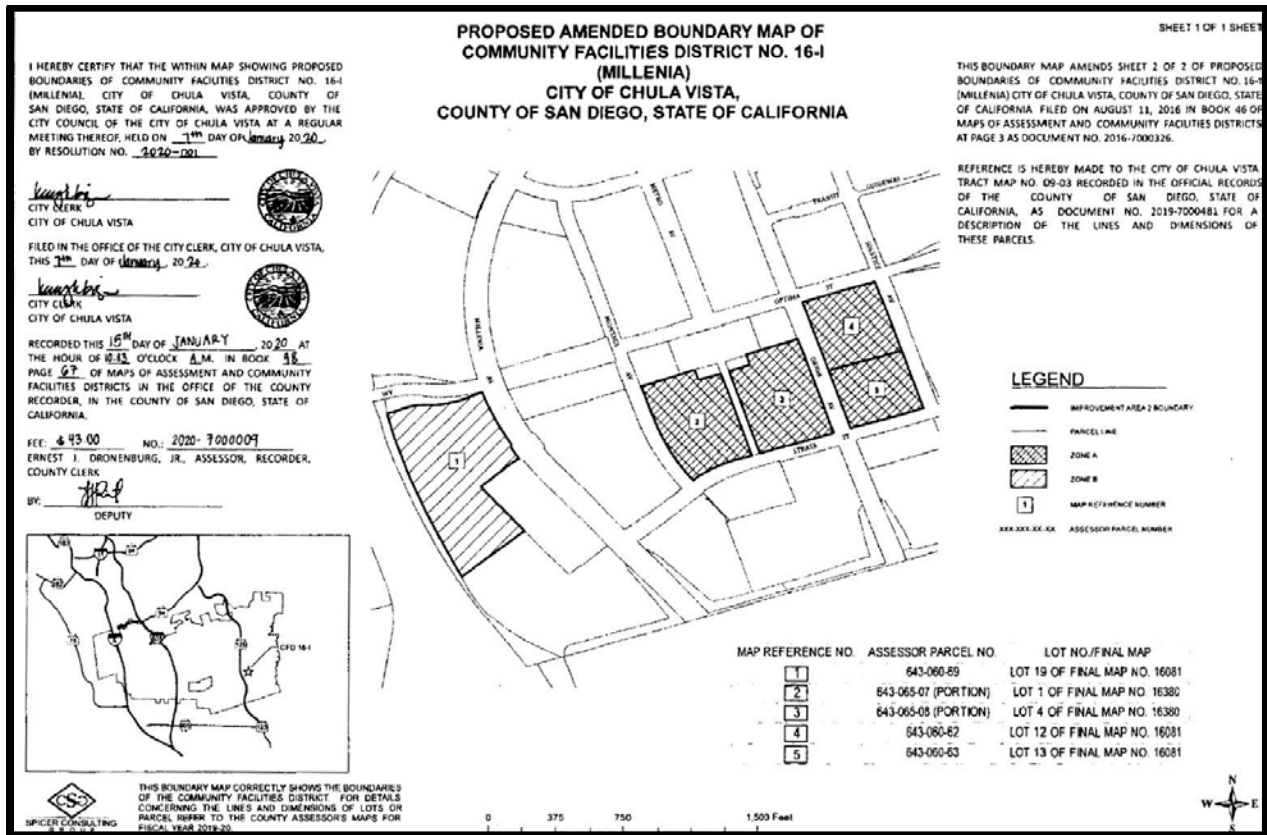


SUPPLEMENT TO APPRAISAL REPORT

COMMUNITY FACILITIES DISTRICT NO. 16-I IMPROVEMENT AREA NO. 2 (portion of) MILLENIA IN OTAY RANCH

City of Chula Vista, California
(Appraisers' File No. 2020-1167S)



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

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

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

February 25, 2021

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

Reference: Supplement to Appraisal Report
Community Facilities District No. 16-I Improvement Area 2
(Portion of) Millenia, Otay Ranch
Northwest Corner of Hunte and Eastlake Parkways
Chula Vista, California

Dear Ms. Elliott:

At the request and authorization of the City of Chula Vista, we have completed a Supplement to the Appraisal Report ("Supplement") for City of Chula Vista Community Facilities District No. 16-I Improvement Area 2 ("CFD No. 16-I IA 2"). This Supplement is to be used in conjunction with the Original Appraisal Report for the above referenced property dated January 11, 2021 with a date of value of November 15, 2020 which encompasses a portion of the mixed-use community known as Millenia in Otay Ranch ("Original Appraisal"). In lieu of updating the entire appraisal, the purpose of this Supplement is to bring forward the date of value to February 15, 2021 and conclude if the property has a value not less than the value concluded in the Original Appraisal. It should be noted that this report may not be understood properly on its own, but rather should be used only in conjunction with the Original Appraisal.

The purpose of this Supplement is to ascertain and discuss changes in the subject property along with any changes that have occurred in the real estate market between November 15, 2020 (date of value of Original Appraisal) and February 15, 2021.

INTENDED USE OF APPRAISAL - It is the appraiser's understanding that the client, the City of Chula Vista, will utilize this Supplement in disclosure documents related to the sale of the Special Tax Bonds of CFD No. 16-I IA 2. This Supplement 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.

SUBJECT PROPERTY - The subject property consists of 335 proposed single-family homes and a commercial parcel within the community known as Millenia in the area known as Otay Ranch in the City of Chula Vista. The subject property consists of three residential neighborhoods in varying degrees of development and a commercial parcel. Please refer to the Addenda of this Supplement to view a table showing the ownership and condition by parcel or unit as of November 15, 2020 (date of value in Original Appraisal) and as of February 15, 2021 (date of value of this Supplement). Please refer to the Original Appraisal Report for a legal description of the subject property.

OWNER OF RECORD AS OF February 15, 2021 –

Lot 19 of Tract Map 16081 is owned by SLF IV Millenia LLC, a Delaware limited liability company.

Within Pinnacle at Millenia by Meridian - Units 37-126 of Map 16377 are owned by Pinnacle New Homes, LLC. Individuals own Units 1-36 of Map 16377

Within Vibe at Millenia by Lennar – Units 1-5, 17-25, 32-34 and 42-92 of Map 16409 are owned by Lennar Homes of California, Inc. Individuals own Units 6-16, 26-31 and 35-41 of Map 16409.

Within Cleo at Millenia by Lennar – Units 1-117 of Map 16408 are owned by Lennar Homes of California.

PROPERTY RIGHTS APPRAISED - The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to the lien of the CFD No. 16-I IA 2 special tax. The definition of fee simple estate is included in the Original Appraisal.

DEFINITIONS -

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

For all other definitions please refer to Original Appraisal.

DATE OF VALUE – February 15, 2021

DATE OF SUPPLEMENT – February 25, 2021

SCOPE OF WORK – The following items were completed in the scope of work for this assignment.

- Identify additional builder home sales and closings within the subject property and ascertain if the sales prices have increased, stayed the same or decreased.
- Identify additional construction on the subject property and report additional expenditures resulting in less remaining costs to complete.
- Review and report on the subject real estate market conditions and identify any changes since the Original Appraisal.
- Determine if the value is not less than the value conclusion in Original Appraisal.

DISCUSSION – On February 20, 2021 an inspection of the subject property and surrounding lands was made by the appraiser. In addition, sales offices were contacted and reviews of current information was conducted. This information included additional sales and/or closings within the subject property. We observed the following changes in the subject property between November 15, 2020 (date of value of Original Appraisal) and February 15, 2021 (date of value of Supplement).

1. An additional 19 homes have closed escrow to individual homebuyers within the three residential neighborhoods. As of the Original Appraisal there were 41 homes closed to individual homebuyers and as of February 15, 2021 there were 60 homes closed to individual homebuyers.
2. An additional 62 homes were constructed to over 95 percent complete within the three neighborhoods and an additional 78 homes began construction. Within the three neighborhoods as of the Original Appraisal, there were 99 homes under construction (under 95 percent complete) and 175 remaining finished lots. As of February 15, 2021, there were 115 homes under construction (under 95 percent complete) and 97 remaining finished lots.
3. An additional 93 homes were sold within the three neighborhoods. As of the Original Appraisal there were 178 homes sold (including closed homes) and as of February 15, 2021 there were 271 homes sold (including closed homes). Note that sold homes can include closed homes and homes over 95 percent complete and builder-owned, homes under construction and finished lots that are in escrow.

¹ The Appraisal of Real Estate, 13th Edition

4. An additional 25 homes were sold within the neighborhood of Pinnacle by Meridian. As of the Original Appraisal there were 77 homes sold (including 36 closed) and as of February 15, 2021, there were 102 homes sold (including 36 closed). Also, an additional 24 homes began construction within Pinnacle.
5. An additional 35 homes were sold within Vibe at Millenia by Lennar. As of the Original Appraisal there were 26 homes sold (including five closed) and as of February 15, 2021 there were 61 homes sold (including 24 closed). Also, an additional 26 homes began construction within Vibe.
6. An additional 24 homes were sold within the neighborhood of Cleo at Millenia by Lennar. As of the Original Appraisal there were 24 homes sold (none closed) and as of February 15, 2021 there were 48 homes sold (none closed). Also, an additional 28 homes began construction within Cleo.
7. Within each neighborhood additional costs and fees were expended. Per Meridian, an additional \$109,990 was spent on remaining costs and fees. As of the Original Report they reported there were \$4,525,443 in remaining costs while as of February 15, 2021 they reported \$4,415,453 in remaining costs. Lennar spent an additional \$460,023 in land development costs and development fees. As of the Original Report there were \$3,903,461 in remaining costs for both Vibe and Cleo, while as of February 15, 2021, there were \$3,443,408 in remaining costs. In total, as reported above, an additional \$570,013 has been spent on land development and development fees on the subject property between November 15, 2020 and February 15, 2021. While we were not able to review these expenditures in detail, the amounts appear reasonable per our visual inspection of changes that have occurred on the sites.
8. Within each of the three neighborhoods base prices have increased between 3.8 and 8.1 percent. Within Pinnacle, all except one plan had base price increases of \$35,000 while the largest plan had an increase of \$38,000. These equated to an increase of 5.8 to 7.6 percent on the base prices. Within Vibe prices increased from \$23,000 to \$39,000 which equated to an increase range of 4.7 percent to 7.6 percent. Within Cleo prices increased from a low of \$15,000 to a high of \$30,000 which equated to an increase range of 3.8 percent to 8.1 percent. The fact that each plan within each neighborhood has had a price increase suggests that prices are not declining within the subject area.
9. Our physical inspection of the entire Millenia Project (includes the subject property and additional lands) showed signs of progress with the following changes noted between November 15, 2020 and February 15, 2021. Lot 21 of Map 16081 (not a part of the subject) began construction of a new apartment project. The parcel was purchased by Ryan Companies US in February 2020. As of November 15, 2020, it was a finished lot as they were getting approvals and permits for construction. As of February 15, 2021, construction has begun with slabs poured for the apartments.

While this project is not included in the subject property, it is located within Millenia and shows progress and major activity in the subject's neighborhood.

10. Our interviews with the land owner did not reveal any changes in the commercial parcel. We have reviewed several commercial real estate publications and no significant changes were found that occurred between November 15, 2020 and February 15, 2020.

SUBJECT REAL ESTATE MARKET - The overall regional real estate market has seen some conflicting signs over the past three months. New home sales have stayed strong and prices have been increasing however existing homes have seen drops in both sales and in median home prices during this time. Between October 2020 (data utilized for the November 15, 2020 Original Report) and January 2021 (latest information available) there was a decrease from a median home price of \$749,000 to \$730,000. This drop in median price over the past three months equates to 2.5 percent; however, year over year, as of January 2021 prices are still up over 10 percent from \$660,000 to \$730,000. It should be noted that the above information is for existing homes and that within the new home market, including the three subject neighborhoods, pricing is still on the upswing.

We have reviewed the Ryness Reports, a new home sales marketing and research company, dated November 15, 2020 and February 7, 2021. Within the South Bay submarket which includes Chula Vista, there were 142 sales during these 12 weeks within eleven new home projects. This equates to an average sales rate of 4.3 sales per month per project which is considered to be very good. Additionally, when reviewing the Ryness Report from November and February, eight projects either sold out or are in the last stages of close-out leaving eleven new home projects currently marketing homes. This depicts a tightening supply as buyers quickly purchase new homes as they become available. This is reflected in the subject property by the additional 93 homes which sold during these three months and by the significant price increases.

As a final analysis we have reviewed the Improved Residential Sales Market Data which was used in the Original Appraisal (please refer to Addenda of Original Appraisal). Our review included 30 home plans within the seven projects surveyed that we considered comparable. Two of the projects within Otay Ranch that included six plans have sold out or closed and one which included three plans is now selling their models and in the process of closing out. Out of the remaining 21 plans, all have had price increases in the past three months ranging from 3.8 percent to 8.1 percent. The increases ranged from \$15,000 to \$39,000. This review of the subject real estate market suggests that the market is still in an upward cycle as projects are selling new homes and the majority of prices are either staying the same or increasing.

CONCLUSION – This Supplement is intended to be used in conjunction with the Original Appraisal Report prepared with a November 15, 2020 date of value. This Supplement is to ascertain whether the value that was concluded as of November 15, 2020 is still valid. While we have not concluded at a new value, it is evident that further land development has occurred and over \$570,000 in additional dollars have been spent to develop the

subject property's lands. Also, additional homes have closed, additional homes have been constructed and additional homes are in escrow, all suggesting the subject's value has not decreased. In addition, it has been determined that the subject new home real estate market has not experienced any negative changes since November 15, 2020. Based upon our investigation, we have determined that the current market value is not less than the concluded value as of November 15, 2020.

This Supplement is to be used in conjunction with the Original Appraisal and subject to the attached Assumptions and Limiting Conditions and the Appraiser's Certification.

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.



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

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

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

APPRAISER'S CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed appraisal services on the subject property in the past three years as described within this Supplement. An Original Appraisal of the property with a November 15, 2020 date of value was completed.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



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

ADDENDA

Subject Property as of November 15, 2020 (from Original Report)

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

Subject Property as of February 15, 2021

Description	No. Lots	Ownership	Condition/Status
Pinnacle by Meridian (Units 1-126 of Lot 1 of Map No. 16377)			
Units 1-36 of Map 16377	36	Individuals	Completed Houses / Closed
Units 121-126 of Map 16377	6	Meridian	Model Homes
Units 27-48 of Map 16377	12	Meridian	Homes over 95% Complete (12 in esc.)
Unit 49-102 of Map 16377	54	Meridian	Homes U/C (54 In escrow)
Units 103-120 of Map 16377	42	Meridian	Finished Lots (0 in escrow)
Subtotal Pinnacle	126		
Vibe by Lennar Homes (Units 1-92 of Lot 1 of Map 16409)			
Units 6-16, 26-31 and 35-41 of Map 16409	24	Individuals	Completed Houses / Closed
Units 3-5 of Map 16409	3	Lennar Homes	Model Homes
Units 1-2, 32-34 and 42-46 of Map 16409	10	Lennar	Homes over 95% Complete (8 In escrow – two not released)
Units 47-72 and 76-82 of Map 16409	33	Lennar	Homes U/C (29 In escrow)
Units 17-25, 73-75 and 83-92 of Map 16409	22	Lennar	Finished Lots (0 in escrow)
Subtotal Vibe	92		
Cleo by Lennar Homes (Units 93-209 of Lot 1 of Map 16408)			
Units 120-125	6	Lennar	Model Homes Complete
Units 93-97, 104-109, 114-119 and 201-209	26	Lennar	Homes over 95% Complete (26 in esc.)
Units 126-129, 135-138, 144-149, 156-161 and 193-200	28	Lennar	Homes U/C (22 in escrow)
Units 98-103, 110-113, 130-134, 139-143, 150-155 and 162-192	57	Lennar	Finished Building pads
Subtotal Cleo	117		
Commercial Parcel			
Lot 19 of Tract Map 16081	N/A	SLF IV-Millenia LLC	8.34-acre Finished Lot
Total Residential Units	335		