

APPRAISAL REPORT

COMMUNITY FACILITIES DISTRICT 16-I IMPROVEMENT AREA NO. 1 (MILLENIA) OTAY RANCH, CHULA VISTA

Chula Vista, California
(Appraisers' File No. 2018-1167)



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

April 30, 2018

David Bilby, Director of Finance/Treasurer
City of Chula Vista
276 Fourth Avenue
Chula Vista, California 91910

Reference: Appraisal Report
Community Facilities District No. 16-I Improvement Area 1
(Portion of) Millenia, Otay Ranch
Northwest Corner of Hunte and Eastlake Parkways
Chula Vista, California

Dear Mr. Bilby:

At the request and authorization of the City of Chula Vista, we have completed an Appraisal Report of Improvement Area No. 1 of Community Facilities District No. 16-I of the City of Chula Vista ("CFD No. 16-I IA 1") which consists of a portion of the residential neighborhoods and commercial land known as Millenia in Otay Ranch. The master developer of Millenia is a related entity to Meridian Development with active on-site builders/developers being Shea Homes, Cal Atlantic Homes, KB Home and a related entity to Chesnut Properties. 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. 1, which is the subject of this appraisal, consists of 393 proposed residential units, 53 of which have closed to individuals as of February 1, 2018, 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 are two commercial sites within Improvement Area 1.

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 1. This report is written with the special assumption that the subject properties are enhanced by the improvements to be funded by and the fee credits to be received as a result of the issuance of the Special Tax Bonds of CFD No. 16-I IA 1.

David Bilby
City of Chula Vista
April 30, 2018
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As a result of our investigation, the concluded minimum market value for the subject property is:

(Portion of) Millenia:

SLF-IV-Millenia, LLC Ownership	\$ 6,030,000
LMC-Millenia Inv. Company, L.P. Ownership	4,000,000
CalAtlantic Ownership	3,900,000
KB Home Ownership	8,750,000
Shea Homes Ownership	14,520,500
Individually Owned Homes Minimum Market Value	<u>\$ 25,027,554</u>
Aggregate Value for CFD No. 16-I IA 1	<u>\$ 62,228,054</u>

The values are stated subject to the Assumptions and Limiting Conditions, the Hypothetical Condition and the Extraordinary Assumptions of this report, the Appraiser's Certification and are as of February 1, 2018.

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 2016) 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.



Larry W. Heglar, MAI



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

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ADDENDA

CFD No. 16-I Improvement Area 1 Boundary Map
Map Nos. , 16081, 15942, 16150, Adjustment Plat 17-0006 and Shea and KB Site Plans
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 1.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of 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 Shea Homes 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 1 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the City of Chula Vista CFD No. 16-I IA 1 Special Tax Bond proceeds, are completed and in place.

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 Meridian, the master developer and the builders and/or their consultants. 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 commences construction on Orion Park and Strata Park prior to the builders reaching their applicable occupancy thresholds. This is anticipated per the master builder.

City of Chula Vista – Millenia

(CFD No. 16-I in Yellow)



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. 1 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 393 proposed residential units and two commercial parcels within Millenia, a village within Otay Ranch in the City of Chula Vista. The entire Millenia project is expected to include about 3,000 proposed residential units and 75 acres of proposed commercial development. Chula Vista CFD 16-I Improvement Area 1, the subject of this report includes six planning areas within Millenia, four designated for residential use and two designated for commercial use. Within the residential parcels, Lot 1 of Map 16150 has been subdivided into separate Assessor Parcels; however, Lots 11, 14 and 17 of Tract 16081 have not been subdivided by the Assessor at this time. The ownership and condition of the lands is detailed below.

Description	No. Lots	Ownership	Condition/Status
Element by Shea Homes (portion of Lot 1 of Map 16150)			
Units 145-169, 171, 173-174	28	Individuals	Completed Houses / Closed
Units 119-122 of Tract	4	Shea	Model Homes
Units 170, 172, 175 & 176	4	Shea	Homes over 95% Complete (4 In escrow)
Units 131-144	14	Shea	Homes U/C (12 In escrow)
Units 107-118 and 123-130 of Tract	<u>20</u>	Shea	Finished Lots (5 in escrow)
Subtotal Element	70		
Z by Shea Homes (portion of Lot 1 of Map 16150)			
Units 41-42, 44-50, 61-70 and 101-106	25	Individuals	Complete Houses / Closed
Units 95-96	2	Shea	Model Homes
Unit 43 and 93-94	3	Shea	Homes over 95% complete (0 in escrow). Lot 93/94 in model complex and not released
Unit 75-87	13	Shea	Homes U/C (10 in escrow)
Unit 1-40, 51-60, 71-74, 88-92 and 97-100	<u>63</u>	Shea	Finished Lots (0 in escrow)
Subtotal Z	<u>106</u>		
Skylar by KB Home (generally Lot 14 of Tract No. 16081)			
Units Unit 5 and 6	2	KB Home	Model Homes

Units 8-10 and 62-64	6	KB Home	Homes U/C (1 in escrow)
Units 1-4, 7, 11-61, 65-79	71	KB Home	Partially F/L (2 in escrow)
Subtotal KB Home	79		
CalAtlantic (generally Lot 17 of Tract Map 16081)			
Units 1-78	78	CalAtlantic	Land under development
Meridian			
Lot 11 of Tract 16081	60	SLF IV- Millenia LLC	Superpad
Commercial Parcels			
Lot 7 of Tract 16081	<u>N/A</u>	LMC- Millenia Inv. Co. LP	7.06 Acre Superpad
Lot 1 of Tract 16081	<u>N/A</u>	SLF IV- Millenia LLC	10.93 Acre Superpad
Total Lots	393		

INTENDED USE OF THE REPORT

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 1. 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.

DEFINITIONS

Market Value

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

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

1. *buyer and seller are typically motivated;*
2. *both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
3. *a reasonable time is allowed for exposure in the open market;*

4. *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
5. *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”¹*

Inherent in the Market Value definition is exposure time or the time the subject property 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’s owned property or the master developer owned property in a bulk sale, is less than one year.

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.

Subdivision Development Method

The Subdivision Development Method is:

¹ The Appraisal of Real Estate, 13th Edition

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots, the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.

Exposure Time

The Definition of Exposure Time within this report is:

The time a property remains on the market. It is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

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.”

Gross Site Area

Gross Site Area is defined as:

The area that typically includes the entire boundary of a parcel, including future dedication, slopes and easements. Sometimes includes to the centerline of adjacent public roadways even though purchase of the parcel may be to the sidelines.

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”²

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 property 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.

Hypothetical Condition

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

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

² USPAP 2014-2015 Edition

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by CFD No. 16-I IA 1.

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”

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 construction of Orion Park and Strata Park in a timely manner which does not limit occupancy on the Shea Homes or KB Home parcels. Until the parks are complete, Shea Homes is limited to 100 certificates of occupancy and KB Home is limited to 65 certificates of occupancy. Per the master developer, they expect to commence construction prior to the respective merchant builders reaching the applicable occupancy thresholds which appears reasonable.

PROPERTY RIGHTS APPRAISED

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 1. 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.”³

EFFECTIVE DATE OF VALUE

The subject properties are valued as of February 1, 2018.

DATE OF REPORT

The date of this report is April 30, 2018.

SCOPE OF APPRAISAL

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 1, 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, 75 acres of commercial use and 80 acres of public use while the subject property includes four proposed residential neighborhoods totaling 393 units and two commercial parcels. Three of the four residential parcels are sold to builders, one of the commercial parcels is sold and the other in escrow. This appraisal will be presented in the following format:

- County of San Diego Description
- Otay Ranch Description
- Immediate Surroundings / Millenia Description
- Brief Description of City of Chula Vista CFD 16-I IA 1
- Subject Property Descriptions
- San Diego County Residential and Commercial Market Analysis
- Highest and Best Use Analysis

³ The Appraisal of Real Estate, 13th Edition

- 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 along with a Development Analysis (also known as Subdivision Development Method). 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.”⁴

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 the builder-owned homes. Finally, 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.

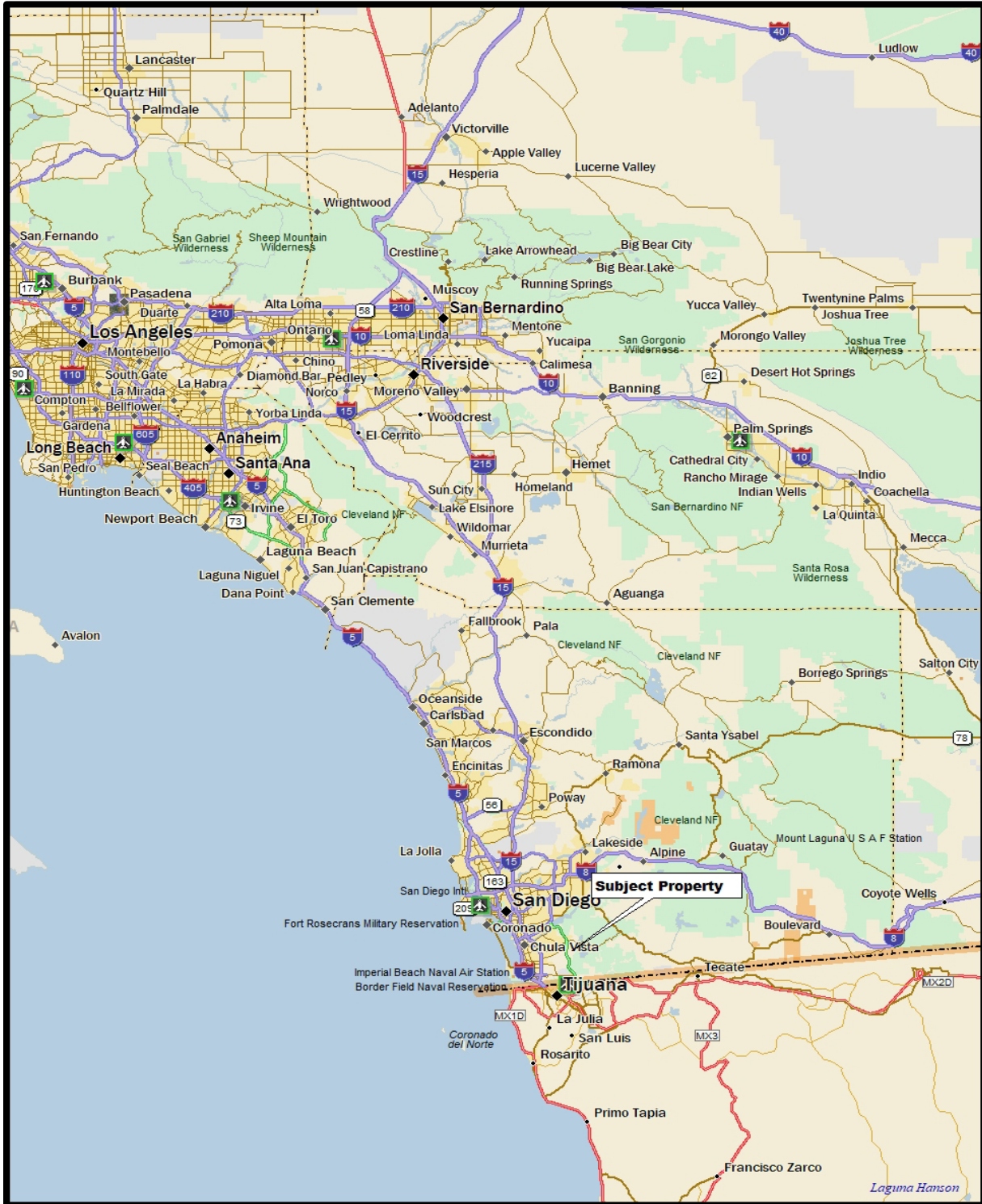
The due diligence of this appraisal report included the following:

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 Harmony Grove area.
3. Inspected the subject properties between January 15, 2018 and February 7, 2018.
4. Had the site flown by an aerial photographer on January 28, 2018.

⁴ Dictionary of Real Estate Appraisal, Fourth Edition, 2002

5. Interviewed representatives and or consultants from Meridian Development in order to obtain Millenia information.
6. Reviewed the Eastern Urban Center Sectional Planning Area ("SPA") Plan.
7. Reviewed the Millenia Bond Issue Request Letter dated October 31, 2017 for status of other projects within Millenia.
8. Reviewed a Preliminary Title Report on Lots 1, 7, 11, 14 and 17 of Tract No. 09-03 (Lots 14 and 17 adjusted by Chula Vista Adjustment Plat No. 17-006) and a Preliminary Title Report on Lot 9 of Map 15942.
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.
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.
12. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
13. Reviewed sales brochures on the subject neighborhoods.
14. Reviewed developer sales information on each home.
15. Reviewed Multiple Listing Service information to determine if there are any re-sales, pending sales or listings of existing homes.

Regional Map



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 is to the east, and Riverside and Orange Counties are to the north. The Pacific Ocean is its western border. 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 2017 population for the County is estimated at 3,316,192 suggesting an average annual increase of 0.97 percent for these seventeen years, which displays a slightly slower rate of population growth than the previous 10 years. The slowdown in growth appears to be due to the recession which began in the mid-2000s. Current projections from San Diego Association of Governments (SANDAG) estimates the county population will increase to 3,435,713 by 2020 (a 1.18 percent annual increase over the next three years), and 3,853,698 by 2035 (a 0.768 percent annual increase over the following fifteen 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 beginning in Santee about 15 miles north 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

As with the rest of the nation, San Diego County experienced a strong multi-year recession, now referred to as the Great Recession, between 2006 and 2012. The County, which had strong employment over the ten previous years saw unemployment rates increase significantly between December 2006 and early 2010 at which time a leveling off occurred followed by continued decreases which began in July 2011.

The unemployment rate for the County was estimated at 3.3 percent (per the Employment Development Department – December 2017), which reflects a rate lower than the low peak prior to the recession, however a significant decrease from the peak during the recession of 11.0 percent in 2010. The current unemployment rate for the County of 3.3 percent is lower than the California rate of 4.2 percent and lower than the December 2017 national rate of 3.9 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	12/17	4.2%
Riverside County	12/17	4.3%
San Bernardino County	12/17	3.9%
Orange County	12/17	2.8%
San Diego County	12/17	3.3%

Source: State of California E.D.D.

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 2013 showing significant appreciation in both the number of sales and pricing. Between 2014 and 2016 the San Diego County housing market saw a slight slowdown in the double-digit growth seen in 2013 with sales of homes appearing to stabilize while prices of homes are still enjoying growth within the County, however at more normal rates in the annual single-digit range. The past year has seen exceptional growth in building permits being issued in San Diego County for single-family detached homes.

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 interest rates were raised one quarter of a percent. In 2017, the Board increased its benchmark interest rate by a total of three quarters of a point, raising it one quarter point each hike. Most economists opine that there will be three interest rate increases in 2018. This signifies the possibility for robust growth nationally. Unlike the 2008 to 2015 decisions to maintain the rates at zero, hikes are anticipated for the foreseeable future depending on the U.S. economy and global growth. While the U.S. economy has been growing, concerns of global weakness have emerged. The European Central Bank began its own quantitative easing in the summer of 2015 while growth in China had been slowing for a couple years with a correction in China's stock market of 40 percent followed by a devaluation of their

currency, also in summer of 2015. The summer of 2016 brought BREXIT (Britain's exit of the European Union) which created some volatility in the stock market. In addition, oil prices plunged between 2013 and 2016, then rose in 2017. While lower oil prices give U.S. consumers more money, lower prices affect U.S. oil companies and their workers along with other oil dependent countries. Until these global concerns stabilize, it appears the Board will not raise interest rates to more normal levels but rather stay near historical lows.

The 2016 election of Donald Trump into the United States Presidency is anticipated to have a profound effect on the economy. While the Trump Administration aims to positively affect the national economy with plans to roll back financial regulations, implement tax cuts, enact new taxes on imports, and increase infrastructure spending, the national and international skepticism of the new Administration's economic policy is abundant. While the new Administration is suggesting there will be immediate economic changes, time will tell how quickly these changes occur. With the December 2017 adoption of the Tax Cuts and Job Act ("TCJA"), uncertainty is proliferating as the Country enters 2018. While the TCJA aims to save taxes and spur the economy, there are some limitations which may negatively affect real estate, particularly in California. It is too early to know how the TCJA will affect homeowners at this time.

California's labor markets make it easy to understand why the mid-2000s downturn is being called the Great Recession. After peaking at 15.454 million non-farm jobs in June 2007, the state shed over 1.33 million non-farm positions by February 2010. Since hitting bottom, California has now added back 2.856 million jobs for a total of 16.980 million non-farm jobs as of December 2017, per the California Employment Development Department. This well surpasses the previous peak, however, there are a high number of part-time jobs included in this number.

According to the most recent UCLA Anderson Forecast ("Forecast" – December 6, 2017), there is a mixed outlook on the economy. For the nation, the near-term outlook is optimistic anticipating 3.0 percent growth in 2018, however by the end of 2019 it is

believed real GDP growth could be running at a rate below 1.5 percent. The Forecast states the momentum coming from the recent strength in 2017 of strong equipment spending, the likelihood (now certainty) of a tax cut and consumer confidence, will carry through 2018. The Forecast also discusses that defense spending will likely be on the rise over the next several years, increasing by 2.7 percent in 2018 and 2019 respectively. Possible risks include the consequences of the Fed's reducing its balance sheet and the potential failure of the ongoing NAFTA negotiations (which would hit the U.S. automobile industry). If the US leaves NAFTA, the outlook would deteriorate and the chance of a recession in late 2018 or 2019 would increase. The Forecast states that in order to "Make America Great Again," we need to solve three problems: (1) how to increase the rate of growth of the working age population; (2) how to increase the rate of growth of hours by making more of the new jobs full-time and not part-time; and (3) how to increase the rate of growth of productivity in the nation.

In discussing the national housing outlook, the Forecast notes that the housing industry continues to slowly grind higher as it has since the cyclical bottom in 2009. The puzzling thing about the slow recovery is that it is occurring against a backdrop of modest economic and employment growth as well as a sustained period of very low mortgage interest rates. Explanations for the long, slow recovery in housing include slow income growth, much tighter credit standards and the millennial generation's reluctance to making long-term commitments. In addition, regressive zoning and environmental regulations have played a role in reducing the overall supply of housing. The Forecast anticipated household formations averaged 1.2 million per year from 2012 to 2017, and are forecast to accelerate to about 1.5 million in 2018 and 2019, well above the forecast of the number of units.

The UCLA California Forecast for December 2017 explains the State Forecast differs from the National Forecast in two ways. First, the new tax bill may dampen the California housing market which would reduce economic growth in the state. Second the investment incentive (bringing forward investment because of expensing) increases the forecasted growth rate for employment and income in 2018, though reduces it slightly by

the end of 2019. The Forecast states California's unemployment rate will fall to 4.6 percent by the end of the forecast period (2019), however the current rate is below that benchmark at 4.2 percent.

The Forecast states that homebuilding in California will continue at about 118,000 units per year. Southern California's increasingly expensive and unaffordable home prices (particularly for first-home buyers) is making it tough for both buyers and renters. Housing market research suggests that limited supply is one of the major causes of high home prices in coastal California. According to the Forecast, despite its stronger economic recovery, California has relatively limited housing supply because of its stringent regulations (such as CEQA – California Environmental Quality Act as well as a NIMBY- "not in my back yard" culture). Also, it should be noted that the December Forecast was done prior to the approval of the Tax Cuts and Jobs Act.

Brad Kemp, Beacon Economics' Director of Regional Research says Southern California was hit harder during the Great Recession due to the impact of housing. Median housing prices (all types) increased over 100 percent in San Diego County changing from \$250,000 in 1997 to \$517,500 in November 2005. Now median existing single-family home sale prices have surpassed the pre-recession high and are \$605,000 for December 2017 per the California Association of Realtors. New home prices are significantly higher than existing sales with the average new San Diego County home in the subject's submarket \$860,660 and the average new condominium price in the submarket is \$671,577. Foreclosures, which played a big part in housing sales during the Great Recession, are no longer playing a noticeable part in the San Diego real estate market.

Commercial real estate appears to have hit bottom in 2010 with local absorption levels returning to positive territory in 2012 and generally growth since that time. Office vacancy rates appear to have stabilized in 2012 with rents rising since 2013. Retail vacancies which grew during the Great Recession have generally leased up with retail construction occurring once again. This is evidenced by the successful Otay Ranch Town Center

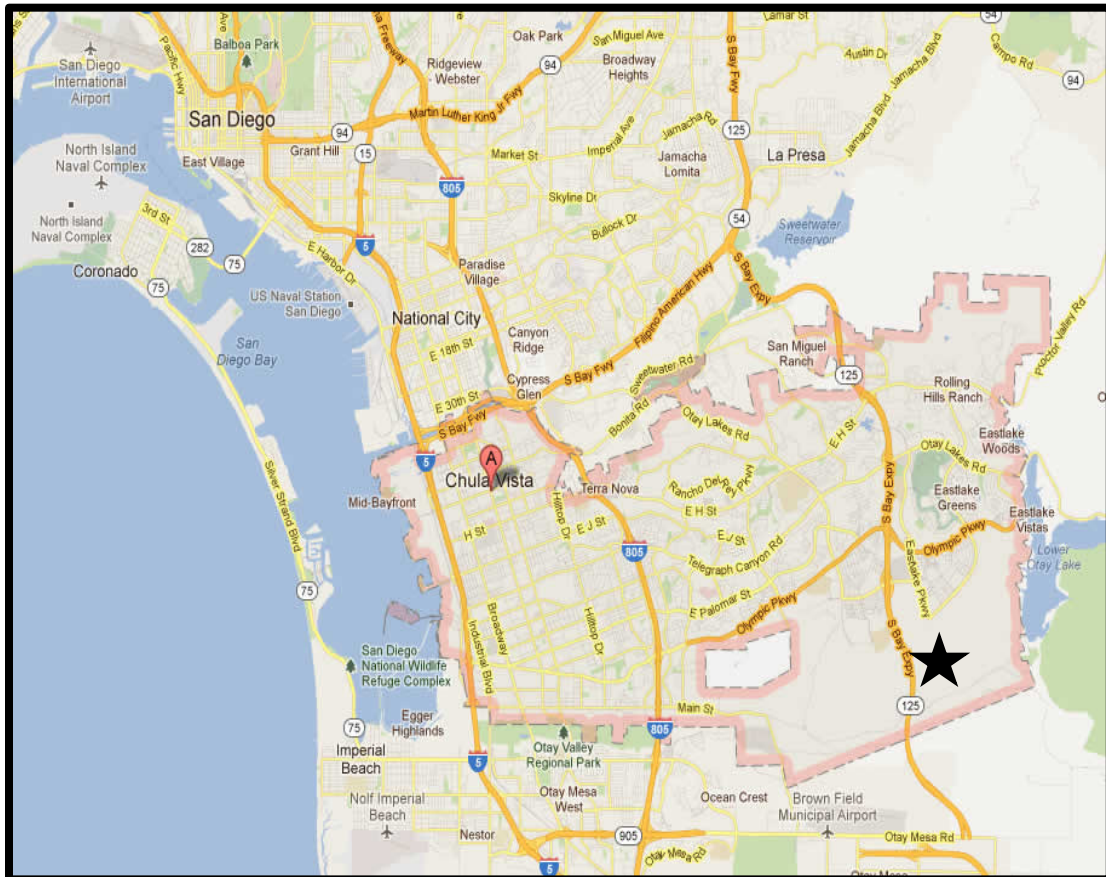
adjacent to the north of Millenia along with commercial land sales and escrows within Millenia.

Conclusion

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled starting in 2006 due to the housing downturn, unemployment and the credit crisis. The housing market saw a resurgence beginning the second half of 2012 with prices and sales increasing by double digits thru 2013 with pricing growth slowing to more normal levels and sales essentially flat until 2017 when both sales and prices began increasing substantially once again. The economy typically has cycles and most signs are suggesting the U.S. economy is on an upswing. However, unlike previous recovering economies housing growth has been slow to come back. While the new Administration is suggesting there will be changes in the economy, time will tell how fast the changes actually occur. The year 2017 brought a new optimism from economists in terms of Southern California's housing market with single family building permits increasing substantially over 2016 with 2018 projected for an even larger increase. In conclusion, the County is expected to continue to grow in population due to its Southern California location and the availability of land.

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, 2017, the City had a population of 267,917, which is a 1.1 percent increase from the January 2016 estimate of 264,911. 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 a population under 300,000. 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 2015/2016 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	4,385
Chula Vista Elementary School District	3,245
Rohr Inc./Goodrich Aerostructures	2,468
Sharp Chula Vista Medical Center	2,131
Southwestern College	1,409
Wal-Mart	1,239
City of Chula Vista	1,195
Scripps Mercy Hospital – Chula Vista	1,098
Costco	760
Aquatica	513

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. In addition Mater Dei Catholic High School is located within Otay Ranch (two miles east of subject) along with the Chula Vista Academy of the Arts Charter School (K-8th on Mater Dei campus). Southwestern College is a community college in the city located about two and one-half miles north of the subject. It serves approximately 19,000 students annually.

Transportation

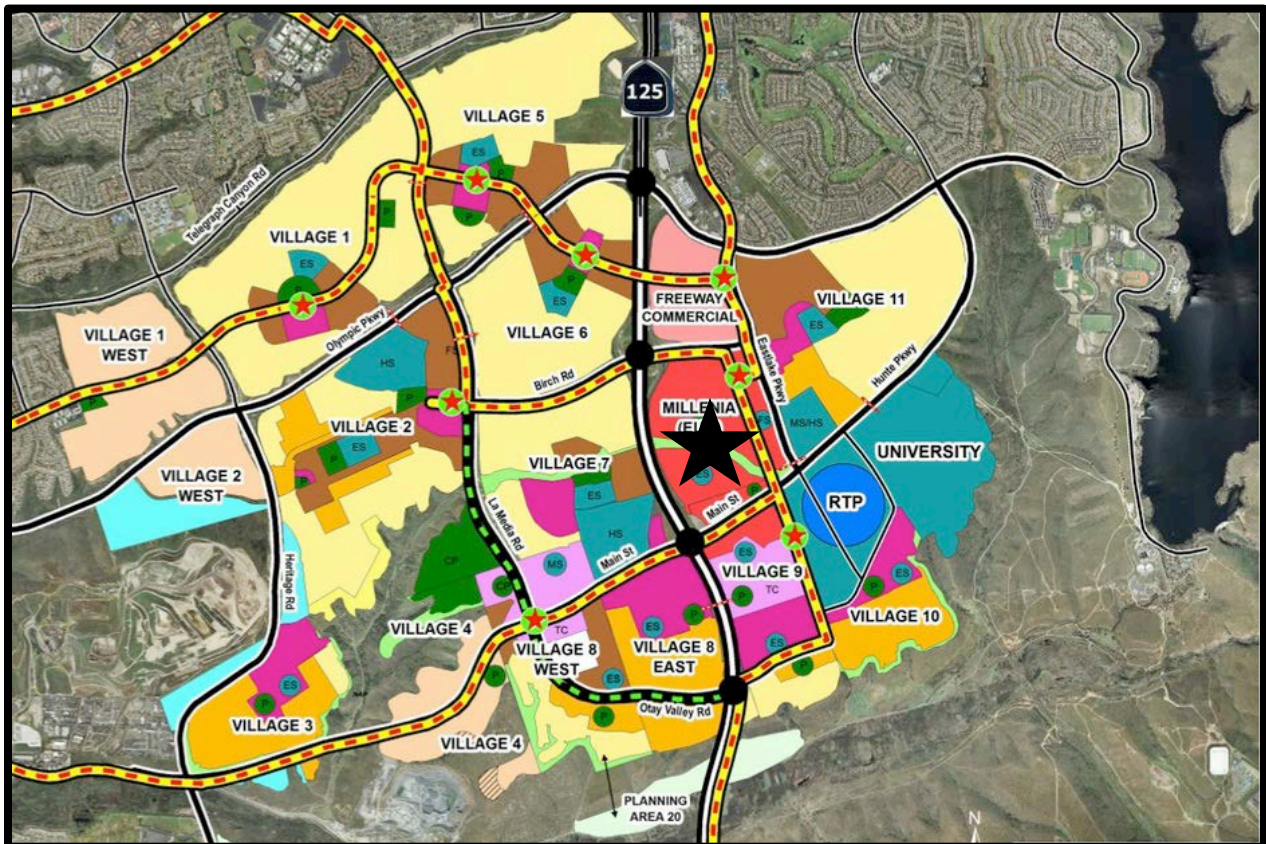
The City is served by a large network of freeways and highways that include I-5 along the western edge of the City, which runs south to Tijuana and north to Los Angeles and onto Northern California. The I-805 serves as a bypass to the I-5. State Route 54 and State Route 125 serve as highways to East County cities. The San Diego International Airport serves as the city's primary commercial airport. The airport is twelve miles northwest of the city.

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, 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. 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 village planning 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 3.4 million square

feet of commercial and civic uses. Commercial development is to consist of retail, office 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.



<u>Name</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
Volta & Duetta	Affordable Apts.	Open	210 DU	4.02 Ac	52.2/Ac
Evo, Metro & Trio	Townhome	Open	217 DU	12.8 Ac	17.0/Ac
Element by Shea Homes	SFD	Open	70 DU	10.26 Ac*	17.2/Ac*
“Z” by Shea Homes	SFA	Open	106 DU	10.26 Ac*	17.2/Ac*
Skylar by KB Home	SFA	Open	79 DU	7.27 Ac	10.9/Ac
CalAtlantic Homes	SFA	Under Const.	78 DU	3.74 Ac	20.9/Ac
Lot 11	SFA	Proposed	60 DU	3.07 Ac	19.54/Ac
Alexan by Trammel Crow	Apts.	Under Const.	309 DU	9.25 Ac	33.4/Ac
Sudberry Retail	Retail	Proposed	131,000 SF	9.85 Ac	N/A
Ayres Hotel	Hotel	Under		2.51 Ac	N/A

		Const.			
"Invent"	Office	Proposed	700,000 SF	10.93 Ac	N/A
"Think"	Office	Proposed	324,100 SF	7.06	N/A
"Civic District"		Proposed	N/A	8.54 Ac	N/A
Esplanade, Trammell Crow	Apts.	Proposed	253 DU	8.27 Ac	30.6/Ac
Future Development Sites	N/A	Future	N/A	N/A	N/A

*Combined Acreage.

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, Anthropologie, DSW Shoes, AMC Theatres, H & M, Victoria's Secret, Bath & Body Works, Barnes & Noble, Aldo, Sephora, Jos. A. Bank, Best Buy and REI. 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. Also, at this location, on the south side of Olympic Parkway is a new, Residence Inn by Marriott. Further north are residential neighborhoods 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 south. 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 two 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, East Hills Academy and Mater Dei Catholic High School. Otay Ranch Village 2 is also located west of SR 125 with seven new home neighborhoods and Village 3 which is also known as Escaya is about three miles west and has twenty-seven new home models offered for sale within nine neighborhoods. Of the nine projects currently offering product for sale seven are larger, single family detached programs that don't compete directly with the subject product. The remaining two projects are 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 which is nearing build-out.

Within Millenia there are existing apartments, new homes, both attached and detached for sale, over 1,000,000 planned square feet of office space, a new hotel and a 135,000 square foot retail center under construction. Millenia is master planned as a walking neighborhood making walking to restaurants, shops, parks, the library, on scenic trails the emphasis of the community. As discussed and shown under the previous section, the subject property refers to six 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 26, 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.

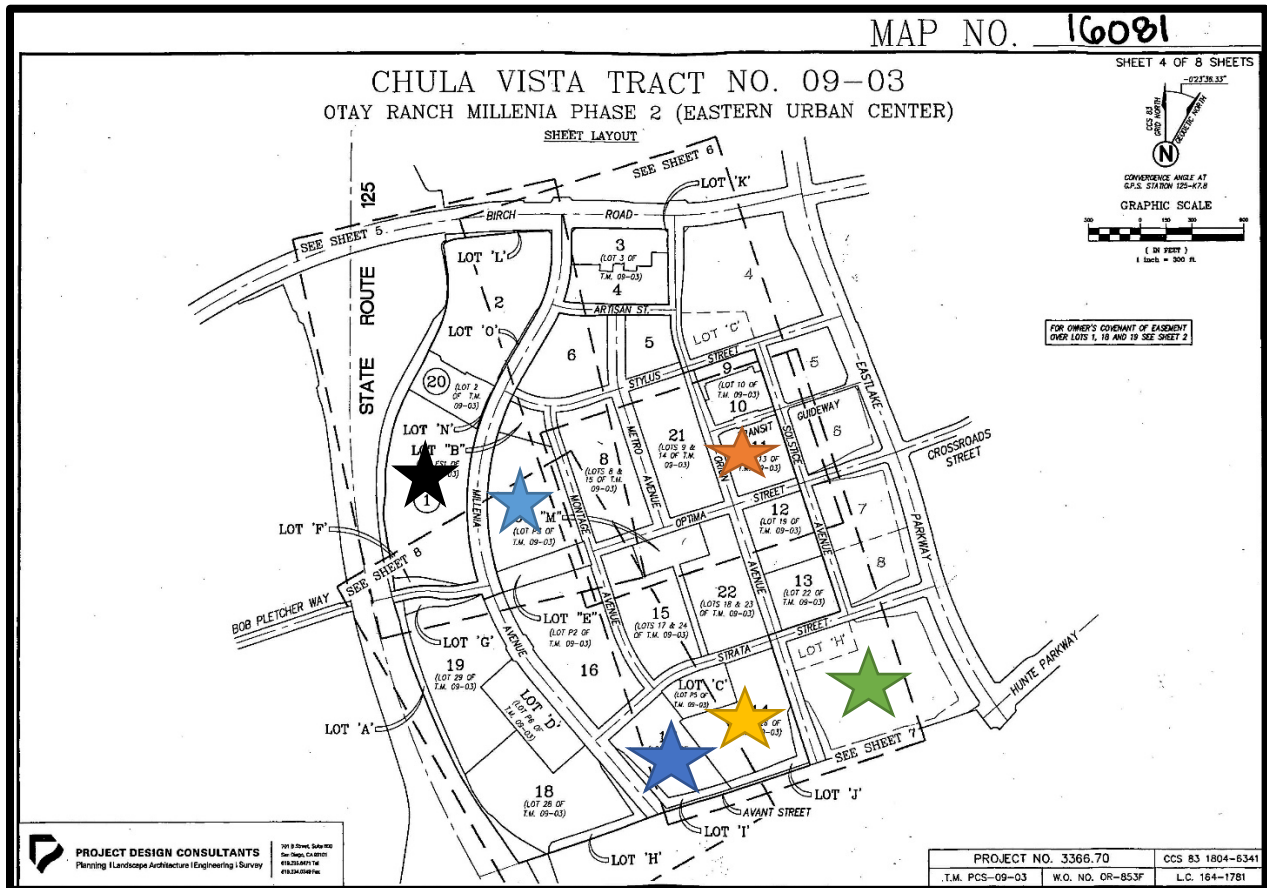
The types of facilities eligible to be financed by CFD 16-I include street and bridge improvements, sidewalks, trails, medians, traffic signalization and signage, street lights, utilities, storm water collection and conveyance facilities, off-site storm detention and treatment facilities, park and recreation 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 (subject of this report) and \$21,000,000 for Improvement Area No. 2 (anticipated future bonds). 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 February 13, 2018), CFD No. 16-I Improvement Area 1 bonds are anticipated to fund \$11,616,514 in Project Fund Deposits by a bond par amount estimated at \$13,240,000 with \$1,197,961 in capitalized interest and debt service reserve fund and \$415,000 in issuance costs and underwriter's discount.

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 six subject parcels identified by different colored stars.

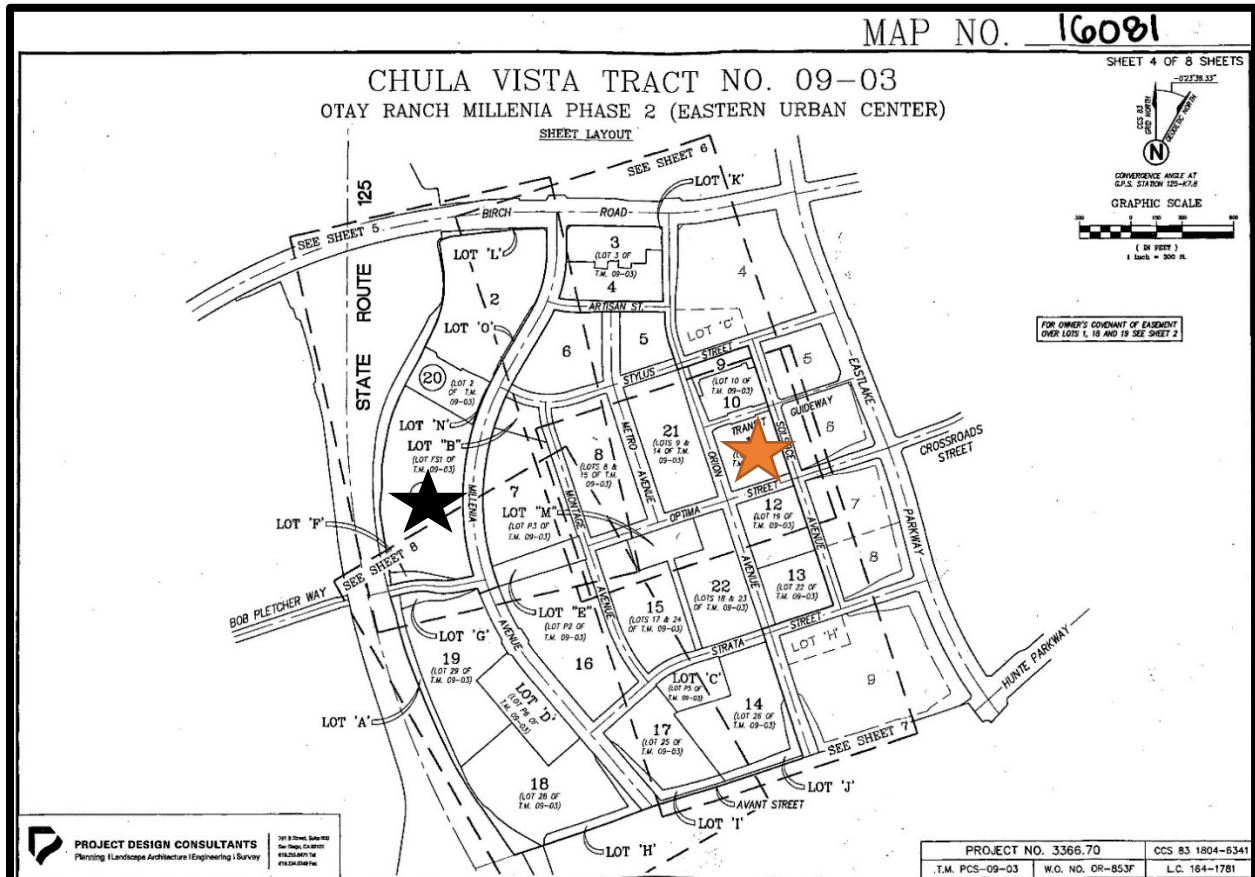


Color ID	Lot/Tract Number	Ownership	Acres	Units
Black Star	Lot 1/16081	SLF – IV Millenia LLC(Meridian)	10.93	N/A
Lt. Blue Star	Lot 7/16081	LMC-Millenia Inv.. Company L.P.	7.06	N/A
Orange Star	Lot 11/16081	SLF – IV Millenia LLC(Meridian)	3.07	60
Green Star	Lot 1/16150	Shea Homes	10.26	176
Yellow Star	Lot 14/16081	KB Home	7.27	79
Dk Blue Star	Lot 17/16081	CalAtlantic	3.74	78

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 two parcels shown below which are described in this section.



Location: Parcel 1 (Black Star): North side of Optima Street between Millenia Avenue and SR 125, Millenia, Otay Ranch, Chula Vista, California.
Parcel 2 (Orange Star): Northeast corner of Optima Street and Orion Avenue, Millenia, Otay Ranch, Chula Vista, California.

Legal Property Description: Parcel 1: Lot 1 of Tract Map 16081, City of Chula Vista.
Parcel 2: Lot 11 of Tract Map 16081, City of Chula Vista

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Property Owner: Both Lot 1 and Lot 11 of Tract 16081 are owned by SLF IV Millenia LLC, a Delaware limited liability company.

Assessors
Parcel Nos.: Lot 1 of Tract 16081: 643-060-51
Lot 11 of Tract 16081: 643-060-61

Property Taxes: Lot 1 of Tract 16081: Per the San Diego County Assessor's Office, the assessed value for APN 643-060-051 is \$2,208,883 and the 2017/18 property taxes are \$32,728.36. The total property tax invoice includes \$22,088.82 for the basic levy, \$3,198.68 for voter approved bonds and fixed charged assessments of \$7,440.86 which includes City of Chula Vista CFD 14M in the amount of \$4,865.34 and City of Chula Vista CFD 97-2 in the amount of \$2,008.48 and \$567.04 in miscellaneous charges.

Lot 11 of Tract 16081: Per the San Diego County Assessor's Office, the assessed value for APN 643-060-061 is \$852,937 and the 2017/18 property taxes are \$10,839.20. The total property tax invoice includes \$8,529.36 for the basic levy, \$1,235.15 for voter approved bonds and fixed charged assessments of \$1,074.69 which includes City of Chula Vista CFD 14M in the amount of \$803.10 and City of Chula Vista CFD 97-2 in the amount of \$109.44 and \$162.16 in miscellaneous charges.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2017/18 property tax bill. Per the Rate and Method of Apportionment for CFD 16-I Lot 1 (located in Zone C) is estimated to have an assigned tax of \$6,000 per Acre (annual) and Lot 11 (located in Zone B) is estimated to have an assigned tax of between \$1,350 to \$1,649 per unit depending on house size.

Three-Year Sales History: SLF IV-Millenia LLC has held title to the subject property for more than three years.

Lot 1 of Tract 16081 is under contract to be sold to LMC-Millenia Investment Company L.P., a California limited partnership for \$3,923,554.95. We have reviewed several amendments to the purchase and sale agreement which included increased grading costs at buyers request to be passed on to the buyer along with extension payments. Per Amendment 3 it appears the Lot 1 closing is extended to July 1, 2018, however there have been several extensions to date. Included in the Purchase and Sales Agreement is Lot 19 which is not located within CFD 16-I Improvement Area 1 and thus not a part of this appraisal.

Size and Shape: Lot 1 of Tract 16081 is irregular in shape and totals 10.93 acres per Tract Map 16081.
Lot 11 of Tract 16081 is generally square in shape and contains 3.07 acres per Tract 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 1 is shown as a portion of the Business District, and Lot 11 is shown as a portion of the Eastern Gateway Neighborhood District.

The Business District which covers Lots 1 and 19 of Tract 16081, allows for a low of 500,000 square feet and a high of 1,900,000 square feet with a target of 1,362,000 square feet. In addition, the Business District allows for a lot of 0 dwelling units, a high of 150 dwelling units and a target of 100 dwelling units.

The Eastern Gateway Neighborhood District, which covers Lots 5, 10, 11 and 12 of Tract 16081, allows for a low of 150 dwelling units and a high of 750 dwelling units with a target of 400 dwelling units. There is also some service commercial allowed within the Eastern Gateway Neighborhood District with a low of 5,000 square feet, a high of 250,000 square feet and a target of 50,000 square feet.

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 Tract Map is located in the Addenda. Tract Map 16081 subdivides the property into 22 buildable lots. Per the marketing documents Lot 1 is proposed for 700,000 square feet of office space and Lot 11 is proposed for 60 residential units suggesting a density of 19.54 dwelling units per acre.

Topography: The subject property has been partially developed with both Lot 1 and Lot 11 mass graded into generally level superpads with the majority of surrounding infrastructure in place. Drainage for both lots is proposed within an in-street storm drain system.

Soils Condition: We have reviewed an Updated Geotechnical Report by Geocon Incorporated prepared for all of Millenia dated February 7, 2012. The report concluded that it was the opinion of Geocon that the subject property could be developed as planned provided that the recommendations made in the report were followed. We also 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 states the subject property was graded during the period of December 2015 through June 2017. The report documents that the grading of Millenia Phase 2 (covers Lot 1 and Lot 11) has been performed in a substantial conformance with the recommendations of the project update geotechnical report and addenda.

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 the reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained within the Millenia project.

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.

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 dated December 15, 2017 which covers Lots 1, 7, 11, 13 and 17 of Tract 16081, five of the six subject parcels. The exceptions are as follows:

Items Nos. 1-7 and 11 refer to property taxes on the subject property. Item Nos. 8 and 9 refer to a special tax lien for CFD No. 18 of the Chula Vista Elementary School District (not showing on tax invoices at this time). Item No. 10 refers to the subject CFD No. 16-I Improvement Area 1 (again, not showing on the tax invoices at this time). Item No. 12 is in regards to an agreement regarding indemnification, implementation of mitigation and payment of certain fees in connection with the approval of the General Plan Amendment for Otay Ranch in 1993. Item No. 13 is in regards to a Development Agreement recorded on the property. Item No. 14 is in regards to a Parks Agreement. Item No. 15 pertains to Resolution No. 2009-224 recorded on the site in 2011. Item Nos. 16, 17 and 21 refer to Subdivision Improvement Agreements and a Supplemental Subdivision Improvement Agreement recorded on the property. Item Nos. 18, 24, 34 and 37 refer to CC & Rs recorded on the property. Item No. 19 pertains to a Grant of Easements, License and Maintenance for Millenia. Item No. 20 refers to a Maintenance Agreement for Interim Drainage Improvements. Item No. 22, 23, 25 and 31 refer to easements. Item Nos. 26, 35 and 38 refer to right of first refusals on the property. Item Nos. 27, 36 and 39 refer to options in favor of the master developer. Item Nos. 28 and 32 pertain to two deeds of trust on Lot 7 of Tract 16081 totaling \$4,300,000. Item Nos. 29 and 30 pertain to a document entitled Declaration of Restrictions, Grant of Reciprocal Easements, Joint Use and Maintenance. Item No. 33 refers to an Encroachment Maintenance Agreement. Item No. 40 is in regards to a Construction, Easement and Maintenance Agreement. Item No. 41 pertains to a Joint Use, Easement and Maintenance Agreement. Item No. 42 refers to water rights while Item 43 refers to the rights of parties in possession of the lands. Item Nos. 44, 45 and 46 refer to the items the Title Company will require prior to the issuance of a policy of title insurance.

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 1 and the aforementioned existing CFDs. The appraisers are 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 1 of Tract 16081 has frontage along SR 125 with access via Birch Road to Millenia Avenue (paved the entire length of Millenia) and south to Lot 1.

Lot 11 of Tract 16081 has access via Birch Road to Orion Avenue which is paved to the subject site.

Current Condition: Lot 1 of Tract 16081 is highlighted on the aerial map below. It has been mass graded to a pad with a basement area for future buildings graded into the south side of the site. The construction immediately to the north is an Ayres Hotel while the construction to the northeast is an apartment complex by Trammel Crow. It should be noted that the development to the north and northeast are not a part of the subject properties.



Lot 11 of Tract 16081 is highlighted on the aerial map on the following page. It has been mass graded and surrounding streets are in place. It appears the site is being used as a storage area for surrounding construction. Adjacent to the north is an affordable housing project developed by Chelsea consisting of 210 apartment units. Adjacent to the east is the currently selling Trio, Evo and Metro, small lot and attached neighborhoods being developed by Meridian Development (master developer). It should be noted that the surrounding development is not a part of the subject property.



Remaining Costs: We have received remaining costs from the master developer associated with the offsite development of the six parcels within CFD 16-I Improvement Area 1. The remaining development costs are summarized below.

Description	Amount
Signals/Final Lift	\$500,000
Pedestrian Corridors	<u>\$453,750</u>
Total	\$953,750

The above costs are associated with the master developer and will not be passed through to the various builders. For purposes of this analysis, the costs will be spread evenly on a per-acre basis over the two remaining master developer owned parcels. Lot 1 contains 10.93 acres while Lot 11 is 3.07 acres for a total acreage of 14.0. Dividing the total remaining master development costs over the 14 acres equates to a per acre amount of \$68,125.

Lot 1 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. As discussed above there are remaining master developer costs of \$68,125 per acre. Lot 1 contains 10.93 acres, thus is responsible for \$744,606 (say) \$745,000 in remaining development costs.

Lot 11 of Tract 16081 – Residential lands are typically sold in either a finished lot or a superpad condition. We have reviewed cost estimates to develop Lot 11 into 60 finished lots. The estimate includes \$9,000 per unit for Design and Engineering, \$29,000 per unit for land development and \$40,600 per unit for development fees

for a total estimate of \$78,600 per unit or \$4,715,000 for the proposed 60 units. As discussed above there are remaining master developer costs of \$68,125 per acre. Lot 11 contains 3.07 acres, thus is responsible for \$209,143 (say) \$210,000 in remaining development costs.

There is a master developer monthly HOA fee of \$45 per residence and \$1,080 per acre for the commercial property.

Proposed Improvements:

Lot 1 of Tract 16081 is proposed for 700,000 square feet of office/Life Science/High Tech space which can be expandable to over one million square feet. Current marketing is for "Invent", Phase II of the Think, Invent and Discover commercial area on Lot 7 (sold to Chesnut), Lot 1 (this parcel) and Lot 19 (not a part of the subject property).

Lot 11 of Tract 16081 is proposed for 60 residential units.

LMC-Millenia Investment Company, L.P. Ownership (Proposed Think Office Campus)

LMC-Millenia Investment Company, L.P. is a related entity to Chesnut Properties.



Location: Northeast corner of Optima Street and Millenia Avenue, Millenia, Otay Ranch, Chula Vista, California. Identified above by the light blue star.

Legal Property Description: Lot 7 of Tract Map 16081, City of Chula Vista

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Property Owner: LMC-Millenia Investment Company, L.P., a limited partnership

Assessors Parcel Nos.: 643-060-57

Property Taxes: Per the San Diego County Assessor's Office, the Assessed value for APN 643-060-057 is \$2,620,005 and the 2017/18 property taxes are \$17,400.87. The total property tax invoice includes \$26,200.04 for the basic levy, \$3,794.01 for voter approved bonds and fixed charged assessments of \$4,807.68 which includes City of Chula Vista CFD 14M in the amount of \$3,142.66 and City of Chula Vista CFD 97-2 in the amount of \$1,297.32 and \$367.70 in miscellaneous charges.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2017/18 property tax bill. Per the Rate and Method of Apportionment for CFD 16-I the estimated assigned special tax for Lot 7 (located in Zone C) is \$6,000 per acre annually.

Three-Year Sales History: LMC-Millenia Investment Company L.P. purchased the property in February 2016 (per the master developer) from SLF IV-Millenia LLC for \$2,586,633.01 per the purchase and sale agreement.

Size and Shape: Lot 7 of Tract 16081 is irregular in shape and totals 7.06 acres per Tract 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 7 is shown as a portion of the Mixed Use Civic/Office Core District.

The Mixed Use Civic/Office Core District covers lots 7 and 16 of Tract 16081, allows for a low of 100,000 square feet and a high of 1,000,000 square feet with a target of 900,000 square feet. In addition, the Mixed Use Civic/Office Core District allows for a low of 0 dwelling units, a high of 300 dwelling units and a target of 200 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 Tract Map No. 16081 which is known as Otay Ranch Millenia Phase 2. A copy of the Tract Map is located in the Addenda. Tract Map 16081 subdivides the property into 22 buildable lots. Per the proposed plans Lot 7 is planned for a 318,000 square feet office campus with a 6,100 square foot free-standing amenity building and a parking garage.

Topography: The subject property has been partially developed with Lot 7 mass graded into a generally level superpad with a below-ground graded area for the underground parking for a proposed parking garage. Drainage is proposed within an in-street storm drain system.

Soils Condition: The subject parcel was covered in the Soils Report that was discussed under the previous property description section.

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 the reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained within the Millenia project.

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

Environmental Concerns: The subject parcel was covered in the Phase I Site Assessment discussed under the previous property description section.

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.

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

Easements and Encumbrances: The subject parcel was covered in the Title Report discussed under the previous property description section.

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 and the aforementioned existing CFDs. The appraisers are 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 the subject site.

Current Condition: Lot 7 is highlighted on the aerial map below. It has been mass graded to a pad with a basement area for the proposed parking structure for the future building. Construction is anticipated to begin in Fall 2018. The construction immediately to the northwest is an Ayres Hotel while the construction to the north is a mixed-use project including apartments by Trammel Crow. It should be noted that the development to the northwest and north are not a part of the subject properties.



Remaining Costs: Commercial lands are typically sold in either a raw land or a superpad condition. This valuation is for the lands in their “as is” condition. As the property has already been mass graded, 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 HOA fee of \$1,080 per acre per month for commercial property.

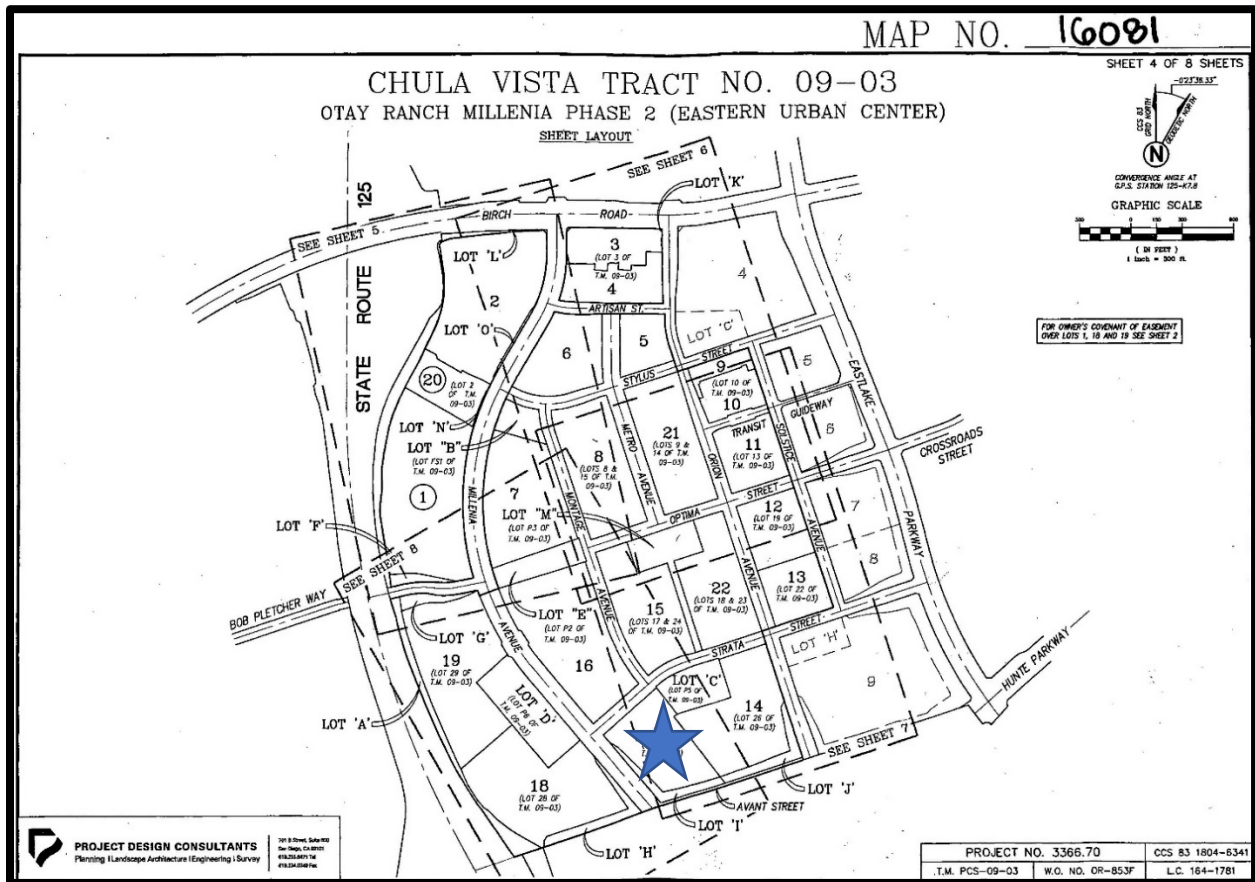
Proposed
Improvements:

Lot 7 is proposed for 318,000 square feet of Medical/Office buildings including a 150,000 square foot building and a 168,000 square foot building along with a 6,100 square foot amenity space building and a parking garage. Current marketing is for “Think”, Phase I of the Think, Invent and Discover commercial area on Lot 7 (subject site), Lot 1 and Lot 19. Per Chesnut Properties representatives, the following has been expended on the site through December 29, 2017.

Description	Amount
Architect	\$2,110,286
Capitalized Interest	315,089
Carry Cost	26,142
Civil Engineering	290,883
Closing Costs	7,333
Construction Documents	62,272
Consultants	88,675
DRB	69,887
Engineers	47,430
Landscape Architects	365,576
LEED	291,168
Legal Fees	42,428
Grading	350,000
Land Cost	2,568,633
Marketing	310,672
Property Tax	64,647
Total	\$7,011,120

While some of the above costs add value to the subject parcel, items like interest, carrying costs, closing costs and property taxes do not add value to the land. The above expenditures will be considered in the final valuation of the site later within this report.

CalAtlantic Ownership (Boulevard)



Location: Southeast corner of Strata Street and Millenia Avenue, Millenia, Otay Ranch, Chula Vista, California. Identified above by the dark blue star.

Legal Property Description: Lot 17 of Tract Map 16081, City of Chula Vista. In addition there was a lot line adjustment recorded (Adjustment Plat No. 17-0006 recorded 10/20/17) which changed Lot 17 to a total of 3.739 acres. Per the Adjustment Plat Lot 17 is known as Parcel B.

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Property Owner: CalAtlantic Group Inc., a Delaware Corporation. (CalAtlantic has merged with Lennar since this purchase).

Assessors Parcel Nos.: 643-060-94 (formerly 643-060-67)

Property Taxes: The San Diego County Assessor's Office does not have information for APN 643-060-94 however they do have information on the former APN number. Per the San Diego County Assessor's Office the Assessed value for APN 643-060-67 is \$1,250,234 and the 2017/18

property taxes are \$18,247.55. The total property tax invoice includes \$12,502.33 for the basic levy, \$1,810.47 for voter approved bonds and fixed charged assessments of \$3,934.75 which includes City of Chula Vista CFD 14M in the amount of \$2,003.10 and City of Chula Vista CFD 97-2 in the amount of \$826.90 and \$100.82 in miscellaneous charges. The San Diego County Assessor's Office does not yet reflect the June 2017 sale of the property to CatAtlantic Homes. It appears there will be a supplemental tax bill.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2017/18 property tax bill. Per the Rate and Method of Apportionment of CFD 16-I the estimated assigned special tax for Lot 17 (located in Zone B) is between \$1,350 and \$1,649 per unit per year based on the house square footage.

**Three-Year
Sales History:**

CalAtlantic Group Inc., a Delaware Corporation purchased the property June 9, 2017 from SLF IV Millenia LLC, the master developer, for \$3,510,000.

Size and Shape:

Lot 17 of Tract 16081 with lot line adjustment per Adjustment Plat No. 17-0006, is irregular in shape and totals 3.739 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 17 is shown as a portion of the Central Southern Neighborhood District.

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 300 dwelling units and a high of 700 dwelling units with a target of 500 dwelling units. In addition, the Central Southern Neighborhood District allows for a low of 2,000 square feet of commercial space, a high of 200,000 square feet of commercial space and a target of 50,000 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 Tract Map is located in the Addenda. In addition, Adjustment Plat No. 17-0006 was recorded on the property which adjusted the lot line between Lot 17 and Lot 14 of Tract 16081. Tract Map 16081 subdivides the property into 22 buildable lots. Per the proposed plans Lot 17 is proposed for 78 attached townhomes suggesting a density of 20.86 dwelling units per acre.

Topography: The subject property has been mass graded with Lot 17 mass graded into a generally level superpad with surrounding streets on the north and west (Strata Street and Millenia Avenue) in place. Currently CalAtlantic is grading the site. Drainage is proposed within an in-street storm drain system.

Soils Condition: The subject parcel was covered in the Soils Report that was discussed under the previous property description section. 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 the report were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained within the Millenia project.

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

Environmental Concerns: The subject parcel was covered in the Phase I Site Assessment discussed under the previous property description section.

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 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: The subject parcel was covered in the Title Report discussed under the previous property description section.

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 1 and the aforementioned existing CFDs. The appraisers are 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 the subject site.

Current Condition: CalAtlantic has just begun grading its site to be developed into 78 townhome units. Below is an aerial photo of the CalAtlantic site highlighted in yellow (boundaries approximate) showing the current status of the lands.



Costs to Complete: We have reviewed the land development costs prepared by CalAtlantic and/or its consultants. The total project costs along with the spent to date amounts are shown on the table below.

	Total Costs	Actuals Thru 1/31/18
Grading	\$653,050	\$27,034
Wet Utilities	\$1,015,575	\$0
Dry Utilities	\$231,500	\$0
Streets (Curb/Gutter/Storm Drain/etc)	\$343,007	\$0
Engineering/Soils, Plan Check & Inspec.	\$829,543	\$205,993
Development Fees	\$3,298,582	\$0
Total	\$6,371,257	\$233,027

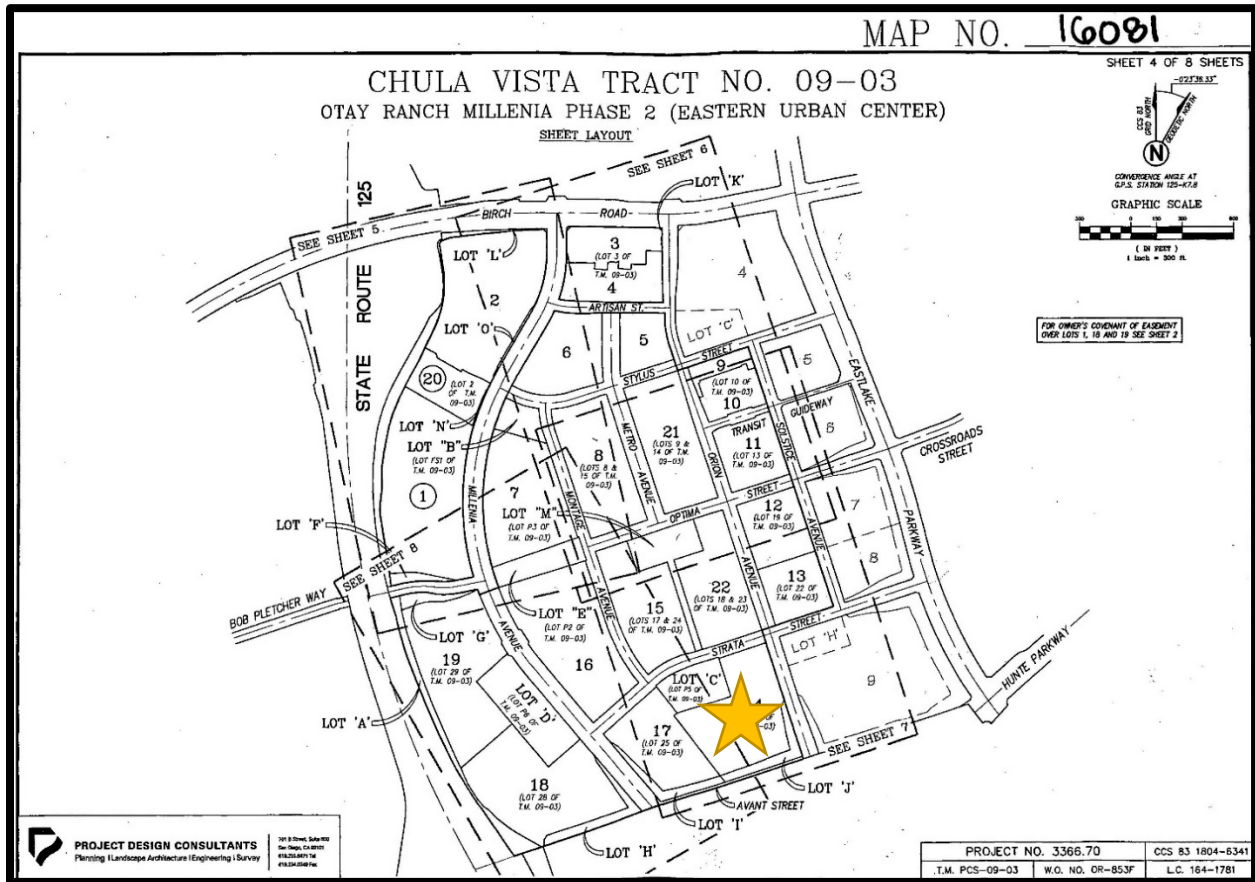
According to the above information, in order to develop the subject property into a true finished lot condition, an additional \$6,138,230 needs to be spent. This amount will be taken into account in the

valuation section for the CalAtlantic owned property later within this report.

HOA: We have not received the estimated HOA costs for the CalAtlantic proposed product. The master developer HOA monthly fee is \$45 per residence.

Proposed Improvements: Lot 17 is proposed for 78 attached townhome units with models slated to begin construction in March 2018. Underground work and grading is now underway on the site. The project is anticipated to be known as Boulevard with home sizes ranging from 1,681 to 2,046 square feet and pricing anticipated to be in the \$445,000 to \$495,000 range.

KB Home Ownership (Skylar)



Location: Southwest corner of Strata Street and Orion Avenue, Millenia, Otay Ranch, Chula Vista, California. Identified above by the yellow star.

Legal Property Description: Lot 14 of Tract Map 16081, City of Chula Vista. In addition there was a lot line adjustment recorded (Adjustment Plat No. 17-0006

recorded 10/20/17 – copy located in Addenda) which changed Lot 14 to a total of 7.269 acres. Per the Adjustment Plat Lot 14 is known as Parcel A.

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Property Owner: KB Home California LLC.

Assessors

Parcel Nos.: 643-060-93 (formerly 643-060-64)

Property Taxes: The San Diego County Assessor's Office does not have information for APN 643-060-93 however they do have information on the former APN number. Per the San Diego County Assessor's Office, the Assessed value for APN 643-060-64 is \$1,808,673 and the 2017/18 property taxes are \$26,396.28. The total property tax invoice includes \$18,086.72 for the basic levy, \$2,619.16 for voter approved bonds and fixed charged assessments of \$5,690.40 which includes City of Chula Vista CFD 14M in the amount of \$2,897.84 and City of Chula Vista CFD 97-2 in the amount of \$1,196.26 and \$144.06 in miscellaneous charges. The San Diego County Assessor's Office does not yet reflect the June 2017 sale of the property to KB Home California. It appears there will be a supplemental tax bill.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2017/18 property tax bill. Per the Rate and Method of Apportionment of CFD 16-I the estimated assigned special tax for Lot 17 (located in Zone B) is between \$1,350 and \$1,649 per unit per year based on the house square footage.

Three-Year

Sales History: KB Home California LLC purchased the land on June 7, 2017 from SLF IV Millenia LLC, the master developer, for \$7,265,000.

Size and Shape: Lot 14 of Tract 16081 with lot line adjustment per Adjustment Plat No. 17-0006, is irregular in shape and totals 7.269 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 14 is shown as a portion of the Central Southern Neighborhood District.

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 300 dwelling units and a high of 700 dwelling units with a target of 500 dwelling units. In addition, the Central Southern

Neighborhood District allows for a low of 2,000 square feet of commercial space, a high of 100,000 square feet of commercial space and a target of 45,000 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 Tract Map is located in the Addenda. In addition, Adjustment Plat No. 17-0006 was recorded on the property which adjusted the lot line between Lot 17 and Lot 14 of Tract 16081. Tract Map 16081 subdivides the property into 22 buildable lots. Per the proposed plans Lot 14 is proposed for 79 detached homes on small lots suggesting a density of 10.87 dwelling units per acre).

Topography: The subject property has been mass graded with Lot 14 mass graded into a generally level superpad with surrounding streets on the north and west (Strata Street and Millenia Avenue) in place. KB Home further graded the property adding finished pads for its proposed homes. Drainage is proposed within an in-street storm drain system.

Soils Condition: The subject parcel was covered in the Soils Report that was discussed under the previous property description section.

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 the reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained within the Millenia project.

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

Environmental Concerns: The subject parcel was covered in the Phase I Site Assessment discussed under the previous property description section.

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 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:

The subject parcel was covered in the Title Report discussed under the previous property description section.

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 and the aforementioned existing CFDs. The appraisers are 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 entrance.

Current Condition:

Skylar is currently being developed into 79 single family detached homes on small detached lots. Below is an aerial photo of the Skylar site highlighted in yellow (boundaries approximate) showing the current status of the lands.



There are two completed models at the northeast corner of the site and six production units are under construction. Most of the grading is complete along with wet utilities. The dry utilities are being installed as the pads get completed. Internal streets have not been paved yet due to the utilities not being finalized.

Costs to Complete: We have reviewed the land development costs prepared by KB Home and/or its consultants. The total project costs along with the spent to date amounts are shown on the table below.

	Total Costs	Actuals Thru 1/31/18
Grading	\$140,000	\$120,000
Wet Utilities	\$1,200,000	\$950,000
Dry Utilities	\$604,229	\$30,000
Streets (Curb/Gutter/Storm Drain/etc)	\$750,000	\$0
Plan Check & Inspec.	\$177,000	\$177,000
Engineering/Soils	\$371,708	\$283,433
Development Fees	\$4,089,406	\$93,783
Total	\$7,332,343	\$1,654,216

According to the above information, in order to develop the subject property into a true finished lot condition, an additional \$5,678,127 needs to be spent. This amount will be taken into account in the valuation section for the KB Home owned property later within this report.

HOA: Per KB Home’s marketing information the HOA fees will be \$146 per month at completion which covers walls, fencing, recreation area and common area maintenance. In addition there is a master developer HOA fee of \$45 per residence per month.

Improvement Description: KB Home is developing detached homes on small lots (under 2,000 square feet). The homes are three-story with a two-car attached garage, a bonus room and bathroom (can be converted to a fourth bedroom) on the first floor; a great room and kitchen with a powder room on the second floor; and, three bedrooms and two bathrooms on the third floor. The homes are angled with a modern design with an entrance pathway between the homes. Exteriors are stucco finish with some decorative stone or wood siding, automatic garage doors and porches on the first floor and a balcony on the second floor. Interiors include a walk-in closet in the master bedroom, a separate water closet in master bath, laundry rooms on the third floor, tankless water heaters and energy efficient appliances throughout.

There are two plans. The model homes are completed and the first phase of construction of six homes is underway. The below chart shows the various plan sizes.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
1	4 / 3.5	3 / 2	2,602	0	1*
2	4 / 3.5	3 / 2	2,659	0	1*
Total				0	2

*One of each of these plans is a model home.

Shea Homes Ownership (Element and Z)



Location: South side of Strata Street between Orion Avenue and Eastlake Parkway, Millenia, Otay Ranch, Chula Vista, California. Identified above by the green star.

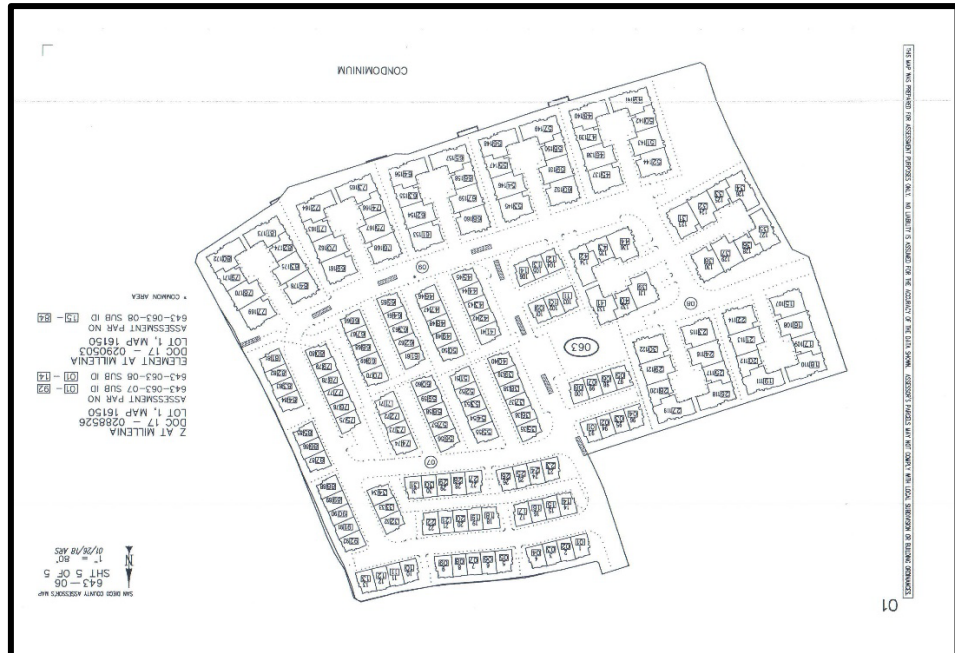
Legal Property Description: Lot 1 of Map 16150, City of Chula Vista. The property was previously known as Lot 9 of Map 15942 prior to the current map. These two lots are generally contiguous.

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Property Owner: Shea Homes LP as to Units 1-40, 43, 51-60, 71-100, 107-144, 170, 172, 175 and 176 on Lot 1 of Map 16150; Individuals as to Units 41-42, 44-50, 61-70, 101-106, 145-169, 171 and 173-174 on Lot 1 of Map 16150.

Assessors
Parcel Nos.:

643-063-07-01 thru 92; 643-063-08-01 thru 84.



Property Taxes:

The San Diego County Assessor's Office does not have information available for each APN as they are too new. We have pulled up tax information on the underlying APN which is 643-063-01-00. Per the San Diego County Assessor's Office, the Assessed value for APN 643-060-64 is \$10,557,000 and the 2017/18 property taxes are \$255,339.38. The total property tax invoice includes \$109,266.01 for the basic levy, \$15,822.80 for voter approved bonds and fixed charged assessments of \$130,250.57 which includes Chula Vista Elementary School CFD in the amount of \$46,335.76, Sweetwater High School CFD in the amount of \$81,276.18, City of Chula Vista CFD 14M in the amount of \$2,141.60 and City of Chula Vista CFD 97-2 in the amount of \$278.10 and \$218.92 in miscellaneous charges.

It should be noted that the subject CFD 16-I is not yet listed or included in the 2017/18 property tax bill. Per the Rate and Method of Apportionment of CFD 16-I the estimated assigned special tax for Lot 1 of Map 16150 (located within Zone A) between \$1,352 and \$1,799 per unit per year based on the house square footage.

**Three-Year
Sales History:**

Shea Homes Limited Partnership purchased the lands in December 2016 from SLF IV Millenia LLC, the master developer, for \$10,350,000. Fifty-three homes have closed to individual

homeowners.

Size and Shape: Per Lot 1 of Map 16150 the subject site is irregular in shape and totals 10.26 acres with entitlements for 176 units.

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 9 of Tract 19542 is shown as a portion of the Southeastern Neighborhood District.

The Southeastern Neighborhood District covers Lots 8 and 13 of Map 16081 along with Lot 9 of Map 15942 (subject – generally contiguous to Lot 1 of 16150), and allows for a low of 200 dwelling units and a high of 450 dwelling units with a target of 200 dwelling units. In addition, the Southeastern Neighborhood District allows for a low of 2,000 square feet of commercial space, a high of 200,000 square feet of commercial space and a target of 150,000 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 Map No. 15942 which is known as Otay Ranch Millenia. A copy of the Map is located in the Addenda. Map 15942 subdivides a portion of Millenia about seven buildable lots and some larger lots which were further subdivided by Tract Map 16081. Lot 1 of Map 16150 was then recorded on Lot 9 of Map 15942 on November 30, 2016 creating the usable pad for 176 proposed condominium units. In addition, two condominium plans were recorded. Document 2017-0290503 recorded June 27, 2017 allowing for 70 units known as Element which are numbered lots 107-176. Document 2017-0288526 recorded June 26, 2017 allowing for 106 units known as Z which are numbered lots 1-106.

Topography: The subject property has been mass graded into a generally level superpad with surrounding streets on the north and east (Strata Street and Eastlake Parkway) in place. The entire Orion Avenue along the west boundary is not yet paved. The superpad is above street level of Eastlake Parkway and the southern portion of Orion Avenue with landscaped berms along the slopes. Shea Homes further graded the property adding finished pads for their proposed homes. Drainage is proposed within an in-street storm drain system.

Soils Condition: The subject parcel was covered in the Soils Report that was discussed under the previous property description section.

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 the reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained within the Millenia project.

Seismic

Information:

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

Environmental

Concerns:

The subject parcel was covered in the Phase I Site Assessment discussed under the previous property description section.

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 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 covering Millenia Lot 9 of Map 15942 (generally contiguous with Lot 1 of Map 16150) which refers to the subject property. The report is dated November 16, 2017 (prior to any home closings). The exceptions are as follows:

Item Nos. 1 thru 7 refer to property taxes including CVESD CFD 18, CFD No. 18 (Sweetwater), and CFD 16-I. Item No. 7 (a, b and c) refer to an agreement in connection with the approval for the General Plan Amendment recorded in 1993. Item No. 8 pertains to a recorded Development Agreement recorded in 2009. Item No. 9 pertains to a Parks Agreement. Item No. 10 and 10a refer to Resolution No. 2009-224 an Amended and Restated Interim Desilation and Maintenance Agreement. Item No. 12 and 13 refer to the subdivision improvement agreement. Item No. 14 pertains to CC & Rs on the property. Item No. 15 is in regards to a grant of easements, license and maintenance agreement. Item Nos. 15a, 17, 22a and 22e refer to easements. Item Nos. 16 and 25 refer to CC & Rs. Item Nos. 18 and 19 are in regards to an option and a right of first refusal on the property. Item No. 20 is for a Maintenance Agreement for Interim Drainage Improvements. Item Nos. 21, 22b, 22c, pertain to the Subdivision Improvement Agreement. Item Nos. 22d and 23 pertain to Storm Water Management Agreements. Item No. 24 refers to the Condominium Plan for Z@ Millenia. Item Nos. 26 and 27 refer to the Condominium Plan for Element @ Millenia and

the supplemental declaration of Covenants and Restrictions and Agreement Establishing Dispute Resolution Procedures for Element & Z. Item No. 28 pertains to water rights and Item No. 29 refers to the rights of parties in possession. Item 30 refers to items the title company will need from Shea Homes before issuing title insurance.

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 1 and the aforementioned existing CFDs. The appraisers are 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 Eastlake Parkway, south to Strata Street and west to the subject entrance.

Current Condition: Element and Z are currently being marketed. Element consists of 70 proposed single family detached condos while Z consists of 106 proposed attached homes. Below is an aerial photo of Lot 1 of Mapt 16150 highlighted in yellow (boundaries approximate) showing the current status of the lands.



Combining Z & Element there are 53 homes which have closed to homeowners, six models, seven production homes over 95 percent complete, 27 units under construction and 83 remaining finished lots.

Costs to Complete: We have reviewed the land development costs prepared by Shea Homes and/or its consultants. The total project costs along with the spent to date amounts are shown on the table below.

	Total Costs	Actuals Thru 1/31/18
Grading	\$474,866	\$464,912
Wet Utilities	\$1,461,664	\$1,447,179
Dry Utilities	\$789,756	\$733,844
Streets (Curb/Gutter/Storm Drain/etc)	\$2,296,321	\$885,446
Plan Check & Inspec.	\$928,895	\$928,895
Engineering/Soils	\$1,697,193	\$1,115,518
Development Fees	\$7,528,195	\$2,762,659
Total	\$15,176,890	\$8,338,453

According to the above information, in order to develop the subject property into a true finished lot condition, an additional \$2,072,901 in land development costs needs to be spent. In addition, there are an estimated \$4,765,536 in land development fees. These amount will be taken into account in the valuation section for the Shea Homes owned property later within this report.

HOA: The Element Homeowner's Association dues are estimated at \$210 per month while the Z homeowners will pay \$327 per month. The HOA covers landscaping in common areas, tot lot, dog park, trails, pool and jacuzzi, BBQ area, restrooms and shower with exterior insurance for all Z buildings included. In addition there is a master developer HOA of \$45 per month per residence.

Improvement Description: Shea Homes is developing two products within Lot 1 of Map 16150. The first product is known as Element, cluster detached units while the second product is known as Z and are attached homes. Both products are three-story with a two-car attached garage. Plans vary with some living space on the bottom floor within Element and a patio and entry on the bottom floor along with the garage for Z. The homes are built for modern families with open living spaces and decks and patios. Exteriors are stucco finish with some decorative stone or wood siding and automatic garage doors. Interiors include a walk-in closet in the master bedroom, laundry hook-ups on the second or third floor, tankless water heaters and energy efficient appliances throughout.

There are four plans within Element and three plans within Z. The below chart shows the various plan sizes.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
Z-1	2 / 2.5	3 / 2	1,288	3	1
Z-2	3 / 2.5	3 / 2	1,430	10	2*
Z-3	3 / 2.5	3 / 2	1,475	12	2*
E-1	3 / 2.5	3 / 2	1,775	8	1*
E-2	3 / 3.5	3 / 2	1,915	6	3*
E-3	4 / 3.5	3 / 2	2,157	7	2*
E-4	4 / 3.5	3 / 2	2,248	7	2*
Total				53	13

*One of each of these homes is a model home. Plan 1 of Z is not modeled.. One each of the Builder-Owned Plan E2 and E3 are within the model complex, however are production homes and not fully upgraded like a model home.

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, 2017, the County had a population of 3,316,192, which indicates an average annual growth rate of 0.9 percent over the past year and an average rate of 0.97 percent over the past 15 years. It should be noted this includes the slowdown during the Great Recession. Projections are for the County to continue at an annual 1.2 percent growth rate for the next three 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 November 2005) then decreased over 50 percent to the July 2009 low of \$290,000. Since bottoming out the market has seen an increase of 77 percent to the current median home price of \$605,000 (per the California Department of Real Estate as of December 2017), which has now surpassed the previous peak.

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. Below is a table depicting job growth in the County over this time period.

San Diego Job Growth			
Year	Employment	Increase	% Increase
2017	1,525,400	27,400	1.82%
2016	1,498,000	12,100	0.81%
2015	1,485,900	22,700	1.55%
2015	1,463,200	16,100	1.11%
2014	1,447,100	21,300	1.49%
2013	1,425,800	22,200	1.58%
2012	1,403,600	34,900	2.55%
2011	1,368,700	15,600	1.15%
2010	1,353,100	(55,200)	(3.92%)

2009	1,408,300	(44,500)	(3.06%)
2008	1,452,800	6,500	0.45%
2007	1,446,300	9,500	0.66%
2006	1,436,800	11,100	0.78%
2005	1,425,700	16,800	1.19%
2004	1,408,900	26,600	1.92%
2003	1,382,300	13,100	0.96%
2002	1,369,200	19,700	1.46%
2001	1,349,500	26,300	1.99%
2000	1,323,200	N/A	N/A

*Based on Preliminary December 2017 numbers per EDD

The unemployment rate for the County was 3.3 percent in December 2017, well below the high of 11 percent in early 2010 and lower than the current California unemployment rate of 4.2 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 with double-digit increases into 2013 and a slower appreciation since that time. Over the past year overall home prices in Chula Vista have increased an average of 6.5 percent on a year over year basis.

There were several factors aiding the recent price appreciation which include limited supply and constrained lending. The main factor in prices rising is an imbalance in supply and demand. Near the bottom of this past real estate cycle it was not financially feasible

to develop land and build a house in portions of San Diego County. Thus, land development slowed, significantly restricting new housing supply. In addition to limited supply, home ownership across the U.S. declined to 64.2 percent (Fourth Quarter 2017) from a high of 69.2 percent in 2004. This downward trend in home ownership was anticipated to continue to decrease until stabilization which is estimated to occur at 63 percent. It appears the downward trend of home ownership may be stabilizing as home ownership was 62.9 percent in 2nd quarter 2016.

The December 2017 approval of the Tax Cuts and Job Act (“TCJA”) by the Federal Government is causing concern that home sales may slow once again. The two largest changes for home owners is the limitation at \$10,000 for the deduction for state income, sales taxes and property taxes (SALT) along with a limitation on the mortgage deduction for loans that exceed \$750,000. While this amount does not affect most people looking at subject-type homes (generally in the \$380,000 to 600,000 range), the SALT deduction may limit their deductions. It is still too early to tell how much the TCJA will actually affect the new home market, however it is thought that it won’t affect the inland Chula Vista market as much as some other coastal cities where mortgages are generally larger due to higher home costs and therefore may be affected.

Home loan mortgage rates are a large factor in the housing market. The Federal Reserve had held mortgage rates at all-time lows for several years in an attempt to assist the housing market. Low rates appeared to help for quite a while; however, first time buyers are now having an extremely hard time entering the housing market. 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 interest rates were raised one quarter of a percent. Future rate hikes are anticipated to be gradual and will depend on how the U.S. economy and global growth is occurring. In March, June, and December of 2017, the Board increased its benchmark interest rate one quarter point. This signifies the possibility for robust growth nationally. Unlike the 2008 to 2015 decisions to maintain the rates at zero, regular hikes are anticipated for the foreseeable future. The current quoted rates for a 30-year fixed mortgage per FRED (Federal Reserve

Economic Data) as of December 21, 2017 are 3.94 percent. This is up from an average of 3.65 percent over 2016, possibly due to the 2017 increases which occurred, plus the Board suggesting additional future increases.

Chula Vista is benefiting from the new FHA loan limits. FHA financing allows a three percent down payment which allows first time homebuyers to enter the housing market. In order to qualify for FHA loans, a mortgage needs to be within the published FHA loan limits which is currently \$649,750 in San Diego County, up from the 2017 amount of \$612,950. While in some coastal areas in San Diego County this severely limits new home financing, the new homes in Millenia are generally under the approximate \$670,000 purchase price limit for FHA financing.

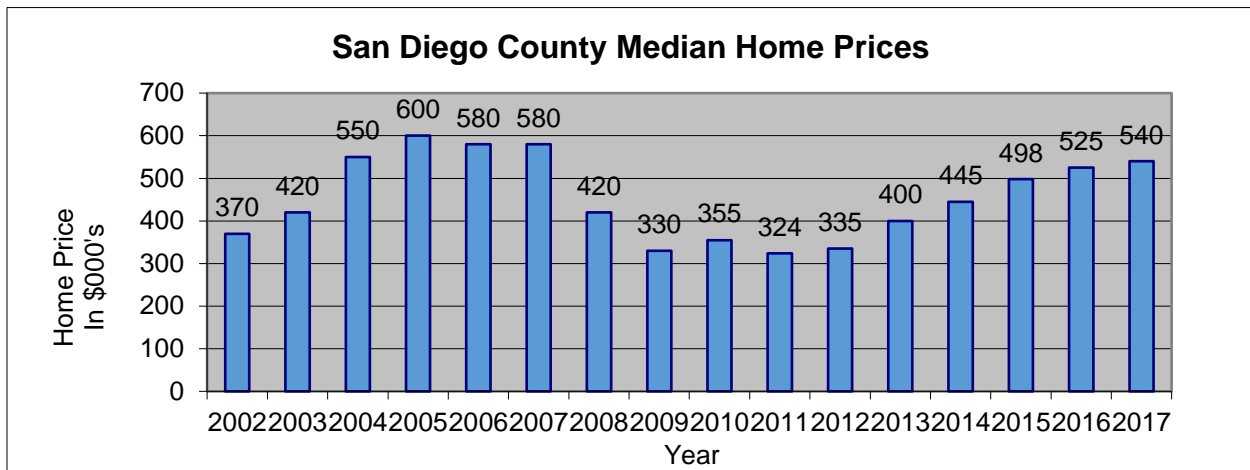
Residential Land Development

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 beginning again in 2015 with Otay Ranch Village Two selling homes and in 2016 and 2017 with Millennia and Otay Ranch Village Three selling homes.

Otay Ranch has three areas currently developing, Millennia (subject property) at the southeast corner of Birch Road and SR 125, the southern portion of Otay Ranch Village Two (Montecito) which is nearing build-out and Village Three, located about two miles west of Millennia. Village Two was developed in two main phases with the northern portion generally built out and sold in 2015/16 while the southern portion has several new home projects currently offered for sale. The northern portion of Village Two also houses a new Elementary School while Village Three has a proposed school on site. Otay Ranch Village Three began grading in 2016 and is now offering nine new home projects.

Home Sales and Pricing

The housing market in San Diego County appears to be on the upswing of a cycle. Per the Case-Shiller index, San Diego has seen either flatness or increases in home values for the past 72 months. 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. With the current median home price at \$540,000 (per Corelogic as of December 2017), the increases are continuing.



It should be noted that the above home prices relate to overall home prices including existing homes. Our search for comparable new home projects within Chula Vista resulted in eight new home projects currently selling in Otay Ranch Village Two, nine additional new home projects selling in Otay Ranch Village Three and six currently selling in Millennia. All projects are experiencing good sales rates.

According to CoreLogic, within Southern California (Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties) the median price paid for a home (both new and existing) in December 2017 was \$507,500, up 8.2 percent from one-year prior. The current median existing home price has recently surpassed the peak in mid-2007 when the median price was \$505,000 and up more than 100 percent from the low point of the cycle which was a \$247,000 median price in April 2009. Home sales in Southern California were down 3.8 percent overall in Southern California in December 2017 based on a year-over-year change. Per CoreLogic the drop off in activity is due to the

constrained supply of homes for sale. Shown below is a table comparing December 2016 to December 2017 for both new and existing home sales and pricing in Southern California by county and for Southern California as a whole.

Southern California (New and Used) Home Sales						
County	No. Sold Dec 16	No. Sold Dec 17	Percent Change	Median Dec 16	Median Dec 17	Percent Change
Los Angeles	6,885	6,597	-4.2%	\$520,000	\$570,000	9.6%
Orange	3,230	3,048	-5.6%	\$667,500	\$698,000	4.6%
Riverside	3,605	3,438	-4.6%	\$345,000	\$365,000	5.8%
San Bernardino	2,462	2,532	2.8%	\$299,000	\$323,000	8.0%
San Diego	3,448	3,390	-1.7%	\$495,000	\$540,000	9.1%
Ventura	904	740	-18.1%	\$519,000	\$559,000	7.7%
SoCal	20,534	19,745	-3.8%	\$469,000	\$507,500	8.2%

Source: CoreLogic December 2017 Data Brief

Based on December 2017 median new and existing homes prices, in comparison to the majority of the surrounding counties, San Diego County is higher than the Inland Empire and lower than Ventura, Orange and Los Angeles Counties with a median home price of \$540,000 reflecting a 9.1 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.

Community Name	ZIP Code	Border To Subject	Sales of SFD Homes Dec 2017	Dec 2017 Price Median SFD	Dec 2017 Median Price/ Sq. Ft.	Price % Change from Dec 2016
Otay Ranch West	91913	Subject	30	\$572,000	\$261	5.5%
Northeastern Chula Vista	91914	North	11	\$675,000	\$265	-7.2%
Northwest Chula Vista	91910	Northwest	23	\$550,000	\$291	14.8%
Southwest Chula Vista	91911	Southwest	25	\$486,000	\$307	11.7%
South – Otay Mesa	92154	South	24	\$505,000	\$282	16.4%
Otay Ranch East	91915	East	19	\$620,000	\$267	11.7%

Source: CoreLogic July 2017

The table above depicts price changes over the past year on existing single-family detached home sales prices. The above price increases relate to CoreLogic's overall San

Diego County increase of 9.1 percent increase year over year suggesting the subject area is having higher price increases than other areas of San Diego County.

According to London Moeder Advisors (December 17, 2017) there is a tsunami of demand now rising from young families for homes in San Diego County. They propose that, in the County, 17,000 housing units need to be built per year for the next 10 years in order to meet that demand. In 2015 and 2016 approximately 10,000 units were built each year with the previous six years ranging between 2,500 and 7,500 units creating a shortage of over 40,000 units. Another problem which occurred is that most of the units built in the current cycle have been multi-family rental units. London Moeder advises that two to three level townhomes, rowhomes and granny flats are what is needed for the current shortage. This is what is being built in Millenia, which is enjoying good sales and absorption rates.

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 and Meyers Group.

CBRE reports that the San Diego unemployment fell to 3.3% in Q4, 2017 and office rents fell slightly by -\$0.01 quarter over quarter but increased by 2.3% year over year. Average asking rent was \$2.79 per square foot county wide with an average rate of \$2.52 in the subject, South San Diego market. CBRE defines the South San Diego market as the area south and southeast of the downtown market southerly of State Route 54. Average asking rent was \$2.61 per square foot in downtown San Diego. Central San Diego County had the highest average asking rent of \$2.99 per square foot. Central San Diego includes many of the newer office locations along the interstate 5 and Interstate 805 corridors including the Sorrento Valley area.

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% with 2009 showing the highest vacancy rate at 19.2%, decreasing just about every year to 2016 at 10.7%. Current vacancy increased slightly to 11.3% but has remained below 12% for five quarters. South San Diego reports total vacancy at 11.9% including sub-lease space. Net absorption in the last quarter of 2017 was down slightly by 154,006 square feet but up by 482,241 square feet year over year. The subject South San Diego market had positive absorption of 12,487 square feet according to CBRE.

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 "market conditions are tight for office space in San Diego County and the South Bay." They project average rent levels below what is projected by CBRE at a high of \$2.23 in the South Bay area. They report vacancy rates decreasing from 9.1% in Q1 of 2014 down to 5.0% in late 2017. This is a very low vacancy rate and not reflected in the CBRE statistics. However, similar to CBRE, they indicate that 2016 was a particularly strong year with 245,000 square feet absorbed versus no new deliveries.

Meyers Research projects an average of 85,564 square feet of annual office absorption for the subject office projects to fully absorb 1.018 million square feet by the year 2028. They project the initial phase to be absorbed in roughly four years. 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.

In summary, although both San Diego County and the subject submarket saw decreases in housing prices and sales during the recession, prices have now been increasing over the past 72 months with substantial appreciation over this time period. While home price growth has slowed in the past three years, prices are still increasing, however at a more

normal rate of appreciation. The economy appears to be on an upswing and the subject submarket is attracting homebuyers, builders and land developers. In 2014 the land developers increased density within Otay Ranch Village Two in answer to the higher demand for lower priced starter homes. Millenia is being built out with higher density, small lot and attached units in order to meet buyer demand. There are currently 25 new home neighborhoods in Otay Ranch with average to good absorption. Office development has been minimal in Otay Ranch. 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 over 20 years. In conclusion, although uncertainty is still clouding the current economy, the housing market in South San Diego County appears to be growing at a sustainable rate. Population is predicted to continue to increase, thus housing growth will continue.

HIGHEST AND BEST USE ANALYSIS

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

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

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). The property was previously used for agriculture use as row crops.

CFD No. 16-I IA 1 consists of six parcels ranging in size from 3 to 10 acres which are being developed into 393 single family homes and two commercial sites proposed for

⁵ The Appraisal of Real Estate, 11th Edition

over 1,000,000 square feet of office use. The six parcels have all been mass graded and are generally level with the majority of surrounding streets in place. Three of the residential sites have been further graded for residential lots and pads. We have reviewed Geotechnical Reports which cover 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 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 each parcel suggests residential use or a use consistent with the surrounding master-planned community.

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 six parcels are a portion of the entire 206+ acre property which has approvals for about 3,000 residential units, 25 acres of parks, 12 acres of Community Purpose Facility, 35 acres of schools, 76 acres of commercial land use, 1.5 acres of open space and 8 acres for cultural use. The subject six parcels have been approved for 393 residential units on four parcels and up to 1,030,200 square feet of office use on two

parcels. Map 09-03 recorded on all of Millenia with further mapping of Maps 15942, 16081 and 16150 covering the subject six 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 price increases and good absorption.

According to the Market Absorption Study for CFD No. 16-I, IA 1 by Meyers Research, dated February 2018, there is good demand for ownership housing options, particularly to family households and empty nester/retirees. New home sales have increased and are anticipated to continue to do so although they are still below historical averages. Population growth is still occurring in the area and will continue to create the need for housing. Most importantly job growth, the primary driver of growth in the new home market, is still occurring both in San Diego County as well as the more local employment center in Chula Vista and the City of San Diego. County-wide unemployment is reported at 3.3%.

There are currently six active, new home communities within Millenia with sales beginning in late 2016 and 84 units within CFD No. 16-I IA 1 sold. Generally home prices within the community range from \$300,000 to \$700,000. Since opening, average sales rates have ranged from about 1.8 to 3.8 sales per project per month with sales increasing more recently. All of the open neighborhoods have been well received in the marketplace. Sales have increased in 2017 suggesting absorption may increase.

Meyers Research projects an average 85,564 square feet of office space will be absorbed per year suggesting the initial phase of development of 324,100 square feet will be

absorbed in three to four years. This suggests the second phase will be needed prior to that time.

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

Maximum Productivity

The current housing market has stabilized and is forecasted to improve in both sales prices and pace of sales. Job growth is relatively strong with unemployment at a rate comparable to prior to the Great Recession. While home sales are still below historic rates, prices are rising. High prices, limited financing choices and limited credit availability are making it hard for first time buyers to enter the housing market. However the limited availability of homes for sale, population growth and low interest rates all point to demand for new housing in the subject area with upward pressure still being placed on prices. Based on the current active projects in the area, coupled with population growth projected in the subject marketplace, it is our opinion that the subject property is feasible for residential and 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 commercial land use.

Highest and Best Use – “As Improved”

As earlier detailed, the subject property consists of four residential neighborhoods, two that are currently being marketed with model homes open. Shea Homes opened its Element and Z products for sale in December 2016. They have sold 84 homes suggesting an absorption rate of 6.46 homes per month for the combined projects. KB Home opened for sale in December 2017 and has sold three suggesting a sales rate of about 2.0 units

per month. Both absorption rates are considered to be good 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 property 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 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 value 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 1, 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 value conclusion for each ownership will be completed. 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 was searched for recent sales in this submarket of San Diego County as well as other locations considered comparable to the South Bay area. Eleven transactions summarized in the Addenda that have been found to be most comparable to the subject property. Six of the sales found are located within the subject Millenia master planned community. Each transaction is discussed in relationship to the subject property below.

Land Sale No. 1 refers to a recent purchase of an apartment site within the Millenia master planned community. The site is located just to the west of the CalAtlantic site and is currently vacant. The buyer, Trammel Crow, is approaching the completion of another apartment project within Millenia totaling 309 units (outside of subject area) that is expected to have move-ins starting this May. This project, to be known as “Esplanade” is expected to soon start construction of 253 units. This is the most recent residential land sale within the Millenia community as it closed in December 2017. It sold at a total purchase price of \$9,200,000 which is equivalent to \$36,364 per dwelling unit with the project having an overall density of 30.6 dwelling units per acre. In addition to the

purchase price, the buyer is to pay a Master Marketing Fee of \$379,500 (\$1,500 per unit) to go towards the marketing and advertising of the overall community.

Land Sale No. 2 is the sale/acquisition of one of the subject properties located directly across from Land Sale No. 1. CalAtlantic is a large, publicly held builder that has recently merged with Lennar now becoming the largest builder in the country. The land purchase price at \$3,510,000 is equivalent to \$45,000 per dwelling unit. This transaction closed in June, 2017 and has an overall density of 20.9 dwelling units per acre. CalAtlantic had started in-tract infrastructure work at the time of our inspection and will soon be starting models for an attached townhome product to be called "Boulevard at Millenia." Units are expected to range from 1,681 to 2,046 square feet with prices starting at about \$445,000. In addition to the land purchase price, the buyer will pay to the master developer a Master Marketing Fee based on 1.5% of sale price of the units, as well as profit participation depending on the profitability of the project.

Land Sale No. 3 is also the sale/acquisition of one of the subject parcels. It is located adjacent on the east side of Land Sale No. 2, the CalAtlantic project. KB Home purchased the site which is proposed for 79 single family detached small lots for \$7,265,000 or \$91,962 per dwelling unit. The overall density of this project is 10.9 dwelling units per acre. The sale closed at the same time as Land Sale No. 2 but the builder, KB Home, has completed the models and homes are currently offered for sale. The product is known as "Skylar at Millenia" and is a small lot detached program with two floor plans of 2,602 and 2,659 square feet. Current prices, at time of inspection, range from \$596,490 to \$630,990. Similar to Land Sale No. 2 the builder will be paying a Master Marketing Fee of 1.5% of the sale price of units along with profit participation.

Land Sale No. 4 refers to the March 2017 purchase of a 3.14 acre site located at 1630 S. Melrose Drive in the City of Vista, about 45 miles north of the subject. Lennar Homes purchased the site from Warmington Land Associates who optioned the site from the First Church of Christ Scientist, Carlsbad-Vista, per an agreement dated August 26, 2015. Warmington mapped the site and initiated both engineering and architectural plans for 47 townhomes (3-story) on the site suggesting a 14.97 dwelling unit per acre density. The map was ready to record and the engineering and architectural plans were in final plan

check at time of closing to Lennar. The site has an access easement from Melrose and has frontage on Live Oak, however the site is above grade of Live Oak. Lennar purchased the site for \$4,300,000 or \$91,489 per unit. In comparison to the subject, this site is considered to be slightly superior in location (Vista median home price of \$476,250 versus Chula Vista median home price of \$465,000), while inferior due to condition (existing church on site needing to be demolished).

Land Sale No. 5 pertains to the purchase of a 6.3 acre parcel located in Oceanside approximately 50 miles northwest of the subject. City Ventures Homebuilding purchased the site for \$6,405,000 which equates to \$110,431 per unit. There are 58 townhomes proposed for the site suggesting a density of 9.2 dwelling units per acre. The site was a previously graded superpad with surrounding infrastructure in place, across the street from an existing motel and gas station and adjacent to a vacant Fresh and Easy Market. Per a broker knowledgeable with the transaction, the price was based on a \$230,000 finished lot. In comparison to the subject property this site is considered to be slightly superior in location (Oceanside median home price is \$474,500 versus Chula Vista's median home price of \$465,000).

Land Sale No. 6 refers to the sale of 9.43 acres within the Millennia master planned community, across the street from one of the subject commercial parcels. Trammell Crow purchased the site on March 3, 2016 for \$15,350,000 or \$49,676 per unit. This site is entitled for 309 units for a density of 32.8 dwelling units per acre. It is close to being completed with move-ins expected starting in May, 2018. This site is directly across Birch Road from the Otay Ranch Town Center. The project is known as "Alexan", a luxury apartment complex. This project also has a master marketing fee based on \$1,500 per unit. In comparison to the subject, this site is higher in density to the subject residential sites.

Land Sale No. 7 refers to the February 2016 closing on a parcel within Otay Ranch Village Two. The site is located west of the subject property by approximately two miles. The 5.18 acre site is entitled for 94 multi-family units per the SPA Plan suggesting a density of 18.15 dwelling units per acre. The property is generally level with frontage along Santa Carolina Road (turns in to Santa Diana Road just east of this site) which is fully improved

with utilities in the street. RV Management purchased the site for \$4,000,000 which equates to \$42,553 per unit. The property was previously foreclosed on during the recession. The site is not in a superpad condition but rather in a raw land condition which is considered to be inferior to the superpad condition. The subject sites have the majority of all surrounding infrastructure in place, are mass graded with utilities stubbed into the sites. This transaction has a similar density compared to some of the subject parcels. Other factors of this transaction are considered to be similar to the subject sites.

Land Sale No. 8 refers to the sale of another subject site. It was delivered in a superpad condition and is located in Millennia at the northwest corner of Hunte and Eastvale Parkways. Shea Homes purchased the 10.03 acres from the master developer, SLF IV-Millennia LLC in December 2015. The site has entitlements for 176 units resulting in an average density of 17.54 dwelling units per acre. Shea Homes paid \$10,350,000 which equates to a blended price of \$58,807 per dwelling unit for the two products. Shea has completed models and is currently marketing two products on the site; "Element" (larger product with cluster detached units) and "Z" (smaller product with attached units). At the time of inspection base prices for "Element" started at \$498,000 for detached homes that range from 1,775 to 2,248 square feet. "Z" is an attached, townhome product that ranges from 1,288 to 1,475 square feet and base prices starting at \$386,000. The site was purchased in a superpad condition with other factors similar including master marketing fee and profit participation. It is an older sale having closed over two years prior to date of value.

Land Sale No. 9 pertains to a sixth residential sale located in Millennia although not one of the subject properties. Genesis New Homes LLC (dba Meridian Development) purchased the 12.74 acres from the master developer, SLF IV-Millennia LLC (a related entity) in June, 2015 for \$12,000,000 or \$55,300 per unit. The site has entitlements for 217 attached homes. This was the first closing of a for sale product within Millennia. Typically the first land sale closing is a bit lower than later sales, once the project gets the momentum of new home sales. The 217 homes suggest an overall density of 17.03 dwelling units per acre. Meridian is currently marketing three projects on the site, Metro, Trio and Evo with homes ranging in size from 1,300 to 1,950 square feet. This is an older

land sale and was the first for sale product in Millennia. Similar to the other Millenia projects the buyer pays a Master Marketing Fee based on 1.5% of product sales price.

Land Sale No. 10 refers to the sale of a small infill parcel located in Chula Vista in May 2015. This site is located along Dorothy Street near the I-5 in an older section of the City. The buyer, Muraoka Enterprises, Inc. purchased the property without entitlements and is processing the maps on the property now. The property was zoned for multi-family residential so the proposed project was allowed with existing zoning. There were old buildings on the site (a few small rental homes) which will be torn down in order to build condominiums. The buyer is processing a map for 39 units and a clubhouse on the site. It was purchased for \$2.4 million or \$93,600 per unit. The density on the property is 22.03 units per acre. In comparison to the subject property this site is considered to be superior in location as it is an infill product near the major freeways, however inferior in condition. It should be noted that per public record the property sold for \$1,350,000, however per both the listing and selling broker and other information obtained on the property, the sales price was \$2.4 million.

Land Sale No. 11 pertains to the sale of the old Marion Catholic High School site located in San Diego adjacent to the City of Imperial Beach about six miles southwest of Chula Vista. The site is an infill parcel that was sold to Shea Homes for \$16,250,000 in February 2015. The 15.74 acre site is under construction with 175 homes on small lots with a density of 11.12 dwelling units per acre. The sales price equates to \$92,857 per unit. Shea is currently selling the neighborhood known as "Sea Glass" on the property with home sizes from 1,662 to 1,999 square feet on small lots with pricing from \$439,000 to \$472,000. In comparison to the subject property this sale is considered superior in location and inferior due to the time elapse since the sale.

The market data and comparisons to the subject are summarized on the following page:

Data No.	Acres/ Units Density	Date of Sale	Price/Unit	Comparison to Subject
1	8.27 / 253 30.6	12/17	\$36,364	Similar, Higher Density
2	3.74 / 78 20.9	6/17	\$45,000	Subject Parcel, Recent Sale
3	7.27 / 79 10.9	6/17	\$91,962	Subject Parcel, Recent Sale
4	3.14 / 47 14.97	3/17	\$91,489	Superior - Location Inferior – Condition
5	6.3 / 58 9.2	1/17	\$110,431	Superior in location
6	9.43 / 300 32.8	3/16	\$50,000	Similar, Higher Density
7	5.18 / 94 18.1	2/16	\$42,553	Inferior – Condition
8	10.03 / 176 17.54	12/15	\$58,807	Subject Parcel, Older Sale
9	12.81 / 217 16.93	6/15	\$55,300	Similar, Older Sale
10	1.77 / 39 22.03	5/15	\$61,538	Inferior – Condition
11	15.74 / 175 11.1	2/15	\$92,857	Superior Location, Older Sale

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

Without making adjustments, the market data has an overall per unit range from \$36,364 to \$110,431. This wide range is mainly influenced by density as the various project densities range from 9.2 to 32.8 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. Subject parcels range in density from 10.9 to 20.9 dwelling units per acre all within the densities of the comparable market data.

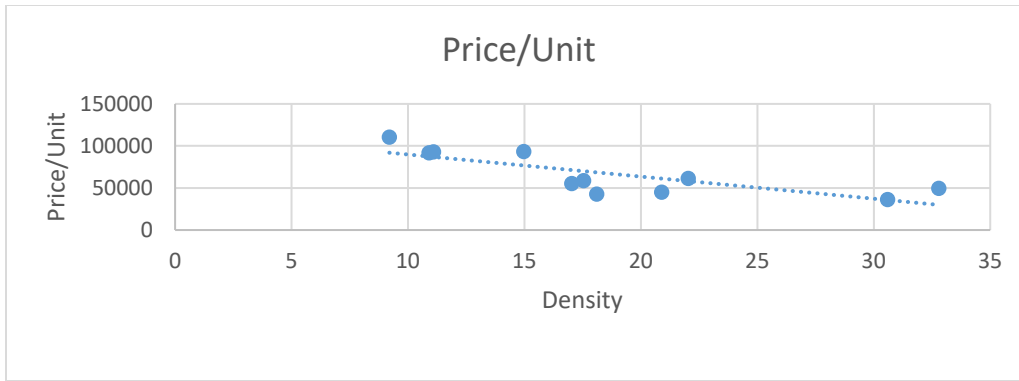
Land Sale Nos. 3 (Subject, KB Home), 5 and 11 are the lower density sales (from 9.2 to 11.1 dwelling units per acre) and sold for between \$91,962 and \$110,431 per unit, the three highest sales on a per unit basis. These sales provide the best value indications for

the lower density, single family detached program known as Skylar being developed by KB Home.

Land Sale Nos. 4, 7, 8 (Subject, Shea Homes) and 9 have a density range from 14.97 to 18.1, and sold on a per unit basis between \$42,553 and \$91,489. In our opinion these sales best represent the land value for the Shea Homes project (Data No. 8) which is a combination of cluster single family detached (Element at Millenia) and townhome (Z at Millenia) product. This subject site has a merged density of 17.54 dwelling units per acre which would suggest a per unit value in the mid-range of the sales data between \$55,000 and \$65,000 per unit, similar to the actual purchase price of \$10,350,000 or \$58,807 per unit. This land sale closed in December, 2015 and an adjustment to the upper end of the range is appropriate reflecting increases in value over the past two years.

Land Sale Nos. 1, 2 (Subject, CalAtlantic), 6 and 10 are the higher density land sales from the data researched and range from 20.9 to 32.8 units per acre. Sales prices for these data items range from \$36,364 and \$61,538 per unit. Data No. 2 (\$45,000 per unit) is the subject property that is being developed by CalAtlantic Homes with a density of 20.9 dwelling units per acre at the lower end of the data densities. Market Data Nos. 7, 8 and 9 have a density from 17.03 and 18.1 dwelling units per acre and range from \$42,553 to \$58,807 per unit in price. These sales also relate to this subject property. Based on this comparable data it appears that the purchase price of this subject site represents market value.

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 following ranges of value for the subject properties in a raw land condition.

<u>Lot No.</u>	<u>Builder/Developer</u>	<u>Density</u>	<u>Price Range based on graph</u>
1 Map 16150	Shea Homes	17.62	\$60,000 - \$80,000 per unit
11 Map 16081	SLF IV-Millenia, LLC	19.54	\$50,000 - \$70,000 per unit
14 Map 16081	KB Home	10.87	\$80,000- \$100,000 per unit
17 Map 16081	CalAtlantic Homes	20.86	\$50,000 - \$70,000 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 No. 8 represents the acquisition by Shea Homes over two years ago and suggests an increase over the purchase price to date of value range due to time.

With the exception of Lot 11 of Map 16081, the subject residential parcels all have had land development occur. We have reviewed costs to develop proposed attached units on Lot 11 with finishing costs estimated at \$78,600 per unit. Based on the market data, we have concluded that Lot 11 has a per unit value of \$45,000. This suggests the finished pads would have a value in the \$125,000 per unit range.

Lot 17 of Map 16081 refers to the CalAtlantic owned property proposed for 78 attached homes to be built-out as Boulevard. The site is currently being graded meaning engineering is complete on the site. The total land development costs are estimated as \$6,371,257 with \$233,027 spent to date. This leaves \$6,138,230 or \$78,695 per lot in remaining costs. We have concluded that Lot 17 has a per unit value of \$50,000. This suggests the finished pads would have a value in the \$130,000 range. While the Lot 17

and Lot 11 have similar densities, Lot 17 has engineering complete and has begun grading suggesting that some of the risk to the builder has been alleviated.

Lot 14 of Map 16081 refers to the KB Home owned property proposed for 79 single family detached units on small, condominium lots known as Skylar. The site has been graded and underground utilities are being installed. KB Home has completed two model homes (valued separately) and six production homes recently began construction. While the six production homes have begun construction, we will value these as lots rather than give value to a partially complete improvement. The total land development costs are estimated at \$7,332,343 with \$1,654,216 spent to date leaving \$5,678,127 or \$71,875 per lot in remaining costs. It should be noted that a portion of the costs spent to date are attributed to the two completed model homes which are valued later within this report. We have concluded that the Skylar lots have a per lot value of \$100,000. This suggests the finished lots would have a value in the \$170,000 range.

Lot 1 of Map 16150 refers to the Shea Homes owned property which is currently being developed as Element (70 cluster detached units) and Z (106 attached units). Shea has developed the property into physically finished “lots” (actually a finished pad for a unit to be built on), with the streets and utilities stubbed to each pad. While the pads are in a physically finished condition, there are remaining development fees which need to be paid at certificate of occupancy in order to make them true “finished pads”. The total land development costs are \$15,176,890 with \$8,338,453 spent to date leaving \$6,838,437 in remaining costs. This is broken out as \$2,072,901 in remaining development costs and \$4,765,536 in remaining fees. We have concluded that the blended price for the Shea owned pads is \$145,000 for the lots in a true finished condition. The concluded values are shown below.

<u>Lot No.</u>	<u>Builder/Developer</u>	<u>Product</u>	<u>Price/DU</u>
1 Map 16150	Shea Homes	Cluster & Attached	\$145,000
11 Map 16081	SLF IV-Millenia, LLC	Attached	\$45,000
14 Map 16081	KB Home	Detached	\$100,000
17 Map 16081	CalAtlantic Homes	Attached	\$50,000

Commercial Land Valuation

In addition to revenues generated from residential land uses, there are two commercial sites located within the subject area of the Millenia master planned community. These properties along, with proposed development, have been described earlier in this report.

Our search for commercial land sales resulted in eight land transactions consisting of six sales and two current escrows which have been summarized in the Addenda and are discussed below.

Land Sale Nos. 1, 2 and 6 refer to three commercially zoned properties located in Millenia which are planned for a large medical/office campus. Phase I is to be a medical office project with a proposed total of 324,100 square feet based on marketing information. This development will be located on Lot 7 of Final Map 16081 (APN: 643-060-57). The site is one of the subject properties and sold about two years ago at a price equivalent to \$8.35 per square foot (Data No. 6). According to the seller, this price was discounted due to the early close, prior to when development on the site could occur. In addition, the buyer has paid \$350,000 (\$1.14 per square foot) for additional grading on the site which included removing fill dirt for the below-ground floors of a future parking garage. The buyer has been processing plans through the City on this site. Phase II is proposed to be an office, life science, high tech campus consisting of four buildings and totaling over 700,000 square feet according to marketing materials. It will be located on Lot 1 of Final Map 16081 (APN: 643-060-51). The property is under contract at a purchase price equivalent to \$8.24 per square foot (Data No. 1). Per the seller this price was negotiated over two years earlier. In addition to the agreed upon amount, the buyer had expended upwards of \$500,000 (\$1.05 per square foot) out of escrow for additional grading on the site completed by the master developer which included removing fill dirt for the below ground floors of a future parking garage. Data No. 2 refers to a parcel within Millenia, however not a subject property but is planned for Phase III of the Millenia Office Campus. This escrow refers to Lot 19 of Final Map 16081 (APN: 643-060-69). This site is under contract at a purchase price equivalent to \$12.91 per square foot. It should be noted that Data No. 2 includes the possibility of a residential component of 150 units which we believe may

have affected the sales price. When reviewing the three land sales, which are all being purchased by LMC-Millenia Investment. Company L.P. (Chesnut Properties) for their Think, Invent and Discover campuses, the blended price of for the three parcels is \$9.69 per square foot. It should be noted that the transactions were all negotiated about two years ago.

Land Sale Nos. 3 and 5 refer to two additional commercial land sales within Millenia. Land Sale No. 3 pertains to a retail site (two parcels) that is under construction at this time. The parcels are located along the south side of Birch Road. MCV23, LLC purchased the site from SLF-IV – Millenia LLC, the master developer, a related entity to Meridian. Plans on the site are for 135,000 square feet of retail, services and restaurant space. The property sold in April 2017 for \$5,459,725 which suggests a per square foot amount of \$10.03. The lands were sold in a mass graded condition with surrounding streets in place. Land Sale No. 5 is the sale of a 2.5 acre parcel located adjacent to Data No. 1 to the north. Ayres Millenia LP purchased the site and is now under construction with a 135-room hotel. The site closed in April 2016 for \$1,400,000 or \$12.83 per square foot. The site is smaller than Data No. 3 or the subject parcels, which typically commands a higher price per square foot.

Land Sale No. 4 pertains to the sale of a 15-acre commercial designated parcel located near the 905 (Otay Mesa) Freeway about five miles southwest of the subject site. The site was unimproved at time of sale in April 2017 when Blue Merced R 1414 LLC purchased it from the Roman Catholic Bishop of San Diego for \$4,500,000 or for \$5.12 per square foot. Raw land is significantly inferior when compared to a superpad within a development such as Millenia with entitlements in place.

Land Sale Nos. 7 and 8 refer to two land sales within the Village of Eastlake approximately two and one-half miles northeast of the subject properties. The area is the commercial section of the Village of Eastlake which includes Eastlake Business Park, several retail centers along SR 125 and a new development known as the District at Eastlake, a health and entertainment center. This area has generally been built out over the last 10 years.

These are two of the three or four final lots within the neighborhood. Land Sale No. 7 sold in May 2015 for \$3,300,000 or \$19.53 per square foot to a hotel user. There is a Hampton Inn Suites currently under construction on the 3.88-acre site. Land Sale No. 8 refers to a smaller (1.55-acre) infill site which was purchased for a self-storage site for \$1,800,000 or \$16.66 per square foot. Surrounding lands are built-out with the existing community of Eastlake. In comparison to the subject property these are considered to be superior due to the build-out of surrounding lands and the minimal amount of land left for development along with the smaller size in comparison to the subject lands. That is, typically smaller commercial lots sell on a higher per square foot basis.

The sales are summarized below

<u>Commercial Land Sale Summary</u>						
<u>Data No.</u>	<u>Location</u>	<u>Sale Date</u>	<u>Size Acres</u>	<u>Price</u>	<u>Price/ Sq. Ft.</u>	<u>Comments</u>
1	W/S Millenia Ave., S/O Stylus St., Millenia MPC	Esc.	10.93	\$3,923,555	\$8.24	"Invent" project
2	W/S Millenia Ave., N/O Strata St., Millenia MPC	Esc	8.342	\$4,623,890	\$12.91	"Discover" project
3	SE & SWC Birch Rd. & Millenia Ave., Millenia MPC	4/17	12.58	\$5,459,725	\$10.03	Retail site
4	W/S Ocean View Hills; N/O SR 905, Otoy Mesa	4/17	15.68	\$3,500,000	\$5.12	Raw Comml land
5	W/S Millenia Ave. @ Stylus St., Millenia MPC	4/16	2.505	\$1,400,000	\$12.83	Ayres Hotel
6	E/S Millenia Ave., S/O Stylus St., Millenia MPC	2/16	7.062	\$2,568,663	\$8.35	"Think" project
7	S/S Fenton St. @ Harold Pl., Chula Vista	5/15	3.88	\$3,300,000	\$19.53	Hotel, adjacent to business park & retail
8	SEC Fenton St. & Hale Pl, Chula Vista	4/15	1.55	\$1,800,000	\$16.66	Multi Tenant Self-storage

The market data has a wide range from \$5.12 to \$19.53 per square foot. The highest price refers to a sale in the Eastlake Business area which is reaching build-out. The lowest price refers to a raw land sale which is significantly inferior in condition to the subject parcels. Data Nos. 7 and 8 are some of the last sales in the Otoy Business area where the remaining finished sites have asking prices at \$30.00 per square foot. In addition to the land sale data summarized above, we have also investigated six commercial land sales and listings around Brown Field about four miles to the southwest. Sale prices are

in the \$12.00 per square foot range with asking prices slightly above. In our opinion, this location is inferior to the subject with land uses generally more industrial in character.

Other 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 \$16.00 to \$18.00 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 two subject commercial sites are located on both sides of Millenia Avenue, one of the main arterial streets through the community and have prominent visibility within the development as well as from State Route 125 toll road. The commercial sites are proposed to be medical and high-tech office uses that should enhance the adjacent properties.

Based on the comparable data and summarized considerations we have estimated the retail value of the commercial sites at \$13.00 per square foot.

SLF-IV Millenia Ownership Valuation

SLF-IV Millenia owns Lot 1 and Lot 11 of Tract 16081. Lot 1 consists of a 10.93 acre commercial parcel and Lot 11 consists of a 3.07 acre residential parcel entitled for 60 attached dwelling units. As previously discussed under the property description for the ownership, there are remaining land development costs of \$745,000 associated with Lot 1 and \$210,000 associated with Lot 11. It is the appraisers' understanding that these remaining costs are the responsibility of the master developer, thus they will be included in the valuation of the master developer owned lands.

As discussed above the commercial parcels have a concluded market value of \$13.00 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 three or four years. This suggests that Lot 1 will not be developed for approximately three to four years. Using the concluded current market value of \$13.00 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 \$8.88 to \$9.77

per square foot range. We have concluded that the subject Lot 1 has a current market value of \$9.00 per square foot.

Lot 1 Value Conclusion:

10.93 Acres or 476,111 square feet x \$9.00 =	\$4,284,997
Less: Remaining Development Costs	<u>(745,000)</u>
Lot 1 Value	\$3,539,997 (say) \$3,540,000

As concluded above, Lot 11 has a current market value of \$45,000 per unit with \$210,000 in remaining costs associated with Lot 11. The value calculated as follows:

Lot 11 Value Conclusion:

60 units x \$45,000 =	\$2,700,000
Less: Remaining Development Costs	<u>(210,000)</u>
Lot 11 Value	\$2,490,000

Total SLF-IV Millenia Ownership Value Conclusion:

Commercial Parcel (Lot 1)	\$3,540,000
Residential Lands (Lot 11)	<u>\$2,490,000</u>
Total SLF-IV Millenia Value	<u>\$6,030,000</u>

LMC-Millenia Investment Company L.P. Ownership Valuation

LMC-Millenia Investment Company, L.P. owns Lot 7 of Tract 16081. Lot 7 consists of a 7.062-acre commercial parcel. As concluded above the commercial parcels have a concluded current market value of \$13.00 per square foot. The final value calculation for Lot 7 is as follows:

7.062 Acres or 307,621 square feet x \$13.00 = \$3,999,073 (say) **\$4,000,000**

CalAtlantic Ownership Valuation

CalAtlantic owns Lot 17 of Tract 16081. Lot 17 consists of a 3.739-acre residential parcel currently under land development for 78 attached homes. As concluded above Lot 17 has a per lot value of \$50,000 per unit. The final value calculation is as follows:

78 units x \$50,000 per unit = **\$3,900,000**

KB Home Ownership Valuation

KB Home owns two model homes and 77 lots which are currently under development. First the two model homes will be valued followed by the final calculation of the lots.

Retail House Valuation

Due to the single ownership of multiple houses by KB Home, 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 each neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder owned bulk value.

Skylar by KB Home consists of 79 proposed single family detached homes. There are two completed model homes with the remaining lands under development. In this analysis we will value each plan within Skylar 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 Skylar. A listing of the improved residential comparable properties is located in the Addenda of this report.

Skylar by KB Home					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
1	4 / 3.5	3 / 2	2,602	0	1*
2	4 / 3.5	3 / 2	2,659	0	1*
Total				0	2

*One of each of these plans is a model home.

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

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	4 / 3.5	3 / 2	2,602	--
1	4	4 / 3.5	3 / 2	2,248	\$261.12
3	2	4 / 3.5	3 / 2	2,659	\$230.72
7	3	5 / 3.5	2 / 2	2,438	\$241.18
10	2	4 / 3.5	2 / 2	2,788	\$234.93
11	3	4 / 3	2 / 2	2,314	\$263.61

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 10 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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. While there have been three sales within Skylar, we were unable to obtain the information on the sales prices. As they are not yet closed sales, we are not able to pull from public records. The new home comparables have a base price range from \$230.72 to \$263.61 per square foot. Skylar is a new design of a detached home with a zig-zag site plan. While there have been no closings within the project, the asking price for Plan 1 is \$229.24 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 two 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 \$225.00 per square foot. This calculates as follows:

$$2,602 \text{ sf} \times \$225.00 = \$585,450$$

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

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	4 / 3.5	3 / 2	2,602	--
1	4	4 / 3.5	3 / 2	2,248	\$261.12
3	1	4 / 3.5	3 / 2	2,602	\$229.24
7	3	5 / 3.5	2 / 2	2,438	\$241.18
10	2	4 / 3.5	2 / 2	2,788	\$234.93
11	3	4 / 3	2 / 2	2,314	\$263.61

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 10 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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. As they are not yet closed sales, we are not able to pull from public records. The new home comparables have a base price range from \$230.72 to \$263.61 per square foot. Skylar is a new design of a detached home with a zig-zag site plan. While there have been no closings within the project, the asking price for Plan 2 is \$230.72 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 two 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 \$225.00 per square foot. This calculates as follows:

$$2,659 \text{ sf} \times \$225.00 = \$598,275$$

Builder Owned Retail Value

Within Skylar both 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 \$585,450)	\$ 585,450
Plan 2 (1 x \$598,275)	598,275
Model Upgrades (2 x \$40,000)	<u>80,000</u>
Total Skylar	<u>\$ 1,263,725</u>

Absorption Period

In order to arrive at an absorption period for the builder owned homes within Skylar, the absorption rates for the comparable projects have been reviewed. The sales rates within Millenia range from 1.8 to 3.5 per month. In addition to reviewing actual sales rates, we have reviewed Meyers Research Market Absorption Study on Skylar which projects a sales rate in the 2.5 per month range. It is our understanding there were three homes sold between December 2017 when the project opened and February 1, 2018. We have concluded that the two model homes will be absorbed over a two-month time period.

Remaining Costs

There are no land development costs associated with the two existing model homes.

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 neighborhoods 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. An eight 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 average to good 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 \$1,048,406 (say) \$1,050,000.

KB Homes Ownership Final Valuation

KB Home owns two model homes and 77 partially finished lots within Skylar at Millenia located on Lot 14 of Tract 16081. In the valuation of the residential lands above, the land improvements to date were considered in the conclusion per lot value of \$100,000.

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

77 partially finished lots	\$7,700,000
Two model homes	<u>\$1,050,000</u>
Total KB Home Ownership Valuation	\$8,750,000

Shea Homes Ownership Valuation

Shea Homes owns six model homes, seven production homes over 95 percent complete, 27 homes under construction and 83 partially finished lots located on Lot 1 of Map 16150. The homes are being built out as Element and Z at Millenia with Element being a cluster product of detached homes and Z being attached homes. First each plan within the builder owned homes will be valued followed by the final calculation of the lot value in order to arrive at a Shea Homes Ownership total valuation. Next the concluded value for each plan will be used to arrive at a minimum market value for the individually owned homes. That is, typically a homebuyer purchases some upgrades, options or premiums when purchasing a new home. Our value will be for the base value of the home not taking into consideration any upgrades, options or premiums.

Retail House Valuation

Element and Z consist of 176 proposed homes, 53 which are individually owned, 13 (including six models) which are over 95 percent complete and owned by the builder (four in escrow), 27 homes under construction and 83 remaining lots. In this analysis we will value each plan within Element and Z and then use a discounted cash flow analysis to conclude at a bulk value for the builder owned homes.

Due to the single ownership of multiple houses by Shea Homes, 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 each neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder owned bulk value. The DCF analyses will be followed by a reporting of the concluded values for the individually owned homes within each neighborhood using the concluded base retail value for each plan with a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes.

Below is a summary of the floor plans within Element and Z. A listing of the improved residential comparable properties is located in the Addenda of this report. All of the improved residential properties are located within Otay Ranch.

Element and Z by Shea Homes					
Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
Z-1	2 / 2.5	3 / 2	1,288	3	1
Z-2	3 / 2.5	3 / 2	1,430	10	2*
Z-3	3 / 2.5	3 / 2	1,475	12	2*
E-1	3 / 2.5	3 / 2	1,775	8	1*
E-2	3 / 3.5	3 / 2	1,915	6	3*
E-3	4 / 3.5	3 / 2	2,157	7	2*
E-4	4 / 3.5	3 / 2	2,248	7	2*
Totals				53	13

*One of each of these plans is a model home.

The most appropriate new home comparable data for Z Plan 1 are shown on the following page.

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	2 / 2.5	3 / 2	1,288	--
2	2	3 / 2.5	3 / 2	1,430	\$286.01
2	3	3 / 2.5	3 / 2	1,475	\$288.81
4	1	2 / 2.5	2 / 2	1,298	\$300.46
4	2	3 / 2.5	2 / 2	1,384	\$297.68
5	1	3 / 2.5	2 / 2	1,653	\$272.83
8	1	3 / 2.5	2 / 2	1,278	\$290.30

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data No. 8 is in a more conventional neighborhood without the urbanization within Millenia. 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 \$272.83 to \$300.46 per square foot. Plan 1 within Z has a current base asking price of \$299.69 per square foot. There have been three closings of Plan 1 with sales prices ranging from \$283.40 to \$304.51 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. 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 the Z Plan 1 has a base current market value of \$290.00 per square foot. This calculates as follows:

$$1,288 \text{ sf} \times \$290.00 = \$373,520$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	3 / 2.5	3 / 2	1,430	--
2	1	2 / 2.5	3 / 2	1,288	\$299.69
2	3	3 / 2.5	3 / 2	1,475	\$288.81
4	2	3 / 2.5	2 / 2	1,384	\$297.68
4	3	3 / 2.5	2 / 2	1,495	\$296.95
5	1	3 / 2.5	2 / 2	1,653	\$272.83
8	1	3 / 2.5	2 / 2	1,278	\$290.30

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data No. 8 is in a more conventional neighborhood without the urbanization within Millenia. 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 \$272.83 to \$299.69 per square foot. Plan 2 within Z has a current base asking price of \$286.01 per square foot. There have been ten closings of Plan 2 with sales prices ranging from \$268.25 to \$286.85 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. 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 the Z Plan 2 has a base current market value of \$280.00 per square foot. This calculates as follows:

$$1,430 \text{ sf} \times \$280.00 = \$400,400$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	3 / 2.5	3 / 2	1,475	--
2	1	2 / 2.5	3 / 2	1,288	\$299.69
2	2	3 / 2.5	3 / 2	1,430	\$286.01
4	2	3 / 2.5	2 / 2	1,384	\$297.68
4	3	3 / 2.5	2 / 2	1,495	\$296.95
5	1	3 / 2.5	2 / 2	1,653	\$272.83
8	1	3 / 2.5	2 / 2	1,278	\$290.30

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data No. 8 is in a more conventional neighborhood without the urbanization within Millenia. 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 \$272.83 to \$299.69 per square foot. Plan 3 within Z has a current base asking price of \$288.81 per square foot. There have been 12

closings of Plan 3 with sales prices ranging from \$269.54 to \$298.88 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. 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 the Z Plan 3 has a base current market value of \$280.00 per square foot. This calculates as follows:

$$1,475 \text{ sf} \times \$280.00 = \$413,000$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	3 / 2.5	3 / 2	1,775	--
1	2	3 / 3.5	3 / 2	1,915	\$273.11
1	3	4 / 3.5	3 / 2	2,157	\$261.47
3	1	4 / 3.5	3 / 2	2,602	\$229.24
7	1	4 / 2.5	2 / 2	2,014	\$259.18
9	1	4 / 3	2 / 2	1,950	\$277.90
11	1	4 / 3	2 / 2	1,988	\$287.17

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 9 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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 \$229.24 to \$287.17 per square foot. Plan 1 within Element has a current base asking price of \$280.56 per square foot. There have been eight closings of Plan 1 with sales prices ranging from \$274.96 to \$308.66 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. In a larger product, such as Element, the buyer typically purchases more upgrades and options. 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 the Element Plan 1 has a base current market value of

\$275.00 per square foot. This calculates as follows:

$$1,775 \text{ sf} \times \$275.00 = \$488,125$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	3 / 2.5	3 / 2	1,915	--
1	1	3 / 3.5	3 / 2	1,775	\$280.56
1	3	4 / 3.5	3 / 2	2,157	\$261.47
3	1	4 / 3.5	3 / 2	2,602	\$229.24
7	1	4 / 2.5	2 / 2	2,014	\$259.18
9	1	4 / 3	2 / 2	1,950	\$277.90
11	1	4 / 3	2 / 2	1,988	\$287.17

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 9 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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 \$229.24 to \$287.17 per square foot. Plan 2 within Element has a current base asking price of \$273.11 per square foot. There have been six closings of Plan 2 with sales prices ranging from \$265.59 to \$280.55 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. In a larger product, such as Element, the buyer typically purchases more upgrades and options. 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 the Element Plan 2 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$1,915 \text{ sf} \times \$270.00 = \$517,050$$

The most appropriate new home comparable data for Element Plan 3 are shown on the following page.

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	4 / 3.5	3 / 2	2,157	--
1	2	3 / 3.5	3 / 2	1,915	\$273.11
1	4	4 / 3.5	3 / 2	2,248	\$261.12
3	1	4 / 3.5	3 / 2	2,602	\$229.24
7	1	4 / 2.5	2 / 2	2,014	\$259.18
9	3	4 / 3	2 / 2	2,165	\$270.62
11	2	4 / 3	2 / 2	2,021	\$270.02

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 9 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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 \$229.24 to \$273.11 per square foot. Plan 3 within Element has a current base asking price of \$261.47 per square foot. There have been seven closings of Plan 3 with sales prices ranging from \$246.71 to \$281.76 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. In a larger product, such as Element, the buyer typically purchases more upgrades and options. 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 the Element Plan 3 has a base current market value of \$258.00 per square foot. This calculates as follows:

$$2,157 \text{ sf} \times \$258.00 = \$556,506$$

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

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	4	4 / 3.5	3 / 2	2,248	--
1	2	3 / 3.5	3 / 2	1,915	\$273.11
1	3	4 / 3.5	3 / 2	2,157	\$261.47
3	1	4 / 3.5	3 / 2	2,602	\$229.24
7	2	5 / 3	2 / 2	2,177	\$248.96
9	3	4 / 3	2 / 2	2,165	\$270.62
11	3	4 / 3	2 / 2	2,314	\$263.61

All new home comparables are located within Otay Ranch. All are of similar quality, design and appeal; however, Data Nos. 7, 9 and 11 are in more conventional neighborhoods without the urbanization within Millenia. 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 \$229.24 to \$273.11 per square foot. Plan 4 within Element has a current base asking price of \$261.12 per square foot. There have been seven closings of Plan 4 with sales prices ranging from \$255.57 to \$292.79 per square foot. It should be noted that the actual sales prices include upgrades, options and premiums which were purchased from the builder along with any concessions given by the builder. In a larger product, such as Element, the buyer typically purchases more upgrades and options. 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 the Element Plan 4 has a base current market value of \$257.00 per square foot. This calculates as follows:

$$2,248 \text{ sf} \times \$257.00 = \$577,736$$

Builder Owned Retail Value

Within Z & Element there are six builder-owned model homes and an additional seven 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, 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 shown below.

Plan Z-1 (1 x \$373,520)	\$ 373,520
Plan Z-2 (2 x \$400,400)	800,800
Plan Z-3 (2 x \$413,000)	826,000
Plan E-1 (1 x \$488,125)	488,125
Plan E-2 (3 x \$517,050)	1,551,150
Plan E-3 (2 x \$556,506)	1,113,012
Plan E-4 (2 x \$577,736)	1,155,472
Model Upgrades (6 x \$40,000)	<u>240,000</u>
Total Z & Element	<u>\$ 6,548,079</u>

Absorption Period

In order to arrive at an absorption period for the builder owned homes within Z and Element, the absorption rates for both Z and Element have been reviewed along with the comparable project's absorption rates. Z and Element opened for sale in December 2016. Z at Millenia has sold 35 homes suggesting an average sales rate of 2.69 homes per month while Element has sold 49 homes suggesting an average sales rate of 3.7 sales per month. The two projects together have sold 84 homes suggesting an average of 6.46 sales per month for the two projects combined. The other new home project sales rates within Millenia range from 1.8 to 3.5 per month. In addition to reviewing actual sales rates, we have reviewed Meyers Research Market Absorption Study on Z and Element which projects a sales rate in the 3.5 per month for each project or in the 7.0 sales per month range for the combined projects. We have concluded that the 13 builder-owned homes (including six model homes) will be absorbed over a three-month time period.

Remaining Costs

As discussed earlier within this report the Shea Homes owned property has some remaining costs associated with the land development. There are an additional \$2,072,901 in land development costs and an additional \$4,765,536 in development fees. The land development costs should be spread across all builder owned property which includes the 13 builder-owned homes, the 27 homes under construction and the 83 remaining lots for a total of 123 lots. Dividing the \$2,072,901 by the 123 lots suggests a per lot remaining cost of \$16,853 (say) \$16,900 per lot. The remaining fees are associated with the lots only and will be considered in the land valuation below. There

are 13 houses which suggests there are \$219,700 ($\$16,900 \times 13$) 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 neighborhoods 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 potential 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. An eight 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 average to good 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 \$5,193,882 (say) \$5,195,000.

Shea Home Ownership

Shea Homes owns 13 homes over 95 percent complete (including six models), 27 homes under construction and 83 generally finished lots. The homes under construction will be valued on the basis of a finished lot rather than give value to a partially completed improvement, therefore, 110 lots will be valued. We have concluded on a value for the finished lots of \$145,000, however there are some outstanding land development costs to get to a true finished lot (\$16,900 per lot per above discussion). In addition, there are remaining development fees which need to be paid at building permit or occupancy permit which total \$4,765,536. The land valuation for the Shea Homes owned lots is as follows:

110 Lots x \$145,000	\$15,950,000
Less: Remaining Development Costs	(1,859,000)
Remaining Development Fees	<u>(4,765,536)</u>
Shea Homes Ownership Lot Valuation	\$9,325,464 (say) \$9,325,500

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

110 partially finished lots	\$ 9,325,500
13 Builder Owned Houses	<u>\$ 5,195,000</u>
Total Shea Homes Ownership Valuation	<u>\$14,520,500</u>

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 Element and Z there are 53 individually owned homes. The concluded values are shown below:

Z and Element Individual Owned Homes

Plan Z-1 (3 x \$373,520)	\$ 1,120,560
Plan Z-2 (10 x \$400,400)	4,004,000
Plan Z-3 (12 x \$413,000)	4,956,000
Plan E-1 (8 x \$488,125)	3,905,000
Plan E-2 (6 x \$517,050)	3,102,300
Plan E-3 (7 x \$556,506)	3,895,542
Plan E-4 (7 x \$577,736)	<u>4,044,152</u>
Total Z & Element Individual Ownership	<u>\$25,027,554</u>

In an additional analysis, we have reviewed the actual builder sales prices for the homes within Z and Element. Sales occurred between late November 2016 and December 18, 2017 with closings occurring in December 2017. The builder reported closing prices for the individually owned homes totals \$25,547,590. 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. The actual sales prices further substantiate the concluded minimum market values for the Z and Element individually owned homes.

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. 1 which includes 393 proposed residential units and two commercial parcels being developed within the master planned community known as Millenia. There are currently two builders selling new homes within Improvement Area No. 1 with a third builder beginning land development. The parcels have all been mass graded with the currently selling neighborhoods ranging from completed, individually owned homes to builder owned homes, to homes under construction and finally to partially finished lots. Closings began in December 2017 with 53 homes closed to individuals as of February 1, 2018. The currently selling projects are experiencing average to good sales rates. 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 Special Tax CFD 16-I IA 1 Bond proceeds along with the CFD 16-I IA 1 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

(Portion of) Millenia:

SLF-IV-Millenia, LLC Ownership	\$ 6,030,000
LMC-Millenia Inv. Company, L.P. Ownership	4,000,000
CalAtlantic Ownership	3,900,000
KB Home Ownership	8,750,000
Shea Homes Ownership	14,520,500
Individually Owned Homes Minimum Market Value	<u>\$ 25,027,554</u>
Aggregate Value for CFD No. 16-I IA 1	<u>\$ 62,228,054</u>

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions, Hypothetical Condition 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 and Larry Heglar have made a personal inspection of the property that is the subject of this report.
8. Kitty Siino and Larry Heglar have performed appraisal services on the subject property in the past three years. This report is an update to the original report which had a June 28, 2017 date of value.
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.



Larry W. Heglar, MAI



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

ADDENDA

CFD NO. 16-I IMPROVEMENT AREA A
BOUNDARY MAP

PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 16-I
(MILLENNIA)
CITY OF CHULA VISTA
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

SHEET 1 OF 2

MMP REFERENCE NO.	ASSESSOR PARCEL NO.
1	643-060-51
2	643-060-07
3	643-060-01
4	643-060-07
5	643-060-04
6	643-060-34

LEGEND FOR SHEET 1

- IMPROVEMENT AREA NO. 1 BOUNDARY
- 1 MAP REFERENCE NUMBER
- ZONE A
- ZONE B
- ZONE C

RICK
ENGINEERING COMPANY
3620 FRIARS ROAD
SAN DIEGO, CA 92110
619.291.0707
[FAX]619.291.4165



FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF CHULA VISTA THIS 11th DAY OF August, 2016.

Anna R. Norris
CITY CLERK
CITY OF CHULA VISTA
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE 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 MEETING THEREOF, HELD ON THE DAY OF Aug. 8, 2016, BY ITS RESOLUTION NO. 2016-1053.

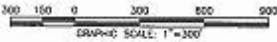
Anna R. Norris
CITY CLERK
CITY OF CHULA VISTA
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



FILED THIS 11th DAY OF August, 2016, AT THE HOUR OF NINE O'CLOCK, P.M. IN BOOK 46 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE 26 IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA. FILE NO. 2016-7000326

COUNTY RECORDER
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA
ERNEST J. DRÖWENBURG, JR.

FOR PARTICULARS OF THE LINES AND DIMENSIONS OF ASSESSOR PARCELS, REFERENCE IS MADE TO THE MAPS OF THE ASSESSOR, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.



2016-7000326

BK 46 PG 2

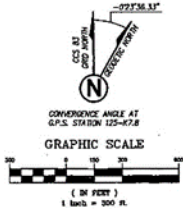
TRACT MAP 16081, 15942, 16150,
ADJUSTMENT PLAT 17-0006, SHEA AND KB
SITE PLANS

MAP NO. 16081

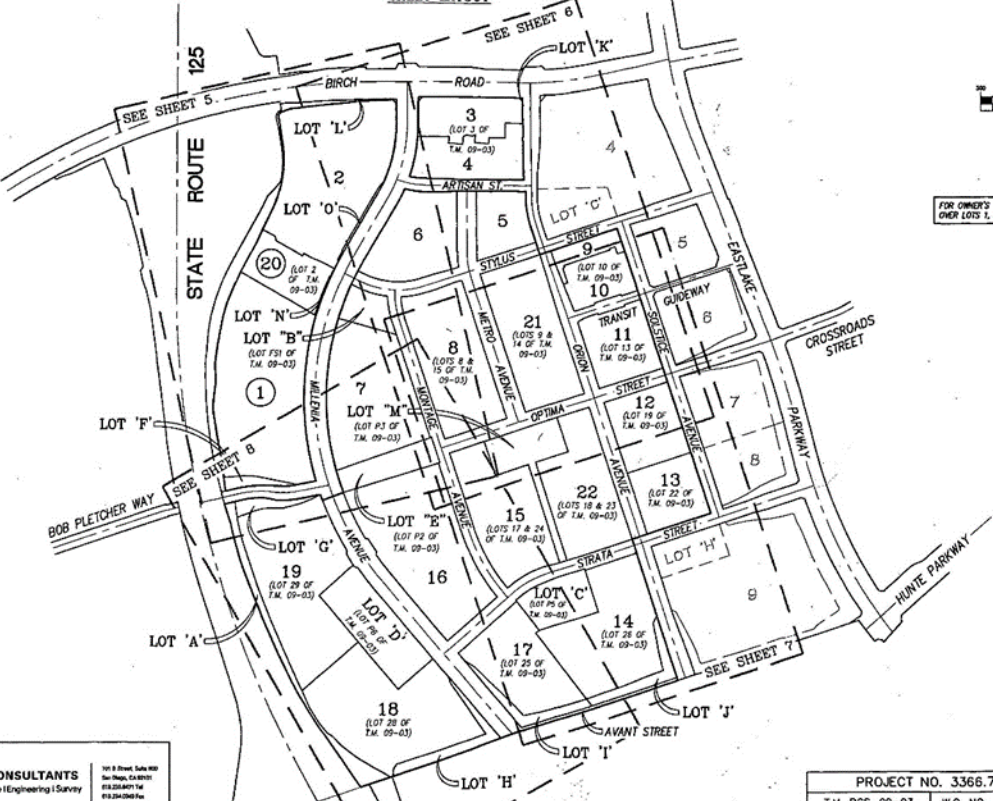
CHULA VISTA TRACT NO. 09-03
OTAY RANCH MILLENIA PHASE 2 (EASTERN URBAN CENTER)

SHEET LAYOUT

SHEET 4 OF 8 SHEETS



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



PROJECT DESIGN CONSULTANTS
 Planning | Landscape Architecture | Engineering | Survey

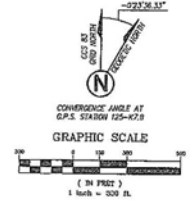
101 S. Street, Suite 400
 San Diego, CA 92101
 619.594.9174
 619.594.9468 Fax

PROJECT NO. 3366.70		CCS 83 1804-6341
T.M. PCS-09-03	W.O. NO. OR-853F	L.C. 164-1781

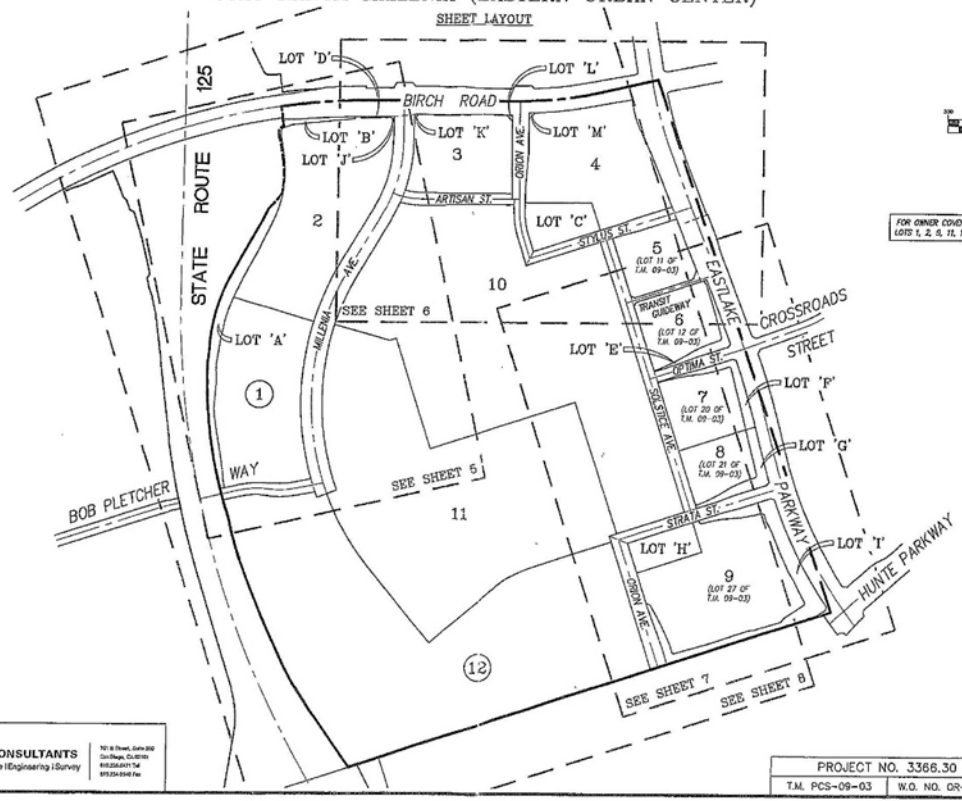
MAP NO. 15942

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

SHEET 4 OF 8 SHEETS



FOR OTHER COVENANT STATEMENTS OVER
LOTS 1, 2, 5, 11, 12 AND 'I' SEE SHEET 2



PROJECT DESIGN CONSULTANTS
 Planning | Landscape Architecture | Engineering | Survey

701 B Street, Suite 200
 San Diego, CA 92101
 619.594.9174
 619.594.9146 Fax

PROJECT NO. 3366.30		CCS 83 1604-6341
T.M. PCS-09-03	W.O. NO. CR-850F	L.C. 184-1781

CITY OF CHULA VISTA

DEVELOPMENT SERVICES DEPARTMENT/ENGINEERING & CAPITAL PROJECTS DEPARTMENT
ADJUSTMENT PLAT NO. 17-0006

EXISTING AREAS

PARCEL A: 7.167 AC.
PARCEL B: 3.841 AC.
TOTAL: 11.008 AC.

PROPOSED AREAS

PARCEL A: 7.269 AC.
PARCEL B: 3.739 AC.
TOTAL: 11.008 AC.

APN'S

LOT 14: 643-060-93
LOT 17: 643-060-94

EXISTING LAND USE:	VACANT
PROPOSED LAND USE:	MULTI-FAMILY/RESIDENTIAL
EXISTING ZONING:	EASTERN URBAN CENTER
PROPOSED ZONING:	EASTERN URBAN CENTER

OWNER'S SIGNATURES

KB HOME CALIFORNIA LLC, A DELAWARE LIMITED LIABILITY COMPANY,
AS PARCEL A OWNER

BY: 
NAME: JESSE KLEIST
TITLE: DIRECTOR, FORWARD PLANNING
DATE: 10/17/17

CALATLANTIC GROUP, INC., A DELAWARE CORPORATION,
AS PARCEL B OWNER

BY: 
NAME: ALEX L. PLISHNER
TITLE: VICE PRESIDENT, FORWARD PLANNING
DATE: 10.16.2017.



PROJECT DESIGN CONSULTANTS

701 B Street, Suite 800 San Diego, CA 92101
619.235.6471 Tel 619.234.0349 Fax

SHEET 2 OF 4



ELEMENT & Z

Z at Millenia

- Phase 1
- Phase 2
- Phase 3
- Phase 4
- Phase 5
- Phase 6
- Phase 7
- Phase 8
- Phase 9
- Phase 10
- Phase 11
- Phase 12
- Phase 13
- Phase 14
- Phase 15
- Phase 16
- Phase 17
- Phase 18
- Phase 19
- Phase 20
- Phase 21
- Phase 22
- Phase 23
- Models

Element at Millenia

- Phase 1
- Phase 2
- Phase 3
- Phase 4
- Phase 5
- Phase 6
- Phase 7
- Phase 8
- Phase 9
- Models



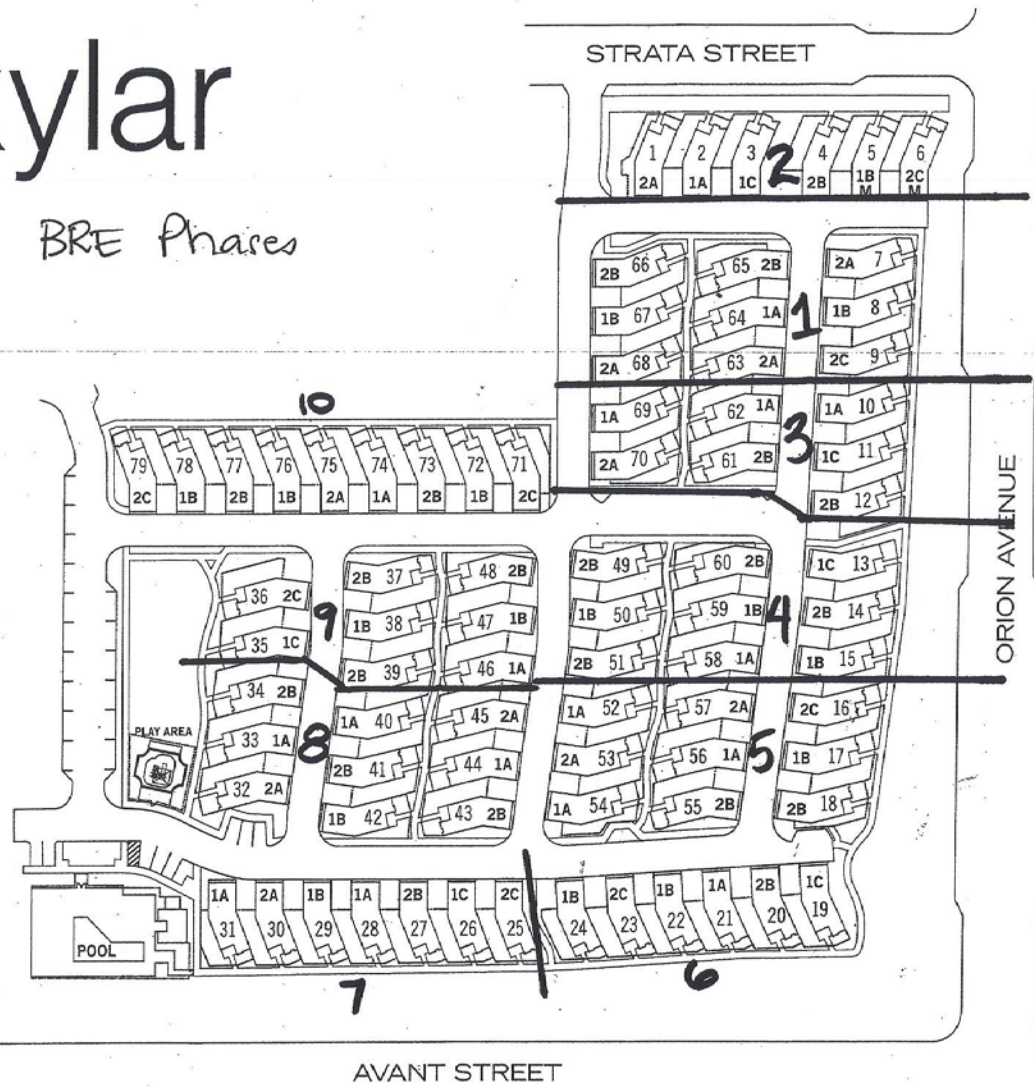
Primary rendering is for informational purposes only and is not intended to represent any specific project. Building locations, sizes and styles, colors, heights, and other features are subject to change without notice. Floor plans are subject to construction. Square footages are approximate. All options and upgrades require additional charge. This is not a contract. It is a preliminary rendering of a project and is not intended to represent any specific project. Shea Homes is pleased to be a part of the U.S. Housing Opportunity Program. We encourage and support the affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin. Administered by Shea Homes Lehigh Valley, Inc. Shea Homes, Marketing Company are independent members of the Shea family of companies. Sites by Shea Homes Marketing Company, CA Dept. of Real Estate License No. 01372646. See a Community Representative for further details. 4/17





Skylar

BRE Phases



© 2017 KB HOME. THIS MAP IS FOR GENERAL ORIENTATION PURPOSES AND IS NOT DRAWN TO SCALE. KB HOME DOES NOT REPRESENT OR GUARANTEE THIS MAP TO BE ACCURATE AND IT IS SUBJECT TO CHANGE AND MODIFICATION AT ANYTIME WITHOUT NOTICE. KB HOME DOES NOT CONTROL AND MAKES NO REPRESENTATIONS OR GUARANTEES REGARDING FUTURE DEVELOPMENT OR USES ADJACENT TO THE COMMUNITY. THE MAP DOES NOT REPRESENT OR GUARANTEE THAT THE COMMUNITY OR SURROUNDING AREA WILL BE BUILT OUT, DEVELOPED OR OPERATED AS SHOWN.

BUILDER-OWNED HOMES
DISCOUNTED CASH FLOW ANALYSES

Skylar at Millenia Discounted Cash Flow Analysis

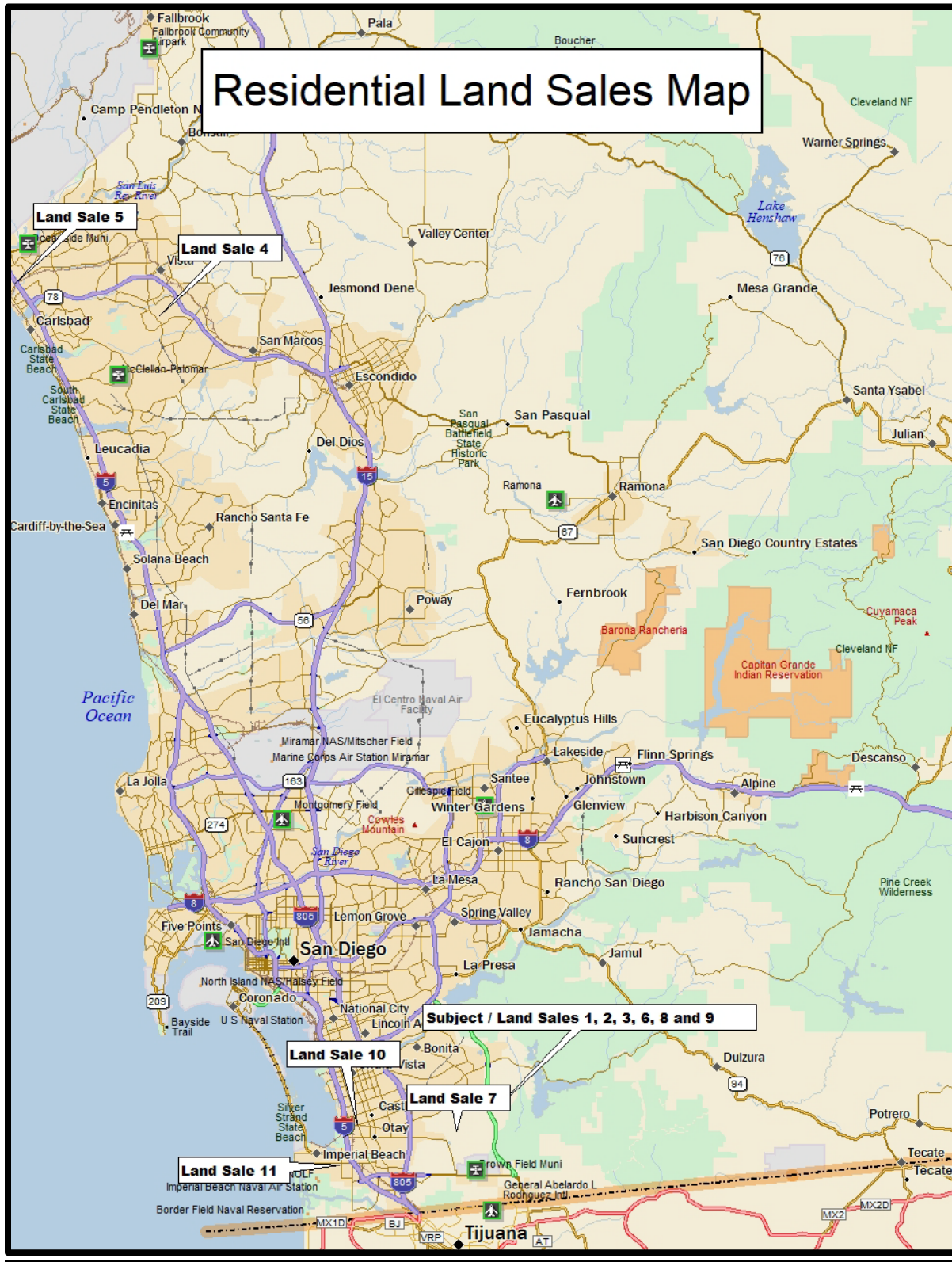
MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>TOTAL</u>
INCOME:			
Retail Sales	\$631,863	\$631,863	\$1,263,725
TOTAL INCOME	<u>\$631,863</u>	<u>\$631,863</u>	<u>\$1,263,725</u>
EXPENSES:			
Remaining Costs			
Marketing & Carrying Expenses	(\$50,549)	(\$50,549)	(\$101,098)
Profit	<u>(\$50,549)</u>	<u>(\$50,549)</u>	<u>(\$101,098)</u>
TOTAL EXPENSES	(\$101,098)	(\$101,098)	(\$202,196)
NET CASH FLOW	\$530,765	\$530,765	\$1,061,529
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	
DISCOUNTED CASH FLOW	\$526,378	\$522,028	\$1,048,406
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$526,378</u>	<u>\$1,048,406</u>	<u>\$1,048,406</u>

Z & Element at Millenia Discounted Cash Flow Analysis

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>TOTAL</u>
INCOME:				
Retail Sales	\$2,182,693	\$2,182,693	\$2,182,693	\$6,548,079
TOTAL INCOME	<u>\$2,182,693</u>	<u>\$2,182,693</u>	<u>\$2,182,693</u>	<u>\$6,548,079</u>
EXPENSES:				
Remaining Costs	(\$73,233)	(\$73,233)	(\$73,233)	(\$219,700)
Marketing & Carrying Expenses	(\$174,615)	(\$174,615)	(\$174,615)	(\$523,846)
Profit	<u>(\$174,615)</u>	<u>(\$174,615)</u>	<u>(\$174,615)</u>	<u>(\$523,846)</u>
TOTAL EXPENSES	(\$422,464)	(\$422,464)	(\$422,464)	(\$1,267,393)
NET CASH FLOW	\$1,760,229	\$1,760,229	\$1,760,229	\$5,280,686
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW	\$1,745,681	\$1,731,254	\$1,716,946	\$5,193,882
CUMULATIVE DISCOUNTED CASH FLOW	<u>\$1,745,681</u>	<u>\$3,476,936</u>	<u>\$5,193,882</u>	<u>\$5,193,882</u>

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

Residential Land Sales Map

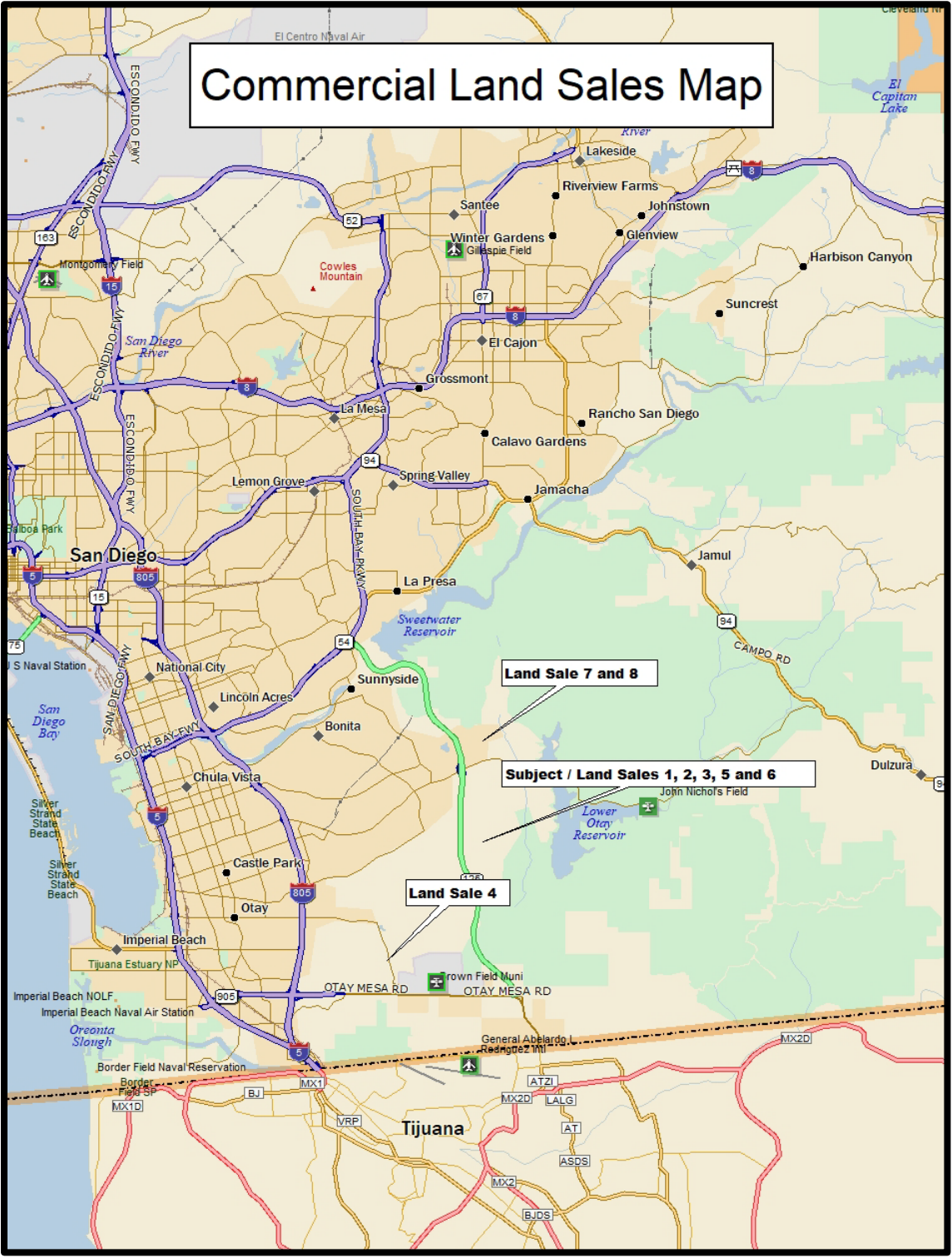


RESIDENTIAL SALES SUMMARY CHART

	Location/Seller	Buyer	Sales Date	Acres / Units	Use/ Density	Sales Price/ Price-Unit	Comments
1	W/S Millenia Ave. @ Strata St., Millenia, Otay Ranch, Chula Vista/ SLF IV-Millenia, LLC	Trammel Crow	12/19/17	8.27 / 253	MF / 30.6	\$9,200,000 / \$36,364	Apartment site sold in superpad condtion. Construction scheduled to start 1 st Qtr, 2018. Buyer to pay Master Marketing Fee of \$379,500. Located just east of CalAtlantic project.
2	SEC Millenia Ave. & Strata St., Millenia, Otay Ranch, Chula Vista / SLF IV-Millenia, LLC	CalAtlantic Homes	6/9/17	3.74 / 78	MF / 20.9	\$3,510,000 / \$45,000	Site delivered in mass-graded condition & fine grading in process at time on inspection. Master Marketing Fee @ 1.5% of product price. Builder also to pay profit participation.
3	SWC Orion Ave. & Strata St., Millenia, Otay Ranch, Chula Visa / SLF IV-Millenia, LLC	KB Home	6/9/17	7.27 / 79	SFD / 10.9	\$7,265,000 / \$91,962	Site delivered in mass-graded condition. Models open for "Skylar" product with homes 2,602 & 2,659 SF. Master Marketing Fee @ 1.5% of product price. Profit participation based on builder profit to be paid.
4	1630 S. Melrose Drive, Vista / Warmington (Christian Science Church)	Lennar	3/09/17	3.14 / 47	SFA / 14.97	\$4,300,000 / \$91,489	Warmington optioned property mapped and began architectural and engineering plans before selling to Lennar. Existing Church on site which needs to be demolished.
5	W/S Vine, N/O Oceanside Blvd, Oceanside / Weseloh Grosse LLC	City Ventures	1/5/2017	6.3 / 58	SFA / 9.2	\$6,405,000 / \$110,431	Site in previously graded superpad condition with surrounding streets in place. Across from existing motel and gas station and adjacent to empty market.
6	S/S Birch Road between Millenia & Orion Avenues, Millennia, Otay Ranch, Chula Vista / SLF IV-Millenia LLC	Trammel Crow	3/23/16	9.43 / 309	MF / 32.8	\$15,350,000 / \$49,676	Site sold in superpad condition. Buyer currently under construction with a 309 unit apartment site to be known as Alesan. First units anticipate delivery in March 2018. Adjacent to Otay Ranch Town Center.
7	S/S Santa Carolina at Santa Christina, Village Two Planning Area R-28, Montecito Village at Otay Ranch / Golden Trust et al	RV Management	2/2/16	5.18 / 94	MF / 18.1	\$4,000,000 / \$42,553	Property sold for \$42,553 per unit with estimated finishing costs of \$70,000 per unit. The site was raw land with some of the surrounding streets in place.
8	NWC Eastlake Parkway & Hunte Parkway, Millenia, Otay Ranch, Chula Vista / SLF IV - Millenia LLC	Shea Homes	12/10/15	10.03 / 176	MF / 17.54	\$10,350,000 / \$58,807	Sold in superpad condition. Shea homes is now marketing their Element product (SFD) and Z project (attached) on the site.
9	W/S Eastlake Parkway between Stylus and Strata Streets, Millenia, Otay Ranch, Chula Vista / SLF - IV Millenia LLC	Genesis (Meridian)	6/30/15	12.74 / 217	MF / 17.03	\$12,000,000 / \$55,300	Meridian Development, is developing the site which was purchased in a superpad condition. First residential for sale product in Millenia. Meridian now marketing three products, Metro, Trio and Evo.
10	South side Dorothy Street between I-5 and Industrial Blvd, Chula Vista / MAR Group V LLC / 622-072-08 & 09	Muraoka Enterprises	5/27/15	1.77 / 39	SFA / 22.03	\$2,400,000 / \$61,538	Property had old homes at time of sale with all of the value attributed to the land. Buyer has processed entitlements for 39 townhomes; 3-4 bedroom with a community clubhouse.
11	1002 18 th Street, San Diego / MCP Ventures Llc / 627-301-16, 17, 18	Shea Homes	2/2/15	15.74 / 175	SFD / 11.1	\$16,250,000 / \$92,857	The old Marion High School (Catholic High School) site. Land sat vacant since 2007 and became a nuisance. Entitled for 175 SFD homes on small lots. Project now under construction.

COMMERCIAL LAND SALES MAP AND
SUMMARY CHART

Commercial Land Sales Map

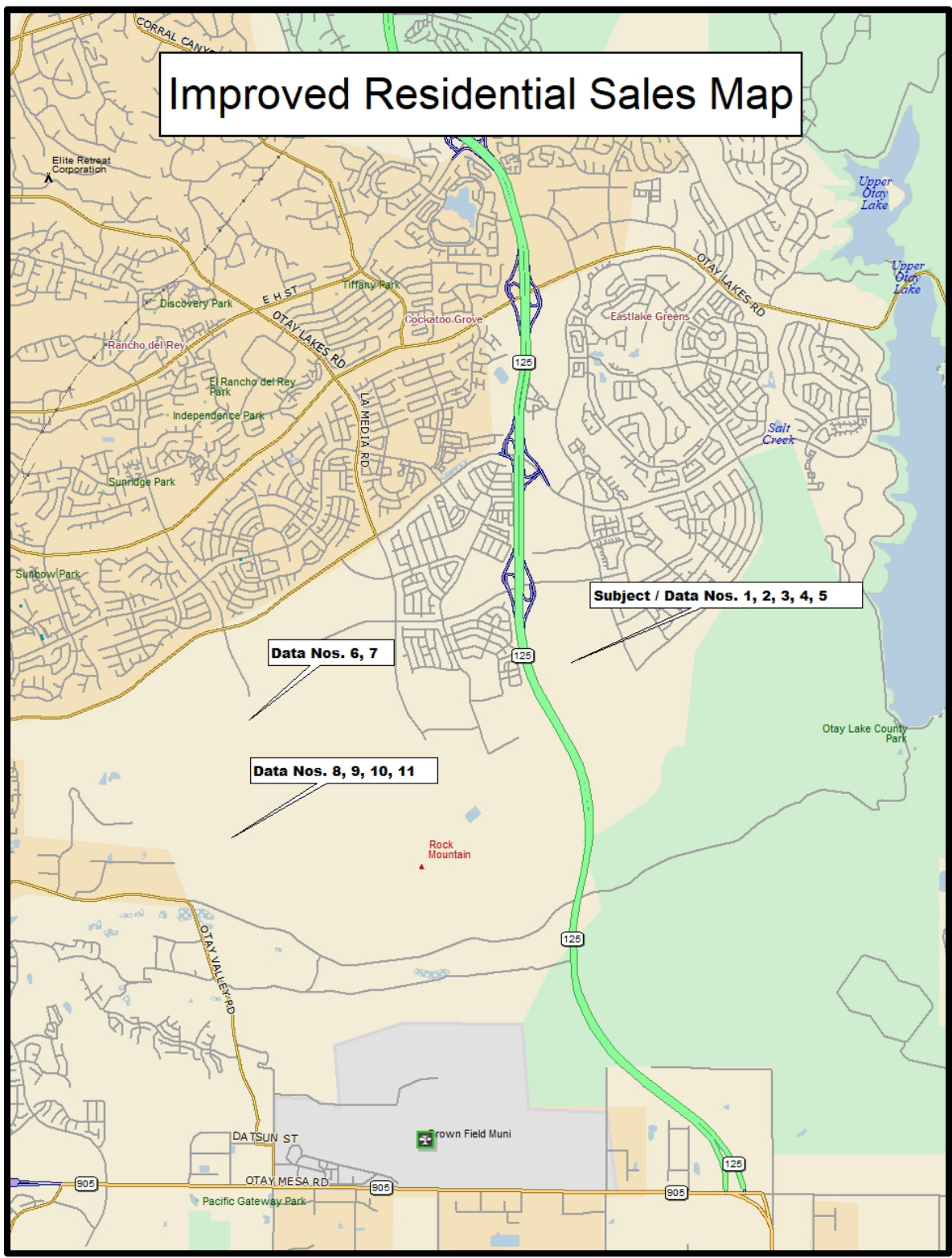


Commercial Land Sale Summary

<u>Data No.</u>	<u>Location / APN / Seller</u>	<u>Buyer</u>	<u>Sale Date</u>	<u>Size Acres</u>	<u>Price</u>	<u>Price/ Sq. Ft.</u>	<u>Comments (expand)</u>
1	West side of Millenia Ave., south of Stylus St., Millenia, Chula Vista / 643-060-51-00 / SLF IV – Millenia LLC	LMC-Millenia Inv. Co. LP (Chesnut)	Esc.	10.93	\$3,923,555	\$8.24	“Invent” project – proposed for 700,000 square feet of Class A Office Space in four 4-7 story buildings along with a 6,100 square foot amenity building. A six-level parking structure is planned with a four-level additional structure. Some marketing materials suggest Office/Life Science/High Tech space expandable to over 1 million square feet.
2	West side of Millenia Ave., north of Strata St., Millenia, Chula Vista / 643-060-79-00 / SLF IV – Millenia LLC	LMC-Millenia Inv. Co. LP (Chesnut)	Esc	8.342	\$4,623,890	\$12.72	“Discover” project. Marketing materials include a proposed 407,100 square foot office space with a 13,250 sf accessory space and a five-level parking garage. Some marketing materials propose a Hospital/Life Science building for 400,000 square feet expandable to 700,000 square feet.(10-stories)/ Site has entitlements to house 150 residential units (not in current plans).
3	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 Under construction with 135,000 square feet of retail, services and restaurants. Within Millenia to provide commercial for surrounding residences.
4	West side of Ocean View Hills Parkway at Otay Mesa Road, Otay Mesa, City of San Diego / 645-040-41-00 / Roman Catholic Bishop of S.D.	Blue Merced R 1414 Llc	4/17	15.68	\$3,500,000	\$5.12	Commercial zoned parcel adjacent to the Playa del Sol residential planned development consisting of over 1,500 condominiums.
5	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.
6	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.
7	South side of Fenton St. at Harold Pl., Eastlake, Chula Vista / 595-711-19-00 / Eastlake Corporate Center	Sethi Family Trust / Baz Family Trust	5/15	3.88	\$3,300,000	\$19.53	In Eastlake Business area which is generally built-out. Frontage on Otay Lakes Road. Hampton Suites Inn and Homewood Suites by Hilton planning a dual hotel on site. Located adjacent to business park & retail.
8	Southeast corner of Fenton St & Hale Place, Eastvale, Chula Vista / 595-232-05-00 / Fenton Street LLC	Pacific EastLake LLC	4/15	1.55	\$1,800,000	\$26.66	In Eastlake Business area which is generally built-out. Self Storage project currently under construction.

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

Improved Residential Sales Map



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Size (SF)	Floors/ Parking	Lot Size/	Base Sales Price	Price/SF
1	Element, Millenia, Solstice Avenue and Strata Street, Otay Ranch, Chula Vista / Shea	1	3 / 2.5	1,775	3 / 2	Cluster	\$498,000	\$280.56
		2	3 / 3.5	1,915	3 / 2		\$523,000	\$273.11
		3	4 / 3.5	2,157	3 / 2		\$564,000	\$261.47
		4	4 / 3.5	2,248	3 / 2		\$587,000	\$261.12
2	Z, Millenia, Solstice Avanue and Strata Street, Otay Ranch, Chula Vista / Shea	1	2 / 2.5	1,288	3 / 2	Att.	\$386,000	\$299.69
		2	3 / 2.5	1,430	3 / 2		\$409,000	\$286.01
		3	3 / 2.5	1,475	3 / 2		\$426,000	\$288.81
3	Skylar, Millenia, Orion Avenue and Strata Street, Otay Ranch, Chula Vista / KB Home	1	4 / 3.5	2,602	3 / 2	2,000	\$596,490	\$229.24
		2	4 / 3.5	2,659	3 / 2		\$613,490	\$230.72
4	Metro, Millenia, Eastlake Parkway and Optima Street, Otay Ranch, Chula Vista / Meridian	1	2 / 2.5	1,298	2 / 2	Att.	\$390,000	\$300.46
		2	3 / 2.5	1,384	2 / 2		\$412,000	\$297.68
		3	3 / 2.5	1,495	2 / 2		\$429,000	\$296.95
		4	3 / 2.5	1,694	2 / 2		\$465,000	\$274.45
5	Trio, Millenia, Eastlake Parkway and Optima Street, Otay Ranch, Chula Vista / Meridian	1	3 / 2.5	1,653	2 / 2	Att.	\$451,000	\$272.83
		2	3 / 2.5	1,662	2 / 2		\$468,000	\$281.59
		3	4 / 3	1,880	2 / 2		\$499,000	\$265.42
6	Parc Place, Village Two, Otay Ranch, Chula Vista / Heritage	1	2 / 2	1,116	2 / 1	Att.	\$357,900	\$320.70
		2	2 / 2.5	1,583	2 / 1		\$399,000	\$252.62
		3	2 / 2.5	1,587	2 / 2		\$421,900	\$265.85
7	Aventine, Village Two, Otay Ranch, Chula Vista / Cornerstone	1	4 / 2.5	2,014	2 / 2	2,975	\$521,990	\$259.18
		2	5 / 3	2,177	2 / 2		\$541,990	\$248.96
		3	5 / 3.5	2,438	2 / 2		\$587,990	\$241.18
8	Flora at Escaya, Village Three Otay Ranch, Chula Vista / Brookfield Homes	1	3 / 2.5	1,278	2 / 2	Att.	\$371,000	\$290.30
		2	3 / 2.5	1,495	2 / 2		\$394,000	\$263.54
		3	3 / 2.5	1,710	2 / 2		\$438,000	\$256.14
9	Indigo at Escaya, Village Three Otay Ranch, Chula Vista / CalAtlantic	1	4 / 3	1,950	2 / 2	2,940	\$541,900	\$277.90
		2	4 / 3	2,011	2 / 2		\$569,900	\$283.39
		3	4 / 3	2,165	2 / 2		\$585,900	\$270.62
10	Seville at Escaya, Village Three Otay Ranch, Chula Vista / Shea	1	4 / 3	2,498	2 / 2	3,600	\$621,000	\$248.60
		2	4 / 3.5	2,788	2 / 2		\$655,000	\$234.93
		3	4 / 3.5	2,949	2 / 2		\$662,000	\$224.48
11	Valencia at Escays, Village Three Otay Ranch, Chula Vista / CalAtlantic	1	4 / 3	1,988	2 / 2	2,700	\$570,900	\$287.17
		2	4 / 3	2,021	2 / 2		\$563,900	\$270.02
		3	4 / 3	2,314	2 / 2		\$610,000	\$263.61

APPRAISERS' 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 and 2016

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

PROFESSIONAL QUALIFICATIONS
LARRY W. HEGLAR, MAI

Professional Experience

Appraisal

Mr. Heglar has experience in the appraisal of various residential and income-producing properties including master-planned communities, commercial, industrial, office, medical buildings, apartment buildings, planned unit developments, shopping centers, hotels and motels, post office buildings, corporate headquarters and multi-use projects. He has more than 40 years of real estate experience.

Consulting

Mr. Heglar's experience has included acquisitions and dispositions of residential subdivision property, master planned communities, portfolio advice/strategies planning, highest and best use studies, project feasibility and marketing studies.

Professional Employment

Nov, 2012 to Present-Principal/Owner, Larry W. Heglar & Associates, Huntington Beach, CA

Orange County based appraisal and consulting firm providing a broad scope of real estate services including appraisals, market studies and litigation support. Projects included master planned communities, subdivisions and large investment properties. Locations included properties mainly in Southern California.

Mar, 2007 to November 2012-Sage Community Group, Consultant, Newport Beach, CA

Develops strategy/methodology for disposition of land assets in California, Nevada and Arizona. Assists in developing strategy for institutional investors in the acquisition of land assets during economic slow-down. Assists in management of land assets for Sage Community Group and for financial institutions on REO assets.

Feb 2001 to Oct 2006 - Pulte Homes, Vice-President of Land Acquisition, Irvine CA

Oversaw the purchase and sale of land for Orange County/South Riverside County Division, as well as North Inland Empire Division. Transactional experience throughout Southern California in most major markets.

Responsibilities included seeking development opportunities, analysis of potential acquisitions, negotiation of terms, coordination of legal documentation and internal land purchase approvals.

Hired and trained professional land personnel.

Jan 1993 to Feb 2001 - Principal/Owner, Larry W. Heglar & Associates, Irvine CA

Orange County based appraisal and consulting firm providing a broad scope of real estate services including appraisals, market studies and feasibility analyses. Projects included master planned communities, military bases, subdivisions, large investment properties and portfolio properties. Locations included properties mainly in Southern California as well as Northern California, Colorado, Florida.

Office and associated with Institutional Housing Partners, a CalPers advisor.

April 1984 to Jan 1993 - The Irvine Company, Vice-President Land Sales, Newport Beach CA

Responsible for managing and conducting the analysis, negotiations and documentation of residential subdivision and institutional land sales for The Irvine Company. Negotiated more than 80 transactions for over \$660 million in land revenue.

Oversaw escrow process and collection of builder payment of price and profit participation.

Jan 1983 to April 1984 - Appraiser, John S. Adams & Associates, Newport Beach CA

Appraisal assignments specializing in income properties located in Southern California

Jan 1979 to Jan 1983 - Manager of Appraisals, The Irvine Company, Newport Beach CA

Coordinated the appraisal requirements with outside valuation consultants and recommended strategies to upper management.

Feb 1978 to Jan 1979 - Regional Appraiser, United California Mortgage Company, Tustin CA

Chief staff appraiser for the mortgage banking operations of UCB/First Interstate Bank in Orange County. Responsible for all loan appraisals on income properties.

July 1971 to Feb 1978 - Real Estate Analyst, Coldwell Banker, Los Angeles CA

Conducted appraisals on all major types of real estate including residential, commercial, industrial and special use properties mainly in California but also in Maryland, Washington, New Jersey and Illinois.

Education

San Diego State University - Bachelor of Arts in Geography.

Appraisal Institute Courses –

- Course IA (AIREA) – Principles of Real Estate Appraising, 1972
- Course IB (AIREA) - Principles of Real Estate Appraising, 1974
- Course II (AIREA) – Urban Real Estate Appraisal, 1975
- Course VI (AIREA) – Techniques and Mathematics of Capitalization, 1977
- Course IV (AIREA) – Condemnation Appraisal Practice, 1978
- Standards of Professional Practice, 1990
- Course 410 & 420, Standards of Professional Practice, (Appraisal Institute), 1995
- Continuing Education – The Appraisal Institute and California Office of Real Estate Appraisers provides numerous seminars and workshops to satisfy continuing education requirements. The Urban Land Institute and other real estate organizations also provide programs that Mr. Heglar has attended for continuing education requirements.

Professional Affiliations

Urban Land Institute, Associate Member

Lambda Alpha International, Honorary Land Economics Society, Former Chapter President and International Board of Governors Officer

BIA, Orange County

Board of Directors, Irvine Campus Housing Authority, 1999 to 2008

Appraisal Institute, MAI Designation, (Member No. 6602)

Representative Appraisal Assignments (within past ten years)

Income Property Appraisals

Industrial-

- 17120 Main Street, Gardena, 186,000 square feet in three buildings on 9.40 Acres. Leased to three tenants
- 13226 Alondra Boulevard, Cerritos, 128,000 square feet on 5.42 acres. Single tenant
- LAMBERT PALM BUSINESS CENTER, La Habra, 188,644 square foot, multi-tenant business park
- AIRPORT DISTRIBUTION CENTER, Las Vegas, 69,592 square foot, multi-tenant business park
- 240 SPECTRUM BOULEVARD, Las Vegas, 45,394 square foot, multi-tenant business park
- COMMERCE CENTER, Santa Fe Springs, 81,117 square foot, multi-tenant business park
- PUMICE CARMENITA INDUSTRIAL PARK, 29,808 square foot, multi-tenant business park
- CLAUSET INDUSTRIAL PARK, 103,546 square foot, multi-tenant business park
- 1350 Philadelphia Street, Pomona, 85,851 square foot trucking facility on 11.76 Acres
- 3561 Philadelphia Street, Chino, 14, 360 square foot trucking facility on 4.137 Acres
- 1090 E. Belmont Street, Ontario, 128,552 square foot distribution facility on 11.23 Acres
- 1773 Whittier Avenue, Costa Mesa, 20,800 square foot, multi-tenant business park on 1.137 Acres
-
- Gilead Sciences, San Dimas, Four bio-med/office buildings totalling 191,100 square feet on 12.78 Acres

Apartments-

- THE PARK @ THE IRVINE SPECTRUM, 762 unit apartment project on 13.78 Acres
- SAN CARLO APARTMENTS, Irvine, 354 unit apartment project on 21.398 Acres
- SANTA CLARA APARTMENTS, Irvine, 378 unit apartment project on 16.368 Acres
- HERITAGE POINT APARTMENTS, Irvine, 342 unit apartment project on 15.028 Acres

Retail Centers-

- ALTON SQUARE SHOPPING CENTER, Irvine, 35,451 square foot shopping center on 11.559 acres and anchored by Ralph's Market and CVS Drug Store
- 17th St. & Newport Blvd., 28,468 square foot leasehold shopping center in Costa Mesa on 2.6 acres.

Office Buildings-

- ONE GOLDEN SHORE, Long Beach, 32,000 square foot office building on 2.42 Acres
- 1601 Avocado Avenue, Newport Beach, 12,547 square foot medical office building on 0.90 acres
- 1928 S. Grand Avenue, Santa Ana. 210,000 square foot, single story building lease to County of Orange

Hotel Properties-

- Portfolio of six hotel properties with following locations: Seal Beach (115 rooms), Corona (171 rooms), Redlands (107 rooms), Moreno Valley (127 rooms), Chino Hills (124 rooms) & Diamond Bar (125 rooms)

Land Appraisals-

- CAPISTRANO UNIFIED SCHOOL DISTRICT, proposed 14 acre school site in Rancho Mission Viejo
- MORENO VALLEY, 52 acres of unentitled land adjacent to freeway
- MOTTE RANCH, 638 acres of unentitled land near San Jacinto, Riverside County
- UCI APARTMENT SITE, Ground lease land valuation of 72.5 acres site improved with 1,753 student apartment units
- ROWLAND HEIGHTS OPEN SPACE, 168.75 acres of vacant land
- CANYON VIEW, proposed 92 lot residential subdivision in Palm Springs
- 1926 PACIFIC COAST HIGHWAY, proposed 52 unit condominium plus 10,000 square feet of retail in Redondo Beach
- SOUTH COAST BUILDERS, proposed 28 lot subdivision in Costa Mesa on Harbor Boulevard
- LAKESIDE, RIVERSIDE COUNTY, Master planned community, 450 acres and 334 residential homes
- WEST COYOTE HILLS SPECIFIC PLAN, FULLERTON, Master planned community, 510 acres, approximately 750 residential units
- Land for proposed hotel on UCI Campus
- LOST VALLEY, 1,353 acre property owned by Boy Scouts of America in eastern San Diego County
- LAMB SCHOOL SITE, HUNTINGTON BEACH, new residential subdivision
- WARDLOW SCHOOL SITE, HUNTINGTON BEACH, new residential subdivision
- UNIVERSITY OF CALIFORNIA, IRVINE, Proposed Hotel Site
- MOUNTAIN PARK, ANAHEIM, Portion of Master Planned Community
- CHRISTOPHER DEVELOPMENT GROUP, WESTMINSTER, 80 Lot Subdivision
- HIGHLAND HILLS, SAN BERNARDINO, 543 acres entitled for 1,516 residential units/lots.
- VAIL LAKE RANCHO CALIFORNIA, LLC, 497 acres of vacant, unentitled land. Purpose for bankruptcy proceedings.
- PARK PLACE, SANTA CLARITA, LOS ANGELES CO., 522 acres of raw land with Approved Tentative Tract Map for 492 residential lots.
- JP RANCH, CALIMESA, RIVERSIDE CO., 38 acres dedicated for open space/wildlife corridor
- NAKASE NURSERY, LAKE FOREST, ORANGE CO., 120 unentitled land, General Plan for business park use.
- TUSTIN LEGACY, 29.18 acre apartment site developed with 758 units
- CHINO HILLS, CHINO, SAN BERNARDINO CO., 400 acres of open space.
- UNIVERSITY PARK, PALM DESERT, RIVERSIDE CO., 165 Acres partially improved land with Approved Tentative Tract Map for 169 lots
- ADAMS CANYON RANCH, SANTA PAULA, VENTURA CO., 4,714 acres of vacant land adjacent to the City of Santa Paula.
- DOS VIENTOS, THOUSAND OAKS, VENTURA CO., 1,000 acres of vacant, raw land.
- CHINO PRESERVE, CHINO, CA-Southerly portion of master planned community consisting of approximately 614 acres and entitlements for 4,566 residential units and commercial development. Purpose was for estate planning.
- MESA VERDE ESTATES SPECIFIC PLAN, CALIMESA, CA-Master planned community with 1,492 acres and entitlements for 3,450 units plus commercial development. Purpose was for bankruptcy proceedings.
- SUNSET RIDGE, WILDOMAR, CA-Master planned community consisting of approximately 792 acres and proposed for about 1,180 residential units. Purpose was for buy-out of partner.
- SHEA TRILOGY, RIVERSIDE CO., CA-Approximately 250 acres of vacant land surrounding an active adult community and golf course adjacent to Corona in unincorporated Riverside County. Purpose was for dedication of Open Space Conservation land and dedication of Wetlands Conservation Easement.

- ONTARIO FESTIVAL, ONTARIO, CA-Proposed mixed-use development on approximately 24 acres consisting of 311 residential units and 2.5 acres of commercial entitlements. Purpose was for bankruptcy proceedings.
- TALEGA VALLEY, SAN CLEMENTE, CA-Orange County, coastal master planned community consisting of 3,479 acres and more than 4,000 residential lots with commercial, support institutional and recreational uses.
- MCAS TUSTIN, CA-Former Tustin Marine Corps Base master planned for a 1,288 acre community to be improved with more than 1,500 residential units/lots with industrial, commercial support institutional and recreational uses.
- DANA POINT HEADLANDS, DANA POINT, CA-Raw land with potential for approximately 200 ocean oriented residential lots plus hotel and commercial site.
- FORSTER RANCH, SAN CLEMENTE, CA-Master planned community with about 534 acres and 1,037 residential lots plus recreational uses.
- PORTA BELLA, SAUGUS/NEWHALL, CA-Specific plan for approximately 2,900 lots along with retail, commercial & industrial land uses on 996 acres.
- BEL MARIN KEYS V, MARIN COUNTY, CA-Specific plan for approximately 800 residential lots on more than 1,600 acres with access to San Francisco Bay.
- EL DORADO HILLS, EL DORADO COUNTY, CA-Specific plan for approximately 2,700 lots/units on 2,245 acres including about 200 acres of commercial/industrial uses.
- SADDLEBACK MEADOWS, ORANGE COUNTY, CA-Planned for approximately 705 lots on 222 acres.
- SERRANO HEIGHTS, ORANGE COUNTY, CA-Specific plan for 1,210 lots/units on 533 acres including recreational uses.
- MISSION OAKS RANCH, BUELTON AREA, SANTA BARBARA COUNTY, CA-Approximately 3,900 acres of raw grazing land planned for “ranchet” development.
- PARADISE HILL, SAN BERNARDINO, CA-Specific plan for 504 lots on approximately 402 acres.
- Two single family subdivisions in the Village of Northwood, Irvine.
- Stonecrest Village, San Diego. Single family residential subdivision with 88 lots with average size of 4,500 square feet.
- Orangecrest Hills, Riverside. Single family residential subdivision with 132 lots with minimum lot size of 7,200 square feet.
- Laguna Beach/Crystal Cove State Park. Total of approximately 40 acres for possible exchange of land between State of California, school district and private land owner.
- Peninsula Pointe, Rancho Palos Verdes. Residential subdivisión with 37 lots ranging from 12,000 to 25,000 square feet.
- Single family subdivision in Tustin Ranch. 162 lots with 6,390 square foot minimum lots sizes.
- Single family subdivision in Aliso Viejo. 154 lots with 5,100 square foot minimum lot size.
- Canyon Vista, Oceanside. Approximately 55 acres approved for 93 lot single family subdivision.
- Santa Rosa Colony II, Ventura Co. Approximately 50 acres of raw land. Potential for development with low density subdivision.
- Rancho San Clemente. 84 lot single family subdivision with lots 5,000 square foot minimum size.
- Brentwood project in Rancho Cucamonga. Proposed, 90 lot residential subdivision with 9,000 square foot minimum lot size.
- Willowbrook project in Mountain Gate Planned Community, Corona. Lots in an existing subdivision totaling 51 with a minimum lot size of 7,200 square feet.
- Heather Ridge project in Mountain Gate Planned Community, Corona. Lots in an existing subdivision totaling 58 with a minimum lot size of 4,750 square feet.
- Long Canyon, Simi Valley. Total of 1,813 acres with entitlement for 652 residential units, all single family detached.
- One Park Place, Irvine. Remaining 26 acre site which is a portion of an existing apartment project.
- Las Flores Planned Community, South Orange County. Proposed 147 lot subdivision with 2,464 square foot minimum lot size.
- Las Flores Planned Community, South Orange County. Proposed 48 lot subdivision with 6,000 square foot minimum lot size.
- Twenty mile corridor for Foothill/Eastern Transportation Corridor. Right-of-way runs through unincorporated Orange County territory and through the cities of Anaheim, Orange and Irvine. Total land area of 468 acres acquired for right-of-way and approximately 28,800 acres appraised.

Land Dispositions

Responsible for managing and conducting the analysis and negotiations for residential subdivision and institutional land sales for the Irvine Company. Mr. Heglar negotiated more than 80 transactions for over \$660 million in Irvine, Newport Beach, Tustin and Orange, CA.

- Westpark
- Northwood
- Newport Coast
- Tustin Ranch
- Santiago Hills

Land Acquisitions

Responsible for managing and conducting the analysis and negotiations of residential subdivision land for Pulte Homes in Orange, Riverside and San Diego Counties, CA. A total of 27 transactions for more than 7,300 lots/units and a total land purchase of more than \$433 million.

- ALDERBROOK, LAKE ELSINORE, CA-Canyon Hills Master Plan Community, 143 SFD lots on approximately 28.6 acres.
- ASHTON HILLS, RIVERSIDE COUNTY, CA-196 SFD lots on approximately 140 acres.
- ST. AUSTELL II, PERRIS, CA-117 SFD lots on approximately 15.6 acres.
- ST. CROIX, PERRIS, CA-155 SFD lots on approximately 20.7 acres.
- AVERLY LANE, SAN DIEGO COUNTY, CA-4S Ranch Master Planned Community, 75 SFD lots on approximately 20 acres.
- WINCHESTER HILLS, RIVERSIDE COUNTY, CA-Approximately 500 SFD lots & SFA units within Winchester Hills Specific Plan on about 127 acres.
- BELLA ROSA, IRVINE, CA-104 SFD lots on 14.0 acres on The Irvine Ranch.
- BREMERTON, RIVERSIDE COUNTY, CA-108 SFD lots on approximately 21.6 acres.
- CACHETTE, IRVINE, CA-110 SFD lots in Irvine Ranch master planned community of Woodbury on approximately 16.9 acres.
- STELLAN RIDGE, RIVERSIDE, CA-104 SFD lots on 204 acres.
- CHASE RANCH, CORONA, CA-217 SFD lots on 160 acres. Approximately 90 lots subsequently sold to another builder.
- KUNNEY RANCH, RIVERSIDE, CA-149 SFD lots on 143 acres.
- KUO RANCH, RIVERSIDE, CA-23 SFD lots on 49.1 acres.
- CLAIBORNE, LADERA RANCH, MISSION VIEJO, CA-75 SFD lots on approximately 14.8 acres.
- MEADOWS @ MORGAN VALLEY, TEMECULA, CA-67 SFD lots on approximately 16.8 acres.
- MURRIETA HILLS, MURRIETA, CA-Approximately 1,000 lots for a proposed Del Webb active adult community on 985.2 acres.
- RANCHO DIAMANTE, HEMET, CA-Joint venture for approximately 3,000 SFD lots on about 700 acres. Approximately half of the project to be a Del Webb active adult community.
- SABELLA, SAN CLEMENTE, CA-75 SFD lots on approximately 16.7 acres in the Talega Valley master planned community.
- SAN ELIJO RIDGE, SAN DIEGO COUNTY, CA-131 SFD lots in the San Elijo Master Plan on approximately 32.8 acres.
- SOLSTICE, IRVINE, CA-68 SFD lots in the Irvine Ranch master planned community of Quail Ridge on approximately 20 acres.
- ST. AUSTELL, PERRIS, CA-117 SFD lots in the Avalon master planned community on approximately 17.4 acres.
- STONES THROW, LAKE ELSINORE, CA-126 SFD view lots on approximately 28 acres.
- TIFFANY HILLS, MURRIETA, CA-180 SFD lots on approximately 305 acres.
- VINEYARD ESTATES, MURRIETA, CA-41 lots on approximately 8.2 acres.
- WATERMARK, LAKE ELSINORE, CA-133 SFD view lots on approximately 29.6 acres.
- WEATHERLY @ CANYON HILLS, LAKE ELSINORE, CA-131 SFD lots on approximately 23.8 acres within master planned community of Canyon Hills.
- RANCHO HIGHLANDS, TEMECULA, CA-210 SFA units on approximately 21.1 acres.

Representative Clients:

Attorneys:

Allen, Matkins, Leck, Gamble, Mallory & Natsis, LLP
Friedman, Strofie & Gerard, P.C.
Jackson, De Marco, Peckinpaugh & Titus
Miller, Morton, Caillat & Nevis, LLP
Palmieri, Tyler, Wiener, Wilhelm & Waldron
Paul, Hastings, Janofsky & Walker
Rutan & Tucker, LLP
Songstad & Randall, LLP
Winthrop Couchot Professional Corporation
Paul Minerich Professional Corporation

Financial Institutions, Real Estate Management & Development Companies:

Bank of America
First Interstate Mortgage
Housing Capital Company
Wells Fargo Bank
Prudential Insurance Company
Westcap Corporation
Lewis Operating Company
BETEK
The Shopoff Group
Presley Homes
John Laing Homes
Richmond American Homes
Pulte Homes
Standard Pacific Homes
Taylor Woodrow Homes
The Irvine Company
William Lyon Homes
William Lyon Asset Management

Governmental Agencies/Institutions:

Capistrano Unified School District
City of Fullerton
City of Irvine
City of Tustin
City of Los Angeles
Federal Deposit Insurance Corporation
County of Orange
Irvine Ranch Water District
Metropolitan Water District of Southern California
United States Department of Navy
University of California, Irvine