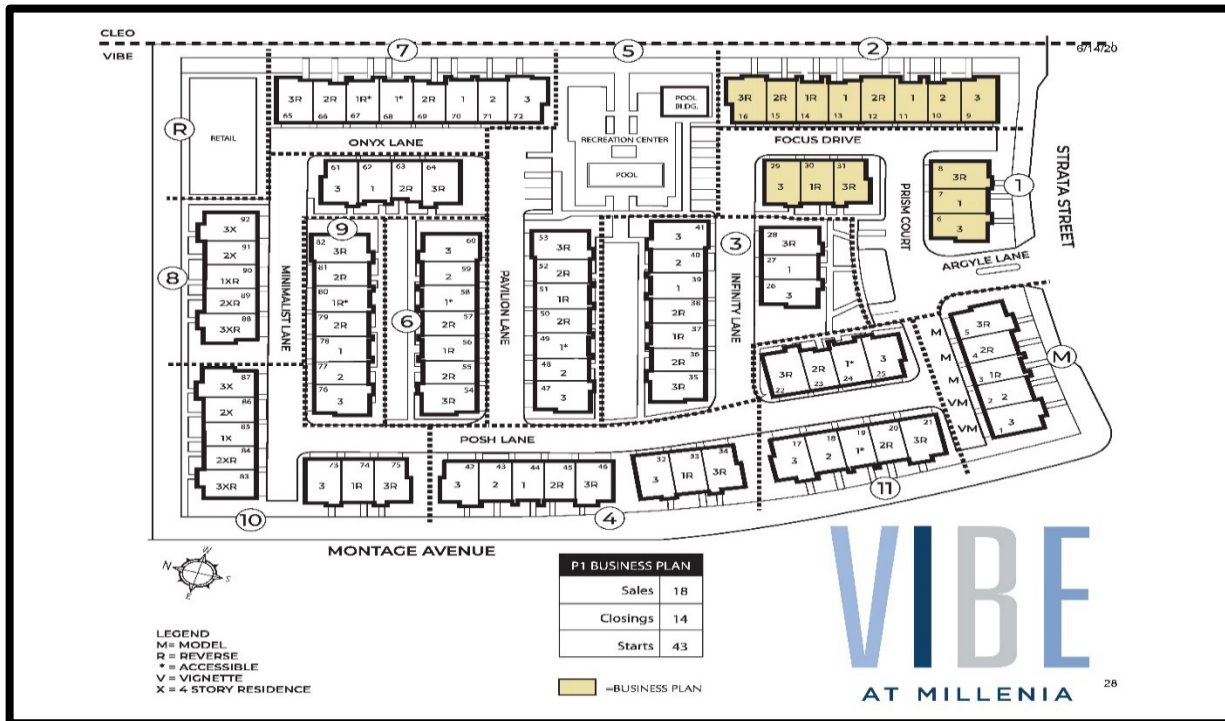
Pinnacle at Millenia is being developed into six floor plans. The first three are being marketed as City Towns at Pinnacle and are designed for first-time buyers and multi-generational families with street-level entry. The City Town homes all are two story with two plans (Plan 1 and 3) having a separate living quarters on the bottom floor and Plan 2 having a single level living area. Plans 4 through 6 are being marketed as the Elevator Penthouses at Pinnacle with personal elevators in each plan with the living quarters on the third and fourth floors. All plans have attached garages. Home features include great room designs with island kitchens, at minimum 10-foot ceilings in the main living area and covered balconies and roof decks on select plans. Kitchens include quartz countertops and Whirlpool stainless appliances. The homes have tankless water heaters, Wi-Fi thermostats, water-smart plumbing fixtures and LED lighting throughout. The homes range in size from 1,362 to 2,522 square feet.

We have reviewed sales information from the builder which included 77 total homes sales between February 2020 and November 15, 2020. Per Meridian, actual sales prices ranged from \$439,900 to \$689,766. These prices include upgrades, options and premiums along with concessions offered by the builder. The most recent asking base prices ranged from \$457,900 to \$616,900. Out of the total 126 proposed houses, 36 have closed escrow to individuals, there are six model homes owned by the builder (not released), 42 units under construction which are under 95 percent complete (41 in escrow) and 42 remaining finished pads.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Completed Ind. Owned	95% Complete Bldr. Owned
City Towns at Pinnacle					
1	3 / 3	2 / 2	1,362	6	1*
2	3 / 2	2 / 2	1,433	6	1*
3	4 / 3	2 / 2	1,989	6	1*
Elevator Penthouses at Pinnacle					
4	3 / 2	4 / 2	2,185	6	1*
5	3+ / 2	4 / 2	2,380	6	1*
6	3+ / 2	4 / 2	2,522	6	1*
Total				<b>36</b>	<b>6</b>

\*One of each plan is a model home. In addition to the above shown houses, there are 42 homes under construction and 42 finished pads.

## Lennar Homes of California, Inc. (Vibe)



**Location:** Northeast corner of Montage Avenue and Strata Street, Millenia, Otay Ranch.

**Legal Property Description:** Lot 1 of Map 16409 of Chula Vista Tract No. 09-03 (for condominium purposes). Formerly Lot 15 of Map 16081 within Chula Vista Tract No. 09-03 Otay Ranch Millenia Phase 2 (Eastern Urban Center), City of Chula Vista. The property was further divided by a Condominium Plan into 92 units.

**Property Owner:** Lennar Homes of California, Inc. a California Corporation as to Units 1-6, 9-28 and 32-92 of Lot 1 of Map 16409. Individual homeowners as to Units 7, 8 and 29-31.

**Assessors Parcel Nos.:** 643-065-19 (subdivided AP Maps not yet available)

**Property Taxes:** Per the San Diego County Assessor's Office the Assessed value for APN 643-065-19 is \$3,956,095 and the 2020/21 property taxes are \$135,873.32. The total property tax invoice includes \$39,560.94 for the basic levy, \$5,865.69 for voter approved bonds and fixed charged assessments of \$90,446.69 which includes City of Chula Vista CFD 97-2 in the amount of \$619.64, CVESD CFD #18 in the amount of \$32,587.16, Sweetwater High CFD #18 in the amount of \$57,141.46 and \$98.42 in miscellaneous charges. It appears that this parcel has not been subdivided by the County Assessor at this time. It should

be noted that the subject CFD 16-I is not yet listed or included in the 2020/21 property tax bill.

**Three-Year  
Sales History:**

SLF IV Millenia LLC sold the subject property to Lennar on June 24, 2019 for \$4,000,000. Lennar has closed five homes to individual homebuyers between October 23, 2020 and November 15, 2020.

**Size and Shape:**

Lot 1 of Map 16409 is irregular in shape and encompasses 4.472 acres.

**Zoning:**

The subject property is designated Eastern Urban Center (Millenia) per the current City of Chula Vista Zoning Map. Per the Otay Ranch Eastern Urban Center (EUC) Sectional Planning Area (SPA) Plan, Lot 1 of Map 16408 is shown as a portion of the Main Street District and as a portion of the Central Southern Neighborhood District.

The Main Street District covers Lot 1 of Map 16409 along with additional lands and allows for a low of 100 dwelling units and a high of 772 dwelling units. In addition, the Main Street District allows for a low of 80,000 square feet of non-residential to a high of 100,000 square feet of non-residential development.

The Central Southern Neighborhood District covers a portion of lots 15 and 22 along with Lots 14 and 17 of Tract 16081, and allows for a low of 130 dwelling units and a high of 294 dwelling units. In addition, the Central Southern Neighborhood District allows for a low of zero square feet of commercial space and a high of 5,000 square feet of commercial space.

**Entitlements:**

The subject property is encompassed by Chula Vista Tract No. 09-03 (Otay Ranch Millenia Eastern Urban Center) with further mapping under Tract Map No. 16081 which is known as Otay Ranch Millenia Phase 2. A copy of the Map is located in the Addenda where the site is shown as Lot 15. Map 16409 (for condominium purposes) was further recorded on the site. In addition, there have been approvals for 92 units on the 4.47 acres for an overall density of 20.6 dwelling units per acre.

**Topography:**

The subject property has been mass graded with the lands originally graded into a generally level superpad with the surrounding streets of Montage Avenue and Strata Street in place. Additional grading has been completed on condominium pads and internal streets. Drainage appears to be in an in-street storm drain system.

**Soils Condition:**

Please refer to the Soils Condition discussion above which relates to all of the subject property.



**Seismic Information:** Per the California Department of Conservation, the subject property is not located within an Alquist Priolo Earthquake Study Zone.

**Environmental Concerns:** We have not received any environmental reports on the subject site to review. We have reviewed an original Phase I for the entire Millenia project which is discussed under the earlier description for the commercial parcel. It is an assumption of this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in environmental reports were adhered to. This is suggested by City inspectors on-site during construction.

**Flood Information:** Per the City of Chula Vista Website, the subject property is not located within a FEMA Flood Zone.

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report prepared by CalAtlantic Title (Order No. 192002-001151 dated August 20, 2020. The exceptions are as follows:

Item Nos. 1, 2 and 9 refer to property taxes on the property. Item Nos. 3 thru 8 pertain to Special Assessments including CVESD CFD No. 18, Sweetwater High CFD No. 18, CFD No. 97-2 (Otay Ranch Preserve), CFD No. 16-I (subject CFD) and CFD 14M-2 (Eastern Urban Center/Millenia). Item No. 10 refers to water rights. Item Nos. 11 & 12 are in regards to the development agreement. Item No. 13 pertains to a Parks Agreement. Item No. 14 refers to Resolution No. 2009-224, Item Nos. 15, 16, 19, 20, 30, 31, 36 and 37 refer to subdivision improvement agreements and supplemental agreements recorded September 23, 2013, December 28, 2015, November 7, 2019 and August 13, 2020. Item Nos. 17, 21, 22, 23, 25, 35, 40, and 44 are in regards to grants of easements, license and maintenance agreements for the underlying tract and utility and solar easements. Item No. 18 pertains to interim drainage improvements. Item Nos. 24, 26 and 38 refer to covenants, conditions, restrictions on the property. Item Nos. 27, 28 and 33 refer to the purchase agreement and right of first refusal between Lennar and the master developer. Item No. 34 refers to a storm water management agreement. Item Nos. 39, and 43 pertain to condominium plans for Cleo and Vibe. Item No 41 refers to a solar energy CC & Rs for both Cleo and Vibe. Item No. 42 is in regards to the notice of builder's election of handling of construction claims. Item No. 45 states no known matters otherwise appropriate to be shown were deleted from the report.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than CFD 16-I IA 2. The appraiser is not title experts and it is recommended that

any concerns relating to title should be addressed to the appropriate experts.

**Utilities:** All normal utilities serve or will serve the subject property by the following companies:

Electrical:	San Diego Gas & Electric Company
Natural Gas:	San Diego Gas & Electric Company
Sewer:	City of Chula Vista
Water:	Otay Water District
Schools:	Chula Vista Elementary School District Sweetwater Union High School District

**Streets/Access:** Access to Millenia is via SR 125, exit Birch Road and east to the subject property. SR 125 is accessible via I-5 or I-805 east on SR 54. Millenia is bounded by SR 125 on the west, Birch Road on the north and Eastlake Parkway on the east.

Access to the subject parcel is via Birch Road to Millenia Avenue, south to Strata Street and east to the subject site.

**Current Condition:** The subject site has been developed into 19 units that are over 95 percent complete, 25 units under construction (under 95 percent complete) and 48 remaining units to be constructed. The original site was mass graded and then further graded into building pads ready for three to eight-unit condominiums with utilities stubbed to each pad. Some internal streets are in place with utilities underground. At completion there will be a pool, pool building and recreation center along with 92 units within Vibe.

**Costs to Complete:** Per Lennar, the total land development costs and fees for Vibe are estimated at \$10,750,315 and there are \$3,903,461 remaining to be spent. Lennar owns 87 remaining proposed units. The individual owners are not responsible for any of these costs. Therefore, the remaining costs of \$3,903,461 equate to an average cost of \$44,876 per remaining builder-owned unit. These remaining costs will be taken into consideration later within the report.

**HOA:** Per Lennar, Cleo and Vibe share the same home owner's association. The current amount is estimated at \$333 per month however will reach \$230 per month at buildout. The master developer HOA monthly fee is \$45 per residence at buildout and is in addition to the above HOA fee.

**Improvement Description:** Vibe at Millenia is being developed into three floor plans with Spanish and Tuscan-style architecture. The current plans are all three story with a bedroom on the first floor (ground level entry) along with a two-

car attached garage, generally the living area and kitchen on the second floor and bedrooms on the third floor. Home features include an integrated solar energy system (provided through a buyer-friendly SunStreet program), pre-wire in garage for electric/hybrid vehicle charging, tankless water heaters and LED light bulbs. Exteriors include insulated garage doors with automatic openers and fire-resistant roof shingles while interiors include tile at entries and kitchen and raised-panel interior doors along with laundry rooms. Owner's suites include quartz countertops, tiled shower, shaker-style cabinetry and walk-in closets. Luxury kitchen's include GE Profile stainless appliances, quartz slab kitchen countertops, shaker-style cabinetry and islands with quartz slab countertops. All plans have balconies for extended indoor/outdoor living. In addition, Vibe has "connectivity" valued at \$4,950 in their everything's included ("ei") marketing line. The homes range in size from 1,681 to 2,037 square feet.

We have reviewed sales information from the builder which included 36 total homes sales between July 19, 2020 and November 15, 2020. Per Lennar, actual sales prices ranged from \$463,078 to \$552,667. These prices include upgrades, options and premiums along with concessions offered by the builder. The most recent asking base prices ranged from \$457,900 to \$616,900. Out of the total 92 proposed houses, five have closed escrow to individuals, three model homes are owned by the builder (not released), 11 units are over 95 percent complete (9 in escrow), 25 units are under construction which are under 95 percent complete (22 in escrow) and there are 48 remaining finished pads.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Completed Ind. Owned	95% Complete Bldr. Owned
VIBE at Millenia					
1	4 / 3	3 / 2	1,681	2	5*
2	4 / 3.5	3 / 2	1,819	0	5*
3	4 / 3.5	3 / 2	2,037	3	4*
Total				<b>5</b>	<b>14</b>

\*One of each plan is a model home. In addition to the above shown houses, there are 25 homes under construction and 48 finished pads.

## Lennar Homes of California, Inc. (Cleo)



**Location:** Northwest corner of Orion Avenue and Strata Street, Millenia, Otay Ranch.

**Legal Property Description:** Lot 1 of Map 16408 of Chula Vista Tract No. 09-03 (for condominium purposes). Formerly Lot 22 of Map 16081 within Chula Vista Tract No. 09-03 Otay Ranch Millenia Phase 2 (Eastern Urban Center), City of Chula Vista. The property was further divided by a Condominium Plan into 117 units.

**Property Owner:** Lennar Homes of California, Inc. a California Corporation

**Assessors Parcel Nos.:** 643-065-21 (subdivided AP Maps not yet available)

**Property Taxes:** Per the San Diego County Assessor's Office the Assessed value for APN 643-065-21 is \$4,690,000 and the 2020/21 property taxes are \$54,552.70. The total property tax invoice includes \$46,899.99 for the basic levy, \$6,953.87 for voter approved bonds and fixed charged

assessments of \$698.84 which includes City of Chula Vista CFD 97-2 in the amount of \$603.00, and \$95.84 in miscellaneous charges. It appears that this parcel has not been subdivided by the County Assessor at this time. It should be noted that the subject CFD 16-I is not yet listed or included in the 2020/21 property tax bill because of the development status of the property. In addition, this sample tax invoice does not include CVESD CFD #18 nor Sweetwater High CFD #18 which are listed on the other subject property's tax invoices.

**Three-Year  
Sales History:**

SLF IV Millenia LLC sold the subject property to Lennar on December 5, 2019 for \$4,815,000. Lennar has sold 24 homes however none have closed as of November 15, 2020. The first closing is scheduled in February 2021.

**Size and Shape:**

Lot 1 of Map 16408 is irregular in shape and encompasses 4.351 acres.

**Zoning:**

The subject property is designated Eastern Urban Center (Millenia) per the current City of Chula Vista Zoning Map. Per the Otay Ranch Eastern Urban Center (EUC) Sectional Planning Area (SPA) Plan, Lot 1 of Map 16409 is shown as a portion of the Central Southern Neighborhood and the Main Street Districts. The Central Southern Neighborhood District allows for a low of 130 dwelling units and a high of 350 dwelling units and a low of zero commercial use and a high of 5,000 square feet of commercial use.

The Main Street District covers Lot 1 of Map 16408 along with additional lands and allows for a low of 100 dwelling units and a high of 772 dwelling units. In addition, the Main Street District allows for a low of 80,000 square feet of non-residential to a high of 100,000 square feet of non-residential development.

**Entitlements:**

The subject property is encompassed by Chula Vista Tract No. 09-03 (Otay Ranch Millenia Eastern Urban Center) with further mapping under Tract Map No. 16081 which is known as Otay Ranch Millenia Phase 2. A copy of the Map is located in the Addenda where the site is shown as Lot 22. Map 16408 (for condominium purposes) was further recorded on the site. In addition, there have been approvals for 117 units on the 4.351 acres for an overall density of 26.9 dwelling units per acre.

**Topography:**

The subject property has been mass graded the site originally graded into a generally level superpad with the surrounding streets of Orion Avenue and Strata Street in place. Additional grading has been completed on condominium pads and internal streets. Drainage appears to be in an in-street storm drain system.

**Soils Condition:** Please refer to the Soils Condition discussion above which relates to all of the subject property.

**Seismic Information:** Per the California Department of Conservation, the subject property is not located within an Alquist Priolo Earthquake Study Zone.

**Environmental Concerns:** We have not received any environmental reports on the subject site to review. We have reviewed an original Phase I for the entire Millenia project which is discussed under the earlier description for the commercial parcel. It is an assumption of this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in environmental reports were adhered to. This is suggested by City inspectors on-site during construction.

**Flood Information:** Per the City of Chula Vista Website, the subject property is not located within a FEMA Flood Zone.

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report prepared by CalAtlantic Title (Order No. 192002-001155 dated August 21, 2020). The exceptions are as follows:

Item Nos. 1, 2 and 9 refer to property taxes on the property. Item Nos. 3 thru 8 pertain to Special Assessments including CVESD CFD No. 18, Sweetwater High CFD No. 18, CFD No. 97-2 (Otay Ranch Preserve), CFD No. 16-I (subject CFD) and CFD 14M-2 (Eastern Urban Center/Millenia). Item No. 10 refers to water rights. Item Nos. 11 & 12 are in regards to the development agreement. Item No. 13 pertains to a Parks Agreement. Item No. 14 refers to Resolution No. 2009-224, Item Nos. 15, 16, 19, 20, 30, 31, 34 and 35 refer to subdivision improvement agreements and supplemental agreements recorded September 23, 2013, December 28, 2015, November 7, 2019 and August 13, 2020. Item Nos. 17, 21, 22, 23, 25 and 40 are in regards to grants of easements, license and maintenance agreements for the underlying tract and utility and solar easements. Item No. 18 pertains to interim drainage improvements. Item Nos. 24, 26, 32 and 36 refer to covenants, conditions, restrictions on the property. Item Nos. 27, 28 and 33 refer to the purchase agreement and right of first refusal between Lennar and the master developer. Item No. 29 refers to a private park lot public access easement. Item No. 37 is in regard to a solar energy CC & Rs. Item No. 38 is in regards to the notice of builder's election of handling of construction claims. Item No. 39 pertains to condominium plans for Cleo and Vibe. Item No. 41 states no known matters otherwise appropriate to be shown were deleted from the report.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than CFD 16-I IA 2. The appraiser is not title experts and it is recommended that any concerns relating to title should be addressed to the appropriate experts.

Utilities: All normal utilities serve or will serve the subject property by the following companies:

Electrical:	San Diego Gas & Electric Company
Natural Gas:	San Diego Gas & Electric Company
Sewer:	City of Chula Vista
Water:	Otay Water District
Schools:	Chula Vista Elementary School District Sweetwater Union High School District

Streets/Access: Access to Millenia is via SR 125, exit Birch Road and east to the subject property. SR 125 is accessible via I-5 or I-805 east on SR 54. Millenia is bounded by SR 125 on the west, Birch Road on the north and Eastlake Parkway on the east.

Access to the subject parcel is via Birch Road to Millenia Avenue, south to Strata Street and east to the subject site.

Current Condition: The subject site has been developed into 32 units which are currently under construction and 85 remaining units to be constructed. There are six models included in the units under construction which are anticipated to open in January 2021; however, the community is pre-selling and has sold out of released inventory. The original site was mass graded and then further graded into building pads ready for three to eight-unit condominium buildings with utilities stubbed to each pad. Some internal streets are in place with utilities underground. At completion there will be a tot lot and access to the pool and social building/recreation center at Vibe.

Costs to Complete: Per Lennar, the total land development costs and fees for Cleo are estimated at \$11,076,280 and there are \$6,543,760 remaining to be spent. Lennar owns all 117 proposed units. Therefore, the remaining costs of \$6,543,760 equate to an average of \$55,930 per unit. These remaining costs will be taken into consideration later within the report.

HOA: Per Lennar, Cleo and Vibe share the same home owner's association. The current amount is estimated at \$333 per month however will reach \$230 per month at buildout. The master developer HOA monthly fee is \$45 per residence at buildout and is in addition to the above HOA fee.

Improvement  
Description:

Cleo at Millenia is being developed into six floor plans with Spanish and Tuscan-style architecture. The current plans are all three story with plans 5 and 6 having some living space on the first floor along with two-car garages while Plans 1 through 4 are just garages downstairs. All plans have kitchens and living/dining areas on the second floor and bedrooms on the third floor. Home features include an integrated solar energy system (provided through a buyer-friendly SunStreet program), pre-wire in garage for electric/hybrid vehicle charging, tankless water heaters and LED light bulbs. Exteriors include insulated garage doors with automatic openers and fire-resistant roof shingles while interiors include tile at entries and kitchen and raised-panel interior doors along with laundry rooms. Owner's suites include quartz countertops, tiled shower, shaker-style cabinetry and walk-in closets. Luxury kitchen's include GE Profile stainless appliances, quartz slab kitchen countertops, shaker-style cabinetry and islands with quartz slab countertops. All plans have balconies for extended indoor/outdoor living. In addition, Cleo has "connectivity" valued at \$4,950 in their everything's included ("ei") marketing line. The homes range in size from 1,182 to 1,675 square feet. Ten of the proposed homes along the north side of the site are planned to be four-story homes which we have not seen estimated square footages at this time.

We have reviewed sales information from the builder which included 24 total homes sales between October 4, 2020 (date pre-selling began) and November 15, 2020. Per Lennar, actual sales prices ranged from \$364,400 to \$494,063. These prices include upgrades, options and premiums along with concessions offered by the builder. The most recent asking base prices ranged from \$364,900 to \$458,900. There are eight proposed Plans 1 and 2, seven proposed Plans 3 and 4, thirty-six Plan 5s, forty-one Plan 6s and ten 4-story product yet to be determined. Out of the total 117 proposed houses there are six model homes and 26 production homes under construction (under 95 percent complete) with 24 in escrow and 85 remaining building pads.



## SAN DIEGO COUNTY HOUSING AND OFFICE MARKETS

In reviewing the County's housing and office market, a study of population and economic growth needs to be conducted. As of January 1, 2020, the County had a population of 3,343,355, which indicates an annual growth rate of 0.1 percent over the past year and an average rate of 0.86 percent over the past 20 years. It should be noted this includes the slowdown during the Great Recession. Projections are for the County to continue at an annual 0.86 percent growth rate for the next eleven years.

Over the past twenty years the County has seen a rocky cycle in the housing market as with most of Southern California. The recession of the early 1990s impacted San Diego County; however, the recovery was quicker than inland areas due to the coastal influence. Median housing prices (all types) in the County increased over 100 percent (from \$250,000 in 1997 to \$600,000 in 2005) then decreased to the low of \$324,000 in 2011. According to the California Association of Realtors' most recent data, within overall California, the median price paid for an existing single-family detached home in September 2020 of \$712,430 is up 0.8 percent month over month from August 2020 at \$706,900, and up 17.6 percent year over year from \$605,680 in September 2019.

Economic growth in the San Diego area had been strong between 2000 and 2007 with job losses occurring during the Great Recession in 2008 through 2010 with an upturn beginning in 2011. The significant decrease of employment in 2020 was due to COVID. Below is a table depicting job growth in the County over this time period.

<b>San Diego Job Growth</b>			
<b>Year</b>	<b>Employment</b>	<b>Increase</b>	<b>% Increase</b>
2020	1,386,600*	(159,500)	(10.3%)
2019	1,546,100	29,200	1.92%
2018	1,516,900	19,500	1.30%
2017	1,497,400	22,500	1.53%
2016	1,474,900	20,000	1.37%
2015	1,454,900	36,400	2.57%
2014	1,418,500	7,300	0.52%
2013	1,411,200	37,300	2.71%

2012	1,373,900	23,000	1.70%
2011	1,350,900	19,000	1.43%
2010	1,331,900	(93,400)	(6.55%)
2009	1,425,300	(22,500)	(1.55%)
2008	1,447,800	6,500	0.45%
2007	1,440,300	7,500	0.52%
2006	1,423,100	6,800	0.48%
2005	1,416,300	18,900	1.35%
2004	1,397,400	21,300	1.55%
2003	1,376,100	20,900	1.54%
2002	1,355,200	12,500	0.93%
2001	1,342,700	28,600	2.17%
2000	1,314,100	N/A	N/A

\*Based on October numbers per EDD

The unemployment rate for the County was 7.7 percent in October 2020, below the high of 11 percent in early 2010 however significantly higher than the February 2020 unemployment rate of 3.2 percent and lower than the current California unemployment rate of 9.0 percent.

The housing market was a significant factor in increasing the impact of the Great Recession. Due to increased interest rates and rising home prices between June 2004 and mid-2006, the mortgage lender reaction was to create non-conventional financing alternatives such as sub-prime and non-conventional mortgages to artificially maintain the boom housing market of 2004 and 2005. In 2007 the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets. In March 2007 the Federal Government initiated efforts to stop or limit sub-prime mortgages. Unfortunately, the damage had already been done with sub-prime mortgages playing a role in the 2008 shake out of the housing market and contributing significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of both new and existing homes slowed for the next few years. With the exception of a small increase in 2010, primarily due to government offered homebuyer credits, prices/sales essentially remained flat until mid-2012 when prices began a steady climb.

Home ownership during this period across the U.S. saw a significant decline. Historically, since the 1970s, home ownership generally was between 64 and 66 percent until around

2000 when it began growing with a peak at 69.2 percent in fourth quarter 2004 prior to the Great Recession. After falling to a low of 62.9 percent in second quarter 2016, home ownership has been climbing with the current rate at 68.2 percent per 2020 second quarter data from FRED (Federal Reserve Economic Data). Home ownership rates in San Diego County followed the general statewide and national trend of decline from a high of 63 percent in 2006 to a low of 50.7 percent in 2016. The first quarter 2019 homeownership rate in San Diego County was just below the overall California average of 54 percent. Homeownership in California and San Diego County is lower than the national average due to the higher cost of homes.

Home loan mortgage rates have been and are still playing a large part in the housing market. The Federal Reserve Board had held mortgage rates at all-time lows after the Great Recession in an attempt to assist the housing market. Low rates appeared to help for quite a while however first-time buyers are now having a hard time entering the housing market due to rising prices. The Board had kept interest rates below historical averages dropping rates to near zero in December 2008. There had been eight subsequent one-quarter point increases with the December 2018 increase bringing the Federal Rate to 2.25-2.5 percent which appeared to have a negative impact on home sales. In 2019, the Board reduced the rate three times, one-quarter percent each time. In 2020 due to COVID, the Board reduced the rate 1.5 percent to 0 – 0.25 percent, in two moves in March. The quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of November 19, 2020 was 2.72 percent which is below the previous low of 3.3 percent which occurred in January 2013. Mortgage applications have been spiking due to these low rates. Most economists are predicting that, once the economy gets back to full speed, the lower interest rates will help the housing market bounce back with some now stating that the housing market may have a V-shaped recovery while the overall economy will be more U-shaped or swoosh-shaped. With COVID surging once again and several states at least partially shutting down, it is looking like this recession will be longer than originally forecast.

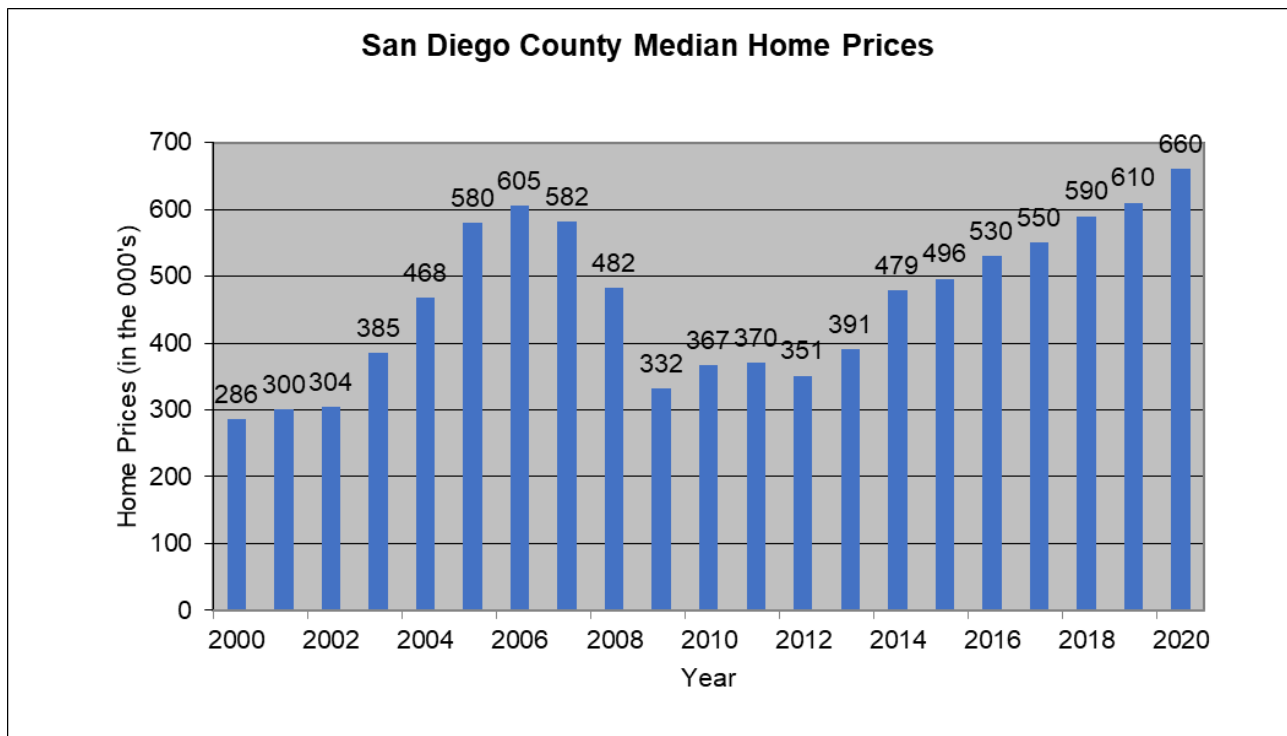
## **Residential Land Development**

While there had been little land development going on in most of San Diego County during the years 2008-2011, the second half of 2012 saw a resurgence. This was clearly visible in Otay Ranch. The increase in housing prices coupled with the limited availability of supply made land development feasible once again for homebuilders. San Diego and Otay Ranch saw land development in 2012 and 2013 with a bit of a lull in 2014 then land development beginning again in 2015 and 2016 with Otay Ranch Village Two and Millennia both building new homes and Otay Ranch Village Three grading for development. Other than Otay Ranch and Playa del Sol (about two miles southwest of the subject), there have been minimal increases of new home development in the southern portion of the County. It is interesting to note that, with the exception of Otay Ranch, large master planned communities have not come back as quick as smaller in-fill areas to develop in San Diego County. It is thought that the increase in regulations, which has significantly increased the time of processing entitlements, has limited the master developers in California. While prior to the recession it was not unusual to see several large master-planned communities selling lots to builders, there are few available on the market today. In San Diego County current master plans include Otay Ranch (Millenia, Montecito and Escaya currently selling), Otay Mesa and Civita in the southern area of the County along with Rancho Tesoro (San Marcos), and Horse Creek Ridge (Fallbrook) in the northern portion of the County. While 2020 was slated to have increases in residential builder land purchases, the pandemic essentially stopped most residential land closings for three months. However, builders reportedly are once again looking for land as new home sales are a bright spot in the COVID economy. Builders had slowed production due to the hard lessons learned in the previous recession when inventories sat and some new home projects had to close.

Our search resulted in eleven residential land sales which are considered to be comparable to the subject residential properties, including two of the subject parcels. These land sales all occurred over the past 42 months.

## Home Sales and Pricing

San Diego has seen either flatness or increases in home values since January 2012 per the Case-Shiller index. Below is a chart showing median home prices in the County including both new and existing homes (both detached and attached) over the past decade showing January numbers for each year. The current median home price of \$749,000 (per California Association of Realtor's as of October 2020), shows that prices have increased in the past ten months \$89,000 or about 13.5 percent. This significant increase is due to what is being called the COVID effect as people want to live in their own place rather rent in apartments with a higher density. Additionally, interest rates at all-time lows is allowing first-time homebuyers into the market and making it attractive for move-up buyers to purchase new homes. Offsetting this is the fact many who currently own homes do not want to sell, thus supply is down while demand is up which has put pressure on prices. The table below shows median home prices in January of each year.



According to the California Association of Realtors', within California, the median price paid for an existing single-family detached home in October 2020 (\$711,300) is up 17.5 percent year over year however down 0.2 percent month over month. Existing home sales

in overall California were up 19.9 percent year over year as of October 2020, mostly due to COVID-19. This is a huge improvement compared to May 2020's year over year change in existing home sales which was down 41 percent from May of 2019. While new home sales have been a bright spot in the economy during COVID, existing home sales essentially stopped as people decided not to move out of their home at this time constraining the existing home supply. Home sales in Southern California were up 17.5 percent also. Per CAR the increase is partially due to the fall season typically being slower due to children getting back to school however not this year due to virtual teaching. Coupled with this is the low interest rates which are fueling sales. Shown below is a table comparing October 2019 to October 2020 for both new and existing home sales and pricing in Southern California by county and for Southern California as a whole.

<b>Southern California (New and Used) Home Sales</b>			
<b>County</b>	<b>Median Oct 2019</b>	<b>Median Oct 2020</b>	<b>Percent Change</b>
Los Angeles	\$647,900	\$728,160	12.4%
Orange	\$820,000	\$930,000	13.4%
Riverside	\$420,000	\$485,000	15.5%
San Bernardino	\$319,000	\$365,000	14.4%
San Diego	\$652,000	\$749,000	14.9%
Ventura	\$660,000	\$750,000	13.6%

Source: California Association of Realtors

Based on October 2020 median new and existing homes prices, in comparison to the majority of the surrounding counties, San Diego County is higher than the Inland Empire, Los Angeles and Ventura, while lower than Orange with a median home price of \$749,000 reflecting a 14.9 percent year over year increase.

In a separate attempt to capture the increase in home prices, the resale activity of existing homes in the subject area (per CoreLogic) has been reviewed. The number of sales and sale prices of existing homes within zip codes in the immediate area of the subject are shown in the table shown below.

<b>Community Name</b>	<b>ZIP Code</b>	<b>Border To Subject</b>	<b>Sales of SFD Homes Sept 2020</b>	<b>Sept 2020 Price Median SFD</b>	<b>Sept 2020 Median Price/ Sq. Ft.</b>	<b>Price % Change from Sept 2019</b>
Otay Ranch Village 1, 2, 3	91913	Subject	54	\$728,000	\$276	22.8%
Northwest Chula Vista	91910	Northwest	46	\$653,000	\$354	11.0%
West Chula Vista	91911	West	37	\$583,000	\$370	11.0%
Northeast Chula Vista	91914	Northeast	22	\$848,000	\$308	11.8%
Eastern Chula Vista	91915	East	15	\$750,000	\$293	10.5%
South San Diego	92154	South	23	\$580,000	\$327	17.2%

Source: CoreLogic September 2020

The table above depicts price changes over the past year on existing single-family detached home sales prices. The above price increases relate to CAR's overall San Diego County increase of 14.9 percent year over year.

We have reviewed The Ryness Report, a new home sales, marketing and research company's report dated November 15, 2020. Within overall San Diego County there are 69 new home projects selling with 21 of the new home projects located in the South Bay area of San Diego which houses the subject Otay Ranch. It is interesting to note that one year ago in San Diego there were 100 new home projects selling suggesting 31 new home projects have sold out over the past year in San Diego County. Within Otay Ranch (includes the villages of Montecito, Millenia and Escaya) there are currently 14 new home projects. The average year to date absorption of these new home projects ranges from a low of 1.86 sales per month to a high of 16.8 sales per month. The low end of the absorption is generally for the higher priced single-family detached homes while the higher end of the absorption rate is for the more affordable attached units such as the subject product. The average sales rate for a new home project in the South Bay area for the week ending November 15, 2020 is 4.1 homes per month. This compares to an average new home sales rate per project in overall San Diego County for the week ending November 15, 2020 of 3.25 sales per month. Thus, the subject market is selling at a greater rate than overall San Diego County. The COVID-19 pandemic does not appear to be having a negative impact on new home sales in the overall San Diego area nor the Otay Ranch area.

In summary, although both San Diego County and the subject submarket saw decreases in housing pricing and sales during the great recession, prices have now been generally increasing over the past eight years with substantial appreciation over this time period. The current median home price in the County has surpassed previous all-time highs. New home projects within Otay Ranch have been reduced during the past year due to projects selling out and land ready for development becoming scarce. The year 2020 began poised for huge growth until the COVID-19 pandemic shook the existing home market, essentially stifling existing home sales for a few months. One positive impact of the COVID-19 pandemic on new home sales is that the new home market has become the better option verses existing home sales. However, due to historically low interest rates putting pressure on home pricing, existing home sales are also now growing along with new homes sales. Despite uncertainty hitting the market with the COVID-19 outbreak, most observers agree that the San Diego County new housing market is still positive and the population is growing at a sustainable rate. Population is predicted to continue to increase, thus housing growth will continue.

### **Commercial Market**

In reviewing the County's commercial market, a study of housing growth, vacancy rates and competition needs to be conducted. As discussed above the County population is growing and housing growth is gaining strength in the South Bay area which includes Chula Vista. We have reviewed several studies prepared by commercial brokers in the area in regards to San Diego's commercial real estate market including CBRE's recently released outlook for 2021.

CBRE states that 2020 has accelerated certain trends that benefited some sectors of commercial real estate and punished others. Industrial and logistics have thrived in the COVID era while office, retail and hotels have suffered. The beginning of 2021 will be in a flux with a full recovery of commercial real estate held back by the continued influence of COVID-19. CBRE anticipates Industrial and logistics to have the strongest fundamentals and investor interest early in the year. They believe it will take until the



second half of 2021 before the office sector begins to either return to normal or begin to undergo a permanent change. The office sector will need to wait until workers can safely go back to work to determine if remote working levels will stay the same or go back to the “old” normal. In 2021 they are predicting demand for office space will remain muted as most occupiers’ plan for a gradual reentry to the office throughout 2021. CBRE believes that the retail footprint will continue to contract in 2021 however they anticipate e-commerce sales to slow in 2021 as brick-and-mortar sales come back. CBRE is forecasting a decline in the rate of e-commerce sales growth in 2021 for the first time since 2008.

In the Third Quarter 2020 commercial office report, CBRE reports that the San Diego unemployment rate fell in Q3, 2020 to 9.9 percent down from a peak of 15.2 percent in May. However, this is still up significantly from February’s 3.2 percent unemployment rate. Average asking rent for office product remained the same as Q2 at \$3.15 per square foot full-service gross (FSG) however the vacancy rate increased to a total of 12.8 percent with net absorption for the quarter at a negative 605,585 square feet. Year to date leasing activity in Q3 was up 6.0 percent from Q2 however year to date leasing activity for the year is 34.5 percent lower than the previous 3-year average for this time period. While overall San Diego has an asking rate of \$3.15 per square foot FSG, the South County market which encompasses the subject has an asking rate of \$2.55 per square foot FSG. The South San Diego County submarket houses about three percent of the total office product in overall San Diego County. There were no construction deliveries of new office space and no office space under construction within the subject South San Diego submarket in Q3. CBRE identifies the South San Diego market as the area south and southeast of the downtown market southerly of State Route 54.

San Diego’s office market has experienced a wide fluctuation in vacancy over the past 18 years. In 2000 county-wide vacancy was only 5.4 percent with 2009 showing the highest vacancy rate at 19.2 percent, decreasing just about every year to 2016 at 10.7 percent. Current vacancy increased to 12.8 percent after having remained below 12 percent for four years. South San Diego reports total vacancy at 8.0 percent including sub-lease

space. As mentioned, net absorption was at a negative 605,585 square feet with 5,950 square feet of this negative net absorption in the South San Diego market.

In addition to reviewing CBRE statistics we have also reviewed the draft marketing study completed by Meyers Research on the Millenia community. Meyers indicates that the office market is currently soft in San Diego County, a fallout of the COVID-19 pandemic. While rates have stabilized, the vacancy rate has increased, a function of decreased demand for office space due to the Work at Home model due to COVID. Meyers Research also concludes that medical office conditions are relatively strong and stable when compared to conventional office market conditions. This has resulted in major healthcare systems actively pursuing new developments around San Diego County.

Meyers Research projects an average of 64,000 square feet of annual office absorption within Millenia which projects the entire 1.425 million square feet of space to be absorbed by 2042 or in about 20 years. They project the initial phase to be absorbed in roughly four Years and it is unknown at this time if Lot 1 or Lot 19 (subject property) will be developed next. The Meyers Research projections are based on analyses completed by CalTrans on office-oriented employment growth and also projections of job growth from Woods and Poole Economics. They project absorption of office space will accelerate at the subject location as this area of Chula Vista continues to grow.

Our search in the South San Diego submarket resulted in quite a few commercial land sales, however none in the past three years were slated for office use. The majority of the sales are located near Brown Field in San Diego's Otay Mesa area and are affiliated with trucking and logistics. Within Millenia, one of the commercial properties sold in 2017 however no construction has begun on the property at this time. Current projections are for Chesnut to pull permits in 2021 and begin construction.

In summary, although south San Diego County is seeing commercial land sales in 2020, most are for industrial zoned lands with logistic uses. There is one commercial project in Millenia which is in the planning stages however commercial development is generally at

a standstill as investors and developers wait to see what the “new normal” is with the work from home factor. Millenia is proposing the first office campus in the immediate area. While the need appears positive, absorption of the projected development in the entire community of Millenia (the subject and additional lands) is estimated at about 20 years. Despite uncertainty hitting the market with the COVID-19 outbreak, most observers agree that the San Diego County real estate market is still positive and the population growing at a sustainable rate.

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## HIGHEST AND BEST USE ANALYSIS

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

*"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"<sup>5</sup>*

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

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

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

### **Physically Possible Uses**

Millenia has the physical characteristics suitable for a master-planned community. The site's topography is generally level, adjacent to SR 125 (to the west) and the successful Otay Ranch Town Center (to the north).

CFD No. 16-I IA 2 consists of four parcels ranging in size from four to nine acres which are being developed into 335 single family homes and a commercial site proposed for office use with a possible residential component. The parcels have all been mass graded

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<sup>5</sup> The Appraisal of Real Estate, 11<sup>th</sup> Edition

and are generally level with the majority of surrounding streets in place. The three residential sites have been further graded for residential lots and pads. We have reviewed Geotechnical Reports on portions of the subject property and it appears soil conditions are satisfactory for development. This is further suggested by development on some of the lands. We have reviewed a Phase One Environmental Site Assessment on portions of the subject property which concludes that the property is feasible to develop from an environmental standpoint. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion, that any environmental concerns have been mitigated as recommended by technical reports, and that there are no environmental issues which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction.

An engineered drainage system is being designed into a street drainage system to alleviate any potential flooding problems and to control project water runoff. All standard utilities serve or are available to serve the subject property. The site has good access from SR 125 and Birch Road.

Based on the physical analysis, the size, access and topography make the subject property physically suited for numerous types of development; however, the grading and development that has occurred on three of the four parcels suggests residential use with the fourth parcel in a mass graded condition available for various types of development.

### **Legality of Use**

The subject property is located in the master planned community of Millenia (formerly known as a portion of the Eastern Urban Center "EUC"), in Otay Ranch in the City of Chula Vista, County of San Diego. Pursuant to the EUC Sectional Planning Area Plan, the subject four parcels are a portion of the entire 206+ acre property which has approvals for approximately 3,000 residential units, 13 acres of parks, 1.4 acres of Community Purpose Facility, 6.5 acres of schools, and 42 acres of commercial land uses. The subject four parcels have been approved for 335 residential units on three parcels and commercial use with a possible residential component on the final parcel. Map 09-03 recorded on all of Millenia with further mapping of Maps 16081, 16377, 16408 and 16409

covering the subject four parcels. Based on the legality of use analysis, the type of development for which the subject property can be utilized is narrowed to residential and commercial land uses. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. First residential land use will be discussed followed by a discussion on commercial land use. As discussed under the San Diego County Housing and Office Market section earlier within this report, the San Diego market has showed good residential price increases and good absorption.

According to the Market Absorption Study for CFD No. 16-I, IA 2 by Meyers Research, dated November 2020, the existing three projects Pinnacle, Vibe and Cleo are selling at a good pace and will be sold out, generally by 2023. It should be noted that their absorption estimates are using historical sales figures and not 2020 sales figures which have a much higher absorption rate. While the COVID-19 pandemic has violently affected the economy, it has not negatively affected the new home market in San Diego. Population growth is still occurring in the area and will continue to create the need for housing.

There are currently three active, new home communities within Millenia which are all the subject properties. All previous residential, for-sale communities in Millenia have sold and closed out. The subject three neighborhoods include attached condominiums, some allowing for first-time buyers to enter the market. Sales began in March 2020 with 137 sales to date and 41 homes closed to individuals. Generally home prices within the community range from \$380,000 to \$550,000. Since opening, average sales rates within the subject communities have ranged from eight to sixteen sales per month, considered to be exceptional sales rates. All of the neighborhoods have been well received in the marketplace. Over the past year, 31 new home projects in San Diego County have sold out, all pointing to the need for new homes.

Meyers Research projects an average 64,800 square feet of office space will be absorbed per year suggesting the initial phase of development will be absorbed in four to five years. At this time, it is unknown when Lot 1 or Lot 19 (subject) will be developed and what the mix of land uses will be.

Based on the above analysis, the highest and best use for the subject property appears to be for both residential and future commercial development.

### **Maximum Productivity**

Current market conditions suggest that residential use in the subject market is in demand. This is evidenced by land sales and the absorption rates for new homes within the Otay Ranch. In light of the population growth projected in the subject marketplace and the multi-family land sales and attached home sales occurring in the Chula Vista area, it is our conclusion that the subject property is feasible for residential development and future commercial development.

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

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

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

As earlier detailed, the subject property consists of three residential neighborhoods, all which are currently selling, however models are not complete within one neighborhood. Meridian opened its Pinnacle products for sale in February 2020. They have sold 77 homes suggesting an absorption rate of 8.1 homes per month. Lennar opened its Vibe project for sale in July 2020 and has sold 36 suggesting a sales rate of 8.0 units per month. Lennar opened its Cleo project for sale in October (without model homes) and has sold 24 suggesting a sales rate of over 16 homes per month. Cleo is a first-time buyer opportunity with pricing beginning at under \$400,000. All absorption rates are considered

to be excellent sales rate for homes in the South County market. Our search of the local MLS revealed there are no current listings and no re-sales within the subject property. The homes appear in excellent condition with no physical depreciation of structures visually apparent. The sales rates within the subject and competitive projects in the immediate area suggests there is demand for new homes in the market at the right price points with current financing rates. This is confirmed by the Meyers Research absorption study. All of the homes are of good design and appear to be of good quality workmanship. Based on the subject neighborhood's sales rates, it is our conclusion that the highest and best use for the subject three residential parcels is for the continued use, as improved.



## VALUATION ANALYSES AND CONCLUSIONS

The Sales Comparison Approach will be the primary approach used to value the subject property. This approach compares similar properties that have recently sold or are in escrow to the subject parcels. In determining the value for the property, a unit of comparison needs to be addressed. For detached single-family lots, the lots are typically sold on a finished lot basis while for attached product, the lands are typically sold on a per unit basis with the condition of the land taken into consideration. That is, the sales price is determined by a finished lot value or a per unit value in a superpad condition, then the remaining costs to develop the property to a finished lot or superpad condition are taken into account in the sales price. Therefore, in determining a current market value for the lands, the current condition of the lots will be considered. The same approach will be used for the commercial properties which are typically sold in a superpad condition based on a per square foot price. In the case of the existing home valuations, a single new-home sale is the unit of comparison. Our search will include all new home projects within Otay Ranch and the surrounding area to find comparable new homes for sale. In determining the value for each house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

In the case of the completed (over 95 percent complete) builder-owned models and production units, the homes will be valued using the Sales Comparison Approach to conclude on a retail value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the single ownership for each neighborhood. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), remaining development costs (if any), the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. In the case of the individually owned homes, a concluded base value will be used for each plan and a mass appraisal technique will be used. In determining the concluded base value, new home sales in the

area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. All of the value conclusions will assume that the improvements funded by the CFD No. 16-I IA 2, Special Tax Bonds are completed and in place and that the property is subject to the Special Tax Lien.

The valuation will be presented as follows: First, a discussion of the comparable residential market data will be given. Each of the transactions will be detailed along with a comparison discussion of their relationship to the subject property based on a per lot or per unit price. A value conclusion for the residential lands will then be concluded. Next a discussion of the comparable commercial market data will be given. Again, each transaction will be detailed along with a comparison discussion of their relationship to the subject property. A value conclusion for commercial land will be concluded. Following the land value conclusions, a valuation for each home plan will be conducted. Finally, a value conclusion for each ownership will be given along with a minimum market value concluded for the individually owned homes. A summary of the final value conclusions will be reported at the end of this valuation section.

### **Market Data Discussion and Valuation Analysis of Residential Land**

The area surrounding the subject has been searched and residential land sales were located and compared to the subject. Eight of the sales were considered to be comparable and are detailed in the Addenda. Four of the sales are located within the Otay Ranch, two are in Otay Mesa, one in Chula Vista proper, one in Santee and one in the Spring Valley area of San Diego. All are within 15 miles of the subject. Each transaction is discussed in relationship to the subject property below followed by a summarization of the land transactions.

Land Data No. 1 refers to the sale of a 4.92-acre site located in the City of Chula Vista about five miles northwest of the subject site. This is an infill parcel which has excellent access to the 805 Freeway and easy access to downtown Chula Vista. Silvergate Development, a San Diego based developer specializing in multi-family and mixed-use projects, purchased the site for development of 170 apartments suggesting a density of 34.55 dwelling units per acre. Nine of the 170 units will need to be affordable rate units.

The site is surrounded by apartments and commercial land use along with single-family residential uses. In addition to the \$6,000,000 purchase, they purchased a 0.3-acre piece from the City of Chula Vista which was previously an entry cul-de-sac into the site. They paid \$225,000 for the additional site. On their website they are referring to the property as a total of 170 units which equates to \$36,618 per unit based on the total paid for the two parcels and a density of 36.17 dwelling units per acre. In comparison to the subject property this site is considered to be inferior as it does not have the master plan association and is in an unimproved state.

Land Sale No. 2 is located about three miles south of the subject property within one mile of the National border with Mexico. The 12.98-acre site is in the area known as Otay Mesa with Brown Field (private airport) to the north and within a few blocks of Ocean View Hills Corporate Center and Otay Corporate Center South. The site was originally zoned for industrial use however the buyer re-entitled the site for 450 apartments which suggests a density of 34.66 dwelling units per acre. The site had previously been mass-graded and appears to be ready for development. The purchase price was \$14,400,000 which equates to \$32,000 per unit. There are industrial buildings in the immediate area along with truck transfer stations and truck stops. The buyer, ColRich, is planning on building three- and four-story wood frame apartments. In comparison to the subject property, this site has a significantly inferior location when compared to Otay Ranch due to surroundings and amenities.

Land Sale Nos. 3, 4 and 5 are in regards to land sales within the subject Millenia Village of Otay Ranch including purchases of two of the subject properties. Land Sale No. 3 is the most recent transaction which closed in February 2020. Ryan Companies purchased the 12.08-acre site that has entitlements for 480 apartments. There are several apartment complexes located in Millenia and all have been successful in leasing. The land purchase was for \$15,500,000 or \$32,292 per unit for the land with a density of 39.7 dwelling units per acre. Land Sale Nos. 4 and 5 refer to two of the subject properties which were both purchased by Lennar for Cleo and Vibe respectively. Land Sale No. 4 refers the 4.35-acre site with mapping for 117 units (equates to 26.9 du/ac) which closed December 5, 2019. The site sold for \$4,815,000 or \$41,155 per unit. Land Sale No. 5 refers to the 4.47

acres mapped for 92 units (equates to 20.6 du/acre) which was purchased June 24, 2019. This site was sold for \$4,000,000 or \$43,478 per unit. Land Sale No. 4 and 5 included in the sale the buyer to build and deliver a 4,500 square foot commercial shell building deeded back to the master developer.

Land Sale No. 6 pertains to the purchase of a multi-family zoned parcel located on Caribbean Way, in Santee, about 15 miles north of the subject property. The site is 2.89 acres and has a map allowing for 42 units on the site suggesting a density of 14.53 dwelling units per acre. The property is generally an in-fill location however this property was sold in an unimproved or raw land condition with unpaved access. City Ventures purchased the property in April 2019 for \$2,535,000 and \$60,357 per unit. They are selling two story townhomes on the site known as Ariana with sizes from 1,419 to 1,879 square feet. In comparison to the subject site this parcel is considered to be inferior in condition (unimproved)

Land Sale No. 7 is located 1.5 miles south of the subject in Otay Mesa near Data No. 2. The property consists of a 5.58-acre property that has entitlements for 143 total units which relates to an overall density of 25.63 dwelling units per acre. The site is in a raw land condition, has view potential however has unpaved access. The property was purchased by an investor in November 2018 for about 15 percent below the asking price at \$4,650,000 which equates to \$32,517 per unit with an overall density of 25.63 dwelling units per acre. The site is within an industrial neighborhood however just across a ravine from existing housing. The property has two parcels between it and an existing industrial building, with one of the empty parcels entitled for commercial use and the other entitled for light industrial use. In comparison to the subject property this site is considered to be inferior in surroundings/location and in condition (unimproved).

Lane Sale No. 8 pertains to the October 2018 purchase of an 18-acre site by KB Home located in Spring Valley, about eight miles north of the subject in the Spring Valley area of San Diego. The site wraps around the northeast corner of Sweetwater Springs Boulevard and Jamacha Boulevard in a more industrial area however there are homes to the west. KB Home is marketing "Sweetwater Place" consisting of 2-story homes on 3,000 square foot lots ranging in size from 1,854 to 2,095 square feet. The prices range from

\$587,000 to \$615,000. The reported finished lot price at time of purchase was \$270,000. The site was purchased in a raw land condition with approved mapping. The site sold for \$18,700,000 or \$153,279 per unit with the homes having an overall density of 6.8 dwelling units per acre. In comparison to the subject site the condition of this property is considered to be inferior. That is, the risk of grading is gone on the subject property while on this site, there was still risk at time of purchase. The density of this transaction at 6.8 dwelling units per acre is significantly lower than the subject sites.

The market data and comparisons to the subject are summarized below:

Data No.	Location	Acres/ Units Density	Date of Sale	Price/Unit	Comparison to Subject
1	Chula Vista	4.92 / 170 34.55	3/20/20	\$36,617*	Inferior Condiition
2	Otay Mesa	12.98 / 450 34.66	3/16/20	\$32,000	Inferior Location & Condition
3	Millenia Otay Ranch	12.08 / 480 / 39.0	2/27/20	\$32,292	Inferior – Density
4	Millenia Otay Ranch	4.35 / 117 / 26.9	12/5/19	\$41,155	Subject
5	Millenia Otay Ranch	4.47 / 92 20.6	6/24/19	\$43,478	Subject
6	Ssantee	2.89 / 42 24.53	4/10/19	\$60,357	Inferior – Condition
7	Otay Mesa	5.58 / 143 25.63	11/18	\$32,517	Inferior – Location & Condition
8	Spring Valley, San Diego	17.93 / 122 6.8	10/4/18	\$153,279	Lower Density Slightly Superior Location Inferior Condition

\*Based on both parcels purchase

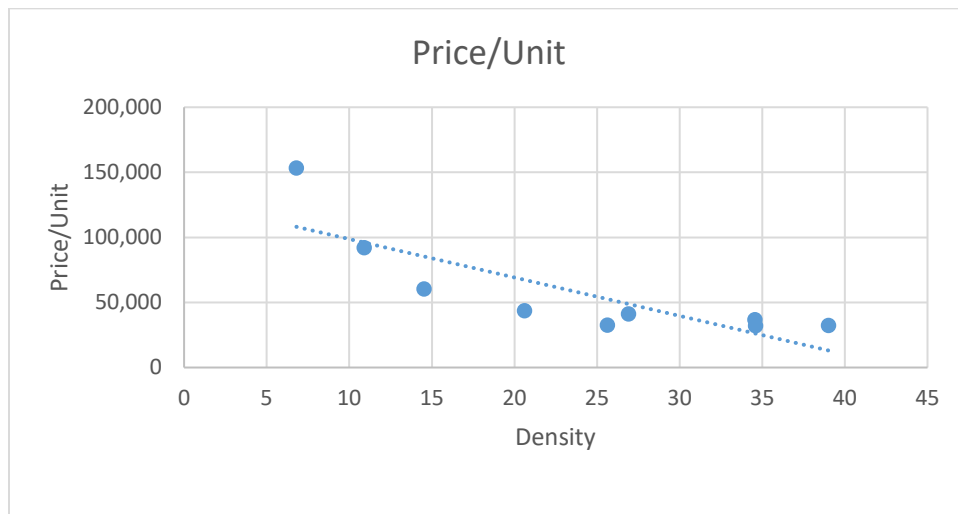
Two of the land sales summarized include subject parcels. These sales reflect prices per acre that are consistent with other Millenia sales as well as other market data researched.

Without making adjustments the marker data has an overall per unit range from \$32,292 to \$153,279. The wide range is mainly influenced by density as the various project densities range from 6.8 to 39.7 dwelling units per acre. Lower density product land typically sells at higher prices per unit and higher density product generally sells at lower per unit prices with other factors being equal. This is depicted with the highest density

sales generally having the lowest per unit price and the lowest density sale having the highest per unit price.

The subject properties have densities in the 20.6 to 26.9 dwelling units per acre range. Land Sale Nos. 4, 5, 6 and 7 have a density range from 14.53 to 26.9 dwelling units per acre with sales prices on a per unit basis ranging from \$32,517 to \$60,357. The lowest end of the range is for an unimproved property that was purchased to hold as an investment and is considered significantly inferior to the subject in condition and location. The remaining market data has a per unit range from \$41,155 to \$60,357.

As a secondary review we have looked at the market data on a density basis by inserting the eleven comparables into a graph and extracting a trend line to suggest the subject properties value ranges. The chart is shown on the following page.



Using the above graph suggests the range of value for the subject properties in a raw land condition between \$45,000 and \$60,000 per unit.

The sale of the individual subject parcels is a very good indication of market value, in our opinion, with the comparable market data backing up the value conclusions. Data Nos 4 and 5 represents the acquisition by Lennar of both Vibe and Cleo within the past 18 months. We have concluded that the subject residential lands have the following superpad values – Meridian \$55,000; Vibe \$60,000 and Cleo \$42,500 based on density.

All of the subject residential parcels all have had land development occur. We have reviewed historical costs of development on three existing projects within Millenia which include Shea's Z & Element communities, Boulevard by Lennar (formerly CalAtlantic), and KB Homes Skylar project all which were built and sold out in 2017 through 2019. The finishing costs ranged from \$81,683 per unit to \$92,815 per unit to bring the lands to a true finished condition. In addition, we have reviewed Lennar's current cost estimates for Vibe and Cleo. The costs to bring these two projects to true finished lots is estimated at \$94,669 per unit and \$116,851 per unit. The current costs are 10 to 20 percent higher than the historical costs from 2016/17 when land development occurred on the previous communities. This is typical due to increases material costs, labor and fees. Using an average finishing cost of \$95,000 to \$110,000 per unit suggests the finished lots would have a value in the \$140,000 to \$165,000 per unit range.

Pinnacle at Millenia has an overall density of 21.18 dwelling units per acre. There are 36 completed, individually owned homes, six models owned by the builder, 42 units under construction and 42 remaining building pads. We will value the homes under construction (under 95 percent complete) on the basis of a finished pad rather than attribute value to a partially complete improvement. Therefore, we will value 84 building pads in our analysis. Based on the market data and finishing costs, we have estimated the lands to have a finished pad value of \$155,000. The site has been developed to generally finished pads with an estimated \$50,283 in remaining costs per unit as discussed under the property description section earlier within this report. The valuation for the builder-owned lands within Pinnacle is calculated as follows:

84 building pads x \$155,000	\$13,020,000
Less: Remaining Costs (\$50,283 x 84)	<u>(4,223,772)</u>
"As Is" value of builder owned lands	\$ 8,796,228
	<b>\$ 8,800,000 (rounded)</b>

Vibe at Millenia has an overall density of 20.6 dwelling units per acre. There are five completed, individually owned homes, three models and eleven homes owned by the builder (over 95 percent complete), 25 units under construction and 48 remaining building

pads. We will value the homes under construction (under 95 percent complete) on the basis of a finished pad rather than attribute value to a partially complete improvement. Therefore, we will value 73 building pads in our analysis. Based on the market data and finishing costs, we have estimated the lands to have a finished pad value of \$165,000. The site has been partially developed to with an estimated \$44,867 remaining costs per unit as discussed under the property description section earlier within this report. The valuation for the builder-owned lands within Vibe is calculated as follows:

73 building pads x \$165,000	\$12,045,000
Less: Remaining Costs (\$44,867 x 73)	<u>(3,275,291)</u>
“As Is” value of builder owned lands	\$ 8,769,709
	<b>\$ 8,770,000 (rounded)</b>

Cleo at Millenia has an overall density of 26.9 dwelling units per acre. No homes are over 95 percent complete at this time. While there are 32 units under construction, we will value a unit under construction on the basis of a finished pad, rather than attribute value to a partially complete improvement. Therefore, we will value all 117 building pads in our analysis. Based on the market data and finishing costs, we have estimated the lands to have a finished pad value of \$140,000. The site has been partially developed to with an estimated \$55,930 remaining costs per unit as discussed under the property description section earlier within this report. The valuation for the builder-owned lands within Cleo is calculated as follows:

117 building pads x \$140,000	\$16,380,000
Less: Remaining Costs (\$55,930 x 117)	<u>(6,543,810)</u>
“As Is” value of builder owned lands	\$ 9,836,190
	<b>\$ 9,835,000 (rounded)</b>

**Commercial Land Valuation**

In addition to revenues generated from residential land uses, there is one commercial site located within the subject area of the Millenia master planned community. This property has been described earlier in this report.

Our search for commercial land sales resulted in ten land transactions consisting of nine sales and one current listing which have been summarized in the Addenda and are



discussed below. Due to the limited amount of commercial/office land sales in the area, we expanded our search to include industrial and retail sales along with reviewing office land sales in northern San Diego County.

Land Sale No. 1 pertains to the current listing of a 17.6-acre parcel located at the southeast corner of La Media Road and Otay Mesa Road in the City of San Diego in the area known as Otay Mesa about three miles south of the subject property. The site is near Brown Field Municipal Airport and is essentially at the end of SR125 which terminates at Otay Mesa Road. The asking price on the site is \$7.15 per square foot. The site was carved out due to the construction of the 905 freeway which bisected an original approximate 70-acre parcel. The two parcels are being sold separately or together. The current zoning of this parcel is IL-3-1.0 which allows for a wide range of manufacturing or distribution activities. In comparison to the subject property, this site is considered inferior in condition (not finished site) and zoning.

Land Sale No. 2 refers to the sale of a 2.75-acre parcel located in the District at Eastlake, about three miles north of the subject property. Eastlake Hospitality Ventures purchased the site for a hotel. The property was in escrow for six months prior to closing. The buyer paid \$3,850,000 for the site or \$32.37 per square foot. In 2019 Hilton opened a dual-branded Hampton and Homewood Suites across the street from this site. They paid \$19.53 per square foot for their site in 2015. These sites are located in the Eastlake Business area which is generally built out and surrounded by existing development.

Land Sale No. 3 refers to the sale of an industrial zoned parcel located at the end of Harvest Road at Otay Center Drive in San Diego about three miles south of the subject. The property was unimproved at time of sale. Transportes Diaz USA Inc. purchased the 1.97 acres for \$1,000,000 per public record on October 22, 2020. The site is unimproved with existing streets to the site. The property has excellent access to the Mexican border and is surrounded by trucking areas and logistic opportunities. The property is zoned for industrial use under the IBT (the international business and trade zone).

Land Sale No. 4 is also located in the Otay Mesa area of San Diego. The 7.81-acre site is surrounded by Airway Road on the south, Centurion Street on the east, Gigantic Street on the north and Excellante Street on the west. The site is a finished lot with the Otay Mesa Chamber of Commerce and Southwestern Community College located on the north side of Gigantic Street which fronts the 905 Freeway. West of the site are existing distribution buildings. The site is zoned IP-1-1 which allows for research and development with some possible light manufacturing. The buyer, OM Gigantic Property, purchased the site for \$5,215,500 which equates to \$15.06 per square foot from RG Gigantic Otay LLC on February 20, 2020.

Land Sale No. 5 pertains to the January 16, 2020 purchase of a 2.47-acre parcel located at the northeast corner of Otay Mesa Road and Ocean View Hills Parkway in San Diego. The site is slated for a retail development and is surrounded by existing apartments and new residences to the north and west. The buyer, Greenfield Square Otay Mesa LLC, purchased for the site for \$2,700,000 which equates to \$25.09 per square foot. The site is generally a finished lot with surrounding streets in place.

Land Sale No. 6 refers to another industrial zoned parcel located at the southern terminus of Gateway Park Drive, west of Heritage Road in Pacific Gateway Park. The site is zoned I-P-1-1 which allows for business park, research and development and light manufacturing. There are several trucking yards in the near vicinity. Heritage Gateway Park LLC purchased the 3.43 net acre site on February 6, 2020 for \$1,742,500 which equates to \$11.68 per square foot. The site was raw at time of sale with streets completed to the site.

Land Sale Nos. 7, 8 and 9 refer to sales of commercial lands within Millenia which occurred in 2016 and 2017. Land Sale No. 7 is in regards to Sudberry (MCV23LLC) purchasing 12.58 acres which has been developed with retail known as Millenia Commons. Sudberry purchased the lands in April 2017 for \$5,459,725 or for \$10.03 per square foot. They have constructed 135,000 square feet of retail space on the site and have successfully leased the space. The seller was SLF IV - Millenia LLC, the master

developer of Millenia. Land Sale No. 8 pertains to the Ayers Millenia LP purchase in April 2016 of the 2.5-acre parcel adjacent to Land Sale No. 7 for \$1,400,000 or \$12.83 per square feet. The land has been developed into an Ayers boutique hotel. Land Sale No. 9 closed in February 2016 and referred to a 7.062-acre parcel which is zoned for commercial. LMC Millenia Investment Co. LP (Chesnut) purchased the site for \$2,568,663 or \$8.35 per square foot. At time of purchase Chesnut entered escrow on the two additional commercial parcels, including the subject commercial site. Proposed plans for all three sites were for “Think”, “Invent” and “Discover” a commercial project with over 1.4 million square feet of office, medical, life science and high-tech space. Land Sale No. 9 referred to the “Think” complex which is proposed for 424,100 square feet of medical office along with some service retail in an amenity building. The escrows in 2017 were at \$8.24 per square foot for the site on the west side of Millenia and for \$12.72 per square foot for the subject site. The subject site has an allowed residential component of possibly up to 225 units and has freeway visibility from the 125 Freeway. Per the seller the escrows were cancelled by the seller in January 2018 due to a buyer default.

The sales are summarized below

<b><u>Commercial Land Sale Summary</u></b>						
<b><u>Data No.</u></b>	<b><u>Location</u></b>	<b><u>Sale Date</u></b>	<b><u>Size Acres</u></b>	<b><u>Price</u></b>	<b><u>Price/ Sq. Ft.</u></b>	<b><u>Land Use</u></b>
1	San Diego/Otay Mesa	Listing	17.6	\$5,480,000	\$7.15	Industrial
2	Eastlake, Chula Vista	9/20	2.75	\$3,850,000	\$32.37	Hotel Site
3	San Diego / Otay Mesa	10/20	1.97	\$1,000,000	\$11.65	Industrial
4	San Diego / Otay Mesa	2/20	7.81	\$5,215,500	\$15.06	Industrial
5	Ocean Hills/Otay Mesa	1/20	2.47	\$2,700,000	\$25.09	Retail
6	San Diego / Otay Mesa	2/20	3.43	\$1,742,500	\$11.68	Industrial
7	SE & SWC Birch Rd. & Millenia Ave., Millenia MPC	4/17	12.58	\$5,459,725	\$10.03	Retail site
8	W/S Millenia Ave. @ Stylus St., Millenia MPC	4/16	2.505	\$1,400,000	\$12.83	Ayres Hotel
9	E/S Millenia Ave., S/O Stylus St., Millenia MPC	2/16	7.062	\$2,568,663	\$8.35	“Think” project

The market data has a wide range from \$7.15 to \$32.37 per square foot. Data No. 2, the highest price, refers to a sale in the Eastlake Business area which is reaching build-out and was purchased to construct a hotel. We have additional information on the purchase of another site within the same area in 2015 which Hilton purchased for \$19.53 per square

foot and has developed a hotel. This area is considered superior to the subject. Land Sale Nos. 3, 4 and 6 are all designated for industrial use and located near Brown Field, an inferior location. Other office land sales were reviewed that are located in northern portions of San Diego County in the Carlsbad area. These sales range in unit prices from just under \$15.00 to \$20.00 per square foot. In our opinion these locations are superior to the subject but are good indications of commercial land values for office locations.

The subject commercial site is located on the west side of Millenia Avenue, one of the main arterial streets through the community and has prominent visibility within the development as well as from State Route 125. While the site is designated for commercial use, there is the possibility of a residential component of possibly up to 225 units for mixed use. The 225 potential residential units are a total for both Lot 1 and Lot 19 (subject parcel). At this time, it is unknown if, when or where they will be built.

Based on the comparable data and summarized considerations we have estimated the retail value of the commercial site at \$15.00 per square foot.

#### **SLF-IV Millenia Ownership Valuation**

SLF-IV Millenia owns Lot 19 of Tract 16081. Lot 19 consists of an 8.34-acre commercial parcel with the possibility of a residential component of up to 225 units. We have concluded market value of \$15.00 per square foot. Using the Meyers Research absorption tables for office, and assuming Lot 7 is developed as proposed, it will be leased up in four to five years. This suggests that Lot 19 will not be developed for at minimum four or five years with a prospective buyer becoming interested possibly in three or four years. Using the concluded current market value of \$15.00 per square foot and discounting it for a three to four-year period at 10 percent per year suggests the parcel's current market value is about \$10.25 to \$11.25 per square foot range. We have concluded that the subject Lot 19 has a current market value of \$10.50 per square foot. In addition, the subject parcel will be subject to the CFD 2016-I IA 2 special taxes which are estimated at \$45,000 per year on the undeveloped parcel. This amount will need to

be paid over the four-year hold resulting in a deduction from the current value. The value is calculated as follows:

Lot 19 (8.34 Acres) x \$10.50/sf =	\$3,814,549
Less CFD 2016-I IA2 Special Taxes (\$45,000 x 4)	<u>(180,000)</u>
Current Market Value Lot 19	\$3,634,549
(rounded)	\$3,635,000

### **Meridian Ownership Valuation**

Meridian owns six model homes, 42 lots under construction and 42 generally finished building pads. The units under construction were valued on the basis of a building pad, rather than attribute value to a partially complete improvement. The 84 lots “as is” value conclusion was \$8,800,000. The six model homes will be valued below followed by the final calculation of the builder-owned lands and the individual owned unit’s valuation.

### **Retail House Valuation**

Due to the single ownership of multiple houses by Meridian, a Discounted Cash Flow (“DCF”) analysis is needed in order to arrive at a bulk value for the homes. First, a retail value for each plan will be concluded followed by a DCF for the builder which will take into account the absorption time to sell off the builder owned houses, the costs associated with selling off the homes and any remaining costs owed by the builder within the neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value.

Pinnacle by Meridian consists of 126 proposed single family attached condominiums, some attached two story and some penthouse units with living quarters on the third and fourth floors. Thirty-six of the homes are completed and have closed to individual homebuyers. There are six completed model homes, 42 units under construction and an additional 42 homesites in a generally finished condition. In this analysis we will value each plan within Pinnacle and then use a discounted cash flow analysis to conclude at a bulk value for the builder owned homes.

Below is a summary of the floor plans within Pinnacle. A listing of the improved residential comparable properties is located in the Addenda of this report. This listing is utilized in the valuation for each plan using the Sales Comparison Approach to value.

<i>Plan</i>	<i>Room Count</i>	<i>Floors/ Parking</i>	<i>Sq. Ft.</i>	<i>Completed Ind. Owned</i>	<i>95% Complete Bldr. Owned</i>
City Towns at Pinnacle					
1	3 / 3	2 / 2	1,362	6	1*
2	3 / 2	2 / 2	1,433	6	1*
3	4 / 3	2 / 2	1,989	6	1*
Elevator Penthouses at Pinnacle					
4	3 / 2	4 / 2	2,185	6	1*
5	3+ / 2	4 / 2	2,380	6	1*
6	3+ / 2	4 / 2	2,522	6	1*
Total				<b>36</b>	<b>6</b>

\*One of each plan is a model home. In addition to the above shown houses, there are 42 homes under construction and 42 finished pads.

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

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	1	3 / 3	2 / 2	1,362	--
1	2	3 / 2	2 / 2	1,433	\$336.29
3	2	2 / 2.5	2 / 2	1,215	\$311.03
3	3	2 / 2.5	3 / 2	1,265	\$291.62
4	2	2 / 2.5	2 / 2	1,357	\$298.38
7	1	2 / 2.5	3 / 2	1,340	\$335.65

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$291.62 to \$336.29 per square foot. Pinnacle Plan 1 has a current asking base price of \$336.20. There have been six closings of Plan 1 with actual sales prices ranging from \$322.98 to \$343.10 per square foot. There are currently six escrows of Plan 1 with sales prices ranging from \$323.72 to \$340.60 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear

to be in excellent condition with no depreciation visible. It has been concluded that Plan 1 has a base current market value of \$315.00 per square foot. This calculates as follows:

$$1,362 \text{ sf} \times \$315.00 = \$429,030$$

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

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	3 / 2	2 / 2	1,433	--
1	1	3 / 3	2 / 2	1,362	\$336.20
1	3	4 / 3	2 / 2	1,989	\$275.47
3	4	3 / 2.5	3 / 2	1,504	\$278.52
4	2	2 / 2.5	2 / 2	1,215	\$311.03
4	3	3 / 3	2 / 2	1,652	\$266.28
5	2	2 / 2.5	2 / 1	1,583	\$290.52
5	3	2 / 2.5	2 / 2	1,587	\$308.69
7	1	2 / 2.5	3 / 2	1,340	\$335.65
7	2	3 / 2.5	3 / 2	1,583	\$304.65

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$266.28 to \$336.20 per square foot. Pinnacle Plan 2 has a current asking base price of \$336.29. There have been six closings of Plan 2 with actual sales prices ranging from \$330.49 to \$352.51 per square foot. There are currently seven escrows of Plan 2 with sales prices ranging from \$323.03 to \$340.47 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 2 has a base current market value of \$310.00 per square foot. This calculates as follows:

$$1,433 \text{ sf} \times \$310.00 = \$444,230$$

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

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	4 / 3	2 / 2	1,989	--
1	2	3 / 2	2 / 2	1,433	\$226.29
1	4	3 / 2	4 / 2	2,185	\$255.79
2	2	4 / 3.5	3 / 2	1,819	\$279.77
3	6	4 / 3.5	3 / 2	1,675	\$276.36
4	5	3 / 3.5	3 / 2	2,025	\$246.86
6	1	3 / 3.5	3 / 2	1,938	\$280.13
7	3	3 / 2.5	3 / 2	2,005	\$273.89

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$226.29 to \$280.13 per square foot. Pinnacle Plan 3 has a current asking base price of \$275.47. There have been six closings of Plan 3 with actual sales prices ranging from \$267.16 to \$282.38 per square foot. There are currently seven escrows of Plan 3 with sales prices ranging from \$265.41 to \$279.99 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 3 has a base current market value of \$255.00 per square foot. This calculates as follows:

$$1,989 \text{ sf} \times \$255.00 = \$507,195$$

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



Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	4	3 / 2	4 / 2	2,185	--
1	3	4 / 3	2 / 2	1,989	\$275.47
1	5	3 / 2	4 / 2	2,380	\$249.96
2	3	4 / 3.5	3 / 2	2,037	\$262.10
4	5	3 / 3.5	3 / 2	2,025	\$246.86
4	6	4 / 3.5	4 / 2	2,439	\$212.34
6	2	4 / 3.5	3 / 2	2,256	\$255.27
7	3	3 / 2.5	3 / 2	2,005	\$273.89

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$212.34 to \$275.47 per square foot. Pinnacle Plan 4 has a current asking base price of \$255.79. There have been six closings of Plan 4 with actual sales prices ranging from \$252.06 to \$273.90 per square foot. There are currently seven escrows of Plan 4 with sales prices ranging from \$253.50 to \$262.20 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 4 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$2,185 \text{ sf} \times \$245.00 = \$535,325$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	5	3 / 2	4 / 2	2,380	--
1	4	3 / 2	4 / 2	2,185	\$255.79
1	6	3 / 2	4 / 2	2,522	\$244.61
2	3	4 / 3.5	3 / 2	2,037	\$262.10
4	5	3 / 3.5	3 / 2	2,025	\$246.86
4	6	4 / 3.5	4 / 2	2,439	\$212.34
6	2	4 / 3.5	3 / 2	2,256	\$255.27
6	3	4 / 3.5	3 / 2	2,505	\$251.46

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$212.34 to \$262.10 per square foot. Pinnacle Plan 5 has a current asking base price of \$249.96. There have been six closings of Plan 5 with actual sales prices ranging from \$253.93 to \$286.28 per square foot. There are currently seven escrows of Plan 5 with sales prices ranging from \$242.82 to \$258.36 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 5 has a base current market value of \$235.00 per square foot. This calculates as follows:

$$2,380 \text{ sf} \times \$235.00 = \$559,300$$

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

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	6	3 / 2	4 / 2	2,522	--
1	5	3 / 2	4 / 2	2,380	\$249.96
2	3	4 / 3.5	3 / 2	2,037	\$262.10
4	5	3 / 3.5	3 / 2	2,025	\$246.86
4	6	4 / 3.5	4 / 2	2,439	\$212.34
6	2	4 / 3.5	3 / 2	2,256	\$255.27
6	3	4 / 3.5	3 / 2	2,505	\$251.46

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$212.34 to \$255.27 per square foot. Pinnacle Plan 6 has a current asking base price of \$244.61. There have been six closings of Plan 6 with actual sales prices ranging from \$257.26 to \$273.50 per square foot. There

are currently seven escrows of Plan 6 with sales prices ranging from \$237.87 to \$253.73 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 6 has a base current market value of \$230.00 per square foot. This calculates as follows:

$$2,522 \text{ sf} \times \$230.00 = \$580,060$$

Builder Owned Retail Value

Within Pinnacle, all six builder-owned homes are model homes. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar for dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$40,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (1 x \$429,030)	\$ 429,030
Plan 2 (1 x \$444,230)	444,230
Plan 3 (1 x \$507,195)	507,195
Plan 4 (1 x \$535,325)	535,325
Plan 5 (1 x \$559,300)	559,300
Plan 6 (1 x \$580,060)	580,060
Model Upgrades (6 x \$40,000)	<u>240,000</u>
Total Pinnacle Retail Value	<u>\$ 3,295,140</u>

Absorption Period

In order to arrive at an absorption period for the builder owned homes within Pinnacle, the absorption rates for the subject and comparable projects have been reviewed. The sales rates within the three subject projects range from 8.6 sales per month to 16.9 sales per month. The comparables outside of Millenia range from 4.8 to 5.5 sales per month. In addition to reviewing actual sales rates, we have reviewed Meyers Research Market Absorption Study on Pinnacle which projects a sales rate in the 3 units per month range. We have concluded that the six model homes will be absorbed over a two-month time period.

### Remaining Costs

As discussed earlier within this report the Meridian owned property has some remaining costs associated with the land development. There are an additional \$4,525,443 in land development costs and development fees. These costs should be spread across all builder owned property which includes the six builder-owned model homes, the 42 units under construction and the 42 remaining pads. Dividing the \$4,525,443 by the 90 total builder owned units suggests a per lot remaining cost of \$50,283 per lot. This valuation is for the six model homes which suggests there are \$301,698 ( $\$50,283 \times 6$ ) in remaining land development costs associated with the builder owned completed homes. For purposes of this analysis we are estimating the remaining land development costs will be spread evenly over the absorption period.

### Expenses

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

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the Great Recession, this range was lowered considerably to six to eight percent with some builders drastically lowering their profit margins in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have increased in the past year. A ten percent profit is considered appropriate in the analysis for these neighborhoods.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the South San Diego market area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject properties
4. Discussed the project with equity investors and master plan community developers

The homes within Millenia have been well received in the marketplace with excellent absorption rates. Due to the good sales rates, a ten percent discount rate is considered appropriate for the subject neighborhoods.

### Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in Addenda) for the builder owned homes resulted in the value of \$2,370,543 (rounded) \$2,370,000.

### Meridian Ownership Final Valuation

Meridian owns six model homes, 42 units under construction and 42 remaining pads within Pinnacle at Millenia. In the valuation of the residential lands above, the land improvements to date were considered.

The final value conclusion for the Meridian owned property is shown below.

84 generally finished pads	\$ 8,800,000
Six model homes	<u>\$ 2,370,000</u>
Total Meridian Ownership Valuation	<u><b>\$11,170,000</b></u>

### Pinnacle Individual Owners Value Conclusion

In determining the value for the individually owned homes, we have considered the concluded base price value for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some upgrades and options or paying premiums for the lot. Within Pinnacle there are 36 individually owned homes. The concluded values are shown below:

Plan 1 (6 x \$429,030)	\$ 2,574,180
Plan 2 (6 x \$444,230)	2,665,380
Plan 3 (6 x \$507,195)	3,043,170
Plan 4 (6 x \$535,325)	3,211,950
Plan 5 (6 x \$559,300)	3,355,800
Plan 6 (6 x \$580,060)	<u>3,480,360</u>
Total Pinnacle Ind. Owned	<u><b>\$ 18,330,840</b></u>

In an additional analysis, we have reviewed the actual builder sales prices for the homes within Pinnacle. Sales occurred between February 2020 and November 15, 2020. The builder reported closing prices for the individually owned homes totals \$18,807,426 about 2.5 percent higher than the concluded value. The actual sales prices include any upgrades, premiums or options purchased by the homeowner while our concluded value is for the base value of the homes. While this difference would typically be greater, there have been price appreciation with base pricing rising across all plans which has offset the increase paid due to upgrades, premiums and options. It is our opinion that the actual sales prices further substantiate the concluded minimum market values for the Pinnacle individually owned homes

### **Vibe - Lennar Ownership Valuation**

Within Vibe, Lennar owns three model homes, 11 homes over 95 percent complete, 25 units which are under construction and 48 remaining building pads. The units under construction were valued on the basis of a building pad rather than attribute value to a partially complete improvement. The 73 lots "as is" value conclusion was \$8,770,000. The builder-owned units over 95 percent complete (14 units including three model homes) will be valued followed by the final calculation of the builder-owned lands. Finally, the individual owned units within Vibe will be valued.

### **Retail House Valuation**

Due to the single ownership of multiple houses by Lennar, a Discounted Cash Flow ("DCF") analysis is needed in order to arrive at a bulk value for the homes. First, a retail value for each plan will be concluded followed by a DCF for the builder which will take into account the absorption time to sell off the builder owned houses, the costs associated with selling off the homes and any remaining costs owed by the builder within the neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder owned bulk value.

Vibe by Lennar consists of 92 proposed single family attached condominiums which are all three story. Five of the homes are complete and have closed to individual homebuyers. There are three completed model homes, 14 units that are over 95 percent complete, 25 units under construction and an additional 48 building pads in a generally finished condition. In this analysis we will value each plan within Vibe and then use a discounted cash flow analysis to conclude at a bulk value for the builder-owned homes over 95 percent complete.

Below is a summary of the floor plans within Vibe. A listing of the improved residential comparable properties is located in the Addenda of this report.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Completed Ind. Owned	95% Complete Bldr. Owned
VIBE at Millenia					
1	4 / 3	3 / 2	1,681	2	5*
2	4 / 3.5	3 / 2	1,819	0	5*
3	4 / 3.5	3 / 2	2,037	3	4*
Total				5	14

\*One of each plan is a model home. In addition to the above shown houses, there are 25 homes under construction and 48 finished pads.

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	4 / 3	3 / 2	1,681	--
1	3	4 / 3	2 / 2	1,989	\$275.47
2	2	4 / 3.5	3 / 2	1,819	\$279.77
3	6	4 / 3.5	3 / 2	1,675	\$276.36
4	3	3 / 3	2 / 2	1,652	\$266.28
5	3	2 / 2.5	2 / 2	1,587	\$308.69
7	2	3 / 2.5	3 / 2	1,583	\$304.65

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$266.28 to \$308.69 per square foot. Vibe Plan 1 has a current asking base price of \$287.86. There have been two closings of Plan 1

with actual sales prices ranging from \$275.48 to \$288.43 per square foot. There are currently ten escrows of Plan 1 with sales prices ranging from \$277.22 to \$299.48 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 1 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$1,681\text{sf} \times \$270.00 = \$453,870$$

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

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	4 / 3.5	3 / 2	1,819	--
1	3	4 / 3	2 / 2	1,989	\$275.47
1	4	3 / 2	4 / 2	2,185	\$255.79
2	1	4 / 3	3 / 2	1,681	\$287.86
2	3	4 / 3.5	3 / 2	2,037	\$262.10
4	5	3 / 3.5	3 / 2	2,025	\$246.86
6	1	3 / 3.5	3 / 2	1,938	\$280.13
7	3	3 / 2.5	3 / 2	2,005	\$273.89

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$246.86 to \$287.86 per square foot. Vibe Plan 2 has a current asking base price of \$279.77. There have been no closings of Plan 2 however there are 11 escrows with sales prices ranging from \$268.77 to \$283.56 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 2 has a base current market value of \$258.00 per square foot. This calculates as follows:



$$1,819 \text{ sf} \times \$258.00 = \$469,302$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	4 / 3.5	3 / 2	2,037	--
1	3	4 / 3	2 / 2	1,989	\$275.47
1	4	3 / 2	4 / 2	2,185	\$255.79
2	2	4 / 3.5	3 / 2	1,819	\$279.77
4	5	3 / 3.5	3 / 2	2,025	\$246.86
4	6	4 / 3.5	4 / 2	2,439	\$212.34
6	2	4 / 3.5	3 / 2	2,256	\$255.27
7	3	3 / 2.5	3 / 2	2,005	\$273.89

All new home comparables are located within Otay Ranch or Playa Del Sol. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$212.34 to \$279.77 per square foot. Vibe Plan 3 has a current asking base price of \$262.10. There have been three closings of Plan 3 with actual sales prices ranging from \$251.31 to \$264.72 per square foot. There are currently 13 escrows of Plan 3 with sales prices ranging from \$253.85 to \$271.35 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options and builders typically offer some concessions. Our concluded price is based on the base price of the home with no upgrades, premiums or options. The homes appear to be in excellent condition with no depreciation visible. It has been concluded that Plan 3 has a base current market value of \$248.00 per square foot. This calculates as follows:

$$2,037 \text{ sf} \times \$248.00 = \$505,176$$

#### Builder Owned Retail Value

Within Vibe there are three models and 11 production homes over 95 percent complete. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar for dollar basis. Based

on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$40,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (5 x \$453,870)	\$ 2,269,350
Plan 2 (5 x \$469,302)	2,346,510
Plan 3 (4 x \$505,176)	2,020,704
Model Upgrades (3 x \$40,000)	<u>120,000</u>
Total Vibe Retail Value	<u>\$ 6,756,564</u>

### Absorption Period

In order to arrive at an absorption period for the builder owned homes within Vibe, the absorption rates for the subject and comparable projects have been reviewed. The sales rates within the three subject projects range from 8.6 sales per month to 16.9 sales per month with Vibe selling an average of 8.7 homes per month. The comparables outside of Millenia range from 4.8 to 5.5 sales per month. In addition to reviewing actual sales rates, we have reviewed Meyers Research Market Absorption Study on Vibe which projects a sales rate in the 3 units per month range. We have concluded that the 14 builder-owned homes over 95 percent complete will be absorbed over a three-month time period.

### Remaining Costs

As discussed earlier within this report the Meridian owned property has some remaining costs associated with the land development. There are an additional \$3,903,461 in land development costs and development fees. These costs should be spread across all builder owned property which includes the builder-owned homes over 95 percent complete, the 25 units under construction and the 48 remaining pads. Dividing the \$3,903,461 by the 87 total builder owned units suggests a per lot remaining cost average of \$44,867 per unit. This valuation is for 14 builder-owned units which suggests there are \$628,138 (\$44,867 x 14) in remaining land development costs associated with the builder owned completed homes. For purposes of this analysis we are estimating the remaining land development costs will be spread evenly over the absorption period.

### Expenses

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

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the Great Recession, this range was lowered considerably to six to eight percent with some builders drastically lowering their profit margins in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have increased in the past year. A ten percent profit is considered appropriate in the analysis for these neighborhoods.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the South San Diego market area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject properties
4. Discussed the project with equity investors and master plan community developers

The homes within Millenia have been well received in the marketplace with excellent absorption rates. Due to the good sales rates and minimal supply, a ten percent discount rate is considered appropriate for the subject neighborhoods.

### Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in Addenda) for the builder owned homes resulted in the value of \$4,831,497 (rounded) **\$4,830,000.**

### Lennar Vibe Ownership Final Valuation

Lennar owns three models and 11 production homes over 95 percent complete, 25 units under construction and 48 remaining pads within Vibe at Millenia. In the valuation of the residential lands above, the land improvements to date were considered.

The final value conclusion for the Lennar Vibe owned property is shown below.

73 generally finished pads	\$ 8,770,000
14 model & production units	\$ 4,830,000
Total Lennar Vibe Ownership Valuation	<u>\$13,600,000</u>

### Vibe Individual Owners Value Conclusion

In determining the value for the individually owned homes, we have considered the concluded base price value for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some upgrades and options or paying premiums for the lot. Within Vibe there are five individually owned homes. The concluded values are shown below:

Plan 1 (2 x \$453,870)	\$ 907,740
Plan 2 (0 x \$469,302)	0
Plan 3 (3 x \$505,176)	<u>1,515,528</u>
Total Vibe Ind. Owned	<u>\$ 2,423,268</u>

In an additional analysis, we have reviewed the actual builder sales prices for the homes within Vibe. Sales occurred between July 2020 and November 15, 2020. The builder reported closing prices for the individually owned homes totals \$2,525,204 about four percent higher than the concluded values. The actual sales prices include any upgrades, premiums or options purchased by the homeowner while our concluded value is for the base value of the homes. It is our opinion that the actual sales prices further substantiate the concluded minimum market values for the Vibe individually owned homes

**Cleo - Lennar Ownership Valuation**

Within Cleo, Lennar owns six models and 26 production units that are under construction along with 85 remaining building pads in a generally finished condition resulting in 117 building pads being valued. As there are no completed homes, the following is the final Lennar ownership valuation for Cleo.

117 generally finished pads	<u>\$ 9,835,000</u>
Total Lennar Cleo Ownership Valuation	<u><b>\$ 9,835,000</b></u>

## APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property within the City of Chula Vista CFD No. 16-I Improvement Area No. 2 which includes 335 proposed residential units and one commercial parcel being developed within the master planned community known as Millenia in Otay Ranch, Chula Vista. There are currently two builders selling new homes within three projects within CFD 2016-I IA 2. Meridian is selling their Pinnacle neighborhood and Lennar is selling their Vibe and Cleo neighborhoods. The parcels have all been mass graded, are currently selling and have improvements ranging from completed, individually owned homes to builder owned homes, to homes under construction and finally to partially finished building pads. Closings began in May 2020 with 41 homes closed to individuals as of November 15, 2020 and an additional 96 homes in escrow. The currently selling projects are experiencing excellent sales rates with most homes sold as soon as they are released. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the MLS for re-sales.

The subject property was valued utilizing the Sales Comparison Approach to value to ascertain the retail values of the lands, then using a Discounted Cash Flow for the homes owned by the builders that are over 95 percent complete and a mass appraisal technique for the individually owned homes. A minimum value was determined by concluding at a base value for the homes. The valuation took into account the improvements/benefits to be funded by the CFD 16-I IA 2 Special Tax Bond proceeds along with the CFD 16-I IA 2 Special Tax Lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

### Pinnacle by Meridian

Meridian Ownership	\$ 11,170,000	
Individual Owners	<u>\$ 18,330,840</u>	
Subtotal Pinnacle		\$ 29,500,840

### Vibe by Lennar

Lennar Ownership	\$ 13,600,000	
Individual Owners	<u>\$ 2,423,268</u>	
Subtotal Vibe		\$ 16,023,268

<u>Cleo by Lennar</u>	
Lennar Ownership	\$ 9,835,000
<u>SLF IV Millenia, LLC Ownership</u>	\$ 3,635,000
<b>Aggregate Value for CFD No. 16-I IA 2</b>	<b><u>\$ 58,994,108</u></b>

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions and Extraordinary Assumptions herein, and the attached Appraiser's Certification.

## APPRAISERS' CERTIFICATION

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

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



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



# **ADDENDA**

**CFD NO. 16-I IMPROVEMENT AREA 2**  
**BOUNDARY MAP**

**PROPOSED AMENDED BOUNDARY MAP OF  
COMMUNITY FACILITIES DISTRICT NO. 16-I  
(MILLENNIA)  
CITY OF CHULA VISTA,  
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA**

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA), CITY OF CHULA VISTA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF CHULA VISTA AT A REGULAR MEETING THEREOF, HELD ON 7<sup>th</sup> DAY OF January 2020, BY RESOLUTION NO. 2020-001

Kuan-chieh  
CITY CLERK  
CITY OF CHULA VISTA



FILED IN THE OFFICE OF THE CITY CLERK, CITY OF CHULA VISTA, THIS 7<sup>th</sup> DAY OF January 2020.

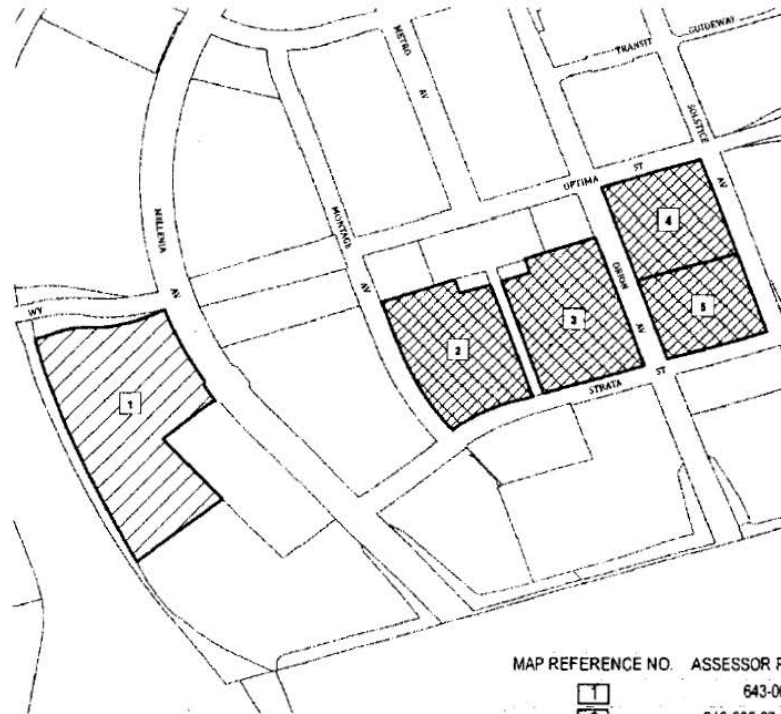
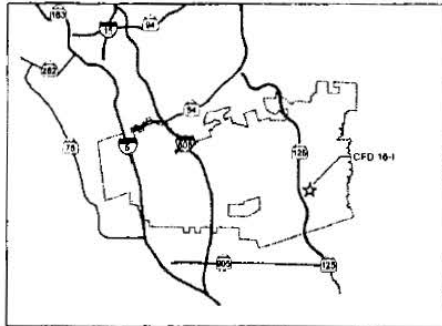
Kuan-chieh  
CITY CLERK  
CITY OF CHULA VISTA



RECORDED THIS 15<sup>th</sup> DAY OF JANUARY 2020 AT THE HOUR OF 10:13 O'CLOCK A.M. IN BOOK 98 PAGE 67 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

FEE: \$ 43.00 NO.: 2020-700009  
ERNEST I. DRONENBURG, JR., ASSESSOR, RECORDER,  
COUNTY CLERK

BY: [Signature]  
DEPUTY



THIS BOUNDARY MAP AMENDS SHEET 2 OF 2 OF PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA) CITY OF CHULA VISTA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA FILED ON AUGUST 11, 2016 IN BOOK 46 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE 3 AS DOCUMENT NO. 2016-7000326.

REFERENCE IS HEREBY MADE TO THE CITY OF CHULA VISTA TRACT MAP NO. 09-03 RECORDED IN THE OFFICIAL RECORDS OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AS DOCUMENT NO. 2019-7000481 FOR A DESCRIPTION OF THE LINES AND DIMENSIONS OF THESE PARCELS.

**LEGEND**

- IMPROVEMENT AREA 2 BOUNDARY
- PARCEL LINE
- ZONE A
- ZONE B
- MAP REFERENCE NUMBER
- ASSESSOR PARCEL NUMBER

MAP REFERENCE NO.	ASSESSOR PARCEL NO.	LOT NO./FINAL MAP
1	643-060-69	LOT 19 OF FINAL MAP NO. 16081
2	643-065-07 (PORTION)	LOT 1 OF FINAL MAP NO. 16380
3	643-065-08 (PORTION)	LOT 4 OF FINAL MAP NO. 16380
4	643-060-62	LOT 12 OF FINAL MAP NO. 16081
5	643-060-63	LOT 13 OF FINAL MAP NO. 16081



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

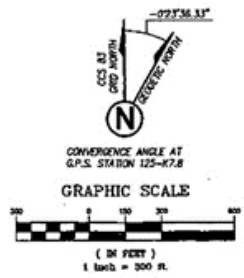
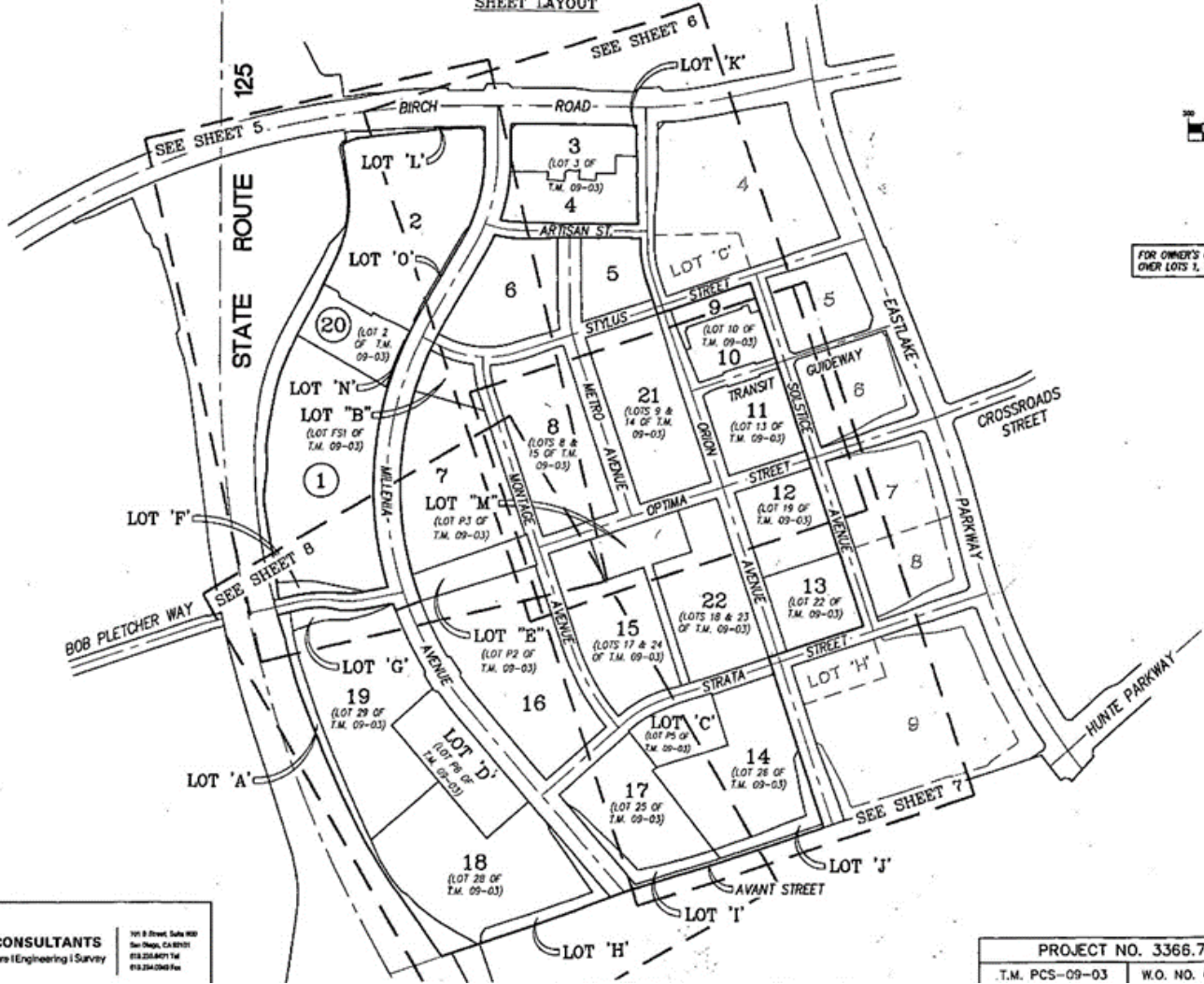
0 375 750 1,500 Feet



**MAPS 16081, 16377, 16408 & 16409**

CHULA VISTA TRACT NO. 09-03  
OTAY RANCH MILLENIA PHASE 2 (EASTERN URBAN CENTER)

SHEET LAYOUT

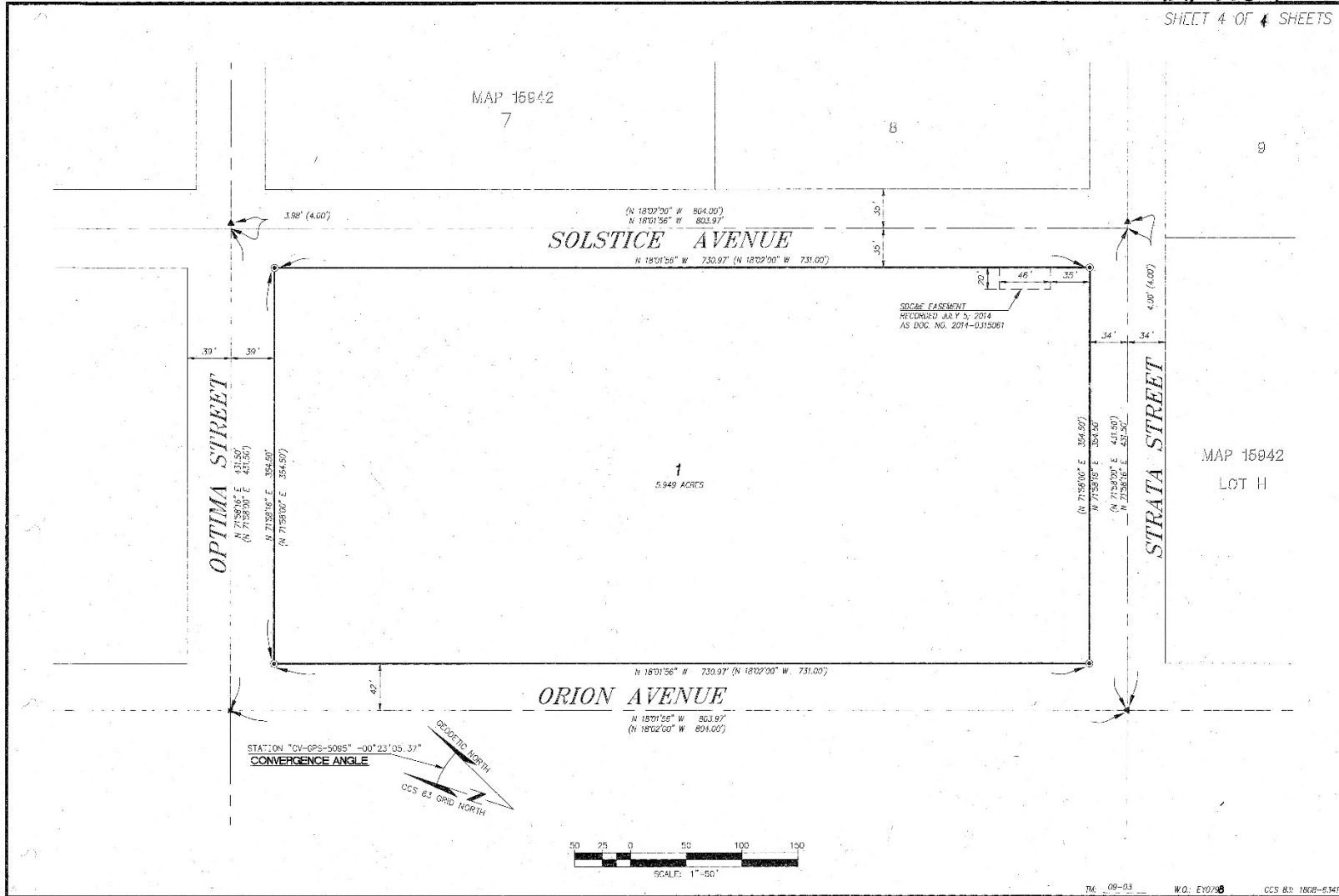


FOR OWNER'S COVENANT OF EASEMENT OVER LOTS 1, 18 AND 19 SEE SHEET 2

**PROJECT DESIGN CONSULTANTS**  
Planning | Landscape Architecture | Engineering | Survey

701 B Street, Suite 400  
San Diego, CA 92101  
619.254.0174  
619.254.0260 Fax

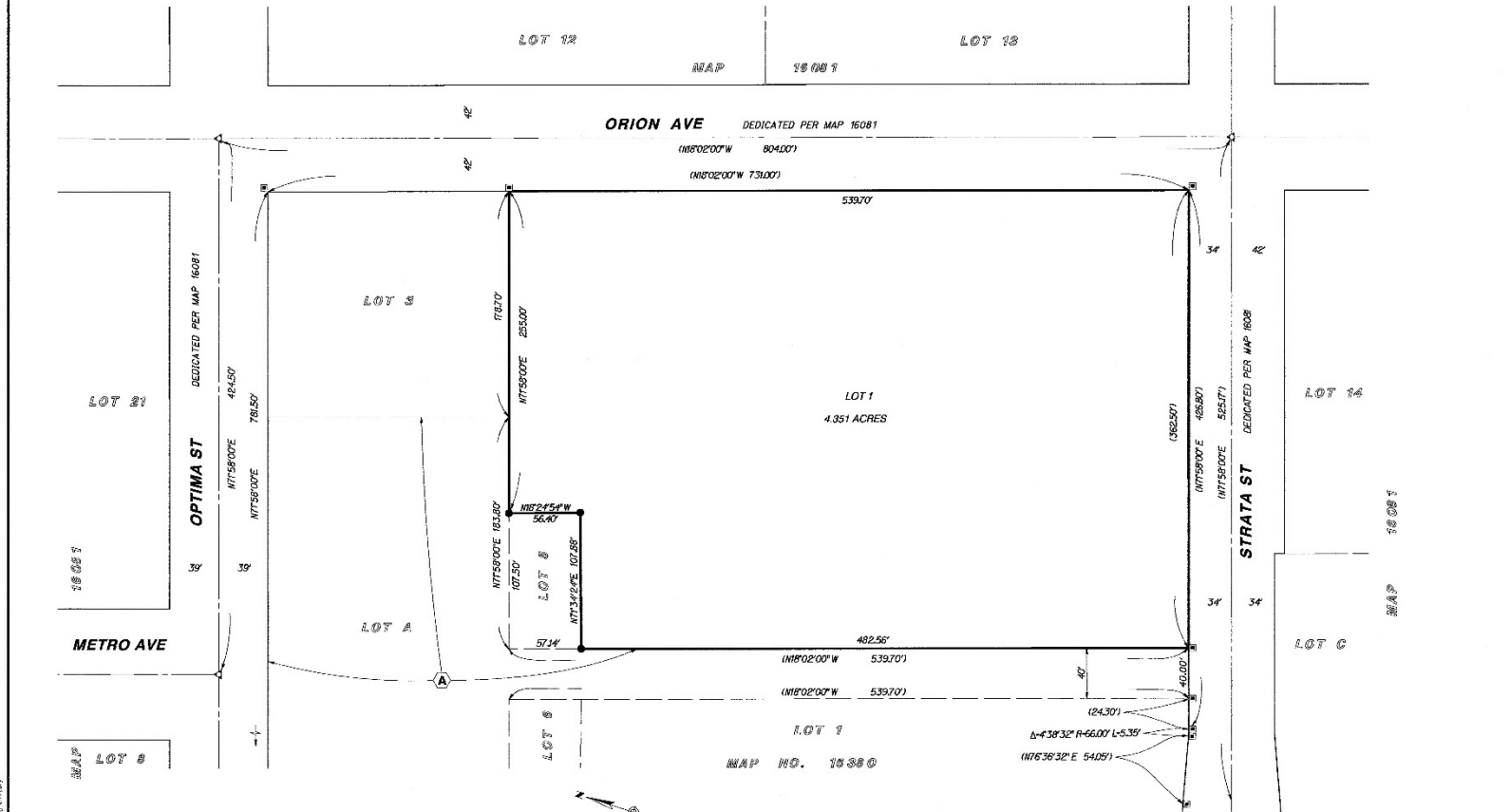
PROJECT NO. 3366.70	CCS 83 1804-634
T.M. PCS-09-03	W.O. NO. OR-853F
	L.C. 164-1781



MAP NO. 16408

CHULA VISTA TRACT NO. 09-03  
 OTAY RANCH MILLENIA CLEO  
 FOR CONDOMINIUM PURPOSES

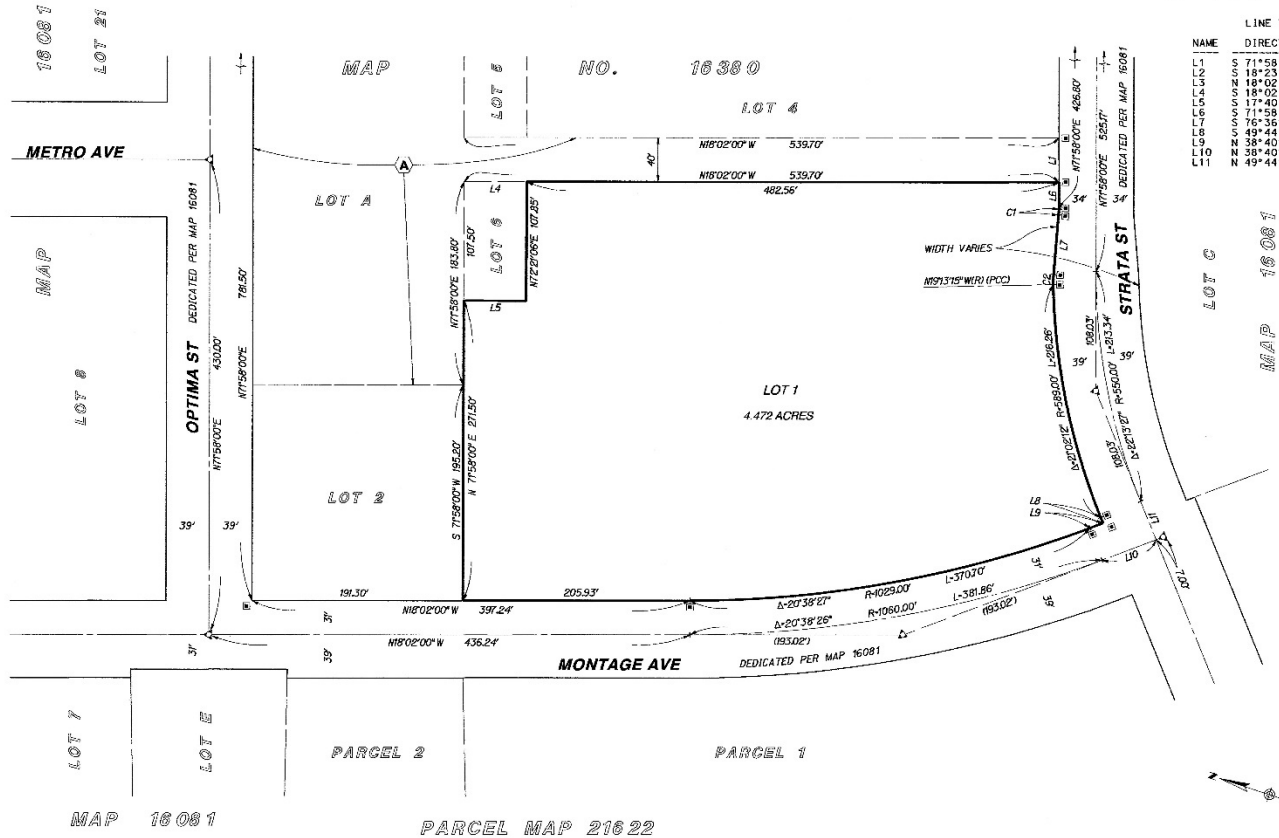
SHEET 3 OF 3 SHEETS



**RICK**  
 ENGINEERING COMPANY  
 5610 EMARS ROAD  
 SAN DIEGO, CA 92110  
 (619) 291-0700  
 (FAX) 619-291-1165  
 San Diego Riverside - Orange - Sacramento - San Luis Obispo - Phoenix - Tucson - Denver  
 I 18053am  
 rickengineering.com

W. O. NO. EY0804	CCS 83 1802-6339
T. M. NO. 09-03	L. C. 162-1779

CHULA VISTA TRACT NO. 09-03  
OTAY RANCH MILLENIA VIBE  
FOR CONDOMINIUM PURPOSES



CURVE TABLE

NAME	DELTA	RADIUS	ARC
C1	4°38'32"	66.00'	5.35'
C2	5°49'47"	92.00'	9.36'

LINE TABLE

NAME	DIRECTION	LENGTH
L1	S 71°58'00" W	40.00'
L2	N 18°23'35" E	56.33'
L3	N 18°02'00" E	57.00'
L4	N 18°02'00" E	57.14'
L5	N 17°40'54" E	56.42'
L6	N 71°58'00" W	24.30'
L7	N 76°36'35" W	56.05'
L8	N 49°44'33" E	5.44'
L9	N 58°40'25" E	12.66'
L10	N 38°40'22" E	52.33'
L11	N 49°44'33" E	37.53'

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**RICK**  
ENGINEERING COMPANY

3620 PRIARS ROAD  
SAN DIEGO, CA 92110  
619-291-0707  
(FAX) 619-793-4165

1:1854ftam  
(ref 18183a)  
rickengineering.com

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W. O. NO. EY0802	CCS 83 1802-6339
T. M. NO. 09-03	L. C. 162-1779



**BUILDER-OWNED HOMES**  
**DISCOUNTED CASH FLOW ANALYSES**

### Pinnacle Discounted Cash Flow Analysis

MONTH	Months	MONTH 1	MONTH 2	<u>TOTAL</u>
	2			
INCOME:				
Retail Sales	3,295,140	\$1,647,570	\$1,647,570	\$3,295,140
TOTAL INCOME		<u>\$1,647,570</u>	<u>\$1,647,570</u>	<u>\$3,295,140</u>
EXPENSES:				
Remaining Costs		(\$150,849)	(\$150,849)	(\$301,698)
Marketing & Carrying Expenses	8%	(\$131,806)	(\$131,806)	(\$263,611)
Profit	10%	<u>(\$164,757)</u>	<u>(\$164,757)</u>	<u>(\$329,514)</u>
TOTAL EXPENSES		(\$447,412)	(\$447,412)	(\$894,823)
NET CASH FLOW		\$1,200,158	\$1,200,158	\$2,400,317
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	
DISCOUNTED CASH FLOW		\$1,190,240	\$1,180,403	\$2,370,643
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$1,190,240</u>	<u>\$2,370,643</u>	<u>\$2,370,643</u>

### Vibe Discounted Cash Flow Analysis

MONTH	Months	MONTH 1	MONTH 2	MONTH 3	TOTAL
	3				
INCOME:					
Retail Sales	6,756,564	\$2,252,188	\$2,252,188	\$2,252,188	\$6,756,564
TOTAL INCOME		<u>\$2,252,188</u>	<u>\$2,252,188</u>	<u>\$2,252,188</u>	<u>\$6,756,564</u>
EXPENSES:					
Remaining Costs		(\$209,379)	(\$209,379)	(\$209,380)	(\$628,138)
Marketing & Carrying Expenses	8%	(\$180,175)	(\$180,175)	(\$180,175)	(\$540,525)
Profit	10%	<u>(\$225,219)</u>	<u>(\$225,219)</u>	<u>(\$225,219)</u>	<u>(\$675,656)</u>
TOTAL EXPENSES		(\$614,773)	(\$614,773)	(\$614,774)	(\$1,844,320)
NET CASH FLOW		\$1,637,415	\$1,637,415	\$1,637,414	\$4,912,244
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW		\$1,623,883	\$1,610,462	\$1,597,152	\$4,831,497
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$1,623,883</u>	<u>\$3,234,345</u>	<u>\$4,831,497</u>	<u>\$4,831,497</u>

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

# Residential Land Sales

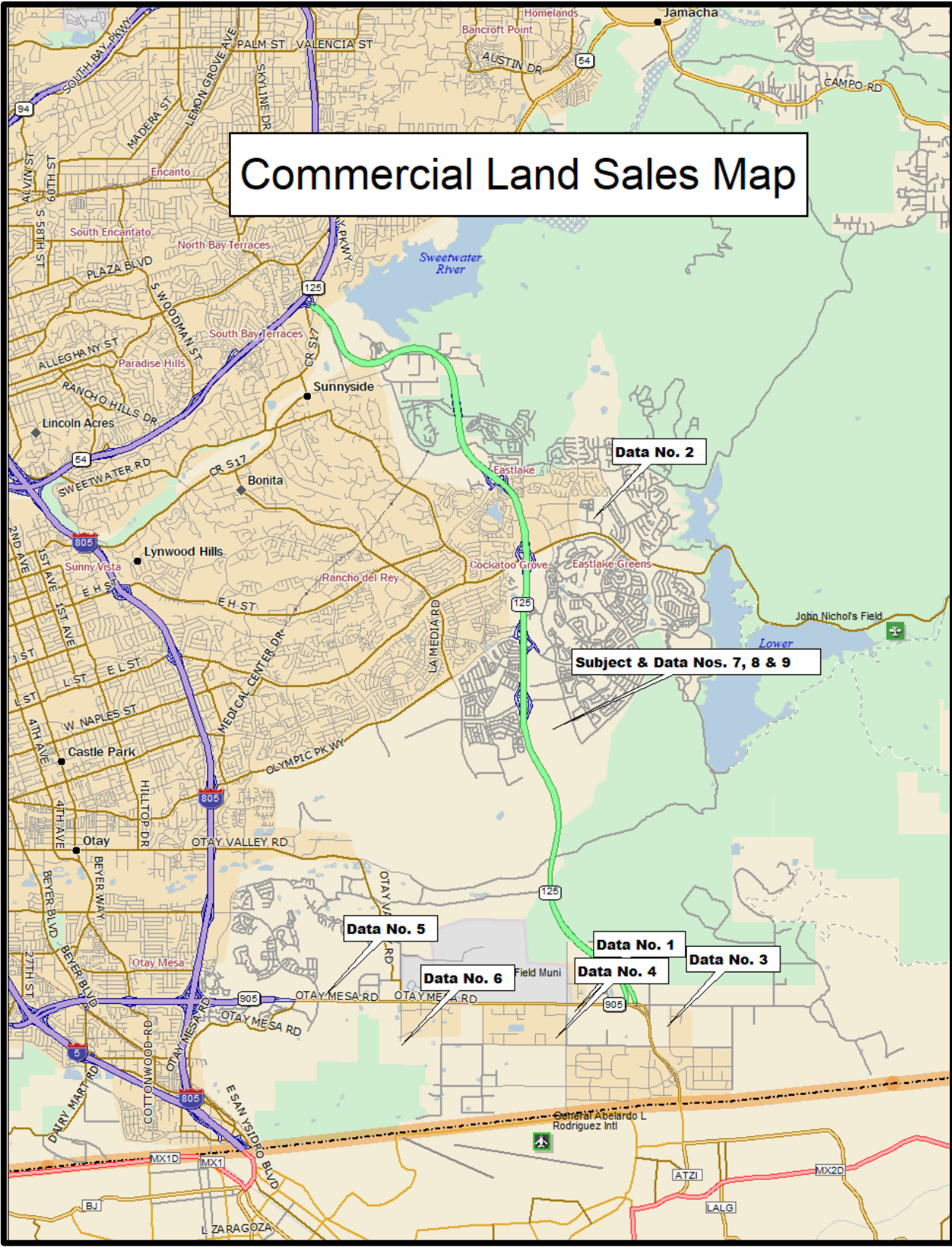


## RESIDENTIAL SALES SUMMARY CHART

	<b>Location/Seller</b>	<b>Buyer</b>	<b>Sales Date</b>	<b>Acres / Units</b>	<b>Use/ Density</b>	<b>Sales Price/ Price-Unit</b>	<b>Comments</b>
1	North of "Y" of Bonita Glen Drive and Vista Drive, Chula Vista / Nita Ferreira Living Trust	Bonita Glen Investors	3/20/20	4.7 / 4.92	170 / 34.55	\$6,225,000 / \$36,617	Sold in mass graded superpad condition with surrounding streets in place. Buyer also known as Silvergate Development, purchased 4.7 acres from Ferreira (\$6,000,000) and additional 0.3 acres from City of Chula Vista (former street) for \$225,000. Plan to build 170 total units including 9 affordable rate units.
2	NEC Continental Street and Airway Road, Otay Mesa, Chula Vista / Airway Gardens Corporation	CR Airway Gardens (ColRich)	3/16/20	12.98	450 / 34.6	\$14,400,000 / \$32,000	This site has good access in Otay Mesa however inferior surroundings of industrial buildings, truck transfer stations and truck stops. ColRich is planning a 450 unit 3 and 4-story apartments.
3	SWC Stylus Street & Orion Avenue, Millenia, Otay Ranch, Chula Vista / SLF IV Millenia, LLC	Ryan Companies US	2/27/20	12.08	480 / 39.7	\$15,500,000 / \$32,292	Anticipated to be developed into an 8-building apartment community with one to three-bedroom apartments. Sold in a finished superpad condition.
4	NWC Orion Avenue and Strata Street, Millenia, Otay Ranch, Chula Vista / SLF IV Millenia LLC	Lennar	12/5/19	4.35	117 / 26.9	\$4,815,000 / \$41,155	Subject Property – Lennar building out Cleo with home sizes from 1,125 – 2,552 square feet.
5	NEC Montage Avenue and Strata Street, Millenia, Otay Ranch, Chula Vista / SLF IV Millenia LLC	Lennar	6/24/19	4.47	92 / 20.6	\$4,000,000 / \$43,478	Subject Property – Lennar building out Vibe with home sizes from 1,681 to 2,552 square feet.
6	8655 & 8707 Carribean Way, Santee / Meade Trust	City Ventures	4/10/19	2.89	42 / 14.53	\$2,535,000 / \$60,357	Raw land with existing houses on two lots at time of purchase. Street to property needs paving. City Ventures is nearing sell-out of their Ariana, two-story townhomes project.
7	N/O Exposition Way and Innovative Drive, Otay Mesa / N/A	Wang 2018 Trust	11/2018	5.58	143 / 25.63	\$4650,000 / \$32,517	Originally offered for \$5.6 million. Investor purchased for hold. Site has approval for 106 stacked flats, 24 townhomes and 13 detached condos. Access currently through industrial area.
8	NEC Sweetwater Springs Blvd & Jamacha Blvd, Spring Valley, San Diego / Sam-Sweetwater	KB Home	10/4/18	17.93	122 / 6.8	\$18,700,000 / \$153,279	Single family detached lots (3,000 sf). KB Home currently selling Sweetwater with home sizes from 1,850 to 2,100 square feet in the \$650,000 range. Purchased unimproved at time of sale. Reported finished lot estimate at time of closing was \$270,000.

**COMMERCIAL LAND SALES MAP AND**  
**SUMMARY CHART**

# Commercial Land Sales Map





### Commercial Land Sale Summary

<b>Data No.</b>	<b>Location / APN / Seller</b>	<b>Buyer</b>	<b>Sale Date</b>	<b>Size Acres</b>	<b>Price</b>	<b>Price/ Sq. Ft.</b>	<b>Comments (expand)</b>
1	SEC La Media Road & Otay Mesa Road, Chula Vista / 646-121-34 / Las Vegas Sunset Properties	N/A	Curr. Listing	17.6	\$5,480,000	\$7.15	The site is raw, unimproved land located at the southwest corner of La Media Road and Otay Mesa Road. Originally the site had over 50 acres, however the 905 Freeway construction bisected the site. Both pieces are currently listed with an asking price of \$7.15 per square foot. The site is zoned Light Industrial and allows retail, office and industrial use.
2	Northwest corner of Fenton Street at Showroom Place, Eastlake, Chula Vista / 595-710-21-00 / Eastlake Design District II LLC	SunCoast Properties	9/16/20	2.75	\$3,850,000	\$32.37	Within Eastlake Business Center. Finished lot ready for development. Zoned for industrial use with additional allows uses including hospitality. Purchased for hotel construction.
3	East side of Harvest Road, south of Otay Center Drive, Chula Vista / 646-141-08-00 / Yu Family Trust	Transportes Diaz USA Inc, Francisco Santiago	10/22/20	1.97	\$1,000,000	\$11.65	Unimproved site in Otay Mesa near the Mexican border surrounded by logistics, trucking areas. Zoned for industrial use.
4	N/S Airway Road, West of La Media Road, Otay Mesa / 646-111-17-00 / OM Gigantic Property	RG Gigantic Otay LLC	2/20/20	7.81	\$5,215,500	\$15.06	Finished, mass graded site with surrounding streets in place. Double escrow with seller purchasing the property for \$4,000,000.
5	NEC Otay Mesa Road and Ocean View Hills Parkway, Otay Mesa / 645-390-03-00 / Greenfield Square LLC	Greenfield Square Otay Mesa LLC	1/16/20	2.47	\$2,700,000	\$25.09	Adjacent to Greenfield Village Apartments near Ocean View Hills and Playa Del Sol, new residential neighborhoods. Zoned for retail use.
6	Southern terminus of Gateway Park Drive, W/O Heritage, Otay Mesa / 646-170-14-00 / Peto Trust	James Wright (Heritage Gateway Park LLC)	2/06/20	3.43	\$1,742,500	\$11.68	Raw site which was previously mass graded with cul-de-sac in place. Gross acreage is 5.26 however net is reported at 3.43 acres. Near trucking area in Otay Mesa industrial area.
7	South side of Birch Rd. between Orion and Millenia Avenues, Millenia, Chula Vista / 643-060-54. 55 amd 56 / SLF IV – Millenia LLC	MCV23 LLC	4/17	12.58	\$5,459,725	\$10.03	Retail site now open with 135,000 square feet of retail, services and restaurants. Within Millenia to provide commercial for surrounding residences.
8	West side of Millenia Ave. at Stylus St., Millenia, Chula Vista / 643-060-70-00 / SLF IV – Millenia LLC	Ayers Millenia LP	4/16	2.505	\$1,400,000	\$12.83	In Millenia with frontage on SR 125. Ayres purchased for to build a boutique 135-room hotel. Currently under construction.
9	East side of Millenia Ave., south of Stylus St., Millenia, Chula Vista / 643-060-57-009 / SLF IV – Millenia LLC	LMC-Millenia Inv. Co. LP (Chesnut)	2/16	7.062	\$2,568,663	\$8.35	“Think” project. Building plans in to city for 424,100 square feet of medical office and amenity building.

**IMPROVED RESIDENTIAL SALES MAP**  
**& SUMMARY CHART**

# Improved Residential Sales



Data No. 5

Data Nos. 4 & 6

Subject & Data Nos. 1, 2 & 3

Data No. 7

**IMPROVED RESIDENTIAL SALES SUMMARY CHART**

<b>Data No.</b>	<b>Project Name Location/Developer</b>	<b>Plan</b>	<b>Room Count</b>	<b>Size (SF)</b>	<b>Floors/ Parking</b>	<b>Det/Att / Absorp.</b>	<b>Base Sales Price</b>	<b>Price/SF</b>
1	Pinnacle, Millenia, Orion Avenue and Optima Streert, Otay Ranch, Chula Vista / Meridian	1	3 / 3	1,362	2 / 2	Att. / 8.6	\$457,900	\$336.20
		2	3 / 2	1,433	2 / 2		\$481,900	\$336.29
		3	4 / 3	1,989	2 / 2		\$547,900	\$275.47
		4	3 / 2	2,185	4 / 2		\$558,900	\$255.79
		5	3 / 2	2,380	4 / 2		\$599,900	\$249.96
		6	3 / 2	2,522	4 / 2		\$616,900	\$244.61
2	Vibe, Millenia, Montage Avenue and Strata Street, Otay Ranch, Chula Vista / Lennar	1	4 / 3	1,681	3 / 2	Att. / 8.7	\$483,900	\$287.86
		2	4 / 3.5	1,819	3 / 2		\$508,900	\$279.77
		3	4 / 3.5	2,037	3 / 2		\$533,900	\$262.10
3	Cleo, Millenia, Orion Avenue and Strata, Otay Ranch, Chula Vista / Lennar	1	2 / 2.5	1,182	3 / 2	Att / 16.9	\$381,900	\$323.10
		2	2 / 2.5	1,215	3 / 2		\$377,900	\$311.03
		3	2 / 2.5	1,265	3 / 2		\$368,900	\$291.62
		4	3 / 2.5	1,504	3 / 2		\$418,900	\$278.52
		5	3 / 2.5	1,616	3 / 2		\$445,900	\$275.93
		6	4 / 3.5	1,675	3 / 2		\$462,900	\$276.36
4	Suwerte , Town Center Drive & Promenade, Otay Ranch Town Center , Chula Vista / Heritage	1	2 / 2.5	1,192	2 / 2	Att. / 5.3	\$372,900	\$312.84
		2	2 / 2.5	1,357	2 / 2		\$404,900	\$298.38
		3	3 / 3	1,652	2 / 2		\$439,900	\$266.28
		4X	4 / 3.5	2,139	4 / 2		\$471,900	\$220.61
		5	3 / 3.5	2,025	3 / 2		\$499,900	\$246.86
		6	4 / 3.5	2,439	4 / 2		\$517,900	\$212.34
5	Parc Place, Village Two, Otay Ranch, Chula Vista / Heritage	1	2 / 2	1,116	2 / 1	Att. / 4.8	\$412,900	\$369.98
		2	2 / 2.5	1,583	2 / 1		\$459,900	\$290.52
		3	2 / 2.5	1,587	2 / 2		\$489,900	\$308.69
6	Alay at Suwerte, Town Center Drive & Promenade, Otay Ranch Town Center / Heritage	1	3 / 3.5	1,938	3 / 2	Att. / 4.8	\$542,900	\$280.13
		2	4 / 3.5	2,256	3 / 2		\$575,900	\$255.27
		3	4 / 3.5	2,505	3 / 2		\$629,900	\$251.46
7	Veraz, Ocean Hills Parkway and Del Sol Boulevard, Playa Del Sol, San Diego / Pardee	1	2 / 2.5	1,340	3 / 2	Att. / 5.5	\$449,776	\$335.65
		2	3 / 2.5	1,583	3 / 2		\$482,266	\$304.65
		3	3 / 2.5	2,005	3 / 2		\$549,145	\$273.89

## **APPRAISER'S QUALIFICATIONS**

# QUALIFICATIONS OF KITTY S. SIINO, MAI

## Education

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

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

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

## Employment

1988 - Present:

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

1986-1988:

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

1981 - 1986

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

1980 - 1981

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

**Licenses**

Real Estate Sales Person, State of California, 1980  
Certified General Appraiser, State of California (#AG004793)

**Organizations**

MAI #11145 - The Appraisal Institute

**Public Financing**

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

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