

# APPRAISAL REPORT

## CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 111 (Monterado)

City of Fontana, San Bernardino County, California  
(Appraisers' File No. 2024-1288)



**Prepared For**  
City of Fontana  
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Fontana, California 92335

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

April 15, 2024

Jessica Brown, Chief Financial Officer  
**City of Fontana**  
8353 Sierra Avenue  
Fontana, CA 92335

Reference: Appraisal Report  
City of Fontana Community Facilities District No. 111 (Monterado)  
Rivello and Salerno at Monterado by Lennar  
East Side of Citrus Avenue; North of Duncan Danyon Road,  
Fontana, California

Dear Ms. Brown:

At the request and authorization of the City of Fontana, we have completed an Appraisal Report for The City of Fontana Community Facilities District No. 111 (Monterado) ("Fontana CFD No. 111") which consists of a gated residential community known as Monterado, in the City of Fontana. Monterado includes a total of 198 residential units split between two product lines, Rivello at Monterado ("Rivello") and Salerno at Monterado ("Salerno"). Rivello is proposed for 89 detached alley load units and Salerno is proposed for 109 detached cluster units; all homes are detached condominiums. Lennar Homes of California, LLC ("Lennar") is developing and marketing the property. Monterado offers two-story floorplans ranging in size from 1,795 to 2,007 square feet for Rivello (ally load product), and 1,822 to 2,207 square feet for Salerno (cluster product). Out of the 198 proposed units within Monterado, 149 have closed to individual homeowners to date with an additional 23 in escrow which are due to close upon completion. The Lennar-owned property ranges from completed model homes to houses under construction to physically finished pads.

The valuation methods used in this report are the Sales Comparison Approach, a Discounted Cash Flow Analysis and a Mass Appraisal Technique as defined within this report. The fee simple estate of the subject property has been valued, subject to the Fontana CFD No. 111 special tax lien. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by the Special Tax Bonds of Fontana CFD No. 111. As a result of our investigation, the concluded minimum market value for the subject property is shown below.

**Monterado:**

Lennar Ownership (34 lots/pads & 15 houses)	\$ 12,154,994
Individual Owners (149 houses)	\$ 78,139,585
<b>Total Aggregate Value CFD No. 111</b>	<b><u>\$ 90,294,579</u></b>

The values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of February 15, 2024.

Jessica Brown  
City of Fontana  
April 15, 2024  
Page Two

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020/2022) 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,

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**KITTY SIINO & ASSOCIATES, INC.**

A handwritten signature in cursive script that reads "K. Siino".

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

## TABLE OF CONTENTS

Assumptions and Limiting Conditions.....	i
Hypothetical Condition .....	iii
Extraordinary Assumption .....	iii
Aerial Photo of Fontana CFD No. 111 (Monterado) .....	iv
Purpose of the Appraisal.....	1
The Subject Property.....	1
Intended Use of the Report .....	2
Definitions .....	2
Property Rights Appraised .....	4
Effective Date of Value.....	4
Date of Report.....	5
Scope of Appraisal .....	5
Regional Area Map.....	7
County of San Bernardino Area Description.....	8
City of Fontana Area Map & Description .....	17
Immediate Surroundings .....	22
Community Facilities District No. 111 .....	24
Subject Property Description.....	28
Inland Empire Housing Market.....	35
Highest and Best Use Analysis .....	46
Valuation Analysis and Conclusions .....	51
Appraisal Report Summary .....	68
Appraiser's Certification .....	69

### ADDENDA

Fontana CFD No. 111 Boundary Map  
Tract Map No. 20224 and Site Plan  
Discounted Cash Flow Analysis  
Finished Lot Land Sales Map and Summary Chart  
Improved Residential Sales Map and Summary Chart  
Appraiser's 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 Fontana CFD No. 111.
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 have 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. 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 Fontana CFD No. 111 special tax bonds.

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#### **HYPOTHETICAL CONDITION**

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1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the City of Fontana CFD No. 111 Special Tax Bond Proceeds are completed and in place.

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#### **EXTRAORDINARY ASSUMPTION**

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1. It is assumed that the sales information and remaining development costs as reported by the builder and summarized in the report are correct. Regarding sales; we have reviewed samples of closed sales against public record when available; however, we have not reviewed escrow documents on sales. Regarding costs; we have received a summarized remaining cost total and are relying on these costs in the valuation analysis.



## 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 Fontana CFD No. 111.

## THE SUBJECT PROPERTY

The subject property consists of 198 proposed single-family detached homes being developed into a gated community known as Monterado in the City of Fontana (“City”). Monterado is located along the east side of Citrus Avenue at Fontus Way, just north of Duncan Canyon Road. Monterado is being built and sold by Lennar and features two product lines: Rivello which includes 89 detached alley load units sized 1,795 to 2,007 square feet, and Salerno which includes 109 detached cluster units sized from 1,822 to 2,207 square feet. The subject community is encompassed by Tract Map 20224 and subsequent condominium maps, which subdivide the property into 89 pads for alley-loaded detached condominiums, and 109 pads for cluster detached condominiums. The lots vary in status from completed models, to homes under construction to finished lots. The description, ownership and condition of the lands are detailed in the chart below.

Description	# Lots	Owner	Product / Condition / Status
<b>Rivello at Monterado (Ally Load Small Lot Detached) Lot 1 of Tract 20224 – Units 1-66 and 97-119</b>			
Units 1-12, 21-66, 97-106 and 108-119	80	Individuals	Completed Homes
Units 17-19	3	Lennar	Model Homes (0 in Escrow)
Units 107	1	Lennar	Over 95% Complete (1 in Escrow)
Units 13-16 and 20	5	Lennar	Under Construction (3 in Escrow)
<b><i>Rivello Subtotal:</i></b>	<u>89</u>		
<b>Salerno at Monterado (Cluster Small Lot Detached) Lot 1 of Tract 20224–Units 67-96 and 120-198</b>			
Units 67-96, 128-159 and 176-182	69	Individuals	Completed Homes
Units 195-197	3	Lennar	Model Homes (0 in Escrow)
Units 160-167	8	Lennar	Over 95% Complete (8 in escrow)
Units 120 – 127 and 168-175	16	Lennar	Under Construction (11 in Escrow)
Units 183-194 and 198	<u>13</u>	Lennar	Finished Lots (0 in Escrow)
<b><i>Salerno Subtotal:</i></b>	<u>109</u>		
<b>TOTAL CFD No. 111</b>	<u>198</u>		

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## INTENDED USE OF THE REPORT

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It is the appraiser's understanding that the client, the City of Fontana, will utilize this report in disclosure documents related to the sale of the Fontana CFD No. 111 Special Tax Bonds. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

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## DEFINITIONS

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### **Market Value**

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

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

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

Inherent in the Market Value definition is exposure time or the time the subject 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 or the entire Lennar owned properties, each in a bulk sale, is less than one year.

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

## **Finished Lot/Pad**

The term “Finished Lot/Pad” is defined as:

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

## **Minimum Market Value**

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

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

## **Mass Appraisal Technique**

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

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

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service (“MLS”) for any resales and/or current 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 resales and one current resale listing within the subject property.

## **Hypothetical Condition**

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

*“A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”*

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<sup>2</sup> USPAP 2018-2019 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 Fontana CFD No. 111.

### **Extraordinary Assumptions**

The term “Extraordinary Assumption” is defined by USPAP as:

*“An assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”*

There is one Extraordinary Assumption within this report which is that the sales information and the cost information as received from Lennar are true and accurate. Regarding the sales information, we have reviewed sample closings against public record and the information appears reasonable. Regarding costs, we have received a summarized remaining cost total and are relying on these costs in the valuation analysis. It should be noted that, if the remaining costs differ, it may change the value conclusion.

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### **PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple estate interest, subject to easements of record and the special tax lien of Fontana CFD No. 111. The definition of “fee simple estate” is defined as:

*“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”<sup>3</sup>*

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### **EFFECTIVE DATE OF VALUE**

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The subject property is valued as of February 15, 2024.

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### **DATE OF REPORT**

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The date of this report is April 15, 2024.

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

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## SCOPE OF APPRAISAL

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As previously stated, the purpose of this appraisal is to report the appraiser's best estimate of the market value for the subject property, Fontana CFD No. 111, which is known as the community of Monterado. Lennar is the builder and is actively marketing the homes. Monterado offers two-story floorplans ranging in size from 1,795 to 2,007 square feet as marketed for Rivello (alley-loaded small lot detached product), and 1,822 to 2,207 square feet for Salerno (detached cluster product). There are a total of 198 proposed homes within the subject. This appraisal will be presented in the following format:

- County of San Bernardino Description
- City of Fontana Description
- Immediate Surroundings Description
- Brief Description of Fontana CFD No. 111
- Subject Property Description
- Inland Empire Residential Market Analysis
- Highest and Best Use Analysis
- Valuation Procedure, Analysis and Conclusions
- Appraisal Report Summary

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

*"...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparables is available."*<sup>4</sup>

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. In addition, we have utilized a mass appraisal technique

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

which included reviewing all builder sales and searching the MLS for any resales and/or resale listings.

The due diligence of this appraisal report included the following:

1. Compiled demographic information and related that data to the subject property 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 Bernardino County and the Fontana area.
3. Inspected the subject property between December 1, 2023, and February 15, 2024.
4. Had the site flown by an aerial photographer on January 2, 2024.
5. Interviewed representatives from Lennar and/or their consultants in order to obtain project information.
6. Reviewed a preliminary title report on the subject property.
7. 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.
8. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
9. Reviewed the sales brochure and website for the subject community.
10. Reviewed developer sales information on each home within each neighborhood in the community along with reviewing public record on sample lots in each community.
11. Reviewed Multiple Listing Service information to determine if there are any resales, pending resales or listings of resale homes.



## COUNTY OF SAN BERNARDINO AREA DESCRIPTION

### **Location**

The subject property is located in the southwestern portion of San Bernardino County, in the northwestern portion of the City of Fontana, about a quarter mile east of I-15. More specifically, Monterado is located along the east side of Citrus Avenue about 450 feet north of Duncan Canyon Road.

San Bernardino County (the "County") is the largest county in the United States by area containing over 20,100 square miles, and includes large expanses of undeveloped deserts, valleys, canyons and mountains with deserts comprising about 90 percent of the acreage. The County is a major beneficiary of outward urban pressure from Los Angeles, Orange and Riverside Counties. Although located at the periphery of most urban activity in Southern California, the southwestern portion of San Bernardino County has been a major growth area and is perceived by most observers as an area expected to continue to grow. Riverside and San Bernardino Counties are considered distinct from Los Angeles and Orange Counties, and belong to the same Metropolitan Statistical Area ("MSA"). This area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

### **Transportation**

The subject property is situated one-quarter mile east of I-15, approximately five miles south of its intersection with Interstate 215, about two miles north of Interstate 210 ("I-210"), and about seven miles north of Interstate 10 ("I-10"). The I-15 and I-210 are the nearest interstates providing access to the subject. From I-15 there is excellent access from Duncan Canyon Road (both heading north and south) and head east a quarter mile to Citrus Avenue. From I-210, access is also very good with on/off ramps at Citrus Avenue and north about two miles. There are also on/off ramps to Citrus Avenue from I-10. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. I-10 begins from the west in Los Angeles and provides access into Arizona to the east. In the vicinity of the subject, I-210 provides additional east/west access about two miles north of I-10 beginning in Santa Clarita in

Los Angeles County and provides access near the City of San Bernardino. The subject is located about four miles north of the historical Route 66, the original Los Angeles to Chicago cross country route.

The County is served by Amtrak and Metrolink as well as several rail-freight lines. The Ontario International Airport provides regional international air service and is located approximately 11 miles southwest of the subject property. San Bernardino International Airport is located approximately 12 miles southeast of the subject. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

### **Population**

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2023 (latest available) County population was 2.182 million. This represents a one-year increase of 0.1 percent. This compares to an average annual growth rate over the past 20 years of 2.1 percent. Current projections for San Bernardino County per the California Department of Finance suggest the population is anticipated to reach approximately 2.32 million by 2030, indicating an average annual increase of approximately 0.9 percent over the next seven years. The current near zero growth rate is lower than the previous 20-year annual average of 2.1 percent, likely due to the disruption of the COVID pandemic. The future growth of 0.9 percent annually was predicted assuming a more stable market than was seen prior to the Great Recession, however doesn't take into effect the COVID pandemic.

### **Economy**

The U.S. economy in the past few years has experienced challenging times due to reactions from the COVID disruption. These economic challenges include significant inflation, increasing interest rates, banks' instability and reaching an agreement on the debt ceiling. During COVID, the Federal, State, County and City Governments ("Governments") originally shut down non-essential businesses and areas where social

gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment the first few months of the pandemic. The Governments attempted to curtail the job losses and hardships with the approval of over 5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board (“Board”) reduced interest rates and started quantitative easing by buying bonds. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of January 2024, the national inflation rate was at 3.1 percent; up from a low of 2.97 in July 2023, and down from the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of world turmoil, supply chain issues due to COVID or from the additional money entering the economy, inflation has been hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board (“Board”) began raising interest rates. Between March 2022 and August 2023, there were eleven interest rate increases rising the Federal Funds Rate (“FFR”) from 0.25 – 0.50 percent to 5.25 – 5.50 percent. The Board has not increased rates since August 2023, due to the decrease in inflation coupled with other mostly positive signs in the economy. While the eleven increases appeared to help slow inflation, the quick, significant increases strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the most recent Board meeting (January 31, 2024) they continued to pause the increases for the fourth meeting in a row, however stated there would probably not be a cut in March, as was anticipated by the markets, which was shown in a decrease of over 300 points in the DJIA. After the December Board meeting, some analysts had predicted the first Federal Funds Rate cut would be in March which created a boon to the economy as the stock market increased to an all-time highs and bond rates decreased the end of December and in January 2024 based on the news. In addition to causing bank instability, the FFR increases over the past couple years

increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to the high of 7.79 percent as of October 2023; however, the rate has dropped to 6.9 percent as of February 22, 2024 (per Federal Reserve Economic Data-St. Louis). This steep increase over the past two years has significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average (“DJIA”) dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to a peak of 36,799 in January 2022. In February 2022, Russia began invading Ukraine which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. In addition, Israel declared war on Hamas on October 7, 2023, which added to the strain. All of these factors caused a drop in the DJIA of over ten percent from January 2022 to the low on October 27, 2023 (32,418); however, the Federal Reserve Board’s notes from December coupled with strong economic news, brought the stock market to a new all-time high of 39,131 (February 23, 2024). It appears the Board’s decision not to increase rates further and their suggestion that a decrease may occur in the next year has been well received by investors. Current concerns on the U.S. economy include the nation’s debt limit which can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debit limit which has been in danger of being reached numerous times with several temporary deals being reached, however, no permanent agreements at this time.

The significant increase in mortgage rates over the past 20 months is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, the Inland Empire economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially

flat for two to three years with the majority of the Inland Empire housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder's original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID disruption and is thought to be due to several factors, including: a tight supply of resale homes; historically low interest rates; millennials finally buying homes; and the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there was a significant slowdown in sales within the Inland Empire. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger share of the total home sales; however, new home sales are also down year-over-year.

While most jobs have come back, job losses were significant during the COVID recession as the Nation's unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the December 2023 National unemployment rate at 3.7 percent (Employment Development Department, not seasonally adjusted). The unemployment rate for the MSA was estimated at 5.1 percent (as of December 2023 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. As of December 2023, Riverside County's unemployment rate was 5.2 and San Bernardino County had a 5.0 percent unemployment rate. The current unemployment rate for the MSA of 5.1 percent is similar to the California rate at 5.1 percent and higher than the December 2023 National rate of 3.7 percent. On the following page is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of December 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Dec-2023	5.3%
Riverside County	Dec-2023	5.2%
San Bernardino County	Dec-2023	5.0%
Orange County	Dec-2023	3.8%
San Diego County	Dec-2023	4.3%

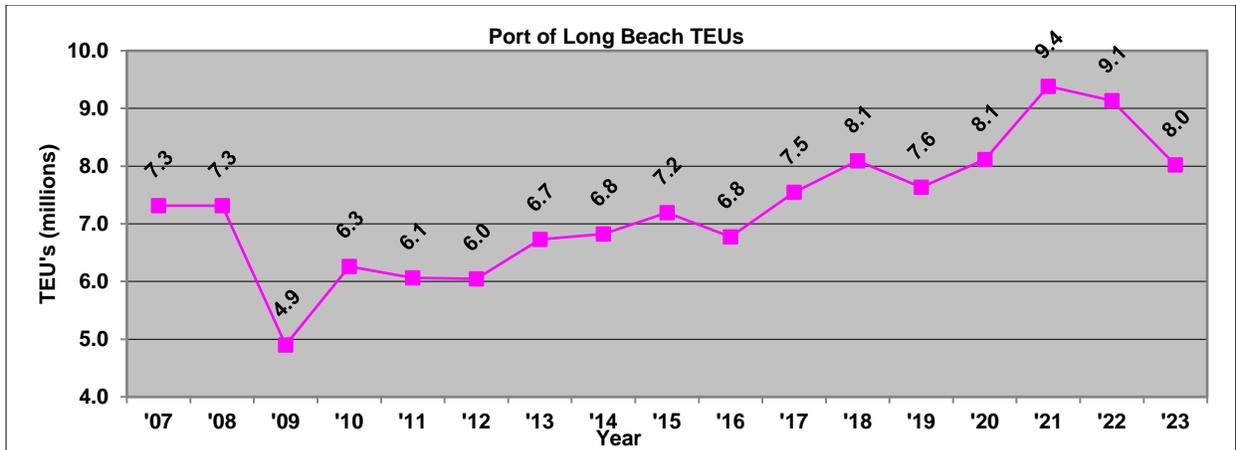
Source: State of California E.D.D.; \*Not Seasonally Adjusted

The latest UCLA Anderson Forecast (“Forecast”) was issued December 6, 2023, and stated they predict no recession but a weak U.S. Economy in 2024. They believe with retail sales continuing to have robust growth and the backlog of durable goods orders growing along with factory construction soaring, that core inflation will continue to come down. As of December, they expected the Fed to continue to pause increases and are forecasting that that Board will hold the rate until the sufficient weakness in the economy which they forecast will be in mid-to-late 2024. They opine that while monetary policy tightened, fiscal policy eased with the combination of the CHIPS Act, the Infrastructure Act and the Inflation Reduction Act which all added significant demand to the economy and increased investment. They do state that the impact of higher interest rates will be felt in restraining growth in 2024. The Forecast mentions risks to their current forecast include a possible shutdown of government, geopolitical events and the possibility of a different national economic policy in 2025 due to the election.

The UCLA Forecast for California is typically more positive than the overall Nation due to job growth in California; however, this Forecast suggests a slower-growing California economy. They do believe that employment numbers for the fourth quarter of 2023 and beginning of 2024 will see small but positive growth. The unemployment rate for the fourth quarter of 2023 is expected to average 4.7 percent while the average for 2024 and 2025 is forecast to be 4.5 percent and 3.8 percent respectively. Total employment growth rates are forecast to be 0.3 percent in 2024 and 0.9 percent in 2025 while real personal income is forecast to grow by 1.7 percent in 2024 and 2.7 percent in 2025. Despite the higher interest rates, the continued demand for limited housing stock, coupled with state policies promoting new homebuilding, should induce new homebuilding. They are estimating 127,000 net new units to be permitted in California in 2024 and grow to 155,000 in 2025.

One bright spot in the current economy is sales of new homes. While existing homeowners are reluctant to put their houses on the market due to their under-four percent mortgages, new home sales continue. Even with rates in the seven percent range, new homes are still selling. This is partially due to the extremely limited availability of existing homes on the market, coupled with homebuilders offering to buy-down interest rates to help new home buyers. While new homes historically captured 10 – 13 percent of total home sales; over the past year new homes are capturing over 30 percent of total home sales. This rush to new home purchases has put pressure on pricing, even while interest rates have soared. During the Great Recession median housing prices (existing) in San Bernardino County dropped from a high of \$350,288 in March 2006 to a low of \$120,406 in May 2009. Median prices surpassed the pre-recession high in September 2020, hit a peak in April 2022 of \$495,000 with the median home price bouncing generally between \$475,000 and \$500,000 over the past six months (all statistics per the California Association of Realtors). The median home price in San Bernardino County is up 6.8 percent year over year, which will be discussed further in the Inland Empire Housing Market section later within this report.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there had been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 calendar year saw a decrease of 2.6 percent from the previous year; however, 2023 saw the largest percentage decrease of 12.2 percent year over year (8,018,668 versus 9,133,657 total TEUs). It should be noted that consumer demand cooled in mid-2022 leaving fewer TEUs needed. Shipments have slowed due to American demand finally waning after the pandemic.



**Government**

A Board of Supervisors oversees the County as the governing body of the County, certain County special districts, and the County Housing Authority. The Supervisors enact ordinances and resolutions, adopt the annual budget, approve contracts, and appropriate funds, determine land use zoning for unincorporated areas, and appoint certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

**Education**

The subject area is served by the Fontana Unified School District (“FUSD”). FUSD serves students with five high schools, seven middle schools and 30 elementary schools along with three alternative schools and one adult school. The subject is assigned to Sierra Lakes Elementary School, Ruble Middle School and Summit High School. Community Colleges are available near the subject at Chaffey College in Rancho Cucamonga (seven miles west), at Chaffey College’s Fontana campus, (five miles south), and San Bernardino Valley College (10 miles southeast). Higher education is available approximately seven miles east of the subject at California State University San Bernardino, about 15 miles southeast is University of California at Riverside, 15 miles southwest in the private Claremont Colleges (which include Claremont McKenna College, Pitzer College, Harvey Mudd College, Pomona College, and Scripps College) and 22 miles to the southwest at Cal Poly Pomona.

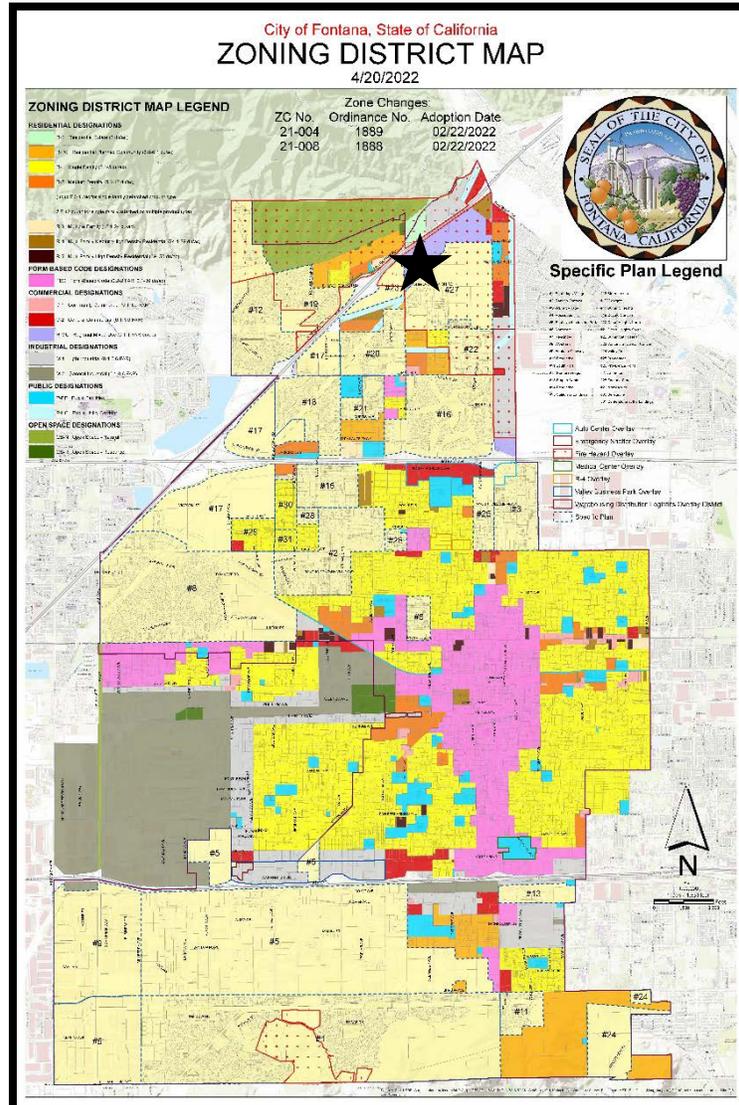
## **Conclusion**

Population in the County has increased over the past 20 years with predictions for continued population growth. The Nation's economy has been slowing after the Board increased the FFR over five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages. Current concerns for the Inland Empire economy include stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, possible government shutdowns along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. A slowdown in the economy is forecast for later this year. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land, and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles, and San Diego Counties.

# CITY OF FONTANA DESCRIPTION

## General Area

The subject property is located in the northernmost portion of the City of Fontana (“City”) in southwestern San Bernardino County. The City is situated at the base of the San Gabriel Foothills, east of the cities of Rancho Cucamonga and Ontario, north of Jurupa Valley, west of the City of Rialto and the community of Bloomington, and south of the San Bernardino Mountains. The City encompasses an estimated 43 square miles with generally the northern border the San Gabriel Mountains and the southern border the Jurupa Mountains. The black star on the below map shows the approximate location of Fontana CFD No. 111 within the City limits.



## **History**

Fontana was founded in 1913 and is the second largest city in San Bernardino County and the 20<sup>th</sup> largest city in the State of California. The area was a rural farming community with citrus orchards, vineyards and chicken ranches that ran along U.S. Route 66 which is now known as Foothill Boulevard. The historic Route 66, which was built in 1926 to connect Los Angeles to Chicago, is a commercial corridor that runs east/west through the City. During World War II, Henry J. Kaiser opened the Kaiser Steel Mill near Fontana, the only steel mill west of the Mississippi River, which brought industrial employment to the area during the war. To provide for the worker's health needs, Kaiser constructed the Fontana Kaiser Permanente Medical Facility which now employs more than 5,000 people. In 1994 the San Bernardino Freeway, which later became Interstate 10, was completed connecting Los Angeles to San Bernardino and making accessibility to Fontana relatively easy. This led to substantial growth as Fontana became an industrial hub for the County.

In the 1950s and 1960s the area of Fontana was home to a drag racing strip which served as a significant venue in the National Hot Rod Association ("NHRA") circuit. In 1997, Roger Penske built the Fontana Speedway, now known as the Auto Club Speedway, which became a major NASCAR sanctioned tract. In 2006, the Auto Club Speedway opened a new NHRA sanctioned drag strip on site to resurrect Fontana's drag racing heritage. The Auto Club Speedway was purchased by NASCAR in 2019 and hosts at least one major NASCAR race each year. It was recently announced the existing raceway will close due to the redevelopment of the lands; however, a smaller short-track will be developed on a portion of the lands keeping car racing in the area of Fontana.

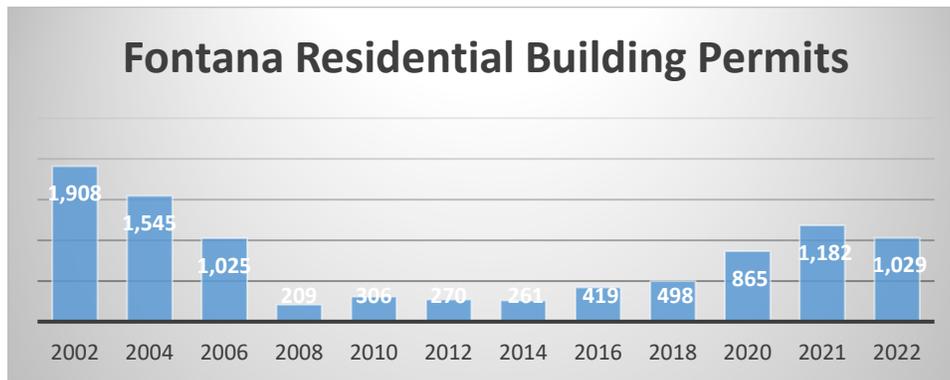
## **Population**

The January 2023 population of Fontana (per the California Department of Finance) is 213,851, which represents an increase of 0.6 percent over the previous year. The 2000 population of Fontana was 128,928, suggesting the population has increased 66 percent over the past 23 years or an average rate of 2.2 percent per year. The City population represents 9.8 percent of the County population. The 0.6 percent growth compares to an increase of 0.1 percent in the County year-over-year and a negative growth of 0.4 percent

in the State year-over-year. Fontana was one of seven cities within the County with positive population growth in the past year compared to 18 cities with negative growth. The City has several new home communities currently under construction, especially in the northern portion of the City. Per the U.S. Census Bureau, the average household size in Fontana is 3.75 persons while in overall San Bernardino County the average household size is 3.26 persons. Over 78 percent of the population of the City are high school graduates and over 28 percent of the population of the City are under 18 years old.

### **Housing**

According to the Southern California Association of Governments (“SCAG”), the City of Fontana has an estimated 55,632 housing units as of 2021 (latest data available), with a growth rate of 56 percent since the year 2000. This compares to the County’s housing growth rate of 22.2 percent during this time. This further illustrates Fontana’s growth spurt due to land available for development over the past 20 years. Fontana hosts over eight percent of the total number of households in the County. Below is a graph showing residential units permitted in Fontana between 2002 and 2022 (2023 not yet available).



While the current numbers are not at pre-Great Recession numbers, they are the highest in the past 15 years. Per SCAG, 68 percent of the housing stock is owner occupied and 32 percent are renters. Only 22 percent of the housing stock in the City was built before 1970 and 78 percent was built since that time. There are several residential projects currently under construction including a 489-unit community known as Nara Hills with five new home communities currently selling; Ventana at Duncan Canyon a mixed-use

neighborhood proposed for 842 residential units (257 apartments currently under development) along with retail, office and hotel uses; the Summit at Rosena Specific Plan is ongoing; the Arboretum Specific Plan is also ongoing; Monterado, the subject 198 homes; Mountain View Homes proposed for 156 residential units; Lennar's Citrus West proposed for 86 attached units; Stratham Homes 107 condos at Victoria and Etiwanda Creek; Cypress multi-family housing project and two senior living communities. There are additional planned projects according to the City. Per the 2023 annual report, there were 709 new single-family residential permits and 42 multi-family residential permits issued. According to Redfin Market Trends, the January 2024 median home price in overall Fontana was \$642,000 (median of 70 homes) which is 8.8 percent higher than one year prior while the median home price in North Fontana was \$697,000 (median of 40 homes) which was 9.0 percent higher than one year prior.

Current new homes communities selling within Fontana include: Aurora Park by Tri Pointe with two neighborhoods, Highland Park by Richmond American with two neighborhoods, Shady Trails with one remaining neighborhood by Tri Pointe, The Arboretum by Lennar with five neighborhoods, Monterado (the subject) with two neighborhoods by Lennar and Nara Hills with five neighborhoods currently being marketed by LandSea Homes.

### **Access**

Fontana has good access with I-15 generally forming the northwest border of the City. The 210 Freeway provides east-west access through the upper third of the City; Route 66 (also known as Foothill Boulevard) provides east-west access through the approximate middle of the City and the I-10 provides east-west access through the bottom third of the City. Major on/off ramps to the City from I-15 include Foothill Boulevard, Baseline Avenue, the 210 Freeway, Summit Avenue, Duncan Canyon Road and Sierra Avenue. On/off ramps from the 210 Freeway within the City include Cherry Avenue, Citrus Avenue and Sierra Avenue. Route 66/Foothill Boulevard has stop lights at major intersections while the major on/off ramps from I-10 in the City include Etiwanda Avenue, Cherry Avenue, Citrus Avenue and Sierra Avenue. Access to the subject is via I-15 to Duncan Canyon Road to Citrus Avenue or exit Citrus Avenue from either I-210 or I-10 directly to the subject property.

## **Economy**

Existing commercial property within the City of Fontana is generally along the major thoroughfares including I-10, Route 66/Foothill Boulevard, Sierra Avenue and the 210 Freeway. There are several large shopping centers including Sierra Lakes Marketplace and Falcon Ridge Town Center, both which serve the subject property. There is planned retail across Citrus Avenue from the subject in the Ventana Specific Plan. The City is home to an Amazon Distribution Center, a Target Distribution Center and a FedEx transfer station. The intersection of the I-10 and I-15 is a major industrial hub which extends into the City of Fontana with generally industrial use south of I-10. The Fontana Speedway is located along Cherry Avenue north of I-10 and the Metrolink station is located along Sierra Avenue. The top-ten employers in the City (from 2018 – latest available per City’s website) include the following:

<u>Employer</u>	<u>No. of Employees</u>
Kaiser Hospital	5,430
Fontana Unified School District	5,000
City of Fontana	1,030
Target Distribution Center	621
Costco Wholesale	333
U S F Reddaway	320
Estes West	317
Sierra Aluminum Company	312
Crown Technical systems	297
Walmart Store (Foothill Blvd)	290

## **Summary**

Fontana is located at the base of the San Gabriel Mountains and was incorporated over 100 years ago as a rural farming community. Kaiser Steel brought jobs to the area during World War II and the opening of the I-10 Freeway in the 1950s made it an easy commute to Los Angeles and Orange Counties. Almost 80 percent of the housing stock within the City was built since 1970. Between April 2020 and March 2022 residential building permits grew significantly after a lull in the first 10 years since the Great Recession. In the past year permits slowed as sales decreased due to increasing rates. The area has excellent access via three major freeways and the historic Route 66. The area’s central location, reasonable land prices and the availability of land for development combine to make the area a prime area for future growth.

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## IMMEDIATE SURROUNDINGS

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The subject property is located east of I-15, along the east side of Citrus Avenue north of Duncan Canyon Road, in the northern portion of the City of Fontana. The subject has convenient freeway access to the I-15 via the Duncan Canyon Road, or I-210 or I-10 via the Citrus Avenue exit.

The subject lands are immediately surrounded by vacant land to the north, east and south and Citrus Avenue to the west. To the north beyond a vacant parcel is I-15 (about one-tenth mile north) while immediately to the southeast is a high-wire easement for Edison transmission lines, beyond which are vacant lands. About one-tenth of a mile south (beyond one vacant parcel) is Duncan Canyon Road, beyond which are recently developed new homes. East, beyond the Edison easement are vacant lands for about three-quarters of a mile to Sierra Avenue, beyond which are existing homes. Beyond Citrus Avenue to the west is the new mixed-use center known as Ventana with Vasari, a luxury apartment complex currently under construction. Ventana is proposed for over 800 homes, retail, office and a hotel.

There are two schools that serve the subject within two miles: Sierra Lakes Elementary School and Summit High School. In addition, the Fontana Park Aquatic Center is about one mile southwest. The middle school that serves the subject is Wayne Ruble Middle School about 2.5 miles south. The closest park is Oak Grove Park, about one-quarter of a mile south while the regional Coyote Canyon Park is located across I-15 about one-half of a mile west. The subject has its own pool and clubhouse along with a tot-lot for residents' use.

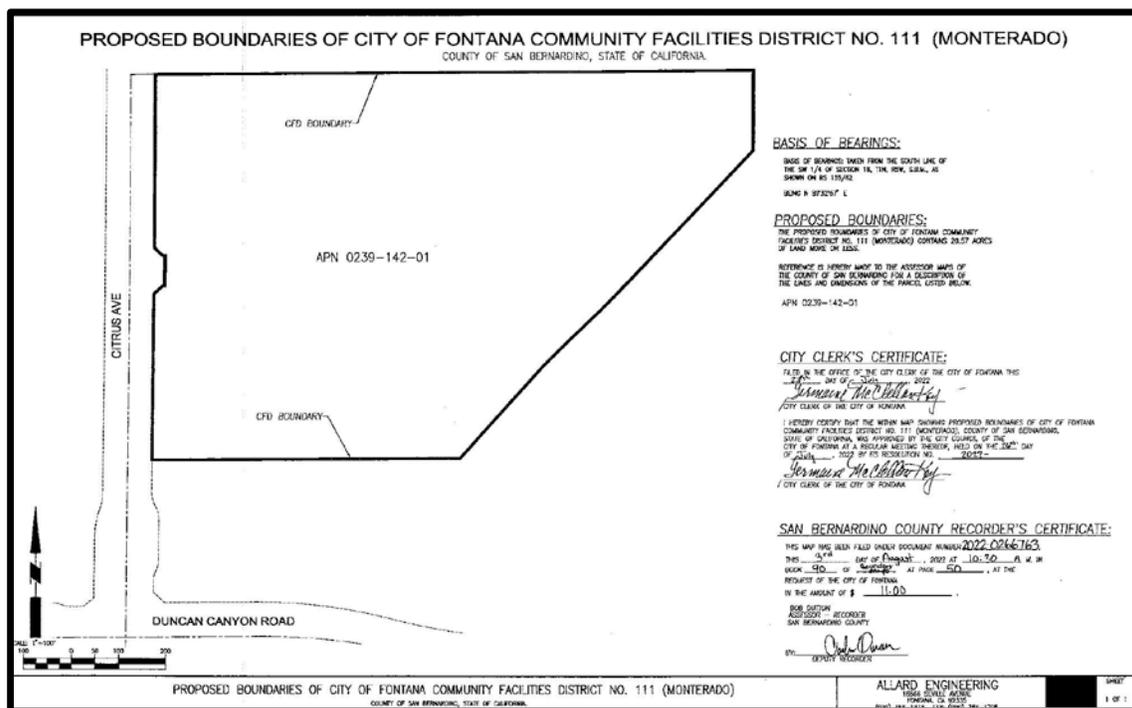
The closest shopping is about 1.5 miles southwest at the Falcon Ridge Towne Center anchored by Target, Stater Bros Market and Michaels with additional shopping across Beech Avenue anchored by Kohl's and PetSmart. More regional shopping is located about two miles south on Citrus Avenue at the I-210 intersection with a Home Depot anchored center and a Costco, Ralph's Supermarket and a Lowe's Home Improvement Center. The nearest shopping mall is approximately five miles southwest of the subject

on the west side of I-15, where Victoria Gardens is anchored by a Macys and JC Penney department store in addition to a plethora of restaurant and shopping options, all located across the street from a regional Bass Pro Shop.

## FONTANA CFD NO. 111 – MONTERADO

We have reviewed the City of Fontana CFD Report for Community Facilities District No. 111 (Monterado) dated August 24, 2022, as prepared by David Taussig & Associates, Inc. The CFD Report provides a brief description of Fontana CFD No. 111, a brief description of the facilities to be funded along with an estimate, a description of the boundaries and an estimate of the cost of financing the bonds used to pay for the facilities. The City Council of the City of Fontana adopted a resolution of intention for Fontana CFD No. 111 (Monterado) on July 26, 2022.

The exterior boundaries of Fontana CFD No. 111 per the Proposed Boundary map are shown below.



Per the CFD Report, at time of formation, Fontana CFD No. 111 encompassed approximately 11.55 taxable acres (per tract map Lot 1 of Tract Map 20224 is 20.37 gross acres - the difference being setback areas, internal streets alleys and driveways, and common areas) proposed for 198 single family detached residential units with 89 alley-loaded detached units ranging in size from 1,795 to 2,007 square feet and 109 detached cluster units ranging in size from 1,822 to 2,207 square feet.

Per the CFD Report, the types of facilities to be eligible for funding are streets, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, streetlights and parkway and landscaping related thereto, sewers, storm drains, fire protection facilities, police facilities, public facilities, landscaping, library facilities, park and recreational facilities and land, rights-of-way, and easements necessary for any of such facilities. The types of public facilities proposed to be purchased as completed facilities by CFD No. 111 are streets, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, streetlights and parkway and landscaping related thereto, sewers, storm drains, park and recreational facilities and land, rights-of-way, and easements necessary for any of such facilities. The types of public services to be financed by CFD No. 111 are fire protection and suppression services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services and maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the City. Incidental expenses also included are the cost of planning and designing public facilities to be financed, including the cost of environmental evaluations of those facilities; the costs associated with the creation of CFD No. 111, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of CFD No. 111; and, any other expenses incidental to the construction, completion, and inspection of the authorized work.

Per the Rate and Method, the Assigned Facilities Special Tax for Developed Property for Fontana CFD No. 111 (Monterado) are estimated as follows:

<u>Land Use</u> Class	Description	Residential Floor Area	Special Tax
1	Residential Property	2,250 or Greater	\$3,258 per unit
2	Residential Property	2,050 to < 2,250	\$3,218 per unit
3	Residential Property	1,850 to < 2,050	\$3,031 per unit
4	Residential Property	1,650 to < 1,850	\$2,940 per unit
5	Residential Property	< 1,650	\$2,907 per unit
6	Non-Residential Property	N/A	\$51,640 per acre

The estimated cost of public facilities at the time the Fontana CFD No. 111 Report was created were estimated as:

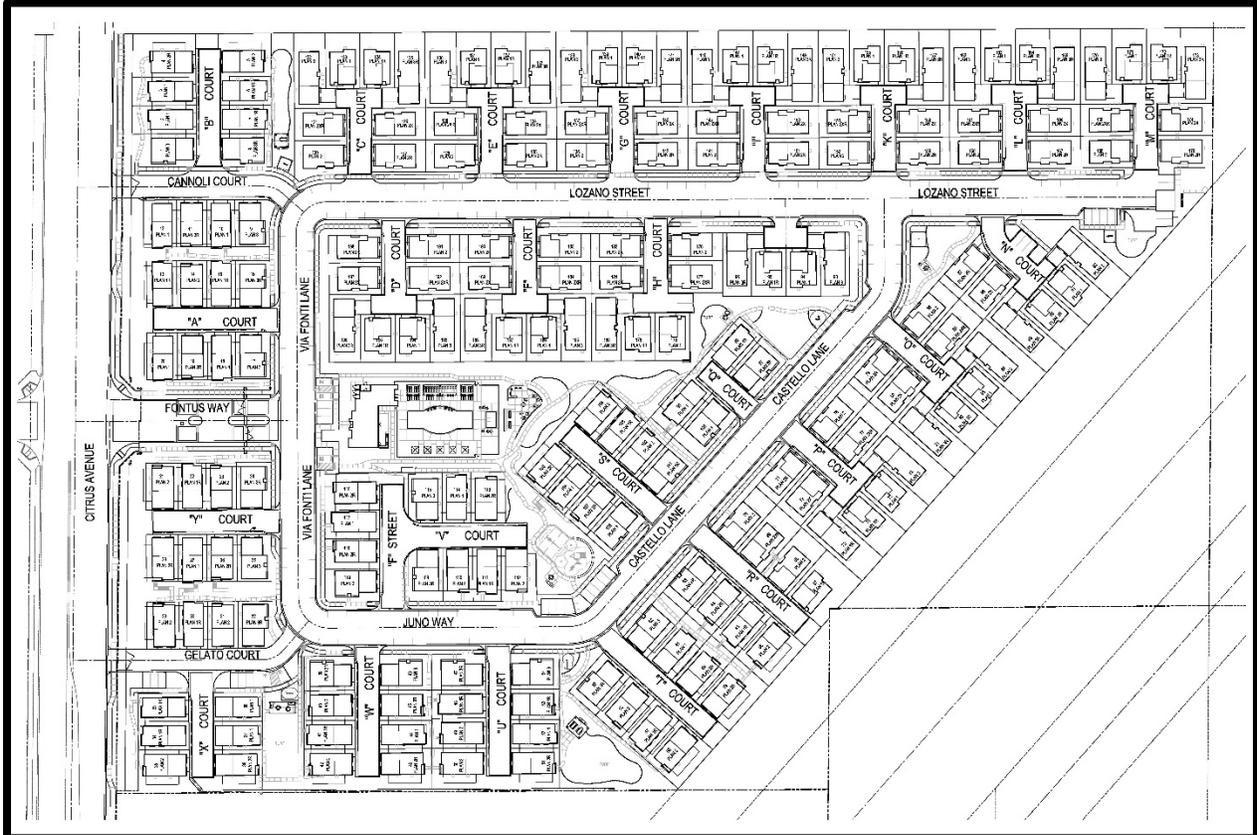
<b>PUBLIC FACILITIES</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
<b>Acquisition Facilities:</b>		<b>\$1,896,704(1)</b>
Street Improvements		\$534,987
Sewer Improvements		\$399,278
Storm Drain Improvements		\$391,337
Landscape Improvements		\$316,071
Street Pole Removal & Relocation		\$7,635
Construction Costs Contingency		\$247,396
<b>Other Public Facilities:</b>	<b>\$4,177,987(2)</b>	<b>\$2,885,373(3)</b>
Park Facility Improvements	\$1,350,162	\$1,350,162
Traffic Circulation Facility Improvements	\$1,167,210	\$175,079
Storm Drain Facility Improvements	\$486,249	\$364,362
Housing Facility Improvements	\$274,824	\$274,824
Sewer Facility Improvements	\$178,596	\$0
Active Transportation Plan Improvements	\$161,370	\$161,370
Flood Control Facility Improvements	\$102,196	\$102,196
Police Facility Improvements	\$96,228	\$96,228
Public Facility Improvements	\$90,684	\$90,684
Local Arterials Improvements	\$90,288	\$90,288
Fire Facility Improvements	\$75,240	\$75,240
Landscape Facility Improvements	\$56,826	\$56,826
Traffic Signal Facility Improvements	\$27,918	\$27,918
Library Facility Improvements	\$20,196	\$20,196
<b>Additional Capital Facilities Infrastructure Improvements</b>		<b>\$1,195,519</b>
<b>TOTAL ESTIMATED COSTS</b>		<b>\$5,977,596</b>
(1) Estimates provided by project developer and inclusive of a 15% contingency.		
(2) Estimated amount of Permit Fees PRIOR to the application of anticipated City fee credits		
(3) Estimated among of Permit Fees AFTER the application of anticipated City fee credits.		

In addition, CFD No. 111 is expected to finance annual costs to provide fire protection and suppression services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services and maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years owned by the City. The Services Special Tax within CFD No. 111 has been established to pay for these public services at approximately \$366 per unit per year. This amount is subject to change based on the actual need that arises as development progresses within CFD No. 111 and shall be subject to an annual increase as specified in the Rate and Method of Apportionment. The maximum bonded indebtedness for CFD No. 111 is \$8,000,000.

Per the latest sources and uses of funds (dated March 1, 2024) for the proposed bond issuance, there will be an estimated \$7,665,000 in Bond Par Amount and a Net Premium of \$131,278 along with \$152,614 in Special Tax Collection Funds on Hand for a total bond fund deposit of \$7,948,892 with \$7,063,067 going to the Project Fund, \$504,750 in Debt Service Reserve Fund and \$381,075 in Underwriter's Discount and Cost of Issuance (all amounts subject to change). A larger copy of the Fontana CFD No. 111 boundary map is located in the Addenda for your review.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 198 proposed units being developed as Rivello at Monterado and Salerno at Monterado, both being built and marketed by Lennar. The subject site is shown on the below site plan and described as follows.



**Location:** East side of Citrus Avenue north of Duncan Canyon Road, Fontana, California

**Legal Property Description:** Lot 1 of Tract No. 20224 in the City of Fontana, County of San Bernardino, State of California.

**Property Owner:** Rivello:  
Individual Owners as Units 1-12, 21-66, 97-106 and 108-119 of Lot 1 of Tract 20224. Lennar Homes of California, LLC as to Units 13-20 and 107 of Lot 1 of Tract 20224.

Salerno:  
Individual Owners as Units 67-96, 128-159 and 176-182 of Lot 1 of Tract 20224. Lennar Homes of California LLC as to Units 120-127, 160-175 and 183-198 of Lot 1 of Tract 20224.

**Assessors**

**Parcel Nos.:** The subject covers the following APNs: 0239-142-04 thru 011; 13 thru 20; 22 thru 29; 31 thru 38; 40 thru 47; 49 thru 56; 58 thru 65; and 67 thru 74; 0239-143-01 thru 16; 18 thru 28; 30 thru 36; 38 thru 53; 0239-144-01 thru 12; 14 thru 21; 23 thru 32; 34 thru 41; 43 thru 50; 0239-145-01 thru 12; 14 thru 25; 27 thru 34; 36 thru 41

**Property Taxes:** We have reviewed the property tax invoice for sample parcel 0239-144-09-0000. The parcel has an assessed value of \$91,954 for land only. The property taxes include \$919.54 for the general levy, \$32.55 for the Fontana Unified School District bond; \$9.19 for the Chaffey College Bond; \$110.34 for the San Bernardino Valley Municipal Water Debt Service; \$10.26 for Fontana Vector Control; \$3,031.30 for Fontana CFD No. 111 (Subject CFD) and \$366.30 for Fontana CFD No. 111 Tax B (Services). The invoice (as of December 27, 2023, per the County of San Bernardino Tax Collector) shows the first installment paid. It appears there will be a supplemental tax invoice once the improvements are included in the assessed value. It is an assumption of this report that the overall property taxes and special assessments are not over two percent.

**Three-Year  
Sales History:**

Per Lennar, Lennar Homes of California LLC purchased the subject property for \$17,500,000 on June 27, 2022. Lennar began closing homes within the subject property to individual owners in November 2022, and has closed 149 houses between November 18, 2022, and February 15, 2024.

**Size and Shape:** Lot 1 of Tract Map 20224 is irregular in shape and contains 24.44 gross acres and 20.57 net acres per the recorded map which subdivides the subject into one numbered lot and two lettered lots. Per the site plan provided by Lennar, the lot was further subdivided into 198 units which results in an overall density of 9.62 dwelling units per acre based on the tract map acreage for Lot 1.

**Zoning:** Per the current City of Fontana General Plan Land Use Map dated July 2023, the site is designated as RMU for Regional Mixed Use which allows for 12-24 dwelling units per acre. The subject lands are not within a specific plan. On April 22, 2020, the Monterado Planned Unit Development for 198 condominium detached units was approved by the Fontana City Council.

**Entitlements:** The subject is entitled by Tract Map No. 20224, which was recorded on March 24, 2022, and divides the subject into one numbered lot. Subsequent condominium maps further divide the subject into 198 detached condominium units with 89 alley loaded units and 109 cluster detached units. A copy of Tract Map No. 20224 along with the site plan are located in the Addenda for your review.

Home Owner's Association:

Monterado's monthly HOA fee is estimated per Lennar representatives at \$218.75 per month at build-out. The HOA covers maintenance of the community gate, swimming pool, spa, barbeques, clubhouse and restrooms, community parks, as well as all walkways and community landscaping. The pool, spa, clubhouse and park areas are all under construction.

Topography:

The subject lands are generally flat and at grade with streets on the west (Citrus Avenue). The southeast border is a high tower Edison easement which also has generally flat topography. The northern and southern borders are vacant parcels which are generally flat at similar grade to the subject. The subject has been fully graded with the lots and pads generally level with the internal streets which are generally complete.

Soils Condition:

We have reviewed a "Supplemental Geotechnical Evaluation" for the subject site dated August 6, 2020, prepared by Petra Geosciences of Riverside. The Report is supposed to be viewed in conjunction with their Preliminary Geotechnical Evaluation reports dated September 19, 2018, which we did not receive. The report concludes that, from a geotechnical engineering and engineering geologic point of view, the property is considered suitable for the proposed development, provided the conclusions and grading recommendations are incorporated into the design of the project.

It is an assumption of this appraisal that the soils are adequate to support the highest and best use conclusion and that all recommendations made within any and all reports were adhered to during construction. The appraiser is not a soils expert and it is recommended that any concerns relating to soils should be addressed to the appropriate experts.

Seismic Information:

Per San Bernardino County's Geological Hazard Overlay map, the subject property is not located within a County Designated Fault Zone or an Earthquake Fault Zone Boundary and appears to be within two kilometers of the Cucamonga Fault.

Environmental Concerns:

We have not received any environmental reports to review.

It is an assumption of this report that there are no environmental issues which would slow or thwart development of the subject property. This is evidenced by construction of homes on the site and City inspectors on site during construction.

**Flood Information:** Per FEMA Map No. 06071C7915H dated August 28, 2008, the property is shown as being located in Zone X which states areas determined to be outside of the 0.2 percent annual chance floodplain.

**Fire Hazard Information:** Per the City’s General Plan and Zoning Map, the site is within a fire overlay zone. Per the State of California’s Fire Hazard Map, the site appears to be within a LRA (Local Responsibility Area), however is contiguous to a very high fire hazard area per the Map.

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report prepared by Lennar Title as order No. 192002-001275 dated April 2, 2021, which covers Tract Map 20224. The exceptions are as follows.

Item Nos. 1-3 refers to property taxes. Item No. 4 is in regard to the public highway adjacent to the property as stated in a resolution dated April 7, 1892. Item Nos. 5, 6, 7 and 10 refer to easements for public utilities, streets and right-of-way. Item No. 8 refers to the right of the public regarding Citrus Avenue. Item No. 9 pertains to water rights. Item No. 12 states what the title company will need from TAT Sunshine, LLC (previous owner) prior to closing. Item No. 13 states no known matters otherwise appropriate were deleted from the report.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than Fontana CFD No. 111, the above referenced CFD Nos. 111 and the easements noted above. The appraiser is not a title expert and it is recommended that any concerns relating to title should be addressed to the appropriate experts.

**Utilities:** All normal utilities are available to serve the subject site by the following companies:

- Electrical: Southern California Edison Company
- Natural Gas: SoCal Gas
- Sewer: Inland Empire Utilities Agency
- Water: Fontana Water Company
- Schools: Fontana Unified School District

**Streets/Access:** Access to the subject property is convenient via I-15 to Duncan Canyon Road, east 0.3 miles to Citrus Avenue and north 0.10 miles to the subject site. For access via the I-210 exit Citrus Avenue and travel two miles north to the entrance.

I-15 is a major north/south freeway, which provides access to both international borders with Mexico and Canada.

I-210 (approximately two miles south of the subject) is an east/west freeway. It begins in Santa Clarita in Los Angeles County and ends near downtown San Bernardino. I-210 provides additional access parallel to I-10 which gets congested at commuting times.

I-10 (4.5 miles south of the subject) is a major east/west freeway in San Bernardino across Los Angeles and San Bernardino Counties. I-10 provides access to Los Angeles to the west and through San Bernardino County and Riverside County to Arizona to the east. I-10 is an interstate providing a southern route across the U.S. to Florida

Citrus Avenue is a major north/south arterial providing access through all Fontana, beginning near the subject to the north and terminating at the City limits in the Jurupa Hills. Citrus Avenue has on/off ramps from both the I-210 and the I-10.

Internal streets within the subject include: Fontus Way, Via Fonti Lane, Castello Lane and Lozano Street along with many cluster driveway and alley streets.

**Current Condition:** The subject is being developed into 198 single-family homes consisting of motorcourt cluster pads for 109 detached condominiums and alley load pads for 89 detached condominiums. Upon our inspection, 164 of the homes were over 95 percent complete including 149 individually owned homes, six model homes, and nine additional production homes owned by the builder (all in escrow). In addition, there were 21 homes under construction (less than 95 percent complete, 14 in escrow) and 13 additional finished lots/pads (none in escrow).

**Costs to Complete:** The subject property has been developed into 198 finished lots/pads with internal streets complete and utilities stubbed to each lot. Per Lennar representatives the remaining site development costs and fees include \$514,257 in remaining land development fees and \$3,005,346 in remaining land development costs. This appraisal assumes the bonds are in place. The bonds are anticipated to fund \$236,092 of the DIF and Park fees, thus there are \$278,165 in remaining Sewer, DIF, Park and School fees to be paid by the builder suggesting total remaining land development costs and fees of \$3,283,511. It is our understanding that these costs are the builder's responsibility and will be spread between the Lennar owned lots as the individual owners are not responsible. Out of the total 198 lots/pads, 149 are individually owned leaving 49 lots, pads or homes owned by Lennar. Dividing the \$3,283,511 by the 49 lots/pads results in remaining land development costs of \$67,010.43 per lot/pad.

Improvement  
Description:

Monterado is a gated community with two detached product lines. Rivello are alley loaded detached condominiums and feature three floorplans sized 1,811 to 2,007 square feet. The floorplans all are two stories with three to four bedrooms and two-car garages. Salerno features detached condominiums arranged in motor courts and has three floorplans sized 1,822 to 2,207 square feet, with three to five bedrooms, two floors and two-car garages. The models for both communities are located just north of the entrance off Fonti Lane. There are three models for each community. Monterado features two story floorplans with three exterior architectural styles: Traditional, Spanish, and Craftsman. Home exteriors feature dual glazed low-E windows, insulated roll-up sectional garage doors, Boral cool-roof tiles and drought tolerant front yard landscaping. Monterado homes include tankless water heaters, media enclosures and a Honeywell smart thermostat. Interiors include bullnose corners, panel interior doors, LED downlights, white-rocker light switches and ceramic tile at entry. Kitchens include granite slab countertops and thermofoil flat panel cabinets, stainless steel sink and GE stainless steel appliances. Master suites include undermount sinks with Moen faucets, semi-frameless clad enclosures and walk-in closets. One hundred and forty-nine of the proposed 198 homes in the subject property have closed to individuals with closing dates between November 18, 2022, and February 15, 2024. Per Lennar, actual closed sales prices (including premium, upgrades, options, and net all incentives) have ranged from \$462,457 to \$594,182. Current reported base asking prices range from \$577,900 to \$621,990 while grand opening base asking prices in June 2022 ranged from \$585,900 to \$634,990. Our search of the MLS revealed no resales and one current resale listing. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from \$2,500 to \$109,300 with an average amount of almost \$46,000 per home to date. The houses which are over 95 percent complete are detailed on the following page.

<b>Monterado by Lennar</b>					
Plan	Bed/Bath	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Rivello at Monterado (Alley Load)</b>					
1	3 / 2.5	2 / 2	1,795	27	1*
2	4 / 2.5	2 / 2	1,832	33	2*
3	4 / 2.5	2 / 2	2,007	20	1*
<i>Rivello Subtotals:</i>				<b>80</b>	<b>4</b>
<b>Salerno at Monterado (Cluster)</b>					
1	3 / 2.5	2 / 2	1,822	19	3*
2	4 / 2.5	2 / 2	1,932	33	5*
3	5 / 2.5	2 / 2	2,207	17	3*
<i>Salerno Subtotals:</i>				<b>69</b>	<b>11</b>
<b>Monterado Total:</b>				<b>149</b>	<b>15</b>

\*Each asterisk designates one model home per that plan. In addition to the above, there are 21 homes under construction (five at Rivello and 16 at Salerno) and an additional 13 finished lots/pads (all at Salerno).

## THE INLAND EMPIRE HOUSING MARKET

In analyzing the area's housing market, population growth and economic conditions need to first be considered.

### **Population**

The San Bernardino County population showed minimal 0.1 percent growth between January 2022 and January 2023, and an average of about two percent the previous 20 years. The stagnant growth during this time is thought to be due to the disruption during COVID. Prior to the COVID pandemic, predictions were for the County to grow at an average annual rate of 0.75 percent over the next eight years. This equates to an increase of approximately 20,000 residents per year suggesting the need for about 7,000 homes per year within the County. The after-COVID influence is still unknown on the County's population growth. New home sales in most cities in the County from 2020 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2023. This has been offset by minimal existing home sales resulting in less overall home sales over the past year as compared to one year ago and also as compared to 2019, before COVID.

### **Economic Conditions**

Over the past twenty years the County has seen various cycles in the housing market as with most of Southern California. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than that of other Southern California regions. Median housing prices (all types) in the County increased over 100 percent from \$120,406 at the lowest point in 2009 to the current \$477,500 per the California Association of Realtors which is slightly lower than the recent December 2023 peak of \$506,000 median home price in San Bernardino County.

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw

GDP shrinking. The end of 2022 saw lower unemployment rates (December rate of 3.6%) than the Inland Empire's pre-COVID unemployment rate in February 2020 of 4.0 percent, however 2023 has shown unemployment rising slightly with the December 2023 rate for the Inland Empire at 5.1%. While unemployment rates are near historical lows, the inflation factor has significantly affected the economy.

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

During the COVID disruption, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the onset of the COVID pandemic, both sales and prices increased significantly due to strong demand from May 2020 throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases, slowed new home sales significantly beginning in mid-2022. Due to the significantly higher mortgage interest rates, existing homeowners are not moving which has stifled the existing home market, making the new home market the only option for some. In the Inland Empire there were 44,796 existing homes closings in the past 12 months (down 26.9 percent from one year ago) and 8,195 new home closings in the past 12 months (down 24.1 percent from the previous year), all information as of March 1, 2024 per Zonda

Research, a new home market research company. In January 2022 mortgage rates were 3.22 percent (for a typical 30-year fixed conventional mortgage) while as of February 22, 2024, the rate for the same loan is 6.9 percent. On a \$500,000 mortgage, the monthly payment for this loan has increased from \$2,162 to \$3,274 or over 51 percent which has hit homebuyers hard.

Per the Zonda National Economic and Housing Market Update in January 2024, the rate of growth of new home sales is off from COVID highs but up from 2022 sales numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In January 2024, the survey resulted in 54 percent of the builders stating their pricing was flat and 42 percent of builders stating they were increasing pricing with three percent dropping prices. This is a very different dynamic than in January 2023 which was partly due to builder’s readjusting concessions (interest rate buy-downs), and partly due to the market accepting the mortgage rate increases. In today’s market over 60 percent of new-home builders in the U.S. are offering either full-term or temporary interest rate buy-downs (John Burns Research and Consulting) which is helping to sustain new home sales.

The larger public homebuilders began offering significant interest rate buy-downs in early 2023 in order to keep absorption rates steady, which reportedly cost between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. In their September survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders surveyed were offering rate buydowns, 60 percent were offering funds towards closing costs, 33 percent were offering flex dollars, 22 percent were offering lower home prices and 20 percent were offering funds toward options and upgrades. The question is, how long can builders continue to offer these significant incentives. As rates go higher, the extent that builders can buy-down the mortgage rates goes down. In the January 2024 Zonda survey, 56

percent of builders surveyed anticipate a 1-5 percent increase in pricing in 2024 while 25 percent anticipate prices to flatten.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID Recession in an attempt to assist the housing market's recovery. Low rates helped home sales during these times. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board has increased the rate eleven times between March 2022 and August 2023, which increased the FFR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in January 2024, they paused the FFR increases for the fourth time and suggested decreases in 2024 will begin sometime after March. The financial markets had been anticipating a possible March decrease which caused volatility in the financial markets in the past month or so. The FFR increases are supposed to help slow the high inflation rate in the Nation, which appears to be occurring as the latest reports are showing inflation in January 2024 at 3.1 percent, significantly down from a high of 9.1 percent in June 2022.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 brought optimism to builders once again. Sales were up month over month as buyers adjusted to higher mortgage rates and the existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current almost seven percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes captured 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes have captured between 12 and 24 percent of all home sales in the Inland Empire over the past year.

## **Residential Land Development**

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012 combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to various builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record or a public builder buying a larger piece of land but develops the land for its own use, such as Aurora by TriPointe Homes (nearing closeout), Highland by Richmond American, The Arboretum by Lennar, Monterado by Lennar and Nara Hills by Landsea Homes, all located in Fontana.

Land sales in the Inland Empire slowly grew from 2012 up to a peak in 2017, with 2018 and 2019 showing lower land transactions. Once home sales exploded in May 2020, land sales followed with a significant number of residential land sales to builders in the Inland Empire during the second half of 2020 and throughout 2021. In late 2021 and early 2022, prior to the FFR increases, builders were paying significantly more for residential land that was ready to develop as demand was up and supply was shrinking. The beginning of 2022 continued with strong residential land sales until May, when sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of January 2023 only 2 percent of builders surveyed were "full steam ahead," and almost 40 percent were pausing transactions or bidding lower on land transactions. As of September 2023, these percentages had changed drastically with 46 percent stating they are going "full steam ahead" and 47 percent moving "cautiously forward." The increase in optimism from new home builders outlook is partially due to the extreme slowdown of existing home inventory which is fueling new home sales. Per Zonda there are currently

about 11,245 vacant developed lots in the Inland Empire which is down 21 percent from the previous year.

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

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the February 25, 2024, Ryness Report, the year-to-date average sales rate (4.1 sales per month) is above the same time period of the previous year (3.7 sales per month). The month of February is typically a slower time due to seasonality in home-buying; however, February 2023 was in the midst of the Federal Reserve rate increases which stalled sales. Surprisingly, even with the increases in pricing and mortgage rates, sales of new homes are occurring at a very good pace; however, this is partially due to the extremely limited supply of existing homes which is creating more demand for new homes. As interest rates rise, purchasing power becomes lower and therefore fewer people purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the February 25, 2024, Inland Empire Ryness Report to one year prior, there are two less projects (244 in February 2023 and 240 in February 2024) and sales are about 10 percent higher year-to-date than the previous year (4.1 sales per month in February 2024 versus 3.7 sales per month in January 2023). Looking back, in February 2022 the Inland Empire average sales rate was 5.4 homes per month; in February 2021 the average sales rate was 5.2 homes per month and in January 2020, prior to the pandemic, the average sales rate in the Inland Empire was 4.1 sales per month, similar to the current absorption rate. This similar sales rate to 2020 suggests new home buyers can weather the higher mortgage rates. However, the reader should note existing home listings are over 30 percent lower than in 2020 which increases the amount of new home buyers.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$559,280 which is down from a record high of \$650,000 in May 2022 per the California Association of Realtors' latest market report. The current median price reflects an increase of over 100 percent from the bottom of the cycle and an increase of more than 30 percent over its peak prior to the Great Recession, however a decrease from the 2022 peak of 14 percent. In reality, this decrease is actually larger as builders are buying down interest rates which costs the builder at times, up to \$100,000, however, the amount is not reflected in the recorded sales price. New home sale prices fluctuate based on the land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values; however, there have been inflationary increases in construction costs adding to this increase. Construction materials have increased an estimated 40 percent since 2019.

We have reviewed Empire Economics' Price Point Review Study on Fontana CFD No. 111 (Monterado) dated March 4, 2024. Empire Economics did an original Price Point Study on the project in June 2022 in order to determine their market value for the various plans within Monterado. The "Review Study" is to ascertain if the prices have increased or decreased since the original Study. The Empire Economics Price Point Review Study concluded that, in all cases, the current market value conclusions of the homes was between 9 – 10.5 percent lower than the original market value conclusions in 2022. Separately, Rivello homes were on average nine percent lower while Salerno homes were on average 10.5 percent lower. The Review Study took into account the concessions which are included in their net prices. This compares with the California Association of Realtor's reports which suggest prices have decreased 14 percent since the peak in May 2022.

Within our search for the most comparable actively selling new home communities, we searched the subject's city of Fontana, which currently features a multitude of actively selling new home communities. We found seven communities comparable to Rivello and Salerno at Monterado. The comparables have base prices ranging from \$481,390 to \$771,200. Both Rivello's and Salerno's base prices range from \$577,900 to \$621,990, which falls well within the range of comparable new homes in the area.

**Existing Homes Sales and Pricing**

While the previous section looked at new home sales and pricing, this section refers to existing homes in the Inland Empire. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family detached home in January 2024 (\$790,000) is the same as the month prior median home price, however up 7.0 percent year-over-year from \$738,250 in January 2023. These overall Southern California numbers compare to San Bernardino County with \$477,500 as the median price paid for an existing detached home in the County in January 2024, down 5.6 percent from December 2023 (\$506,000), however up 6.8 percent on a year-over-year basis (\$446,900). Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Jan. 2024	Dec. 2023	Jan. 2023	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$833,000	\$853,340	\$778,540	-2.4%	7.0%	0.8%
Orange	\$1,320,000	\$1,300,000	\$1,194,500	1.5%	10.5%	-1.0%
Riverside	\$610,000	\$607,500	\$585,000	0.4%	4.3%	-0.1%
San Bernardino	\$477,500	\$506,000	\$446,900	-5.6%	6.8%	15.6%
San Diego	\$925,000	\$911,500	\$824,900	1.5%	12.1%	0.00%
Ventura	\$870,000	\$882,500	\$815,000	-1.4%	6.7%	15.8%
Southern Calif.	\$790,000	\$790,000	\$738,250	0.0%	7.0%	2.2%

Source: California Association of Realtors

Based on January 2024 median existing homes prices, in comparison to the majority of the surrounding counties, San Bernardino has a definite price advantage. The "San Bernardino County Advantage" (price difference between San Bernardino and surrounding counties) is \$132,500 as compared to Riverside County, \$355,500 as

compared to Los Angeles County, \$392,500 as compared to Ventura County, \$447,500 as compared to San Diego County and \$825,000 as compared to Orange County. That is, in November 2023, the median priced home in San Bernardino County was \$842,500 less than the median priced home in Orange County (\$1,320,000). Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in the Inland Empire.

In a separate attempt to capture the amount of increase in home prices, the resale activity of existing homes in the subject’s immediate area (per Redfin.com) has been reviewed. The number of sales and sale prices of existing homes within market areas surrounding the subject are shown in the table below.

<b>Community Name</b>	<b>Location To Subject</b>	<b>No. of Sales Jan. '24</b>	<b>Jan. '24 Median Sale Price</b>	<b>Price % Change Y-O-Y</b>
North Fontana	Larger Subject Vicinity	36	\$719,000	11.5%
All of Fontana	Subject and South	71	\$642,000	8.7%
Rialto	East	35	\$545,000	1.5%
Rancho Cucamonga	West	50	\$684,000	2.1%
Jurupa Valley	South	53	\$685,000	19.1%

Source: Redfin Housing Market Trends November 2023

The median home price of a detached resale home in the subject’s vicinity of North Fontana in January 2024 was \$719,000, which is at the high end of the range of the resale detached home prices in the subject area. The low end of the range relates to the Rialto area which has older homes. The above price fluctuations from year-to-year relate to the California Department of Real Estate’s overall San Bernardino County detached home resale price increase of 6.8% percent year-over-year from January 2023 to January 2024. This suggests that the subject’s immediate marketplace over the past month has largely outperformed the County as a whole.

According to the Ryness Report dated February 25, 2024, there are currently 26 new home projects in the subject’s Central and East San Bernardino submarkets, with the City of Fontana housing 18 of them (including the subject’s two).

### **Monterado - Sales and Pricing**

Monterado is comprised of 198 single family homes with marketed sizes from 1,811 to 2,207 square feet. Monterado began sales in both Rivello and Salerno in June 2022, with early base pricing ranging from \$587,900 to \$601,990 for Rivello and from \$601,900 to \$618,990 for Salerno. The latest base pricing at Rivello ranges from \$577,900 to \$583,990 which is 1.7 to 3.1 percent lower than opening base prices, however the largest decreases occurred in late 2022 to early 2023 with decreases of base pricing in the 8.8 – 9.8 percent range. The latest base pricing at Salerno ranges from \$582,900 to \$621,990 which ranges from 3.1 percent lower to 0.4 percent higher than original base pricing. In early 2023 base pricing had the largest decreases ranging from 5.1 to 11.5 percent off the earliest base pricing. Actual closed prices, including options, upgrades, premiums, and taking into consideration all concessions, have ranged from \$462,467 to \$562,280 for Rivello and \$485,558 to \$594,182 for Salerno. The significant difference between the base pricing and the actual pricing is options, upgrades and premiums paid by the buyer offset by concessions given by the builder and mortgage companies. The total concessions given by the builder ranges from zero (on one sale) up to \$109,300 with an average the sales to date of almost \$46,000. A portion of these concessions are not considered in the reported sales prices and are decided on a case-by-case basis and have increased and decreased over the past 18 months due to fluctuating mortgage rates. Within the subject, Lennar has sold and closed 149 homes to individuals, with an additional 23 homes in escrow which are due to close at completion. The total of 172 sales since June 2022 equates to an absorption rate of 8.2 sales per month spread across the two product types (4.2 sales per month for Salerno and 4.0 sales per month for Rivello). These sales rates are considered to be good for the subject marketplace. Per the Ryness Report, a new home tracking service, as of February 25, 2024, year-to-date average sales per project per month in the Inland Empire is 4.1 homes: similar to the averages sales paces of Salerno and Rivello. This suggests that Monterado has found the correct price points for the subject market.

## **Summary**

The Inland Empire had seen substantial increases in pricing since 2012 with most areas, including the subject, showing astronomical increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics indicate a possible slowdown in sales as interest rates have risen substantially; however, buyers appear to be resilient to the increases. The Fontana new-home submarket is performing in line with the Inland Empire market as a whole. The subject market area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021 and appeared to be continuing in the beginning of 2022. The past year has seen sales slow and prices lowering; followed by price increases as builders offered additional incentives. Builders' optimism appears to have returned with builders generally believing prices will increase slightly in 2024 or remain flat. Despite uncertainty hitting the market due to interest rates and inflation, most observers agree that the Inland Empire housing market is healthy and population growth is still estimated to occur in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a possible economic slowdown.

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## HIGHEST AND BEST USE ANALYSIS

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

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

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

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

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

### **Physically Possible Uses**

The subject property is irregular in shape, consisting of 24.44 gross acres and 20.57 net acres per recorded Tract Map No. 20224. The site is in the northern portion of the City of Fontana, along the east side of Citrus Avenue one parcel north of Duncan Canyon Road, east of I-15. The lands are generally at street grade of surrounding streets and I-15, with existing vacant lands to the north and immediately east, existing residential homes to the south (beyond Duncan Canyon Road), and lands under development to the west (beyond Citrus Avenue). There is an Edison easement which houses high-tower wires along the

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

southeast side of the property. Across Citrus Avenue, a new luxury apartment complex (Asari) is currently under construction (now leasing up) within a mixed-use development known as Ventana which is slated for over 800 residences, commercial, retail and hotel uses.

The subject site has been graded for 198 single family homes: 89 pads for detached alley load homes and 109 pads for detached cluster homes. The homes area all detached but are technically condominiums, sitting on HOA owned parcels containing approximately 2,000 square feet. We have reviewed a Soils Report on the subject site which concluded that the development of the site into single-family residential use is feasible; however, all mitigation measures recommended within the report should be adhered to during construction. We did not receive any environmental reports to review. It is an assumption of this report that the soil is adequate to support the highest and best use, and that there are no environmental issues which would slow or thwart development of the property. This is evidenced by existing homes on the site which were recently built with City inspectors on site during construction.

An engineered drainage system appears to have been designed into a street drainage system for the entire tract. All standard utilities are available to serve the subject property. The site has good access via I-15, exit Duncan Canyon Road to Citrus Avenue; or from I-210 or I-10 exit Citrus and travel north to the property. There is neighborhood shopping within two miles of the subject at Summit Avenue and I-15.

Based on the physical analysis, the size and access make the subject property physically suited for numerous types of development; however, the grading that has occurred on the site suggests residential development.

### **Legality of Use**

The subject property is located within the City of Fontana in the County of San Bernardino. Per the City's General Plan Land Use Map and their current zoning map, the subject site is shown as RMU, or Regional Mixed Use which allows for residential land use with a density of 12-24 dwelling units per acre. On April 22, 2020, the Fontana City Council

approved the Monterado Planned Unit Development for 198 condominium detached units on the site which equates to a density of 9.62 units per acre. In addition, condominium maps have been approved allowing for 89 detached alley-loaded units and 109 cluster detached condominiums, along with a community center and pool/spa, tot lot, gazebo area, outdoor exercise area, covered eating areas, setback areas and internal streets.

Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Inland Empire Housing Market section earlier within this report, the market had shown strong increases in both sales and pricing since COVID until late 2022 when high home prices and increasing interest rates began to slow sales. Overall home sales have slowed down significantly, partially due to existing homeowners not moving due to the higher interest rates, which is stifling the existing home market, at times leaving new homes the only option for homebuyers. Within Monterado there have been 172 sales to date with the first sale occurring in June 2022, suggesting an overall sales rate of 8.2 sales per month (4.2 and 4.0 per project) which is considered to be good and similar to the average year to date sales per project in the area which was 4.1 sales per month. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Fontana, we found nine projects (including the two subject communities) to be most comparable to the subject property. The subject area in Fontana is priced higher than the homes in the older area of Fontana and Rialto (adjacent to the east). While the market softened in the second half of 2022, the Inland Empire is still seeing demand and new homes are still selling. Our search for land sales found six land sales within the past 18 months that we consider to be comparable. Population growth is still occurring in the area and will continue to create the need for housing. Based on the above analysis, the highest and best use for the subject property appears to be for single-family detached residential development at the right price points.

### **Maximum Productivity**

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

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

The final determinant of highest and best use, as if 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 is for residential land use.

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

The subject property consists of Rivello at Monterado and Salerno at Monterado, with 198 total proposed homes which are currently being marketed by Lennar. Monterado began selling in June 2022 and has sold 172 homes, reflecting a sales rate of 8.2 sales per month spread across the two product lines. Independently, Rivello has an average absorption rate of 4.0 sales per month while Salerno has an average absorption rate of 4.2 homes per month. Base prices at Monterado have decreased since grand opening, with base price decreases of 1.7 – 3.1 percent at Rivello (with most recent base pricing ranging from \$577,900 to \$583,990) and an increase of 0.4 percent for the largest plan and decreases of 3.1 percent for the smaller plans at Salerno (with most recent base pricing ranging from \$582,900 to \$621,990). It is interesting to note that base pricing at grand opening in June 2022 dropped between 5 -11 percent across all plans, hitting a low at the end of 2022 and beginning of 2023, however has increased since that time. In marketing the homes, the builder is offering concessions, including rate buy-downs and help with closing costs, on a case-by-case basis. These concessions have ranged from \$0 to \$109,300 with an average of about \$46,000 per sale. While the incentives are showing a softening market per Empire Economics' Price Point Review Study, the plan pricing (including incentives being offered) has decreased between 9.0 and 10.5 percent between proposed pricing in 2022 and current pricing. The sales absorption rate within Monterado is considered to be at or near the average in the market area. As discussed under the Inland Empire Housing Market section, within the Inland Empire, the monthly average sales per project year-to-date is 4.1 homes per month, which is similar to the

subject. All of the homes are of good design and appear to be of good quality workmanship. It appears that Monterado is being well received and the neighborhood is selling at the correct price points for the area. Based on the above information, it is concluded that the highest and best use for the subject property, is for the continued use, as improved.

## VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. For small lot alley-loan and cluster residential lands, they are typically sold on the basis of a finished pad/lot for a detached unit. That is, the sales price is determined by a finished pad or lot value and then the remaining costs to develop the property to a finished 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. Our search revealed several projects similar to the subject in that they have some small detached alley and cluster lots. These transactions are typically looked at on a blended price per unit, taking into consideration the overall density of the project.

In the case of the completed home valuations, a single new-home is the unit of comparison. Our search will include all new home projects within the subject's immediate and surrounding market area to find comparable new homes for sale. In determining the value for each house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home. The minimum market value also includes all concessions given by the builder including mortgage closing costs and buy-downs, if applicable.

For the completed (over 95 percent complete) builder-owned models and production houses, the homes will be valued using the Sales Comparison Approach to conclude on a retail value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the single ownership. 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. A home under construction (under 95 percent complete) will be valued as a finished lot/pad rather than attribute value to a partially complete improvement. In the case of the individually owned homes, the concluded minimum market value will be used for each plan and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. All of the value conclusions will take into consideration improvements and/or benefits to be funded by the Fontana CFD No. 111 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

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

Within Monterado there are 198 pads in a generally physically finished condition, with 149 completed homes individually owned, 15 Lennar-owned homes that are complete or nearly complete (including six model homes and nine homes over 95 percent complete – all in escrow), 21 Lennar-owned homes that are under construction (under 95 percent complete with 14 in escrow), and 13 additional finished lots/pads owned by Lennar. As we are valuing a home under construction (under 95 percent complete) on the basis of a finished lot/pad, we will be valuing 34 lots/pads in our analysis.

We have searched the area and found the six transactions summarized in the Addenda to be most comparable to the subject property. The sales are reported both on a purchase price basis and on a finished lot basis. The actual purchase price is typically less, depending on the condition of the land (lots or pads) at the time the property was acquired. Although some sales refer to “finished lots/pads,” they are typically physically finished lots/pads with some fees remaining to be paid to be considered true finished lots/pads. Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject property.

**Land Sale No. 1** pertains to the sale of a residential site located in Fontana at Lytle Creek Road and Sierra Lakes Parkway, about two miles south of the subject site. D.R. Horton

purchased the property in September 2023 for \$9,850,000 or for \$68,881 per unit based on an estimated finished lot price of \$225,000. The site is mapped for 143 units which includes 96 attached units and 47 detached cluster units. Final engineering was underway at time of sale. This property rears to I-210 and has an overall density of 13.9 dwelling units per acre. When compared to the subject property, this site is considered to be inferior in density (compared to the subject property's density of about 10 dwelling units per acre) and inferior due to the proximity of the I-210 Freeway.

**Land Sale No. 2** refers to the August 2023 sale in the City of Ontario, however not within the master planned community of Ontario Ranch. The property is located along the north side of Concourse Street at Duesenberg Drive. Shea Homes purchased the site in August 2023 for \$8,245,000. The site contains an estimated 3.3 acres with entitlements for 84 units which equates to 25.45 dwelling units per acre. The sales price related to \$98,155 per unit based on an estimated finished pad price of \$198,651. In comparison to the subject properties, this sale has a much higher density which suggests that the per unit or finished lot/pad price is inferior to the subject property with a density in the 10 units per acre range. Due to the extremely higher density, less emphasis is placed on this transaction, however it has been included to show activity in the market and set the lower limit for a parcel with a higher density than the subject.

**Land Sale No. 3** refers to another D.R. Horton land purchase in Fontana about 2.5 miles south of the subject property. This site is located along the east side of Citrus Avenue, south of Highland Avenue, and is mapped for 68 attached townhome units. The overall density of the site allows for 15.7 dwelling units per acre which is higher than the subject's approximate 10 dwelling units per acre density. D.R. Horton purchased the property from 6997 Citrus LLC in August 2023 for \$6,300,000 or \$92,647 per unit based on an estimated finished pad price of \$215,000. The site was sold in an unimproved condition with tentative mapping in place. In comparison to the subject property this site is considered to be inferior due to the higher density and the product being attached versus detached.

**Land Sale No. 4** is in regard to the purchase of another residential site by D. R. Horton. This property is located at the northwest corner of Citrus and Summit Avenues, about one mile south of the subject property. The site has approved mapping for 85 detached cluster units and sold for \$9,850,000 or \$115,882 per unit based on an estimated finished lot value of \$265,000. The overall density of this property is 9.4 dwelling units per acre, which is similar to the subject's density. D.R. Horton purchased the site in July 2023 from AKY LLC. In comparison to the subject property, this sale is considered to be the most similar.

**Land Sale No. 5** pertains to the latest closing in Ontario Ranch, about ten miles southwest of the subject site. Ontario Ranch is a newer area in the city of Ontario which is being built out, similar to North Fontana. The site is located east of Twinkle Avenue northwest of Haven Avenue. Land Sea purchased the site mapped for 144 lots in June 2023 from a related entity to Richland. The parcel had mapping complete, however was in an unimproved condition at time of sale. The site totals 9.19 acres per brokers familiar with the transaction which suggests a density of 15.6 dwelling units per acre. The proposed product is for 12 unit attached condominiums in a courthouse courtyard configuration. The property sold for \$16,924,000 or \$117,528 per unit based on a reported \$235,000 finished lot/pad price. In comparison to the subject properties, this site has a higher density than the existing products which makes it inferior, however the location of Ontario Ranch is considered to be slightly superior as it is closer in to the employment centers in Riverside, Los Angeles and Orange Counties.

**Land Sale No. 6** refers to the purchase of a 6.79-acre site located in Fontana about three miles south of the subject site. RC Homes is planning a new product which includes homes on approximately 6,000 square foot lots, however each home will have an ADU for separate living. Based on the sales price and cost estimates from brokers familiar with the transaction, the site was purchased for \$3,525,000 which relates to \$76,630 per lot based on the detached 6,000 square foot lots with an estimated finished lot value of \$315,000. When looking at the site on the basis of 92 units (total number of units including the ADUs) the cost is \$38,315 per unit or \$165,000 per finished pad. In comparison to the subject property this product is considered to be slightly inferior when comparing the 92

units (overall density of 13.5 dwelling units per acre versus the subject's approximate 10 dwelling units per acre). When comparing the 46 units to the subject, this transaction is considered superior in overall density (6.7 dwelling units per acre versus the subject's approximate 10 dwelling units per acre).

The chart below summarizes the considerations used in adjusting the market data to the subject property.

Data No.	Location	Date of Sale	Lot Size / Density	Finished Lot Price	Comparison to Subject
1	Fontana	9/23	13.9 du/ac Some Att.	\$225,000	Inferior – Density / some attached & rears to Freeway
2	Ontario (Proper)	8/23	25 du/ac Attached	\$198,651	Inferior - Density
3	Fontana	8/23	15.7 du/ac Attached	\$215,000	Inferior – Density / Attached
4	Fontana	7/23	9.4 du/ac	\$265,000	Similar
5	Ontario Ranch	6/23	14.5 du/ac	\$235,000	Inferior – Density / Attached
6	Fontana	10/22	6.7 du/ac (13.5 du/ac)	\$315,000 (\$165,000)	Superior – Density (Inferior – Density)

As discussed under the Inland Empire County Housing Market section earlier within this report the Inland Empire real estate market rose significantly between January 2020 and June 2022, softened in mid-2022 and appears to have found its bottom and stabilized in mid-2023. Median home pricing rose over 30 percent between January 2020 and January 2022, however a decrease was seen for about a year, with pricing appearing to rise, once again the second half of 2023. While builders halted land purchases in late 2022 and early 2023, late 2023 saw a flurry of closings as builders were running out of lots. The increases in pricing for existing single-family homes in San Bernardino were 11.9 percent in 2020; 19.1 percent in 2021, a decrease of about one percent in 2022 and an approximate 6.0 percent increase since then. While the new home price fluctuations do affect the quality of the home (lower finishes with lower prices), most of the price fluctuations fall to the land value.

The above market data depicts a wide range of overall finished lot/pad price range from \$165,000 to \$315,000 with both the low and the high end being for a new product type consisting of a home with an ADU on the same lot with the low based on two units per lot and the high end being based on only the single home on the lot. The remainder of the market data ranges from \$198,651 to \$265,000. The market data at the low end of the range (Data Nos. 1, 2, 3 and 5) all relate to some attached product resulting in a higher density per acre which suggests a lower price per unit. The most similar to the subject in density (Data No. 4) is also located in the subject area and is considered to be an excellent comparable to the subject property.

Based on the market data, we have concluded that the subject lots/pads have a finished lot/pad price of \$265,000. There are 21 homes under construction (under 95 percent complete), and thirteen generally finished pads/lots, all of which are owned by Lennar. Based on the above and considering the remaining costs as discussed in the Property Description section, the land value is calculated as follows:

Lennar Ownership of Lots/Pads:

34 Lots/Pads x \$265,000	\$ 9,010,000
Less: Remaining Costs (\$67,010.43 x 34)	<u>(2,278,355)</u>
Current Value of 34 Lots/Pads	<b><u>\$ 6,731,645</u></b>

**Retail House Valuation – Monterado**

Within Monterado, there are 149 individually owned homes and 15 homes over 95 percent complete, owned by Lennar. The builder-owned homes over 95 percent complete include nine production homes (all in escrow) and six model homes.

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

revenue will be discounted using an appropriate rate to determine the builder-owned bulk value for the builder-owned homes. The DCF builder-owned final value 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 Monterado, within both the Rivello and Salerno product lines. A listing of the improved residential comparable properties is located in the Addenda of this report. All new home comparables are located within the City of Fontana, which currently houses a multitude of actively selling new home communities. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no resales and one current resale listing within Rivello which will be considered. The floor plans are detailed below.

<b>Monterado by Lennar</b>					
Plan	Bed/Bath	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Rivello at Monterado (Alley Load)</b>					
1	3 / 2.5	2 / 2	1,795	27	1*
2	4 / 2.5	2 / 2	1,832	33	2*
3	4 / 2.5	2 / 2	2,007	20	1*
<i>Rivello Subtotals:</i>				80	4
<b>Salerno at Monterado (Cluster)</b>					
1	3 / 2.5	2 / 2	1,822	19	3*
2	4 / 2.5	2 / 2	1,932	33	5*
3	5 / 2.5	2 / 2	2,207	17	3*
<i>Salerno Subtotals:</i>				69	11
<b>Monterado Total:</b>				<b>149</b>	<b>15</b>

\*Each asterisk designates one model home per that plan. In addition to the above, there are 21 homes under construction (five at Rivello and 16 at Salerno) and an additional 13 finished lots/pads (all at Salerno).

Below we will address the valuation for each plan. The most appropriate new home comparable data for Rivello at Monterado Plan 1 are shown on the following page.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	3 / 2.5	2 / 2	1,795	--
1	2	4 / 2.5	2 / 2	1,832	\$315.45
2	1	3 / 2.5	2 / 2	1,822	\$319.92
3	1	3 / 2.5	2 / 2	1,867	\$326.86
5	1	3 / 2.5	2 / 2	1,860	\$315.59
7	1	3 / 2.5	2 / 2	1,651	\$347.42
7	2	4 / 2.5	2 / 2	1,761	\$335.20
8	3	4 / 3	2 / 2	1,669	\$304.91
9	3	4 / 2.5	2 / 2	1,661	\$367.19

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal however it should be noted that Data Nos. 7, 8 and 9 are either zero lot line, duplex or a new product with Plan 1 over neighboring garages (Data No. 8). Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$304.91 to \$367.19 per square foot, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Rivello Plan 1 has a current base asking price of \$324.18 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home which equates to over \$25 per square foot on the subject plan. There have been 27 closings of Rivello Plan 1 with sales prices ranging from \$257.64 to \$300.83 per square foot. There are two current escrows of Rivello Plan 1 with a sales price range of \$284.43 to \$295.76 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home. It has been concluded that Rivello Plan 1 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$1,795 \text{ sf} \times \$285.00 = \$511,575$$

The most appropriate new home comparable data for Rivello at Monterado Plan 2 are shown as follows.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	4 / 2.5	2 / 2	1,832	--
1	1	3 / 2.5	2 / 2	1,795	\$324.18
1	3	4 / 2.5	2 / 2	2,007	\$290.97
2	1	3 / 2.5	2 / 2	1,822	\$319.92
2	2	4 / 2.5	2 / 2	1,932	\$306.88
3	1	3 / 2.5	2 / 2	1,867	\$326.86
5	1	3 / 2.5	2 / 2	1,860	\$315.59
6	3	3 / 2.5	2 / 2	1,710	\$323.39

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$290.97 to \$326.86 per square foot, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Rivello Plan 2 has a current base asking price of \$315.45 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home which equates to over \$25 per square foot on the subject plan. There have been 33 closings of Rivello Plan 2 with sales prices ranging from \$257.24 to \$306.92 per square foot. There is one current escrow of Rivello Plan 2 with a sales price of \$284.53 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home. It has been concluded that Rivello Plan 2 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$1,832 \text{ sf} \times \$285.00 = \$522,120$$

The most appropriate new home comparable data for Rivello at Monterado Plan 3 are shown as follows.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	4 / 2.5	2 / 2	2,007	--
1	2	4 / 2.5	2 / 2	1,832	\$315.45
2	2	4 / 2.5	2 / 2	1,932	\$306.88
2	3	5 / 2.5	2 / 2	2,207	\$281.82
3	2	3 / 2.5	2 / 3	2,090	\$308.23
3	3	4 / 3	2 / 3	2,264	\$302.12
4	1	3 / 2.5	2 / 2	2,006	\$340.03
5	3	4 / 3	2 / 2	2,065	\$311.38
6	4	4 / 3	2 / 2	1,950	\$306.15
7	4	4 / 2.5	2 / 2	1,970	\$306.85

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$281.82 to \$340.03 per square foot, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Rivello Plan 3 has a current base asking price of \$290.97 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home which equates to almost \$23 per square foot on the subject plan. There have been 20 closings of Rivello Plan 3 with sales prices ranging from \$237.79 to \$271.58 per square foot. There is one current escrow of Rivello Plan 3 with a sales price of \$278.17 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home. There is one Plan 3 Rivello resale which is currently listed for sale. The home sold in June 2022 for \$521,494 (\$259.84 per square foot) and is currently listed for \$680,000 (\$338.81 per square foot). The home

recently came on the market and has not had any offers to date. It has been concluded that Rivello Plan 3 has a base current market value of \$265.00 per square foot. This calculates as follows:

$$2,007 \text{ sf} \times \$265.00 = \$531,855$$

The most appropriate new home comparable data for Salerno at Monterado Plan 1 are shown as follows.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Firs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	1	3 / 2.5	2 / 2	1,822	--
1	2	4 / 2.5	2 / 2	1,832	\$315.45
1	3	4 / 2.5	2 / 2	2,007	\$290.97
2	2	4 / 2.5	2 / 2	1,932	\$306.88
3	1	3 / 2.5	2 / 2	1,867	\$326.86
5	1	3 / 2.5	2 / 2	1,860	\$315.59
6	3	3 / 2.5	2 / 2	1,710	\$323.39

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$290.97 to \$326.86 per square foot, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Salerno Plan 1 has a current base asking price of \$319.92 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home which equates to over \$25 per square foot on the subject plan. There have been 19 closings of Salerno Plan 1 with sales prices ranging from \$266.50 to \$304.28 per square foot. There are four current escrows of Salerno Plan 1 with a sales price range of \$285.68 to \$293.96 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home. It has

been concluded that Salerno Plan 1 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$1,822 \text{ sf} \times \$285.00 = \$519,270$$

The most appropriate new home comparable data for Salerno at Monterado Plan 2 are shown as follows.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	4 / 2.5	2 / 2	1,932	--
1	2	4 / 2.5	2 / 2	1,832	\$315.45
1	3	4 / 2.5	2 / 2	2,007	\$290.97
2	1	3 / 2.5	2 / 2	1,822	\$319.92
2	3	5 / 2.5	2 / 2	2,207	\$281.82
3	2	3 / 2.5	2 / 2	2,090	\$308.23
5	3	4 / 3	2 / 3	2,065	\$311.38
6	4	4 / 3	2 / 2	1,950	\$306.15

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$281.82 to \$319.92 per square foot, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Salerno Plan 2 has a current base asking price of \$306.88 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home and equates to almost \$24 per square foot on the subject plan. There have been 33 closings of Salerno Plan 2 with sales prices ranging from \$253.17 to \$307.55 per square foot. There are nine current escrows of Salerno Plan 2 with a sales price range of \$272.52 to \$293.60 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show

up in the reported sales price of the home, however, are a cost of selling the home. It has been concluded that Salerno Plan 2 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$1,932 \text{ sf} \times \$270.00 = \$521,640$$

The most appropriate new home comparable data for Salerno at Monterado Plan 3 are shown as follows.

Data	Model	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	5 / 2.5	2 / 2	2,207	--
1	2	4 / 2.5	2 / 2	1,832	\$315.45
1	3	4 / 2.5	2 / 2	2,007	\$290.97
2	2	4 / 2.5	2 / 2	1,932	\$306.88
3	3	4 / 3	2 / 3	2,264	\$302.12
4	2	4 / 3	2 / 2	2,312	\$317.91
4	3	5 / 4	2 / 3	2,777	\$277.71
5	3	4 / 3	2 / 3	2,065	\$311.38
6	4	4 / 3	2 / 2	1,950	\$306.15

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, 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 \$277.71 to \$317.91 per square, with generally the larger homes at the lower end of the range and the smaller homes at the higher end of the range. This is typical due to the economies of scale obtained during construction of the homes. Monterado's Salerno Plan 3 has a current base asking price of \$281.82 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance) which average about \$46,000 per home and equates to almost \$21 per square foot on the subject plan. There have been 17 closings of Salerno Plan 3 with sales prices ranging from \$246.20 to \$265.89 per square foot. There are six current escrows of Salerno Plan 3 with a sales price range of \$255.66 to \$270.69 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions at times do not show

up in the reported sales price of the home, however, are a cost of selling the home and are included in our actual sales price amounts. It has been concluded that Salerno Plan 3 has a base current market value of \$250.00 per square foot. This calculates as follows:

$$2,207 \text{ sf} \times \$250.00 = \$551,750$$

Builder Owned Retail Value – Monterado

Within the subject property, there are 15 builder-owned houses over 95 percent complete, six of which are decorated models. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-for-dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$40,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes within Monterado are calculated as follows:

Rivello Plan 1 (1 x \$511,575)	\$ 511,575
Rivello Plan 2 (2 x \$522,120)	1,044,240
Rivello Plan 3 (1 x \$531,855)	531,855
Salerno Plan 1 (3 x \$519,270)	1,557,810
Salerno Plan 2 (5 x \$521,640)	2,608,200
Salerno Plan 3 (3 x \$551,750)	1,655,250
Model Upgrades (6 x \$40,000)	<u>240,000</u>
Total Retail Value	<u>\$ 8,148,930</u>

Absorption Period

In order to arrive at an absorption period for the seven builder-owned homes, the absorption rate for the subject neighborhood along with the surrounding developments has been reviewed. Monterado grand opened in June 2022 and consists of 198 homes. There have been 172 sales since June 2022 suggesting an average absorption of 8.2 homes per month across the two product lines, which is considered to be good for the subject area within the subject’s price points. When looking at each product line individually, Rivello has averaged a sales pace of 4.0 sales per month while Salerno has averaged a sales pace of 4.2 sales per month. Taking into consideration the product, concluded sales prices and current

escrows, along with the current interest rates, it has been concluded that the 15 builder-owned homes will be absorbed within a three-month period at the concluded values.

### Remaining Costs

As discussed under the remaining costs section earlier within this report, there is \$67,010.43 per lot in remaining land development costs associated with the builder-owned homes, which equates to a total of \$1,005,156 for the subject 15 homes. It is an assumption of this analysis that the remaining costs will be spread evenly over the three-month absorption time 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. Due to the volatile market, we are considering eight percent for marketing expenses and two percent for general and administrative costs for a total of ten percent in expenses for this analysis.

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the early great recession, this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. A ten percent profit is considered appropriate in the analysis for this project.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the San Bernardino area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject property

The homes within Monterado began selling in June 2022 with the product being well received in the marketplace with a 8.2 sales per month average across the two product lines with the averages per community at 4.0 and 4.2 sales per month. This compares to the overall Inland Empire average sales rate per community of 4.1 sales per month (year to date as of February 25, 2024). The subject is performing similarly to the overall market. Based on the sales rate within both communities in the subject project, the competition, the product and location, and current market conditions, a ten percent discount rate is considered appropriate for this analysis.

**Discounted Cash Flow Summary**

The discounted revenue (see DCF Analyses in addenda) for the builder-owned homes within Monterado is **\$5,423,349**.

**Monterado – Lennar Ownership**

34 Lots/Pads owned by Lennar	\$ 6,731,645
15 Houses (including 6 models) Lennar-owned	<u>5,423,349</u>
Total Lennar Ownership	<b><u>\$12,154,994</u></b>

**Individual Owners Value Conclusion – Monterado**

There are 149 individually owned homes within the subject property. Based on the concluded value for each plan, the individually owned homes within the subject property have a minimum market value of:

Rivello Plan 1 (27 x \$511,575)	\$ 13,812,525
Rivello Plan 2 (33 x \$522,120)	17,229,960
Rivello Plan 3 (20 x \$531,855)	10,637,100
Salerno Plan 1 (19 x \$519,270)	9,866,130
Salerno Plan 2 (33 x \$521,640)	17,214,120
Salerno Plan 3 (17 x \$551,750)	<u>9,379,750</u>
<b>Total Individual Owned</b>	<b><u>\$78,139,585</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the subject property. Closings for the 149 homes occurred between November 18, 2022, and February 15, 2024. The reported closing prices by the builder for the 149

individually owned homes total \$78,273,974, which is similar to the concluded value. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration all concessions given by the builder, including closing costs and mortgage buydowns. Base pricing decreased since the project opened with a low point in early 2023 and has increased pricing since then. However, in the past 18 months, public builders have increased concessions with rate buy-downs occurring which have totaled up to \$100,000 in concessions with an average of about \$46,000 per sale within Monterado. Opening base prices in June 2022 ranged from \$587,900 to \$601,990 for Rivello, while Salerno's opening base prices were from \$601,900 to \$634,990. Base pricing hit a low in late 2022/early 2023 with Rivello's from \$535,900 to \$542,990 and Salerno's from \$546,900 to \$586,990. Current base prices are from \$565,900 to \$583,990 for Rivello and from \$573,900 to \$626,990 for Salerno. This shows that prices have fluctuated and demonstrates the adjusting of prices to meet the market. The decreasing market and the increasing incentives have been taken into account in our analysis. The above valuation is for the minimum market value, as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers; however, it does take all concessions into consideration. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

## APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property within Fontana CFD No. 111 which consists of 198 proposed residential units. The 198 units are known as Monterado, being marketed, and sold by Lennar, and are located in the northwestern portion of the City of Fontana. The subject includes two product lines: Rivello, 89 alley load detached condominiums; and Salerno, 109 cluster detached condominiums. As of February 15, 2024, individuals have purchased and closed 149 of the total 198 proposed houses, with an additional 23 homes in escrow which are due to close upon completion. The community has enjoyed a good sales pace. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the local MLS for current listings or resales and found one current listing which is considered in the report.

The subject properties were valued utilizing the Sales Comparison Approach to value, a Discounted Cash Flow Analysis, and a Mass Appraisal Technique for the individually owned homes. A minimum value was determined by concluding at a base value for the individually owned homes. The valuation took into account the improvements/benefits to be funded by the special tax Fontana CFD No. 111 bond proceeds along with the Fontana CFD No. 111 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

### **Monterado:**

Lennar Ownership (34 lots/pads & 15 houses)	\$ 12,154,994
Individual Owners (149 houses)	\$ 78,139,585
<b>Total Aggregate Value CFD No. 111</b>	<b><u>\$ 90,294,579</u></b>

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

## APPRAISER'S CERTIFICATION

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

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

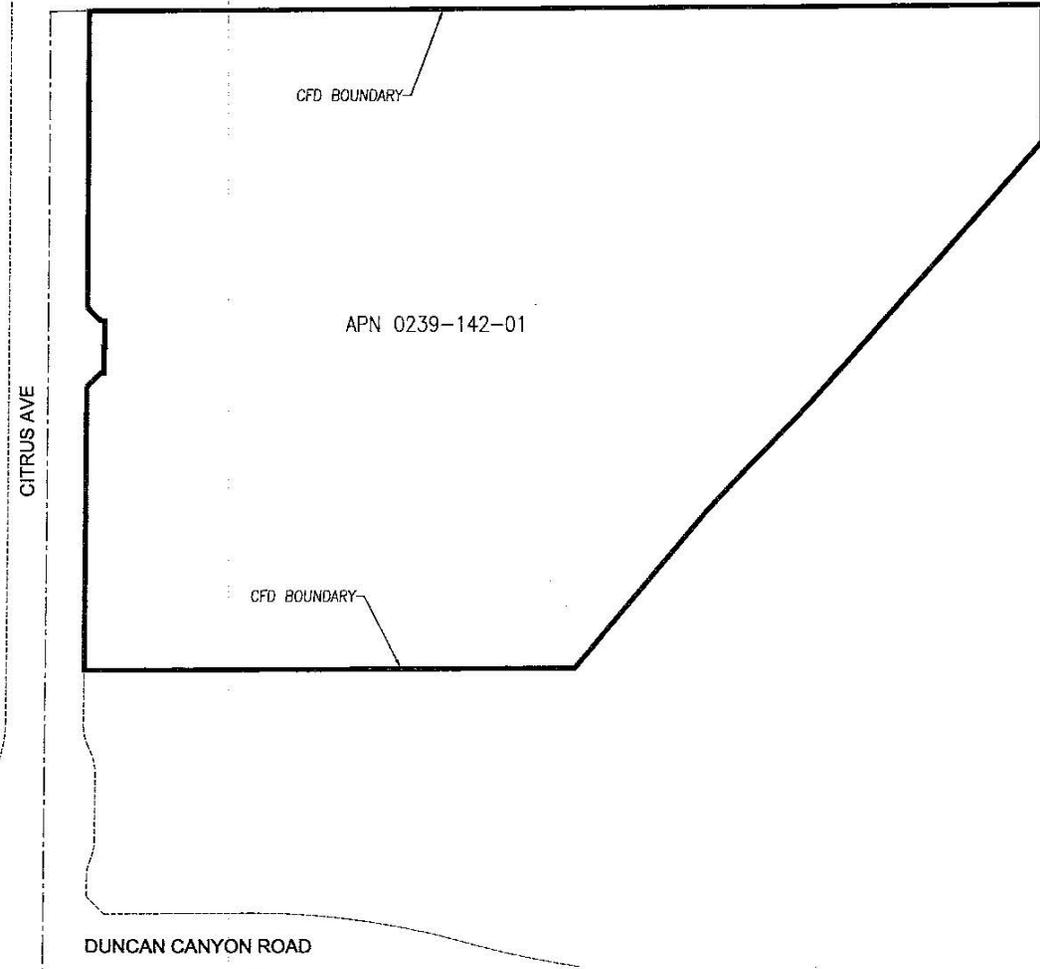


Kitty S. Siino, MAI  
State Certified General  
Real Estate Appraiser (AG004793)

# **ADDENDA**

**FONTANA CFD NO. 111**  
**BOUNDARY MAP**

**PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 111 (MONTERADO)**  
 COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.



**BASIS OF BEARINGS:**

BASIS OF BEARINGS: TAKEN FROM THE SOUTH LINE OF THE SW 1/4 OF SECTION 18, T1N, R5W, S.B.M., AS SHOWN ON RS 155/62  
 BEING N 89°32'57" E

**PROPOSED BOUNDARIES:**

THE PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 111 (MONTERADO) CONTAINS 20.57 ACRES OF LAND MORE OR LESS.

REFERENCE IS HEREBY MADE TO THE ASSESSOR MAPS OF THE COUNTY OF SAN BERNARDINO FOR A DESCRIPTION OF THE LINES AND DIMENSIONS OF THE PARCEL LISTED BELOW.

APN 0239-142-01

**CITY CLERK'S CERTIFICATE:**

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF FONTANA THIS  
27<sup>th</sup> DAY OF July, 2022  
*Germaine McCallister-Kay*  
 CITY CLERK OF THE CITY OF FONTANA

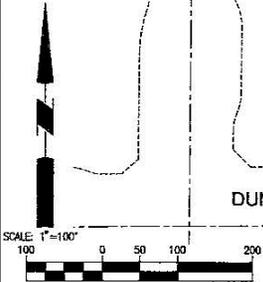
I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 111 (MONTERADO), COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF FONTANA AT A REGULAR MEETING THEREOF, HELD ON THE 26<sup>th</sup> DAY OF July, 2022 BY ITS RESOLUTION NO. 2022-  
*Germaine McCallister-Kay*  
 CITY CLERK OF THE CITY OF FONTANA

**SAN BERNARDINO COUNTY RECORDER'S CERTIFICATE:**

THIS MAP HAS BEEN FILED UNDER DOCUMENT NUMBER 2022-0266763  
 THIS 3<sup>rd</sup> DAY OF August, 2022 AT 10:30 A.M. IN  
 BOOK 90 OF Records AT PAGE 50, AT THE  
 REQUEST OF THE CITY OF FONTANA  
 IN THE AMOUNT OF \$ 11.00

BOB DUTTON  
 ASSESSOR - RECORDER  
 SAN BERNARDINO COUNTY

BY: *Bob Dutton*  
 DEPUTY RECORDER



PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 111 (MONTERADO)  
 COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.

**ALLARD ENGINEERING**  
 18668 SEVILLE AVENUE  
 FONTANA, CA 92335  
 (909) 356-1815 FAX (909) 356-1795

SHEET  
 1 OF 1

**TRACT MAP No. 2024 & SITE PLAN**

# TRACT MAP NO. 20224

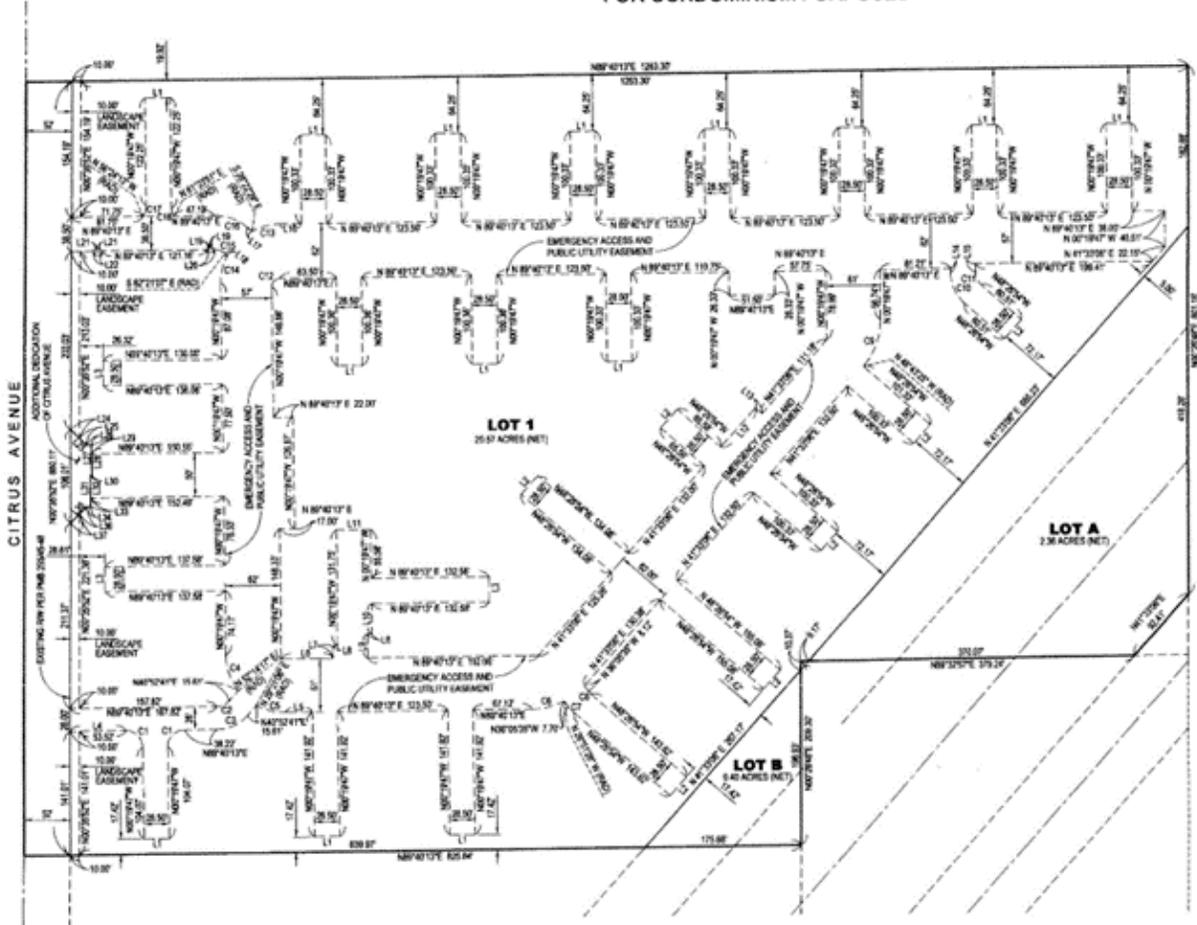
IN THE CITY OF FONTANA

BEING A SUBDIVISION OF PARCEL 1 OF PARCEL MAP NO. 20010, FILED IN BOOK 255 OF PARCEL MAPS, PAGES 45 THROUGH 48, INCLUSIVE, RECORDS OF SAN BERNARDINO COUNTY, STATE OF CALIFORNIA

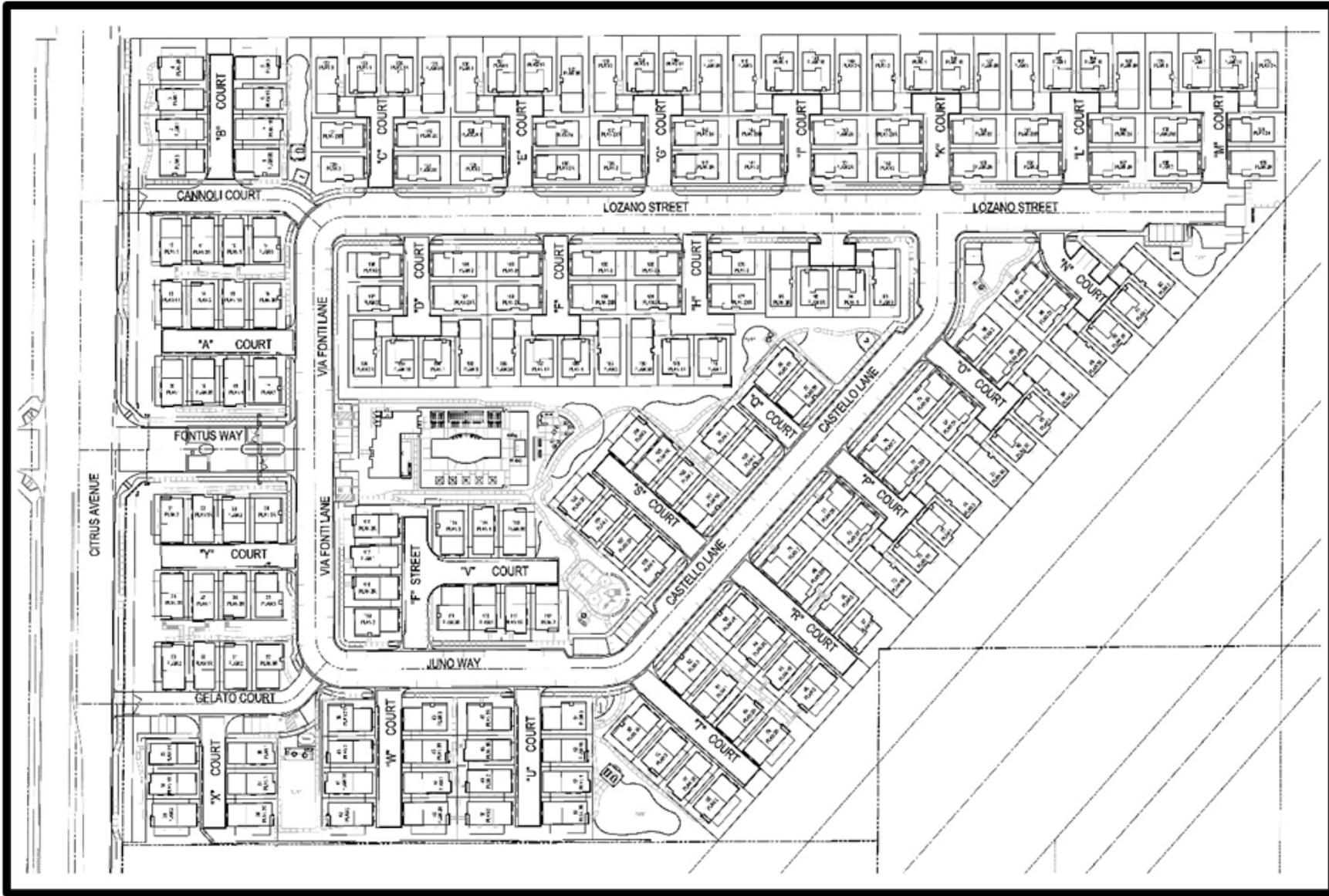
ALLARD ENGINEERING

FEBRUARY, 2021

FOR CONDOMINIUM PURPOSES



CURVE TABLE				LINE DATA TABLE			
NO.	RADIUS	DELTA	LENGTH	TAN	NO.	BEARING	LENGTH
C1	19.87	30°30'00"	26.87	19.00	L1	N89°47'17"E	26.50
C2	19.87	48°47'32"	16.18	8.82	L2	N43°20'07"E	26.50
C3	45.00	48°47'32"	26.32	20.41	L3	N89°47'17"E	26.50
C4	98.00	37°29'50"	43.12	22.36	L4	N89°47'17"E	26.50
C5	98.00	37°29'50"	34.36	17.89	L5	N89°47'17"E	26.88
C6	81.87	26°37'42"	37.50	19.00	L6	N00°19'47"W	14.33
C7	41.87	17°27'18"	9.72	4.87	L7	N89°47'17"E	5.00
C8	16.50	17°27'18"	3.90	1.79	L8	N89°47'17"E	5.00
C9	80.87	47°36'02"	50.00	30.39	L9	N00°19'47"W	27.48
C10	47.87	48°07'02"	39.89	21.21	L10	N89°19'47"W	24.54
C11	16.00	48°07'02"	15.96	8.48	L11	N89°47'17"E	36.10
C12	8.00	47°36'02"	14.14	8.00	L12	N43°20'07"E	36.10
C13	88.00	28°02'41"	32.31	16.49	L13	N89°28'54"E	10.00
C14	88.00	27°58'47"	32.23	16.44	L14	N89°19'47"W	4.46
C15	16.50	47°36'02"	11.51	6.26	L15	N89°19'47"W	9.96
C16	16.50	47°36'02"	26.80	20.87	L16	N89°47'17"E	24.42
C17	21.50	39°50'50"	12.72	6.56	L17	N89°47'17"E	6.51
C18	19.87	28°18'22"	8.38	4.29	L18	N89°47'17"E	4.27
					L19	N89°19'47"W	3.02
					L20	N89°47'17"E	8.84
					L21	N00°19'47"W	5.92
					L22	N89°47'17"E	9.97
					L23	N89°19'47"W	25.20
					L24	N89°19'47"W	14.03
					L25	N89°19'47"W	11.22
					L26	N89°47'17"E	5.47
					L27	N00°19'47"W	30.00
					L28	N00°19'47"W	25.00
					L29	N00°19'47"W	10.00
					L30	N89°47'17"E	1.94
					L31	N00°19'47"W	25.00
					L32	N00°19'47"W	25.00
					L33	N00°19'47"W	10.00
					L34	N89°47'17"E	4.82
					L35	N89°47'17"E	26.88
					L36	N89°47'17"E	11.40
					L37	N89°19'47"E	14.26



# **DISCOUNTED CASH FLOW ANALYSIS**

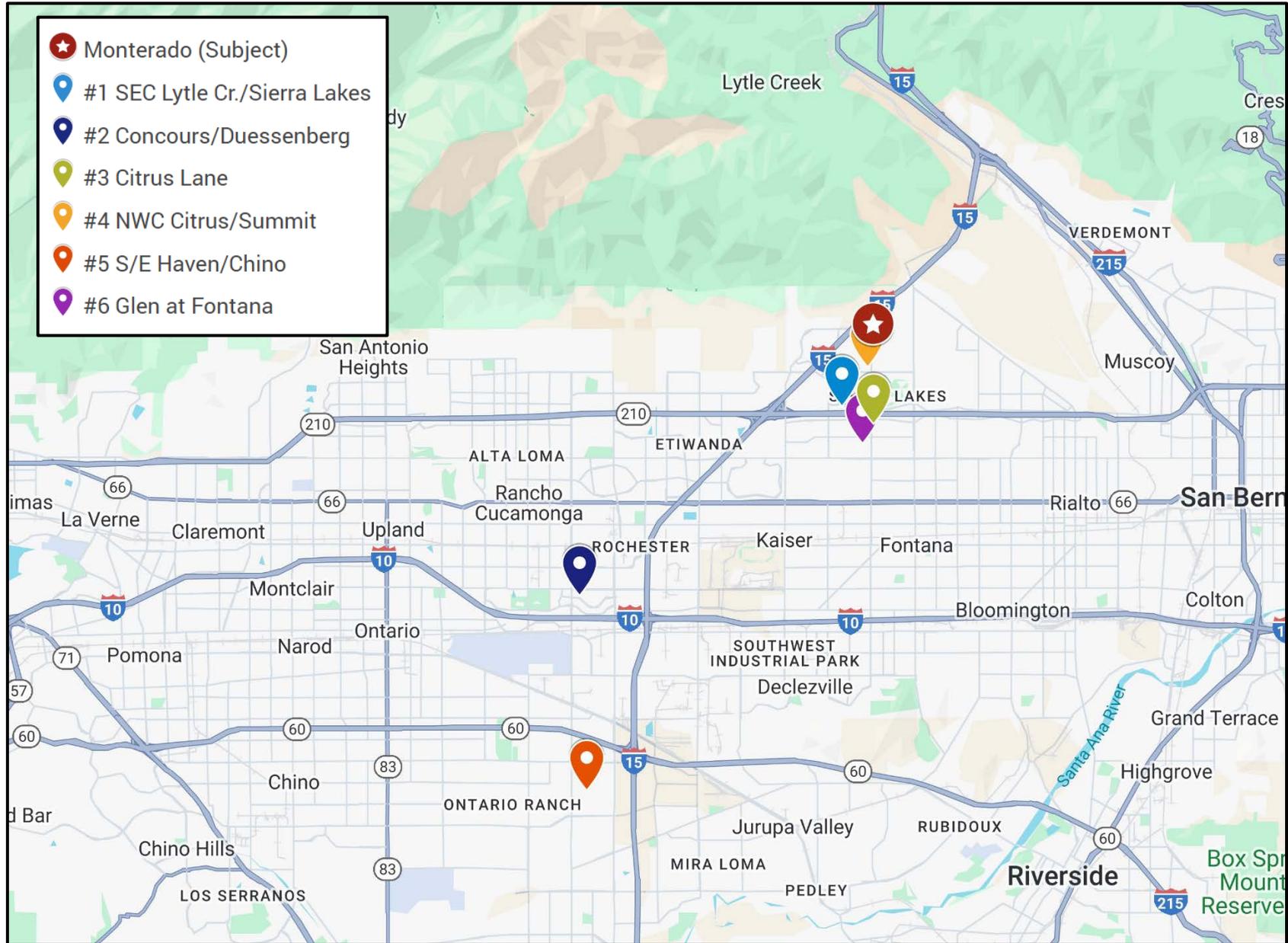
**Fontana CFD 111 Monterado - Lennar-Owned Houses DCF**

MONTH	Months	MONTH 1	MONTH 2	MONTH 3	<b><u>TOTAL</u></b>
	3				
<b>INCOME:</b>					
Retail Sales	8,148,930	\$2,716,310	\$2,716,310	\$2,716,310	\$8,148,930
<b>TOTAL INCOME</b>		<b><u>\$2,716,310</u></b>	<b><u>\$2,716,310</u></b>	<b><u>\$2,716,310</u></b>	<b><u>\$8,148,930</u></b>
<b>EXPENSES:</b>					
Remaining Costs		(\$335,052)	(\$335,052)	(\$335,052)	(\$1,005,156)
Marketing & Carrying Expenses	10%	(\$271,631)	(\$271,631)	(\$271,631)	(\$814,893)
Profit	10%	(\$271,631)	(\$271,631)	(\$271,631)	(\$814,893)
<b>TOTAL EXPENSES</b>		<b>(\$878,314)</b>	<b>(\$878,314)</b>	<b>(\$878,314)</b>	<b>(\$2,634,942)</b>
<b>NET CASH FLOW</b>		<b>\$1,837,996</b>	<b>\$1,837,996</b>	<b>\$1,837,996</b>	<b>\$5,513,988</b>
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
<b>DISCOUNTED CASH FLOW</b>		<b>\$1,822,806</b>	<b>\$1,807,741</b>	<b>\$1,792,801</b>	<b>\$5,423,349</b>
<b>CUMULATIVE DISCOUNTED CASH FLOW</b>		<b><u>\$1,822,806</u></b>	<b><u>\$3,630,547</u></b>	<b><u>\$5,423,349</u></b>	<b><u>\$5,423,349</u></b>

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

# FINISHED LOT LAND SALES MAP

- ★ Monterado (Subject)
- 📍 #1 SEC Lytle Cr./Sierra Lakes
- 📍 #2 Concours/Duessenberg
- 📍 #3 Citrus Lane
- 📍 #4 NWC Citrus/Summit
- 📍 #5 S/E Haven/Chino
- 📍 #6 Glen at Fontana

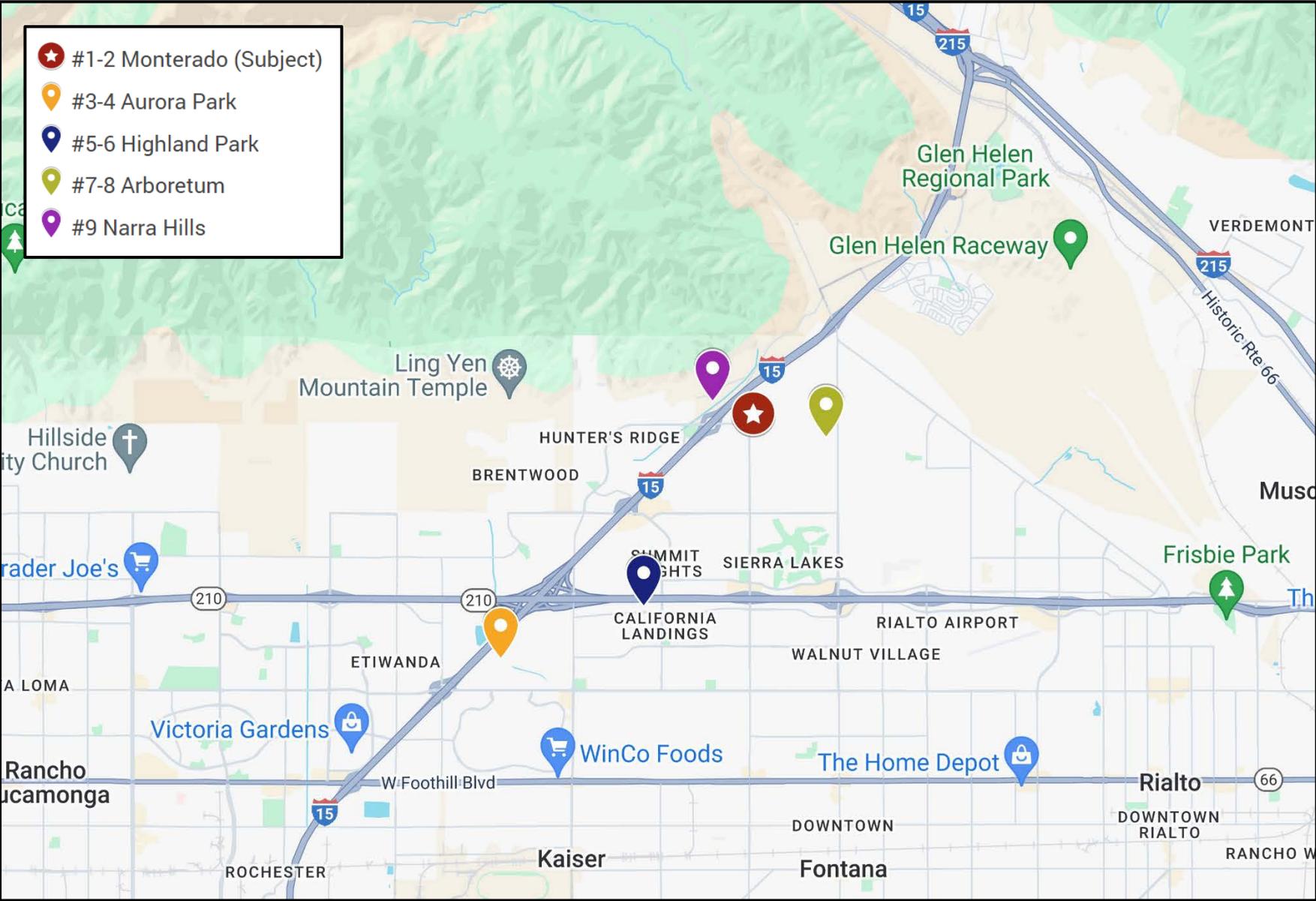


**FINISHED LOT LAND SALES SUMMARY CHART**

<b>Data No.</b>	<b>Location / APN / Buyer / Seller</b>	<b>Sales Date</b>	<b># Lots</b>	<b>Lot Size</b>	<b>Sales Price / Price per Lot</b>	<b>Est. Finished Lot Price</b>	<b>Comments</b>
1	SEC Lytle Creek Road and Sierra Lakes Parkway, Fontana / 1108-052-various / DR Horton / Sobrato Foundation	Sept-23	143	13.9 du/ac	\$9,850,000 / \$68,881	\$225,000	Sold with mapping in place and final engineering underway. Will have 96 attached units and 47 detached cluster units. This site rears to the I-210 freeway.
2	N/S Concoors Street at Duessenberg Drive, Ontario Proper / 0210-531-16 & 30 / Shea / Lewis Group of Companies	Aug-23	84	25 du/ac	\$8,245,000 / \$98,154	\$198,651	Site is 3.3 acres in Ontario proper (not within Ontario Ranch). Proposed for attached product.
3	Citrus Lane, SE of Citrus and Highland Avenues, Fontana / 0240-011-17 / DR Horton / 6997 Citrus LLC	Aug-23	68	15.7 du/ac	\$6,300,000 / \$92,647	\$215,000	Sold with tentative mapping in an unimproved condition.
4	NWC Citrus and Summit Avenues, Fontana / 1107-262-37 / DR Horton / Aky LLC	July-23	85	9.4 du/ac	\$9,850,000 / \$115,882	\$265,000	Sold with mapping in place and final engineering underway.
5	S/E Haven Avenue and Chino Avenue; east of Twinkle Avenue, Ontario Ranch / 0218-203-03+ / Land Sea / Haven Ontario NMC 2 LLC (Richland)	June-23	144	14.5 du/ac	\$16,924,000 / \$117,528	\$235,000	12-unit attached courtyard product. Closed in unimproved condition with mapping in place.
6	Glen at Fontana, N/S Chase Road, W/O Citrus Avenue, Fontana / 0228-151-17, 18 & 19 / RC Homes / Masjedi Family	Oct- 22	46 (92)	6.7 du/ac (13.5 du/ac)	\$3,525,000 / \$76,630 (\$38,315)	\$315,000 (\$165,000)	Product is for a house on small lot with a separate ADU which creates the 92 units rather than 46. The information is reported for both first, just the main houses and secondly for both the main house and the ADU.

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

**IMPROVED RESIDENTIAL SALES SUMMARY MAP**



**IMPROVED RESIDENTIAL SALES SUMMARY CHART**

<b>Data No.</b>	<b>Project Name Location/Developer</b>	<b>Plan</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Size (SF)</b>	<b>Lot Size / Absorption</b>	<b>Base Sales Price</b>	<b>Price/SF</b>
1	Rivello at Monterado, Citrus Avenue and Duncan Canyon Road, Fontana / Lennar	1	3 / 2.5	2 / 2	1,795	2,000+- sf	\$581,990	\$324.18
		2	4 / 2.5	2 / 2	1,832	(Alley-load)	\$577,900	\$315.45
		3	4 / 2.5	2 / 2	2,007	4.5 sales/mo	\$583,990	\$290.97
2	Salerno at Monterado, Citrus Avenue and Duncan Canyon Road, Fontana / Lennar	1	3 / 2.5	2 / 2	1,822	2,000+- sf	\$582,900	\$319.92
		2	4 / 2.5	2 / 2	1,932	(Det.Cluster)	\$592,900	\$306.88
		3	5 / 2.5	2 / 2	2,207	4.1 sales/mo	\$621,990	\$281.82
3	Sienna at Aurora Park, Victoria Street and Kestral Drive, Fontana / TRI Pointe Homes (final base prices – nearing sell-out)	1	3 / 2.5	2 / 2	1,867	2,000 sf lots	\$610,250	\$326.86
		2	3 / 2.5	2 / 3	2,090	(Alley-load)	\$644,200	\$308.23
		3	4 / 3	2 / 3	2,264	2.5 sales/mo	\$684,000	\$302.12
4	Goldenrod at Aurora Park, Victoria Street and Kestral Drive, Fontana / TRI Pointe Homes	1	3 / 2.5	2 / 2	2,006	2,000 sf lots	\$682,100	\$340.03
		2	4 / 3	2 / 2	2,312	(Det. Cluster)	\$735,000	\$317.91
		3	5 / 4	2 / 3	2,777	2.2 sales/mo	\$771,200	\$277.71
5	Cascade at Highland Park, South Highland Avenue and San Servaine Road, Fontana / Richmond American	1	3 / 2.5	2 / 2	1,860	5,000 sf lot 2.0 sales/mo	\$586,990	\$315.59
		2	3 / 2.5	2 / 3	1,930		\$604,990	\$313.47
		3	4 / 3	2 / 3	2,065		\$642,990	\$311.38
6	Talise at Highland Park, South Highland Avenue and San Servaine Road, Fontana / Richmond American	1	3 / 2.5	2 / 2	1,410	5,000 sf lots 2.9 sales/mo	\$527,990	\$374.46
		2	3 / 2.5	2 / 2	1,650		\$545,990	\$331.51
		3	3 / 2.5	2 / 2	1,710		\$552,990	\$323.39
		4	4 / 3	2 / 2	1,950		\$596,990	\$306.15
7	Blue Sage at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar	1	3 / 2.5	2 / 2	1,651	2,000 sf lots (Zero lot line) 3.4 sales/mo	\$573,590	\$347.42
		2	4 / 2.5	2 / 2	1,761		\$590,290	\$335.20
		3	4 / 2.5	2 / 2	1,862		\$596,990	\$320.62
		4	4 / 2.5	2 / 2	1,970		\$604,490	\$306.85
8	Dayflower at the Arboretum, Cassava Road and Fieldcress Drive, Fontana / Lennar	1	3 / 2	2 / 2	1,582	Cluster with Plan 1 Att. 3.1 sales/mo	\$481,390	\$304.29
		2	4 / 3	2 / 2	1,563		\$499,900	\$319.83
		3	4 / 3	2 / 2	1,669		\$508,900	\$304.91
9	Clementine at Nara Hills, Lytle Creek Road and Duncan Canyon Road, Fontana, LandSea	1	3 / 2.5	2 / 2	1,372	Duplex 3.3 sales/mo	N/A	N/A
		2	3 / 2.5	2 / 2	1,450		\$578,300	\$398.83
		3	4 / 2.5	2 / 2	1,661		\$609,900	\$367.19

## **APPRAISER'S QUALIFICATIONS**

# QUALIFICATIONS OF KITTY S. SIINO, MAI

## Education

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

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

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

## Employment

1988 - Present:

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

1986-1988:

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

1981 - 1986

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

1980 - 1981

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

**Licenses**

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

**Organizations**

MAI #11145 - The Appraisal Institute

**Public Financing**

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2022

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